# 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, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.

## 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 28 though 29 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.

*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.

Bansley and Kiener, L.L.P.

Certified Public Accountants

June 13, 2017

# Management's Discussion and Analysis

## Management Discussion and Analysis for the Year Ended December 31, 2016

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 and analysis of the Fund's financial activities for the years ended December 31, 2016 and 2015. Please read the MD&A in conjunction with the basic financial statements and the accompanying note disclosures to have a better understanding of the financial condition and performance of the Fund. Information provided for the year ended December 31, 2014 is presented for comparative purposes only.

## 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 illustrate 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 consist of 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 offer the reader additional details, which may be useful in evaluating the financial condition and performance of the Fund. The schedules include the Schedule of Changes in Employer's Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Investment Returns, as well as related disclosures. Other supplementary information consists of schedules of Tax Levies Receivable, Administrative and General Expenses, Professional Expenses, and Investment Expenses.

## Financial Highlights

a) The Fund's fiduciary net position decreased during the year by $1.5 million or 0.4% compared to a decrease of $20.3 million or 4.9% for the year ended December 31, 2015.
b) The Fund's annual investment return of 8.4% outperformed the portfolio benchmark return of 6.7%.
c) The Fund's three-year rate of return of 5.9% outperformed the portfolio benchmark return of 4.9%.
d) The Fund's five-year rate of return of 9.2% outperformed the portfolio benchmark return of 8.0%.
e) The Fund's ten-year rate of return of 5.5% outperformed the portfolio benchmark return of 4.7%.
f) For the year ended December 31, 2016, the additions to the Fund's fiduciary net position of $74.2 million is $22.3 million more than the year ended December 31, 2015 additions.
g) For the year ended December 31, 2016, the deductions to the Fund's fiduciary net position of $75.6 million is $3.5 million more when compared to the deductions for the year ended December 31, 2015.
h) The Fund's actuarially computed funded ratio is 39.1% at December 31, 2016, which is 4.4% less than at December 31, 2015.

## Net Position Restricted for Pension Benefits

The Fund's net position restricted for pension benefits at December 31, 2016 is $391,698,922. This is $1,456,416 less than the December 31, 2015 net position restricted for pension benefits of $393,155,338. This compares to a decrease of $20,266,378 for the year ended December 31, 2015. 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:

# Management's Discussion and Analysis (Continued)

## Statements of Fiduciary Net Position – Current Year

| | December 31, 2016 | December 31, 2015 | Increase (Decrease) |
|---|---|---|---|
| Total Assets | $429,724,414 | $439,880,016 | $(10,155,602) |
| Total Liabilities | 38,025,492 | 46,724,678 | (8,699,186) |
| Net Position | $391,698,922 | $393,155,338 | $ (1,456,416) |

## Statements of Fiduciary Net Position – Prior Period

| | December 31, 2015 | December 31, 2014 | Increase (Decrease) |
|---|---|---|---|
| Total Assets | $439,880,016 | $460,221,616 | $(20,341,600) |
| Total Liabilities | 46,724,678 | 46,799,900 | (75,222) |
| Net Position | $393,155,338 | $413,421,716 | $(20,266,378) |

## Changes in Fiduciary Net Position

The Fund's total additions during the year ended December 31, 2016 increased by $22,289,821 as compared to an increase of $2,221,428 for the year ended December 31, 2015. The tax levy received from the employer in 2016 and 2015 is equal to 1.70 times the employee contributions from two years prior. In addition, the employer made supplemental contributions to the Fund of $12.5 million in 2016 and 2015 in accordance with Public Act 098-0622. The tax levy in 2014, however, was 1.10 times the employee contributions from two years prior, which attributed to the large increase in employer contributions from 2014 to 2015. Employee contributions for the years 2016 and 2015 remained relatively consistent, as members of the Fund contributed 10% of their salary. In 2014, members of the Fund contributed 9% of their salary. Net investment income for the year ended December 31, 2016 was $31,022,803 as compared to investment income of $8,911,726 for the year ended December 31, 2015 and $27,591,038 for the year ended December 31, 2014. From year to year, the Fund's investment returns fluctuate depending on the market. The Fund is still experiencing a cash flow shortage and continues to liquidate portfolio assets to supplement benefit payments made.

The Fund's benefit payments in 2016 increased, largely due to an agreed upon order signed on October 19, 2016 that granted interim relief to parts of Public Act 098-0622, reinstating the 3% annual increase to all eligible annuitants. In November 2016, the Fund issued retroactive payments to all eligible annuitants for annual increases they would have been entitled to since January 1, 2015, which was approximately $2.7 million. Net of the retroactive payments made, the Fund's benefit payments in 2016 have remained relatively consistent as compared 2015 and 2014, as the number of retirees has not fluctuated much over the past two years. 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

| | December 31, 2016 | December 31, 2015 | Increase (Decrease) |
|---|---|---|---|
| ADDITIONS | | | |
| Employer contributions | $30,890,241 | $30,588,976 | $ 301,265 |
| Employee contributions | 12,246,115 | 12,368,636 | (122,521) |
| Net investment income (includes security lending activities) | 31,022,803 | 8,911,726 | 22,111,077 |
| Total additions | $74,159,159 | $51,869,338 | $22,289,821 |

# Management's Discussion and Analysis (Continued)

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

| | December 31, 2016 | December 31, 2015 | Increase (Decrease) |
|---|---|---|---|
| DEDUCTIONS | | | |
| Retirement benefits | $ 58,967,909 | $ 56,094,931 | $ 2,872,978 |
| Spousal benefits | 12,043,511 | 11,823,316 | 220,195 |
| Child benefits | 18,000 | 17,100 | 900 |
| Disability benefits | 283,963 | 301,494 | (17,531) |
| Death benefits | 255,000 | 317,000 | (62,000) |
| Total benefits | 71,568,383 | 68,553,841 | 3,014,542 |
| Refund of contributions | 2,509,493 | 2,048,175 | 461,318 |
| Administrative and general expenses | 1,537,699 | 1,533,700 | 3,999 |
| Total deductions | $ 75,615,575 | $ 72,135,716 | $ 3,479,859 |
| Net increase (decrease) | (1,456,416) | (20,266,378) | 18,809,962 |
| Beginning of year net position | 393,155,338 | 413,421,716 | (20,266,378) |
| End of year net position | $391,698,922 | $393,155,338 | $ (1,456,416) |

## Statements of Changes in Fiduciary Net Position – Prior Period

| | December 31, 2015 | December 31, 2014 | Increase (Decrease) |
|---|---|---|---|
| ADDITIONS | | | |
| Employer contributions | $ 30,588,976 | $ 11,225,438 | $ 19,363,538 |
| Employee contributions | 12,368,636 | 10,831,434 | 1,537,202 |
| Net investment income (includes security lending activities) | 8,911,726 | 27,591,038 | (18,679,312) |
| Total additions | $ 51,869,338 | $ 49,647,910 | $ 2,221,428 |
| DEDUCTIONS | | | |
| Retirement benefits | $ 56,094,931 | $ 55,519,537 | $ 575,394 |
| Spousal benefits | 11,823,316 | 11,665,763 | 157,553 |
| Child benefits | 17,100 | 20,800 | (3,700) |
| Disability benefits | 301,494 | 321,051 | (19,557) |
| Death benefits | 317,000 | 279,500 | 37,500 |
| Total benefits | 68,553,841 | 67,806,651 | 747,190 |
| Refund of contributions | 2,048,175 | 2,729,391 | (681,216) |
| Administrative and general expenses | 1,533,700 | 1,458,831 | 74,869 |
| Total deductions | $ 72,135,716 | $ 71,994,873 | $ 140,843 |
| Net increase (decrease) | (20,266,378) | (22,346,963) | 2,080,585 |
| Beginning of year net position | 413,421,716 | 435,768,679 | (22,346,963) |
| End of year net position | $393,155,338 | $413,421,716 | $(20,266,378) |

# Actuarial Update

The actuarial valuations for the years ended December 31, 2016 and 2015, reflect GASB 67 requirements that improve financial reporting for local governmental pension plans. The notes to the financial statements include information about the individual components of the Fund's net pension liability. The net pension liability is equal to the difference between the total pension liability and the Fund's fiduciary net position. The Fund's required supplementary information provides the reader with a more enhanced look on how the total pension liability, the fiduciary net position and net pension liability is measured.

The Fund's actuarially computed funded ratio is 39.1% at December 31, 2016, which is 4.4% less than at December 31, 2015. The funded ratio is based on the actuarial value of assets over the actuarial accrued liability.

# Management's Discussion and Analysis (Continued)

## Investment Performance

The Fund's annual investment return for the year ended December 31, 2016 was 8.4%, which is higher than 1.9% reported for the year ended December 31, 2015 and higher than the year ended December 31, 2014, which reported a 6.9% investment return. 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, 9.2%. The Fund's 8.4% return for 2016 outperformed its performance benchmark by approximately 170 basis points and outperformed the peer median by approximately 100 basis points. The Fund's portfolio performance for the past five years ranked in the upper ninth percentile as measured against its peers. Over the trailing three-year and five-year periods, the Fund outperformed the performance benchmark by roughly 100 and 120 basis points, respectively. Over the trailing ten-year period, the Fund returned 5.5%, outperforming the performance benchmark by 80 basis points and ranked in the upper 20th percentile as measured against its peers, however, underperforming the 7.5% actuarial rate of return.

## Litigation Matters

Public Act 098-0622, which took effect January 1, 2015, affected all stakeholders: the employer, employees and retirees and is phased in over a five-year period. The main objective of the amendment is to provide sustainable funding that will secure the long-term health of the Fund.

Beginning in 2015, the multiplier for employer contributions increased to 1.70 times the total contribution by employees two years earlier. The multiplier increases in the year 2017 to 2.30 times the total contribution by employees and in the year 2019 to 2.90 times the total contribution by employees. The 2.90 multiplier will remain in effect until the Fund is 90% funded, after which time the employer obligation is the lesser of the 2.90 multiplier or the amount necessary to maintain 90% funding. In addition to the increased multiplier, the employer must make supplemental contributions in 2015 of $12.5 million; in 2016 of $12.5 million; and in 2019 of $50 million. The employer made the required supplemental contributions in 2015 and 2016.

Under Public Act 098-0622, employee contributions increased to 10% in 2016; 11% in 2017; and 12% in 2019. Employee contributions will remain at 12% until the Fund is 90% funded, at which time employee contributions will decrease to 10.5% and remain there as long as the Fund is 90% funded. For retirees who are eligible, the annual increase, or "COLA", is suspended for 2016, 2017 and 2019. In years 2016, 2018, 2020 and thereafter, the increase will be the lesser of ½ the Consumer Price Index-Urban ("CPI-U") or 3% of the annuity granted at retirement.

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 participants in the Fund. On April 25, 2016, the Fund filed its answer to the complaint. On October 19, 2016, the judge presiding over the case signed an agreed upon order that granted interim relief to parts of Public Act 098-0622. All eligible annuitants were granted retroactive pay for annual increases they would have been entitled to since January 1, 2015, the employees will continue to contribute 10% of their pensionable salary, and the Chicago Park District will continue to contribute 1.7 times the amount of employee contributions, pending further order of the court.

On March 24, 2016, the Illinois Supreme Court issued an opinion striking down Public Act 098-0641 because it violated the Pension Protection clause of the Illinois Constitution, diminished, and impaired the benefits of participants in the funds in question. Public Act 098-0641 amended the Illinois Pension Code with respect to the Chicago Municipal and Laborers' Pension Funds in various ways that are similar to the amendments made to the Fund by Public Act 098-0622. It is near certain that, the Circuit Court will find that Public Act 098-0622 is unconstitutional.

## 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, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| ASSETS | | |
| Receivables | | |
| Contributions from employer | $ 17,267,157 | $ 17,957,112 |
| Employee contributions | 92,426 | 497,386 |
| Workers' compensation offset of duty disability benefits, net of allowance for loss of $16,615 in 2016 and $16,940 in 2015 | 75,513 | 90,965 |
| Due from broker | 12,179,267 | 1,357,269 |
| Accrued investment income | 528,863 | 452,093 |
| Miscellaneous receivables | 47,996 | 65,232 |
| | 30,191,222 | 20,420,057 |
| Investments, at fair value | | |
| Common and preferred stocks | 58,654,400 | 53,062,089 |
| Common stocks - foreign | 16,522,290 | 13,620,861 |
| Fixed income | 63,255,564 | 62,725,711 |
| Collective investment funds | 93,965,505 | 93,042,804 |
| Mutual funds | 15,327,740 | 16,017,830 |
| Hedged equity | 12,107,984 | 23,565,871 |
| Real estate | 38,382,589 | 41,728,500 |
| Private equity | 30,480,102 | 39,901,128 |
| Infrastructure | 22,043,799 | 20,826,213 |
| Short-term investments | 7,721,867 | 4,818,526 |
| | 358,461,840 | 369,309,533 |
| Invested securities lending collateral | 36,306,598 | 45,712,100 |
| Property and equipment - net | 79,541 | 65,251 |
| Prepaid annuity benefits | 4,616,935 | 4,308,029 |
| Other prepaid expenses | 68,278 | 65,046 |
| | 4,685,213 | 4,373,075 |
| Total assets | 429,724,414 | 439,880,016 |
| LIABILITIES | | |
| Accounts payable | 486,160 | 395,893 |
| Accrued benefits payable | 565,033 | 405,881 |
| Accrued payroll liabilities | 14,904 | 14,969 |
| Unamortized rent abatement | 71,079 | 79,051 |
| Securities lending collateral | 36,306,598 | 45,712,100 |
| Due to broker | 581,718 | 116,784 |
| | 38,025,492 | 46,724,678 |
| Net position restricted for pension benefits | $ 391,698,922 | $ 393,155,338 |

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, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| Additions | | |
| Contributions | | |
| Employer contributions | $ 30,890,241 | $ 30,588,976 |
| Employee contributions | 12,246,115 | 12,368,636 |
| Total contributions | 43,136,356 | 42,957,612 |
| Investment income | | |
| Net appreciation (depreciation) in fair value of investments | 19,318,920 | (7,918,066) |
| Interest | 2,269,810 | 2,253,469 |
| Dividends | 1,637,493 | 1,528,594 |
| Partnership and real estate income | 9,883,513 | 15,183,806 |
| | 33,109,736 | 11,047,803 |
| Less investment expenses | 2,189,505 | 2,224,190 |
| Net income from investing activities | 30,920,231 | 8,823,613 |
| Security lending activities | | |
| Securities lending income | 301,977 | 148,071 |
| Borrower rebates | (109,449) | 20,310 |
| Bank fees | (90,565) | (80,418) |
| Net income from securities lending activities | 101,963 | 87,963 |
| Other income | 609 | 150 |
| Total additions | 74,159,159 | 51,869,338 |
| Deductions | | |
| Benefits | | |
| Annuity payments | 71,029,420 | 67,935,347 |
| Disability and death benefits | 538,963 | 618,494 |
| Total benefits | 71,568,383 | 68,553,841 |
| Refund of contributions | 2,509,493 | 2,048,175 |
| Administrative and general expenses | 1,537,699 | 1,533,700 |
| Total deductions | 75,615,575 | 72,135,716 |
| Net decrease | (1,456,416) | (20,266,378) |
| Net position restricted for pension benefits | | |
| Beginning of year | 393,155,338 | 413,421,716 |
| End of year | $ 391,698,922 | $ 393,155,338 |

The accompanying notes are an integral part of the 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, 2016 and 2015, Fund membership consists of:

| | 2016 | 2015 |
|---|---|---|
| Retirees and beneficiaries currently receiving benefits | 2,870 | 2,876 |
| Current employees | 3,114 | 3,063 |
| Vested terminated members entitled to benefits | 149 | 145 |

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 contributed before January 1, 2011.
Tier 2 – Participants that contributed 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 $111,572 in 2016 and 2015.

*Post-Retirement Increase*

Tier 1: An employee annuitant under Tier 1 who retires at age 50 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.

Note 1 – Fund Description and Contribution Information (Continued)

*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 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, on the January following one full year after the date of death of the employee or annuitant.

*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.

*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.

Note 1 – Fund Description and Contribution Information (Continued)

*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 098-0622*

Public Act 098-0622, which took effect January 1, 2015, 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, and 72% in 2019.

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

| Year | Multiplier |
|---|---|
| 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.

Note 1 – Fund Description and Contribution Information (Continued)

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

| Year | Additional contribution |
|---|---|
| 2015 | $12,500,000 |
| 2016 | $12,500,000 |
| 2019 | $50,000,000 |

Beginning in 2015, employee contributions will increase as follows:

| Year | Contribution rate |
|---|---|
| 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.

During 2016 and 2015 the District made the scheduled additional contributions and implemented the other provisions described above. However, on November 1, 2016 the AI that retirees would have been entitled to since January 1, 2015 under the previous legislation was paid to retirees pursuant to a court order. Such payments were approximately $2,700,000. See Note 10.

*Litigation – Public Act 098-0622*

During 2015, the provisions of Public Act 098-0622 were implemented. However, pending litigation related to the constitutionality of Public Act 098-0622 may result in its nullification. The Fund description and contribution information does not reflect the impact of the reversal of Public Act 098-0622. See Note 10.

*Net Pension Liability of Participating Employer*

The components of the net pension liability as of December 31, 2016 and 2015 were as follows:

| | 2016 | 2015 |
|---|---|---|
| Total pension liability | $1,204,218,956 | $910,260,360 |
| Plan fiduciary net position | 391,698,922 | 393,155,338 |
| Employer's net pension liability | 812,520,034 | 517,105,022 |
| Plan fiduciary net position as a percentage of net pension liability | 32.53% | 43.19% |

Note 1 – Fund Description and Contribution Information (Continued)

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, using actuarial assumptions applied to all periods included in the measurement.

| | 2016 | 2015 |
|---|---|---|
| Inflation | 2.75% | 2.75% |
| Salary increase | 15% to 2.75% | 15% to 2.75% |
| Investment rate of return | 5.82%, net of investment expense | 7.50%, net of investment expense |
| Cost of living adjustments | Retirees - 3% of the original benefit for employees who first became a participant before January 1, 2011.<br>Retirees - lesser of 3% and ½ CPI of the original benefit for employees who first became a participant on or after January 1, 2011.<br>Beneficiary – 3% compounded | Retirees - 3% of the original benefit for employees who first became a participant before January 1, 2011.<br>Retirees - lesser of 3% and ½ CPI of the original benefit for employees who first became a participant on or after January 1, 2011.<br>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 mortality improvements. Pre-retirement mortality rates are the same as post-retirement rates.

The actuarial assumptions used in the December 31, 2016 and 2015 valuation were based on the results of an 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, 2016 and 2015 are summarized in the following table:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Target allocation | Long-term expected real rate of return | Target allocation | Long-term expected real rate of return |
| Fixed income | 20.5% | 2.11% | 20.5% | 1.75% |
| Domestic equity | 32.5% | 6.71% | 32.5% | 6.75% |
| International equity | 14.0% | 7.71% | 14.0% | 7.45% |
| Emerging market | 2.0% | 9.81% | 2.0% | 9.85% |
| Risk parity | 3.0% | 3.91% | 3.0% | 3.75% |
| Hedge equity | 7.0% | 3.91% | 7.0% | 3.75% |
| Private equity | 7.0% | 10.91% | 7.0% | 11.50% |
| Real assets | 14.0% | 5.21% | 14.0% | 4.55% |

Note 1 – Fund Description and Contribution Information (Continued)

*Discount rate*

The discount rate used to measure the total pension liability was 5.82% for December 31, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the 10% contribution rate for 2017 and then increase to 11% for 2018 and to 12% for 2019 and thereafter. Employer contributions will be made at the 1.7 multiple of member contributions from two years prior to 2017 and then increased to 2.3 for 2018 and to 2.9 for 2019 and thereafter. Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, a single equivalent blended discount rate of 5.82% (calculated using the long-term expected rate of return and the municipal bond index) rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 7.5% for December 31, 2015. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made as specified by Public Act 098-0622. 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-tem expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability as of December 31, 2016, calculated using the discount rate of 5.82%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (4.82%) or 1 percentage point higher (6.82%) than the current rate:

| Net pension liability | 1% Decrease (4.82%) | Current Discount Rate (5.82%) | 1% Increase (6.82%) |
|---|---|---|---|
| December 31, 2016 | $963,979,197 | $812,520,034 | $687,016,505 |

For comparison purposes, the net pension liability as of December 31, 2015, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| Net pension liability | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| December 31, 2015 | $614,722,758 | $517,105,022 | $435,018,062 |

## 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.

*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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

*Reclassifications*

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation. These reclassifications had no effect on the net position restricted for pension benefits.

*Recently Issued Accounting Pronouncements*

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 the Fund's December 31, 2016 financial statements. The Statement is to be retroactively applied.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was established to identify the hierarchy of generally accepted accounting principles (GAAP). This hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting these principles. This statement reduces the GAAP 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 the scope of authoritative GAAP. The Fund adopted this statement for the year ended December 31, 2016.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73,* addresses certain issues that have been raised with respect to these Statements. The Fund is currently evaluating the financial statement impact of GASB Statement No. 82. If applicable, this statement will be implemented for the year ended December 31, 2017.

GASB Statement No. 84, *Fiduciary Activities,* was established to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The Fund is currently evaluating the financial statement impact of GASB Statement No. 84. If applicable, this statement will be implemented for the year ended December 31, 2019.

GASB Statement No. 85, *Omnibus 2017,* was established to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPED]). The Fund is currently evaluating the financial statement impact of GASB Statement No. 85. If applicable, this statement will be implemented for the year ended December 31, 2018.

## 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, 2016 and 2015.

| Asset Class | 2016 Target | 2015 Target |
|---|---|---|
| Fixed income | 20.5% | 20.5% |
| Domestic equity | 28.5% | 32.5% |
| International equity | 18.0% | 14.0% |
| Emerging market | 2.0% | 2.0% |
| Risk parity | 3.0% | 3.0% |
| Hedge equity | 7.0% | 7.0% |
| Private equity | 7.0% | 7.0% |
| Real assets | 14.0% | 14.0% |
| | 100% | 100% |

*Money-Weighted Rate of Return*

For the year ended December 31, 2016 and 2015, the annual money-weighted rate of return on plan investments, net of investment expense, was 5.77% and 5.61%, respectively. 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, 2016 and 2015 the Fund's book balances of cash were $-0- and $-0-, respectively. The actual bank balances were $-0- and $-0- at December 31, 2016 and 2015, 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.

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 as follows:

| | 2016 | 2015 |
|---|---|---|
| Collective investment funds – common stock | | |
| NTGI QM Collective Daily US Market cap Equity | $34,854,723 | $36,514,482 |
| NTGI QM Collective Daily All Country World Index | $29,145,443 | $20,290,115 |
| Hedged equity | | |
| Entrust Diversified Select Equity Fund | - | $23,565,871 |

Note 4 – Deposits and Investments (Continued)

The Fund's investments are reported at fair value in the accompanying statements of fiduciary net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Generally accepted accounting principles provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), as a practical expedient are not classified in the fair value hierarchy.

Equity securities and short-term investment securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 or Level 3 are valued using matrix pricing techniques maintained by the various pricing vendors. Matrix pricing is used to value securities based on the securities relationship to a benchmark's quoted price. Equity securities classified in Level 2 are securities with a theoretical price calculated by applying a standardized formula to derive a price from a related security.

Equity securities classified in Level 2 are valued with last trade data having limited trading volume.

Note 4 – Deposits and Investments (continued)

The valuation method for certain fixed income and alternative investments is based on the investments' NAV per share (or its equivalent), provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2016.

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| **Investment Measured at Fair Value** | December 31, 2016 | Level 1 | Level 2 | Level 3 |
| **Equity securities** | | | | |
| Common Stock | $101,784,476 | $57,067,324 | $ 44,717,152 | $ - |
| Preferred Stock | 105,087 | 105,087 | - | - |
| Common Stock – foreign | 70,895,196 | 33,332,019 | 37,563,177 | - |
| **Total equity securities** | 172,784,759 | 90,504,430 | 82,280,329 | - |
| **Debt securities** | | | | |
| Government Bonds | 16,869,441 | - | 16,869,441 | - |
| Government Agencies | 1,557,342 | - | 1,557,342 | - |
| Corporate Bonds | 19,222,224 | - | 19,217,611 | 4,613 |
| Government Mortgage-Backed Securities | 15,597,736 | - | 15,597,736 | - |
| Commercial Mortgage-Backed | 9,687,414 | - | 9,687,414 | - |
| Non-Government Backed CMO's | 126,386 | - | 126,386 | - |
| Index Linked Government Bonds | 195,021 | - | 195,021 | - |
| **Total debt securities** | 63,255,564 | - | 63,250,951 | 4,613 |
| **Short-term investment securities** | | | | |
| Short-term Bills & Notes | 549,899 | 549,899 | - | - |
| Funds-short-term investment | 7,171,968 | 7,171,968 | - | - |
| **Total short-term investments securities** | 7,721,867 | 7,721,867 | - | - |
| **Total investments measured by fair value level** | 243,762,190 | $98,226,297 | $145,531,280 | $4,613 |
| **Investments measured at Net Asset Value (NAV)** | | | | |
| Hedged equity | 12,107,984 | | | |
| Risk parity | 11,685,176 | | | |
| Private equity | 30,480,102 | | | |
| Real estate | 38,382,589 | | | |
| Infrastructure | 22,043,799 | | | |
| **Total investments measured at NAV** | 114,699,650 | | | |
| **Total investments measured at fair value** | $358,461,840 | | | |
| **Collateral from securities lending** | $ 36,306,598 | | $ 36,306,598 | |

Note 4 – Deposits and Investments (continued)

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2015.

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| **Investment Measured at Fair Value** | December 31, 2015 | Level 1 | Level 2 | Level 3 |
| **Equity securities** | | | | |
| Common Stock | $105,777,281 | $52,781,652 | $ 52,995,629 | $ - |
| Preferred Stock | 280,437 | 280,437 | - | - |
| Common Stock - foreign | 57,500,837 | 29,638,691 | 27,862,146 | - |
| **Total equity securities** | 163,558,555 | 82,700,780 | 80,857,775 | - |
| **Debt securities** | | | | |
| Government Bonds | 17,874,727 | - | 17,874,727 | - |
| Government Agencies | 1,555,375 | - | 1,555,375 | - |
| Corporate Bonds | 16,385,817 | - | 16,380,831 | 4,986 |
| Government Mortgage-Backed Securities | 16,839,143 | - | 16,839,143 | - |
| Commercial Mortgage-Backed | 9,935,675 | - | 9,935,675 | - |
| Non-Government Backed CMO's | 134,975 | - | 134,975 | - |
| **Total debt securities** | 62,725,712 | - | 62,720,726 | 4,986 |
| **Short-term investment securities** | | | | |
| Funds-short-term investment | 4,818,529 | 4,818,529 | - | - |
| **Total short-term investments securities** | 4,818,529 | 4,818,529 | - | - |
| **Total investments measured by fair value level** | 231,102,796 | $87,519,309 | $143,578,501 | $4,986 |
| **Investments measured at Net Asset Value (NAV)** | | | | |
| Hedged equity | 23,565,871 | | | |
| Risk parity | 12,185,029 | | | |
| Private equity | 39,901,128 | | | |
| Real estate | 41,728,500 | | | |
| Infrastructure | 20,826,209 | | | |
| **Total investments measured at NAV** | 138,206,737 | | | |
| **Total investments measured at fair value** | $369,309,533 | | | |
| **Collateral from securities lending** | $ 45,712,100 | | $ 45,712,100 | |

Note 4 – Deposits and Investments (continued)

Investments measured at NAV for fair value are not subject to level classification. The valuation methods for investments measured at the NAV per share (or its equivalent) is presented on the following table.

**Investments Measured at Net Asset Value (NAV)**

| | Fair Value December 31, 2016 | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Hedged equity | $12,107,984 | $ - | Quarterly | 90 days |
| Risk parity | $11,685,176 | $ - | Daily | 1 day |
| Private equity | $30,480,102 | $4,453,550 | n/a | n/a |
| Real estate | $38,382,589 | $ - | Quarterly | 60-90 days |
| Infrastructure | $22,043,799 | $ - | Quarterly | 90 days |

**Investments Measured at Net Asset Value (NAV)**

| | Fair Value December 31, 2015 | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Hedged equity | $23,565,871 | $ - | Quarterly | 90 days |
| Risk parity | $12,185,029 | $ - | Daily | 1 day |
| Private equity | $39,901,128 | $5,037,177 | n/a | n/a |
| Real estate | $41,728,500 | $ - | Quarterly | 60-90 days |
| Infrastructure | $20,826,209 | $ - | Quarterly | 90 days |

### Hedged Equity

The hedged equity investment consists of one open-end long/short equity hedge fund of funds portfolio that primarily invests both long and short in publicly traded US equities.

### Risk Parity

The risk parity investment consists of one open-end fund that primarily invests in global equities, global government bonds and commodities.

### Private Equity Partnerships

The private equity investments consist of eight closed-end limited partnership private equity fund of funds. Generally, the types of partnership strategies included in these portfolios are venture capital, buyouts, special situations, mezzanine, and distressed debt. Private equity partnerships have an approximate life of 10-15 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying investments are realized. The Fund has no plans to liquidate the total portfolio.

Note 4 – Deposits and Investments (continued)

**Real Estate**

The real estate investments consists of two core open-end real estate funds and one value-added open-end real estate fund that primarily invest in U.S. commercial real estate.

**Infrastructure**

The infrastructure investments consist of two core open-end infrastructure funds that primarily invest in global infrastructure assets.

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.

The following tables show the investments in debt securities by investment type and maturity as of December 31, 2016 and 2015 (expressed in thousands).

December 31, 2016

| Security Type | Total Fair Value | Less Than 1 Year | 1 – 6 Years | 6 -10 Years | 10+ Years |
|---|---|---|---|---|---|
| Commercial mortgage backed | $ 9,688 | $ - | $ - | $ - | $ 9,688 |
| Corporate bonds | 19,222 | 778 | 9,864 | 4,920 | 3,660 |
| Government agencies | 1,557 | - | 1,307 | 250 | - |
| Government bonds | 16,870 | - | 7,346 | 6,445 | 3,079 |
| Index Linked Government Bonds | 195 | - | - | 195 | - |
| Government mortgage backed | 15,598 | 6 | 256 | 779 | 14,557 |
| Non-government backed CMO's | 126 | - | - | - | 126 |
| Total | $63,256 | $784 | $18,773 | $12,589 | $31,110 |

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 4 – Deposits and Investments (continued)

December 31, 2015

| Security Type | Total Fair Value | Less Than 1 Year | 1 – 6 Years | 6 -10 Years | 10+ Years |
|---|---|---|---|---|---|
| Commercial mortgage backed | $ 9,936 | $ - | $ - | $ - | $ 9,936 |
| Corporate bonds | 16,386 | 688 | 8,285 | 3,880 | 3,533 |
| Government agencies | 1,555 | - | 1,079 | 476 | - |
| Government bonds | 17,875 | 1,487 | 8,416 | 5,468 | 2,504 |
| Government mortgage backed | 16,839 | - | 452 | 885 | 15,502 |
| Non-government backed CMO's | 135 | - | - | - | 135 |
| Total | $62,726 | $2,175 | $18,232 | $10,709 | $31,610 |

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 tables present the Fund's ratings as of December 31, 2016 and 2015 (expressed in thousands).

December 31, 2016

| S & P Credit Rating | Fair Value | Comm'l Mortgage Backed | Corporate Bonds | Gov't Agencies | Gov't Bonds | Gov't Mortgage Backed | Index Linked Gov't Bonds | Non Gov't Backed CMO |
|---|---|---|---|---|---|---|---|---|
| AAA | $ 828 | $ 448 | $ 380 | $ - | $ - | $ - | $ - | $ - |
| AA | 3,567 | 274 | 2,015 | 1,152 | - | - | - | 126 |
| A | 7,371 | - | 7,371 | - | - | - | - | - |
| BBB | 7,443 | - | 7,237 | 206 | - | - | - | - |
| BB | 1,747 | - | 1,747 | - | - | - | - | - |
| B | 286 | - | 286 | - | - | - | - | - |
| CCC | 97 | - | 97 | - | - | - | - | - |
| NR | 9,835 | 8,966 | 89 | 199 | - | 581 | - | - |
| US Gov't Agency | 32,082 | - | - | - | 16,870 | 15,017 | 195 | - |
| Total | $63,256 | $9,688 | $19,222 | $1,557 | $16,870 | $15,598 | $195 | $126 |

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 4 – Deposits and Investments (continued)

December 31, 2015

| S & P Credit Rating | Fair Value | Comm'l Mortgage Backed | Corporate Bonds | Gov't Agencies | Gov't Bonds | Gov't Mortgage Backed | Index Linked Gov't Bonds | Non Gov't Backed CMO |
|---|---|---|---|---|---|---|---|---|
| AAA | $ 867 | $ 577 | $ 290 | $ - | $ - | $ - | $ - | $ - |
| AA | 3,410 | 361 | 1,759 | 1,155 | - | - | - | 135 |
| A | 6,333 | 273 | 6,060 | - | - | - | - | - |
| BBB | 7,070 | - | 6,868 | 202 | - | - | - | - |
| BB | 1,061 | - | 1,061 | - | - | - | - | - |
| B | 263 | - | 263 | - | - | - | - | - |
| NR | 9,685 | 8,725 | 85 | 198 | - | 677 | - | - |
| US Gov't Agency | 34,037 | - | - | - | 17,875 | 16,162 | - | - |
| Total | $62,726 | $9,936 | $16,386 | $1,555 | $17,875 | $16,839 | $ - | $135 |

*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 103% 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 75 days. As December 31, 2016 and 2015, the Fund had loaned to borrowers securities with a fair value of $35,358,211 and $44,371,413, respectively. As of December 31, 2016, the fair value of the collateral received by the Fund was $36,306,598 and the collateral invested by the Fund was $36,306,598. As of December 31, 2015, the fair value of the collateral received by the Fund was $45,712,100 and the collateral invested by the Fund was $45,712,100.

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, 2016 and 2015 is as follows:

| | 2016 | 2015 |
|---|---|---|
| Furniture and equipment | $ 72,426 | $ 71,211 |
| Computer software | 138,962 | 114,041 |
| Leasehold improvements | 2,271 | 2,271 |
| | 213,659 | 187,523 |
| Less accumulated depreciation and amortization | 134,118 | 122,272 |
| Net property and equipment | $ 79,541 | $ 65,251 |

Depreciation and amortization expense was $11,846 and $12,356 for 2016 and 2015, respectively.

## Note 7 – Operating Leases

The Fund has entered into an operating lease for office space 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 $71,079 and $79,051 at December 31, 2016 and 2015, respectively. The total rental expense was $166,500 and $163,057 for 2016 and 2015, 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, 2016:

| Year ended December 31 | Amount |
|---|---|
| 2017 | $ 92,364 |
| 2018 | 94,692 |
| 2019 | 97,021 |
| 2020 | 99,349 |
| 2021 | 101,678 |
| 2022-2026 | 467,253 |
| | $952,357 |

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 $20,893 and $23,274 for 2016 and 2015, respectively.

Note 7 – Operating Leases (continued)

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2016 for each of the next three years are:

| Year ended December 31 | Amount |
|---|---|
| 2017 | $17,136 |
| 2018 | 17,136 |
| 2019 | 2,406 |
| | $36,678 |

Note 8 – Commitments

The Fund has committed to purchase $75,000,000 interests in private equity partnerships. At December 31, 2016 and 2015, the Fund had a remaining contractual obligation of $4,453,550 and $5,037,177, respectively, to purchase additional interests in the private equity partnerships.

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 Internal Revenue Service regulations. Total employee contributions were $42,915 and $43,430 for 2016 and 2015, respectively. Employer contributions are not allowed.

Note 10 – Litigation

Public Act 098-0622, which took effect January 1, 2015, affected all stakeholders: the employer, employees and retirees and is phased in over a five-year period. The main objective of the amendment is to provide sustainable funding that will secure the long-term health of the Fund.

Beginning in 2015, the multiplier for employer contributions increased to 1.70 times the total contribution by employees two years earlier. The multiplier increases in the year 2017 to 2.30 times the total contribution by employees and in the year 2019 to 2.90 times the total contribution by employees. The 2.90 multiplier will remain in effect until the Fund is 90% funded, after which time the Employer obligation is the lesser of the 2.90 multiplier or the amount necessary to maintain 90% funding. In addition to the increased multiplier, the Employer must make supplemental contributions in 2015 of $12.5 million; in 2016 of $12.5 million; and in 2019 of $50 million.

Under Public Act 098-0622, employee contributions increased to 10% in 2015; 11% in 2017; and 12% in 2019. Employee contributions will remain at 12% until the Fund is 90% funded, at which time employee contributions will decrease to 10.5% and remain there as long as the Fund is 90% funded. For retirees who are eligible, the annual increase, or “COLA”, is suspended for 2015, 2017 and 2019. In years 2016, 2018, 2020 and thereafter, the increase will be the lesser of ½ the Consumer Price Index-Urban (“CPI-U”) or 3% of the annuity granted at retirement.

Note 10 – Litigation (continued)

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 participants in the Fund. On April 25, 2016, the Fund filed its answer to the complaint. On October 19, 2016, an agreed upon order was signed that granted interim relief to parts of Public Act 098-0622. All eligible annuitants were granted retroactive pay for annual increases they would have been entitled to since January 1, 2015. However, the employees will continue to contribute 10% of their pensionable salary, and the Chicago Park District will continue to contribute 1.7 times the amount of employee contributions, pending further order of the court. The next status hearing is set for July 13, 2017.

On March 24, 2016, the Illinois Supreme Court issued an opinion striking down Public Act 098-0641 because it violated the Pension Protection clause of the Illinois Constitution, diminished, and impaired the benefits of participants in the funds in question. Public Act 098-0641 amended the Illinois Pension Code with respect to the Chicago Municipal and Laborers' Pension Funds in various ways that are similar to the amendments made to the Fund by Public Act 098-0622. Based on the Supreme Court's opinion, it is likely that the Circuit Court will find that Public Act 098-0622 is unconstitutional. The effects of a reversal of Public Act 098-0622 on the Fund's financial statements have not been determined but are presumed to be significant.

## REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

### SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

| ***Total pension liability*** | 12/31/16 | 12/31/15 | 12/31/14 |
|---|---|---|---|
| Service cost | $ 13,763,768 | $ 13,417,795 | $ 12,975,774 |
| Interest | 66,523,889 | 65,921,805 | 64,929,834 |
| Change of benefit term | 93,579,710 | - | - |
| Differences between expected and actual experience | (4,556,757) | 682,159 | 5,447,687 |
| Change of assumptions | 198,725,863 | - | - |
| Benefit payments, including refunds of employee contributions | (74,077,877) | (70,602,016) | (70,536,042) |
| **Net change in total pension liability** | 293,958,596 | 9,419,743 | 12,817,253 |
| **Total pension liability – beginning** | **910,260,360** | **900,840,617** | **888,023,364** |
| **Total pension liability – ending (a)** | **1,204,218,956** | **910,260,360** | **900,840,617** |
| ***Plan fiduciary net position*** | | | |
| Contributions - employer | 30,890,241 | 30,588,976 | 11,225,438 |
| Contributions - employee | 12,246,115 | 12,368,636 | 10,831,434 |
| Net investment income | 30,920,231 | 8,823,613 | 27,490,520 |
| Benefit payments, including refunds of employee contributions | (74,077,877) | (70,602,016) | (70,536,042) |
| Administrative expenses | (1,537,698) | (1,533,700) | (1,458,831) |
| Other | 102,572 | 88,113 | 100,518 |
| **Net change in plan fiduciary net position** | **(1,456,416)** | **(20,266,378)** | **(22,346,963)** |
| **Plan fiduciary net position - beginning** | **393,155,338** | **413,421,716** | **435,768,679** |
| **Plan fiduciary net position – ending (b)** | **391,698,922** | **393,155,338** | **413,421,716** |
| **Employer's net pension liability ending (a)-(b)** | **$ 812,520,034** | **$517,105,022** | **$487,418,901** |

*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

| | 12/31/16 | 12/31/15 | 12/31/14 |
|---|---|---|---|
| Total pension liability | $1,204,218,956 | $910,260,360 | $900,840,617 |
| Plan fiduciary net position | 391,698,922 | 393,155,338 | 413,421,716 |
| Employer's net pension liability | 812,520,034 | 517,105,022 | 487,418,901 |
| Plan fiduciary net position as a percentage of total pension liability | 32.53% | 43.19% | 45.89% |
| Covered-employee payroll | $ 121,126,918 | $122,382,584 | $118,987,507 |
| Employer's net pension liability as a percentage of covered-employee payroll | 670.80% | 422.53% | 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, 2016 | $37,130,268 | $30,890,241 | $ 6,240,027 | $121,126,918 | 25.50% |
| December 31, 2015 | 36,273,994 | 30,588,976 | 5,685,018 | 122,382,584 | 24.99 |
| 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 |

** For the six months ended December 31, 2012, as a result of Public Act 97-0973, the Fund's year end was changed from June 30$^{th}$ to December 31$^{st}$.

## SCHEDULE OF INVESTMENT RETURNS

| Year ended December 31 | Annual Money-Weighted Rate of Return, net of investment expense |
|---|---|
| 2016 | 5.77% |
| 2015 | 5.61% |
| 2014 | 5.60% |

*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 | 12/31/16 |
| Actuarial cost method | Entry age (Project 2005-June 30, 2012) |
| Amortization method | Level dollar |
| Amortization period | 26 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

| Levy Year (Calendar) | Tax Levy | Collections | Tax Levies Receivable | Allowance for Uncollectible Taxes | Allowance for Uncollectible Write-offs as a Percentage of Tax Levy | Net Tax Levies Receivable |
|---|---|---|---|---|---|---|
| At December 31, 2016: | | | | | | |
| 2016 | $ 17,267,157 | $ - | $ 17,267,157 | $ - | 0.00% | $ 17,267,157 * |
| At December 31, 2015: | | | | | | |
| 2015 | $ 17,957,112 | $ - | $ 17,957,112 | $ - | 0.00% | $ 17,957,112 |

* collected in March 2017

## ADMINISTRATIVE AND GENERAL EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Actuary expense | $ 50,023 | $ 53,597 |
| Auditing | 27,000 | 27,000 |
| IT consultant | 30,769 | 49,749 |
| Conference and convention expense | 13,380 | 19,128 |
| Contributions for annuities of Retirement Board employees | 106,014 | 112,589 |
| Depreciation | 11,846 | 12,356 |
| Equipment rental | 20,893 | 23,274 |
| Filing fee - State of Illinois | 8,000 | 8,000 |
| File storage expense | 6,636 | 5,567 |
| Hospitalization | 129,835 | 145,199 |
| Legal | 74,145 | 39,298 |
| Legislative consultant | 33,000 | 30,000 |
| Office supplies and expenses | 34,883 | 30,829 |
| Postage | 12,568 | 15,472 |
| Insurance - surety bond and other | 3,586 | 3,477 |
| Rent expense | 166,500 | 163,057 |
| Salaries | 753,691 | 747,428 |
| Payroll tax | 9,583 | 8,428 |
| Unemployment taxes | - | 8,678 |
| Bank fees | 21,820 | 21,788 |
| Telephone | 7,798 | 5,102 |
| Transportation | 3,886 | 2,462 |
| Trustees' election expense | 11,843 | 1,222 |
| Total administrative and general expenses | $ 1,537,699 | $ 1,533,700 |

PROFESSIONAL EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Legal | $ 74,145 | $ 39,298 |
| Actuary | 50,023 | 53,597 |
| Auditing | 27,000 | 27,000 |
| IT consultant | 30,769 | 49,749 |
| Legislative consultant | 33,000 | 30,000 |
| Total | $ 214,937 | $ 199,644 |

# INVESTMENT EXPENSES

| | 2016 | 2015 |
|---|---|---|
| **U.S. EQUITY** | | |
| Great Lakes Advisors, LLC | $ 80,098 | $ 87,200 |
| Ariel Investments | 136,268 | 142,884 |
| RBC Global Asset Management | 92,213 | 90,267 |
| Nothern Trust Quantitative Advisors | 8,220 | 20,042 |
| | 316,799 | 340,393 |
| **NON - U.S. EQUITY** | | |
| Lombardia Capital Partners | 107,328 | 77,014 |
| Nothern Trust Quantitative Advisors | 13,831 | 23,219 |
| | 121,159 | 100,233 |
| **FIXED INCOME** | | |
| LM Capital Group, LLC | 29,667 | 28,571 |
| MacKay Shields, LLC | 73,932 | 83,406 |
| Chicago Equity Partners | 39,743 | 38,465 |
| ULLICO Investment Company | 59,748 | 62,679 |
| | 203,090 | 213,121 |
| **HEDGED EQUITY** | | |
| Entrust Capital, Inc. | 265,235 | 283,751 |
| K2 Advisors, LLC | - | 31,426 |
| | 265,235 | 315,177 |
| **RISK PARITY** | | |
| Invesco | 56,496 | 57,036 |
| | 56,496 | 57,036 |
| **REAL ESTATE** | | |
| Principal Global Investors | 151,784 | 188,349 |
| UBS Realty Investors, LLC | 258,144 | 271,341 |
| | 409,928 | 459,690 |
| **PRIVATE EQUITY** | | |
| HarbourVest Partners, LLC | 208,618 | 231,801 |
| Mesirow Financial Capital Partners | 115,556 | 169,644 |
| GoldPoint Partners, LLC | 45,338 | 25,354 |
| | 369,512 | 426,799 |
| **INFRASTRUCTURE** | | |
| ULLICO Infrastrucutre | 186,507 | 78,642 |
| IFM Global Infra (US) L.P | 90,779 | 63,099 |
| | 277,286 | 141,741 |
| **OTHER** | | |
| Custody- Northern Trust Co. | 70,000 | 70,000 |
| Investment consultant- Marquette Associates | 100,000 | 100,000 |
| | 170,000 | 170,000 |
| Total | $ 2,189,505 | $ 2,224,190 |