



## Municipal Employees' Annuity and Benefit Fund of Chicago

Review of Financial Status  
October 1, 2012



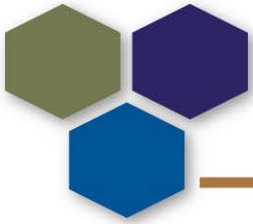
Municipal Employees'  
Annuity and Benefit Fund of Chicago



GRS

Gabriel Roeder Smith & Company  
Consultants & Actuaries  
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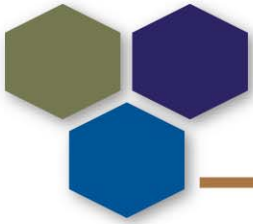
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# MEABF – Financial Status

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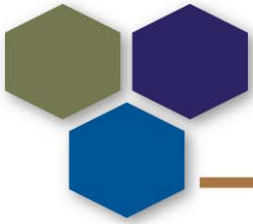
- ◆ An actuarial valuation is performed:
  - ▶ To compare the present value of future benefit obligations to the current value of plan assets, also known as the funded status or funded ratio
  - ▶ Determine the contribution requirements for the current fiscal year
- ◆ Key assumptions used in the valuation process include:
  - ▶ Expected return on assets
  - ▶ Expected growth in compensation and inflation
  - ▶ Likelihood an active member remains employed and subsequently retires
  - ▶ Likelihood of how long a member survives after retirement
- ◆ The contribution requirement generally depends on:
  - ▶ Investment performance of the plan's assets
  - ▶ Demographic experience, e.g. actual retirements compared to expected retirements
  - ▶ Amortization of the unfunded actuarial liability for benefits earned in prior years
  - ▶ Normal costs, or value of benefits expected to be earned during the year



# MEABF – Financial Status

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- ◆ The City contribution requirements for MEABF are based on a “multiple” of plan member contributions (8.5% of pay):
  - ▶ MEABF – 1.25 times member contributions
- ◆ Historically, the City’s contribution multiple was sufficient to pay a portion of the unfunded actuarial liability and the annual normal cost; however, the multiple is no longer adequate to finance the plan’s benefit obligations. Key reasons include:
  - ▶ Significant investment losses in 2001, 2002, 2008, and 2011
  - ▶ Benefit improvements that were not adequately financed, e.g. Early Retirement Incentive Programs
  - ▶ Other demographic losses
- ◆ Also, the City’s contribution multiple was decreased
  - ▶ MEABF – from 1.69 prior to 1998 to 1.25 on and after 1998
- ◆ If the City continues to make contributions that do not recognize emerging experience, such as the 1.25 multiple for MEABF, assets are projected to be depleted within the next 15 years

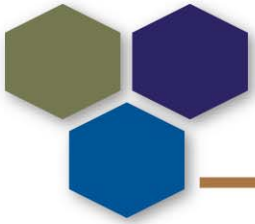


# Summary of Valuation Results - MEABF

## Valuation Results for Year Ending December 31, 2011 (\$ in Millions)

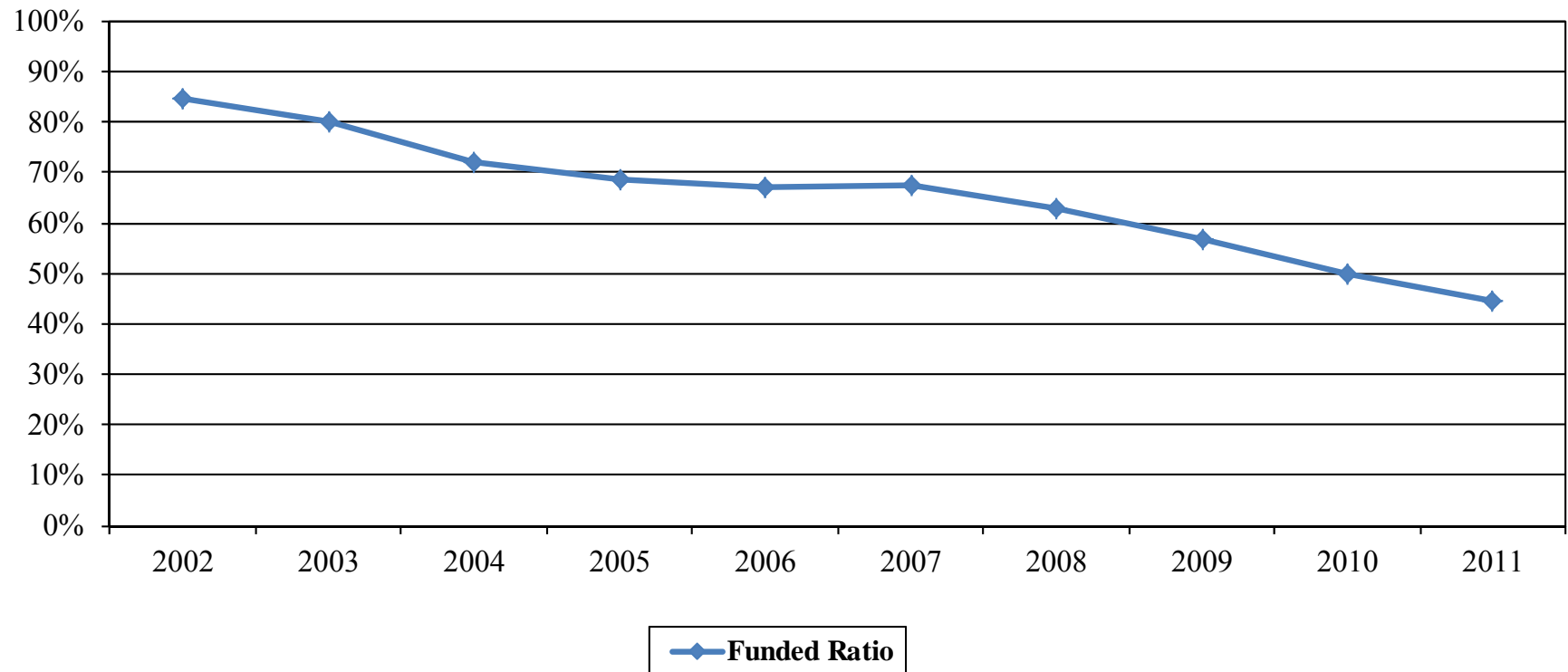
Actuarial value of assets	\$	5,552
Actuarial liability	\$	12,456
Unfunded actuarial liability	\$	6,904
Funded ratio		45%
Actuarially determined contribution (normal cost plus 30 year amortization of unfunded actuarial liability)	\$	705
Statutory contribution (1.25 multiple)	\$	158

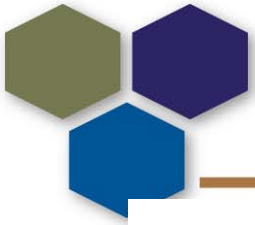
Under current statutory funding policy and actuarial assumptions, assets are projected to be depleted by 2025



# Historical Funded Ratio - MEABF

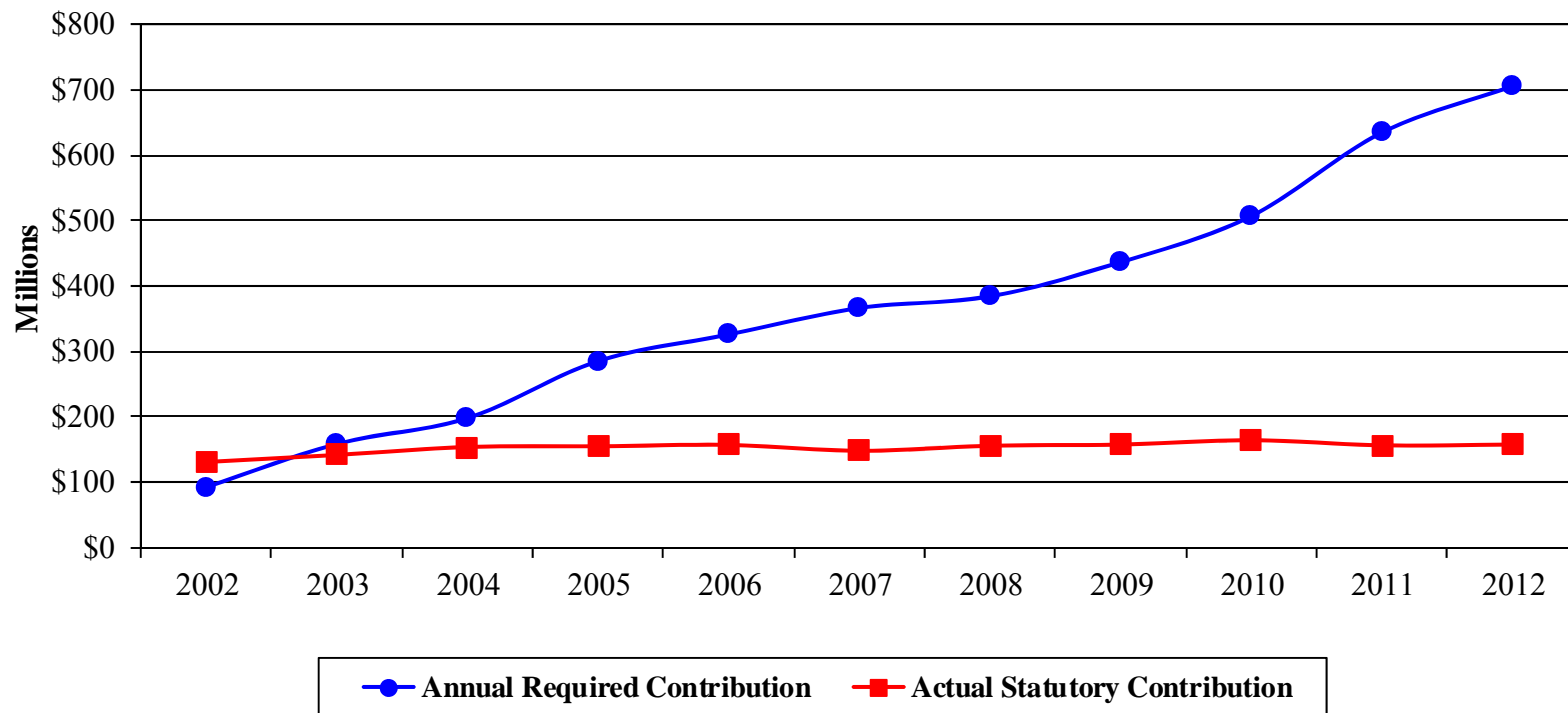
## Historical Funded Ratio - MEABF





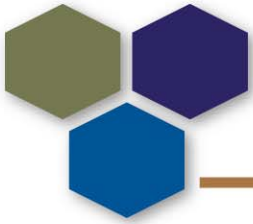
# Historical ARC and Statutory Contribution - MEABF

Comparison of ARC<sup>1</sup> and Actual Contributions<sup>2</sup> - MEABF



<sup>1</sup> Normal cost plus amortization of unfunded actuarial liability

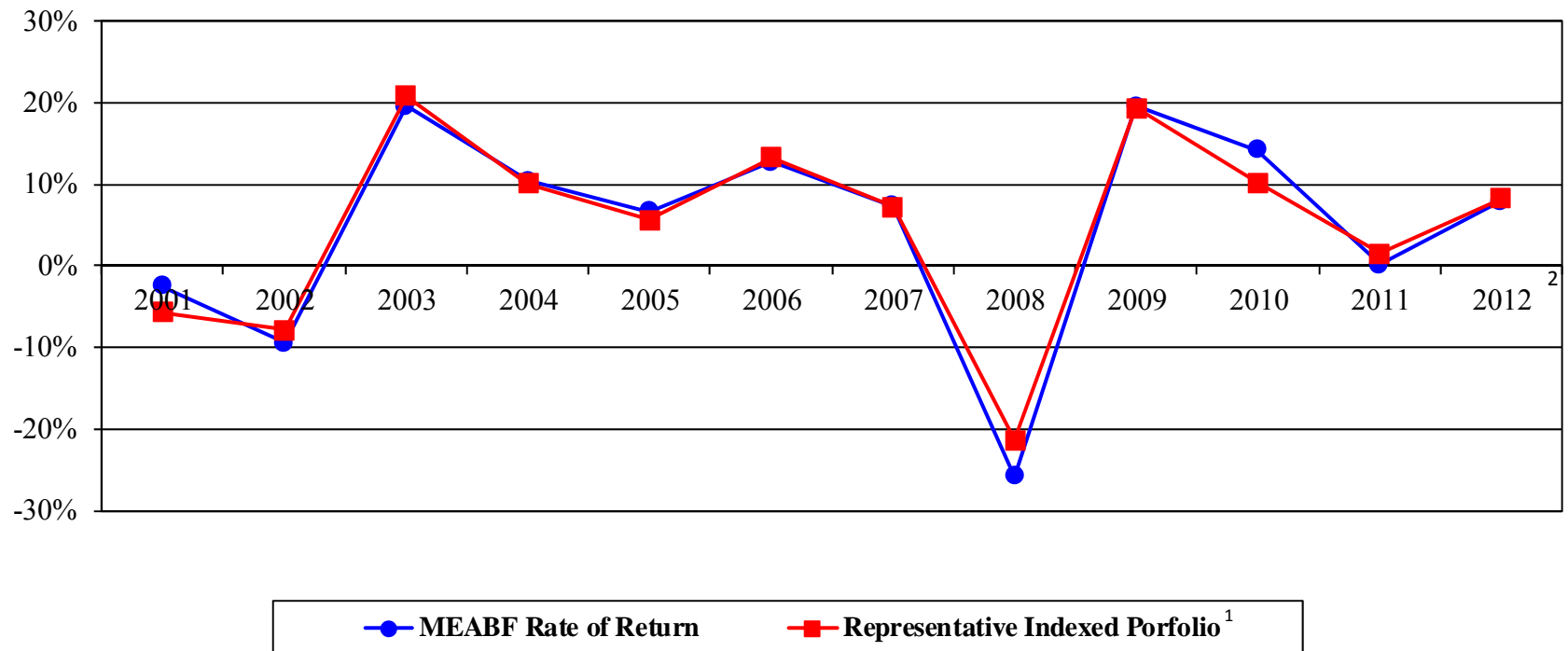
<sup>2</sup> 1.25 Multiple of member contributions



# Market Rate of Returns - MEABF

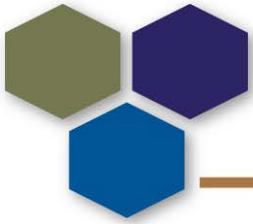
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## Rate of Returns - MEABF



<sup>1</sup> 40% US Equity/20% International Equity/40% Fixed

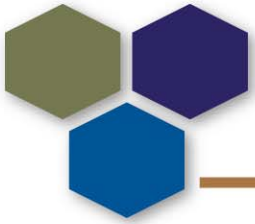
<sup>2</sup> Year to date as of August of 2012 : 7.9%, unaudited



# MEABF – Membership Data as of December 31, 2011

<b>Plan Membership - MEABF</b>		
Actives		31,976
	Tier 1	29,905
	Vested	17,938
	Non-Vested	11,967
	Tier 2	2,071
	Non-Vested	2,071
Retirees		18,813
	Average Age	73
	Average Pension	32,269
Surviving Spouses		4,274
	Average Age	78
	Average Pension	12,640
Ratio of Actives/Beneficiaries		1.39



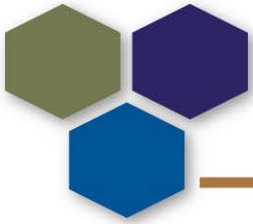


# MEABF – Cash Flow for Year Ending December 31, 2011

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## Cash Flow - MEABF (\$ in millions)

Employee Contributions	\$	133
Employer Contributions	\$	157
Outgoing Payments	\$	703
Cash Flow Deficit	\$	413



# Plan Provisions

## Plan Provisions - MEABF

	Tier 1 Benefits	Tier 2 Benefits
Eligibility	Hired prior to 1/1/2011	Hired on or after 1/1/2011
Employee Contribution	8.5%	8.5%
Benefit Accrual Rate	2.4/80%	2.4/80%
Benefit (Unreduced for early retirement)	50/30; 55/25; 60/10	67/10
Final Average Salary	4 consecutive years over last 10	8 consecutive years over last 10
Pensionable Salary Limit	None	\$108,883 in 2012
COLA	3% compounded	Lesser of 3% or 1/2 CPI-U simple
COLA Eligibility	3 years after retired or 60	67
Spouse Annuity	50%	66.6%
Refund	Under age 55 Under age 60 with less than 10 years of service	Under age 60 Less than 10 years of service
Disability Benefits	Duty 75% of pay / Ordinary 50% of pay	Duty 75% of pay / Ordinary 50% of pay
Retiree Health Care Subsidy*	\$65 per month if Medicare eligible \$95 per month if not Medicare eligible	\$65 per month if Medicare eligible \$95 per month if not Medicare eligible

\* Sunsets 6/30/13