



Municipal Employees' Annuity and Benefit Fund of Chicago

A Pension Trust Fund of the City of Chicago
Chicago, Illinois

2015

Comprehensive Annual Financial Report
For the Fiscal Years Ended December 31, 2015 and 2014





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Annuity and Benefit Fund of Chicago



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Chicago, Illinois

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For the Fiscal Years Ended December 31, 2015 and 2014

Prepared by Administrative Staff of the
Municipal Employees' Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654

Introductory Section

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Introductory Section



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Municipal Employees' Annuity
and Benefit Fund of Chicago
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

Introductory Section

RETIREMENT BOARD As of June 1, 2016

THOMAS J. MCMAHON

General Foreman – Hoisting Engineers
Department of Water Management
Elected Trustee

TIMOTHY G. GUEST

Operating Engineer
Department of Water Management
Elected Trustee

JEFFREY J. JOHNSON

Fire Communications Operator II
Office of Emergency Management and Communications
Elected Trustee

ERIN KEANE

City Comptroller
Department of Finance
Ex-Officio Trustee

THE HONORABLE KURT A. SUMMERS, JR.

City Treasurer
Ex-Officio Trustee

A five-member Retirement Board is the governing body of the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF). By statute, the Retirement Board shall consist of two ex-officio members, the City Comptroller and the City Treasurer, and three members who are employees and elected by the contributing members.

The Retirement Board is ultimately responsible for the operation, administration and management of all the activities of MEABF. Having oversight of the investment activities, the Retirement Board sets investment policies and objectives, hires investment managers and investment consultants and reviews investment performance. The Retirement Board also approves the MEABF operating budget and approves or denies benefit claims.

The Retirement Board appoints the Executive Director, and retains consultants for investment, actuarial, audit, legal and other provisional services necessary for the transaction of business.

The Retirement Board meets monthly and holds special meetings as needed. As members of the Retirement Board, they receive no compensation.



Municipal Employees' Annuity and Benefit Fund of Chicago
A Pension Trust Fund of the City of Chicago
321 North Clark Street, Suite 700,
Chicago, Illinois 60654
Telephone: 312-236-4700 Fax: 312-527-0192
www.meabf.org
Jim Mohler, Executive Director

Retirement Board

Thomas J. McMahon
President (Elective Member)
Erin Keane
Vice President (City Comptroller, Ex-Officio Member)
Kurt A. Summers Jr.
Treasurer (City Treasurer, Ex-Officio Member)
Timothy G. Guest
Recording Secretary (Elective Member)
Jeffery J. Johnson
Trustee (Elective Member)

LETTER OF TRANSMITTAL

June 30, 2016

To the Retirement Board of the Municipal Employees' Annuity & Benefit Fund of Chicago

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) for the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF or the Plan), a pension trust fund of the City of Chicago, for the fiscal years ended December 31, 2015 and 2014.

The CAFR provides an overview of the Plan, comprehensive accounting of Plan activities and operations, detailed financial and actuarial information, investment performance, statistical information and Plan stewardship. A full version of the report is available on the web at <http://www.meabf.org/publications.php>.

Bansley and Kiener, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Plan's financial statements as of December 31, 2015 and 2014. The independent auditor's report is located at the front of the Financial Section of this report.

Financial Reporting

Management Responsibility - Responsibility for the preparation, accuracy, completeness and fairness of the presentation, including all disclosures, made in this report rests with management. To the best of our knowledge and belief, the information contained in this report is complete; all disclosures necessary to enable the reader to gain an understanding of MEABF activities have been included.

Plan management is responsible for establishing and maintaining a system of internal controls. The system provides management with reasonable, but not absolute, assurance regarding the safeguarding of assets against loss, theft, or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed anticipated benefits.

Accounting System – The Plan's financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, in accordance with the standards and requirements of the Governmental Accounting Standards Board (GASB). The financial statements are prepared on the accrual basis of accounting.

Management's Discussion and Analysis – Management's discussion and analysis (MD&A), which immediately follows the Independent Auditor's Report in the Financial Section, provides an additional narrative introduction, and an overview and analysis of the basic financial statements. This transmittal is designed to complement the MD&A and should be read in conjunction with it.

Plan Profile

MEABF is a pension trust fund of the City of Chicago and is administered under Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. It is a defined benefit single employer plan that was established in 1921 by the Illinois State legislature, which is the governing body that sets benefit levels, as well as employee and employer contribution levels for financing the Plan.

Introductory Section

MEABF provides age and service retirement benefits, survivor benefits, post-retirement increases and duty and ordinary disability benefits to eligible members. MEABF also provides, by law, a fixed amount of post-employment healthcare subsidy for its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. This healthcare subsidy will sunset on December 31, 2016. Employees of MEABF also participate in the Plan. As of December 31, 2015, MEABF served a total of 30,683 active members (21,711 Tier 1 members and 8,972 Tier 2 members); 24,964 retirees and beneficiaries; and 16,268 inactive members. For a more detailed description of the Plan, its membership, eligibility and the benefit provisions, please read Note 7 of the Notes to Financial Statements in the Financial Section.

Plan Administration

MEABF is administered under the direction of a Retirement Board responsible for the oversight, management and administration of the Plan. The Retirement Board is comprised of three elected members and two ex-officio members (the City Treasurer and the City Comptroller). The Retirement Board has a fiduciary duty to act solely in the best interests of the Plan members.

To help carry out governance responsibilities, the Retirement Board appoints an Executive Director and retains consultants for investment, actuarial, audit, legal and other provisional services necessary for the transaction of business. The Executive Director oversees all investments, actuarial, audit and administrative functions.

Actuarial Funding Status

An actuarial valuation of the Plan is conducted annually and an experience review is performed and approved by the Retirement Board every five years. In the actuarial valuation as of December 31, 2015, performed by the Plan's independent actuary, Segal Consulting, actuarial accrued liability, actuarial value of assets and unfunded actuarial accrued liability of MEABF amounted to \$14,655.3 million, \$4,815.1 million and \$9,840.1 million, respectively. MEABF has a funding ratio of 32.9% (actuarial value of assets divided by actuarial liabilities for pension and post-employment healthcare benefits).

Beginning in 2014, the Plan incorporated GASB 67, which required certain disclosure requirements and the calculation of the actuarial discount rate based on a funding mechanism in place to properly fund a plan going forward. Since the Plan does not have a proper funding mechanism that ensures the long-term solvency of the Plan, the total pension liability and the net pension liability differ from the calculation done without the requirements of GASB 67. For 2015, utilizing the requirements of GASB 67, the total pension liability was \$23,358.9 million, leaving a net pension liability of \$18,617.4 million. In 2015, based on the requirements of GASB 68, the Plan Sponsor (City of Chicago) must reflect this liability on their financial statements. The 2015 net pension liability was an increase of 161% compared to 2014.

MEABF is funded by employer and member contributions in accordance with the funding policy specified under the Illinois Pension Code (40 ILCS 5/8). As of December 31 2015 as mandated by state statute, member contributions are set at 8.5% of pensionable salary and employer contributions are equal to employee contributions from two years prior times 1.25 the contribution multiple. Based on the most recent actuarial valuation, the actuarially determined tax multiple of 7.51 is needed to adequately finance the Plan.

In the opinion of Segal Consulting, the Fund's Consulting Actuary, *the funding method mandated by the Illinois Pension Code is insufficient to avoid insolvency, and without a change, the Fund is projected to become insolvent with the next 10 years* (2015 Actuarial Valuation).

For more than a decade, the Plan has been facing a long-term funding shortfall. The current statutory contributions have been less than the actuarially determined contribution requirement for the past thirteen years. The current funding method is insufficient to avoid insolvency therefore; the Plan is in need of a funding structure that ensures the long-term solvency of the Plan. A detailed discussion of funding is provided in the Actuarial Section of this report. Additional discussion relating to funding is provided in the MD&A in the Financial Section and in Note 7 of the Notes to Financial Statements in the Financial Section.

Introductory Section

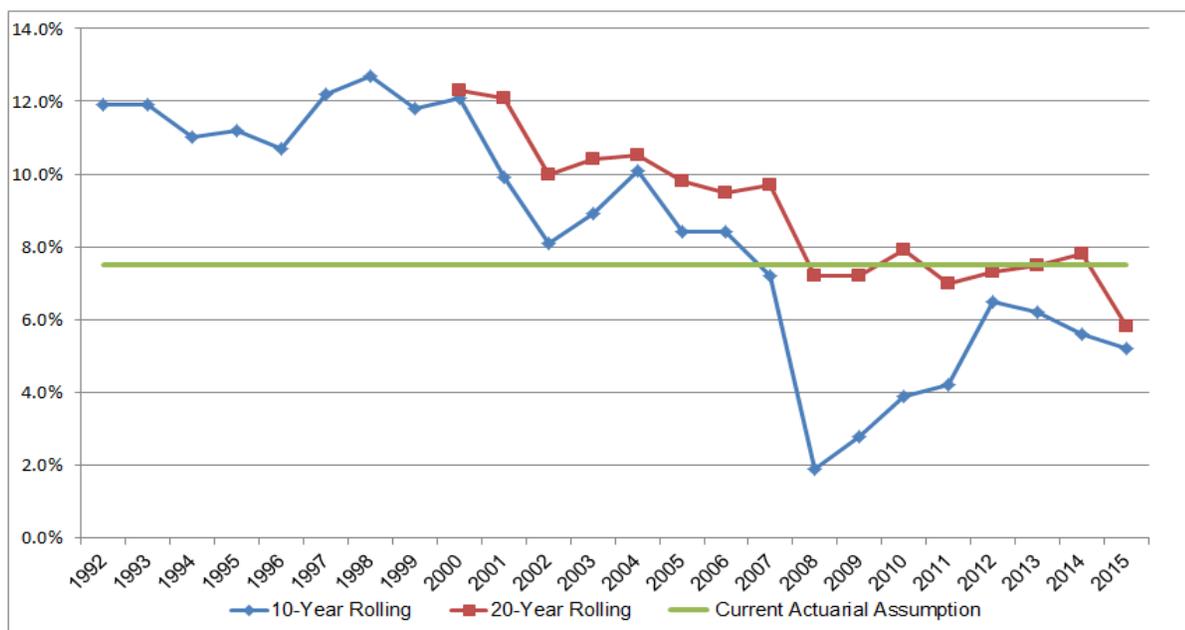
Investments

Plan assets are invested in accordance with the “Prudent Person Rule” for the sole purpose of providing benefits to Plan members. The Plan’s portfolio is diversified globally amongst various asset classes, investment styles, and economic sectors in an effort to achieve optimal long-term return, at a pre-determined level of risk. The Plan’s Actuary assumes a long-term investment return of 7.5%. In 2015, the Plan’s investment portfolio returned, net-of-fees, 1.8% versus a custom benchmark return of 0.6%. Going forward, the Plan’s ability to meet its return objective over the long term will continue to be challenged as invested assets are liquidated to pay monthly benefits. During fiscal year 2015, approximately \$552.1 was liquidated to assist in meeting benefit payment obligations.

Economic Condition and Outlook

During 2015, the economy continued to show signs of recovery from the Great Recession. The US economy had GDP growth of 2.4%, but other developed economies remain stuck with less than 1% GDP growth. The US unemployment rate continued to decline and ended the year at a post-recession low of 5%. Continued economic growth and strength in the capital markets are essential for the Plan to meet its future obligations.

The graph below compares ten and twenty-year rolling returns to the current actuarially assumed rate of return. Over the long-term, MEABF has historically outperformed the assumed rate of return. The effects of the “Tech Bubble” (2000-2002) and the “Great Recession” (2008-2009) pulled down the rolling returns considerably. Even though they have not returned to their pre-crises levels, we are pleased that returns have been strong over the last seven years averaging 9.7% annually, net of fees. The Retirement Board will continue to structure the portfolio in accordance with the target allocation mix, which should reduce downside risk and best position the portfolio to achieve long-term performance goals and objectives.



The Investment Section contains a summary of the Retirement Board’s investment policy, including goals and objectives, and a comprehensive analysis of the Plan’s portfolio performance for the fiscal year 2015.

Introductory Section

Plan Initiatives

Investments:

The Retirement Board took the following actions in 2015:

- Domestic Equity: In March 2015 a mid-cap core manager with a mandate totaling approximately \$92 million was terminated. \$50 million was given to a mid-cap growth index manager and \$42 million was utilized to supplement benefit payments.
- Rebalancing: Approximately \$50 million was rebalanced to a fixed income manager to get Senior Secured Loan exposure back up to the 5% target. \$25 million was rebalanced from other fixed income managers, \$10 million from a domestic equity manager, and \$15 million from cash balances.
- Rebalancing: Approximately \$100 million was rebalanced out of hedge funds to supplement benefit payments.
- Additional commitments: The Board approved \$25 million in commitments to a real estate fund manager.

Operations:

The following quantifies some of the projects accomplished and program services provided during fiscal year 2015:

Benefit Payment Services

- 299,576 annuity benefit payments to retirees and beneficiaries totaling \$782.1 million. Of these, 92% were paid via electronic funds transfer with the remaining 8% by check.
- 24,964 annuitants at year-end 2015, 21,606 or 87% remained Illinois residents and 3,358 or 13% were out-of-state residents. About 15,590 annuitants residing in the City of Chicago received benefit payments totaling \$504.0 million annually.
- 22,828 annual benefit statements showing new benefit amounts and deductions for 2015 were mailed to annuity benefit recipients.
- 1,260 new retirees, spouse/reversionary/child annuitants added to annuity payroll. 1,108 retirees, spouse/reversionary/child annuitants removed from payroll due to death or termination.
- 9,209 City and Board of Education retirees and beneficiaries participating in the employers' health insurance plans received health subsidies totaling \$8.5 million.
- 5,367 disability benefit payments to disabled participants totaling \$12.2 million. At year-end, there were 187 disabled participants receiving ordinary disability benefits and 213 disabled participants were receiving duty disability benefits.
- 28,477 1099Rs issued for tax reporting purposes.
- 23,058 pension verification forms sent to benefit recipients to confirm that the intended recipients were still alive and therefore eligible to receive benefits.

Introductory Section

Member Services

- 27,401 printed statements of contributions to active participants.
- 3,824 individualized benefit counseling sessions conducted.
- 2,830 benefit estimates mailed.
- 114,089 phone calls received.
- Quarterly pre-retirement seminars held.

Withdrawals of Contributions

- 1,287 lump sum payments to members not eligible for retirement.
- 559 lump sum payments of spousal contributions.
- 65 lump sum payments in lieu of annuity.
- 178 lump sum payments to beneficiaries.

Document management

- 77,134 documents (153,431 pages) indexed and scanned during 2015.

Certificate of Achievement for Excellence in Financial Reporting

The Plan was awarded a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the year ended December 31, 2014 by the Government Finance Officers Association of the United States and Canada (GFOA). The Plan has received this prestigious award in each of the last 26 years.

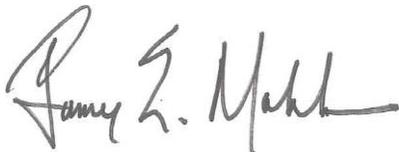
To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one-year only. We believe this report conforms to the program requirements and we are submitting it to the GFOA to determine its eligibility for award.

Acknowledgments

We extend our profound gratitude to the entire Retirement Board for their commitment, leadership and continued support and to the advisors and consultants. We thank the dedicated MEABF staff for their tireless efforts in serving the needs of members. We are grateful to all those who contributed to this project.

Respectively submitted,



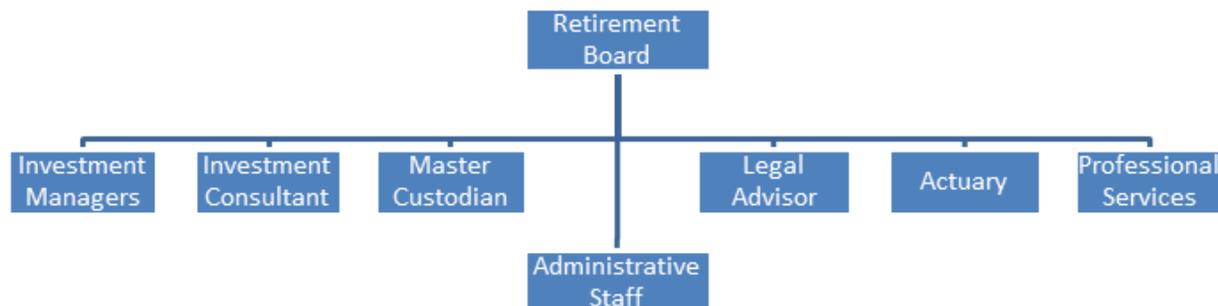
Jim Mohler
Executive Director



Sandra Shelby
Comptroller

Introductory Section

ORGANIZATION CHART



CONSULTANTS AND ADVISORS

Investment Consultant

Brian Wrubel
James R. Wesner
Marquette Associates
Chicago, IL

Auditor

Gerard J. Peter, C.P.A.
Bansley & Kiener, L.L.P.
Chicago, IL

Master Custodian

Kimberly Miller
The Northern Trust Company
Chicago, IL

Actuary

Kim M. Nichol, FSA, MAAA, EA, FSA
Matthew A. Strom, FSA, MAAA, EA, FSA
Jacob Libauskas, ASA, MAAA, EA
Segal Consulting
Chicago, IL

Custodian

Kurt A. Summers, Jr.
City Treasurer
Chicago, IL

Legal Advisor

Mary Pat Burns
Burke, Burns & Pinelli, Ltd
Chicago, IL

Medical Advisor

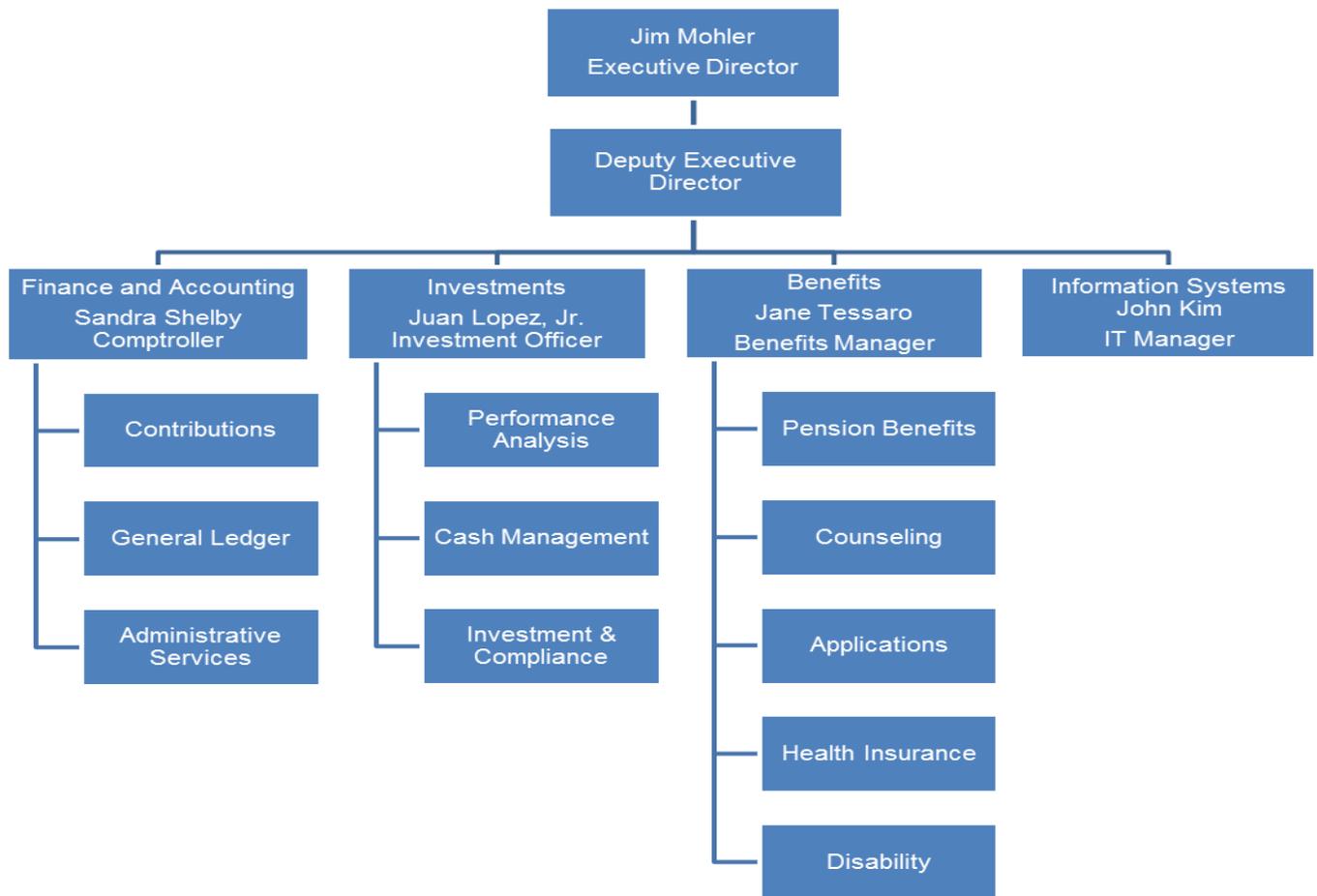
Terence Sullivan, M.D.
Chicago, IL

Investment Managers and Investment Fees - are listed on pages 51-52 and 59-60

Brokers used by Investment Managers - are listed on pages 71-72

Introductory Section

Administrative Staff (as of June 1, 2016)



Appointed by the Retirement Board, the Executive Director and his staff are responsible for the day-to-day administration and operation. The administrative staff also implements the investment policies and decisions of the Retirement Board and the benefit provisions of the Plan. The administrative staff of forty-nine (49) employees serves 30,683 actively contributing members; 24,964 retirees and surviving beneficiaries; and 16,268 inactive members.

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Municipal Employees' Annuity & Benefit Fund
of Chicago
Chicago, Illinois

We have audited the statements of fiduciary net position of Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Municipal Employees' Annuity & Benefit Fund of Chicago as of December 31, 2015 and 2014, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other supplementary information on pages 3 through 8 and pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of administrative and OPEB expenses, investment management compensation, and professional and consulting costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of administrative and OPEB expenses, investment management compensation, and professional and consulting costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bansley and Kilner, L.L.P.

Certified Public Accountants

May 18, 2016

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) of the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Plan") provides a narrative overview and analysis of the financial activities of MEABF for the years ended December 31, 2015 and 2014. Readers are encouraged to read the MD&A in conjunction with the financial statements to better understand the financial condition and performance of MEABF during the year ended December 31, 2015. Information for fiscal years 2014 and 2013 is presented for comparative purposes.

Financial Highlights

- The Plan's fiduciary net position decreased by \$438.1 million to \$4,741.4 million as of December 31, 2015, compared to a decrease of \$242.2 million, from \$5,421.7 million to \$5,179.5 as of December 31, 2014.
- The Plan continues to liquidate portfolio assets to supplement the disbursement of benefit payments. During fiscal year 2015, approximately \$552.1 million in portfolio assets were liquidated compared to \$525.5 million in fiscal year 2014 and \$496.3 million in fiscal year 2013.
- MEABF's total investment portfolio generated a return of 1.8 percent in 2015 on a net-of-fees basis. The net returns in 2014 and 2013 were 5.0 percent and 16.1 percent, respectively. The total portfolio return in 2015 fell below the 7.5 percent actuarial investment return assumption.
- On a fair value basis, this year's money weighted investment rate of return net of investment expense, was 2.1 percent, compared with the last year's return of 16.0 percent.
- Total additions as reported in the statements of changes in fiduciary net position decreased by \$169.0 million or 29.5 percent to \$403.1 million in 2015 from \$572.1 million in 2014.
- Total deductions as reported in the statements of changes in fiduciary net position increased by \$26.9 million or 3.3 percent to \$841.2 million in 2015 from \$814.3 million in 2014.
- Annuity benefits paid to retirees and beneficiaries increased by \$27.7 million or 3.7 percent to \$782.1 million for fiscal year 2015, compared to an increase of \$30.5 million or 4.2 percent from \$723.9 million in fiscal year 2013 to \$754.4 million in fiscal year 2014.
- The December 31, 2015 financial actuarial valuation calculated a total pension liability at December 31, 2015, of \$23,358.8 million and the net pension liability at December 31, 2015, of \$18,617.4 million.
- As of the December 31, 2015, the most recent funding actuarial valuation, the Plan's unfunded actuarial accrued liability increased to \$9,840.1 million from \$7,285.3 million from the prior year. As of the December 31, 2015, the most recent funding actuarial valuation, the Plan's funded ratio was 32.9 percent compared with a funded ratio of 40.9 percent for the prior year.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Plan's basic financial statements prepared on an accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements and reflect all financial activities. The Plan's basic financial statements include (1) Statements of fiduciary net position (2) Statements of changes in fiduciary net position (3) Notes to the financial statements. In addition to the basic financial statements, this financial report also contains required supplementary information and other supplementary schedules.

Financial Section: Management's Discussion and Analysis

Basic Financial Statements

The *statements of fiduciary net position* restricted for pension benefits report Plan assets at fair value, liabilities and the resulting fiduciary net position (assets - liabilities = fiduciary net position) at year-end. The *statements of changes in fiduciary net position* report the results of financial activities that occurred during the fiscal year, disclosing the additions to fiduciary net position, such as contributions and net investment income, and deductions from fiduciary net position such as benefit payments and administrative expenses. The resulting net increase (decrease) in fiduciary position (additions - deductions = net increase (decrease) in fiduciary position) reflects the change in net fiduciary position reported in the *statements of fiduciary net position*.

Notes to the Basic Financial Statements

The *notes to the financial statements* are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The notes also include schedules to provide a better understanding of the data provided in the financial statements.

Required Supplementary Information

The required supplementary information following the notes to the financial statements is required by GASB. It provides historical information and additional details considered useful in evaluating the financial condition of the Plan. It includes schedules related to the net pension liability, contributions from employer, and the annual money weighted rate of return on pension plan investments. It also includes schedules of funding progress for the post-employment healthcare, schedule of employer contributions and related disclosures.

Other Supplementary Schedules

Additional supplemental schedules include detailed information regarding administrative expenses, consulting costs and investment management fees.

Fiduciary Net Position Restricted for Pension Benefits (in millions)

(As of December 31, 2015, 2014 and 2013)

	2015	2014	2013
Assets			
Cash, receivables and other current assets	\$212.7	\$ 224.2	\$ 225.1
Investments, at fair value	4,619.4	5,067.5	5,309.9
Invested securities lending collateral	396.8	391.4	592.9
Total assets	5,228.9	5,683.1	6,127.9
Liabilities			
Accrued expenses and other liabilities	90.6	112.2	113.3
Securities lending collateral	396.9	391.4	592.9
Total liabilities	487.5	503.6	706.2
Fiduciary Net Position restricted for pension benefits	\$4,741.4	\$5,179.5	\$5,421.7

Fiduciary net position restricted for pension benefits decreased by \$438.1 million during fiscal year 2015 to \$4,741.4 million from \$5,179.5 million in 2014. Invested assets at fair value decreased by \$448.1 million in 2015 to \$4,619.4 from \$5,067.5 million in 2014. The growth in assets would have been significantly higher if portfolio assets were not liquidated to supplement the disbursement of benefit payments during the year. During 2015 approximately \$552.1 million in portfolio assets were liquidated compared to \$525.5 million during 2014 and \$496.3 million during 2013.

Financial Section: Management's Discussion and Analysis

Summary of Investments (in millions) (As of December 31, 2015, 2014 and 2013)

	FY 2015	FY 2014	FY 2013
Fixed Income	\$1,147.8	\$1,284.8	\$1,277.0
Domestic equity	1,094.9	1,248.7	1,363.4
International equity	938.9	1,022.8	1,129.2
Hedged equity	469.0	547.9	594.3
Real estate	520.7	494.0	487.6
Private equity	243.5	255.3	245.7
Short-term investments	204.5	214.0	212.7
	\$4,619.3	\$5,067.5	\$5,309.9

The asset values reflected above fluctuate from year-to-year, both in aggregate and by asset class, based on the combination of factors such as investment performance, liquidations within certain asset classes, and rebalancing of assets within the overall portfolio.

Investment performance. For fiscal year 2015, the Plan's total investment portfolio generated a 1.8 percent return net-of-fees, outperforming the 0.6 percent return for the policy benchmark. 2015 returns were below the 5.0 percent return net-of-fees generated in 2014. Fixed income performance was equal to its benchmark, international equity and hedge fund performance exceeded its benchmark and domestic equity and real estate underperformed its benchmark. Per asset class, fixed income generated a 0.6 percent return net-of-fees matching the Barclays Aggregate Bond Index. Domestic equity generated a negative 0.7 percent return net-of-fees compared to 0.7 percent for the Wilshire 5000 Total Market Index. International equity generated a negative 1.1 percent return net-of-fees compared to negative 5.7 percent for the MSCI ACWI ex USA Index. Hedged equity generated a 3.4 percent return net-of-fees compared to a negative 2.3 percent for the HFRX Equity Hedge Index. Lastly real estate generated a 12.5 percent return net-of-fees compared to 13.3 percent for the NCREIF Property Index.

Liquidations within certain asset classes. Liquidations are due to the large operating cash flow deficits that the Plan faces as a result of the shortfall between inflows, in the form of contributions, and outflows, primarily comprised of retirement benefits and refunds. In total, MEABF had to liquidate approximately \$552.1 million of investments to meet the Plan's cash flow needs for 2015. Liquidity came from domestic equity, international equity, fixed income and hedge funds.

Rebalancing of assets within the overall portfolio. MEABF's target asset allocation remained unchanged in 2015. The regular sale of assets to meet the Plan's cash flow needs was done in accordance with aligning the Plan's investment portfolio with its target allocation.

Financial Section: *Management's Discussion and Analysis*

Additions and Deductions to Fiduciary Net Position (in millions)

(Years ended December 31, 2015, 2014 and 2013)

	2015	2014	2013
Additions:			
Employer contributions	\$ 157.7	\$ 158.8	\$ 157.7
Member contributions	131.4	130.0	131.5
Total contributions	289.1	288.8	289.2
Net investment income (loss)	112.3	281.8	733.2
Net security lending income (loss)	1.7	1.5	2.1
Total additions	403.1	572.1	1,024.5
Deductions:			
Annuity benefits	782.1	754.4	723.9
Disability benefits	12.2	11.9	12.2
Healthcare subsidy	8.5	9.1	9.5
Refunds of contributions	31.7	32.3	33.4
Administrative expense	6.7	6.6	6.5
Total deductions	841.2	814.3	785.5
Net increase (decrease)	(438.1)	(242.2)	239.0
Fiduciary net position restricted for pensions beginning of year	5,179.5	5,421.7	5,182.7
Fiduciary net position restricted for pensions end of year	\$4,741.4	\$5,179.5	\$5,421.7

Additions

Total additions as reported in the Statements of Changes in Fiduciary Net Position decreased by \$169.0 million or 29.5 percent in 2015 to \$403.1 million from \$572.1 million in 2014.

Additions from employer contributions decreased by \$1.1 million in 2015 to \$157.7 million from \$158.8 million in 2014. Employer contributions are statutorily set at 1.25 times the employee contribution level in the second prior fiscal year. Additions from member contributions increased by \$1.4 million to \$131.4 million in 2015, from \$130.0 million in 2014. The increase is primarily attributable to the increase in covered wages from which members contributions are calculated. The increase in covered wages is partially due to 2013 retro increases paid in 2015. In 2015, active members were required to contribute 8.5 percent of their salary.

Financial Section: *Management's Discussion and Analysis*

Additions from investment income decreased by \$169.5 million in 2015 to \$112.3 million in 2015 from \$281.8 million in 2014, which was mainly due to lower market returns and the liquidation of approximately \$552.1 million in portfolio assets. Other contributing factors were:

- Decrease in realized gains on investments by \$39.0 million to \$216.0 million in 2015 compared to \$255.0 million in 2014.
- Decrease in income from interest and dividends by \$6.6 million in 2015 to \$100.7 million from \$107.3 million in 2014.
- Decrease in income from real estate investments by \$1.8 million to \$22.9 million in 2015 compared to \$24.7 million in 2014.
- Decrease in direct investment fees by \$1.1 million to \$23.5 million in 2015 from \$24.6 million in 2014.

MEABF can earn additional investment income by allowing a third party provider to lend its securities to borrowers on its behalf. The borrower provides collateral on borrowed securities, which is invested in order to earn interest. Securities lending activities generated net income of \$1.7 million in 2015 compared to \$1.5 million in 2014.

Deductions

MEABF's assets are primarily used to pay annuity benefits, post-employment healthcare subsidies, disability benefits, refunds of contributions and the costs of administering the Plan. Deductions from fiduciary net position increased by \$26.9 million or 3.3 percent to \$841.2 million in 2015 from \$814.3 million in 2014. Benefits paid out exceed member and employer contributions by \$545.4 million, \$518.9 million, and \$489.9 million in fiscal years 2015, 2014 and 2013 respectively. In order to supplement benefit payments, the Plan liquidated portfolio assets by approximately \$552.1 million, \$525.5 million, and \$496.3 million in fiscal years 2015, 2014 and 2013 respectively.

Annuity benefits paid increased by \$27.7 million or 3.7 percent to \$782.1 million in 2015 from \$754.4 million in 2014. The increase is primarily due to the compounded annual 3.0 percent adjustment for eligible annuitants and an increase in the number of retirees and beneficiaries receiving benefits. The average annual employee annuity benefit increased to \$36,277 in 2015 from \$34,532 in 2014. The number of new employee annuities increased in 2015 to 1,260 from 1,058 in 2014. There were 24,964 retirees and beneficiaries at year-end December 31, 2015 compared to 24,855 at the beginning of the year.

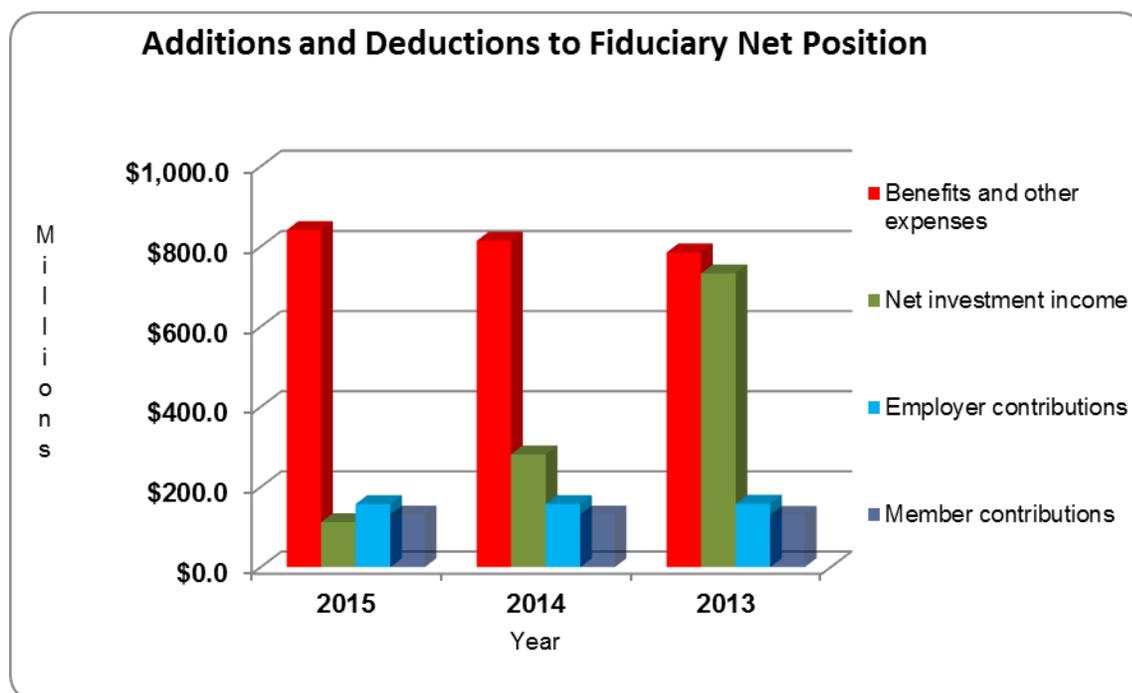
Disability benefits paid increased by \$0.3 million or 3.0 percent to \$12.2 million in 2015 from \$11.9 million paid in 2014. This slight increase is attributable to higher participants wages from which disability benefits are calculated. There were 400 participants on disability at year-end December 31, 2015 compared to 420 at the beginning of the year.

Refunds of contributions decreased by \$0.6 million to \$31.7 million in 2015 from \$32.3 million in 2014. The decrease is mainly due to:

- Decrease in the number of new annuitants eligible for a refund of spousal contributions. Refund of spousal contributions totaling \$6.7 million were distributed to 559 eligible new retirees in 2015 compared to \$7.4 million refunded to 679 eligible new retirees in 2014, a decrease of \$0.7 million.
- All other refunds of contributions distributed to employees not eligible for annuity slightly increased by \$0.1 million to \$25.0 million in 2015 from \$24.9 million in 2014.

Financial Section: *Management's Discussion and Analysis*

Administrative expenses and other post-employment benefit expense slightly increased by \$0.1 million to \$6.7 million in 2015 from \$6.6 million in 2014. Detail relating to administrative expenses can be found in the Schedule of Administrative and OPEB Expenses located under Supporting Schedules.



Total Pension Liability (TPL) and Net Pension Liability (NPL)

GASB 67 requires enhancements to financial statement disclosures. The notes to the financial statements include information regarding components of the NPL and the year-over-year change in NPL. The changes related to GASB 67 are also reflected in the required supplementary information and schedules. It also requires a different methodology to measure the liability of the Plan's pension benefits. GASB 67 established the definition of Total Pension Liability and Net Pension Liability. The Plan is now required to report Total Pension Liability (TPL), Fiduciary Net Position (FNP), and Net Pension Liability (NPL).

The total pension liability (TPL) determines the total obligation for the Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The Plan's fiduciary net position (FNP) determines the assets available for future pension payment stream. Analogous to the unfunded actuarial accrued liability, Net Pension Liability (NPL) is the Total Pension Liability (TPL), net of the Plan's Fiduciary Net Position (FNP).

At December 31, 2015, the components of the net pension liability of the employer were as follows (in millions):

Total pension liability	\$23,358.8
Plan fiduciary net position	<u>4,741.4</u>
Employer's net pension liability	<u>\$ 18,617.4</u>
Plan fiduciary net position as a percentage of the total pension liability	20.3%

Funding Status

On June 9, 2014 Public Act 98-0641, an initiative of the City of Chicago, (the "Plan Sponsor") was introduced to address the funding issues of the Plan. Public Act 98-0641 made several changes to the Plan that included increasing employer and employee contributions and reducing the annual adjustments for the current and future retirees. The objective of the Plan Sponsor was for the Plan to reach 90% funding by 2055.

On July 24, 2015 the Circuit Court of Cook County declared Public Act 98-0641 to be unconstitutional in its entirety. The Circuit Court decision was appealed to the Illinois Supreme Court. On March 24, 2016 the Supreme Court upheld the Circuit Court of Cook County ruling that Public Act 98-0641 is unconstitutional.

As a result of the Court's ruling, the Plan returns to a funding formula based on a multiplier of employee contributions, which is insufficient to adequately fund the Plan.

Request for Information

Additional information is available on our website www.meabf.org or by request. Please direct your request to Mr. Jim Mohler, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago, 321 N. Clark Street, Suite 700, Chicago, IL 60654.

Financial Section

Statements of Fiduciary Net Position

December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 489,229	\$ 489,181
Receivables		
Contributions from the City of Chicago, net of allowance for loss of \$15,901,450 in 2015 and \$16,407,208 in 2014	159,417,035	159,574,378
Member contributions	8,605,457	10,948,696
Interest and dividends	13,414,492	12,940,276
Due from broker	30,352,577	39,908,005
Miscellaneous	404,244	299,515
Total receivables	212,193,805	223,670,870
Investments, at fair value		
Fixed income	1,147,787,800	1,284,769,161
Hedged equity	469,026,045	547,942,375
Domestic and international equity	2,033,831,955	2,271,545,263
Real estate	520,696,873	493,998,298
Private equity	243,481,833	255,281,280
Short-term investments	204,541,471	213,971,637
Total investments	4,619,365,977	5,067,508,014
Invested securities lending collateral	396,836,061	391,442,762
Property and equipment, net of accumulated depreciation and amortization of \$82,274 in 2015 and \$778,425 in 2014	12,309	15,299
Total assets	5,228,897,381	5,683,126,126
LIABILITIES		
Due to broker	78,958,135	99,258,070
Accounts payable and accrued expenses	6,871,813	6,929,526
Securities lending collateral	396,836,061	391,442,762
Securities lending earnings shortfall	62,742	1,765,777
OPEB liability	4,741,073	4,243,695
Total liabilities	487,469,824	503,639,830
Net position restricted for pension benefits	\$ 4,741,427,557	\$ 5,179,486,296

The accompanying notes are an integral part of the financial statements.

Financial Section

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2015 and 2014

	2015	2014
Additions		
Contributions from the City of Chicago	\$ 157,716,475	\$ 158,797,631
Member contributions	131,428,104	129,971,981
Total contributions	289,144,579	288,769,612
Investment income		
Net appreciation in fair value of investments	12,249,736	174,388,129
Interest	46,926,760	43,633,315
Dividends	53,778,719	63,664,167
Income from real estate investments	22,872,708	24,737,912
	135,827,923	306,423,523
Less investment expenses	23,505,672	24,627,742
Net income from investing activities	112,322,251	281,795,781
Security lending activities		
Securities lending income	1,329,145	700,517
Borrower rebates	521,989	913,999
Bank fees	(148,095)	(141,685)
Net income from securities lending activities	1,703,039	1,472,831
Other income	-	13,313
Total additions	403,169,869	572,051,537
Deductions		
Benefits		
Annuity payments	782,083,805	754,391,331
Disability benefits	12,266,647	11,905,700
Post-employment healthcare subsidies	8,491,284	9,050,883
Total benefits	802,841,736	775,347,914
Refund of member contributions	31,685,872	32,325,780
Administrative and OPEB expenses	6,701,000	6,567,842
Total deductions	841,228,608	814,241,536
Net increase (decrease)	(438,058,739)	(242,189,999)
Net position restricted for pension benefits		
Beginning of year	5,179,486,296	5,421,676,295
End of year	\$ 4,741,427,557	\$ 5,179,486,296

The accompanying notes are an integral part of the financial statements.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan is considered a component unit fund of the City of Chicago and, as such, is included in the City of Chicago's financial statements as a pension trust fund. Accordingly, these financial statements present only Municipal Employees' Annuity & Benefit Fund of Chicago ("MEABF") and are not intended to present fairly the financial position of the City of Chicago and the result of its operations in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period when due, pursuant to formal commitments as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and fiduciary net position at the date of the financial statements and the actuarial information included in the required supplementary information as of the valuation date, the changes in fiduciary net position during the reporting period and, when applicable, disclosures of the contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Note 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Plan is exempt from federal and state income taxes and has received a favorable determination letter under Code section 401(a).

Investments

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Fair values of marketable securities are based primarily on quotations from national security exchanges. Investments in short-term obligations are carried at cost which approximates fair value. Certain short-term obligations, such as United States Treasury Bills and discount paper, are carried at fair value. Fair values for bonds, stocks, forward contracts, future contracts, rights and warrants are determined by quoted market prices. Fair values of hedged equity investments are determined using quoted market prices of underlying funds, when available. If quoted market prices are not available, then fair value is determined by underlying fund managers. Fair values of real estate and commingled real estate are based upon independent appraisals. Fair values of private equity investments are primarily based on the general partner determined fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit with the Treasurer of the City of Chicago as well as investments held by the City Treasurer on behalf of the Plan with original maturities of less than 90 days.

Administrative Expenses

Administrative expenses are budgeted and approved by MEABF's Board of Trustees. Funding for these expenses is included in the employer contributions as mandated in the Illinois State Statutes Chapter 40, Pension Article 5/8-190.

Recently Issued Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was established to improve the standards for measurement, recognition and display of pension expense, liabilities and assets of employers of the plan. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB No. 68*, addresses an issue regarding application of the transition provisions of GASB No. 68. The plan adopted both GASB 68 and GASB 71 during fiscal year 2015. The adoption of GASB No. 68 and 71 had no effect on the financial statements of MEABF, but will affect the financial statements of the City of Chicago.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value and describes how fair value should be measured, what assets should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The provisions for GASB 72 are effective for fiscal years beginning after June 15, 2015.

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, was established to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. MEABF is currently evaluating the financial statement impact of GASB Statement No. 73. If applicable, this statement will be implemented for the year ended December 31, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was established to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. MEABF is currently evaluating the financial statement impact of GASB Statement No. 74. If applicable, this statement will be implemented for the year ended December 31, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was established to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. MEABF is currently evaluating the financial statement impact of GASB Statement No. 75. If applicable, this statement will be implemented for the year ended December 31, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was established to identify the hierarchy of generally accepted accounting principles (GAAP). This hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting these principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. The provisions for GASB 76 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. MEABF is currently evaluating the financial statement impact of GASB Statement No. 79. If applicable, this statement will be implemented for the year ended December 31, 2016.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses certain issues that have been raised with respect to these Statements. MEABF is currently evaluating the financial statement impact of GASB Statement No. 82. If applicable, this statement will be implemented for the year ended December 31, 2017.

Note 2 – Investment Policies, Asset Allocation and Money-Weighted Rate of Return

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except to meet liquidity needs, and aims to refrain from dramatically shifting asset class allocations over the short term.

The following table represents the Board's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target</u>
Fixed income	27%
Domestic equity	26%
International equity	22%
Hedge Funds	10%
Private equity	5%
Real Estate	10%
	<u>100%</u>

Money-Weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of investment expense, was 2.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 3 – Deposits and Investments

Deposits that are held locally in the Plan's name are held by the Treasurer of the City of Chicago, ex-officio Treasurer of the Plan. At December 31, 2015 and 2014, the Plan's book balances of cash are \$489,229 and \$489,181, respectively. The actual bank balances at December 31, 2015 and 2014 are \$488,829 and \$488,781, respectively. All non-investment related bank balances at year end are insured or collateralized at 102% of the principal amount.

Custodial credit risk is the risk that, in the event of a financial institution failure, the Plan will not be able to recover deposits or collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name. The Plan does not have a formal policy relating to custodial risk. As of December 31, 2015 and 2014, \$7,791,328 and \$5,351,133, respectively, of the Plan's deposits with its custodian Northern Trust were exposed to custodial credit risk.

Financial Section: *Notes to Financial Statements*

Note 3 – Deposits and Investments (continued)

Certain Plan investments are held by a bank administered trust fund. There were no individual investments representing 5% or more of the Plan's net position as of December 31, 2015 or 2014.

	<u>2015</u>	<u>2014</u>
Investments At Fair Value As Determined		
By Quoted Price		
Fixed income	\$1,147,787,800	\$1,284,769,161
Domestic equity	1,094,887,585	1,248,703,160
International equity	<u>938,944,370</u>	<u>1,022,842,103</u>
	<u>3,181,619,755</u>	<u>3,556,314,424</u>
Investments At Fair Value As Determined		
By Plan Administrator		
Hedged equity	469,026,045	547,942,375
Real estate	520,696,873	493,998,298
Private equity	243,481,833	255,281,280
Short-term investments	<u>204,541,471</u>	<u>213,971,637</u>
	<u>1,437,746,222</u>	<u>1,511,193,590</u>
 Total investments	 <u>\$4,619,365,977</u>	 <u>\$5,067,508,014</u>

Financial Section: *Notes to Financial Statements*

Note 3 – Deposits and Investments (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. Forward currency contracts may be used to manage exposure to foreign currencies. The Plan has not adopted a formal policy related to foreign currency risk. The Plan's exposure to foreign currency risk at December 31, 2015 was as follows:

<i>Currency</i>	<i>Equities*</i>	<i>Fixed Income</i>	<i>Short term investments</i>	<i>Total</i>	<i>Percentage</i>
Australian Dollar	\$ 35,877,436	\$ -	\$ 449,086	\$ 36,326,522	4.02%
Brazilian Real	10,551,149	-	212,477	10,763,626	1.18%
British Pound Sterling	143,704,072	-	1,315,360	145,019,432	16.10%
Canadian Dollar	36,296,794	-	426,857	36,723,651	4.07%
Chilean Peso	1,306,456	-	58,941	1,365,397	0.15%
Columbian Peso	213,130	-	60,654	273,784	0.02%
Czech Koruna	529,815	-	19,094	548,909	0.06%
Danish Krone	14,911,067	-	78,412	14,989,479	1.67%
Egyptian Pound	106,053	-	17,549	123,602	0.01%
Euro	190,117,003	-	2,376,995	192,493,998	21.30%
HK Chinese Yuan Renminbi	-	-	1,003	1,003	0.00%
Hong Kong Dollar	64,074,010	-	167,337	64,241,347	7.18%
Hungarian Forint	140,688	-	13,580	154,268	0.02%
Indian Rupee	26,243,416	-	99,024	26,342,440	2.94%
Indonesian Rupiah	6,332,480	-	26,971	6,359,451	0.71%
Japanese Yen	174,028,682	-	1,698,923	175,727,605	19.50%
Malaysian Ringgit	2,051,086	-	142,554	2,193,640	0.23%
Mexican Peso	9,677,774	-	60,926	9,738,700	1.08%
New Israeli Shekel	5,131,815	-	95,823	5,227,638	0.58%
New Taiwan Dollar	15,759,006	-	175,357	15,934,363	1.77%
New Zealand Dollar	3,042,636	-	175,874	3,218,510	0.34%
Norwegian Krone	8,271,393	-	66,720	8,338,113	0.93%
Philippine Peso	3,437,808	-	20,694	3,458,502	0.39%
Polish Zloty	667,479	-	41,612	709,091	0.07%
Qatari Rial	531,287	-	23,432	554,719	0.06%
Singapore Dollar	9,597,814	-	109,093	9,706,907	1.08%
South African Rand	11,403,515	-	69,543	11,473,058	1.28%
South Korean Won	21,806,884	-	12,133	21,819,017	2.44%
Swedish Krona	27,885,831	-	154,122	28,039,953	3.12%
Swiss Franc	54,398,017	-	33,258	54,431,275	6.10%
Thai Baht	6,334,913	-	135,645	6,470,558	0.71%
Turkish Lira	3,764,926	-	28,838	3,793,764	0.42%
United Arab Emirates Dirham	<u>4,253,992</u>	<u>-</u>	<u>58,911</u>	<u>4,312,903</u>	<u>0.48%</u>
Held in Foreign Currency	892,448,427	-	8,426,798	900,875,225	95.05%
Held in U.S. Dollars	<u>46,495,943</u>	<u>-</u>	<u>-</u>	<u>46,495,943</u>	<u>4.95%</u>
Total	<u>\$938,944,370</u>	<u>\$ -</u>	<u>\$8,426,798</u>	<u>\$947,371,168</u>	<u>100.00%</u>

*Includes Forward contracts, rights and warrants.

Financial Section: *Notes to Financial Statements*

Note 3 - Deposits and Investments (continued)

Interest Rate Risk

As of December 31, 2015, the Plan had the following investments and maturities (in thousands):

Security Type	Total				10 or more years	Maturity Not dermied
	Fair Value	1 year or less	1-6 years	6-10 years		
Asset backed	\$ 15,681	\$ -	\$ 15,673	\$ -	\$ 8	\$ -
Bank loans	179,331	6,421	126,457	46,453	-	-
Commercial mortgage backed	11,805	-	-	-	11,805	-
Corporate bonds	477,042	4,357	249,720	174,687	48,278	-
Corporate convertible bonds	2,607	-	1,566	1,041	-	-
Government agencies	42,718	-	27,908	13,369	1,441	-
Government bonds	192,480	-	102,370	72,744	17,366	-
Government mortgage backed	205,708	-	2,404	13,606	149,101	40,597
Index linked government bonds	8,145	3,564	2,757	1,824	-	-
Munipal/provincial bonds	12,010	-	10,830	200	980	-
Non-government backed CMO's	261	-	184	-	77	-
Total	\$ 1,147,788	\$ 14,342	\$ 539,869	\$ 323,924	\$ 229,056	\$ 40,597

The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rate risk.

Credit Risk

The following table reflects credits ratings of fixed income securities (in thousands) held by the Plan as of December 31, 2015:

S&P Credit Rating	Fair Value	Asset Backed Securities	Bank Loans	Comm'l Mortgage Backed	Corporate Bonds	Corporate Convertible Bonds	Gov't Agencies	Gov't Bonds	Gov't Mortgage Backed	Index Linked Gov't Bonds	Municipal/Provincial Bonds	Non-Gov't Backed CMO's
US Govt	\$ 397,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 444	\$186,452	\$201,959	\$ 8,145	\$ -	\$ -
AAA	21,316	9,939	-	99	4,457	-	550	-	-	-	6,271	-
AA	75,133	2,322	-	3,211	26,347	-	38,260	233	9	-	4,742	9
A	106,960	1,095	-	2,329	102,445	-	-	94	-	-	997	-
BBB	188,042	-	16,185	748	165,897	-	3,464	1,748	-	-	-	-
BB	166,418	-	82,943	-	83,475	-	-	-	-	-	-	-
B	136,666	3	62,023	-	74,190	450	-	-	-	-	-	-
CCC	19,885	-	6,742	-	13,075	-	-	-	-	-	-	68
NR	36,368	2,322	11,438	5,418	7,156	2,157	-	3,953	3,740	-	-	184
Total	\$1,147,788	\$ 15,681	\$179,331	\$ 11,805	\$477,042	\$ 2,607	\$ 42,718	\$192,480	\$205,708	\$ 8,145	\$ 12,010	\$ 261

US Govt = Guaranteed by US Government

NR = Not Rated

The Plan does not have a formal policy in regard to aggregate credit quality of fixed income holdings. The Plan utilizes external investment management firms to invest in fixed income securities and credit quality is addressed within the guidelines of the mandate. Unless allowed by the mutually agreed upon guidelines of the mandate, all securities invested in are investment grade. If a holding falls below investment grade, the manager will either sell the security or will inform the Plan of the lower rating and why they believe that it is prudent to continue to hold the security as they believe that the security will return to investment grade.

Note 4 – Derivatives

The derivative instruments were recorded at fair value as of December 31, 2015. Derivative instruments include forward foreign exchange contracts, futures contracts, rights and warrants. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The Plan's investment managers may invest in derivatives if permitted by the guidelines of their mandate.

Foreign Currency Forward Contracts

Foreign currency forward contracts are used by certain investment managers to protect against the currency risk in the Plan's international equity portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Foreign currency forward contracts are marked-to-market on a daily basis. The gains or losses resulting from changes in contract values are included in investment income in the Statement of Changes in Fiduciary Net Position. The Plan experienced a realized loss of \$15,257 on foreign currency forward contracts in 2015. As of December 31, 2015, the Plan's outstanding foreign currency forward contracts were as follows:

	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Unrealized gain (loss)	Change in Unrealized Gain/Loss
Australian Dollar	\$ -	\$ (176,882)	\$ (833)	\$(1,403)
British Pound Sterling	-	(470,897)	9,771	9,869
Canadian Dollar	72,002	-	(826)	(826)
Danish Krone	-	-	-	-
Euro	496,269	(148,179)	(6,399)	(823)
Hong Kong Dollar	12,487	(180,395)	(15)	(34)
Indonesian Rupiah	-	-	12	12
Japanese Yen	262,851	(110,634)	(187)	1,759
New Zealand Dollar	139,129	-	-	-
Norwegian Krone	-	-	-	-
South Korean Won	58,832	-	38	38
Swiss Franc	-	(19,486)	404	633
Thai Baht	-	-	-	-
United Arab Emirates Dirham	-	-	-	-
US Dollar	<u>1,104,500</u>	<u>(1,037,632)</u>	<u>-</u>	<u>-</u>
	<u>\$2,146,070</u>	<u>\$(2,144,105)</u>	<u>\$ 1,965</u>	<u>\$9,225</u>

Note 4 – Derivatives (continued)

Futures Contracts

Certain international investment managers utilize equity futures contracts to replicate underlying securities they wish to gain exposure to in the portfolio. A financial futures contract is an agreement to buy or sell a specific amount of an asset at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing credit risk. The net change in the futures contract value is settled daily in cash with the exchanges which results in the contract having a fair value of zero at the end of each trading day. The cash or securities to fulfill these obligations are held in the investment portfolio. As the fair value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Fiduciary Net Position. The realized gain on equity futures contracts in 2015 was \$248,022.

As of December 31, 2015, open futures contracts had the following values:

	<u>Notional Value</u>
Total Futures	\$7,672,861

Rights and Warrants

Rights and warrants provide investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights are normally issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is reported in the investments in the Statement of Fiduciary Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Fiduciary Net Position. As of December 31, 2015, The Plan's investments in rights and warrants were as follows:

	<u>Notional Value</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>
Total Rights and Warrants	\$406,871	\$39,299	\$7,831

Note 5 – Securities Lending

Under the provisions of state statutes, the Plan utilizes a securities lending agent to lend securities (both equity and fixed income) to qualified third parties in exchange for collateral that will be returned for the same securities in the future. As of March 31, 2014, Citibank NA became the Plan's securities lending agent succeeding the Plan's custodian, the Northern Trust Co. Citibank NA manages the securities lending program and receives cash, securities or irrevocable letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. All loans can be terminated on demand by either the Plan or the borrower. At December 31, 2015 the average term of the loans was 63 days (67 days in 2014). Marking to market is performed every business day and the borrower is required to deliver additional collateral when necessary so that the collateral held for all loans to the borrower will at least equal the fair value of all borrowed securities. U.S. security loan agreements are initially collateralized at 102% of the fair value of loaned securities. International securities are initially collateralized at 105% of the fair value of loaned securities. Cash collateral is invested in tri-party repurchase agreements and bank deposits, which at December 31, 2015 had a weighted average maturity of 22 days (28 days in 2014). As of December 31, 2015 and 2014 the Plan had loaned to borrowers securities with a fair value of \$383,902,511 and \$381,388,453, respectively. As of December 31, 2015 and 2014, the Plan received from borrowers' cash collateral of \$396,836,061 and \$391,442,762, respectively. As of December 31, 2015 and 2014, the Plan received non-cash collateral from borrowers of \$164,776, and \$0, respectively.

Securities lending net income for the years ended December 31, 2015 and 2014 was \$1,703,039 and \$1,472,831, respectively.

Due to market events in 2008 and the beginning of 2009, one of the collateral pools utilized to invest collateral dropped below par value, causing the Plan to incur a liability. The custodian agreed to carry forward the losses and reduce them with future securities lending earnings. In 2010 the collateral pool was fully liquidated. The liability balance for the losses incurred was \$62,742 and \$1,765,777 as of December 31, 2015 and 2014, respectively. Since March 2014, the liability is carried by the Plan's new securities lending agent, Citibank NA. At year end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

A summary of securities loaned at fair value as of December 31:

	2015	2014
Securities loaned – cash collateral		
<i>Fixed income</i>		
Domestic corporate fixed income	\$ 43,960,664	\$ 53,625,980
US Government agencies	8,633,045	17,016,156
US Government bonds	45,262,323	101,297,402
<i>Equity</i>		
Domestic equities	257,173,585	177,520,493
International equities	28,872,894	31,928,422
Total	\$383,902,511	\$381,388,453

Note 6 – Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the straight-line method over periods ranging from 5-8 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. Major outlays for additions and improvements are capitalized if equal to or greater than \$4,000. Maintenance and repairs are charged to expense. A summary of property and equipment at December 31, 2015 and 2014 is as follows:

	2015	2014
Pension benefit system	\$ -	\$485,283
Furniture	4,980	4,980
Computers	85,293	299,152
Leasehold improvements	<u>4,310</u>	<u>4,310</u>
	94,583	793,725
Less accumulated depreciation and amortization	<u>82,274</u>	<u>778,426</u>
Net property and equipment	<u>\$12,309</u>	<u>\$ 15,299</u>

Depreciation and amortization expense was \$11,647 and \$164,527 for 2015 and 2014 respectively.

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures

A. Pension Plan Description

General

Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF, or the Plan) is the administrator of a single employer defined benefit plan that was established in 1921 to provide retirement annuities and disability benefits for covered employees and for survivors and other beneficiaries of such employees. The Plan is administered under Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. Benefit and contribution provisions are established by the Statutes and may be amended only by the Illinois state legislature. The Retirement Board, comprised of two ex-officio members (the City Comptroller and the City Treasurer) and three elected members, is authorized to carry out the provisions of Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. The Retirement Board appoints the executive director, an actuary, an auditor, consultants and employees necessary for the transaction of business. The Retirement Board meets monthly and receives no compensation, but is reimbursed for necessary expenses. The Plan is included in the City of Chicago's financial reports as a component unit.

Membership

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance except for policemen, firemen, teachers, and those classified by the municipal personnel ordinance as labor service or any person employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (Plan) who is not participating in any other pension fund or retirement system is also covered by the Plan. The payroll for employees covered by the Plan for the years ended December 31, 2015 and 2014 were \$1,643,480,973 and \$1,602,977,593, respectively.

Financial Section: *Notes to Financial Statements*

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (Continued)

Plan membership at December 31 is as follows:

	2015	2014
Active employees (includes members currently receiving disability benefits):		
Vested	16,156	16,325
Non-vested	<u>14,527</u>	<u>13,835</u>
	30,683	30,160
Retirees and beneficiaries currently receiving benefits	24,962	24,852
Retirees not currently receiving benefits	2	3
Terminated employees entitled to benefits but not yet receiving them	1,900	1,864
Terminated employees entitled to a refund of contributions	<u>14,368</u>	<u>13,631</u>
Total	<u>71,915</u>	<u>70,510</u>

Pension legislation (Public Act 96-0889) was approved during 2010 and establishes two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Plan uses a tier concept to distinguish these groups, generally:

Tier 1 – Participants that became members before January 1, 2011.

Tier 2 – Participants that first became members on or after January 1, 2011.

Pension legislation (Public Act 98-0641) approved June 9, 2014 amended the Plan. This legislation affected the automatic annual increase for all employee annuitants and eligibility requirements for benefits under Tier 2. During fiscal year 2015 the Circuit Court of Cook County declared (Public Act 98-0641) unconstitutional in its entirety. On March 24, 2016 the Illinois Supreme Court affirmed the decision of the Circuit Court of Cook County. This plan description reflects the reversal of Public Act 98-0641.

Refunds of Employee Contributions

If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions. Certain disability pension credits are not refundable.

Employee Pension

Tier 1 employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 60 or more with at least 10 years of service or age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a) (17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of \$850 per month.

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted 1/2 percent for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

Pensionable salary is limited to \$106,800 beginning in 2011, increased by the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the November 1, which is the date that the new amount will be calculated and made available to the pension funds by the Illinois Department of Insurance.

Automatic Increase in Employee Annuity

Tier 1: An employee annuitant under Tier 1 who is eligible to receive an increase of 3.0 percent of the currently payable annuity (compound). This increase begins in January of the year of the first payment date following the earlier of:

- 1) the later of the third anniversary of retirement or age 53, or
- 2) the later of the first anniversary of retirement or age 60

Tier 2: An employee annuitant under Tier 2 who is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3.0 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the increase. The increase is based on the amount of the originally granted benefit (simple). This increase begins in January of the year of the first payment date following the later of:

- 1) the attainment of age 67, or
- 2) the first anniversary of the annuity start date.

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Surviving Spouse Pension

Tier 1: Upon the death of an employee under Tier 1, the surviving spouse meeting certain eligibility requirements, is entitled to a spouse annuity. There are three basic methods (“money purchase method”, “minimum formula annuity method” and the “minimum annuity method”) used to determine the amount of spouse’s annuity for an ordinary death (not duty-related death). The surviving spouse is entitled to the largest benefit but the annuity cannot exceed an amount equal to 50% of the highest salary earned by the employee.

Tier 2: The annuity payable to the surviving spouse of an employee under Tier 2 is equal to 66 2/3% of the participant’s earned retirement annuity at the date of death without a reduction due to age.

Automatic Increase in Spouse Annuity

The surviving spouse of an employee under Tier 2 shall receive an annual increase equal to the lesser of 3.0 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the date of the increase. This increase is based on the amount of the originally granted survivor’s benefit (simple). This annual increase begins on January 1 following the commencement of the surviving spouse’s annuity if the deceased member died while receiving an annuity benefit and on January 1 following the first anniversary of the commencement of the annuity otherwise.

Child Annuity

Under Tier 1 and Tier 2, an annuity is provided for any unmarried child of a deceased employee who is under the age of 18, if the child was conceived or born before withdrawal from service. The employee’s death must occur while the employee is in service or in receipt of an annuity. The child’s annuity is an amount equal to \$220 a month when there is a surviving spouse and \$250 when there is no surviving spouse, subject to maximum limitations.

Ordinary Disability

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of any cause other than an accidental injury incurred while in the performance of an act of duty is entitled to an ordinary disability benefit at the amount equal to 50% of the employee’s annual salary at the time of disablement. An employee can receive ordinary disability for a period equal to one fourth of his service credits up to a maximum of 5 years.

Duty Disability

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of an accidental injury incurred while in the performance of an act of duty is entitled to a duty disability benefit in the amount equal to 75% of the employee’s annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers’ Compensation Act.

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Funding Policy

The funding objective is to meet all expected future obligations to Plan participants through its Plan assets and contributions from employee and employer. Member and employer contribution rates are established by state law and may be amended only by the Illinois State Legislature.

Member Contributions

Active members under Tier 1 and Tier 2 are required to contribute to MEABF 8.5% of their salary (6.5% to provide employee annuity, 1.5% to provide a surviving spouse annuity and .5% to provide post-retirement increases in annuity) in accordance with the statutes. The employer deducts or picks up the employee's contributions before federal income tax is withheld and remits the contributions collected to the Plan. Member contributions earn interest at the rate of 3% per annum and are refundable. Employees receiving ordinary or duty disability benefits are credited with 8.5% of salary for pension purposes just as though the employee were working but these credits are not refundable.

While the amount of pensionable salary upon which member contributions are made under Tier 1 has no limitation, pensionable salary of active employees under Tier 2 is limited to \$106,800 beginning in 2011, increased by the lesser of 3 percent or one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the November 1, which is the date the new amount will be calculated and made available to the pension funds.

Employer Contributions

The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of MEABF. It is required to levy a tax at a rate not more than an amount equal to 1.25 times (current multiple) the total amount of member contributions to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied. Annual required contributions (ARC) rates are determined using the entry age normal actuarial funding method. MEABF uses the level dollar open method to amortize the unfunded liability over a thirty year period. The actuarial valuation of the Plan shows that a multiple of 7.51 is needed to adequately finance MEABF in fiscal year 2015. The statutory employer contributions have been less than the ARC for the past thirteen years. Contribution rates may be increased only by an amendment by the State Legislature to the statutes.

Net Pension Liability of Participating Employer

The components of the net pension liability as of December 31, 2015, were as follows:

Total pension liability	\$23,358,869,625
Plan fiduciary net position	4,741,427,557
Employer's net pension liability	18,617,442,068
Plan fiduciary net position as a percentage of net pension liability	20.3%

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using actuarial assumptions applied to all periods included in the measurement.

Inflation	3.0%
Salary increase	4.5% - 8.25%, varying by years of service
Investment rate of return	7.5%, net of investment expense
Municipal bond rate	3.6% based on the Bond Buyer 20- Bond Index of general obligation municipal bonds as of December 31, 2015
Cost of living adjustments	Tier 1: 3.0% compound Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with mortality improvements projected to 2010 based on scale AA. Pre-retirement mortality rates were based on the post-retirement mortality assumption, multiplied by 85% for males and 70% for females.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience study for the period January 1, 2005 through December 31, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

	Target allocation	Long-term expected real rate of return
Fixed income	27%	0.2%
Domestic equity	26%	4.9%
International equity	22%	5.0%
Hedge Funds	10%	3.0%
Private equity	5%	8.6%
Real Estate	10%	6.0%

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Discount rate

The discount rate used to measure the total pension liability was 3.7% percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the 1.25 multiple of member contributions from two years prior. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. The projected benefit payments through 2023 were discounted at the expected long term rate return. Starting in 2024 the projected benefit payments were discounted at the municipal bond rate. Therefore, a single equivalent, blended discount rate of 3.7% was calculated using the long-term expected rate of return and the municipal bond index.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2015, calculated using the discount rate of 3.7%, as well as what the net pension liability would be if it calculated using a discount rate that is 1 percentage point lower (2.7%) or 1 percentage point higher (4.7%) than the current rate:

	1% Decrease (2.7%)	Current Discount Rate (3.7%)	1% Increase (4.7%)
Net pension liability December 31, 2015	\$22,207,242,150	\$18,617,442,068	\$15,675,668,794

B. Post-employment Healthcare Subsidy – City of Chicago and Board of Education Retirees

By Illinois Pension Code, MEABF was required to supplement a portion of the cost of the City of Chicago or Board of Education Health Care Plans for eligible annuitants who chose to utilize the health care plan through June 30, 2013. Public Act 98-0043 was approved in 2013 and changed the duration of health insurance supplement payments to eligible employee annuitants. In accordance with the provisions of Illinois Compiled Statutes (ILCS) Chapter 40, Act 5, Article 8, Section 164.1 and Section 164.2, the Pension Plan is required to subsidize the healthcare costs of its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. The supplemental benefit payments are remitted monthly to the City of Chicago or the insurance carrier designated by the Board of Education in the following amounts:

Beginning July 1, 2008 and until such time as the City no longer provides a health care plan for such annuitants or December 31, 2016, whichever comes first, \$95 per month for each such annuitant who is not eligible to receive Medicare benefits and \$65 per month for each such annuitants who is eligible to receive Medicare benefits.

The payments described above are funded on a pay-as-you-go basis by the tax levy authorized under Section 8-173.

Financial Section: *Notes to Financial Statements*

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

As of December 31, 2015, there are 8,170 (8,891 as of December 31, 2014) City annuitants enrolled in the City’s health care plan and 1,039 (1,178 as of December 31, 2014) Board of Education annuitants enrolled in the Board of Education retiree health care plan receiving this subsidy benefit.

The annual required contribution represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years. The estimated City contribution represents the expected benefit payments for the health insurance supplement. In 2015 and 2014, the Pension Plan received contributions of \$8,491,284 and \$9,050,883 and remitted contributions of \$8,491,284 and \$9,050,883, respectively.

Funding Status and Funding Progress – Post-employment Healthcare Subsidy for City of Chicago and Board of Education Retirees

The following table shows the funded status and funding progress as of December 31, 2015, the most recent actuarial valuation:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	\$8,146,746	\$8,146,746	0%	\$1,643,480,973	0.50%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar, closed (30 years open prior to January 1, 2014)
Remaining Amortization Period	1 years closed as of December 31, 2015
Asset Valuation Method	N/A (pay-as-you-go)
Actuarial Assumptions:	
OPEB Investment Rate of Return	4.5 percent per year
Includes inflation at	3.0 percent per year
Payroll growth	4.0 percent per year
Healthcare Cost Trend Rate	N/A (Trend not applicable – Fixed dollar subsidy)

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

C. Post-employment Healthcare Benefits – MEABF as Employer

Staff members or employees of the Municipal Employees' Annuity and Benefit Fund of Chicago are contributing members of the Plan. When the staff members of the Plan eventually retire, if eligible, pension benefits are provided under the provisions of the Illinois Compiled Statutes (ILCS) Chapter 5, Article 8. Retired staff members of the Plan are not eligible to participate in the City of Chicago group health plan nor the Board of Education group health plan; hence not eligible to receive health insurance subsidy, a post-employment benefit other than pension (OPEB) under the ILCS Chapter 5, Art. 8.

MEABF, as an employer, reviews annually the ability to offer subsidized health insurance coverage for its retired employees, or survivors of former employees and eligible dependents receiving an annuity under the MEABF Staff Retiree Healthcare Plan ("MEABF Retiree Healthcare"). Currently, 14 retirees and beneficiaries are enrolled in the Healthcare plan.

Funding

Post-employment healthcare benefits are funded on a pay-as-you-go basis. No assets are accumulated to pre-fund the healthcare benefits. MEABF and the annuitant share the total cost of the Staff Retiree Healthcare. For 2015 and 2014, MEABF, as employer contributed \$186,411 and \$181,745 respectively. Retirees may elect dental and vision coverage on a self-paid basis.

Annual OPEB Cost and Net OPEB Obligation – MEABF Staff Retiree Healthcare

The OPEB cost for the staff retiree healthcare benefits is calculated based on the annual required contribution of the Plan as employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of MEABF's annual OPEB cost for the staff retiree healthcare benefits are shown in the following table:

	2015	2014	2013
Annual OPEB Cost			
Annual Required Contribution (ARC)	\$ 742,131	\$ 704,214	\$ 667,546
Interest on Net OPEB Obligation	190,966	169,764	149,134
Adjustment to ARC	(249,308)	(221,628)	(194,696)
Annual OPEB Cost	683,789	652,350	621,984
Employer Contributions	186,411	181,745	162,985
Increase in NOO	497,378	470,605	458,999
Net OPEB Obligations (NOO)			
Net OPEB Obligation at Beginning of Year	4,243,695	3,773,090	3,314,091
Increase in NOO	497,378	470,605	458,999
Net OPEB Obligation at End of Year	\$4,741,073	\$4,243,695	\$3,773,090

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

C. Post-employment Healthcare Benefits – MEABF as Employer (Continued)

The Net OPEB Obligation is the amount recorded in the MEABF's Statement of Fiduciary Net Position as of year-end as the net liability for MEABF Staff Retiree Healthcare OPEB Liability. The employer contributions for 2015 consist of \$98,490 explicit subsidy and \$87,921 implicit subsidy and treated as administrative expense of the defined benefit plan. In 2015 and 2014, MEABF contributed 25.1% and 25.8%, respectively, of the annual required OPEB contribution to the plan. The Annual OPEB Cost recorded in the Statement of Changes in Fiduciary Net Position for 2015 as the MEABF Staff Retiree OPEB expense is net of employer implicit and explicit subsidies.

The following table is a summary of the OPEB Cost

Year	Annual OPEB Cost	% of Annual OPEB Obligation Contributed	Net OPEB Obligation
2015	\$683,789	27.3%	\$4,741,073
2014	652,350	27.9%	4,243,695
2013	621,984	26.2%	3,773,090

Funding Status and Funding Progress – Post-employment Benefit for MEABF Staff Retiree Healthcare

The following table shows funded status and funding progress as of December 31, 2012, per the latest actuarial valuation available.

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	\$7,131,319	\$7,131,319	0.0%	\$3,208,842	222.2%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 7 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

C. Post-employment Healthcare Benefits – MEABF as Employer (Continued)

For a plan the size of the MEABF Staff Retiree Healthcare plan, GASB allows a valuation report to be used for up to 3 years if there are no significant changes in plan design, premiums/claims, or demographics that would materially change the results. The latest actuarial valuation included projections through the year ended December 31, 2015. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Actuarial assumptions:	
Investment Rate of Return and Discount Rate	4.5%
Projected Salary Increases	4.5%
Wage inflation	4.0%
Healthcare trend	Based on actual premium increases for 2014 and then 7.5% per year graded down to 5.0% year ultimate trend in 0.5% increments

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Note 8 – Net Position Held in Trust for Pension Benefits

Reserves represent the components of the Plan's net position. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. At least once a year, before any transfer is made from these reserves, interest at 3% is credited to these reserves. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirement and other benefits as they become due. The Plan's major classes of reserves are as follows:

	2015	2014
City Contribution Reserves	\$ 1,789,317,571	\$ 1,732,863,135
Salary Deduction Reserves	1,788,925,611	1,732,480,087
Prior Services Reserves	8,941,649,806	6,787,561,144
Annuity Payment Reserves	2,134,398,568	2,070,660,039
Optional Reserve Account	970,161	1,024,598
	14,655,261,717	12,324,589,003
Unreserved Net Position	(9,913,834,160)	(7,145,102,707)
Net position held in trust for pension benefits	\$ 4,741,427,557	\$ 5,179,486,296

Note 8 – Net Position Held in Trust for Pension Benefits (Continued)

City Contribution Reserves

Amounts contributed by the City for age and service annuity, surviving spouse annuity and supplemental annuity shall be credited to this reserve. When the employee annuity or surviving spouse annuity is granted the amount in this reserve for such annuity will be transferred to the annuity payment fund reserves.

Salary Deduction Reserves

Amounts contributed by the employee or amounts credited for the employee for age and service annuity and surviving spouse annuity shall be credited to this reserve. When the employee annuity or surviving spouse annuity is granted the amount in this reserve for such annuity will be transferred to the annuity payment fund reserves.

Annuity Payment Reserves

Amounts transferred from the City contribution reserves and the salary deduction reserves for annuities which have been granted will be credited to this reserve.

Prior Service Reserves

Amounts contributed by the City for minimum annuities shall be credited to this reserve.

Optional Reserves

Amounts contributed by the aldermen for the alternative plan.

Note 9 – Operating Leases

Office Lease

MEABF moved to a new office location on March 1, 2011 under a fifteen-year, non-cancelable lease agreement with Hines REIT 321 North Clark Street LLC. The lease currently requires monthly payments of \$50,344. The Plan received rent abatements for the initial six full months of the term of the lease, and the initial three calendar months of the third, the fourth, the fifth and sixth lease year and the initial two calendar months of the seventh lease year. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance expenses which have been estimated to be 3% annually.

Disaster Recovery (DR) site

MEABF is party to an agreement participated by four other pension funds (Laborer's, Police, Fire and Cook County) to lease an offsite office and storage facilities under an extended non-cancelable lease agreement in effect through August 31, 2016.

Note 9 – Operating Leases (Continued)

Following is a summary of estimated future lease payments under the Plan's operating leases as of December 31, 2015:

Year Ending December 31,	Amount
2016	\$ 465,528
2017	538,366
2018	664,682
2019	683,026
2020	701,676
2021-2025	3,799,447
2026	<u>133,870</u>
Total	<u>\$6,986,595</u>

Total rent expense was \$553,714 and \$513,152 for 2015 and 2014, respectively.

Note 10 – Risk Management

MEABF carries liability insurance coverage provided by private insurance carriers. In order to limit the risk of asset loss from theft, fraud, robbery or burglary, the Plan carries a government crime policy. The Plan also carries fiduciary liability insurance that limits the risk of loss arising from court challenges to fiduciary decisions.

Note 11 – Commitments and Contingencies

Investment Commitments

As of December 31, 2015 approximately \$74.1 million of capital committed to investments in real estate and private equity funds were undrawn. The Plan believes that the capital will be requested within five years.

Irrevocable Letter of Credit Security Deposit

MEABF cancelled the irrevocable letter of credit of \$300,000 that was previously used as the security deposit in the previous year. During 2015, MEABF has opted to pay the lessor, Hines REIT, \$100,000 as a security deposit in accordance with terms of lease. (See Note 9).

Note 11 – Commitments and Contingencies (Continued)

Litigation

The Plan is subject to claims arising in the ordinary course of its operations. Although the outcome of these lawsuits are not presently determinable, in the opinion of the Plan's management and legal counsel, the resolution of these matters will not have a material adverse effect on the Plan's financial statements.

Note 12 – Deferred Compensation Plan

The Fund is a governmental eligible employer within the meaning of Code Section 457(e)(1)(A) and has established a deferred compensation plan (457(b)) for eligible employees. Individual contributions to the plan are equal to the amount of salary reductions elected by each participant for the year up to a maximum allowable by IRS regulations. Total employee contributions were \$260,423 and \$223,153 for 2015 and 2014, respectively. Employer contributions are not allowed.

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer's Net Pension Liability (Pension)

	2015	2014
Total pension liability		
Service cost	\$ 226,816,035	\$ 247,243,416
Interest	909,066,895	1,025,763,903
Change of benefit terms	2,140,009,339	(1,990,706,362)
Differences between expected and actual experience	(109,835,037)	(5,504,116)
Changes of assumptions	8,711,754,654	-
Benefit payments, including refunds of employee contributions	<u>(826,036,323)</u>	<u>(798,622,811)</u>
Net change in total pension liability	\$11,051,775,563	\$ (1,521,825,970)
Total pension liability – beginning	<u>12,307,094,062</u>	<u>13,828,920,032</u>
Total pension liability – ending (a)	<u>\$23,358,869,625</u>	<u>\$12,307,094,062</u>
Plan fiduciary net position		
Contributions – employer	\$ 149,225,191	\$ 149,746,748
Contributions - employee	131,428,103	129,971,981
Net investment income	114,025,290	283,281,925
Benefit payments, including refunds of employee contributions	(826,036,323)	(798,622,811)
Administrative expenses	<u>(6,701,000)</u>	<u>(6,567,842)</u>
Net change in plan fiduciary net position	\$ (438,058,739)	\$ (242,189,999)
Plan fiduciary net position - beginning	<u>5,179,486,296</u>	<u>5,421,676,295</u>
Plan fiduciary net position – ending (b)	<u>4,741,427,557</u>	<u>5,179,486,296</u>
Employer's net pension liability ending (a)-(b)	<u>\$18,617,442,068</u>	<u>\$ 7,127,607,766</u>

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

Schedule of Employer's Net Pension Liability (Pension)

	2015	2014
Total pension liability	\$23,358,869,625	\$12,307,094,062
Plan fiduciary net position	4,741,427,557	5,179,486,296
Employer's net pension liability	18,617,442,068	7,127,607,766
Plan fiduciary net position as a percentage of total pension liability	20.3%	42.1%
Covered-employee payroll	\$ 1,643,480,973	\$ 1,602,977,593
Employer's net pension liability as a percentage of covered-employee payroll	1,132.8%	444.7%

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

Financial Section: *Required Supplementary Information*

Schedule of Employer Contributions (Pension)

Year Ended December 31,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency	Covered Employee Payroll	Contributions as a percentage of Covered Employee Payroll
2015	\$677,200,246	\$149,225,191	\$527,975,055	\$1,643,480,973	9.1%
2014	\$839,038,303	\$149,746,748	689,291,555	\$1,602,977,593	9.3%
2013	\$820,022,689	\$148,196,884	671,825,505	\$1,580,288,709	9.4%
2012	\$690,822,553	\$148,858,655	541,963,898	\$1,590,793,702	9.4%
2011	\$611,755,567	\$147,009,321	464,746,246	\$1,605,993,339	9.2%
2010	\$483,948,339	\$154,752,320	329,196,019	\$1,541,388,065	10.0%
2009	\$413,508,622	\$148,046,490	265,462,132	\$1,551,973,348	9.5%
2008	\$360,387,176	\$146,803,250	213,584,926	\$1,543,976,553	9.5%
2007	\$343,123,106	\$139,606,140	203,516,966	\$1,564,458,835	8.9%
2006	\$325,913,986	\$157,062,769	168,851,217	\$1,475,877,378	10.6%

Prior to 2014, the Actuarially Determined Contribution is the same as the Annual Required Contribution as determined under GASB 25

Beginning in 2006, the Annual Required Contribution does not include contributions for health insurance supplement.

Schedule of Investment Returns

<u>Year ended December 31</u>	Annual Money-Weighted Rate of Return, net of <u>investment expense</u>
2015	2.1%
2014	4.8%

This is a 10 – year schedule – however, the information is not required to be presented retroactively. Information will be added to this schedule until 10 years of information is available.

Notes to Required Supplementary Information (Pension)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%, net of investment expense
Projected salary increases	4.5%-8.25%, varying by years of service
Inflation rate	3.0%
Cost of living adjustments	Tier1: 3.0% compound Tier2: The lesser of 3% or one-half of the change in CPI simple.

Financial Section: *Required Supplementary Information*

Schedule of Funding Progress (Post-employment Healthcare)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/15	\$ -	\$ 8,146,746	\$ 8,146,746	00.0%	\$1,643,480,973	0.5%
12/31/14	\$ -	\$ 17,494,941	\$ 17,494,941	00.0%	\$1,602,977,593	1.1%
12/31/13 ^a	\$ -	\$ 27,573,334	\$ 27,573,334	00.0%	\$1,580,288,709	1.7%
12/31/12	\$ -	\$162,083,083	\$162,083,083	00.0%	\$1,590,793,702	10.2%
12/31/11	\$ -	\$163,241,898	\$163,241,898	00.0%	\$1,605,993,339	10.2%
12/31/10	\$ -	\$223,564,218	\$223,564,218	00.0%	\$1,541,388,065	14.5%
12/31/09	\$ -	\$224,173,231	\$224,173,231	00.0%	\$1,551,973,348	14.4%
12/31/08	\$ -	\$222,691,036	\$222,691,036	00.0%	\$1,543,976,553	14.4%
12/31/07	\$ -	\$217,868,343	\$217,868,343	00.0%	\$1,564,458,835	13.9%
12/31/06	\$ -	\$216,201,037	\$216,201,037	00.0%	\$1,475,877,378	14.7%

^a Entry age actuarial accrued liability for fiscal year 2013 was determined based on the provisions of P.A. 98-0043.

Schedule of Employer Contributions (Post-employment Healthcare)

Year Ended December 31,	Annual Required Contribution	Employer Contributions	
		Amount Contributed	Percentage Contributed
2015	\$ 9,174,103	\$8,491,284	92.5%
2014	\$ 9,826,193	\$9,050,883	92.1%
2013	\$14,375,793	\$9,508,087	66.1%
2012	\$14,631,863	\$9,522,054	65.1%
2011	\$22,803,577	\$9,516,053	41.7%
2010	\$22,954,501	\$9,549,685	41.6%
2009	\$22,966,965	\$9,651,118	42.0%
2008	\$23,782,660	\$9,029,362	38.0%
2007	\$23,287,106	\$8,530,910	36.6%
2006	\$22,642,162	\$8,739,875	38.6%

Note to Schedules of Funding Progress and Employer Contributions (Post-employment Healthcare)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (30-year open prior to January 1, 2014)
Remaining amortization period	1 year as of December 31, 2015
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions:	
OPEB investment rate of return	4.5%
Projected salary increases	4.0% per year
Includes inflation at	3.0%
Healthcare Cost Trend Rate	0.0%
Healthcare cost trend not applicable-fixed dollar subsidy	

Financial Section: *Required Supplementary Information*

Schedule of Funding Progress (Post-employment Healthcare – Staff Retiree Healthcare)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ -	\$6,276,765	\$6,276,765	00.0%	\$2,966,755	211.6%
12/31/09	\$ -	\$7,101,870	\$7,101,870	00.0%	\$2,649,696	268.0%
12/31/06	\$ -	\$4,435,400	\$4,435,400	00.0%	\$2,497,700	177.6%

Note: The first Staff Retiree Healthcare OPEB actuarial valuation was performed as of December 31, 2006 and the most recent OPEB actuarial valuation was conducted as of December 31, 2012. The actuarial valuation as of December 31, 2012 included projections through the year ended December 31, 2015.

Schedule of Employer Contributions (Post-employment Healthcare – Staff Retiree Healthcare)

Year Ended December 31,	Annual Required Contribution	Employer Contributions	
		Amount Contributed	Percentage Contributed
2015	\$742,131 ¹	\$186,411	25.1%
2014	\$704,214 ¹	\$181,745	25.8%
2013	\$667,546 ¹	\$162,985	24.4%
2012	\$864,676	\$173,544	20.1%
2011	\$816,278	\$174,439	21.4%
2010	\$770,673	\$146,434	19.0%
2009	\$611,526	\$111,840	18.3%
2008	\$573,808	\$ 96,670	16.8%

¹ Projected for plan years ended December 31, 2015, December 31, 2014 and 2013 based on most recent actuarial valuation as of December 31, 2012.

Note to Schedules of Funding Progress and Employer Contributions (Post-employment Healthcare – Staff Retiree Healthcare)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2012
Actuarial cost method	Entry age normal
Asset valuation method	No Assets (Pay-as-you-go)
Amortization method	Level dollar open
Amortization period	30 years
Actuarial assumptions:	
Investment Rate of Return and Discount Rate	4.5%
Projected Salary Increases	4.5%
Wage inflation	4.0%
Healthcare trend	Based on actual premium increases for 2014 and then 7.5% per year graded down to 5.0% year ultimate trend in 0.5% increments

Schedule of Administrative and OPEB expenses

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Personnel		
Administrative salaries	\$ 3,111,097	\$ 3,005,937
Payroll taxes	82,443	76,475
Employee benefits	1,077,561	1,082,976
OPEB expense	497,378	470,605
	<u>4,768,479</u>	<u>4,635,993</u>
Professional Services		
Actuarial valuation	70,150	81,600
Staff actuary	76,277	74,293
Legal services	246,768	156,901
Medical	52,786	51,751
Audit	37,000	36,500
Legislative liaison services	17,201	17,201
Payroll services	411,855	372,702
IT consulting	26,113	19,465
Tax consulting	-	268
Other consulting	8,820	8,820
	<u>946,970</u>	<u>819,501</u>
Communication		
Printing & publications	18,305	23,223
Postage	58,232	74,373
Telephone and communications	42,668	44,832
	<u>119,205</u>	<u>142,428</u>
Occupancy and utilities		
Office rent	553,714	513,152
Utilities	13,212	12,696
Office maintenance	3,063	1,578
	<u>569,989</u>	<u>527,426</u>
Other operating expense		
Fiduciary and insurance	206,692	177,479
Office supplies and equipment	32,672	40,724
Depreciation	11,647	164,527
Equipment rental and maintenance	13,439	11,180
Training and travel	7,085	5,922
Contractual services	21,027	19,749
Dues and subscriptions	18,237	17,544
Miscellaneous	(14,442)	5,369
	<u>296,357</u>	<u>442,494</u>
 Total Administrative and OPEB expense	 <u>\$ 6,701,000</u>	 <u>\$ 6,567,842</u>

Schedule of Investment Management Compensation

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Fixed Income Managers		
LM Capital Group	\$ 359,192	\$ 354,644
MacKay Shields	922,558	912,561
Neuberger Berman	165,615	182,927
Segall Bryant & Hamill	228,115	254,939
Symphony Asset Management	680,940	561,450
UBS Global Asset Management	120,027	116,779
Total Fixed Income	<u>2,476,447</u>	<u>2,383,300</u>
Domestic Equity Managers		
Ariel Investments	470,846	506,778
Castle Ark Management	-	303,637
Earnest Partners	90,047	496,760
Geneva Capital Management	348,690	427,795
Great Lakes Advisors	311,759	317,470
Herndon Capital Management	338,864	364,903
Holland Capital Management	432,074	400,750
Keeley Asset Management	601,822	674,930
Rhumbline Advisers	71,197	57,712
William Blair	-	229,377
Total Domestic Equity	<u>2,665,299</u>	<u>3,780,112</u>
International Equity Managers		
Cornerstone Capital Management	532,936	529,944
LSV Asset Management	623,066	720,948
Nothern Trust Company	386,273	456,632
Walter Scott & Partners	716,495	740,535
William Blair	1,105,683	1,161,421
Total International Equity	<u>3,364,453</u>	<u>3,609,480</u>
Global Equity		
FIS Group	<u>1,255,322</u>	<u>1,206,088</u>
Hedged Equity		
K2 Advisors	2,021,886	2,314,427
The Rock Creek Group	1,899,118	1,855,849
Total Hedged Equity	<u>\$ 3,921,004</u>	<u>\$ 4,170,276</u>

Schedule of Investment Management Compensation (continued)

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Real Estate Managers		
AFL-CIO Building Trust	\$ 845,393	\$ 769,813
American Realty	660,403	613,447
Capri Capital	30,150	395,326
DV Urban	71,092	54,544
J P Morgan	1,100,998	974,993
John Buck Company	71,120	86,043
Mesirow Real Estate	852,591	500,000
Prudential Asset Mgmt.	1,125,637	1,035,611
Tishman Speyer	54,201	111,378
UBS Realty Advisors	59,784	67,416
Walton Street Partners	148,317	181,960
Total Real Estate	<u>5,019,686</u>	<u>4,790,531</u>
Private Equity Managers		
Adams Street Partners	491,925	486,767
Carpenter Bancorp Fund	112,858	123,449
First Analysis	59,085	94,976
GoldPoint Partners	219,383	375,000
Hispania Partners	45,860	103,265
Hopewell Ventures	68,370	74,554
Levine Leichtman	889,598	307,495
MK Capital	150,558	122,434
Mesirow Financial	519,028	572,220
Midwest Mezzanine Fund	310,481	387,718
Morgan Stanley Secondary	65,144	101,974
Muller & Monroe	132,546	162,723
Nogales Investors	40,304	41,416
Prudential Capital Partners	621,442	709,277
RCP Advisors	149,490	149,490
Stepstone	86,499	100,000
TRG Management (formerly Citigroup International PE Fund)	65,554	97,316
Total Private Equity	<u>4,028,125</u>	<u>4,010,074</u>
Total Investment Management Fees	<u>22,730,336</u>	<u>23,949,861</u>
Other Investment Expenses		
Investment Consultant	290,000	290,000
Master Custodian	472,208	382,140
Investment Legal Services	13,128	5,741
Total Other Investment Expenses	<u>775,336</u>	<u>677,881</u>
Total Investment Expenses	<u>\$ 23,505,672</u>	<u>\$ 24,627,742</u>

Financial Section: *Other Supplementary Information*

Schedule of Professional and Consulting Costs

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Legal Advisors	\$ 246,768	\$ 156,901
Medical Advisors	52,786	51,751
Consulting Actuary	146,427	155,893
Other Consulting	52,134	45,754
Auditor	37,000	36,500
Payroll Services	411,855	372,702
Total	<u>\$ 946,970</u>	<u>\$ 819,501</u>

Investment

This report includes the certification letter from the Plan's custodian for 2015; a summary of the Plan's investment goals, objectives, and guidelines; and informative investment schedules for your review. Data provided to the Plan by its custodian and its investment consultant form the basis for the information that is presented throughout the Investment Section. All portfolio rates of return are presented using a time-weighted rate of return methodology based on fair values. The figures in the Investment Section of the Comprehensive Annual Financial Report may differ from those found in the Financial Section. This is due to a lag in reporting associated with certain classes of investments. The figures found in the Investment Section represent final figures for 2015.



June 10, 2016

The Board of Trustees
Municipal Employees' Annuity & Benefit Fund of Chicago
321 N. Clark Street, Suite 700
Chicago, IL 60654-4767

Dear Trustees:

Marquette Associates would like to provide a summary of the investment results for the Municipal Employees' Annuity & Benefit Fund of Chicago for the year ended December 31, 2015.

Interest rates increased slightly for the year providing mixed returns for fixed income, with negative returns for lower quality and longer duration bonds. U.S. Equity investments showed modest gains for the year, with the S&P 500 up 1.4%. Broad International equity markets (MSCI All Country World ex-U.S.) declined 5.7% for the year, primarily due to volatility surrounding macro events in China and the Eurozone. Emerging markets (MSCI Emerging Markets Index) significantly underperformed developed markets, down 14.9% for the year. Private Real Estate continued strong performance in 2015, up 13.9%.

The Municipal Employees' Annuity & Benefit Fund of Chicago's investment assets totaled \$4.60 billion at December 31, 2015. This represented a decrease of \$447.1 million from December 31, 2014, of which +\$112 million was due to investment gains, and -\$559 million due to withdrawals for benefits and expenses.

The Total Fund returned 2.1% for calendar 2015, net of fees, outperforming the Policy Benchmark's return of 0.6%. The Fund ranked in the 4th percentile in the Investor Force Public Defined Benefit Fund peer universe. The 3-year annualized return for the Fund was 7.6% versus 6.8% for the benchmark, ranking the Fund in the 28th percentile. The 5-year annualized return for the Fund was 7.1% versus 6.2% for the benchmark, ranking the Fund in the 29th percentile.

Factors contributing to 2015 performance include:

- Fixed Income – Positive returns from the asset class, performing in line with the broad U.S. fixed income market, due to outperformance from High Yield and Senior Loan managers, offsetting the negative asset class returns.
- U.S. Equity – Mixed returns in 2015, with large cap stocks significantly outperforming small cap stocks, and growth significantly outperforming value for the year. MEABF's U.S. Equity Composite underperformed its benchmark, despite manager outperformance, due to the Plan's exposure to small cap equities.
- International Equity – The asset class underperformed for the year, but MEABF's active managers helped to protect to the downside. All of the Fund's international equity managers outperformed their respective benchmarks for 2015.
- Hedged Equity – MEABF's hedge fund managers were top performers in the Hedged Equity Fund of Funds universe, significantly outperformed their benchmarks for the year, providing stability in a volatile global market.
- Real Estate – Both open-end and closed-end managers experienced strong returns for the year. All open-end real estate investments gained in excess of 14% on the year.
- Private Equity – The asset class was a strong contributor to MEABF's performance for the year.

MEABF continues to invest in a well diversified portfolio of assets to provide growth opportunities for Plan assets in the years to come.

Sincerely,

A handwritten signature in black ink that reads 'B Wrubel'.

Brian Wrubel
President & CEO

A handwritten signature in black ink that reads 'James Wesner'.

James R. Wesner, CFA
Managing Partner



**NORTHERN
TRUST**

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian (“Master Custodian”) of assets of the Municipal Employees’ Annuity and Benefit Fund of Chicago (“Fund”) held by it in a custodial account (the “Account”) has provided annual Statements of Account for the Account to the Fund which to the best of its knowledge provide a complete and accurate reflection of The Northern Trust Company’s record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period January 1, 2015 through December 31, 2015.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the amended and restated Master Custody Agreement among the Board of Trustees of the Fund and The Northern Trust Company dated September 1, 2013 as amended (the “Custody Agreement”), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Account by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in the Account in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Invest cash balances held from time to time in the individual investment management accounts of the Account in short term-cash equivalent securities.
6. Facilitate the exercising of rights of ownership, including but not limited to, proxy voting, stock subscriptions and conversion rights as directed by the Fund or its appointed investment managers.
7. Hold securities in the Account in the name of the Fund or nominee form or other means as provided in the Custody Agreement.
8. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
9. Employ agents to the extent provided in the Custody Agreement.
10. Provide disbursement services.
11. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: 

Kimberly A. Miller
Senior Vice President

The Northern Trust Company

50 South La Salle Street
Chicago, Illinois 60603
312-630-6000

Investment Section

Investment Authority and Responsibility

The authority granted to the Board of the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Board") related to investment decisions can be found in the Illinois Compiled Statutes, Chapter 40, Act 5, Section 8-201 and 8-201.1. Section 1-113 also defines investments deemed to be prudent. Any fiduciary with investment authority is required to discharge his or her duties with respect to the Plan with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

In order to clarify the roles and responsibilities of the Board and the various investment professionals engaged by the Board, the following responsibilities have been designated:

The Board assumes the responsibility for establishing goals, objectives and guidelines to direct the investment activity of the Plan.

The Board engages various managers to make investments in accordance with agreed-upon guidelines and applicable statutes. These managers apply their professional judgment in making investment decisions. Managers are given full discretion within their assigned mandate to select, acquire, maintain and dispose of individual investments as authorized by contract.

Plan-level Investment Goals and Objectives

The Board sets the goals and objectives of the investment portfolio solely in the interest of the Plan, its participants and their beneficiaries. The performance objectives of the Fund are threefold:

- The Plan is to meet or exceed its actuarial return assumption of 7.5% on a net-of-fees basis over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other obligations.
- The Plan is to outperform the risk-adjusted return, net-of-fees, of the Plan's policy benchmark.
- The Plan is to rank in at least the top half of the universe of comparable institutional investors with similar risk/return parameters consistently over time.

Investment Manager Goals, Objectives and Guidelines

The guidelines for a particular investment mandate are set at the time of hiring and are included in the contractual agreement between the Plan and the investment manager. The guidelines specify the types of the investments that can be made and contain certain constraints in order to limit risk. Given the investment guidelines, certain goals and objectives are set. Generally, they are as follows:

- Each investment manager is expected to outperform the agreed-upon benchmark on a risk-adjusted-basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as determined by the Board and/or as specified in the investment contract.

Investment Section

Risk Management

Risk management is essential to the Plan's mission and to the success of the Plan's investment program. Most investment decisions have a risk component that must be considered. When making investment decisions, the Board shall make a reasonable effort to consider all risks—liquidity risk, market risk, business risk, credit risk, currency risk, interest rate risk, inflationary risk, etc.— within the context of the Plan's overall portfolio. The Board, with assistance from staff and its investment consultant, shall, taking into account the Plan's ability and the Board's willingness to assume risk, determine an appropriate risk tolerance level for the Plan. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decisions.

Asset Allocation

The Plan's assets are diversified to minimize risk. Diversification is accomplished by utilizing appropriate asset allocation targets. Upon advice from staff and the Plan's investment consultant, the Board shall adopt appropriate asset allocation targets. The target allocation mix includes publicly traded stocks and bonds as well as alternative investments such as hedged funds, private equity, and real estate. Proper diversification within each asset class is based on establishing complementary investment objectives and management styles. The Board, staff and investment consultant will review the asset allocation at least annually and consider changes as deemed prudent.

Cash Flow Needs & Portfolio Rebalancing

The operating cash flow needs of the Plan often require the liquidation of investment assets on a monthly basis. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets in an effort to move the Plan's overall asset allocation closer to target allocations.

Should the regular monthly liquidity events associated with benefit payments not be sufficient to keep the portfolio in line with the target allocations, the Plan's portfolio may need to be rebalanced by shifting assets from one asset class to another. In these instances, the investment consultant and staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the staff will work to transition the assets.

Investment Section

Investment Managers

As of December 31, 2015

Adams Street Partners

Chicago, Illinois
Private Equity Direct Partnerships
Private Equity Fund of Funds

American Realty Advisors

Glendale, California
Real Estate Core Fund

Ariel Investments

Chicago, Illinois
Domestic Equity Small/Mid Cap Value

Capri Capital Partners

Chicago, Illinois
Real Estate Partnerships
Real Estate Mezzanine Fund

Carpenter & Company

Irvine, California
Private Equity Direct Partnership

Cornerstone Capital Management

New York, New York
International Equity Growth

First Analysis

Chicago, Illinois
Private Equity Direct Partnerships

FIS Group, Inc.

Philadelphia, Pennsylvania
Manager of Managers
Global Equity

Geneva Capital Management

Milwaukee, Wisconsin
Domestic Equity Mid Cap Growth

GoldPoint Partners

New York, New York
Private Equity Mezzanine Fund

Great Lakes Advisors

Chicago, Illinois
Domestic Equity Large Cap Value

Herndon Capital Management

Atlanta, Georgia
Domestic Equity Large Cap Value

Hispania Capital Partners

Chicago, Illinois
Private Equity Direct Partnerships

Holland Capital Management

Chicago, Illinois
Domestic Equity Large Cap Growth

Invesco Private Capital

New York, New York
Private Equity Fund of Funds

John Buck Company

Chicago, Illinois
Real Estate Partnerships

JP Morgan Asset Management

New York, New York
Real Estate Core Fund

K2 Advisors

Stamford, Connecticut
Hedged Equity Fund of Funds

Keeley Asset Management

Chicago, Illinois
Domestic Equity Small Cap Value

Levine Leichtman

Beverly Hills, California
Private Equity Mezzanine Funds

LM Capital

San Diego, California
Fixed Income Core

LSV Asset Management

Chicago, Illinois
International Equity Large Cap Value

MacKay Shields

New York, New York
Fixed Income High Yield

Mesirow Financial

Chicago, Illinois
Private Equity Direct Partnerships
Private Equity Funds of Funds
Real Estate Direct Partnership

Midwest Mezzanine Funds

Chicago, Illinois
Private Equity Mezzanine Funds

Investment Section

MK Capital

Chicago, Illinois
Private Equity Direct Partnership

Morgan Stanley

West Conshohocken, Pennsylvania
Private Equity Secondary Fund of Funds

Muller & Monroe Asset Management

Chicago, Illinois
Private Equity Funds of Funds

Neuberger Berman

Chicago, Illinois
Fixed Income Enhanced Index

Newport Capital Partners

Chicago, Illinois
Real Estate Partnership

Nogales Investors Management

Los Angeles, California
Private Equity Direct Partnerships

Northern Trust Global Investment Advisors

Chicago, Illinois
International Equity All-World Ex-US Index
International Equity Small Cap Index

PNC Bank

Washington, D.C.
Real Estate Core Fund

Prudential Capital Partners

Chicago, Illinois
Private Equity Mezzanine Fund

Prudential Real Estate Investors

Parsippany, New Jersey
Real Estate Funds

RCP Advisors

Chicago, IL
Private Equity Secondary Fund of Funds

RhumbLine Advisors

Boston, Massachusetts
Domestic Equity Large Cap Core Index

The Rock Creek Group

Washington, D.C.
Hedged Equity Fund of Funds

Segall Bryant & Hamill

Chicago, Illinois
Fixed Income Intermediate

StepStone Group

San Diego, California
Private Equity Fund of Funds

Symphony Asset Management

San Francisco, California
Fixed Income Senior Secured Loans

Tishman Speyer

New York, New York
Real Estate Partnership

TRG Management

New York, New York
International Private Equity Direct Partnership

UBS Global Asset Management (Americas)

Chicago, IL
Fixed Income Core

UBS Realty Investors

Hartford, Connecticut
Real Estate Partnership

Walter Scott & Partners

Edinburgh, Scotland
International Equity Large Cap Growth

Walton Street Capital

Chicago, Illinois
Real Estate Partnerships

William Blair & Company

Chicago, Illinois
Emerging Markets Equity

Woodland Venture Management

Chicago, Illinois
Private Equity Direct Partnership

Investment Section

Portfolio Performance

As of December 31, 2015

	Calendar Year Returns (net unless stated)					Annualized Returns (net unless stated)		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>10 Yrs</u>
Total Plan								
The Plan - Gross of Fees	2.1%	5.4%	16.5%	13.2%	0.3%	11.6%	9.8%	5.9%
The Plan - Net of Fees	1.8%	5.1%	16.1%	12.8%	0.1%	11.2%	9.5%	5.6%
Median Peer Universe Returns*	-0.4%	5.1%	14.3%	12.7%	0.6%	10.9%	9.1%	6.2%
Fixed Income								
The Plan	0.6%	4.3%	0.4%	7.0%	6.7%	1.7%	3.8%	4.2%
Barclays Cap Aggregate Bond Index	0.6%	6.0%	-2.0%	4.2%	7.8%	1.4%	3.2%	4.5%
Barclays Cap Government/Credit Bond Index	1.1%	3.1%	-0.9%	3.9%	5.8%	1.1%	2.6%	4.0%
Domestic Equity								
The Plan	-0.7%	8.6%	33.6%	16.2%	0.4%	12.9%	10.9%	7.0%
S&P 500 Index	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%	12.6%	7.3%
Russell 2000 Index	-4.4%	4.9%	38.8%	16.3%	-4.2%	11.7%	9.2%	6.8%
International Equity								
The Plan	-1.1%	-2.9%	17.6%	18.3%	-13.8%	4.2%	2.9%	5.9%
MSCI ACWI ex U.S. Index	-5.7%	-3.9%	15.3%	16.8%	-13.7%	1.5%	1.1%	2.9%
Real Estate								
The Plan	12.5%	11.7%	12.4%	9.3%	15.3%	12.7%	12.5%	4.9%
NCREIF Property Index	13.3%	11.8%	11.0%	10.5%	14.3%	12.0%	12.2%	7.8%
Private Equity								
The Plan	9.2%	13.9%	10.9%	14.9%	11.7%	11.4%	12.1%	11.5%
Cambridge Associates Private Equity Index	7.1%	11.8%	20.2%	12.8%	8.1%	12.7%	11.9%	11.3%
Hedged Equity								
The Plan	3.4%	5.4%	17.6%	9.3%	-4.7%	8.6%	6.0%	N/A
HFRX Equity Hedge Index	-2.3%	1.4%	11.1%	4.8%	-19.1%	3.2%	-1.4%	-0.3%

* Comprised of defined benefit public pension plans with over \$1 billion in assets.

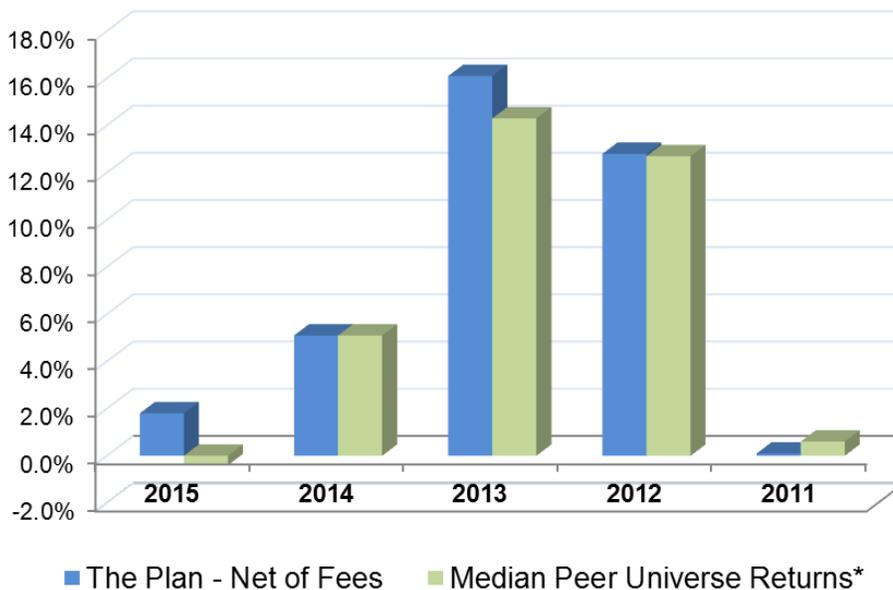
Investment returns were supplied by the Plan's investment consultant and calculated using the time-weighted rate of return method.

Returns are presented net-of-fees unless otherwise noted.

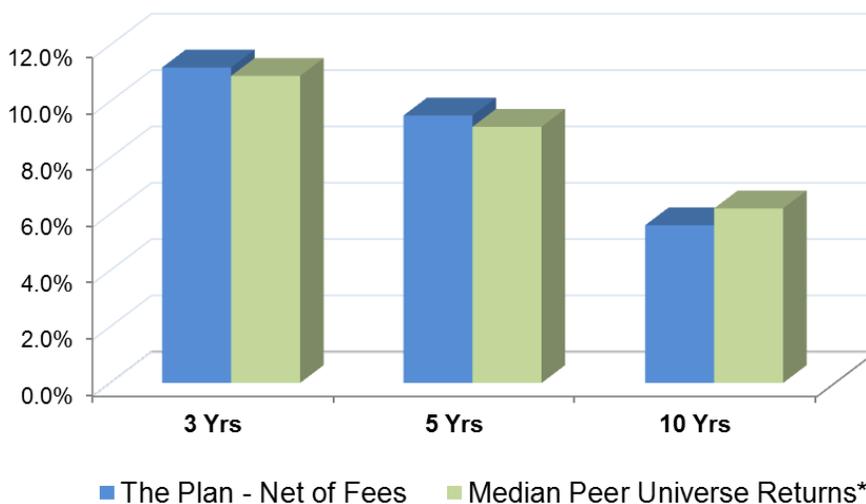
Investment Section

Portfolio Performance (Continued)

Calendar Year Returns - Total Plan



Annualized Returns - Total Plan



* Comprised of defined benefit public pension plans with over \$1 billion in assets.

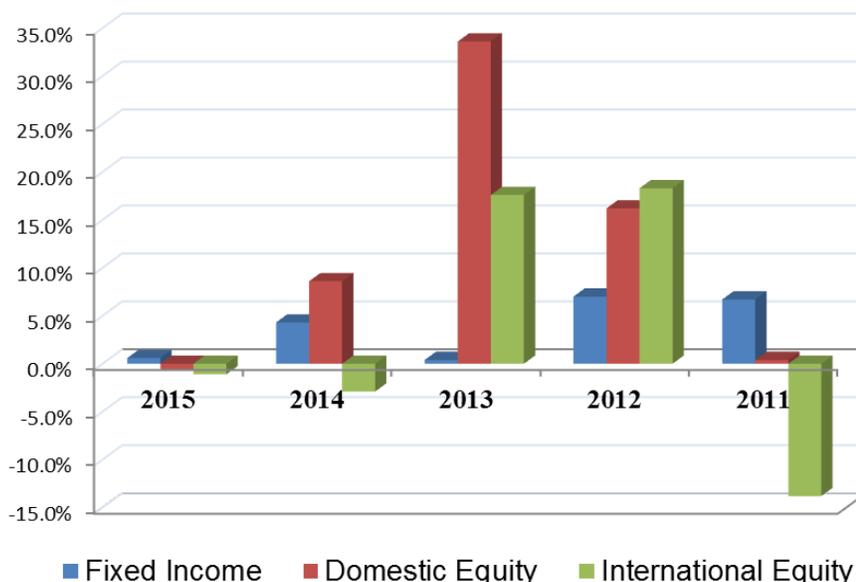
Investment returns were supplied by the Plan's investment consultant and calculated using the time-weighted rate of return method.

Returns are presented net-of-fees unless otherwise noted.

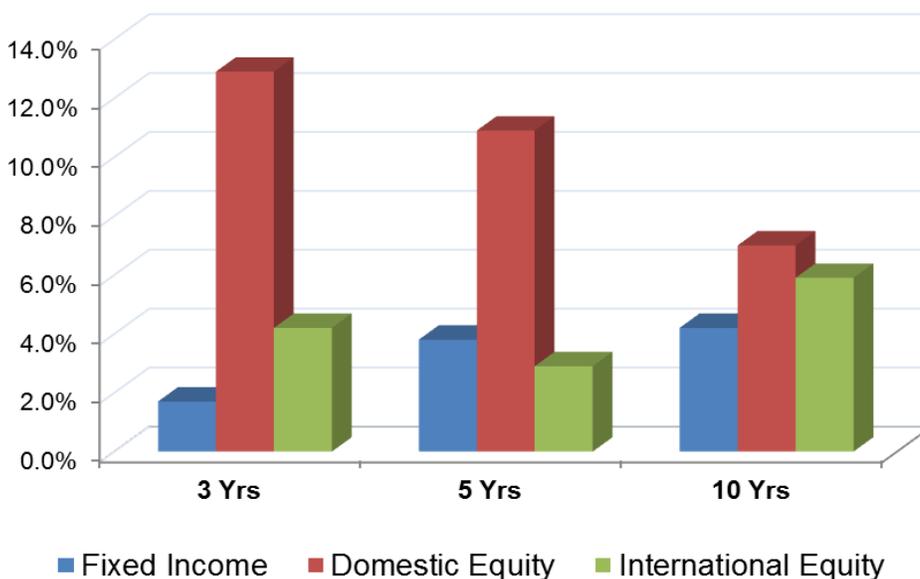
Investment Section

Portfolio Performance (Continued)

Calendar Year Returns - Equity & Fixed Income



Annualized Returns - Equity & Fixed Income



Investment returns were supplied by the Plan's investment consultant and calculated using the time-weighted rate of return method.

Returns are presented net-of-fees unless otherwise noted.

Investment Section

Portfolio Summary

As of December 31, 2015 and December 31, 2014

<u>Asset Category</u>	<u>As of December 31, 2015</u>			<u>As of December 31, 2014</u>		
	<u>Fair Value</u>	<u>Percent of Total</u>	<u>Target</u>	<u>Fair Value</u>	<u>Percent of Total</u>	<u>Target</u>
Fixed Income	\$1,147,787,800	25%	27%	\$1,284,769,161	25%	27%
Domestic Equity	1,094,887,585	24%	26%	1,248,724,196	25%	26%
International Equity	938,944,370	20%	22%	1,022,821,066	20%	22%
Hedged Equity	469,026,045	10%	10%	547,942,375	11%	10%
Real Estate	520,696,873	11%	10%	493,998,298	10%	10%
Private Equity	243,481,833	5%	5%	255,281,280	5%	5%
Short-term	204,541,471	4%	0%	213,971,637	4%	0%
Total Investments	<u><u>\$4,619,365,977</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>\$5,067,508,014</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

Components may not sum to totals due to rounding.

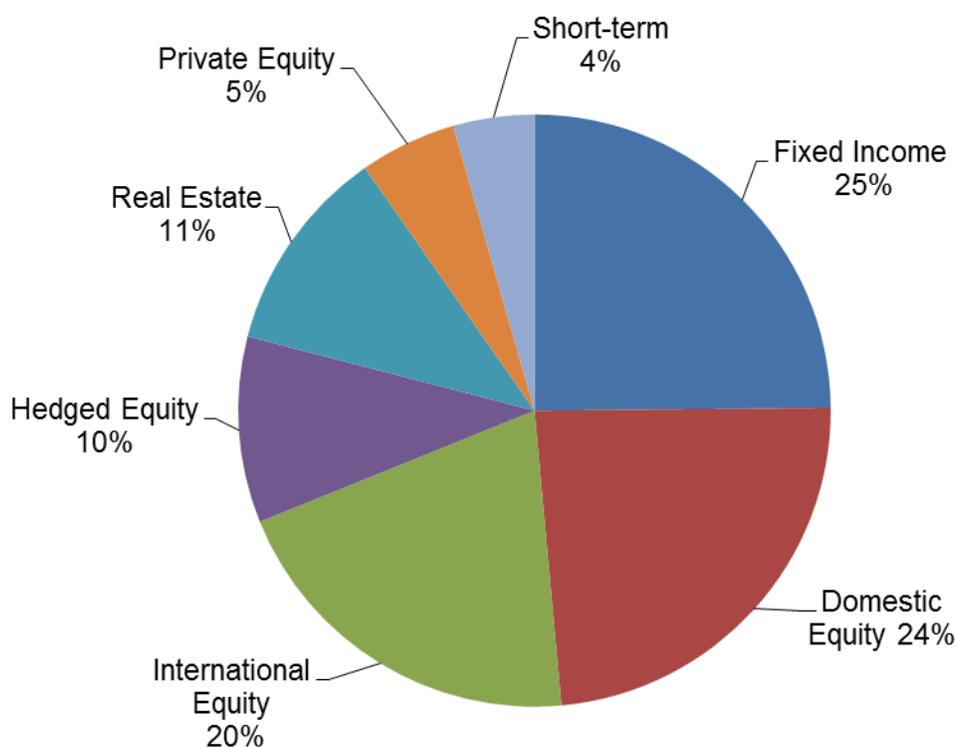
Investment Section

Portfolio Asset Allocation

As of December 31, 2015

Asset Class	Target Allocation	Actual Allocation
Fixed Income	27%	25%
Domestic Equity	26%	24%
International Equity	22%	20%
Hedged Equity	10%	10%
Real Estate	10%	11%
Private Equity	5%	5%
Short-term	0%	4%
Total	100%	100%

Actual Allocation as of December 31, 2015



Components may not sum to totals due to rounding.

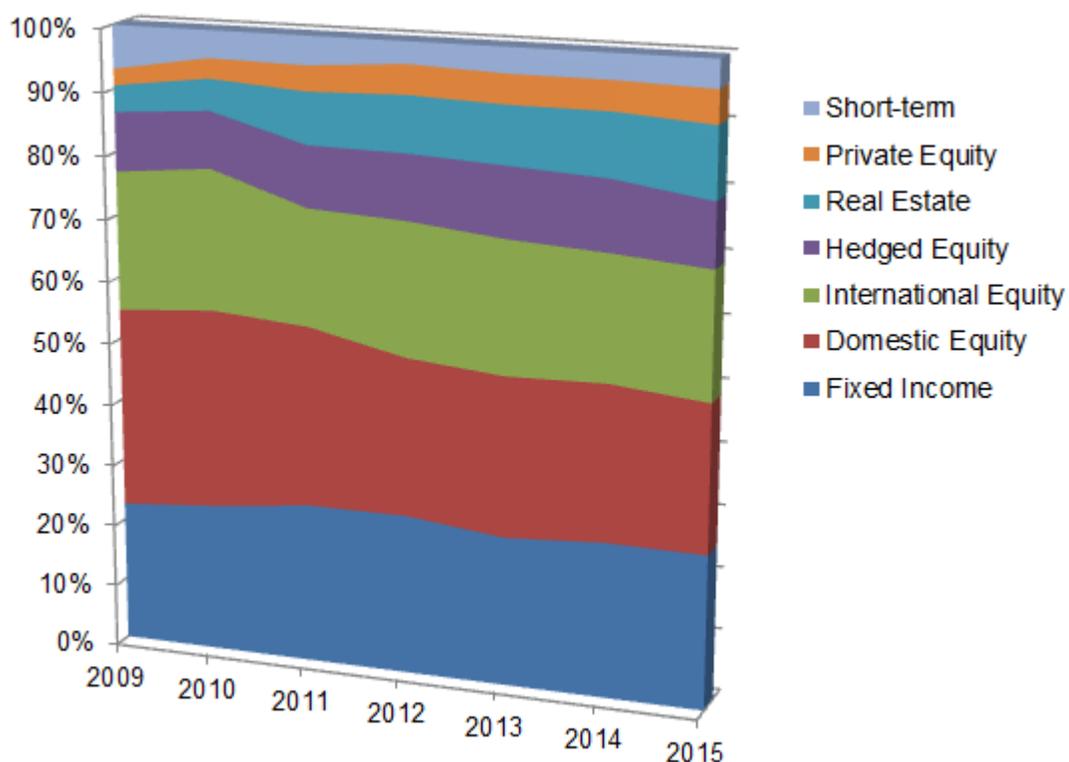
Investment Section

Portfolio Asset Allocation

Last Seven Years

<u>Asset Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fixed Income	23%	24%	26%	26%	24%	25%	25%
Domestic Equity	32%	32%	29%	25%	26%	25%	24%
International Equity	22%	22%	19%	21%	21%	20%	20%
Hedged Equity	9%	9%	10%	10%	11%	11%	10%
Real Estate	4%	5%	8%	9%	9%	10%	11%
Private Equity	3%	3%	4%	5%	5%	5%	5%
Short-term	7%	4%	5%	3%	4%	4%	4%
Total	100%						

Last Seven Years Asset Allocation



Components may not sum to totals due to rounding.

Investment Section

Domestic Equity Portfolio Summary

Year Ended December 31, 2015

Economic Sector Allocation

<u>Sector</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Dow Jones Allocation</u>
Information Technology	\$207,173,727	18.9%	18.2%
Consumer Discretionary	190,772,753	17.4%	19.9%
Financials	187,572,483	17.1%	13.4%
Industrials	165,515,381	15.1%	10.6%
Health Care	139,802,055	12.8%	14.8%
Consumer Staples	85,202,141	7.8%	8.8%
Energy	49,991,889	4.6%	5.9%
Materials	33,677,129	3.1%	3.1%
Utilities	23,161,853	2.1%	3.1%
Telecommunication Services	7,414,476	0.7%	2.2%
Miscellaneous/Unclassified	4,603,698	0.4%	0.0%
Total	<u>\$1,094,887,585</u>	<u>100.0%</u>	<u>100.0%</u>

Top 10 Holdings

<u>Name of Security</u>	<u>Sector</u>	<u>Shares</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>	<u>% of U.S. Equity</u>
Apple Inc Com Stk	Information Technology	173,417	\$18,253,873	\$10,527,296	1.7%
Microsoft Corp Com	Information Technology	196,816	10,919,352	5,079,816	1.0%
Amazon Com Inc Com	Consumer Discretionary	15,084	10,195,125	7,656,797	0.9%
Alphabet Inc Cap Stk Cl C Cap	Information Technology	11,308	8,581,415	4,055,549	0.8%
Lockheed Martin Corp Com	Industrials	37,429	8,127,707	5,358,314	0.7%
General Electric Co	Industrials	251,284	7,827,497	2,271,843	0.7%
Visa Inc Com Cl A Stk	Information Technology	98,592	7,645,810	5,687,056	0.7%
Gilead Sciences Inc	Health Care	74,901	7,579,232	3,903,809	0.7%
Honeywell Intl Inc Com Stk	Industrials	69,072	7,153,787	3,407,048	0.7%
Exxon Mobil Corp Com	Energy	91,160	7,105,922	2,049,116	0.6%
Total		<u>1,019,063</u>	<u>\$93,389,720</u>	<u>\$49,996,645</u>	<u>8.5%</u>

Note: A complete listing of the portfolio holdings is available for review at the Fund office.

Components may not sum to totals due to rounding.

Investment Section

International Equity Portfolio Summary

Year Ended December 31, 2015

Country	Fair Value	% of Total	US Index Allocation
Japan	\$174,028,682	18.5%	17.3%
United Kingdom	142,154,405	15.1%	14.3%
Germany	59,926,468	6.4%	6.7%
Switzerland	54,621,996	5.8%	6.9%
China	54,369,409	5.8%	5.5%
France	50,426,329	5.4%	7.2%
Canada	38,183,290	4.1%	5.9%
Australia	35,904,258	3.8%	5.0%
Sweden	27,931,354	3.0%	2.1%
India	26,243,416	2.8%	1.8%
Hong Kong	23,542,016	2.5%	2.3%
Taiwan	22,536,117	2.4%	2.5%
Korea, Republic Of	21,806,884	2.3%	3.2%
Spain	21,430,293	2.3%	2.3%
Italy	18,500,214	2.0%	1.7%
Denmark	14,911,067	1.6%	1.4%
Brazil	13,640,874	1.5%	1.1%
Netherlands	13,053,201	1.4%	2.1%
Mexico	11,796,710	1.3%	0.9%
South Africa	11,403,515	1.2%	1.4%
Israel	10,997,639	1.2%	0.6%
Ireland	10,735,657	1.1%	0.3%
Singapore	9,242,715	1.0%	0.9%
Belgium	9,438,606	1.0%	1.1%
Norway	8,271,393	0.9%	0.4%
Finland	8,233,171	0.9%	0.7%
Thailand	6,737,634	0.7%	0.4%
United Arab Emirates	6,541,930	0.7%	0.2%
Indonesia	6,332,480	0.7%	0.5%
Turkey	3,764,926	0.4%	0.3%
Philippines	3,437,808	0.4%	0.3%
Austria	3,199,232	0.3%	0.1%
New Zealand	3,012,411	0.3%	0.1%
Russian Federation	2,357,408	0.3%	0.7%
Remaining Countries	10,230,865	1.1%	1.9%
Total	\$938,944,370	100.0%	100.0%

Components may not sum to totals due to rounding.

Investment Section

International Equity Portfolio Summary (Continued)

Year Ended December 31, 2015

Top 10 Holdings

Name of Security	Country	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of Int'l Equity
Novo-Nordisk As Dkk0.2 Ser'B'	Denmark	Miscellaneous	52,562	\$7,110,802	\$3,083,174	0.8%
Samsung Electronic Krw5000	Korea-South	Capital Equipment	4,837	6,975,106	557,386	0.7%
Taiwan Semiconductor Mfg Co Ltd	American Samoa	Capital Equipment	205,595	6,777,111	1,331,348	0.7%
Tencent Hldgs Limited Common Stock	Hong Kong	Miscellaneous	252,900	6,506,803	2,412,733	0.7%
Nestle Sa Chf0.10(Regd)	Switzerland	Consumer Goods	24,300	5,750,255	2,625,568	0.6%
Experian Ord Usd0.10	Great Britain	Services	182,939	5,632,099	995,592	0.6%
Novartis Ag Chf0.50 (Regd)	Switzerland	Consumer Goods	21,200	5,176,523	1,900,026	0.6%
Fresenius Medical Care Npv	Andorra	Consumer Goods	57,568	5,139,072	763,107	0.5%
Roche Hldgs Ag Genusscheine Npv	Switzerland	Consumer Goods	6,400	5,030,425	1,587,765	0.5%
United Internet Ag Npv(Regd)	Andorra	Services	79,229	4,885,182	1,817,511	0.5%
Total			887,530	\$58,983,377	\$17,074,209	6.3%

A complete list of holdings is available upon request.

Components may not sum to totals due to rounding.

Investment Section

Fixed Income Portfolio Summary

Year Ended December 31, 2015

Asset Allocation

<u>Sector</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Barclays Agg Index Allocation</u>
Corporate Bonds	\$477,041,709	41.6%	24.3%
Government Mortgage Backed Securities	205,707,863	17.9%	28.6%
Government Bonds	192,479,956	16.8%	36.4%
Bank Loans	179,330,537	15.6%	0.0%
Government Agencies	42,717,668	3.7%	4.3%
Asset Backed Securities	15,680,741	1.4%	0.6%
Municipal/Provincial Bonds	12,010,407	1.0%	3.9%
Commercial Mortgage-Backed	11,805,003	1.0%	1.8%
Index Linked Government Bonds	8,145,438	0.7%	0.0%
Corporate Convertible Bonds	2,607,517	0.2%	0.0%
Non-Government Backed C.M.O.s	260,960	0.0%	0.0%
Total	\$1,147,787,800	100.0%	100.0%

Top 10 Holdings

<u>Name of Security</u>	<u>Sector</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>	<u>% of Fixed Income</u>
UNITED STATES TREAS NTS 3.50 DUE 05-15-2020 REG	Government Bonds	\$16,233,678	\$390,498	1.4%
US TREAS NTS DTD 00363 2.125 DUE 08-15-2021 REG	Government Bonds	15,470,972	3,422,558	1.3%
FNMA SINGLE FAMILY MORTGAGE 3.5% 30 YEARS SETTLES JANUARY	Government Mortgage	14,015,957	(16,967)	1.2%
UNITED STATES TREAS NTS DTD 02/15/2015 2% DUE 02-15-2025 REG	Government Bonds	13,318,969	(248,373)	1.2%
UNITED STATES TREAS NTS DTD 02/15/2013 2% DUE 02-15-2023 REG	Government Bonds	12,805,038	(28,034)	1.1%
UNITED STATES TREAS NTS DTD 00231 3.125%DUE 05-15-2019 REG	Government Bonds	12,184,800	(801,240)	1.1%
UTD STATES TREAS 1.75% DUE 05-15-2022	Government Bonds	10,426,510	3,960	0.9%
FHLMC PREASSIGN 00074 2.375 01-13-2022	Government Agencies	10,199,754	72,050	0.9%
UTD STATES TREAS 1.25% DUE 10-31-2019	Government Bonds	8,300,905	(96,247)	0.7%
MORGAN STANLEY 4.875% DUE 11-01-2022	Corporate Bonds	6,717,725	(109,366)	0.6%
Total		\$119,674,308	\$2,588,840	10.4%

A complete list of holdings is available upon request.

Components may not sum to totals due to rounding.

Investment Section

Domestic Equity Brokerage Commissions

As of December 31, 2015

Broker Name	Commissions	(#) Shares
Loop Capital*	\$124,517	4,765,220
Williams Capital*	42,208	2,716,397
CastleOak Securities Inc.*	29,151	1,130,754
Cabrera Capital*	25,033	1,560,642
Drexel Hamilton	21,699	570,538
Stifel Nicolaus & Co	21,042	551,108
Credit Research & Trading Corp	17,324	440,449
Robert W. Baird & Company Inc.	15,557	391,127
Raymond James	14,540	362,850
Cheevers & Company Inc.*	14,305	548,352
Instinet	13,898	563,056
Blaylock & Company Inc.*	11,730	328,105
Jonestrading Inst Serv	11,662	406,537
Bloomberg	10,466	348,302
Academy Securities Inc.	10,221	284,500
RBC Dain Rauscher	9,651	394,736
Keefe Bruyette & Woods Inc.	9,104	231,394
Bank of New York	7,211	270,368
North South Capital	6,631	301,081
Wedbush Morgan Securities	5,625	139,424
Jefferies & Company	5,256	1,260,782
Merrill Lynch	5,030	149,893
Percival Financial Partners	4,744	148,380
Barclay's Bank	4,602	143,431
Topeka Capital*	4,456	131,546
Sturdivant & Co. Inc.*	4,226	134,494
Penserra Securities*	4,108	102,700
Investment Technology Group Inc.	3,960	139,354
Goldman Sachs	3,313	115,277
Mischler Financial Group	2,935	109,867
William Blair & Co	2,773	69,622
J.P. Morgan	2,760	77,922
Sanford C. Bernstein & Co.	2,601	82,050
Cap Institutional Services Inc.	2,539	56,377
Morgan Stanley	2,419	68,497
Weeden & Company	2,345	170,542
Other Brokers	32,879	1,288,397
Total Commissions	\$ 512,521	20,554,071

* Women, minority, or disabled-owned brokerage firm.

Components may not sum to totals due to rounding.

Investment Section

International Equity Brokerage Commissions

As of December 31, 2015

Broker Name	Commissions	(#) Shares
UBS	\$56,695	17,924,877
Credit Suisse	54,269	23,523,143
Bank of New York	52,865	5,770,861
CLSA	49,926	16,060,004
Morgan Stanley	48,009	13,211,717
Merrill Lynch	42,793	8,280,032
J.P. Morgan	42,259	14,619,735
Citi Group	33,261	6,712,902
Deutsche Bank	31,783	4,719,519
Barclay's Bank	22,710	4,976,684
Instinet	22,083	10,621,545
Goldman Sachs	19,281	3,909,910
Pershing Square	17,077	757,661
Jefferies & Company	14,971	2,281,237
Cabrera Capital*	12,890	1,109,625
Daiwa Capital Markets	12,000	2,841,336
Macquarie Bank Limited	10,728	3,589,620
HSBC	10,075	1,633,581
Loop Capital*	8,567	223,081
BNP Paribas	8,419	2,203,788
Williams Capital*	8,354	61,292
Sanford C. Bernstein & Co.	6,805	2,119,807
M. Ramsey King Securities*	5,723	269,233
Axis Capital Limited	5,436	144,777
Korea Investments & Securities Co.	4,913	24,276
Icap Do Brasil Dtmv Ltda	4,514	231,498
JM Financial Institutional	3,879	125,716
Cheevers & Company Inc.*	3,842	128,050
Nomura	3,490	324,420
Banco BTGg Pactual S.A.	3,448	67,400
Societe Generale London Branch	3,388	598,317
Investment Technology Group Inc.	2,961	346,580
Exane S.A.	2,922	203,500
Kotak Securities Ltd	2,814	153,318
Edelweiss Securities Pvt Ltd	2,703	94,331
Credit Agricole Cib	2,620	28,403
Other Brokers	36,072	23,893,742
Total Commissions*	\$ 674,545	173,785,518

* Women, minority, or disabled-owned brokerage firm.

Components may not sum to totals due to rounding.

Investment Section

Investment Fees

As of December 31, 2015 (in thousands)

	2015	2014
<u>Investment Management Fees</u>	<u>Fees</u>	<u>Fees</u>
Fixed Income	\$2,476	\$2,383
Domestic Equity	2,665	3,780
International Equity	3,364	3,609
Global Equity	1,255	1,206
Hedged Equity	3,921	4,170
Real Estate	5,020	4,791
Private Equity	4,028	4,010
	\$22,730	\$23,950
<u>Other Investment Fees</u>		
Custodial Services - Domestic	\$375	\$313
Global Custodial Services - Bank Loans	82	70
Global Custodial Services	10	0
TNT Global Custodial Services	5	0
Investment Advisory Services	290	290
Dues & Subscription	4	0
Legal Services - Investments	9	6
	775	678
Total Investment Fees	\$23,506 ⁽¹⁾	\$24,628 ⁽²⁾

(1) Total investment fees for 2015 represent approximately 51 bps of total investments.

(2) Total investment fees for 2014 represent approximately 49 bps of total investments.

For a schedule of investment fees by category, please refer to the schedule "Investment Management Compensation" in the financial section on pages 51-52.

Components may not sum to totals due to rounding.

Actuarial



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May 13, 2016

The Retirement Board of the
Municipal Employees' Annuity and Benefit Fund of Chicago
321 N Clark St, Ste 700
Chicago IL 60654-4767

Dear Board Members:

We are pleased to submit this annual Actuarial Valuation and Review as of December 31, 2015. It summarizes the actuarial data used in the valuation, establishes the net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 67 as of December 31, 2015, the pension expense for the fiscal year ending December 31, 2015, under GASB Statement No. 68, the actuarially determined contribution for the year ending December 31, 2016, the net OPEB obligation as of December 31, 2015, under GASB Statements No. 43 and 45, and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF). The census information and financial information on which our calculations were based was prepared by the Fund staff. That assistance is gratefully acknowledged. We have not subjected the census data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

Since the effective date of the last actuarial valuation, Public Act 98-0641, which changed certain benefit and eligibility provisions, increased member and employer contributions, and resulted in a net decrease to the actuarial liabilities of the Fund, was ruled unconstitutional. As a result, the liabilities in this valuation are calculated as if Public Act 98-0641 never occurred.

The actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Fund's actuary. The assumptions and methods used for the December 31, 2015, actuarial valuation were based on an experience analysis covering the five-year period ending December 31, 2009, and were adopted by the Board, effective for the December 31, 2010 valuation. These actuarial assumptions and methods comply with the parameters set by the Actuarial Standards of Practice and the parameters for disclosure of GASB 43, 45, 67, and 68. Further, in our opinion, the assumptions as approved by the Board appear to be reasonably related to the experience of the Fund. The investment return assumption is based on the fund being invested according to the target asset allocation in the Investment Policy Statement. To the extent that the liquidation of assets to pay benefit payments and expenses requires a shift in investment allocation to more liquid, lower return asset classes, a lower discount rate may be required in the future.

Actuarial Section

MEABF is funded by employer and member contributions in accordance with the funding policy specified under the Illinois Pension Code (40 ILCS 5/8). **For 2016, employer contributions are equal to employee contributions from two years prior times 1.25, the contribution multiple. The funding method mandated by the Illinois Pension Code is insufficient to avoid insolvency, and without a change, the Fund is projected to become insolvent within the next 10 years (during 2025).** At a minimum, the funding method should provide the Fund with sufficient assets to be able to pay all future benefit payments. However, we strongly recommend an actuarial funding method that targets 100% funding where payments at least cover interest on the unfunded actuarial liability and a portion of the principal balance. The actuarially determined contribution multiple (the basis of which is found in the “Development of Employer Costs”) for 2016 is 7.51.

This report includes the following schedules for the actuarial section of the Comprehensive Annual Financial Report:

- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency Test
- Analysis of Financial Experience

This report includes the following schedules for the financial section of the Comprehensive Annual Financial Report:

- Schedule of Funding Progress
- Schedule of Employer Contributions

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

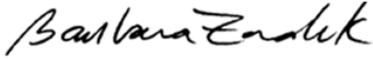
The actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: 
Kim Nicholl, FSA, MAAA, EA, FCA
Senior Vice President and Actuary


Matthew A. Strom, FSA, MAAA, EA
Vice President and Actuary


Barbara Zaveduk, MAAA, EA
Vice President and Actuary

Actuarial Section

Valuation Summary

Purpose

The actuarial report was prepared by Segal Consulting to present a valuation of the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF or Fund or Plan) as of December 31, 2015. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Fund, as administered by the Retirement Board;
- The characteristics of covered active members, inactive vested members, and retirees and beneficiaries as of December 31, 2015, provided by the MEABF staff;
- The assets of the Plan as of December 31, 2015, provided by the MEABF staff;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of the actuarial valuation:

1. Public Act 98-0641 was ruled unconstitutional by the Illinois Supreme Court. As a result, liabilities for this valuation are calculated as if the changes never occurred.
2. **As a result of the benefit and funding changes in Public Act 98-0641 being revoked, the Fund is in imminent danger of insolvency. Without increased funding, the Fund is projected to become insolvent within the next 10 years (during 2025).**
3. The Government Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. Statement 67 was effective with the fiscal year ending December 31, 2014, for Plan reporting. Statement 68 is effective with the fiscal year ending December 31, 2015, for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with both Statements 67 and 68. Statements 43 and 45, for OPEB reporting, remain unchanged.
4. When measuring pension liability for GASB purposes, the same actuarial cost method (Entry Age method) is used for funding purposes. However, as of December 31, 2015, the GASB blended discount rate calculation results in a lower discount rate (3.73%) than used for funding purposes (7.50%). This means that the total pension liability (TPL) measure for financial reporting shown in the actuarial report will differ from the actuarial accrued liability (AAL) measure for funding. We note that the same is true for the normal cost component of the annual plan cost for funding and financial reporting.
5. The net pension liability (NPL) is equal to the difference between the TPL and the Plan's fiduciary net position. The Plan's fiduciary net position is equal to the fair value of assets. The NPL increased from \$7,127,607,766 as of December 31, 2014, to \$18,617,442,068 as of December 31, 2015.
6. The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of December 31, 2015, is 32.9%, compared to 40.9% as of December 31, 2014. Prior to reflecting the benefit provision changes in Public Act 98-0641, the funded ratio as of December 31, 2014 was 35.2%. Using the fair value of assets, the funded ratio as of December 31, 2015, is 32.4%, compared to 42.0% as of December 31, 2014.

Actuarial Section

Significant Issues in Valuation Year (continued)

7. Employer contributions are determined as a multiple of the applicable employee contributions from two years prior. For 2016, the employer contributions are 1.25 times the applicable employee contributions from 2014 (\$129,168,659). Therefore, 2016 employer contributions are estimated to be \$161,460,824 (\$129,168,659 times 1.25).
8. As shown in the Actuarially Determined Contribution chart, for the fiscal year beginning January 1, 2016, the actuarially determined contribution (ADC) for pension benefits is \$961,769,955. The estimated employer contribution for 2016 was determined to be \$161,460,824, of which \$8,335,235 is expected to be used for OPEB. Therefore, the estimated 2016 employer contribution for pension benefits is expected to be \$153,125,589. **Compared to the actuarially determined contribution of \$961,769,955, the contribution deficiency is \$808,644,366. Each year there is a contribution deficiency leads to an increased deficiency in all future years.**
9. The total employer contributions for 2015 were estimated to be \$163,986,400. Actual employer contributions for 2015 totaled \$157,716,475: \$8,491,284 for OPEB and \$149,225,191 for pension benefits.
10. For the year ended December 31, 2015, Segal has determined that the asset return on a market basis was 2.3%. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 6.9%. This represents an experience loss when compared to the assumed rate of 7.5%. As of December 31, 2015, the actuarial value of assets (\$4.82 billion) represents 101.6% of the fair value (\$4.74 billion).
11. The total unrecognized investment loss as of December 31, 2015, is \$73,699,287. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 7.5% per year (net of expenses) on a fair value basis will result in investment losses on the actuarial value of assets in the next few years.
12. As mentioned above, the current method used to determine the actuarial value of assets yields an amount that is 101.6% of the fair value of assets as of December 31, 2015. Guidelines in Actuarial Standards of Practice No. 44 (Selection and Use of Asset Valuation Methods for Pension Valuations) recommend that asset values fall within a reasonable range around the corresponding fair value. Segal believes the actuarial asset method currently complies with these guidelines.
13. This actuarial valuation report as of December 31, 2015, is based on financial data as of that date. Changes in the value of assets subsequent to that date are not reflected.

Actuarial Section

Summary of Key Valuation Results

	2015	2014*	
Funding ratios as of December 31:			
Actuarial accrued liability**	\$14,655,261,717	\$12,324,589,003	
Fair value of assets	4,741,427,557	5,179,486,296	
Unfunded actuarial accrued liability on a fair value basis	9,913,834,160	7,145,102,707	
Funded ratio on a fair value basis	32.35%	42.03%	
Actuarial value of assets	\$4,815,126,844	\$5,039,297,432	
Unfunded actuarial accrued liability on an actuarial value basis	9,840,134,873	7,285,291,571	
Funded ratio on an actuarial value basis	32.86%	40.89%	
Book value of assets	\$4,175,111,568	\$4,409,382,228	
Unfunded actuarial accrued liability on a book value basis	10,480,150,149	7,915,206,775	
Funded ratio on a book value basis	28.49%	35.78%	
Demographic data as of December 31:			
Number of retirees and beneficiaries	24,964	24,855	
Number of inactive members	16,268	15,495	
Number of active members	30,683	30,160	
Total pensionable salary supplied by the Fund	\$1,643,480,973	\$1,602,977,593	
Average pensionable salary	\$53,563	\$53,149	
Contribution requirement for Fiscal Year:			
	2017	2016	2015
Applicable members' contribution, two years prior	\$130,851,422	\$129,168,659	\$131,189,154
Statutory contribution multiple	1.25	1.25	1.25
Statutory City contribution	\$163,564,278	\$161,460,824	\$163,986,400
Actuarially determined contribution requirement	N/A	970,112,414	686,374,349

*Includes the benefit and method changes in Public Act 98-0641

**Includes pension and OPEB

Summary of Key Valuation Results: Pension

	2016	2015*
Contributions for plan year beginning January 1:		
Actuarially determined contribution requirement	\$961,769,955	\$677,200,246
Expected employer contributions	153,125,589	233,588,700
Actual employer contributions	-	149,225,191
Funding elements for plan year beginning January 1:		
Employer normal cost, including administrative expenses, adjusted for timing	\$129,283,370	\$83,681,511
Fair value of assets	4,741,427,557	5,179,486,296
Actuarial value assets	4,815,126,844	5,039,297,432
Actual accrued liability	14,647,114,971	12,307,094,062
Unfunded actuarial accrued liability on an actuarial value basis	9,831,988,127	7,267,796,630
Funded ratio on actuarial value basis	32.87%	40.95%
GASB information:		
Long-term expected rate of return	7.50%	7.50%
Municipal bond rate	3.57%	3.56%
Single equivalent discount rate	3.73%	7.50%
Total pension liability	\$23,358,869,625	\$12,307,094,062
Plan fiduciary net position	4,741,427,557	5,179,486,296
Net pension liability	18,617,442,068	7,127,607,766
Plan fiduciary net position as a percentage of total pension liability	20.30%	42.09%

*Includes the benefit and method changes in Public Act 98-0641

Actuarial Section

Summary of Key Valuation Results: OPEB

	2016	2015
Contribution for the plan year beginning January 1:		
Actuarially determined contribution requirement	\$8,342,459	\$9,174,103
Expected employer contributions	8,335,235	9,111,300
Actual employer contributions	0	8,491,284
Funding elements for plan year beginning January 1:		
Actuarial accrued liability	\$8,146,746	\$17,494,941
Actuarial value of assets	0	0
Unfunded actuarial accrued liability on a fair value basis	8,146,746	17,494,941
Funded ratio on a fair value basis	0%	0%
GASB information as of December 31 of the prior year:		
Discount rate	4.50%	4.50%
Total OPEB liability	\$8,146,746	\$17,494,941

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Pensioners as of the valuation date (including 4,378 beneficiaries and 2 deferred retirees)	24,964
2. Members inactive during year ended December 31, 2015 with vested rights	1,900
3. Members active during the year ended December 31, 2015	30,683
Fully vested	16,156
Not vested	14,527
4. Other non-vested inactive members as of the valuation date	14,368

Determination of Actuarial Accrued Liability:

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
1. Active members			
a. Retirement benefits	\$7,229,745,221	\$1,536,080,631	\$5,693,664,590
b. Death benefits	103,420,360	34,983,970	68,436,390
c. Withdrawal benefits	570,808,567	498,760,076	72,048,491
d. Total	7,903,974,148	2,069,824,677	5,834,149,471
2. Inactive vested members	276,711,853	0	276,711,853
3. Inactive non-vested members	115,719,247	0	115,719,247
4. Retirees and beneficiaries	8,420,534,400	0	8,420,534,400
5. Total	\$16,716,939,648	\$2,069,824,677	\$14,647,114,971

Determination of Unfunded Actuarial Accrued Liability:

1. Actuarial accrued liability	\$14,647,114,971
2. Actuarial value of assets (\$4,741,427,557 at fair value)	4,815,126,844
3. Unfunded actuarial accrued liability	\$9,831,988,127

Actuarial Section

Summary of Actuarial Valuation Results

Components of normal cost:	Tier 1		Tier 2		Total	
	% of Payroll	Amount	% of Payroll	Amount	% of Payroll	Amount
1. Retirement	11.37%	\$151,647,369	5.67%	\$22,958,147	10.04%	\$174,605,516
2. Turnover	3.66%	48,856,452	2.15%	8,725,236	3.31%	57,581,688
3. Mortality	0.22%	2,912,953	0.26%	1,072,256	0.23%	3,985,209
4. Disability	<u>0.75%</u>	<u>10,001,352</u>	<u>0.75%</u>	<u>3,038,714</u>	<u>0.75%</u>	<u>13,040,066</u>
5. Total normal cost: (1) + (2) + (3) + (4)	16.00%	\$213,418,126	8.83%	\$35,794,353	14.33%	\$249,212,479
6. Total normal cost, adjusted for timing*					14.86%	258,388,998
7. Administrative expenses					<u>0.39%</u>	<u>6,701,000</u>
8. Total normal cost, including administrative expenses: (6) + (7)					15.25%	\$265,089,998
9. Expected employee contributions**					<u>-8.08%</u>	<u>-140,398,043</u>
10. Employer normal cost: (8) + (9)					7.17%	\$124,691,955
11. Employer normal cost, adjusted for timing***					7.87%	\$129,283,370

* Reflects timing adjustment to the middle of the year

** Based on payroll, adjusted to the middle of the year

*** Reflects timing adjustment to the end of the year

Actuarially Determined Contribution

	Year Beginning January 1, 2016	
	Amount	% of Payroll
1. Total normal cost*	\$258,388,998	14.86%
2. Administrative expenses	6,701,000	0.39%
3. Expected employee contributions**	<u>-140,398,043</u>	<u>-8.08%</u>
4. Employer normal cost: (1) + (2) + (3)	\$124,691,955	7.17%
5. Employer normal cost, adjusted for timing***	129,283,370	7.44%
6. Actuarial accrued liability	14,647,114,971	
7. Actuarial value of assets	<u>4,815,126,844</u>	
8. Unfunded/(overfunded) actuarial accrued liability: (6) - (7)	\$9,831,988,127	
9. Payment on unfunded actuarial accrued liability, adjusted for timing***	832,486,585	47.88%
10. Actuarially determined contribution: (5) + (9)	<u>\$961,769,955</u>	<u>55.32%</u>
11. Projected payroll	\$1,738,675,456	
12. Member contributions from two years prior	129,168,659	
13. Actuarially determined contribution multiple: (10) ÷ (12)	7.45	

* Reflects timing adjustment to the middle of the year

** Based on payroll, adjusted to the middle of the year

*** Employer contributions are assumed to be paid at the end of the year

Actuarial Section

Plan Membership

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Active Members		
Number*	30,683	30,160
Tier 1	21,711	22,931
Tier 2	8,972	7,229
Vested	16,156	16,321
Non-vested	14,527	13,839
Average age	46.5	46.8
Average years of service	11.7	12.0
Average annual salary	\$53,563	\$53,149
Inactive Members		
Number	16,268	15,495
Average age	46.4	46.1
Average years of service	3.8	3.9
Retirees		
Number	20,584	20,411
Average age	72.8	72.7
Average annual benefit	\$36,300	\$34,548
Deferred		
	2	3
Surviving		
Number	4,126	4,161
Average age	78.2	78.1
Average annual benefit	\$14,016	\$13,776
Reversionary annuitants		
Number	134	139
Average age	79.9	79.7
Average annual benefit	\$4,800	\$4,704
Children		
	118	141
Total members	71,915	70,510

**Includes 420 and 400 members receiving disability benefits for 2014 and 2015, respectively*

Actuarial Section

Actuarial Experience

To calculate the actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. Overall favorable experience relative to the assumptions (an actuarial gain) causes a decrease in the contribution requirement. On the other hand, overall less favorable experience relative to the assumptions (an actuarial loss) causes an increase in the contribution requirement.

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is \$88,244,369; \$29,330,715 from investment losses and \$117,575,084 in gains from all other sources. The net experience variation from individual sources other than investments was approximately 0.8% of the actuarial accrued liability.

This chart provides a summary of the actuarial experience during the past year:

Actuarial Experience for Year Ended December 31, 2015

1. Net gain/(loss) from investments*	-\$29,330,715
2. Net gain/(loss) from administrative expenses	-133,158
3. Net gain/(loss) from other experience**	<u>117,708,242</u>
4. Net experience gain/(loss): (1) + (2) + (3)	\$88,244,369

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the MEABF's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.50%. The actual rate of return on an actuarial basis for the 2015 plan year was 6.88%.

Since the actual return for the year was less than the assumed return, the Fund experienced an actuarial loss during the year ended December 31, 2015 with regard to its investments.

This chart below shows the gain/(loss) due to investment experience:

Actuarial Value Investment Experience for Year Ended December 31, 2015

1. Actual return	\$327,913,441
2. Average value of assets	4,763,255,418
3. Actual rate of return: (1) ÷ (2)	6.88%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	\$357,244,156
6. Actuarial gain/(loss): (1) – (5)	<u>-\$29,330,715</u>

Actuarial Section

Administrative Expenses

Administrative expenses for the year ended December 31, 2015 totaled \$6,701,000 compared to the assumption of \$6,567,842. This resulted in a loss of \$133,158 for the year.

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended December 31, 2015 amounted to \$117,708,242, which is less than 0.8% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Fund for the year ended December 31, 2015 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

Experience Due to Changes in Demographics for Year Ended December 31, 2015

1	Turnover	\$24,289,603
2	Retirement	-26,985,020
3	Deaths among retirees and beneficiaries	267,881
4	Salary/service increase for continuing actives	114,367,955
5	New entrants	-11,604,349
6	Miscellaneous	<u>17,372,172</u>
7	Total	<u>\$117,708,242</u>

Actuarial Section

Development of Unfunded Actuarial Accrued Liability

	Year Ending December 31				
	2015	2014	2013	2012	2011
1. Unfunded actuarial accrued liability at beginning of year*	\$7,285,291,571	\$8,742,285,563	\$8,564,139,771	\$6,903,880,605	\$6,048,840,271
2. Normal cost at beginning of year*	233,177,207	253,748,078	265,457,853	-	-
3. Total contributions	-289,144,578	-288,769,612	-289,237,144	-	-
4. Interest					
(a) Unfunded actuarial accrued liability and normal cost	\$563,885,158	\$674,702,523	\$662,219,822	-	-
(b) Total contributions	<u>-4,839,455</u>	<u>-10,633,094</u>	<u>-10,650,310</u>	-	-
(c) Total interest: (4a) + (4b)	<u>559,045,703</u>	<u>664,069,429</u>	<u>651,569,512</u>	<u>520,449,450**</u>	<u>449,777,576**</u>
5. Expected unfunded actuarial accrued liability: (1) + (2) + (3) + (4c)	\$7,788,369,903	\$9,371,333,458	\$9,191,929,992	\$7,424,330,055	\$6,498,617,847
6. Changes due to (gain)/loss from:					
(a) Investments	\$29,330,715	-\$86,701,165	-\$174,927,836	\$445,339,476	\$501,202,990
(b) Demographics and other	<u>-117,575,084</u>	<u>-8,634,360</u>	<u>-144,376,875</u>	<u>-36,949,696</u>	<u>-36,971,899</u>
(c) Total changes due to (gain)/loss: (6a) + (6b)	-88,244,369	-95,335,525	-319,304,711	408,389,780	464,231,091
7. Change due to plan provisions	2,140,009,339	-1,990,706,362	-130,339,718	0	0
8. Change in actuarial assumptions	<u>0</u>	<u>0</u>	<u>0</u>	<u>731,419,936</u>	<u>(58,968,333)</u>
9. Unfunded actuarial accrued liability at end of year*: (5) + (6c) + (7) + (8)	<u>\$9,840,134,873</u>	<u>\$7,285,291,571</u>	<u>\$8,742,285,563</u>	<u>\$8,564,139,771</u>	<u>\$6,903,880,605</u>

* Includes pension and OPEB liabilities

** Losses during the year attributable to contributions less than normal cost plus interest

Actuarial Section

Development of Employer Costs

The amount of actuarially determined contribution is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the actuarially determined contribution of 55.32% of payroll. The actuarially determined contribution is based on a 30-year, level dollar amortization of the unfunded actuarial accrued liability.

This chart shows the calculation of the actuarially determined contribution for the upcoming year:

Actuarially Determined Contribution

	<u>Year Beginning January 1, 2016</u>	
	Amount	% of Payroll
1. Total normal cost*	\$258,388,998	14.86%
2. Administrative expenses	6,701,000	0.39%
3. Expected employee contributions**	<u>-140,398,043</u>	<u>-8.08%</u>
4. Employer normal cost: (1) + (2) + (3)	\$124,691,955	7.17%
5. Employer normal cost, adjusted for timing***	129,283,370	7.44%
6. Actuarial accrued liability	14,647,114,971	
7. Actuarial value of assets	<u>4,815,126,844</u>	
8. Unfunded/(overfunded) actuarial accrued liability: (6) - (7)	\$9,831,988,127	
9. Payment on unfunded actuarial accrued liability, adjusted for timing***	832,486,585	47.88%
10. Actuarially determined contribution: (5) + (9)	<u>\$961,769,955</u>	<u>55.32%</u>
11. Projected payroll	\$1,738,675,456	
12. Member contributions from two years prior	129,168,659	
13. Actuarially determined contribution multiple: (10) ÷ (12)	7.45	

* Reflects timing adjustment to the middle of the year

** Based on payroll, adjusted to the middle of the year

*** Employer contributions are assumed to be paid at the end of the year

The contribution requirements as of December 31, 2015 are based on all of the data described in the previous sections, the actuarial assumptions described and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Actuarial Section

Development of Employer Costs (continued)

Reconciliation of Actuarially Determined Contribution

The chart below details the changes in the actuarially determined contribution from the prior valuation to the current year's valuation. The charts reconciles the contribution from the prior year valuation to the amount determined in this valuation.

Reconciliation of Actuarially Determined Contribution from December 31, 2014 to December 31, 2015

Actuarially Determined Contribution as of December 31, 2014	\$677,200,246
Effect of Public Act 98-0641 ruled unconstitutional	208,784,633
Effect of change in asset method	0
Effect of expected change in amortization payment due to payroll growth	0
Effect of rolling amortization period	-7,841,075
Effect of change in administrative expense assumption	133,158
Effect of change in other actuarial assumptions	0
Effect of contributions (more)/less than actuarially determined contribution	46,714,058
Effect of investment (gain)/loss	2,395,269
Effect of other gains and losses on accrued liability	-9,506,992
Effect of adjusting employee contributions to be based on middle-of-the-year payroll	7,389,371
Effect of employer contributions payable at end of year, instead of the middle of the year	34,070,306
Effect of net other changes	<u>2,430,981</u>
Total change	<u>\$284,569,709</u>
Actuarially Determined Contribution as of December 31, 2015	<u>\$961,769,955</u>

The determination of the OPEB Annual Required Contribution is detailed below:

Annual Required Contribution: OPEB

	Year Beginning January 1, 2016	
	Amount	% of Payroll
1. Normal Cost, adjusted for timing	\$7,459	0.00%
2. Unfunded Actuarial Accrued Liability (UAAL)		
a) Actuarial Accrued Liability (AAL)	8,146,746	
b) Actuarial Value of Assets	0	
c) UAAL: (a) - (b)	8,146,746	
3. Payment on UAAL (1 year, Level \$), adjusted for timing	8,335,000	0.51%
4. Minimum Actuarially Calculated contributions: (1) + (3)	8,342,459	0.51%
5. Estimated Member contributions	0	
6. Annual Required contribution (ARC): (4) - (5)	8,342,459	0.51%
7. Member contributions from two years prior	129,168,659	
8. Actuarially determined contribution multiple: (6)/(7)	0.06	

Actuarial Section

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
12/31/2006	\$6,509,145,626	\$9,476,118,446	\$2,966,972,820	68.69%	\$1,475,877,378	201.03%
12/31/2007	6,890,462,918	9,968,746,844	3,078,283,926	69.12%	1,564,458,835	196.76%
12/31/2008	6,669,501,770	10,383,157,695	3,713,655,925	64.23%	1,543,976,553	240.53%
12/31/2009	6,295,788,191	10,830,119,369	4,534,331,178	58.13%	1,551,973,348	292.17%
12/31/2010	6,003,389,605	11,828,665,658	5,825,276,053	50.75%	1,541,388,065	377.92%
12/31/2011	5,552,291,417	12,292,930,124	6,740,638,707	45.17%	1,605,993,339	419.72%
12/31/2012	5,073,320,275	13,475,376,963	8,402,056,688	37.65%	1,590,793,702	528.17%
12/31/2013	5,114,207,803	13,828,920,032	8,714,712,229	36.98%	1,580,288,709	551.46%
12/31/2014	5,039,297,432	12,307,094,062	7,267,796,630	40.94%	1,602,977,593	453.39%
12/31/2015	4,815,126,844	14,647,114,971	9,831,988,127	32.87%	1,643,480,973	598.24%

* Not less than zero

Solvency Test

Actuarial Valuation Date	(1) Active and Inactive Member Contribution	(2) Retirees and Beneficiaries	(3) Active and Inactive Members (ER Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets		
					(1)	(2)	(3)
12/31/2006	\$1,347,789,693	\$5,438,978,756	\$2,905,551,034	\$6,509,145,626	100.00%	94.90%	0.00%
12/31/2007	1,437,604,071	5,572,797,922	3,176,213,194	6,890,462,918	100.00%	97.85%	0.00%
12/31/2008	1,536,221,953	5,701,015,809	3,368,610,969	6,669,501,770	100.00%	90.04%	0.00%
12/31/2009	1,610,503,053	5,874,606,230	3,569,183,317	6,295,788,191	100.00%	79.75%	0.00%
12/31/2010	1,682,418,161	6,438,552,003	3,931,259,712	6,003,389,605	100.00%	67.11%	0.00%
12/31/2011	1,724,683,910	6,803,140,300	3,928,347,812	5,552,291,417	100.00%	56.26%	0.00%
12/31/2012	1,724,021,890	7,633,045,219	4,280,392,937	5,073,320,275	100.00%	43.88%	0.00%
12/31/2013	1,763,193,047	7,938,850,949	4,154,449,370	5,114,207,803	100.00%	42.21%	0.00%
12/31/2014	1,816,477,893	7,029,523,772	3,478,587,338	5,039,297,432	100.00%	45.85%	0.00%
12/31/2015	1,874,982,804	8,427,968,220	4,352,310,693	4,815,126,844	100.00%	34.89%	0.00%

Actuarial Section

Comparison of Employer Contribution to Actuarially Determined Contribution

Plan Year Ended December 31	Actuarially Determined Contributions (ADC)*	Actual Contributions**	Percentage Contributed
2006	\$325,913,986	\$157,062,769	48.2%
2007	366,410,212	148,137,050	40.4%
2008	384,169,836	155,832,612	40.6%
2009	436,475,587	157,697,608	36.1%
2010	506,902,840	164,302,004	32.4%
2011	634,559,144	156,525,374	24.7%
2012	705,454,416	158,380,709	22.5%
2013	834,398,482	157,704,971	18.9%
2014	848,864,496	158,797,631	18.7%
2015	686,373,727	157,716,475	23.0%
2016	970,112,414	--	--

* Prior to 2015, this amount was the Annual Required Contribution (ARC). Includes pension and OPEB.

**Receivable amount to be paid the following year.

Actuarial Section

Reconciliation of Member Data

	Active Members*	Inactive Members	Deferred Retirees	Retirees	Beneficiaries	Total
Number as of December 31, 2014	30,160	15,495	3	20,411	4,441	70,510
New members	3,216	N/A	N/A	N/A	N/A	3,216
Terminations	-1,343	1,343	0	0	0	0
Retirements	-796	-175	-1	972	N/A	0
Died with beneficiary	-29	-1	0	-199	229	0
Died without beneficiary	-42	-22	0	-608	-291	-963
Refunds	-716	-236	0	0	0	-952
Rehire	247	-207	0	0	N/A	40
Net transfers	-7	71	0	0	0	64
Temporary annuity expired	N/A	N/A	NA	-10	-29	-39
Data adjustment	<u>-7</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>28</u>	<u>39</u>
Number as of December 31, 2015	30,683	16,268	2	20,584	4,378	71,915

* Includes members receiving disability benefits

History of Active Member Valuation Data

Actuarial Valuation Date	Active Members	Percent Increase	Annual Salaries	Percent Increase	Average Salary	Percent Increase	Payroll Growth Assumption	CPI Chicago*
12/31/2006	33,429	(0.93)%	\$1,475,877,378	4.87%	\$44,150	5.86%	4.50%	0.71%
12/31/2007	34,885	4.36%	1,564,458,835	6.00%	44,846	1.58%	4.50%	4.73%
12/31/2008	32,563	(6.66)%	1,543,976,553	(1.31)%	47,415	5.73%	4.50%	(0.58)%
12/31/2009	31,586	(3.00)%	1,551,973,348	0.52%	49,135	3.63%	4.50%	2.54%
12/31/2010	30,726	(2.72)%	1,541,388,065	(0.68)%	50,166	2.10%	4.50%	1.23%
12/31/2011	31,976	4.07%	1,605,993,339	4.19%	50,225	0.12%	4.00%	2.06%
12/31/2012	31,326	(2.03)%	1,590,793,702	(0.95)%	50,782	1.11%	4.00%	1.68%
12/31/2013	30,647	(2.17)%	1,580,288,709	(0.66)%	51,564	1.54%	4.00%	0.51%
12/31/2014	30,160	(1.59)%	1,602,977,593	1.44%	53,149	3.07%	4.00%	1.48%
12/31/2015	30,683	1.73%	1,643,480,973	2.53%	53,563	0.78%	4.00%	0.00%
Average Increase/ (Decrease) Last 5 years		(0.03)%		1.29%		1.32%	4.00%	1.15%

* CPI-Chicago as of the valuation date

Actuarial Section

Retirees and Beneficiaries Added To and Removed From Payroll

Valuation Date	Added to Payroll		Removed from Payroll		Payroll End of Year		Average Annual Benefit	Increase in Average Benefit
	Number	Annual Benefits*	Number	Annual Benefits	Number	Annual Benefits		
Employee Annuitants (Male and Female)								
12/31/2006	713	\$30,424,920	751	\$15,961,128	18,183	\$491,452,740	\$27,028	3.25%
12/31/2007	769	34,450,704	754	17,087,448	18,198	508,815,996	27,960	3.45%
12/31/2008	743	34,658,424	768	17,767,068	18,173	525,707,352	28,928	3.46%
12/31/2009	840	39,821,463	768	18,900,720	18,245	546,628,095	29,960	3.57%
12/31/2010	1,008	46,836,109	815	21,038,211	18,438	572,425,992	31,406	3.62%
12/31/2011	1,149	55,405,692	774	20,754,048	18,813	607,077,636	32,269	3.94%
12/31/2012	1,559	68,828,940	758	20,349,840	19,614	655,556,736	33,423	3.58%
12/31/2013	1,242	57,147,576	743	21,682,632	20,113	691,021,680	34,357	2.79%
12/31/2014	1,054	37,110,852	756	23,299,656	20,411	704,832,876	34,532	0.51%
12/31/2015	990	65,756,124	817	23,871,948	20,584	746,717,052	36,277	5.05%
Surviving Spouse and Reversionary Annuitants (Not Including Compensation)								
12/31/2006	265	\$3,498,720	281	\$2,904,360	4,451	\$50,672,592	\$11,385	1.55%
12/31/2007	247	3,464,400	288	3,029,244	4,410	51,107,748	11,589	1.79%
12/31/2008	260	3,989,592	260	3,142,752	4,378	51,954,588	11,867	2.40%
12/31/2009	266	3,869,064	280	2,939,460	4,364	52,884,192	12,118	2.12%
12/31/2010	269	4,329,156	287	3,292,596	4,346	53,920,752	12,407	2.38%
12/31/2011**	362	4,152,804	241	3,479,496	4,403	54,594,060	12,399	(0.06)%
12/31/2012	237	4,168,092	286	3,217,812	4,354	55,544,340	12,757	2.89%
12/31/2013	270	4,593,708	279	3,096,132	4,345	57,041,916	13,128	2.91%
12/31/2014	265	4,648,596	310	3,713,844	4,300	57,976,668	13,483	2.70%
12/31/2015	251	4,185,900	291	3,681,516	4,260	58,481,052	13,728	1.82%

* Annual benefits added to payroll include post-retirement increase amounts.

** Number added in 2011 includes 121 reversionary annuitants that are also surviving spouses.

Actuarial Section

Actuarial Reserve Liabilities

As of December 31, 2015

Accrued Liability for Active and Inactive Participants*	\$6,227,293,497
Reserves for:	
Service Retirement Pension	\$7,478,084,955
Future Spouses of Current Retirees	538,830,791
Surviving Spouse Pension	402,494,591
Health Insurance Supplement	7,433,820
Child Annuitants	<u>1,124,063</u>
Total Accrued Liability	\$14,655,261,717
Actuarial Net Position	<u>4,815,126,844</u>
Unfunded Actuarial Liabilities	<u>\$9,840,134,873</u>

**Accrued liability for active participants includes retirement liability for members in ordinary or duty disability status. Liability for disability benefits is recognized as a one-year term cost of 0.75 percent of pay added to the normal cost. Includes pension and OPEB liabilities.*

Statutory Reserves

As of December 31, 2015

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserves*			
Retirees	\$ 1,581,742,851	\$ 5,783,649,325	\$ 7,365,392,176
Future Surviving Spouses	360,449,380	452,129,175	812,578,555
Spouses**	192,206,337	173,810,826	366,017,163
Annual Benefits			
Retirees	\$ 190,727,165	\$ 556,557,648	\$ 747,284,813
Future Surviving Spouses	N/A	N/A	N/A
Spouses**	\$ 29,184,632	\$ 29,296,420	\$ 58,481,052

**As required by State statutes, Statutory Reserves are calculated using the Combined Annuity Mortality Table with interest at 3.00 percent per annum, except for employees and spouses of employees who were participants on or before January 1, 1952, for whom the American Experience Table of Mortality with interest at 4.00 percent per annum is used.*

***Surviving spouses also include reversionary annuitants.*

Actuarial Section

Summary of Actuarial Methods and Assumptions

As of December 31, 2015

Mortality Rates:

Post-retirement:

The RP-2000 Combined Healthy Mortality Table, with mortality improvements projected statically to 2010 using Scale AA (adopted December 31, 2010).

Pre-retirement:

Post-retirement mortality multiplied by 85% for males and 70% for females (adopted December 31, 2010).

The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date .

Termination Rates:

These service-based rates are based on recent experience of the Fund

(adopted December 31, 2010).

<u>Service</u>	<u>Rate (%)</u>	<u>Service</u>	<u>Rate (%)</u>	<u>Service</u>	<u>Rate (%)</u>
0 - 0.99	15.00	11 - 11.99	4.00	21 - 21.99	1.80
1 - 1.99	15.00	12 - 12.99	4.00	22 - 22.99	1.70
2 - 2.99	12.00	13 - 13.99	3.60	23 - 23.99	1.60
3 - 3.99	9.00	14 - 14.99	3.30	24 - 24.99	1.50
4 - 4.99	8.00	15 - 15.99	3.00	25 - 25.99	1.40
5 - 5.99	7.00	16 - 16.99	2.80	26 - 26.99	1.30
6 - 6.99	6.50	17 - 17.99	2.50	27 - 27.99	1.20
7 - 7.99	5.25	18 - 18.99	2.30	28 - 28.99	1.10
8 - 8.99	5.00	19 - 19.99	2.10	29 - 29.99	1.00
9 - 9.99	4.75	20 - 20.99	1.90	30 +	0.90
10-10.99	4.25				

Actuarial Section

Retirement Rates:

For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (adopted December 31, 2010).

Age and Service-Based Retirement Rates								
<u>Service</u>	<u>50 - 54</u>	<u>55 - 59</u>	<u>60 - 64</u>	<u>65 - 66</u>	<u>67</u>	<u>68 - 69</u>	<u>70 - 79</u>	<u>80+</u>
10 - 11		0%	12%	30%	30%	15%	45%	100%
12 - 19		0%	10%	15%	10%	10%	45%	100%
20 - 24		6%	10%	15%	10%	10%	45%	100%
25 - 29		12%	12%	20%	20%	20%	45%	100%
30	25%	20%	20%	20%	20%	20%	45%	100%
31 - 32	20%	20%	20%	20%	20%	20%	45%	100%
33 - 34	30%	30%	30%	30%	30%	30%	45%	100%
35 - 39	30%	30%	30%	45%	45%	45%	45%	100%
40+	100%	100%	100%	100%	100%	100%	100%	100%

For employees first hired on or after January 1, 2011, rates of retirement for each age from 62 to 80 were used (adopted December 31, 2011).

<u>Age</u>	<u>Rate</u>
62	40%
63 - 69	20%
70 - 79	45%
80 +	100%

Disability Benefit Valuation:

Disability benefits are valued in normal cost as 0.75% of projected payroll (adopted December 31, 2005).

Valuation of Inactive Participants:

Inactive members with less than 10 years of service are assumed to take an immediate refund of his or her account balance. For inactive members with 10 or more years of service, the money purchase benefit is estimated by projecting the account balance (including employer contributions, when applicable) to the earliest retirement age. This estimated money purchase benefit is increased by 15% to account for the possibility that the minimum annuity formula is more valuable.

Actuarial Section

Unknown Data for Participants: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Spouse: 85% of members are assumed to be married, female spouses are assumed to be four years younger than male spouses, and 100% of spouses are assumed to be opposite gender (adopted December 31, 1999).

Member Contributions Based on payroll, adjusted to the middle of the year

Group Health Insurance Participation: 50% of employees eligible to retire and receive postretirement welfare coverage were assumed to elect health coverage. All annuitants age 65 and older are assumed to be eligible for Medicare, and all annuitants under age 65 are assumed not to be eligible for Medicare. All current surviving spouses are assumed to be eligible for Medicare.

Net Investment Return: 7.50% per year, net of investment expense (adopted December 31, 2012)

Inflation: 3.00% per year (adopted December 31, 1999)

Salary Increases: These service-based rates are based on the recent experience of the Fund (adopted December 31, 2010).

Service	Rate (%)
0 - 1.99	8.25
2 - 2.99	7.75
3 - 3.99	7.25
4 - 5.99	6.75
6 - 6.99	6.50
7 - 7.99	6.00
8 - 8.99	5.50
9 - 9.99	5.25
10 - 25.99	5.00
26 +	4.50

Actuarial Section

Administrative Expenses:	Equal to actual expenses for the prior year.
Actuarial Value of Assets:	Fair value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a five - year period (adopted December 31, 1999).
Actuarial Cost Method:	Entry Age Normal. Under this method, a normal cost is calculated for each employee that is the level annual contribution as a percent of pay required to be made from the employee's date of hire for as long as he/she remains active (not past 2016 for OPEB benefits) so that sufficient assets will be accumulated to provide his/her benefit. The accrued liability is the difference between the present value of all future benefits and the present value of all future normal costs.
Changes in Assumptions:	<p>Retirement rates for ages 60 and 61 were removed for members hired on or after January 1, 2011, in order to accommodate the retirement eligibility changes for Tier 2 members as a result of Public Act 98-0641 being ruled unconstitutional.</p> <p>Expected member contributions are based on payroll adjusted to the middle of the year.</p>

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Fund included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership:	Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance or any person employed by the Municipal Employees' Annuity and Benefit Fund of Chicago who is not participating in any other pension fund or retirement system is covered by the Fund. Current and former employees of the Chicago Housing Authority and the Public Building Commission who have service in this Plan or who reinstate service in this Plan, may elect to participate in this Plan with respect to their employment with the Chicago Housing Authority or the Public Building Commission under certain circumstances.
Employee Contributions:	Members of the Fund are required to contribute 8.5% of pensionable salary to the Fund as follows: 6.5% for the employee's retirement annuity, 1.5% for the spouse's annuity, and 0.5% for the automatic increases in the retirement annuity.
Tiers:	<p>Tier 1: First hired before January 1, 2011</p> <p>Tier 2: First hired on or after January 1, 2011</p>

Actuarial Section

Final Average Salary:

For Tier 1 members, the final average salary is the average salary of the highest four consecutive years within the last 10 years of service prior to retirement.

For Tier 2 members, the final average salary is the average pensionable salary of the highest eight consecutive years within the last 10 years of service prior to retirement. Pensionable salary is limited to \$106,800 in 2011, increased by the lesser of 3% or ½ of the change in CPI-U, not less than zero. For 2015, the salary limit was \$111,572.

Employee Retirement Annuity:

Money Purchase Formula

Eligibility

Tier 1: Age 55 and 10 years of service

Tier 2: Age 62 and 10 years of service

Amount

The annuity is based on all employee and City contributions. However, for Tier 1 members who retire before age 60 with less than 20 years of service, the annuity is based on employee contributions plus 1/10th of the City contributions for each year of service over 10.

Maximum is 60% of highest salary.

Minimum Annuity Formula

Eligibility

Tier 1, the earlier of:

Age 60 and 10 years of service

Age 55 and 20 years of service

Age 50 and 30 years of service

Tier 2: Age 62 and 10 years of service

Amount

The annuity is equal to 2.4% for each year of service times final average salary.

For Tier 1 members under age 60 with less than 25 years of service, the annuity is reduced by 0.25% for each month that the member is under age 60.

For Tier 2 members under age 67, the annuity is reduced by 0.50% for each month that the member is under age 67.

Maximum is 80% of final average salary.

Actuarial Section

Post-Retirement Increase: Tier 1:

An employee annuitant is eligible to receive an increase of 3% of the current payable annuity (compound). This increase begins in January of the year of the first payment date following the earlier of:

- 1) the later of the third anniversary of retirement or age 53, or
- 2) the later of the first anniversary of retirement or age 60

Tier 2:

An employee annuitant or surviving spouse who is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3% or ½ of the annual unadjusted percentage increase in the Consumer Price Index-U. The increase is based on the amount of the originally granted benefit (simple). This increase begins in January of the year of the first payment date following the later of:

- 1) the attainment of age 67, or
- 2) the first anniversary of the annuity start date

Reversionary Annuity:

An employee may elect to reduce his or her annuity by an amount less than or equal to \$400 to provide a reversionary annuity for a spouse, parent, child, brother, or sister, to begin upon the employee's death. The election must be made before retirement and have been in effect one year prior to death. The one-year requirement is waived if the beneficiary is the employee's spouse. The death of the employee before retirement voids this election. The reversionary annuity for a spouse when added to the spouse's annuity cannot exceed 100% of the employee's reduced annuity. The amount of the monthly reversionary annuity is determined by multiplying the amount of the monthly reduction in the employee's annuity by a factor based on the age of the employee and the difference between the ages of the employee and the reversionary annuitant at the start date of the employee's annuity.

Elected City Officer's Optional Plan: An alternative plan for elected officials of 3% of final salary for the first eight years, 4% for the next four years, and 5% thereafter, subject to an 80% maximum, is available. The elected official must contribute an additional 3% of salary to receive these benefits. This plan also includes alternative widow and disability benefit formulas. This plan became effective upon approval from the IRS on September 17, 1991.

Actuarial Section

Spouse Annuity:

The surviving spouse annuity is the greater of the annuity under the money purchase formula or the minimum annuity formula. Surviving spouses who remarry on or after September 4, 2000, will not have their annuities terminated.

Money Purchase Formula

When an employee retires, the spouse's annuity is fixed, based on employee and City contributions for the spouse's annuity and a joint life age factor.

If the employee dies in service, the spouse's annuity is based on all contributions.

For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" shall continue to be used; however, surviving spouse's single life annuities and reversionary annuities shall be computed using the best factor (the factor producing the highest annuity), without regard to gender.

Minimum Annuity Formula

If the employee retires or dies in service and is at least age 55 with 20 or more years of service, or is at least age 50 with 30 or more years of service, the spouse's annuity is equal to half the amount of the annuity the employee was entitled to receive at the time of retirement or death in service. This annuity must be reduced by 0.25% for each month the spouse is under age 55 (or age 50 if the employee had at least 25 years of service) at the time the employee retires or dies in service.

If the employee dies while receiving a retirement annuity, the spouse is eligible for an annuity of one half of the employee's annuity at death. This annuity is reduced by 0.25% for each month the spouse is under age 55 (or age 50 if the employee had at least 25 years of service) at the time of the employee's death.

If the employee dies in service with at least 10 years of service, the spouse is entitled to an annuity of half of the minimum formula annuity earned and accrued to the credit of the employee at the date of death. This annuity is not reduced due to the age of the employee or spouse. The spouse is eligible for this annuity only if the marriage was in effect for at least 10 years.

The spouse will receive a minimum annuity of \$800 per month if the employee retires with at least 10 years of service or dies in service with at least five years of service.

For Tier 2 members, the annuity payable to the surviving spouse is equal to 66 2/3% of the participant's accrued retirement annuity without a reduction due to age.

Child Annuity:

A child's annuity is provided for an unmarried child of a deceased employee who is under the age of 18, if the child was born before the withdrawal from service. The annuity is \$220 per month while the spouse of the deceased employee is alive and \$250 per month if the spouse is deceased.

Actuarial Section

Group Health Insurance:

Retirees receive a health insurance supplement of \$95 per month if not eligible for Medicare and \$65 per month if eligible for Medicare. Spouses married to retirees do not receive an additional benefit. Surviving spouses may continue to receive benefits after the retiree's death. Per Public Act 98-0043, the health insurance supplement will not be provided after December 31, 2016.

Ordinary Disability Benefit:

This benefit is granted for disabilities incurred other than in performance of an act of duty and is 50% of salary as of the last day worked. The first payment shall be made one month after the disablement occurs provided the employee is not then in receipt of salary. Length of time on disability is limited to a maximum of 25% of the employee's total service or five years, whichever occurs first.

The Fund contributes salary deductions for annuity purposes for the ordinary disability benefit. Such amounts contributed by the Fund after December 31, 2000, while the employee is receiving ordinary disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Duty Disability Benefit:

Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty has a right to receive a duty disability benefit in the amount of 75% of salary at date of injury, plus \$10 a month for each unmarried child less than age 18. Child's duty disability benefit is limited to 15% of the employee's salary as of the date of injury. Duty disability benefits begin one day after the later of the last day worked or the last day paid.

If the disability has resulted from any mental disorder, physical defect or disease which existed at the time such injury was sustained, the duty disability benefit shall be 50% of salary at date of injury. Disablement because of heart attacks, strokes, or any disablement due to heart disease shall not be considered the result of an accident suffered in the performance of duty. However, the employee will receive service credit and the City will contribute salary deductions for annuity purposes if the employee is receiving Workers' Compensation.

A duty disability benefit is payable to age 65 if the disability benefits begin before age 60. For an employee who begins disability on or after age 60, disability benefits will continue for five years. A duty disability benefit which continues for more than five years and which starts before the employee's age 60, will be increased by 10% on January 1st of the sixth year.

The City contributes salary deductions for annuity purposes for the duty disability benefit. Such amounts contributed by the City after December 31, 1981, while the employee is receiving duty disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Actuarial Section

Refunds:

Tier 1:

An employee who resigns before age 55, or before age 60 with less than 10 years of service, is entitled to all salary deductions accumulated with interest to date of resignation, plus the 0.50% deducted for annuity increase purposes without interest.

Tier 2:

An employee who resigns before age 62 without regard to length of service, or who resigns with less than 10 years of service regardless of age, is entitled to all salary deductions accumulated with interest to date of resignation, plus the 0.50% deducted for annuity increase purposes without interest.

Amounts contributed by the employee, excluding the 0.50% deductions for annuity increase, that have not been paid out as annuity are refundable to the employee's estate with interest to the date of retirement or death, if the employee died in service.

If the annuity of an employee or spouse is less than \$800 a month, the employee or spouse may elect to receive a refund in lieu of an annuity.

If unmarried at the time of retirement, the employee is entitled to a refund, with interest, of contributions made for the spouse's annuity.

Plan Year:

January 1 through December 31

Changes in Plan Provisions:

Public Act 98-0641 was ruled unconstitutional by the Illinois Supreme Court. As a result, liabilities for this valuation are calculated as if the changes in the Act were never effective.

Statistical

The Statistical Section presents additional information to provide financial users with added historical perspective, context and detail to assist in using the information in the financial statements; and additional analytical information on Plan membership data, retirement benefits and other postemployment benefits.

The schedules beginning on page 103 through page 109 show financial trends information that assist users in understanding and assessing how the Plan's financial position has changed over time. A schedule on page 106 allocates revenues or additions to net position by source. A schedule on page 107 allocates expenses or deductions from net position by type. A schedule on page 109 allocates the total benefits that were paid.

The schedules presented immediately following the financial Trends information contain additional analytical operating information on the level of monthly or annual benefits by type of benefit, by number of retirees, and years of service. A schedule on page 110 provides information on the average monthly benefit payments to new retirees and a schedule on page 114 provides information on Plan membership data.

Statistical Section

Changes in Fiduciary Net Position

(Last ten years)

	2015	2014	2013	2012	2011
Additions:					
Employer contributions	\$ 157,716,475	\$ 158,797,631	\$ 157,704,971	\$ 158,380,709	\$ 156,525,374
Member contributions	131,428,104	129,971,981	131,532,173	130,266,293	132,596,417
Net investment income	114,025,290	283,268,612	735,272,432	589,198,468	31,583,226
Other Income	-	13,313	-	-	-
Total Additions	\$ 403,169,869	\$ 572,051,537	\$1,024,509,576	\$ 877,845,470	\$ 320,705,017
Deductions:					
Annuities	\$ 782,083,805	\$ 754,391,331	\$ 723,880,608	\$ 681,508,540	\$ 640,090,207
Disabilities	12,266,647	11,905,700	12,158,883	13,643,816	13,963,941
Healthcare Subsidy	8,491,284	9,050,883	9,508,087	9,522,054	9,516,053
Refunds	31,685,872	32,325,780	33,456,449	36,908,784	32,104,031
Administrative Expenses	6,701,000	6,567,843	6,498,913	6,841,486	7,375,338
Total Deductions	\$ 841,228,608	\$ 814,241,537	\$ 785,502,940	\$ 748,424,680	\$ 703,049,570
Net Increase/(Decrease)	(438,058,739)	(242,190,000)	239,006,636	129,420,790	(382,344,553)
Beginning of year	5,179,486,295	5,421,676,295	5,182,669,659	5,053,248,869	5,435,593,422
End of year	\$4,741,427,556	\$5,179,486,295	\$5,421,676,295	\$5,182,669,659	\$ 5,053,248,869

Statistical Section

Changes in Fiduciary Net Position (continued)

(Last ten years)

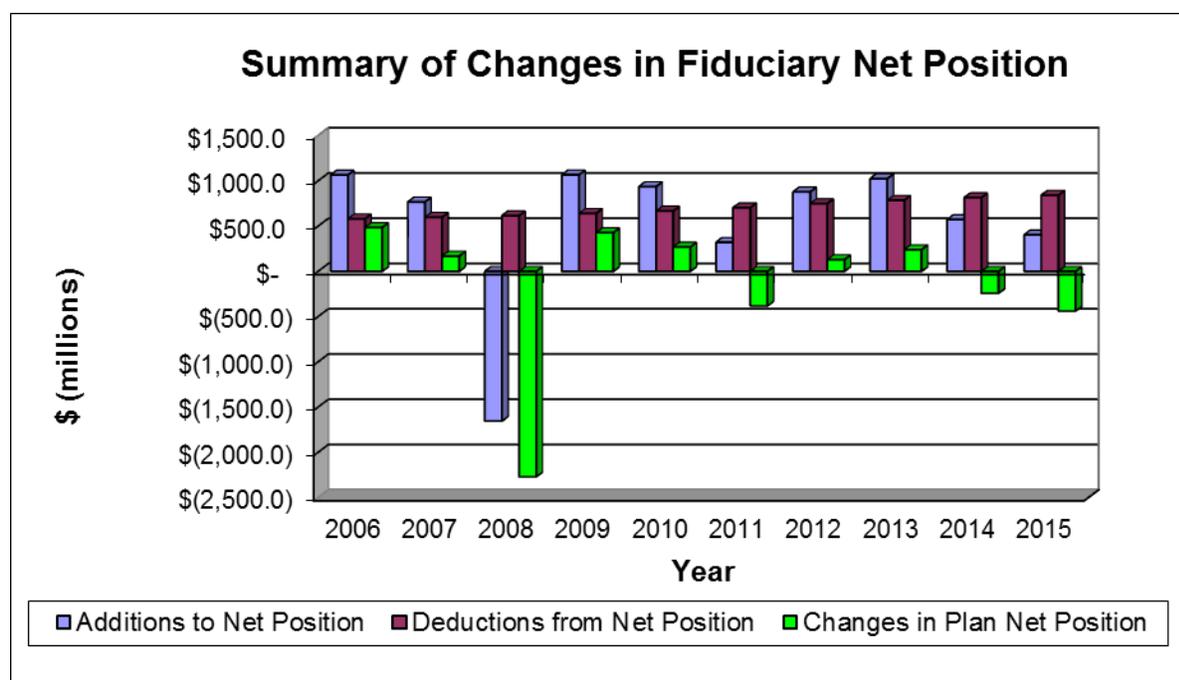
	2010	2009	2008	2007	2006
Additions:					
Employer contributions	\$ 164,302,005	\$ 157,697,608	\$ 155,832,612	\$ 148,137,050	\$ 157,062,769
Member contributions	133,299,542	130,980,605	137,748,907	132,442,200	129,466,091
Net investment income	638,568,991	778,562,620	(1,947,575,935)	485,926,151	778,725,950
Other Income	24,435	-	-	-	-
Total Additions	\$ 936,194,973	\$ 1,067,240,833	\$ (1,653,994,416)	\$ 766,505,401	\$ 1,065,254,810
Deductions:					
Annuities	\$ 607,540,457	\$ 583,436,041	\$ 561,947,108	\$ 543,411,793	\$ 528,426,078
Disabilities	13,041,253	11,682,652	11,687,603	10,624,807	10,267,132
Health Care Subsidy	9,549,685	9,651,118	9,029,362	8,530,910	8,730,476
Refunds	29,949,703	28,094,365	25,501,985	28,009,512	27,194,308
Administrative Expenses	6,744,947	7,765,918	7,749,714	7,532,301	6,397,685
Total Deductions	\$ 666,826,045	\$ 640,630,094	\$ 615,915,772	\$ 598,109,323	\$ 581,015,679
Net Increase/(Decrease)	269,368,928	426,610,739	(2,269,910,188)	168,396,078	484,239,131
Beginning of year	5,166,224,494	4,739,613,755	7,009,523,943	6,841,127,865	6,356,888,734
End of year	\$5,435,593,422	\$ 5,166,224,494	\$ 4,739,613,755	\$7,009,523,943	\$6,841,127,865

Statistical Section

Summary of Changes in Fiduciary Net Position

(Last ten years)

Year	Additions to Net Position	Deductions from Net Position	Increase (Decrease) in Net Position
2006	\$ 1,065,254,810	\$ 581,015,679	\$ 484,239,131
2007	766,505,401	598,109,323	168,396,078
2008	(1,653,994,416)	615,915,772	(2,269,910,188)
2009	1,067,240,833	640,630,094	426,610,739
2010	936,170,538	666,826,044	269,344,494
2011	320,705,017	703,049,570	(382,344,553)
2012	877,845,470	748,424,680	129,420,790
2013	1,024,509,576	785,502,940	239,006,636
2014	572,051,538	814,241,537	(242,189,999)
2015	403,169,869	841,228,608	(438,058,739)

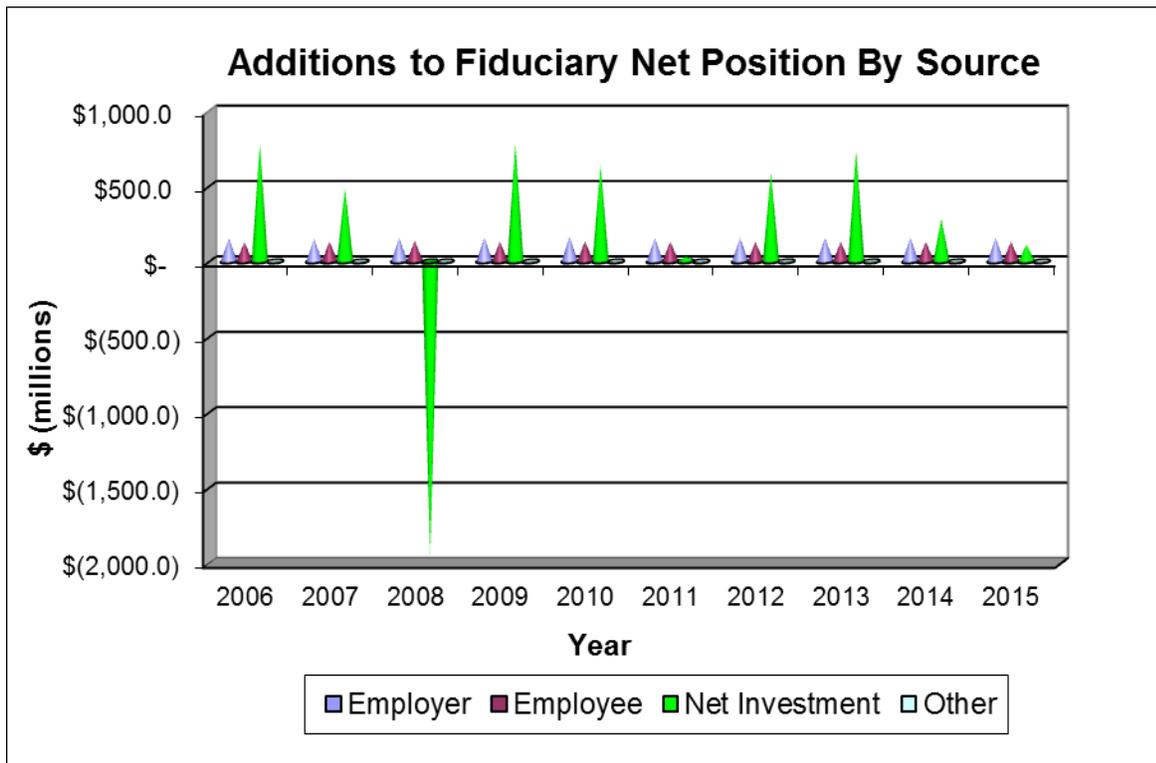


Statistical Section

Additions to Fiduciary Net Position By Source

(Last ten years)

Year	Employer Contributions	Employee Contributions	Investment Income (net of expense)	Other Income	Total
2006	\$ 157,062,769	\$ 129,466,091	\$ 778,725,950	\$ -	\$1,065,254,810
2007	148,137,050	132,442,200	485,926,151	-	766,505,401
2008	155,832,612	137,748,907	(1,947,575,935)	-	(1,653,994,416)
2009	157,697,608	130,980,605	778,562,620	-	1,067,240,833
2010	164,302,005	133,299,542	638,568,991	24,435	936,170,538
2011	156,525,374	132,596,417	31,583,226	-	320,705,017
2012	158,380,709	130,266,293	589,198,468	-	877,845,470
2013	157,704,971	131,532,173	735,272,432	-	1,024,509,576
2014	158,797,631	129,971,981	283,268,613	13,312	572,051,538
2015	157,716,475	131,428,104	114,025,290	-	403,169,869

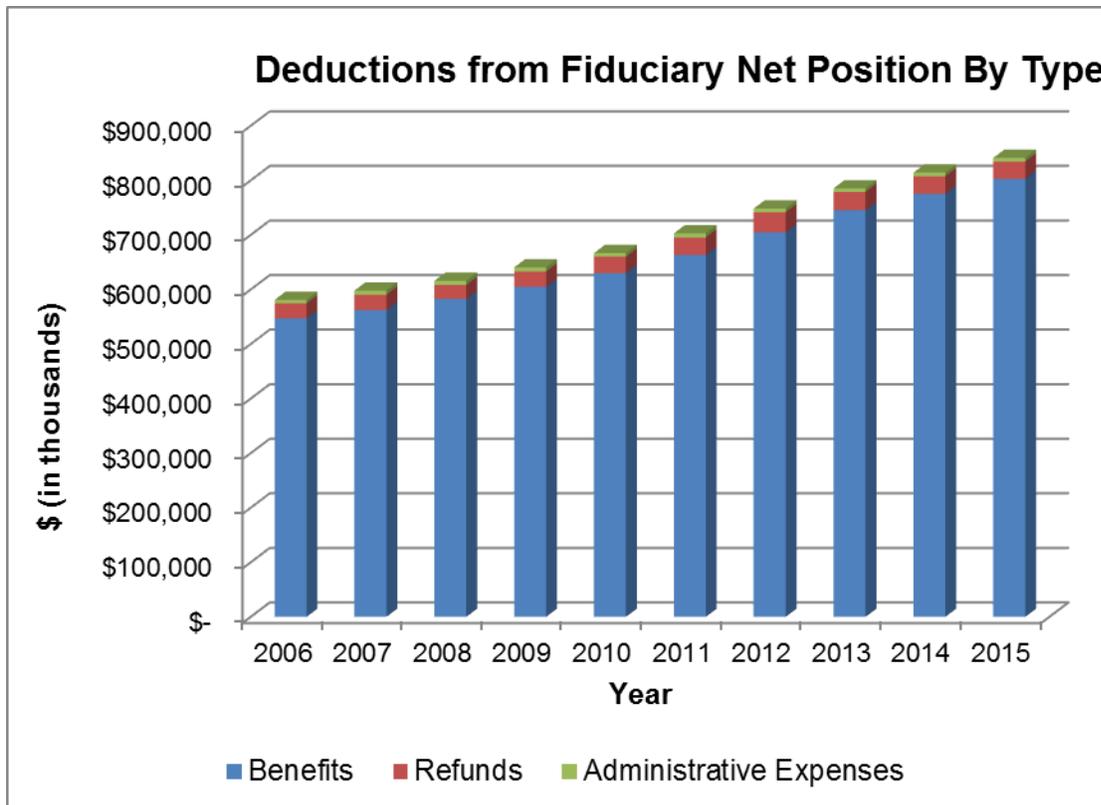


Statistical Section

Deductions from Fiduciary Net Position By Type

(Last ten years)

Year	Benefits	Refunds	Administrative Expense	Total
2006	\$ 547,423,686	\$ 27,194,308	\$ 6,397,685	\$ 581,015,679
2007	562,567,510	28,009,512	7,532,301	598,109,323
2008	582,664,073	25,501,985	7,749,714	615,915,772
2009	604,769,811	28,094,365	7,765,918	640,630,094
2010	630,131,395	29,949,703	6,744,947	666,826,044
2011	663,570,201	32,104,031	7,375,338	703,049,570
2012	704,674,410	36,908,784	6,841,486	748,424,680
2013	745,547,578	33,456,449	6,498,913	785,502,940
2014	775,347,914	32,325,780	6,567,843	814,241,537
2015	802,841,736	31,685,872	6,701,000	841,228,608



Statistical Section

Refunds by Type

(Last ten years)

Year	Separation	Death	Others ¹	Total
2006	\$ 24,417,644	\$ 2,253,324	\$ 523,340	\$ 27,194,308
2007	24,156,118	2,649,518	1,203,876	28,009,512
2008	22,271,312	2,380,730	849,943	25,501,985
2009	24,942,884	2,670,267	481,214	28,094,365
2010	26,888,718	3,269,824	(208,840)	29,949,703
2011	29,482,493	1,976,182	645,356	32,104,031
2012	34,519,018	2,389,915	(149)	36,908,784
2013	30,765,181	2,711,770	(20,502)	33,456,449
2014	29,219,994	3,211,181	(105,396)	32,325,780
2015	27,325,678	4,570,458	(210,263)	31,685,872

¹Others include transfer of contributions to other Funds and refunds due to error in deductions

Statistical Section

Benefits by Type - Last ten years

	2015	2014	2013	2012	2011
Annuities:					
Employee	\$ 723,152,347	\$ 696,095,106	\$ 666,939,420	\$ 624,554,190	\$ 584,973,939
Surviving Spouse	58,554,347	57,902,663	56,522,097	56,494,913	54,600,246
Children	377,111	393,562	419,091	459,437	516,022
Total Annuities	782,083,805	754,391,331	723,880,608	681,508,540	640,090,207
Disabilities:					
Ordinary	8,315,568	8,067,664	8,161,747	9,477,385	9,708,906
Duty	3,951,079	3,838,036	3,997,136	4,166,431	4,255,035
Total Disabilities	12,266,647	11,905,700	12,158,883	13,643,816	13,963,941
Postemployment Healthcare					
Employee	7,219,202	7,726,595	8,137,318	8,120,476	8,070,084
Surviving Spouse	1,270,277	1,319,793	1,363,359	1,395,783	1,439,177
Children	1,805	4,495	7,410	5,795	6,792
Total Healthcare Subsidy	8,491,284	9,050,883	9,508,087	9,522,054	9,516,053
Total Benefits	\$ 802,841,736	\$ 775,347,914	\$ 745,547,578	\$ 704,674,410	\$ 663,570,201
	2010	2009	2008	2007	2006
Annuities:					
Employee	\$ 553,066,295	\$ 530,008,332	\$ 509,510,036	\$ 491,780,107	\$ 477,505,602
Surviving Spouse	53,970,603	52,904,482	51,880,155	51,063,889	50,340,031
Children	503,559	523,227	556,917	567,797	580,445
Total Annuities	607,540,457	583,436,041	561,947,108	543,411,793	528,426,078
Disabilities:					
Ordinary	9,274,262	8,290,644	8,311,069	7,857,240	7,824,045
Duty	3,766,991	3,392,008	3,376,534	2,767,567	2,443,087
Total Disabilities	13,041,253	11,682,652	11,687,603	10,624,807	10,267,132
Postemployment Healthcare					
Employee	8,068,820	8,155,184	7,628,736	7,199,189	7,373,775
Surviving Spouse	1,472,885	1,487,337	1,389,751	1,318,801	1,343,866
Children	7,980	8,597	10,875	12,920	12,835
Total Healthcare Subsidy	9,549,685	9,651,118	9,029,362	8,530,910	8,730,476
Total Benefits	\$ 630,131,395	\$ 604,769,811	\$ 582,664,073	\$ 562,567,510	\$ 547,423,686

Statistical Section

History of Average Pension Benefit Payments to New Retirees¹

(Last ten years)

Retirement Effective Dates	Year of Service					Total
	10-14	15-19	20-24	25-29	30 & Over	
2006						
Average Monthly Benefit at Retirement	\$ 1,141	\$ 1,286	\$ 1,577	\$ 2,416	\$ 3,610	\$ 2,451
Average Final Average Salary	\$ 3,471	\$ 2,927	\$ 3,076	\$ 3,716	\$ 4,555	\$ 3,804
Number of Active Recipients	53	60	95	73	194	475
2007						
Average Monthly Benefit at Retirement	\$ 1,198	\$ 1,381	\$ 2,029	\$ 2,658	\$ 3,919	\$ 2,800
Average Final Average Salary	\$ 3,548	\$ 3,075	\$ 3,796	\$ 2,811	\$ 4,939	\$ 4,242
Number of Active Recipients	54	69	94	70	229	516
2008						
Average Monthly Benefit at Retirement	\$ 1,293	\$ 1,630	\$ 2,031	\$ 2,765	\$ 4,129	\$ 2,847
Average Final Average Salary	\$ 3,980	\$ 3,565	\$ 3,981	\$ 4,199	\$ 5,285	\$ 4,491
Number of Active Recipients	60	65	106	63	206	500
2009						
Average Monthly Benefit at Retirement	\$ 1,407	\$ 1,790	\$ 2,275	\$ 3,255	\$ 4,082	\$ 2,969
Average Final Average Salary	\$ 4,664	\$ 4,148	\$ 4,406	\$ 5,005	\$ 5,209	\$ 4,794
Number of Active Recipients	57	75	153	92	231	608
2010						
Average Monthly Benefit at Retirement	\$ 1,334	\$ 1,835	\$ 2,215	\$ 3,208	\$ 4,354	\$ 3,129
Average Final Average Salary	\$ 4,418	\$ 4,311	\$ 4,278	\$ 4,945	\$ 5,590	\$ 4,933
Number of Active Recipients	60	77	169	132	287	725
2011						
Average Monthly Benefit at Retirement	\$ 1,350	\$ 1,981	\$ 2,432	\$ 3,459	\$ 4,696	\$ 3,361
Average Final Average Salary	\$ 4,261	\$ 4,506	\$ 4,661	\$ 5,265	\$ 6,046	\$ 5,257
Number of Active Recipients	66	88	193	185	311	843
2012						
Average Monthly Benefit at Retirement	\$ 1,295	\$ 2,014	\$ 2,391	\$ 3,362	\$ 4,506	\$ 3,230
Average Final Average Salary	\$ 4,400	\$ 4,893	\$ 4,533	\$ 5,094	\$ 5,737	\$ 5,125
Number of Active Recipients	93	132	274	254	418	1,171
2013						
Average Monthly Benefit at Retirement	\$ 1,304	\$ 1,998	\$ 2,348	\$ 3,259	\$ 4,446	\$ 3,065
Average Final Average Salary	\$ 4,456	\$ 4,890	\$ 4,314	\$ 4,953	\$ 5,668	\$ 5,030
Number of Active Recipients	104	106	204	216	290	920
2014						
Average Monthly Benefit at Retirement	\$ 1,169	\$ 1,760	\$ 2,290	\$ 3,137	\$ 4,350	\$ 2,891
Average Final Average Salary	\$ 4,161	\$ 4,528	\$ 4,597	\$ 4,877	\$ 5,644	\$ 4,921
Number of Active Recipients	93	92	185	203	223	796
2015						
Average Monthly Benefit at Retirement	\$ 1,275	\$ 1,959	\$ 2,279	\$ 3,405	\$ 4,446	\$ 3,048
Average Final Average Salary	\$ 4,439	\$ 4,685	\$ 4,387	\$ 5,174	\$ 5,724	\$ 5,031
Number of Active Recipients	68	119	171	180	227	765

¹This schedule excludes reciprocal annuities, money purchase annuities and minimum annuities

Source of Data: Actuarial Valuation and Review as of December 31, 2015

Statistical Section

Average Employee Retirement Benefits Payable

(last ten years)

Valuation Date	Average Annual Benefit	Average Current Age Of Retirees	Average Benefit At Retirement Current Year	Average Age At Retirement Current Year	Average Service Years At Retirement Current Year
12/31/2006	\$ 27,028	72.1	\$ 23,757	63.1	24.05
12/31/2007	27,960	72.4	26,910	63.1	24.60
12/31/2008	28,928	72.6	27,750	62.4	24.30
12/31/2009	29,960	72.8	29,843	62.9	23.90
12/31/2010	31,046	72.8	31,290	62.2	24.25
12/31/2011	32,269	72.7	34,513	62.1	24.86
12/31/2012	33,423	72.6	33,508	62.7	24.81
12/31/2013	34,357	72.6	31,177	63.0	23.55
12/31/2014	34,532	72.7	29,775	62.5	23.35
12/31/2015	36,277	72.8	31,686	62.6	23.48

Source of Data: Actuarial Valuation and Review as of December 31, 2015

Statistical Section

Current Retirees & Beneficiaries by Range of Pension Amounts

As of December 31, 2015

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Reversionary Annuitants	Number of Child Annuitants	Total Number of Annuitants
Under \$500	750	176	92	118	1,136
\$500 - \$999	1,519	2,305	37	-	3,861
\$1,000 - \$1,499	3,946	677	3	-	4,626
\$1,500 - \$1,999	1,904	476	2	-	2,382
\$2,000 - \$2,499	2,055	270	-	-	2,325
\$2,500 - \$2,999	1,862	158	-	-	2,020
\$3,000 - \$3,499	1,370	46	-	-	1,416
\$3,500 - \$3,999	1,228	16	-	-	1,244
\$4,000 - \$4,499	1,148	1	-	-	1,149
\$4,500 - \$4,999	1,124	1	-	-	1,125
\$5,000 - \$5,499	904	-	-	-	904
\$5,500 - \$5,999	817	-	-	-	817
\$6,000 & Over	1,957	-	-	-	1,957
Totals	20,584	4,126	134	118	24,962

Source of Data: Actuarial Valuation and Review as of December 31, 2015

MEABF Staff Retiree Healthcare (OPEB)

Counts	
Retirees and Beneficiaries	Total
14	14

Retiree and Beneficiary Health Coverage Type			
1 Person	2 Person	Family	Total
8	5	1	14

Statistical Section

History of Retirees and Beneficiaries By Type of Benefit

(Last ten years)

Valuation Date	Annuitants			Disability Ordinary	Duty	Compensation Annuitants**	Reciprocal		
	Employee	Spouse	Child Reversionary*				Employee	Spouse	
12/31/2006	15,926	4,075	193	330	193	2	2,257	376	
12/31/2007	15,899	4,042	178	304	209	2	2,299	368	
12/31/2008	15,804	4,018	174	266	192	2	2,369	360	
12/31/2009	15,838	4,008	167	306	220	2	2,407	356	
12/31/2010	15,961	3,982	173	304	246	2	2,477	364	
12/31/2011	16,230	3,910	164	129	346	264	2	2,583	364
12/31/2012	16,874	3,864	149	129	280	250	2	2,740	361
12/31/2013	17,320	3,844	141	138	227	213	2	2,793	363
12/31/2014	17,553	3,798	141	139	195	225	2	2,858	363
12/31/2015	17,697	3,757	118	134	187	213	2	2,887	369

* Prior to December 31, 2011, reversionary annuitants were included with spouse annuitants.

** Compensation annuitants also included with spouse annuitants

Source of Data: Actuarial Valuation and Review as of December 31, 2015

Retirees and Beneficiaries By Type of Coverage - Health Insurance Subsidy

(Last ten years)

Year	Covered Annuitants					Total Not Covered	Total Annuitants
	Employee		Spouse		Total		
	Single	Family	Single	Family			
2006	6,252	3,218	1,863	47	11,380	11,254	22,634
2007	6,255	3,087	1,807	49	11,198	11,410	22,608
2008	6,283	2,974	1,775	48	11,080	11,471	22,551
2009	6,251	2,877	1,738	41	10,907	11,702	22,609
2010	6,225	2,819	1,731	45	10,820	11,964	22,784
2011	6,271	2,826	1,690	38	10,825	12,262	23,087
2012	6,356	2,835	1,654	34	10,879	12,960	23,839
2013	6,276	2,675	1,626	27	10,604	13,716	24,320
2014	6,047	2,436	1,557	27	10,067	14,505	24,572
2015	5,616	2,120	1,453	20	9,209	15,635	24,844

Statistical Section

10-Year History of Plan Membership

(Last ten years)

Year	Member			Beneficiaries	Total
	Active	Inactive	Retirees		
2006	33,429	10,200	18,184	4,644	66,457
2007	34,885	9,105	18,201	4,588	66,779
2008	32,563	12,082	18,178	4,552	67,375
2009	31,586	12,919	18,251	4,531	67,287
2010	30,726	13,866	18,441	4,519	67,552
2011	31,976	12,762	18,815	4,567	68,120
2012	31,326	13,465	19,617	4,503	68,911
2013	30,647	14,254	20,116	4,486	69,503
2014	30,160	15,495	20,414	4,441	70,510
2015	30,683	16,268	20,586	4,378	71,915

10-Year History of Covered Employees

(Last ten years)

Year	Male	Female	Total
	Participants	Participants	Participants
2006	13,107	20,322	33,429
2007	13,568	21,317	34,885
2008	12,822	19,741	32,563
2009	12,598	18,988	31,586
2010	12,377	18,349	30,726
2011	12,828	19,148	31,976
2012	12,696	18,630	31,326
2013	12,622	18,025	30,647
2014	12,464	17,696	30,160
2015	12,618	18,065	30,683

Source of Data: Actuarial Valuation and Review as of December 31, 2015

Statistical Section

Covered Employees by Age & Years of Service

Attained Age	Completed Years of Service									Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 20	40	14	-	-	-	-	-	-	-	54
20-24	439	543	16	-	-	-	-	-	-	998
25-29	477	1,612	324	34	-	-	-	-	-	2,447
30-34	368	1,416	729	292	69	-	-	-	-	2,874
35-39	296	1,092	677	615	352	44	-	-	-	3,076
40-44	247	974	666	646	802	296	29	-	-	3,660
45-49	203	736	604	751	947	608	335	12	-	4,196
50-54	153	587	591	804	1,073	812	740	190	5	4,955
55-59	108	415	448	693	910	769	676	291	39	4,349
60-64	37	191	295	428	546	508	450	201	57	2,713
65-69	14	63	85	164	205	171	162	83	31	978
70 & Over	4	26	37	54	67	70	54	27	44	383
Total	2,386	7,669	4,472	4,481	4,971	3,278	2,446	804	176	30,683

Source of Data: Actuarial Valuation and Review as of December 31, 2015

Appendix A

APPENDIX A

LEGISLATIVE CHANGES IN PLAN PROVISIONS 2006 THROUGH 2015

2006 Session

- No Changes.

2007 Session

HB 49

- Approved August 17, 2007.
- Provides that, beginning on the effective date, legally adopted children shall be entitled to the same benefits as other children, and no child's or survivor's benefit shall be disallowed because the child is an adopted child.

SB 1169

- Approved August 28, 2007.
- Provides that, in order for an Illinois finance entity to be eligible for investment or deposit of retirement system or pension fund assets, the Illinois finance entity must annually certify that it complies with the requirements of the High Risk Home Loan Act and the rules adopted pursuant to that Act that are applicable to that Illinois finance entity. Requires the retirement system or pension fund to divest its assets with the Illinois finance entity if the certification is not made. Provides that these certification requirements are severable. Makes changes in the severability provisions applicable to the amendatory Act.

SB 1380

- Approved August 28, 2007.
- Amends the Illinois Municipal Retirement Fund (IMRF) and Chicago Municipal Articles of the Illinois Pension Code. Allows a sheriff's law enforcement employee under the IMRF Article to transfer service credit under the Chicago Municipal Article to the IMRF.

2008 Session

- No Changes.

2009 Session

SB 2520

- Approved February 17, 2009.
- Provides that, before any action is taken by the Board on an application for a duty disability benefit or a widow's compensation or supplemental benefit, the employee or widow shall file a claim with the employer to establish that the disability or death occurred while the employee was acting within the scope of and in the course of his or her duties. Provides an offset of disability benefits for any amounts provided to the employee or surviving spouse as temporary total disability payments, permanent disability payments, a lump sum settlement award, or other payment under the Workers' Compensation Act or the Workers' Occupational Diseases Act. Makes other changes concerning disability benefits.

APPENDIX A

2009 Session (continued)

HB 2557

- Approved August 25, 2009.
- Provides that it is the public policy of the State to encourage pension funds to promote the economy of Illinois through the use of economic opportunity investments within the bounds of financial and fiduciary prudence. Provides that the pension funds submit a report to the Governor and General Assembly by September 1 of each year identifying the economic opportunity investments made by the Fund, the primary location of the business or project, the percentage of the Fund's assets in economic opportunity investments, and the actions the Fund has taken to increase the use of economic opportunity investments.
- Requires the Fund to instruct the investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and the total proceeds in every transaction are the most favorable under the circumstances.

SB 364

- Approved April 3, 2009.
- Requires Board members to file a verified written statement of economic interest annually with the office of the Clerk of Cook County.
- Requires the Board to adopt a policy that sets quantifiable utilization goals for the management of assets in specific asset classes for emerging investment managers. Goals shall be separated by minority ownership, female ownership, and person with a disability ownership.
- Requires that if at least one emerging firm(s) meet criteria of search process, at least one shall be invited to present to the Board for final consideration.
- Requires the Board to adopt a policy that sets forth goals for increasing the racial, ethnic and gender diversity of its fiduciaries, including its consultants and senior staff.
- Requires the Board to adopt a policy that sets forth goals for utilization of WMDBE firms for all contracts and services, based on the percentage of total dollar amount of all contracts let.
- Requires the Board to adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers.
- Requires an annual report to the Governor and General Assembly on the utilization of "emerging firms" as defined by Article 1 of the Pension Code.
- Requires the Board to award all contracts for investment services using a competitive process that is substantially similar to the process required for the procurement of professional services under Article 35 of the Illinois Procurement Code. Requires the Board to adopt a procurement policy which will be posted on the Fund's website and filed with the Illinois Procurement Policy Board.
- Provides that a person may not act as a consultant or investment adviser unless that person is registered as an investment adviser or bank under the federal Investment Advisers Act of 1940.
- Requires investment contracts between the Retirement Board and investment service providers to include certain required information.
- Provides consultant contracts cannot exceed five years in duration; however, incumbent consultant may compete for new contract.
- Requires investment consultants and advisers to disclose all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment consultant or adviser in connection with the services provided.
- Requires that a description of every contract let for investment services be posted on the website, including name of entity awarded the contract, amount of contract, total fees paid, and disclosure describing the factors that contributed to the selection.

APPENDIX A

2009 Session (continued)

SB 364

- Requires the Fund to maintain a website that shall include standard investment reporting, a copy of relevant Board policies, a listing of investment consultants and managers, a notification of any requests for investment services, and the names and e-mail addresses of Board members, Fund directors, and senior staff.
- Requires Board members to attend at least eight hours of ethics training per year and requires each Board to annually certify its member's compliance and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation.
- Prohibits any Fund trustee or employee or their spouses or immediate family living with them to intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act, including educational materials and missions and travel expenses for discussing Fund business.
- Provides that any person who knowingly makes any false statement or falsifies or permits falsifying any record of the pension fund in an attempt to defraud is guilty of a Class 3 felony.
- Provides that no person or entity shall retain a person or entity to influence the outcome of an investment decision or the procurement of investment advice to a pension fund for compensation, contingent upon the decision of the Board.
- Requires approval for travel or education mission expense of a Trustee by a majority of the Board prior to mission.

SB 1440

- Approved August 18, 2009.
- Provides that the Fund may, and to the extent required by federal law shall, allow an employee to roll over a refund, lump-sum benefit, or other non-periodic distribution (including the non-taxable portion) directly to any entity that is designated in writing by the person, is qualified under federal law to accept the distribution, and has agreed to accept the distribution.

SB 1705

- Approved August 25, 2009.
- Provides the Municipal fund will send city contributions to the Fire fund for a fireman who was employed by the Chicago Fire Department and participated in the Municipal fund, terminated that service, and received a refund, if the employee establishes the service under the Fire fund.

APPENDIX A

2010 Session

Public Act 96-0889 (SB 1946)

- Approved April 14, 2010.
- Establishes a new tier of benefits for participants that first become members on or after the effective date of January 1, 2011.
 - Final average compensation is based on the average of the highest consecutive eight years within the last ten years of service.
 - Establishes a cap on final average salary of \$106,800, as automatically increased by the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
 - Increases eligibility for a retirement annuity:
 - Age 67 with 10 years of service for an unreduced benefit.
 - Age 62 with 10 years of service for a reduced benefit. Reduction is one-half percent for each full month that retirement precedes age 67.
 - Changes provisions for automatic increases in annuity:
 - Increases begin in the year following the later of the first anniversary of the annuity start date and attainment of age 67.
 - Increases are equal to the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
 - Increases are based on the amount of the originally granted benefit (not compounded).
 - Changes benefits provided to surviving spouses:
 - Surviving spouse annuity is equal to 66 2/3 percent of the participant's earned retirement annuity at the date of death.
 - Provides an automatic increase in annuity:
 - Increases begin on January 1 in the year following the commencement of the survivor's annuity if the deceased member died while receiving a retirement annuity and January 1 following the first anniversary of commencement otherwise.
 - Increases are equal to the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
 - Increases are based on the amount of the originally granted benefit (not compounded).
 - Establishes that members that are receiving a retirement annuity and accept a full-time position under the same Article or another Article established under the Illinois Compiled Statutes would have their benefits suspended during employment. Their benefits would be recalculated, if applicable, upon termination of employment.
- Approved December 30, 2010.
- Amends certain provisions established in SB1946 that apply to participants that first become members on or after January 1, 2011:
 - Establishes the period for calculating the annual unadjusted percentage increase in the Consumer Price Index-U as the 12-month period ending with September for purposes of capping salary and calculating the automatic increase in annuity percentage.
 - Establishes that the salary cap of \$106,800 applies for all purposes under the Code, including the calculation of benefits and employee contributions.
 - Establishes that the survivor's annuity is calculated with no reduction due to age.
 - Establishes that members who withdraw before age 62, or with less than 10 years of service, regardless of age, are entitled to all salary deductions for retirement annuity and spouse annuity accumulated with interest to date of resignation, plus the 0.50 percent deducted for annuity increase purposes without interest.
 - Establishes that increases in annuity for employee annuitants commence on January 1.

APPENDIX A

2011 Session

Public Act 97-0530 (SB 1672)

- Approved August 23, 2011.
- Requires all pension funds and retirement systems subject to the Code to comply with the federal Heroes Earnings Assistance and Relief Tax Act of 2008.

Public Act 97-0609 (SB 1831)

- Approved August 26, 2011.
- Applies to those members hired on or after January 1, 2012.
 - Provides that if a new hire is receiving a retirement annuity or pension and accepts a contractual position to provide services to a governmental entity from which he or she has retired, then that person's annuity or pension will be suspended during that contractual service.
 - Makes it a Class A misdemeanor for a pensioner who is seeking contractual employment to fail to notify certain persons about his or her retirement status before accepting an employment contract.

Public Act 97-0504 (HB 1670)

- Approved August 23, 2011.
- Amends the Open Meetings Act.
 - Requires each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
 - Requires those members to complete the training not later than one year after the effective date of the amendatory Act.
 - Requires each elected or appointed member of a public body subject to the Act who becomes such a member after the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
 - Requires those members to complete the training not later than the 90th day after the date the member either (i) takes the oath of office, if the member is required to take an oath of office to assume the person's duties as a member of the public body or (ii) otherwise assumes responsibilities as a member of the public body, if the member is not required to take an oath of office to assume the person's duties as a member of the governmental body.
 - Requires each member who successfully completes the curriculum to file a copy of the certificate of completion with the public body.
 - Provides that the failure of one or more members of a public body to complete the training required by this Section does not affect the validity of an action taken by the public body.
 - Provides that an elected or appointed member of a public body subject to this Act who has successfully completed the required training and filed a copy of the certificate of completion with the public body is not required to subsequently complete that training.

APPENDIX A

2012 Session

Public Act 97-0651 (HB 3813)

- Approved and effective January 5, 2012.
- Requires any reasonable suspicion of fraud against the Fund to be reported to the State's Attorney for investigation.
- Changes provisions for Union Leaves of Absence as follows:
 - Service credit can be accrued only for union leaves that begin before the effective date of this amendatory Act.
 - "Any pension plan established by the local labor organization" is defined as any pension plan in which the member can receive credit as a result of his membership in the local labor organization. This is a declaration of existing law.
 - Salary used for calculation of final average salary must be a salary paid by an employer, not by the union. This is a declaration of existing law.
 - Minimum annuity section 11-134 is changed to add to the final average salary the product of (1) final average salary, (2) the average percentage increase in the CPI during the leave of absence, and (3) the number of years of leave of absence. This does not seem to deal with a situation where the employee may have been on leave within the last 10 years but is last with Municipal. It also only amends paragraph (f-1) which applies to those members who go on annuity on or after the attainment of age 60.
 - Does not change that contributions are based on current salary with the union.

Public Act 97-0967 (HB 3969)

- Approved and effective August 16, 2012.
- Applies if the member retired after the effective date with less than 2 years of service in a participating system under the Reciprocal Act after General Assembly service.
- Requires that if the final average salary in a participating system is used to calculate the annuity, the employer must pay the General Assembly Retirement System for any increased cost of the General Assembly annuity that is attributable to the higher salary under the participating system.

2013 Session

Public Act 98-0043 (HB 1584)

- Approved and effective June 28, 2013
- Changes the duration of health insurance supplement payments to eligible employee annuitants to "Beginning July 1, 2008, and until such time as the city no longer provides a health care plan for such annuitants or December 31, 2016, whichever comes first."

Public Act 98-0433 (HB 2620)

- Approved and effective August 16, 2013
- Allows for an additional exception to the RFP process for obtaining investment services for "contracts for follow-on funds with the same fund sponsor through close-end funds"

APPENDIX A

2014 Session

Public Act 98-0641 (SB 1922)

- Approved and effective June 9, 2014
- Implements a funding policy designed to achieve 90% funded ratio by 2055
- Provides for incrementally increased employer contribution multiple, which eventually converts to actuarial-based funding.
- Caps the current pension levy at the full required city contribution amount.
- Creates payment obligation to the fund; provides enforcement.
- Provides for incrementally increased employee contributions.
- Tier 1: Ties annual increase in retirement annuity to inflation, subject to 3% cap, delays initial annual increase by one year, and eliminates annual increases in 2017, 2019 and 2025 for most annuitants.
- Tier 2: Reduces minimum retirement age by 2 years, delays the initial annual increase by one year for some retirees, and eliminates the annual increases in 2025.

Public Act 98-1022 (SB 452)

- Approved and effective August 22, 2014
- Requires investment managers and consultants entering into a contract to disclose information on use of vendors owned by minorities, females, and persons with disabilities.
- Requires minority consideration to be “within the bounds of financial and fiduciary prudence.”
- Defines “minority investment managers” and requires funds to adopt a policy to increase goals for utilization. Requires annual review.
- Declares it is the public policy of the State to encourage use of minority investment managers.

2015 Session

Public Act 99-0462 (SB 1334)

- Approved August 25, 2015
- Sets aspirational goals that, beginning January 1, 2016, at least 20% of the total funds under management be managed by emerging investment managers and that at least 20% of the investment advisors be minorities, females, and persons with disabilities.
- Sets the aspirational goal that, beginning January 1, 2016, at least 20% of contracts for “information technology services”, “accounting services”, “insurance brokers”, “architectural and engineering services”, and “legal services” be awarded to businesses owned by minorities, females, and person with disabilities.

Jones et al. v. Municipal Employees’ Annuity and Benefit Fund of Chicago, et al.

Johnson et al. v. Municipal Employees’ Annuity and Benefit Fund of Chicago, et al.

- Public Act 98-0641 was ruled unconstitutional by the circuit court on July 24, 2015. On March 24, 2016, the Illinois Supreme Court affirmed the circuit court’s decision.
- Restores full automatic annual increase, the date of initial increase and eliminates increase holidays
- For Tier 2, changes retirement age for unreduced benefits back to age 67 and for reduced benefits to age 62
- Eliminates new funding policy

End of Report

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