

**FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
ACTUARIAL VALUATION REPORT AS OF DECEMBER 31, 2016



June 9, 2017

Retirement Board of the  
Firemen's Annuity and Benefit Fund of Chicago  
20 South Clark Street, Suite 1400  
Chicago, IL 60603-1899

**Subject: Actuarial Valuation Report for the Year Ending December 31, 2016**

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Firemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2016. This actuarial valuation has been performed to measure the funding status of the Fund as of December 31, 2016, based on the statutes in effect as of December 31, 2016. This report also provides the development of the plan year end 2017 Actuarially Determined Contribution ("ADC") as required by GASB Statement Nos. 67 and 68. Other information required under GASB Statement Nos. 67 and 68 is provided in a separate report. The actuarial assumptions and methods used were recommended by the actuary and approved by the Board.

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

- Summary of Actuarial Valuation Methods and Assumptions;
- Schedule of Active Member Data;
- Retirements and Beneficiaries Added to and Removed from Rolls;
- Solvency (Termination) Test;
- Development of Actuarially Determined Contributions under GASB Statement Nos. 67 and 68;
- Development of Actuarial Gains and Losses; and
- Summary of Basic Actuarial Values.

We have also provided the following schedules in the financial sections of the report:

- Development of the projected Statutory Contribution Requirements based on the statutes in effect as of December 31, 2016

This actuarial valuation is based upon:

- a) **Data relative to the Members of the Fund** – Data for active members and persons receiving benefits from the fund was provided by the Fund's staff. We have tested this data for reasonableness.

- b) **Asset Values** – The values of assets of the Fund were provided by the Fund's staff. The assets provided by the Fund are still in draft form. The Fund and their auditor do not anticipate a material change in the asset value. The actuarial value of assets was used to develop actuarial results for the determination of statutory contribution requirements. In each fiscal year, asset gains and losses are phased in over a five-year period.
- c) **Actuarial Method** – The actuarial method utilized by the Fund, as required by statute, is the Entry-Age Normal cost method. The objective of this method is to recognize the costs of Fund benefits over the entire career of each member as a level percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d) **Actuarial Assumptions** – The actuarial assumptions remain unchanged from the prior actuarial valuation. The actuarial assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.
- e) **Plan Provisions** – The actuarial valuation is based on plan provisions and statutes in effect as of December 31, 2016.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. Pursuant to Public Act ("P.A.") 99-0506, effective May 30, 2016, the funding policy was amended and requires City contributions to be equal to \$199 million in payment year 2016, \$208 million in payment year 2017, \$227 million in payment year 2018, \$235 million in payment year 2019 and \$245 million in payment year 2020. For payment years after 2020, the City is required to make level percent of pay contributions for plan years 2020 through 2055 that along with member contributions and investment earnings are expected to generate a projected funded ratio of 90% by plan year end 2055. The projections are based on an open group, level percent of pay financing and the Entry-Age Normal cost method.

This is a severely underfunded plan. The funded ratio is only 20.2% (using market value of assets) and the unfunded liability is approximately \$4 billion as of December 31, 2016. The funded ratio is not projected to even reach 50% funded for another 26 years until 2042.

The funding policy defined in P.A. 99-0506 provides for fixed dollar City contributions for payment years 2016 to 2020, and level percent of pay contributions for years 2021 to 2055 that, along with member contributions and investment income, are projected to produce a funded ratio of 90% by 2055. This funding policy significantly defers contributions when compared to the provisions of the prior funding policy defined in P.A. 96-1495. The amount of annual contributions defined under P.A. 99-0506 does not even cover normal cost plus interest on the unfunded liability for the next 11 years. This means the unfunded liability is actually projected to increase to a high of \$4.7 billion in 2027, when contributions are finally sufficient to start reducing the unfunded liability.

We understand that P.A. 99-0506 defines the amount of City Contributions to the FABF. Nevertheless, we continue to recommend that the plan sponsor seriously consider making additional contributions (in excess of the minimum statutory requirement) to ensure that there are sufficient assets available in the fund in all years to pay the promised benefits.

We also recommend that the Board perform projections which include pessimistic scenarios such as investment return lower than assumed, lower contributions received than expected, higher benefit payments than expected, etc. to more fully understand the impact of less than optimal future expectations.

This actuarial valuation assumes that the City will be able to make future contributions on a timely basis. We did not perform an analysis of the ability of the City to make future contributions. Such an analysis is not within the scope of our assignment or within our analytical skill set. Failure to receive City contributions on a timely basis could jeopardize the sustainability of the Fund.

The funding actuarial valuation results contained in this report were prepared based on the statutes in effect as of December 31, 2016. The projected contributions contained in this report will be used to develop the blended discount rate under GASB Statement Nos. 67 and 68.

The actuarial valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provisions of the Fund as of the actuarial valuation date. To the best of our knowledge, this actuarial statement is complete and accurate based on the statutes in effect as of December 31, 2016, and fairly presents the actuarial position of the Fund as of December 31, 2016. Based on these items, we certify these results to be true and correct.

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.

Actuarial valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contribution shortfalls (the difference between the actual contributions and the annual required contributions) remain the responsibility of the Plan sponsor. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this variance, with a view to funding the plan over time.

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

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

Alex Rivera and Lance J. Weiss 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.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



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Senior Consultant



Lance J. Weiss, EA, MAAA, FCA  
Senior Consultant

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## SUMMARY OF VALUATION RESULTS

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This report sets forth the results of the actuarial valuation of the Firemen's Annuity and Benefit Fund of the City of Chicago ("Fund") as of December 31, 2016. This actuarial valuation is based on the provisions of P.A. 99-0506 and P.A. 99-0905. The purposes of this actuarial valuation are:

1. To estimate the projected statutory contributions for plan years after 2020 based on the provisions of Public Act 99-0506.
2. To estimate the projected statutory contributions, after plan year 2020, based on the provisions of Public Act 99-0506, for purposes of developing the blended discount rate under GASB Statement Nos. 67 and 68.
3. To develop the actuarially determined contributions (ADC) under GASB Statement Nos. 67 and 68.
4. To review the funded status of the Fund, based on the statutes in effect as of December 31, 2016.

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

Funded status is measured differently for statutory funding and for Fund and City financial reports. The following chart shows how funded status is determined for each purpose.

<b>Purpose</b>	<b>Actuarial Method</b>	<b>Asset Value</b>
Statutory Funding	Entry-Age Normal	Actuarial (Market-Related) Value of Assets
Fund reporting after 2014 (GASB #67 for pension benefits)	Entry-Age Normal	Market Value of Assets
City reporting after 2015 (GASB #68 for pension benefits)	Entry-Age Normal	Market Value of Assets

Under the Entry Age Normal Cost Method, each participant's projected benefit is allocated on a level percent of pay basis from entry age to assumed exit age. The Actuarial Accrued Liability is the portion of the present value associated with pay prior to the actuarial valuation date. The Normal Cost is the portion of the present value associated with pay during the current plan year.

The actuarial (market-related) value of assets is determined from market value with investment gains and losses smoothed over a five-year period. The actuarial assumptions used to determine the liabilities are the same in all three measures.

## SUMMARY OF VALUATION RESULTS (CONT'D)

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### Comments on Results

P.A. 99-0506, effective as of May 30, 2016, changed the City's contribution policy to \$199 million in payment year 2016, \$208 million in payment year 2017, \$227 million in payment year 2018, \$235 million in payment year 2019 and \$245 million in payment year 2020. For payment years after 2020, the City is required to make level percent of pay contributions for plan years through 2055 that, along with member contributions and investment earnings, are expected to generate a projected funded ratio of 90% by plan year end 2055. In addition, the actuarial funding method was changed from the Projected Unit Credit cost method to the Entry Age Normal cost method. Under P.A. 99-0506, the minimum benefit for certain annuitants cannot be less than 125% of the Federal poverty level.

P.A. 99-0905, effective November 29, 2016, extended the 3.00% annual COLA increases to participants born after December 31, 1954, but before January 1, 1966, first payable at the later of age 55 or one year from retirement date. In addition, under P.A. 99-0905, the minimum benefit for widows cannot be less than 125% of the Federal poverty level.

Other changes made under P.A. 99-0506 and P.A. 99-0905 had minimal effect on funding and contributions.

The actuarial accrued liability as of December 31, 2016, increased by \$52.8 million due to the cost method change and \$226.8 million due to benefit improvements under P.A. 99-0506 and P.A. 99-0905.

The change in funding policy decreased City contributions paid in 2016 from \$238 million to \$199 million. The change in funded policy significantly decreases City contributions in payment years 2016 through 2020 and delays the year that FABF reaches 90% funding from 2040 to 2055. The increase in actuarial accrued liability is financed after payment year 2020 as part of the City's statutory contribution.

Under the current statutory funding policy the funded ratio is projected to increase slowly over the next 15 years from 21.3% in 2016 to 32.1% in 2030. The funded ratio is projected to increase to 46.2% in 2040, 70.7% in 2050 and 90.0% in 2055. The statutory funding policy generates "back-loaded" City contributions with slow growth in the funded ratio. Underfunding the Fund creates the risk that the long-term investment return cannot be supported, minimal investment income is available to pay benefits, or worse – that benefit obligations cannot be met from the trust.

The calculations in this report were prepared based on the funding policy methods required by Public Act 99-0506. In light of the current funded status of this Retirement Fund, we do not endorse this funding policy because the Statutory funding policy defers funding for benefits into the future and places a higher burden on future generations of taxpayers.

We recommend a funding policy that contributes the net normal cost plus amortization of the unfunded actuarial liability over a reasonable period. For example, contributing the net normal cost plus amortization of the unfunded actuarial liability on a level dollar basis over a 30-year period in our opinion would produce a reasonable growth pattern in the funded ratio. Using this basis, the City's Actuarially Determined Contribution ("ADC") for plan year end 2017, net of member contributions, is approximately \$372.8 million or 77.9% of payroll which compares to the current

## SUMMARY OF VALUATION RESULTS (CONT'D)

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statutory contribution of \$227 million or 46.5% of payroll. The ADC is a required disclosure item under GASB Statement Nos. 67 and 68.

Effective with Fiscal Year Ending December 31, 2014, GASB Statement No. 67 replaced GASB Statement No. 25 for pension plan financial reporting requirements. GASB Statement No. 68 replaced GASB Statement No. 27 for employer financial reporting effective with fiscal year ending December 31, 2015. The discount rate used for GASB Statement Nos. 67 and 68 reporting purposes will be based on a single equivalent discount rate using a combination of 7.50% 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 discount rate will become an important liability for users of the Fund's financial information.

Due to the single equivalent discount rate and shorter amortization periods required under GASB Statement Nos. 67 and 68, the unfunded liabilities and pension expense will be much higher and more volatile than under the prior GASB standards. The measurements required under GASB Statement Nos. 67 and 68 are provided in a separate report.

Based on the Actuarial Value of Assets, the Unfunded Actuarial Liability increased from \$3.53 billion to \$3.97 billion during the year. The funded ratio decreased from 23.43% to 21.30%.

Based on the Market Value of Assets, the Unfunded Actuarial Liability increased from \$3.57 billion to \$4.03 billion, and the funded ratio decreased from 22.65% to 20.19%.

There were six major gain/loss items which had an impact on the unfunded actuarial accrued liability:

- The employer cost in excess of actual contributions generated a loss of approximately \$150.7 million;
- The investment gain/loss on the actuarial value of assets generated an overall gain of \$2.9 million;
- Pay increases lower than expected resulted in a gain of \$2.4 million;
- Actual experience which differed from expected experience based on the demographic assumptions resulted in a loss of \$10.9 million;
- Increased service for 12 members who were part of the Godfrey Settlement resulted in a loss of \$4.1 million;
- The change in actuarial cost method from Projected Unit Credit to Entry Age Normal resulted in a loss of \$52.8 million;
- Changes in funding policy and plan provisions under P.A. 99-0905 and P.A. 99-0506 resulted in a loss of \$226.8 million; and

## SUMMARY OF VALUATION RESULTS (CONT'D)

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- All other factors generated a gain of 1.5 million.

A more thorough examination of these and other factors can be found in the Reconciliation of Unfunded Liability gain/loss calculation in Table 3.

A summary of the primary results of this valuation is shown in the following table.

	December 31, 2015		December 31, 2016	
	\$ in Millions	% of Pay <sup>1</sup>	\$ in Millions	% of Pay <sup>1</sup>
<b>Contribution Levels</b>				
Statutory Contribution <sup>2</sup> (Tax Levy Year)	\$ 208.0	43.77 %	\$ 227.0	46.46 %
	(2016)		(2017)	
Actuarially Determined Contribution (ADC) <sup>3</sup> (Plan Year)	336.4	72.31	372.8	77.92
	(2016)		(2017)	
<b>Funding Status -- Actuarial Value</b>				
Actuarial Value of Assets	\$ 1,081.0	232.37	\$ 1,074.9	224.64
Actuarial Liability <sup>4</sup>	4,613.7	991.70	5,045.9	1,054.59
Funding Ratios	23.43%	N/A	21.30%	N/A
<b>Funding Status -- Market Value</b>				
Market Value of Assets	\$ 1,045.1	224.64	\$ 1,019.0	212.97
Actuarial Liability <sup>4</sup>	4,613.7	991.70	5,045.9	1,054.59
Funding Ratios	22.65%	N/A	20.19%	N/A
<b>Funding Status -- ADC Value</b>				
Actuarial Value of Assets	\$ 1,081.0	232.37	\$ 1,074.9	224.64
Actuarial Liability - Entry Age <sup>5</sup>	4,666.8	1,003.11	5,045.9	1,054.59
Funding Ratios	23.16%	N/A	21.30%	N/A

<sup>1</sup>Payroll of \$465.2 million for 2015 and \$478.5 million for 2016 includes duty availability pay for both years.

<sup>2</sup>Pursuant to P.A. 99-0506, the fiscal year 2016 tax levy, payable in fiscal year 2017, is equal to \$208 million and the fiscal year 2017 tax levy, payable in fiscal year 2018, is equal to \$227 million. The statutory contribution expressed as a percentage of pay is based on projected payroll for the respective tax levy year.

<sup>3</sup>The ADC for fiscal year December 31, 2017, was determined based on a 30-year level dollar amortization policy for pension benefits.

<sup>4</sup>The Actuarial Liability used for funding was based on the Projected Unit Credit cost method as of December 31, 2015, and on the Entry Age normal cost method as of December 31, 2016.

<sup>5</sup>Used to determine Actuarially Determined Contribution under GASB Statement Nos. 67 and 68.

## SUMMARY OF VALUATION RESULTS (CONT'D)

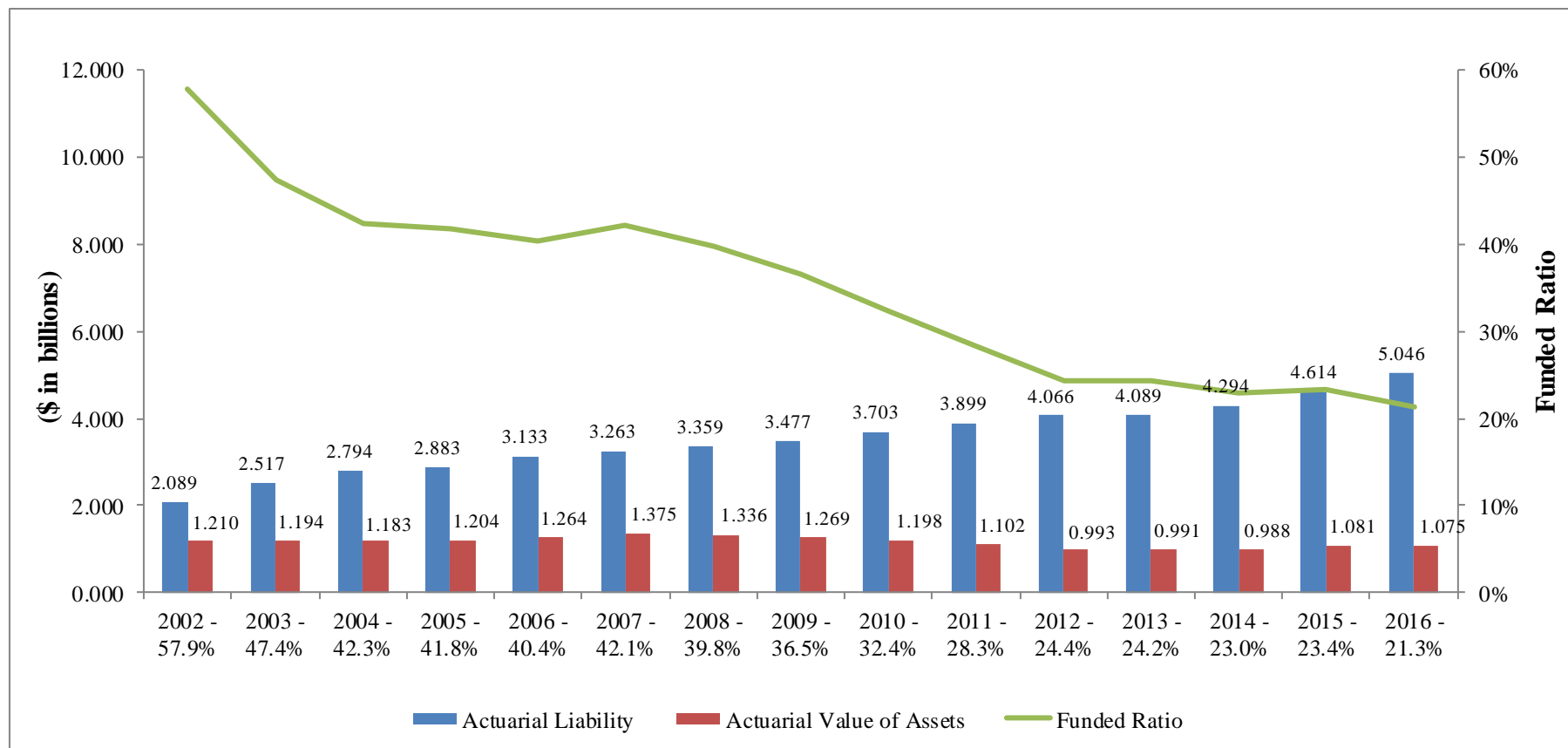
### COMPONENTS OF FUNDING RATIO BASED ON MARKET VALUE



Years 2013 through 2015 used Projected Unit Credit for Actuarial Liabilities and Actuarial Liabilities for 2016 and all years prior to 2013 used the Entry-Age Normal cost method. Market Value of Assets used for all years.

## SUMMARY OF VALUATION RESULTS (CONT'D)

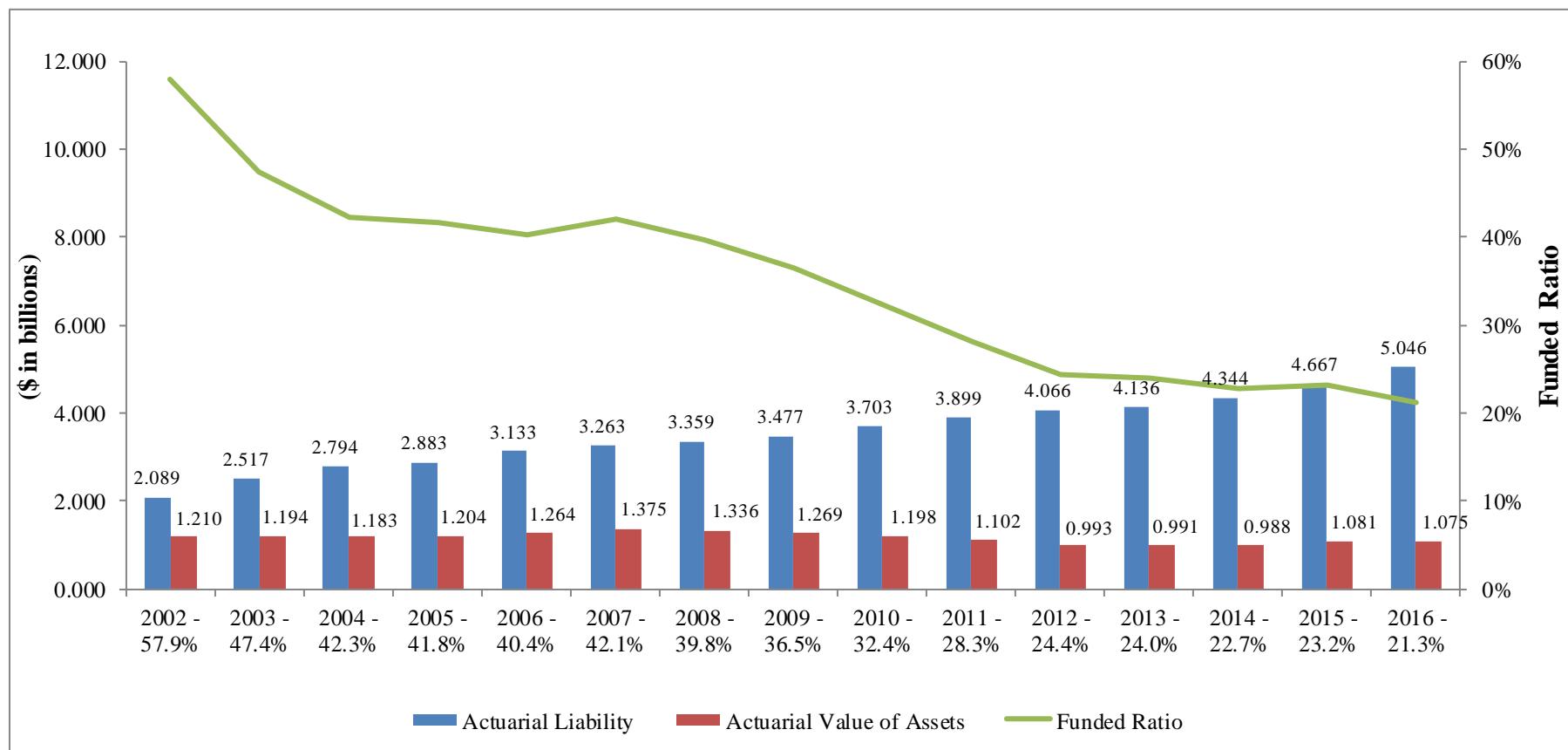
### COMPONENTS OF FUNDING RATIO BASED ON ACTUARIAL VALUE



*State reporting for 2016 uses the Entry-Age Normal cost method. Years 2013 through 2015 used Projected Unit Credit for Actuarial Liabilities. Actuarial Liabilities prior to 2013 also use the Entry-Age Normal cost method. State reporting of assets is based on Actuarial (Market-Related) Value for Assets beginning in 2013 and Book Value of assets prior to 2013.*

## SUMMARY OF VALUATION RESULTS (CONT'D)

### COMPONENTS OF FUNDING RATIO BASED ON ADC UNDER GASB STATEMENT NOS. 67 AND 68



*GASB ASC Actuarial Value of Assets based on 5-year smoothing for all years. Actuarial Liabilities uses Entry-Age Normal cost method for all years.*

## SUMMARY OF VALUATION RESULTS (CONT'D)

### Participants

The major characteristics of the member data of the Fund are summarized as follows:

	<u>December 31, 2015</u>	<u>December 31, 2016</u>
<b>Active Participants<sup>1</sup></b>		
Number	4,735	4,760
Average Age	46.1	45.8
Average Service	15.8	15.6
Average Annual Salary <sup>2</sup>	\$94,834	\$97,039
<b>Retirees</b>		
Number	3,044	3,130
Average Age	69.9	69.8
Average Monthly Benefit	\$ 5,985	\$ 6,177
<b>Survivors<sup>3</sup></b>		
Number	1,287	1,261
Average Age	77.9	78.0
Average Monthly Benefit	\$ 2,096	\$ 2,164

<sup>1</sup> Includes three participants on ordinary disability who continues to accrue benefit service in 2015, and three participants on ordinary disability who continue to accrue benefit service in 2016.

<sup>2</sup> Average Annual Salary excludes duty availability pay.

<sup>3</sup> Includes one parent annuitant.

Total participants receiving benefits under the Fund, including disability, widow and children, increased 1.0% during 2016 from 4,732 to 4,780. Total expenditures for these benefits increased from \$276.8 million in 2015 to \$285.2 million during 2016, or 3.0%.

### Changes in Provisions of the Fund

**The following Public Acts were passed in 2016 by the 99<sup>th</sup> General Assembly that made changes to the Fund Provisions.**

PA 99-0506, effective May 30, 2016

Provides changes to the funding policy and actuarial cost method and increased the minimum benefit for certain annuitants to 125% of the Federal Poverty Level.

PA 99-0905, effective November 29, 2016

Extends the 3.00% annual COLA increases to participants born after December 31, 1954, but before January 1, 1966, and increases the minimum benefit for widows to 125% of the Federal poverty level.

A detailed description of the provisions in the Public Acts passed in 2016 can be found in the Historical Information section of this report.



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## SUMMARY OF VALUATION RESULTS (CONT'D)

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### Analysis 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-term 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 specific experience. 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.

### Changes in Actuarial Assumptions & Methods

The actuarial valuation as of December 31, 2016, is based on the same actuarial assumptions as the prior actuarial valuation.

The cost method used for calculating the statutory contribution was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method in accordance with P.A. 99-0506. The objective of the EAN Cost Method is to recognize the costs of Fund benefits over the entire career of each member as a level percentage of compensation. Any UAAL under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

### Asset Valuation Method

The method used to develop the Fund's Actuarial Value of Assets is as follows: In years when Fund assets earn above 7.5% (i.e., experience gain) or below 7.5% (i.e., experience loss) the gain (or loss) will be gradually recognized over five years. This approach both smoothes the Fund's level of actuarially determined contribution and ensures the Fund's assets will track the market value of assets.

In accordance with P.A. 96-1495, the actuarial value of assets was marked to the market value of assets as of December 31, 2011. Gains and losses for each year ending after December 31, 2011, are smoothed over a five-year period.

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## SUMMARY OF VALUATION RESULTS (CONT'D)

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### 2016 Experience Analysis

#### Investment Return

During 2016, assets earned 6.1% on a market basis and 7.8% on an actuarial basis which compares to the assumed rate of return of 7.5%. Overall, the fund experienced an actuarial loss due to investment performance, on a market basis, and an actuarial gain on an actuarial (smoothed) value basis, during the year.

The Fund had an investment loss in 2016 of \$14.3 million relative to the 7.5% expected rate of return on a market value basis. The gain on the Actuarial (Market-Related) Value of Assets relative to the 7.5% expected rate of return was \$2.9 million.

#### Pay Increase

Effective December 31, 2015, the salary increase assumption consists of a 3.75% base increase with an additional service-based increase. For the current continuing actives in 2016, the average salary increase was approximately 5.1%. This was 3.5 percentage points below our aggregate assumption of 8.6%, resulting in an actuarial gain of approximately \$2.4 million, or 0.05% of total liabilities.

#### Plan Provision Changes

Due to Public Act 99-0506, the actuarial funding cost method was changed from Projected Unit Credit to the Entry-Age Normal cost method. Public Act 99-0506 and Public Act 99-0905 included benefit changes for certain members.

As of December 31, 2016, the change in actuarial cost method increased the actuarial accrued liability by \$52.8 million and the change in benefits increased the actuarial accrued liability by \$226.8 million.

#### Other

The combination of retirements, disablements and deaths resulted in a net actuarial loss of \$10.9 million. Gains and losses from all other sources, including new hires and data corrections, resulted in a net gain of \$1.52 million.

#### Conclusion

Based on our analysis of the recent experience and expectation of the future, we believe that the assumptions are reasonable for the purpose of the measurement of the System's costs in effect as of December 31, 2016, under the provisions of P.A. 99-0905 and P.A. 99-0506. Table 3 of Appendix 1 shows a more detailed development of the actuarial gains and losses for the plan year ending December 31, 2016. However, since the demographic assumptions were reviewed in 2011, we recommend reviewing all of the actuarial assumptions, especially the mortality tables.

During 2016, the Fund received contributions (net of investment return) of \$205.1 million and paid out benefits and expenses of \$292.1 million resulting in net negative cash flow of \$87.0 million. In addition, as of December 31, 2016, the funded ratio of the plan was only 20.19% based on the Market Value of Assets, the Entry Age Normal cost method and the current investment return assumption of 7.50%.

## SUMMARY OF VALUATION RESULTS (CONT'D)

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If contributions are not made on a timely basis, or if benefits are projected to be greater than the contributions in the near term, the Fund may not have enough liquidity to continue making all the required benefit payments without changing its investment portfolio to one comprised of a larger percentage of short term (cash generating) investments.

If the Fund changes its investment portfolio to one comprised of a larger percentage of short term investments, the Fund may no longer be able to support the current 7.50% investment return assumption.

The result of using a lower investment return assumption could be a significant increase in the annual contribution requirement of the Fund and a decrease in the funded ratio.

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## **APPENDIX 1**

### RESULTS OF ACTUARIAL VALUATION

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**TABLE 1**  
**SUMMARY**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>
<b><u>Assets</u></b>		
Market Value - Beginning of Year	\$ 1,036,008,401	\$ 1,045,101,093
<b><u>Income</u></b>		
Investment Income Net of Expenses	\$ 7,595,562	\$ 60,881,106
Employer Contributions	238,485,820	156,158,391
Employee Contributions	46,552,247	48,959,929
Miscellaneous	7,141	6,494
Subtotal	<u>\$ 292,640,770</u>	<u>\$ 266,005,920</u>
<b><u>Outgo (Refunds, Benefits, &amp; Administration)</u></b>	<u>\$ 283,548,078</u>	<u>\$ 292,093,220</u>
Market Value - End of Year	\$ 1,045,101,093	\$ 1,019,013,793
Actuarial Value - End of Year	1,081,041,796	1,074,857,735
Book Value - End of Year	1,002,393,416	954,940,148
<b><u>Members</u></b>		
Active	4,735	4,760
Retirees	3,044	3,130
Survivors <sup>1</sup>	1,287	1,261
Disabilities	319	302
Children	79	84
<b><u>Payroll Data</u></b>		
Valuation Payroll <sup>2</sup>	\$ 465,231,594	\$ 478,470,944
Average Salary	98,254	100,519

<sup>1</sup> Includes Widow, Compensation and Parent Annuitants.

<sup>2</sup> The valuation payroll includes compensation for three ordinary disability participants. They continue to accrue benefit service and hence additional liability while on ordinary disability. Both years include duty availability pay.

**TABLE 1 (CONT'D)**  
**SUMMARY**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>
<b><u>Actuarial Values</u></b>		
<b><u>Statutory Funding</u></b>		
Actuarial Liability <sup>1</sup>	\$4,613,683,248	\$5,045,890,302
Assets - Actuarial Value	1,081,041,796	1,074,857,735
Unfunded Liability	3,532,641,452	3,971,032,567
Funded Ratio	23.43%	21.30%
Statutory Employer Contribution <sup>2</sup> (Tax Levy Year)	208,000,000 (2016)	227,000,000 (2017)
<b><u>Market Values</u></b>		
Actuarial Liability <sup>1</sup>	\$4,613,683,248	\$5,045,890,302
Assets - Market Value	1,045,101,093	1,019,013,793
Unfunded Liability	3,568,582,155	4,026,876,509
Funded Ratio	22.65%	20.19%
<b><u>ADC Values</u></b>		
Actuarial Liability - Entry Age <sup>3</sup>	\$4,666,801,476	\$5,045,890,302
Assets - Actuarial Value	1,081,041,796	1,074,857,735
Unfunded Liability <sup>2</sup>	3,585,759,680	3,971,032,567
Funded Ratio	23.16%	21.30%
Actuarially Determined Contribution (ADC) <sup>4</sup> (Plan Year End)	336,406,327 (2016)	372,845,121 (2017)

<sup>1</sup>Actuarial Liabilities for Statutory Funding and Market Value Funding are calculated using the Projected Unit Credit cost method for fiscal year ending December 31, 2015, and the Entry Age Normal cost method for fiscal year ending December 31, 2016.

<sup>2</sup>Pursuant to P.A. 99-0506, effective May 30, 2016, the fiscal year 2016 tax levy, payable in fiscal year 2017, is equal to \$208,000,000 and the fiscal year 2017 tax levy, payable in fiscal year 2018, is equal to \$227,000,000.

<sup>3</sup>Used to determine Actuarially Determined Contribution under GASB Statements Nos. 67 and 68.

<sup>4</sup>The Actuarially Determined Contribution (ADC) as defined by GASB Statements Nos. 67 and 68 is recognized for fiscal years on and after December 31, 2015. The ADC for fiscal year December 31, 2016, was determined based on a 30-year level dollar amortization policy for pension benefits.

## TABLE 2A DEVELOPMENT OF STATUTORY CONTRIBUTION

Actuarial Valuation Projection Results as of December 31, 2016 Discount Rate of 7.50% (\$ in Thousands)													
Year	Actuarial	Market	Actuarial	Unfunded	Actuarial Value	Uncapped	Capped	Employer	Statutory	Statutory	Employee	Benefit	Admin
Ending	Accrued	Value of	Value of	Liability	Funded Ratio	Payroll	Payroll	Normal Cost	Contribution <sup>1</sup>	as % of Pay	Contributions	Payments	Expenses
	Liability	Assets	Assets										
2016	\$5,045,890	\$1,019,014	\$1,074,858	\$3,971,033	21.30%	\$478,471	\$478,471	\$39,502	\$156,165	32.6%	\$48,960	\$ 288,876	\$3,217
2017	5,200,475	1,041,518	1,091,053	4,109,422	20.98%	488,633	488,633	44,726	227,000	46.5%	44,614	308,540	3,297
2018	5,354,301	1,062,593	1,083,381	4,270,919	20.23%	500,612	500,612	42,916	235,000	46.9%	47,620	321,691	3,380
2019	5,505,024	1,080,209	1,083,069	4,421,955	19.67%	513,064	513,064	43,021	245,000	47.8%	48,794	337,137	3,464
2020	5,652,084	1,178,435	1,178,435	4,473,649	20.85%	525,898	525,896	43,130	339,701	64.6%	49,993	352,929	3,551
2021	5,795,203	1,275,079	1,275,079	4,520,124	22.00%	538,398	538,356	43,190	347,750	64.6%	51,202	368,683	3,640
2022	5,933,613	1,371,857	1,371,857	4,561,756	23.12%	551,876	551,797	43,244	356,432	64.6%	52,446	384,923	3,731
2023	6,067,172	1,469,987	1,469,987	4,597,185	24.23%	567,341	566,916	43,359	366,198	64.6%	53,810	401,148	3,824
2024	6,194,695	1,568,156	1,568,156	4,626,539	25.31%	582,671	581,211	43,508	375,432	64.6%	55,238	418,265	3,919
2025	6,315,073	1,665,797	1,665,797	4,649,276	26.38%	598,038	595,562	43,619	384,702	64.6%	56,610	435,919	4,017
2026	6,428,051	1,762,905	1,762,905	4,665,146	27.43%	613,499	609,446	43,678	393,670	64.6%	57,923	453,186	4,118
2027	6,534,924	1,862,504	1,862,504	4,672,420	28.50%	631,636	625,364	43,831	403,952	64.6%	59,279	468,811	4,221
2028	6,637,278	1,967,265	1,967,265	4,670,013	29.64%	653,187	642,361	44,192	414,932	64.6%	60,791	482,842	4,326
2029	6,736,058	2,076,592	2,076,592	4,659,466	30.83%	675,523	655,889	44,565	423,670	64.6%	62,194	495,535	4,434
2030	6,831,743	2,190,775	2,190,775	4,640,969	32.07%	698,158	667,969	44,859	431,473	64.6%	63,383	507,203	4,545
2031	6,922,718	2,306,624	2,306,624	4,616,094	33.32%	719,758	676,478	45,044	436,970	64.6%	64,388	519,902	4,659
2032	7,008,652	2,424,201	2,424,201	4,584,450	34.59%	743,279	684,514	45,074	442,161	64.6%	65,162	532,178	4,775
2033	7,089,720	2,543,774	2,543,774	4,545,945	35.88%	769,569	691,969	45,144	446,976	64.6%	65,887	543,911	4,895
2034	7,165,604	2,664,753	2,664,753	4,500,851	37.19%	796,011	698,173	45,203	450,984	64.6%	66,519	555,491	5,017
2035	7,237,283	2,788,216	2,788,216	4,449,066	38.53%	823,443	703,692	45,230	454,548	64.6%	67,027	565,591	5,143
2036	7,305,269	2,914,684	2,914,684	4,390,584	39.90%	851,595	708,515	45,307	457,664	64.6%	67,483	574,891	5,271
2037	7,371,270	3,046,621	3,046,621	4,324,649	41.33%	882,542	713,776	45,417	461,062	64.6%	67,889	582,259	5,403
2038	7,436,332	3,185,836	3,185,836	4,250,496	42.84%	915,947	719,518	45,616	464,771	64.6%	68,361	588,633	5,538
2039	7,501,392	3,333,994	3,333,994	4,167,398	44.45%	950,161	725,546	45,873	468,665	64.6%	68,858	594,123	5,676
2040	7,568,351	3,493,941	3,493,941	4,074,410	46.17%	985,429	732,160	46,219	472,937	64.6%	69,390	597,909	5,818
2041	7,636,780	3,665,753	3,665,753	3,971,027	48.00%	1,020,906	738,583	46,658	477,086	64.6%	69,984	602,406	5,964
2042	7,706,613	3,850,166	3,850,166	3,856,447	49.96%	1,057,586	745,183	47,182	481,349	64.6%	70,564	607,146	6,113
2043	7,777,661	4,047,690	4,047,690	3,729,970	52.04%	1,095,450	751,784	47,832	485,614	64.6%	71,156	612,314	6,266
2044	7,849,310	4,258,278	4,258,278	3,591,032	54.25%	1,134,193	758,063	48,587	489,669	64.6%	71,752	618,274	6,422
2045	7,921,485	4,482,833	4,482,833	3,438,652	56.59%	1,174,082	764,660	49,492	493,930	64.6%	72,341	624,498	6,583
2046	7,994,083	4,722,341	4,722,341	3,271,742	59.07%	1,215,288	771,687	50,573	498,470	64.6%	72,962	631,075	6,748
2047	8,067,442	4,978,336	4,978,336	3,089,106	61.71%	1,258,061	779,239	51,859	503,348	64.6%	73,625	637,614	6,916
2048	8,142,427	5,253,132	5,253,132	2,889,295	64.52%	1,303,077	787,541	53,333	508,711	64.6%	74,338	643,621	7,089
2049	8,219,686	5,548,908	5,548,908	2,670,779	67.51%	1,349,929	796,544	54,987	514,526	64.6%	75,126	649,383	7,266
2050	8,300,187	5,868,250	5,868,250	2,431,937	70.70%	1,398,936	806,208	56,823	520,769	64.6%	75,981	654,635	7,448
2051	8,384,201	6,213,031	6,213,031	2,171,170	74.10%	1,449,876	816,276	58,817	527,272	64.6%	76,900	660,090	7,634
2052	8,471,948	6,585,021	6,585,021	1,886,927	77.73%	1,502,349	826,479	60,968	533,863	64.6%	77,859	665,790	7,825
2053	8,563,872	6,986,309	6,986,309	1,577,564	81.58%	1,556,945	836,810	63,297	540,536	64.6%	78,830	671,531	8,021
2054	8,660,618	7,419,357	7,419,357	1,241,260	85.67%	1,613,834	847,270	65,757	547,293	64.6%	79,813	677,102	8,221
2055	8,762,913	7,886,858	7,886,858	876,055	90.00%	1,673,363	857,861	68,345	554,134	64.6%	80,809	682,461	8,427

<sup>1</sup> Contribution receivable to be paid in the following year. The funded ratio includes receivable contribution.

**TABLE 2B**  
**DEVELOPMENT OF STATUTORY CONTRIBUTION (CONT'D)**

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(1) Projected Normal Cost for 2018	\$ 90,535,696
(2) Projected Actuarial Accrued Liability (AAL) at 12/31/2017 <sup>1</sup>	\$ 5,200,475,088
(3) Projected Unfunded AAL (UAAL)	
(a) Projected Actuarial Value of Assets at 12/31/2017	\$ 1,091,053,402
(b) UAAL [2-3(a)]	\$ 4,109,421,686
(4) Estimated Member Contributions during 2018	\$ 47,620,097
(5) Estimated City Contribution for Tax Levy Year 2018	\$ 235,000,000 <sup>2</sup>

<sup>1</sup> Pension liabilities were discounted at 7.5% per year, and are based on the Entry Age Normal method.

<sup>2</sup> Based on P.A. 99-0506.



**TABLE 2C**  
**DEVELOPMENT OF ACTUARIALLY DETERMINED CONTRIBUTION UNDER**  
**GASB STATEMENT NOS. 67 AND 68 FOR 2017**

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(1) Normal Cost for 2017	\$ 89,340,800
(2) Actuarial Accrued Liability (AAL) at 12/31/2016	\$ 5,045,890,302
(3) Unfunded AAL (UAAL)	
(a) Actuarial Value of Assets at 12/31/2016	\$ 1,074,857,735
(b) UAAL [2-3(a)]	\$ 3,971,032,567
(4) Amortization (Level \$) Payable at Beginning of Year <sup>1</sup>	\$ 312,774,172
(5) Minimum Actuarially Calculated Contributions	
(a) Interest Adjustment for Semimonthly Payment	\$ 15,344,522
(b) Total Contribution [1+4+5(a)]; but not less than zero	\$ 417,459,494
(c) Total Contribution (Percent of Pay)	87.25%
(6) Estimated Member Contributions	\$ 44,614,373
(7) Actuarially Determined Contribution (ADC)	
(a) Actuarially Determined Contribution [5(b)-6]	\$ 372,845,121
(b) Actuarially Determined Contribution (Percent of Pay)	77.92%
(8) Estimated City Contribution for 2017	\$ 227,000,000
(9) City Contribution Deficiency/(Excess) for 2017	
(a) in Dollars [(7(a)-8)]	\$ 145,845,121
(b) as a Percentage of Pay	30.48%
(10) Combined City/Member Contributions Deficiency/(Excess) for 2017	
(a) in Dollars [5(b)-6-8]	\$ 145,845,121
(b) as a Percentage of Pay	30.48%

<sup>1</sup> Pension UAAL is amortized over a level dollar 30-year period.

**TABLE 3**  
**RECONCILIATION OF UNFUNDED LIABILITY**

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	<b>2015</b>	<b>2016</b>
<u>(1) Unfunded Actuarial Accrued Liability - Beginning of Year</u>	\$3,305,589,171	\$3,532,641,452
 (2) Gains/(Losses) During the Year Attributable to:		
Employer Cost in Excess of Contributions	(61,686,438)	(150,660,496)
Gain/(Loss) on Investment Return (AVA)	12,293,312	2,908,567
Gain/(Loss) from Salary Changes	28,703,796	2,403,607
Gain/(Loss) from Demographic Assumptions	(9,113,459)	(10,902,320)
Gain/(Loss) from Assumption Changes	(188,206,498)	-
Gain/(Loss) from All Other Sources	(9,042,995)	1,520,809
Total Actuarial Gain/(Loss)	\$ (227,052,281)	\$ (154,729,833)
 Gain/(Loss) Godfrey Settlement <sup>1</sup>	 \$ -	 \$ (4,089,853)
 Gain (Loss) from P.A. 99-0506 and P.A. 99-0905		
Gain/(Loss) from Actuarial Cost Method Change	-	(52,797,960)
Gain/(Loss) from Provision Changes	-	(226,773,469)
 Total Actuarial Gain (Loss)	\$ (227,052,281)	\$ (438,391,115)
 <u>(3) Unfunded Actuarial Accrued Liability - End of Year (1)-(2)</u>	 \$3,532,641,452	 \$3,971,032,567

<sup>1</sup> Additional service credited to 12 members as part of the Godfrey Settlement.

**TABLE 4**  
**SUMMARY OF BASIC ACTUARIAL VALUES**  
**AS OF DECEMBER 31, 2016**

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	<b>APV of Projected Benefits</b>	<b>Actuarial Accrued Liability (AAL)</b>
<u>(1) Values for Active Members</u>	\$2,751,835,426	\$1,938,672,121
<u>(2) Values for Inactive Members</u>		
(a) Retired	2,536,061,371	2,536,061,371
(b) Spouse Annuitants	197,933,785	197,933,785
(c) Compensation Widows	59,775,487	59,775,487
(d) Ordinary Disability	1,028,450	1,028,450
(e) Occupational Disease Disability	98,762,836	98,762,836
(f) Duty Disability	195,222,009	195,222,009
(g) Inactive (Deferred Vested)	11,071,740	11,071,740
(h) Children	7,273,775	7,273,775
(i) Parent Annuitants	88,728	88,728
Total for Inactives	\$3,107,218,181	\$3,107,218,181
<u>(3) Grand Totals</u>	\$5,859,053,607	\$5,045,890,302
<u>(4) Normal Cost for Active Members for 2017</u>	\$ 89,340,800	
<u>(5) Actuarial Present Value of Future Compensation</u>	\$4,668,570,146	

**TABLE 5**  
**ACTIVE ACCRUED LIABILITY AS OF DECEMBER 31, 2016,**  
**AND NORMAL COST FOR 2017 BY TIER**

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	<u>Tier 1 Members</u>	<u>Tier 2 Members</u>	<u>Total</u>
(1) Active Members	3,934	826	4,760
(2) Payroll	\$ 417,013,070	\$ 61,457,874	\$ 478,470,944
(3) Average Payroll	\$ 106,002	\$ 74,404	\$ 100,519
(4) Active Actuarial Accrued Liability (AAL)	\$ 1,919,082,769	\$ 19,589,352	\$ 1,938,672,121
(5) Normal Cost for 2017	\$ 79,457,200	\$ 9,883,600	\$ 89,340,800
(6) Normal Cost as a Percent of Pay for 2017	19.1%	16.1%	18.7%
(7) Estimated Member Contributions for 2017	\$ 38,877,379	\$ 5,736,994	\$ 44,614,373
(8) Net Normal Cost for 2017	\$ 40,579,821	\$ 4,146,606	\$ 44,726,427
(9) Net Normal Cost as a Percent of Pay for 2017	9.7%	6.7%	9.3%

**TABLE 6**  
**HISTORY OF RECOMMENDED EMPLOYER MULTIPLES**

Year of Report	Statutory Multiple	P.A. 99-0506 Multiple	Normal Cost Plus Interest	Normal Cost Plus Amortization <sup>6</sup>	
				Level \$	Level % of Salary
1987 <sup>1</sup>	2.26	N/A	4.39	4.54	3.47
1988	2.26	N/A	4.53	4.68	3.58
1989 <sup>1,2</sup>	2.26	N/A	4.39	4.52	3.41
1990 <sup>1,2</sup>	2.26	N/A	4.41	4.55	3.43
1991	2.26	N/A	4.55	4.69	3.53
1992 <sup>2</sup>	2.26	N/A	4.75	4.89	3.69
1993 <sup>2</sup>	2.26	N/A	4.89	5.03	3.81
1994 <sup>1,2</sup>	2.26	N/A	4.92	5.09	3.71
1995 <sup>2</sup>	2.26	N/A	5.16	5.33	3.78
1996	2.26	N/A	5.02	5.19	3.78
1997 <sup>1,2,3</sup>	2.26	N/A	3.95	4.08	3.00
1998 <sup>2,4</sup>	2.26	N/A	4.31	4.22	2.91
1999	2.26	N/A	3.56	3.49	2.41
2000 <sup>1</sup>	2.26	N/A	4.39	4.30	2.99
2001 <sup>4</sup>	2.26	N/A	4.61	4.44	3.12
2002	2.26	N/A	4.07	4.19	2.93
2003 <sup>1,2</sup>	2.26	N/A	4.90	5.08	3.18
2004 <sup>2,5</sup>	2.26	N/A	4.99	5.19	3.22
2005 <sup>1,7</sup>	2.26	N/A	4.35	4.54	3.09
2006	2.26	N/A	5.14	5.61	4.05
2007 <sup>5</sup>	2.26	N/A	4.93	5.39	3.89
2008	2.26	N/A	5.24	5.72	4.13
2009	2.26	N/A	5.70	6.24	4.47
2010	2.26	N/A	6.35	6.94	4.98
2011 <sup>1</sup>	2.26	N/A	6.81	7.47	5.30
2012	2.26	N/A	5.94	6.52	4.60
2013 <sup>2</sup>	2.26	N/A	5.90	6.45	4.53
2014	2.26	N/A	7.98	8.74	6.10
2015 <sup>1</sup>	N/A	4.66	7.12	7.90	5.72
2016 <sup>2,8</sup>	N/A	5.03	8.12	9.01	6.47

<sup>1</sup> Change in actuarial assumptions.

<sup>2</sup> Change in benefits.

<sup>3</sup> Change in asset valuation method to GASB.

<sup>4</sup> Change in actuary.

<sup>5</sup> To reflect long-term funding requirements, we have excluded \$10,182,825 and \$3,229,938 from the 2003 and 2006 employee contributions in the calculation of the respective recommended multiples. This amount is employee contributions for the retroactive pay increases.

<sup>6</sup> Prior to 2005, 40-year amortization used. In 2005, OPEB based on 30-year amortization and pension on 40-year amortization. In 2006, 30-year amortization used for both pension and OPEB.

<sup>7</sup> There was a significant decrease in the multiple from 2004 to 2005. This change is primarily due to the significant increase in employee contributions.

<sup>8</sup> Funding based on P.A. 99-0506.

**TABLE 7**  
**ORDINARY DEATH BENEFIT RESERVE**  
**AS OF DECEMBER 31, 2016**

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**ASSETS**

Fund Balance	\$ 18,807,011
Present Values of Future Contributions:	
Contributions by Members at \$30.00 a Year	1,455,710
Annual City Contribution of \$142,000	1,447,555
Unfunded Liability	(5,999,340)
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 15,710,936</b>

**LIABILITIES**

Present Value of Future Death Benefits (3%, Plan Mortality Basis)	
Active Members	\$ 3,151,068
Retired Members	12,559,868
<b>TOTAL LIABILITIES</b>	<hr/> <b>\$ 15,710,936</b>

*Note: Benefits are also included in the accrued liability and valued using the actuarial assumptions.*

**TABLE 8**  
**ACTUARIAL ACCRUED LIABILITY**  
**PRIORITIZED SOLVENCY TEST**

Valuation Date 12/31	(1)	(2)	(3)	Actuarial Value of Assets	Portion (%) of Present Value Covered by Assets		
	Active Member Contributions	Retirees and Beneficiaries	Active Members (ER Financed Portion)		(1)	(2)	(3)
1997 <sup>a,b</sup>	\$320,757,406	\$ 992,967,015	\$326,296,251	\$ 978,313,319	100.00%	66.22%	0.00%
1998 <sup>b,c</sup>	335,026,373	1,075,922,284	372,620,521	1,066,891,190	100.00%	68.02%	0.00%
1999	357,739,707	1,146,375,517	375,551,644	1,145,215,019	100.00%	68.69%	0.00%
2000 <sup>a</sup>	354,336,276	1,279,911,268	419,092,931	1,219,486,962	100.00%	67.59%	0.00%
2001 <sup>c</sup>	379,067,821	1,294,672,267	394,977,813	1,245,129,955	100.00%	66.89%	0.00%
2002	394,531,369	1,329,341,162	364,833,686	1,209,768,204	100.00%	61.33%	0.00%
2003 <sup>a,b</sup>	422,940,367	1,458,548,217	635,779,523	1,194,007,767	100.00%	52.87%	0.00%
2004 <sup>b</sup>	443,541,204	1,588,594,240	761,388,911	1,182,578,954	100.00%	46.52%	0.00%
2005 <sup>a</sup>	467,820,652	1,686,377,622	728,737,443	1,203,654,052	100.00%	43.63%	0.00%
2006	501,048,807	1,766,921,009	865,171,711	1,264,497,434	100.00%	43.21%	0.00%
2007	530,027,472	1,859,630,135	873,313,282	1,374,960,353	100.00%	45.44%	0.00%
2008	563,953,942	1,891,673,504	902,950,885	1,335,695,474	100.00%	40.80%	0.00%
2009	581,786,867	2,004,957,552	890,026,376	1,269,231,178	100.00%	34.29%	0.00%
2010	614,377,840	2,069,533,040	1,019,336,955	1,198,113,789	100.00%	28.21%	0.00%
2011 <sup>a</sup>	637,938,254	2,261,555,896	999,405,074	1,101,741,862	100.00%	20.51%	0.00%
2012	644,629,930	2,459,787,835	961,926,046	993,283,741	100.00%	14.17%	0.00%
2013 <sup>a,b</sup>	661,062,321	2,535,327,207	892,816,311	991,213,282	100.00%	13.02%	0.00%
2014	670,825,942	2,675,919,242	946,985,303	988,141,316	100.00%	11.86%	0.00%
2015 <sup>a</sup>	692,657,194	2,875,934,283	1,045,091,771	1,081,041,796	100.00%	13.50%	0.00%
2016 <sup>a,b</sup>	702,218,711	3,107,218,181	1,236,453,410	1,074,857,735	100.00%	11.99%	0.00%

<sup>a</sup> Change in actuarial assumptions or methods.

<sup>b</sup> Change in benefits.

<sup>c</sup> Change in actuary.

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**APPENDIX 2**  
ASSETS OF THE PLAN

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## **ASSETS OF THE PLAN**

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The book value of the plan assets, net of accounts payable, decreased from \$1,002 million as of December 31, 2015, to \$955 million as of December 31, 2016. The market value of the plan assets decreased from \$1,045 million as of December 31, 2015, to \$1,019 million as of December 31, 2016. The actuarial value of assets decreased from \$1,081 million as of December 31, 2015, to \$1,075 million as of December 31, 2016.

Table 9 details the reconciliation of the market value of assets during 2016 and Table 10 shows the development of the actuarial value of assets as of December 31, 2016.

**TABLE 9**  
**RECONCILIATION OF MARKET VALUE OF ASSETS <sup>1</sup>**  
**DURING 2016**

	<u>2015</u>	<u>2016</u>
1. Market value of assets beginning of year <sup>2</sup>	\$ 1,036,008,401	\$ 1,045,101,093
2. Income for plan year:		
a) Member contributions	\$ 46,552,247	\$ 48,959,929
b) City contributions	238,485,820	156,158,391
c) Investment income net of expenses <sup>2,3</sup>	7,595,562	60,881,106
d) Miscellaneous revenue	7,141	6,494
e) Total income	<u>\$ 292,640,770</u>	<u>\$ 266,005,920</u>
3. Disbursements for plan year:		
a) Benefit payments		
i) Pension	\$ 274,459,754	\$ 283,146,152
ii) OPEB	2,381,458	2,056,995
iii) Total	<u>276,841,212</u>	<u>285,203,147</u>
b) Refunds	3,557,317	3,673,250
c) Administration	3,149,549	3,216,823
d) Total disbursements	<u>\$ 283,548,078</u>	<u>\$ 292,093,220</u>
4. Market value of assets end of year	\$ 1,045,101,093	\$ 1,019,013,793
5. Approximate rate of return in 2016: <sup>4</sup>		
a) Gross <sup>5</sup>	1.26%	6.59%
b) Net of investment expense	0.73%	6.07%

<sup>1</sup>The assets provided by the Fund are still in draft form pending finalization of alternative investment balances. The Fund and their auditor do not anticipate a material change in the asset value.

<sup>2</sup>Investment income net of expenses used for Book value for plan year 2015 is \$83,622,630 and book value of assets as of December 31, 2015, is \$1,002,393,416. Investment income net of expenses used for Book value for plan year 2016 is 83,622,630 and book value as of December 31, 2016, is \$954,940,148.

<sup>3</sup>Investment income net of expenses for Market value and Book value include interest received due to Lewis Settlement contributions in 2015 and contributions due to the Godfrey Settlement in 2016.

<sup>4</sup>Method used for calculating approximate rate of return does not reflect specific timing of income and outflows. It is also based on total assets, including contribution receivables, not invested assets.

<sup>5</sup>Reflects investment expenses of \$5,459,951 for plan year end December 31, 2015, and \$5,006,920 for plan year end December 31, 2016.

**TABLE 10**  
**DEVELOPMENT OF ACTUARIAL (MARKET-RELATED) VALUE OF ASSETS**  
**AS OF DECEMBER 31, 2016**

Year Ending December 31	2016	2017	2018	2019	2020
Beginning of Year:					
(1) Market Value of Assets	\$ 1,045,101,093				
(2) Actuarial Value of Assets	1,081,041,796				
End of Year:					
(3) Market Value of Assets	1,019,013,793				
(4) Contributions and Disbursements					
(4a) City Contributions & Misc.	156,164,885				
(4b) Member Contributions	48,959,929				
(4c) Benefit Payouts & Refunds	(288,876,397)				
(4d) Administrative Expenses	(3,216,823)				
(4e) Net of Contributions and Disbursements	(86,968,406)				
(5) Total Investment Income					
=(3)-(1)-(4e)	60,881,106				
(6) Projected Rate of Return					
	7.50%				
(7) Projected Investment Income					
=(1)x(6)+([1+(6)] <sup>5</sup> -1)x(4e)	75,180,225				
(8) Investment Income in					
Excess of Projected Income	(14,299,119)				
(9) Excess Investment Income Recognized					
This Year (5-year recognition)					
(9a) From This Year	\$ (2,859,824)				
(9b) From One Year Ago	(15,068,769)	\$ (2,859,824)			
(9c) From Two Years Ago	(10,818,355)	(15,068,769)	\$ (2,859,824)		
(9d) From Three Years Ago	22,438,368	(10,818,355)	(15,068,769)	\$ (2,859,824)	
(9e) From Four Years Ago	11,912,700	22,438,369	(10,818,356)	(15,068,767)	\$ (2,859,823)
(9f) Total Recognized Investment Gain	5,604,120	(6,308,579)	(28,746,949)	(17,928,591)	(2,859,823)
(10) Change in Actuarial Value of Assets					
=(4e)+(7)+(9f)	(6,184,061)				
End of Year:					
<b>(3) Market Value of Assets</b>	<b>\$1,019,013,793</b>				
<b>(11) Actuarial Value of Assets = (2)+(10)</b>	<b>\$1,074,857,735</b>				

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## **APPENDIX 3**

### DATA REFLECTING PLAN MEMBERS

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**EXHIBIT A**  
**SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2016**

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Participants at Beginning of Fiscal Year <sup>1</sup>	4,367	365	4,732
Increases:			
Participants Added During Year	222	11	233
Participants Returning From Inactive or Disability Status	<u>2</u>	<u>1</u>	<u>3</u>
Totals	4,591	377	4,968
Decreases:			
Terminations During Year	<u>192</u>	<u>19</u>	<u>211</u>
Number of Participants at End of Fiscal Year	4,399	358	4,757
Total Inactive Participants	60	28	88
<u>Decreases:</u>			
Withdrawal (With Refunds) <sup>2</sup>	5	1	6
Withdrawal (Without Refunds)	11	7	18
Ordinary Disability Benefit	1	0	1
Occupational Disease Disability Benefit	4	0	4
Duty Disability Benefit	8	0	8
Retirements	158	11	169
Deaths (Occupational)	0	0	0
Deaths (Non-occupational)	<u>5</u>	<u>0</u>	<u>5</u>
<b>Totals</b>	<b>192</b>	<b>19</b>	<b>211</b>

<sup>1</sup> Includes one active member reclassified as female.

<sup>2</sup> This total differs from the total of 14 shown in Exhibit D due to the fact that only 6 of the refunds were paid to participants who were considered to be active as of December 31, 2015.

**EXHIBIT B**  
**SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2016**

	<u>Number at Beginning of Year</u>	<u>Additions During Year</u>	<u>Decreases During Year</u>	<u>Number at End of Year</u>
Service Retirement Annuities	3,044	199	113	3,130
Widow Annuities	1,198	64	87	1,175
Children's Annuities	79	11	6	84
Parent Annuities	1	0	0	1
Ordinary Disability Benefit (Non-Occupational)	3	1	1	3
Occupational Disease Disability Benefit	107	4	11	100
Duty Disability Benefit (Occupational)	212	8	18	202
Widows' Compensation Annuities (Service Connected Death)	88	1	4	85
Totals	<u>4,732</u>	<u>288</u>	<u>240</u>	<u>4,780</u>

**EXHIBIT C**  
**PART I – TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE MALE PARTICIPANTS**  
**CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2016**

AGE	Years of Service										Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over			
Under 20											0	\$ 0
20 to 24	57	1									58	3,313,230
	3,235,218	78,012										
25 to 29	86	61	7								154	10,002,246
	4,866,276	4,518,108	617,862									
30 to 34	53	258	196	6							513	40,639,548
	2,997,810	19,662,270	17,412,456	567,012								
35 to 39	26	159	204	57	15						461	38,717,826
	1,449,396	12,208,584	18,087,360	5,461,914	1,510,572							
40 to 44		30	111	222	248	80					691	66,393,018
		2,361,072	9,829,104	20,330,202	25,236,228	8,636,412						
45 to 49		3	18	271	361	119	15				787	77,719,332
		227,814	1,599,054	24,612,366	36,717,684	12,904,668	1,657,746					
50 to 54			1	150	184	186	357	89			967	104,071,776
			90,180	13,682,862	17,966,304	19,674,984	41,480,766	11,176,680				
55 to 59			1	59	77	115	219	68	60		599	66,651,060
			83,220	5,335,734	7,540,296	11,966,592	25,192,710	8,879,280	7,653,228			
60 to 64				10	10	27	50	19	46		162	18,900,654
				913,620	970,716	2,735,544	5,603,496	2,433,522	6,243,756			
65 and over			1	1			2		3		7	814,320
			90,180	93,192			255,384		375,564			
W/O DOB											0	0
<b>Total Active</b>	<b>222</b>	<b>512</b>	<b>539</b>	<b>776</b>	<b>895</b>	<b>527</b>	<b>643</b>	<b>176</b>	<b>109</b>	<b>4,399</b>		
<b>Annual Salary<sup>1</sup></b>	<b>\$12,548,700</b>	<b>\$39,055,860</b>	<b>\$47,809,416</b>	<b>\$70,996,902</b>	<b>\$89,941,800</b>	<b>\$55,918,200</b>	<b>\$74,190,102</b>	<b>\$22,489,482</b>	<b>\$14,272,548</b>			<b>\$ 427,223,010</b>

<sup>1</sup> The number of participants and annual salary listed includes information on active participants only. Hence, information on the three male ordinary disability participants, who continue to earn benefit service, is not included in this exhibit. Excludes duty availability pay.

**EXHIBIT C**  
**PART II – TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE FEMALE PARTICIPANTS**  
**CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2016**

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20										0	\$ 0
20 to 24	1 55,746									1	55,746
25 to 29	3 181,662	9 681,336								12	862,998
30 to 34	6 348,900	45 3,456,810	10 892,602							61	4,698,312
35 to 39	1 55,746	33 2,610,750	11 977,364	9 842,430	3 306,162					57	4,792,452
40 to 44		5 401,652	12 1,092,888	17 1,576,914	19 1,979,766					53	5,051,220
45 to 49		1 78,012	3 270,540	20 1,875,240	21 2,300,358	8 851,388	3 354,084			56	5,729,622
50 to 54				6 545,052	22 2,277,210	13 1,409,292	30 3,697,524	2 198,672		73	8,127,750
55 to 59				3 263,646	9 956,748	10 1,015,974	9 1,073,190	4 527,448		35	3,837,006
60 to 64				1 93,192	2 198,798		3 380,970	3 435,504	1 185,352	10	1,293,816
65 and over										0	0
W/O DOB										0	0
<b>Total Active</b>	<b>11</b>	<b>93</b>	<b>36</b>	<b>56</b>	<b>76</b>	<b>31</b>	<b>45</b>	<b>9</b>	<b>1</b>	<b>358</b>	
<b>Annual Salary<sup>1</sup></b>	<b>\$642,054</b>	<b>\$7,228,560</b>	<b>\$3,233,394</b>	<b>\$5,196,474</b>	<b>\$8,019,042</b>	<b>\$3,276,654</b>	<b>\$5,505,768</b>	<b>\$1,161,624</b>	<b>\$185,352</b>		<b>\$ 34,448,922</b>

<sup>1</sup> The number of participants and annual salary listed includes information on active participants only. Excludes duty availability pay.



**EXHIBIT C**  
**PART III – TOTAL LIVES AND ANNUAL SALARIES OF ALL ACTIVE PARTICIPANTS**  
**CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2016**

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20										0	\$ 0
20 to 24	58 3,290,964	1 78,012								59	3,368,976
25 to 29	89 5,047,938	70 5,199,444	7 617,862							166	10,865,244
30 to 34	59 3,346,710	303 23,119,080	206 18,305,058	6 567,012						574	45,337,860
35 to 39	27 1,505,142	192 14,819,334	215 19,064,724	66 6,304,344	18 1,816,734					518	43,510,278
40 to 44		35 2,762,724	123 10,921,992	239 21,907,116	267 27,215,994	80 8,636,412				744	71,444,238
45 to 49		4 305,826	21 1,869,594	291 26,487,606	382 39,018,042	127 13,756,056	18 2,011,830			843	83,448,954
50 to 54			1 90,180	156 14,227,914	206 20,243,514	199 21,084,276	387 45,178,290	91 11,375,352		1,040	112,199,526
55 to 59			1 83,220	62 5,599,380	86 8,497,044	125 12,982,566	228 26,265,900	72 9,406,728	60 7,653,228	634	70,488,066
60 to 64				11 1,006,812	12 1,169,514	27 2,735,544	53 5,984,466	22 2,869,026	47 6,429,108	172	20,194,470
65 and over			1 90,180	1 93,192			2 255,384		3 375,564	7	814,320
W/O DOB										0	0
<b>Total Active</b>	<b>233</b>	<b>605</b>	<b>575</b>	<b>832</b>	<b>971</b>	<b>558</b>	<b>688</b>	<b>185</b>	<b>110</b>	<b>4,757</b>	
<b>Annual Salary<sup>1</sup></b>	<b>\$13,190,754</b>	<b>\$46,284,420</b>	<b>\$51,042,810</b>	<b>\$76,193,376</b>	<b>\$97,960,842</b>	<b>\$59,194,854</b>	<b>\$79,695,870</b>	<b>\$23,651,106</b>	<b>\$14,457,900</b>		<b>\$ 461,671,932</b>

<sup>1</sup> The number of participants and annual salary listed includes information on active participants only. Hence, information on the three ordinary disability participants, who continue to earn benefit service, is not included in this exhibit. Excludes duty availability pay.

**EXHIBIT D – PART I**  
**NUMBER OF REFUND PAYMENTS MADE**  
**DURING YEAR TO MALE EMPLOYEES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2016 <sup>1</sup>**

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Without Record							0
Under 20	1						1
20 to 24							0
25 to 29							0
30 to 34				1	1		2
35 to 39							0
40 to 44						1	1
45 to 49						1	1
50 to 54						4	4
55 to 59	1					1	2
60 & over							0
<b>Totals</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>11</b>

<sup>1</sup> Includes only the actual number of refunds paid or accrued during fiscal year reported.

**EXHIBIT D – PART II**  
**NUMBER OF REFUND PAYMENTS MADE**  
**DURING YEAR TO FEMALE EMPLOYEES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2016 <sup>1</sup>**

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Without Record							0
Under 20	1						1
20 to 24							0
25 to 29							0
30 to 34							0
35 to 39	1						1
40 to 44							0
45 to 49							0
50 to 54							0
55 to 59		1					1
60 & over							0
<b>Totals</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

<sup>1</sup> Includes only the actual number of refunds paid or accrued during fiscal year reported.

**EXHIBIT E**  
**STATISTICS ON SERVICE RETIREMENT ANNUITIES**  
**CLASSIFIED BY AGE AS OF DECEMBER 31, 2016**

AGE	MALE		FEMALE		TOTAL	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 50	0	\$ 0	0	\$ 0	0	\$ 0
50	1	6,895	0	0	1	6,895
51	10	718,333	1	102,823	11	821,156
52	11	486,918	3	226,996	14	713,914
53	15	865,985	6	367,795	21	1,233,780
54	8	513,133	3	80,636	11	593,770
55	38	2,709,763	7	562,022	45	3,271,785
56	47	3,534,881	1	65,427	48	3,600,308
57	64	4,949,317	10	675,051	74	5,624,368
58	124	9,282,263	11	768,718	135	10,050,981
59	116	8,836,161	5	380,298	121	9,216,459
60	121	9,123,074	5	398,013	126	9,521,087
61	107	8,268,280	10	647,791	117	8,916,071
62	162	13,983,937	9	547,011	171	14,530,949
63	178	13,818,945	3	229,729	181	14,048,674
64	167	12,961,555	8	556,956	175	13,518,511
65	134	10,737,166	2	82,874	136	10,820,040
66	114	9,066,628	3	273,363	117	9,339,991
67	91	7,166,800	3	207,707	94	7,374,506
68	72	5,541,094	0	0	72	5,541,094
69	91	7,482,203	3	232,774	94	7,714,978
70	101	8,334,496	1	55,113	102	8,389,608
71	68	5,399,777	1	68,366	69	5,468,143
72	67	5,108,455	2	105,845	69	5,214,300
73	83	6,428,609	1	66,308	84	6,494,917
74	112	8,970,998	2	113,716	114	9,084,714
75	100	7,705,632	0	0	100	7,705,632
76	103	7,319,675	0	0	103	7,319,675
77	58	4,250,026	1	93,079	59	4,343,105
78	54	3,791,708	0	0	54	3,791,708
79	50	3,338,662	1	58,178	51	3,396,840
80	74	5,052,030	0	0	74	5,052,030
81	59	4,092,729	0	0	59	4,092,729
82	46	3,570,225	0	0	46	3,570,225
83	50	3,367,882	0	0	50	3,367,882
84	52	3,552,377	0	0	52	3,552,377
85	58	3,477,071	0	0	58	3,477,071
86	47	2,631,393	0	0	47	2,631,393
87	44	2,407,650	0	0	44	2,407,650
88	34	1,824,885	0	0	34	1,824,885
89	29	1,434,599	0	0	29	1,434,599
90	29	1,401,198	0	0	29	1,401,198
91	12	513,579	0	0	12	513,579
92	14	543,031	0	0	14	543,031
93	1	43,363	0	0	1	43,363
94	4	127,762	0	0	4	127,762
95+	8	302,291	0	0	8	302,291
<b>Totals</b>	<b>3,028</b>	<b>\$225,043,435</b>	<b>102</b>	<b>\$6,966,589</b>	<b>3,130</b>	<b>\$232,010,024</b>

**EXHIBIT F**  
**STATISTICS ON WIDOW'S ANNUITIES**  
**CLASSIFIED BY AGE AS OF DECEMBER 31, 2016**

Age	No. <sup>1</sup>	Annual Payments	Age	No. <sup>1</sup>	Annual Payments
Under 30	0	\$ 0	63	13	\$ 363,809
30	0	0	64	10	294,009
31	0	0	65	10	288,966
32	0	0	66	24	560,092
33	0	0	67	11	316,990
34	0	0	68	20	540,932
35	0	0	69	26	688,947
36	0	0	70	22	571,645
37	0	0	71	23	614,230
38	0	0	72	28	740,133
39	1	20,275	73	38	1,026,053
40	0	0	74	46	1,277,735
41	0	0	75	39	1,032,307
42	1	20,888	76	35	969,164
43	2	51,344	77	44	1,037,035
44	0	0	78	42	1,032,137
45	2	38,119	79	40	1,013,624
46	0	0	80	55	1,256,274
47	0	0	81	45	1,012,356
48	2	44,492	82	37	841,855
49	2	39,566	83	45	960,815
50	4	92,183	84	46	910,088
51	2	69,478	85	53	995,403
52	8	202,826	86	45	798,184
53	8	179,108	87	45	772,877
54	8	188,905	88	41	697,046
55	10	238,891	89	31	556,590
56	6	169,476	90	33	519,314
57	5	155,880	91	19	337,447
58	11	245,561	92	23	360,420
59	14	345,900	93	15	265,727
60	14	404,225	94	17	226,028
61	11	277,080	95+	31	419,160
62	12	340,050			
			<b>Total</b>	<b>1,175</b>	<b>\$26,421,639</b>

<sup>1</sup>Excludes Parent Annuitants and Compensation Annuitants.

**EXHIBIT G**  
**STATISTICS ON MISCELLANEOUS ANNUITIES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2016**

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	<u>No.</u>	<u>Annual Payments</u>
Children's Annuities	84	\$ 971,742
Widows' Compensation Annuities	85	6,308,944
Ordinary Disability Benefits	3	117,106
Occupational Disease Disability Benefits	100	6,527,127
Duty Disability Benefits	202	12,994,512
Parent Annuities	<u>1</u>	<u>14,980</u>
<b>Totals</b>	<b>475</b>	<b>\$ 26,934,411</b>

**EXHIBIT H – PART I**  
**MALE PARTICIPANTS RECEIVING DUTY DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total	
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		No.	Annual Payments
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39					1	62,550							1	62,550
40 to 44					2	115,750							2	115,750
45 to 49			1	43,911	5	277,938	7	450,885	3	211,849			16	984,583
50 to 54			2	79,770	4	209,639	5	266,606	5	315,658	13	992,734	29	1,864,407
55 to 59			2	77,274	5	232,566	7	373,716	9	514,251	40	3,122,880	63	4,320,687
60 & over			1	38,115	6	263,580	7	327,636	7	391,861	40	2,959,352	61	3,980,544
<b>Totals</b>	<b>0</b>	<b>\$ 0</b>	<b>6</b>	<b>\$ 239,070</b>	<b>23</b>	<b>\$ 1,162,023</b>	<b>26</b>	<b>\$ 1,418,843</b>	<b>24</b>	<b>\$ 1,433,619</b>	<b>93</b>	<b>\$ 7,074,966</b>	<b>172</b>	<b>\$ 11,328,521</b>

**EXHIBIT H – PART II**  
**FEMALE PARTICIPANTS RECEIVING DUTY DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total	
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		No.	Annual Payments
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49							1	55,770					1	55,770
50 to 54			2	80,733	1	49,587	2	99,218	4	231,069	2	156,851	11	617,458
55 to 59					2	94,536	2	107,989	1	67,146	2	176,082	7	445,753
60 & over					3	131,790	5	226,269	1	68,715	2	120,236	11	547,010
<b>Totals</b>	<b>0</b>	<b>\$ 0</b>	<b>2</b>	<b>\$ 80,733</b>	<b>6</b>	<b>\$ 275,913</b>	<b>10</b>	<b>\$ 489,246</b>	<b>6</b>	<b>\$ 366,930</b>	<b>6</b>	<b>\$ 453,169</b>	<b>30</b>	<b>\$ 1,665,991</b>

**EXHIBIT I – PART I**  
**MALE PARTICIPANTS RECEIVING ORDINARY DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total Annual Payments		
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over				
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	
UNDER 30														0	\$ 0
30 to 34														0	0
35 to 39														0	0
40 to 44														0	0
45 to 49							1	35,685				1	41,215	2	76,900
50 to 54														0	0
55 to 59														0	0
60 & over									1	40,206				1	40,206
<b>Totals</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>1</b>	<b>\$ 35,685</b>	<b>1</b>	<b>\$ 40,206</b>	<b>1</b>	<b>\$ 41,215</b>	<b>3</b>	<b>\$ 117,106</b>	

**EXHIBIT I – PART II**  
**FEMALE PARTICIPANTS RECEIVING ORDINARY DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total Annual Payments		
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over				
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	
UNDER 30														0	\$ 0
30 to 34														0	0
35 to 39														0	0
40 to 44														0	0
45 to 49														0	0
50 to 54														0	0
55 to 59														0	0
60 & over														0	0
<b>Totals</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>		<b>\$ 0</b>		<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	



**EXHIBIT J – PART I**  
**MALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total	
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		No.	Annual Payments
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39	1	56,896											1	56,896
40 to 44													0	0
45 to 49	1	57,155											1	57,155
50 to 54	11	712,564				4	199,517	1	59,910	1	63,238		17	1,035,229
55 to 59	16	1,066,492						3	147,908	14	878,851		33	2,093,251
60 & over	12	954,838				1	52,298	2	107,598	26	1,700,603		41	2,815,337
<b>Totals</b>	<b>41</b>	<b>\$ 2,847,945</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>5</b>	<b>\$ 251,815</b>	<b>6</b>	<b>\$ 315,416</b>	<b>41</b>	<b>\$ 2,642,692</b>	<b>93</b>	<b>\$ 6,057,868</b>

**EXHIBIT J – PART II**  
**FEMALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY**  
**CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2016**

ATTAINED AGE	Length of Service as of December 31, 2016												Total	
	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		No.	Annual Payments
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49	1	67,869				1	44,871						2	112,740
50 to 54													0	0
55 to 59	2	123,786											2	123,786
60 & over					1	46,890					2	185,843	3	232,733
<b>Totals</b>	<b>3</b>	<b>\$ 191,655</b>	<b>0</b>	<b>\$ 0</b>	<b>1</b>	<b>\$ 46,890</b>	<b>1</b>	<b>\$ 44,871</b>		<b>\$ 0</b>	<b>2</b>	<b>\$ 185,843</b>	<b>7</b>	<b>\$ 469,259</b>

**EXHIBIT K**  
**HISTORY OF AVERAGE ANNUAL SALARIES**

Year End	Members in Service <sup>1</sup>	Current Year			Average		Actuarial Assumption	CPI Chicago
		Increase	Salary	Increase	Salary	Increase		
1987	5,183	1.6 %	\$ 186,840,432	5.9 %	\$ 36,049	4.3 %	6.0%	4.1 %
1988	5,233	1.0 %	188,093,568	0.7 %	35,944	(0.3)%	6.0%	3.9 %
1989	5,231	0.0 %	194,241,480	3.3 %	37,133	3.3 %	6.0%	5.0 %
1990	5,337	2.0 %	211,869,720	9.1 %	39,698	6.9 %	6.0%	5.4 %
1991	5,323	(0.3)%	227,649,000	7.4 %	42,767	7.7 %	6.0%	4.0 %
1992	5,204	(2.2)%	223,578,000	(1.8)%	42,963	0.5 %	6.0%	3.0 %
1993	5,124	(1.5)%	221,600,136	(0.9)%	43,247	0.7 %	6.0%	3.0 %
1993 <sup>2</sup>	4,710	(8.1)%	202,080,072	(8.8)%	42,904	(0.8)%	6.0%	3.0 %
1994	4,753	0.9 %	226,703,496	12.2 %	47,697	11.2 %	6.0%	2.2 %
1995	4,678	(1.6)%	228,604,584	0.8 %	48,868	2.5 %	6.0%	3.2 %
1996	4,806	2.7 %	233,033,832	1.9 %	48,488	(0.8)%	6.0%	2.7 %
1997	4,856	1.0 %	234,726,936	0.7 %	48,338	(0.3)%	5.0%	2.7 %
1998	4,783	(1.5)%	262,248,978	11.7 %	54,829	13.4 %	5.0%	1.5 %
1999	4,855	1.5 %	271,335,540	3.5 %	55,888	1.9 %	5.0%	2.6 %
2000	4,878	0.5 %	275,106,756	1.4 %	56,397	0.9 %	5.0%	4.0 %
2001	4,930	1.1 %	277,964,912	1.0 %	56,382	0.0 %	5.0%	0.8 %
2002	4,910	(0.4)%	277,053,144	(0.3)%	56,426	0.1 %	5.0%	2.5 %
2003	4,909	0.0 %	335,170,501	21.0 %	68,277	21.0 %	5.0%	1.7 %
2004	4,856	(1.1)%	334,423,753	(0.2)%	68,868	0.9 %	5.0%	2.2 %
2005	4,999	2.9 %	341,252,492	2.0 %	68,264	(0.9)%	5.0%	3.6 %
2006	5,078	1.6 %	387,442,074	13.5 %	76,298	11.8 %	5.0%	0.7 %
2007	4,938	(2.8)%	388,881,954	0.4 %	78,753	3.2 %	5.0%	4.7 %
2008	5,037	2.0 %	396,181,778	1.9 %	78,654	(0.1)%	5.0%	(0.6)%
2009	5,137	2.0 %	400,912,173	1.2 %	78,044	(0.8)%	5.0%	2.5 %
2010	5,052	(1.7)%	400,404,320	(0.1)%	79,257	1.6 %	5.0%	1.2 %
2011	4,842	(4.2)%	425,385,354	6.2 %	87,853	10.8 %	5.0%	2.1 %
2012	4,740	(2.1)%	418,964,763	(1.5)%	88,389	0.6 %	5.0%	1.7 %
2013	4,685	(1.2)%	416,491,784	(0.6)%	88,899	0.6 %	5.0%	0.5 %
2014	4,809	2.6 %	443,743,202	6.5 %	92,273	3.8 %	5.0%	1.5 %
2015	4,735	(1.5)%	449,037,894	1.2 %	94,834	2.8 %	5.0%	0.0 %
2016 <sup>3</sup>	4,760	0.5 %	461,906,144	2.9 %	97,039	2.3 %	5.0%	1.9 %
<b>Average Increase (Decrease) for the last 5 years:</b>		<b>(0.3)%</b>		<b>1.7 %</b>		<b>2.0 %</b>		<b>1.1 %</b>

<sup>1</sup> Includes those members who were on disability through 1993.

<sup>2</sup> Restated without disabilities for comparison. Percent increases (decreases) are based on change from with disabilities in 1993 to without disabilities in 1994.

<sup>3</sup> Average annual increase in average salary 1987-2016, is about 3.4% compounded. The average annual increase in the Chicago CPI for the same period is about 2.5% compounded.

**EXHIBIT L**  
**NEW ANNUITIES GRANTED DURING 2016**

	<b>Annuitants</b>	<b>Widows/ Widowers of Deceased Employees<sup>2</sup></b>	<b>Widows/ Widowers of Deceased Annuitants</b>	<b>Compensation Widows/ Widowers<sup>3</sup></b>
Number retired/deceased	199	4	60	1
Average age attained [Employee]	58.6	56.5	80.8	43.0
Average length of service	29.6	25.7	52.2	14.7
Average spouse age	56.9	54.1	75.8	44.2
Average annual salary [4 out of 10]	\$ 110,302	N/A	N/A	N/A
Average annual final salary	\$ 114,813	N/A	N/A	N/A
Total annual annuity	\$ 15,666,204	154,944	1,844,954	72,594
Average annual annuity	\$ 78,725	38,736	30,749	72,594
Total statutory liability	\$ 282,055,251	2,435,164	15,145,369	2,212,259
Average liability	\$ 1,417,363	608,791	252,423	2,212,259
Total investment [Employee-paid for tax purposes]	\$ 32,348,964	N/A	N/A	N/A
Average investment <sup>1</sup>	\$ 162,558	N/A	N/A	N/A
Liability/cost	8.72	N/A	N/A	N/A
Liability/final pay	12.34	N/A	N/A	N/A

<sup>1</sup> Based on previously taxed contributions.

<sup>2</sup> Not including compensation or supplemental.

<sup>3</sup> Does not include transfers from supplemental widows.

**EXHIBIT M**  
**RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT**

Years	ANNUITANTS						DISABILITY			Widow/ Widower	Total
	Employee	Disability Pensioner	Spouse	Supplemental Widow(er)	Child	Parent	Ordinary	Duty	Occup.	Comp.	
1987	2,080	1	1,236	87	121	2	7	233	143	46	3,956
1988	2,180	1	1,245	83	115	2	9	216	117	43	4,011
1989	2,235	1	1,237	68	108	1	8	235	122	55	4,070
1990	2,242	0	1,248	67	106	1	11	253	133	51	4,112
1991	2,226	0	1,264	65	121	1	14	267	143	49	4,150
1992	2,261	0	1,277	68	113	1	11	286	147	40	4,204
1993	2,257	0	1,291	69	114	1	10	274	140	35	4,191
1994	2,207	0	1,316	66	114	2	6	284	142	36	4,173
1995	2,248	0	1,332	62	110	1	8	297	144	40	4,242
1996	2,257	0	1,328	61	110	1	8	292	169	44	4,270
1997	2,235	0	1,348	60	111	1	11	296	194	46	4,302
1998	2,251	0	1,360	56	125	2	8	295	197	49	4,343
1999	2,351	0	1,450	56	139	2	5	295	203	49	4,550
2000	2,538	0	1,440	51	132	2	6	257	139	49	4,614
2001 <sup>1</sup>	2,422	0	1,330	0	116	2	2	262	147	89	4,370
2002	2,411	0	1,330	0	121	1	2	257	144	85	4,351
2003	2,412	0	1,322	0	119	1	3	249	121	82	4,309
2004	2,441	0	1,352	0	114	1	7	244	113	81	4,353
2005	2,442	0	1,330	0	111	1	7	254	107	105	4,357
2006	2,459	0	1,322	0	110	1	6	257	113	114	4,382
2007	2,488	0	1,300	0	105	1	4	266	114	113	4,391
2008	2,471	0	1,306	0	98	1	4	269	124	108	4,381
2009	2,556	0	1,292	0	89	1	4	262	121	107	4,432
2010	2,577	0	1,261	0	83	1	4	259	124	100	4,409
2011	2,665	0	1,253	0	85	1	4	249	121	100	4,478
2012	2,821	0	1,260	0	83	1	2	232	116	98	4,613
2013	2,883	0	1,242	0	83	1	2	220	112	99	4,642
2014	2,977	0	1,222	0	82	1	1	220	108	93	4,704
2015	3,044	0	1,198	0	79	1	3	212	107	88	4,732
2016	3,130	0	1,175	0	84	1	3	202	100	85	4,780

<sup>1</sup> In 2001 all Supplemental Widows were moved into the Compensation Widows Group.

**EXHIBIT N**  
**AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE**

<b>Years Ended</b>	<b>Average Annual Benefit</b>	<b>Average Current Age of Retirees</b>	<b>Average Annual Benefit at Retirement Current Year</b>	<b>Average Age at Retirement Current Year</b>	<b>Average Years of Service at Retirement Current Year</b>
1987	\$ 16,833	68	\$ 26,342	59.1	30.4
1988	18,476	68	28,166	61.4	31.1
1989	19,732	68	29,967	60.4	31.1
1990	20,853	68	30,038	60.3	30.9
1991	21,942	69	30,983	60.0	31.4
1992	23,503	69	32,758	59.9	31.3
1993	25,031	69	34,267	61.6	31.7
1994	26,262	70	34,391	59.8	31.2
1995	27,935	70	38,872	60.3	32.1
1996	29,304	70	40,406	60.4	32.0
1997	30,787	70	41,543	59.8	31.6
1998	32,503	71	43,905	60.1	32.1
1999	34,067	71	44,001	60.4	31.4
2000	36,458	71	48,534	63.5	34.2
2001	38,048	71	45,768	60.2	30.9
2002	40,052	71	45,346	59.7	30.8
2003	42,131	71	50,943	60.2	31.7
2004	45,675	71	59,608	60.0	32.1
2005	47,917	71	59,117	59.2	31.4
2006	50,171	71	61,172	57.7	30.1
2007	52,446	71	64,076	58.1	30.0
2008	54,492	71	61,577	57.4	29.6
2009	57,023	71	67,310	57.8	30.3
2010	59,133	71	67,386	59.0	29.7
2011	61,879	71	70,893	58.5	29.4
2012	64,860	70	75,675	58.5	30.4
2013	67,286	70	73,808	57.6	30.2
2014	69,977	70	78,042	57.4	30.5
2015	71,823	70	73,541	58.4	28.7
2016	74,125	70	78,725	58.6	29.6

**EXHIBIT O – PART I**  
**HISTORY OF ANNUITIES 1987-2016**  
**EMPLOYEE ANNUITANTS (MALE AND FEMALE)**

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<b>Year End</b>	<b>Number of Annuitants</b>	<b>Total Annuities</b>	<b>Average Annuities</b>
1987	2,081	\$ 35,030,176	\$ 16,833
1988	2,181	40,296,025	18,476
1989	2,235	44,101,893	19,732
1990	2,242	46,752,084	20,853
1991	2,226	48,843,715	21,942
1992	2,261	53,140,074	23,503
1993	2,257	56,495,862	25,031
1994	2,207	57,960,522	26,262
1995	2,248	62,797,419	27,935
1996	2,257	66,139,690	29,304
1997	2,235	68,808,890	30,787
1998	2,251	73,163,601	32,503
1999	2,351	80,090,897	34,067
2000	2,538	92,529,624	36,458
2001	2,422	92,152,832	38,048
2002	2,411	96,565,842	40,052
2003	2,412	101,620,962	42,131
2004	2,441	111,491,737	45,675
2005	2,442	117,014,053	47,917
2006	2,459	123,371,713	50,171
2007	2,488	130,485,435	52,446
2008	2,471	134,649,295	54,492
2009	2,556	145,751,375	57,023
2010	2,577	152,385,721	59,133
2011	2,665	164,908,801	61,879
2012	2,821	182,970,558	64,860
2013	2,883	193,984,459	67,286
2014	2,977	208,322,397	69,977
2015	3,044	218,628,245	71,823
2016	3,130	232,010,024	74,125

**EXHIBIT O – PART II**  
**HISTORY OF ANNUITIES 1987-2016**  
**WIDOW/WIDOWER ANNUITANTS**  
**(INCLUDING PARENT BUT NOT COMPENSATION ANNUITANTS)**

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<b>Year End</b>	<b>Number of Annuitants</b>	<b>Total Annuities</b>	<b>Average Annuities</b>
1987	1,325	\$ 6,273,158	\$ 4,734
1988	1,330	6,617,019	4,975
1989	1,319	7,743,932	5,871
1990	1,316	8,031,199	6,103
1991	1,330	9,316,132	7,005
1992	1,346	10,774,709	8,005
1993	1,361	12,121,722	8,906
1994	1,384	13,680,765	9,885
1995	1,395	14,495,633	10,391
1996	1,389	14,709,232	10,590
1997	1,409	15,397,832	10,928
1998	1,418	15,969,975	11,262
1999	1,508	18,136,173	12,027
2000	1,493	18,352,906	12,293
2001	1,332	16,516,021	12,399
2002	1,331	17,006,519	12,777
2003	1,323	17,490,584	13,220
2004	1,353	19,297,527	14,263
2005	1,331	20,481,794	15,388
2006	1,323	21,123,202	15,966
2007	1,301	21,290,764	16,365
2008	1,307	22,164,269	16,958
2009	1,293	22,652,897	17,520
2010	1,262	22,832,364	18,092
2011	1,254	23,449,616	18,700
2012	1,261	24,681,837	19,573
2013	1,243	25,252,147	20,315
2014	1,223	25,524,937	20,871
2015	1,199	26,048,384	21,725
2016	1,176	26,436,619	22,480

**EXHIBIT P**  
**HISTORY OF RETIREES AND BENEFICIARIES**  
**ADDED TO AND REMOVED FROM BENEFIT PAYROLL**

Yr.	Added to Payroll		Removed from Payroll		Payroll End of Year		Average Annual Benefits	Increase to Avg. Benefits
	No.	Annual Benefits.	No.	Annual Benefits	No.	Annual Benefits		
<b>Employee Annuitants (Male and Female)</b>								
2002	107	\$4,851,988	118	\$438,978	2,411	\$96,565,842	\$40,052	5.3%
2003	134	6,826,357	133	1,771,237	2,412	101,620,962	42,131	5.2
2004	147	14,053,559	118	4,182,784	2,441	111,491,737	45,675	8.4
2005	126	10,248,119	125	4,725,803	2,442	117,014,053	47,917	4.9
2006	123	10,689,546	106	4,331,886	2,459	123,371,713	50,171	4.7
2007	126	11,168,192	97	4,054,470	2,488	130,485,435	52,446	4.5
2008	109	9,696,869	126	5,533,009	2,471	134,649,295	54,492	3.9
2009	185	15,610,755	100	4,508,675	2,556	145,751,375	57,023	4.6
2010	117	11,242,038	96	4,607,692	2,577	152,385,721	59,133	3.7
2011	197	18,074,820	109	5,551,740	2,665	164,908,801	61,879	4.6
2012	275	24,560,716	119	6,498,959	2,821	182,970,558	64,860	4.8
2013	187	17,780,058	125	6,766,157	2,883	193,984,459	67,286	3.7
2014	211	20,629,503	117	6,291,565	2,977	208,322,397	69,977	4.0
2015	175	17,023,263	108	6,717,414	3,044	218,628,245	71,823	2.6
2016	199	20,036,064	113	6,654,286	3,130	232,010,024	74,125	3.2
<b>Widow/Widower Annuitants (Not Including Compensation)</b>								
2002	73	\$1,316,617	74	\$826,119	1,331	\$17,006,519	\$12,777	3.0%
2003	87	1,475,058	95	990,993	1,323	17,490,584	13,220	3.5
2004	92	2,595,350	62	788,407	1,353	19,297,527	14,263	7.9
2005	94	2,596,899	116	1,412,632	1,331	20,481,794	15,388	7.9
2006	84	1,964,568	92	1,323,160	1,323	21,123,202	15,966	3.8
2007 <sup>1</sup>	59	1,341,091	81	1,173,529	1,301	21,290,764	16,365	2.5
2008 <sup>1</sup>	77	1,796,751	71	923,246	1,307	22,164,269	16,958	3.6
2009 <sup>1</sup>	66	1,605,852	80	1,117,224	1,293	22,652,897	17,520	3.3
2010 <sup>1</sup>	55	1,404,275	86	1,224,808	1,262	22,832,364	18,092	3.3
2011 <sup>1</sup>	62	1,661,849	70	1,044,597	1,254	23,449,616	18,700	3.4
2012 <sup>1</sup>	79	2,361,949	72	1,129,728	1,261	24,681,837	19,573	4.7
2013 <sup>1</sup>	71	2,032,935	89	1,462,625	1,243	25,252,147	20,315	3.8
2014 <sup>1</sup>	59	1,675,707	79	1,402,917	1,223	25,524,937	20,871	2.7
2015 <sup>1</sup>	61	2,029,302	85	1,505,855	1,199	26,048,384	21,725	4.1
2016 <sup>1</sup>	64	2,523,786	87	1,612,104	1,176	26,436,619	22,480	3.5

<sup>1</sup> Including Parent Annuitants but not Compensation Annuitants.



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## **APPENDIX 4**

ACTUARIAL METHODS AND ASSUMPTIONS AS OF  
DECEMBER 31, 2016

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## ACTUARIAL METHODS AND ASSUMPTIONS AS OF DECEMBER 31, 2016

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### I. 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 Actuarial Cost Method used in this actuarial valuation for statutory funding and State reporting purposes and GASB accounting purposes is the Entry Age Normal cost method.

Under the Entry Age Normal cost method, each participant's projected benefit is allocated on a level percent of pay basis from entry age to assumed exit age. The Actuarial Accrued Liability is the portion of the present value of benefits associated with pay prior to the actuarial valuation date. The Normal Cost is the present value of benefits associated with pay during the current plan year.

To the extent that current assets are less than the Actuarial Accrued Liability, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a fixed period of time (e.g., 30 years) from the date incurred. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL.

### II. CURRENT ACTUARIAL ASSUMPTIONS

On May 11, 2016, the Board approved a reduction in the discount rate assumption to 7.50 percent and the assumed inflation rate was lowered to 2.50 percent. This change was first effective with the December 31, 2015, actuarial valuation. The other current actuarial assumptions were adopted and became effective for the December 31, 2011, actuarial valuation, and were based on an experience study for the period January 1, 2003, to December 31, 2010.

#### A. *Demographic Assumptions*

Mortality:	RP-2000 Combined Healthy Mortality Table, sex distinct. The mortality table used is a static table and provides an estimated margin of 15 percent for future mortality improvements as of the experience study performed as of December 31, 2011.
Disabled Mortality:	RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years.
Pre-Retirement Mortality:	Pre-retirement mortality is 80 percent of the post-retirement rates.

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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Rates of Disability: Rate at which members are assumed to become disabled under the provisions of the Fund. The rates assumed are as follows:

<u>Attained Age</u>	<u>Rates</u>
20-24	0.0008
25-29	0.0010
30-34	0.0020
35-39	0.0020
40-44	0.0028
45-49	0.0054
50-54	0.0140
55-59	0.0265
60-63	0.0300

Of the participants who become disabled, 50 percent are assumed to be duty disability, 45 percent are assumed to be occupational disease disability and 5 percent are assumed to be ordinary disability.

Rate of Retirement: The tables below show the assumed rates of retirement.

For members hired before January 1, 2011:

<u>Attained Age</u>	<u>Firefighters Rates</u>	<u>Paramedic Rates</u>
50	0.02	0.03
51	0.03	0.03
52	0.03	0.04
53	0.04	0.05
54	0.04	0.06
55	0.05	0.07
56	0.06	0.07
57	0.07	0.07
58	0.07	0.07
59	0.07	0.07
60	0.25	0.20
61	0.30	0.20
62	0.45	0.30
63	1.00	0.30
64		0.40
65		1.00

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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For members hired on or after January 1, 2011:

<u>Attained Age</u>	<u>Firefighters Rates</u>	<u>Paramedic Rates</u>
50	0.01	0.01
51	0.01	0.01
52	0.01	0.01
53	0.01	0.01
54	0.01	0.01
55	0.07	0.07
56	0.07	0.07
57	0.07	0.07
58	0.07	0.07
59	0.07	0.07
60	0.25	0.20
61	0.30	0.20
62	0.45	0.30
63	1.00	0.30
64		0.40
65		1.00

Rate of Termination:            The following are sample rates from the table:

<u>Years of Service</u>	<u>Rate</u>
1	0.020
5	0.006
10	0.006
15	0.005
20	0.005
25	0.005
30	0.000

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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**B. Economic Assumptions**

Investment Return Rate: 7.50 percent per annum for pensions. Pension rate effective as of December 31, 2015.

General Inflation: 2.50 percent per annum.

Future Salary Increases: Assumed rates of individual salary increase at 3.75 percent per year, plus an additional percentage based on the following service scale:

<u>Years of Service</u>	<u>Rates</u>
0	21.25%
1	5.25%
2	5.25%
3	5.00%
4	5.00%
5-9	0.00%
10	3.50%
11-14	0.00%
15	3.50%
16-19	0.00%
20	4.00%
21-24	0.00%
25	3.20%
26-29	0.00%
30	1.50%
Over 30	0.00%

Asset Value: For State reporting, the actuarial value of assets is smoothed by using a five-year average market value.

For the GASB Statement Nos. 67 and 68 Actuarially Determined Contribution, the actuarial value of assets is smoothed by using a five-year average market value.

**C. Other Assumptions**

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

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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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 only continue through December 31, 2016, for all employee annuitants (and their future widows) and is not valued beginning with this December 31, 2016 actuarial valuation.

Prior to December 31, 2016, the amount of the Fund-paid health insurance after June 30, 2008, until December 31, 2016, was \$95.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and \$65.00 if qualified. It was assumed that all annuitants age 65 and over were eligible for Medicare and all annuitants less than age 65 were not eligible for Medicare. Future widows of retirees were assumed to be eligible for Medicare at age 65, as well as widow annuitants that were receiving a health insurance supplement. Only retirees, beneficiaries and children who the Fund indicated had Fund paid insurance were valued with this benefit.

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.

***D. Projection Assumptions***

Active Population: Active members who terminate, retire, become disabled or die during the year are replaced by new entrants such that the number of active members remains level during the projection period based on the most recent actuarial valuation. The number of active members as of the actuarial valuation at December 31, 2016, is 4,760.

New Entrant Profile: The entry age of future new entrants, which is summarized below, is based on the profile of current active members hired over the last five years with one or more years of service as of December 31, 2016. These members were hired from January 1, 2012, through December 31, 2015. The group hired due to the Lewis Settlement was excluded from the development of the new entrant profile.

Entry Age	Number
Less than 25	8
25 to 30	220
30 to 35	271
35 to 40	87
40 to 45	8
45 and Over	2

Approximately 84 percent of the new entrants are assumed to be male.

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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New Entrant Pay: Based on the most recent employment contract, new entrants were assumed to earn \$56,304 for the plan year ending December 31, 2017. The new entrant pay for members hired after 2017 is assumed to increase by the wage inflation assumption of 3.75 percent.

New Entrant Pay Increases: Pay for a specific new entrant is assumed to increase in the future by the wage inflation and the service based increase assumptions.

The projections assume a pay cap of \$111,571.63 for plan year 2016, and a pay cap of \$112,408.42 for plan year 2017, increasing by 1.25 percent per year after plan year 2016. The annual increase of 1.25 percent per year is based on 50 percent of the CPI-U increase which is assumed to be 2.50 percent per year.

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## **APPENDIX 5**

SUMMARY OF PROVISIONS OF THE FUND AS OF  
DECEMBER 31, 2016

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**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016**

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**PARTICIPANTS**

Person employed by the City of Chicago in its fire service as firefighter, fire paramedic, fire engineer, marine engineer or fire pilot, whose duty it is to participate in the work of controlling and extinguishing fire at the location of any such fire, whether or not he is assigned to fire service other than the actual extinguishing of fire.

**SERVICE**

In computing service, the following periods shall be counted:

All periods of active service, vacation, leave of absence with whole or part pay, military service, periods of disability for which he receives disability benefit and leave of absence without pay to perform the duties of a member of the General Assembly prior to January 9, 1997. It is computed on a day-to-day basis. Employees may purchase the 1980-strike time and periods of suspension less than one year. Employees may purchase, with 4 percent interest, periods of employment of the Chicago Fire Department from 1970 until the employee entered this fund.

**RETIREMENT ANNUITY**

***Eligibility***

For participants who first became members before January 1, 2011, attainment of age 50 with at least 10 years of service.

*For participants who first became members on or after January 1, 2011, attainment of age 55 with at least 10 years of service. Participants may retire at attainment of age 50 with 10 years of service with a reduced benefit.*

***Mandatory***

Retirement is mandatory for a participant who has attained age 63, except for emergency medical technicians.

***Accumulation Annuity***

At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years or at age 63, the employee is entitled to an annuity based on all sums accumulated to his or her credit. The maximum is 75 percent of highest salary.

***Minimum Formula Annuity***

If the employee has 20 or more years of service (the annuity will begin no earlier than age 50), he or she is entitled to the following annuity: 50 percent plus 2.5 percent of the final average salary for each year or fraction of service over twenty years. Maximum is 75 percent of the final average salary.

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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***Retirement at Age 63 with Less than 20 Years of Service<sup>1</sup>***

An employee who reaches compulsory retirement age with less than 20 years but greater than 10 years of service shall be entitled to a minimum annuity equal to 30 percent of final average salary for the first 10 years of service plus an additional 2 percent for each year in excess of 10, not to exceed 50 percent of final average salary.

***Minimum Annuity***

The minimum monthly annuity is the greater of \$1,050 or 125% of the Federal Poverty Level if the firefighter retired at age 50 or over with at least 20 years of service.

*For participants who first became members on or after January 1, 2011, the member is entitled to an annuity based on an accrual rate of 2.5 percent of the final average salary for each fraction of service. Maximum is 75 percent of the final average salary. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement. Pensionable salary is limited to \$106,800 in 2011, increased by the lesser of 3 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.*

*For participants who first became members on or after January 1, 2011, who retire after age 50 but before age 55 is attained, the member is entitled to an annuity based on an accrual rate of 2.5 percent of the final average salary for each fraction of service, reduced by one half of one percent per month for retirement prior to age 55, subject to a maximum benefit of 75 percent.*

***Automatic Increase in Annuity***

If an employee qualifies for a minimum formula annuity, 1.5 percent of the original annuity, starting on the first of the month one year after retirement or the first of the month following attainment of age 60 (age 55 if born before January 1, 1966, effective November 29, 2016), whichever is later, with a maximum of 30 percent (20 years). Such increases shall be 3 percent for firefighters born before January 1, 1966, (effective November 29, 2016) and such firefighters shall not be subject to the 30 percent maximum increase.

*For participants who first became members on or after January 1, 2011, increases are equal to the lesser of 3.00 percent and 50 percent of CPI-U of the original benefit, commencing at age 60.*

**WIDOW/WIDOWER ANNUITY**

Payable until remarriage if widow/widower remarries before age 60, except Compensation and Supplemental Annuities. If the annuity is suspended because the widow/widower remarries before age 60, annuity payments will be resumed if the subsequent marriage ends. Any widow/widower's annuity, which was suspended on account of remarriage prior to December 31, 1989, will be resumed, if subsequent marriage ends, the later of July 14, 1995, or when the marriage ended. Beginning January 16, 2004, widows retain their rights to benefits after remarriage at any age.

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<sup>1</sup> Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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Benefits are not available to a widow of a fireman who received a refund of contributions for widow's benefits, unless the refund is repaid with 4 percent interest per year.

***Death in Service (Non-Duty)***

- (1) If the firefighter dies with at least 1.5 years of service, 30 percent of the salary attached to the rank of a first class firefighter in the classified career service at the time of the firefighter's death; or,
- (2) 50 percent of the annuity the deceased firefighter would have received if he had retired just prior to the date of death; or,
- (3) Money purchase based on the total salary deductions and City contributions for age and service annuity and widow/widower's annuity.
- (4) The widow of an active fireman with 10 or more years of service will receive no less than 50 percent of the benefit that the active fireman would have received had they attained age 50 and 20 years of service.

***Death In Service (Duty Related)***

***Compensation Annuity<sup>2</sup>***

The annuity paid to the spouse equals 75 percent of the firefighter's salary attached to his civil service position at the time of his death. This amount increases as the salary of the position increases. This benefit is payable until the year in which the firefighter would have reached the compulsory retirement age.

***Death In Service (Duty Disability)***

***Compensation Annuity***

The annuity paid to the spouse of a member who dies in receipt of duty disability benefits equals 75 percent of the firefighter's salary attached to his civil service position at the time of his death. This amount increases as the salary of the position increases.

***Death after Retirement***

- (1) If the firefighter dies after retirement, the annuity is 50 percent of the retirement annuity that the deceased firefighter was receiving at the time of his or her death; or,
- (2) Money purchase based on the sums accumulated for the spouse annuity plus 10 percent of the accumulated City contributions for each year of service from 10 to 20 years, and full accumulated City contributions after 20 years of service.

***Maximum Annuity***

No maximum dollar amount.

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<sup>2</sup> Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

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**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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***Minimum Annuity***

The minimum monthly annuity for any widow/widower is the greater of \$1,000 or 125% of the Federal Poverty Level.

*For participants who first became members on or after January 1, 2011, widow benefits are equal to 66-2/3 percent of the firemen's earned annuity at the date of death. Automatic increases to the annuity are equal to the lesser of 3.00 percent and 50 percent of CPI-U, commencing when the survivor reaches age 60, and applied to the original granted retirement annuity.*

**CHILD ANNUITY**

Upon the death of the firefighter, unmarried children less than age 18 (except where child is so physically or mentally handicapped as to be unable to support himself) are eligible to receive an annuity. The amount of annuity payable for a child is 10 percent of the current annual maximum salary of a first class firefighter while a widow/widower survives; 15 percent when no widow/widower survives.

**FAMILY MAXIMUM**

The total annuities for widow/widower and children cannot exceed 60 percent for non-duty death, or 100 percent for duty death, of the current maximum annual salary of a first class firefighter.

**PARENT ANNUITY**

Parent's annuity is provided for each surviving parent of a firefighter who dies prior to separation from service, or while out of service with at least 20 years; provided there is no widow/widower or child and that the deceased firefighter was contributing to their support. The benefit is an amount equal to 18 percent of the current annual salary attached to the classified position held by the firefighter at the time of death.

**DISABILITIES**

***Duty Disability Benefit<sup>3</sup>***

Injury incurred in the performance of duty. The amount of the benefit is 75 percent of salary at the time the disability is allowed payable to employee's compulsory retirement age plus \$30 per month for each unmarried child less than age 18 (except where the child is so physically or mentally handicapped as to be unable to support him/herself), but the total amount of child benefits shall not exceed 25 percent of salary. Effective January 1, 1994, the minimum benefit, if the employee has been on disability at least 10 years, is 50 percent of current salary at the rank held by the employee when he was removed from the Department payroll. Salary deductions are contributed by the City. There are no age or service requirements for retirement on money purchase annuity and receiving full contributions.

***Occupational Disease Disability<sup>3</sup>***

A firefighter who has 10 or more years of service and is unable to perform his or her duties by reason of heart disease, tuberculosis or any disease of the lungs or respiratory tract, resulting solely from his or her service as a firefighter. Occupational disease also includes disabling cancer of the

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<sup>3</sup> Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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type which may be caused by exposure to heat, radiation or a known carcinogen as defined by the International Agency for Research on Cancer. The amount of the benefit is 65 percent of salary at the time of the employee's removal from the Department payroll payable to compulsory retirement age plus \$30 a month for each unmarried child less than age 18 (except where the child is so physically or mentally handicapped as to be unable to support him/ herself), but the total amount of child's benefits shall not exceed 25 percent of salary. Effective January 1, 1994, the minimum benefit, if the employee has been on disability at least 10 years, is 50 percent of current salary at the rank held by the employee when he or she was removed from Department payroll. Salary deductions are contributed by the City. There are no age or service requirements for retirement on money purchase annuity and receiving full contributions.

***Ordinary Disability Benefit***

Cause other than the performance of an act of duty, payable after 30 days for a period equal to 50 percent of total service (not including any previous O.D. time), but not to exceed 5 years. The disability benefit is 50 percent of salary at time of disability less pension deductions. When the disabled firefighter becomes eligible for the minimum formula annuity, the disability benefit shall cease, and he or she shall thereafter receive an annuity; however, there are no age or service requirements to retire on money purchase from disability prior to qualification for the minimum formula annuity if the disability then terminates.

**DEATH BENEFIT**

In active service, on an authorized leave of absence, if death occurs within 60 days of receipt of salary, receiving duty or ordinary disability benefit, occurring within 60 days of termination of such benefit, or occurring on retirement while in receipt of annuity and separation was effective after age 50 and application was made within 60 days from separation; payable to written beneficiaries or, if none, to estate.

<u>Age</u>	<u>Death in Service After July 1, 1983</u>	<u>Death After Retirement After July 1, 1983</u>
49 and under	\$12,000	\$6,000
50	11,600	6,000
51	11,200	6,000
52	10,800	6,000
53	10,400	6,000
54	10,000	6,000
55	9,600	6,000
56	9,200	6,000
57	8,800	6,000
58	8,400	6,000
59	8,000	6,000
60	7,600	6,000
61	7,200	6,000
62	6,800	6,000
63	6,400	6,000
64 and over	6,000	6,000

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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**GROUP HEALTH HOSPITAL AND SURGICAL INSURANCE PREMIUMS**

The pension fund shall provide payments in the amount of \$95 per month for non-Medicare eligible city annuitants and \$65 per month for Medicare eligible city annuitants from July 1, 2008, through December 31, 2016.

**REFUNDS**

***To Firefighters***

Of entire amount (excluding ordinary disability pension deductions) with interest at 4 percent if entered before June 30, 1953, and 3 percent otherwise, before age 50, or before age 57 and less than 10 years of service. A firefighter who receives a refund and who subsequently reenters the service shall not receive, nor his or her widow/widower or parents, any annuity benefit or pension unless the refund is repaid with 4 percent interest. Repayment must be made within two years after reentry.

**FOR WIDOW/WIDOWER ANNUITY**

If the firefighter is not married when he retires on annuity, he or she will receive a refund of all his or her contributions, with interest, for spouse's annuity.

**REFUNDS OF REMAINING AMOUNTS**

If amounts contributed by a firefighter (with interest) are not paid out to him or her, in the form of a refund or annuity, or his or her widow/widower in the form of annuity, the remaining amounts (with interest) shall be paid out to his or her heirs, or to administrator of estate, for burial expense. If there are children under age 18, amount necessary to pay children annuities will not be refunded. There will be no refund paid to a widow/widower whose annuity is suspended because of remarriage.

**DEDUCTIONS AND CONTRIBUTIONS**

	<u>Deductions</u>	<u>City Contributions<sup>1</sup></u>
Employee	7.125%	8.500%
Spouse	1.500%	2.000%
Ordinary Disability	0.125%	0.000%
Annuity Increase	<u>0.375%</u>	<u>0.000%</u>
	9.125%	10.500%

<sup>1</sup> *Credited to participant's Accumulation Annuity and Widow's Annuity accounts*

Prior to 2015, the city shall levy a tax annually at a rate on the dollar of the assessed valuation of all taxable property that will produce an amount not to exceed the total amount of contributions by the firefighters to the Fund made in the calendar year two years prior multiplied by 2.26 for 1982 and each year thereafter, plus \$142,000 for the Ordinary Death Benefit.

Under P.A. 99-0506, City contributions are equal to \$199 million in payment year 2016, \$208 million in payment year 2017, \$227 million in payment year 2018, \$235 million in payment year 2019 and \$245 million in payment year 2020. For payment years after 2020, annual employer contributions combined with member contributions and other Fund revenue must equal the amount,

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2016 (CONT'D)**

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as a level percentage of payroll, that is sufficient to produce 90 percent funding by the end of fiscal year 2055.

**DEATH BENEFIT**

Employees contribute \$2.50 per month at the same time and with the same frequency as other deductions (with each payment of salary).

**TAX SHELTER OF EMPLOYEE SALARY DEDUCTIONS**

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

**COMPULSORY RETIREMENT AGE**

Effective January 1, 1994, the federal law (ADEA) allowing compulsory retirement at age 63 lapsed. As such, duty disability and occupational disease disability benefits and widow/widower compensation benefits may be “open ended”; i.e., without limiting age.

Effective December 2000 the City of Chicago enacted a compulsory retirement age of 63 for non-EMT participants. As such, all disability benefits for non-EMT participants cease at age 63 and become payable as retiree benefits.

**COMPENSATION WIDOWS**

Beginning January 1, 2001, mandatory retirement will have no impact on Widow benefits. Therefore, effective with the December 31, 2001, valuation, all Supplemental Widows have been re-classified as Compensation Widows. The classification of Supplemental Widows has been discontinued.

**SALARY CAP AND COLA DEVELOPMENT FOR MEMBERS HIRED ON OR AFTER JANUARY 1, 2011**

<b>Year Ending</b>	<b>CPI-U</b>	<b>½ CPI-U</b>	<b>COLA</b>	<b>Maximum Annual Pensionable Earnings</b>
2011			3.00%	\$ 106,800.00
2012	3.90%	1.95%	1.95%	108,882.60
2013	2.00%	1.00%	1.00%	109,971.43
2014	1.20%	0.60%	0.60%	110,631.26
2015	1.70%	0.85%	0.85%	111,571.63
2016	0.00%	0.00%	0.00%	111,571.63
2017	1.50%	0.75%	0.75%	112,408.42

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**APPENDIX 6**

LEGISLATIVE CHANGES 1968 THROUGH 2016

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# LEGISLATIVE CHANGES 1968 THROUGH 2016

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## 1968 to 1979 Sessions

- Compensation widow/widower annuities changed from \$300 to 75 percent of salary;
- Supplemental widow/widower annuities became 40 percent of salary;
- 5-year average salary became 4 years;
- Minimum employee annuities increased from \$200 in stages;
- Minimum widow/widower annuities increased from \$100 in stages;
- Children's annuities changed from \$40/\$60 to 10%/15% of salary of first class firefighter;
- Parent annuities increased to 18 percent of salary of first class firefighter;
- Lump sum benefits were increases; and
- The deduction from salary increased from 1 percent to 1.5 percent of salary for the spouse annuity.

## 1979 Session

### ***SB 854***

Recall of elective members of the Board of Trustees.

### ***HB 291***

Authorizes investment in Time Deposits of Certificate of Deposit.

### ***HB 2012***

Employer may pick up, under IRS Code Section 414(h), the employee contributions for all compensation earned after December 31, 1980, by a reduction in the cash salary, an offset to a future salary increase or by a combination of both.

## 1980 Session

Transfer of credit to the General Assembly System.

### ***HB 3635***

Reversed all changes made by HB 2012 and put the pick up section as a new paragraph. They are treated as employee contributions for all purposes including refunds and determination of the tax levy.

## 1981 Session

### ***SB 21***

Actuarial Reporting Standards.

### ***SB 851***

Authorizes investments in conventional mortgage pass-through securities.

### ***SB 879***

Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months. \$100 penalty per day if late.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### ***HB 291***

Increase minimum survivor's annuity from \$200 to \$250.

### **Spring 1982 Session**

#### ***SB 740***

Three percent post-retirement increase for employees born before January 1, 1930. All increases begin at age 60 instead of age 63 effective July 1, 1982.

#### ***SB 1127***

Group health hospital and surgical insurance premium \$55 for annuitant not qualified to receive Medicare; \$21 if annuitant is qualified, effective January 1, 1983.

#### ***SB 1579***

Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant. List of permitted investments moved to general section of the statute.

#### ***HB 2361***

Election by mail ballot.

### **Spring 1983 Session**

#### ***SB 22***

Delegation of investment authority restrictions.

#### ***SB 1147***

Minimum reporting and actuarial information for 1984.

#### ***HB 366, SB 288***

Changes fiduciary standards: party in interest definition; reasonable care of co-fiduciary; eliminates civil action.

#### ***HB 377***

Cancer as occupational disability.

#### ***HB 380***

Paramedics as members July 1, 1983.

#### ***HB 455***

Bill of Rights.

#### ***HB 483***

Temporary position defined.

#### ***HB 514***

10 percent prudent person investment category.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### **HB 755**

Change in lump sum death benefit: \$6,000 if retired, \$12,000 if active and under age 50, reduced by \$400 each year age 50 or older.

### **HB 758**

Vote by mail.

50/20 2 percent minimum annuity formula (52/22 in 1984; 51/21 in 1985; 50/20 in 1986 and after).

30 percent salary of first class firefighter; widow/widower of active employee with 1.5 years of service effective June 30, 1984.

50 percent of retirement pension being paid (includes increases); widow/widower of retiree effective June 30, 1984.

### **City Ordinance**

Change in lump sum death benefit: \$6,000 if retired, \$12,000 if active and under age 50, reduced by \$400 each year age 50 or older.

Changes compulsory retirement from 63 to 70.

### **1984 Session**

Direct deposit.

Illinois Public Employees' Pension Laws Commission abolished.

### **1985 Session**

#### **HB 164**

Occupational disability benefits from 50 percent to 65 percent of salary for new disabilities.

Survivors' annuity for death in service 50 percent of the firefighter's annuity as if the deceased firefighter had retired just prior to the date of death.

Removes alcoholism and venereal disease prohibition against paying ordinary disability.

Removes adoption before age 50 requirement for child's benefit.

**1986 Session**

***HB 2630***

Removes the age 18 limitation for handicapped children of duty and occupational disease disability recipients.

Provides for waiver of annual physical examination for disability recipients if firefighter is permanently disabled and unable to ever return to service.

**1987 Session**

None.

**1988 Session—City Ordinance**

Compulsory retirement changed to age 63.

**1989 Session**

***HB 332***

\$325 minimum widow/widower annuity effective January 1, 1988.

***SB 95***

Changed the amount of fund paid health insurance “supplement” from January 1, 1988, until December 31, 1992, to \$65 per month for each annuitant not qualified to receive Medicare benefits (and \$35 if qualified) and from January 1, 1993, until December 31, 1997, the amounts are \$75 and \$45, respectively. Widow/widowers will now be eligible for supplement. The City will be required to pay 50 percent of the aggregate cost of health care claims for the retired group under all health care plans offered by the City. A procedure was established for the City to determine, with the help of an independent actuary, the aggregate cost of claims and premiums for each calendar year from 1989 through 1998 for the retired group.

\$475 minimum employee annuity effective January 1, 1990.

Compensation and Supplemental annuitants may remarry after 1989 without loss of benefits.

Employee refunds must be repaid at 4 percent before the later of 2 years after the date of reentry or January 1, 1992.

Three percent postretirement increase beginning January 1, 1990, for employees born after December 31, 1929, and before January 1, 1940.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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Employee may purchase periods of suspension (not to exceed a total of 1 year of service) and 1980 strike time (not to exceed 23 days). Paramedic who transferred from the pension fund established under Article 8 of this Code to this Fund by operation of Public Act 83-780 may purchase Article 8 service at 4 percent annual compound interest rate prior to January 1, 1992, if the employee received a refund from the Article 8 fund.

### **1990 Session**

#### ***SB 136***

Amends Chapter 120, Paragraph 671 of the Revenue Act to provide for a separate listing on the tax bill of the dollar amount of tax due from the person assessed, which is allocable to a tax levied under the Illinois Pension Code, or any other tax levied by a municipality or township for public pension or retirement purposes. Effective January 1, 1990.

#### ***SB 1951***

Signed January 14, 1991. Service credit will be given for any periods prior to January 14, 1993, that an active firefighter who is a member of the General Assembly is absent to perform his legislative duties. No payment is required for this service credit. The current salary of the rank would be used for average salary for annuity purposes.

Any firefighter who had service as a paramedic in the Municipal Fund and received a refund of contributions could receive credit for the service in the Fire Fund by making written application to the Board by January 1, 1992, and paying for the service.

Beginning December 31, 1990, any firefighter with at least 20 years of service may withdraw from the service at any age and receive an annuity calculated under Section 6-128 beginning at age 50 if under that age at withdrawal.

Beginning January 1, 1990, the minimum widow/widower annuity is \$400 per month for all those receiving a widow/widower annuity on January 14, 1991 and for future widow/widowers of employees who retired at age 50 or over with at least 20 years of service.

If a widow/widower remarries after December 31, 1989, after attaining age 60, the annuity will continue without interruption. If the annuity is suspended because of remarriage before attaining age 60, annuity payments will be resumed if the subsequent marriage ends.

If any widow/widower receives a widow/widower annuity from the Fire Fund and after December 31, 1989, marries a firefighter in the Fund, his/her first widow/widower annuity will be canceled if she accepts any payment of a second widow/widower's annuity after he dies.

Beginning January 14, 1991, any city officer can transfer his Fire service to the Municipal Fund.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### **1991 Session**

None.

### **1992 Session**

#### ***HB 969***

Approved March 26, 1992. Beginning January 1992, the minimum retirement annuity (requires retirement at age 50 or over with at least 20 years of service) was increased to \$650 per month and the minimum widow/widower annuity was increased to \$500 for those receiving annuity and those who will be eligible in the future (requires retirement or death in service at age 50 or over with at least 20 years of service).

#### ***SB 1650***

Approved January 25, 1993.

The minimum retirement annuity (requires retirement at age 50 with at least 20 years of service) was increased to \$750 per month on January 1, 1993, and \$850 per month on January 1, 1994.

The minimum widow/widower annuity (requires retirement or death in service at age 50 or over with at least 20 years of service) was increased to \$600 per month on January 1, 1993, and \$700 per month on January 1, 1994, for those eligible present and future widow/widowers.

Service credit will be given for any periods in General Assembly prior to January 9, 1997 (instead of January 14, 1993).

The annuitant may waive all or any portion of his annuity.

### **1993 Session**

#### ***SB 358***

Approved January 10, 1994. Beginning January 1, 1994, minimum Duty and Occupational Disease Disabilities have been established, if the employee has been on the disability for 10 years: 50 percent of current salary of rank at removal from Department payroll.

#### ***ADEA***

Effective January 1, 1994, the federal law (ADEA) allowing compulsory retirement at age 63 lapsed. As such, duty disability and occupational disease disability benefits and widow/widower compensation benefits may be "open ended"; i.e., without limiting age.

### **1994 Session**

None.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### 1995 Session

#### ***SB 114***

Approved July 14, 1995.

The minimum widow/widower annuity was increased to \$700 per month for anyone entitled to receive a widow/widower annuity.

A widow/widower's annuity that was previously terminated because of remarriage before December 31, 1989, will be resumed upon proper application if the subsequent marriage has ended.

Employees have until 2 years after the date of reentry or January 1, 2000, to repay a refund.

For employee annuitants born before January 1, 1945, the 3 percent postretirement increase begins at age 55.

The provisions relating to purchase of credit for certain periods of service as a paramedic or other fire department employee were changed.

The City is authorized to substitute funds obtained from borrowings and other sources for a portion of its authorized tax levy for pension purposes.

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 participants before 1996.

The Fund 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 3-year compensation no longer applies.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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Excess benefit plans are permitted to provide participants 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 313***

Signed June 27, 1997.

Coverage in the City group health insurance is extended through June 30, 2002, with some modification in plans offered. Pension fund supplement remains \$45 and \$75 for Medicare eligible and non-Medicare eligible annuitants respectively.

### **1998 Union Contract Cost of Living Increases**

The following salary increases are scheduled:

1.5 percent effective July 1, 1995.

1.5 percent effective January 1, 1996.

1.5 percent effective July 1, 1996.

3.5 percent effective January 1, 1997.

3.75 percent effective January 1, 1998.

2.25 percent effective January 1, 1999.

### **1998 Session**

The minimum widow/widower annuity (requires retirement or death in service at age fifty or over with at least twenty years of service) was increased to \$800 per month on January 1, 1999, for those eligible present and future widow/widowers.



**1999 Session**

None.

**2000 Session**

In 2000 the City of Chicago enacted mandatory retirement for all firefighters, except for emergency medical technicians, upon attainment of age 63.

**2001 Session**

None.

**2002 Session**

***HB 5168***

Effective June 28, 2002.

The pension fund subsidy for retiree health insurance was extended through June 30, 2003 (other than child annuitants). 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.

**2003 Session**

***SB 1701***

Effective July 1, 2003.

The healthcare benefits were 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 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**

***PA 93-0654***

Effective January 16, 2004.

Changes to the definition of salary used for benefit calculation.

- For members born before 1955, who hold an exempt position above career service rank, salary means the actual salary attached to the exempt rank position.
- Salary as an ambulance commander shall be included. Employee contributions must be made retroactively before January 1, 2006. Beneficiaries may also make the contributions.
- Additional compensation for being licensed as an EMT shall be included.
- Duty availability pay shall be included. Employee contributions must be made retroactively before January 1, 2006. Beneficiaries may also make the contributions.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### *PA 93-0654 (continued)*

An employee who reaches the compulsory retirement age with greater than 10 years of service, but less than 20 is now entitled to an annuity of 30 percent of average salary for the first 10 years of service plus an additional two percent for each year in excess of 10, not to exceed 50 percent.

The minimum annuity formula accrual rate for service after 20 years was increased from 2.0 percent to 2.5 percent with total benefits limited to 75 percent of final average pay.

The minimum benefit for retirements at age 50 with 20 years of service was increased to \$950 per month during 2004 and \$1,050 per month thereafter.

The minimum widow annuity was increased to \$900 per month during 2004 and \$1,000 per month thereafter.

The widow of an active fireman with 10 or more years of service will receive no less than 50 percent of the benefit the active firemen would have received had he attained age 50 and 20 years of service.

A widow who was married to a deceased fireman before the fireman began to receive a retirement annuity and for at least one year preceding the fireman's death is entitled to a widow's benefit. Any refunded contributions must be repaid with four percent interest.

A widow's benefit will continue following remarriage. Those annuities previously terminated will resume.

Members born prior to January 1, 1955, are entitled to a three percent simple COLA commencing at the later of age 55 or the first anniversary of retirement. Members born on or after January 1, 1955, are entitled to a 1.5 percent COLA commencing at the later of age 60 or the first anniversary of retirement limited to 30 percent. Previously the cutoff date was January 1, 1945.

Former city contributions for paramedics will be transferred to this fund with 11 percent interest and credited to the individual fireman if he or she pays for prior service as a paramedic in full.

### **Bertucci court opinion**

Effective June 29, 2004.

For members who die while receiving duty disability payments, the widow's benefit is now 75 percent of the member's salary attached to his civil service position. The benefit increases as the salary attached to this position increases. Previously the widow's benefit was 50 percent of the member's benefit.

### **PA 93-0917 (HB 378)**

Effective August 12, 2004

Changes the widow eligibility conditions by expanding widow benefits that were previously limited by marriage conditions after withdrawal or disability. Benefits cannot be reinstated or granted earlier than January 16, 2004.

***PA 93-0917(continued)***

A fireman who accumulated service under the Municipal Employees' Annuity and Benefit Fund of Chicago, who terminated and received a refund, may purchase such service credit until January 1, 2005. Those firemen who retired after January 16, 2004, but before the effective date of this act may still purchase service before January 1, 2005, and have their benefit recalculated. Employer contributions with interest, for such service, will be transferred from the Municipal Employees' Annuity and Benefit Fund to the Firemen's Annuity and Benefit Fund.

**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, as required under Section 1-110.5 of the pension code, they have not loaned to, invested in or otherwise transferred any of the pension fund assets to a forbidden entity.

**2006 Session**

None.

**2007 Session**

***PA 95-0279***

Beginning January 1, 2008, removes restriction that a child be born or legally adopted before withdrawal from service for a child's annuity. Removes restriction requiring that adoption proceedings must have been initiated one year prior to the fireman's death.

**2008 Session**

None.

**2009 Session**

***PA 95-1036***

Effective February 17, 2009.

Allows a terminally ill fireman to apply for disability while still an active member.

***PA 96-0006***

Effective April 3, 2009.

The Illinois Governmental Ethics Act.

***PA 96-260***

Effective August 11, 2009.

A fireman may purchase up to 24 months of service credit attributed to service in the armed forces of the United States prior to employment as a firefighter by making contributions to the Fund equal

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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to (i) employee contributions during the period served, (ii) employer normal costs during the period served, and (iii) compound interest at the actuarially assumed rate from date of membership in the Fund until date of payment.

### **PA 96-727**

Effective August 25, 2009.

Extends the repayment of refund for reinstated service to January 1, 2011, with interest calculated at the actuarially assumed rate.

Allows a fireman to transfer eligible service with the Article 8 Fund – the Municipal Employees' Annuity and Benefit Fund of Chicago. The fireman is required to pay to the Fund an amount equal to (i) employee contributions during the period served, (ii) employer normal costs during the period served, and (iii) compound interest at the actuarially assumed rate from date of membership in the Fund until date of payment. This amount is offset by contributions transferred from the Article 8 Fund. Written application must be made by January 1, 2010.

Allows a fireman who was an employee of the Chicago Fire Department but did not participate in the pension fund to establish this service with the Fund. The fireman is required to pay to the Fund an amount equal to (i) employee contributions during the period served, (ii) employer normal costs during the period served, and (iii) compound interest at the actuarially assumed rate from date of membership in the Fund until date of payment. Written application must be made by January 1, 2010.

Allows a fireman to transfer up to 10 years of eligible service with an Article 4 Fund – “Downstate Fund.” The fireman is required to pay to the Fund an amount such that the transfer results in no additional unfunded actuarial accrued liability for the Fund based on the assumptions and methods used in the most recent actuarial valuation. Contributions transferred from the Downstate Fund are used to offset the required payment from the fireman.

Allows the Fund to recover damages from a third party responsible for the death or disability payable from the Fund.

### **PA 96-753**

Effective August 25, 2009.

Encourages the public pension funds, and any State entity investing on behalf of the public pension funds, to promote the economy of Illinois through the use of economic opportunity investments.

Instructs the fund's 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 total proceeds in every transaction are the most favorable under the circumstances.

## **2010 Session**

### **PA 96-1466**

Effective August 20, 2010.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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Members entering the Fund after on or after January 1, 2011, shall not be given service credit in this Fund for any period of time in which the member was in receipt of retirement benefits from any annuity and benefit funds in operation in the city.

**PA 96-1495 (HB 3538)**

Effective January 1, 2011.

Changes the financing for the Fund. Assets are marked to market at March 30, 2011. For fiscal years after March 30, 2011, actuarial value of assets is used based on five-year smoothing. The City levies a new tax starting in FY2015. Each year, employer contributions combined with member contributions and other fund revenue must be equal to the amount that is sufficient to produce 90% funding by the end of fiscal year 2040. The projections are based on an open group projection and level percent of pay financing and actuarial liabilities are based on the projected unit credit cost method. If the City does not make the statutorily required contributions, then the State, starting in FY 2016, could withhold State grants to the City, and directly deposit the withheld funds into the FABF. The withheld funds are limited to 33 percent of total State grants to the City in FY 2016, 67 percent in FY 2017, and 100 percent on and after FY 2018.

Changes benefits for members hired on or after January 1, 2011. For these employees the minimum retirement eligibility is at age 55 with 10 years of service with the annuity based on an accrual rate of 2.5 percent, subject to a maximum of 75 percent. Employees may retire at age 50 with 10 years of service with the annuity based on accrual rate of 2.5 percent, reduced by one half of one percent per month for retirement prior to age 55, subject to a maximum of 75 percent. The final average salary is based on 96 consecutive months within the last 120 months. Annual salary is capped at \$106,800, indexed annually at the lesser of 3.0 percent and fifty percent of CPI-U. COLA is equal to the lesser of 3.0 percent and 50 percent of CPI-U, commencing at age 60, with no 30% cap, applied to the original granted retirement annuity. Widow benefits are 66-2/3 percent of the firemen's earned annuity at the date of death. Widow COLA is equal to the lesser of 3.0 percent and 50 percent of CPI-U, commencing when the survivor reached age 60, and applied to the original granted retirement annuity.

### **2011 Session**

**P.A. 97-530 (SB 1672)**

Effective 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.

**P.A. 97-609 (SB 1831)**

Effective 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.

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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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.

***P.A. 97-504 (HB 1670)***

Approved August 23, 2011.

Amends the Open Meetings Act.

Requires each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.

Requires those members to complete the training not later than one year after the effective date of the amendatory Act.

Requires each elected or appointed member of a public body subject to the Act who becomes such a member after the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.

Requires those members to complete the training not later than the 90th day after the date the member either (i) takes the oath of office, if the member is required to take an oath of office to assume the person's duties as a member of the public body or (ii) otherwise assumes responsibilities as a member of the public body, if the member is not required to take an oath of office to assume the person's duties as a member of the governmental body.

Requires each member who successfully completes the curriculum to file a copy of the certificate of completion with the public body.

Provides that the failure of one or more members of a public body to complete the training required by this Section does not affect the validity of an action taken by the public body.

Provides that an elected or appointed member of a public body subject to this Act who has successfully completed the required training and filed a copy of the certificate of completion with the public body is not required to subsequently complete that training.

### **2012 Session**

***P.A. 97-0651***

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.

### **2013 Session**

***P.A. 98-0043 (SB 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."

## LEGISLATIVE CHANGES 1968 THROUGH 2016 (CONT'D)

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### **P.A. 98-0443 (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 sponsor through close-end funds.”

### **2014 Session**

No legislative changes.

### **2015 Session**

No legislative changes.

### **2016 Session**

#### **P.A. 99-0506**

Approved and effective May 30, 2016.

Changes the funding policy. For payment years 2016 through 2020, specifies the amount for the City of Chicago's required annual contribution to the Fund. Beginning in payment year 2021, the City's total required contribution to the Fund shall be an amount that is equal to the normal cost of the fund, plus an amount sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities of the fund by payment year 2055 (instead of 2040).

Changes the actuarial cost method to entry age normal.

Includes provisions for funding from any proceeds received by the city in relation to the operation of a casino within the city.

Provides a mechanism to enforce funding through mandamus.

Creates a new minimum retirement annuity provision equal to 125% of the federal poverty level for certain persons.

#### **P.A. 99-0905**

Approved and effective November 29, 2016.

Specifies the manner of calculating the Tier 2 surviving spouse's annuity for Tier 2 policemen who die in service with at least 1 1/2 years of service

Specifies the manner of computing duty-death benefits for Tier 2 surviving spouses and provides that Tier 2 duty-death benefits are not payable where the death is the result of an intervening cause.

Includes provisions for a minimum surviving spouse's annuity equal to 125% of the federal poverty level.

Increases the Tier 1 automatic annual increase in retirement annuity for persons born after December 31, 1954 but before January 1, 1966.

Amends the State Mandates Act to require implementation without reimbursement.