THE COUNTY OF COOK



Cook County Pension Briefing

Overview

Overview of the Pension Fund

The County Employees' and Officers' Annuity and Benefit Fund of Cook County was established in 1926

It is administered in accordance with 40 ILCS 5/9-101 (Article 9) and is considered a separate unit of government

The Fund is a defined benefit pension plan that provide retirement, survivor, health, disability, and death benefits

There are two sources of contributions outlined in Article 9 – active employees and the employer

- Most employees contribute 8.5% of pensionable salary; however, members of the County Sheriff Dept. contribute 9.0%
- The Employer contributes 1.54x the contributions of employees

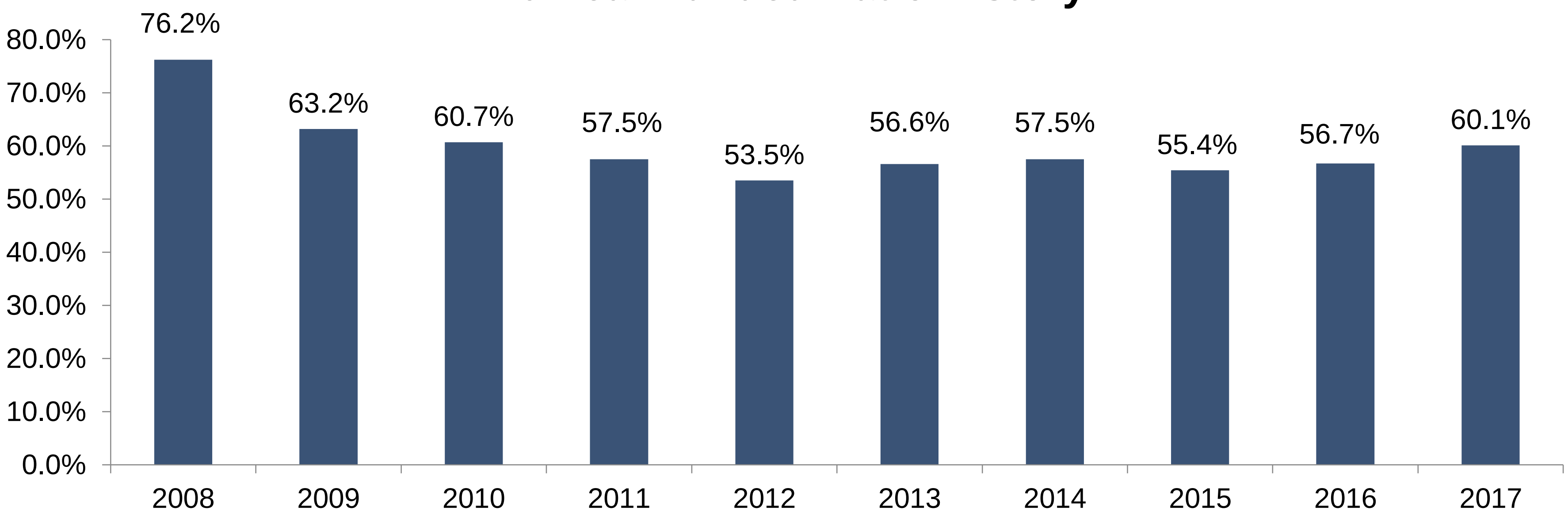
The Pension Board is made up of:

- ***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

Demographics & Funded Ratio History

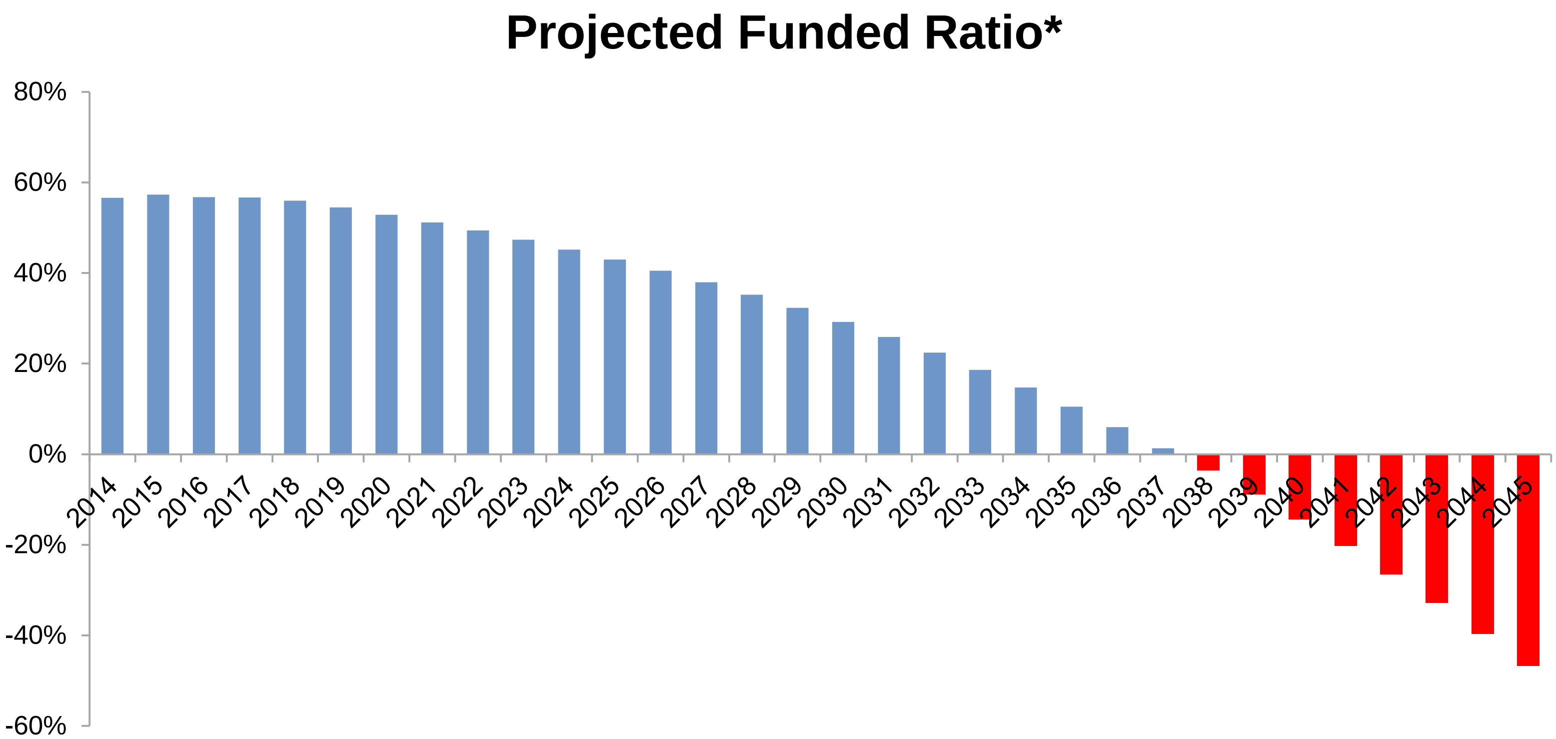
Cook County Pension Fund		
	2016	**2017**
Active Employees	20,969	20,349
Average Age	47.40	47.70
Average Salary	$75,361	$77,030
Retirees	15,222	15,488
Survivors	2,687	2,729
Average Age	71.9	72.1
Average Annuity	38,817	40,435
Annuity Benefits Paid	$672.2M	$713.5M

10-Year Funded Ratio History



Historical Background

Pension Fund Status in 2014

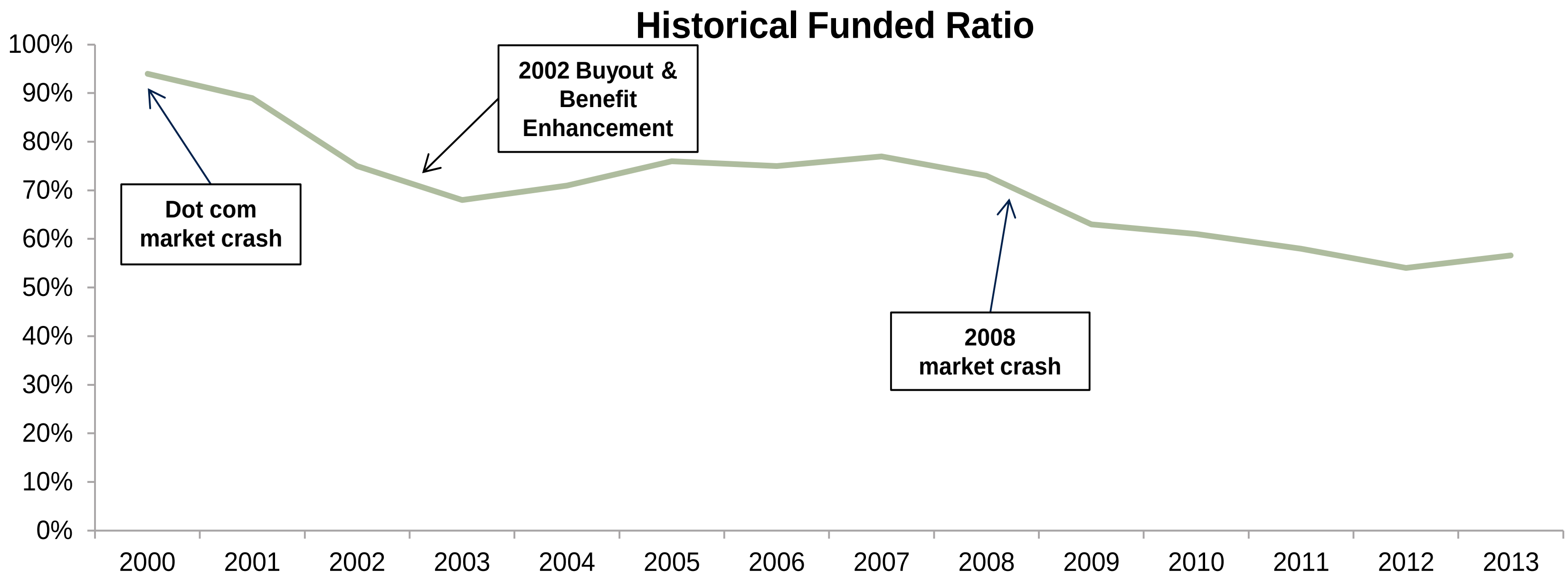


*Actuarial assumptions include an assumed 7.5% investment rate of return

- Funded ratio was 56.6% as of 12/31/2013
- Fund projected to reach insolvency in 2038

Source: Cook County Pension Fund Actuarial Valuation Report as of 12/31/2013

Historical Review



How did we get here?

- Benefit enhancements and early retirement programs enacted repeatedly since the County statutory maximum employer match of employee contributions of 154% was set in 1984
- Two market crashes in the past decade also caused significant shortfall in funded levels
- County has always budgeted for the statutory maximum contribution
- Lack of Actuarially based funding further exacerbates the issue as no automatic adjustments were in place when market crashes occurred or benefits were increased

Source: Cook County Pension Fund

Historical Review

- Under the Pension Code, in 1984 County maximum not to exceed contribution was last changed to equal 154% of Employee Contributions
- Repeated benefit enhancements have occurred since 1984

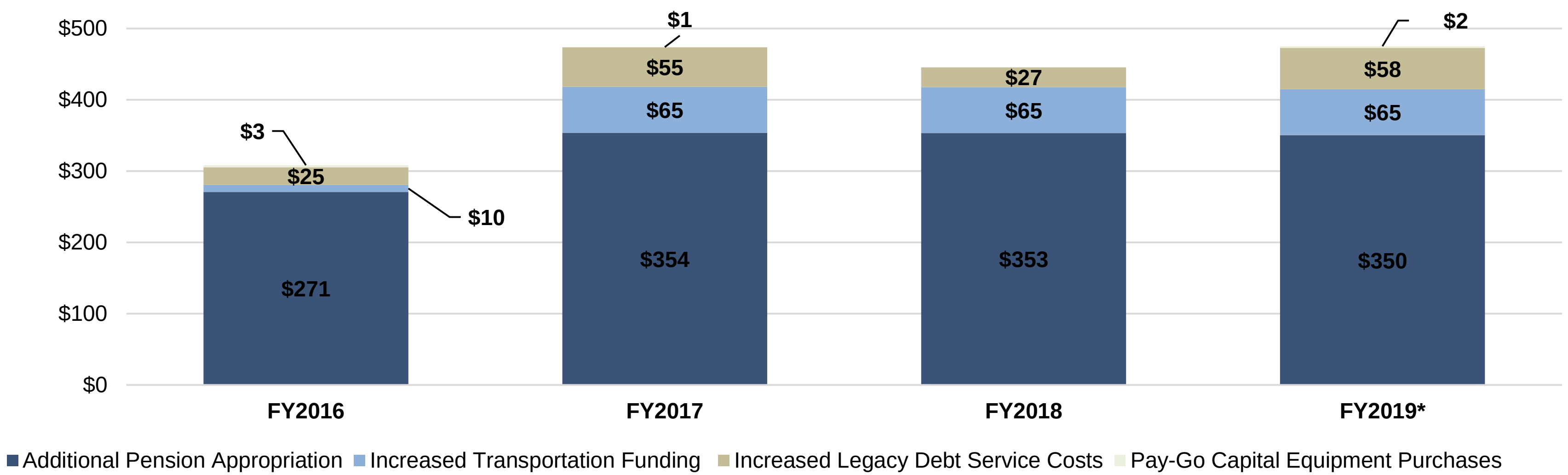
Action	Year
Reduced retirement age by 5 years (to 65 from 60) for unreduced benefits w/10 years of service	1985
Reduced minimum pension collection age by 5 years (from 55 to 50)	1986
Provided an early retirement incentive program	1992
COLA changed from simple to compounded	1997
Provided an early retirement incentive program	1997
Increase of accrual rate from 2.2% to 2.4%	2002
Last early retirement incentive program	2002

The Pension Fund Today

Sales Tax Increase in 2015

Increased Sales Tax funding allowed the County to address legacy liabilities and critical transportation infrastructure needs

	FY2016	FY2017	FY2018	FY2019*
Value of 1% Increase	$308	$474	$445	$475



- The County Board approved a 1% increase effective January 1, 2016 to help fund:
  - Additional Appropriation to address the Pension Fund's liabilities
  - Increased Transportation Funding by stopping Motor Fuel Tax diversion
  - Increased debt service costs
  - Pay Go Capital equipment purchases

Addressing Pension Fund Liabilities

- The County has an Intergovernmental Agreement ("IGA") with the Pension Fund each year which provides for a supplemental payment in addition to the statutorily required maximum
- Since 2016, the County has made supplemental payments:

Fiscal Year	Planned Supplemental Payment ($ millions)	Supplemental Payments Paid ($ millions)
2016	$270.50	$270.50
2017	$353.80	$353.80
2018	$353.40	$353.40
2019	$320.30	$50.00

- The primary drivers of the decrease in the contribution amount from FY18 to FY19 are:
  - I. Assumption changes from the Experience study performed in February 2018
  - II. Investment returns during 2017
- The IGA calls for the Pension Fund to provide an actuarial based funding request for 2019

The Pension Fund agrees that during Fiscal Year 2018 it will provide a calculation of additional funds calculated by its independent actuary on the basis of the amount needed to amortize the Fund's Pension Liability on a 30-year basis starting in 2017 and concluding in 2047, with said amortization payments reflecting an annual escalation factor of two-percent, and reflecting a discount rate for all liabilities consistent with the assumed investment rate of return on fund assets and five-year smoothing of the value of actuarial assets… the Pension Fund would provide a calculation that anticipates layered amortization of any further actuarial losses in a period of thirty years, reflecting a similar two-percent escalation factor for future layers.

Pension Fund Actuarial Valuation

Comparative Summary of Key Actuarial Valuation				
	Actuarial Valuation as of			
Summary of Member Data		**December 31, 2017**		**December 31, 2016**
Number of Members Included in the Valuation				
Active Members		20,349		20,969
Retirees and Beneficiaries		18,217		17,909
Inactive Members		14,624		14,005
Total		53,190		52,883
Annual Payroll (Average)	$	77,030	$	75,361
Annual Benefit Payments				
Retirees and Beneficiaries (Average)	$	40,435	$	38,817
Investment Returns				
Fair Value (Rate of Return)		15.4%		7.7%
Actuarial Value (Rate of Return)		8.1%		7.3%
Summary of Assets and Liabilities				
Total Actuarial Accrued Liability	$	16,889,499,622	$	16,726,457,108
Actuarial Value of Assets		10,148,203,834		9,488,223,349
Unfunded Actuarial Accrued Liability		6,741,295,828		7,238,233,759
Funded Ratio		60.09%		56.73%
Employer Actuarial Required Contribution				
Fiscal Year Ending		**December 31, 2019**		**December 31, 2018**
Employer Normal Cost	$	124,120,345	$	121,508,759
Amortization of Unfunded Actuarial Accrued Liability (Surplus)		519,313,094		570,111,811
Employer Actuarial Required Contribution		643,433,439		691,620,570
Actual/Statutory Contribution	**$**	**208,169,383**	**$**	**205,707,791**
Supplemental Contribution	**$**	**TBD**	**$**	**353,436,000**
Amount by which employer contributions are expected to fall short of the actuarially determined contribution		$435,264,056		$132,476,779
Required tax multiple for employer contribution to meet actuarially determined contribution		4.76		5.18
Solvency Date		2042		2038

[1] The average annual benefit payments for retirees only is $44,105 as of December 31, 2017 and $42,439 as of December 31, 2016

[2] Rate of return determined by investment consultant.

Pension Funding improved to 60.09% in 2017, up from 56.73% in 2016

Funded ratio of the Pension Fund increased by 3.36% due to:

i. Strong investment performance in 2017

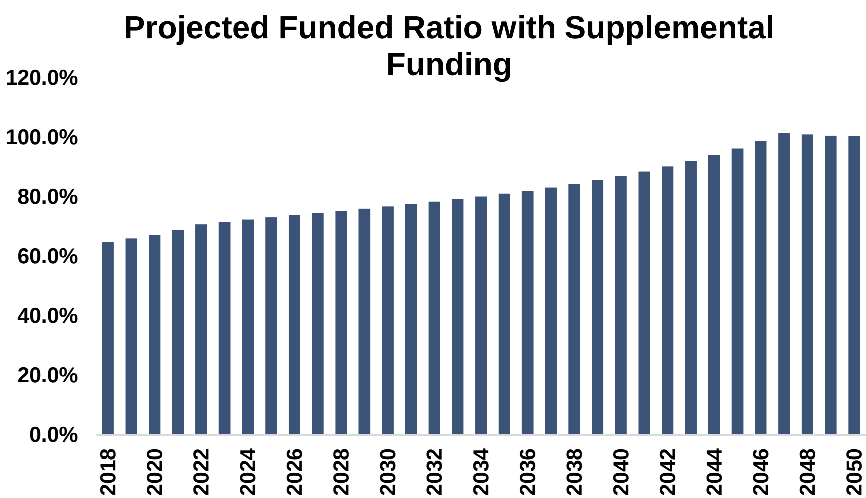
ii. Supplemental contribution made by the County allowed the Pension Fund to keep assets invested

Source: Cook County Employees' and Officers' Annuity and Benefit Fund 2017 Actuarial Valuation Report

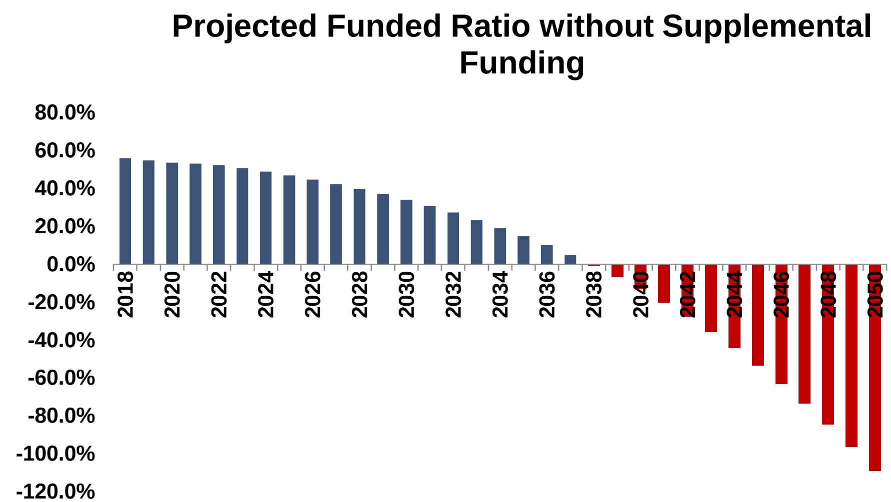
Addressing Pension Fund Liabilities

Pension Fund's funded ratio increased to 60.1% in just 2 years; without supplemental funding the ratio would be 56.1%

- The IGA payments as of January 2019 total, over a billion dollars, allowing the Pension Fund to keep its assets invested and take advantage of strong market performance



On track to achieve 100% by 2047



Insolvency by 2038

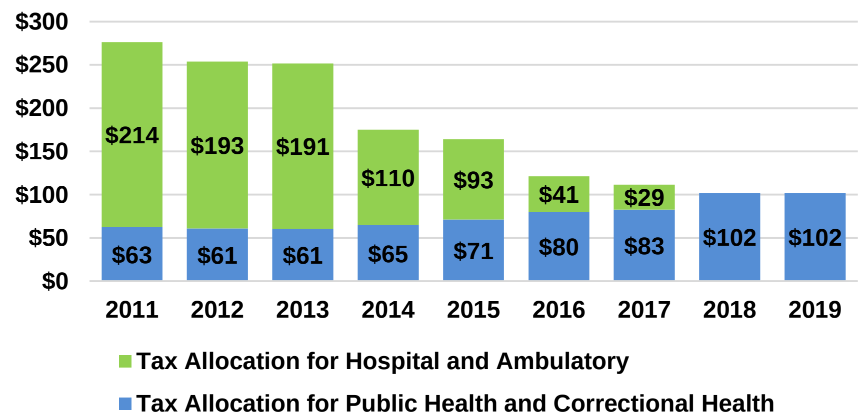
- The FY19 budget includes $350.3M, of which there is $30M earmarked for stabilization funds

Why Pension Costs Matter?

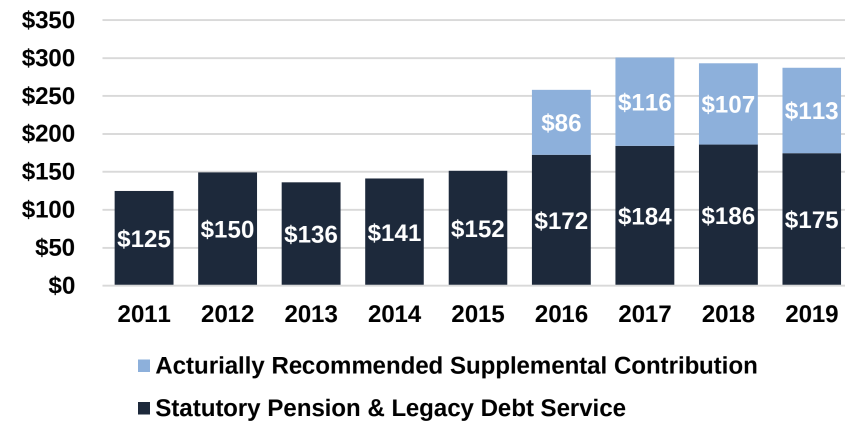
County Health Fund Allocation

CCHHS Operating Tax Allocations has declined by 63% since 2011, while they continue to provide over half a billion dollars in uncompensated care

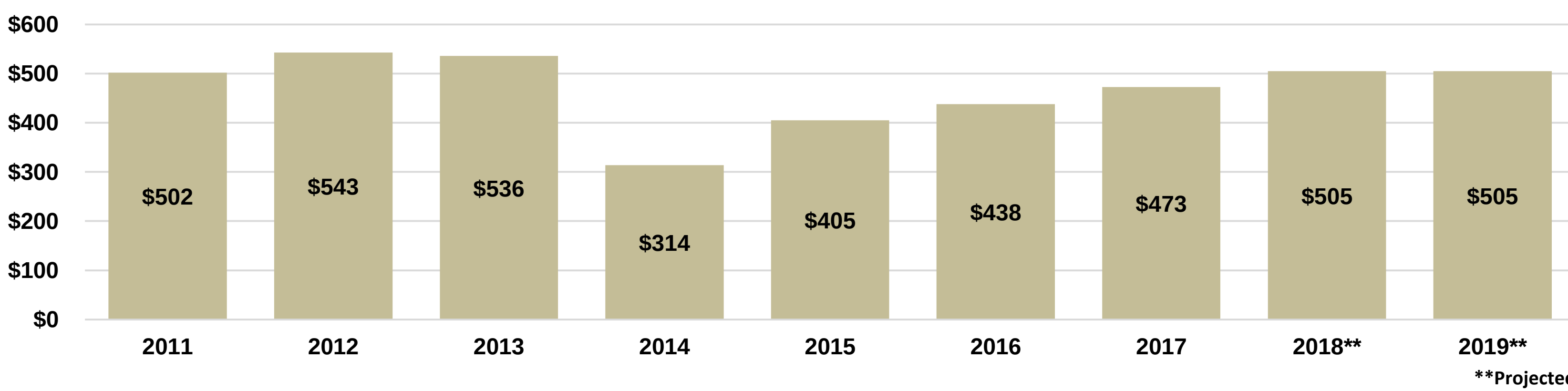
Direct Operating Tax Allocation



Legacy Liability Tax Allocation

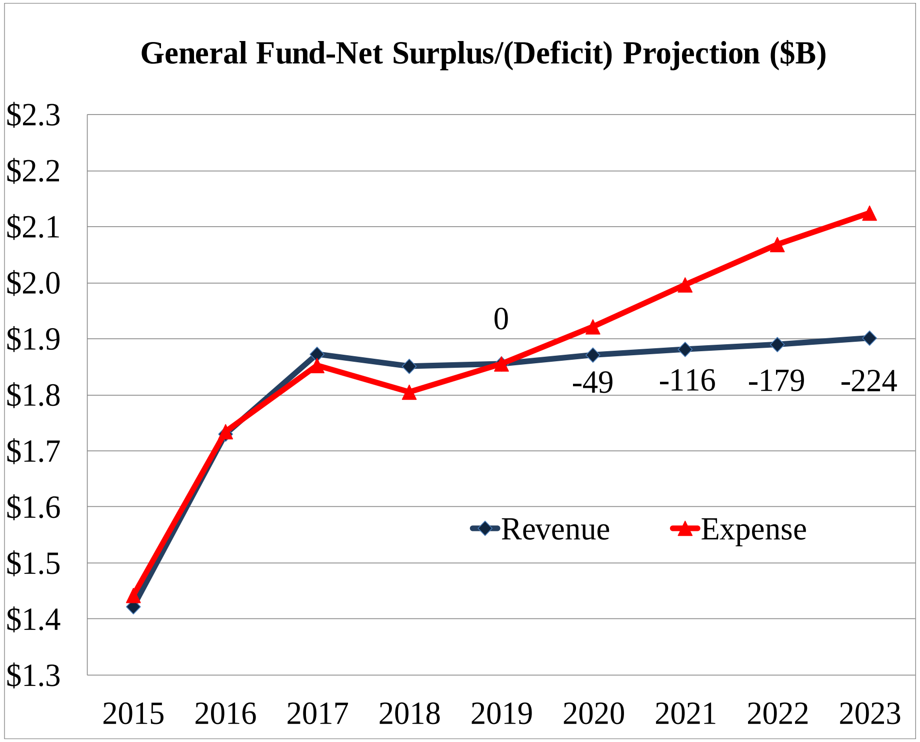


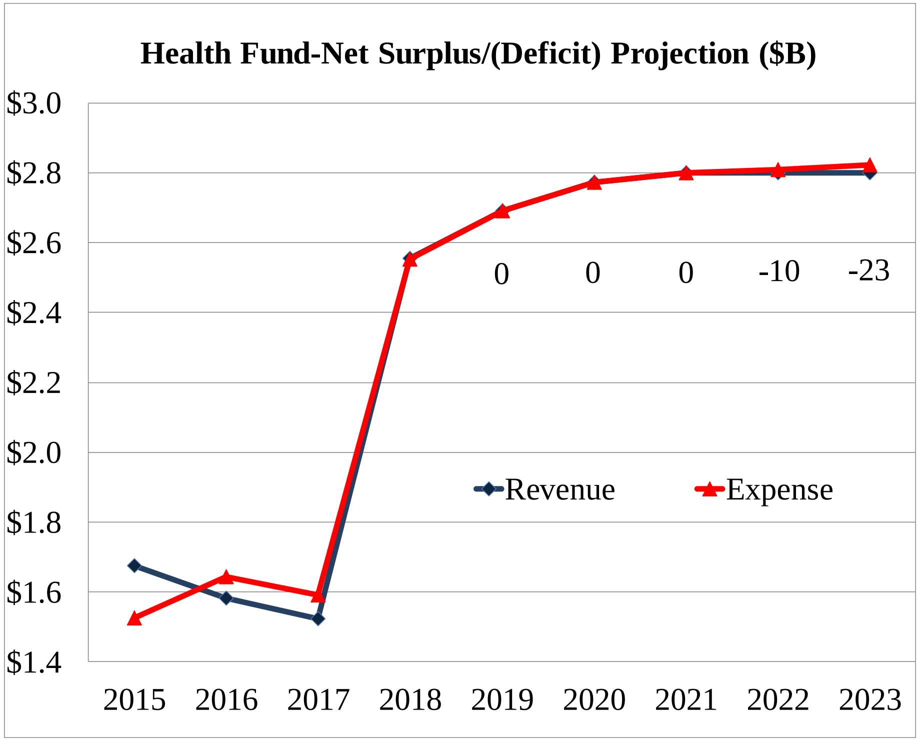
Uncompensated Care provided by CCHHS



Long-Term Fiscal Planning

By implementing structural budgetary solutions, the County's five year forecasted deficits continue to shrink





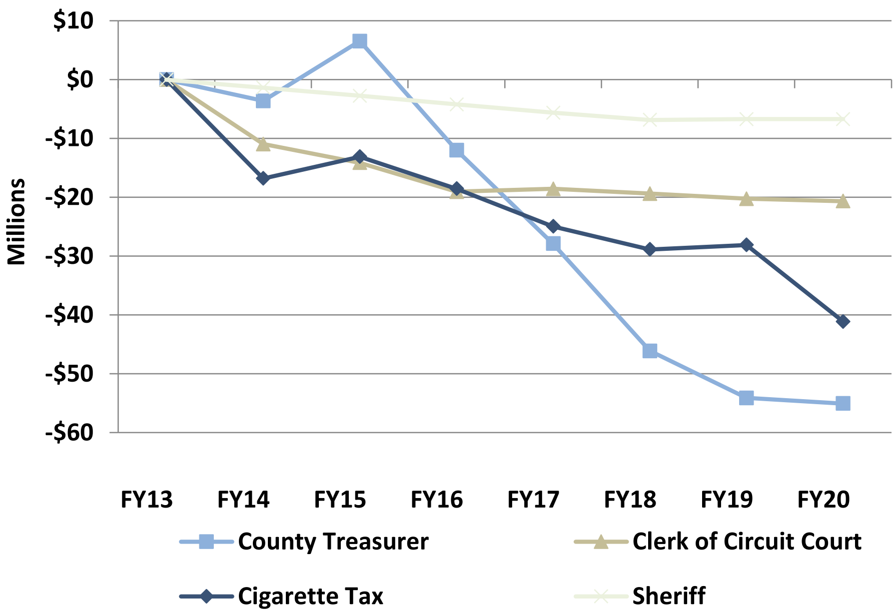
Projections based upon data submitted for FY2019 budget:

- General Fund projected FY20 deficit: $49 million
- Health Fund projected FY20 deficit: $0 million
- **Total projected deficit FY20: $49 million**

Structural Concerns

While expenditure growth has been moderated to inflationary levels, a number of County revenues do not keep pace with inflation

FY19 Projected Revenues	Amount	%
Declining	**$366,610,496**	**15.0%**
Failing to keep pace with inflation	$767,917,106	31.3%
Growing with economy	$1,145,091,591	46.7%
Other Growth/Decline patterns	$171,032,158	7.0%
Grand Total*	**$2,450,651,351**	**100.0%**



- Cook County's base property tax levy has not increased in over 20 years
- Most local governments increase their levies annually by the rate of natural growth
- If Cook County took natural growth over the last 20 years, the base levy would be $1.18B

Questions?