

**Retirement Board of the
PARK EMPLOYEES' ANNUITY AND BENEFIT FUND**

TRUSTEES
Pamela A. Munizzi, President
Robert Geraghty, Vice President
Edward L. Affolter, Secretary
Brian Biggane
Frank C. Hodorowicz
Steven J. Lux
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Dean J. Niedospial
Executive Director

Jaime L. McCabe
Comptroller

**97th ANNUAL REPORT of the PRESIDENT
YEAR ENDED DECEMBER 31, 2016**

To the members of the Retirement Board and the participants of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund:

It is my pleasure to present the President's 97th Annual Report of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund (the "Fund") for the year ended December 31, 2016.

The purpose of this report is to inform the members of the Retirement Board (the "Board") and the participants of the Fund of changes in membership, financial facts and investment results, as well as other pertinent information, such as the progress of pension amendments and Board membership.

This report is submitted prior to closing the books, receipt of the actuarial report and the completion of the annual audit of the accounting records by the Fund's Certified Public Accountants.

General: The Fund's website, www.chicagoparkpension.org, provides up to date information and necessary applications needed for retirement and disability benefits. The Fund's membership record and designation of beneficiary form are also available for download via the website. Detailed quarterly investment reports, as well as the Fund's Comprehensive Annual Financial Reports can also be viewed on the Fund's website.

Membership: An employee who is hired for a position that is filled six months or more during the year will automatically become a member of the Fund upon his or her employment with the Chicago Park District (the "CPD").

<u>During the Year</u>	<u>2016</u>	<u>2015</u>
Number of new participants	419	407
Number of service retirements	136	126
Separations from service with refund	181	136
Deaths among the participants	7	7
Deaths among retired employees	137	139
<u>At the End of the Year</u>	<u>2016</u>	<u>2015</u>
Number of participants*	3,114	3,063
Retired employees	2,112	2,097
Widows and Widowers	747	767
Children Beneficiaries	13	12

*Current contributing participants as of December 31, 2016 estimated to be 2,814.

The CPD work force has been on the rise. Tier II employees (hired after January 1, 2011 without previously contributing to the Fund or any reciprocal fund in Illinois) represent approximately 38.1% of the current contributing participants.

Financial Facts: The Fund's unaudited revenue sources during the year were \$12,156,161 from employee contributions; \$30,801,298 from employer contributions, and \$29,551,879 net income from investments. The employer contributions include a supplemental payment of \$12.5 million made by the CPD in accordance with Public Act 098-0622. For the audited year ended December 31, 2015, the comparable amounts were \$12,368,636 from employee contributions; \$30,588,976 from employer contributions and \$8,823,613 net income from investments.

Total benefit payments, refunds and administrative expenses during the year ended December 31, 2016 were \$75,383,243 compared with \$72,135,716 for the audited year ended December 31, 2015.

Investment Policy: The Board utilizes professional investment advisors to manage all Fund assets. An investment consultant is also utilized to assist the Board in its decision-making process. The Fund conducts an annual investment policy review with its investment consultant, Marquette Associates, Inc., to ensure the investment policy meets the risk/return objectives of the Fund. This year's annual investment policy review produced no material changes to the Fund's investment policy.

Investments: Per Marquette Associates, Inc., the Fund's portfolio performance returned 8.3% outperforming the policy benchmark, which returned 6.7%. The Fund's 9.2% return over the past five years ranked in the upper 9th percentile as measured against its peers. Performance in 2016 was driven by strong returns in the Fund's U.S. Equity portfolio, 14%; International Equity portfolio, 9.7%; Risk Parity composite, 12.6%; Real Estate, 9.1% and; Infrastructure, 8.9%.

Fund investments were \$369,746,249 (unaudited), as of December 31, 2016 compared to \$369,309,533 (audited) as of December 31, 2015. According to Marquette Associates, Inc., as of December 31, 2016, the Fund's fair market value of investments consists of the following:

Fixed Income	\$ 65,223,743
U.S. Equity	103,798,002
International Equity	71,716,854
Hedged Equity	23,841,817
Risk Parity	11,685,176
Real Estate	38,348,032
Infrastructure	21,979,362
Private Equity	30,134,272
Cash	<u>3,018,991</u>
Total Fund Investments	<u>\$369,746,249</u>

Retirement Board Membership: The annual election for an employee representative to the Retirement Board was held on Friday, June 24, 2016. **Brian Biggane** was elected to a full term of four years expiring on June 30, 2020. He was declared "duly elected" by the Election Monitor and admitted to trusteeship upon administration of the "Oath of Office" by the Secretary.

Legislative Matters: On January 7, 2014, Governor Quinn signed Senate Bill 1523 into law, which is now Public Act 098-0622. A summary of the provisions, the first of which took effect January 1, 2015, is available on the Fund's website. This legislation provides sustainable funding that will secure the long-term health of the Fund. It affects all stakeholders; the employer, employees and retirees and is phased in over a five year period. The Fund would have been very likely to run out of money in 2023 if not for the much needed legislation. On October 14, 2015, the Fund was served a summons and complaint, which challenges Public Act 098-0622, on the grounds that this amendment to the Illinois Pension Code diminishes and impairs the benefits of participation in the Fund. On October 19, 2016, an agreed upon order was signed, that grants interim relief to parts of Public Act 098-0622. *For more information on the agreed upon order, please read the Fund's Principal Provisions.* The Fund will provide additional information to you, as the case proceeds.

Acknowledgments: All of the statistical and financial information compiled and presented in this annual report is due to the combined efforts of the administrative staff of the Fund under the direction of the Executive Director, **Dean J. Niodospial**. Their efforts and services are hereby acknowledged with thanks and appreciation.

Reference: The official plan document that legally governs the operation of the Fund is found in the Illinois Compiled Statutes, Act 5 of Chapter 40, Article 12. For detailed information on the benefits of the Fund, refer to the Principal Provisions or log onto the Fund's website at www.chicagoparkpension.org.

On behalf of the Retirement Board,



PAMELA A. MUNIZZI
President

MEMBERS
ELECTED BY THE EMPLOYEES

EDWARD L. AFFOLTER
Term expires June 30, 2017

ROBERT GERAGHTY
Term expires June 30, 2018

FRANK C. HODOROWICZ
Term expires June 30, 2019

BRIAN BIGGANE
Term expires June 30, 2020

APPOINTED BY THE COMMISSIONERS
of the CHICAGO PARK DISTRICT

STEVEN J. LUX
PAMELA A. MUNIZZI
CECILIA PRADO

OFFICERS

PAMELA A. MUNIZZI, President
ROBERT GERAGHTY, Vice President
EDWARD L. AFFOLTER, Secretary

ADMINISTRATIVE STAFF

DEAN J. NIEDOSPIAL, Executive Director
JAIME L. MCCABE, Comptroller