

**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, 2015 AND 2014

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

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015 AND 2014

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

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, and the changes in 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 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 4e and the required supplementary information on pages 25 through 30 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 31 through 34 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, 2013, 2012, 2011, and 2010 (which are not presented herein), and we expressed unmodified opinions on those financial statements. In our opinion, the information on page 33 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 2, 2016

**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 (the Plan) for the years ended December 31, 2015 and 2014. 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 position held in trust for future benefit payments and any liabilities as of the Plan's year end. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

**Combining Statements of Changes in Pension Plan 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, employer contributions and investment returns.

**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** decreased by \$8,986,804 or 4.5% from \$201,309,174 at December 31, 2014 to \$192,322,370 at December 31, 2015. Comparatively, 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. The change in net position for both years was primarily due to the fluctuation in the fair value of the investments.

The **rate of return** of the Plan's investment portfolio was 1.5% for 2015, 7.1% for 2014 and 17.5% for 2013.

## 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:

	<b>Net Position</b>				
	<b>As of December 31,</b>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Current Year</u> <u>(Decrease) in</u>	
				<u>Dollars</u>	<u>Percent</u>
Total assets	\$ 210,995,051	\$ 221,724,409	\$ 219,932,655	\$ (10,729,358)	- 4.8%
Total liabilities	<u>18,672,681</u>	<u>20,415,235</u>	<u>20,191,913</u>	<u>(1,742,554)</u>	<u>- 8.5%</u>
Net position	<u>\$ 192,322,370</u>	<u>\$ 201,309,174</u>	<u>\$ 199,740,742</u>	<u>\$ (8,986,804)</u>	<u>- 4.5%</u>



## 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,

	2015	2014	2013	Current Year	
				Increase/(Decrease) in Dollars	Percent
<b>Additions:</b>					
Employer contributions	\$ 3,462,037	\$ 3,136,752	\$ 2,863,145	\$ 325,285	10.4%
Employee contributions	2,771,533	2,645,164	2,687,211	126,369	4.8%
Annuitant healthcare benefits contributions	1,134,920	1,193,549	1,190,706	(58,629)	-4.9%
Net investment income (includes security lending activities)	2,549,975	13,525,606	30,383,512	(10,975,631)	-81.1%
Other	<u>240,278</u>	<u>204,853</u>	<u>159,383</u>	<u>35,425</u>	17.3%
Total additions	<u>10,158,743</u>	<u>20,705,924</u>	<u>37,283,957</u>	<u>(10,547,181)</u>	-50.9%
<b>Deductions:</b>					
Benefits	18,347,316	17,858,418	16,858,913	488,898	2.7%
Refunds	635,908	961,637	958,707	(325,729)	-33.9%
Employee transfers to (from) Cook County	18,370	175,370	(106,012)	(157,000)	-89.5%
Administrative expenses	<u>143,953</u>	<u>142,067</u>	<u>119,019</u>	<u>1,886</u>	1.3%
Total deductions	<u>19,145,547</u>	<u>19,137,492</u>	<u>17,830,627</u>	<u>8,055</u>	0.0%
Net increase (decrease)	(8,986,804)	1,568,432	19,453,330	(10,555,236)	-673.0%
<b>Net position:</b>					
Beginning of year	<u>201,309,174</u>	<u>199,740,742</u>	<u>180,287,412</u>	<u>1,568,432</u>	0.8%
End of year	<u>\$ 192,322,370</u>	<u>\$ 201,309,174</u>	<u>\$ 199,740,742</u>	<u>\$ (8,986,804)</u>	-4.5%

### **Additions to Net Position**

Total additions were \$10,158,743 in 2015, \$20,705,924 in 2014 and \$37,283,957 in 2013.

Employer contributions increased to \$3,462,037 in 2015 from \$3,136,752 in 2014 and were \$2,863,145 in 2013. Employer contributions are statutorily set at 1.30 times employee contributions collected two years prior.

Employee contributions, including permissive service credit purchases, increased to \$2,771,533 in 2015 from \$2,645,164 in 2014 and were \$2,687,211 in 2013. Employees contribute 8.5% of covered wages.

Annuitant healthcare benefits contributions decreased to \$1,134,920 in 2015 from \$1,193,549 in 2014 and were \$1,190,706 in 2013. Annuitant healthcare benefits contributions fluctuate from year to year based on participation and healthcare costs.

Net investment income totaled \$2,549,975 for 2015 compared to \$13,525,606 for 2014. Comparatively, net investment income totaled \$30,383,512 for 2013. Investment earnings fluctuate primarily from the overall performance of the financial markets from year to year.

### **Deductions to Net Position**

Total deductions were \$19,145,547 in 2015, \$19,137,492 in 2014 and \$17,830,627 in 2013.

Benefits increased to \$18,347,316 in 2015 from \$17,858,418 in 2014 and \$16,858,913 in 2013 primarily due to the 3% annual cost of living increases for annuitants.

Refunds decreased to \$635,908 in 2015 from \$961,637 in 2014 and decreased from \$958,707 in 2013. 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 \$143,953 in 2015 from \$142,067 in 2014. Comparatively, the cost to administer the Plan increased to \$142,067 in 2014 from \$119,019 in 2013.

## Actuarial Information

### Pension Benefits

Under GASB Statement No. 67, *Financial Reporting for Pension Plans*, the Plan's funding for pension benefits is as follows:

	<b>Funding for Pension Benefits For the Years Ended December 31,</b>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability	\$ 457,577,963	\$ 416,145,173	\$ 403,494,413
Plan fiduciary net position	<u>(192,322,370)</u>	<u>(201,309,174)</u>	<u>(199,740,742)</u>
Employer's net pension liability	<u>\$ 265,255,593</u>	<u>\$ 214,835,999</u>	<u>\$ 203,753,671</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>42.03%</u>	<u>48.37%</u>	<u>49.50%</u>

### 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:

	<b>Funding for Postemployment Healthcare Benefits For the Years Ended December 31,</b>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unfunded actuarial accrued liability	<u>\$ 49,478,790</u>	<u>\$ 47,212,173</u>	<u>\$ 47,113,653</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.

**Actuarial Information (continued)**

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:

	<b>Funding for Combined Pension and Postemployment Healthcare Benefits For the Years Ended December 31,</b>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unfunded actuarial accrued liability	<u>\$ 129,035,098</u>	<u>\$ 125,316,848</u>	<u>\$ 124,364,683</u>
Funded ratio	<u>60.02%</u>	<u>60.25%</u>	<u>59.48%</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, 2015 AND 2014

	2015		2014	
	Total	Pension	Total	Pension
<b>ASSETS</b>				
<b>RECEIVABLES</b>				
Employer contributions less allowance of \$105,112 in 2015 and \$114,201 in 2014	\$ 3,442,879	\$ 3,096,246	\$ 3,100,949	\$ 2,788,089
Employee contributions	15,650	15,650	13,230	-
Accrued investment income	246,588	246,588	263,808	-
Receivable for securities sold	400,073	400,073	5,514,847	-
Other	500	500	-	-
Total receivables	<u>4,105,690</u>	<u>3,759,057</u>	<u>8,892,834</u>	<u>8,579,974</u>
				Postemployment Healthcare
				<u>\$ 312,860</u>
<b>INVESTMENTS</b>				
U.S. and international equities	98,025,342	98,025,342	104,512,209	-
U.S. Government and government agency obligations	11,425,544	11,425,544	11,237,365	-
Corporate bonds	5,537,245	5,537,245	5,583,643	-
Collective international equity fund	9,804,800	9,804,800	11,097,933	-
Commingled fixed income fund	20,557,963	20,557,963	26,112,720	-
Exchange traded funds	6,398,130	6,398,130	5,945,592	-
Hedge fund	19,670,830	19,670,830	19,255,350	-
Real estate	11,720,644	11,720,644	7,684,241	-
Short-term investments	6,245,539	6,245,539	2,209,864	-
Total investments	<u>189,386,037</u>	<u>189,386,037</u>	<u>193,638,917</u>	<u>193,638,917</u>
<b>COLLATERAL HELD FOR SECURITIES ON LOAN</b>				
Total assets	<u>17,503,324</u>	<u>17,503,324</u>	<u>19,192,658</u>	<u>19,192,658</u>
	<u>210,995,051</u>	<u>210,648,418</u>	<u>221,724,409</u>	<u>221,411,549</u>
<b>LIABILITIES</b>				
ACCOUNTS PAYABLE	81,260	81,260	75,361	-
HEALTHCARE BENEFITS PAYABLE	346,633	-	312,860	312,860
DUE TO COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY	443,584	443,584	542,267	-
PAYABLE FOR SECURITIES PURCHASED	297,880	297,880	292,089	-
SECURITIES LENDING COLLATERAL	17,503,324	17,503,324	19,192,658	-
Total liabilities	<u>18,672,681</u>	<u>18,326,048</u>	<u>20,415,235</u>	<u>20,102,375</u>
<b>NET POSITION</b>				
Net position restricted for pensions	192,322,370	192,322,370	201,309,174	-
Net position held in trust for postemployment healthcare benefits	-	-	-	-
Total	<u>\$ 192,322,370</u>	<u>\$ 192,322,370</u>	<u>\$ 201,309,174</u>	<u>\$ 312,860</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, 2015 AND 2014

	2015			2014		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
<b>ADDITIONS</b>						
Employer contributions	\$ 3,462,037	\$ 1,763,345	\$ 1,698,692	\$ 3,136,752	\$ 1,520,316	\$ 1,616,436
Employee contributions	2,687,866	2,687,866	-	2,542,583	2,542,583	-
Salary deductions	44,383	44,383	-	65,898	65,898	-
Refund repayments	358	358	-	2,701	2,701	-
Former and miscellaneous service payments	38,926	38,926	-	33,982	33,982	-
Deductions in lieu of disability	2,771,533	2,771,533	-	2,645,164	2,645,164	-
Total employee contributions	1,134,920	-	1,134,920	1,193,549	-	1,193,549
Annuity healthcare benefits contributions						
Investment income	(75,184)	(75,184)	-	10,686,264	10,686,264	-
Net appreciation (depreciation) in fair value of investments	2,509,137	2,509,137	-	2,478,640	2,478,640	-
Dividends	603,654	603,654	-	925,373	925,373	-
Interest	3,037,607	3,037,607	-	14,090,277	14,090,277	-
Less investment expenses	(583,256)	(583,256)	-	(613,597)	(613,597)	-
Net investment income	2,454,351	2,454,351	-	13,476,680	13,476,680	-
Securities lending						
Income	116,652	116,652	-	60,237	60,237	-
Expenses	(21,028)	(21,028)	-	(11,311)	(11,311)	-
Net securities lending income	95,624	95,624	-	48,926	48,926	-
Other						
Medicare Part D subsidy	125,196	-	125,196	154,957	-	154,957
Prescription plan rebates	103,640	-	103,640	49,896	-	49,896
Miscellaneous	11,442	11,442	-	-	-	-
Total other additions	240,278	11,442	228,836	204,853	-	204,853
Total additions	10,158,743	7,096,295	3,062,448	20,705,924	17,691,086	3,014,838
<b>DEDUCTIONS</b>						
Benefits						
Annuity	12,820,708	12,820,708	-	12,464,872	12,464,872	-
Employee	2,281,100	2,281,100	-	2,206,512	2,206,512	-
Spouse and children						
Disability	163,707	163,707	-	159,296	159,296	-
Ordinary	19,353	19,353	-	12,900	12,900	-
Duty	3,062,448	-	3,062,448	3,014,838	-	3,014,838
Healthcare	18,347,316	15,284,868	3,062,448	17,858,418	14,843,580	3,014,838
Total benefits	635,908	635,908	-	961,637	961,637	-
Refunds						
Employee transfers to (from) County Employees' and Officers' Annuity and Benefit Fund of Cook County	18,370	18,370	-	175,370	175,370	-
Administrative expenses	143,953	143,953	-	142,067	142,067	-
Total deductions	19,145,547	16,083,099	3,062,448	19,137,492	16,122,654	3,014,838
NET INCREASE (DECREASE)	(8,986,804)	(8,986,804)	-	1,568,432	1,568,432	-
NET POSITION						
Beginning of year	201,309,174	201,309,174	-	199,740,742	199,740,742	-
End of year	\$ 192,322,370	\$ 192,322,370	\$ -	\$ 201,309,174	\$ 201,309,174	\$ -

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2015 AND 2014

**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.

**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.

**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.

**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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets** - The Plan has set a capitalization threshold of \$100,000 for all capital asset types. As of December 31, 2015 and 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.

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

**Subsequent Events** - Subsequent events have been evaluated through June 2, 2016, which is the date the financial statements were available to be issued.

**NOTE 2. PLAN DESCRIPTION**

The Plan 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 Plan 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, 2015 and 2014 was \$32,007,657 and \$29,811,912 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, 2015 and 2014, participants consisted of the following:

	<u>2015</u>	<u>2014</u>
Active members	568	525
Retired members	383	384
Beneficiaries	146	151
Inactive members	<u>1,149</u>	<u>1,186</u>
Total	<u>2,246</u>	<u>2,246</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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 457,577,963	\$ 416,145,173
Plan fiduciary net position	<u>192,322,370</u>	<u>201,309,174</u>
Employer's net pension liability	<u>\$ 265,255,593</u>	<u>\$ 214,835,999</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>42.03%</u>	<u>48.37%</u>

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios on page 25 of the required supplementary information for additional information related to the funded status of the Plan.

The net pension liability was determined by actuarial valuations performed as of December 31, 2015 and 2014 using the following actuarial methods and assumptions:

Actuarial valuation dates	December 31, 2015 and 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, 2015 and 2014 valuations 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 rates used to measure the total pension liability at December 31, 2015 and 2014 were 4.23% and 4.66% respectively. 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. Municipal bond rates of 3.20% and 3.34% at December 31, 2015 and 2014, respectively, and the long-term investment rate of return of 7.50% were used in the development of the blended discount rates. The municipal bond rates are based on the S&P Municipal Bond 20 Year High Grade Rate Index.

**Discount Rate Sensitivity**

The following is an analysis of the net pension liability's sensitivity to changes in the discount rate at December 31, 2015 and 2014. The following table presents the net pension liability of the employer using the blended discount rate as well as the employer's net pension liability calculated using a discount rate 1 percent lower and 1 percent higher than the current discount rate:

	1% Decrease 3.23%	Current Discount Rate 4.23%	1% Increase 5.23%
Net Pension Liability - December 31, 2015	<u>\$ 344,128,366</u>	<u>\$ 265,255,593</u>	<u>\$ 203,107,690</u>
	1% Decrease 3.66%	Current Discount Rate 4.66%	1% Increase 5.66%
Net Pension Liability - December 31, 2014	<u>\$ 283,619,141</u>	<u>\$ 214,835,999</u>	<u>\$ 160,243,813</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, 2015 and 2014 are as follows:

	2015			
	<u>Pension</u>	<u>Postemployment Healthcare</u>	<u>Assumption Adjustment</u>	<u>Combined</u>
Employer normal cost	\$ 2,762,204	\$ 1,696,693	\$ (1,138,143)	\$ 3,320,754
Amortization of UAAL	8,300,758	2,773,615	(1,203,924)	9,870,449
Interest cost	-	167,211	(167,211)	-
Actuarially determined contribution	11,062,962	4,637,519		13,191,203
Expected net employer contribution	<u>(1,763,345)</u>	<u>(1,698,692)</u>	73,464	<u>(3,388,573)</u>
Expected employer contribution short-fall	<u>\$ 9,299,617</u>	<u>\$ 2,938,827</u>		<u>\$ 9,802,630</u>
Actuarially determined multiplier				<u>5.06</u>
Present authorized multiplier				<u>1.30</u>
	2014			
	<u>Pension</u>	<u>Postemployment Healthcare</u>	<u>Assumption Adjustment</u>	<u>Combined</u>
Employer normal cost	\$ 2,601,939	\$ 1,706,221	\$ (1,031,042)	\$ 3,277,118
Amortization of UAAL	7,564,722	2,767,828	(537,098)	9,795,452
Interest cost	-	167,102	(167,102)	-
Actuarially determined contribution	10,166,661	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>\$ 8,646,345</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>

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, 2015 and 2014, 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%	9.05%
International equities	23.00%	7.61%
Fixed income	29.00%	1.79%
Real estate	9.00%	6.91%
Hedge funds	<u>9.00%</u>	4.68%
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, 2013 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 1.5% and 7.1% for the years ended December 31, 2015 and 2014, respectively. 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, 2015 and 2014. Investments that represent 5% or more of the Plan's net position are separately identified.

<u>Investments</u>	<u>2015</u>	<u>2014</u>
U.S. and international equities	\$ 98,025,342	\$ 104,512,209
U.S. Government and government agency obligations	11,425,544	11,237,365
Corporate bonds	5,537,245	5,583,643
Collective international equity fund:		
Lazard Emerging Markets Sudan Free Fund	9,804,800	11,097,933
Commingled fixed income fund:		
BNY Mellon EB DV Non-Securities Lending		
Aggregate Bond Index Fund	20,557,963	26,112,720
Exchange traded funds:		
Real estate	6,398,130	5,945,592
Hedge fund:		
Burnham Harbor Fund Ltd.	19,670,830	19,255,350
Real estate:		
Limited partnerships	11,720,644	7,684,241
Short-term investments	6,245,539	2,209,864
Total investments	<u>\$ 189,386,037</u>	<u>\$ 193,638,917</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, 2015 and 2014.

#### *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, 2015 and 2014 as valued by Moody's Investors Service, Standard & Poor's and/or Fitch:

<u>Type of Investment</u>	<u>Rating</u>	<u>2015</u>	<u>2014</u>
U.S. Government and government agency obligations	Aa/AA	<u>\$ 11,425,544</u>	<u>\$ 11,237,365</u>
Corporate bonds	A/A	\$ 1,837,174	\$ 1,705,249
	Baa/BBB	3,348,446	3,488,805
	Ba/BB	351,625	389,590
		<u>\$ 5,537,245</u>	<u>\$ 5,583,644</u>
Commingled fixed income fund	Not Rated	<u>\$ 20,557,963</u>	<u>\$ 26,112,720</u>
Short-term investments	Not Rated	<u>\$ 6,245,539</u>	<u>\$ 2,209,864</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 5.68 years at December 31, 2015 and 5.55 years at December 31, 2014). The following table presents a summarization of the Plan's debt investments at December 31, 2015 and 2014 using the segmented time distribution method:

<u>Type of Investment</u>	<u>Maturity</u>	<u>2015</u>	<u>2014</u>
U.S. Government and government agency obligations	1 - 5 years	\$ 2,413,146	\$ 3,219,975
	5 - 10 years	3,328,693	2,752,416
	Over 10 years	<u>5,683,705</u>	<u>5,264,974</u>
		<u>\$ 11,425,544</u>	<u>\$ 11,237,365</u>
Corporate bonds	< 1 year	\$ -	\$ 208,052
	1 - 5 years	768,998	322,334
	5 - 10 years	3,802,893	3,934,640
	Over 10 years	<u>965,354</u>	<u>1,118,617</u>
	<u>\$ 5,537,245</u>	<u>\$ 5,583,643</u>	
Commingled fixed income fund	5-10 years	<u>\$ 20,557,963</u>	<u>\$ 26,112,720</u>
Short-term investments	< 1 year	<u>\$ 6,245,539</u>	<u>\$ 2,209,864</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, 2015 and 2014 is as follows:

<u>Type of Investment</u>	Fair Value (USD) <u>2015</u>	Fair Value (USD) <u>2014</u>
U.S. and international equities		
Australian dollar	\$ 2,251,796	\$ 3,490,366
British pound sterling	10,120,800	11,141,063
Canadian dollar	932,056	999,604
Danish krone	849,768	-
European euro	7,824,192	7,248,314
Hong Kong dollar	-	405,367
Israeli shekel	351,277	206,526
Japanese yen	6,733,868	7,920,617
New Zealand dollar	825,020	670,884
Norwegian krone	885,152	194,576
Swedish krona	2,218,225	2,390,060
Swiss franc	2,999,393	4,284,551
U.S. dollar	<u>62,033,795</u>	<u>65,560,281</u>
Total U.S. and international equities	<u>\$ 98,025,342</u>	<u>\$ 104,512,209</u>

For the years ended December 31, 2015 and 2014, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was \$10,927,194 and \$8,379,788 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, 2015 and 2014, the Plan's investments included the following forward currency contract balances:

	<u>2015</u>	<u>2014</u>
Hedging derivative instruments		
Forward currency contract receivables	<u>\$ 132,957</u>	<u>\$ 61,338</u>
Forward currency contract payables	<u>\$ 132,957</u>	<u>\$ 61,338</u>

For the years ended December 31, 2015 and 2014, 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 137 days for 2015 and 119 days for 2014; 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, 2015 and 2014 of 78 and 27 days, respectively.

As of December 31, 2015 and 2014, the fair value (carrying amount) of loaned securities was \$20,744,664 and \$20,380,084 respectively. As of December 31, 2015 and 2014, the fair value (carrying amount) of cash collateral received by the Plan was \$17,503,324 and \$19,192,658 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, 2015 and 2014, the fair value (carrying amount) of noncash collateral received by the Plan was \$3,710,684 and \$1,702,899 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 2015 and 2014, 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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Securities loaned - cash collateral		
U.S. and international equities	\$ 10,323,768	\$ 12,755,329
U.S. Government and government agency obligations	131,141	2,136,638
Exchanged traded funds	6,092,686	3,201,747
Corporate bonds	561,066	625,219
Total securities loaned - cash collateral	<u>17,108,661</u>	<u>18,718,933</u>
Securities loaned - non-cash collateral		
U.S. and international equities	677,845	319,545
U.S. Government and government agency obligations	2,602,603	525,945
Exchange traded funds	355,555	815,661
Total securities loaned - non-cash collateral	<u>3,636,003</u>	<u>1,661,151</u>
Total	<u>\$ 20,744,664</u>	<u>\$ 20,380,084</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 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. PGHBP provides a healthcare benefit to annuitants who elect to participate in PGHBP.

As of January 1, 2015, all benefit elections under the PGHBP are fully self-insured. Prior to January 1, 2015, certain benefit elections were insured and others were self-insured. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical costs for the annuitants. Presently, the employee and spouse annuitants pay approximately 48% and 33% of the annual medical costs, respectively. The remaining costs are borne by the Plan. The Plan does not maintain stop-loss insurance coverage for the PGHBP.

**NOTE 8. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN (CONTINUED)**

At December 31, 2015 and 2014, the number of annuitants and surviving spouses participating in the PGHBP, totaled 278 and 287 respectively.

The following is a reconciliation of healthcare benefits payable for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Healthcare benefits payable, January 1	\$ 312,860	\$ 265,164
Claims incurred	3,096,221	3,062,534
Claims paid	<u>(3,062,448)</u>	<u>(3,014,838)</u>
Healthcare benefits payable, December 31	<u>\$ 346,633</u>	<u>\$ 312,860</u>

The Plan's actuary, Segal Consultants, estimated medical claims incurred but not reported (IBNR) as of December 31, 2015 based on industry standards including historical IBNR levels, insurance company studies, lag studies and actuarial assumptions. Prior to January 1, 2015, the Plan estimated the medical claims liability based on actual claims paid and known unpaid claims subsequent to year end. The Plan estimated the prescription claims liability for both December 31, 2015 and 2014 based claims paid subsequent to year end.

**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 subsidizes the cost for postemployment group health benefits in excess of the retiree healthcare premiums with no contribution rate or asset allocation associated with it. Post-employment group healthcare costs are recognized when incurred and estimable.

**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 and annuitant health benefit contributions.

**Health Care Cost Trend Rates** - 2015 - 7.75% in the first year, decreasing by .25% per year until an ultimate rate of 4.75% is reached for pre-medicare. 6.25% in the first year, decreasing by .25% until an ultimate rate of 4.75% is reached for post-medicare. 2014 - 8.0% in the first year, decreasing by .25% per year until an ultimate rate of 4.75% is reached pre-medicare. 6.50% in the first year, decreasing by .25% until an ultimate rate of 4.75% is reached for post-medicare.

**Inflation Rate Assumption** - 3.25% per year.

## **NOTE 8. POSTEMPLOYMENT GROUP HEALTHCARE BENEFIT PLAN (CONTINUED)**

### **Summary of Significant Accounting Policies (continued)**

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

### **Funded Status and Funding Progress**

As of December 31, 2015, the most recent actuarial valuation date, PGHBP was 0.00% funded on an actuarial basis. The actuarial accrued liability for benefits was \$49,478,790 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$49,478,790. The covered payroll (annual payroll of active employees covered by the Plan) was \$32,007,657 and the ratio of the UAAL to the covered payroll was 154.58%.

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, 2015 and 2014, the County Fund allocated administrative expenditures of \$92,675 and \$90,660 respectively.

As of December 31, 2015 and 2014, the Plan owes the County Fund \$443,584 and \$542,267 respectively. These amounts include plan transfers of Plan members transferring from one plan to another.

## NOTE 10. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

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.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement No. 73 establishes requirements for pension plans that are not administered through a trust (not covered by Statements 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as Statement 68, however, the lack of a trust that meets specified criteria is reflected in the measurements. Statement No. 73 is effective for the Plan's fiscal year ending December 31, 2016, except for provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for the Plan's fiscal year ending December 31, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses the financial reports of defined benefit Other Postemployment Benefit Plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and required supplementary information related to the measurement of the Other Postemployment Benefit liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement No. 74 is effective for the Plan's fiscal year ending December 31, 2017.

In June 2015, GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires governments to report a liability on the financial statements for the other postemployment benefits that they provide. Statement No. 75 also requires more extensive note disclosures and required supplementary information about the other postemployment benefit liabilities. Statement No. 75 is effective for the Plan's fiscal year ending December 31, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 identifies the hierarchy of generally accepted accounting principles (GAAP) which consists of the sources of accounting principles used to prepare financial statements of state and local government entities in conformity with GAAP and the framework for selecting those principles. Statement No. 76 reduces the hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement No. 76 is effective for the Plan's fiscal year ending December 31, 2016.

## NOTE 10. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreements including descriptive information, the gross dollar amount of the taxes abated during the period and commitments made by a government as part of the agreement. Statement No. 77 is effective for the Plan's fiscal year ending December 31, 2016.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, to exclude pensions provided to employees of state and local governmental employers through cost-sharing multiple-employer defined benefit pension plan that are not a state or local governmental pension plan, are used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and have no predominant state or local governmental employer. Statement No. 78 is effective for the Plan's fiscal year ending December 31, 2016.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 is effective for the Plan's fiscal year ending December 31, 2016.

In January 2016, GASB issued Statement No. 80, *Blending Requirement for Certain Component Units - an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. Statement No. 80 is effective for the Plan's fiscal year ending December 31, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the Plan's fiscal year ending December 31, 2017.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 is effective for the Plan's fiscal year ending December 31, 2017.

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



**REQUIRED SUPPLEMENTARY INFORMATION - PENSION**

**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**

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 9,656,955	\$ 9,575,195
Interest	19,471,424	18,880,782
Changes of benefit terms	-	-
Difference between expected and actual experience	(270,033)	-
Changes of assumptions	28,495,220	-
Expected benefit payments, including refunds of employee contributions	<u>(15,920,776)</u>	<u>(15,805,217)</u>
Net change in total pension liability	41,432,790	12,650,760
Total pension liability		
Beginning of year	<u>416,145,173</u>	<u>403,494,413</u>
End of year	<u>\$ 457,577,963</u>	<u>\$ 416,145,173</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,763,345	\$ 1,520,316
Contributions - employee	2,771,533	2,645,164
Net investment income	2,549,975	13,525,606
Expected benefit payments, including refunds of employee contributions	(15,920,776)	(15,805,217)
Administrative expenses	(143,953)	(142,067)
Other	<u>(6,928)</u>	<u>(175,370)</u>
Net change in plan fiduciary net position	(8,986,804)	1,568,432
Plan fiduciary net position		
Beginning of year	<u>201,309,174</u>	<u>199,740,742</u>
End of year	<u>\$ 192,322,370</u>	<u>\$ 201,309,174</u>
Employer's net pension liability	<u>\$ 265,255,593</u>	<u>\$ 214,835,999</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>42.03%</u>	<u>48.37%</u>
Covered-employee payroll	<u>\$ 32,007,657</u>	<u>\$ 29,811,912</u>
Employer's net pension liability as a percentage of covered-employee payroll	<u>828.73%</u>	<u>720.64%</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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 11,062,962	\$ 10,166,661	\$ 10,921,946	\$ 9,608,247	\$ 8,590,721	\$ 7,626,778	\$ 4,498,036	\$ 3,329,502	\$ 2,809,494	\$ 2,691,753
Contributions in relation to the actuarially determined contribution	<u>(1,763,345)</u>	<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>
Contribution deficiency	<u>\$ 9,299,617</u>	<u>\$ 8,646,345</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>
Covered employee payroll	<u>\$ 32,007,657</u>	<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>
Contributions as a percentage of covered employee payroll	<u>5.51%</u>	<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>

**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: December 31, 2015

Methods and assumptions used to determine contribution rates

- Actuarial cost method Entry Age Normal
- Amortization method Level Dollar - Open
- Remaining amortization period 30 years
- Asset valuation method Five Year Smoothed Average Market
- Inflation 3.25% per year, compounded annually
- Salary increases 3.75% to 8%, based on age
- Investment rate of return 7.5% per year, compounded annually
- Retirement age Based on actual past experience, assume all employees retire by age 75
- Mortality RP-2000 Blue Collar Mortality Table, base year 2000, fully generational based on Scale BB.
- 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.

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

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION**

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.5%	7.1%

See Report of Independent Auditors.

**REQUIRED SUPPLEMENTARY INFORMATION - POSTEMPLOYMENT HEALTHCARE**

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

**REQUIRED SUPPLEMENTARY INFORMATION - POSTEMPLOYMENT HEALTHCARE**

**SCHEDULE OF FUNDING PROGRESS**

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
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%
2015	\$ -	\$ 49,478,790	\$ 49,478,790	0.00%	\$ 32,007,657	154.58%

(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)
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%
2015	\$ 4,637,519	\$ -	\$ 1,698,692	36.63%

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, 2015 and 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	2015 - 7.75% in the first year, decreasing by .25% per year until an ultimate rate of 4.75% is reached for pre-medicare and 6.25% in the first year decreasing by .25% per year until an ultimate rate of 4.75% is reached for post-medicare  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
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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Administrative expenses allocated from County		
Employees' and Officers' Annuity and Benefit		
Fund of Cook County	\$ 92,675	\$ 90,660
Bank charges	9,460	9,660
Election expense	2,626	-
Membership	435	435
Miscellaneous	-	8,345
Professional and consulting fees	30,757	24,967
Regulatory filing fees	<u>8,000</u>	<u>8,000</u>
Total	<u>\$ 143,953</u>	<u>\$ 142,067</u>
<b>PROFESSIONAL AND CONSULTING FEES</b>		
Actuarial service	\$ 1,857	\$ 2,193
Audit	23,080	18,309
Consulting	1,191	2,402
Legal	3,782	1,212
Lobbyist	<u>847</u>	<u>851</u>
Total	<u>\$ 30,757</u>	<u>\$ 24,967</u>

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

**SCHEDULES OF INVESTMENT EXPENSES**

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>INVESTMENT MANAGER EXPENSE</b>		
American Realty Advisors	\$ -	\$ 36,183
Blackstone Alternative Asset Management	198,139	188,910
Channing Capital Management	72,513	68,496
J.P. Morgan Asset Management	44,212	33,958
Lazard Asset Management, LLC	120,214	112,573
LM Capital Group, LLC	26,310	26,015
Mellon Capital	6,454	6,410
RhumbLine Advisers	4,477	4,967
TIAA-CREF	-	35,747
William Blair & Company	<u>98,412</u>	<u>87,667</u>
Total investment manager expenses	570,731	600,926
<b>INVESTMENT CONSULTING FEES</b>		
Callan Associates Inc.	7,525	7,671
<b>INVESTMENT CUSTODIAN FEES</b>		
BNY Mellon	<u>5,000</u>	<u>5,000</u>
Total investment expenses	<u>\$ 583,256</u>	<u>\$ 613,597</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>	<u>Annuitant Healthcare Benefits Contributions</u>	<u>Net Investment and Net Securities Lending Income (1)</u>	<u>Other (2)</u>	<u>Total Additions</u>
2010	\$ 2,660,034	\$ 2,452,696	\$ 984,039	\$ 20,250,639	\$ 227,553	\$ 26,574,961
2011	\$ 3,255,609	\$ 2,289,027	\$ 1,120,842	\$ 2,021,094	\$ 512,709	\$ 9,199,281
2012	\$ 3,108,976	\$ 2,426,776	\$ 1,127,026	\$ 22,209,855	\$ 212,447	\$ 29,085,080
2013	\$ 2,863,145	\$ 2,687,211	\$ 1,190,706	\$ 30,383,512	\$ 159,383	\$ 37,283,957
2014	\$ 3,136,752	\$ 2,645,164	\$ 1,193,549	\$ 13,525,606	\$ 204,853	\$ 20,705,924
2015	\$ 3,462,037	\$ 2,771,533	\$ 1,134,920	\$ 2,549,975	\$ 240,278	\$ 10,158,743

**DEDUCTIONS BY TYPE**

<u>Year Ended December 31,</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Employee Transfers to (from) Cook County</u>	<u>Administrative Expenses</u>	<u>Total Deductions</u>
2010	\$ 14,027,446	\$ 343,863	\$ 257,975	\$ 104,765	\$ 14,734,049
2011	\$ 14,723,330	\$ 604,314	\$ (328,586)	\$ 103,220	\$ 15,102,278
2012	\$ 15,287,183	\$ 1,188,639	\$ 205,887	\$ 111,662	\$ 16,793,371
2013	\$ 16,858,913	\$ 958,707	\$ (106,012)	\$ 119,019	\$ 17,830,627
2014	\$ 17,858,418	\$ 961,637	\$ 175,370	\$ 142,067	\$ 19,137,492
2015	\$ 18,347,316	\$ 635,908	\$ 18,370	\$ 143,953	\$ 19,145,547

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, 2015

<u>Levy Year</u>	<u>Contributions Receivable</u>	<u>Uncollected Balance</u>	<u>Reserved</u>	<u>Net Contributions Receivable</u>
2014	\$ 3,154,809	\$ 54,617	\$ 10,801	\$ 43,816
2015	\$ 3,493,374	<u>3,493,374</u>	<u>94,311</u>	<u>3,399,063</u>
		<u>\$ 3,547,991</u>	<u>\$ 105,112</u>	<u>\$ 3,442,879</u>

Note:

Employer contributions are funded primarily through a County tax levy.

Uncollected employer contributions for the 2013 and prior levy years are fully reserved.