



## Presentation of 2015 Actuarial Results

BOARD OF COMMISSIONERS OF  
COOK COUNTY PENSION COMMITTEE

JUNE 8, 2016



# COOK COUNTY PENSION FUND | INTRODUCTION

- The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County were established in 1926 and 1931, respectively, by acts of the Illinois legislature. They are administered in accordance with 40 ILCS 5/9-101 and 40 ILCS 5/10-101, et seq.
- The funds are defined benefit pension plans that provide retirement, survivor, health, disability, and death benefits to over 40,000 members.



# COOK COUNTY PENSION FUND | INTRODUCTION

The funds' actuary, Buck Consultants, conducts an annual valuation which provides a snapshot of the actuarial position of our pension plans at a given point in time consistent with generally accepted actuarial principles.

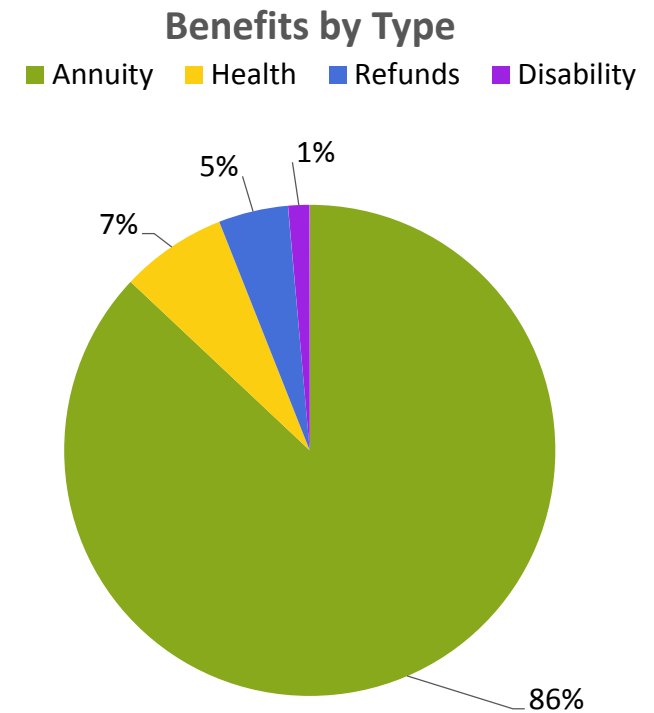
**The purpose of the valuation is**

- (1) To determine the sufficiency of assets to cover the benefits accrued to date – the funded ratio and;
- (2) To determine the sufficiency of financial resources to meet the future benefit promises – insolvency date.

# COOK COUNTY PENSION FUND | AT A GLANCE

In 2015 benefits increased 6.5%




Benefit Payments	2015	2014
Annuity	\$632.9 M	\$585.1 M
Health	\$50.8 M	\$44.0 M
Refund	\$33.3 M	\$26.3 M
Disability	\$10.3 M	\$10.5 M
<b>Total</b>	<b>\$727.3 M</b>	<b>\$682.9 M</b>



*\*Data as of December 31, 2015*

# COOK COUNTY PENSION FUND | AT A GLANCE

Results for 2015 are consistent with the plans long-term trend and continuing the erosion in funding.

		Category	2015	2014
	↓	Employee Members	21,596	21,656
	↑	Annuitant Members	17,597	17,136
	↑	Actuarial Assets	\$9.0 Billion	\$8.8 Billion
	↓	Employer Contribution	\$186.8 Million	\$190.0 Million
	↑	Employee Contribution	\$137.7 Million	\$129.3 Million
	↓	Funded Ratio	55.39%	57.51%
		Projected Solvency Date	2039	2039

*\*Data as of December 31, 2015*

# COOK COUNTY PENSION FUND | LONG-TERM TREND

The fund is receiving lower contributions as the active population is declining in number, but payouts are increasing.

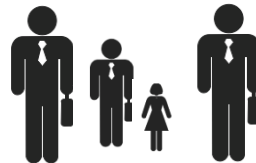
## THEN | 2000

### FUND INCOME

**\$278 mm**

\$120 mm Employee  
\$158 mm Employer

27,000 Employees



Balanced  
Income vs.  
Benefit  
Payments

### BENEFIT PAYMENTS

**\$224 mm**

Payout

10,000 Annuitants



## NOW | 2015

### FUND INCOME

**\$325 mm**

\$138 mm Employee  
\$187 mm Employer

22,000 Employees



Imbalanced  
Benefit Payments  
Exceed Income



### BENEFIT PAYMENTS

**\$727 mm**

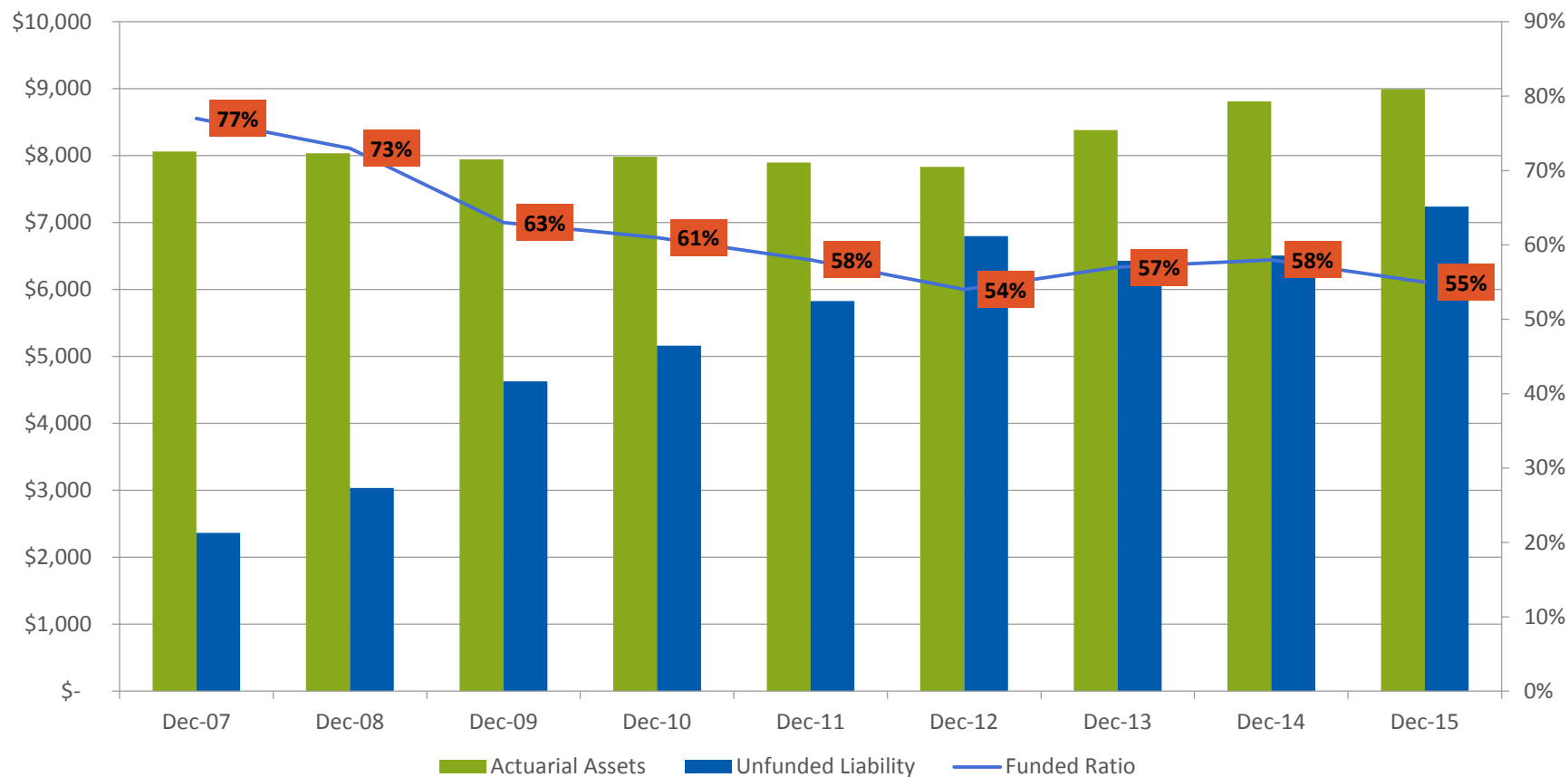
Payout

17,00 Annuitants

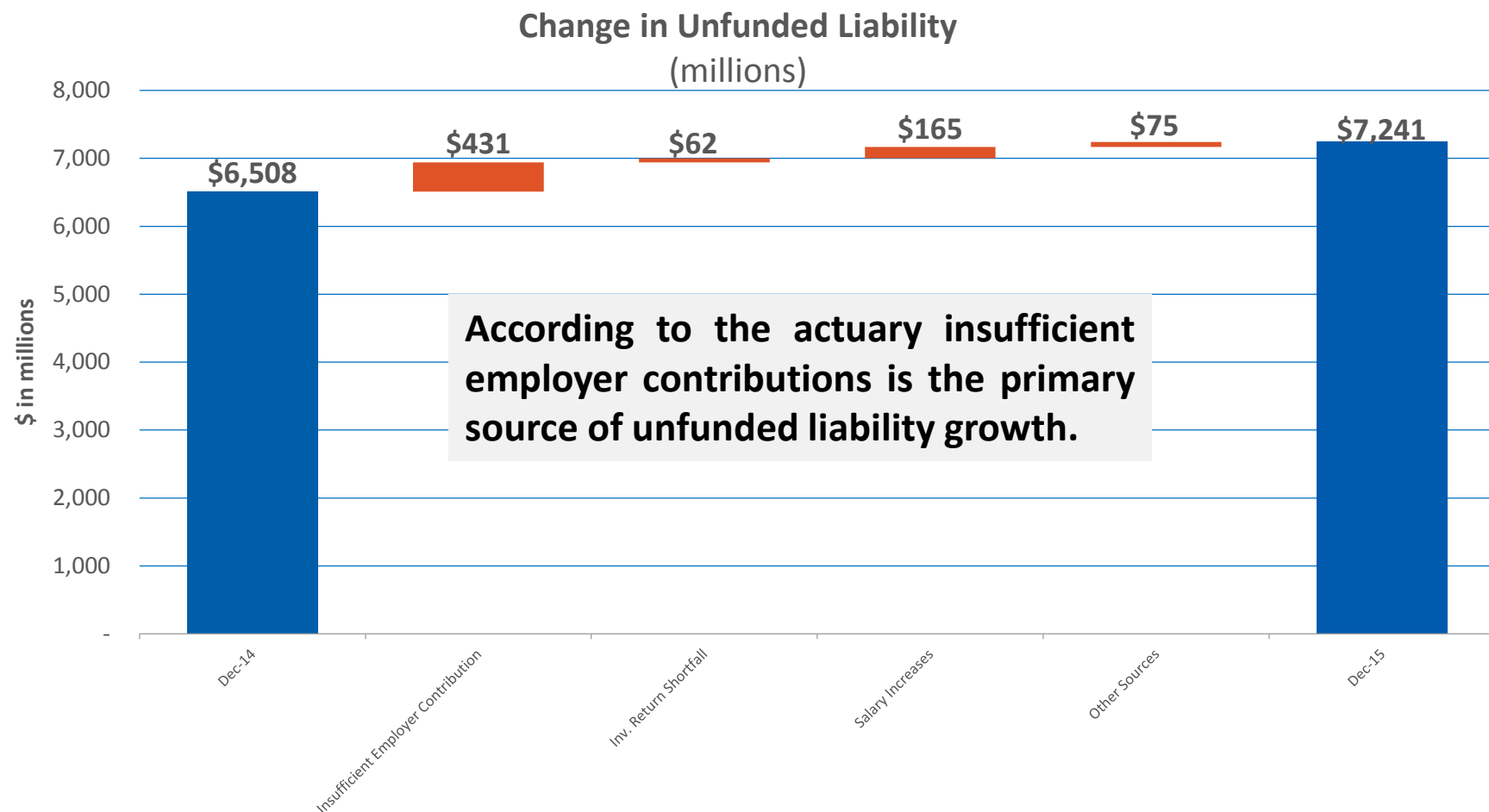


# FUNDING | HISTORICAL ASSETS VS. FUNDED RATIO

Fewer assets are available to meet current needs of the fund leading to a decline in funded status and growth in the unfunded liability.



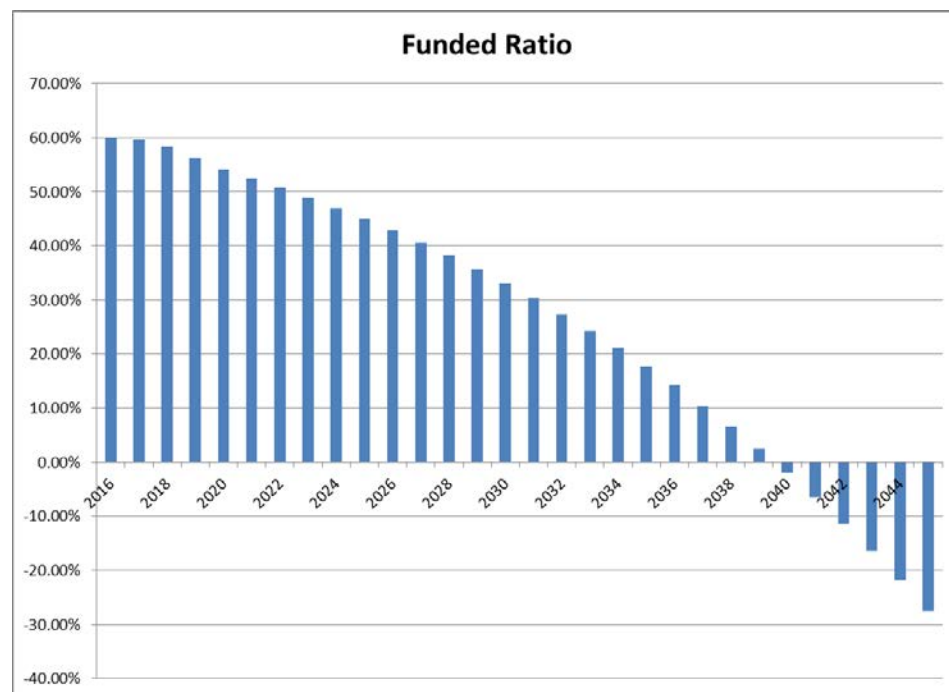
# MANAGING THE FUND | CHANGE IN UNFUNDED LIABILITY





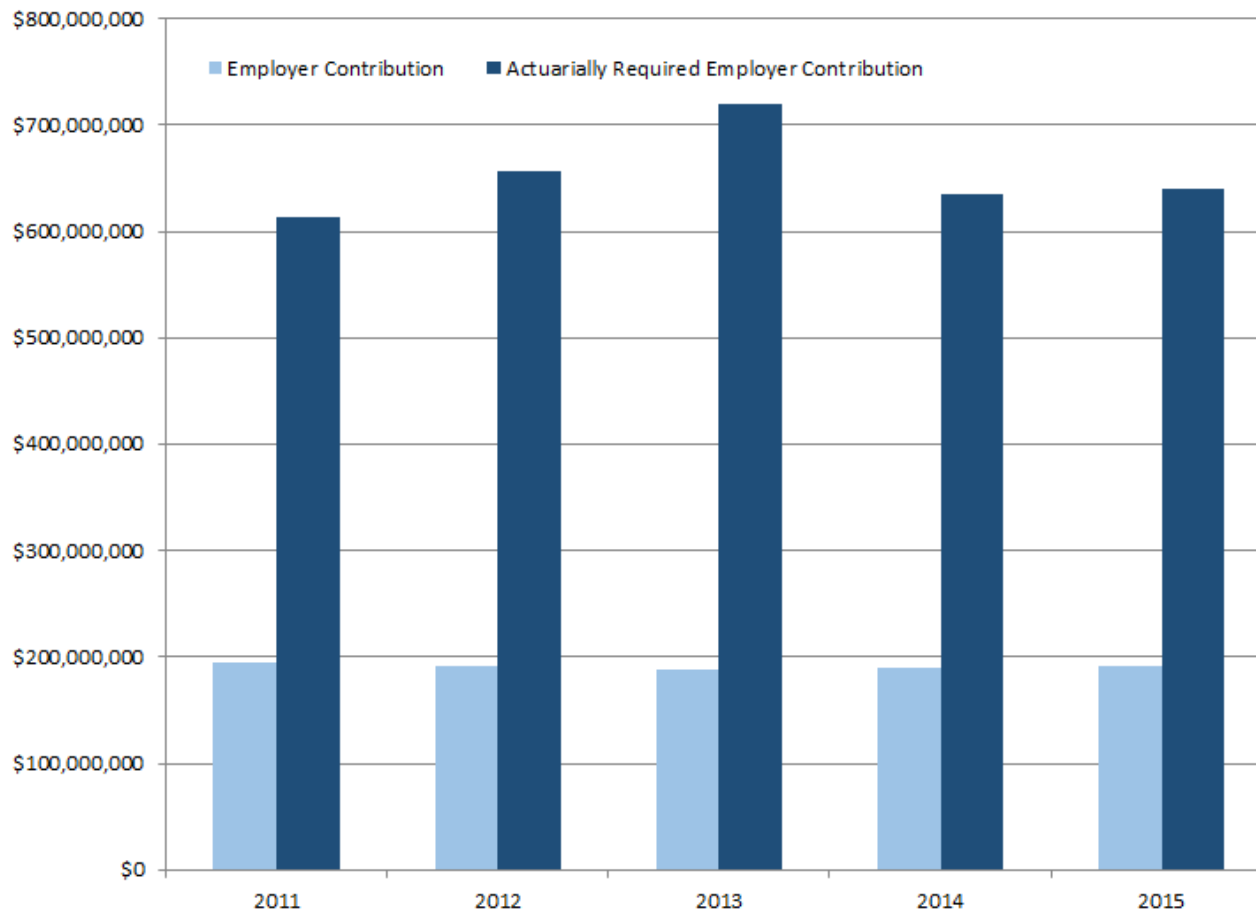
# MANAGING THE FUND | FUNDING METHODOLOGY

- The County's funding policy is to contribute the member contributions from two years prior by a factor of 1.54 for Cook County.
  - This policy only meets the actuarial needs of the fund when it is at least 100% funded
  - This policy is not responsive to the actuarial needs of the fund
- Continued use of this policy is projected to result in the Cook County Fund insolvent in 2039.



# FUNDING | ACTUARIAL REQUIRED CONTRIBUTION

% OF EMPLOYER'S ACTUARIALY REQUIRED CONTRIBUTION (ARC) RECEIVED

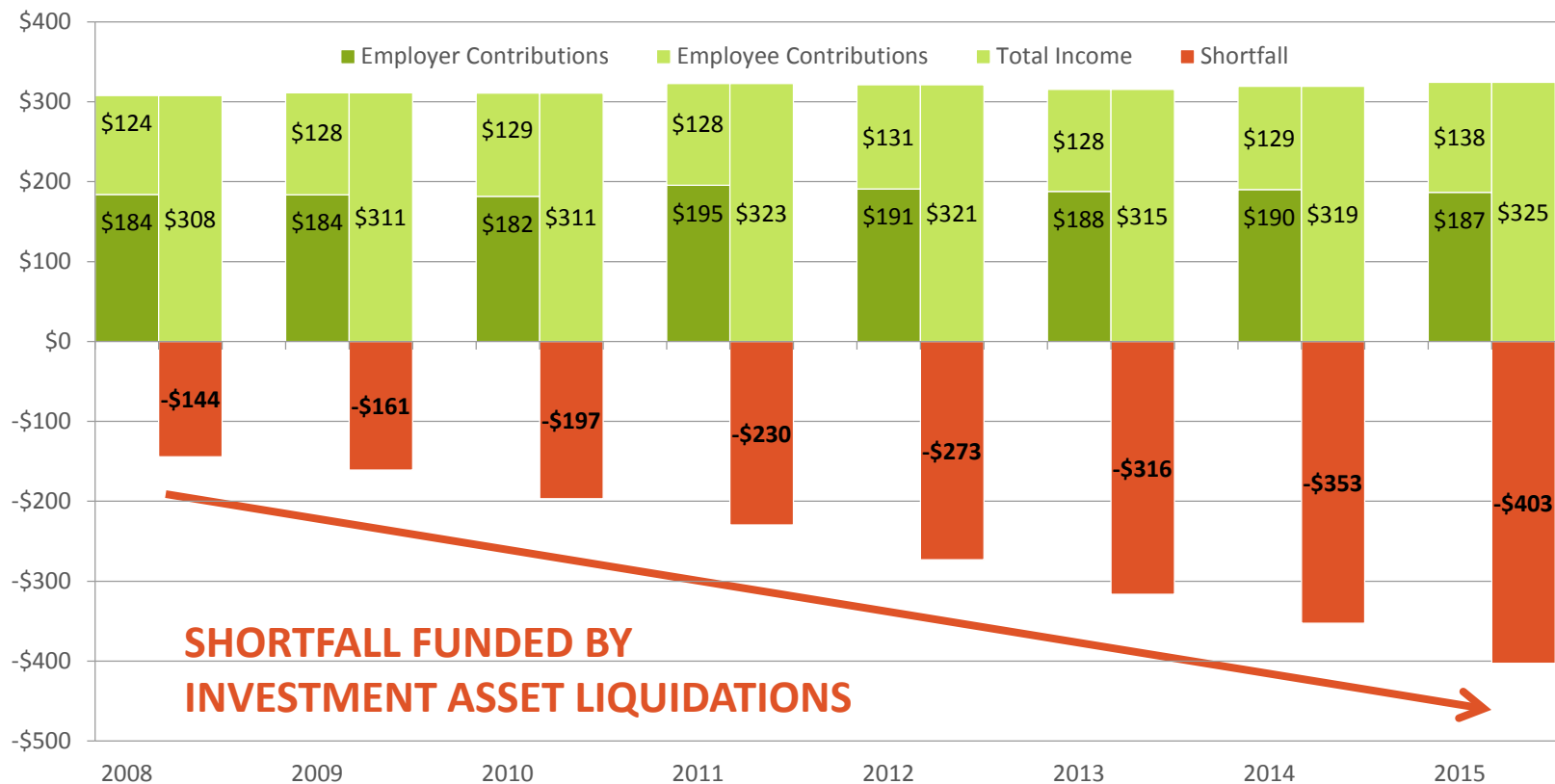


Unfunded Liability as of 12/31/2015 is \$7.2 Billion, in 2015 the Fund received approximately 30% of ARC based on 1.54 statutory multiple.

# FUNDING | CONTRIBUTIONS VS. PAYOUT

Contributions have remained flat while the shortfall in contributions has grown 180%. Since 2008, the shortfall in contributions is bridged by quarterly investment liquidations to meet benefit payments.

Historical Contributions vs. Benefit Payments



## FUNDING | 2015 INTERGOVERNMENTAL AGREEMENT

In 2015, the County Board approved additional funding for the pension fund in the form of an intergovernmental agreement (IGA) for a one-time payment of \$270.5 million for 2016.

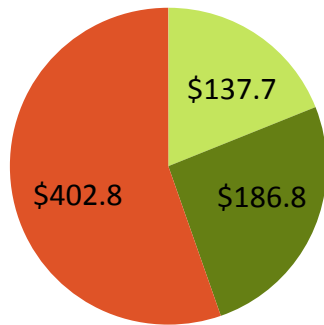
As of May 31, 2016 CC PF has received approximately \$51 million of these proceeds, with the balance scheduled for the remaining months.

Proceeds from the IGA will reduce the shortfall from contributions to make benefit payments, allowing the investment portfolios to remain primarily invested.

# FUNDING | 2015 & 2016 PAYOUT MODELS

The charts below highlight the total benefits paid for 2015 and projected 2016 contributions. Absent the IGA, the shortfall continues to exceed contribution levels. Additional funding from the IGA closes this gap.

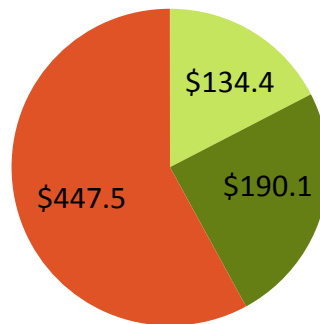
**2015**



Employee Employer Shortfall

**Total Payout = \$727.3**

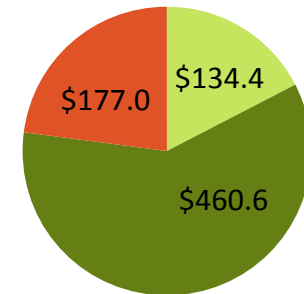
**2016P Without IGA**



Employee Employer Shortfall

**Total Payout = \$772.0**

**2016P With IGA**



Employee Employer Shortfall

**Total Payout = \$772.0**

## FUNDING POLICY | LOOKING FORWARD

Additional funding as appropriated for the pension fund will help stabilize during a time of unprecedented liquidity burden to meet benefit payments

- Allows the fund to stay invested as additional proceeds pay current benefits
- Allows the fund to adhere to long-term investment strategy instead of managing to short-term liquidity needs

Consistent, secure, and actuarially determined policy is necessary to restore healthy funded status.