County Employees' and Officers' Annuity and Benefit Fund of Cook County

A Component Unit of Cook County, Illinois

Popular Annual Financial Report

For the Fiscal Year Ended December 31, 2016
Published December 2017


COOK COUNTY
CCPF
PENSION FUND

▶ Overview

The Cook County Pension Fund ("the Fund" or "the plan") administers retirement, survivor, retiree health, and disability benefits to employees and retirees of Cook County. We are pleased to present the Cook County Fund's Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2016. This is a user-friendly companion to the Cook County Fund's Comprehensive Annual Financial Report (CAFR), making the plan's finances transparent to all members and constituents. The information is compiled from the December 31, 2016 CAFR, which can be found at CookCountyPension.com.

About the Retirement Board

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

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

Overview

Fund Highlights

	2016	2015
Active Employees	20,969	21,596
Retirees & Beneficiaries	17,909	17,597
Actuarial Value of Assets	$9.5 Billion	$9.0 Billion
Fair Value of Assets	$9.1 Billion	$8.6 Billion
Employer Contributions	$464.3 Million	$186.8 Million
Employee Contributions	$139.4 Million	$137.7 Million
Funded Ratio	56.7%	55.4%
Projected Insolvency Date	2038	2041

Members

In a continued effort to address the funding challenges the plan faces, the Cook County Board of Commissioners (the Employer) in 2015, allocated $270.5 million through the Home Rules Sales Tax to the plan for 2016. The additional contributions made a beneficial impact – meeting current benefit payments and allowing fund investments to remain fully intact. The Board continues to advocate for a permanent funding solution that guarantees long-term solvency.

MEMBERS

The plan had a total membership of 52,883 participants, which included active members, annuitants, beneficiaries, and inactive members on December 31, 2016, a slight increase from 52,383 in 2015.

Members

	2012	2013	2014	2015	2016
Active Employees	21,447	21,287	21,656	21,596	20,969
Retirees	13,609	14,080	14,437	14,922	15,222
Beneficiaries	2,565	2,597	2,639	2,675	2,687
Inactives	11,856	12,747	13,194	13,190	14,005
Total	**49,477**	**50,711**	**51,926**	**52,383**	**52,883**

Breakdown of Annuitant Pension Amount

The typical Cook County annuitant receives a modest benefit earned after decades of service. In 2016, the average annual annuity benefit was $38,817.

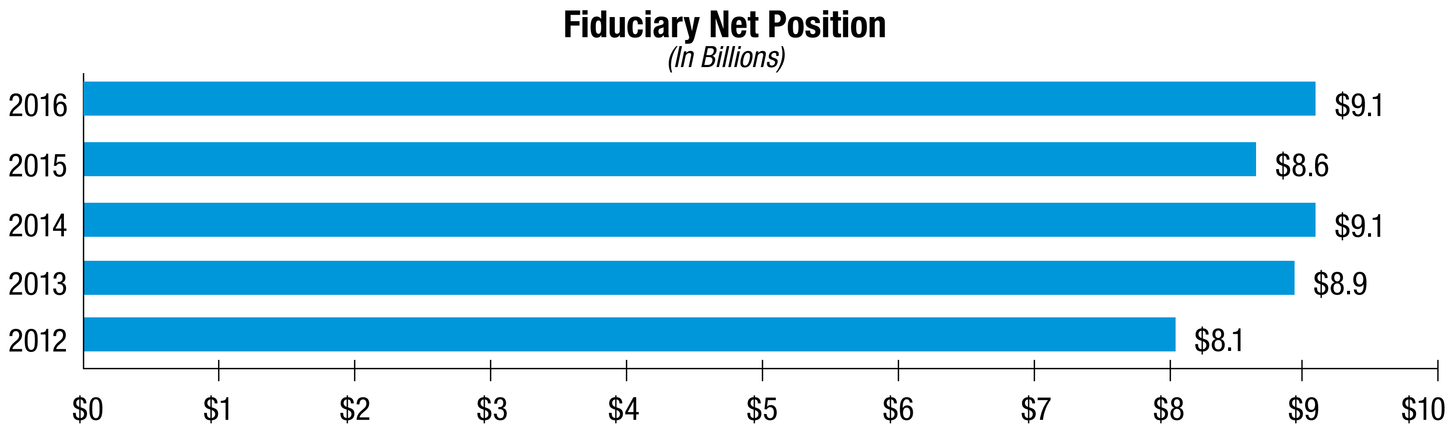
Distribution of Current Annuitants by Pension Amount

Amount of Annual Pension Benefit	Number of Retired Members and Beneficiaries	%
Under $6,000	1,948	10.9%
$6,001-12,000	1,906	10.6%
$12,001-18,000	1,552	8.7%
$18,001-30,000	2,747	15.3%
$30,001-42,000	2,638	14.7%
$42,001-60,000	3,182	17.8%
$60,001-78,000	2,345	13.1%
$78,001-$96,000	987	5.5%
Over $96,001	604	3.4%
	17,909	**100.0%**

▶ Funding

Fiduciary Net Position

The plan's fiduciary net position was $9.1 billion, as of December 31, 2016, which was an increase of about $500 million, or about 5.5%, from 2015.

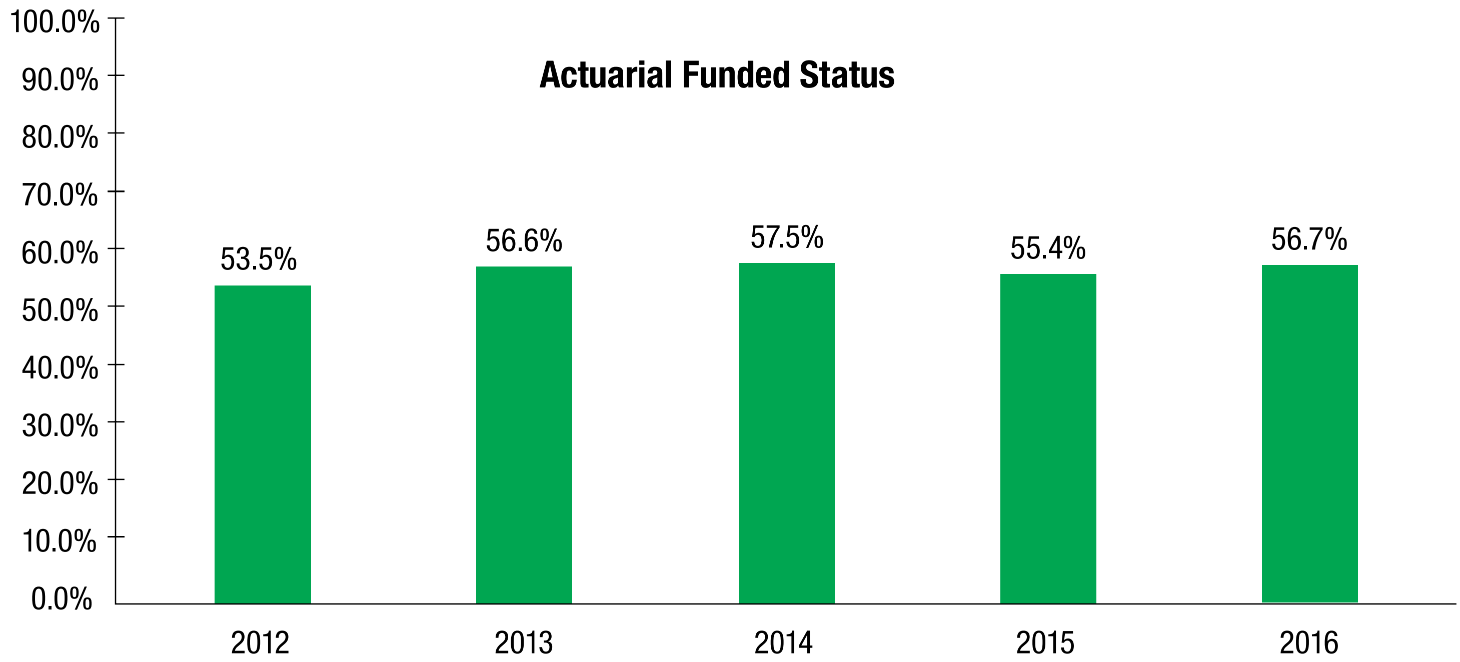


Actuarial Funded Status

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

As of December 31, 2016, the funded status of the plan was 56.7%. This means that for every $1 in benefits promised to members, the plan has about $0.57 to pay out. The 2016 funded ratio represents an increase of 1.3% from 2015 when the ratio was 55.4%.

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



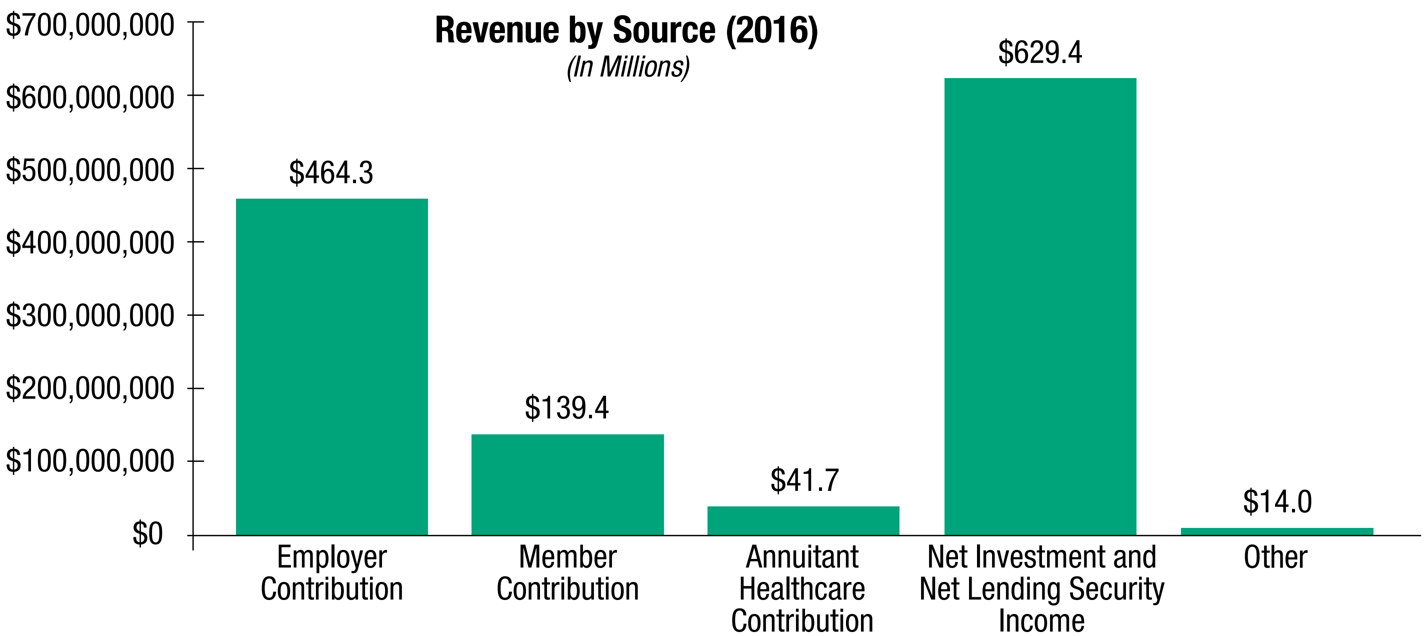
Revenue and Expenses

Revenue

The plan receives income from employee and employer contributions as well as investment earnings. For 2016, revenue totaled $1.3 billion. Employer contributions represented 35.7% of the total revenue, employee contributions – 10.7%, annuitant healthcare contributions – 3.2%, and net investment and net security income – 48.4%.

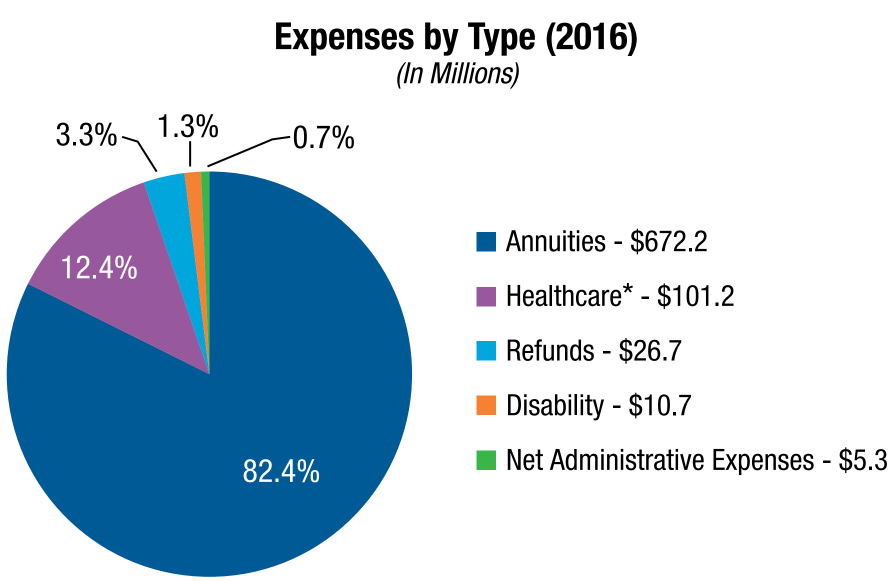
The employer makes payments to support the plan's benefit system. Employer contributions are statutorily set at 1.54 times employee contributions collected two years prior, however supplemental contributions made through the Home Rule Sales Tax bolstered employer contributions to $464.3 million in 2016. The prior year, the Employer paid the statutory contribution amount of $186.8 million.

Employees invest 8.5% of their annual salary to the plan, Sheriff's police contribute 9%. For 2016, employees contributed $139.4 million, an increase from $137.7 million in 2015.



Expenses

The plan's expenses include annuity, disability, and health benefits, refunds to members, and the cost to administer the plan's benefit system. For 2016, expenses totaled $816.1 million for the plan. Of that, approximately $672.2 million was paid in annuities, $10.7 million in disability benefits, and $101.2 million in health benefits.



*Net Healthcare Expense is $49.5 million. The $101.2 million does not include revenue sources from the Annuitant Healthcare Contributions of $41.7 million and approximately $10.0 million in rebates (reflected as "Other").

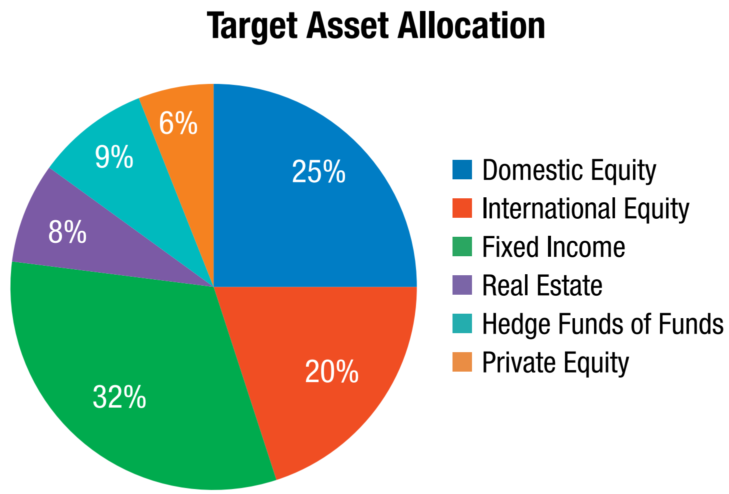
Investments

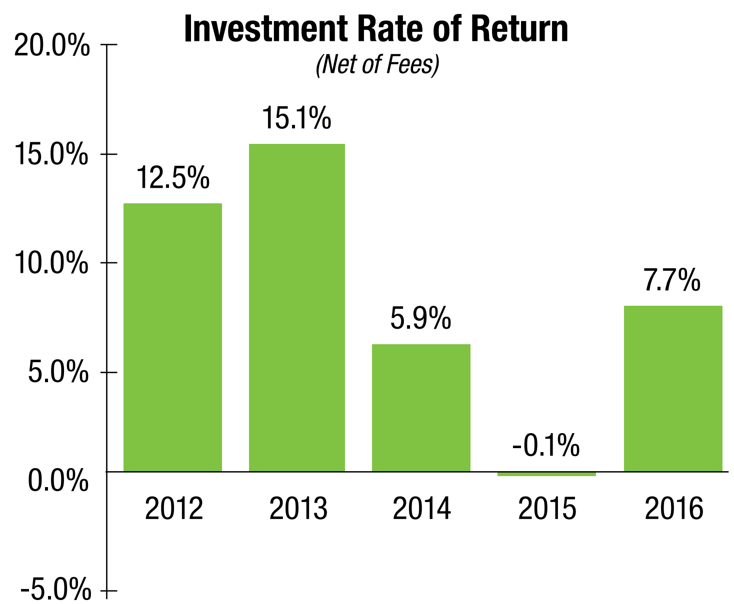
The plan's investment strategy for employer and employee contributions for asset growth is crucial to supporting member benefits. Together, the plan's investment staff, an outside investment consultant and the Retirement Board oversee an investment strategy that is well-diversified, responsible, and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

In 2016, the plan's investment portfolio experienced much stronger performance compared with 2015. By the end of 2016, the total invested assets of the plan had grown by $0.5 billion to $9.0 billion. As of December 31, 2016, the plan returned 7.7%, net of fees. Solid absolute returns from the plan's domestic equity and real estate programs were responsible for offsetting positive but small fixed income and non-U.S. developed equity returns as global political and social events caused instability.

In 2016, the plan liquidated $78.2 million to meet the shortfall in benefit obligations.

Although investments have been helpful in supporting benefit payments, a more sustainable solution is necessary to address persistent funding challenges and further secure member benefits.





Investment Portfolio as of December 31, 2016
(In Billions)

Asset Class	Fair Value	Allocation
Domestic Equity	$3.0	34%
International Equity	$1.7	19%
Fixed Income	$2.1	23%
Real Estate	$0.6	7%
Hedge Funds-of-Funds	$0.6	7%
Private Equity	$0.3	3%
Short Term Investments	$0.6	7%
Total Investments	**$8.9**	**100%**

Heath Benefits Overview

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

In coordination with the Cook County plan, the combined plan participates in a city agencies coalition for negotiating pharmacy benefits management and CVS/Caremark is the contract holder. The Cook County plan received $5.9 million in drug rebates during 2016, and $4.1 million in Retiree Drug Subsidy funds from Medicare. Medical and pharmacy expenses are subsidized based on the discretion of the Board. In 2016, the subsidy of total medical and pharmaceutical costs for annuitants and surviving spouses remained unchanged. Members are able to insure their dependents at the same cost-share percentage.

New Prescription Drug for Medicare-eligible Members

As the annuitant membership grows, the plan continually reviews its efforts to maintain quality member services while managing costs. At the end of 2016, the fund rolled out an Employer Group Waiver Plan (EGWP) to address the rise in prescription drug costs associated with the retiree health benefit. Beginning January 1, 2017, Medicare-eligible members were automatically enrolled in a prescription drug plan administrated by SilverScript, an affiliate of the CVS Health family that specializes in Medicare Part D benefits.

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

Healthcare Benefits Payable

	2016	2015
Healthcare benefits payable, Jan. 1	$10.0 million	$9.8 million
Claims incurred	$101.7 million	$95.7 million
Claims paid	$(101.2) million	$(95.5) million
Healthcare benefits payable, Dec. 31	$10.5 million	$10.0 million

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

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