MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO

(A Component Unit of the
City of Chicago)

FINANCIAL REPORT

DECEMBER 31, 2015 AND 2014

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

C O N T E N T S

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

O'Hare Plaza
8745 West Higgins Road
Suite 200
Chicago, Illinois 60631

Tel: (312) 263-2700
Fax: (312) 263-6935
www.bk-cpa.com

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 18, 2016

Management's Discussion and Analysis

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

Financial Highlights

- The Plan's fiduciary net position decreased by $438.1 million to $4,741.4 million as of December 31, 2015, compared to a decrease of $242.2 million, from $5,421.7 million to $5,179.5 as of December 31, 2014.

- The Plan continues to liquidate portfolio assets to supplement the disbursement of benefit payments. During fiscal year 2015, approximately $552.1 million in portfolio assets were liquidated compared to $525.5 million in fiscal year 2014 and $496.3 million in fiscal year 2013.

- MEABF's total investment portfolio generated a return of 1.8 percent in 2015 on a net-of-fees basis. The net returns in 2014 and 2013 were 5.0 percent and 16.1 percent, respectively. The total portfolio return in 2015 fell below the 7.5 percent actuarial investment return assumption.

- On a fair value basis, this year's money weighted investment rate of return net of investment expense, was 2.1 percent, compared with the last year's return of 16.0 percent.

- Total additions as reported in the statements of changes in fiduciary net position decreased by $169.0 million or 29.5 percent to $403.1 million in 2015 from $572.1 million in 2014.

- Total deductions as reported in the statements of changes in fiduciary net position increased by $26.9 million or 3.3 percent to $841.2 million in 2015 from $814.3 million in 2014.

- Annuity benefits paid to retirees and beneficiaries increased by $27.7 million or 3.7 percent to $782.1 million for fiscal year 2015, compared to an increase of $30.5 million or 4.2 percent from $723.9 million in fiscal year 2013 to $754.4 million in fiscal year 2014.

- The December 31, 2015 financial actuarial valuation calculated a total pension liability at December 31, 2015, of $23,358.8 million and the net pension liability at December 31, 2015, of $18,617.4 million.

- As of the December 31, 2015, the most recent funding actuarial valuation, the Plan's unfunded actuarial accrued liability increased to $9,840.1 million from $7,285.3 million from the prior year. As of the December 31, 2015, the most recent funding actuarial valuation, the Plan's funded ratio was 32.9 percent compared with a funded ratio of 40.9 percent for the prior year.

Overview of the Financial Statements

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

Basic Financial Statements

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Schedules

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

Fiduciary Net Position Restricted for Pension Benefits (in millions)

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

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

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

Summary of Investments (in millions)

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

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

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

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

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

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

Additions and Deductions to Fiduciary Net Position (in millions)

(Years ended December 31, 2015, 2014 and 2012)

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

Additions

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

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

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

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

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

Deductions

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

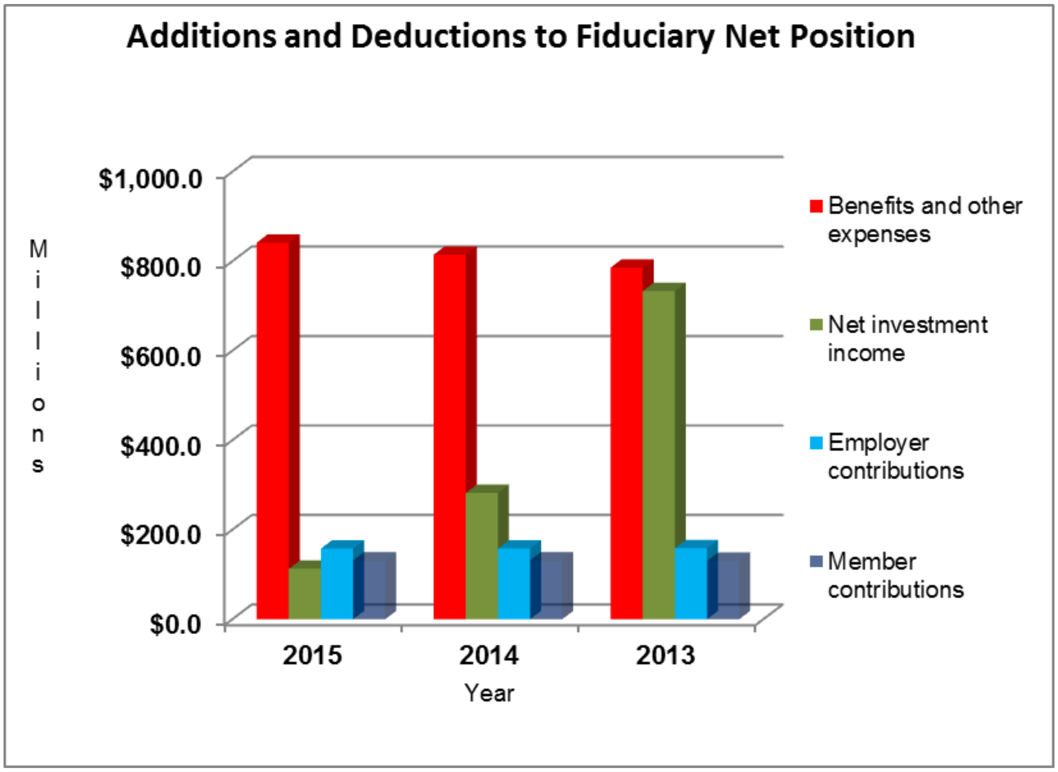
Annuity benefits paid increased by $27.7 million or 3.7 percent to $782.1 million in 2015 from $754.4 million in 2014. The increase is primarily due to the compounded annual 3.0 percent adjustment for eligible annuitants and an increase in the number of retirees and beneficiaries receiving benefits.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

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

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

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

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



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

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

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

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

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

Funding Status

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

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

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

Request for Information

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

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2015 AND 2014

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

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

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

(2) Fiscal dependency on the primary government.

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

Basis of Accounting

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

Use of Estimates

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

Risks and Uncertainties

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

Income Taxes

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

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

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

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

Cash and Cash Equivalents

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

Administrative Expenses

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

Recently Issued Accounting Pronouncements

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

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

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

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

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

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

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

Investment Policy

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

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

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

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

Money-Weighted Rate of Return

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

Note 3 – Deposits and Investments

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

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

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

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

Note 3 – Deposits and Investments (continued)

Foreign Currency Risk

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

Currency	*Equities**	*Fixed Income*	*Short term investments*	*Total*	*Percentage*
Australian Dollar	$ 35,877,436	$ -	$ 449,086	$ 36,326,522	4.02%
Brazilian Real	10,551,149	-	212,477	10,763,626	1.18%
British Pound Sterling	143,704,072	-	1,315,360	145,019,432	16.10%
Canadian Dollar	36,296,794	-	426,857	36,723,651	4.07%
Chilean Peso	1,306,456	-	58,941	1,365,397	0.15%
Columbian Peso	213,130	-	60,654	273,784	0.02%
Czech Koruna	529,815	-	19,094	548,909	0.06%
Danish Krone	14,911,067	-	78,412	14,989,479	1.67%
Egyptian Pound	106,053	-	17,549	123,602	0.01%
Euro	190,117,003	-	2,376,995	192,493,998	21.30%
HK Chinese Yuan Renminbi	-	-	1,003	1,003	0.00%
Hong Kong Dollar	64,074,010	-	167,337	64,241,347	7.18%
Hungarian Forint	140,688	-	13,580	154,268	0.02%
Indian Rupee	26,243,416	-	99,024	26,342,440	2.94%
Indonesian Rupiah	6,332,480	-	26,971	6,359,451	0.71%
Japanese Yen	174,028,682	-	1,698,923	175,727,605	19.50%
Malaysian Ringgit	2,051,086	-	142,554	2,193,640	0.23%
Mexican Peso	9,677,774	-	60,926	9,738,700	1.08%
New Israeli Shekel	5,131,815	-	95,823	5,227,638	0.58%
New Taiwan Dollar	15,759,006	-	175,357	15,934,363	1.77%
New Zealand Dollar	3,042,636	-	175,874	3,218,510	0.34%
Norwegian Krone	8,271,393	-	66,720	8,338,113	0.93%
Philippine Peso	3,437,808	-	20,694	3,458,502	0.39%
Polish Zloty	667,479	-	41,612	709,091	0.07%
Qatari Rial	531,287	-	23,432	554,719	0.06%
Singapore Dollar	9,597,814	-	109,093	9,706,907	1.08%
South African Rand	11,403,515	-	69,543	11,473,058	1.28%
South Korean Won	21,806,884	-	12,133	21,819,017	2.44%
Swedish Krona	27,885,831	-	154,122	28,039,953	3.12%
Swiss Franc	54,398,017	-	33,258	54,431,275	6.10%
Thai Baht	6,334,913	-	135,645	6,470,558	0.71%
Turkish Lira	3,764,926	-	28,838	3,793,764	0.42%
United Arab Emirates Dirham	4,253,992	-	58,910	4,312,903	0.48%
Held in Foreign Currency	892,448,427		8,426,798	900,875,225	95.05%
Held in U.S. Dollars	46,495,943	-	-	46,495,943	4.95%
Total	$938,944,370	$ -	$8,426,798	$947,371,168	100.00%

*Includes Forward contracts, rights and warrants.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS

Note 3– Deposits and Investments (continued)

Interest Rate Risk

As of December 31, 2015, the Plan had the following investments and maturities:

Security Type	Total Fair Value	1 year or less	1-6 years	6-10 years	10 or more years	Maturity Not Determined
Asset backed	$ 15,680,741	$ -	$ 15,672,347	$ -	$ 8,394	$ -
Bank loans	179,330,537	6,420,474	126,456,842	46,453,221	-	-
Commercial mortgage backed	11,805,003	-	-	-	11,805,003	-
Corporate bonds	477,041,710	4,357,159	249,719,676	174,686,957	48,277,918	-
Corporate convertible bonds	2,607,517	-	1,566,562	1,040,955	-	-
Government agencies	42,717,667	-	27,907,611	13,368,711	1,441,345	-
Government bonds	192,479,956	-	102,370,500	72,744,078	17,365,378	-
Government mortgage backed	205,707,864	-	2,404,445	13,605,959	149,101,027	40,596,433
Index linked government bonds	8,145,438	3,564,476	2,757,380	1,823,582	-	-
Municipal / provincial bonds	12,010,407	-	10,830,106	200,084	980,217	-
Non-government backed CMO's	260,960	-	184,028	-	76,932	-
Total	$1,147,787,800	$14,342,109	$539,869,497	$323,923,547	$229,056,214	$40,596,433

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

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Deposits and Investments (Continued)

Credit Risk

The following table reflects credit ratings of fixed income securities held by the Plan as of December 31, 2014:

S&P Credit Rating	*Fair Value*	*Asset Backed Securities*	*Bank Loans*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Corporate Convertible Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Index Linked Gov't Bonds*	*Municipal/ Provincial Bonds*	*Non-Gov't Backed CMO's*
US Govt	$ 396,999,111	$ -	$ -	$ -	$ -	$ -	$ 443,868	$186,451,409	$201,958,396	$8,145,438	$ -	$ -
AAA	21,316,225	9,939,323	-	99,098	4,456,686	-	550,202	-	-	-	6,270,916	-
AA	75,133,029	2,321,932	-	3,211,216	26,346,750	-	38,259,876	232,988	9,226	-	4,742,264	8,777
A	106,960,012	1,095,224	-	2,328,425	102,444,892	-	-	94,244	-	-	997,227	-
BBB	188,042,146	-	16,185,336	748,169	165,896,971	-	3,463,721	1,747,949	-	-	-	-
BB	166,418,066	-	82,943,207	-	83,474,859	-	-	-	-	-	-	-
B	136,666,984	2,794	62,023,117	-	74,190,435	450,638	-	-	-	-	-	-
CCC	19,884,654	-	6,741,376	-	13,075,122	-	-	-	-	-	-	68,156
NR	36,367,573	2,321,468	11,437,501	5,418,095	7,155,995	2,156,879	-	3,953,366	3,740,242	-	-	184,027
Total	$1,147,787,800	$15,680,741	$179,330,537	$11,805,003	$477,041,710	$2,607,517	$42,717,667	$192,479,956	$205,707,864	$8,145,438	$12,010,407	$260,960

US Govt = Guaranteed by US Government
NR = Not Rated

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

Note 4 – Derivatives

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

Foreign Currency Forward Contracts

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

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

Note 4 – Derivatives (continued)

Futures Contracts

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

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

	Notional Value
Total Futures	$7,672,861

Rights and Warrants

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

	Notional Value	Fair Value	Change in Fair Value
Total Rights and Warrants	$406,871	$39,299	$7,831

Note 5 – Securities Lending

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

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

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

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

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

Note 6 – Property and Equipment

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

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

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

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

A. Pension Plan Description

General

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

Membership

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

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

Plan membership at December 31 is as follows:

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

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

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

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

Refunds of Employee Contributions

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

Employee Pension

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

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

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

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

Automatic Increase in Employee Annuity

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

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

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

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

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

Surviving Spouse Pension

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

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

Automatic Increase in Spouse Annuity

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

Child Annuity

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

Ordinary Disability

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

Duty Disability

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

Funding Policy

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

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

Member Contributions

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

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

Employer Contributions

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

Net Pension Liability of Participating Employer

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

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

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

Actuarial Assumptions

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

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

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

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

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

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

Discount rate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Post-employment Healthcare Benefits – MEABF as Employer

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

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

Funding

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

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

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

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

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

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

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

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

The following table is a summary of the OPEB Cost

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

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

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

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

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

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

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

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

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

Disclosure of Information about Actuarial Methods and Assumptions

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

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

Note 8 – Net Position Held in Trust for Pension Benefits

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

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

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

City Contribution Reserves

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

Salary Deduction Reserves

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

Annuity Payment Reserves

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

Prior Service Reserves

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

Optional Reserves

Amounts contributed by the aldermen for the alternative plan.

Note 9 – Operating Leases

Office Lease

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

Disaster Recovery (DR) site

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

Note 9 – Operating Leases (Continued)

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

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

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

Note 10 – Risk Management

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

Note 11 – Commitments and Contingencies

Investment Commitments

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

Irrevocable Letter of Credit Security Deposit

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

Note 11 – Commitments and Contingencies (Continued)

Litigation

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

Note 12 – Deferred Compensation Plan

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
(PENSION)

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

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

SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY
(PENSION)

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(PENSION)

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

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

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

SCHEDULE OF INVESTMENT RETURNS

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(PENSION)

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

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

SCHEDULE OF FUNDING PROGRESS
(POST- EMPLOYMENT HEALTHCARE)

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(POST - EMPLOYMENT HEALTHCARE)

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

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(POST - EMPLOYMENT HEALTHCARE)

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

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

SCHEDULE OF FUNDING PROGRESS
(POST-EMPLOYMENT HEALTHCARE-STAFF RETIREE HEALTHCARE)

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(POST-EMPLOYMENT HEALTHCARE-STAFF RETIREE HEALTHCARE)

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

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

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(POST-EMPLOYMENT HEALTHCARE-STAFF RETIREE HEALTHCARE)

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

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

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE AND OPEB EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2015 AND 2014

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

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

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

SCHEDULE OF PROFESSIONAL AND CONSULTING COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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