# Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

## GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions

December 31, 2019

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April 23, 2020

The Retirement Board of the
Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 1300
Chicago, Illinois 60654

Dear Members of the Board:

This report provides accounting and financial reporting information as of December 31, 2019, that is intended to comply with the Governmental Accounting Standards Board ("GASB") Statement Nos. 67 and 68 for the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF"). These calculations have been made on a basis that is consistent with our understanding of these Statements.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

Our calculation of the liability summarized in this actuarial valuation report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement Nos. 67 and 68. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than LABF only in its entirety and only with the permission of LABF.

This report is based upon information, furnished to us by LABF, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If the understanding of this information is different, please let us know. This information was checked for internal consistency, but it was not audited.

This report complements the funding actuarial valuation report that was provided to the Fund and should be considered in conjunction with that report. Please see the actuarial valuation report as of December 31, 2019 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. Pursuant to Public Act ("P.A.") 100-0023, effective July 6, 2017, the funding policy was amended and requires City contributions to equal $36 million in payment year 2018, $48 million in payment year 2019, $60 million in payment year 2020, $72 million in payment year 2021 and $84 million in payment year 2022. For payment years after 2022, the City contribution equals the sum of the net employer normal cost plus a level percent of payroll amortization of the unfunded liability needed to attain a 90% funded ratio by 2058 on an open group basis. After 2058, the City contribution equals the amount necessary to maintain the 90% funded ratio. While the new statutory funding policy is an improvement, it does not comply with generally accepted actuarial standards for the funding of retirement plans and therefore, we recommend strengthening the policy.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago under the reporting and disclosure requirements of GASB Statement Nos. 67 and 68. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

This report does not reflect the recent and still developing impact of COVID-19, which is likely to influence demographic experience and economic expectations, at least in the short term. We will continue to monitor these developments and their impact on retirement.

The signing actuaries are independent of the plan sponsor.

Alex Rivera and Jeffrey T. Tebeau are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

This report may be provided to parties other than LABF only in its entirety and only with the permission of LABF. GRS is not responsible for unauthorized use of this report.

Respectfully submitted,

By Alex Rivera
Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant

By Jeffrey T. Tebeau
Jeffrey T. Tebeau, FSA, EA, MAAA
Consultant

GRS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

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# SECTION A

## EXECUTIVE SUMMARY

# Executive Summary as of December 31, 2019

| | | 2019 |
|---|---|---|
| Actuarial Valuation Date | | December 31, 2019 |
| Measurement Date of the Net Pension Liability | | December 31, 2019 |
| Employer's Fiscal Year Ending Date (Reporting Date) | | December 31, 2019 |
| **Membership** | | |
| Number of | | |
| - Retirees and Beneficiaries | | 3,653 |
| - Inactive, Nonretired Members | | 1,486 |
| - Active Members | | 2,662 |
| - Total | | 7,801 |
| Covered Payroll | $ | 211,607,883 |
| **Net Pension Liability** | | |
| Total Pension Liability | $ | 2,775,649,498 |
| Plan Fiduciary Net Position | | 1,187,549,469 |
| Net Pension Liability | $ | 1,588,100,029 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | | 42.78% |
| Net Pension Liability as a Percentage of Covered Payroll | | 750.49% |
| **Development of the Single Discount Rate** | | |
| Single Discount Rate Beginning of Year | | 7.11% |
| Single Discount Rate End of Year | | 7.00% |
| Long-Term Expected Rate of Investment Return | | 7.25% |
| Long-Term Municipal Bond Rate Beginning of Year* | | 3.71% |
| Long-Term Municipal Bond Rate End of Year* | | 2.75% |
| Last year trust assets are available to pay benefits | | 2073 |
| **Total Pension Expense** | $ | (180,315,487) |

**Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses**

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Difference between expected and actual non-investment experience | $ 7,913,126 | $ (15,414,268) |
| Changes in assumptions | 24,783,495 | (157,559,285) |
| Net difference between projected and actual earnings on pension plan investments | 102,651,617 | (138,718,248) |
| Total | $ 135,348,238 | $ (311,691,801) |

**Source:* *The rates at the beginning and end of the year are the rates for fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 28, 2018, and December 30, 2019, respectively. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.*

# Discussion

## Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board ("GASB") Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain non-actuarial information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

## Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions."

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.

## Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans to include certain additional information. The list of disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position, net pension liability and the pension plan's fiduciary net position as a percentage of the total pension liability;
- The net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- The composition of the pension plan's board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

# Discussion

## Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability and the net pension liability as a percent of covered-employee payroll; and
- A comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

These tables may be built prospectively as the information becomes available.

## Timing of the Actuarial Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least once every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2019, and a measurement date of December 31, 2019.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this actuarial valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.00%.

## Effective Date and Transition

GASB Statement Nos. 67 and 68 are effective for fiscal years beginning after June 15, 2013 and June 15, 2014, respectively; earlier application is encouraged by the GASB.

# Discussion

## Recent Legislation

Public Act ("P.A.") 100-0023, effective July 6, 2017, modified the City's funding policy and created a new tier of benefits for active members hired on or after July 6, 2017, and Tier 2 members under a one-time irrevocable election. The new benefit structure ("Tier 3") introduces new retirement eligibility ages, increases employee contributions and changes the provisions for automatic increases in annuities.

The City's funding policy was amended to achieve 90% funded status by 2058. Required City contributions are $36 million in payment year 2018, $48 million in payment year 2019, $60 million in payment year 2020, $72 million in payment year 2021, $84 million in payment year 2022, and for 2023 through 2058, contributions are determined as a level percentage of employee payroll sufficient to achieve 90% funding by 2058.

The total pension liability shown in this report reflects the funding and benefit changes pursuant to P.A. 100-0023.

## Change in Assumptions

The actuarial valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The actuarial assumptions used for the December 31, 2019 actuarial valuation are based on a full experience review for the five-year period ended December 31, 2016, which became effective with the December 31, 2017 actuarial valuation.

# SECTION B

## FINANCIAL STATEMENTS

Auditor’s Note: This information is intended to assist in preparation of the financial statements of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. Financial statements are the responsibility of management, subject to the auditor’s review. Please let us know if the auditor recommends any changes.

# Pension Expense under GASB Statement No. 68
# Fiscal Year Ended December 31, 2019

| | | | |
|---|---|---|---|
| **A. Expense** | | | |
| 1. | Service Cost Including Pension Plan Administrative Expense | $ | 38,522,157 |
| 2. | Interest on the Total Pension Liability | | 188,347,405 |
| 3. | Current-Period Benefit Changes | | - |
| 4. | Employee Contributions (made negative for addition here) | | (18,143,163) |
| 5. | Projected Earnings on Plan Investments (made negative for addition here) | | (72,820,836) |
| 6. | Other Changes in Plan Fiduciary Net Position | | - |
| 7. | Recognition of Outflow/(Inflow) of Resources due to Liabilities | | (20,528,552) |
| 8. | Recognition of Outflow/(Inflow) of Resources due to Assumption Changes | | (311,161,402) |
| 9. | Recognition of Outflow/(Inflow) of Resources due to Assets | | 15,468,904 |
| 10. | **Total Pension Expense** | **$** | **(180,315,487)** |
| | | | |
| **B. Reconciliation of Net Pension Liability** | | | |
| **1.** | **Net Pension Liability Beginning of Year** | **$** | **1,598,720,657** |
| 2. | Pension Expense | | (180,315,487) |
| 3. | Employer Contributions (made negative for addition here) | | (59,346,056) |
| 4. | Change in Liability Experience Outflows/(Inflows) Recognized in Current Liabilities | | 11,708,094 |
| 5. | Change in Assumption Changes Experience Outflows/(Inflows) Recognized in Current Liabilities | | 344,007,717 |
| 6. | Change in Investment Experience Outflows/(Inflows) Recognized in Current Assets | | (126,674,896) |
| **7.** | **Net Pension Liability End of Year** | **$** | **1,588,100,029** |

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods
# Fiscal Year Ended December 31, 2019

**A. Outflows and (Inflows) of Resources Recognized in Current and Future Pension Expenses as of Plan Year End December 31, 2019**

| Experience (Gain)/Loss | Original Balance | Date Established | Original Recognition Period/ Amortization Factor | Amount Recognized in Past Pension Expenses | Amount Recognized in Current Pension Expense | Deferred (Inflows) to be Recognized in Future Pension Expenses | Deferred Outflows to be Recognized in Future Pension Expenses |
|---|---|---|---|---|---|---|---|
| 1. Differences Between Expected | $ (8,820,458) | December 31, 2019 | 4.0738 | $ - | $ (2,165,167) | $ (6,655,291) | $ - |
| and Actual Non-Investment Experience | 15,143,356 | December 31, 2018 | 4.1889 | 3,615,115 | 3,615,115 | - | 7,913,126 |
| | (62,178,234) | December 31, 2017 | 3.4919 | (35,612,838) | (17,806,419) | (8,758,977) | - |
| | (30,428,098) | December 31, 2016 | 3.4767 | (26,256,017) | (4,172,081) | - | - |
| | (46,084,758) | December 31, 2015 | 3.4444 | (46,084,758) | - | - | - |
| | $ (132,368,192) | | 3.7351 | $ (104,338,498) | $ (20,528,552) | $ (15,414,268) | $ 7,913,126 |
| 2. Assumption Changes | $ 32,846,315 | December 31, 2019 | 4.0738 | $ - | $ 8,062,820 | $ - | $ 24,783,495 |
| | (11,788,138) | December 31, 2018 | 4.1889 | (2,814,137) | (2,814,137) | (6,159,864) | - |
| | (1,074,754,286) | December 31, 2017 | 3.4919 | (615,569,910) | (307,784,955) | (151,399,421) | - |
| | (62,905,368) | December 31, 2016 | 3.4767 | (54,280,238) | (8,625,130) | - | - |
| | 1,175,935,546 | December 31, 2015 | 3.4444 | 1,175,935,546 | - | - | - |
| | $ 59,334,069 | | 3.7351 | $ 503,271,261 | $ (311,161,402) | $ (157,559,285) | $ 24,783,495 |
| 3. Difference Between Expected | $ (111,205,992) | December 31, 2019 | 5.0000 | $ - | $ (22,241,198) | $ (88,964,794) | $ - |
| and Actual Investment Earnings | 161,034,333 | December 31, 2018 | 5.0000 | 32,206,867 | 32,206,867 | - | 96,620,599 |
| | (124,383,638) | December 31, 2017 | 5.0000 | (49,753,456) | (24,876,728) | (49,753,454) | - |
| | 30,155,090 | December 31, 2016 | 5.0000 | 18,093,054 | 6,031,018 | - | 6,031,018 |
| | 121,744,726 | December 31, 2015 | 5.0000 | 97,395,781 | 24,348,945 | - | - |
| | 77,344,519 | | 5.0000 | $ 97,942,246 | $ 15,468,904 | $ (138,718,248) | $ 102,651,617 |
| **4. Total** | **$ 4,310,396** | | | **$ 496,875,009** | **$ (316,221,050)** | **$ (311,691,801)** | **$ 135,348,238** |

**B. Deferred Outflows and Deferred (Inflows) of Resources by Year to be Recognized in Future Pension Expenses**

| Year Ending December 31 | Differences Between Expected and Actual Non-Investment Experience | Assumption Changes | Differences Between Expected and Actual Investment Experience |
|---|---|---|---|
| 2020 | $ (7,309,029) | $ (146,150,738) | $ (8,880,041) |
| 2021 | 1,449,948 | 5,248,683 | (14,911,057) |
| 2022 | (1,482,271) | 7,531,230 | 9,965,667 |
| 2023 | (159,790) | 595,035 | (22,241,200) |
| 2024 | - | - | - |
| Thereafter | - | - | - |
| **Total** | **$ (7,501,142)** | **$ (132,775,790)** | **$ (36,066,631)** |

| Year Ending December 31 | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Net Deferred Outflows/ (Inflows) of Resources |
|---|---|---|---|
| 2020 | $ 49,915,820 | $ (212,255,628) | $ (162,339,808) |
| 2021 | 43,884,802 | (52,097,228) | (8,212,426) |
| 2022 | 40,952,581 | (24,937,955) | 16,014,626 |
| 2023 | 595,035 | (22,400,990) | (21,805,955) |
| 2024 | - | - | - |
| Thereafter | - | - | - |
| **Total** | **$ 135,348,238** | **$ (311,691,801)** | **$ (176,343,563)** |

*Numbers may not add due to rounding.*

# Statement of Fiduciary Net Position
# Year Ended December 31, 2019, and 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Receivables | | |
| Employer | $ 58,683,927 | $ 47,436,901 |
| Plan member | 2,277,712 | 1,635,782 |
| Due from broker - net | - | - |
| Interest and dividends | 3,033,971 | 2,859,481 |
| Other receivables | 80,703 | 75,719 |
| Total receivables | 64,076,313 | 52,007,883 |
| Investments - at fair value | | |
| Cash and short-term investments | 40,451,166 | 26,101,699 |
| Equities | 628,788,321 | 508,642,697 |
| Fixed income | 221,262,703 | 256,524,010 |
| Private equity | 33,215,323 | 27,062,565 |
| Real estate | 121,407,590 | 121,113,142 |
| Hedge funds | 88,770,368 | 85,604,723 |
| Global asset allocation funds | - | 30,704,570 |
| Subtotal | 1,133,895,471 | 1,055,753,406 |
| Forward currency contracts | - | 36,722 |
| Securities lending cash collateral | 46,815,031 | 32,279,613 |
| Total investments - fair value | 1,180,710,502 | 1,088,069,741 |
| Property and equipment | - | - |
| **Total assets** | 1,244,786,815 | 1,140,077,624 |
| **Deferred outflows** | | |
| Accumulated decrease in fair value of hedging derivatives | 1,053,906 | - |
| **Liabilities and net position** | | |
| Liabilities | | |
| Due to brokers - net | 4,380,991 | 8,346,689 |
| Derivatives - net | 1,677,355 | - |
| Refunds, professional fees payable and other liabilities | 2,521,594 | 2,240,119 |
| OPEB liability | 2,896,281 | 2,360,665 |
| Securities lending cash collateral | 46,815,031 | 32,279,613 |
| **Total liabilities** | 58,291,252 | 45,357,051 |
| **Deferred inflows** | | |
| Accumulated increase in fair value of hedging derivatives | - | 166,687 |
| **Net Position - Restricted for Pension Benefits** | $ 1,187,549,469 | $ 1,094,683,851 |

# Statement Changes in Fiduciary Net Position
# Year Ended December 31, 2019, and 2018

| | 2019 | 2018 |
|---|---|---|
| **Additions** | | |
| Contributions | | |
| Employer | $ 59,346,056 | $ 47,844,184 |
| Plan Member | 18,143,163 | 17,836,801 |
| Total Contributions | 77,489,219 | 65,680,985 |
| Investment Income | | |
| Net appreciation in fair value of investments | 168,467,255 | (88,321,798) |
| Interest | 9,701,638 | 8,399,584 |
| Dividends | 10,337,467 | 9,701,254 |
| Private equity income - net | 646,919 | (55,111) |
| Real estate operating income - net | 2,403,284 | 719,185 |
| Hedge funds income - net | 122,307 | 739,684 |
| Global Net Investment Income | - | 1,268,239 |
| | 191,678,870 | (67,548,963) |
| Less investment expenses | (7,977,942) | (7,886,654) |
| Investment income - net | 183,700,928 | (75,435,617) |
| Securities lending | | |
| Income | 1,085,221 | 996,448 |
| Lender (borrower) rebates | (660,145) | (696,829) |
| Management fees | (99,176) | (83,070) |
| Securities lending income - net | 325,900 | 216,549 |
| Miscellaneous income (GASB 75 implementation) | - | 661,530 |
| **Total additions** | 261,516,047 | (8,876,553) |
| **Deductions** | | |
| Benefits | 162,118,145 | 157,317,980 |
| Refunds | 2,841,113 | 2,742,788 |
| Administrative and OPEB expenses | 3,691,171 | 3,933,389 |
| **Total deductions** | 168,650,429 | 163,994,157 |
| **Net increase** | 92,865,618 | (172,870,710) |
| **Net Position Restricted for Pension Benefits** | | |
| Beginning of year | 1,094,683,851 | 1,267,554,561 |
| End of year | $ 1,187,549,469 | $ 1,094,683,851 |

# SECTION C

## REQUIRED SUPPLEMENTARY INFORMATION

Auditor’s Note: This information is intended to assist in preparation of the financial statements of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. Financial statements are the responsibility of management, subject to the auditor’s review. Please let us know if the auditor recommends any changes.

# Schedule of Changes in Net Position Liability and Related Ratios
# Current Period
# Fiscal Year Ended December 31, 2019

| | | |
|---|---|---|
| **A. Total Pension Liability** | | |
| 1. Service Cost Including Pension Plan Administrative Expense | $ | 38,522,157 |
| 2. Interest on the Total Pension Liability | | 188,347,405 |
| 3. Changes of Benefit Terms | | - |
| 4. Difference Between Expected and Actual Experience of the Total Pension Liability | | (8,820,458) |
| 5. Changes of Assumptions | | 32,846,315 |
| 6. Benefit Payments, Including Refunds of Employee Contributions | | (164,959,258) |
| 7. Pension Plan Administrative Expenses | | (3,691,171) |
| 8. Net Change in Total Pension Liability | | 82,244,990 |
| 9. Total Pension Liability – Beginning | | 2,693,404,508 |
| 10. Total Pension Liability – Ending | **$** | **2,775,649,498** |
| **B. Plan Fiduciary Net Position** | | |
| 1. Contributions – Employer | | 59,346,056 |
| 2. Contributions – Employee | | 18,143,163 |
| 3. Net Investment Income | | 184,026,828 |
| 4. Benefit Payments, Including Refunds of Employee Contributions | | (164,959,258) |
| 5. Pension Plan Administrative Expense | | (3,691,171) |
| 6. Other | | - |
| 7. Net Change in Plan Fiduciary Net Position | | 92,865,618 |
| 8. Plan Fiduciary Net Position – Beginning | | 1,094,683,851 |
| 9. Plan Fiduciary Net Position – Ending | **$** | **1,187,549,469** |
| **C. Net Pension Liability** | **$** | **1,588,100,029** |
| **D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | | **42.78%** |
| **E. Covered-Employee Payroll** | **$** | **211,607,883** |
| **F. Net Pension Liability as a Percentage of Covered Employee Payroll** | | **750.49%** |

# Schedules of Required Supplementary Information
## Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

| Fiscal year ending December 31, | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | |
| Service Cost Including Pension Plan Administrative Expense | $ 38,522,157 | $ 40,800,911 | $ 80,231,718 | $ 82,960,086 | $ 38,388,765 | $ 38,523,054 |
| Interest on the Total Pension Liability | 188,347,405 | 183,135,028 | 154,047,387 | 150,166,006 | 153,811,897 | 174,071,492 |
| Benefit Changes | - | - | 150,457 | - | 384,032,638 | (324,166,854) |
| Difference between Expected and Actual Experience | (8,820,458) | 15,143,356 | (62,178,234) | (30,428,098) | (46,084,758) | - |
| Assumption Changes | 32,846,315 | (11,788,138) | (1,074,754,286) | (62,905,368) | 1,175,935,546 | 28,201,429 |
| Benefit Payments | (162,118,145) | (157,317,980) | (154,767,434) | (151,922,150) | (150,013,189) | (145,586,268) |
| Refunds | (2,841,113) | (2,742,788) | (2,282,455) | (2,760,872) | (2,516,351) | (2,071,694) |
| Pension Plan Administrative Expense | (3,691,171) | (3,933,389) | (3,984,947) | (4,080,239) | (3,844,346) | (3,835,170) |
| **Net Change in Total Pension Liability** | 82,244,990 | 63,297,000 | (1,063,537,793) | (18,970,635) | 1,549,710,202 | (234,864,011) |
| **Total Pension Liability - Beginning** | 2,693,404,508 | 2,630,107,508 | 3,693,645,301 | 3,712,615,936 | 2,162,905,734 | 2,397,769,745 |
| **Total Pension Liability - Ending (a)** | $ 2,775,649,498 | $ 2,693,404,508 | $ 2,630,107,508 | $ 3,693,645,301 | $ 3,712,615,936 | $ 2,162,905,734 |
| **Plan Fiduciary Net Position** | | | | | | |
| Employer Contributions | 59,346,056 | 47,844,184 | 35,456,607 | 12,603,498 | $ 12,412,471 | $ 12,160,815 |
| Employee Contributions | 18,143,163 | 17,836,801 | 17,410,821 | 17,245,913 | 16,844,246 | 16,359,082 |
| Pension Plan Net Investment Income | 184,026,828 | (75,219,068) | 207,981,245 | 57,997,329 | (22,318,476) | 53,393,517 |
| Benefit Payments | (162,118,145) | (157,317,980) | (154,767,434) | (151,922,150) | (150,013,189) | (145,586,268) |
| Refunds | (2,841,113) | (2,742,788) | (2,282,455) | (2,760,872) | (2,516,351) | (2,071,694) |
| Pension Plan Administrative Expense | (3,691,171) | (3,933,389) | (3,984,947) | (4,080,239) | (3,844,346) | (3,835,170) |
| Other | - | 661,530 | - | - | - | - |
| **Net Change in Plan Fiduciary Net Position** | 92,865,618 | (172,870,710) | 99,813,837 | (70,916,521) | (149,435,645) | (69,579,718) |
| **Plan Fiduciary Net Position - Beginning** | 1,094,683,851 | 1,267,554,561 | 1,167,740,724 | 1,238,657,245 | 1,388,092,890 | 1,457,672,608 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 1,187,549,469 | $ 1,094,683,851 | $ 1,267,554,561 | $ 1,167,740,724 | $ 1,238,657,245 | $ 1,388,092,890 |
| **Net Pension Liability - Ending (a) - (b)** | 1,588,100,029 | 1,598,720,657 | 1,362,552,947 | 2,525,904,577 | 2,473,958,691 | 774,812,844 |
| **Plan Fiduciary Net Position as a Percentage** | | | | | | |
| **of Total Pension Liability** | 42.78% | 40.64% | 48.19% | 31.61% | 33.36% | 64.18% |
| **Covered Employee Payroll** | $ 211,607,883 | $ 211,482,201 | $ 208,442,487 | $ 208,154,918 | $ 204,772,903 | $ 202,673,014 |
| **Net Pension Liability as a Percentage** | | | | | | |
| **of Covered Employee Payroll** | 750.49% | 755.96% | 653.68% | 1213.47% | 1208.15% | 382.30% |

*Ten fiscal years will be built prospectively. Please see the following page for additional notes relating to the Schedule of Changes in Net Pension Liability and Related Ratios.*

# Schedules of Required Supplementary Information
# Additional Notes to the Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

The Total Pension Liability at the beginning of fiscal year 2019 used a Single Discount Rate of 7.11% and the benefit provisions and funding policy in effect as of the December 31, 2018 funding actuarial valuation. The Single Discount Rate of 7.11% was based on a long-term expected rate of return on pension plan investments of 7.25% for years 2019 through 2072 and a long-term municipal bond rate as of December 28, 2018 of 3.71% for subsequent years after 2072.

The Total Pension Liability at the end of fiscal year 2019 used a Single Discount Rate of 7.00% and the benefit provisions and funding policy in effect as of the December 31, 2019, funding actuarial valuation. The Single Discount Rate of 7.00% was based on a long-term expected rate of return on pension plan investments of 7.25% for years 2020 through 2073 and a long-term municipal bond rate as of December 30, 2019, of 2.75% for subsequent years after 2073.

The change in the long-term municipal bond rate from 3.71% at December 28, 2018, to 2.75% as of December 30, 2019 caused the Single Discount Rate to decrease slightly from 7.11% at December 31, 2018 to 7.00% at December 31, 2019.

# Schedules of Required Supplementary Information
# Schedule of the Net Pension Liability Multiyear

| FY Ending December 31, | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll [a] | Net Pension Liability as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2014 | $ 2,162,905,734 | $ 1,388,092,890 | $ 774,812,844 | 64.18% | $ 202,673,014 | 382.30% |
| 2015 | 3,712,615,936 | 1,238,657,245 | 2,473,958,691 | 33.36% | 204,772,903 | 1208.15% |
| 2016 | 3,693,645,301 | 1,167,740,724 | 2,525,904,577 | 31.61% | 208,154,918 | 1213.47% |
| 2017 | 2,630,107,508 | 1,267,554,561 | 1,362,552,947 | 48.19% | 208,442,487 | 653.68% |
| 2018 | 2,693,404,508 | 1,094,683,851 | 1,598,720,657 | 40.64% | 211,482,201 | 755.96% |
| 2019 | 2,775,649,498 | 1,187,549,469 | 1,588,100,029 | 42.78% | 211,607,883 | 750.49% |

[a] *Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during the fiscal year.*

*Ten fiscal years will be built prospectively.*

# Schedule of Contributions Multiyear
# Last 10 Fiscal Years

| FY Ending December 31, | Actuarial Determined Contribution[a] | Actual Contribution | Contribution Deficiency/ (Excess) | Covered Payroll[b] | Actual Contribution as a % of Covered Payroll | Statutory Contribution[c] | Statutory Contribution Deficiency/(Excess) |
|---|---|---|---|---|---|---|---|
| 2010 | $ 46,664,704 | $ 15,351,944 | $ 31,312,760 | $ 199,863,410 | 7.68% | $ 15,652,734 | $ 300,790 |
| 2011 | 57,258,593 | 12,778,697 | 44,479,896 | 195,238,332 | 6.55% | 13,055,795 | 277,098 |
| 2012 | 77,566,394 | 11,852,905 | 65,713,489 | 198,789,741 | 5.96% | 12,336,770 | 483,865 |
| 2013 | 106,199,410 | 11,583,051 | 94,616,359 | 200,351,820 | 5.78% | 12,098,712 | 515,661 |
| 2014 | 106,018,725 | 12,160,815 | 93,857,910 | 202,673,014 | 6.00% | 12,714,800 | 553,985 |
| 2015 | 79,850,835 | 12,412,471 | 67,438,364 | 204,772,903 | 6.06% | 12,857,827 | 445,356 |
| 2016 | 117,033,100 | 12,603,498 | 104,429,603 | 208,154,918 | 6.05% | 13,179,003 | 575,505 |
| 2017 | 124,226,042 | 35,456,607 | 88,769,435 | 208,442,487 | 17.01% | 36,000,000 | 543,393 |
| 2018 | 129,247,584 | 47,844,184 | 81,403,400 | 211,482,201 | 22.62% | 48,000,000 | 155,816 |
| 2019 | 148,409,689 | 59,346,056 | 89,063,633 | 211,607,883 | 28.05% | 60,000,000 | 653,944 |

[a] *The LABF Statutory Funding Policy does not conform to Actuarial Standards of Practice; therefore, the Actuarial Determined Contribution is equal to the normal cost plus an amount to amortize the unfunded liability using level dollar payments and a 30-year open amortization period.*

[b] *Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during the fiscal year.*

[c] *Excludes amounts paid for health insurance supplement in fiscal years prior to December 31, 2017.*

# Notes to Schedule of Contributions

| | |
|---|---|
| **Valuation Date:** | December 31, 2019 |

**Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Prior to 2017, the total City contribution is generated by a tax equal to 1.00 times the contributions by participants to the Fund two years prior to the year of the tax levy. For tax levy years 2017-2021, the statutory contributions are equal to $36 million, $48 million, $60 million, $72 million, and $84 million, respectively. For tax levy years on and after 2022, the statutory contributions are equal to a level percentage of pay contribution determined so that the Fund attains a 90% funded ratio by the end of 2058 on an open group basis. |
| Remaining Amortization Period | Not Applicable. An amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution. |
| Asset Valuation Method | Five-year smoothed market. |
| Inflation | 2.25% as of the December 31, 2019, actuarial valuation. |
| Salary Increases | Salary increase rates based on service-related productivity and merit rates plus wage inflation of 3.00%. |
| Postretirement Benefit Increases | Post retirement benefit increases are equal to 3.00%, compounded annually, for Tier 1 members. Post retirement increases for Tier 2 and Tier 3 members are equal to the lesser of 3.00% or one-half the annual unadjusted percentage increase (but no less than zero) in the Consumer Price Index-U for the 12 months ending with the September preceding the date of the increase, using simple interest. |
| Investment Rate of Return | 7.25% as of the December 31, 2019, actuarial valuation. |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2017 valuation pursuant to an experience study of the period January 1, 2012 through December 31, 2016. |
| Mortality | Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. No adjustment is made for post-disabled mortality.<br>Pre Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. |

**Other Information:**

| | |
|---|---|
| Notes | The actuarial valuation is based on the statutes in effect as of December 31, 2019. |

**Methods and Assumptions Used for Accounting Purposes as of the Valuation Date:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Market |
| Discount Rate | 7.11% as of the December 31, 2018 actuarial valuation.<br>7.00% as of the December 31, 2019 actuarial valuation. |

# Schedule of Investment Returns Multiyear

| FY Ending December 31, | Annual Market Value Return |
|---|---|
| 2014 | 3.20 % |
| 2015 | (1.50)% |
| 2016 | 5.00 % |
| 2017 | 18.67 % |
| 2018 | (6.36)% |
| 2019 | TBD |

*The annual money-weighted rates of return, net of investment expenses for each fiscal year were provided by the Fund.*

*Ten fiscal years will be built prospectively.*

# SECTION D

## NOTES TO FINANCIAL STATEMENTS

Auditor’s Note:  This information is intended to assist in preparation of the financial statements of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.  Financial statements are the responsibility of management, subject to the auditor’s review.  Please let us know if the auditor recommends any changes.

# Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

## Single Discount Rate

A Single Discount Rate of 7.00% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments only through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

### Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

| 1% Decrease<br>6.00% | Current Single Discount Rate Assumption<br>7.00% | 1% Increase<br>8.00% |
|---|---|---|
| $ 1,918,388,452 | $ 1,588,100,029 | $ 1,311,383,618 |

# Summary of Population Statistics

| | |
|---|---|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 3,653 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 1,486 |
| Active Plan Members[a] | 2,662 |
| Total Plan Members | 7,801 |

*[a]Active members include disabled employees.*

*Additional information about the member data used is included in the December 31, 2019 funding actuarial valuation report.*

# SECTION E

## SUMMARY OF BENEFITS

# Plan Description (as of December 31, 2019)

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance as labor service or any person employed by a retirement board of any annuity and benefit fund in the city is covered by the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers' Plan) which is a defined benefit single employer pension plan with a money purchase minimum. Although this is a single employer plan, the defined benefits, as well as the employer and employee contribution levels, are mandated in Illinois Compiled Statutes (Chapter 40, Pensions, Article 5/11) and may be amended only by the Illinois legislature. The City of Chicago accounts for the plan as a pension trust fund. The City of Chicago uncapped payroll for employees covered by the Laborers' Plan for the year ended December 31, 2019 was $211,642,979. At December 31, 2019, the Laborers' Plan membership consisted of:

| | |
|---|---|
| Retiree, surviving spouse, reversionary annuitant and child annuitants currently receiving benefits | 3,653 |
| Terminated inactive employees entitled to benefits or a refund of contributions but not yet receiving them | 1,486 |
| Current employees (includes 137 disabilities) | 2,662 |

The Laborers' Fund provides retirement benefits as well as death and disability benefits. 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 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 four 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 1.00% for each month the employee is under age 60, unless the employee is 50 or over with at least 30 years of service or 55 or over with at least 25 years of service. The original annuity is limited to 80% of the highest average annual salary. Beginning January 1, 1999, there is a 10-year deferred vested benefit payable at age 60. Employees who retire at age 60 or over with at least 10 years of service are entitled to a minimum of $850 per month.

The monthly annuity is increased by 3.00% in January of the year of the first payment date following the later of age 60 or the first anniversary of retirement, and by 3.00% annually thereafter; except that for an employee retiring prior to age 60 the first increase will occur no later than January of the year of the first payment date following the later of (1) the third anniversary of retirement or (2) the attainment of age 53.

*Participants who first became members on or after January 1, 2011, are subject to different retirement eligibility conditions and benefit provisions as described on the following pages.*

Covered employees are required to contribute 8.50% of their salary to the Laborers' Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with 3.00% annual interest.

The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Fund. In payment years prior to 2018, it is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.00 annually. Beginning in payment year 2018, City contributions are equal to $36 million in payment year 2018, $48 million in payment year 2019, $60 million in payment year 2020, $72 million in payment year 2021 and $84 million in payment year 2022. For payment years after 2022, the City contribution equals the sum of the net employer normal cost plus a level percent of payroll amortization of the unfunded liability needed to attain a 90% funded ratio by 2058 on an open group basis. After 2058, the City contribution equals the amount necessary to maintain the 90% funded ratio.

*Participants who first became members on or after January 1, 2011, are subject to a cap on pensionable salary upon which contributions are made as described on the following pages.*

## Definitions

These terms are defined in Article 1A of the Illinois Pension Code *Regulation of Public Pensions.*

"Accrued liability" means the actuarial present value of future benefit payments and appropriate administrative expenses under a plan, reduced by the actuarial present value of all future normal costs (including any participant contributions) with respect to the participant included in the actuarial valuation of the plan.

"Actuarial present value" means the single amount, as of a given valuation date, that results from applying actuarial assumptions to an amount or series of amounts payable or receivable at various times.

"Actuarial value of assets" means the value assigned by the actuary to the assets of a plan for the purposes of an actuarial valuation.

"Beneficiary" means a person eligible for or receiving benefits from the pension fund.

"Credited projected benefit" means that portion of a participant's projected benefit based on an allocation taking into account service to date determined in accordance with the terms of the plan based on anticipated future compensation.

"Current value" means the fair market value when available; otherwise, the fair value as determined in good faith by a trustee, assuming an orderly liquidation at the time of the determination.

"Normal cost" means that part of the actuarial present value of all future benefit payments and appropriate administrative expenses assigned to the current year under the actuarial valuation method used by the plan (excluding any amortization of the unfunded accrued liability).

"Participant" means a participating member or deferred pensioner or annuitant of the pension fund, or a beneficiary thereof.

"Pension Fund" or "Fund" means the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago established under Article 11 of the Illinois Pension Code.

"Plan year" means the calendar year for which the records of a given plan are kept.

"Projected benefits" means benefit amounts which are expected to be paid at various future times under a particular set of actuarial assumptions, taking into account, as applicable, the effect of advancement in age and past and anticipated future compensation and service credits.

"Supplemental annual cost" means that a portion of the unfunded accrued liability is assigned to the current year under one of the following bases:

1. The level annual amount required to amortize the unfunded accrued liability over a period not exceeding 30 years (40 years for pension unfunded accrued liability prior to 2007); and
2. The amount required for the current year to amortize the unfunded accrued liability over a period not exceeding 30 years as a level percentage of payroll (40 years for pension unfunded accrued liability prior to 2007).

"Total annual cost" means the sum of the normal cost plus the supplemental annual cost.

"Unfunded accrued liability" means the excess of the accrued liability over the actuarial value of the assets of a plan.

"Vested pension benefit" means an interest obtained by a participant or beneficiary in that part of an immediate or deferred benefit under a plan which arises from the participant's service and is not conditional upon the participant's continued service for an employer any of whose employees are covered under the plan, and which has been forfeited under the terms of the plan.

## Participants

Any person employed by the City or the Board of Education in a position classified as labor service of the employer, any person employed by the Board, and any person employed by the Retirement Board of any other Annuity and Benefit Fund which is in operation for the employer.

## Service

For minimum annuity, one half-year credit is given for one complete month of service and a full year credit is given for one complete month of service plus service in at least five other months. For money purchase annuity, 700 hours of service in any calendar year constitutes one year of service credit. For Ordinary Disability credit, the exact number of days, months and years is used.

## Retirement Annuity

***Money Purchase Formula***

Maximum is 60% of highest salary. This applies in cases where an employee is age 55 or older and has a minimum of 10 years of service. If employee is age 55 to 60 with service less than 20 years, the annuity is based on all employee deductions plus 1/10th of the City contributions for each year over 10. In the case of withdrawal before age 55 and application after age 55, the annuity is based on employee deductions plus 1/10th of the City contributions for each year over 10, with interest to date of application or age 55, whichever is later. The age factor for age 55 is used.

The annuity is based on all employee deductions and City contributions in cases where the employee is (a) age 55 to 60 with 20 or more years of service; (b) age 60 or older; or (c) resigning at the time of disability credit expiration.

***Minimum Annuity Formula***

Maximum is 80% of final average salary.

An employee age 60 or older with at least 10 years of service, or an employee age 55 or older, with at least 20 years of service, or an employee age 50 or older with at least 30 years of service, is entitled to an annuity equal to 2.40%, for each year of service of the final average salary during the four highest consecutive years within the last 10 years of service prior to retirement. If the employee withdraws from service before age 60 with less than 20 years of service, he can begin to receive an annuity no earlier than age 60. For an employee who is eligible to begin receiving an annuity before age 60, the annuity is discounted 0.25% for each month the employee is younger than age 60, unless he has at least 30 years of service and is age 50 or over, or has at least 25 years of service and is age 55 or over.

*The employee will receive a minimum annuity of $850 per month if the employee withdraws from service at age 60 or older with at least 10 years of service.*

*Participants who first became members on or after January 1, 2011, but prior to July 6, 2017, are first eligible for an unreduced annuity benefit upon attainment of age 67 with 10 years of service. Members are first eligible to begin receiving a reduced annuity benefit upon attainment of age 62 with 10 years of service. The annuity is discounted 0.50% for each full month the employee is younger than 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 in 2011, increased by the lesser of 3% 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.*

*Participants who first became members on or after July 6, 2017, or participants that first became members on or after January 1, 2011, but prior to July 6, 2017, and irrevocably elected this benefit structure are first eligible for an unreduced annuity benefit upon attainment of age 65 with 10 years of service. Members are first eligible to begin receiving a reduced annuity benefit upon attainment of age 60 with 10 years of* *service. The annuity is discounted 0.50% for each full month the employee is younger than age 65. 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 in 2011, increased by the lesser of 3% 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.*

***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 cannot exceed 100% of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3.00% automatic annual increase in the annuity will be computed on the original, not the reduced, annuity; if the beneficiary dies before the employee annuitant, the full annuity is restored for annuities granted after June 30, 1983. 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 starting date of the employee's annuity.

***Automatic Increase in Annuity***

An employee annuitant is entitled to receive an increase of 3.00% 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 and age 53, and
2.) The later of the first anniversary of retirement and age 60.

Increases apply only to life annuities.

*An employee annuitant who first became a member on or after January 1, 2011, that is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3% 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 on January 1 of the year of the first payment date following the later of:*

*1.) Attainment of age 67 for members hired on or after January 1, 2011, but prior to July 6, 2017;*
*2.) Attainment of age 65 for members hired on or after July 6, 2017, or participants that first became members on or after January 1, 2011, but prior to July 6, 2017, and irrevocably elected the Tier 3 benefit structure; and*
*3.) The first anniversary of the annuity start date.*

## 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 deductions and City contributions made for spouses' annuity purposes and a joint life age factor. (If the employee is a female, these are deductions accumulated since October 1974.)

If the employee dies in service, the spouse's annuity is based on all sums accumulated to their credit. For 3.00% 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.

***Spouses' 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 annuity the employee was entitled to receive at the time of retirement or death in service. This annuity must then be discounted 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 discounted for his/her age under 55 at the time of the employee's death, unless the employee had at least 25 years of service and withdrew from service on or after June 27, 1997, in which case the spouse annuity would be discounted for spouse age under 50 at the time of the employee's death.

If the employee dies in service on or after January 1, 2002, 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. For the purposes of this benefit, the minimum formula annuity earned and accrued to the credit of the employee is equal to 2.40% for each year of service of the highest average annual salary for any four consecutive years within the last 10 years of service immediately preceding the date of death, up to a maximum of 80% of the highest average annual salary. 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 10 full years or more.

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 participants who first became members on or after January 1, 2011, the annuity payable to the surviving spouse 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 Annuity*

*The widow or survivor of a participant that first became a member on or after January 1, 2011, shall receive an annual increase equal to the lesser of 3% 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. The 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 widow's or survivor'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's Annuity*

A child's annuity is provided for unmarried children of a deceased employee who are under the age of 18, if the child was conceived or 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.

### *Family Maximum*

Non-Duty Death: 60% of final monthly salary.
Duty Death: 70% of final monthly salary.

## Disabilities

### *Duty Disability Benefits*

Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty shall have 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 (the issue of the employee) 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 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, 1983, while the employee is receiving duty disability benefits, are not refundable to the employee and will be used for annuity purposes only.

***Ordinary Disability Benefit***

This benefit is granted for disability 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. Disability is payable until age 65 and limited to a maximum of 25% of the employee's total service or five years, whichever occurs first.

For ordinary disability benefits paid on or after January 1, 2001, the Fund credits amounts equal to the amounts ordinarily contributed by an employee for annuity purposes for any period during which the employee receives ordinary disability. These amounts are used for annuity purposes but are not credited for refund purposes.

## Refunds

***To Employees***

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

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

Spouse's annuity deductions are payable to the employee if not married when he retires.

*For participants who first became members on or after January 1, 2011, an employee who resigns before age 62 without regard to length of service or with less than 10 years of service regardless of age is entitled to all salary deductions for retirement annuity and spouse annuity accumulated with interest to date of resignation, plus the 0.50% deducted for annuity increase purposes without interest.*

***To Spouses***

The spouse may choose a refund in lieu of annuity if the annuity would be less than $800 per month.

***Remaining Amounts***

Amounts contributed by the employee excluding 0.50% deductions for annuity increases, and which have not yet been paid out as annuity, are refundable to his estate with interest to his retirement or death if the employee died in service.

## Deductions and Contributions

Tier 1 members (hired before January 1, 2011) are required to contribute 8.50% of their salary to the pension fund.

# Plan Description (as of December 31, 2019)

Tier 2 members (hired on or after January 1, 2011, and before July 6, 2017) are required to contribute 8.50% of their pensionable salary to the pension fund.

Required Tier 3 members (hired on or after July 6, 2017) are required to contribute the minimum of 11.50% or the total normal cost (subject to a floor of 8.50%) of their pensionable salary to the pension fund.

Elective Tier 3 members (Tier 2 members who irrevocable elect to be subject to the Tier 3 benefit structure) are required to contribute a percentage of their pensionable salary to the pension fund, according to the following schedule:

- 9.50% beginning July 6, 2017;
- 10.50% beginning January 1, 2018; and
- Minimum of 11.50% or the total normal cost (subject to a floor of 8.50%) beginning January 1, 2019.

Beginning with the first pay period on or after the date when the funded ratio of the Fund is first determined to have reached the 90% funding goal and each pay period thereafter for as long as the Fund maintains a funding ratio of 75% or more, employee contributions for required and elective Tier 3 members shall be 7.50% of their pensionable salary.

*For participants who first became members on or after January 1, 2011, pensionable salary, upon which member contributions are made, is limited to $106,800 in 2011, increased by the lesser of 3% 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.*

Beginning in payment year 2018, the City's required annual contribution to the Fund for payment years 2018 through 2022 shall be:

- Payment year 2018 — $36,000,000
- Payment year 2019 — $48,000,000
- Payment year 2020 — $60,000,000
- Payment year 2021 — $72,000,000
- Payment year 2022 — $84,000,000

For payment years 2023 through 2058, the City's required annual contribution to the Fund shall be equal to the sum of (1) the City's portion of the projected normal cost for that fiscal year, plus (2) an amount determined on a level percentage of applicable employee payroll basis that is sufficient to bring total assets of the Fund up to 90% of the total actuarial liabilities of the Fund by the end of 2058.

For payment years after 2058, the City's required annual contribution to the Fund shall be equal to the amount, if any, needed to bring the total actuarial assets of the Fund up to 90% of the total actuarial liabilities of the Fund as of the end of the year.

# Plan Description (as of December 31, 2019)

If the City does not make the statutorily required contributions, then the State, starting in payment year 2018, could withhold State grants to the City, and directly deposit the withheld funds in the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. The withheld funds are limited to 33% of total State grants to the City in payment year 2018, 67% in payment year 2019, and 100% on and after payment year 2020.

## Tax Shelter of Employee Salary Deductions

Beginning January 1, 1982, the City employee salary deductions were designated for income tax purposes to be made by the employer. The W-2 salary is therefore reduced by the amount of contributions. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is granted. For the purposes of benefits, refunds or financing, these contributions are treated as employee contributions.

Beginning September 1, 1981, the Board of Education paid contributions in the amount of 7.00% of the employee's salary. The 1985 amendments contained a provision whereby the amount of pick-up, if any, is included in the pensionable salary for contributions and benefits. Such provision was retroactive to September 1, 1981. Beginning May 28, 2000, the remainder of contributions due for Board of Education employee salary deductions was designated for income tax purposes to be made by the employer and treated in the same manner as City employee salary deductions.

## Salary and Cola Development for Members Hired on or after January 1, 2011

| Calendar Year | CPI-U | 1/2 CPI-U | COLA | Maximum Annual Pensionable Earnings |
|---|---|---|---|---|
| 2011 | | | | $106,800.00 |
| 2012 | 3.90% | 1.95% | 1.95% | $108,882.60 |
| 2013 | 2.00% | 1.00% | 1.00% | $109,971.43 |
| 2014 | 1.20% | 0.60% | 0.60% | $110,631.26 |
| 2015 | 1.70% | 0.85% | 0.85% | $111,571.63 |
| 2016 | 0.00% | 0.00% | 0.00% | $111,571.63 |
| 2017 | 1.50% | 0.75% | 0.75% | $112,408.42 |
| 2018 | 2.20% | 1.10% | 1.10% | $113,644.91 |
| 2019 | 2.30% | 1.15% | 1.15% | $114,951.83 |
| 2020 | 1.70% | 0.85% | 0.85% | $115,928.92 |

## Health Insurance Premium Subsidies

Certain employee annuitants of LABF are entitled to a receive monthly health insurance premium subsidy pursuant to the court order based on Underwood, et. al., v. City of Chicago, et. al. In order to be eligible for the Fund-paid subsidy, the employee annuitant must meet the following eligibility requirements to receive partial reimbursement for healthcare costs:

1. Annuitant must have retired on or after August 23, 1989;
2. Annuitant must have been hired prior to April 4, 2003;
3. Annuitant must have at least 15 years of City of Chicago service;
4. Annuitant must be 65 years old or older; and
5. Annuitant must have either:
    a. participated in a group healthcare plan for which the Fund offers to deduct health insurance premiums from monthly annuities in accordance with the 1983 and 1985 amendments to the Illinois Pension Code Statutes (currently either the Blue Cross/Blue Shield plans sponsored by the City of Chicago or the Aetna plans sponsored by the Labor Benefits Association);

    OR

    b. for the period between January 1, 2017, and December 31, 2019, participated in any health insurance plan and paid their healthcare insurance premiums themselves, either through an account on which the annuitant is named or an account established for the benefit of the annuitant.

Eligible employee annuitants are entitled to receive a health insurance premium subsidy payable from the Fund for the lifetime of the employee annuitant in the amount of $25 per month. In order to continue to receive the monthly subsidy of $25 after December 31, 2019, the eligible annuitant must participate in a group health insurance plan for which the Fund offers to deduct the annuitant's healthcare premium from the annuitant's monthly annuity benefit.

# SECTION F

## ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

# Actuarial Cost Method and Actuarial Assumptions

## Actuarial Cost Method

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The principal Actuarial Cost Method used in this valuation is the Entry Age Normal Actuarial Cost Method. Under this Method, a Normal Cost is developed by spreading the actuarial value of benefits expected to be received by each active participant over the total working lifetime of that participant, from date of hire to termination, as a level percentage of pay.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a defined period of time (e.g., 30 years). The total contribution developed under this method is typically the sum of the Normal Cost and the payment toward the UAAL.

Liability for disability benefits is recognized as a one-year term cost of 3.00 percent of pay added to the normal cost. Projected health insurance premium subsidies as a result of the Underwood Litigation are added to the normal cost to reflect term cost-based financing. Estimated annual administrative expenses are also added to the normal cost..

## Current Actuarial Assumptions

**(Adopted as of December 31, 2017, unless otherwise stated)**

## Demographic Assumptions

Mortality:

Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements. No adjustment is made for post-disabled mortality.

Pre-Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements.

Future mortality improvements in pre- and post-retirement mortality are reflected by projecting the base mortality tables back from the year 2014 to the year 2006 using the MP-2014 projection scale and projecting from 2006 using the MP-2017 projection scale.

Disability: Disability cost valued as a one-year term cost of 3.00% of payroll.

## Rate of Retirement:

| | Tier 1 Age-and-Service-Based Rates of Retirement | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Years of Service | | | | | | | | |
| Attained Age | 10 | 11-14 | 15-19 | 20-24 | 25-29 | 30-32 | 33-34 | 35-39 | 40+ |
| 50-54 | - | - | - | - | - | 17 % | 28 % | 25 % | 100 % |
| 55-59 | - | - | - | 9 % | 13 % | 13 | 22 | 19 | 100 |
| 60-64 | 9 % | 6 % | 6 % | 9 | 13 | 13 | 22 | 19 | 100 |
| 65-69 | 11 | 11 | 17 | 17 | 17 | 17 | 28 | 25 | 100 |
| 70-79 | 17 | 17 | 17 | 17 | 17 | 17 | 28 | 28 | 100 |
| 80+ | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

| | Tier 2 Age-and-Service-Based Rates of Retirement | |
|---|---|---|
| | Years of Service | |
| Attained Age | 10-39 | 40+ |
| 62-66 | 24 % | 100 % |
| 67-69 | 40 | 100 |
| 70-79 | 40 | 100 |
| 80+ | 100 | 100 |

| | Tier 3 Age-and-Service-Based Rates of Retirement | |
|---|---|---|
| | Years of Service | |
| Attained Age | 10-39 | 40+ |
| 60-64 | 24 % | 100 % |
| 65-69 | 40 | 100 |
| 70-79 | 40 | 100 |
| 80+ | 100 | 100 |

## Rate of Termination:

| Service[1] | Rate |
|---|---|
| 0 | 20.00% |
| 1 | 7.00% |
| 2-3 | 4.00% |
| 4-5 | 3.00% |
| 6-9 | 2.00% |
| 10-19 | 1.50% |
| 20+ | 1.00% |

*[1]Based on service at beginning of valuation year.*

## Economic Assumptions

Investment Return Rate and Discount Rate: 7.25% per annum (net of investment expense). The 7.25% assumption contains a 2.25% inflation assumption and a 5.00% real rate of return assumption for pension.

Future Salary Increases: The assumed base rate of individual salary increase is 3.00% per year, plus a service-based increase in the first nine years.

| Completed Years of Service[1] | Additional Increase | Total Increase |
|---|---|---|
| 1 | 12.00 % | 15.00 % |
| 2 | 9.50 | 12.50 |
| 3 | 7.00 | 10.00 |
| 4 – 6 | 2.00 | 5.00 |
| 7 | 3.00 | 6.00 |
| 8 | 1.00 | 4.00 |
| 9 | 0.20 | 3.20 |
| 10 – 30+ | 0.00 | 3.00 |

*[1]Based on projected service at end of valuation year.*

Asset Value: For funding purposes, the actuarial value of assets is smoothed by using a five-year phase-in of each year’s unexpected investment gains and losses. For purposes of determining the total pension liability, the actuarial value of assets is equal to market value.

Expenses: Administrative expenses included in the normal cost are based on the previous years' administrative expenses increased by 2.25% and discounted to the beginning of the year. The assumption for fiscal year 2020 equals $3,774,222. Future administrative expenses are assumed to increase at the assumed inflation assumption of 2.25%.

## Projection Assumptions

Population: The active population is assumed to remain stable at the December 31, 2019, level.

New Entrant Profile: New entrants in the projection are assumed to have the following characteristics:

| | Before Pay Cap | After Pay Cap |
|---|---|---|
| Average Age: | 34.54 | 34.54 |
| Average Salary: | $ 54,284 | $ 54,277 |
| Minimum Salary: | $ 6,884 | $ 6,884 |
| Maximum Salary: | $121,794 | $115,929 |

New entrant characteristics are based upon current members that have been hired in the last 10 years. Approximately 77% of new entrants are assumed to be male.

Individual member new entrant uncapped pay at hire date is assumed to increase by 3.00% over the individual member new entrant pay during the prior period.

New entrant pay is calculated explicitly each year for each individual new entrant and is tested against the pensionable pay cap in the applicable year.

Individual new entrant pay once hired is assumed to increase in accordance with the salary increase assumptions used in the actuarial valuation until the pensionable pay cap is reached. Thereafter, pay increases at the same rate as the pay cap.

P.A. 96-0889 and P.A. 96-1490 Assumptions: Capped (pensionable pay) was $115,928.92 for fiscal year 2020 and increases at ½ CPI thereafter.

Employee and employer contributions and benefits are based on capped pay.

The annual increase in the Consumer Price Index-U is assumed to be 2.25% for all years.

Disability Payments in Lieu are assumed to reduce the applicable members' contributions used in the determination of the City's contribution by 7.6%.

# Miscellaneous and Technical Assumptions

## Other Assumptions

| | |
|---|---|
| Marital Status: | It is assumed that 75% of active members have an eligible spouse. The male spouse is assumed to be three years older than the female spouse. No assumption is made about other dependents. |
| Disability: | Liability for disability benefits is recognized as a one-year term cost of 3.00% of pay added to the normal cost. |
| Reciprocal Service: | No assumption for reciprocal service. |
| Benefit Service: | Exact fractional years of service are used to determine the amount of benefit payable. |
| Decrement Timing: | All decrements are assumed to occur mid-year. |
| Decrement Relativity: | Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects. |
| Decrement Operation: | Turnover decrements do not operate after member reaches retirement eligibility for a minimum annuity formula benefit. |
| Eligibility Testing: | Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur. |
| Pay Increase Timing: | Middle of (fiscal) year. |
| Loss in Tax Levy: | No loss on tax levy is assumed. |
| Health Insurance Premium Subsidies: | Current recipients of the $25 per month health insurance premium subsidy were identified in the data provided by LABF staff. For purposes of projecting estimated future subsidies, current recipients are assumed to continue for life. It is assumed that 35 percent of members who become eligible for the subsidy after the valuation date will begin receiving payments. This assumption will be adjusted in future valuations as experience emerges. Health insurance premium subsidies are financed on a term cost basis. |
| Member Contributions: | Future projected member contributions are reduced by 5 percent to account for seasonal and/or temporary employees. |

# SECTION G

## CALCULATION OF THE SINGLE DISCOUNT RATE

# Calculation of the Single Discount Rate

GASB Statement Nos. 67 and 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate ("SDR") is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.75%; and the resulting Single Discount Rate is 7.00%.

The sponsor finances benefits using a funding policy defined in state statutes. Sponsor contributions are equal to a fixed payment schedule for payment years 2018 through 2022 and a level percentage of pay contribution determined so that the Fund attains a 90% funded ratio by the end of 2058 on an open group basis for payment years on and after 2023. The statutory contribution does not explicitly separate projected employer contributions between current plan members and future plan members.

For purposes of developing the Single Discount Rate, we have projected actuarial liabilities on an Entry Age Normal basis, and compared against projected market value of assets. We have assumed the actuarial liability for future members will be fully financed, and to the extent that assets are available, any remaining asset will be assigned to current plan members. Based on this assignment of assets and employer contributions, plan assets assigned to current members are projected to be depleted in year 2073.

The tables in this section provide background for the development of the Single Discount Rate.

The following tables show the assignment of assets and employer contributions and the projection of assets for current members as of the valuation date. Our projections assume the sponsor will make the required statutory contributions. The projections are based on the statutory funding projections performed during the December 31, 2019, actuarial valuation.

Total administrative expenses are assumed to increase at the assumed rate of inflation, or 2.25%. Total administrative expenses are allocated between current and future hires by total payroll.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Projection of Funded Status and Assignment of Assets

| PYE 12/31 | Open Group Actuarial Liability | Closed Group Actuarial Liability | Future Member Actuarial Liability | Open Group Assets | Future Member Assigned Assets | Closed Group Assigned Assets | Funded Ratio Current Members | Funded Ratio Future Members |
|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c)=(a)-(b) | (d) | (e)=min[(c),(d)] | (f)=(d)-(e) | (g)=(f)/(b) | (h)=(e)/(c) |
| 2019 | $2,701,906,435 | $2,701,906,435 | $ - | $ 1,187,549,469 | $ - | $ 1,187,549,469 | 43.95% | 0.00% |
| 2020 | 2,756,554,810 | 2,756,554,810 | - | 1,178,850,191 | - | 1,178,850,191 | 42.77% | 0.00% |
| 2021 | 2,807,895,008 | 2,806,929,763 | 965,245 | 1,174,302,943 | 965,245 | 1,173,337,698 | 41.80% | 100.00% |
| 2022 | 2,856,981,551 | 2,853,932,807 | 3,048,744 | 1,203,378,165 | 3,048,744 | 1,200,329,421 | 42.06% | 100.00% |
| 2023 | 2,903,553,588 | 2,897,101,277 | 6,452,312 | 1,229,612,797 | 6,452,312 | 1,223,160,485 | 42.22% | 100.00% |
| 2024 | 2,947,080,951 | 2,935,762,059 | 11,318,892 | 1,253,452,282 | 11,318,892 | 1,242,133,390 | 42.31% | 100.00% |
| 2025 | 2,987,117,515 | 2,969,279,461 | 17,838,054 | 1,274,704,083 | 17,838,054 | 1,256,866,029 | 42.33% | 100.00% |
| 2026 | 3,023,237,922 | 2,997,099,233 | 26,138,689 | 1,292,989,676 | 26,138,689 | 1,266,850,987 | 42.27% | 100.00% |
| 2027 | 3,054,896,206 | 3,018,403,602 | 36,492,604 | 1,308,051,499 | 36,492,604 | 1,271,558,895 | 42.13% | 100.00% |
| 2028 | 3,081,880,870 | 3,032,788,221 | 49,092,649 | 1,319,941,326 | 49,092,649 | 1,270,848,677 | 41.90% | 100.00% |
| 2029 | 3,103,838,555 | 3,039,716,519 | 64,122,036 | 1,328,488,123 | 64,122,036 | 1,264,366,087 | 41.59% | 100.00% |
| 2030 | 3,121,466,969 | 3,039,516,601 | 81,950,367 | 1,334,589,528 | 81,950,367 | 1,252,639,161 | 41.21% | 100.00% |
| 2031 | 3,134,443,192 | 3,031,757,034 | 102,686,158 | 1,338,233,011 | 102,686,158 | 1,235,546,853 | 40.75% | 100.00% |
| 2032 | 3,142,938,391 | 3,016,532,344 | 126,406,047 | 1,339,583,604 | 126,406,047 | 1,213,177,557 | 40.22% | 100.00% |
| 2033 | 3,146,792,958 | 2,993,563,846 | 153,229,112 | 1,338,543,958 | 153,229,112 | 1,185,314,846 | 39.60% | 100.00% |
| 2034 | 3,146,485,467 | 2,963,229,447 | 183,256,020 | 1,335,860,373 | 183,256,020 | 1,152,604,353 | 38.90% | 100.00% |
| 2035 | 3,142,755,772 | 2,926,211,008 | 216,544,764 | 1,332,527,825 | 216,544,764 | 1,115,983,061 | 38.14% | 100.00% |
| 2036 | 3,136,147,939 | 2,883,001,680 | 253,146,259 | 1,329,201,302 | 253,146,259 | 1,076,055,043 | 37.32% | 100.00% |
| 2037 | 3,127,214,775 | 2,834,083,097 | 293,131,677 | 1,326,682,398 | 293,131,677 | 1,033,550,721 | 36.47% | 100.00% |
| 2038 | 3,116,272,183 | 2,779,733,078 | 336,539,105 | 1,325,372,055 | 336,539,105 | 988,832,950 | 35.57% | 100.00% |
| 2039 | 3,103,470,008 | 2,719,993,717 | 383,476,291 | 1,325,686,511 | 383,476,291 | 942,210,220 | 34.64% | 100.00% |
| 2040 | 3,089,780,065 | 2,655,771,069 | 434,008,996 | 1,328,981,057 | 434,008,996 | 894,972,061 | 33.70% | 100.00% |
| 2041 | 3,076,294,158 | 2,588,125,817 | 488,168,341 | 1,336,667,453 | 488,168,341 | 848,499,112 | 32.78% | 100.00% |
| 2042 | 3,063,708,498 | 2,517,717,221 | 545,991,277 | 1,349,687,307 | 545,991,277 | 803,696,030 | 31.92% | 100.00% |
| 2043 | 3,052,562,751 | 2,445,012,760 | 607,549,991 | 1,368,949,746 | 607,549,991 | 761,399,755 | 31.14% | 100.00% |
| 2044 | 3,043,483,743 | 2,370,585,246 | 672,898,498 | 1,395,464,956 | 672,898,498 | 722,566,458 | 30.48% | 100.00% |
| 2045 | 3,036,632,052 | 2,294,534,453 | 742,097,600 | 1,429,710,815 | 742,097,600 | 687,613,215 | 29.97% | 100.00% |
| 2046 | 3,032,419,196 | 2,217,188,213 | 815,230,983 | 1,472,641,157 | 815,230,983 | 657,410,174 | 29.65% | 100.00% |
| 2047 | 3,031,324,469 | 2,139,018,407 | 892,306,063 | 1,525,122,532 | 892,306,063 | 632,816,469 | 29.58% | 100.00% |
| 2048 | 3,033,587,940 | 2,060,224,805 | 973,363,135 | 1,587,904,939 | 973,363,135 | 614,541,804 | 29.83% | 100.00% |
| 2049 | 3,039,558,503 | 1,981,164,550 | 1,058,393,953 | 1,661,859,636 | 1,058,393,953 | 603,465,683 | 30.46% | 100.00% |
| 2050 | 3,049,275,253 | 1,901,920,595 | 1,147,354,657 | 1,747,545,633 | 1,147,354,657 | 600,190,976 | 31.56% | 100.00% |
| 2051 | 3,062,190,636 | 1,821,987,135 | 1,240,203,501 | 1,844,924,087 | 1,240,203,501 | 604,720,586 | 33.19% | 100.00% |
| 2052 | 3,077,938,307 | 1,741,025,366 | 1,336,912,941 | 1,954,335,445 | 1,336,912,941 | 617,422,504 | 35.46% | 100.00% |
| 2053 | 3,096,551,276 | 1,659,231,200 | 1,437,320,076 | 2,076,520,032 | 1,437,320,076 | 639,199,956 | 38.52% | 100.00% |
| 2054 | 3,118,071,305 | 1,576,852,696 | 1,541,218,608 | 2,212,320,051 | 1,541,218,608 | 671,101,443 | 42.56% | 100.00% |
| 2055 | 3,142,362,796 | 1,494,030,159 | 1,648,332,637 | 2,362,464,880 | 1,648,332,637 | 714,132,243 | 47.80% | 100.00% |
| 2056 | 3,169,582,993 | 1,411,235,529 | 1,758,347,464 | 2,528,018,283 | 1,758,347,464 | 769,670,819 | 54.54% | 100.00% |
| 2057 | 3,200,115,188 | 1,329,263,419 | 1,870,851,768 | 2,710,345,070 | 1,870,851,768 | 839,493,302 | 63.15% | 100.00% |
| 2058 | 3,233,835,532 | 1,248,436,007 | 1,985,399,524 | 2,910,328,560 | 1,985,399,524 | 924,929,036 | 74.09% | 100.00% |
| 2059 | 3,270,829,083 | 1,169,285,652 | 2,101,543,430 | 2,943,746,192 | 2,101,543,430 | 842,202,762 | 72.03% | 100.00% |
| 2060 | 3,310,761,740 | 1,092,487,749 | 2,218,273,991 | 2,979,685,586 | 2,218,273,991 | 761,411,595 | 69.70% | 100.00% |
| 2061 | 3,352,974,823 | 1,018,230,496 | 2,334,744,327 | 3,017,677,361 | 2,334,744,327 | 682,933,034 | 67.07% | 100.00% |
| 2062 | 3,397,250,245 | 946,646,016 | 2,450,604,229 | 3,057,525,244 | 2,450,604,229 | 606,921,015 | 64.11% | 100.00% |
| 2063 | 3,443,378,425 | 877,844,833 | 2,565,533,592 | 3,099,040,608 | 2,565,533,592 | 533,507,016 | 60.77% | 100.00% |
| 2064 | 3,491,164,031 | 811,921,211 | 2,679,242,820 | 3,142,047,655 | 2,679,242,820 | 462,804,835 | 57.00% | 100.00% |
| 2065 | 3,540,481,797 | 748,965,364 | 2,791,516,433 | 3,186,433,645 | 2,791,516,433 | 394,917,212 | 52.73% | 100.00% |
| 2066 | 3,591,141,095 | 689,000,204 | 2,902,140,891 | 3,232,027,016 | 2,902,140,891 | 329,886,125 | 47.88% | 100.00% |
| 2067 | 3,643,005,435 | 632,050,093 | 3,010,955,342 | 3,278,704,924 | 3,010,955,342 | 267,749,582 | 42.36% | 100.00% |
| 2068 | 3,695,994,394 | 578,128,890 | 3,117,865,504 | 3,326,394,988 | 3,117,865,504 | 208,529,484 | 36.07% | 100.00% |
| 2069 | 3,750,036,226 | 527,230,279 | 3,222,805,948 | 3,375,032,640 | 3,222,805,948 | 152,226,692 | 28.87% | 100.00% |
| 2070 | 3,805,108,797 | 479,335,317 | 3,325,773,481 | 3,424,597,957 | 3,325,773,481 | 98,824,476 | 20.62% | 100.00% |
| 2071 | 3,861,199,042 | 434,411,211 | 3,426,787,831 | 3,475,079,181 | 3,426,787,831 | 48,291,350 | 11.12% | 100.00% |
| 2072 | 3,918,279,482 | 392,410,892 | 3,525,868,590 | 3,526,451,580 | 3,525,868,590 | 582,990 | 0.15% | 100.00% |
| 2073 | 3,976,315,069 | 353,272,378 | 3,623,042,691 | 3,578,683,612 | 3,578,683,612 | - | 0.00% | 98.78% |

# Current Member Projection of Assets and Assignment of Employer Contributions

| PYE 12/31 | Assets (boy) | Member Contributions | Administrative Expenses | Benefit Payments | Assigned Employer/City Contribution | Income on Cash Flow | Income on Assigned Contribution | Total Investment Income |
|---|---|---|---|---|---|---|---|---|
| 2020 | $ 1,187,549,469 | $ 17,116,407 | $ 3,774,222 | $ 173,001,029 | $ 68,122,371 | $ 80,410,966 | $ 2,426,230 | $ 82,837,196 |
| 2021 | 1,178,850,191 | 16,545,249 | 3,673,721 | 179,515,052 | 78,793,247 | 79,531,503 | 2,806,281 | 82,337,785 |
| 2022 | 1,173,337,698 | 16,058,149 | 3,584,357 | 185,071,974 | 116,520,183 | 78,919,768 | 4,149,955 | 83,069,723 |
| 2023 | 1,200,329,421 | 15,513,819 | 3,479,777 | 190,752,854 | 116,733,641 | 80,658,677 | 4,157,557 | 84,816,234 |
| 2024 | 1,223,160,485 | 14,921,221 | 3,355,980 | 196,692,887 | 117,818,676 | 82,085,674 | 4,196,202 | 86,281,875 |
| 2025 | 1,242,133,390 | 14,305,893 | 3,221,000 | 202,865,912 | 119,049,380 | 83,224,244 | 4,240,034 | 87,464,278 |
| 2026 | 1,256,866,029 | 13,662,579 | 3,080,783 | 209,139,058 | 120,209,835 | 84,051,020 | 4,281,364 | 88,332,384 |
| 2027 | 1,266,850,987 | 12,962,011 | 2,924,609 | 215,670,409 | 121,490,999 | 84,522,921 | 4,326,994 | 88,849,915 |
| 2028 | 1,271,558,895 | 12,226,045 | 2,757,520 | 222,081,615 | 122,909,707 | 84,615,643 | 4,377,522 | 88,993,166 |
| 2029 | 1,270,848,677 | 11,464,685 | 2,584,449 | 228,493,578 | 124,385,823 | 84,314,833 | 4,430,095 | 88,744,929 |
| 2030 | 1,264,366,087 | 10,711,403 | 2,407,984 | 234,077,281 | 125,936,189 | 83,625,434 | 4,485,313 | 88,110,747 |
| 2031 | 1,252,639,161 | 10,005,275 | 2,237,208 | 239,680,036 | 127,714,397 | 82,556,618 | 4,548,645 | 87,105,264 |
| 2032 | 1,235,546,853 | 9,319,204 | 2,080,667 | 244,741,879 | 129,406,838 | 81,118,285 | 4,608,923 | 85,727,208 |
| 2033 | 1,213,177,557 | 8,628,656 | 1,923,320 | 249,547,889 | 131,007,557 | 79,306,351 | 4,665,934 | 83,972,285 |
| 2034 | 1,185,314,846 | 7,987,292 | 1,772,352 | 253,549,769 | 132,769,346 | 77,126,309 | 4,728,681 | 81,854,990 |
| 2035 | 1,152,604,353 | 7,424,212 | 1,638,852 | 256,561,118 | 134,723,924 | 74,632,247 | 4,798,295 | 79,430,541 |
| 2036 | 1,115,983,061 | 6,909,425 | 1,521,869 | 258,752,337 | 136,683,677 | 71,884,993 | 4,868,093 | 76,753,086 |
| 2037 | 1,076,055,043 | 6,444,654 | 1,411,450 | 260,151,306 | 138,744,522 | 68,927,766 | 4,941,491 | 73,869,257 |
| 2038 | 1,033,550,721 | 6,001,362 | 1,317,884 | 260,964,772 | 140,745,974 | 65,804,774 | 5,012,775 | 70,817,549 |
| 2039 | 988,832,950 | 5,563,353 | 1,219,648 | 261,364,759 | 142,776,829 | 62,536,389 | 5,085,105 | 67,621,494 |
| 2040 | 942,210,220 | 5,189,648 | 1,130,591 | 260,658,331 | 145,024,687 | 59,171,263 | 5,165,164 | 64,336,427 |
| 2041 | 894,972,061 | 4,884,476 | 1,058,162 | 258,790,082 | 147,435,061 | 55,804,746 | 5,251,012 | 61,055,758 |
| 2042 | 848,499,112 | 4,606,063 | 998,186 | 256,139,994 | 149,869,265 | 52,522,063 | 5,337,708 | 57,859,770 |
| 2043 | 803,696,030 | 4,342,182 | 938,844 | 252,888,601 | 152,379,520 | 49,382,355 | 5,427,112 | 54,809,467 |
| 2044 | 761,399,755 | 4,091,872 | 885,061 | 248,977,647 | 154,969,997 | 46,448,167 | 5,519,374 | 51,967,541 |
| 2045 | 722,566,458 | 3,829,597 | 833,829 | 244,839,269 | 157,507,867 | 43,772,628 | 5,609,762 | 49,382,391 |
| 2046 | 687,613,215 | 3,577,652 | 774,211 | 240,279,791 | 160,174,514 | 41,394,058 | 5,704,737 | 47,098,795 |
| 2047 | 657,410,174 | 3,337,292 | 725,973 | 235,243,627 | 162,861,314 | 39,376,861 | 5,800,429 | 45,177,291 |
| 2048 | 632,816,469 | 3,072,441 | 671,083 | 229,946,076 | 165,597,169 | 37,775,016 | 5,897,869 | 43,672,885 |
| 2049 | 614,541,804 | 2,810,640 | 616,436 | 224,285,534 | 168,374,108 | 36,644,330 | 5,996,772 | 42,641,101 |
| 2050 | 603,465,683 | 2,536,320 | 562,972 | 218,528,270 | 171,146,219 | 36,038,494 | 6,095,502 | 42,133,997 |
| 2051 | 600,190,976 | 2,191,830 | 499,116 | 213,178,095 | 173,841,848 | 35,981,633 | 6,191,509 | 42,173,143 |
| 2052 | 604,720,586 | 1,808,763 | 413,321 | 208,051,491 | 176,586,669 | 36,482,030 | 6,289,268 | 42,771,299 |
| 2053 | 617,422,504 | 1,445,850 | 334,428 | 202,709,801 | 179,403,199 | 37,583,052 | 6,389,581 | 43,972,633 |
| 2054 | 639,199,956 | 1,109,412 | 256,699 | 197,107,656 | 182,311,055 | 39,352,228 | 6,493,147 | 45,845,375 |
| 2055 | 671,101,443 | 798,457 | 186,853 | 191,370,729 | 185,328,487 | 41,860,824 | 6,600,615 | 48,461,438 |
| 2056 | 714,132,243 | 543,459 | 120,849 | 185,201,530 | 188,413,462 | 45,193,546 | 6,710,488 | 51,904,035 |
| 2057 | 769,670,819 | 359,772 | 73,253 | 178,362,141 | 191,614,763 | 49,458,836 | 6,824,505 | 56,283,341 |
| 2058 | 839,493,302 | 221,779 | 39,753 | 171,322,934 | 194,868,309 | 54,767,951 | 6,940,383 | 61,708,334 |
| 2059 | 924,929,036 | 51,505 | 9,328 | 163,910,168 | 19,235,556 | 61,221,072 | 685,089 | 61,906,161 |
| 2060 | 842,202,762 | 17,670 | 3,169 | 156,066,048 | 19,079,059 | 55,501,806 | 679,515 | 56,181,321 |
| 2061 | 761,411,595 | 7,891 | 1,424 | 148,223,257 | 19,133,294 | 49,923,487 | 681,447 | 50,604,934 |
| 2062 | 682,933,034 | - | - | 140,435,112 | 19,227,354 | 44,510,942 | 684,797 | 45,195,739 |
| 2063 | 606,921,015 | - | - | 132,732,633 | 19,354,895 | 39,274,400 | 689,339 | 39,963,739 |
| 2064 | 533,507,016 | - | - | 125,134,276 | 19,514,563 | 34,222,506 | 695,026 | 34,917,532 |
| 2065 | 462,804,835 | - | - | 117,650,538 | 19,698,211 | 29,363,137 | 701,567 | 30,064,704 |
| 2066 | 394,917,212 | - | - | 110,352,707 | 19,911,263 | 24,701,202 | 709,155 | 25,410,357 |
| 2067 | 329,886,125 | - | - | 103,240,979 | 20,147,142 | 20,239,738 | 717,556 | 20,957,294 |
| 2068 | 267,749,582 | - | - | 96,327,187 | 20,399,468 | 15,981,079 | 726,543 | 16,707,621 |
| 2069 | 208,529,484 | - | - | 89,631,769 | 20,666,828 | 11,926,084 | 736,065 | 12,662,149 |
| 2070 | 152,226,692 | - | - | 83,166,463 | 20,943,915 | 8,074,398 | 745,933 | 8,820,332 |
| 2071 | 98,824,476 | - | - | 76,943,303 | 21,229,685 | 4,424,380 | 756,111 | 5,180,492 |
| 2072 | 48,291,350 | - | - | 70,973,766 | 21,525,423 | 973,338 | 766,644 | 1,739,983 |
| 2073 | 582,990 | - | - | 65,268,941 | 64,665,187 | (2,282,336) | 2,303,100 | 20,764 |

# Development of Single Discount Rate

| PYE 12/31 | Benefit Payments | Discount Rate | Discounted Benefit Payment | Single Discount Rate | Discounted Benefit Payment |
|---|---|---|---|---|---|
| 2020 | $ 173,001,029 | 7.25% | $ 167,051,368 | 7.00% | $ 167,248,528 |
| 2021 | 179,515,052 | 7.25% | 161,623,653 | 7.00% | 162,196,591 |
| 2022 | 185,071,974 | 7.25% | 155,362,931 | 7.00% | 156,281,922 |
| 2023 | 190,752,854 | 7.25% | 149,307,111 | 7.00% | 150,545,011 |
| 2024 | 196,692,887 | 7.25% | 143,549,208 | 7.00% | 145,081,224 |
| 2025 | 202,865,912 | 7.25% | 138,046,031 | 7.00% | 139,848,840 |
| 2026 | 209,139,058 | 7.25% | 132,694,430 | 7.00% | 134,744,849 |
| 2027 | 215,670,409 | 7.25% | 127,588,286 | 7.00% | 129,865,808 |
| 2028 | 222,081,615 | 7.25% | 122,499,848 | 7.00% | 124,981,031 |
| 2029 | 228,493,578 | 7.25% | 117,516,714 | 7.00% | 120,180,146 |
| 2030 | 234,077,281 | 7.25% | 112,250,324 | 7.00% | 115,065,526 |
| 2031 | 239,680,036 | 7.25% | 107,167,451 | 7.00% | 110,114,639 |
| 2032 | 244,741,879 | 7.25% | 102,033,323 | 7.00% | 105,086,934 |
| 2033 | 249,547,889 | 7.25% | 97,004,156 | 7.00% | 100,143,224 |
| 2034 | 253,549,769 | 7.25% | 91,897,216 | 7.00% | 95,095,096 |
| 2035 | 256,561,118 | 7.25% | 86,702,711 | 7.00% | 89,931,736 |
| 2036 | 258,752,337 | 7.25% | 81,532,135 | 7.00% | 84,768,335 |
| 2037 | 260,151,306 | 7.25% | 76,431,652 | 7.00% | 79,653,088 |
| 2038 | 260,964,772 | 7.25% | 71,487,781 | 7.00% | 74,676,804 |
| 2039 | 261,364,759 | 7.25% | 66,757,438 | 7.00% | 69,900,149 |
| 2040 | 260,658,331 | 7.25% | 62,076,460 | 7.00% | 65,152,325 |
| 2041 | 258,790,082 | 7.25% | 57,465,298 | 7.00% | 60,455,132 |
| 2042 | 256,139,994 | 7.25% | 53,032,015 | 7.00% | 55,922,963 |
| 2043 | 252,888,601 | 7.25% | 48,819,428 | 7.00% | 51,602,325 |
| 2044 | 248,977,647 | 7.25% | 44,815,318 | 7.00% | 47,481,847 |
| 2045 | 244,839,269 | 7.25% | 41,091,302 | 7.00% | 43,639,077 |
| 2046 | 240,279,791 | 7.25% | 37,600,080 | 7.00% | 40,025,702 |
| 2047 | 235,243,627 | 7.25% | 34,323,542 | 7.00% | 36,624,088 |
| 2048 | 229,946,076 | 7.25% | 31,282,606 | 7.00% | 33,458,171 |
| 2049 | 224,285,534 | 7.25% | 28,449,909 | 7.00% | 30,500,340 |
| 2050 | 218,528,270 | 7.25% | 25,845,798 | 7.00% | 27,773,991 |
| 2051 | 213,178,095 | 7.25% | 23,508,645 | 7.00% | 25,322,144 |
| 2052 | 208,051,491 | 7.25% | 21,392,353 | 7.00% | 23,097,020 |
| 2053 | 202,709,801 | 7.25% | 19,434,133 | 7.00% | 21,032,317 |
| 2054 | 197,107,656 | 7.25% | 17,619,623 | 7.00% | 19,113,626 |
| 2055 | 191,370,729 | 7.25% | 15,950,391 | 7.00% | 17,343,723 |
| 2056 | 185,201,530 | 7.25% | 14,392,727 | 7.00% | 15,686,954 |
| 2057 | 178,362,141 | 7.25% | 12,924,207 | 7.00% | 14,119,651 |
| 2058 | 171,322,934 | 7.25% | 11,574,958 | 7.00% | 12,675,469 |
| 2059 | 163,910,168 | 7.25% | 10,325,534 | 7.00% | 11,333,960 |
| 2060 | 156,066,048 | 7.25% | 9,166,800 | 7.00% | 10,085,825 |
| 2061 | 148,223,257 | 7.25% | 8,117,613 | 7.00% | 8,952,547 |
| 2062 | 140,435,112 | 7.25% | 7,171,177 | 7.00% | 7,927,444 |
| 2063 | 132,732,633 | 7.25% | 6,319,681 | 7.00% | 7,002,650 |
| 2064 | 125,134,276 | 7.25% | 5,555,158 | 7.00% | 6,170,044 |
| 2065 | 117,650,538 | 7.25% | 4,869,863 | 7.00% | 5,421,670 |
| 2066 | 110,352,707 | 7.25% | 4,259,008 | 7.00% | 4,752,798 |
| 2067 | 103,240,979 | 7.25% | 3,715,184 | 7.00% | 4,155,715 |
| 2068 | 96,327,187 | 7.25% | 3,232,063 | 7.00% | 3,623,846 |
| 2069 | 89,631,769 | 7.25% | 2,804,113 | 7.00% | 3,151,448 |
| 2070 | 83,166,463 | 7.25% | 2,425,965 | 7.00% | 2,732,899 |
| 2071 | 76,943,303 | 7.25% | 2,092,714 | 7.00% | 2,363,053 |
| 2072 | 70,973,766 | 7.25% | 1,799,863 | 7.00% | 2,037,172 |
| 2073 | 65,268,941 | 7.25% | 1,543,302 | 7.00% | 1,750,909 |
| 2074 | 59,837,715 | 2.75% | 13,641,598 | 7.00% | 1,500,235 |
| 2083 | 23,381,156 | 2.75% | 4,175,608 | 7.00% | 318,930 |
| 2093 | 5,002,215 | 2.75% | 681,080 | 7.00% | 34,695 |
| 2103 | 364,151 | 2.75% | 37,801 | 7.00% | 1,284 |
| 2118 | 340 | 2.75% | 23 | 7.00% | 0 |
| **Total Present Value** | | | **$ 3,087,171,581** | | **$ 3,087,171,581** |

# SECTION H

## GLOSSARY OF TERMS

# Glossary of Terms

| | |
|---|---|
| ***Accrued Service*** | Service credited under the system which was rendered before the date of the actuarial valuation. |
| ***Actuarial Accrued Liability ("AAL")*** | The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability." |
| ***Actuarial Assumptions*** | These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation. |
| ***Actuarial Cost Method*** | A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method. |
| ***Actuarial Equivalent*** | A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions. |
| ***Actuarial Gain/(Loss)*** | The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities. |
| ***Actuarial Present Value ("APV")*** | The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment. |
| ***Actuarial Valuation*** | The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions. |
| ***Actuarial Valuation Date*** | The date as of which an actuarial valuation is performed. |
| ***Actuarially Determined Contribution ("ADC") or Annual Required Contribution ("ARC")*** | A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment. |

# Glossary of Terms

| | |
|---|---|
| ***Amortization Method*** | The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be "open" (meaning, reset each year) or "closed" (the number of years remaining will decline each year. |
| ***Amortization Payment*** | The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal. |
| ***Cost-of-Living Adjustments*** | Postemployment benefit changes intended to adjust benefit payments for the effects of inflation. |
| ***Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)*** | A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan. |
| ***Covered-Employee Payroll*** | The payroll of employees that are provided with pensions through the pension plan. |
| ***Deferred Inflows and Outflows*** | The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources. |
| ***Deferred Retirement Option Program ("DROP")*** | A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report. |
| ***Discount Rate*** | For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:<br><br>1. The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and<br>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate. |

# Glossary of Terms

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| ***Entry Age Actuarial Cost Method ("EAN")*** | The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit age(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits. |
| ***Fiduciary Net Position*** | The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions. |
| ***GASB*** | The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities. |
| ***Long-Term Expected Rate of Return*** | The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio. |
| ***Money-Weighted Rate of Return*** | The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. |
| ***Multiple-Employer Defined Benefit Pension Plan*** | A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer. |
| ***Municipal Bond Rate*** | The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted. |
| ***Net Pension Liability ("NPL")*** | The NPL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan. |
| ***Non-Employer Contributing Entities*** | Non-employer contributing entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities. |
| ***Normal Cost*** | The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost. |

# Glossary of Terms

***Other Postemployment Benefits ("OPEB")*** All postemployment benefits other than retirement income (such as death benefits, life insurance, disability and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.

***Real Rate of Return*** The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.

***Service Cost*** The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

***Total Pension Expense*** The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year:

1. Service Cost
2. Interest on the Total Pension Liability
3. Current-Period Benefit Changes
4. Employee Contributions (made negative for addition here)
5. Projected Earnings on Plan Investments (made negative for addition here)
6. Pension Plan Administrative Expense
7. Other Changes in Plan Fiduciary Net Position
8. Recognition of Outflow (Inflow) of Resources due to Liabilities
9. Recognition of Outflow (Inflow) of Resources due to Assets

***Total Pension Liability ("TPL")*** The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.

***Unfunded Actuarial Accrued Liability ("UAAL")*** The UAAL is the difference between actuarial accrued liability and valuation assets.

***Valuation Assets*** The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.