Municipal Employees' Annuity and Benefit Fund of Chicago

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

2013

Comprehensive Annual Financial Report
For the Fiscal Years Ended December 31, 2013 and 2012

MEABF

Municipal Employees'
Annuity and Benefit Fund of Chicago

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

2013

Comprehensive Annual Financial Report
For the Fiscal Years Ended December 31, 2013 and 2012

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

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipal Employees'

Annuity and Benefit Fund of Chicago

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Municipal Employees' Annuity and Benefit Fund of Chicago for its 2012 Comprehensive Annual Financial Report. MEABF has received the award for each of the last twenty-four years.

Retirement Board (as of June 30, 2014)

Timothy G. Guest
President
Elected Trustee

Dan Widawsky
Vice-President
Ex-Officio Trustee
(Comptroller, City of Chicago)

Stephanie D. Neely
Treasurer
Ex-Officio Trustee
(Treasurer, City of Chicago)

Anthony C. Clancy
Recording Secretary
Elected Trustee

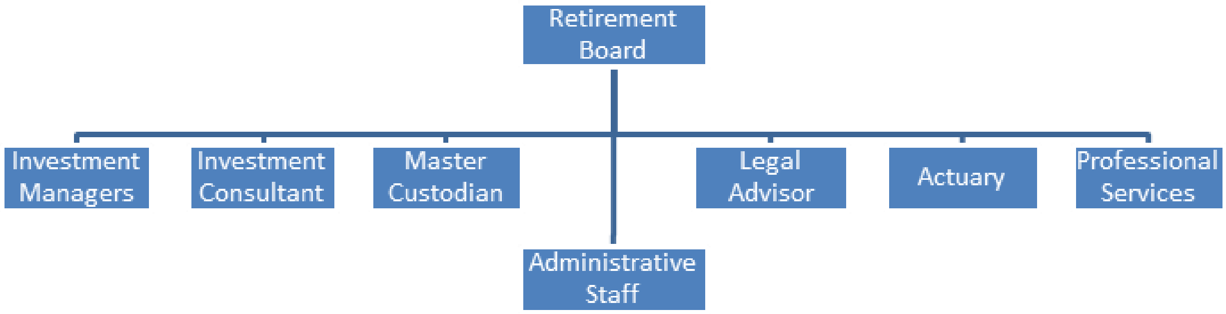
Thomas J. McMahon
Elected Trustee

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

The Retirement Board is ultimately responsible for the operation, administration and management of all the activities of MEABF. Having oversight of the investment activities, the Retirement Board sets investment policies and objectives, hires investment managers and investment consultants and reviews investment performance. The Retirement Board also approves the MEABF operating budget and approves or denies benefit claims. The Retirement Board meets monthly and holds special meetings as needed. As members of the Retirement Board, they receive no compensation.

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

Organizational Chart and Consultants



Investment Consultant
Brian Wrubel
James R. Wesner
Marquette Associates
Chicago, IL

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

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

Master Custodian
Kimberly Miller
The Northern Trust Company
Chicago, IL

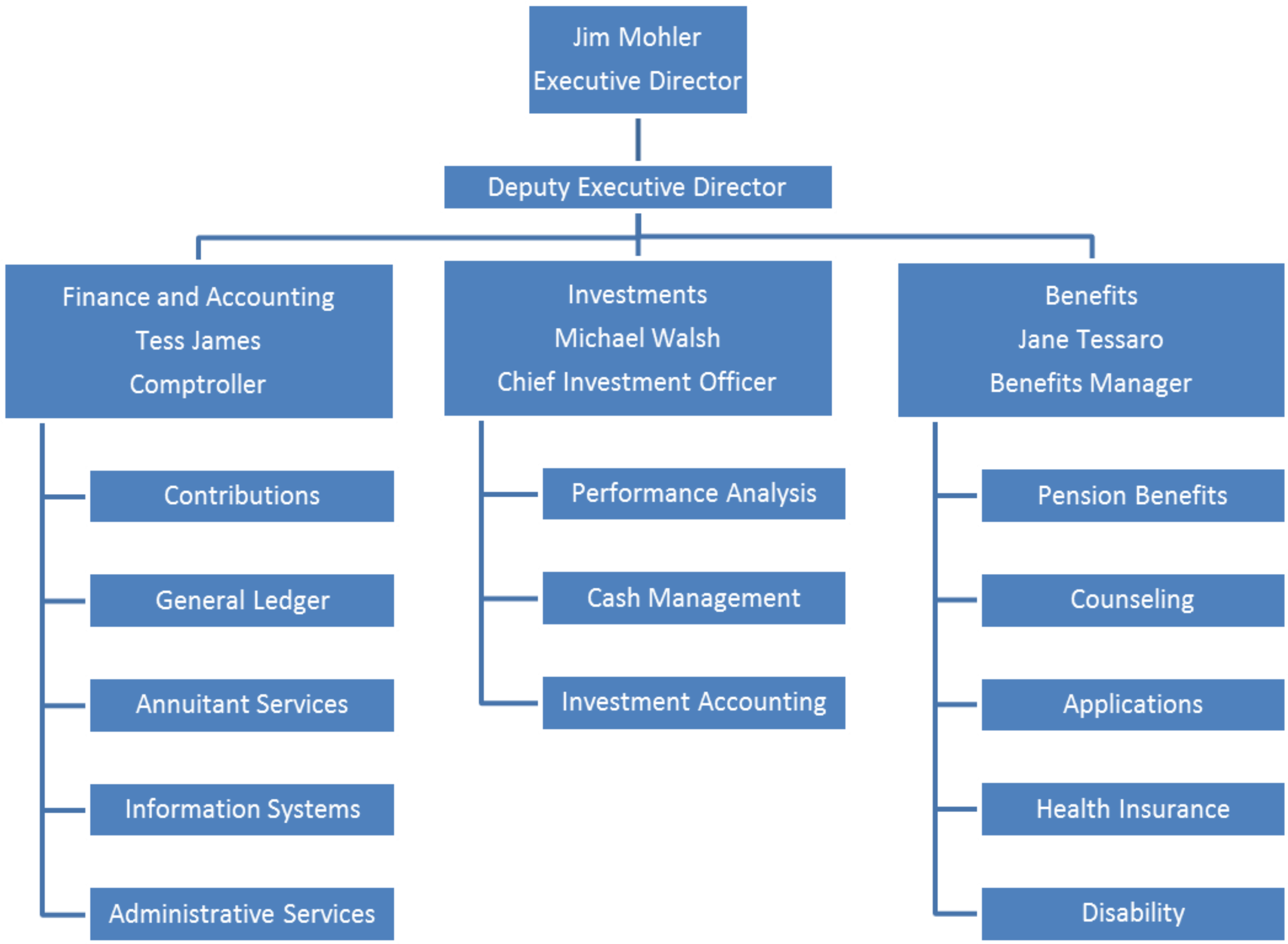
Actuary
Alex Rivera, F.S.A., M.A.A.A.
Paul T. Wood, A.S.A, M.A.A.A
Gabriel Roeder Smith & Company
Chicago, IL

Medical Advisor
Terence Sullivan, M.D.
Chicago, IL

Custodian
Stephanie D. Neely
City Treasurer
Chicago, IL

Investment Managers and Investment Fees - are listed on pages 60-61 and 51-52
Brokers used by Investment Managers - are listed on pages 72

Administrative Staff (as of June 30, 2014)



Appointed by the Retirement Board, the Executive Director and his staff are responsible for the day-to-day administration and operation. The administrative staff also implements the investment policies and decisions of the Retirement Board and the benefit provisions of the Plan. The administrative staff of forty-eight (48) employees serves 30,647 actively contributing members; 24,602 retirees and surviving beneficiaries; and 14,254 inactive members.

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

LETTER OF TRANSMITTAL

June 30, 2014

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

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) for the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Plan"), a pension trust fund of the City of Chicago, for the fiscal years ended December 31, 2013 and 2012.

The CAFR provides an overview of the Plan and comprehensive information on the financial operations of the Plan for the fiscal year. A full version of the report is posted on our website at meabf.org and printed copies are also readily available. Responsibility for the preparation, accuracy, completeness and fairness of the presentation, including all disclosures, made in this report rests with management. To the best of our knowledge and belief, the information contained in this report is complete; all disclosures necessary to enable the reader to gain an understanding of MEABF activities have been included.

Bansley and Kiener, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Plan's financial statements as of December 31, 2013 and 2012. The independent auditor's report is located at the front of the Financial Section of this report.

Plan Profile

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

MEABF provides age and service retirement benefits, survivor benefits, post-retirement increases and duty and ordinary disability benefits to eligible members. MEABF also provides, by law, a fixed amount of post-employment healthcare subsidy for its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. Employees of MEABF also participate in the Plan. As of December 31, 2013, MEABF served a total of 30,647 active members (24,770 Tier 1 members and 5,877 Tier 2 members); 24,602 retirees and beneficiaries; and 14,254 inactive members. For a more detailed description of the Plan, its membership, eligibility and the benefit provisions, please read Note 6 of the Notes to Financial Statements located on pages 34 through 42.

Plan Administration

MEABF is administered under the direction of a Retirement Board responsible for the oversight, management and administration of the Plan. The Retirement Board is comprised of three elected members and two ex-officio members (the City Treasurer and the City Comptroller). The Ex-Officio Board members are The Honorable Stephanie D. Neely, City Treasurer and Daniel Widawsky, City Comptroller. The three members elected to serve on the Board are Timothy G. Guest, Anthony C. Clancy and Thomas J. McMahon. The Retirement Board has a fiduciary duty to act solely in the best interests of the Plan members. Trustees serve without compensation. Trustees are required to receive at least eight hours of annual training focused on their roles. The Retirement Board sets investment policies and objectives, hires investment consultants and investment managers and reviews investment performance.

The Retirement Board makes the final decisions in granting or denying rights, credits or benefits to members in accordance with the provisions of the state statutes. A member who is denied a benefit or is seeking an adjustment to a benefit may request an administrative hearing. Retirement Board decisions can be appealed to the Illinois Circuit Court.

To help carry out governance responsibilities, the Retirement Board appoints an Executive Director and retains consultants for investment, actuarial, audit, legal, medical and other provisional services necessary for the transaction of business. The Executive Director oversees all investments, actuarial, audit and administrative functions. The Executive Director and his staff of 48 are responsible for the day-to-day operational management tasks, serving approximately 69,500 members.

Financial Information

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

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

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

Funding

MEABF’s financial health is measured by comparing its assets and liabilities. The Plan’s funding status is measured using liabilities under the Entry Age Normal Cost method and the Actuarial Value of Assets. The ratio of actuarial assets to accrued actuarial liabilities, referred to as the “funding ratio”, indicates the percentage of accrued actuarial liabilities that is funded. The difference between actuarial assets and accrued actuarial liabilities comprises the unfunded accrued actuarial liability of the Plan. The funding objective of MEABF is to be fully funded, i.e., to have sufficient assets to pay current and accrued benefits. Annual actuarial valuations measure the progress toward this objective, determine the adequacy of the contribution rates, and indicate whether the current levels will be sufficient to cover the cost of benefits earned by members.

Member contributions, employer contributions and investment earnings fund the Plan. As of December 31, 2013 as mandated by state statute, member contributions are set at 8.5% of pensionable salary and the employer contributions are limited to 1.25 times the employee contribution level in the second prior calendar year. Based on the most recent actuarial valuation, a multiple of 6.53 is needed to adequately finance the Plan in 2014 and the statutory contributions have been less than the Annual Required Contribution (ARC) for the past eleven years. Liabilities not funded through member contributions are the responsibility of the employer.

An actuarial valuation of the Plan is conducted annually and an experience review is performed and approved by the Retirement Board every five years. Actuarial assumptions are based on recommendations made by the actuary. The Plan used actuarial methods and procedures that smooth investment returns over a five-year period, which moderates the volatility of annual asset values and the annual actuarial contribution requirements.

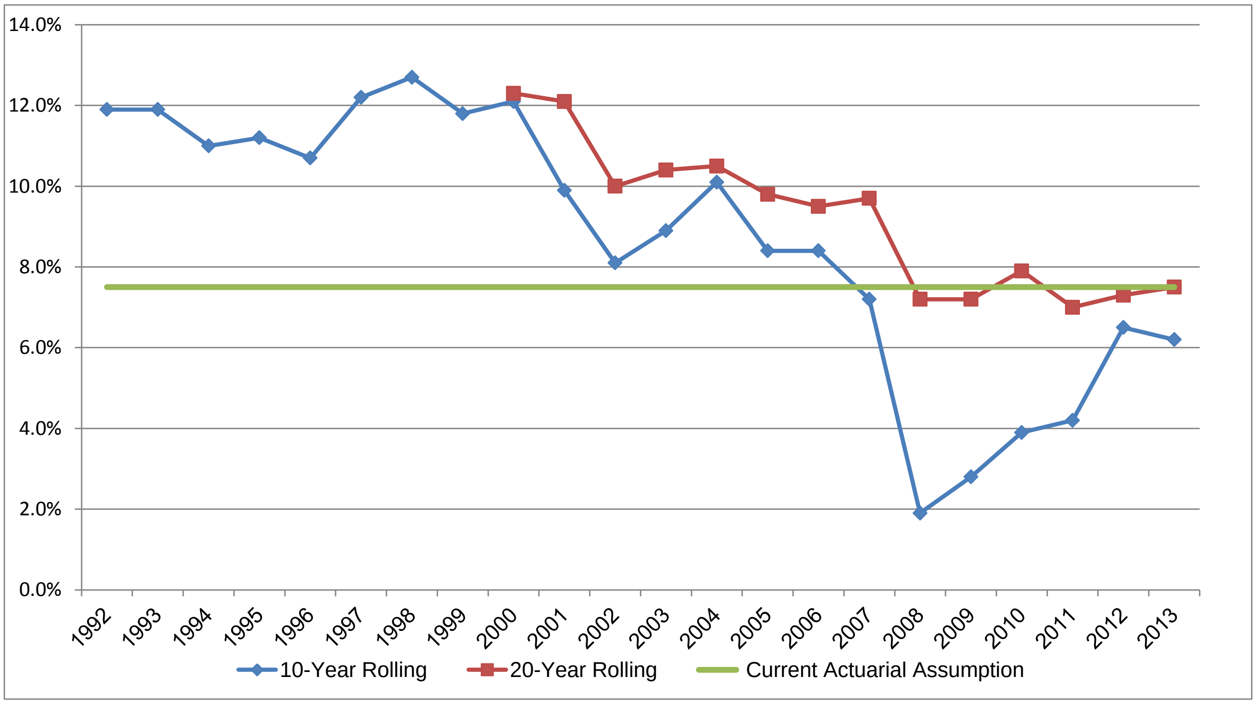
In the actuarial valuation as of December 31, 2013 performed by the Plan's independent actuary, Gabriel Roeder Smith & Company (Gabriel Roeder), actuarial accrued liability, actuarial value of assets and unfunded actuarial accrued liability of MEABF amounted to $13,856.5 million, $5,114.2 million and $8,742.3 million, respectively. MEABF has a funding ratio of 36.9% (actuarial value of assets divided by actuarial liabilities for pension and post-employment healthcare benefits). A detailed discussion of funding is provided in the Actuarial Section of this report. Historical information relating to funding progress is presented in the Required Supplementary Information – Schedule of Funding Progress in the Financial Section.

Investments

It is intended that the Plan's investment portfolio, supplemented by employer and employee contributions, generate assets capable of covering all future benefit payments owed to the Plan's members. In furtherance of this objective, MEABF manages a large and diversified investment portfolio with a long-term strategy. Several parties play an active role as it relates to the investment of Plan assets. The Retirement Board is responsible for carrying out the requirements of the law governing the Plan, developing policies for Plan administration and creating goals and objectives for the exclusive benefit of the Plan, its participants and their beneficiaries. The Retirement Board has the ability to delegate its authority to consultants, staff and investment managers, but retains the final decision-making authority. The Retirement Board has retained an investment consulting firm to make investment manager recommendations as well as assist with the development of the Plan's asset allocation, investment policies and investment strategies. The MEABF's investment staff manages the competitive selection process, negotiates detailed service contracts and monitors investment manager compliance. Investment management firms are chosen by the Board and, in accordance with the mutually agreed upon guidelines and objectives, select individual investments for the Plan's portfolio.

Plan assets are invested in accordance with the "Prudent Person Rule" for the sole purpose of providing benefits to Plan members. The Plan's portfolio is diversified globally amongst various asset classes, investment styles, and economic sectors in an effort to achieve optimal long-term return at a pre-determined level of risk. The Plan's actuary assumes a long-term investment return of 7.5%. In 2013, the Plan's investment portfolio returned, net-of-fees, 16.1% versus a benchmark return of 14.1%. Going forward, the Plan's ability to meet its return objective over the long term will continue to be challenged as invested assets are liquidated to pay monthly benefits. During fiscal year 2013, $496.3 million or approximately 9.8% of the investment portfolio was liquidated to assist in meeting benefit payment obligations.

The graph below compares ten- and twenty-year rolling returns to the current actuarially assumed rate of return. Over the long-term, MEABF has historically outperformed the assumed rate of return. The effects of the “Tech Bubble” (2000-2002) and the “Great Recession” (2007-2009) pulled down the rolling returns considerably. Even though they have not returned to their pre-crises levels, we are pleased that returns are trending upward in recent years. The Retirement Board will continue to structure the portfolio in accordance with the target allocation mix, which should reduce downside risk and best position the portfolio to achieve long-term performance goals and objectives.



The Investment Section contains a summary of the Retirement Board’s investment policy, including goals and objectives, and a comprehensive analysis of the Plan’s portfolio performance for the fiscal year 2013.

MAJOR INITIATIVES

Investments:

The Retirement Board took the following actions in 2013:

- The Board launched a search for an investment consultant. After carefully reviewing all its options, the Board ultimately decided to sign a five-year agreement with its current provider.
- The Board launched an asset liability study. As a result of that study, the Board modified the Plan’s target asset allocation. The most significant changes included a significant reduction in the Plan’s private equity target and the addition of the global fixed income asset class to the target mix.
- The Board launched a search for a master custodian and securities lending agent. As a result of the search, the Board decided to retain the Plan’s incumbent master custodian. However, the Board did select a new securities lending agent, moving the business from the custodian to a new third-party provider.

Operations:

The following quantifies some of the projects accomplished and program services provided during fiscal year 2013:

Benefit Payment Services

- 292,930 annuity benefit payments to retirees and beneficiaries totaling $723.9 million. Of these, 91% were paid via electronic funds transfer with the remaining 9% by check.
- 24,602 annuitants at year-end 2013, 21,557 or 88% remained Illinois residents and 3,045 or 12% were out-of-state residents. About 15,450 annuitants residing in the City of Chicago received benefit payments totaling $39.4 million per month.
- 24,000 annual benefit statements showing new benefit amounts and deductions for 2013 were mailed to annuity benefit recipients.
- 1,243 new retirees and 287 spouse/reversionary/child annuitants added to annuity payroll. 744 retirees and 304 spouse/reversionary/child annuitants removed from payroll due to death or termination.
- 10,600 City and Board of Education retirees and beneficiaries participating in the employers' health insurance plans received health subsidies totaling $9.5 million.
- 5,740 disability benefit payments to disabled participants totaling $12.2 million. At year-end, there were 227 disabled participants receiving ordinary disability benefits and 213 disabled participants were receiving duty disability benefits.
- 28,100 1099Rs issued for tax reporting purposes.
- 5,530 pension verification forms sent to select group of benefit recipients to confirm that the intended recipients were still alive and therefore eligible to receive benefits.

Member Services

- 27,840 printed statements of contributions to active participants.
- 2,530 individualized benefit counseling sessions conducted.
- 2,990 benefit estimates mailed.
- 125,640 phone calls received.
- Quarterly pre-retirement seminars held.

Withdrawals of Contributions

- 1,190 lump sum payments to members not eligible for retirement.
- 720 lump sum payments of spousal contributions.
- 100 lump sum payments in lieu of annuity.
- 110 lump sum payments to beneficiaries.

Document management

- 55,390 documents (135,370 pages) indexed and scanned during 2013

Legislative Update

Senate Bill 1922, an initiative of the City of Chicago (Plan Sponsor), made several changes to MEABF, which was 36.9% funded as of December 31, 2013. The legislation includes changes for both Tier I and Tier 2 members, an increase in employer and employee contributions, and changes to annual increases in annuity for retired members. On June 9, 2014 Governor Pat Quinn signed Senate Bill 1922 into law which is now Public Act 98-0641.

Certificate of Achievement for Excellence in Financial Reporting

The Plan was awarded a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the year ended December 31, 2012 by the Government Finance Officers Association of the United States and Canada (GFOA). The Plan has received this prestigious award in each of the last 24 years.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.
A Certificate of Achievement is valid for a period of one-year only. We believe this report conforms to the program requirements and we are submitting it to the GFOA to determine its eligibility for award.

ACKNOWLEDGEMENTS

The preparation and compilation of this report reflect the combined efforts of the MEABF Administrative Staff and is the responsibility of MEABF management under the direction of the Retirement Board. This report is available on the web at http://www.meabf.org/publications.php and mailed to those who submit a formal request.

We extend our profound gratitude to the entire Retirement Board for their leadership and continued support and to the MEABF staff for their dedication and tireless efforts in serving the needs of members.

We would also like to take this opportunity to express our gratitude to the Retirement Board advisors and consultants and the staff and management of the City of Chicago and the Chicago Board of Education. Their support and cooperation is significant to the successful operation of MEABF.

Respectively submitted,

Jim Mohler
Executive Director

Tess T. James
Comptroller

Financial

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
O'HARE PLAZA
8745 WEST HIGGINS ROAD, SUITE 200
CHICAGO, ILLINOIS 60631
AREA CODE 312 263 2700

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statements of plan net position of Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of Municipal Employees' Annuity & Benefit Fund of Chicago as of December 31, 2013 and 2012, and the changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 3 through 10 and pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

April 24, 2014

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) of the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Plan") provides a narrative overview and analysis of the financial activities of MEABF for the years ended December 31, 2013 and 2012. Readers are encouraged to read the MD&A in conjunction with the financial statements to better understand the financial condition and performance of MEABF during the year ended December 31, 2013. Information for fiscal years 2012 and 2011 is presented for comparative purposes.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the financial statements. The Plan's financial statements are prepared on an accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements and reflect all financial activities.

The Statements of Plan Net Position reports MEABF assets at fair value, liabilities at amounts owed as of the statement date and the resulting net plan position (assets - liabilities = net plan position) at the fiscal year end reserved to pay future benefits to retirees and beneficiaries.

The Statements of Changes in Plan Net Position shows the results of financial activities that occurred during the fiscal year. It discloses the additions to plan net position, such as contributions and net investment income, and deductions from plan net position such as benefit payments and administrative expenses. The resulting net increase (decrease) in plan position (additions - deductions = net increase (decrease) in plan position) reflects the change in plan position reported in the Statements of Plan Net Position.

The Notes to the Financial Statements are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the data provided in the financial statements.

The Required Supplementary Information that follows the Notes to the Financial Statements is required by GASB. It includes the required Schedule of Funding Progress and Schedule of Employer Contributions as well as related disclosures. The Schedule of Funding Progress compares the actuarial value of assets to actuarial liabilities, as of actuarial valuation dates over periods ranging from eight to ten years, and reports the unfunded actuarial accrued liability (UAAL). The schedule also presents the actuarial funded ratio and the UAAL as a percentage of the covered payroll of all members. The Schedule of Employer Contributions presents the Annual Required Contributions (ARC) as defined by GASB for the employer and compares them to actual employer contributions over periods ranging from eight to ten years. The schedule also provides the percentage of the ARC that was actually contributed each year.

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

Financial Highlights

- MEABF's total investment portfolio generated a return of 15.9 percent in 2013 on a net-of-fees basis. The net returns in 2012 and 2011 were 12.8 percent and 0.1 percent, respectively. The total portfolio return in 2013 far exceeded the 7.5 percent actuarial investment return assumption.

- Plan Net Position Restricted for Pension Benefits, as reported in the Statements of Plan Net Position totaled $5,421.7 million, an increase of $239.0 million or 4.6 percent from the prior year. The growth in assets would have been significantly higher if approximately $496.3 million in portfolio assets were not liquidated to supplement the disbursement of benefit payments during the year.

- Total additions as reported in the Statements of Changes in Plan Net Position total $1,024.5 million, an increase of $146.6 million or 16.7 percent from the prior year.

- Total deductions as reported in the Statements of Changes in Plan Net Position total $785.5 million, an increase of $37.1 million or 5.0 percent from the prior year.

- Annuity benefits paid to retirees and beneficiaries totaled $723.9 million in 2013, an increase of $42.4 million or 6.2 percent from the prior year.

- As of the December 31, 2013 actuarial valuation, the total Plan's Unfunded Actuarial Accrued Liability (UAAL) for both pension plan and post-employment healthcare subsidy based on the Actuarial Value of Assets increased to $8,742.3 million in 2013 from $8,564.1 million in 2012, an increase of $178.2 million from the prior year.

- On an actuarial value of assets basis, which smoothes gains and losses over a five-year period, the funding ratio for defined pension and post-employment healthcare subsidy decreased to 36.9 percent in 2013 from 37.2 percent in 2012 and 44.6 percent in 2011.

- The net annual required contribution (ARC) for pension benefits only, under Governmental Accounting Standards Board (GASB) Statement No. 25, for 2013 was $820.0 million, and the employer contributed only 18.1 percent or $148.2 million in 2013. The ARC for post-employment healthcare subsidy for 2013 was $14.4 million, and the employer contributed 66.1 percent or $9.5 million in 2013. State statutes limit employer contributions to 1.25 times employee contributions two years prior.

Plan Net Position Restricted for Benefits (in millions)

(As of December 31, 2013, 2012 and 2011)

	FY 2013	FY 2012	FY 2011	Increase (Decrease) From 2012 to 2013 $ Change	% Change
Cash, receivables and other assets	$ 225.1	$ 227.1	$ 216.3	($ 2.0)	-0.9%
Investments, at fair value	5,309.9	5,057.9	4,938.8	252.0	5.0%
Invested securities lending collateral	592.9	540.0	593.3	52.9	9.8%
Total assets	6,127.9	5,825.0	5,748.4	302.9	5.2%
Liabilities	113.3	102.3	101.9	11.0	10.8%
Securities lending collateral	592.9	540.0	593.3	52.9	9.8%
Total liabilities	706.2	642.3	695.2	63.9	9.9%
Total plan net position	**$ 5,421.7**	**$ 5,182.7**	**$ 5,053.2**	**$239.0**	**4.6%**

Plan net position restricted for pension benefits increased by $239.0 million during fiscal year 2013 to $5,421.7 million from $5,182.7 million in 2012. Invested assets at fair value increased by $252.0 million in 2013 to $5,309.9 from $5,057.9 million in 2012. The growth in assets would have been significantly higher if approximately $496.3 million in portfolio assets were not liquidated to supplement the disbursement of benefit payments during the year.

Additions and Deductions to Plan Net Position (in millions)
(Years ended December 31, 2013, 2012 and 2011)

	2013	2012	2011	Increase (Decrease) 2012 to 2013 $ Change	% Change
Additions:					
Employer contributions	$ 157.7	$ 158.4	$ 156.5	$ (0.7)	-0.4%
Member contributions	131.5	130.3	132.6	1.2	0.9%
Total contributions	289.2	288.7	289.1	0.5	0.2%
Net investment income	733.2	586.8	29.7	146.4	24.9%
Net securities lending income	2.1	2.4	1.9	(0.3)	-12.5%
Total additions	**1,024.5**	**877.9**	**320.7**	**146.6**	16.7%
Deductions:					
Annuity benefits	723.9	681.5	640.1	42.4	6.2%
Disability benefits	12.2	13.7	14.0	(1.5)	-10.9%
Healthcare subsidy for City and BE retirees	9.5	9.5	9.5	-	-
Refunds of contributions	33.4	36.9	32.1	(3.5)	-9.2%
Administrative and OPEB expense	6.5	6.8	7.4	(0.3)	-4.4%
Total deductions	**785.5**	**748.4**	**703.1**	**37.1**	5.0%
Net increase (decrease)	239.0	129.5	(382.4)	109.5	84.6%
Net position at beginning of year	5,182.7	5,053.2	5,435.6	129.5	2.6%
End of year	**$5,421.7**	**$5,182.7**	**$5,053.2**	**$ 239.0**	4.6%

Additions

- Total additions as reported in the Statements of Changes in Plan Net Position increased by $146.6 million or 16.7 percent in 2013 to $1,024.5 million from $877.9 million in 2012.

- Additions from employer contributions decreased by $0.7 million in 2013 to $157.7 million from $158.4 million in 2012. Employer contributions are statutorily set at 1.25 times the employee contribution level in the second prior fiscal year.

- Additions from member contributions increased by $1.2 million to $131.5 million in 2013, from $130.3 million in 2012. The increase is primarily attributable to the increase in covered wages from which member contributions are calculated. Average annual salary increased to $51,564 in 2013 from an average of $50,782 in 2012. Active members are required to contribute 8.5 percent of their salary. The number of contributing members at year-end decreased mainly from the reduction in staffing at the Chicago Board of Education.

- Additions from investment income increased by $146.4 million to $733.2 million in 2013 from $586.8 million in 2012. The increase is mainly attributable to net investment gains, which were $641.7 million in 2013 compared to $483.1 million in 2012, an increase of $158.6 million. Additionally, income from real estate investments was $18.3 million in 2013 compared to $12.8 million in 2012, an increase of $5.5 million. Income from interest and dividends decreased by $17.1 million in 2013 to $99.2 million from $116.3 million in 2012. The Plan utilizes external investment managers to manage specific investment allocations. Direct investment fees increased by $0.6 million to $26.0 million in 2013 from $25.4 million in 2012.

- MEABF can earn additional investment income by allowing a provider to lend its securities to borrowers on its behalf. The borrower provides collateral on borrowed securities, which is invested in order to earn interest. Securities lending activities generated net income of $2.1 million in 2013 compared to $2.4 million in 2012.

Deductions

- MEABF's assets are primarily used to pay annuity benefits, post-employment healthcare subsidies, disability benefits, refunds of contributions and the costs of administering the Plan. Deductions from plan net position increased by $37.1 million or 5.0 percent to $785.5 million in 2013 from $748.4 million in 2012.

- Annuity benefits paid increased by $42.4 million or 6.2 percent to $723.9 million in 2013 from $681.5 million in 2012. The increase is primarily due to the compounded annual 3 percent adjustment for eligible annuitants and an increase in the number of retirees and beneficiaries receiving benefits. The average annual employee annuity benefit increased to $34,357 in 2013 from $33,423 in 2012. The number of new employee annuitants continues to rise. There were 24,602 participants receiving annuity payments at year-end December 31, 2013 compared to 24,120 at the beginning of the year.

- Disability benefits paid decreased by $1.5 million or 10.9 percent to $12.2 million in 2013 from $13.7 paid in 2012. This is attributable to a reduction in the number of participants receiving disability benefits, a decrease in the average number of days paid and the cancelation of outstanding disability payments due to participant's returning to work. There were 440 participants on disability at year-end December 31, 2013 compared to 530 at the beginning of the year.

- Refunds of contributions decreased by $3.5 million to $33.4 million in 2013 from $36.9 million in 2012. The decrease is mainly due to:
  - Decrease in the number of new annuitants eligible for a refund of spousal contributions. Refunds of spousal contributions totaling $9.1 million were distributed to 802 eligible new retirees in 2013 compared to $10.5 million distributed to 1,041 eligible new retirees in 2012.
  - Decrease in lump sum distributions paid to employees who were terminated or have resigned from their employment and ineligible for annuity. Full refund of contributions totaling $20.0 million were distributed to 1,227 participants in 2013 compared to $22.1 million distributed to 1,230 participants in 2012.

- Administrative expenses and other post-employment benefit expense slightly decreased by $0.3 million to $6.5 million in 2013 from $6.8 million in 2012 mainly due to:
  - $214,000 increase in salaries and employee insurance and benefits
  - $227,000 decrease in depreciation of property and equipment
  - $196,000 decrease in other post-employment benefits.
  - $134,000 decrease in professional, purchased services, communication, and other operating expenses

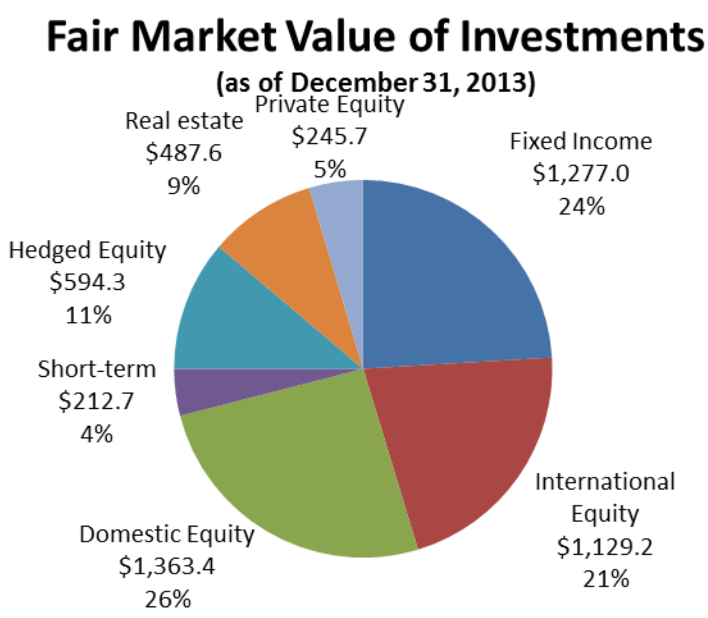
  Detail relating to administrative expenses can be found in the Schedule of Administrative and OPEB Expenses located under Supporting Schedules.

Summary of Investments (in millions)
(As of December 31, 2013, 2012 and 2011)

	FY 2013	FY 2012	FY 2011
Fixed income	$ 1,277.0	$ 1,303.8	$ 1,268.8
Domestic equity	1,363.4	1,284.0	1,423.8
International equity	1,129.2	1,083.8	923.5
Hedged equity	594.3	525.5	483.1
Real estate	487.6	450.3	405.6
Private equity	245.7	236.8	209.9
Short-term investments	212.7	173.7	224.1
	$ 5,309.9	**$ 5,057.9**	**$ 4,938.8**

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

Investment performance had a positive impact on asset values in 2013 both in aggregate and in terms of individual asset classes. In aggregate, the investment portfolio generated a 15.9 percent return in 2013 on a net-of-fees basis. The best-performing individual asset classes were domestic equities, international equities and hedged equities, which returned 33.6, 17.6 and 17.6 percent, net-of-fees, respectively. Fixed income, which was the worst-performing asset class, generated a 0.4 percent return, net-of-fees, in 2013. Having a negative impact on asset values was the need to liquidate investments to pay benefits on a monthly basis. In all, MEABF liquidated $496.3 million of investments to meet the Plan's cash flow needs. All liquidity came from domestic equity and international equity. Aside from the regular sale of assets to meet the Plan's cash flow needs, there was no significant portfolio-rebalancing event that impacted individual asset class values in 2013. Also, because of the significant liquidity requirement annually to supplement benefit payments, new investments in real estate and private equity have been suspended.



Securities Lending

The Plan's custodian is utilized as its securities lending agent. The custodian is authorized by contract to lend certain securities in the investment portfolio to third parties and invest the collateral received on loaned securities in approved commingled short-term investment funds. Throughout the tumultuous credit market of 2008 and into 2009, collateral declined in value due to exposure to severely depressed securities creating a liability. With $2.1 million in securities lending income earned in 2013, the Plan’s liability based on collateral pool losses was further reduced from the 2008 high of $47.4 million to $3.4 million as of December 31, 2013. In an effort to further limit risk, the Retirement Board voted in early 2011 to cap the Plan’s utilization of securities lending by incorporating a 20 percent cap on lendable securities exposed to cash collateral, and a 30 percent cap on lendable securities exposed to both cash and non-cash collateral.

Economic Factors and Rates of Return

Despite the threat of a “Fiscal Cliff”, a debt crisis in the tiny Mediterranean island of Cyprus, uncertainty regarding the future of the Federal Reserve, questions regarding possible U.S. intervention with respect to the Syrian conflict, U.S. budget deadlock and the debt ceiling crisis, the financial markets proved to be resilient in 2013. The U.S. stock market performed particularly well and continued to reach new all-time highs throughout the year. The S&P 500, a well-known proxy for the U.S. stock market, was up 32.4 percent for the year. As for international equity investments, the world’s developed economies generally performed well in 2013. Though certain emerging markets did struggle during the year, the MSCI ACWI ex-US index, a proxy for non-U.S. investments, was up 15.3 percent in 2013. In contrast to the strong equity markets, the fixed income market struggled. The past year was one of the worst in the history of the investment grade fixed income market. The Barclays Aggregate, a U.S. investment grade fixed income market index, was down 2.0 percent in 2013. Though not surprising given low yields and the rising interest rate environment, this was the first time since 1999 that the Barclays Aggregate posted a negative return.

The Plan’s portfolio continues to perform well and generate impressive returns. The portfolio generated a 15.9 percent return, net-of-fees, in 2013 and has produced an average annualized net-of-fees return of 12.3 percent over the five-year period ended December 31, 2013. The Plan’s domestic equity investments, which generated a 33.6 percent return, net-of-fees, in 2013, had the largest positive impact on the portfolio. The Plan’s fixed income investments accounted for the largest drag on performance in 2013, however, they performed considerably better than the broad U.S. fixed income benchmark. The Plan’s returns by asset class were as follows in 2013:

Asset Class	Portfolio Returns (Net-of-Fees)
Fixed Income	0.4%
Domestic Equity	33.6%
International Equity	17.6%
Hedged Equity	17.6%
Open-Ended Real Estate	12.7%

Despite the strong investment returns over the past five years (12.3 percent, net-of-fees), the Plan’s assets grew by just 2.7 percent annually over that same period. This was due primarily to the large operating cash flow deficit that the Plan faced as a result of the shortfall between inflows, in the form of contributions, and outflows, primarily comprised of retirement benefits and refunds.

Actuarial Valuation and Funding Status Information

The funding status of MEABF determines whether plan net assets will be sufficient to meet future obligations. The funding status of MEABF is measured by a comparison of MEABF's actuarial liabilities to assets expressed as either unfunded liability or as a ratio of assets to liabilities. Actuarial liabilities represent the present value of future benefit payments to retirees and beneficiaries currently receiving payments and the value of future payments for active employees who will receive benefits in the future less the value of future normal cost to be made, calculated based on actuarial assumptions. Plan assets can be measured at market value, book value or some variation to smooth the fluctuations that occur from year to year.

One method of valuing assets is the Actuarial Value of Assets, a method used by MEABF's independent actuary in performing their annual valuation of MEABF. This measurement smoothes actuarial gains and losses over a period of time and volatile market conditions are recognized over several years. The amount by which the value of future benefit payments for active and retired lives (actuarial liabilities) exceeds the actuarial values of assets is called the "Unfunded Actuarial Accrued Liability", which can be thought of as the amount of additional assets needed to provide for all future benefit obligations.

MEABF's independent actuary, Gabriel Roeder Smith & Company, performed an actuarial valuation as of December 31, 2013. The latest actuarial valuation shows a $178.2 million increase in the Unfunded Accrued Actuarial Liability (UAAL) for the Plan to $8,742.3 million from $8,564.1 million in 2012. The increase in the UAAL is due to:

- Contributions less than normal cost plus interest $627.8 million
- Investment gain (actuarial value basis) (174.9) million
- Gain from salary changes (152.5) million
- Gain due to changes in Plan amendments (130.3) million
- Loss from service credit changes and purchases 6.6 million
- Loss from retirement, mortality and other terminations 1.5 million

When measured using the Actuarial Value of Assets, the funding ratio decreased to 36.9 percent in 2013 from 37.2 percent in 2012. On a market value basis, the funded ratio has increased from 38.0 percent in 2012 to 39.1 percent in 2013.

The most recent actuarial valuation of MEABF shows that a ratio of 6.53 is needed to adequately finance the Plan in fiscal year 2014 on an actuarial basis. State law sets employer and member contribution rates. Members are required to contribute 8.5 percent of their salary. The employer is required to contribute the remaining amount necessary to finance MEABF's funding requirements. However, the state law constrains the employer contribution to be 1.25 times the employee contributions level in the second prior fiscal year, which have been less than the Annual Required Contribution (ARC) for the past eleven years. The Actuary projects that under the current funding policy, if all future assumptions are realized, the funding ratio is projected to deteriorate until assets are depleted within about 10 to 15 years. The current statutory funding mechanism impacts the ability to grow assets because in order to pay benefits, assets have and will continue to be liquidated.

Fundamental Changes to Pension Accounting

The Governmental Accounting Standards Board (GASB) has issued two new accounting standards for public pension plans and participating employers that substantially revise the accounting requirements under GASB Statements No. 25 and No. 27.

GASB Statement No. 67, Financial Reporting for Pension Plans, replaces GASB Statement No. 25 for pension plan financial reporting and will become effective for the fiscal years beginning after June 15, 2013 or for MEABF in fiscal year 2014. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaces GASB Statement No. 27 for employer financial reporting and will become effective for fiscal years beginning after June 15, 2014. These two statements together define how pension liabilities will be calculated and reported by employers and other non-employer contributing entities.

Currently Known Facts, Decisions, or Conditions

In 2013, the Board solicited responses from service providers interested in providing custody, securities lending, and benefit payment services. After a thorough review process, the Board ultimately decided to retain its current provider, Northern Trust, for custody and benefit payment services. However, the Board decided to hire Citibank N.A. as its new securities lending agent. Contracts were signed in late-2013 and Citibank began lending securities on behalf of the Plan on March 11, 2014.

Senate Bill 1922 is an initiative of the City of Chicago to reform two underfunded city pension funds, MEABF and Laborers' Annuity and Benefit Fund. The bill would reduce retiree annual annuity adjustment (commonly referred to as COLA) and increase employer and employee contributions. SB 1922 has passed both the House and the Senate. It was sent to the Governor on April 10, 2014. The Governor has 60 days to take action on the bill.

Request for Information

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

Statements Of Plan Net Position

December 31, 2013 and 2012

	2013	2012
Cash and cash equivalents	$ 489,134	$ 489,086
Receivables		
Contributions from the City of Chicago, net of allowance for loss of $17,767,119 in 2013 and $17,011,104 in 2012	160,516,283	162,638,845
Member contributions	8,192,623	8,322,212
Interest and dividends	15,553,870	14,183,655
Receivables for investments sold	39,862,563	40,818,554
Miscellaneous	277,108	154,316
Total receivables	224,402,447	226,117,582
Investments, at fair value		
Fixed income	1,276,960,316	1,303,764,343
Hedged equity	594,347,007	525,532,482
Domestic and international equity	2,492,580,421	2,367,715,558
Real estate	487,640,544	450,296,070
Private equity	245,680,753	236,847,155
Short-term investments	212,664,580	173,704,217
Total investments	5,309,873,621	5,057,859,825
Invested securities lending collateral	592,858,237	539,981,282
Property and equipment, net of accumulated depreciation and amortization of $1,334,129 in 2013 and $2,391,804 in 2012	179,826	470,313
Total assets	6,127,803,265	5,824,918,088
LIABILITIES		
Payables for investments purchased	99,123,876	85,647,967
Accounts payable and accrued expenses	6,944,398	6,868,517
Securities lending collateral	592,858,237	539,981,282
Securities lending earnings shortfall	3,409,370	6,436,572
OPEB liability	3,773,089	3,314,091
Total liabilities	706,108,970	642,248,429
Net position restricted for pension benefits	$ 5,421,694,295	$ 5,182,669,659

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

Statements Of Changes in Plan Net Position

Years Ended December 31, 2013 AND 2012

	2013	2012
Additions		
Contributions from the City of Chicago	$ 157,704,971	$ 158,380,709
Member contributions	131,532,173	130,266,293
Total contributions	289,237,144	288,647,002
Investment income		
Net appreciation in fair value of investments	641,676,103	483,082,569
Interest	49,089,109	52,084,718
Dividends	50,069,314	64,197,961
Income from real estate investments	18,257,525	12,767,601
	759,092,051	612,132,849
Less investment expenses	25,937,106	25,373,528
Net income from investing activities	733,154,945	586,759,321
Security lending activities		
Securities lending income	1,377,298	1,382,201
Borrower rebates	1,113,279	1,486,890
Bank fees	(373,090)	(429,944)
Net income from securities lending activities	2,117,487	2,439,147
Total additions	1,024,509,576	877,845,470
Deductions		
Benefits		
Annuity payments	723,880,608	681,508,540
Disability benefits	12,158,883	13,643,816
Post-employment healthcare subsidies	9,508,087	9,522,054
Total benefits	745,547,578	704,674,410
Refund of member contributions	33,456,449	36,908,784
Administrative and OPEB expenses	6,498,913	6,841,486
Total deductions	785,502,940	748,424,680
Net increase (decrease)	239,006,636	129,420,790
Net position restricted for pension benefits		
Beginning of year	5,182,669,659	5,053,248,869
End of year	$ 5,421,676,295	$ 5,182,669,659

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

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

(2) Fiscal dependency on the primary government.

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

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Risks and Uncertainties

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

Notes to Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

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

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

Cash and Cash Equivalents

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

Administrative Expenses

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

Evaluation of Subsequent Events

Management has evaluated subsequent events through April 24, 2014, the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was established to provide guidance on the reporting of deferred outflows of resources, and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of GASB 63 are effective for financial statement periods beginning after December 15, 2011.

Notes to Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was established to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB 65 are effective for financial statement periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans* was established to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. The provisions of GASB 67 are effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was established to improve the standards for measurement, recognition and display of pension expense, liabilities and assets of employers of the plan. The provisions of GASB 68 are effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB No. 68,* addresses an issue regarding application of the transition provisions of GASB No. 68. The provisions of GASB 71 are effective for fiscal years beginning after June 15, 2014.

GASB Statements No. 68 and No. 71 will affect the financial statements of the City of Chicago.

Note 2 – Deposits and Investments

Deposits that are held locally in the Plan's name are held by the Treasurer of the City of Chicago, ex-officio Treasurer of the Plan. At December 31, 2013 and 2012, the Plan's book balances of cash are $489,134 and $489,086, respectively. The actual bank balances at December 31, 2013 and 2012 are $488,734 and $488,686, respectively. All non-investment related bank balances at year end are insured or collateralized at 102% of the principal amount.

Custodial credit risk is the risk that, in the event of a financial institution failure, the Plan will not be able to recover deposits or collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name. The Plan does not have a formal policy relating to custodial risk. As of December 31, 2013 and 2012, $10,250,010 and $9,121,053 of the Plan's deposits with its custodian Northern Trust were exposed to custodial credit risk.

Certain Plan investments are held by a bank administered trust fund. There were no individual investments representing 5% or more of the Plan's net assets as of December 31, 2013 or 2012.

	2013	2012
Investments At Fair Value As Determined By Quoted Price		
Fixed income	$1,276,960,316	$1,303,764,343
Domestic equity	1,363,424,229	1,283,930,189
International equity	1,129,156,192	1,083,785,369
	3,769,540,737	3,671,479,901
Investments At Fair Value As Determined By Plan Administrator		
Hedged equity	594,347,007	525,532,482
Real estate	487,640,544	450,296,070
Private equity	245,680,753	236,847,155
Short-term investments	212,664,580	173,704,217
	1,540,332,884	1,386,379,924
Total investments	$5,309,873,621	$5,057,859,825

Notes to Financial Statements (continued)

Note 2 – Deposits and Investments (continued)

Foreign Currency Risk

The Plan's exposure to foreign currency risk at December 31, 2013 was as follows:

Currency	*Market Value*	*Percentage*
Australian Dollar	$ 56,720,747	5.16%
Brazilian Real	28,379,452	2.58%
Canadian Dollar	58,362,947	5.31%
Swiss Franc	62,102,074	5.65%
Chilean Peso	1,754,468	0.16%
Columbian Peso	757,324	0.07%
Czech Koruna	176,527	0.02%
Danish Krone	16,177,389	1.47%
Egyptian Pound	145,936	0.01%
Euro	236,530,774	21.54%
British Pound Sterling	198,647,332	18.09%
Hong Kong Dollar	78,440,819	7.14%
Hungarian Forint	195,705	0.02%
Indonesian Rupiah	5,477,347	0.50%
New Israeli Shekel	6,416,107	0.58%
Indian Rupee	22,301,634	2.03%
Japanese Yen	185,362,666	16.88%
Keyan Shilling	165,013	0.02%
South Korean Won	26,823,854	2.44%
Mexican Peso	7,823,619	0.71%
Malaysian Ringgit	3,199,076	0.29%
Moroccan Dirham	4,415	0.00%
New Zealand Dollar	3,061,634	0.28%
Nigeria Naira	1,381,546	0.13%
Norwegian Krone	10,108,933	0.92%
Philippine Peso	1,815,627	0.17%
Polish Zloty	1,193,944	0.11%
Russian Ruble	318	0.00%
Swedish Krona	28,099,717	2.56%
Singapore Dollar	14,273,726	1.30%
Thai Baht	2,722,970	0.25%
Turkish Lira	2,884,287	0.26%
New Taiwan Dollar	15,020,139	1.37%
South African Rand	17,139,922	1.56%
United Arab Emirates Dirham	4,667,039	0.42%
Total	$1,098,335,027	100.00%

All foreign currency-denominated investments are in equities, derivatives and foreign cash. The Plan does not have a formal policy relating to foreign currency risk.

Notes to Financial Statements (continued)

Note 2- Deposits and Investments (Continued)

Credit Risk

As of December 31, 2013, the Plan had the following investments and maturities:

Security Type	Total Fair Value	1 year or less	1-6 years	6-10 years	10 or more years	Maturity Not Determined
Asset backed	$ 10,586,579	$ -	$ 10,171,898	$ -	$ 414,681	$ -
Bank loans	139,928,496	2,982,527	78,857,030	58,088,939	-	-
Commercial mortgage backed	21,228,234	-	-	119,542	21,108,692	-
Corporate bonds	530,476,519	8,806,988	270,163,652	207,273,929	44,231,950	-
Corporate convertible bonds	110,614	-	110,614	-	-	-
Government agencies	80,170,553	18,104,338	47,335,148	13,642,920	1,088,147	-
Government bonds	250,893,211	-	171,048,570	60,178,676	19,665,965	-
Government mortgage backed	223,334,445	556	3,256,774	7,520,489	160,177,945	52,378,681
Index linked government bonds	601,535	-	-	601,535	-	-
Municipal/provincial bonds	16,479,938	-	11,517,761	2,476,655	2,485,522	-
Non-government backed CMO's	3,150,192	-	-	-	3,150,192	
Short term investment funds	115,600,487	-	-	-	-	115,600,487
Total	$1,392,560,803	$ 29,894,409	$ 592,461,447	$ 349,902,685	$ 252,323,094	$ 167,979,168

Notes to Financial Statements (continued)

Note 2- Deposits and Investments (Continued)

Credit Risk

The following table reflects credits ratings of fixed income securities held by the Plan as of December 31, 2013:
(in thousands)

S&P Credit Rating	*Fair Value*	*Asset Backed Securities*	*Bank Loans*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Corporate Convertible Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Index Linked Gov't Bonds*	*Municipal/ Provincial Bonds*	*Non-Gov't Backed CMO's*
US Govt	$ 472,310	$ -	$ -	$ -	$ -	$ -	$ 155	$249,389	$222,164	$ 602	$ -	$ -
AAA	21,490	6,363	-	3,045	3,792	-	591	-	-	-	7,699	-
AA	118,255	590	-	4,906	26,671	-	79,425	-	39	-	6,615	9
A	171,412	-	-	5,571	163,675	-	-	-	-	-	2,166	-
BBB	170,833	-	2,502	5,461	162,013	-	-	792	-	-	-	65
BB	114,791	16	33,982	1,156	79,387	-	-	-	-	-	-	250
B	123,383	75	46,557	-	76,689	-	-	-	-	-	-	62
CCC	15,858	166	4,924	109	10,347	-	-	-	-	-	-	312
CC	507	-	-	-	507	-	-	-	-	-	-	-
D	2,399	-	-	-	1,019	-	-	-	-	-	-	1,380
NR	65,722	3,377	51,963	980	6,376	111	-	712	1,131	-	-	1,072
Total	$1,276,960	$ 10,587	$139,928	$21,228	$530,476	$ 111	$80,171	$250,893	$223,334	$ 602	$ 16,480	$3,150

US Govt = Guaranteed by US Government
NR = Not Rated

The Plan does not have a formal policy in regard to aggregate credit quality of fixed income holdings. The Plan utilizes external investment management firms to invest in fixed income securities and credit quality is addressed within the guidelines of the mandate. Unless allowed by the mutually agreed upon guidelines of the mandate, all securities invested in are investment grade. If a holding falls below

Notes to Financial Statements (continued)

Note 3 – Derivatives

The derivative instruments were recorded at fair value as of December 31, 2013. Derivative instruments include forward foreign exchange contracts, futures contracts, rights and warrants. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The Plan's investment managers may invest in derivatives if permitted by the guidelines of their mandate.

Foreign Currency Forward Contracts

Foreign currency forward contracts are used by certain investment managers to protect against the currency risk in the Plan's international equity portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Foreign currency forward contracts are marked-to-market on a daily basis. The gains or losses resulting from changes in contract values are included in investment income in the Statement of Changes in Plan Net Position. The Plan experienced a realized loss of $143,095 on foreign currency forward contracts in 2013. As of December 31, 2013, the Plan's outstanding foreign currency forward contracts were as follows:

	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value	Change in Unrealized Gain/Loss
Australian Dollar	$ -	$ (35,064)	$ (64)	$ 1,772
British Pound Sterling	381,139	(66,778)	6,131	43,410
Canadian Dollar	-	(107,196)	(196)	2,797
Danish Krone	5,308	-	(1)	(1)
Euro	-	(126,351)	(376)	(8,353)
Hong Kong Dollar	569,930	(29,998)	90	179
Japanese Yen	314,227	-	(5,773)	2,299
New Zealand Dollar	-	(24,106)	16	16
Norwegian Krone	33,587	-	384	384
Singapore Dollar	-	-	-	50
Swiss Franc	-	-	-	813
Swedish Krona	-	-	-	1,938
Thai Baht	-	(53,103)	19	210
United Arab Emirates Dirham	146,115	-	(40)	(40)
US Dollar	441,990	(1,449,510)	-	-
	$1,892,296	$(1,892,106)	$ 190	$45,474

Notes to Financial Statements (continued)

Note 3 – Derivatives (continued)

Futures Contracts

Certain international investment managers utilize equity futures contracts to replicate underlying securities they wish to gain exposure to in the portfolio. A financial futures contract is an agreement to buy or sell a specific amount of something at a specified delivery or maturity date for an agreed-upon price. Futures contracts are traded on organized exchanges, thereby minimizing credit risk. The net change in the futures contract value is settled daily in cash with the exchanges which results in the contract having a fair value of zero at the end of each trading day. The cash or securities to fulfill these obligations are held in the investment portfolio. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the Statement of Changes in Plan Net Position. The realized gain on equity futures contracts in 2013 was $2,285,214.

As of December 31, 2013, open futures contracts had the following values:

	Notional Value
Total Futures	$12,038,043

Rights and Warrants

Rights and warrants provide investment managers the right, but not the obligation, to purchase or sell a company's stock at a fixed price until a specified expiration date. Rights are normally issued with common stock and expire after two to four weeks. Warrants typically are issued together with a bond or preferred stock and may not expire for several years. The fair value of rights and warrants is reported in the investments in the Statement of Plan Net Position. The gain or loss from rights and warrants is included in the investment income in the Statement of Changes in Plan Net Position. As of December 31, 2013, MEABF's investments in rights and warrants were as follows:

	Notional Value	Fair Value	Change in Fair Value
Total Rights and Warrants	441,913 shares	$89,342	$23,974

Notes to Financial Statements (continued)

Note 4 – Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan-approved brokerage firms in exchange for collateral that will be returned for the same securities in the future. The Plan's custodian, the Northern Trust Co., manages the securities lending program, and receives cash, securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. All loans can be terminated on demand by either the Plan or the borrower. At December 31, 2013 the average term of the loans was 84 days (80 days in 2012). Marking to market is performed every business day and the borrower is required to deliver additional collateral when necessary so that the collateral held for all loans to the borrower will at least equal the market value of all borrowed securities. U.S. security loan agreements are initially collateralized at 102% of the market value of loaned securities. International securities are initially collateralized at 105% of the market value of loaned securities. Cash collateral is invested in the short-term investment pool, which at December 31, 2013 had a weighted average maturity of 46 days (34 days in 2012). As of December 31, 2013 and 2012, the Plan had loaned to borrowers securities with a fair value of $577,499,597 and $535,747,729, respectively. As of December 31, 2013 and 2012, the Plan received from borrowers' cash collateral of $592,858,237 and $539,981,282, respectively. As of December 31, 2013 the Plan did not receive any non-cash collateral from borrowers. As of December 31, 2012, the Plan received from borrower's non-cash collateral of $6,961,213.

Securities lending net income for the years ended December 31, 2013 and 2012 was $2,117,487 and $2,439,147, respectively.

Due to market events in 2008 and the beginning of 2009, one of the collateral pools utilized to invest collateral dropped below par value, causing the Plan to incur a liability. The custodian agreed to carry forward the losses and reduce them with future securities lending earnings. In 2010 the collateral pool was fully liquidated. The liability balance for the losses incurred was $3,409,370 and $6,436,572 as of December 31, 2013 and 2012, respectively. At year end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

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

	2013	2012
Securities loaned – cash collateral		
Fixed income		
Domestic corporate fixed income	$ 63,656,149	$ 73,504,655
US Government agencies	26,821,643	36,226,223
US Government bonds	108,051,291	61,122,701
Equity		
Domestic equities	300,705,222	280,497,112
International equities	78,265,292	77,649,882
Total securities loaned – cash collateral	577,499,597	529,000,573
Securities loaned – non-cash collateral		
Fixed income		
US Government bonds	-	3,955,991
Equity		
Domestic equities	-	310,740
International equities	-	2,480,425
Total securities loaned – non-cash collateral	-	6,747,156
Total	$577,499,597	$535,747,729

Notes to Financial Statements (continued)

Note 5 – Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the straight-line methods over periods ranging from 5-8 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. Major outlays for additions and improvements are capitalized if equal to or greater than $4,000. Maintenance and repairs are charged to expense. A summary of property and equipment at December 31, 2013 and 2012 is as follows:

	2013	2012
Pension benefit system	$ 884,621	$1,865,193
Furniture	9,907	25,768
Equipment	15,842	15,842
Computers	599,275	951,004
Leasehold improvements	4,310	4,310
	1,513,955	2,862,117
Less accumulated depreciation and amortization	1,334,129	2,391,804
Net property and equipment	$ 179,826	$ 470,313

Depreciation and amortization expense was $303,946 and $531,197 for 2013 and 2012, respectively.

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures

A. Pension Plan Description

General

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

Membership

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance except for policemen, firemen, teachers, and those classified by the municipal personnel ordinance as labor service or any person employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (Plan) who is not participating in any other pension fund or retirement system is also covered by the Plan. The payroll for employees covered by the Plan for the years ended December 31, 2013 and 2012 were $1,580,288,702 and $1,590,793,702, respectively.

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (Continued)

Plan membership at December 31 is as follows:

	2013	2012
Active employees (includes members currently receiving disability benefits):		
Vested	16,441	17,037
Non-vested	14,206	14,289
	30,647	31,326
Retirees and beneficiaries currently receiving benefits	24,602	24,120
Terminated employees entitled to benefits but not yet receiving them	1,809	1,737
Terminated employees entitled to a refund of contributions	12,445	11,728
Total	69,503	68,911

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

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

Refunds of Employee Contributions

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

Employee Pension

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

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

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

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

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

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

Tier 2: An employee annuitant under Tier 2 who is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the increase. The increase is based on the amount of the originally granted benefit (simple). This increase begins in January of the year of the first payment date following the later of:

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

Surviving Spouse Pension

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

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

Automatic Increase in Spouse Annuity

The surviving spouse of an employee under Tier 2 shall receive an annual increase equal to the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the date of the increase. This increase is based on the amount of the originally granted survivor's benefit (simple). This annual increase begins on January 1 following the commencement of the surviving spouse's annuity if the deceased member died while receiving an annuity benefit and on January 1 following the first anniversary of the commencement of the annuity otherwise.

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Child Annuity

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

Ordinary Disability

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

Duty Disability

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

Funding Policy

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

Member Contributions

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

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

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

Employer Contributions

The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of MEABF. It is required to levy a tax at a rate not more than an amount equal to 1.25 times (current multiple) total amount of contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied. Annual required contribution (ARC) rates are determined using the entry age normal actuarial funding method. MEABF uses the level dollar open method to amortize the unfunded liability over a thirty year period. The actuarial valuation of the Plan shows that a multiple of 6.53 is needed to adequately finance MEABF in fiscal year 2014. The statutory employer contributions have been less than the ARC for the past eleven years. Contribution rates may be increased only by an amendment by the State legislature to the statues.

Funding Status and Funding Progress – Pension Plan

The following table shows the funded status and funding progress as of December 31, 2013, the most recent actuarial valuation:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
$5,114,207,803	$13,828,920,032	$8,714,712,229	37.0%	$1,580,288,709	551.5%

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

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level dollar
Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	7.5 percent per year
Projected Base Salary Increases	4.0 percent per year
Includes inflation at	3.0 percent per year
Post Retirement Benefit Increases	3.0 percent per year beginning at the earlier of 1) the later of the 1st of January of the year after retirement and age 60, or 2) the later of the 1st of January of the year after the second anniversary of retirement and age 53.

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

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

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

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

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

As of December 31, 2013, there are 9,281 (9,435 as of December 31, 2012) City annuitants enrolled in the City's health care plan and 1,308 (1,430 as of December 31, 2012) Board of Education annuitants enrolled in the Board of Education retiree health care plan receiving this subsidy benefit.

The annual required contribution represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years. The estimated City contribution represents the expected benefit payments for the health insurance supplement. In 2013 and 2012, the Pension Plan received contributions of $9,508,087 and $9,522,054 and remitted contributions of $9,508,087 and $9,522,054 respectively.

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

The following table shows the funded status and funding progress as of December 31, 2013, the most recent actuarial valuation:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	$27,573,334	$27,573,334	.0%	$1,580,288,709	1.7%

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

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

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

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar
Remaining Amortization Period	30 years open-period before January 1, 2014 and 3 years closed-period after December 31, 2013
Actuarial Assumptions:	
OPEB Investment Rate of Return	4.5 percent per year
Projected Base Salary Increases	4.0 percent per year
Includes inflation at	3.0 percent per year
Healthcare Cost Trend Rate	0.0 percent (Trend not applicable – Fixed dollar subsidy)

C. Post-employment Healthcare Benefits – MEABF as Employer

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

MEABF, as an employer, provides health insurance coverage for its retired employees, or survivors of former employees and eligible dependents receiving an annuity under the MEABF Staff Retiree Healthcare Plan ("MEABF Retiree Healthcare"). Currently, 14 retirees and beneficiaries are enrolled in the Retiree Healthcare and 45 active employees could be eligible at retirement.

Funding

Post-employment healthcare benefits are funded on a pay-as-you-go basis. No assets are accumulated to pre-fund the healthcare benefits. MEABF and the annuitant share the total cost of the Staff Retiree Healthcare. For 2013 and 2012, MEABF, as employer contributed $162,985 and $173,544 respectively. The healthcare premium rates paid by the retirees are the same rates as those paid by the City of Chicago retirees. Retirees may elect dental and vision coverage on a self-paid basis.

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

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

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

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

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

	2013	2012	2011
Annual OPEB Cost			
Annual Required Contribution (ARC)	$ 667,546	$ 864,676	$ 816,278
Interest on Net OPEB Obligation	149,134	118,503	90,900
Adjustment to ARC	(194,696)	(154,707)	(118,671)
Annual OPEB Cost	621,984	828,472	788,507
Employer Contributions	162,985	173,544	174,439
Increase in NOO	458,999	654,928	614,068
Net OPEB Obligations (NOO)			
Net OPEB Obligation at Beginning of Year	3,314,091	2,659,163	2,045,095
Increase in NOO	458,999	654,928	614,068
Net OPEB Obligation at End of Year	$3,773,089	$3,314,091	$2,659,163

The Net OPEB Obligation is the amount recorded in the MEABF's Statement of Plan net position as of year-end as the net liability for MEABF Staff Retiree Healthcare OPEB Liability. The employer contributions for 2013 consist of $135,114 explicit subsidy and $27,871 implicit subsidy and treated as administrative expense of the defined benefit plan. In 2013 and 2012, MEABF contributed 24.4% and 20.1%, respectively, of the annual required OPEB contribution to the plan. The Annual *OPEB Cost* recorded in the Statement of Changes in Plan Net Position for 2013 as the MEABF Staff Retiree OPEB expense is net of employer implicit and explicit subsidies.

The following table is a summary of the OPEB Cost

Year	Annual OPEB Cost	% of Annual OPEB Obligation Contributed	Net OPEB Obligation
2013	$621,984	26.2%	$3,773,089
2012	828,472	20.9%	3,314,091
2011	788,507	22.1%	2,659,163

Notes to Financial Statements (continued)

Note 6 – Pension and Other Postemployment Benefit-Related Note Disclosures (continued)

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

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

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

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	$6,276,765	$6,276,765	0.0%	$2,966,755	211.6%

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

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

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Actuarial assumptions:	
Investment Rate of Return and Discount Rate	4.5%
Projected Salary Increases	4.5%
Includes inflation at	4.0%
Healthcare trend	Based on actual premium increases for 2014 and then 7.5% per year graded down to 5.0% year ultimate trend in .5% increments

Disclosure of Information about Actuarial Methods and Assumptions

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

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

Notes to Financial Statements (continued)

Note 7 – Net Assets Held in Trust for Pension Benefits

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

	2013	2012
City Contribution Reserves	$ 1,681,616,717	$ 1,643,967,628
Salary Deduction Reserves	1,681,234,042	1,643,584,837
Prior Services Reserves	8,491,981,563	8,353,610,422
Annuity Payment Reserves	2,000,727,582	1,995,365,493
Optional Reserve Account	933,462	931,666
	13,856,493,366	13,637,460,046
Unreserved Net Assets	(8,434,817,071)	(8,454,790,387)
Net assets held in trust for pension benefits	$ 5,421,671,295	$ 5,182,669,659

City Contribution Reserves

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

Salary Deduction Reserves

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

Annuity Payment Reserves

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

Prior Service Reserves

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

Optional Reserves

Amounts contributed by the aldermen for the alternative plan.

Notes to Financial Statements (continued)

Note 8 – Operating Leases

Office Lease

MEABF moved to a new office location on March 1, 2011 under a fifteen-year, non-cancelable lease agreement with Hines REIT 321 North Clark Street LLC. The lease currently requires monthly payments of $47,638 The Plan received rent abatements for the initial six full months of the term of the lease, and the initial three calendar months of the third, the fourth, the fifth and sixth lease year and the initial two calendar months of the seventh lease year. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance expenses which have been estimated to be 3% annually.

Disaster Recovery (DR) site

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

Following is a summary of estimated future lease payments under the Plan's operating leases as of December 31, 2013:

Year Ending December 31,	Amount
2014	$ 439,846
2015	464,480
2016	479,382
2017	538,366
2018	664,682
2019-2023	3,604,814
2024-2026	1,713,206
Total	$7,904,776

Total rent expense was $457,338 and $494,632 for 2013 and 2012, respectively.

Notes to Financial Statements (continued)

Note 9 – Risk Management

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

Note 10 – Commitments and Contingencies

Investment Commitments

As of December 31, 2013 approximately $155.4 million of capital committed to investments in real estate and private equity funds were undrawn. The Plan believes that the capital will be requested within five years.

Irrevocable Letter of Credit Security Deposit

MEABF executed an irrevocable letter of credit in the amount of $300,000 as security deposit in accordance with the terms of the new lease agreement (See Note 8).

Litigation

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress (Pension)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
12/31/13	$5,114,207,803	$13,828,920,032	$8,714,712,229	37.0%	$1,580,288,709	551.5%
12/31/12	$5,073,320,275	$13,475,376,963	$8,402,056,688	37.7%	$1,590,793,702	528.2%
12/31/11	$5,552,291,417	$12,292,930,124	$6,740,638,707	45.2%	$1,605,993,339	419.7%
12/31/10	$6,003,389,605	$11,828,665,658	$5,825,276,053	50.8%	$1,541,388,065	377.9%
12/31/09	$6,295,788,191	$10,830,119,369	$4,534,331,178	58.1%	$1,551,973,348	292.2%
12/31/08	$6,669,501,770	$10,383,157,695	$3,713,655,925	64.2%	$1,543,976,553	240.5%
12/31/07	$6,890,462,918	$ 9,968,746,844	$3,078,283,926	69.1%	$1,564,458,835	196.8%
12/31/06	$6,509,145,626	$ 9,476,118,446	$2,966,972,820	68.7%	$1,475,877,378	201.0%
12/31/05	$6,332,378,686	$ 9,205,221,817	$2,917,833,141	68.5%	$1,407,323,058	207.3%
12/31/04	$6,343,076,159	$ 8,808,500,944	$2,465,424,785	72.0%	$1,303,127,528	189.2%

Schedule of Employer Contributions (Pension)

Year Ended December 31,	Annual Required Contribution	Employer Contributions Amount Contributed	Employer Contributions Percentage Contributed
2013	$820,022,689	$148,196,884	18.1%
2012	$690,822,553	$148,858,655	21.5%
2011	$611,755,567	$147,009,321	24.0%
2010	$483,948,339	$154,752,320	32.0%
2009	$413,508,622	$148,046,490	35.8%
2008	$360,387,176	$146,803,250	40.7%
2007	$343,123,106	$139,606,140	40.7%
2006	$325,913,986	$157,062,769	48.2%
2005	$285,291,350	$155,067,116	54.4%
2004	$198,199,001	$153,919,476	77.7%

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

Note to Schedules of Funding Progress and Employer Contributions (Pension)

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

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar open
Amortization Period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Pension investment rate of return	7.5%
Projected Salary Increases	4.0% per year
Includes inflation at	3.0%
Post retirement benefit increases	3.0% per year beginning at the earlier of : 1) the latter of the first of January of the year after retirement and age 60, or 2) the later of the first of January of the year after the second anniversary of retirement and age 53

OPEB liabilities are excluded beginning in 2006.

Schedule of Funding Progress (Post- Employment Healthcare)

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

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

Schedule of Employer Contributions (Post - Employment Healthcare)

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

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

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

Valuation date	December 31, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years open-period before January 1, 2014, and 3 years closed-period after December 31, 2013
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions:	
OPEB investment rate of return	4.5%
Projected salary increases	4.0% per year
Includes inflation at	3.0%
Healthcare Cost Trend Rate	0.0%
Healthcare cost trend not applicable-fixed dollar subsidy	

Schedule of Funding Progress (Post-Employment Healthcare-Staff Retiree Healthcare)

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

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

Schedule of Employer Contributions (Post-Employment Healthcare-Staff Retiree Healthcare)

		Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Amount Contributed	Percentage Contributed
2013	$667,546[1]	$162,985	24.4%
2012	$864,676	$173,544	20.1%
2011	$816,278	$174,439	21.4%
2010	$770,673	$146,434	19.0%
2009	$611,526	$111,840	18.3%
2008	$573,808	$ 96,670	16.8%

[1] Projected for plan year ended December 31, 2013 based on most recent actuarial valuation as of December 31, 2012.

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

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

Valuation date	December 31, 2012
Actuarial cost method	Entry age normal
Asset valuation method	No Assets (Pay-as-you-go)
Amortization method	Level dollar open
Amortization period	30 years
Actuarial assumptions:	
Investment Rate of Return and Discount Rate	4.5%
Projected Salary Increases	4.5%
Wage inflation	4.0%
Healthcare trend	Based on actual premium increases for 2014 and then 7.5% per year graded down to 5.0% year ultimate trend in .5% increments

Schedule of Administrative and OPEB Expenses

Years Ended December 31, 2013 and 2012

	2013	2012
Personnel		
Administrative salaries	$ 2,889,702	$ 2,758,058
Payroll taxes	36,022	35,156
Employee benefits	1,107,997	1,026,201
OPEB expense	458,999	654,928
	4,492,720	4,474,343
Professional Services		
Actuarial valuation	86,500	70,074
Staff actuary	72,791	70,810
Actuarial consulting	1,500	7,996
Legal services	131,573	167,093
Medical	51,751	51,751
Audit	34,500	37,500
Legislative liaison services	17,201	16,700
Payroll services	370,598	369,993
IT consulting	22,283	27,878
Healthcare benefit consulting	10,121	9,693
Tax consulting	4,576	2,699
Other consulting	-	8,650
	803,394	840,837
Communication		
Printing & publications	36,231	39,053
Postage	98,435	111,667
Telephone and communications	51,564	40,449
	186,230	191,169
Occupancy and utilities		
Office rent	457,338	494,632
Utilities	12,185	12,425
Office maintenance	1,739	1,694
	471,262	508,751
Other operating expense		
Fiduciary and insurance	155,307	149,900
Office supplies and equipment	30,538	48,100
Depreciation	303,946	531,197
Equipment rental and maintenance	10,501	10,569
Training and travel	7,564	11,659
Contractual services	20,302	19,623
Dues and subscriptions	13,672	13,499
Miscellaneous	3,477	41,839
	545,307	826,386
Total Administrative and OPEB expense	$ 6,498,913	$ 6,841,486

Schedule of Professional and Consulting Costs

Years Ended December 31, 2013 and 2012

	2013	2012
Legal Advisors	$ 131,573	$ 167,093
Medical Advisors	51,751	51,751
Consulting Actuary	160,791	148,880
Other Consulting	54,181	65,620
Auditor	34,500	37,500
Payroll Services	370,598	369,993
Total	$ 803,394	$ 840,837

Schedule of Investment Management Compensation

Years Ended December 31, 2013 and 2012

	2013	2012
Fixed Income Managers		
LM Capital	$ 421,986	$ 453,618
MacKay Shields	855,458	698,635
Neuberger Berman	178,924	181,168
RBC Global Asset Management	-	118,138
Segall Bryant & Hamill	269,382	271,923
Symphony Asset Management	533,427	470,254
UBS AM Bonds	113,202	112,283
Total Fixed Income	2,372,379	2,306,019
Domestic Equity Managers		
Ariel Capital	511,966	475,385
Castle Ark	415,725	419,140
Earnest Partners	547,507	525,837
Geneva Capital Management	469,945	491,522
Great Lakes Advisors	328,922	349,333
Herndon Capital Management	392,638	424,524
Holland Capital	412,911	447,140
Keeley Asset Mgmt.	720,886	707,837
Rhumbline Advisors Large Cap Core	47,402	46,665
William Blair Small/Mid Cap	598,482	583,508
Total DomesticEquity	4,446,384	4,470,891
International Equity Managers		
Cornerstone Capital Management	580,815	517,975
LSV Asset Management	708,899	834,161
NTGI All Country World Ex-US Index	216,839	198,807
NTGI International Small Cap Index	221,790	200,373
Walter Scott	819,543	787,732
William Blair	1,088,139	1,166,307
Total International Equity	3,636,025	3,705,355
Global Equity		
FIS Group	1,113,691	977,414
Hedged Equity		
K2 Advisors	2,324,630	2,100,865
The Rock Creek Group	1,884,990	1,754,651
Total Hedged Equity	$ 4,209,620	$ 3,855,516

Schedule of Investment Management Compensation (continued)

Years Ended December 31, 2013 and 2012

	2013	2012
Real Estate Managers		
AFL-CIO Building Trust	$ 703,664	$ 653,692
American Realty	578,531	511,162
Capri Capital	531,109	601,985
DV Urban	179,516	173,823
J P Morgan	871,053	762,789
John Buck Company	99,557	91,321
Mesirow Real Estate	500,000	500,000
Prudential Asset Mgmt.	948,135	885,083
Shamrock-Hostmark Hotel Fund	-	71,072
Tishman Speyer	140,961	165,906
UBS Realty Advisors	82,045	83,870
Walton Street Partners	245,035	245,362
Total Real Estate	4,879,606	4,746,065
Private Equity Managers		
Adams Street Partners	521,360	529,000
Carpenter Bancorp Fund	114,426	200,000
First Analysis	120,496	143,959
GoldPoint Partners	375,000	375,000
Hispania Partners	173,122	221,062
Hopewell Ventures	111,755	156,600
Invesco	-	2,225
Levine Leichtman	410,753	410,942
MK Capital	186,986	100,000
Mesirow Financial	699,390	789,500
Midwest Mezzanine Fund	401,996	302,258
Morgan Stanley Secondary	167,047	200,000
Muller & Monroe	190,460	214,875
Nogales Investors	45,614	45,614
Prudential Capital Partners	793,059	35,836
RCP Advisors	156,411	200,000
Stepstone (formerly Parish Capital)	100,000	100,000
TRG Management (formerly Citigroup International PE Fund)	159,363	225,000
Total Private Equity	4,727,238	4,251,871
Total Investment Management Fees	25,384,943	24,313,131
Other Investment Expenses		
Investment Consultant	290,000	300,624
Master Custodian	190,595	179,344
Negotiation fee: Custody Reduction	-	148,212
Investment Legal Services	71,568	432,217
Total Other Investment Expenses	552,163	1,060,397
Total Investment Expenses	$ 25,937,106	$ 25,373,528

Investment

Letter from the Chief Investment Officer

June 30, 2014

Board of Trustees and Executive Director
Municipal Employees' Annuity & Benefit Fund of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654

It is with great honor and privilege that I report on the status of the Plan's investment portfolio and summarize key market events that affected investors in 2013.

Market Overview

This past year was quite eventful from an economic and geopolitical standpoint. Despite the threat of a "Fiscal Cliff", a debt crisis in the tiny Mediterranean island of Cyprus, uncertainty regarding the future of the Federal Reserve, questions regarding possible U.S. intervention with respect to the Syrian conflict, U.S. budget deadlock and the debt ceiling crisis, the financial markets proved to be quite resilient in 2013. The U.S. equity market performed particularly well and continued to reach new all-time highs throughout the year. The S&P 500 index, a well-known proxy for the U.S. equity market, was up 32.4% for the year. As for international equity investments, the world's developed market economies generally performed well in 2013. Though certain emerging markets did struggle during the year, the MSCI ACWI ex-U.S. index, a proxy for the non-U.S. equity market which includes emerging markets, was up 15.3% in 2013. In contrast to the strong equity markets, the fixed income market struggled. The past year was one of the worst in the history of the investment grade fixed income market. The Barclays Capital Aggregate Bond index, a U.S. investment grade fixed income market index, was down 2.0% in 2013. Though not surprising given low yields and the rising interest rate environment, this was the first time since 1999 that the Barclays Capital Aggregate Bond Index posted a negative return.

The following table provides a five-year summary of the calendar year returns of certain major market indices:

Index	2013	2012	2011	2010	2009
S&P 500 (U.S. Large Cap Equities)	32.4%	16.0%	2.1%	15.1%	26.5%
Russell 2000 (U.S. Small Cap Equities)	38.8%	16.3%	-4.2%	26.9%	27.2%
Wilshire 5000 (U.S. All Cap Equities)	33.5%	16.4%	1.2%	17.2%	28.3%
MSCI EAFE (Non-U.S. Developed Market Equities)	22.8%	17.3%	-12.1%	7.8%	31.8%
MSCI Emerging (Emerging Markets Equities)	-2.6%	18.2%	-18.4%	18.9%	78.5%
Barclays Aggregate (U.S. Core Fixed Income)	-2.0%	4.2%	7.8%	6.5%	5.9%

MEABF's Portfolio Performance

The Plan's portfolio performed well in 2013. It generated a 16.1% return, net-of-fees, in 2013 and has produced an average annualized net-of-fees return of 12.3% over the five-year period ended December 31, 2013. The Plan's assets as of December 31, 2013 were valued at $5.4 billion, an increase of $239.0 million, or 4.6%, from the previous year. The disparity between investment returns and asset growth is due to the severe cash flow deficit that the Plan faces and is described in greater detail in the Asset Growth section below.

The Plan's domestic equity investments, which generated a 33.6% return, net-of-fees, in 2013, had the largest positive impact on the portfolio. Though the performance of some of the Plan's domestic equity investment managers suffered due to poor stock selection, particularly those managers focused on investment in growth companies, the outperformance associated with the Plan's allocation to domestic small-cap and mid-cap value stocks more than offset underperforming growth-oriented investments. This resulted in the Plan's overall domestic equity allocation outperforming the broad domestic equity markets as measured by the Wilshire 5000 Total Market index, an index representing the total equity market regardless of company size.

The Plan's non-U.S. equity investments generated a 17.6% net-of-fees return in 2013, outperforming the broad non-U.S. markets as measured by the MSCI ACWI ex-U.S. index, which includes both developed market and emerging market economies. Given the Plan has allocations to both developed and emerging markets, it is felt that this is the most appropriate benchmark. It is worth noting that the dispersion in performance between non-U.S. developed and emerging equity markets was significant in 2013. The developed markets, as measured by the MSCI EAFE index, were up 22.8% in 2013 while the emerging markets, as measured by the MSCI Emerging Markets index, were down 2.6%. Many of the Plan's international equity investment managers have small allocations to emerging markets which were a drag on performance. That said, some good stock selection existed within the emerging markets space. In particular, the Plan's dedicated emerging markets allocation was up 4.1% in a year where the broader emerging markets, as mentioned above, were down 2.6%. Given the anticipated higher growth in emerging markets relative to the developed market economies, including the United States, we feel the markets will reward high quality emerging market companies over time. Thus, we recommend remaining allocated to this asset class.

The Plan's fixed income investments, generating just a 0.4% net-of-fees return, accounted for the largest drag on performance in 2013, however, they performed considerably better than the broad U.S. fixed income benchmark. As noted above, the broad U.S. fixed income market, as measured by the Barclays Capital Aggregate Bond index, generated a negative return. The Plan's outperformance relative to this index can be attributed to the Plan's allocation to high yield bonds and bank loans, generating one-year returns of 6.4% and 7.2%, respectively. Combined, these two allocations represented approximately 25.2% of the fixed income allocation and approximately 6.3% of the Plan's overall portfolio.

In summary, the Plan's net-of-fees returns by asset class were as follows in 2013:

Asset Class	Returns
Fixed Income	0.4%
Domestic Equity	33.6%
International Equity	17.6%
Hedged Equity	17.6%
Real Estate	12.2%
Private Equity	10.9%

Asset Allocation

As of December 31, 2013, assets were allocated as follows: 24% to fixed income, 26% to domestic equity, 21% to international equity, 11% to hedged equity, 9% to real estate, 5% to private equity, and the remainder to short-term instruments. The Plan's top ten domestic equity holdings made up 8.4% of the total domestic equity allocation and the Industrial sector was the Plan's main domestic equity sector overweight relative to the S&P 500 Index. The top ten international equity holdings made up 6.1% of the total exposure to international equities.

Fees

The Plan incurred $25.9 million in direct investment-related management fees during 2013, up 2.2% from 2012. Fees associated with many of the Plan's mandates are based upon the value of the underlying assets. Assets growth in 2013 and the funding of a new investment mandate contributed to the rise in fees in absolute dollar terms. As a percentage of overall assets, fees actually decreased slightly from 0.50% to 0.49%.

Asset Growth

The Plan is structured as a defined benefit pension plan funded by employee and employer contributions. To successfully meet its obligations in perpetuity, this type of plan should receive actuarially determined contributions and generate investment income sufficient to pay annual benefits while maintaining the plan's assets growth. Unfortunately, contributions to the Plan are not actuarially determined and despite the strong investment returns over the past five years (12.3% annually, net-of-fees), the Plan's assets grew by just 2.7% annually over that same period. This is due primarily to the large operating cash flow deficit that the Plan faces as a result of the shortfall between inflows, in the form of contributions, and outflows, primarily comprised of retirement benefits and refunds. Total contributions to the Plan of $289.2 million in 2013 represented approximately 36.8% of the $785.5 million in total operating outflows, the majority of which went to pay benefits. In other words, $496.3 million had to be liquidated from the investment portfolio in 2013 to cover the shortfall. Without sufficient contributions, annual funding deficits will grow and overwhelm the Plan over time.

2014 Year-to-Date Performance

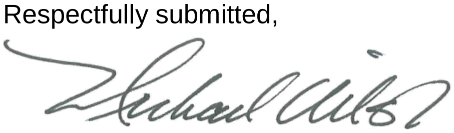
The financial markets continue to rally throughout the first half of 2014, albeit at a more tepid pace. As of June 30, 2014, the S&P 500 Index is up 7.1% and reached a new all-time high during the month, but the biggest surprise might be coming from the core fixed income asset class. The core U.S. fixed income market, as measured by the Barclays Capital Aggregate Bond index, which produced a -2.0% return in 2013, is up 3.9% year-to-date through the end of June. Positive returns in fixed income have been driven by falling interest rates during a time when many felt rates were more likely to rise. Overall, MEABF's portfolio has returned 4.3%, net of fees, as of June 30, 2014.

Conclusion & Disclosure

This section includes the certification letter from the Plan's custodian for 2013; a summary of the Plan's investment goals, objectives, and guidelines; and informative investment schedules for your review. Data provided to the Plan by its custodian and its investment consultant form the basis for the information that is presented throughout the Investment Section. All portfolio rates of return are presented using a time-weighted rate of return methodology based on market values. The figures in the Investment Section of the Comprehensive Annual Financial Report may differ from those found it the Financial Section due to a lag in reporting associated with certain classes of investments. The figures found in the Investment Section represent final figures for 2013.

We hope you find this report informative.

Respectfully submitted,



Michael Walsh
Chief Investment Officer

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Municipal Employees' Annuity and Benefit Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which to the best of its knowledge provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period January 1, 2013 through December 31, 2013.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the Master Custody Agreement among the Board of Trustees of the Fund and The Northern Trust Company dated March 20, 2008 as amended (the "Custody Agreement"), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

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

THE NORTHERN TRUST COMPANY

By: KJ A Miller

Kimberly A. Miller
Senior Vice President

Investment Authority and Responsibility

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

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

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

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

Plan-level Investment Goals and Objectives

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

- The Plan is to meet or exceed its actuarial return assumption of 7.5% on a net-of-fees basis over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other obligations.

- The Plan is to outperform the risk-adjusted return, net-of-fees, of the Plan's policy benchmark.

- The Plan is to rank in at least the top half of the universe of comparable institutional investors with similar risk/return parameters consistently over time.

Investment Manager Goals, Objectives and Guidelines

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

- Each investment manager is expected to outperform the agreed-upon benchmark on a risk-adjusted basis over a market cycle (typically a three- to five-year period).

- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.

- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as determined by the Board and/or as specified in the investment contract.

Risk Management

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

Asset Allocation

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

Cash Flow Needs & Portfolio Rebalancing

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

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

Investment Managers
As of December 31, 2013

Adams Street Partners
Chicago, Illinois
Private Equity Direct Partnerships
Private Equity Fund of Funds

American Realty Advisors
Glendale, California
Real Estate Core Fund

Ariel Investments
Chicago, Illinois
Domestic Equity Small/Mid Cap Value

Capri Capital Partners
Chicago, Illinois
Real Estate Partnerships
Real Estate Mezzanine Fund

Carpenter & Company
Irvine, California
Private Equity Direct Partnership

CastleArk Asset Management
Chicago, Illinois
Domestic Equity Large Cap Growth

Cornerstone Capital Management
New York, New York
International Equity Growth

Earnest Partners
Atlanta, Georgia
Domestic Equity Mid Cap Core

First Analysis
Chicago, Illinois
Private Equity Direct Partnerships

FIS Group, Inc.
Philadelphia, Pennsylvania
Manager of Managers
Global Equity

Geneva Capital Management
Milwaukee, Wisconsin
Domestic Equity Mid Cap Growth

GoldPoint Partners
New York, New York
Private Equity Mezzanine Fund

Great Lakes Advisors
Chicago, Illinois
Domestic Equity Large Cap Value

Herndon Capital Management
Atlanta, Georgia
Domestic Equity Large Cap Value

Hispania Capital Partners
Chicago, Illinois
Private Equity Direct Partnerships

Holland Capital Management
Chicago, Illinois
Domestic Equity Large Cap Growth

Invesco Private Capital
New York, New York
Private Equity Fund of Funds

John Buck Company
Chicago, Illinois
Real Estate Partnerships

JP Morgan Asset Management
New York, New York
Real Estate Core Fund

K2 Advisors
Stamford, Connecticut
Hedged Equity Fund of Funds

Keeley Asset Management
Chicago, Illinois
Domestic Equity Small Cap Value

Levine Leichtman
Beverly Hills, California
Private Equity Mezzanine Funds

LM Capital
San Diego, California
Fixed Income Core

LSV Asset Management
Chicago, Illinois
International Equity Large Cap Value

MacKay Shields
New York, New York
Fixed Income High Yield

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

Investment Managers (Continued)

Midwest Mezzanine Funds
Chicago, Illinois
Private Equity Mezzanine Funds

MK Capital
Chicago, Illinois
Private Equity Direct Partnership

Morgan Stanley
West Conshohocken, Pennsylvania
Private Equity Secondary Fund of Funds

Muller & Monroe Asset Management
Chicago, Illinois
Private Equity Funds of Funds

Neuberger Berman
Chicago, Illinois
Fixed Income Enhanced Index

Newport Capital Partners
Chicago, Illinois
Real Estate Partnership

Nogales Investors Management
Los Angeles, California
Private Equity Direct Partnerships

Northern Trust Global Investment Advisors
Chicago, Illinois
International Equity All-World Ex-US Index
International Equity Small Cap Index

PNC Bank (AFL-CIO Building Investment Trust)
Washington, D.C.
Real Estate Core Fund

Prudential Capital Partners
Chicago, Illinois
Private Equity Mezzanine Fund

Prudential Real Estate Investors
Parsippany, New Jersey
Real Estate Funds

RCP Advisors
Chicago, IL
Private Equity Secondary Fund of Funds

RhumbLine Advisors
Boston, Massachusetts
Domestic Equity Large Cap Core Index

The Rock Creek Group
Washington, D.C.
Hedged Equity Fund of Funds

SB Partners
Holland, Michigan
Private Equity Direct Partnership

Segall Bryant & Hamill
Chicago, Illinois
Fixed Income Intermediate

StepStone Group
San Diego, California
Private Equity Fund of Funds

Symphony Asset Management
San Francisco, California
Fixed Income Senior Bank Loans

Tishman Speyer
New York, New York
Real Estate Partnership

TRG Management (formerly Citi Alternative Investments)
New York, New York
International Private Equity Direct Partnership

UBS Global Asset Management (Americas)
Chicago, IL
Fixed Income Core

UBS Realty Investors
Hartford, Connecticut
Real Estate Partnership

Walter Scott & Partners
Edinburgh, Scotland
International Equity Large Cap Growth

Walton Street Capital
Chicago, Illinois
Real Estate Partnerships

William Blair & Company
Chicago, Illinois
Domestic Equity Mid Cap Growth
Emerging Markets Equity

Woodland Venture Management (Hopewell Ventures)
Chicago, Illinois
Private Equity Direct Partnership

Portfolio Performance

As of December 31, 2013

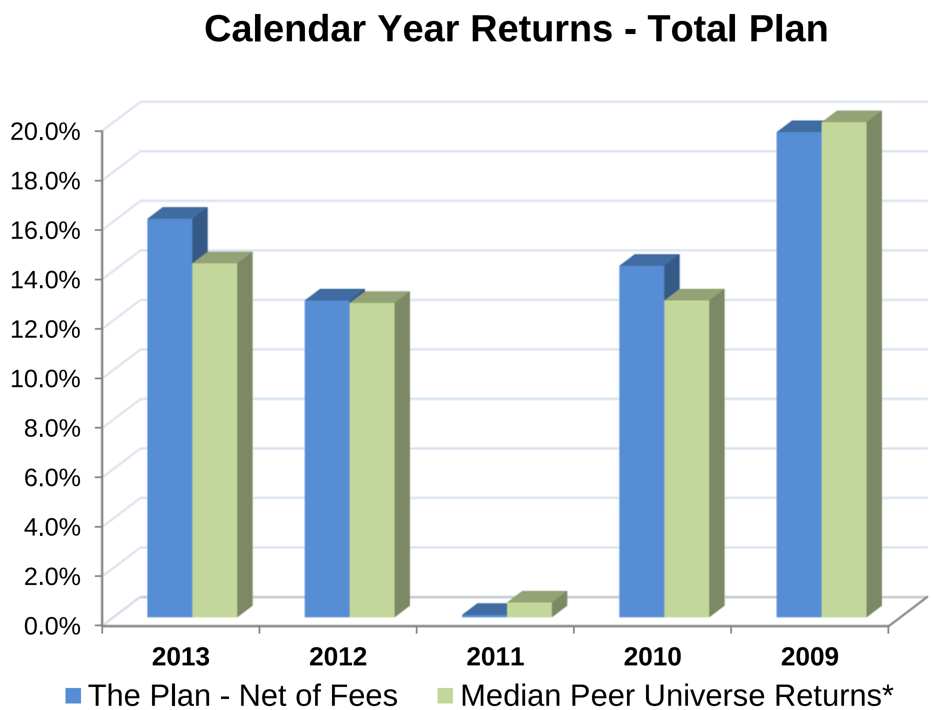
	Calendar Year Returns					Annualized Returns		
	2013	2012	2011	2010	2009	3 Yrs	5 Yrs	10 Yrs
Total Plan								
The Plan - Gross of Fees	16.5%	13.2%	0.3%	14.5%	19.8%	9.8%	12.6%	6.4%
The Plan - Net of Fees	16.1%	12.8%	0.1%	14.2%	19.6%	9.4%	12.3%	6.2%
Median Peer Universe Returns*	14.3%	12.7%	0.6%	12.8%	20.0%	9.1%	12.2%	6.5%
Fixed Income								
The Plan	0.4%	7.0%	6.7%	8.0%	10.6%	4.7%	6.5%	4.4%
Barclays Cap Aggregate Bond Index	-2.0%	4.2%	7.8%	6.5%	5.9%	3.3%	4.4%	4.5%
Barclays Cap Government/Credit Bond Index	-0.9%	3.9%	5.8%	5.9%	5.2%	2.9%	4.0%	4.1%
Domestic Equity								
The Plan	33.6%	16.2%	0.4%	20.5%	34.2%	15.9%	20.3%	8.1%
S&P 500 Index	32.4%	16.0%	2.1%	15.1%	26.5%	16.2%	17.9%	7.4%
Russell 2000 Index	38.8%	16.3%	-4.2%	26.9%	27.2%	15.7%	20.1%	9.1%
International Equity								
The Plan	17.6%	18.3%	-13.8%	15.3%	41.6%	6.3%	14.4%	9.7%
MSCI ACWI ex U.S. Index	15.3%	16.8%	-13.7%	11.2%	41.4%	5.1%	12.8%	7.6%
Real Estate								
The Plan	12.2%	9.3%	15.3%	16.9%	-31.8%	12.2%	2.4%	5.6%
NCREIF Property Index	11.0%	10.5%	14.3%	13.1%	-16.9%	11.9%	5.7%	8.6%
Private Equity								
The Plan	10.9%	14.9%	11.7%	26.6%	3.9%	12.5%	13.4%	12.4%
Venture Economics Private Equity Index	13.7%	13.3%	9.9%	18.2%	15.1%	12.3%	14.0%	12.3%
Hedged Equity								
The Plan	17.6%	9.3%	-4.7%	5.3%	N/A	7.0%	N/A	N/A
HFRX Equity Hedge Index	11.1%	4.8%	-19.1%	8.9%	13.1%	-2.0%	3.0%	0.4%

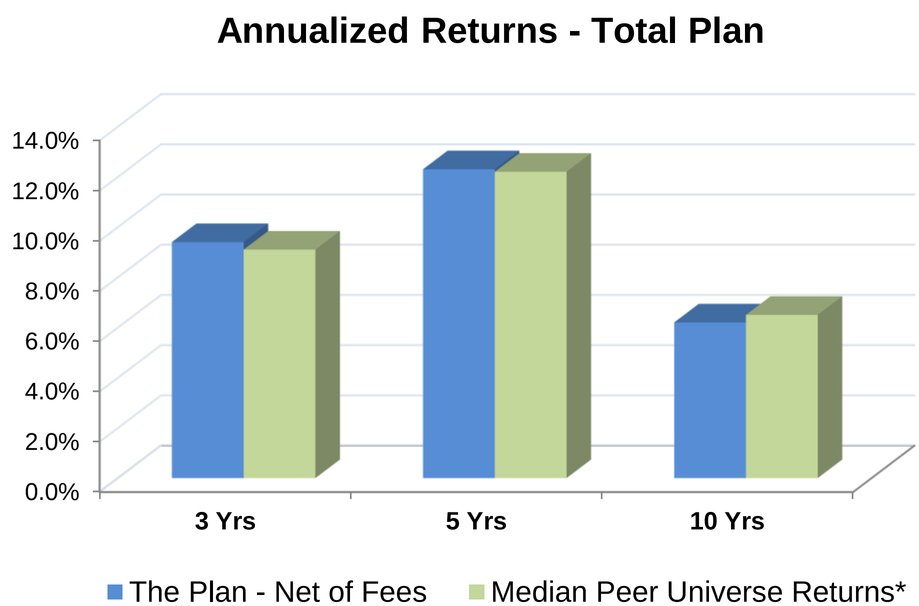
** Comprised of defined benefit public pension plans with over $1 billion in assets.*

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

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

Portfolio Performance (Continued)





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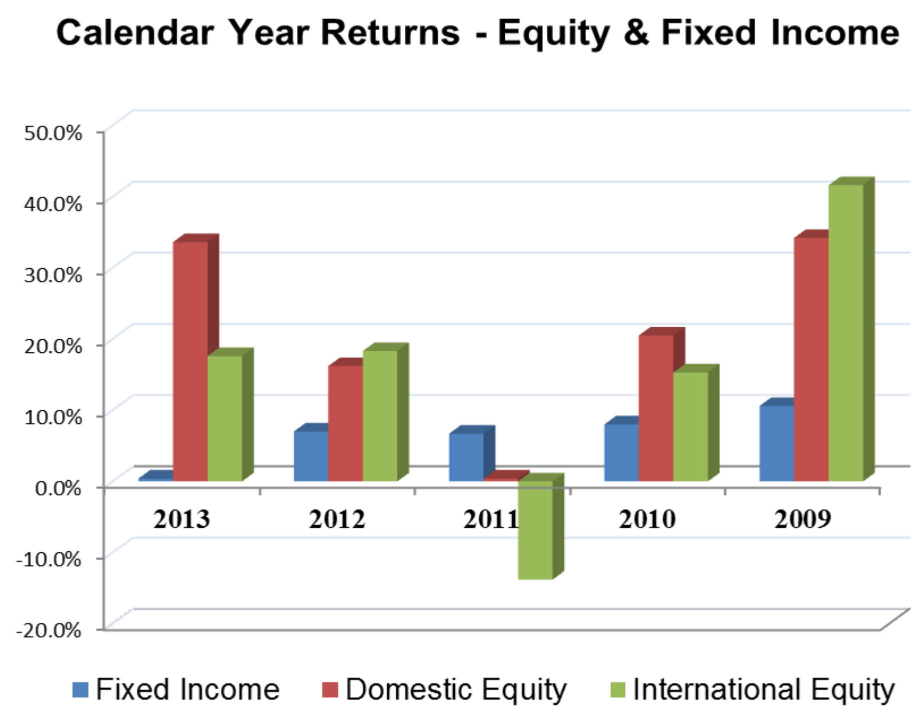
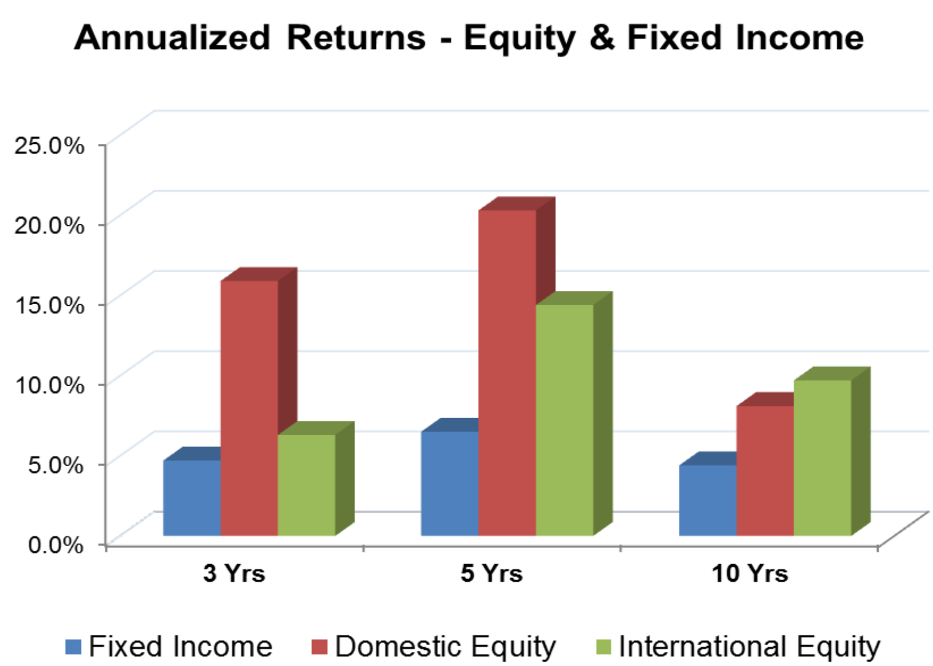
Portfolio Performance (Continued)





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

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

Portfolio Summary (Fair and Book Values)

As of December 31, 2013 and December 31, 2012

Category	12/31/2013 Fair Value	%	12/31/2013 Book Value	%	12/31/2012 Fair Value	%	12/31/2012 Book Value	%
Fixed Income	$1,276,960,316	24%	$1,280,952,537	29%	$1,303,764,343	26%	$1,262,892,610	28%
Equities								
Domestic	1,363,424,229	26%	885,493,197	20%	1,283,930,189	25%	998,393,614	22%
International	1,129,156,192	21%	925,627,347	21%	1,083,785,368	21%	997,876,003	22%
Total Equities	2,492,580,421	47%	1,811,120,544	41%	2,367,715,558	47%	1,996,269,617	43%
Hedged Equity	594,347,007	11%	450,000,000	10%	525,532,482	10%	450,000,000	10%
Real Estate	487,640,544	9%	425,978,091	10%	450,296,070	9%	420,599,053	9%
Private Equity	245,680,753	5%	278,395,193	6%	236,847,155	5%	285,763,269	6%
Cash Equivalents	212,664,580	4%	212,754,348	5%	173,704,217	3%	173,818,185	4%
Total Investments	**$5,309,873,621**	**100%**	**$4,459,200,713**	**100%**	**$5,057,859,825**	**100%**	**$4,589,342,734**	**100%**

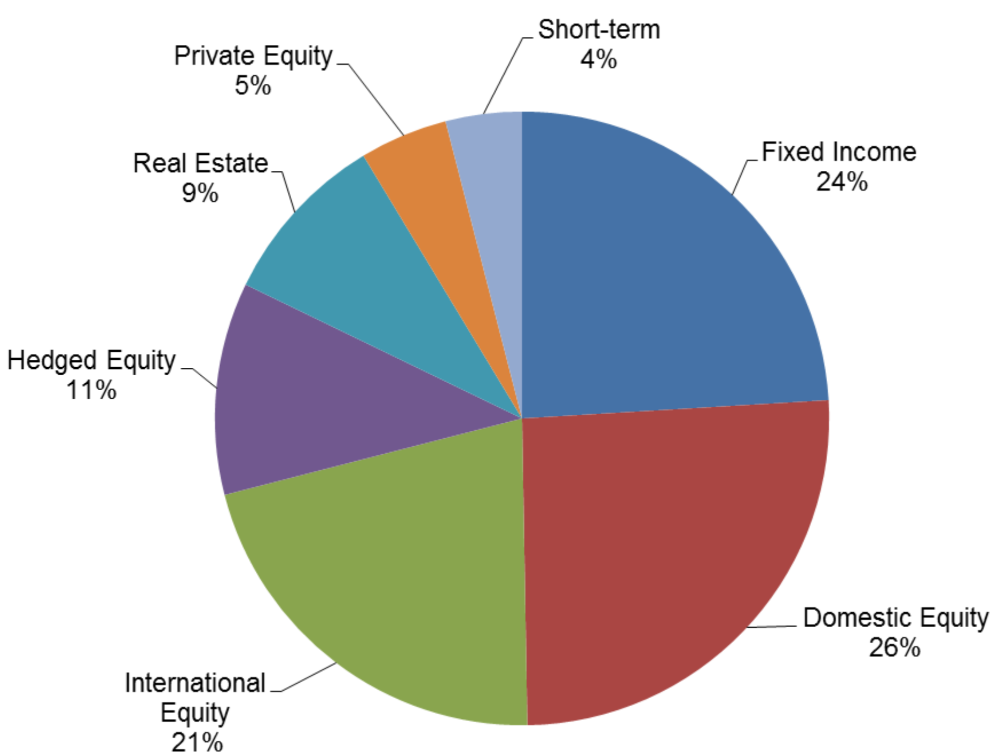
Components may not sum to totals due to rounding.

Portfolio Asset Allocation

As of December 31, 2013

Asset Class	Target Allocation	Actual Allocation
Fixed Income	27%	24%
Domestic Equity	26%	26%
International Equity	22%	21%
Hedged Equity	10%	11%
Real Estate	10%	9%
Private Equity	5%	5%
Short-term	0%	4%
Total	**100%**	**100%**

Actual Allocation as of December 31, 2013

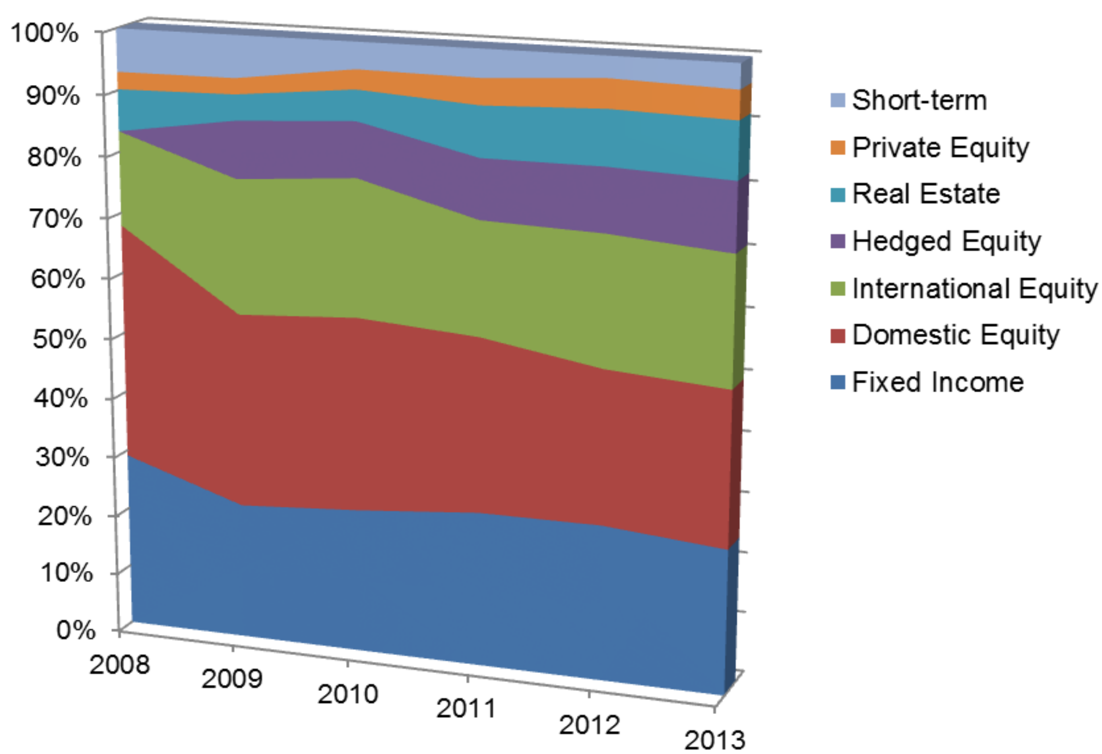


Components may not sum to totals due to rounding.

Portfolio Asset Allocation
Last Six Years

Asset Class	2008	2009	2010	2011	2012	2013
Fixed Income	29%	23%	24%	26%	26%	24%
Domestic Equity	39%	32%	32%	29%	25%	26%
International Equity	15%	22%	22%	19%	21%	21%
Hedged Equity	0%	9%	9%	10%	10%	11%
Real Estate	7%	4%	5%	8%	9%	9%
Private Equity	3%	3%	3%	4%	5%	5%
Short-term	7%	7%	4%	5%	3%	4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Last Six Years Asset Allocation



Components may not sum to totals due to rounding.

Domestic Equity Portfolio Summary

Year Ended December 31, 2013

Economic Sector Allocation

Sector	Fair Value	Percentage of Total	S&P 500 Allocation
Information Technology	$232,357,701	17.0%	18.6%
Industrials	227,307,513	16.7%	10.9%
Financials	225,959,977	16.6%	16.2%
Consumer Discretionary	224,914,752	16.5%	12.5%
Health Care	149,938,387	11.0%	13.0%
Energy	123,544,604	9.1%	10.3%
Consumer Staples	92,654,477	6.8%	9.8%
Materials	54,925,008	4.0%	3.5%
Utilities	23,864,857	1.8%	2.9%
Telecommunication Services	7,937,454	0.6%	2.3%
Unclassified	19,500	0.0%	0.0%
Total	**$1,363,424,229**	**100.0%**	**100.0%**

Top 10 Holdings

Name of Security	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of U.S. Equity
Apple Inc.	Information Technology	30,620	$17,181,188	$11,070,828	1.3%
Exxon Mobil Corp.	Energy	135,670	13,729,804	6,433,611	1.0%
Google Inc.	Information Technology	11,405	12,781,698	5,225,991	0.9%
The TJX Companies Inc.	Consumer Discretionary	192,011	12,236,861	6,908,644	0.9%
Chevron Corp.	Energy	86,856	10,849,183	5,168,192	0.8%
Range Resources Co.	Energy	115,325	9,723,051	3,499,142	0.7%
Gilead Sciences Inc.	Health Care	129,182	9,708,027	4,794,712	0.7%
Qualcomm Inc.	Information Technology	129,851	9,641,437	3,157,451	0.7%
General Electric Co.	Industrials	331,564	9,293,739	2,315,974	0.7%
Microsoft Corp.	Information Technology	247,658	9,269,839	3,924,264	0.7%
Total		**1,410,142**	**$114,414,826**	**$52,498,809**	**8.4%**

Components may not sum to totals due to rounding.

International Equity Portfolio Summary

Year Ended December 31, 2013

Country Allocation

Country	Fair Value	Percentage of Total	MSCI ACWI ex US Index Allocation
Japan	$182,097,327	16.1%	15.1%
United Kingdom	180,551,100	16.0%	13.9%
Germany	76,333,405	6.8%	6.8%
France	64,386,616	5.7%	7.1%
Switzerland	62,114,464	5.5%	6.9%
Canada	59,260,062	5.2%	6.7%
Australia	54,609,055	4.8%	5.4%
Brazil	33,001,287	2.9%	2.2%
Cayman Islands	28,086,210	2.5%	0.0%
Sweden	26,738,716	2.4%	2.3%
Korea, Republic of	26,612,211	2.4%	3.3%
Hong Kong	26,066,745	2.3%	2.9%
Spain	23,962,935	2.1%	2.4%
India	21,552,163	1.9%	1.3%
Italy	20,848,959	1.8%	1.5%
Netherlands	19,870,851	1.8%	3.3%
Taiwan	19,657,946	1.7%	2.4%
China	19,207,305	1.7%	3.1%
South Africa	16,940,450	1.5%	1.5%
Denmark	16,073,582	1.4%	0.8%
Bermuda	14,277,661	1.3%	0.1%
Singapore	13,213,543	1.2%	1.0%
Jersey, Channel Islands	11,049,518	1.0%	0.0%
Finland	10,121,866	0.9%	0.7%
Belgium	10,027,906	0.9%	0.9%
Israel	9,635,527	0.9%	0.3%
Norway	8,559,207	0.8%	0.5%
Ireland	8,023,208	0.7%	0.5%
Mexico	7,739,545	0.7%	1.1%
Russian Federation	6,842,356	0.6%	1.3%
Luxembourg	5,579,896	0.5%	0.3%
Indonesia	5,395,314	0.5%	0.5%
Countries with <$5 million allocation	40,719,256	4%	3.8%
Total International Equity	**$1,129,156,192**	**100.0%**	**100.0%**

Components may not sum to totals due to rounding.

International Equity Portfolio Summary (Continued)

Year Ended December 31, 2013

Top 10 Holdings

Name of Security	Country	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of Int'l Equity
HSBC Holdings	United Kingdom	Financials	721,259	$7,912,932	-$24,605	0.7%
Samsung Electronics Co.	Korea, Republic of	Information Technology	5,682	7,386,842	2,124,085	0.7%
Nestle SA	Switzerland	Consumer Staples	100,410	7,372,545	3,285,958	0.7%
Adidas AG	Germany	Discretionary	56,774	7,247,388	3,549,641	0.6%
Roche Holdings	Switzerland	Health Care	24,553	6,879,865	2,470,683	0.6%
Novartis AG	Switzerland	Health Care	84,838	6,792,000	2,393,983	0.6%
Standard Chartered plc	United Kingdom	Financials	301,488	6,791,017	-334,027	0.6%
Syngenta	Switzerland	Materials	15,771	6,298,824	564,167	0.6%
Sabmiller plc	United Kingdom	Consumer Staples	122,230	6,277,771	2,034,017	0.6%
Enn Energy	Cayman Islands	Utilities	773,260	5,719,357	1,688,769	0.5%
Total			**2,206,265**	**$68,678,541**	**$17,752,671**	**6.1%**

Components may not sum to totals due to rounding.

Fixed Income Portfolio Summary

Year Ended December 31, 2013

Asset Allocation

Asset Category	Fair Value	Percentage of Total	Barclays Aggregate Index Allocation
Corporate Bonds	$530,476,519	41.5%	28.3%
Government Bonds	250,893,211	19.6%	35.7%
Government Mortgage Backed Securities	223,334,445	17.5%	29.8%
Bank Loans	139,928,495	11.0%	0.0%
Government Agencies	80,170,554	6.3%	4.0%
Commercial Mortgage-Backed	21,228,234	1.7%	1.7%
Municipal/Provincial Bonds	16,479,938	1.3%	0.0%
Asset Backed Securities	10,586,579	0.8%	0.5%
Non-Government Backed C.M.O.s	3,150,192	0.2%	0.0%
Index Linked Government Bonds	601,535	0.0%	0.0%
Corporate Convertible Bonds	110,614	0.0%	0.0%
Total	**$1,276,960,316**	**100.0%**	**100.0%**

Top 10 Holdings

Name of Security	Sector	Fair Value	Unrealized Gain/Loss	% of Fixed Income
U.S. Treasury Notes 0.375% Due 02/15/2016	Government Bonds	$16,684,335	-$27,835	1.3%
U.S. Treasury Notes 3.50% Due 05/15/2020	Government Bonds	15,907,319	526,111	1.2%
U.S. Treasury Notes 2.375% Due 07/31/2017	Government Bonds	13,061,525	110,496	1.0%
U.S. Treasury Notes 3.75% Due 11/15/2018	Government Bonds	13,059,322	14,201	1.0%
U.S. Treasury Notes 2.125% Due 08/15/2021	Government Bonds	11,382,813	-746,053	0.9%
U.S. Treasury Notes 0.25% 01/15/2015	Government Bonds	11,009,020	15,967	0.9%
U.S. Treasury Notes 3.125% Due 05/15/2019	Government Bonds	10,762,813	-681,836	0.8%
U.S. Treasury Notes 2% Due 02/15/2023	Government Bonds	10,250,599	-882,302	0.8%
FNMA Single Family Mortgage 3.5% 30 Years	Government MBS	10,122,328	-29,960	0.8%
U.S. Treasury Notes 0.375% Due 06/15/2015	Government Bonds	9,049,044	2,016	0.7%
Total		**$121,289,117**	**-$1,699,194**	**9.5%**

Components may not sum to totals due to rounding.

Brokerage Commissions (Domestic & International)

As of December 31, 2013

Broker Name	Commissions	(#) Shares
Loop Capital Markets LLC*	$154,127	5,188,552
G-Trade Services LLC	102,471	16,575,479
Cabrera Capital Markets LLC*	93,851	7,560,061
Bank of America Merrill Lynch	86,343	12,624,068
Williams Capital Group, L.P.	69,424	2,845,089
Cheevers & Company, Inc.*	60,667	2,144,729
J.P. Morgan	59,245	17,177,273
Deutsche Bank	57,793	7,606,944
Pershing LLC	54,619	7,882,446
UBS	53,813	9,319,576
Morgan Stanley	49,350	9,624,986
Barclays	48,870	10,440,708
Credit Suisse	45,665	11,170,400
CLSA	36,398	4,887,687
Goldman Sachs & Co	35,488	91,748,051
Instinet	34,776	15,447,997
Citi	34,564	5,329,395
Robert W. Baird & Co.	34,438	896,161
Raymond James	24,357	616,972
Liquidnet	24,046	2,748,996
Wedbush Securities	21,819	553,518
CastleOak Securities*	18,376	792,667
Kepler Cheuvreux	18,352	813,591
Jefferies & Company	18,263	1,147,811
Stifel, Nicolaus & Company	17,964	463,863
Penserra Securities LLC*	17,257	445,598
North South Capital LLC	15,718	771,621
M. R. Beal & Company	15,045	489,229
Sanford C Bernstein & Co LLC	14,048	482,727
BNY Securities	13,651	481,702
Macquarie Group	12,807	2,337,253
Daiwa Capital Markets	12,756	535,815
Academy Securities	12,348	339,300
Blaylock Robert Van, LLC*	11,957	309,176
Topeka Capital Markets*	10,393	386,217
Capital Institutional Services, Inc	10,391	290,079
Managers with < $10,000 of Commissions	$920,633	205,873,649
Total Commissions	**$1,659,172**	**285,478,290**

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

Investment Fees

As of December 31, 2013 (in thousands)

	2013	2012
Investment Manager Fees	**Fees**	**Fees**
Fixed Income Managers	$2,372	$2,306
Domestic Equity Managers	4,446	4,471
International Equity Managers	3,636	3,705
Global Equity Manager	1,114	977
Hedged Equity Managers	4,210	3,856
Real Estate Managers	4,880	4,746
Private Equity Managers	4,727	4,252
	$25,385 (1)	$24,313 (2)
Other Investment Fees		
Investment Consultant	$290	$301
Master Custodian	191	179
Negotiation Fee: Custody Reduction	0	148
Investment Legal Services	72	432
	552	1,060
Total Investment Fees	$25,937	$25,374

(1) Total investment management fees for 2013 represent 0.49% of total investments as reported in the Statements of Plan Net assets.

(2) Total investment management fees for 2012 represent 0.50% of total investments as reported in the Statements of Plan Net assets.

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

Components may not sum to totals due to rounding.

Actuarial

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April 10, 2014

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

Subject: Actuarial Valuation and Certification

Board Members:

At your request, we have performed an actuarial valuation for the Municipal Employees' Annuity and Benefit Fund of Chicago ("the Plan") as of December 31, 2013. An actuarial valuation of the Plan is performed annually. The valuation has been performed to measure the funding status of the Plan and determine the actuarially required contribution for 2014. It includes disclosure information required under Governmental Accounting Standards Board (GASB) Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. The assumptions and methods used were recommended by the actuary and approved by the Board and meet the parameters set for the disclosure presented in the financial section by GASB Statement No. 25 and GASB Statement No. 43.

We have provided the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

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

We have also provided the following schedules for the financial sections of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions

This valuation is based upon:

a) **Data Relative to the Members of the Plan** – Data utilized for active members and persons receiving benefits from the Plan was provided by the Plan's staff. We have tested this data for reasonableness. However, we have not audited the data.

b) **Asset Values** – The values of assets of the Plan were provided by the Plan's staff. An actuarial value of assets was used to develop actuarial results for GASB Statement No. 25 and Statement No. 27.

c) **Actuarial Method** – The actuarial method utilized by the Plan is the Entry Age Normal Actuarial Cost Method. The objective of this method is to recognize the costs of Plan benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately amortized. All actuarial gains and losses under this method are reflected in the UAAL.

d) Actuarial Assumptions – The same actuarial assumptions as last year were used for this valuation with the exception of the assumption pertaining to the duration and amortization of payments of the health insurance supplement for eligible annuitants. The current actuarial assumptions were first adopted for use with the December 31, 2012, valuation report.

e) Plan Provisions – The valuation is based on provisions in effect as of December 31, 2013.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Plan when due. The provision of State Law establishing the Plan constrains employer contributions to be 1.25 times the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 1.25:1 relationship. This valuation of the Plan shows that a ratio of 6.53 is needed to adequately finance the Plan in fiscal year 2014 on an actuarial basis under a policy of contributing normal cost plus 30-year level dollar amortization of the unfunded liability. It should be noted that the statutory employer contributions have been less than the Annual Required Contribution (ARC) for the past eleven years and are again expected to be less than the ARC for 2014. In order for employer contributions to be increased, the State legislature would first need to amend the statute. Under the current funding policy, if all future assumptions are realized, the funding ratio is projected to deteriorate until assets are depleted within about 10 to 15 years. The current statutory funding policy does not comply with generally accepted actuarial standards for the funding of retirement systems. We recommend that an actuarially based funding policy be adopted as soon as possible.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provisions of the Plan as of the valuation date. Based on these items, we certify these results to be true and correct. One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Alex Rivera, F.S.A., E.A., M.A.A.A., F.C.A.
Senior Consultant

Paul T. Wood, A.S.A., M.A.A.A., F.C.A.
Consultant

Additional Disclosures required by Actuarial Standards of Practice

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

Summary of Actuarial Valuation

	December 31, 2012	December 31, 2013	% Change
ACTUARIAL VALUES			
Actuarial Values			
Actuarial Liability	$ 13,637,460,046	$ 13,856,493,366	**1.61 %**
Assets - Actuarial Value	5,073,320,275	5,114,207,803	**0.81 %**
Unfunded Liability (Surplus)	8,564,139,771	8,742,285,563	**2.08 %**
Funded Ratio	**37.20%**	**36.91%**	**(0.79)%**
Annual Required Contribution (ARC)	$ 834,398,482	$ 848,864,496	**1.73 %**
Market Values			
Actuarial Liability	$ 13,637,460,046	$ 13,856,493,366	**1.61 %**
Assets - Market Value	5,182,669,659	5,421,676,295	**4.61 %**
Unfunded Liability	8,454,790,387	8,434,817,071	**(0.24) %**
Funded Ratio	**38.00%**	**39.13%**	**2.96 %**
Book Values			
Actuarial Liability	$ 13,637,460,046	$ 13,856,493,366	**1.61 %**
Assets - Book Value	4,714,152,568	4,571,003,387	**(3.04)%**
Unfunded Liability (Surplus)	8,923,307,478	9,285,489,979	**4.06 %**
Funded Ratio	**34.57%**	**32.99%**	**(4.57)%**

Actuarial Liability and Annual Required Contribution include both Pension and OPEB

Summary of Actuarial Valuation (continued)

	December 31, 2012	December 31, 2013	% Change
Assets			
Market Value - Beginning of Year	$ 5,053,248,869	$ 5,182,669,659	**2.56 %**
Income			
Investment Income	589,198,468	735,272,432	**24.79 %**
Employer Contributions	158,380,709	157,704,971	**(0.43) %**
Employee Contributions	130,266,293	131,532,173	**0.97 %**
Subtotal	877,845,470	1,024,509,576	**16.71 %**
Outgo (Refunds, Benefits & Expenses)	748,424,680	785,502,940	**4.95 %**
Net Change	129,420,790	239,006,636	**84.67 %**
Market Value - End of Year	$ 5,182,669,659	$ 5,421,676,295	**4.61 %**
Book Value - Beginning of Year	$ 4,874,683,099	$ 4,714,152,568	**(3.29)%**
Income			
Investment Income	299,247,147	353,116,615	**18.00 %**
Employer Contributions	158,380,709	157,704,971	**(0.43)%**
Employee Contributions	130,266,293	131,532,173	**0.97 %**
Subtotal	587,894,149	642,353,759	**9.26 %**
Outgo (Refunds, Benefits & Expenses)	748,424,680	785,502,940	**4.95 %**
Net Change	(160,530,531)	(143,149,181)	**10.83 %**
Book Value - End of Year	$ 4,714,152,568	$ 4,571,003,387	**(3.04)%**
Actuarial Value - Beginning of Year	$ 5,552,291,417	$ 5,073,320,275	**(8.63)%**
Income			
Investment Income	(19,193,464)	537,153,324	**2898.63 %**
Employer Contributions	158,380,709	157,704,971	**(0.43)%**
Employee Contributions	130,266,293	131,532,173	**0.97 %**
Subtotal	269,453,538	826,390,468	**206.69 %**
Outgo (Refunds, Benefits & Expense)	748,424,680	785,502,940	**4.95 %**
Net Change	(478,971,142)	40,887,528	**108.54 %**
Actuarial Value - End of Year	$ 5,073,320,275	$ 5,114,207,803	**0.81 %**

Summary of Actuarial Valuation (continued)

	December 31, 2012	December 31, 2013	% Change
Members			
Active[1]	31,326	30,647	**(2.17)%**
Inactive	13,465	14,254	**5.86 %**
Retirees	19,614	20,113	**2.54 %**
Deferred	3	3	**0.00 %**
Survivors	4,225	4,207	**(0.43)%**
Reversionary Annuitants	129	138	**6.98 %**
Disabilities	530	440	**(16.98)%**
Children	149	141	**(5.37)%**
Payroll Data			
Valuation Payroll[2]	$ 1,590,793,702	$ 1,580,288,709	**(0.66)%**
Average Salary	50,782	51,564	**1.54 %**

[1] *Active members include disabled employees.*

[2] *Valuation payroll is based on pensionable pay for Tier 2 members*

Discussion of Valuation Results

The actuarial report sets forth the results of the actuarial valuation of the Municipal Employees' Annuity and Benefit Fund of Chicago ("the Plan") as of December 31, 2013. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2014.
2. To develop the annual required contribution (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension cost under GASB #27 and the annual OPEB cost under GASB #45.
4. To review the funding status of the Plan.

The funded status in basic terms is a comparison of the Plan's liabilities to assets expressed as either unfunded liability or as a ratio of assets to liabilities. This comparison can be measured in various ways. Plan liabilities are dependent on the actuarial assumptions and actuarial cost method. Plan assets can be measured at market value, book value, or some variation to smooth the fluctuations that invariably occur from year to year.

For Plan and City financial reports, the funding status is measured using liabilities under the Entry Age Normal funding method and the Actuarial Value of Assets. The Actuarial Value of Assets is determined by annually spreading the difference between expected and actual investment earnings over a five-year period.

Actuarial Obligations of the Plan

The value of all future pension payments, calculated using the actuarial assumptions contained in this report, is the sum of payments to two major groups of beneficiaries – the retired lives and the active lives.

Retired Lives:

For those currently receiving known benefits, i.e., current retirees, widows, widowers, and children, the value is determined based on estimated future longevity with the future benefit payment discounted to present time at the assumed investment earnings rate.

Active Lives:

The value of future payments for active employees who will receive benefits in the future is estimated, since the amount of pension is only known at the actual time of retirement. This estimate is made using various assumptions as to future salary increases, probable retirement age, and probability of death, withdrawal, or disablement before retirement. For active employees, the goal is to have enough assets on hand at retirement to pay for all future benefits promised. To provide for an orderly accumulation of these required assets, an actuarial funding method is used.

Using the “Entry Age Normal” funding method, assets are allocated as a level amount (expressed as a percentage of salary) over the employee’s working lifetime. These allocated costs are called “normal costs” and are sufficient, if set aside each year, to fully fund his or her benefits when and if he or she retires. The actuarial reserve (amount of assets needed now) is then the present value of future benefits less the value of future normal costs to be paid.

The difference between the sum of actuarial reserves for active and retired lives (“the Actuarial Accrued Liability”) and the present assets is called the “Unfunded Actuarial Accrued Liability.” If assets exceed the liability, there is a surplus. The unfunded liability depends upon the benefits, the characteristics of the covered group of employees and retirees, the actuarial assumptions, and the actuarial funding method. The unfunded liability can be thought of as the amount of assets that will be needed in future years to provide for all future benefits payable when added to the future normal costs determined by the actuarial funding method.

For the pension plan to be in balance (funded ratio of 100 percent), the present value of all benefits payable in the future must equal the sum of present assets plus the present value of all future contributions. If a plan is 100 percent funded, it does not mean that no contributions are ever needed again. It simply means that the plan is where it should be at a particular point in time. The assets of the plan are sufficient to provide for future benefits payable based on service to the date of valuation. **Future contributions are still needed** to provide the “normal costs” for service after the date of the valuation in order to have sufficient assets at retirement to provide the future payments of the total projected benefit.

Summary of Results

The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2014, is $839.0 million, which is for pension benefits only. This amount is net of estimated employee contributions of $137.0 million and is based on a 30-year amortization period.

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB) beginning with the Fund's 2006 fiscal year. The OPEB ARC for the fiscal year ending December 31, 2014, is $9.8 million. As a result of PA 98-0043, the amortization period used to calculate the GASB #43 ARC was changed from a 30-year open period to a three-year closed period because benefits will no longer be paid after December 31, 2016.

Because of the requirements of GASB #43, there are some differences between the calculation of the ARC for pension benefits and the ARC for OPEB. These differences are summarized below.

	Pension ARC	OPEB ARC
Investment Return	7.50% per year	4.50% per year
Assets	5-year smoothed market	No assets (Pay-as-you-go)

GASB #43 requires that the investment return assumption (or "discount rate") used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The investment return assumption of 4.50 percent reflects the fact that OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

Beginning with the December 31, 2006, actuarial valuation, GASB #25 requires the use of a 30-year amortization period to determine the pension ARC.

Effective with fiscal year Ending December 31, 2014, GASB #67 is replacing GASB #25 for pension plan financial reporting requirements. GASB #68 is replacing GASB #27 for employer financial reporting effective with fiscal year ending December 31, 2015. The discount rate used for GASB #67 and #68 reporting purposes will produce a single equivalent discount rate based on 7.50 percent for the projected benefits for all current members that can be paid from current assets and projected investment return, future employee contributions from current members, and future employer contributions attributable to current members, and a municipal bond rate for the portion of the projected benefits after assets are depleted. The municipal bond rate is based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). We believe the liability based on the GASB single equivalent rate will become the predominant liability on which users will focus.

Due to the single equivalent discount rate and shorter amortization periods required under GASB #67 and #68, the unfunded liabilities and pension expense will be much higher and more volatile than under the current standards. A measurement of the single equivalent discount rate, unfunded liability and pension expense has not yet been performed. However, if the current funding policy is not improved significantly, GASB #67 and #68 actuarial liabilities at December 31, 2014, will be based on a single equivalent discount rate which is expected to be much lower than the current assumption of 7.50 percent, resulting in a significant increase to the unfunded actuarial liability.

The Total ARC for FY 2014 is $848.9 million, which is $692.8 million more than the statutory contribution (after the assumed 4 percent loss on the tax levy) of $156.1 million. The difference between the ARC and the statutory contributions represents a “net pension obligation” (NPO) (and “net OPEB obligation” (NOO) for OPEB) as defined under GASB. The NPO and NOO are viewed as the accumulated value of contribution variances – where GASB defines contribution variances as the difference between the ARC and the statutory contribution. In lay terms, the NPO and NOO could be viewed as a “past due” on the annual required contributions.

As shown in the actuarial report, the NPO (accumulated missed contributions) has increased from less than $0 as of December 31, 2006, to over $2.7 billion as of December 31, 2013, and is projected to increase significantly in fiscal year 2014 ($692.8 million) and in the future. A large and growing NPO may raise concerns in the capital markets and impact the cost of debt and borrowing for the City.

The Unfunded Actuarial Accrued Liability based on the Actuarial Value of Assets increased from $8.564 billion to $8.742 billion during the year, resulting in a decrease in the funding ratio from 37.2 percent to 36.9 percent. The increase in the Unfunded Actuarial Accrued Liability is mainly attributable to the continued shortfall in contributions relative to the actuarially determined contribution requirement. A more thorough examination of these and other factors can be found in the Reconciliation of Unfunded Actuarial Accrued Liability (gain/loss analysis) and the Reconciliation of Funded Ratio.

Based on the Market Value of Assets, the Unfunded Actuarial Accrued Liability decreased from $8.455 billion to $8.435 billion, and the funded ratio increased from 38.0 percent to 39.1 percent.

Plan Membership

	December 31, 2012	December 31, 2013
Active Members [1]		
Number	31,326	30,647
Vested	17,037	16,441
Non-vested	14,289	14,206
Average Age	46.8	46.7
Average Service	11.9	11.9
Average Annual Salary	$50,782	$51,564
Inactive Members		
Number	13,465	14,254
Average Age	45.9	46.1
Average Service	4.0	4.0
Retirees		
Number	19,614	20,113
Average Age	72.6	72.6
Average Annual Benefit	$33,343	$34,357
Deferred		
Number	3	3
Average Age	52.7	52.3
Average Annual Benefit	$9,168	$5,268
Surviving Spouses		
Number	4,225	4,207
Average Age	77.9	78.1
Average Annual Benefit	$13,007	$13,402
Reversionary Annuitants		
Number	129	138
Average Age	80.4	79.6
Average Annual Benefit	$4,580	$4,784
Children	149	141
Total Members	68,911	69,503

[1] *Active members include disabled employees.*

The major characteristics of the data on the members of the Plan are summarized as follows:

Total members receiving benefits under the Plan increased 2.0 percent during 2013, from 24,117 to 24,599, while the number of active members decreased 2.2 percent from 31,326 to 30,647. Total expenditures for benefits increased from $705 million in 2012 to $746 million during 2013, or 5.8 percent.

Changes in Provisions of the Plan

The following Public Acts were passed in 2013 by the 98th General Assembly that made changes to the Fund Provisions.

P. A. 98-0043 (SB 1584), approved June 28, 2013
P. A. 98-0433 (HB 2620), approved August 16, 2013

Public Act 98-0043 effective June 28, 2013, eliminates payment of the health insurance supplement to eligible annuitants at the earlier of December 31, 2016, or upon termination of the city health care plan. During previous valuations, payment of the health insurance supplement was assumed to continue for life for all eligible employee annuitants. Due to Public Act 98-0043, we have assumed payment of the health insurance supplement terminates as of December 31, 2016. This change in the Fund provisions decreased actuarial liabilities by $130.3 million.

Public Act 98-0433 effective August 16, 2013, creates an exception to the current selection process for obtaining investment services and does not directly impact the liabilities of the Fund as of the valuation date.

A detailed description of the provisions in the Public Acts passed in 2013 can be found in Appendix A of this report.

Discussion of Actuarial Assumptions

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long run experience.

There are two general types of actuarial assumptions:

1. **Demographic Assumptions** – reflect the flow of participants into and out of a retirement system, and

2. **Economic Assumptions** – reflect the effect of the economic climate on a retirement system.

Demographic assumptions can be readily studied over recent plan experience. Economic assumptions can be studied against recent experience; however, future experience is more likely to be a result of outside factors than of plan specifics. The most significant demographic assumptions are active turnover, retirement, and post-retirement mortality. The most significant economic assumptions are pay increases, investment return, and inflation. Other actuarial assumptions include disability incidence, active mortality, and percent married.

2013 Experience Analysis

The Fund had an investment gain in 2013 of $365 million relative to the 7.50 percent expected rate of return on a market value basis. The gain on an actuarial value basis relative to the 7.50 percent expected rate of return was $175 million due to the deferred recognition of prior year investment gains and losses.

Individual salary increases varied among plan participants, but the overall increase was lower than anticipated by the actuarial assumptions, resulting in an experience gain of $152 million. Service credit changes and purchases resulted in an experience loss of $7 million.

Combined City and employee contributions were less than Normal Cost plus interest on the Unfunded Actuarial Accrued Liability, which resulted in an increase in the Unfunded Actuarial Accrued Liability of $628 million. Contributions lower than Normal Cost plus interest have increased the Unfunded Actuarial Accrued Liability each year for the past twelve years.

The changes in the Fund provisions due to Public Act 98-0043 decreased the Unfunded Actuarial Accrued Liability by $130 million.

There was an additional loss of $1 million from all other factors, including actual retirement, termination, disability, mortality experience and data changes. This is about zero percent of the December 31, 2013, liabilities.

The following tables summarize the experience gains and losses for the year.

Reconciliation of Funded Ratio

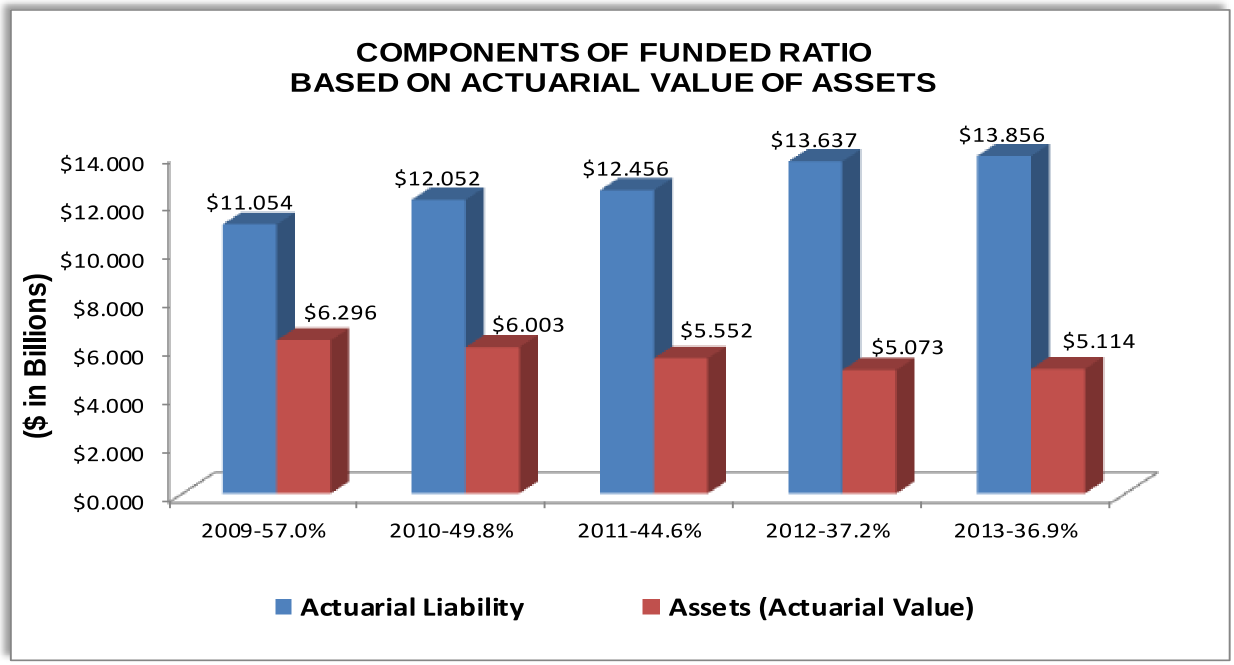
	2012	2013
Funded Ratio Beginning of Year	**44.57%**	**37.20%**
Expected Increase If All Assumptions Realized	2.09%	2.20%
Expected Funded Ratio	**46.66%**	**39.40%**
Gains (Losses) during the Year Attributable to:		
Contributions in Excess (Less Than) of Normal Cost plus Interest	-4.02%	-4.45%
Gain (Loss) on Investment Return	-3.44%	1.24%
Gain (Loss) from Salary Changes	0.21%	0.40%
Gain (Loss) from Retirement, Termination, & Mortality	-0.08%	-0.01%
Gain (Loss) from Data Corrections	0.00%	0.00%
Gain (Loss) from Transfers	0.00%	0.00%
Change in Methodology	0.00%	0.00%
Non-ERI Service Credit Changes and Purchases	-0.02%	-0.02%
Changes in Assumptions	-2.11%	-0.00%
Plan Amendments	0.00%	0.35%
Total Gain (Losses) During the Year	**-9.46%**	**-2.49%**
Funded Ratio End of Year	**37.20%**	**36.91%**

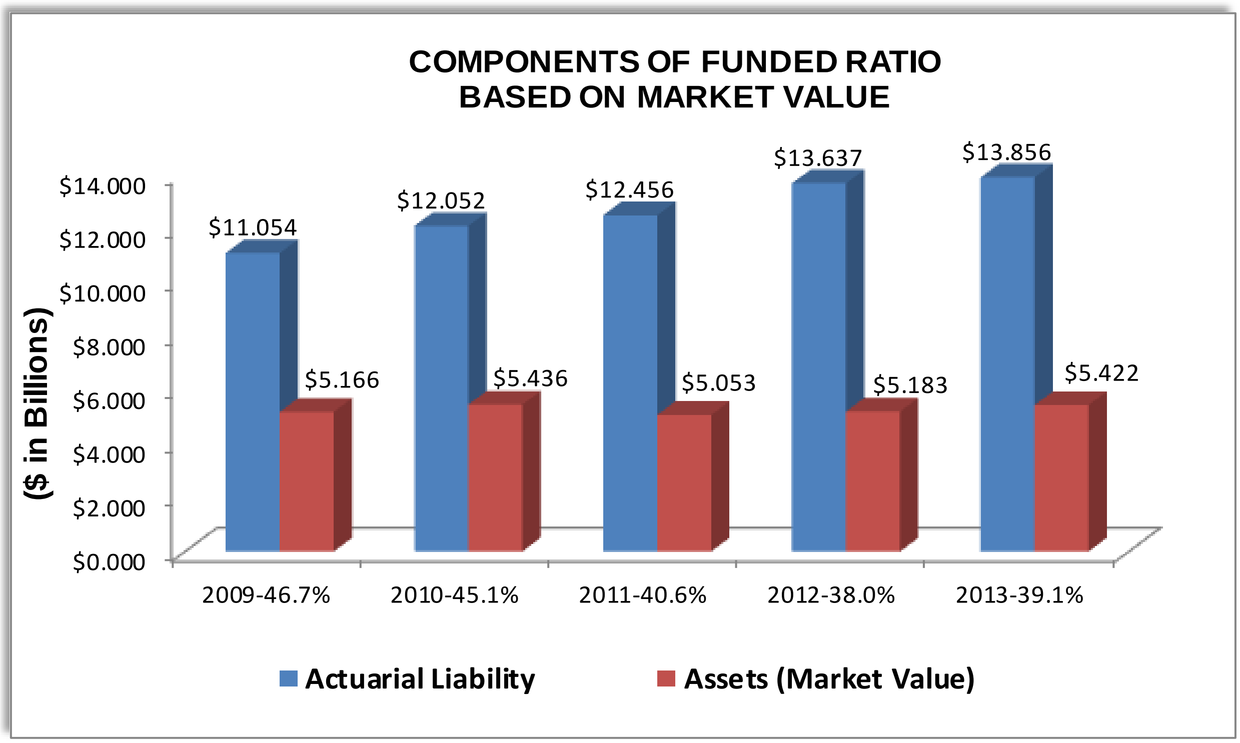
Analysis of Financial Experience

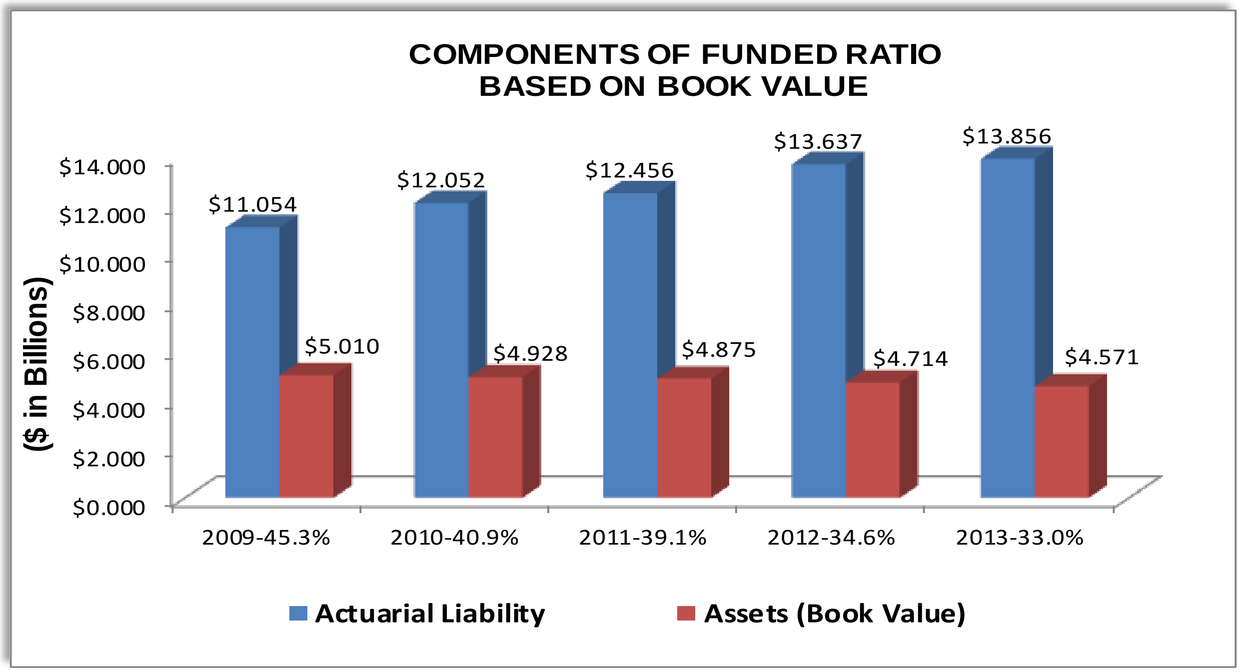
	2009	2010	2011	2012	2013
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)					
Beginning of Year	$3,936,346,961	$4,758,504,409	$6,048,840,271	$6,903,880,605	$8,564,139,771
(Gains) Losses during the Year Attributable to:					
Contributions less than (in excess of) Normal Cost plus Interest	263,525,304	320,818,396	449,777,576	520,449,450	627,790,221
(Gain) Loss on Investment Return	541,514,597	412,377,681	501,202,990	445,339,476	(174,927,836)
(Gain) Loss from Salary Changes	(2,224,555)	(60,823,939)	(107,481,719)	(71,303,218)	(152,470,480)
(Gain) Loss from Retirement, Termination, & Mortality	7,921,619	26,339,285	60,500,888	28,400,986	1,496,498
(Gain) Loss from Data Corrections	-	-	-	-	-
(Gain) Loss from Transfers	-	-	-	-	-
Change in Methodology	-	-	-	-	-
Non-ERI Service Credit Changes/Purchases	11,420,483	14,796,688	10,008,932	5,952,536	6,597,107
Changes in Assumptions	-	576,827,751	(58,968,333)	731,419,936	-
Plan Amendments	-	-	-	-	(130,339,718)
Net Increase (Decrease) in UAAL	822,157,448	1,290,335,862	850,040,334	1,660,259,166	178,145,792
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) End of Year	$4,758,504,409	$6,048,840,271	$6,903,880,605	$8,564,139,771	$8,742,285,563

Funding Analysis

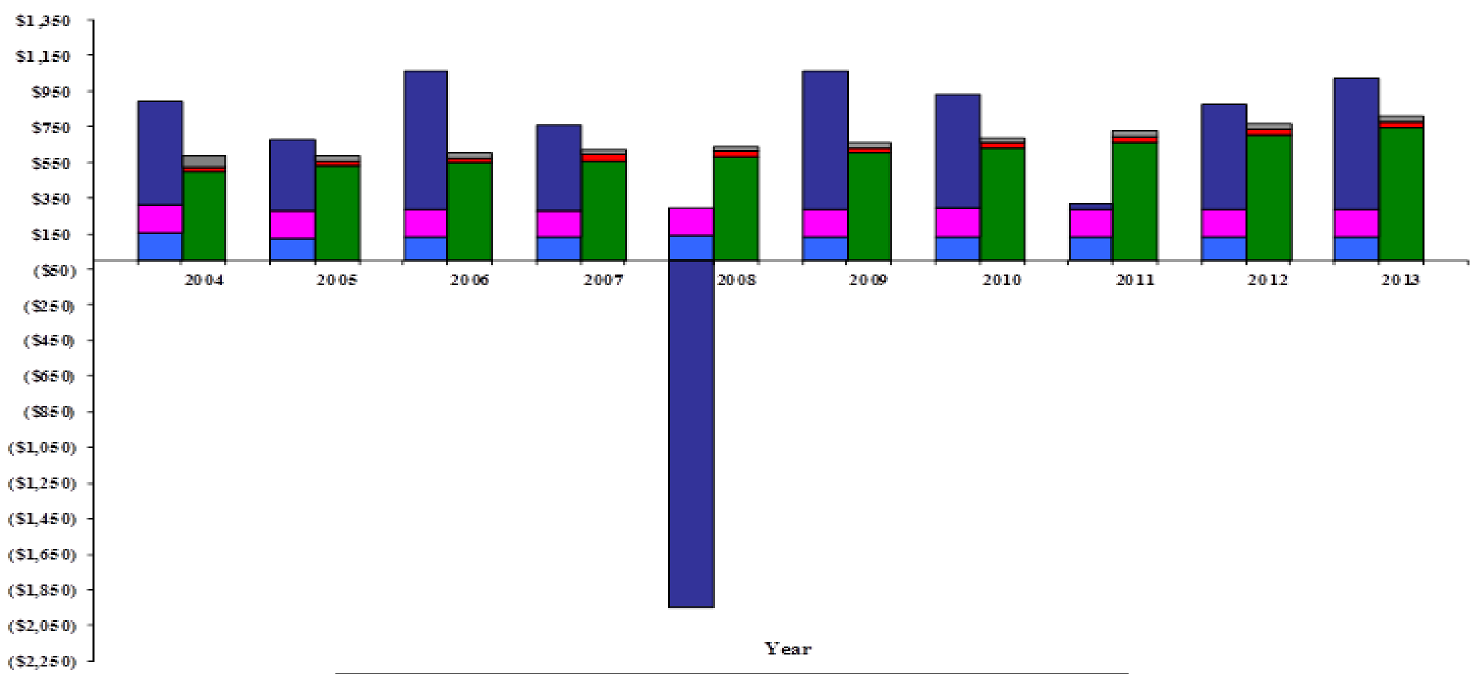
The following charts summarize the various measures of benefit security (funded ratio) examined in this valuation and highlight the trends of the measures.







SUMMARY OF INCOME AND DISBURSEMENTS
($ IN MILLIONS)



INCOME	DISBURSEMENTS
Employee Contributions	Benefits
Employer Contributions	Expenses
Investment Income	Refunds

Conclusion

When measured using the Actuarial Value of Assets, which smoothes gains and losses over a five-year period, the funding ratio decreased from 37.2 percent in 2012 to 36.9 percent in 2013. On a market value basis, the funded ratio has increased from 38.0 percent in the last valuation to 39.1 percent in this valuation. The funded ratio using the Actuarial Value of Assets is expected to slightly increase for the next few years toward the funded ratio using the Market Value of Assets as there are deferred asset gains that will be recognized in the Actuarial Value of Assets in the next four years. However, contributions continue to be insufficient to adequately finance the Fund, and will result in further decreases in the funding ratio.

Contributions continue to be insufficient to adequately finance the Plan. Under the current funding policy, if all future assumptions are realized, the funding ratio is projected to deteriorate until assets are depleted within about 10 to 15 years. If assets become depleted, the Plan would then be funded on a pay-as-you-go policy with contributions equal to annual benefit payments. The pay-as-you-go policy is projected to increase the annual contribution by three to four times the amount currently required.

The Net Pension Obligation (NPO) has increased from less than $0 as of December 31, 2006, to over $2.7 billion as of December 31, 2013, and is projected to increase in the future due to contribution shortfalls compared with the Annual Required Contribution (ARC). A large and growing NPO may raise concerns in the capital markets and impact the cost of debt and borrowing for the City.

The current statutory funding policy impacts the ability to achieve higher returns over the long-term because it is projected that assets may need to be liquidated in order to pay annual benefits. This could result in a change in the asset allocation in the future to more liquid assets with a lower return. We recommend that the funding policy and assumed investment return be reviewed every year. If the funding policy is not strengthened to an appropriate level within the next year, the current investment return assumption will not be supportable for financial reporting purposes.

Summary of Basic Actuarial Values

	APV of Projected Benefits	2014 Normal Cost
(1) Values for Active and Inactive Members		
(a) Retirement	$ 7,080,678,763	$ 179,981,646
(b) Termination – Vested	402,101,329	26,978,682
(c) Termination - Non Vested	77,264,797	23,791,939
(d) Death	101,386,100	4,638,984
(e) Inactive Vested and Non-Vested	395,674,652	-
(f) Health Insurance	4,022,211	5,749
(g) Disability	-	11,852,165
(h) Expenses of Administration	-	6,498,913
Total for Actives and Inactive	$ 8,061,127,852	$ 253,748,078
(2) Values for Members in Payment Status	$ 7,938,850,949	$ -
(3) Grand Totals	$ 15,999,978,801	$ 253,748,078
Actuarial Present Value of Future Compensation		$ 14,522,781,469

Actuarial Reserve Liabilities
As of December 31, 2013

Accrued Liabilities for Active and Inactive Participants [1]	$ 5,917,642,417
Reserves For:	
Service Retirement Pension	$ 7,023,134,311
Future Spouses of Current Retirees	496,357,611
Surviving Spouse Pension	394,530,726
Health Insurance Supplement	23,578,656
Children Annuitants	1,249,645
Total Accrued Liabilities	$ 13,856,493,366
Unfunded Actuarial Liabilities	$ 8,742,285,563
Actuarial Net Assets	$ 5,114,207,803

[1] *Accrued liabilities for active participants include retirement liability for members in ordinary or duty disabled status. Liability for disability benefits is recognized as a one-year term cost of 0.75 percent of pay added to the normal cost.*

Statutory Reserves
As of December 31, 2013

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserves[1]			
Retirees	$ 1,484,846,230	$ 5,487,257,708	$ 6,972,103,938
Future Surviving Spouses	333,069,387	427,168,059	760,237,446
Spouse	182,811,965	175,096,564	357,908,529
Annual Benefits			
Retirees	$ 177,492,885	$ 513,528,795	$ 691,021,680
Future Surviving Spouses	N/A	N/A	N/A
Spouse	$ 27,589,963	$ 29,451,953	$ 57,041,916

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

Actuarial Accrued Liability Prioritized Solvency Test

Valuation Date 12/31	(1) Active and Inactive Member Contribution	(2) Retirees and Beneficiaries	(3) Active and Inactive Members (ER Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets (1)	(2)	(3)
2004 [2]	$ 1,165,883,637	$ 5,217,025,314	$ 2,425,591,993	$ 6,343,076,159	100.00%	99.24%	0.00%
2005 [1]	1,252,060,754	5,325,007,461	2,673,143,602	6,332,378,676	100.00%	95.40%	0.00%
2006	1,347,789,693	5,438,978,756	2,905,551,034	6,509,145,626	100.00%	94.90%	0.00%
2007	1,437,604,071	5,572,797,922	3,176,213,194	6,890,462,918	100.00%	97.85%	0.00%
2008	1,536,221,953	5,701,015,809	3,368,610,969	6,669,501,770	100.00%	90.04%	0.00%
2009	1,610,503,053	5,874,606,230	3,569,183,317	6,295,788,191	100.00%	79.75%	0.00%
2010 [1]	1,682,418,161	6,438,552,003	3,931,259,712	6,003,389,605	100.00%	67.11%	0.00%
2011 [1]	1,724,683,910	6,803,140,300	3,928,347,812	5,552,291,417	100.00%	56.26%	0.00%
2012 [1]	1,724,021,890	7,633,045,219	4,280,392,937	5,073,320,275	100.00%	43.88%	0.00%
2013 [2]	1,763,193,047	7,938,850,949	4,154,449,370	5,114,207,803	100.00%	42.21%	0.00%

[1] *Change in actuarial assumptions*

[2] *Change in benefits*

The prioritized solvency test is another means of checking a plan's progress under its funding program, based on the Actuarial Accrued Liability. In this test the plan's present assets (cash and investments) are compared with obligations in order of priority: (1) active and inactive member contributions on deposit; (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active and inactive members. In a plan that has been following an actuarially sound discipline of financing, the obligation for active and inactive member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the Actuarial Accrued Liability for present active and inactive members (present value 3) will be partially covered by the remainder of present assets. Generally, if the plan has been following a system of amortizing the Unfunded Liability, the funded portion of present value (3) will increase over time.

Due to the inadequacy of the current statutory funding policy, the current assets are only sufficient to cover active and inactive member contributions and 42 percent of retiree liabilities. The present value of employer financed benefits for active and inactive members is completely unfunded.

Development of Actuarial Value of Assets

As of December 31, 2013

(1) **Expected Return on Market Value of Assets for Prior Year**

(a) Market Value of Assets as of 12/31/2012 — $ 5,182,669,659

(b) Actual Income and Disbursements in Prior Year Weighted for Timing

	Item	Amount	Weight for Timing	Weighted Amount
i)	Member Contributions	$ 131,532,173	50.0%	$ 65,766,087
ii)	City Contributions & Misc.	157,704,971	50.0%	78,852,486
iii)	Benefit Payments	(745,547,578)	50.0%	(372,773,789)
iv)	Refunds	(33,456,449)	50.0%	(16,728,225)
v)	Administration	(6,498,913)	50.0%	(3,249,457)
vi)	Total	$ (496,265,796)		$(248,132,898)

(c) Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vi))] — $ 4,934,536,761

(d) Assumed Rate of Return on Plan Assets for the Year — 7.50%

(e) Expected Return [(c) * (d)] — $ 370,090,257

(2) **Actual Return on Market Value of Assets for Prior Year**

(a) Market Value of Assets as of 12/31/2012 — $ 5,182,669,659

(b) Income (less investment income) for Prior Plan Year — 289,237,144

(c) Disbursements Paid in Prior Year — 785,502,940

(d) Market Value of Assets as of 12/31/2013 — 5,421,676,295

(e) Actual Return [(d) + (c) - (b) - (a)] — $ 735,272,432

(3) **Investment Gain/(Loss) for Prior Year** — $ 365,182,175

(4) **Actuarial Value of Assets as of 12/31/2013**

(a) Market Value of Assets as of 12/31/2013 — $ 5,421,676,295

(b) Deferred Investment Gains and (Losses) for Last 5 Years

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	2009	$ 413,471,595	0.00%	$ -
ii)	2010	240,039,034	20.00%	48,007,807
iii)	2011	(386,707,137)	40.00%	(154,682,855)
iv)	2012	203,329,666	60.00%	121,997,800
v)	2013	365,182,175	80.00%	292,145,740
vi)	Total	$ 835,315,333		$ 307,468,492

(c) Actuarial Value of Assets [(a) - (b) (vi)] — $ 5,114,207,803

The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20 percent per year.

Annual Required Contributions of Employer and Trend Information

Last ten years

Year	Annual Required Contribution (ARC) Of the Employer[1]	Required Statutory Basis[2]	Actual[3]	Percent of ARC Contributed
2004	$ 198,199,001	$ 152,510,400	$ 153,919,476	77.66%
2005	285,291,350	153,389,000	155,067,116	54.35%
2006	325,913,986	153,184,000	157,062,769	48.19%
2007	366,410,212	146,096,000	148,137,050	40.43%
2008	384,169,836	155,136,000	155,832,612	40.56%
2009	436,475,587	157,125,216	157,697,608	36.13%
2010	506,902,840	161,934,240	164,302,004	32.41%
2011	634,559,144	154,844,352	156,525,374	24.67%
2012	705,454,416	157,602,048	158,380,709	22.45%
2013	834,398,482	156,233,664	157,704,971	18.90%

[1]Under Normal Cost plus Level-Dollar Amortization. Amortization period of 30 years beginning in 2007 and 40 years prior to 2007. Negative ARC values are set to Zero, as no contribution is then required

[2]Tax levy after 4.00 percent loss

[3]Net tax levy plus miscellaneous. Includes prior year adjustments for taxes

Annual Required Contributions of Employer and Trend Information (continued)

Year	Assets Available for Benefits as a % of Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus) as a % of Covered Payroll End of Year	Employer Contribution as a % of Covered Payroll Beginning of Year
2004	72.01%	189.19 %	11.03%
2005	68.46%	207.33 %	11.90%
2006	67.16%	215.68 %	11.16%
2007	67.64%	210.69 %	10.04%
2008	62.89%	254.95 %	9.96%
2009	56.95%	306.61 %	10.21%
2010	49.81%	392.43 %	10.59%
2011	44.57%	429.88 %	10.15%
2012	37.20%	538.36 %	9.86%
2013	36.91%	553.21 %	9.91%

Actuarial accrued liabilities and contributions include pension and OPEB

Retirees and Beneficiaries Added To and Removed From Payrolls

Last ten years

Year	Added to Payroll No.	Added to Payroll Ann. Benefits[1]	Removed from Payroll No.	Removed from Payroll Ann. Benefits	Payroll End of Year No.	Payroll End of Year Ann. Benefits	Average Annual Benefit	Increase in Average Benefit
Employee Annuitants (Male and Female)								
2004[2]	3,133	$127,180,562	733	$14,182,304	18,253	$464,549,712	$25,451	14.77%
2005	698	27,479,544	730	15,040,308	18,221	476,988,948	26,178	2.86%
2006	713	30,424,920	751	15,961,128	18,183	491,452,740	27,028	3.25%
2007	769	34,450,704	754	17,087,448	18,198	508,815,996	27,960	3.45%
2008	743	34,658,424	768	17,767,068	18,173	525,707,352	28,928	3.46%
2009	840	39,821,463	768	18,900,720	18,245	546,628,095	29,960	3.57%
2010	1,008	46,836,109	815	21,038,211	18,438	572,425,992	31,046	3.62%
2011	1,149	55,405,692	774	20,754,048	18,813	607,077,636	32,269	3.94%
2012	1,559	68,828,940	758	20,349,840	19,614	655,556,736	33,423	3.58%
2013	1,242	57,147,576	743	21,682,632	20,113	691,021,680	34,357	2.79%
Surviving Spouse Annuitants (Not Including Compensation)								
2004	273	$3,456,012	302	$2,958,431	4,472	$49,294,488	$11,023	1.68%
2005	255	3,408,036	260	2,624,292	4,467	50,078,232	11,211	1.70%
2006	265	3,498,720	281	2,904,360	4,451	50,672,592	11,385	1.55%
2007	247	3,464,400	288	3,029,244	4,410	51,107,748	11,589	1.79%
2008	260	3,989,592	260	3,142,752	4,378	51,954,588	11,867	2.40%
2009	266	3,869,064	280	2,939,460	4,364	52,884,192	12,118	2.12%
2010	269	4,329,156	287	3,292,596	4,346	53,920,752	12,407	2.38%
2011[3]	374	4,152,804	317	3,479,496	4,403	54,594,060	12,399	-0.06%
2012	237	4,168,092	286	3,217,812	4,354	55,544,340	12,757	2.89%
2013	270	4,593,708	279	3,096,132	4,345	57,041,916	13,128	2.91%

[1] Annual benefits added to payroll include post-retirement increase amounts starting in 2004.

[2] Early retirement incentive offered to employees.

[3] Number added in 2011 includes 121 reversionary annuitants that are also surviving spouses.

Active Participating Member Valuation Data

Last ten years

Year End	Members in Service	Percent Increase	Annual Salaries	Percent Increase	Average Salary	Percent Increase	Actuarial Salary Assumption	CPI Chicago
2004	33,267	(5.98)%	$ 1,303,127,528	(6.62)%	$ 39,172	(0.68)%	5.00 %	2.20 %
2005	33,743	1.43 %	1,407,323,058	8.00 %	41,707	6.47 %	4.50 %	3.59 %
2006	33,429	(0.93)%	1,475,877,378	4.87 %	44,150	5.86 %	4.50 %	0.71 %
2007	34,885	4.36 %	1,564,458,835	6.00 %	44,846	1.58 %	4.50 %	4.73 %
2008	32,563	(6.66)%	1,543,976,553	(1.31)%	47,415	5.73 %	4.50 %	(0.58)%
2009	31,586	(3.00)%	1,551,973,348	0.52 %	49,135	3.63 %	4.50 %	2.54 %
2010	30,726	(2.72)%	1,541,388,065	(0.68)%	50,166	2.10 %	4.50 %	1.23 %
2011	31,976	4.07 %	1,605,993,339	4.19 %	50,225	0.12 %	4.00 %	2.06 %
2012	31,326	(2.03)%	1,590,793,702	(0.95)%	50,782	1.11 %	4.00 %	1.68 %
2013	30,647	(2.17)%	1,580,288,709	(0.66)%	51,564	1.54 %	4.00 %	0.51 %
Average Increase (Decrease) for the Last five years		(1.21)%		0.47 %		1.69 %	4.20 %	1.60 %

Actuarial Methods and Assumptions

As of December 31, 2013

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 the actuarial 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 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 the sum of the Normal Cost and the payment toward the UAAL.

Experience gains (losses) decrease (increase) the UAAL and thus are amortized as part of the UAAL.

Current Actuarial Assumptions

Demographic Assumptions

Post-Retirement Mortality: RP2000 Mortality Table, sex distinct, projected to the year 2010. The mortality table used is a static table and provides an estimated margin of 9 percent for future mortality improvements. (Adopted 2010)

Pre-Retirement Mortality: Post-Retirement mortality with a multiplier of 0.85 for males and 0.70 for females. (Adopted 2010)

Disability: Disability cost valued as a term cost of 0.75 percent of payroll. (Adopted 2005)

Rates of Retirement – Tier 1 Members:

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

Rates of retirement adopted 2010.

Rates of Retirement – Tier 2 Members:

Age-Based Rates of Retirement	
Age	Rate
62	40.00%
63–69	20.00%
70–79	45.00%
80 +	100.00%

Rates of Termination:

Service Beg. of Year	Rate	Service Beg. of Year	Rate
0	15.00%	16	2.80%
1	15.00%	17	2.50%
2	12.00%	18	2.30%
3	9.00%	19	2.10%
4	8.00%	20	1.90%
5	7.00%	21	1.80%
6	6.50%	22	1.70%
7	5.25%	23	1.60%
8	5.00%	24	1.50%
9	4.75%	25	1.40%
10	4.25%	26	1.30%
11	4.00%	27	1.20%
12	4.00%	28	1.10%
13	3.60%	29	1.00%
14	3.30%	30	0.90%
15	3.00%		

Rates of termination adopted 2010.

Economic Assumptions

Investment Return Rate and Discount Rate: 7.50 percent per annum (net of investment expense) for pensions and 4.50 percent per annum for OPEB. The 7.50 percent assumption contains a 3.00 percent inflation assumption and a 4.50 percent real rate of return assumption for pension. Pension investment return and discount rate adopted 2012 and OPEB discount rate adopted 2005.

Future Salary Increases: The following illustrative annual rates of salary increases were used:

Service	Salary Scale
1	8.25%
2	7.75%
3	7.25%
4-5	6.75%
6	6.50%
7	6.00%
8	5.50%
9	5.25%
10-25	5.00%
26+	4.50%

Adopted 2010.

Payroll Growth: Total payroll is assumed to increase by 4.00% each year. Adopted 2010.

Asset Value: The Actuarial Value of Assets is smoothed by using a five-year phase-in of each year's unexpected investment gains and losses. Adopted 1999.

Other Assumptions

Actuarial Cost Method: Entry age normal cost method, under which the normal cost as a percentage of pay for each employee remains level from entry age to retirement, and the accrued liability represents the fund which would now be on hand if all past normal costs had actually been paid, and all current assumptions had been realized.

Amortization Method: Pension: 30-Year Level Dollar amortization of the unfunded liability.
OPEB: 3-Year Level Dollar amortization of the unfunded liability.

Marital Status: It is assumed that 85 percent of members have an eligible spouse. The male spouse is assumed four years older than the female spouse. No assumption is made about other dependents. Adopted 1999.

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.

Other Assumptions (continued)

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.
Reciprocal Service:	No assumption for reciprocal service.
Required Ultimate Multiple:	The actuarial requirements (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.
Loss in Tax Levy:	4.00 percent overall loss on tax levy is assumed.
Group Health Insurance:	Due to P. A. 98-0043 effective June 28, 2013, it is assumed for valuation purposes that the health insurance supplement in effect prior to June 30, 2013, will end on December 31, 2016, for all employee annuitants (and their future surviving spouses). The amount of the Plan paid health insurance from July 1, 2008, until June 30, 2013, is $95.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and $65.00 if qualified. It is assumed that all annuitants age 65 and older will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future surviving spouses of retirees, age 65 and older, are assumed to be eligible for Medicare, as well as surviving spouse annuitants that are currently receiving a health insurance supplement. It is assumed that 50 percent of future retirees will elect to receive the health insurance supplement at retirement. (Adopted 2011).

Statistical

This section of the comprehensive annual financial report contains trend information to help the reader understand how the Plan’s financial performance had changed over time.

Source of Data

Data presented in this section of the comprehensive annual financial report is derived from the annual financial statement and the annual actuarial valuation report.

Methodology

Data were imported into Microsoft Excel for calculations and for generating graphs and statistical tables with ten years of data.

Assumptions

Active members are those with reported wages in the calendar year. Retired members and beneficiaries are those who were paid benefits in the last month of calendar year.

Tables within this section

Totals may not add up due to rounding.

Changes in Plan Net Position
(Last ten years)

	2013	2012	2011	2010	2009
Additions:					
Employer contributions	$ 157,704,971	$ 158,380,709	$ 156,525,374	$ 164,302,005	$ 157,697,608
Member contributions	131,532,173	130,266,293	132,596,417	133,299,542	130,980,605
Net investment income	735,272,432	589,198,468	31,583,226	638,568,991	778,562,620
Other Income	-	-	-	24,435	-
Total Additions	$ 1,024,509,576	$ 877,845,470	$ 320,705,017	$ 936,194,973	$ 1,067,240,833
Deductions:					
Annuities	$ 723,880,608	$ 681,508,540	$ 640,090,207	$ 607,540,457	$ 583,436,041
Disabilities	12,158,883	13,643,816	13,963,941	13,041,253	11,682,652
Healthcare Subsidy	9,508,087	9,522,054	9,516,053	9,549,685	9,651,118
Refunds	33,456,449	36,908,784	32,104,031	29,949,703	28,094,365
Administrative Expenses	6,498,913	6,841,486	7,375,338	6,744,947	7,765,918
Total Deductions	$ 785,502,940	$ 748,424,680	$ 703,049,570	$ 666,826,045	$ 640,630,094
Net Increase/(Decrease)	239,006,636	129,420,790	(382,344,553)	269,368,928	426,610,739
Beginning of year	5,182,669,659	5,053,248,869	5,435,593,422	5,166,224,494	4,739,613,755
End of year	$ 5,421,676,295	$ 5,182,669,659	$ 5,053,248,869	$ 5,435,593,422	$ 5,166,224,494

Changes in Plan Net Position (continued)

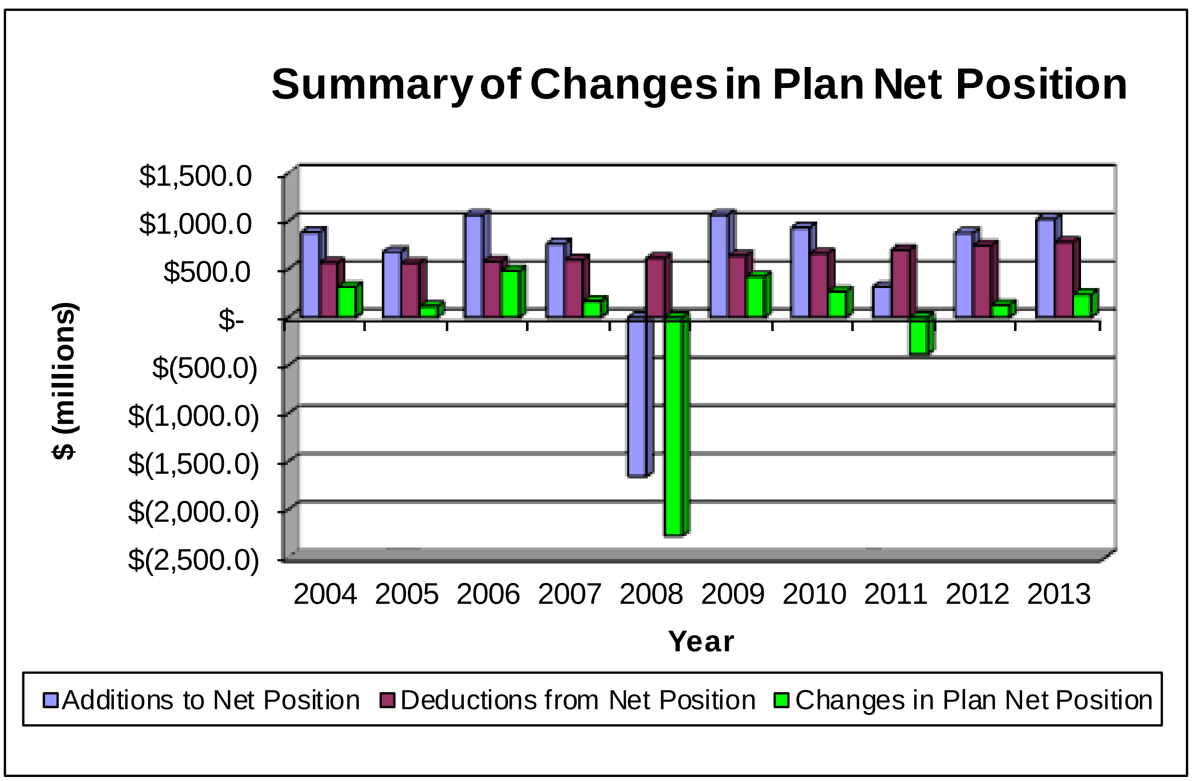
(Last ten years)

	2008	2007	2006	2005	2004
Additions:					
Employer contributions	$ 155,832,612	$ 148,137,050	$ 157,062,769	$ 155,067,116	$ 153,919,476
Member contributions	137,748,907	132,442,200	129,466,091	122,542,484	155,884,575
Net investment income	(1,947,575,935)	485,926,151	778,725,950	402,310,621	578,730,089
Other Income	-	-	-	-	-
Total Additions	$(1,653,994,416)	$ 766,505,401	$ 1,065,254,810	$ 679,920,221	$ 888,534,140
Deductions:					
Annuities	$ 561,947,108	$ 543,411,793	$ 528,426,078	$ 514,623,174	$ 481,319,408
Disabilities	11,687,603	10,624,807	10,267,132	9,990,510	8,830,525
Health Care Subsidy	9,029,362	8,530,910	8,730,476	8,877,021	8,689,957
Refunds	25,501,985	28,009,512	27,194,308	26,737,456	64,272,300
Administrative Expenses	7,749,714	7,532,301	6,397,685	5,545,268	5,470,007
Total Deductions	$ 615,915,772	$ 598,109,323	$ 581,015,679	$ 565,773,429	$ 568,582,197
Net Increase/(Decrease)	(2,269,910,188)	168,396,078	484,239,131	114,146,792	319,951,943
Beginning of year	7,009,523,943	6,841,127,865	6,356,888,734	6,242,741,942	5,922,789,999
End of year	$ 4,739,613,755	$ 7,009,523,943	$ 6,841,127,865	$ 6,356,888,734	$ 6,242,741,942

Summary of Changes in Plan Net Position

(Last ten years)

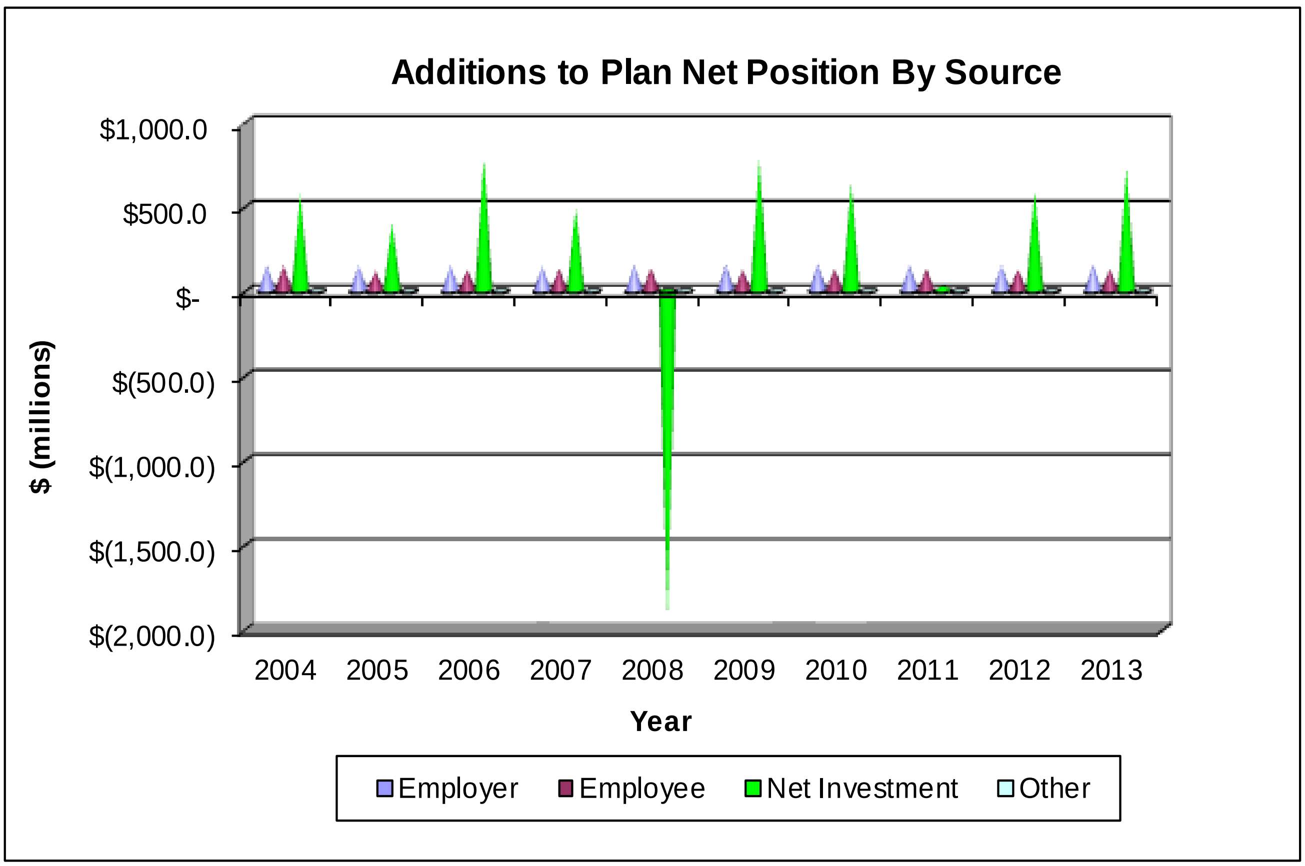
Year	Additions to Net Position	Deductions from Net Position	Increase (Decrease) in Net Position
2004	$ 888,534,140	$ 568,582,197	$ 319,951,943
2005	679,920,221	565,773,429	114,146,792
2006	1,065,254,810	581,015,679	484,239,131
2007	766,505,401	598,109,323	168,396,078
2008	(1,653,994,416)	615,915,772	(2,269,910,188)
2009	1,067,240,833	640,630,094	426,610,739
2010	936,194,973	666,826,045	269,368,928
2011	320,705,017	703,049,570	(382,344,553)
2012	877,845,470	748,424,680	129,420,790
2013	1,024,509,576	785,502,940	239,006,636



Additions to Plan Net Position By Source

(Last ten years)

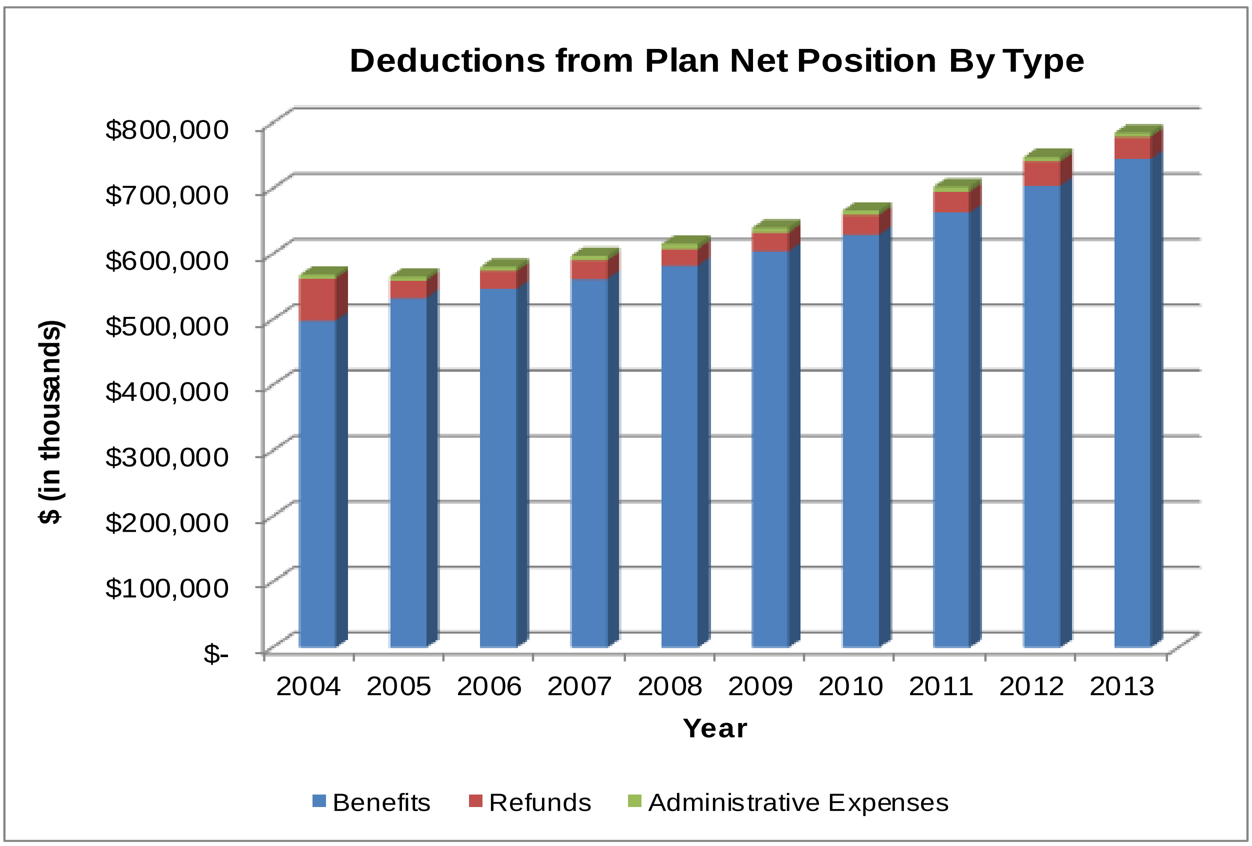
Year	Employer Contributions	Employee Contributions	Investment Income (net of expense)	Other Income	Total
2004	$ 153,919,476	$ 155,884,575	$ 578,730,089	$ -	$ 888,534,140
2005	155,067,116	122,542,484	402,310,621	-	679,920,221
2006	157,062,769	129,466,091	778,725,950	-	1,065,254,810
2007	148,137,050	132,442,200	485,926,151	-	766,505,401
2008	155,832,612	137,748,907	(1,947,575,935)	-	(1,653,994,416)
2009	157,697,608	130,980,605	778,562,620	-	1,067,240,833
2010	164,302,005	133,299,542	638,568,991	24,435	936,194,973
2011	156,525,374	132,596,417	31,583,226	-	320,705,017
2012	158,380,709	130,266,293	589,198,468	-	877,845,470
2013	157,704,971	131,532,173	735,272,432	-	1,024,509,576



Deductions from Plan Net Position By Type

(Last ten years)

Year		Benefits		Refunds		Administrative Expense		Total
2004	$	498,839,890	$	64,272,300	$	5,470,007	$	568,582,197
2005	$	533,490,705	$	26,737,456	$	5,545,268		565,773,429
2006	$	547,423,686	$	27,194,308	$	6,397,685		581,015,679
2007	$	562,567,510	$	28,009,512	$	7,532,301		598,109,323
2008	$	582,664,073	$	25,501,985	$	7,749,714		615,915,772
2009	$	604,769,811	$	28,094,365	$	7,765,918		640,630,094
2010	$	630,131,395	$	29,949,703	$	6,744,947		666,826,045
2011	$	663,570,201	$	32,104,031	$	7,375,338		703,049,570
2012	$	704,674,410	$	36,908,784	$	6,841,486		748,424,680
2013	$	745,547,578	$	33,456,449	$	6,498,913		785,502,940

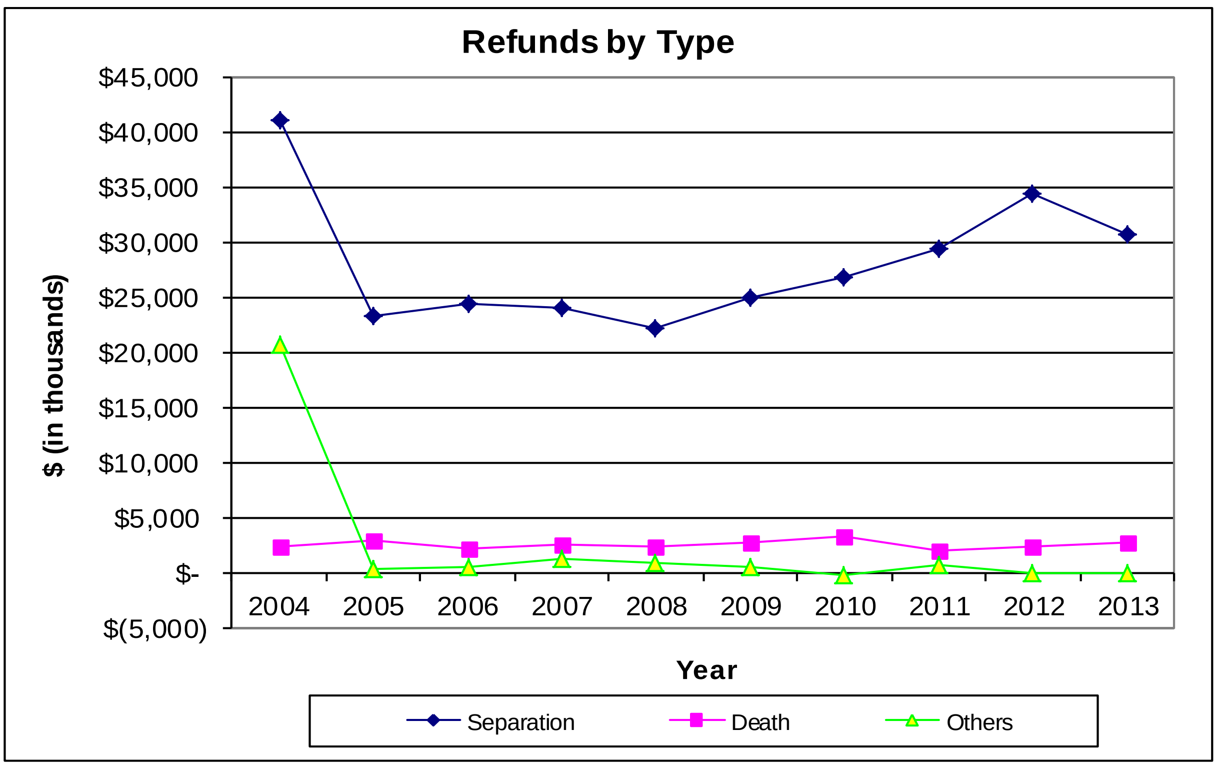


Refunds by Type

(Last ten years)

Year		Separation		Death		Others[1]		Total
2004	$	41,155,595	$	2,351,692	$	20,765,013	$	64,272,300
2005		23,302,733		3,015,029		419,694		26,737,456
2006		24,417,644		2,253,324		523,340		27,194,308
2007		24,156,118		2,649,518		1,203,876		28,009,512
2008		22,271,312		2,380,730		849,943		25,501,985
2009		24,942,884		2,670,267		481,214		28,094,365
2010		26,888,718		3,269,824		(208,840)		29,949,703
2011		29,482,493		1,976,182		645,356		32,104,031
2012		34,519,018		2,389,915		(149)		36,908,784
2013		30,765,181		2,711,770		(20,502)		33,456,449

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



Benefits by Type

(Last ten years)

	2013	2012	2011	2010	2009
Annuities:					
Employee	$ 666,939,420	$ 624,554,190	$ 584,973,939	$ 553,066,296	$ 530,008,332
Surviving Spouse	56,522,097	56,494,913	54,600,246	53,970,603	52,904,482
Children	419,091	459,437	516,022	503,559	523,227
Total Annuities	723,880,608	681,508,540	640,090,207	607,540,457	583,436,041
Disabilities:					
Ordinary	8,161,746	9,477,386	9,708,906	9,274,262	8,290,644
Duty	3,997,136	4,166,431	4,255,035	3,766,991	3,392,008
Total Disabilities	12,158,883	13,643,816	13,963,941	13,041,253	11,682,652
Postemployment Healthcare Subsidy:					
Employee	8,137,318	8,120,476	8,070,084	8,068,820	8,155,184
Surviving Spouse	1,363,359	1,395,783	1,439,178	1,472,885	1,487,337
Children	7,410	5,795	6,792	7,980	8,597
Total Healthcare Subsidy	9,508,087	9,522,054	9,516,054	9,549,685	9,651,118
Total Benefits	$ 745,547,578	$ 704,674,410	$ 663,570,201	$ 630,131,395	$ 604,769,811

Benefits by Type (continued)

(Last ten years)

	2008	2007	2006	2005	2004
Annuities:					
Employee	$ 509,510,036	$ 491,780,107	$ 477,505,602	$ 464,243,871	$ 431,559,744
Surviving Spouse	51,880,155	51,063,889	50,340,031	49,783,518	49,163,339
Chidren	556,917	567,797	580,445	595,785	596,325
Total Annuities	561,947,108	543,411,793	528,426,078	514,623,174	481,319,408
Disabilities:					
Ordinary	8,311,069	7,857,240	7,824,045	8,011,243	7,200,947
Duty	3,376,534	2,767,567	2,443,087	1,979,267	1,629,578
Total Disabilities	11,687,603	10,624,807	10,267,132	9,990,510	8,830,525
Postemployment Healthcare Subsidy:					
Employee	$ 7,628,736	$ 7,199,189	$ 7,373,775	$ 7,499,145	$ 7,301,575
Surviving Spouse	1,389,751	1,318,801	1,343,866	1,367,932	1,376,142
Children	10,875	12,920	12,835	9,944	12,240
Total Healthcare Subsidy	$ 9,029,362	$ 8,530,910	$ 8,730,476	$ 8,877,021	$ 8,689,957
Total Benefits	$ 582,664,073	$ 562,567,510	$ 547,423,686	$ 533,490,705	$ 498,839,890

History of Average Pension Benefit Payments to New Retirees

(Last ten years)

Retirement Effective Dates		Year of Service					
		10-14	15-19	20-24	25-29	30 & Over	Total
	Average Monthly Benefit at Retirement	$ 911	$ 1,631	$ 2,237	$ 2,776	$ 3,767	$ 3,005
2004	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A
	Number of New Retirees	137	210	473	583	1,408	2,811
	Average Monthly Benefit at Retirement	$ 1,067	$ 1,250	$ 1,578	$ 2,177	$ 3,269	$ 2,394
2005	Average Final Average Salary	$ 2,955	$ 2,799	$ 3,110	$ 3,298	$ 4,095	$ 3,565
	Number of New Recipients	56	54	51	65	219	445
	Average Monthly Benefit at Retirement	$ 1,141	$ 1,286	$ 1,577	$ 2,416	$ 3,610	$ 2,451
2006	Average Final Average Salary	$ 3,471	$ 2,927	$ 3,076	$ 3,716	$ 4,555	$ 3,804
	Number of New Recipients	53	60	95	73	194	475
	Average Monthly Benefit at Retirement	$ 1,198	$ 1,381	$ 2,029	$ 2,658	$ 3,919	$ 2,800
2007	Average Final Average Salary	$ 3,548	$ 3,075	$ 3,796	$ 2,811	$ 4,939	$ 4,242
	Number of New Recipients	54	69	94	70	229	516
	Average Monthly Benefit at Retirement	$ 1,293	$ 1,630	$ 2,031	$ 2,765	$ 4,129	$ 2,847
2008	Average Final Average Salary	$ 3,980	$ 3,565	$ 3,981	$ 4,199	$ 5,285	$ 4,491
	Number of New Recipients	60	65	106	63	206	500
	Average Monthly Benefit at Retirement	$ 1,407	$ 1,790	$ 2,275	$ 3,255	$ 4,082	$ 2,969
2009	Average Final Average Salary	$ 4,664	$ 4,148	$ 4,406	$ 5,005	$ 5,209	$ 4,794
	Number of New Recipients	57	75	153	92	231	608
	Average Monthly Benefit at Retirement	$ 1,334	$ 1,835	$ 2,215	$ 3,208	$ 4,354	$ 3,129
2010	Average Final Average Salary	$ 4,418	$ 4,311	$ 4,278	$ 4,945	$ 5,590	$ 4,933
	Number of New Recipients	60	77	169	132	287	725
	Average Monthly Benefit at Retirement	$ 1,350	$ 1,981	$ 2,432	$ 3,459	$ 4,696	$ 3,361
2011	Average Final Average Salary	$ 4,261	$ 4,506	$ 4,661	$ 5,265	$ 6,046	$ 5,257
	Number of New Recipients	66	88	193	185	311	843
	Average Monthly Benefit at Retirement	$ 1,295	$ 2,014	$ 2,391	$ 3,362	$ 4,506	$ 3,230
2012	Average Final Average Salary	$ 4,400	$ 4,893	$ 4,533	$ 5,094	$ 5,737	$ 5,125
	Number of New Recipients	93	132	274	254	418	1,171
	Average Monthly Benefit at Retirement	$ 1,304	$ 1,998	$ 2,348	$ 3,259	$ 4,446	$ 3,065
2013	Average Final Average Salary	$ 4,456	$ 4,890	$ 4,314	$ 4,953	$ 5,668	$ 5,030
	Number of New Recipients	104	106	204	216	290	920

This schedule excludes reciprocal annuities, money purchase annuities and minimum annuities
N/A - not available

Source of Data: 2013 Actuarial Valuation Report

Average Employee Retirement Benefits Payable

(last ten years)

Year	Average Annual Benefit	Average Current Age Of Retirees	Average Benefit At Retirement Current Year	Average Age At Retirement Current Year	Average years Service At Retirement Current Year
2004	$ 25,451	71.0	$ 35,222	59.6	27.9
2005	26,178	71.8	22,753	63.5	24.4
2006	27,028	72.1	23,757	63.1	24.1
2007	27,960	72.4	26,910	63.1	24.6
2008	28,928	72.6	27,750	62.4	24.3
2009	29,960	72.8	29,843	62.9	23.9
2010	31,046	72.8	31,290	62.2	24.3
2011	32,269	72.7	34,513	62.1	24.9
2012	33,423	72.6	33,508	62.7	24.8
2013	34,357	72.6	31,177	63.0	23.6

Source of Data: 2013 Actuarial Valuation Report

Covered Employees by Age & Years of Service

Attained	Completed Years of Service									
Age	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	32	9	-	-	-	-	-	-	-	41
20-24	266	605	11	-	-	-	-	-	-	882
25-29	399	1,414	392	42	-	-	-	-	-	2,247
30-34	332	1,203	842	338	71	-	-	-	-	2,786
35-39	250	900	830	704	284	41	-	-	-	3,009
40-44	196	818	868	919	752	323	18	-	-	3,894
45-49	140	622	819	973	838	760	328	26	-	4,506
50-54	96	502	808	1,051	962	921	651	169	3	5,163
55-59	89	334	597	904	779	848	573	218	38	4,380
60-64	24	160	364	464	489	469	349	121	39	2,479
65-69	11	49	139	152	155	162	111	50	36	865
70 & Over	2	18	65	63	56	71	54	27	39	395
W/O DOB	-	-	-	-	-	-	-	-	-	-
Total	**1,837**	**6,634**	**5,735**	**5,610**	**4,386**	**3,595**	**2,084**	**611**	**155**	**30,647**

Source of Data: 2013 Actuarial Valuation Report

Current Retirees by Range of Pension Amounts

As of December 31, 2013

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Reversionary Annuitants	Number of Child Annuitants	Total Number of Annuitants
Deferred	3	-	-	-	3
$ 1 - $ 250	321	86	40	141	588
251 - 500	426	66	57	-	549
501 - 750	365	84	27	-	476
751 - 1,000	1,120	2,449	9	-	3,578
1,001 - 1,250	1,478	364	2	-	1,844
1,251 - 1,500	2,672	305	1	-	2,978
1,501 - 1,750	996	255	1	-	1,252
1,751 - 2,000	1,030	200	1	-	1,231
2,001 - 2,250	1,090	125	-	-	1,215
2,251 - 2,500	1,075	104	-	-	1,179
2,501 - 2,750	896	77	-	-	973
2,751 - 3,000	785	45	-	-	830
3,001 - 3,250	693	19	-	-	712
3,251 - 3,500	702	16	-	-	718
3,501 - 3,750	605	7	-	-	612
3,751 - 4,000	640	2	-	-	642
4,001 - 4,250	558	2	-	-	560
4,251 - 4,500	550	-	-	-	550
4,501 - 4,750	610	1	-	-	611
4,751 - 5,000	472	-	-	-	472
5,001 - 5,250	448	-	-	-	448
5,251 - 5,500	407	-	-	-	407
5,501 - 5,750	403	-	-	-	403
5,751 - 6,000	368	-	-	-	368
Over $6,000	1,403	-	-	-	1,403
Totals	**20,116**	**4,207**	**138**	**141**	**24,602**

Source of Data: 2013 Actuarial Valuation Report

MEABF Staff Retiree Healthcare (OPEB)

Counts	
Retirees and Beneficiaries	Total
15	15

Retiree and Beneficiary Health Coverage Type			
1 Person	2 Person	Family	Total
6	8	1	15

History of Retirees and Beneficiaries By Type of Benefit

(Last ten years)

Year	Annuitants				Disability		Compensation	Reciprocal	
Ended	Employee	Spouse	Child	Reversionary[2]	Ordinary	Duty	Annuitants[1]	Employee	Spouse
2004	16,109	4,087	201		294	132	2	2,144	385
2005	16,027	4,094	204		304	158	2	2,194	373
2006	15,926	4,075	193		330	193	2	2,257	376
2007	15,899	4,042	178		304	209	2	2,299	368
2008	15,804	4,018	174		266	192	2	2,369	360
2009	15,838	4,008	167		306	220	2	2,407	356
2010	15,961	3,982	173		304	246	2	2,477	364
2011	16,230	3,910	164	129	346	264	2	2,583	364
2012	16,874	3,864	149	129	280	250	2	2,740	361
2013	17,320	3,844	141	138	227	213	2	2,793	363

[1] *Compensation annuitants also included with spouse annuitants*

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

Source of Data: 2013 Actuarial Valuation Report

Retirees and Beneficiaries By Type of Coverage - Health Insurance Subsidy

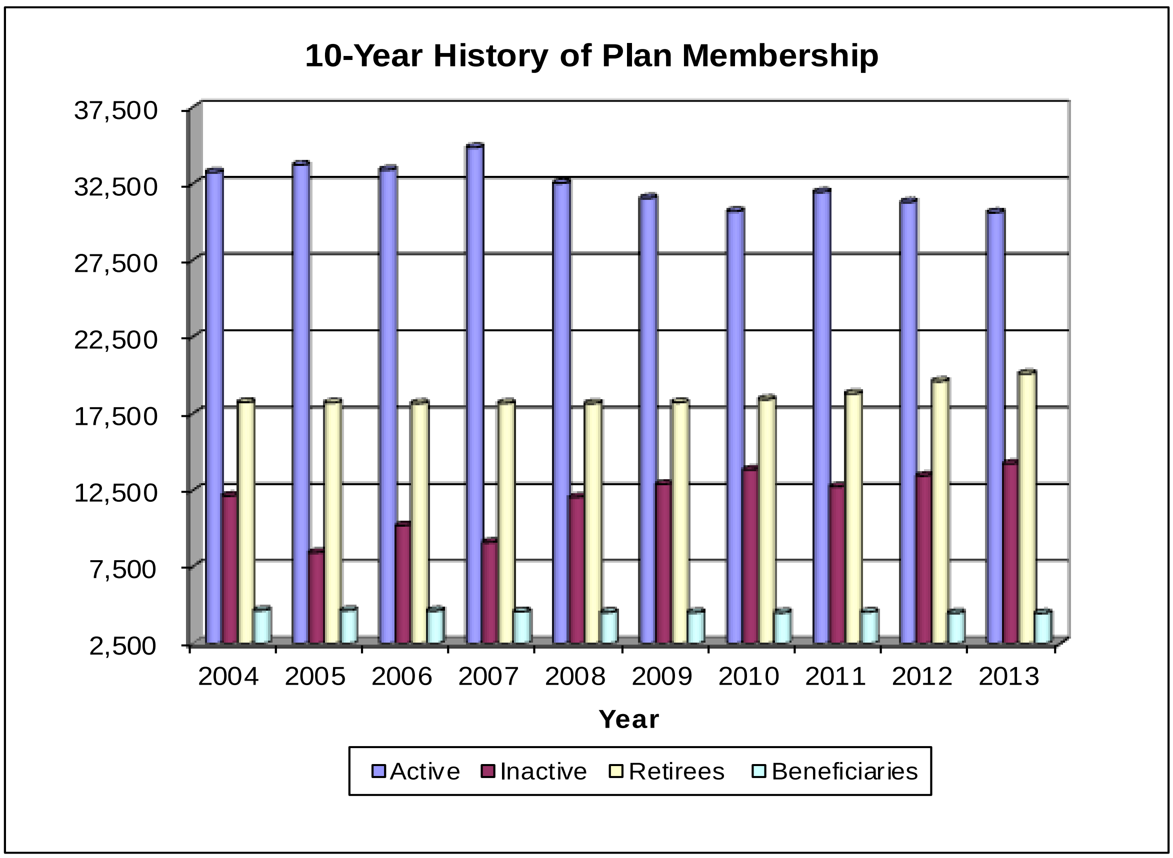
(Last ten years)

	Covered Annuitants						
	Employee		Spouse			Total Not	Total
Year	Single	Family	Single	Family	Total	Covered	Annuitants
2004	6,337	3,450	1,901	49	11,737	10,988	22,725
2005	6,326	3,326	1,885	46	11,583	11,105	22,688
2006	6,252	3,218	1,863	47	11,380	11,254	22,634
2007	6,255	3,087	1,807	49	11,198	11,410	22,608
2008	6,283	2,974	1,775	48	11,080	11,471	22,551
2009	6,251	2,877	1,738	41	10,907	11,702	22,609
2010	6,225	2,819	1,731	45	10,820	11,964	22,784
2011	6,271	2,826	1,690	38	10,825	12,262	23,087
2012	6,356	2,835	1,654	34	10,879	12,960	23,839
2013	6,276	2,675	1,626	27	10,604	13,716	24,320

10-Year History of Plan Membership

(Last ten years)

Year	Active	Inactive	Retirees	Beneficiaries	Total
2004	33,267	12,161	18,260	4,673	68,361
2005	33,743	8,440	18,224	4,671	65,078
2006	33,429	10,200	18,184	4,644	66,457
2007	34,885	9,105	18,201	4,588	66,779
2008	32,563	12,082	18,178	4,552	67,375
2009	31,586	12,919	18,251	4,531	67,287
2010	30,726	13,866	18,441	4,519	67,552
2011	31,976	12,762	18,815	4,567	68,120
2012	31,326	13,465	19,617	4,503	68,911
2013	30,647	14,254	20,116	4,486	69,503

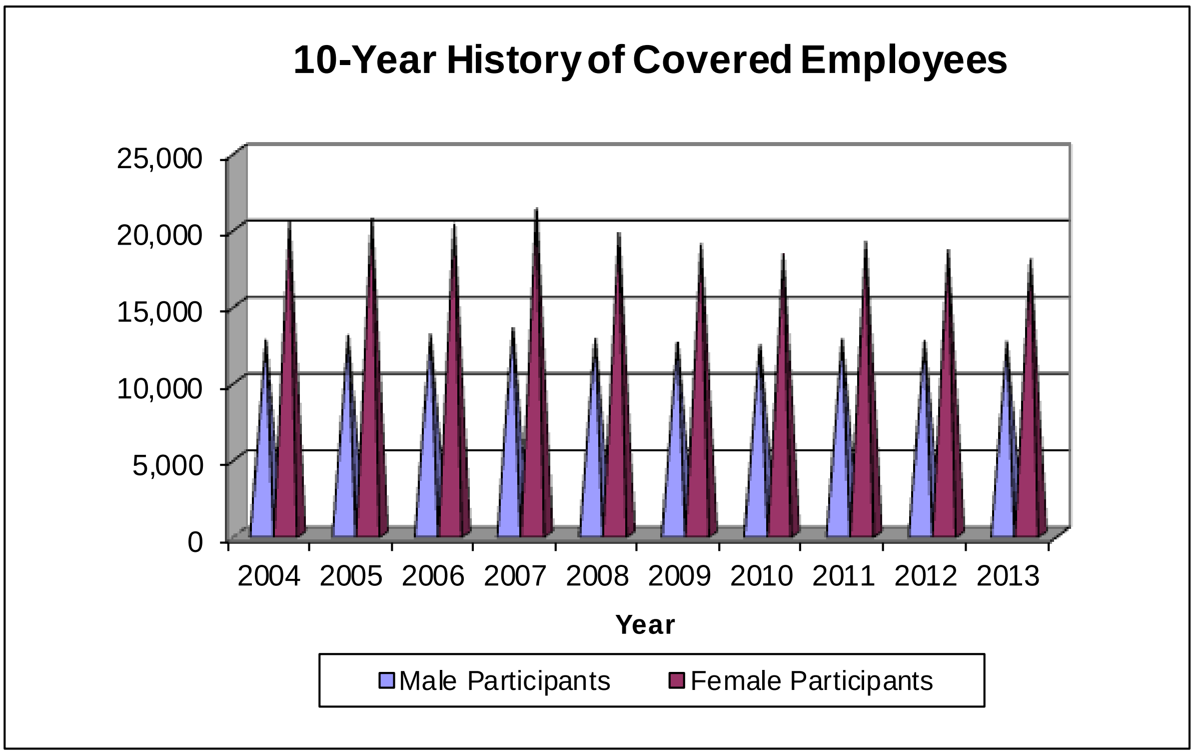


10-Year History of Covered Employees

(Last ten years)

Year	Male Participants	Female Participants	Total Participants
2004	12,756	20,511	33,267
2005	13,039	20,704	33,743
2006	13,107	20,322	33,429
2007	13,568	21,317	34,885
2008	12,822	19,741	32,563
2009	12,598	18,988	31,586
2010	12,377	18,349	30,726
2011	12,828	19,148	31,976
2012	12,696	18,630	31,326
2013	12,622	18,025	30,647

Source of Data: 2013 Actuarial Valuation Report



Appendix A

APPENDIX A

LEGISLATIVE CHANGES IN PLAN PROVISIONS 1993 THROUGH 2013

1993 Session
- No legislative changes.

1994 Session
- No legislative changes.

1995 Session
SB 114
- Approved July 14, 1995.
- The amount of earnings that may be taken into account by any retirement system is limited to the maximum dollar limitation specified in Section 401(a)(17) of the Internal Revenue Code, except for persons who became Members before 1996.
- The Plan is authorized to make certain involuntary distributions required by Section 401(a)(9) of the Internal Revenue Code.

SB 424
- Approved July 7, 1995.
- The Pension Laws Commission was created as a legislative support services agency.

1996 Session

SBJPA
- On August 20, 1996, the Small Business Job Protection Act was signed by President Clinton.
- Treatment of governmental plans under Code Section 415:
- Rule limiting annual benefit to 100 percent of the average of the highest three-year compensation no longer applies.
- Excess benefit plans are permitted to provide Members with benefits in excess of the Code Section 415 limits.
- Early retirement reduction does not apply to certain survivor and disability benefits.
- The definition of compensation now includes elective deferrals.
- Taxation of distributions:
  - $5,000 death benefit exclusion was repealed for deaths after August 20, 1996.
  - Five-year averaging for lump sum distributions was repealed effective January 1, 2000.
  - Annuity payments will be taxed according to a simplified general rule, which uses investment and age as of annuity starting date for annuities, which start on or after November 19, 1996.

1997 Session

HB 15
- Approved June 27, 1997.
- For withdrawals from service occurring on or after July 1, 1990, an alternate method of calculating salary using the annual equivalent of average salary instead of the salary rate applicable for the greatest part of the year is allowed.
- Annuities effective on or after January 1, 1998, will be payable on the first day of the calendar month.
- The prudent person rule for investing is allowed.
- An eligible employee is allowed to contribute for all periods of temporary service while still in City service, for up to 90 days after withdrawal from City service, or while in reciprocal service.

1997 Session (continued)

HB 15 (continued)

- The Board is allowed to adopt rules prescribing the manner of repaying refunds and purchasing any optional credit including accepting rollovers for payments.
- The City is allowed to use deposits from any legal source (including borrowing) in lieu of all or part of the tax levy on or after June 27, 1997.

HB 313

- Approved June 27, 1997. For withdrawals from service occurring on or after June 27, 1997, an employee (or surviving spouse) age 50 or over with at least 30 years of service is eligible to receive an annuity based on the minimum annuity formula.
- For withdrawals from service occurring on or after June 27, 1997, an employee under age 60, with at least 25 years of service, is not subject to an age discount.
- The surviving spouse of a retiree dying on or after June 27, 1997, while receiving an annuity is eligible for one-half of the employee's annuity at death, discounted for spouse's age under 55 at the time of employee's death.
- Beginning June 27, 1997, employees already receiving annuity will receive a minimum annuity of $550 for life (reciprocal annuitants must have at least five years of Municipal service). Any future employee annuitant withdrawing from service after attainment of age 60 with 10 or more years of service would qualify for this minimum.
- Beginning June 27, 1997, widow(er)s already receiving annuity will receive a minimum annuity of $500 for life (reciprocal annuitants must have at least five years of Municipal service). For future spouses of retirees, 10 years of service is required. For spouses of employees dying in service in the future, five years of service is required.
- Beginning June 27, 1997, the child's annuity will be increased to $220 per month if the spouse of the deceased employee parent survives or $250 per month if no such spouse survives.
- Coverage in the City group health insurance is extended through June 30, 2002, with some modification in the plans offered. Pension plan supplement remains $45 and $75 for Medicare eligible and non-Medicare eligible annuitants respectively.
- Spouses of employees dying in service after age 50 on or after June 27, 1997, will be eligible to receive 50 percent of the annuity that the employee would have received. This annuity will be reduced by 0.25 percent per month for each month that the spouse is below the age of 55.
- Spouses of employees dying after retirement on or after June 27, 1997, will be eligible to receive 50 percent of the employee's annuity at death. This annuity will be reduced by 0.25 percent per month for each month that the spouse is below the age of 55.

1997 Session (continued)

HB 1641

- Approved August 22, 1997.
- Beginning August 22, 1997, for surviving spouses of employees who retired or died in service before January 23, 1987, the previous $300, $400, or $500 maximum spouse annuity limitation is removed. If an excess spouse refund was paid, it must be repaid with interest.
- Service paid under Section 8-230 can be counted for ordinary disability purposes for periods of disability on or after August 22, 1997.
- Early Retirement Incentive was created for withdrawals from December 31, 1997, to June 30, 1998.
    - Requires an election form to be filed before June 1, 1998.
    - Requires a member to be a current contributor on November 1, 1997, and have not previously retired under this Article.
    - Provides for elimination of the age discount for employees age 55 to 60.
    - Provides for 80 percent maximum final average salary compared to the present 75 percent.
    - Provides for an optional purchase of up to five years of service credit for 4.25 percent of the November 1, 1997, salary.
    - Provides for a 24-month option to pay for ERI service.
    - Provides for a tax levy derived from ERI contributions.

1998 Session

HB 3515

- Approved August 14, 1998.
- Beginning January 1, 1999, the automatic increase for employee annuitants changed to 3.00 percent compounded for all past, current, and future annuitants regardless of the effective date of the annuity. Term annuities are not eligible for the increase.
- Employees withdrawing after January 1, 1999, will be eligible for the minimum formula upon attainment of age 60 if they have at least 10 years of service.
- Beginning January 1, 1999, employees already receiving an annuity as of August 14, 1998, will receive a minimum annuity of $850 for life (reciprocal annuitants must have at least five years of Municipal service). Any future employee annuitant withdrawing from service after August 14, 1998, after attainment of age 60 with 10 or more years of service would qualify for this minimum.
- Beginning January 1, 1999, widow(er)s already receiving annuity as of August 14, 1998, will receive a minimum of $800 for life (reciprocal annuitants must have at least five years of Municipal service). For future spouses of retirees dying after August 14, 1998, 10 years of service is required. For spouses of employees dying in service after August 14, 1998, five years of service is required.
- The conditions of the reversionary option were changed as follows:
    - The nullification of reversionary payment due to employee dying was reduced to 365 days after written designation was filed with the board and now applies only to parents, children, and siblings (not spouses).
    - Employees may reduce their monthly annuity by as much as $400.
    - The increased annuity for spouse may now be as much as 100 percent of the reduced employee annuity.

1998 Session (continued)

HB 3515 (continued)

- Spouses and widows that are eligible for the "50 percent employee amount" will no longer have this amount reduced for under age 55 if the employee dies on or after January 1, 1998, and withdrew from service on or after June 27, 1997, and the employee retired after age 55 with at least 25 years of service or after age 50 with at least 30 years of service. The age discount will only apply if the spouse is under age 50.
- The child of an annuitant who withdraws after January 1, 1998, having attained age 50 with at least 30 years of service is eligible for a child annuity upon the death of the annuitant.
- The required employer multiple has been set at 1.25 for 1999 and beyond.
- Money deposited under 5/8-173(f) may be used by the plan for any of the purposes for which the proceeds of the tax levied by the city under this section may be used.
- An employee or former employee may pay and receive credit for all periods of full-time employment by the Public Building Commission as long as they are not receiving credit for the same service from another retirement system. Employee must pay employee and employer contributions based on the salary received from the Public Building Commission for employment. Repayment must be made before annuity begins.
- Annuitants may authorize a portion of their annuity to be withheld for payment of dues to the labor organization by which they were represented. A minimum of 25 annuitants must choose an organization for it to be included in this plan.

HB 1612

- Effective July 1, 1999, Qualified Illinois Domestic Relations Orders were recognized.

1999 Session

- No Changes.

2000 Session

HB 1583

- Approved July 6, 2000.
- An employee or widow whose annuity would amount to less than $800 per month may elect to receive a refund in lieu of annuity. Formerly, only employees and widows whose annuity would be less than $300 per month could choose a refund.
- The reversionary annuity tables have been extended down to age 50 from age 55 to comply with the change in the law allowing retirement at age 50 with 30 years of service.
- The Board is allowed to pay an annuity (if the person qualifies) directly to a Medicare approved, State certified nursing home or to a publicly owned and operated nursing home, hospital, or mental institution. Each person must qualify under the provisions of this amendment.
- Annuities of widows who remarry on or after the date 60 days after the effective date of this amendment would not be terminated upon remarriage.
- For annuities effective before January 1, 1998, all annuity payments will be made on the first day of the calendar month, for the entire month without proration.

2001 Session

EGTRRA

- On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 was signed by President Bush.
- Beginning January 1, 2002, payments for eligible optional service credits may be made with funds rolled over from a 457 deferred compensation plan or a 403(b) tax deferred annuity plan (if allowed by the 457 or 403(b) plan).

2002 Session

SB 314

- Effective July 1, 2002.
- The accrual rate for the minimum formula annuity is changed from 2.20 percent to 2.40 percent of final average salary and the maximum annuity is changed from 75 percent to 80 percent of final average salary for employees withdrawing from service on or after January 1, 2002.
- The 3.00 percent post-retirement automatic increase will now begin no later than three years after retirement for an eligible retiree (An eligible retiree is an employee annuitant, not a widow or widower annuitant, originally granted a lifetime annuity). For eligible retirees less than age 60 on the first anniversary of retirement, the 3.00 percent increase will begin at the earlier of age 60, and the latest of the following dates:
    - The third anniversary of retirement
    - The attainment of age 53; or
    - January 1, 2002

  For eligible retirees age 60 or older on the first anniversary of retirement, the 3.00 percent increase will begin on the first anniversary of retirement.

HB 5168

- Effective June 28, 2002.
- For the eligible spouse of an employee who dies in service on or after August 28, 2002, with at least 10 years of service, the annuity is no less than 50 percent of the minimum formula annuity the employee would have been entitled to based on service and salary to the date of death without regard to age eligibility requirements. This is equal to 2.40 percent of final average salary for each year of service. The employee and the spouse must have been married for ten years.
- For children of employees who die in service on or after June 28, 2002, there is no service requirement for eligibility for children's annuity.
- The definition of "child" now includes any child adopted before employee withdraws from service and at least one year prior to the date any benefit for the child accrues. Previously the adoption also had to take place before the employee attained age 55.
- For ordinary disability benefits paid on or after January 1, 2001, the ordinary disability benefit is 50 percent of the employee's salary at the date of disability with the amounts ordinarily contributed by the employee for annuity purposes contributed by the Plan. These contributions are not refundable.
- The pension plan subsidy for retiree health insurance was extended through June 30, 2003. For annuitants (older than child annuitants) taking the employer-provided plan, the subsidy is $75 per month if the annuitant is not eligible for Medicare, and $45 per month if the annuitant is eligible for Medicare.

2002 Session (continued)

HB 5168 (continued)

- Current and former Chicago Housing Authority employees who have service in this Plan or who reinstate service in this Plan may elect to participate in this Plan with respect to their employment with the Chicago Housing Authority under certain conditions. Contributions can be made for past service as well as current service.
- Current and former Public Building Commission employees who have service in this Plan or who reinstate service in this Plan may elect to participate in this Plan with respect to their employment with the Public Building Commission under certain conditions. Contributions can be made for past service as well as current service.
- An employee with 10 years of service in this Plan may establish service credit for up to seven years of full-time employment by the Illinois Housing Development Authority.
- The City Clerk and City Treasurer may elect to establish alternative credits in the Aldermanic Plan.
- Chicago aldermen may receive an annuity at age 55 with 10 years of service or age 60 with eight years of service.
- An alderman in service on June 1, 1995, can make payments for prior service up to 30 days after the effective date, even though he might be out of service or retired.
- A member of the Plan who has service in Police Fund may apply to Police to transfer his credits and service to Municipal under certain conditions. This must be done within 90 days of the effective date. Employee and employer contributions will be transferred.

2003 Session

SB 1701

- Effective July 1, 2003.
- The healthcare benefits were extended and increased to $85 per month for non-Medicare eligible participants and $55 per month for Medicare eligible participants for the period from July 1, 2003, through June 30, 2008. Thereafter, the benefits are extended and increased from $85 to $95 and $55 to $65 for the period July 1, 2008, to June 30, 2013.
- The healthcare benefits referred to above are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

2004 Session

HB 600

- Effective January 16, 2004.
- Early Retirement Incentive was created for withdrawals from January 31, 2004, to February 29, 2004 (or to May 31, 2004, for those deemed critical employees).
- Requires an election form to be filed before January 31, 2004.
- Requires a member to be a current contributor who has not previously retired under this Article and satisfy one of the following:
  - Active as of October 15, 2003
  - Returned to active from approved leave of absence prior to December 15, 2003
  - Receiving ordinary or duty disability benefits as of October 15, 2003
  - Restored to service by January 31, 2004, after having been involuntarily laid off

2004 Session (continued)

HB 600 (continued)

- Requires that employees that re-enter service forfeit their right to receive benefits and will have their benefits recalculated at the time of retirement excluding the benefits provided under the ERI.
- Requires that the participant is age 50 with ten years of creditable service in this Fund and have 70 combined years of age and service, with service in one or more systems under the Reciprocal Act (excluding service purchased under the ERI).
- Provides for elimination of the age discount for employees younger than age 60.
- Provides for an optional purchase of up to five years of service credit for 4.25 percent of the monthly salary rate in effect October 15, 2003.
- Provides for a 24-month option to pay for ERI service.
- Provides for the exclusion of ERI contributions from the base from which the tax levy is derived.
  - Allows Board members to continue until the end of their terms without forfeiting the benefits provided by the early retirement incentive.
  - Provides for a lump sum benefit option of 100 percent of salary at retirement and an actuarially reduced monthly annuity for those employees who were eligible for the maximum benefit (excluding purchased service under the ERI).
- Automatic increases in annuities will now take effect in the January of each year in which they are to be provided.
- An employee who previously withdrew contributions from the Fund, may have his rights under the Fund restored after repaying the withdrawn contributions with interest after completing the required amount of service after the date of refund. The required service is:
  - 90 days of service under this Fund or
  - Two years of service under any participating Fund under the Reciprocal Act.
- Municipality credits earned in this Fund shall be transferred to the Firemen's Annuity and Benefit Fund of Chicago with 11.00 percent interest compounded annually to the date of the transfer for former paramedics who are now covered under the Firemen's Annuity and Benefit Fund.
- Employees may elect to have their optional contributions "picked-up" by the employer, to be treated as employer contributions for tax purposes. The employee election is irrevocable.
- For the eligible spouse of an employee who died in service on or after January 1, 2002, and before August 28, 2002, with at least 10 years of service, the annuity is no less than 50 percent of the minimum formula annuity the employee would have been entitled to based on service and salary to date of death without regard to age eligibility requirements. This minimum formula annuity is equal to 2.40 percent of final average salary for each year of service. The employee and spouse must have been married for ten years.

2005 Session

SB 23

- Approved June 27, 2005.
- Prohibits the investment or deposit from the retirement system or pension fund to certain entities doing business in or with the government of the Republic of the Sudan. Fund managing companies must certify that under Section 1-110.5 of the pension code that they have not loaned to, invested in, or otherwise transferred any of the pension fund assets to a forbidden entity.

SB 253

- Approved August 4, 2005.
- Provides, that to qualify as an "emerging investment manager", the maximum value of an investment portfolio that a manager manages is $2,000,000,000 (was $400,000,000).

SB 1446

- Approved August 22, 2005.
- Provides for various changes in provisions and procedures concerning Qualified Illinois Domestic Relations Orders. Allows for alternate payee's benefit to be based on a percentage of employee's benefit. Effective July 1, 2006.

HB 227

- Approved August 22, 2005.
- Provides a benefit to a spouse married to the employee after retirement under certain conditions.

2006 Session

- No Changes.

2007 Session

HB 49

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

SB 1169

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

2007 Session (continued)

SB 1380

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

2008 Session

- No Changes.

2009 Session

SB 2520

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

HB 2557

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

SB 364

- Approved April 3, 2009.
- Requires Board members to file a verified written statement of economic interest annually with the office of the Clerk of Cook County.
- Requires the Board to adopt a policy that sets quantifiable utilization goals for the management of assets in specific asset classes for emerging investment managers. Goals shall be separated by minority ownership, female ownership, and person with a disability ownership.
- Requires that if at least one emerging firm(s) meet criteria of search process, at least one shall be invited to present to the Board for final consideration.

2009 Session (continued)

SB 364 (continued)

- Requires the Board to adopt a policy that sets forth goals for increasing the racial, ethnic and gender diversity of its fiduciaries, including its consultants and senior staff.
- Requires the Board to adopt a policy that sets forth goals for utilization of WMDBE firms for all contracts and services, based on the percentage of total dollar amount of all contracts let.
- Requires the Board to adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers.
- Requires an annual report to the Governor and General Assembly on the utilization of “emerging firms” as defined by Article 1 of the Pension Code.
- Requires the Board to award all contracts for investment services using a competitive process that is substantially similar to the process required for the procurement of professional services under Article 35 of the Illinois Procurement Code. Requires the Board to adopt a procurement policy which will be posted on the Fund’s website and filed with the Illinois Procurement Policy Board.
- Provides that a person may not act as a consultant or investment adviser unless that person is registered as an investment adviser or bank under the federal Investment Advisers Act of 1940.
- Requires investment contracts between the Retirement Board and investment service providers to include certain required information.
- Provides consultant contracts cannot exceed five years in duration; however, incumbent consultant may compete for new contract.
- Requires investment consultants and advisers to disclose all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment consultant or adviser in connection with the services provided.
- Requires that a description of every contract let for investment services be posted on the website, including name of entity awarded the contract, amount of contract, total fees paid, and disclosure describing the factors that contributed to the selection.
- Requires the Fund to maintain a website that shall include standard investment reporting, a copy of relevant Board policies, a listing of investment consultants and managers, a notification of any requests for investment services, and the names and e-mail addresses of Board members, Fund directors, and senior staff.
- Requires Board members to attend at least eight hours of ethics training per year and requires each Board to annually certify its member’s compliance and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation.
- Prohibits any Fund trustee or employee or their spouses or immediate family living with them to intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act, including educational materials and missions and travel expenses for discussing Fund business.
- Provides that any person who knowingly makes any false statement or falsifies or permits falsifying any record of the pension fund in an attempt to defraud is guilty of a Class 3 felony.
- Provides that no person or entity shall retain a person or entity to influence the outcome of an investment decision or the procurement of investment advice to a pension fund for compensation, contingent upon the decision of the Board.
- Requires approval for travel or education mission expense of a Trustee by a majority of the Board prior to mission.

2009 Session (continued)

SB 1440

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

SB 1705

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

2010 Session

Public Act 96-0889 (SB 1946)

- Approved April 14, 2010.
- Establishes a new tier of benefits for participants that first become members on or after the effective date of January 1, 2011.
    - Final average compensation is based on the average of the highest consecutive eight years within the last ten years of service.
    - Establishes a cap on final average salary of $106,800, as automatically increased by the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
    - Increases eligibility for a retirement annuity:
        - Age 67 with 10 years of service for an unreduced benefit.
        - Age 62 with 10 years of service for a reduced benefit. Reduction is one-half percent for each full month that retirement precedes age 67.
    - Changes provisions for automatic increases in annuity:
        - Increases begin in the year following the later of the first anniversary of the annuity start date and attainment of age 67.
        - Increases are equal to the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
        - Increases are based on the amount of the originally granted benefit (not compounded).

    - Changes benefits provided to surviving spouses:
        - Surviving spouse annuity is equal to 66 2/3 percent of the participant's earned retirement annuity at the date of death.
        - Provides an automatic increase in annuity:
            - Increases begin on January 1 in the year following the commencement of the survivor's annuity if the deceased member died while receiving a retirement annuity and January 1 following the first anniversary of commencement otherwise.
            - Increases are equal to the lesser of 3 percent or one-half of the annual increase in the Consumer Price Index-U during the preceding 12-months.
            - Increases are based on the amount of the originally granted benefit (not compounded)
    - Establishes that members that are receiving a retirement annuity and accept a full-time position under the same Article or another Article established under the Illinois Compiled Statutes would have their benefits suspended during employment. Their benefits would be recalculated, if applicable, upon termination of employment.

2010 Session (continued)

Public Act 96-1490 (SB 550)

- Approved December 30, 2010.
- Amends certain provisions established in SB1946 that apply to participants that first become members on or after January 1, 2011:
  - Establishes the period for calculating the annual unadjusted percentage increase in the Consumer Price Index-U as the 12-month period ending with September for purposes of capping salary and calculating the automatic increase in annuity percentage.
  - Establishes that the salary cap of $106,800 applies for all purposes under the Code, including the calculation of benefits and employee contributions.
  - Establishes that the survivor’s annuity is calculated with no reduction due to age.
  - Establishes that members who withdraw before age 62, or with less than 10 years of service, regardless of age, are entitled to all salary deductions for retirement annuity and spouse annuity accumulated with interest to date of resignation, plus the 0.50 percent deducted for annuity increase purposes without interest.
  - Establishes that increases in annuity for employee annuitants commence on January 1.

2011 Session

Public Act 97-0530 (SB 1672)

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

Public Act 97-0609 (SB 1831)

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

Public Act 97-0504 (HB 1670)

- Approved August 23, 2011.
- Amends the Open Meetings Act.
  - Requires each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
  - Requires those members to complete the training not later than one year after the effective date of the amendatory Act.
  - Requires each elected or appointed member of a public body subject to the Act who becomes such a member after the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.

2011 Session (continued)

Public Act 97-0504 (HB 1670) (continued)

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

2012 Session

Public Act 97-0651 (HB 3813)

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

Public Act 97-0967 (HB 3969)

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

2013 Session

Public Act 98-0043 (HB 1584)

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

Public Act 98-0433 (HB 2620)

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

End of Report

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