

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, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 27 through 28 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.

*Banaley and Kiener, L.L.P.*

Certified Public Accountants

June 6, 2018

# Management's Discussion and Analysis

## Management Discussion and Analysis for the Year Ended December 31, 2017

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, 2017 and 2016. 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, 2015 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 increased during the year by \$5.9 million or 1.5% compared to a decrease of \$1.5 million or 0.4% for the year ended December 31, 2016.
- b) The Fund's annual investment return of 14.2% outperformed the portfolio benchmark return of 13.8%.
- c) The Fund's three-year rate of return of 8.1% outperformed the portfolio benchmark return of 7.3%.
- d) The Fund's five-year rate of return of 9.8% outperformed the portfolio benchmark return of 8.6%.
- e) The Fund's ten-year rate of return of 6.0% outperformed the portfolio benchmark return of 5.2%.
- f) For the year ended December 31, 2017, the additions to the Fund's fiduciary net position of \$85.8 million is \$11.6 million more than the year ended December 31, 2016 additions.
- g) For the year ended December 31, 2017, the deductions to the Fund's fiduciary net position of \$79.8 million is \$4.2 million more when compared to the deductions for the year ended December 31, 2016.
- h) The Fund's actuarially computed funded ratio is 37.1% at December 31, 2017, which is 2.0% less than at December 31, 2016.

## Management's Discussion and Analysis (Continued)

### Net Position Restricted for Pension Benefits

The Fund's net position restricted for pension benefits at December 31, 2017 is \$397,648,758. This is \$5,949,836 more than the December 31, 2016 net position restricted for pension benefits of \$391,698,922. This compares to a decrease of \$1,456,416 for the year ended December 31, 2016. 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, 2017</u>	<u>December 31, 2016</u>	Increase (Decrease)
Total Assets	\$438,527,980	\$429,724,414	\$ 8,803,566
Total Liabilities	<u>40,879,222</u>	<u>38,025,492</u>	<u>2,853,730</u>
Net Position	<u>\$397,648,758</u>	<u>\$391,698,922</u>	<u>\$ 5,949,836</u>

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

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

### Changes in Fiduciary Net Position

The Fund's total additions during the year ended December 31, 2017 increased by \$11,610,840 as compared to an increase of \$22,289,821 for the year ended December 31, 2016. In 2017, the employer contributions have decreased largely due to the Fund not receiving any supplemental payments from the employer. In 2016 and 2015, the employer made supplemental contributions to the Fund of \$12.5 million in accordance with Public Act 098-0622. The tax levy received from the employer in 2017, 2016 and 2015 is equal to 1.70 times the employee contributions from two years prior. Members of the Fund continued to contribute 10% of their salary. The employee contributions for 2016 and 2015 remained relatively consistent. Net investment income for the year ended December 31, 2017 was \$51,174,093 as compared to net investment income of \$31,022,803 for the year ended December 31, 2016 and \$8,911,726 for the year ended December 31, 2015. From year to year, the Fund's investment returns fluctuate depending on the financial market. The Fund is still experiencing a cash flow shortage and continues to liquidate portfolio assets to supplement benefit payments made.

The number of retirees has not fluctuated much over the recent years. The Fund's benefit payments in 2017 increased slightly in comparison to 2016 mainly due to the annual increases most annuitants receive during the year. The significant increase in the prior period is 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. On March 1, 2018, the court issued an opinion finding Public Act 098-0622 unconstitutional. Therefore, the additional 1% in employee contributions that were paid to the Fund since January 1, 2015, will be refunded to employees with pre-judgment interest. The Fund will refund approximately \$3.9 million in employee contributions plus approximately \$200,000 in pre-judgment interest. The following tables are comparative summaries of changes in fiduciary net position restricted for pension benefits:

## Management's Discussion and Analysis (Continued)

### Statements of Changes in Fiduciary Net Position – Current Year

	December 31, 2017	December 31, 2016	Increase (Decrease)
<b>ADDITIONS</b>			
Employer contributions	\$ 20,920,614	\$ 30,890,241	\$ (9,969,627)
Employee contributions	13,675,292	12,246,115	1,429,177
Net investment income (includes security lending activities)	<u>51,174,093</u>	<u>31,022,803</u>	<u>20,151,290</u>
Total additions	<u>\$ 85,769,999</u>	<u>\$ 74,159,159</u>	<u>\$ 11,610,840</u>
<b>DEDUCTIONS</b>			
Retirement benefits	\$ 59,488,303	\$ 58,967,909	\$ 520,394
Spousal benefits	12,252,673	12,043,511	209,162
Child benefits	15,900	18,000	(2,100)
Disability benefits	190,464	283,963	(93,499)
Death benefits	<u>305,000</u>	<u>255,000</u>	<u>50,000</u>
Total benefits	72,252,340	71,568,383	683,957
Refund of contributions	2,025,805	2,509,493	(483,688)
Refund of excess contributions	3,859,882	-	3,859,882
Administrative and general expenses	<u>1,682,136</u>	<u>1,537,699</u>	<u>144,437</u>
Total deductions	<u>\$ 79,820,163</u>	<u>\$ 75,615,575</u>	<u>\$ 4,204,588</u>
Net increase (decrease)	5,949,836	(1,456,416)	7,406,252
Beginning of year net position	<u>391,698,922</u>	<u>393,155,338</u>	<u>(1,456,416)</u>
End of year net position	<u>\$397,648,758</u>	<u>\$391,698,922</u>	<u>\$ 5,949,836</u>

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

	December 31, 2016	December 31, 2015	Increase (Decrease)
<b>ADDITIONS</b>			
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)	<u>31,022,803</u>	<u>8,911,726</u>	<u>22,111,077</u>
Total additions	<u>\$ 74,159,159</u>	<u>\$ 51,869,338</u>	<u>\$ 22,289,821</u>
<b>DEDUCTIONS</b>			
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	<u>255,000</u>	<u>317,000</u>	<u>(62,000)</u>
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	<u>1,537,699</u>	<u>1,533,700</u>	<u>3,999</u>
Total deductions	<u>\$ 75,615,575</u>	<u>\$ 72,135,716</u>	<u>\$ 3,479,859</u>
Net increase (decrease)	(1,456,416)	(20,266,378)	18,809,962
Beginning of year net position	<u>393,155,338</u>	<u>413,421,716</u>	<u>(20,266,378)</u>
End of year net position	<u>\$391,698,922</u>	<u>\$393,155,338</u>	<u>\$ (1,456,416)</u>

## Management's Discussion and Analysis (Continued)

### Actuarial Update

The actuarial valuation for the year ended December 31, 2017 includes the impact on the Fund from the March 1, 2018 court decision made on Public Act 098-0622. The decision to find Public Act 098-0622 unconstitutional has now projected the Fund to run out of money by the year 2026. The valuations for 2017 and 2016 also 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 37.1% at December 31, 2017, which is 2.0% less than at December 31, 2016. The funded ratio is based on the actuarial value of assets over the actuarial accrued liability.

### Investment Performance

The Fund's annual investment return for the year ended December 31, 2017 was 14.2%, which is higher than the 8.4% return reported for the year ended December 31, 2016 and higher than the 1.9% return for the year ended December 31, 2015. Performance in 2017 was driven by strong returns in the Fund's International Equity portfolio, 28.4%; U.S. Equity portfolio, 18.1%; Infrastructure portfolio, 10.9%; Risk Parity portfolio, 10.4%; Hedged Equity portfolio, 10.1%; and Real Estate portfolio, 6.4%. The Fund's 14.2% return for 2017 outperformed its performance benchmark by approximately 40 basis points and underperformed the peer median by approximately 0.4%. The Fund's portfolio performance for the past five years ranked in the upper seventh percentile as measured against its peers. Over the trailing three-year and five-year periods, the Fund outperformed the performance benchmark by roughly 80 and 120 basis points, respectively. Over the trailing ten-year period, the Fund returned 6.0%, outperforming the performance benchmark by 80 basis points and ranked in the upper 28<sup>th</sup> percentile as measured against its peers, however, underperforming the 7.5% actuarial rate of return.

### Litigation Matters

On October 14, 2015, the Fund was served with a lawsuit challenging Public Act 098-0622's amendment to the Illinois Pension Code as unconstitutionally diminishing and impairing pension benefits. Among other things, Public Act 098-0622 increased the normal retirement age, increased employee and employer contributions to the Fund, reduced the automatic annual increases for retirees, and reduced the duty disability benefit. Pursuant to a preliminary court order, the Fund restored the automatic annual increases for retirees effective December 1, 2016.

On March 1, 2018, the court issued an opinion finding Public Act 098-0622 unconstitutional. Therefore, the additional 1% in employee contributions that were paid to the Fund since January 1, 2015, will be refunded to employees with pre-judgment interest. The employer will process the refunds of employee contributions and interest. The Fund anticipates those payments will be issued by July 31, 2018. In addition, the Fund will restore any reduced duty disability benefits retroactively, with pre-judgment interest to any employees who received a reduced duty disability benefit. The Fund anticipates issuing such payments by June 30, 2018.

Pursuant to court order, the Fund will retain the \$12,500,000 supplemental contribution the employer made in both 2016 and 2015 and the increased contributions made by the employer in 2016 and 2015 pursuant to the increase in the tax multiplier to 1.7 times the amount of employer contributions. The Fund will retain the employer contributions from the 2017 tax levy, to be received in 2018, which will be made pursuant to a tax multiplier of 1.7 times the amount of employee contributions. The 2018 tax levy will revert to a tax multiplier of 1.1 times the amount of employee contributions.

### 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](http://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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Receivables		
Contributions from employer	\$ 20,799,934	\$ 17,267,157
Employee contributions	564,787	92,426
Workers' compensation offset of duty disability benefits, net of allowance for loss of \$16,615 in 2017 and 2016	131,115	75,513
Due from broker	1,309,824	12,179,267
Accrued investment income	448,401	528,863
Miscellaneous receivables	14,021	47,996
	<u>23,268,082</u>	<u>30,191,222</u>
Investments, at fair value		
Common and preferred stocks	56,254,103	58,654,400
Common stocks - foreign	-	16,522,290
Fixed income	65,382,838	63,255,564
Collective investment funds	108,036,902	82,280,329
Mutual funds	20,340,559	15,327,740
Hedged equity	25,160,062	12,107,984
Risk parity	10,388,615	11,685,176
Private equity	22,366,679	30,480,102
Real estate	36,104,891	38,382,589
Infrastructure	23,328,660	22,043,799
Short-term investments	8,939,984	7,721,867
	<u>376,303,293</u>	<u>358,461,840</u>
Invested securities lending collateral	<u>33,992,926</u>	<u>36,306,598</u>
Property and equipment - net	<u>110,539</u>	<u>79,541</u>
Prepaid annuity benefits	4,777,637	4,616,935
Other prepaid expenses	75,503	68,278
	<u>4,853,140</u>	<u>4,685,213</u>
<b>Total assets</b>	<u>438,527,980</u>	<u>429,724,414</u>
<b>LIABILITIES</b>		
Accounts payable	471,562	486,160
Accrued benefits payable	498,195	565,033
Accrued payroll liabilities	17,881	14,904
Member contribution refunds and reduced disability benefits payable	4,069,355	-
Unamortized rent abatement	63,108	71,079
Securities lending collateral	33,992,926	36,306,598
Due to broker	1,766,195	581,718
	<u>40,879,222</u>	<u>38,025,492</u>
<b>Net position restricted for pension benefits</b>	<u>\$397,648,758</u>	<u>\$391,698,922</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Additions		
Contributions		
Employer contributions	\$ 20,920,614	\$ 30,890,241
Employee contributions	<u>13,675,292</u>	<u>12,246,115</u>
Total contributions	<u>34,595,906</u>	<u>43,136,356</u>
Investment income		
Net appreciation in fair value of investments	39,842,188	19,318,920
Interest	2,476,983	2,269,810
Dividends	1,076,628	1,637,493
Partnership and real estate income	<u>9,542,177</u>	<u>9,883,513</u>
	<u>52,937,976</u>	<u>33,109,736</u>
Less investment expenses	<u>1,855,662</u>	<u>2,189,505</u>
Net income from investing activities	<u>51,082,314</u>	<u>30,920,231</u>
Security lending activities		
Securities lending income	476,428	301,977
Borrower rebates	(316,668)	(109,449)
Bank fees	<u>(71,749)</u>	<u>(90,565)</u>
Net income from securities lending activities	<u>88,011</u>	<u>101,963</u>
Other income	<u>3,768</u>	<u>609</u>
Total additions	<u>85,769,999</u>	<u>74,159,159</u>
Deductions		
Benefits		
Annuity payments	71,756,876	71,029,420
Disability and death benefits	<u>495,464</u>	<u>538,963</u>
Total benefits	<u>72,252,340</u>	<u>71,568,383</u>
Refund of contributions	2,025,805	2,509,493
Refund of increased contributions and reduced disability benefits (see Note 10)	<u>3,859,882</u>	<u>-</u>
Administrative and general expenses	<u>1,682,136</u>	<u>1,537,699</u>
Total deductions	<u>79,820,163</u>	<u>75,615,575</u>
Net increase (decrease)	5,949,836	(1,456,416)
Net position restricted for pension benefits		
Beginning of year	<u>391,698,922</u>	<u>393,155,338</u>
End of year	<u>\$ 397,648,758</u>	<u>\$ 391,698,922</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, 2017 and 2016, Fund membership consists of:

	<u>2017</u>	<u>2016</u>
Retirees and beneficiaries currently receiving benefits	2,876	2,870
Current employees	3,543	3,114
Vested terminated members entitled to benefits	150	149

Pension legislation (Public Act 096-0889) 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 \$112,408 in 2017 and \$111,572 in 2016.

*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.

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

Note 1 – Fund Description and Contribution Information (Continued)

*Post-Retirement Increase (Continued)*

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 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.

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NOTES TO FINANCIAL STATEMENTS

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 included benefit changes for both Tier 1 and Tier 2 members as well as increases in the employer and employee contributions. On March 1, 2018, the court issued an opinion finding Public Act 098-0622 unconstitutional.

In addition, 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 was suspended in year 2015. Spousal increase was not affected. 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.

Increase in employer contributions provided by the provisions of Public Act 098-0622 for 2015, 2016 and 2017 were generally not affected by the ruling, and these increases were not required to be returned by the Fund. However, employee contribution increases collected and reductions in duty disability benefits payments during 2015, 2016 and 2017 are to be returned to the employees during 2018. See note 10.

*Net Pension Liability of Participating Employer*

The components of the net pension liability as of December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Total pension liability	\$1,624,571,524	\$1,204,218,956
Plan fiduciary net position	397,648,758	391,698,922
Employer's net pension liability	1,226,922,766	812,520,034
Plan fiduciary net position as a percentage of net pension liability	24.48%	32.53%

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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, 2017 and 2016, using actuarial assumptions applied to all periods included in the measurement.

	<u>2017</u>	<u>2016</u>
Inflation	2.75%	2.75%
Salary increase	15% to 2.75%	15% to 2.75%
Investment rate of return	3.65%, net of investment expense	5.82%, 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. Retirees - lesser of 3% and ½ CPI of the original benefit for employees who first became a participant on or after January 1, 2011. Beneficiary – 3% compounded	Retirees - 3% of the original benefit for employees who first became a participant before January 1, 2011. Retirees - lesser of 3% and ½ CPI of the original benefit for employees who first became a participant on or after January 1, 2011. 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, 2017 and 2016 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, 2017 and 2016 are summarized in the following table:

	<u>2017</u>		<u>2016</u>	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Fixed income	20.5%	1.75%	20.5%	2.11%
Domestic equity	28.5%	6.40%	32.5%	6.71%
International equity	18.0%	7.40%	14.0%	7.71%
Emerging market	2.0%	9.80%	2.0%	9.81%
Risk parity	3.0%	4.10%	3.0%	3.91%
Hedge equity	7.0%	4.10%	7.0%	3.91%
Private equity	7.0%	10.70%	7.0%	10.91%
Real assets	14.0%	5.10%	14.0%	5.21%

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ANNUITY AND BENEFIT FUND OF CHICAGO  
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NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information (Continued)

*Discount rate*

The discount rate used to measure the total pension liability was 3.65% for December 31, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the 9% contribution rate for 2018 and thereafter. Employer contributions will be made at the 1.1 multiple of member contributions from two years prior to 2018 and thereafter. For this purpose, only employer contributions that are intended to fund benefits or current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. 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. The projected benefit payments through 2025 were discounted at the expected long-term rate of returns (7.5%). Starting in 2026, the projected benefit payments were discounted at the municipal bond index (3.44%). Therefore, a single equivalent blended discount rate of 3.658% was calculated using the long-term expected rate of return and the municipal bond index.

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.

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

The following presents the net pension liability as of December 31, 2017, calculated using the discount rate of 3.65%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate:

<u>Net pension liability</u>	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
December 31, 2017	\$1,466,351,862	\$1,226,922,766	\$1,031,461,240

For comparison purposes, 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:

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

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NOTES TO FINANCIAL STATEMENTS

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.



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

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 in the prior year financial statements to conform to the current year presentation.

*Recently Issued Accounting Pronouncements*

GASB Statement No. 82, *Pension Issues*, was established to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that were raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement established accounting and financial reporting requirements for pensions provided to employees of state or local governmental employers. This statement also established financial reporting requirements for pension plans administered through trusts that meet the criteria in paragraph three of Statement No. 67. The Fund adopted this statement 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.

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

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

The following table represents the Board's adopted asset allocation policy as of December 31, 2017 and 2016.

<u>Asset Class</u>	<u>2017</u> <u>Target</u>	<u>2016</u> <u>Target</u>
Fixed income	20.5%	20.5%
Domestic equity	28.5%	28.5%
International equity	18.0%	18.0%
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	<u>14.0%</u>	<u>14.0%</u>
	<u>100%</u>	<u>100%</u>

*Money-Weighted Rate of Return*

For the year ended December 31, 2017 and 2016, the annual money-weighted rate of return on plan investments, net of investment expense, was 5.58% and 5.77%, 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, 2017 and 2016 the Fund's book balances of cash were \$-0- and \$-0-, respectively. The actual bank balances were \$-0- and \$-0- at December 31, 2017 and 2016, 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, mutual funds, infrastructure, 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:

	<u>2017</u>	<u>2016</u>
Collective investment funds – common stock		
NTGI QM Collective Daily US Market cap Equity	\$41,353,963	\$34,854,723
NTGI QM Collective Daily All Country World Index	\$50,673,507	\$29,145,443
Hedged Equity - Parametric Defensive Equity Fund	\$25,160,062	\$ -
Mutual Funds – William Blair	\$20,340,559	N/A

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

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 provide 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, 2017 and 2016.

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.

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NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (continued)

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

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, 2017.

Investment Measured at Fair Value	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Equity securities</b>				
Common Stock	\$105,305,220	\$56,254,103	\$ 49,051,117	\$ -
Common Stock – foreign	79,326,344	20,340,559	58,985,785	-
<b>Total equity securities</b>	<u>184,631,564</u>	<u>76,594,662</u>	<u>108,036,902</u>	<u>-</u>
<b>Debt securities</b>				
Government Bonds	17,374,364	-	17,374,364	-
Government Agencies	1,673,582	-	1,673,582	-
Corporate Bonds	20,233,703	-	20,231,513	2,189
Government Mortgage-Backed Securities	16,328,816	-	16,328,816	-
Commercial Mortgage-Backed	9,463,179	-	9,463,179	-
Non-Government Backed CMO's	108,101	-	-	108,101
Index Linked Government Bonds	201,093	-	201,094	-
<b>Total debt securities</b>	<u>65,382,838</u>	<u>-</u>	<u>65,272,548</u>	<u>110,290</u>
<b>Short-term investment securities</b>				
Short-term Bills & Notes	829,756	829,756	-	-
Funds-short-term investment	8,110,228	8,110,228	-	-
<b>Total short-term investments securities</b>	<u>8,939,984</u>	<u>8,939,984</u>	<u>-</u>	<u>-</u>
<b>Total investments measured by fair value level</b>	<u>258,954,386</u>	<u>\$85,534,646</u>	<u>\$173,309,450</u>	<u>\$110,290</u>
<b>Investments measured at Net Asset Value (NAV)</b>				
Hedged equity	25,160,062			
Risk parity	10,388,615			
Private equity	22,366,679			
Real estate	36,104,891			
Infrastructure	23,328,660			
<b>Total investments measured at NAV</b>	<u>117,348,907</u>			
<b>Total investments measured at fair value</b>	<u>\$376,303,293</u>			
<b>Collateral from securities lending</b>	<u>\$ 33,992,926</u>		<u>\$ 33,992,926</u>	

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**NOTES TO FINANCIAL STATEMENTS**

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, 2016.

Investment Measured at Fair Value	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Equity securities</b>				
Common Stock	\$101,784,476	\$57,067,324	\$ 44,717,152	\$ -
Preferred Stock	105,087	105,087	-	-
Common Stock – foreign	<u>70,895,196</u>	<u>33,332,019</u>	<u>37,563,177</u>	<u>-</u>
<b>Total equity securities</b>	<u>172,784,759</u>	<u>90,504,430</u>	<u>82,280,329</u>	<u>-</u>
<b>Debt securities</b>				
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	<u>195,021</u>	<u>-</u>	<u>195,021</u>	<u>-</u>
<b>Total debt securities</b>	<u>63,255,564</u>	<u>-</u>	<u>63,250,951</u>	<u>4,613</u>
<b>Short-term investment securities</b>				
Short-term Bills & Notes	549,899	549,899	-	-
Funds-short-term investment	<u>7,171,968</u>	<u>7,171,968</u>	<u>-</u>	<u>-</u>
<b>Total short-term investments securities</b>	<u>7,721,867</u>	<u>7,721,867</u>	<u>-</u>	<u>-</u>
<b>Total investments measured by fair value level</b>	<u>243,762,190</u>	<u>\$98,226,297</u>	<u>\$145,531,280</u>	<u>\$4,613</u>
<b>Investments measured at Net Asset Value (NAV)</b>				
Hedged equity	12,107,984			
Risk parity	11,685,176			
Private equity	30,480,102			
Real estate	38,382,589			
Infrastructure	<u>22,043,799</u>			
<b>Total investments measured at NAV</b>	<u>114,699,650</u>			
<b>Total investments measured at fair value</b>	<u>\$358,461,840</u>			
 <b>Collateral from securities lending</b>	 <u>\$ 36,306,598</u>		 <u>\$ 36,306,598</u>	

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NOTES TO FINANCIAL STATEMENTS

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, 2017	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedged equity	\$25,160,062	\$ -	Monthly	5 days
Risk parity	\$10,388,615	\$ -	Daily	1 day
Private equity	\$22,366,679	\$9,245,000	n/a	n/a
Real estate	\$36,104,891	\$ -	Quarterly	60-90 days
Infrastructure	\$23,328,660	\$ -	Quarterly	90 days

**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

**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.

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NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (continued)

**Private Equity Partnerships**

The private equity investments consist of nine 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.

**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.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. Forward currency contracts may be used to manage exposure to foreign currencies. The Fund has not adopted a formal policy related to foreign currency risk. At December 31, 2017, the Fund had \$79.3 million in foreign investments, all of which was in mutual funds that were held in U.S. dollars. At December 31, 2016, the fund had \$70.9 million in foreign investments, of which \$56.4 were in mutual funds held in U.S. dollars and \$14.5 million reflect investments with foreign currency exposure. The Fund’s exposure to foreign currency risk included European euro (\$4.8 million), Japanese yen (\$3.9 million), British pound sterling (\$1.9 million), South Korean won (\$1.7 million), and various other currencies (\$2.2 million).

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

Note 4 – Deposits and Investments (continued)

The following tables show the investments in debt securities by investment type and maturity as of December 31, 2017 and 2016 (expressed in thousands).

December 31, 2017

Security Type	Total Fair Value	Less Than 1 Year	1 – 6 Years	6 -10 Years	10+ Years
Commercial mortgage backed	\$ 9,463	\$ -	\$ -	\$ -	\$ 9,463
Corporate bonds	20,234	504	9,639	5,762	4,329
Government agencies	1,674	-	1,420	254	-
Government bonds	17,374	-	7,937	5,543	3,894
Index Linked Government Bonds	201	-	-	201	-
Government mortgage backed	16,329	14	152	552	15,611
Non-government backed CMO's	<u>108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total	<u>\$65,383</u>	<u>\$518</u>	<u>\$19,148</u>	<u>\$12,312</u>	<u>\$33,405</u>

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	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
Total	<u>\$63,256</u>	<u>\$784</u>	<u>\$18,773</u>	<u>\$12,589</u>	<u>\$31,110</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.



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NOTES TO FINANCIAL STATEMENTS

Note 4 – Deposits and Investments (continued)

The following tables present the Fund's ratings as of December 31, 2017 and 2016 (expressed in thousands).

December 31, 2017

<u>S &amp; P Credit Rating</u>	<u>Fair Value</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>Index Linked Gov't Bonds</u>	<u>Non Gov't Backed CMO</u>
AAA	\$ 795	\$ 220	\$ 380	\$ 195	\$ -	\$ -	\$ -	\$ -
AA	2,629	-	1,453	1,068	-	-	-	108
A	6,904	-	6,904	-	-	-	-	-
BBB	9,215	-	9,003	212	-	-	-	-
BB	1,926	-	1,926	-	-	-	-	-
B	270	-	270	-	-	-	-	-
NR	10,425	9,243	298	199	222	463	-	-
US Gov't Agency	<u>33,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,152</u>	<u>15,866</u>	<u>201</u>	<u>-</u>
Total	<u>\$65,383</u>	<u>\$9,463</u>	<u>\$20,234</u>	<u>\$1,674</u>	<u>\$17,374</u>	<u>\$16,329</u>	<u>\$201</u>	<u>\$108</u>

December 31, 2016

<u>S &amp; P Credit Rating</u>	<u>Fair Value</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>Index Linked Gov't Bonds</u>	<u>Non Gov't Backed CMO</u>
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	<u>32,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,870</u>	<u>15,017</u>	<u>195</u>	<u>-</u>
Total	<u>\$63,256</u>	<u>\$9,688</u>	<u>\$19,222</u>	<u>\$1,557</u>	<u>\$16,870</u>	<u>\$15,598</u>	<u>\$195</u>	<u>\$126</u>

*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.

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NOTES TO FINANCIAL STATEMENTS

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 93 days. As December 31, 2017 and 2016, the Fund had loaned to borrowers securities with a fair value of \$33,152,044 and \$35,358,211, respectively. As of December 31, 2017, the fair value of the collateral received by the Fund was \$33,992,926 and the collateral invested by the Fund was \$33,992,926. 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.

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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 72,426	\$ 72,426
Computer software	171,419	138,962
Leasehold improvements	<u>2,271</u>	<u>2,271</u>
	246,116	213,659
Less accumulated depreciation and amortization	<u>135,577</u>	<u>134,118</u>
Net property and equipment	<u>\$110,539</u>	<u>\$ 79,541</u>

Depreciation and amortization expense was \$1,459 and \$11,846 for 2017 and 2016, 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 \$63,108 and \$71,079 at December 31, 2017 and 2016, respectively. The total rental expense was \$182,774 and \$166,500 for 2017 and 2016, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 7 – Operating Leases (continued)

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, 2017:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2018	\$ 94,692
2019	97,021
2020	99,349
2021	101,678
2022	104,006
2023-2026	<u>363,247</u>
	<u>\$859,993</u>

The Fund leases office equipment under non-cancelable operating leases that expire at various dates through December, 2023. Total rent expense incurred under these operating leases was \$24,518 and \$20,893 for 2017 and 2016, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2017 for each of the next six years and in the aggregate are:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2018	\$19,549
2019	15,148
2020	13,681
2021	13,681
2022	13,681
2023	<u>1,710</u>
	<u>\$77,450</u>

Note 8 – Commitments

The Fund has committed to purchase \$82,500,000 interests in private equity partnerships. At December 31, 2017 and 2016, the Fund had a remaining contractual obligation of \$9,245,000 and \$4,453,550, 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 \$36,125 and \$42,915 for 2017 and 2016, respectively. Employer contributions are not allowed.

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NOTES TO FINANCIAL STATEMENTS

Note 10 – Litigation

Public Act 098-0622, which took effect January 1, 2015, affected all stakeholders: the employer, employees and retirees and was to be phased in over a five-year period. The main objective of the amendment was to provide sustainable funding to 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. In addition to the increased multiplier, the Employer made supplemental contributions in 2015 and 2016 of \$12.5 million.

Under Public Act 098-0622, employee contributions increased from 9% to 10%. Duty disability benefits decreased from 75% of salary to 74%.

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 March 1, 2018, the Court issued an opinion finding Public Act 098-0622 unconstitutional. Consequently, the court ordered the Fund to refund the additional 1% in employee contributions that were paid to the Fund since January 1, 2015 with prejudgment interest at 3%. In addition, the Fund will restore any reduced duty disability benefits retroactively, with prejudgment interest to any employees who received a reduced duty disability benefit.

At December 31, 2017 the Fund has recorded a liability of \$4,069,355 consisting of the refunds of the additional 1% of employee contributions and the amounts due employees who received reduced duty disability benefits including prejudgment interest of approximately \$209,000.

Increases in employer contributions due to changes in the multiplier and additional supplemental contributions in 2015 and 2016 were not affected by the ruling. The Court ruled the Fund is under no obligation to return those contributions to the District. The multiplier for 2018 will be amended to revert back to 1.10 from 1.70.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(UNAUDITED)

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
<b>Total pension liability</b>				
Service cost	\$ 20,115,813	\$ 13,763,768	\$ 13,417,795	\$ 12,975,774
Interest	68,982,467	66,523,889	65,921,805	64,929,834
Change of benefit term	36,183,940	93,579,710	-	-
Differences between expected and actual experience	2,785,815	(4,556,757)	682,159	5,447,687
Change of assumptions	370,422,560	198,725,863	-	-
Benefit payments, including refunds of employee contributions	(78,138,027)	(74,077,877)	(70,602,016)	(70,536,042)
<b>Net change in total pension liability</b>	<b>420,352,568</b>	<b>293,958,596</b>	<b>9,419,743</b>	<b>12,817,253</b>
<b>Total pension liability – beginning</b>	<b><u>1,204,218,956</u></b>	<b><u>910,260,360</u></b>	<b><u>900,840,617</u></b>	<b><u>888,023,364</u></b>
<b>Total pension liability – ending (a)</b>	<b><u>1,624,571,524</u></b>	<b><u>1,204,218,956</u></b>	<b><u>910,260,360</u></b>	<b><u>900,840,617</u></b>
<b>Plan fiduciary net position</b>				
Contributions - employer	20,920,614	30,890,241	30,588,976	11,225,438
Contributions - employee	13,675,292	12,246,115	12,368,636	10,831,434
Net investment income	51,082,314	30,920,231	8,823,613	27,490,520
Benefit payments, including refunds of employee contributions	(78,138,027)	(74,077,877)	(70,602,016)	(70,536,042)
Administrative expenses	(1,682,136)	(1,537,698)	(1,533,700)	(1,458,831)
Other	91,779	102,572	88,113	100,518
<b>Net change in plan fiduciary net position</b>	<b>5,949,836</b>	<b>(1,456,416)</b>	<b>(20,266,378)</b>	<b>(22,346,963)</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>391,698,922</u></b>	<b><u>393,155,338</u></b>	<b><u>413,421,716</u></b>	<b><u>435,768,679</u></b>
<b>Plan fiduciary net position – ending (b)</b>	<b><u>397,648,758</u></b>	<b><u>391,698,922</u></b>	<b><u>393,155,338</u></b>	<b><u>413,421,716</u></b>
<b>Employer's net pension liability ending (a)-(b)</b>	<b><u>\$1,226,922,766</u></b>	<b><u>\$ 812,520,034</u></b>	<b><u>\$517,105,022</u></b>	<b><u>\$487,418,901</u></b>

*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**

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Total pension liability	\$1,624,571,524	\$1,204,218,956	\$910,260,360	\$900,840,617
Plan fiduciary net position	397,648,758	391,698,922	393,155,338	413,421,716
Employer's net pension liability	1,226,922,766	812,520,034	517,105,022	487,418,901
Plan fiduciary net position as a percentage of total pension liability	24.48%	32.53%	43.19%	45.89%
Covered-employee payroll	\$ 135,315,008	\$ 121,126,918	\$122,382,584	\$118,987,507
Employer's net pension liability as a percentage of covered-employee payroll	906.72%	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, 2017	\$45,253,238	\$20,920,614	\$24,332,624	\$135,315,008	15.46%
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

\*\* 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<sup>th</sup> to December 31<sup>st</sup>.

SCHEDULE OF INVESTMENT RETURNS

Year ended December 31	Annual Money-Weighted Rate of Return, net of investment expense
2017	5.58%
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	12/31/17
Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	25 years (closed period)
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, 2017:						
2017	\$ 20,799,934	\$ -	<u>\$ 20,799,934</u>	<u>\$ -</u>	0.00%	<u>\$ 20,799,934 *</u>
At December 31, 2016:						
2016	\$ 17,267,157	\$ -	<u>\$ 17,267,157</u>	<u>\$ -</u>	0.00%	<u>\$ 17,267,157</u>

\* collected in March 2018

ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2017</u>	<u>2016</u>
Actuary expense	\$ 48,500	\$ 50,023
Auditing	28,000	27,000
IT consultant	28,077	30,769
Conference and convention expense	21,669	13,380
Contributions for annuities of Retirement Board employees	104,863	106,014
Depreciation	1,459	11,846
Equipment rental	24,518	20,893
Filing fee - State of Illinois	8,000	8,000
File storage expense	6,275	6,636
Hospitalization	115,091	129,835
Legal	66,086	74,145
Legislative consultant	33,000	33,000
Office supplies and expenses	31,660	34,883
Postage	6,715	12,568
Insurance - surety bond and other	5,289	3,586
Rent expense	182,774	166,500
Salaries	705,972	753,691
Payroll tax	9,738	9,583
Unemployment taxes	158	-
Bank fees	21,025	21,820
Telephone	7,974	7,798
Transportation	3,770	3,886
Prejudgment interest expense	209,473	-
Trustees' election expense	12,050	11,843
	<u>\$ 1,682,136</u>	<u>\$ 1,537,699</u>
Total administrative and general expenses		



PROFESSIONAL EXPENSES

	<u>2017</u>	<u>2016</u>
Legal	\$ 66,086	\$ 74,145
Actuary	48,500	50,023
Auditing	28,000	27,000
IT consultant	28,077	30,769
Legislative consultant	<u>33,000</u>	<u>33,000</u>
Total	<u>\$ 203,663</u>	<u>\$ 214,937</u>

INVESTMENT EXPENSES

	2017	2016
<u>U.S. EQUITY</u>		
Great Lakes Advisors, LLC	\$ 68,535	\$ 80,098
Ariel Investments	161,088	136,268
RBC Global Asset Management	109,727	92,213
Nothorn Trust Quantitative Advisors	8,286	8,220
	<u>347,636</u>	<u>316,799</u>
<u>NON - U.S. EQUITY</u>		
Lombardia Capital Partners	31,876	107,328
Nothorn Trust Quantitative Advisors	22,121	13,831
	<u>53,997</u>	<u>121,159</u>
<u>FIXED INCOME</u>		
LM Capital Group, LLC	30,142	29,667
MacKay Shields, LLC	75,329	73,932
Chicago Equity Partners	39,687	39,743
ULLICO Investment Company	61,439	59,748
	<u>206,597</u>	<u>203,090</u>
<u>HEDGED EQUITY</u>		
Entrust Capital, Inc.	35,880	265,235
Parametric	63,695	-
	<u>99,575</u>	<u>265,235</u>
<u>RISK PARITY</u>		
Invesco	53,896	56,496
	<u>53,896</u>	<u>56,496</u>
<u>REAL ESTATE</u>		
Principal Global Investors	149,907	151,784
UBS Realty Investors, LLC	230,378	258,144
	<u>380,285</u>	<u>409,928</u>
<u>PRIVATE EQUITY</u>		
HarbourVest Partners, LLC	133,125	208,618
Mesirow Financial Capital Partners	91,597	115,556
GoldPoint Partners, LLC	35,322	45,338
	<u>260,044</u>	<u>369,512</u>
<u>INFRASTRUCTURE</u>		
ULLICO Infrastrucutre	195,182	186,507
IFM Global Infra (US) L.P	88,450	90,779
	<u>283,632</u>	<u>277,286</u>
<u>OTHER</u>		
Custody- Northern Trust Co.	70,000	70,000
Investment consultant- Marquette Associates	100,000	100,000
	<u>170,000</u>	<u>170,000</u>
Total	<u>\$ 1,855,662</u>	<u>\$ 2,189,505</u>