

PARK EMPLOYEES' AND
RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

FINANCIAL REPORT

DECEMBER 31, 2014 AND 2013

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

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INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Park Employees' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Chicago, Illinois

We have audited the statements of fiduciary net position of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Fund), a Component Unit/Fund of the Chicago Park District, as of December 31, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audit 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 Fund'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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago as of December 31, 2014 and 2013, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the Fund adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. As required by Statement No. 67, the actuarially determined pension liability is dependent on several assumptions including the assumption that future required contributions from all sources are made based on statutory requirements in existence as of the date of this report. These assumptions are discussed in Note 2 of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other supplementary information on pages 3 through 6 and pages 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of tax levies receivable, administrative and general expenses, professional expenses, and investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of tax levies receivable, administrative and general expenses, professional expenses, and investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic 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.

Barnesley and Kiener, L.L.P.

Certified Public Accountants

May 26, 2015

Management's Discussion and Analysis

Management Discussion and Analysis for the Year Ended December 31, 2014

The Management Discussion and Analysis (MD&A) of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Fund) financial performance provides an overview of the Fund's financial activities for the years ended December 31, 2014 and 2013. Information for the six months ended December 31, 2012 is presented for comparative purposes. Please read the MD&A in conjunction with the basic financial statements and the accompanying note disclosures to better understand the financial condition and performance of the Fund.

Using this Report

The Management Discussion and Analysis introduces the Fund's basic financial statements. The basic financial statements include the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position, which are prepared on an accrual basis of accounting in accordance with Government Accounting Standards Board (GASB) pronouncements and reflect the Fund's overall financial condition.

The Statements of Fiduciary Net Position reports the Fund's assets at fair value and liabilities as amounts owed as of the statement date, resulting in the net position restricted for pension benefits.

The Statements of Changes in Fiduciary Net Position show the additions and deductions made to the Fund during the statement date. These additions include employee and employer contributions, as well as net investment income. The deductions include benefit payments, refunds of contributions and administrative and general expenses. The net result indicates an increase or decrease in Fund net position restricted for pension benefits.

The accompanying notes are an integral part of the financial statements. They provide information essential to achieve full understanding of the Fund's financial statements.

The required supplementary information, presented following the notes to the financial statements, is required by GASB. These schedules include the Schedule of Changes in Employer's Net Pension Liability, the Schedule of Employer's Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Investment Returns, as well as related disclosures. Other supplementary information include schedules of Tax Levies Receivable, Administrative and General Expenses, Professional Expenses, and Investment Expenses.

Financial Highlights

- a) The Fund's net position decreased during the year by \$22.3 million or 5.1% compared to an increase of \$23.4 million or 5.7% for the year ended December 31, 2013.
- b) The Fund's annual investment return of 6.9% outperformed the portfolio benchmark return of 6.7%.
- c) The Fund's three-year rate of return of 11.8% outperformed the portfolio benchmark return of 10.7%.
- d) The Fund's five-year rate of return of 10.2% outperformed the portfolio benchmark of 8.9%.
- e) The Fund's ten-year rate of return of 6.1% outperformed the portfolio benchmark of 5.9%.
- f) For the year ended December 31, 2014, the additions to the Fund's net position of \$49.6 million is \$43.5 million less than the year ended December 31, 2013 additions.
- g) For the year ended December 31, 2014, the deductions to the Fund's net position of \$72.0 million is \$2.2 million more than the deductions for the year ended December 31, 2013.
- h) The Fund's actuarially computed funding ratio is 43.7% at December 31, 2014, which is 1.8% less than at December 31, 2013.

Management's Discussion and Analysis (Continued)

Net Position Restricted for Pension Benefits

The Fund's net position restricted for pension benefits at December 31, 2014 is \$413,421,716. This is \$22,346,963 less than the December 31, 2013 net position restricted for pension benefits of \$435,768,679. This compares to an increase of \$23,379,662 for the year ended December 31, 2013. The Fund's investment portfolio, included in the total assets, increases and decreases from year to year. This fluctuation is directly related to the strength of the financial markets at the financial statement date. The following tables are comparative summaries of fiduciary net position restricted for pension benefits:

Statements of Fiduciary Net Position – Current Year

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	Increase (Decrease)
Total Assets	\$ 460,221,616	\$ 478,892,017	\$ (18,670,401)
Total Liabilities	<u>46,799,900</u>	<u>43,123,338</u>	<u>3,676,562</u>
Net Position	<u>\$ 413,421,716</u>	<u>\$ 435,768,679</u>	<u>\$ (22,346,963)</u>

Statements of Fiduciary Net Position – Prior Period

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	Increase (Decrease)
Total Assets	\$ 478,892,017	\$ 454,393,150	\$ 24,498,867
Total Liabilities	<u>43,123,338</u>	<u>42,004,133</u>	<u>1,119,205</u>
Net Position	<u>\$ 435,768,679</u>	<u>\$ 412,389,017</u>	<u>\$ 23,379,662</u>

Changes in Fiduciary Net Position

For the year ended December 31, 2014 investment income was \$27,591,038 as compared to investment income of \$66,642,528 for the year ended December 31, 2013. The decrease in investment income is primarily a result of a decrease in the Fund's investment performance from 16.9% for the year ended December 31, 2013 to 6.9% for the year ended December 31, 2014. In addition investment income would have been higher if portfolio assets were not liquidated to supplement benefit payments made during the year. The Fund also experienced a \$2.2 million increase in benefit payments. The following tables are comparative summaries of changes in fiduciary net position restricted for pension benefits:

Statements of Changes in Fiduciary Net Position – Current Year

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	Increase (Decrease)
ADDITIONS			
Employer Contributions	\$ 11,225,438	\$ 15,804,452	\$ (4,579,014)
Employee Contributions	10,831,434	10,732,730	98,704
Investment Income (includes security lending activities)	<u>27,591,038</u>	<u>66,642,528</u>	<u>(39,051,490)</u>
Total Additions	<u>\$ 49,647,910</u>	<u>\$ 93,179,710</u>	<u>\$ (43,531,800)</u>

Management's Discussion and Analysis (Continued)

Statements of Changes in Fiduciary Net Position – Current Year (Continued)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>Increase (Decrease)</u>
DEDUCTIONS			
Retirement Benefits	\$ 55,519,537	\$ 54,256,588	\$ 1,262,949
Spousal Benefits	11,665,763	11,319,614	346,149
Child Benefits	20,800	21,619	(819)
Disability Benefits	321,051	355,983	(34,932)
Death Benefits	<u>279,500</u>	<u>266,000</u>	<u>13,500</u>
Total benefits	67,806,651	66,219,804	1,586,847
Refund of Contributions	2,729,391	2,116,163	613,228
Administrative and General Expenses	<u>1,458,831</u>	<u>1,464,081</u>	<u>(5,250)</u>
Total Deductions	<u>\$ 71,994,873</u>	<u>\$ 69,800,048</u>	<u>\$ 2,194,825</u>
Increase (Decrease)	(22,346,963)	23,379,662	(45,726,625)
Beginning of Year Net Position	<u>435,768,679</u>	<u>412,389,017</u>	<u>23,379,662</u>
End of Year Net Position	<u>\$413,421,716</u>	<u>\$435,768,679</u>	<u>\$ (22,346,963)</u>

Statements of Changes in Fiduciary Net Position – Prior Period

	<u>December 31, 2013</u>	<u>Six months ended December 31, 2012</u>	<u>Increase (Decrease)</u>
ADDITIONS			
Employer Contributions	\$ 15,804,452	\$ 5,268,363	\$ 10,536,089
Employee Contributions	10,732,730	5,371,084	5,361,646
Investment Income (includes security lending activities)	<u>66,642,528</u>	<u>24,956,796</u>	<u>41,685,732</u>
Total Additions	<u>\$ 93,179,710</u>	<u>\$ 35,596,243</u>	<u>\$ 57,583,467</u>
DEDUCTIONS			
Retirement Benefits	\$ 54,256,588	\$ 26,428,994	\$ 27,827,594
Spousal Benefits	11,319,614	5,529,729	5,789,885
Child Benefits	21,619	10,859	10,760
Disability Benefits	355,983	196,743	159,240
Death Benefits	<u>266,000</u>	<u>136,775</u>	<u>129,225</u>
Total benefits	66,219,804	32,303,100	33,916,704
Refund of Contributions	2,116,163	977,912	1,138,251
Administrative and General Expenses	<u>1,464,081</u>	<u>723,802</u>	<u>740,279</u>
Total Deductions	<u>\$ 69,800,048</u>	<u>\$ 34,004,814</u>	<u>\$ 35,795,234</u>
Increase	23,379,662	1,591,429	21,788,233
Beginning of Period Net Position	<u>412,389,017</u>	<u>410,797,588</u>	<u>1,591,429</u>
End of Period Net Position	<u>\$435,768,679</u>	<u>\$412,389,017</u>	<u>\$ 23,379,662</u>

Management's Discussion and Analysis (Continued)

Actuarial Performance

The actuarial valuations for the years ended December 31, 2014 and 2013 were based upon the actuarial liabilities being computed using the Entry Age Normal Actuarial Cost Method. Actuarial valuations for fiscal years 2005 through 2012 were based upon the Projected Unit Credit Actuarial Cost Method. The Trustees approved the change in valuation methods because of the resulting positive impact on funding due to the marked decline in the average age of active members.

The Fund's actuarially computed funding ratio is 43.7% at December 31, 2014, which is 1.8% less than at December 31, 2013. This decrease is the result of an increase in actuarial accrued liability.

Investment Performance

The Fund's annual investment return for the year ended December 31, 2014 was 6.9%, which is lower than 16.9% reported for the year ended December 31, 2013 and slightly higher than the six months ended December 31, 2012, which reported a 6.2% investment return. The Fund's 6.9% return for 2014 outperformed its performance benchmark by approximately 20 basis points and outperformed the peer median by approximately 140 basis points. The Fund's portfolio performance for the past five years ranked in the upper 12th percentile as measured against its peers. Over the trailing three-year and five-year periods, the Fund outperformed the performance benchmark by approximately 110 and 130 basis points, respectively. Over the trailing ten-year period the Fund returned 6.1%, outperforming the performance benchmark by 20 basis points and underperforming the 7.5% actuarial rate of return.

The Fund is postured to generate strong investment returns as financial markets improve. The Fund's strong financial condition positions the Fund to continue providing benefits well into the future.

Contacting the Fund's Financial Management

This report is intended to provide a general overview of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago for its employees and other interested parties. If you have questions, requests, or need additional information, please visit the Fund's website at www.chicagoparkpension.org or contact the Fund at 55 East Monroe Street, Suite 2720, Chicago, Illinois 60603.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Receivables		
Contributions from employer	\$ 11,128,124	\$ 10,488,466
Employee contributions	385,754	330,668
Workers' compensation offset of duty disability benefits, net of allowance for loss of \$16,076 at December 31, 2014 and 2013	131,038	128,833
Due from broker	75,067	349,060
Accrued investment income	501,640	577,288
Miscellaneous receivables	75,420	83,471
	<u>12,297,043</u>	<u>11,957,786</u>
Investments, at fair value		
Fixed income	69,958,140	72,147,712
Hedged equity	35,663,184	46,101,712
Common and preferred stocks	60,342,493	62,603,187
Collective investment funds	100,312,592	109,217,323
Mutual funds	12,613,552	13,697,643
Real estate	46,031,161	53,314,692
Private equity	50,163,093	56,273,062
Short-term investments	22,968,749	7,119,890
	<u>398,052,964</u>	<u>420,475,221</u>
Invested securities lending collateral	<u>45,579,952</u>	<u>42,261,762</u>
Property and equipment - net	<u>40,335</u>	<u>39,253</u>
Prepaid annuity benefits	4,190,601	4,084,760
Other prepaid expenses	60,721	73,235
	<u>4,251,322</u>	<u>4,157,995</u>
Total assets	<u>460,221,616</u>	<u>478,892,017</u>
LIABILITIES		
Accounts payable	321,852	327,019
Accrued benefits payable	725,214	255,906
Accrued payroll liabilities	13,117	47,821
Unamortized rent abatement	87,022	94,993
Securities lending collateral	45,579,952	42,261,762
Due to broker	72,743	135,837
	<u>46,799,900</u>	<u>43,123,338</u>
Net position restricted for pension benefits	<u>\$ 413,421,716</u>	<u>\$ 435,768,679</u>

The accompanying notes are an integral part of the financial statements.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Additions		
Contributions		
Employer contributions	\$ 11,225,438	\$ 15,804,452
Employee contributions	<u>10,831,434</u>	<u>10,732,730</u>
Total contributions	<u>22,056,872</u>	<u>26,537,182</u>
Investment income		
Net appreciation in fair value of investments	24,707,166	64,005,779
Interest	2,483,215	2,488,892
Dividends	1,075,809	1,244,106
Partnership and real estate income	<u>1,644,343</u>	<u>1,167,646</u>
	29,910,533	68,906,423
Less investment expenses	<u>2,420,013</u>	<u>2,349,131</u>
Net income from investing activities	<u>27,490,520</u>	<u>66,557,292</u>
Security lending activities		
Securities lending income	107,507	135,212
Borrower rebates	24,043	22,266
Bank fees	<u>(59,774)</u>	<u>(72,612)</u>
Net income from securities lending activities	<u>71,776</u>	<u>84,866</u>
Other income	<u>28,742</u>	<u>370</u>
Total additions	<u>49,647,910</u>	<u>93,179,710</u>
Deductions		
Benefits		
Annuity payments	67,206,100	65,597,821
Disability and death benefits	<u>600,551</u>	<u>621,983</u>
Total benefits	67,806,651	66,219,804
Refund of contributions	2,729,391	2,116,163
Administrative and general expenses	<u>1,458,831</u>	<u>1,464,081</u>
Total deductions	<u>71,994,873</u>	<u>69,800,048</u>
Net increase (decrease)	(22,346,963)	23,379,662
Net position restricted for pension benefits		
Beginning of year	<u>435,768,679</u>	<u>412,389,017</u>
End of year	<u>\$ 413,421,716</u>	<u>\$ 435,768,679</u>

The accompanying notes are an integral part of the financial statements.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information

The Fund is the administrator of a single employer defined benefit plan (PERS) established by the State of Illinois to provide annuities and benefits for substantially all employees of the Chicago Park District. The Fund is considered a component unit of the Chicago Park District's financial statements as a pension trust fund. The Fund is administered in accordance with the Illinois Compiled Statutes. The defined benefits as well as the employer and employee contribution levels of the Fund are mandated by Illinois State Statutes and may be amended only by the Illinois legislature. The Fund provides retirement, disability and death benefits to fund members and beneficiaries. At December 31, 2014 and 2013, Fund membership consists of:

	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	2,891	2,904
Current employees	2,973	3,076
Vested terminated members entitled to benefits	147	148

On August 16, 2012, Public Act 97-0973 was approved, changing the Fund's year end from June 30th to December 31st.

Pension legislation (Public Act 96-0889) was approved during 2010 and establishes two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Fund uses a tier concept to distinguish these groups, generally:

Tier 1 – Participants that became members before January 1, 2011.

Tier 2 – Participants that first became members on or after January 1, 2011.

Tier 1 employees attaining the age of 50 with at least ten years of creditable service are entitled to receive a service retirement pension. The retirement pension is based upon the average of the four highest consecutive years of salary within the last ten years of service. If the employee retires prior to the attainment of age 60, the rate associated with the service is reduced by one-quarter percent for each full month the employee is under age 60. There is no reduction if the participant has 30 years of service. Employees with four years of service at age 60 may receive a retirement benefit.

Tier 2 employees attaining the age 62 with at least ten years or more of creditable service are entitled to receive a discounted service retirement pension. Employees attaining the age 67 or more, with at least 10 years of service are entitled to receive a non-discounted annuity benefit. The annuity is discounted one-half percent for each full month the employee is under age 67. The retirement pension is based upon the average of the eight highest consecutive years of salary within the last 10 years of service prior to retirement. Pensionable salary is limited to \$110,631 in 2014 and \$109,971 in 2013.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

Post-Retirement Increase

Tier 1: An employee annuitant under Tier 1 who retires at age 60 or older with at least 30 years of service is eligible to receive an increase of three percent, based on the annuity granted at retirement, payable following the first 12 months of benefits on either the next January or July. If the employee annuitant retires before age 60 with less than 30 years of service, then the increases begin on the January or July following the later of the attainment of age 60 or 12 months of benefits received.

Tier 2: An employee annuitant under Tier 2 that is eligible to receive an increase in the annuity benefit, shall receive an annual increase equal to the lesser of three percent or one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the increase. The increase is based on the amount of the originally granted benefit (simple). This increase begins after age 67 on the first January following one full year of benefits received.

Surviving Spouse Pension

Tier 1: Upon the death of an employee annuitant under Tier 1, the surviving spouse, meeting certain eligibility requirements, is entitled to a spousal annuity. The surviving spouse is entitled to the lesser of a money purchase calculation, 50% of the highest salary or 75% of the granted annuity. With 20 years of service the entitlement becomes the higher of the eligible money purchase calculation or 50% of retiree's annuity at time of death. The surviving spouse is also eligible to receive an increase of three percent compounded, on the January following one full year after the date of death of the employee or annuitant.

Tier 2: The annuity payable to the surviving spouse of an employee annuitant under Tier 2 is equal to 66 2/3% of the participant's earned retirement annuity at the time of death without reduction due to age. The surviving spouse is also eligible to receive an increase of the lesser of three percent or one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero).

Child Annuity

Under Tier 1 and Tier 2, unmarried children under the age of 18 of a deceased employee or annuitant having at least two years of service are entitled to a benefit. The child's annuity is an amount equal to \$100 a month when there is a surviving spouse or \$150 when there is no surviving spouse, subject to maximum limitations.

Ordinary Disability Benefit

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of any cause other than an accidental injury incurred while in the performance of an act of duty is entitled to an ordinary disability benefit at the amount equal to 45% of the employee's annual salary at the time of disablement. An employee can receive ordinary disability for a period equal to one fourth of his/her service credits up to a maximum of five years, exclusive of the disability period. Tier 2 participants have salary limitations similar to employee contributions.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

Duty Disability Benefit

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of a work related injury incurred while in the performance of an act of duty is entitled to a duty disability benefit in the amount equal to 75% of the employee's annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act. Tier 2 participants have salary limitations similar to employee contributions.

Contributions

Covered employees are required by state statutes to contribute 9.0 percent of their salary to the Fund. If a covered employee leaves employment before the age of 55, accumulated employee contributions are refundable without interest. The District is required by state statute to contribute the remaining amounts necessary to finance the requirements of the Fund on an actuarially funded basis. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Fund made in the fiscal year two years prior to the year for which the annual applicable tax is levied, multiplied by a factor of 1.1 annually. The District has no legal obligation to fund pension costs above that allowed by statute.

Benefit and Contribution Changes - Public Act 98-0622

Public Act 98-0622 was signed by the governor in January 2014 and includes benefit changes for both Tier 1 and Tier 2 members as well as increases the employer and employee contributions.

The retirement age is decreased for Tier 2 employees from 67 to 65, and from 62 to 60 for early retirement. The minimum retirement age for Tier 1 employees increases from 50 to 58 for those employees younger than 45 on January 1, 2015.

The annual annuity increase (AI) for current retirees changed to ½ of annual unadjusted percentage increase in the Consumer Price Index-Urban (CPI) or 3%, whichever is less, utilizing simple interest. Payment of AI is suspended in years 2015, 2017, and 2019. Spousal increase is not affected.

Duty disability benefits will decrease to 74% of the employees' annual salary in 2015, 73% in 2017, 72% in 2019.

Beginning in 2015, the multiplier for employer contributions will increase as follows:

<u>Year</u>	<u>Multiplier</u>
2015	1.7
2017	2.3
2019	2.9

The 2.9 multiplier remains in effect until the Fund is 90% funded, after which time the Employer obligation is the lesser of the 2.9 multiplier or the amount necessary to maintain 90% funding.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

In addition, the employer will shall contribute to the Fund the following specified amounts:

<u>Year</u>	<u>Additional contribution</u>
2015	\$12,500,000
2016	\$12,500,000
2019	\$50,000,000

Beginning in 2015, employee contributions will increase as follows:

<u>Year</u>	<u>Contribution rate</u>
2015	10%
2017	11%
2019	12%

Employee contributions will remain at 12% until the Fund is 90% funded, at which time employee contributions will decrease to 10.5% and remain 10.5% as long as the fund is 90% funded.

Net Pension Liability of Participating Employer

The components of the net pension liability as of December 31, 2014, were as follows:

Total pension liability	\$900,840,617
Plan fiduciary net position	413,421,716
Employer's net pension liability	487,418,901
Plan fiduciary net position as a percentage of net pension liability	45.89 %

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75%
Salary increase	15% to 2.75%
Investment rate of return	7.50%, net of investment expense
Cost of living adjustments	Retirees - lesser of 3% and ½ CPI of the original benefit Beneficiary – 3% compounded

Post-retirement mortality rates were based on RP – 2000 Combined Healthy Mortality Tables set forward 1 year for females with generational projection from 2003 using scale AA for morality improvements. Pre-retirement mortality rates are the same as post-retirement rates.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience study for a five year period ending June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Fixed income	20.5%	1.6%
Domestic equity	32.5%	6.7%
International equity	12.0%	7.4%
Emerging market	4.0%	9.7%
Risk parity	3.0%	3.6%
Hedge equity	7.0%	3.6%
Private equity	7.0%	11.8%
Real estate	14.0%	4.5%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2014, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

<u>Net pension liability</u>	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
December 31, 2014	\$583,269,549	\$487,418,901	\$406,811,238

Note 2 – Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the appointed officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon the required criteria, the Fund has no component units. The Fund is considered a component unit fund of the Chicago Park District and, as such, is included in the Chicago Park District's financial statements as a pension trust fund. Accordingly, these financial statements present only the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund and are not intended to present fairly the financial position of the Chicago Park District and the result of its operations in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Method Used to Value Investments

The Fund is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; collective investment funds; and private equity partnerships as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values for bonds, stocks and mutual funds are determined by quoted market prices. Investments for which market quotations are not readily available are valued at their fair values as determined by the bank administrator under the direction of the Board of Trustees, with the assistance of a valuation service.

Administrative Expenses

Administrative expenses are budgeted and approved by the Fund's Board of Trustees. Funding for these expenses is included in the employer contributions as determined by the annual actuarial valuation.

Recently Issued Accounting Pronouncements

In June 2012, GASB issued Statement No. 67 *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*. GASB Statement No. 67, *Financial Reporting for Pension Plans* was established to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. GASB 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB No. 50 *Pension Disclosure*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The Fund had adopted GASB Statement No. 67 for its December 31, 2014 financial statements. The adoption of GASB Statement No. 67 resulted in the elimination of certain actuarial disclosures related to the Fund's funding progress, and the addition of disclosures related to the pension plan's net pension liability and changes thereof, and the annual money-weighted rate of return on the pension plan's investments.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was established to improve the standards for measurement, recognition and display of pension expense, liabilities and assets of employers of the plan. The provisions of GASB 68 are effective for fiscal years beginning after June 15, 2014.

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ANNUITY AND BENEFIT FUND OF CHICAGO
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NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, established accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. It provides guidance on how to determine the gain or loss on disposal of government operations. It applies to all state and local government entities. This statement is required to be implemented prospectively for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This statement is not considered to have a material impact on the Fund's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, was established for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. non-exchange guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. This statement was adopted by the Fund for the year ended December 31, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB No. 68*, addresses an issue regarding application of the transition provisions of GASB No. 68. The provisions of GASB 71 are effective for fiscal years beginning after June 15, 2014.

GASB Statements No. 68 and No. 71 will affect the financial statements of the Chicago Park District.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The provisions for GASB 72 are effective for fiscal years beginning after June 15, 2015.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
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NOTES TO FINANCIAL STATEMENTS

Note 3 – Investment Policies, Asset Allocation and Money-Weighted Rate of Return

Investment Policy

The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The Fund's investment policy discourages the use of cash equivalents, except to meet liquidity needs, and aims to refrain from dramatically shifting asset class allocations over the short term

The following table represents the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target</u>
Fixed income	20.5%
Domestic equity*	32.5%
International equity*	12.0%
Emerging market*	4.0%
Risk parity*	3.0%
Hedge equity	7.0%
Private equity	7.0%
Real estate	14.0%
	<u>100%</u>

**Includes collective investment funds*

Money-Weighted Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of investment expense, was 5.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4 – Deposits and Investments

At December 31, 2014 and 2013 the Fund's book balances of cash were \$-0- and \$-0-, respectively. The actual bank balances were \$1,596 and \$168 at December 31, 2014 and 2013, respectively. The Fund maintains cash balances at the Northern Trust Company Bank. Accounts at this institution may from time to time exceed amounts insured by the Federal Deposit Insurance Company.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
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(A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (Continued)

The Fund's investments are held by a bank administered trust fund, except for the collective investment funds, private equity partnerships, real estate, hedged equity and certain fixed income investments. Investments that represent 5 percent or more of the Fund's net position (except those issued or guaranteed by the U.S. Government) are separately identified.

	<u>2014</u>	<u>2013</u>
Investments At Fair Value As		
Determined by Quoted Price		
Short-term investments	\$ 22,968,749	\$ 7,119,890
Fixed income	59,457,724	60,699,442
Common and preferred stocks	60,342,493	62,603,187
Mutual funds	<u>12,613,552</u>	<u>13,697,643</u>
	155,382,518	144,120,162
Investments At Fair Value As		
Determined by Bank Administrator		
Fixed income	10,500,416	11,448,270
Collective investment funds		
NTGI QM Collective Daily US Marketcap Equity	36,320,640	32,269,458
NTGI QM Collective Daily All Country World Index	31,262,333	57,174,631
Other	32,729,619	19,773,234
Private equity	50,163,093	56,273,062
Real estate	46,031,161	53,314,692
Hedged equity		
Entrust Diversified Select Equity Fund	24,732,418	23,519,902
K2 Long Short Fund	<u>10,930,766*</u>	<u>22,581,810</u>
	<u>\$398,052,964</u>	<u>\$420,475,221</u>

**Does not represent 5 percent or more of the Funds Net Position*

The Fund shall apply the prudent investor rule in investing for funds under its supervision. The "prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, with regards to preservation of capital and income and not speculation. The funds belonging to the Fund must be invested exclusively for the benefit of their members and in accordance with the respective Fund's investment goals and objectives.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities that will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates.

The Fund does not maintain a policy relative to interest rate risk. The Board of Trustees recognized that its investments are subject to short-term volatility. However, their goal is to maximize total return within prudent risk parameters.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
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NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (Continued)

At December 31, 2014, the following table shows the investments in debt securities by investment type and maturity (expressed in thousands).

December 31, 2014

<u>Security Type</u>	<u>Total Market Value</u>	<u>Less Than 1 Year</u>	<u>1 – 6 Years</u>	<u>6 -10 Years</u>	<u>10+ Years</u>
Asset backed	\$ 195	\$ -	\$ -	\$ 195	\$ -
Commercial mortgage backed	2,304	-	-	-	2,304
Corporate bonds	21,444	361	9,143	7,207	4,733
Government agencies	3,667	881	2,077	709	-
Government bonds	14,541	-	6,915	5,106	2,520
Government mortgage backed	17,171	-	531	381	16,259
Non-government backed CMO's	<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>
Total	<u>\$59,458</u>	<u>\$1,242</u>	<u>\$18,666</u>	<u>\$13,598</u>	<u>\$25,952</u>

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each fixed income manager is given a specific set of guidelines to invest within, based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories.

The following table presents the Fund's ratings as of December 31, 2014 (expressed in thousands).

December 31, 2014

<u>S & P Credit Rating</u>	<u>Market Value</u>	<u>Asset Backed Securities</u>	<u>Comm'l Mortgage Backed</u>	<u>Corporate Bonds</u>	<u>Gov't Agencies</u>	<u>Gov't Bonds</u>	<u>Gov't Mortgage Backed</u>	<u>Non Gov't Backed CMO</u>
AAA	\$1,614	\$195	\$1,029	\$ 390	\$ -	\$ -	\$ -	\$ -
AA	6,430	-	436	2,191	3,667	-	-	136
A	9,625	-	289	9,336	-	-	-	-
BBB	6,948	-	269	6,679	-	-	-	-
BB	2,387	-	-	2,387	-	-	-	-
B	371	-	-	371	-	-	-	-
NR	953	-	281	90	-	-	582	-
US Gov't Agency	<u>31,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,541</u>	<u>16,589</u>	<u>-</u>
Total	<u>\$59,458</u>	<u>\$195</u>	<u>\$2,304</u>	<u>\$21,444</u>	<u>\$3,667</u>	<u>\$14,541</u>	<u>\$17,171</u>	<u>\$136</u>

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
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NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A review of the Fund's exposure to custodial credit risks reflects that there is none.

Note 5 – Securities Lending

Under the provisions of state statutes, the Fund lends securities (both equity and fixed income) to qualified and Fund approved brokerage firms for collateral that will be returned for the same securities in the future. The Fund's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Fund as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Fund unless the borrower defaults. However, the Fund does have the right to close the loan at any time. All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the fair value of the securities loaned, the collateral is adjusted accordingly. Cash collateral is invested in the lending agent's short-term investment pool, which at year end has a weighted average maturity of 93 days. As of December 31, 2014 and 2013, the Fund had loaned to borrowers securities with a fair value of \$44,419,210 and \$41,352,255, respectively. As of December 31, 2014, the fair value of the collateral received by the Fund was \$45,579,952 and the collateral invested by the Fund was \$45,579,952. As of December 31, 2013, the fair value of the collateral received by the Fund was \$42,261,762 and the collateral invested by the Fund was \$42,261,762.

At year end, the Fund has no credit risk exposure to the borrowers because the amounts the Fund owes the borrowers exceed the amounts the borrowers owe the Fund.

Note 6 – Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the straight-line method over periods ranging from 3-7 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. Major outlays for additions and improvements are capitalized. Maintenance and repairs are charged to expense. A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 74,990	\$ 87,830
Computer software	76,769	63,077
Leasehold improvements	<u>2,271</u>	<u>2,271</u>
	154,030	153,178
Less accumulated depreciation and amortization	<u>113,695</u>	<u>113,925</u>
Net property and equipment	<u>\$ 40,335</u>	<u>\$ 39,253</u>

Depreciation and amortization expense was \$12,611 and \$11,899 for 2014 and 2013, respectively.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
 (A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 7 – Operating Leases

The Fund has entered into an operating lease for office space through April 30, 2013, which was amended and extended through April 30, 2026. The lease provides that the lessee pay monthly base rent subject to annual increases, plus an escalation rent computed on costs incurred by the lessor. Upon executing the amendment, the Fund received rent abatements in the amount of \$115,587 which are being amortized over the life of the lease. The unamortized portion was \$87,022 and \$94,993 at December 31, 2014 and 2013, respectively. The total rental expense was \$161,571 and \$140,034 for 2014 and 2013, respectively.

Following is a schedule of minimum future rental payments for each of the next five years and in the aggregate under the non-cancelable operating lease at December 31, 2014:

<u>Year ended December 31</u>	<u>Amount</u>
2015	\$ 87,707
2016	90,035
2017	92,364
2018	94,692
2019	97,021
2020-2024	520,032
2025-2026	<u>148,248</u>
	<u>\$1,130,099</u>

The Fund leases office equipment under non-cancelable operating leases that expire at various dates through March, 2019. Total rent expense incurred under these operating leases was \$22,461 and \$24,682 for 2014 and 2013, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2014 for each of the next five years and in the aggregate are:

<u>Year ended December 31</u>	<u>Amount</u>
2015	\$22,824
2016	19,506
2017	17,136
2018	17,136
2019	<u>2,406</u>
	<u>\$79,008</u>

Note 8 – Commitments

The Fund has committed to purchase \$75,000,000 interest in private equity partnerships. At December 31, 2014 and 2013, the Fund had a remaining contractual obligation of \$6,956,776 and \$8,571,776, respectively, to purchase additional interest in the private equity partnerships. As of December 31, 2014, the Fund committed \$20,000,000 for infrastructure investment funds.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
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NOTES TO FINANCIAL STATEMENTS

Note 9 – Deferred Compensation Plan

The Fund is a governmental eligible employer within the meaning of Code Section 457(e)(1)(A) and has established a deferred compensation plan (457(b)) for eligible employees. Individual contributions to the plan are equal to the amount of salary reductions elected by each participant for the year up to a maximum allowable by IRS regulations. Total employee contributions were \$45,772 and \$61,095 for 2014 and 2013, respectively. Employer contributions are not allowed.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

Total pension liability	
Service cost	\$ 12,975,774
Interest	64,929,834
Differences between expected and actual experience	5,447,687
Benefit payments, including refunds of employee contributions	<u>(70,536,042)</u>
Net change in total pension liability	12,817,253
Total pension liability – beginning	<u>888,023,364</u>
Total pension liability – ending (a)	<u>900,840,617</u>
Plan fiduciary net position	
Contributions - employer	11,225,438
Contributions - employee	10,831,434
Net investment income	27,490,520
Benefit payments, including refunds of employee contributions	<u>(70,536,042)</u>
Administrative expenses	<u>(1,458,831)</u>
Other	<u>100,518</u>
Net change in plan fiduciary net position	<u>(22,346,963)</u>
Plan fiduciary net position - beginning	<u>435,768,679</u>
Plan fiduciary net position – ending (b)	<u>413,421,716</u>
Employer's net pension liability ending (a)-(b)	<u>\$487,418,901</u>

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY

Total pension liability	\$900,840,617
Plan fiduciary net position	413,421,716
Employer's net pension liability	487,418,901
Plan fiduciary net position as a percentage of total pension liability	45.89%
Covered-employee payroll	\$118,987,507
Employer's net pension liability as a percentage of covered-employee payroll	409.64%

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Period Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency	Covered Employee Payroll	Contributions as a percentage of Covered Employee Payroll
December 31, 2014	\$35,307,186	\$11,225,438	\$24,081,748	\$118,987,507	9.43%
December 31, 2013	41,834,857	15,707,814	26,127,043	117,781,596	13.34
December 31, 2012**	16,786,671	5,268,363	11,518,308	58,231,511	9.05
June 30, 2012	28,051,528	10,868,361	17,183,167	114,223,909	9.51
June 30, 2011	25,319,145	10,981,419	14,337,726	107,686,693	10.20
June 30, 2010	22,399,740	10,829,339	11,570,401	107,361,021	10.09
June 30, 2009	18,285,474	9,667,765	8,617,709	108,882,742	8.88
June 30, 2008	16,073,257	8,998,687	7,074,570	111,698,366	8.06
June 30, 2007	14,571,540	9,594,593	4,976,947	106,601,982	9.00
June 30, 2006	16,436,993	5,173,860	11,263,133	101,058,024	5.12

** For the six months ended December 31, 2012.

SCHEDULE OF INVESTMENT RETURNS

Year ended December 31	Annual Money-Weighted Rate of Return, net of investment expense
2014	5.6%

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	12/31/14
Actuarial cost method	Entry age (Project 2005-June 30, 2012)
Amortization method	Level dollar
Amortization period	28 years (closed period) (open period until June 30, 2012)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%, net of investment expense
Projected salary increases	15% to 2.75% based on service
Inflation rate	2.75%

TAX LEVIES RECEIVABLE

<u>Levy Year (Calendar)</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Tax Levies Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Allowance for Uncollectible Write-offs as a Percentage of Tax Levy</u>	<u>Net Tax Levies Receivable</u>
At December 31, 2014:						
2014	\$11,128,124	\$ -	<u>\$11,128,124</u>	<u>\$ -</u>	0.00%	<u>\$11,128,124</u> *
At December 31, 2013:						
2013	\$10,488,466	\$ -	<u>\$10,488,466</u>	<u>\$ -</u>	0.00%	<u>\$10,488,466</u>

* collected in March 2015

ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2014</u>	<u>2013</u>
Actuary expense	\$ 52,250	\$ 83,130
Auditing	27,000	13,000
IT consultant	53,280	46,552
Conference and convention expense	13,996	13,736
Contributions for annuities of Retirement Board employees	94,949	96,638
Depreciation	12,611	11,899
Equipment rental	22,461	24,692
Filing fee - State of Illinois	8,000	8,000
File storage expense	5,647	5,074
Hospitalization	146,756	156,474
Legal	21,315	36,488
Legislative consultant	30,000	28,800
Medical fees	-	450
Office supplies and expenses	25,984	24,497
Postage	12,298	10,349
Insurance - surety bond and other	3,359	3,091
Rent expense	161,571	140,034
Salaries	711,742	712,037
Payroll tax	7,523	6,984
Unemployment taxes	7,150	4,472
Bank fees	20,920	19,630
Telephone	5,856	5,377
Transportation	2,731	2,215
Trustees' election expense	11,432	10,462
	<u>11,432</u>	<u>10,462</u>
Total administrative and general expenses	<u>\$ 1,458,831</u>	<u>\$ 1,464,081</u>

PROFESSIONAL EXPENSES

	<u>2014</u>	<u>2013</u>
Legal	\$ 21,315	\$ 36,488
Medical	-	450
Actuary	52,250	83,130
Auditing	27,000	13,000
IT consultant	53,280	46,552
Legislative consultant	<u>30,000</u>	<u>28,800</u>
Total	<u>\$ 183,845</u>	<u>\$ 208,420</u>

INVESTMENT EXPENSES

	2014	2013
<u>U.S. EQUITY</u>		
Great Lakes Advisors, LLC	\$ 94,335	\$ 85,454
Ariel Investments	133,271	132,878
Northern Trust Quantitative Advisors	21,439	20,025
RBC Global Asset Management	134,260	79,598
	<u>383,305</u>	<u>317,955</u>
<u>NON - U.S. EQUITY</u>		
Northern Trust Quantitative Advisors	32,096	31,700
	<u>32,096</u>	<u>31,700</u>
<u>FIXED INCOME</u>		
LM Capital Group, LLC	26,124	37,164
MacKay Shields, LLC	97,462	106,157
Chicago Equity Partners	40,271	40,993
ULLICO Investment Company	75,788	61,865
	<u>239,645</u>	<u>246,179</u>
<u>REAL ESTATE</u>		
Principal Global Investors	222,256	215,712
UBS Realty Investors, LLC	353,983	333,633
	<u>576,239</u>	<u>549,345</u>
<u>HEDGED EQUITY</u>		
K2 Advisors, LLC	228,481	254,031
Invesco	8,512	-
	<u>236,993</u>	<u>254,031</u>
<u>PARTNERSHIPS</u>		
HarbourVest Partners, LLC	257,556	286,103
Entrust Capital, Inc.	281,313	274,412
Mesirow Financial Capital Partners	188,496	171,000
GoldPoint Partners, LLC	65,370	63,906
	<u>792,735</u>	<u>795,421</u>
<u>OTHER</u>		
Custody- Northern Trust Co.	59,000	54,500
Investment consultant- Marquette Associates	100,000	100,000
	<u>159,000</u>	<u>154,500</u>
Total	<u>\$ 2,420,013</u>	<u>\$ 2,349,131</u>