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

A Component Unit of the Chicago Park District Financial Report and Supplementary Information

December 31, 2020 and 2019

Table of Contents
December 31, 2020 and 2019

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial 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, 2020 and 2019, the statements of changes in fiduciary net position for the years 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 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 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.

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, 2020 and 2019 and the changes in the 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 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 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 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 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.

Baker Tilly US, LLP

Chicago, Illinois
June 15, 2021

Management's Discussion and Analysis

Management Discussion and Analysis for the Year Ended December 31, 2020

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, 2020 and 2019. 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, 2018 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 and Related Ratios, the Schedule of Employer Contributions, the Schedule of Investment Returns, as well as related disclosures. Other supplementary information consists of schedules of Tax Levies Receivable, Administrative and General Expenses, Professional Expenses, and Investment Expenses.

Financial Highlights

a) The Fund's fiduciary net position decreased during the year by $6.3 million or 1.8 percent compared to an increase of $12.3 million or 3.6 percent for the year ended December 31, 2019.
b) The Fund's 2020 investment return of 9.3 percent exceeded the portfolio's annual targeted rate of return of 7.25 percent.
c) The Fund's five-year rate of return of 8.5 percent exceeded the portfolio's annual targeted rate of return of 7.25 percent.
d) The Fund's ten-year rate of return of 8.2 percent exceeded the portfolio's annual targeted rate of return of 7.25 percent.
e) For the year ended December 31, 2020, the additions to the Fund's fiduciary net position of $74.7 million is $17.7 million less than the year ended December 31, 2019 additions.
f) For the year ended December 31, 2020, the deductions to the Fund's fiduciary net position of $81.0 million is $1 million more when compared to the deductions for the year ended December 31, 2019.
g) The Fund's actuarially computed funded ratio is 28.7 percent at December 31, 2020, which is 1.2 percent less than at December 31, 2019.

Management's Discussion and Analysis (Continued)

Net Position Restricted for Pension Benefits

The Fund's net position restricted for pension benefits at December 31, 2020 is $348,294,515. This is $6,261,773 less than the December 31, 2019 net position restricted for pension benefits of $354,556,288. This compares to an increase of $12,300,415 for the year ended December 31, 2019. The statutorily required contribution due from employer is the tax levy that is paid by the Chicago Park District. Under the current law, the tax multipliers used for the 2020, 2019 and 2018 tax levies were 1.1 times the amount of employee contributions received from two years prior. Since employee contributions received during these years has been consistent, so has the tax levy calculation. The Fund's investment portfolio increases and decreases from year to year depending on the strength of the financial markets. During the current year, the Fund faced highly turbulent financial markets. Fortunately, the Fund's diversified portfolio was able to produce positive returns for the year. Also, from time to time, the Fund is still experiencing a cash flow shortage and continues to liquidate portfolio assets to supplement benefit payments. The following tables are comparative summaries of fiduciary net position restricted for pension benefits:

Statements of Fiduciary Net Position – Current Year

	December 31, 2020	December 31, 2019	Increase (Decrease)
Assets			
Contributions due from employer	$ 14,376,581	$ 14,572,731	$ (196,150)
Miscellaneous receivables and other assets	5,934,932	6,720,620	(785,688)
Property and equipment	131,686	145,461	(13,775)
Investments, at fair value	329,229,908	334,338,923	(5,109,015)
Invested securities lending collateral	16,670,194	19,769,592	(3,099,398)
Total assets	$366,343,301	$375,547,327	$ (9,204,026)
Liabilities			
Accrued expense and other liabilities	$ 1,378,592	$ 1,221,447	$ 157,145
Securities lending collateral	16,670,194	19,769,592	(3,099,398)
Total liabilities	$ 18,048,786	$ 20,991,039	$ (2,942,253)
Fiduciary net position restricted for pension benefits	$348,294,515	$354,556,288	$ (6,261,773)

Statements of Fiduciary Net Position – Prior Period

	December 31, 2019	December 31, 2018	Increase (Decrease)
Assets			
Contribution due from employer	$ 14,572,731	$ 14,464,069	$ 108,662
Miscellaneous receivables and other assets	6,720,620	6,804,981	(84,361)
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

Management's Discussion and Analysis (Continued)

Changes in Fiduciary Net Position

The Fund's total additions during the year ended December 31, 2020 decreased by $17,673,120 as compared to an increase of $69,744,751 for the year ended December 31, 2019. Even during times of instability within the financial markets during 2020, the Fund recorded a net investment gain during the year of $28,131,778 as compared to net investment gain of $52,032,781 in 2019 and a net investment loss of $17,128,885 in 2018. Additions from employer contributions increased from $27,682,089 in 2019 to $33,939,927 in 2020. The Chicago Park District recognizes the financial burden the Fund is currently facing and in 2020, 2019 and 2018, the Fund received voluntary contributions from the Chicago Park District in addition to the tax levy of approximately $20.7 million, $13.0 million, and $14.4 million, respectively. The employee contributions decreased slightly during the year from $12,664,855 in 2019 to $12,634,900 in 2020. Due to the COVID-19 global pandemic, the Chicago Park District was on a hiring freeze for most of 2020, which resulted in fewer employee contributions.

The number of retirees and beneficiaries also decreased slightly from 2,854 and 2,843 in 2018 and 2019, respectively, to 2,775 in 2020. During the year, the Fund experienced fewer applications for retirement than in prior years but a higher number of deaths. While the Fund's total number of retirees and beneficiaries decreased the total benefit payments in 2020 increased in comparison to 2019 mainly due to annual increases. 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, 2020	December 31, 2019	Increase (Decrease)
Additions			
Employer contributions	$ 33,939,927	$ 27,682,089	$ 6,257,838
Employee contributions	12,634,900	12,664,855	(29,955)
Net investment (loss) income (includes security lending activities)	28,131,778	52,032,781	(23,901,003)
Total additions	$ 74,706,605	$ 92,379,725	$(17,673,120)
Deductions			
Retirement benefits	$ 64,754,238	$ 63,644,273	$ 1,109,965
Spousal benefits	12,298,065	12,187,742	110,323
Child benefits	21,250	18,450	2,800
Disability benefits	377,695	387,046	(9,351)
Death benefits	311,000	228,500	82,500
Total benefits	77,762,248	76,466,011	1,296,237
Refund of contributions	1,607,760	2,084,438	(476,678)
Administrative and general expenses	1,598,370	1,528,861	69,509
Total deductions	$ 80,968,378	$ 80,079,310	$ 889,068
Net increase (decrease)	(6,261,773)	12,300,415	(18,562,188)
Beginning of year net position	354,556,288	342,255,873	12,300,415
End of year net position	$348,294,515	$354,556,288	$ (6,261,773)

Management's Discussion and Analysis (Continued)

Changes in Fiduciary Net Position (Continued)

Statements of Changes in Fiduciary Net Position – Prior Period

	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

Actuarial Update

The actuarial valuation for the year ended December 31, 2020 includes the changes in actuarial assumptions adopted by the Board in 2018 and projects that the Fund could lack available funding to pay benefits during the year 2028, unless new legislation is enacted to require actuarial based employer contributions. The valuations for 2020 and 2019 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 28.7 percent at December 31, 2020, which is 1.2 percent less than at December 31, 2019. The funded ratio is based on the percentage of the actuarial value of assets available to pay the actuarial accrued liability.

Management's Discussion and Analysis (Continued)

Investment Performance

The Fund's annual investment return for the year ended December 31, 2020 was 9.3 percent, which is lower than the 17.0 percent return reported for the year ended December 31, 2019 and higher than the -5.1 percent return reported for the year ended December 31, 2018. In 2020, every asset class in the investment portfolio, other than real estate, generated positive returns for the year. The Fund's U.S. equity portfolio, which returned 14.3 percent and International equity portfolio, which returned 12.3 percent were the primary drivers of the Fund's return in 2020. Performance in 2020 was also helped by strong returns in the Fund's private equity portfolio, which returned 9.1 percent, and the Fund's fixed income portfolio, which returned 9.3 percent. The Fund's 9.3 percent return for 2020 underperformed its performance benchmark by approximately 300 basis points. The Fund's underperformance vs. its' benchmark in 2020 was driven by an overweight to value stocks and small cap stocks in the U.S. equity portfolio, which significantly underperformed growth stocks and large cap stocks during the year. Over the trailing three-year period, the Fund underperformed its' performance benchmark by 150 basis points. Over the trailing five-year period, the Fund underperformed its performance benchmark by 60 basis points. Over the trailing ten-year period, the Fund returned 8.2 percent, outperforming the performance benchmark by 30 basis points, outperforming the 7.25 percent actuarial rate of return, and ranked in the upper 49th percentile as measured against its peers.

Supplemental Employer Contributions

In 2020, in addition to the contributions required by 40 ILCS 5/12-149, the employer made a supplemental contribution of $20.7 million to the Fund, for total employer contributions of $33.9 million. In 2019, in addition to the contributions required, the employer made a supplemental contribution of $13.0 million to the Fund, for total employer contributions of $27.7 million. For 2021, in addition to the contributions required by 40 ILCS 5/12-149, the employer has budgeted a supplemental contribution of $29.7 million to the Fund, for total employer contributions of $43.2 million. The supplemental employer contributions have assisted in preventing further deterioration of the Fund's financial condition.

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)

Statements of Fiduciary Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Receivables:		
Contributions from employer	$ 14,376,581	$ 14,572,731
Employee contributions	262,539	633,376
Workers' compensation offset of duty disability benefits, net of allowance for loss of $16,615 in 2020 and 2019	55,067	69,872
Due from broker	-	109,379
Accrued investment income	214,752	360,215
Miscellaneous receivables	21,148	241,876
Total receivables	14,930,087	15,987,449
Investments, at fair value:		
Common stocks	46,568,393	43,787,794
Fixed income	27,974,249	59,247,177
Collective investment funds	107,283,908	81,295,724
Mutual funds	18,355,546	19,208,421
Hedged equity	25,951,241	24,807,129
International equity	21,343,216	21,776,682
Private equity	20,885,335	18,031,007
Real estate	31,443,567	37,047,140
Infrastructure	24,460,163	24,353,479
Short-term investments	4,964,290	4,784,370
Total investments, at fair value	329,229,908	334,338,923
Invested Securities Lending Collateral	16,670,194	19,769,592
Property and Equipment, Net	131,686	145,461
Prepaid annuity benefits	5,349,711	5,252,036
Other prepaid expenses	31,715	53,866
	5,381,426	5,305,902
Total assets	$ 366,343,301	$ 375,547,327

See notes to financial statements

Statements of Fiduciary Net Position
December 31, 2020 and 2019

	2020	2019
Liabilities		
Accounts payable	$ 488,079	$ 320,002
Accrued benefits payable	805,298	568,215
Accrued payroll liabilities	46,022	28,271
Unamortized rent abatement	39,193	47,165
Securities lending collateral	16,670,194	19,769,592
Due to broker	-	257,794
Total liabilities	18,048,786	20,991,039
Net Position		
Net position restricted for pension benefits	$ 348,294,515	$ 354,556,288

See notes to financial statements

Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Additions		
Contributions:		
Employer contributions	$ 33,939,927	$ 27,682,089
Employee contributions	12,634,900	12,664,855
Total contributions	46,574,827	40,346,944
Investment income:		
Net appreciation in fair value of investments	23,730,507	46,929,814
Interest	1,370,695	1,937,813
Dividends	748,054	906,148
Partnership and real estate income	3,812,192	3,941,161
	29,661,448	53,714,936
Less investment expense	1,590,121	1,732,391
Net income from investing activities	28,071,327	51,982,545
Security lending activities:		
Securities lending income	222,105	723,855
Borrower rebates	(118,869)	(631,714)
Bank fees	(42,855)	(42,030)
Net Income from securities lending activities	60,381	50,111
Other income	70	125
Total additions	$ 74,706,605	$ 92,379,725

See notes to financial statements

Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Deductions		
Benefits:		
Annuity payments	$ 77,073,553	$ 75,850,465
Disability and death benefits	688,695	615,546
Total benefits	77,762,248	76,466,011
Refunds of contributions	1,607,760	2,084,438
Administrative and general expenses	1,598,370	1,528,861
Total deductions	80,968,378	80,079,310
Net increase (decrease)	(6,261,773)	12,300,415
Net Position Restricted for Pension Benefits		
Beginning of year	354,556,288	342,255,873
End of year	$ 348,294,515	$ 354,556,288

See notes to financial statements

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).

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.

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.

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.

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

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.

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.

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.

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

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.

Plan Membership

At December 31, 2020 and 2019, membership of the Fund was as follows:

	2020	2019
Retirees and beneficiaries currently receiving benefits	$ 2,775	$ 2,843
Vested terminated members entitled to benefits	158	147
Current employees	2,890	3,132

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 nondiscounted 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 and $115,929 in 2020 and $114,952 in 2019.

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.

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 percent of the highest salary or 75 percent of the granted annuity. With 20 years of service, the entitlement becomes the higher of the eligible money purchase calculation or 50 percent 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 percent 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 percent 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 percent of the employee's annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act. Tier 2 participants have salary limitations similar to employee contributions.

Contributions

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 $33,939,927 and $27,682,089 for the years ended December 31, 2020 and 2019, respectively.

3. Deposits and Investments

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.

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, 2020 and 2019 are summarized below in the following table:

	2020		2019	
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 %	1.15 %
Domestic equity	28.5	6.40	28.5	6.40
International equity	18.0	7.05	18.0	7.05
Emerging market	2.0	9.00	2.0	9.00
Risk parity	0.0	3.32	0.0	3.32
Hedge equity	7.0	3.32	7.0	3.32
Private equity	7.0	10.40	7.0	10.40
Real estate/real assets	10.00	4.50	17.0	4.50
Infrastructure	7.00	5.75	n/a	n/a

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.

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, 2020 and 2019.

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.

The following tables summarizes the valuation of the Fund's investments by the fair value hierarchy levels for the years ended December 31, 2020 and 2019:

	2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments measured at fair value				
Equity securities:				
Common stock	$ 46,492,783	$ 51,208,980	$ -	$ 97,701,763
Common stock, foreign	18,355,546	29,843,179	-	48,198,725
Total equity securities	64,848,329	81,052,159	-	145,900,488
Debt securities:				
Government bonds	-	10,817,301	-	10,817,301
Government agencies	-	1,073,332	-	1,073,332
Corporate bonds	-	10,581,011	26	10,581,037
Government mortgage-backed securities	-	5,083,696	-	5,083,696
Index linked government bonds	-	418,883	-	418,883
Total debt securities	-	27,974,223	26	27,974,249
Short-term investment securities:				
Funds short-term investments	4,964,290	-	-	4,964,290
Total short-term investment securities	4,964,290	-	-	4,964,290
Total investments measured by fair value level	$ 69,812,619	$ 109,026,382	$ 26	178,839,027
Investments measured at net asset value (NAV):				
Hedged equity				25,951,241
Collective investment funds				26,307,359
International equity				21,343,216
Private equity				20,885,335
Real estate				31,443,567
Infrastructure				24,460,163
Total investments measured at NAV				150,390,881
Total investments measured at fair value				$ 329,229,908
Collateral from securities lending		$ 16,670,194		$ 16,670,194

Investment Type	2019 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
Nongovernment-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 investments	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

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) for the years ended December 31, 2020 and 2019 are presented on the following tables:

	2020			
Investments Measured at Net Asset Value (NAV)	**Fair Value**	**Underfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Hedged equity	$ 25,951,241	$ -	Monthly	5 days
International equity	21,343,216	-	Daily/Quarterly	5-30 days
Private equity	20,885,335	12,132,839	N/A	N/A
Real estate	31,443,567	-	Quarterly	60-90 days
Infrastructure	24,460,163	-	Quarterly	90 days
Collective investment funds	26,307,359	-	Daily	1-3 days

	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

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.

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.

Collective Investment Funds

The collective investment funds consist of core plus fixed income commingled fund and an opportunistic fixed income commingled fund that primarily invest in US dollar denominated bonds with exposure to both investment grade and below investment grade securities.

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, 2020, 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**
Corporate bonds	$ 10,581	$ 302	$ 2,991	$ 5,651	$ 1,637
Government agencies	1,073	-	586	487	-
Government bonds	10,817	430	3,426	3,501	3,460
Index linked government bonds	419	-	-	419	-
Government mortgage backed	5,084	-	57	271	4,756
Total	$ 27,974	$ 732	$ 7,060	$ 10,329	$ 9,853

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
Nongovernment back CMO's	74	-	-	-	74
Total	$ 59,247	$ 171	$ 13,502	$ 14,861	$ 30,713

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.

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:

	2020	**2019**
Collective investment funds, common stock:		
NTGI QM collective daily US market cap equity	$ 41,374,954	$ 43,096,645
NTGI QM collective daily all country world index	21,171,394	22,215,836
Mackay Shields Core Plus Bond CIT – CL 1	19,212,298	n/a
Hedged equity, parametric defensive equity fund	25,951,241	24,807,129
Mutual funds, William Blair	18,355,546	19,208,421

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, 2020 and 2019, the Fund's bank deposits were covered by FDIC insurance.

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, 2020 and 2019, no investments were exposed to custodial credit risk.

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.

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, 2020 and 2019 (expressed in thousands):

	2020							
S & P Credit Rating	Fair Value	Commercial Mortgage Backed	Corporate Bonds	Government Agencies	Municipal Bonds	Asset Backed	Government Mortgage Backed	Non Government Backed CMO
AA	$ 1,275	$ -	$ 355	$ 920	$ -	$ -	$ -	$ -
A	2,072	-	2,072	-	-	-	-	-
BBB	7,003	-	7,003	-	-	-	-	-
BB	870	-	870	-	-	-	-	-
CCC	281	-	281	-	-	-	-	-
NR	-	-	-	-	-	-	-	-
U.S. Government Agency	5,237	-	-	153	-	-	5,084	-
Total	$ 16,738	$ -	$ 10,581	$ 1,073	$ -	$ -	$ 5,084	$ -

	2019							
S & P Credit Rating	Fair Value	Commercial Mortgage Backed	Corporate Bonds	Government Agencies	Municipal Bonds	Asset Backed	Government Mortgage Backed	Non Government 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
U.S. Government Agency	14,571	-	-	433	-	-	14,138	-
Total	$ 39,435	$ 9,391	$ 13,823	$ 1,574	$ 25	$ 410	$ 14,138	$ 74

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, 2020 and 2019, the Fund had $48.2 and $48.8 million, respectively, in foreign investments, all of which was in mutual funds that were held in U.S. dollars. At December 31, 2020 and 2019, the Fund had $21.3 million and $21.8 million in foreign investments in two international equity hedge funds all of which were held in U.S. dollars.

Rate of Return

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on plan investments, net of investment expense, was 9.3 percent and 17.0 percent, 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 percent 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 74 days. As December 31, 2020 and 2019, the Fund had loaned to borrowers securities with a fair value of $16,344,210 and $19,304,111 respectively. As of December 31, 2020, the fair value of the collateral received by the Fund was $16,670,194 and the collateral invested by the Fund was $16,671,069. 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.

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, 2020 and 2019 were as follows:

	2020	2019
Furniture and equipment	$ 85,601	$ 76,842
Computer software	228,026	225,893
Leasehold improvements	2,271	2,271
	315,898	305,006
Less accumulated depreciation and amortization	184,212	159,545
Net property and equipment	$ 131,686	$ 145,461

Depreciation and amortization expense was $24,667 and $22,913 for 2020 and 2019 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 $39,193 and $47,165 at December 31, 2020 and 2019, respectively. The total rental expense was $192,731 and $194,084 for 2020 and 2019, respectively.

Following is a schedule of minimum future rental payments for each of the next six years under the noncancelable operating lease at December 31, 2020:

Years ending December 31:		
2021	$	101,678
2022		104,006
2023		106,335
2024		108,663
2025		110,992
2026		37,256
Total	$	568,930

The Fund leases office equipment under noncancelable operating leases that expire at various dates through January, 2024. Total rent expense incurred under these operating leases was $28,161 and $27,728 for 2020 and 2019, respectively.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2020 for each of the next four years are as follows:

Years ending December 31:		
2021	$	19,912
2022		19,912
2023		7,941
2024		519
Total	$	48,284

7. Commitments

The Fund has committed to purchase $95,000,000 interests in private equity partnerships. At December 31, 2020 and 2019, the Fund had a remaining contractual obligation of $12,132,839 and $11,332,500 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 $48,550 and $40,550 for 2020 and 2019, respectively. Employer contributions are not allowed.

9. Pension Liability of the Participating Employer

Net Pension Liability

The components of the net pension liability as of December 31, 2020 and 2019 were as follows:

	2020	2019
Total pension liability	$ 2,277,440,135	$ 2,046,085,330
Plan fiduciary net position	348,294,515	354,556,288
Plan net pension liability	1,929,145,620	1,691,529,042
Plan fiduciary net position as a percentage of the total pension liability	15.29 %	17.33 %

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.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2020 and 2019 using the following actuarial methods and assumptions applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Projected salary increases	20% to 2.75%
Inflation	2.50%
Investment rate of return	2.22%, 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

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

Post-retirement mortality rates relating to 2019 and 2020, for healthy annuitants were based on 110 percent of PubG-2010 Healthy Annuitant Table, with mortality improvements projected generationally using scale MP-2017. For active participants, mortality rates were based on 110 percent of PubG-2010 Healthy Employee Table, with mortality improvements projected generationally using scale MP-2017.

The actuarial assumptions used in the December 31, 2020 and December 31, 2019 valuations were based on the results of an actuarial experience study for a five-year period ending December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.22 percent, for December 31, 2020. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the 9 percent contribution rate for 2021 and thereafter. Employer contributions will be made at the 1.1 multiple of member contributions from two years prior for 2021 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 2026 were discounted at the expected long-term rate of returns (7.25 percent). Starting in 2027, the projected benefit payments were discounted at the municipal bond index (2.12 percent, based on the Bond Buyer 20-GO Municipal Bond Index as of December 31, 2020). Therefore, a single equivalent blended discount rate of 2.22 percent 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 2.84 percent, 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 percent 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 percent). Starting in 2026, the projected benefit payments were discounted at the municipal bond index (2.74 percent, 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 percent was calculated using the long-term expected rate of return and municipal bond index.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate as of December 31, 2020. The table below presents the pension liability of the Fund calculated using the discount rate of 2.22 percent 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 (1.22 percent) or 1 percentage point higher (3.22 percent) than the current rate:

	1% Decrease (1.22%)	Current Discount Rate	1% Increase (3.22%)
Net pension liability	$ 2,323,041,621	$ 1,929,145,620	$ 1,614,340,720

For comparison purposes, the net pension liability as of December 31, 2019, calculated using the discount rate of 2.84 percent, 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 percent) or 1 percentage point higher (3.84 percent) 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

10. 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. 96, Subscription-Based Information Technology Arrangements;
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

Park Employees' and Retirement Board Employees' Annuity
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 Seven Fiscal Years)
Year Ended December 31, 2020

	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability							
Service cost	$ 12,975,774	$ 13,417,795	$ 13,763,768	$ 20,115,813	$ 38,102,341	$ 33,317,058	$ 51,348,187
Interest	64,929,834	65,921,805	66,523,889	68,982,467	59,290,982	69,086,515	58,440,058
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	5,001,084	15,529,818	(2,309,221)
Change of assumptions	-	-	198,725,863	370,422,560	(3,471,090)	359,734,367	203,245,789
Benefit payments, including refunds of employee contributions	(70,536,042)	(70,602,016)	(74,077,877)	(78,138,027)	(76,526,820)	(78,550,449)	(79,370,008)
Net change in total pension liability	12,817,253	9,419,743	293,958,596	420,352,568	22,396,497	399,117,309	231,354,805
Total Pension Liability, Beginning	888,023,364	900,840,617	910,260,360	1,204,218,956	1,624,571,524	1,646,968,021	2,046,085,330
Total Pension Liability, Ending (a)	$ 900,840,617	$ 910,260,360	$ 1,204,218,956	$ 1,624,571,524	$ 1,646,968,021	$ 2,046,085,330	$ 2,277,440,135
Plan Fiduciary Net Position							
Employer contributions	$ 11,225,438	$ 30,588,976	$ 30,890,241	$ 20,920,614	$ 27,638,402	$ 27,682,089	$ 33,939,927
Employee contributions	10,831,434	12,368,636	12,246,115	13,675,292	12,125,457	12,664,855	12,634,900
Net investment income (loss)	27,490,520	8,823,613	30,920,231	51,082,314	(17,196,812)	51,982,545	28,071,327
Benefit payments, including refunds of employee contributions	(70,536,042)	(70,602,016)	(74,077,877)	(78,138,027)	(76,526,820)	(78,550,449)	(79,370,008)
Administrative expenses	(1,458,831)	(1,533,700)	(1,537,698)	(1,682,136)	(1,501,039)	(1,528,861)	(1,598,370)
Other	100,518	88,113	102,572	91,779	67,927	50,236	60,451
Net change in plan fiduciary net position	(22,346,963)	(20,266,378)	(1,456,416)	5,949,836	(55,392,885)	12,300,415	(6,261,773)
Plan Fiduciary Net Position, Beginning	435,768,679	413,421,716	393,155,338	391,698,922	397,648,758	342,255,873	354,556,288
Plan Fiduciary Net Position, Ending (b)	$ 413,421,716	$ 393,155,338	$ 391,698,922	$ 397,648,758	$ 342,255,873	$ 354,556,288	$ 348,294,515
Employer's net pension liability, ending (a)-(b)	$ 487,418,901	$ 517,105,022	$ 812,520,034	$ 1,226,922,766	$ 1,304,712,148	$ 1,691,529,042	$ 1,929,145,620
Plan fiduciary Net Position as a Percentage of the Total Pension Liability	45.89%	43.19%	32.53%	24.48%	20.78%	17.33%	15.29%
Covered Payroll	118,987,507	122,382,584	121,126,918	135,315,008	133,112,100	139,204,051	138,942,498
Employer's Net Pension Liability as a Percentage of Covered Payroll	409.64%	422.53%	670.80%	906.72%	980.16%	1215.14%	1388.45%

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)

Schedule of Employer Contributions
(Last Ten Fiscal Years)
Year Ended December 31, 2020

	2012	2012**	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	$ 28,051,528	$ 16,786,671	$ 41,834,857	$ 35,307,186	$ 36,273,994	$ 37,130,268	$ 45,253,238	$ 50,929,734	$ 61,887,790	$ 67,297,212
Contributions in Relation to the Actuarially Determined Contribution	10,868,361	5,268,363	15,707,814	11,225,438	30,588,976	30,890,241	20,920,614	27,638,402	27,682,089	33,939,927
Contribution deficiency	$ 17,183,167	$ 11,518,308	$ 26,127,043	$ 24,081,748	$ 5,685,018	$ 6,240,027	$ 24,332,624	$ 23,291,332	$ 34,205,701	$ 33,357,285
Covered Payroll	$ 114,223,909	$ 58,231,511	$ 117,781,596	$ 118,987,507	$ 122,382,584	$ 121,126,918	$ 135,315,008	$ 133,112,100	$ 139,204,051	$ 138,942,498
Contributions as a percentage of covered payrol	9.51%	9.05%	13.34%	9.43%	24.99%	25.50%	15.46%	20.76%	19.89%	24.43%

** 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, 2020
Actual cost method	Entry age
Amortization method	Level percentage of payroll
Amortization period	22 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%

Schedule of Investment Returns
(Last Seven Fiscal Years)
Year Ended December 31, 2020

	2014	2015	2016	2017	2018	2019	2020
Annual money-weighted rate of return, net of investment expense	5.60%	5.61%	5.77%	5.58%	-5.10%	17.00%	9.30%

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
Years Ended December 31, 2020 and 2019

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, 2020						
2020	$ 13,152,470	$ -	$ 13,152,470	$ -	$ -	$ 13,152,470 *
At December 31, 2019						
2019	$ 14,572,731	$ -	$ 14,572,731	$ -	$ -	$ 14,572,731

* Collected in May 2021

Schedule of Administrative and General Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
Actuary expense	$ 50,200	$ 50,638
Auditing	29,450	28,000
IT consultant	41,660	36,629
Conference and convention expense	7,807	24,679
Contributions for annuities of Retirement Board employees	102,627	89,655
Depreciation	24,667	22,913
Equipment rental	28,161	27,728
Filing fee, State of Illinois	8,000	8,000
File storage expense	9,036	7,614
Hospitalization	93,629	91,590
Legal	78,908	47,627
Legislative consultant	36,000	36,000
Office supplies and expenses	22,492	25,252
Postage	7,970	9,318
Insurance, surety bond and other	13,311	14,171
Rent expense	192,731	194,084
Salaries	788,767	750,540
Payroll tax	10,752	10,299
Bank fees	19,243	19,646
Telephone	9,167	8,790
Transportation	1,939	3,651
Trustees' election expense	21,853	22,037
	$ 1,598,370	$ 1,528,861

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

(A Component Unit of the Chicago Park District)

Schedule of Professional Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
Legal	$ 78,908	$ 47,627
Actuary expense	50,200	50,638
Auditing	29,450	28,000
IT consultant	41,660	36,629
Legislative consultant	36,000	36,000
	$ 236,218	$ 198,894

Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago
(A Component Unit of the Chicago Park District)

Schedule of Investment Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
U.S. Equity		
Great Lakes Advisors, LLC	$ 52,911	$ 64,283
Ariel Investments	147,872	151,949
RBC Global Asset Management	-	28,779
Northern Trust Quantitative Advisors	9,355	9,221
	210,138	254,232
Non U.S. Equity		
Ativo Capital	82,812	89,804
Northern Trust Quantitative Advisors	12,510	14,730
	95,322	104,534
Fixed Income		
Entrust Global	2,177	-
LM Capital Group, LLC	26,638	27,419
National Investment Services	1,692	-
MacKay Shields, LLC	41,778	66,161
Chicago Equity Partners	19,131	42,337
ULLICO Investment Company	29,024	65,754
	120,440	201,671
Hedged Equity		
Parametric	76,609	83,988
	76,609	83,988
Risk Party		
Invesco	-	655
	-	655
Real Estate		
Principal Global Investors	156,242	155,754
UBS Realty Investors, LLC (Trumbull)	187,908	212,824
	344,150	368,578
Private Equity		
HarbourVest Partners, LLC	75,000	69,349
Mesirow Financial Capital Partners	175,817	159,026
GoldPoint Partners. LLC (NYL)	25,000	25,000
	275,817	253,375
Infrastructure		
ULLICO Infrastructure	215,606	214,985
IFM Global Infra (US) L.P.	89,539	85,373
	305,145	300,358
Other		
Custody, Northern Trust Co.	62,500	70,000
Investment consultant, Marquette Associates	100,000	95,000
	162,500	165,000
Total	$ 1,590,121	$ 1,732,391