PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

A COMPONENT UNIT OF THE CHICAGO PARK DISTRICT

FINANCIAL REPORT
For the Years Ended December 31, 2019 and 2018

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

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the "Fund"), a component unit of the Chicago Park District, as of December 31, 2019, the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

To the Retirement Board
Park Employees' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund, as of December 31, 2019 and the changes in the fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Fund, as of and for the year ended December 31, 2018, were audited by other auditors whose report dated June 3, 2019, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended December 31, 2019 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary information for the year ended December 31, 2019 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 for the year ended December 31, 2019, 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2019.

To the Retirement Board
Park Employees' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago

The basic financial statements of the Fund as of and for the year ended December 31, 2018 were audited by other auditors whose report dated June 3, 2019, expressed an unmodified opinion on the basic financial statements. The report of the other auditors, dated June 3, 2019, stated that the supplementary information for the year ended December 31, 2018 was subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2018.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
June 23, 2020

Management's Discussion and Analysis

Management Discussion and Analysis for the Year Ended December 31, 2019

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, 2019 and 2018. 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, 2017 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 Statement of Fiduciary Net Position and the Statement 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 Statement 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 Statement 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 $12.3 million or 3.6% compared to a decrease of $55.4 million or -13.9% for the year ended December 31, 2018.
b) The Fund's annual investment return of 17.0% outperformed the portfolio benchmark return of 16.6%.
c) The Fund's three-year rate of return of 8.3% underperformed the portfolio benchmark return of 8.9%.
d) The Fund's five-year rate of return of 7.0% was in line with the portfolio benchmark return of 7.0%.
e) The Fund's ten-year rate of return of 8.6% outperformed the portfolio benchmark return of 7.9%.
f) For the year ended December 31, 2019, the additions to the Fund's fiduciary net position of $92.4 million is $69.7 million more than the year ended December 31, 2018 additions.
g) For the year ended December 31, 2019, the deductions to the Fund's fiduciary net position of $80.1 million is $2.1 million more when compared to the deductions for the year ended December 31, 2018.
h) The Fund's actuarially computed funded ratio is 29.9% at December 31, 2019, which is 2.2% less than at December 31, 2018.

Net Position Restricted for Pension Benefits

The Fund's net position restricted for pension benefits at December 31, 2019 is $354,556,288. This is $12,300,415 more than the December 31, 2018 net position restricted for pension benefits of $342,255,873. This compares to a decrease of $55,392,885 for the year ended December 31, 2018. The tax multipliers for 2019 and 2018 were 1.1 times the amount of employee contributions from two years prior. In the previous year, on March 1, 2018, Public Act 098-0622 was ruled unconstitutional by the courts. Pursuant to the court order, the 2018 tax levy reverted to a tax multiplier of 1.1 times the amount of employee contributions, which resulted in a large decrease in receivables in 2018. The tax multiplier in 2017 was 1.7 times the amount of employee contributions from two years prior. The Fund's investment portfolio 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 Fund is also still experiencing a cash flow shortage and continues to liquidate portfolio assets to supplement benefit payments made. The following tables are comparative summaries of fiduciary net position restricted for pension benefits:

Statements of Fiduciary Net Position – Current Year

	December 31, 2019	December 31, 2018	Increase (Decrease)
ASSETS			
Receivables and other current assets	$ 21,293,351	$ 21,269,050	$ 24,301
Property and equipment	145,461	138,555	6,906
Investments, at fair value	334,338,923	323,404,925	10,933,998
Invested securities lending collateral	19,769,592	24,113,674	(4,344,082)
Total assets	$375,547,327	$368,926,204	$ 6,621,123
LIABILITIES			
Accrued expense and other liabilities	$ 1,221,447	$ 2,556,657	$ (1,335,210)
Securities lending collateral	19,769,592	24,113,674	(4,344,082)
Total liabilities	$ 20,991,039	$ 26,670,331	$ (5,679,292)
Fiduciary net position restricted for pension benefits	$354,556,288	$342,255,873	$ 12,300,415

Statements of Fiduciary Net Position – Prior Period

	December 31, 2018	December 31, 2017	Increase (Decrease)
ASSETS			
Receivables and other current assets	$ 21,269,050	$ 28,121,222	$ (6,852,172)
Property and equipment	138,555	110,539	28,016
Investments, at fair value	323,404,925	376,303,293	(52,898,368)
Invested securities lending collateral	24,113,674	33,992,926	(9,879,252)
Total assets	$368,926,204	$438,527,980	$(69,601,776)
LIABILITIES			
Accrued expense and other liabilities	$ 2,556,657	$ 6,886,296	$ (4,329,639)
Securities lending collateral	24,113,674	33,992,926	(9,879,252)
Total liabilities	$ 26,670,331	$ 40,879,222	$(14,208,891)
Fiduciary net position restricted for pension benefits	$342,255,873	$397,648,758	$(55,392,885)

Management's Discussion and Analysis (Continued)

Changes in Fiduciary Net Position

The Fund's total additions during the year ended December 31, 2019 increased by $69,744,751 as compared to a decrease of $63,135,025 for the year ended December 31, 2018. The Fund recorded a net investment gain during the year of $52,032,781 as compared to net investment loss of $17,128,885 in 2018 and a net investment gain of $51,174,093 in 2017. The large increase is due to outstanding investment returns primarily in the international and U.S. equity portfolios. Additions from employer contributions increased from $27,638,402 in 2018 to $27,682,089 in 2019. Pursuant to Public Act 098-0622 being ruled unconstitutional, the tax levy multiplier for 2018 was decreased from 1.7 times the employee contributions from two years prior to 1.1 times the employee contributions from two years prior. In 2019 and 2018, the Fund received a portion of PPRT (personal property replacement taxes) revenues collected in addition to the tax levy from the employer of approximately $13.0 million and $14.4 million, respectively. In 2017, the Fund did not receive any supplemental contributions from the employer. The employee contributions increased slightly during the year from $12,125,457 in 2018 to $12,664,855 in 2019. Effective March 7, 2018, the employee contributions decreased from 10% to 9% in accordance with the court order. Consequently, employee contributions decreased to $12,125,457 in 2018 from $13,675,292 in 2017. The Fund also experienced a decrease in active members during 2018 of about 350 members.

The number of retirees has not fluctuated much over the recent years. The Fund's total benefit payments in 2019 increased in comparison to 2018 mainly due to annual increases. On March 1, 2018, the court issued an opinion finding Public Act 098-0622 unconstitutional. As a result, the additional 1% in employee contributions paid to the Fund since January 1, 2015, were refunded to employees with pre-judgment interest in July 2018. These amounts were accrued for in 2017. The Fund refunded $3.9 million in employee contributions plus pre-judgment interest. 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, 2019	December 31, 2018	Increase (Decrease)
ADDITIONS			
Employer contributions	$ 27,682,089	$ 27,638,402	$ 43,687
Employee contributions	12,664,855	12,125,457	539,398
Net investment (loss) income (includes security lending activities)	52,032,781	(17,128,885)	69,161,666
Total additions	$ 92,379,725	$ 22,634,974	$ 69,744,751
DEDUCTIONS			
Retirement benefits	$ 63,644,273	$ 61,178,336	$ 2,465,937
Spousal benefits	12,187,742	12,108,228	79,514
Child benefits	18,450	16,900	1,550
Disability benefits	387,046	268,389	118,657
Death benefits	228,500	229,000	(500)
Total benefits	76,466,011	73,800,853	2,665,158
Refund of contributions	2,084,438	2,725,967	(641,529)
Administrative and general expenses	1,528,861	1,501,039	27,822
Total deductions	$ 80,079,310	$ 78,027,859	$ 2,051,451
Net increase (decrease)	12,300,415	(55,392,885)	67,693,300
Beginning of year net position	342,255,873	397,648,758	(55,392,885)
End of year net position	$354,556,288	$342,255,873	$ 12,300,415

See independent auditors' report.

Changes in Fiduciary Net Position (Continued)

Statements of Changes in Fiduciary Net Position – Prior Period

	December 31, 2018	December 31, 2017	Increase (Decrease)
ADDITIONS			
Employer contributions	$ 27,638,402	$ 20,920,614	$ 6,717,788
Employee contributions	12,125,457	13,675,292	(1,549,835)
Net investment (loss) income (includes security lending activities)	(17,128,885)	51,174,093	(68,302,978)
Total additions	$ 22,634,974	$ 85,769,999	$ (63,135,025)
DEDUCTIONS			
Retirement benefits	$ 61,178,336	$ 59,488,303	$ 1,690,033
Spousal benefits	12,108,228	12,252,673	(144,445)
Child benefits	16,900	15,900	1,000
Disability benefits	268,389	190,464	77,925
Death benefits	229,000	305,000	(76,000)
Total benefits	73,800,853	72,252,340	1,548,513
Refund of contributions	2,725,967	2,025,805	700,162
Refund of excess contributions	-	3,859,882	(3,859,882)
Administrative and general expenses	1,501,0039	1,682,136	(181,097)
Total deductions	$ 78,027,859	$ 79,820,163	$ (1,792,304)
Net increase (decrease)	(55,392,885)	5,949,836	(61,342,721)
Beginning of year net position	397,648,758	391,698,922	5,949,836
End of year net position	$342,255,873	$397,648,758	$(55,392,885)

Actuarial Update

The actuarial valuation for the year ended December 31, 2019 includes the changes in actuarial assumptions adopted by the Board in 2018 and projects that the Fund will run out of money by the year 2027, unless new legislation is enacted. The valuations for 2019 and 2018 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 29.9% at December 31, 2019, which is 2.2% less than at December 31, 2018. 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, 2019 was 17.0%, which is higher than the -5.1% return reported for the year ended December 31, 2018 and higher than the 14.2% return for the year ended December 31, 2017. In 2019, every assets class in the investment portfolio generated positive returns for the year. The Fund's U.S. equity portfolio, which returned 28.8% and International equity portfolio, which returned 24.2% were the primary drivers of the Fund's return in 2019. Performance in 2019 was also helped by strong returns in the Fund's hedge fund portfolio, which returned 16.3%, the Fund's infrastructure portfolio, which returned 14.1%, and the Fund's fixed income portfolio, which returned 7.7%. The Fund's 17.0% return for 2019 outperformed its performance benchmark by approximately 40 basis points and underperformed the peer median by approximately 100 basis points. The Fund's outperformance vs. its' benchmark in 2019 was driven by active management outperformance within the hedge fund and infrastructure portfolios. The Fund's portfolio performance for the past five years ranked in the upper 47th percentile as measured against its peers. Over the trailing three-year period, the Fund underperformed its' performance benchmark by approximately 60 basis points. Over the trailing five-year period, the Fund performed in line with the performance benchmark. Over the trailing ten-year period, the Fund returned 8.6%, outperforming the performance benchmark by 70 basis points and ranked in the upper 28th percentile as measured against its peers, and outperforming the 7.5% actuarial rate of return.

Supplemental Employer Contributions

In 2019, in addition to the contributions required by 40 ILCS 5/12-149, the employer made a supplemental contribution of $13.0 million to the Fund, for total employer contributions of $27.7 million. In 2018, in addition to the contributions required by 40 ILCS 5/12-149, the employer made a supplemental contribution of $14.4 million to the Fund, for total employer contributions of $27.6 million. For 2020, in addition to the contributions required by 40 ILCS 5/12-149, the employer has budgeted a supplemental contribution of $20.6 million to the Fund, for total employer contributions of $33.8 million.

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 of the Chicago Park District)
STATEMENT OF FIDUCIARY NET POSITION
As of December 31, 2019 and 2018

	2019	2018
Assets		
Receivables:		
Contributions from employer	$ 14,572,731	$ 14,464,069
Employee contributions	633,376	595,560
Workers' compensation offset of duty disability benefits, net of allowance for loss of $16,615 in 2019 and 2018	69,872	75,844
Due from broker	109,379	321,604
Accrued investment income	360,215	411,061
Miscellaneous receivables	241,876	258,954
Total receivables	15,987,449	16,127,092
Investments, at fair value		
Common stocks	43,787,794	45,332,504
Fixed income	59,247,177	61,043,992
Collective investment funds	81,295,724	72,315,985
Mutual funds	19,208,421	15,420,085
Hedged equity	24,807,129	24,437,510
International equity	21,776,682	18,093,650
Risk parity	-	1,348,182
Private equity	18,031,007	19,232,200
Real estate	37,047,140	37,225,201
Infrastructure	24,353,479	22,774,008
Short-term investments	4,784,370	6,181,608
Total investments, at fair value	334,338,923	323,404,925
Invested securities lending collateral	19,769,592	24,113,674
Property and equipment - net	145,461	138,555
Prepaid annuity benefits	5,252,036	5,061,599
Other prepaid expenses	53,866	80,359
	5,305,902	5,141,958
Total assets	$ 375,547,327	$ 368,926,204

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2019 and 2018

	2019	2018
Liabilities		
Accounts payable	$ 320,002	$ 396,639
Accrued benefits payable	568,215	588,867
Accrued payroll liabilities	28,271	21,726
Unamortized rent abatement	47,165	55,136
Securities lending collateral	19,769,592	24,113,674
Due to broker	257,794	1,494,289
Total liabilities	20,991,039	26,670,331
Net Position		
Net position restricted for pension benefits	$ 354,556,288	$ 342,255,873

See Notes to Financial Statements

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended December 31, 2019 and 2018

	2019	2018
Additions		
Contributions		
Employer contributions	$ 27,682,089	$ 27,638,402
Employee contributions	12,664,855	12,125,457
Total contributions	40,346,944	39,763,859
Investment Income		
Net appreciation (depreciation) in fair value of investments	46,929,814	(27,559,554)
Interest	1,937,813	2,203,951
Dividends	906,148	925,828
Partnership and real estate income	3,941,161	9,064,682
	53,714,936	(15,365,093)
Less investment expense	1,732,391	1,831,719
Net income (loss) from investing activities	51,982,545	(17,196,812)
Security lending activities		
Securities lending income	723,855	721,122
Borrower rebates	(631,714)	(596,824)
Bank fees	(42,030)	(56,538)
Net Income from securities lending activities	50,111	67,760
Other income	125	167
Total additions	$ 92,379,725	$ 22,634,974

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended December 31, 2019 and 2018

	2019	2018
Deductions		
Benefits		
Annuity payments	$ 75,850,465	$ 73,303,464
Disability and death benefits	615,546	497,389
Total benefits	76,466,011	73,800,853
Refunds of contributions	2,084,438	2,725,967
Administrative and general expenses	1,528,861	1,501,039
Total deductions	80,079,310	78,027,859
Net increase (decrease)	12,300,415	(55,392,885)
Net position restricted for pension benefits		
Beginning of year	342,255,873	397,648,758
End of year	$ 354,556,288	$ 342,255,873

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Park Employees’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (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 accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. 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.

B. Fund Accounting

The Fund uses a fund to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Fund is classified in this report in the fiduciary category.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet.

The Pension Fund is accounted for using the accrual basis of accounting. Consequently, its additions are recognized when they are earned and its deductions are recognized when they are incurred. The financial statements are prepared using the accrual basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Investments

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 the dividends declared.

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

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

E. Capital Assets

Capital assets, which include property and equipment are defined by the government as the cost of any major outlays for additions and improvements. 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.

F. 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.

G. Risk 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.

H. 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.

2. PLAN DESCRIPTION

A. Plan Administration

The Fund is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and minimum employer contributions are governed by Illinois Compiled Statutes (40 ILCS 5/12-1) and may be amended only by the Illinois legislature.

The Plan is governed by a seven-member board. Three members are appointed by the park commissioner's and four members of the board are elected from among the employees.

B. Plan Membership

At December 31, 2019 and 2018, membership of the Fund was as follows:

	2019	2018
Retirees and beneficiaries currently receiving benefits	2,843	2,854
Vested terminated members entitled to benefits	147	145
Current employees	3,132	3,187

C. Benefits Provided

As provided for in the Illinois Compiled Statutes, the Fund provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees that contributed prior to January 1, 2011 and Tier 2 is for employees that contributed after that date. The following is a summary of the Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with ten or more 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 retirees 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 - Covered employees attaining the age of 62 or more with ten or more years of creditable service are entitled to receive 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 ten years of service prior to retirement. Pensionable salary is limited to $114,952 in 2019 and $113,645 in 2018.

Post-Retirement Increase

Tier 1: An employee annuitant under Tier 1 who retirees 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 the age of 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.

2. PLAN DESCRIPTION (cont.)

C. Benefits Provided (cont.)

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 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 the 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.

2. PLAN DESCRIPTION (cont.)

D. Contributions

Participants are required by Illinois Compiled Statutes (ILCS) to contribute 9.0 percent of their salary to the Fund. If a participant leaves covered employment before the age of 55, accumulated participant 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 had no legal obligations to fund pension costs above that allowed by statute. The District's contributions to the Fund were $27,682,089 and $27,638,402 for the years ended December 31, 2019 and 2018, respectively.

3. DEPOSITS AND INVESTMENTS

A. Investment Policy

Illinois Compiled Statutes authorize the Fund to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, corporate and municipal debentures and obligations, insured mortgage notes and loans, mutual funds meeting certain requirements, common and preferred stocks, stock options, real estate, collective investment funds, and private equity partnerships. The Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

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.

3. DEPOSITS AND INVESTMENTS (cont.)

A. Investment Policy (cont.)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 were 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, 2019 and 2018 are summarized below in the following table:

	2019		2018	
Asset Class	Target	Long-Term Expected Real Rate of Return	Target	Long-Term Expected Real Rate of Return
Fixed income	20.5%	1.15%	20.5%	1.65%
Domestic equity	28.5%	6.40%	28.5%	6.45%
International equity	18.0%	7.05%	18.0%	6.95%
Emerging market	2.0%	9.00%	2.0%	9.25%
Risk parity	0.0%	3.32%	3.0%	4.55%
Hedge equity	7.0%	3.32%	7.0%	4.55%
Private equity	7.0%	10.40%	7.0%	11.55%
Real assets	17.0%	4.50%	14.0%	4.25%

B. Fair Value of Investments

The Fund's investments are reported at fair value in the accompanying statement 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.

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. DEPOSITS AND INVESTMENTS (cont.)

B. Fair Value of Investments (cont.)

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, 2019 and 2018.

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.

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.

3. DEPOSITS AND INVESTMENTS (cont.)

B. Fair Value of Investments (cont.)

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2019:

	December 31, 2019			
Investment Type	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value				
Equity securities				
Common stock	$ 43,787,794	$ 51,745,614	$ -	$ 95,533,408
Common stock - foreign	19,208,421	29,550,110	-	48,758,531
Total equity securities	62,996,215	81,295,724	-	144,291,939
Debt securities				
Government bonds	-	19,208,547	-	19,208,547
Government agencies	-	1,574,019	-	1,574,019
Corporate bonds	-	13,821,245	1,853	13,823,098
Municipal bonds	-	24,915	-	24,915
Government mortgage-backed securities	-	14,050,683	87,425	14,138,108
Commercial mortgage-backed securities	-	9,304,603	86,067	9,390,670
Asset backed securities	-	382,277	27,884	410,161
Non-government backed CMO's	-	74,338	-	74,338
Index linked government bonds	-	603,321	-	603,321
Total debt securities	-	59,043,948	203,229	59,247,177
Short-term investment securities				
Funds-short-term investment	4,784,370	-	-	4,784,370
Total short-term investment securities	4,784,370	-	-	4,784,370
Total investments measured by fair value level	$ 67,780,585	$140,339,672	$ 203,229	208,323,486
Investments measured at Net Asset Value (NAV)				
Hedged equity				24,807,129
International equity				21,776,682
Private equity				18,031,007
Real estate				37,047,140
Infrastructure				24,353,479
Total investments measured at NAV				126,015,437
Total investments measured at fair value				$ 334,338,923
Collateral from securities lending		$ 19,769,592		$ 19,769,592

3. DEPOSITS AND INVESTMENTS (cont.)

B. Fair Value of Investments (cont.)

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2018:

	December 31, 2018			
Investment Type	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value				
Equity securities				
Common stock	$ 45,332,504	$ 42,340,684	$ -	$ 87,673,188
Common stock - foreign	15,420,085	29,975,301	-	45,395,386
Total equity securities	60,752,589	72,315,985	-	133,068,574
Debt securities				
Government bonds	-	15,953,011	-	15,953,011
Government agencies	-	1,370,216	-	1,370,216
Corporate bonds	-	16,820,247	2,307	16,822,554
Government mortgage-backed securities	-	15,780,728	95,751	15,876,479
Commercial mortgage-backed securities	-	9,943,558	-	9,943,558
Asset backed securities	-	234,346	54,967	289,313
Non-government backed CMO's	-	108,325	-	108,325
Index linked government bonds	-	680,536	-	680,536
Total debt securities	-	60,890,967	153,025	61,043,992
Short-term investment securities				
Short-term bills & notes	-	224,887	-	224,887
Funds-short-term investment	5,956,721	-	-	5,956,721
Total short-term investment securities	5,956,721	224,887	-	6,181,608
Total investments measured by fair value level	$ 66,709,310	$ 133,431,839	$ 153,025	200,294,174
Investments measured at Net Asset Value (NAV)				
Hedged equity				24,437,510
International equity				18,093,650
Risk parity				1,348,182
Private equity				19,232,200
Real estate				37,225,201
Infrastructure				22,774,008
Total investments measured at NAV				123,110,751
Total investments measured at fair value				$ 323,404,925
Collateral from securities lending		$ 24,113,674		$ 24,113,674

3. DEPOSITS AND INVESTMENTS (cont.)

B. Fair Value of Investments (cont.)

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:

	December 31, 2019			
Investments Measured at Net Asset Value (NAV)	Fair Value	Underfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedged equity	$ 24,807,129	$ -	Monthly	5 days
International equity	21,776,682	-	Daily/Quarterly	5-30 days
Private equity	18,031,007	11,332,500	n/a	n/a
Real estate	37,047,140	-	Quarterly	60-90 days
Infrastructure	24,353,479	-	Quarterly	90 days

	December 31, 2018			
Investments Measured at Net Asset Value (NAV)	Fair Value	Underfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedged equity	$ 24,437,510	$ -	Monthly	5 days
International equity	18,093,650	-	Daily/Quarterly	5-30 days
Risk parity	1,348,182	-	Daily	1 days
Private equity	19,232,200	13,395,000	n/a	n/a
Real estate	37,225,201	-	Quarterly	60-90 days
Infrastructure	22,774,008	-	Quarterly	90 days

3. DEPOSITS AND INVESTMENTS (cont.)

B. Fair Value of Investments (cont.)

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.

International Equity
The international equity investment consists of two fund's portfolio that primarily invests both long and short in publicly traded international 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 ten 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.

3. DEPOSITS AND INVESTMENTS (cont.)

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. 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.

As of December 31, 2019, the Fund's investments were as follows (expressed in thousands):

		Maturity (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Commercial mortgage backed	$ 9,391	$ -	$ -	$ 225	$ 9,166
Corporate bonds	13,823	171	4,943	6,106	2,603
Municipal bonds	25	-	-	-	25
Government agencies	1,574	-	688	886	-
Government bonds	19,209	-	7,711	6,505	4,993
Asset backed securities	410	-	136	139	135
Index linked government bonds	603	-	-	603	-
Government mortgage backed	14,138	-	24	397	13,717
Non-government backed CMO's	74	-	-	-	74
Total	$ 59,247	$ 171	$ 13,502	$ 14,861	$ 30,713

As of December 31, 2018, the Fund's investments were as follows (expressed in thousands):

		Maturity (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Commercial mortgage backed	$ 9,944	$ -	$ -	$ 307	$ 9,637
Corporate bonds	16,823	1,316	7,891	4,929	2,687
Government agencies	1,370	195	832	343	-
Government bonds	15,953	198	8,823	3,193	3,739
Asset backed securities	289	-	-	99	190
Index linked government bonds	681	-	-	681	-
Government mortgage backed	15,876	-	33	352	15,491
Non-government backed CMO's	108	-	-	-	108
Total	$ 61,044	$ 1,709	$ 17,579	$ 9,904	$ 31,852

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.

3. DEPOSITS AND INVESTMENTS (cont.)

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Fund's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity.

Investments that represent five percent or more of the Fund's net position (except those issued or guaranteed by the U.S. Government) are separately identified as follows:

	2019	2018
Collective investment funds – common stock		
NTGI QM Collective Daily US Market cap Equity	$43,096,645	$35,491,812
NTGI QM Collective Daily All Country World Index	$22,215,836	$22,881,641
Hedged Equity - Parametric Defensive Equity Fund	$24,807,129	$24,437,510
Mutual Funds – William Blair	$19,208,421	$15,420,085*

*Does not represent five percent or more of the Fund's net position.

E. Custodial Credit Risk - Deposits

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2019 and 2018, the Fund's bank deposits were covered by FDIC insurance.

F. Custodial Credit Risk - Investments

With respect to investments, custodial credit risk refers to the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. As of December 31, 2019 and 2018, no investments were exposed to custodial credit risk.

G. 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 which range of credit the manager may invest. These ranges include investment grade and high yield categories.

3. DEPOSITS AND INVESTMENTS (cont.)

G. Credit Risk (cont.)

The Fund's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. The following tables present the Fund's ratings as of December 31, 2019 and 2018 (expressed in thousands).

December 31, 2019

S & P Credit Rating	Fair Value	Comm'l Mortgage Backed	Corp. Bonds	Gov't Agencies	Muni. bonds	Asset Backed	Gov't Mortgage Backed	Non Gov't Backed CMO
AAA	$ 900	$ 407	$ 83	$ -	$ -	$ 410	$ -	$ -
AA	1,981	199	641	1,141	-	-	-	-
A	4,582	-	4,557	-	25	-	-	-
BBB	7,750	-	7,750	-	-	-	-	-
BB	315	-	315	-	-	-	-	-
B	389	-	389	-	-	-	-	-
NR	8,947	8,785	88	-	-	-	-	74
US Gov't Agency	14,571	-	-	433	-	-	14,138	-
Totals	$ 39,435	$ 9,391	$ 13,823	$ 1,574	$ 25	$ 410	$ 14,138	$ 74

December 31, 2018

S & P Credit Rating	Fair Value	Comm'l Mortgage Backed	Corp. Bonds	Gov't Agencies	Asset Backed	Gov't Mortgage Backed	Non Gov't Backed CMO
AAA	$ 803	$ 207	$ 247	$ 195	$ 154	$ -	$ -
AA	2,219	-	1,333	778	-	-	108
A	4,594	-	4,508	-	86	-	-
BBB	9,324	-	9,125	199	-	-	-
BB	1,016	-	1,016	-	-	-	-
B	592	-	592	-	-	-	-
NR	9,886	9,637	2	198	49	-	-
US Gov't Agency	15,976	100	-	-	-	15,876	-
Totals	$ 44,410	$ 9,944	$ 16,823	$ 1,370	$ 289	$ 15,876	$ 108

3. DEPOSITS AND INVESTMENTS (cont.)

H. 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, 2019 and 2018, the Fund had $48.8 and $45.4 million, respectively, in foreign investments, all of which was in mutual funds that were held in U.S. dollars. At December 31, 2019 and 2018, the Fund had $21.8 million and $18.1 million in foreign investments in two international equity hedge funds all of which were held in U.S. dollars.

I. Rate of Return

For the years ended December 31, 2019 and 2018, the annual money-weighted rate of return on plan investments, net of investment expense, was 17.0% and -5.1%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. SECURITIES LENDING

Under the provisions of state statutes, the Fund lends securities (both equity and fixed income) to qualified and Fund approved brokerage firms for collateral that will be returned for the same securities in the future. The Fund's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Fund as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Fund unless the borrower defaults. However, the Fund does have the right to close the loan at any time. All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the fair value of the securities loaned, the collateral is adjusted accordingly. Cash collateral is invested in the lending agent’s short-term investment pool, which at year end has a weighted average maturity of 80 days. As December 31, 2019 and 2018, the Fund had loaned to borrowers securities with a fair value of $19,304,111 and $23,681,541 respectively. As of December 31, 2019, the fair value of the collateral received by the Fund was $19,769,592 and the collateral invested by the Fund was $19,773,079. As of December 31, 2018, the fair value of the collateral received by the Fund was $24,113,674 and the collateral invested by the Fund was $24,113,674.

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.

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Furniture and equipment	$ 76,842	$ 73,865
Computer software	225,892	199,050
Leasehold improvements	2,271	2,271
	305,000	275,186
Less accumulated depreciation and amortization	159,544	136,631
Net property and equipment	$ 145,461	$ 138,555

Depreciation and amortization expense was $22,913 and $1,054 for 2019 and 2018 respectively.

6. 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 $47,165 and $55,136 at December 31, 2019 and 2018, respectively. The total rental expense was $194,084 and $192,269 for 2019 and 2018, 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, 2019:

Year ended December 31	Amount
2020	$ 99,349
2021	101,678
2022	104,006
2023	106,335
2024	108,663
2025-2026	148,248
	$668,279

6. OPERATING LEASES (cont.)

The Fund leases office equipment under non-cancelable operating leases that expire at various dates through January, 2024. Total rent expense incurred under these operating leases was $27,728 and $27,059 for 2019 and 2018, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2019 for each of the next five years are as follows:

Year ended December 31	Amount
2020	$19,912
2021	19,912
2022	19,912
2023	7,941
2024	519
	$68,196

7. COMMITMENTS

The Fund has committed to purchase $90,000,000 interests in private equity partnerships. At December 31, 2019 and 2018, the Fund had a remaining contractual obligation of $11,332,500 and $13,395,000, respectively, to purchase additional interests in the private equity partnerships.

8. DEFERRED COMPENSATION PLAN

The Fund is a governmental eligible employer as defined by 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 $40,550 and $36,200 for 2019 and 2018, respectively. Employer contributions are not allowed.

9. PENSION LIABILITY OF THE PARTICIPATING EMPLOYER

A. Net Pension Liability

The components of the net pension liability as of December 31, 2019 and 2018 were as follows:

	2019
Total pension liability	$2,046,085,330
Plan fiduciary net position	354,556,288
Plan net pension liability	1,691,529,042
Plan fiduciary net position as a percentage of the total pension liability	17.33%

	2018
Total pension liability	$1,646,968,021
Plan fiduciary net position	342,255,873
Plan net pension liability	1,304,712,148
Plan fiduciary net position as a percentage of the total pension liability	20.78%

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Fund.

B. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2019 and 2018 using the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	20% to 2.75%
Inflation	2.50%
Investment rate of return	2.84%, 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 become a participant on or after January 1, 2011.
	Beneficiary – 3% compounded for beneficiaries of employees who first became a participant by January 1, 2011.
Asset valuation method	Market

9. PENSION LIABILITY OF THE PARTICIPATING EMPLOYER (cont.)

B. Actuarial Assumptions (cont.)

Actuarial valuation date	December 31, 2018
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	20% to 2.75%
Inflation	2.50%
Investment rate of return	4.21%, 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 become a participant on or after January 1, 2011. Beneficiary – 3% compounded for beneficiaries of employees who first became a participant by January 1, 2011.
Asset valuation method	Market

Post-retirement mortality rates for 2018 were based on the RP-2000 Mortality Table with mortality improvements projected generationally from 2003 using a Scale AA to 110% of PubG-2010 with mortality improvements projected generationally using MP-2017.

Post-retirement mortality rates relating to 2019, for healthy annuitants were based on 110% of PubG-2010 Healthy Annuitant Table, with mortality improvements projected generationally using scale MP-2017. For active participants, mortality rates were based on 110% of PubG-2010 Healthy Employee Table, with mortality improvements projected generationally using scale MP-2017.

The actuarial assumptions used in the December 31, 2019 and December 31, 2018 valuations were based on the results of actuarial experience studies for a five-year period ending December 31, 2018 and December 31, 2017, respectively.

9. PENSION LIABILITY OF THE PARTICIPATING EMPLOYER (cont.)

C. Discount Rate

The discount rate used to measure the total pension liability was 2.84%, for December 31, 2019. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the 9% contribution rate for 2020 and thereafter. Employer contributions will be made at the 1.1 multiple of member contributions from two years prior to 2020 and thereafter. For this purpose, only employer contributions that are intended to fund benefits of 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 Fund'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 (7.25%). Starting in 2026, the projected benefit payments were discounted at the municipal bond index (2.74%, based on the Bond Buyer 20-GO Municipal Bond Index as of December 26, 2019). Therefore, a single equivalent blended discount rate of 2.84% was calculated using the long-term expected rate of return and municipal bond index.

The discount rate used to measure the total pension liability was 4.21%, for December 31, 2018. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the 9% contribution rate for 2019 and thereafter. Employer contributions will be made at the 1.1 multiple of member contributions from two years prior to 2019 and thereafter. For this purpose, only employer contributions that are intended to fund benefits of 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 Fund'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 2024 were discounted at the expected long-term rate of returns (7.25%). Starting in 2025, the projected benefit payments were discounted at the municipal bond index (4.10%). Therefore, a single equivalent blended discount rate of 4.21% was calculated using the long-term expected rate of return and municipal bond index.

9. PENSION LIABILITY OF THE PARTICIPATING EMPLOYER (cont.)

D. Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate as of December 31, 2019. The table below presents the pension liability of the Fund calculated using the discount rate of 2.84% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (1.84%) or 1 percentage point higher (3.84%) than the current rate:

	1% Decrease (1.84%)	Current Discount Rate	1% Increase (3.84%)
Net pension liability	$2,031,154,003	$1,691,529,042	$1,418,852,853

For comparison purposes, the net pension liability as of December 31, 2018, calculated using the discount rate of 4.21%, as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (3.21%) or 1 percentage point higher (5.21%) than the current rate:

	1% Decrease (3.21%)	Current Discount Rate	1% Increase (4.21%)
Net pension liability	$1,551,957,537	$1,304,712,148	$1,104,251,891

10. SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several of months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to the area impacting the Fund. As of date of report issuance, the Fund’s evaluation of the effects of these events is ongoing; however, this situation negatively impacted the fair market value of investments and decreased investment income.

The extent of the impact of COVID-19 on the Fund’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

11. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Account Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Ominbus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

When they become effective, application of these standards may restate portions of these financial statements.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
Last Six Fiscal Years

	2014	2015	2016	2017
Total pension liability				
Service cost	$ 12,975,774	$ 13,417,795	$ 13,763,768	$ 20,115,813
Interest	64,929,834	65,921,805	66,523,889	68,982,467
Changes of benefit terms	-	-	93,579,710	36,183,940
Differences between expected and actual experience	5,447,687	682,159	(4,556,757)	2,785,815
Change of assumptions	-	-	198,725,863	370,422,560
Benefit payments, including refunds of employee contributions	(70,536,042)	(70,602,016)	(74,077,877)	(78,138,027)
Net change in total pension liability	12,817,253	9,419,743	293,958,596	420,352,568
Total pension liability - beginning	888,023,364	900,840,617	910,260,360	1,204,218,956
Total pension liability - ending (a)	$ 900,840,617	$ 910,260,360	$ 1,204,218,956	$ 1,624,571,524
Plan fiduciary net position				
Employer contributions	$ 11,225,438	$ 30,588,976	$ 30,890,241	$ 20,920,614
Employee contributions	10,831,434	12,368,636	12,246,115	13,675,292
Net investment income (loss)	27,490,520	8,823,613	30,920,231	51,082,314
Benefit payments, including refunds of employee contributions	(70,536,042)	(70,602,016)	(74,077,877)	(78,138,027)
Administrative expenses	(1,458,831)	(1,533,700)	(1,537,698)	(1,682,136)
Other	100,518	88,113	102,572	91,779
Net change in plan fiduciary net position	(22,346,963)	(20,266,378)	(1,456,416)	5,949,836
Plan fiduciary net position - beginning	435,768,679	413,421,716	393,155,338	391,698,922
Plan fiduciary net position - ending (b)	$ 413,421,716	$ 393,155,338	$ 391,698,922	$ 397,648,758
Employer's net pension liability - ending (a)-(b)	$ 487,418,901	$ 517,105,022	$ 812,520,034	$ 1,226,922,766
Plan fiduciary net position as a percentage of the total pension liability	45.89%	43.19%	32.53%	24.48%
Covered payroll	$ 118,987,507	$ 122,382,584	$ 121,126,918	$ 135,315,008
Employer's net pension liability as a percentage of covered payroll	409.64%	422.53%	670.80%	906.72%

Notes to Schedule:

The Fund implemented GASB Statement No .67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

2018	2019
$ 38,102,341	$ 33,317,058
59,290,982	69,086,515
-	-
5,001,084	15,529,818
(3,471,090)	359,734,367
(76,526,820)	(78,550,449)
22,396,497	399,117,309
1,624,571,524	1,646,968,021
$ 1,646,968,021	$ 2,046,085,330
$ 27,638,402	$ 27,682,089
12,125,457	12,664,855
(17,196,812)	51,982,545
(76,526,820)	(78,550,449)
(1,501,039)	(1,528,861)
67,927	50,236
(55,392,885)	12,300,415
397,648,758	342,255,873
$ 342,255,873	$ 354,556,288
$ 1,304,712,148	$ 1,691,529,042
20.78%	17.33%
$ 133,112,100	$ 139,204,051
980.16%	1215.14%

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	2011	2012	2012**	2013
Actuarially determined contribution	$ 25,319,145	$ 28,051,528	$ 16,786,671	$ 41,834,857
Contributions in relation to the actuarially determined contribution	10,981,419	10,868,361	5,268,363	15,707,814
Contribution deficiency	$ 14,337,726	$ 17,183,167	$ 11,518,308	$ 26,127,043
Covered payroll	$ 107,686,693	$ 114,223,909	$ 58,231,511	$ 117,781,596
Contributions as a percentage of covered	10.20%	9.51%	9.05%	13.34%

** 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 30th to December 31st.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2019
Actual Cost Method	Entry age
Amortization Method	Level percentage of payroll
Amortization Period	23 years (closed period)
Asset Valuation Method	5-year smoothed market
Actuarial Assumption:	
Investment rate of return	7.25%, net of investment expense
Projected salary increases	20% to 2.75% based on service
Inflation rate	2.50%

2014	2015	2016	2017	2018	2019
$ 35,307,186	$ 36,273,994	$ 37,130,268	$ 45,253,238	$ 50,929,734	$ 61,887,790
11,225,438	30,588,976	30,890,241	20,920,614	27,638,402	27,682,089
$ 24,081,748	$ 5,685,018	$ 6,240,027	$ 24,332,624	$ 23,291,332	$ 34,205,701
$ 118,987,507	$ 122,382,584	$ 121,126,918	$ 135,315,008	$ 133,112,100	$ 139,204,051
9.43%	24.99%	25.50%	15.46%	20.76%	19.89%

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF INVESTMENT RETURNS

Last Six Fiscal Years

	2014	2015	2016	2017	2018	2019
Annual money-weighted rate of return, net of investment expense	5.60%	5.61%	5.77%	5.58%	-5.10%	17.00%

Notes to Schedule:

The Fund implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

TAX LEVIES RECEIVABLE

For the Years Ended December 31, 2019 and 2018

Levy Year	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, 2019:						
2019	$ 14,572,731	$ -	$ 14,572,731	$ -	0.00%	$ 14,572,731 *
At December 31, 2018:						
2018	$ 13,194,114	$ -	$ 13,194,114	$ -	0.00%	$ 13,194,114

* Collected in April 2020

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

For the Years Ended December 31, 2019 and 2018

	2019	2018
Actuary expense	$ 50,638	$ 70,750
Auditing	28,000	28,000
IT consultant	36,629	27,360
Conference and convention expense	24,679	16,503
Contributions for annuities of Retirement Board employees	89,655	65,588
Depreciation	22,913	1,054
Equipment rental	27,728	27,059
Filing fee - State of Illinois	8,000	8,000
File storage expense	7,614	6,977
Hospitalization	91,590	100,505
Legal	47,627	80,156
Legislative consultant	36,000	36,000
Office supplies and expenses	25,252	22,240
Postage	9,318	10,094
Insurance - surety bond and other	14,171	13,603
Rent expense	194,084	192,269
Salaries	750,540	737,688
Payroll tax	10,299	10,463
Bank fees	19,646	21,018
Telephone	8,790	8,394
Transportation	3,651	3,699
Prejudgment interest expense	-	1,035
Trustees' election expense	22,037	12,584
	$ 1,528,861	$ 1,501,039

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF PROFESSIONAL EXPENSES

For the Years Ended December 31, 2019 and 2018

	2019	2018
Legal	$ 47,627	$ 80,156
Actuary expense	50,638	70,750
Auditing	28,000	28,000
IT consultant	36,629	27,360
Legislative consultant	36,000	36,000
	$ 198,894	$ 242,266

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

(A Component Unit of the Chicago Park District)

SCHEDULE OF INVESTMENT EXPENSES

For the Years Ended December 31, 2019 and 2018

	2019	2018
U.S. EQUITY		
Great Lakes Advisors, LLC	$ 64,283	$ 64,387
Ariel Investments	151,949	154,234
RBC Global Asset Management	28,779	99,453
Northern Trust Quantitative Advisors	9,221	9,436
	254,232	327,510
NON - U.S. EQUITY		
Ativo Capital	89,804	35,076
Northern Trust Quantitative Advisors	14,730	22,391
	104,534	57,467
FIXED INCOME		
LM Capital Group, LLC	27,419	28,734
MacKay Shields, LLC	66,161	74,053
Chicago Equity Partners	42,337	39,510
ULLICO Investment Company	65,754	63,327
	201,671	205,624
HEDGED EQUITY		
Parametric	83,988	85,972
	83,988	85,972
RISK PARITY		
Invesco	655	43,786
	655	43,786
REAL ESTATE		
Principal Global Investors	155,754	151,337
UBS Realty Investors, LLC	212,824	213,153
	368,578	364,490
PRIVATE EQUITY		
HarbourVest Partners, LLC	69,349	101,480
Mesirow Financial Capital Partners	159,026	157,837
GoldPoint Partners. LLC	25,000	27,677
	253,375	286,994
INFRASTRUCTURE		
ULLICO Infrastructure	214,985	209,505
IFM Global Infra (US) L.P	85,373	85,371
	300,358	294,876
OTHER		
Custody - Northern Trust Co.	70,000	70,000
Investment consultant - Marquette Associates	95,000	95,000
	165,000	165,000
Total	$ 1,732,391	$ 1,831,719