

Annual Comprehensive Financial Report

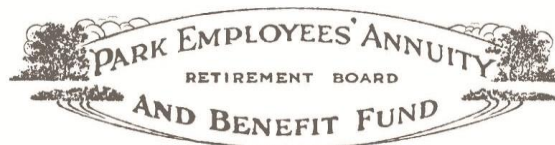
of the

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

Component Unit of the Chicago Park District
State of Illinois

For the years ended December 31, 2021 and 2020

Prepared by the Administrative Staff of the Retirement Board



Park Employees' Annuity and Benefit Fund
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Government Finance Officers Association

Certificate of
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**Park Employees' and Retirement Board Employees'
Annuity and Benefit Fund
Illinois**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

INTRODUCTION

Transmittal Letter

**Retirement Board of the
PARK EMPLOYEES' ANNUITY AND BENEFIT FUND**

TRUSTEES
Edward L. Affolter, President
Brian Biggane, Vice President
Frank Hodorowicz, Secretary
Matthew Duggan
Cynthia Evangelisti
Steven J. Lux
Cecilia Prado

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Steve Swanson
Executive Director

Jaime L. McCabe
Comptroller

June 29, 2022

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

The Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Fund) presents its Annual Comprehensive Financial Report (Annual Report) for the year ended December 31, 2021. The accuracy of the information contained in the report, including all disclosures, is the sole responsibility of the Fund. The intent of the Annual Report is to present the financial condition of the Fund and its related results of operations. The statements and disclosures contained in the Annual Report are necessary to assist the Fund's participants, taxpayers, and other interested parties in fully understanding the Fund's financial condition. Baker Tilly US, LLP has issued an unmodified opinion on the Fund's financial statements as of December 31, 2021. Readers of the Annual Report are encouraged to review the Independent Audit Report, located in the Financial Section of this report.

Fund Background

The Fund is a single employer, defined benefit plan covering the eligible public employees of the Chicago Park District. The Fund was created by an act of the Legislature of the State of Illinois, approved June 21, 1919 and effective July 1, 1919, covering the three major park systems of Chicago. With the statutory consolidation of the separate park districts of Chicago on May 1, 1934, the Chicago Park District was created authorizing the Fund to cover its employees. The Fund is administered in accordance with Chapter 40 of the Illinois Compiled Statutes, Act 5, Articles 1 and 12.

Responsibilities of the Board of Trustees

The Board of Trustees is composed of seven members. Four members are elected by the active participants for four-year terms and the Chicago Park District Board of Commissioners appoints three members for three-year terms. Elected members' terms are staggered so that one member is elected each year. All Trustees serve the Fund without compensation. The Board of Trustees elects a President, Vice President, and Secretary from within its ranks at its annual meeting in July. These elected office holders each have a prescribed set of duties. The Board of Trustees has various duties and responsibilities which include: invest funds in accordance with state law and its internal investment policy; approve the appointments of all necessary consultants and advisors; develop and approve all rules, regulations, and policies governing the operation of the Fund; review and approve all applications for disability, annuities, and other benefits; and monitor the financial and operational activities of the Fund. The day-to-day operations of the Fund are the responsibility of the Executive Director.

Overview

At December 31, 2021, total Fund membership, including active, inactive, disability, retired members and beneficiaries is 10,614. The Fund's fiduciary net position increased by \$66.4 million during 2021 resulting in a net position restricted for pension benefits of \$414.7 million. The additions to the Fund, which include employer and employee contributions and net investment income, totaled \$148.7 million. During 2021, the Chicago Park District contributed the required tax levy contribution equal to 1.1 times the total employee contributions received two years prior. In addition to the required tax levy contribution, the Chicago Park District made supplemental contributions of \$69.7 million. The total Fund deductions for 2021 were \$82.3 million, which is an increase in comparison to the total deductions from prior year. Fund deductions include

INTRODUCTION

Overview (continued)

annuity payments, disability and death benefits, refund of employee contributions, and administrative expenses. For a full understanding of the Fund's financial condition, we encourage the reader to review the Financial Section as well as the Actuarial Section of this report.

Accounting Method and Internal Controls

The Annual Report was prepared to conform with the principles of governmental accounting and reporting as pronounced by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). In recording assets and liabilities, revenues and expenses, the accrual basis of accounting is used. All revenues including contributions are recognized when earned and expenses are recorded when incurred.

The Fund employs a system of internal controls to adequately safeguard its assets and assure the reliability of its financial records which includes the financial statements, supporting schedules and statistical tables. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the valuation costs and benefits require estimates and judgments by management. An evaluation of the internal control structure during the Fund's annual independent audit disclosed no material weaknesses. Management, with the assistance of its outside auditors, continually reviews the system of internal control to insure its adequacy and effectiveness.

Actuarial Status

The Fund's independent actuary, Segal Consulting, conducts an actuarial valuation of the Fund annually. Each actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Fund. The projection is based on the characteristics of members at the valuation date, the benefit provisions in effect on that date, and assumptions of future events and conditions. Segal Consulting also conducts an actuarial experience review every five years. These studies serve as the basis for recommended changes in actuarial assumptions and methods adopted by the Fund.

The funded ratio is the Fund's actuarial value of assets divided by the Fund's actuarial accrued liability. At December 31, 2021, the actuarial value of assets is \$388,163,499 and the actuarial accrued liability is \$1,211,991,973. The Fund's funded ratio at December 31, 2021 is 32.0% compared to 28.7% for the year ended December 31, 2020. The unfunded actuarial accrued liability at December 31, 2021 amounted to \$823,828,474. The Fund's actuarial accrued liability decreased during the current year, which resulted in an increase in the Fund's funded ratio. The calculations of these figures are discussed further within the note disclosures of the Financial Section and within the Actuarial Section of this report.

Investment Policy and Performance

The Fund's investment policy was developed to insure the long-term financing of its funding requirements. Utilizing the services of Marquette Associates, Inc., the Trustees review the investment policy on an on-going basis making amendments as needed. The Fund's current investment policy, which details investment authority, asset allocation, diversification, liquidity, performance measurement, and objectives, is provided in the Investment Section of this report. The policy is designed to obtain the highest expected return on investments consistent with the level of risk for a public pension fund with the funded status described above.

As of December 31, 2021, the fair value of investments was \$396,037,174, which compares to \$329,229,908 as of December 31, 2020. As of December 31, 2021, the Fund's annual investment rate of return was 14.6% compared to 9.3% for December 31, 2020. The Fund's 14.6% rate of return exceeded the portfolio's annual targeted rate of return of 7.25% even during times of instability within the financial markets. A more enhanced discussion about the Fund's performance history can be found in the Investment Section of this report.

Public Act 102-0263

On August 6, 2021, Public Act 102-0263 was signed into law. This will have a lasting impact on our Pension Fund in three critical areas. The first impact requires the Chicago Park District to make employer contributions calculated on an actuarial basis instead of based on a multiple of employee contributions. The Park District will be required to make annual contributions, determined by the independent actuaries, to ensure Fund is **100% funded** within 35 years and the Park District was also required to make a \$40 million supplemental employer contribution to the Fund in 2021.

INTRODUCTION

Public Act 102-0263 (continued)

The second impact allows the Park District to sell pension obligation bonds to provide supplemental contributions to the Fund at its discretion. The Park District can issue up to \$75 million in pension obligation bonds in any given year. In total, the Park District can issue up to \$250 million in pension obligation bonds.

The third impact creates a third tier of participants' benefits beginning on January 1, 2022, which requires larger employee contributions for tier 3 participants, but provides eligibility for a retirement annuity at an earlier age than tier 2 participants.

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund for its Annual Comprehensive Financial Report for the year ended December 31, 2020. In order to be awarded a Certificate of Achievement, a public pension fund must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Governmental Accounting Standards Board

The Fund is currently in full compliance with all pronouncements from the Governmental Accounting Standards Board.

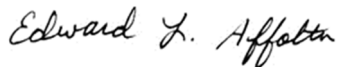
Retirement Board

The annual election for an employee representative to the Retirement Board was to be held on Friday, June 24, 2022. Only one candidate was nominated and therefore declared as winner. Matthew Duggan was re-elected for a four year term beginning July 1, 2022.

Acknowledgments

All the statistical and financial information compiled and presented in this Annual Report is due to the combined efforts of the administrative staff of the Fund. Their efforts are hereby acknowledged with thanks and appreciation.

On behalf of the Retirement Board,



Edward L. Affolter, President

**PARK EMPLOYEES' ANNUITY AND BENEFIT FUND
MEMBERS**

as of December 31, 2021

Elected by the Employees

Matthew Duggan

Term expires June 30, 2022

Frank Hodorowicz

Term expires June 30, 2023

Brian Biggane

Term expires June 30, 2024

Edward L. Affolter

Term expires June 30, 2025

Appointed by the Chicago Park District Board of Commissioners

Steven J. Lux

Term expires June 30, 2023

Cynthia Evangelisti

Term expires June 30, 2024

Cecilia Prado

Term expires June 30, 2024

OFFICERS

Edward L. Affolter, President

Brian Biggane, Vice President

Frank Hodorowicz, Secretary

ADMINISTRATIVE STAFF

Steve Swanson, Executive Director

Jaime L. McCabe, Comptroller

CONSULTANTS

Jacobs, Burns, Orlove & Hernandez, Attorney

Baker Tilly US, LLP, Auditor

The Segal Company, Consulting Actuary

Marquette Associates, Inc., Investment Consultant*

* Terminated effective December 31, 2021

CUSTODIAN

The Northern Trust Company of Chicago

INVESTMENT ADVISORS

Ariel Investments - *Chicago*

Ativo Capital – *Chicago*

Denali Advisors – *San Diego*

Entrust – *New York*

GoldPoint Partners, LLC – *New York*

Great Lakes Advisors, LLC - *Chicago*

HarbourVest Partners, LLC – *Boston*

Industry Funds Managements (IFM) – *New York*

LM Capital Group, LLC – *San Diego*

MacKay Shields, LLC – *New York*

Mesirow Financial Capital Partners – *Chicago*

National Investment Services - *Milwaukee*

Northern Trust Asset Management - *Chicago*

Parametric – *Washington*

PineBridge Investments – *New York*

Principal Global Investors – *Des Moines*

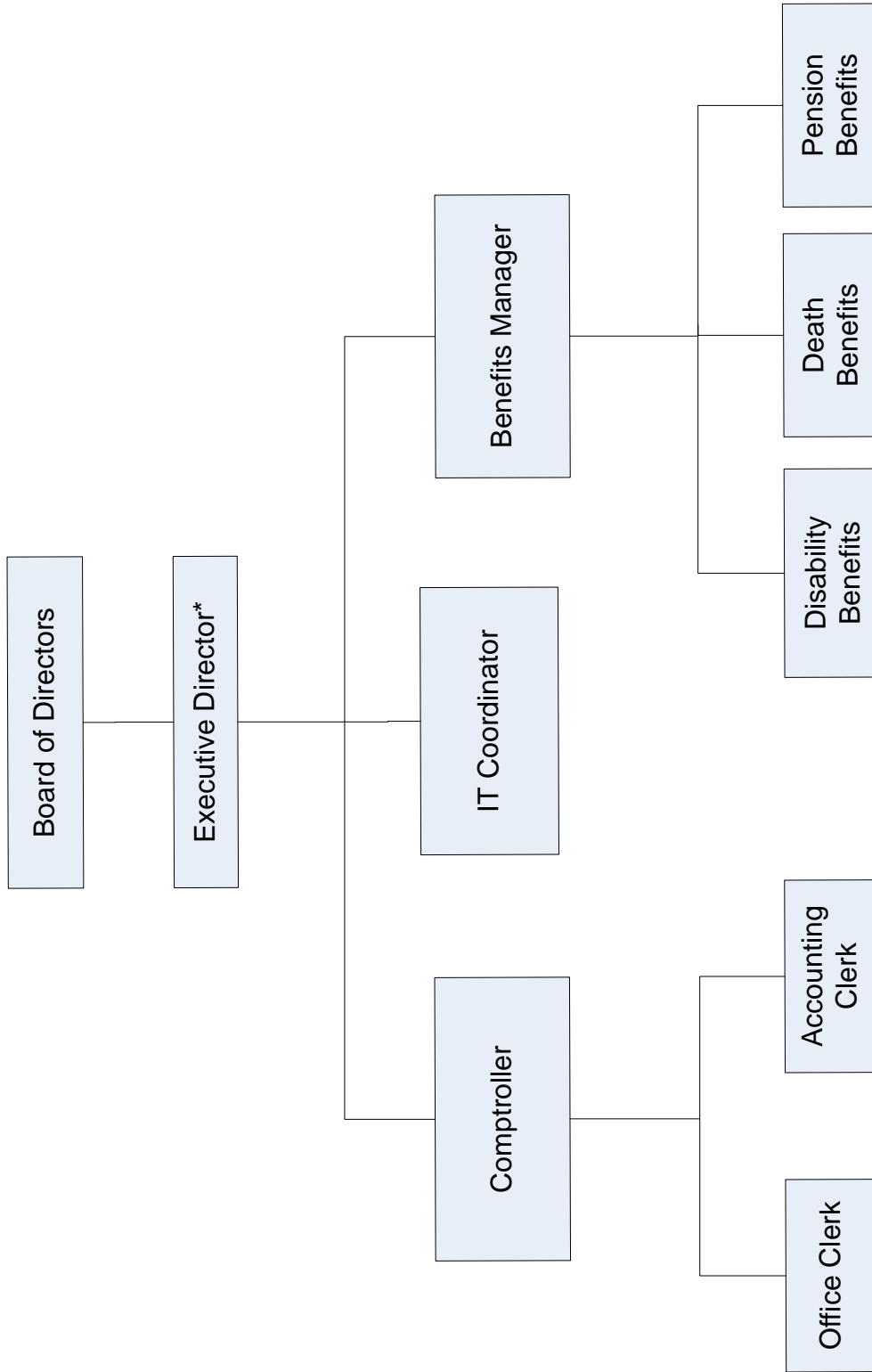
UBS Realty Investors, LLC – *Hartford*

ULLICO Investment Company – *Washington D.C.*

William Blair & Company - *Chicago*

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

ORGANIZATION CHART



*The Executive Director is responsible for the handling of all investment matters. The Fund does not internally manage any investments. For a listing of the Fund's investment managers and associated investment fees, see page 44. For a listing of the Fund's brokers and associated commissions, see page 52.