



COOK COUNTY BOARD OF COMMISSIONERS  
PENSION COMMITTEE

FEBRUARY 19, 2019



# COOK COUNTY PENSION 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 (CCPF) 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.



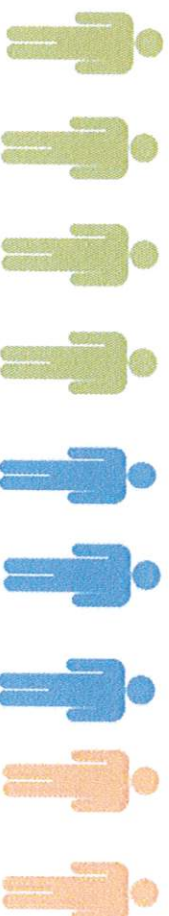


# COOK COUNTY PENSION FUND |

## OVERVIEW – THE RETIREMENT BOARD

In accordance with Illinois pension statute, a board of trustees known as The Retirement Board of the County Employees' Annuity and Benefit Fund and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County ("the Retirement Board" or "the Board") governs CCPF – managing its retirement assets and ensuring its ability to pay earned benefits to CCPF members and beneficiaries now and well into the future.

### Retirement Board Breakdown



- **4** – members elected by Cook County and Forest Preserve active employees
- **3** – members elected by Cook County and Forest Preserve annuitants
- **2** – ex officio members appointed by the Comptroller of Cook County and Treasurer of Cook County

Elected trustees serve staggered three-year terms such that no more than three positions are planned for election each year.



# COOK COUNTY PENSION FUND |

## OVERVIEW – EXECUTIVE DIRECTOR

**Regina M. Tuczak, CPA**

### PRIOR PROFESSIONAL EXPERIENCE

***Policemen's Annuity and Benefit Fund of Chicago***

Executive Director: 5+ years, Comptroller: 3 years

***Deloitte and Touche, LLP\****

Last Position Held: Director of Employee Benefit Plan Audit Practice

***Arthur Andersen, LLP\****

\*Almost two decades of assurance and advisory services, including a large employee benefit plan audit client base

### EDUCATION

- University of Chicago, MBA
- University of Michigan, BA in Economics





# COOK COUNTY PENSION FUND |

## FUND DEMOGRAPHICS

### Cook County Fund

	2017	2016
Active Employees	20,349	20,969
Average Age	47.7	47.4
Average Salary	\$77,030	\$75,361
Retirees	15,488	15,222
Survivors	2,729	2,687
Average Age	72.1	71.9
Average Annuity	\$40,435	\$38,817
Annuity Benefits Paid	\$713.5M	\$672.2M

### Forest Preserve Fund

	2017	2016
Active Employees	548	572
Average Age	45.9	45.2
Average Salary	\$64,011	\$60,330
Retirees	381	378
Survivors	146	152
Average Age	72.0	72.0
Average Annuity	\$30,566	\$29,694
Annuity Benefits Paid	\$15.9M	\$15.4M





# COOK COUNTY PENSION FUND |

## COOK COUNTY MEMBERSHIP TRENDS

For the Cook County Fund, the last year in which contributions consistently exceeded benefit payments was 2002. Since then, there are fewer employees contributing to the Fund and there are more annuitants receiving benefits from the Fund.

THEN | 2002

### CONTRIBUTIONS

**\$325M**

27,000 Employees

\$147M Employee  
\$178M Employer



Contributions

Exceed  
Benefit

Payments

### BENEFIT PAYMENTS\*

**\$245M**

11,000 Annuitants

Payout



NOW | 2017

### CONTRIBUTIONS

**\$698M\*\***

20,000 Employees

\$139M Employee  
\$206M Employer Statutory  
\$353M Employer IGA



Benefit Payments

Exceed

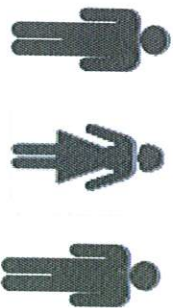
Contributions

### BENEFIT PAYMENTS\*

**\$823M**

18,000 Annuitants

Payout



\*\*Only \$345M is recurring and  
statutorily obligated

\*Includes payments of refunds



# COOK COUNTY PENSION FUND |

## FOREST PRESERVE MEMBERSHIP TRENDS

For the Forest Preserve Fund, the last year in which contributions consistently exceeded benefit payments was 1999. Since then, there are fewer employees contributing to the Fund and there are more annuitants receiving benefits from the Fund.

THEN | 1999

### CONTRIBUTIONS

**\$6.9M**

\$3.0M Employee  
\$3.9M Employer

836 Employees



Contributions

Exceed

Benefit Payments

### BENEFIT PAYMENTS\*

**\$6.4M**

Payout

375 Annuitants



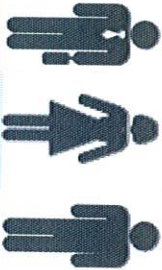
NOW | 2017

### CONTRIBUTIONS

**\$6.8M**

\$3.3M Employee  
\$3.5M Employer

548 Employees



Benefit Payments

Exceed

Contributions

### BENEFIT PAYMENTS\*

**\$18.6M**

Payout

529 Annuitants



\*Includes payments of refunds





# COOK COUNTY PENSION FUND | CONTRIBUTIONS

There are two sources of contributions – active employees and the employer.

- Employees contribute 8.5% of pensionable salary to CCPF, with the exception of members of the County police department who contribute 9.0%.
- For the Cook County Fund, the employer contributes 1.54x the contributions of employees. Beginning in 2016, the Employer entered into an Intergovernmental Agreement (IGA) to provide incremental contributions to the Cook County Fund.
- For the Forest Preserve Fund, the Employer contributes 1.30x the contributions of employees. There is not an IGA.

*Note: CCPF is one of few public retirement systems in the State of Illinois that remains on a multiplier to determine employer contributions.*

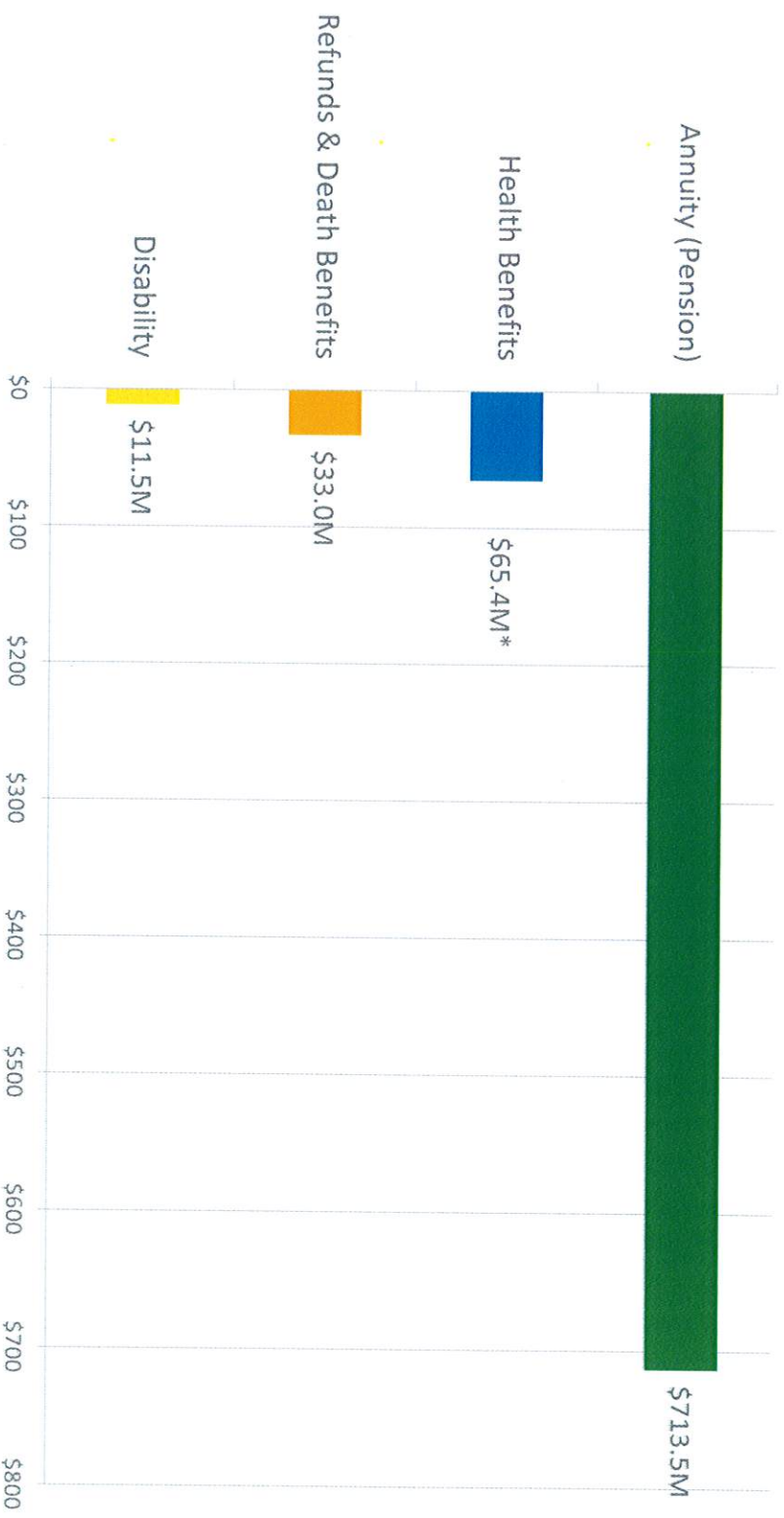
	Cook County Fund	Forest Preserve Fund
Statutory Multiple	1.54 x Employee (EE) Contributions	1.30 x Employee (EE) Contributions
2017 Statutory	\$205.4M	\$3.5M
2017 IGA	\$353.8M	- 0 -
2017 EE Contributions	\$138.8M	\$3.3M





# COOK COUNTY PENSION FUND |

## COOK COUNTY FUND BENEFIT PAYMENTS IN 2017



Total 2017 Benefits Payments: **\$823.4M** (Forest Preserve Fund: \$18.6M)

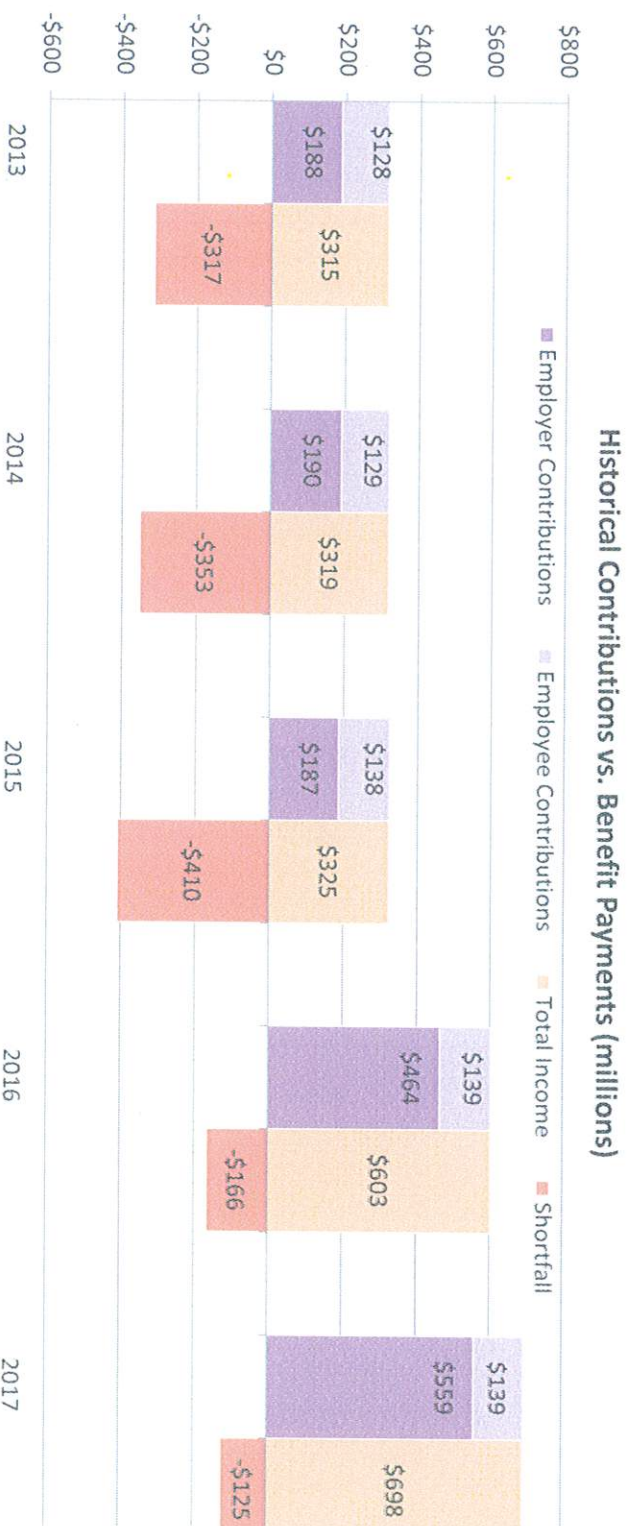
\*Healthcare expense before plan rebates/subsidies. Healthcare expense after plan rebates/subsidies was \$47.5M.



# COOK COUNTY PENSION FUND

## CONTRIBUTIONS VS. BENEFIT PAYMENTS (COOK COUNTY FUND)

Contributions have been supplemented by the IGA since 2016.



**SHORTFALL PRIMARILY FUNDED BY INVESTMENT ASSET LIQUIDATIONS**



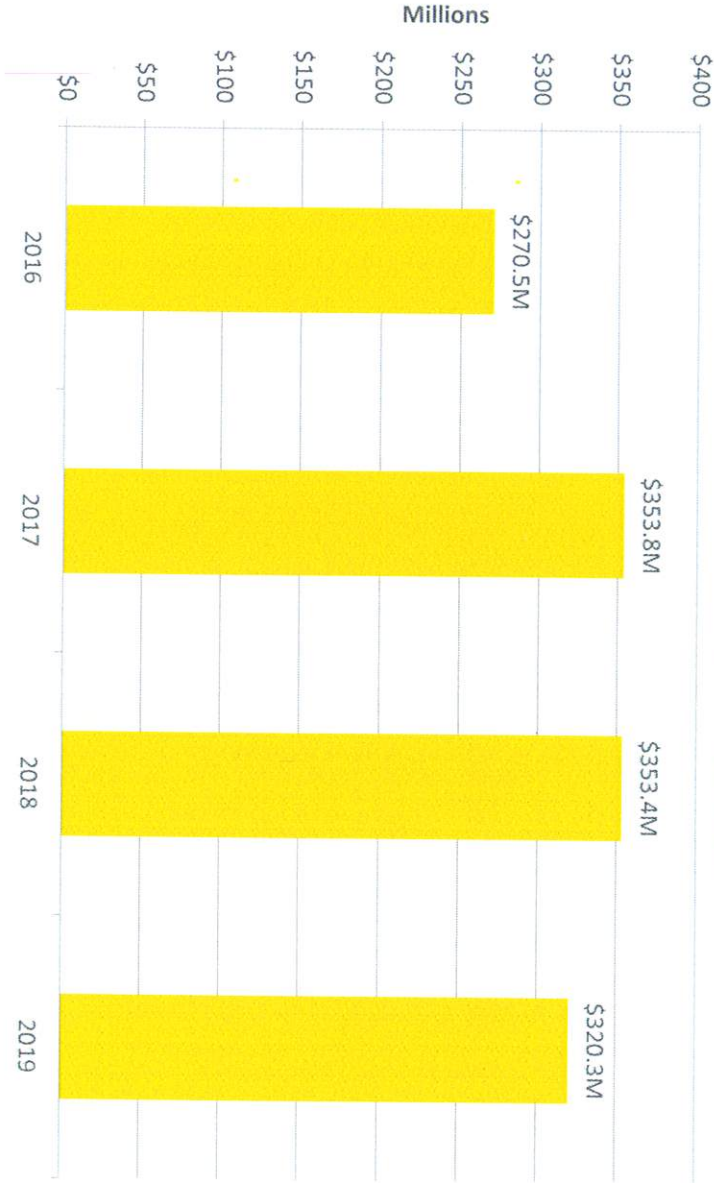


# COOK COUNTY PENSION FUND |

## IGA FUNDING FOR COOK COUNTY FUND

The basis of the IGA is an actuarial calculation that is completed annually, using many of the actuarial assumptions included in the Fund's actuarial valuation. IGA funding began in 2016, with 2017 being the first full year of such contributions. Receipt of the IGA contributions has been critical to the welfare of the Fund over the last few years.

### Additional Contribution



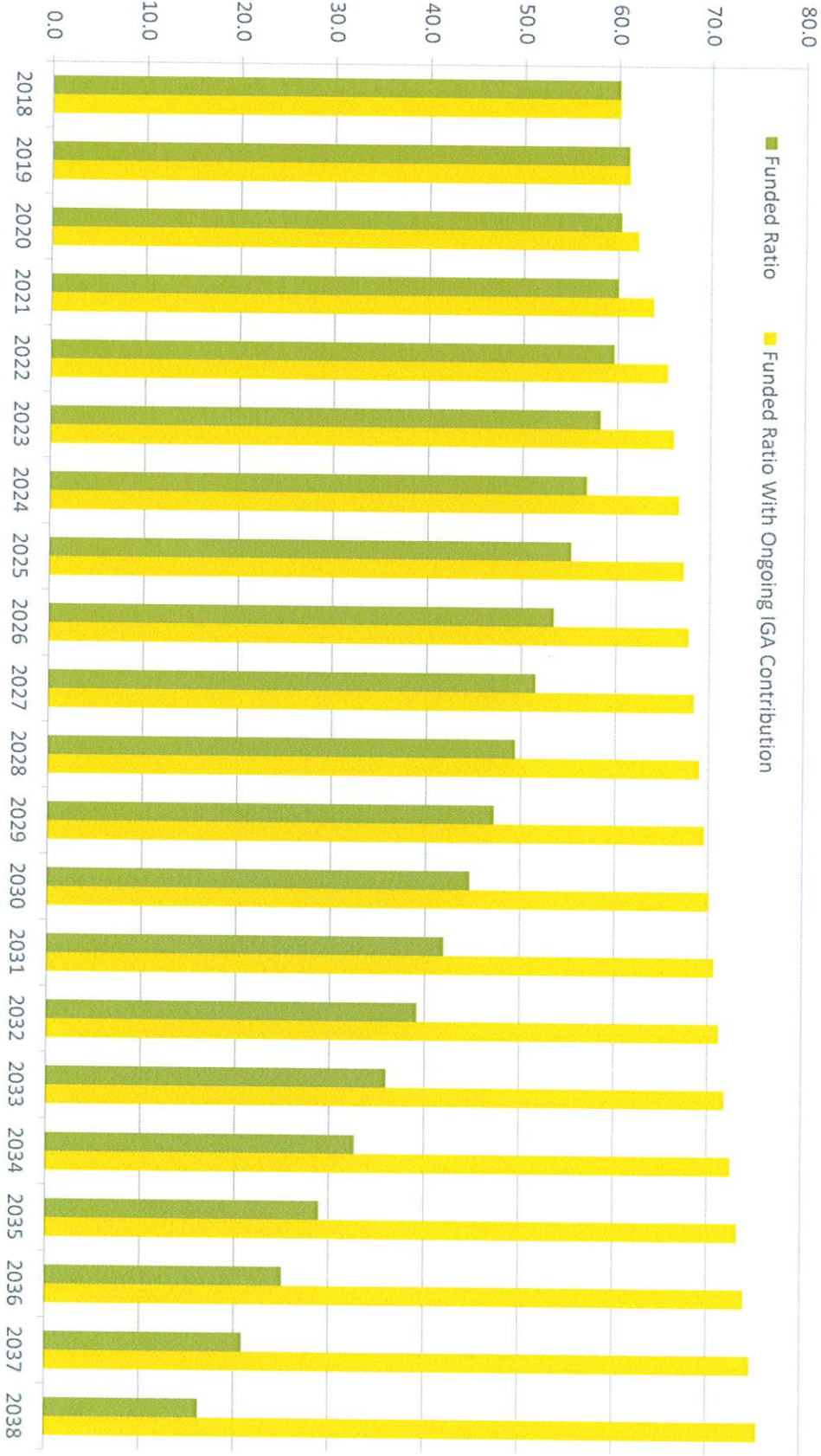
- Over time, sustained additional funding through the IGA would bring the Employer contribution closer to the actuarial required amount.



# COOK COUNTY PENSION FUND |

## IGA FUNDING FOR COOK COUNTY FUND

Projected Funded Ratio







# COOK COUNTY PENSION FUND |

## IGA IMPACT ON COOK COUNTY FUND

Cook County	2017	2016
ACTUARIAL LIABILITY	\$16.9 Billion	\$16.7 Billion
ACTUARIAL ASSETS	\$10.1 Billion	\$9.5 Billion
MARKET ASSETS	\$10.4 Billion	\$9.1 Billion
ACTUARIAL FUNDED RATIO	60.1%	56.7%
PROJECTED ASSET DEPLETION DATE	2042	2038
Forest Preserve	2017	2016
ACTUARIAL LIABILITY	\$330.9 Million	\$330.2 Million
ACTUARIAL ASSETS	\$204.3 Million	\$198.2 Million
MARKET ASSETS	\$210.4 Million	\$191.2 Million
ACTUARIAL FUNDED RATIO	61.7%	60.0%
PROJECTED ASSET DEPLETION DATE	2040	2042





# COOK COUNTY PENSION FUND |

## COOK COUNTY FUND HEALTH PLAN SUMMARY

The Fund has continued to take steps to improve the cost efficiency of the health plan while maintaining a level of member benefits consistent with active employees.

- 2015
- Change in medical plan administrator

- 2017
- Implemented an Employer Group Waiver Program (EGWP) for the Medicare pharmacy benefit plan

	2013	2014	2015	2016	2017
Total Cost (Claims cost plus admin fees)	\$80.5M	\$87.3M	\$95.5M	\$101.2M	\$112.1M
Premiums (Contributions from annuitants)	-\$35.9M	-\$37.4M	-\$37.6M	-\$41.7M	-\$46.7M
Rx Rebates/Subsidies	-\$4.5M	-\$6.0M	-\$7.1M	-\$10.0M	-\$18.0M
Net Expense to CCPF (Plan sponsor cost)	\$40.1M	\$44.0M	\$50.8M	\$49.6M	\$47.5M

- 2018
- Participation in the Coalition of Municipal Agencies Pharmacy Benefit Management RFP and selected provider

Participation (Lives Covered – Annuitants and family members)	11,079	11,983	12,230	12,300	12,479
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Note: Forest Preserve Health Plan not included in totals above. Plan sponsor cost for 2017 was \$1.4 million.





# COOK COUNTY PENSION FUND |

## INVESTMENT MISSION AND GOVERNANCE

- The mission of the Fund is to optimize the total return of the Fund's investment portfolio through a policy of diversified investments using prudent risk management, acting at all times in the exclusive interest of participants and beneficiaries
- The Fund's nine member Board of Trustees as well as Investment Staff are fiduciaries to the Fund
- An Investment Committee (comprised of all nine members of the Board) is responsible for implementing all Board approved policies related to the investment program, including investment manager selection
- As is required by Illinois Pension Code, all contracts for investment services are awarded by the Board using a competitive process similar to Illinois Procurement Code (with exception for follow-on funds)
- Recently updated in 2018, the Statement of Investment Policy serves as the governing document for the investment management of the Fund while ensuring transparency and compliance with all applicable laws and regulations

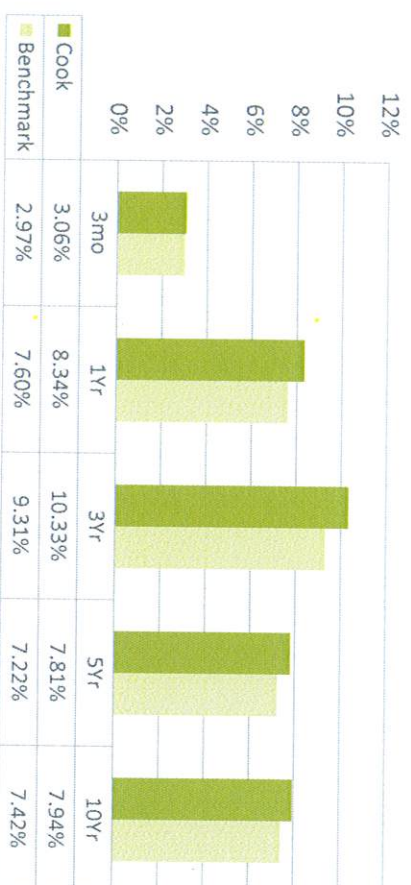


# COOK COUNTY PENSION FUND |

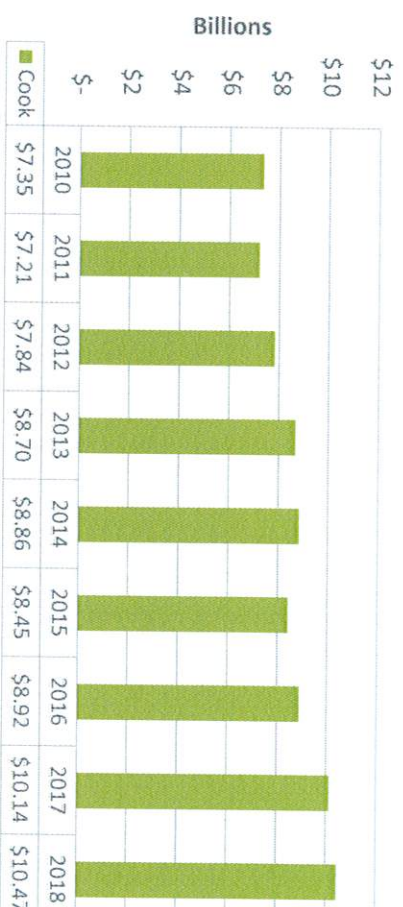
## 2018 COOK COUNTY FUND INVESTMENT PERFORMANCE

Through September 30, 2018, YTD, the Fund's investments have returned +4.4%.

Cook County Returns as of Q3 2018



Cook County AUM



\*2018 AUM as of Q3

The Fund's portfolio has consistently outperformed the custom benchmark over longer term periods before and after fees. (The Fund's custom benchmark is a composite representation of target allocation for each of the major asset classes.)

Note: Forest Preserve Fund assets under management at Q3 2018 were \$208.2M.





# COOK COUNTY PENSION FUND |

## EMERGING MANAGER AND MWDBE UTILIZATION

The Fund has a long and steady track record of hiring Emerging and MWDBE firms in every asset class.

History of Emerging Manager Fund Allocations: 2011 - Q3 2018



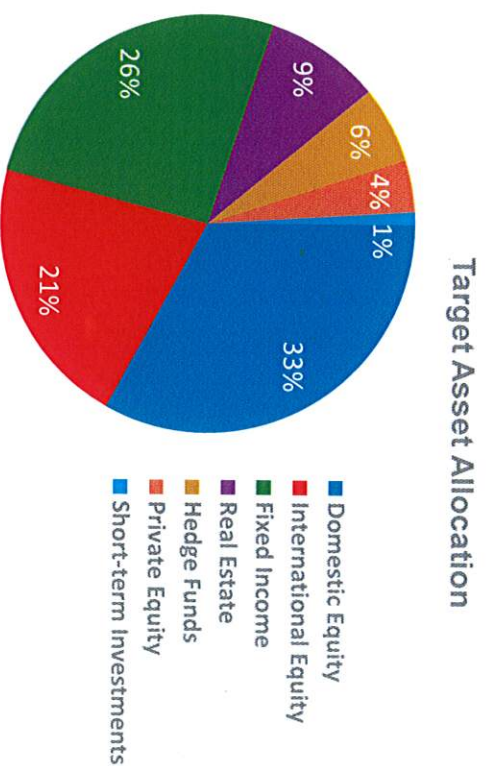
	2018 EM Allocation In Dollars (MMS)	2018 YTD EM Utilization Rate	Target EM Utilization
Domestic Equity	\$479.7	12.2%	17-20%
Fixed Income	\$883.5	36.7%	27-35%
Intl. Equity	\$145.0	6.3%	10-15%
Alternatives	\$177.8	9.2%	10-15%



# COOK COUNTY PENSION FUND |

## 2018 COOK COUNTY FUND TARGET ASSET ALLOCATION

Momentum from 2017 slowed in 2018, however, the Fund continued to experience positive results through Q3 2018. These results are attributable to strategic allocations to asset classes as well as manager selection.







# COOK COUNTY PENSION FUND |

## ALLOCATION AND OUTLOOK

- Volatility likely to continue in the near term as global growth slows and US economy advances into late stage of economic cycle
  - End of 2018 selloff
  - January 2019 rebound
- Fund continues to maintain a diversified, risk-balanced portfolio
  - Recent \$1.2 billion rebalancing in October 2018 increased defensive posture and improved positioning versus target allocation
  - Shift to higher quality assets and short-duration manager for liquidity
  - Continued focus on alternative investments for higher return although at a more subdued pace



# COOK COUNTY PENSION FUND |

## SUMMARY

*I am honored to serve as the Executive Director of CCPF and look forward to many years of dedicated service to this diverse, hard-working membership.*

The employer contributions required by the Illinois Pension Code are insufficient to fund the long-term obligations of the plan and rely on a multiplier that does not reflect current actuarial requirements. CCPF remains one of few public retirement systems in the State of Illinois with an employer multiplier contribution calculation, as compared to actuarially-based funding.

The foresight and governance of the IGA and related funding to the Cook County Fund have provided many benefits, most notably the ability to manage a prudent investment portfolio along with cash outflows.

In the long-term however, an annual renewal of the IGA will be inadequate to improve the Fund's financial footing and hinders forecasting, investment management and membership commitment, especially in an environment in which retired members will soon outnumber active employee members.