



COOK COUNTY BOARD OF COMMISSIONERS
PENSION COMMITTEE

SEPTEMBER 26, 2018



COOK COUNTY FUND | OVERVIEW

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 AND FOREST PRESERVE FUND |

FUND DEMOGRAPHICS

Cook County Fund		
	2016	2017
Active Employees	20,969	20,349
Average Age	47.4	47.7
Average Salary	\$75,361	77,030
Retirees	15,222	15,488
Survivors	2,687	2,729
Average Age	71.9	72.1
Average Annuity	\$38,817	\$40,435
Annuity Benefits Paid	\$759.1M	\$805.4M

Forest Preserve Fund		
	2016	2017
Active Employees	572	548
Average Age	45.2	45.9
Average Salary	\$60,330	\$64,011
Retirees	378	381
Survivors	152	146
Average Age	72.0	72.0
Average Annuity	\$29,694	\$30,566
Annuity Benefits Paid	\$17.9 M	\$18.0 M



COOK COUNTY PENSION FUND | 2017 SUMMARY RESULTS

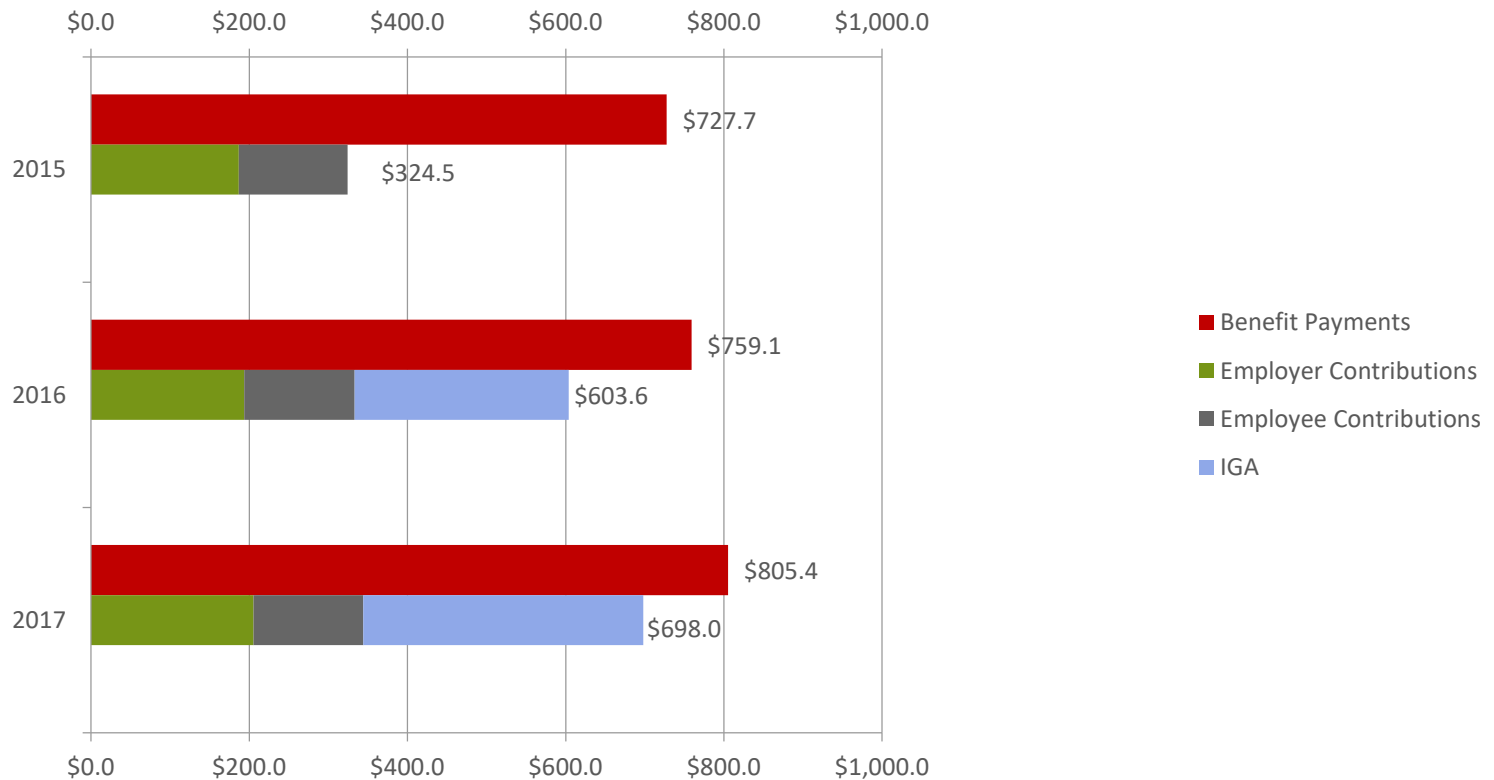
In June 2018, the Cook County Pension Fund (CCPF) presented the results from the 2017 actuarial valuation conducted by Conduent (formerly Buck Consultants).

The results of the 2017 valuation reflect both the statutory funding methodology as well as additional contributions provided through the Intergovernmental Agreement to the County Fund supplementing the statutory Employer contribution.

	Cook County Fund	Forest Preserve Fund
Statutory Multiple	1.54 x Employee Contributions	1.3 x Employee Contributions
2017 Statutory	\$205.4M	\$3.5M
2017 IGA	\$353.8M	- 0 -

COOK COUNTY FUND | BENEFITS GAP

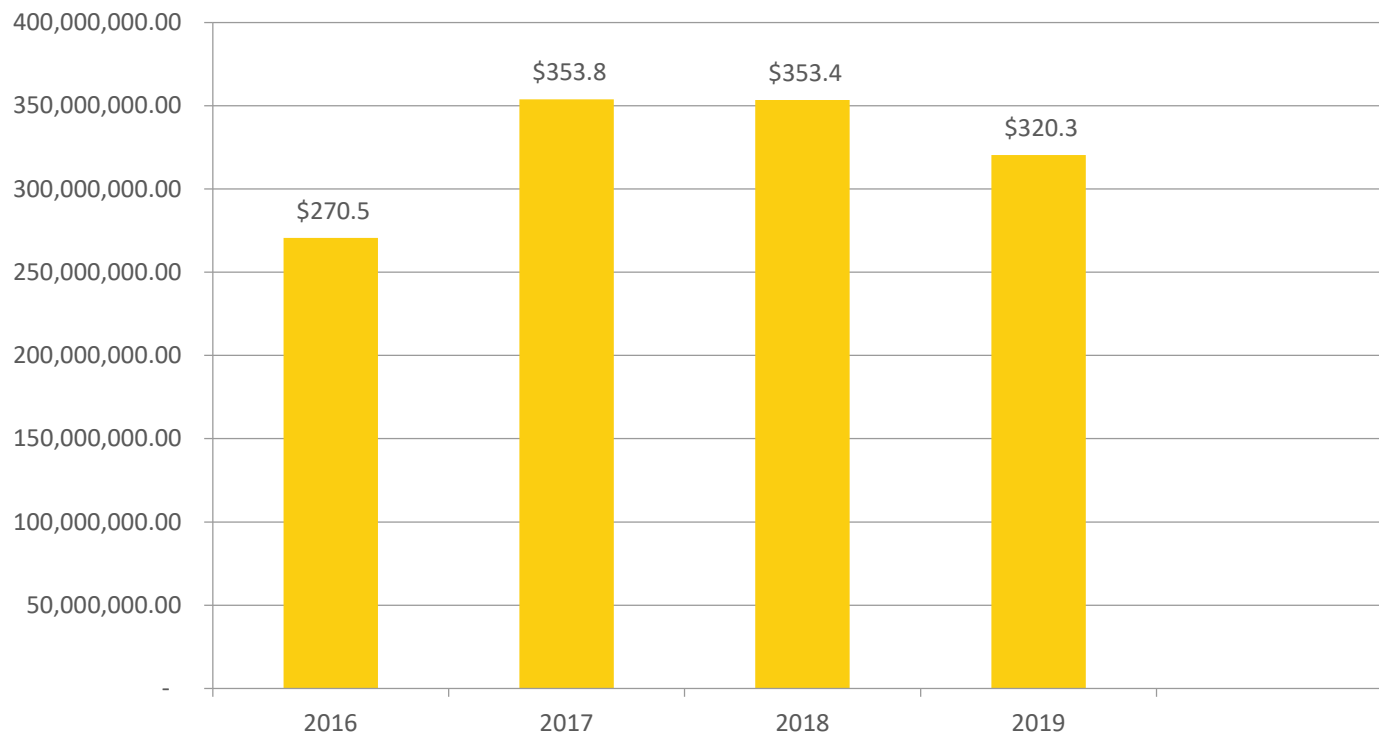
The additional contributions helped bridge the shortfall in benefit payments allowing the Fund to avoid liquidating assets for benefit payments. It provided the additional benefit of increasing our investing income with the strong 2017 returns.



FUNDING | IGA PROJECTION

Over time, sustained additional funding through the Intergovernmental Agreement (IGA) would bring the Employer contribution closer to the actuarial required amount. The reduction in the 2019 contribution is primarily the result of higher than expected investment returns along with EGWP savings and actuarial assumption changes.

Additional Contribution



Based on the actuarial assumptions as determined in the IGA, including 2% Employer contribution growth annually.



COOK COUNTY FUND | INTERGOVERNMENTAL AGREEMENT

The employer's funding methodology presented to the Fund in 2015 was the basis for the amounts in the Intergovernmental agreements (IGA). The additional amounts have been calculated annually by the independent actuary in accordance with the IGA.

The actuarial calculation of next year's budget amount is based on prior year results. The amount does not take into account any activity or returns from the current year.

Proceeds from the IGA have and continue to reduce the contribution shortfall to make benefit payments, allowing the investment portfolios to remain primarily invested.

Long-term projections assume 2% growth in additional contributions

COOK COUNTY FUND | 2017 FUND RESULTS

Actuarial results for 2017 demonstrated the Cook County Fund's favorable experience due to strong investment performance and additional supplemental contributions from the Employer.

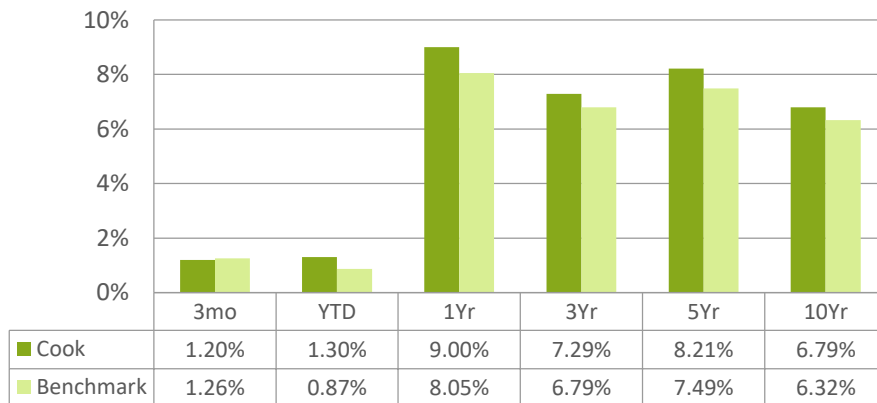
	2016	2017	
Employer Contribution	\$464.3M	\$559.2M	• Supplemental contributions continued to help the Fund meet pension obligations in 2017.
Employee Contribution	\$139.4M	\$138.8M	
Investment Income	\$629.4M	\$1,399.6M	
Benefit Payments	\$759.1M	\$805.4M	
Total Liability	\$16.7B	\$16.9B	• Strong investment performance, supplemental contributions, and the net impact of recent actuarial assumption changes resulted in an improved Funded Ratio .
Actuarial Assets	\$9.5B	\$10.1B	
Unfunded Liability	\$7.2B	\$6.7B	
Funded Ratio*	56.7%	60.1%	

*Based on the actuarial valuation as of 12/31/2017.

COOK COUNTY FUND | 2017 INVESTMENT PERFORMANCE

As of December 31, 2017, the Fund's investments returned 15.4%, net of fees. YTD through June 30, 2018, the estimated return for the Fund is 1.3%.

Cook County Returns as of Q2 2018*



*Preliminary results as reported by the investment consultant

Cook County AUM

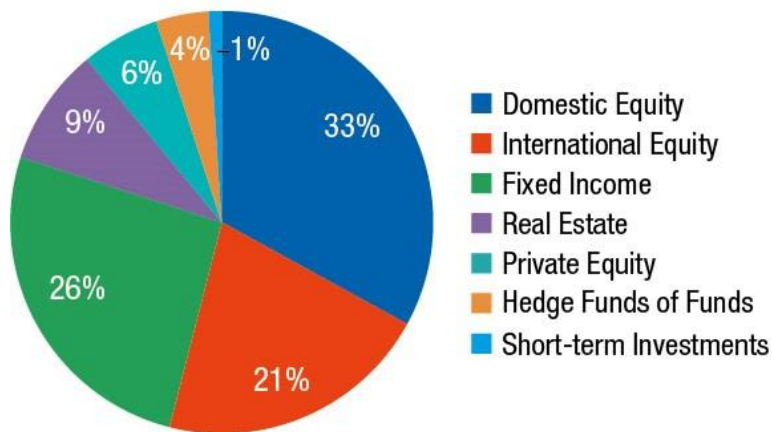


The fund's portfolio has consistently outperformed the custom benchmark over longer term periods before and after fees.

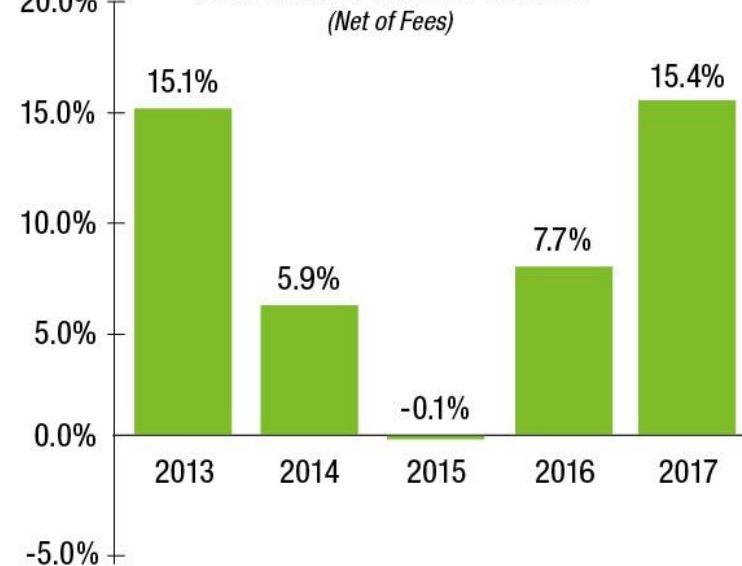
COOK COUNTY FUND | 2017 TARGET ASSET ALLOCATION

The plans strong investment portfolio performance in 2017 was attributable to strategic allocations to asset classes as well as manager selection.

Target Asset Allocation



Investment Rate of Return

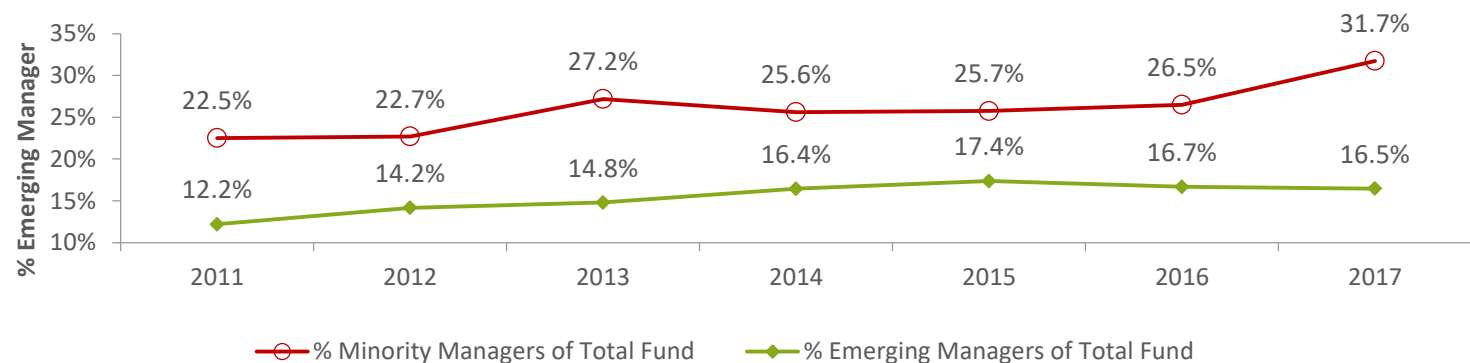


EMERGING AND MWBE UTILIZATION

- The Fund has a long and steady track record of working with emerging and MWBE firms in every asset class.

	2017 Allocation In Dollars (MMs)	2017 Utilization Rate	Target Utilization	2017 Average Mandate (MMs)	2017 Fees (% of asset class)
Domestic Equity	\$496.5	13.7%	17-20%	Total:\$82.8 Direct: \$167.0	35.1%
Fixed Income	\$1,002	35.7%	27-35%	Total:\$223.7 Direct:\$290.9	34.3 %
Intl. Equity	\$144.5	6.5%	10-15%	Total: \$41.6 Direct: \$100.0	11.5%
Alternatives	\$187.4	9.7%	10-15%	Total: \$15.6 Direct: \$49.6	21.6%

History of Emerging Manager Fund Allocations: 2011-2017



COOK COUNTY FUND | HEALTH BENEFITS COST SAVINGS

The Fund has continued to take steps to improve the cost efficiency of the health plan while at the same time maintaining a high level of member satisfaction with Fund health benefits.

2015

- **Changing medical plan administrator, from Blue Cross Blue Shield of Illinois to UnitedHealthcare resulted in saving \$2.4M in 2015**
- **New Rx Pricing achieved an additional \$2.4M savings in 2015**

2017

- **Implementing an Employer Group Waiver Program (EGWP) for the Medicare pharmacy benefit plan saved \$5.2M in 2017**

2018

- **Participation in the Coalition of Municipal Agencies Pharmacy Benefit Management RFP is projected to result in a 15% reduction in costs for the non-Medicare commercial plan; and a 17% reduction in costs for the Medicare EGWP SilverScript plan**

	2015	2016	2017
Total Costs	\$89.6M	\$95.1M	\$96.5M
Lives of People Covered	12,230	12,300	12,479
Percentage Change in Per Capita Costs			
% Change in Medical Costs		5.7%	7.3%
% Change in Prescription Drug Costs		4.9%	-13.3%
% Change in Total Costs		5.5%	0.0%

FUNDING | OUTLOOK

In the short-term, the IGA funding will allow investments to remain at work and ensure annuitants are paid their benefits at less of a detriment to the Fund's investment portfolio.

Since 1984, the Employer's statutory contribution has been determined by fixed multiples and is insufficient to keep the Fund solvent. CCPF is the only system in Illinois without legislated actuarial-based funding.

In the long-term however, the one-year funding policy will be inadequate in improving the Fund's financial footing:

- Having little impact on reducing the Fund's long term funded status;
- Creating uncertainty in the Fund's long-term investment strategy; and
- Favoring short-term, liquid, lower return investments to meet benefit needs.
- Additionally, the IGA does not address the Forest Preserve District Fund's unfunded liability.

A long-term statutory solution guaranteeing actuarial required contributions by the Employer is crucial to the Fund's future ability to pay out retirement benefits earned through service both now and in the future.

EXECUTIVE DIRECTOR SEARCH

The Board reviewed the Executive Director search process followed by similarly situated pension funds including the Illinois State Board of Investments (“ISBI”); the Municipal Employees’ Annuity and Benefit Fund of Chicago (“MEABF”); and the State Universities Retirement System (“SURS”):

ISBI promoted an internal candidate without a search process;

MEABF conducted a “modified search” process by posting a job advertisement in various industry periodicals, and ultimately chose an internal employee; and

SURS engaged an outside consultant at a cost in excess of \$100,000, over a 6 month process, and ultimately selected a candidate that had been in Illinois government.

The Board also reviewed the process that had been followed by the Fund five years prior when it selected the current Executive Director/CIO.

Fund conducted a “modified search” process, with approximately 65 applicants, and ultimately chose an internal employee.

EXECUTIVE DIRECTOR SEARCH

After its review, the Board approved a modified search for the Executive Director position in an effort to secure an Executive Director as soon as practicable and to defray the reasonable expenses of the Fund consistent with the Board's fiduciary duties.

The Board approved Executive Director job description and advertised for the position in the following publications:

- The Fund's website

- The Cook County website

- The Illinois Government Finance Officers Association

- The Government Finance Officers Association (National)

- The National Association of Public Pension Attorneys

- The National Association of Securities Professionals

- The National Conference on Public Employee Retirement Systems

The job advertisement was posted on August 6th, 2018 and responses were required by August 24th; the Board later extended response period until September 10th.

The Board received 16 responses from interested candidates. All 16 resumes were reviewed by the Board.

Board has invited 6 candidates for interviews in October.

