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

FINANCIAL REPORT

DECEMBER 31, 2017 AND 2016

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

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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, 2017 and 2016, 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, 2017 and 2016, 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 42 through 46 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, 2018

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, 2017 and 2016. 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, 2017. Information for fiscal years 2016 and 2015 is presented for comparative purposes.

Financial Highlights

- The Plan's fiduciary net position increased by $117.8 million to $4,554.0 million as of December 31, 2017, compared to a decrease of $305.2 million, from $4,741.4 million to $4,436.2 as of December 31, 2016.
- The Plan has continued to liquidate portfolio assets at a growing rate to supplement the disbursement of benefit payments. During fiscal year 2017, approximately $606.4 million in portfolio assets were liquidated compared to $586.6 million in fiscal year 2016 and $552.1 million in fiscal year 2015.
- MEABF's total investment portfolio generated a return of 15.1 percent in 2017 on a net-of-fees basis. The net returns in 2016 and 2015 were 6.3 percent and 1.8 percent, respectively. The total portfolio return in 2017 was above the 7.0 percent actuarial investment return assumptions.
- On a fair value basis, this year's money weighted investment rate of return net of investment expense, was 14.9 percent, compared with the last year's return of 6.1 percent.
- Total additions as reported in the statements of changes in fiduciary net position increased by $443.2 million or 77.9 percent to $1,012.4 million in 2017 from $569.2 million in 2016.
- Total deductions as reported in the statements of changes in fiduciary net position increased by $20.2 million or 2.3 percent to $894.6 million in 2017 from $874.4 million in 2016.
- Annuity benefits paid to retirees and beneficiaries increased by $29.5 million or 3.6 percent to $842.6 million for fiscal year 2017, compared to an increase of $31.0 million or 4.0 percent to $813.1 million in fiscal year 2016 from $782.1 million in fiscal year 2015.
- The December 31, 2017 financial actuarial valuation calculated a total pension liability at December 31, 2017, of $16,282.4 million and the net pension liability at December 31, 2017, of $11,728.4 million.
- As of the December 31, 2017, the most recent funding actuarial valuation, the Plan's unfunded actuarial accrued liability increased to $11,825.6 million from $10,464.9 million from the prior year. As of the December 31, 2017, the most recent funding actuarial valuation, the Plan's funded ratio was 27.4 percent compared with a funded ratio of 30.5 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, 2017, 2016 and 2015)

	2017	2016	2015
Assets			
Cash, receivables and other current assets	$ 303.3	$ 238.6	$ 212.7
Investments, at fair value	4,296.1	4,285.7	4,619.4
Invested securities lending collateral	243.6	304.8	396.8
Total assets	4,843.0	4,829.1	5,228.9
Liabilities			
Accrued expenses and other liabilities	45.4	88.1	90.6
Securities lending collateral	243.6	304.8	396.9
Total liabilities	289.0	392.9	487.5
Fiduciary Net Position restricted for pension benefits	**$ 4,554.0**	**$ 4,436.2**	**$ 4,741.4**

Fiduciary net position restricted for pension benefits increased by $117.8 million during fiscal year 2017 to $4,554.0 million from $4,436.2 million in 2016. Invested assets at fair value increased by $10.4 million in 2017 to $4,296.1 from $4,285.7 million in 2016. 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 2017 approximately $606.4 million in portfolio assets were liquidated compared to $586.6 million during 2016 and $552.1 million during 2015.

Summary of Investments (in millions)
(As of December 31, 2017, 2016 and 2015)

	2017	2016	2015
Fixed Income	$ 986.5	$ 1,007.4	$ 1,147.8
Domestic equity	1,208.0	1,058.2	1,094.9
International equity	881.7	868.4	938.9
Hedged equity	418.7	463.8	469.0
Real estate	431.4	458.2	520.7
Private equity	200.8	237.6	243.5
Short-term investments	169.0	192.1	204.6
	$ 4,296.1	**$ 4,285.7**	**$ 4,619.4**

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 2017, the Plan's total investment portfolio generated a 15.1 percent return net-of fees, compared to 14.5 percent of the policy benchmark. 2017 returns were above the 6.3 percent return net-of-fees generated in 2016. International equity composite (32.2 percent), led by Emerging Markets, performed well above its benchmark MSCI ACWI ex US 27.2 percent. Fixed Income (4.0 percent) and Hedge Fund asset (10.7 percent) classes slightly outperformed their respective benchmarks, Barclays Aggregate Bond Index of 3.5 percent and HFRX Equity Hedge Index of 10 percent. The remaining asset classes trailed their respective benchmarks; Domestic Equity (19.8 percent) compared to 21 percent of Wilshire 5000 Total Market Index, Real Estate (5.6 percent) compared to 7 percent of 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 $606.4 million of investments to meet the Plan's cash flow needs for 2017. Liquidity came from domestic equity, international equity, fixed income, hedge funds and real estate.

Rebalancing of assets within the overall portfolio. MEABF's target asset allocation remained unchanged in 2017. 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, 2017, 2016 and 2015)

	2017	2016	2015
Additions:			
Employer contributions	$ 261.7	$ 157.4	$ 157.7
Member contributions	134.8	130.4	131.4
Total contributions	396.5	287.8	289.1
Net investment income (loss)	609.0	279.5	112.3
Net security lending income (loss)	1.5	1.9	1.7
Other additions (OPEB termination)	5.4	-	-
Total additions	**1,012.4**	**569.2**	**403.1**
Deductions:			
Annuity benefits	842.6	813.1	782.1
Disability benefits	11.7	12.0	12.2
Healthcare subsidy	-	7.7	8.5
Refunds of contributions	33.8	34.6	31.7
Administrative expense	6.5	7.0	6.7
Total deductions	**894.6**	**874.4**	**841.2**
Net increase (decrease)	**117.8**	**(305.2)**	**(438.1)**
Fiduciary net position restricted for pensions beginning of year	**4,436.2**	**4,741.4**	**5,179.5**
Fiduciary net position restricted for pensions end of year	**$ 4,554.0**	**$ 4,436.2**	**$ 4,741.4**

Additions

Total additions as reported in the Statements of Changes in Fiduciary Net Position increased by $443.2 million or 77.9 percent in 2017 to $1,012.4 million from $569.2 million in 2016.

Additions from employer contributions increased by $104.3 million to $261.7 million in 2017 from $157.4 million in 2016. The increase is due to the amendment of Public Act 100-0023 (new funding structure) that was put into law during 2017 that requires the employer to remit $266.0 million in 2018 for 2017 contributions. For financial reporting purposes both the net contribution receivable and net employer contributions reflects the required amount. Prior year contributions amounts were based on a statutorily set multiplier of 1.25 of employee contributions level in the second prior fiscal year. Additions from member contributions increased by $4.4 million to $134.8 million in 2017, from $130.4 million in 2016. The net increase is the result of a $2.6 million increase in contributions from the City of Chicago members and a $1.8 million increase primarily from the purchases of permissive services. Detail regarding active member contribution requirement can be found in note 7 Pension and Other Postemployment Benefit.

Additions from investment income increased by $329.5 million in 2017 to $609.0 million in 2017 from $279.5 million in 2016. The increase was mainly due to the investment portfolio generating higher returns of 15.1 percent in 2017 compared to 6.3 percent in 2016. Other contributing factors were:

- Increase in net appreciation on investments by $343.4 million to $522.1 million in 2017 compared to $178.7 million in 2016.

- Decrease in income from investments by $15.0 million to $106.3 million in 2017 compared to $121.3 million in 2016.

- Decrease in direct investment fees by $1.1 million to $19.3 million in 2017 from $20.4 million in 2016.

Other additions of $5.4 million is the result of the Plan eliminating its OPEB liability from prior years. As of January 1, 2017 the Plan has discontinued OPEB for the Plan’s retired employees.

MEABF can earn additional investment income by allowing a third party provider to lend a portion of 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 $1.5 million in 2017 compared to $1.9 million in 2016.

Deductions

MEABF’s assets are primarily used to pay annuity benefits, disability benefits, refunds of contributions and the costs of administering the Plan. Deductions from fiduciary net position increased by $20.2 million or 2.3 percent to $894.6 million in 2017 from $874.4 million in 2016. Benefits paid out exceed member and employer contributions by $599.9 million, $579.6 million, and $545.4 million in fiscal years 2017, 2016 and 2015 respectively. In order to supplement benefit payments, the Plan liquidated portfolio assets by approximately $606.4 million, $586.6 million, and $552.1 million in fiscal years 2017, 2016 and 2015, respectively.

Annuity benefits paid increased by $29.5 million or 3.6 percent to $842.6 million in 2017 from $813.1 million in 2016. 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 $38,376 in 2017 from $37,248 in 2016. The number of new employee annuities increased in 2017 to 1,449 from 1,368 in 2016. There were 25,383 retirees and beneficiaries at year-end December 31, 2017 compared to 25,236 at the beginning of the year.

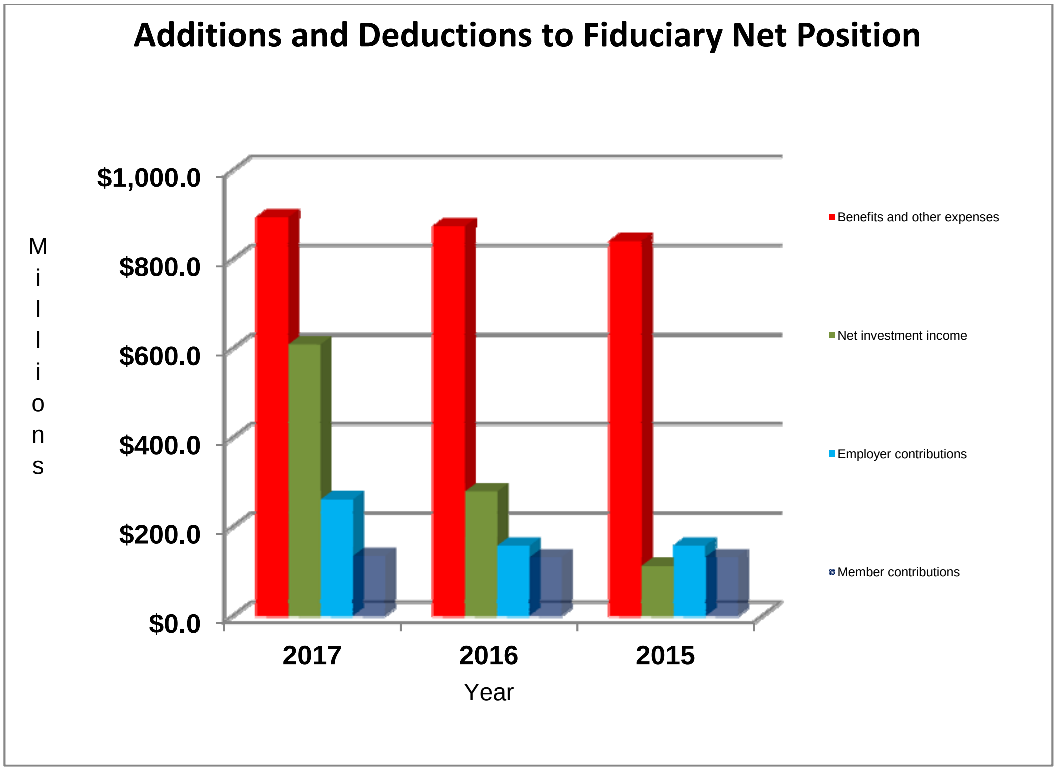
Disability benefits paid decreased by $0.3 million or 2.5 percent to $11.7 million in 2017 from $12.0 million paid in 2016. This slight net decrease is attributable to a decrease in the number of participants receiving disability. There were 373 participants on disability at year-end December 31, 2017 compared to 394 at the beginning of the year.

Refunds of contributions decreased by $0.8 million to $33.8 million in 2017 from $34.6 million in 2016. The net decrease is mainly due to:

- Increase in refund of spousal contributions. Refund of spousal contributions totaling $9.2 million were refunded in 2017 compared to $8.2 million refunded in 2016, an increase of $1.0 million.

- Decrease in all other refunds of contributions distributed to employees not eligible for annuities. Other refunds of contributions decreased by $1.8 million to $24.6 million in 2017 from $26.4 million in 2016.

Administrative expenses expense decreased by $0.5 million to $6.5 million in 2017 from $7.0 million in 2016. Detail relating to administrative expenses can be found in the Schedule of Administrative located under Supporting Schedules.



Total Pension Liability (TPL) 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, 2017, the components of the net pension liability of the employer were as follows (in millions):

Total pension liability	$16,282.4
Plan fiduciary net position	4,554.0
Employer's net pension liability	$ 11,728.4
Plan fiduciary net position as a percentage of the total pension liability	27.97%

Funding Status

The Plan, since inception, has been funded by utilizing a static multiple of employee contributions. This structure has led to significant underfunding of the Plan which continues to reduce assets as benefits paid far exceed contributions received.

Over the last few years, attempts to change the funding mechanism for the Plan to ensure the long-term solvency have been declared unconstitutional due to changes made to the existing benefit structure. On July 6, 2017 a new funding structure was included in Public Act 100-0023 to increase employer contributions from the City of Chicago.

Public Act 100-0023 requires contributions from the City of Chicago to be equal to $266 million in payment year 2018; $344 million in payment year 2019; $421 million in payment year 2020; $499 million in payment year 2021, and $576 million in payment year 2022. For payment year 2023 through 2058, the City of Chicago is required to make contributions on an actuarial calculated funding plan that is projected to bring the Fund to 90% funding by 2058.

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, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 492,001	$ 489,437
Receivables		
Contributions from the City of Chicago, net of allowance for loss of $13,285,086 in 2017 and $13,885,879 in 2016	260,306,200	156,051,122
Member contributions	10,973,768	10,642,911
Interest and dividends	12,121,538	11,846,833
Due from broker	18,482,922	59,113,273
Miscellaneous	819,751	421,566
Total receivables	302,704,179	238,075,705
Investments, at fair value		
Fixed income	986,491,904	1,007,435,747
Hedged equity	418,747,415	463,825,386
Domestic and international equity	2,089,697,774	1,926,589,121
Real estate	431,421,604	458,150,837
Private equity	200,760,945	237,648,563
Short-term investments	169,027,392	192,097,254
Total investments	4,296,147,034	4,285,746,908
Invested securities lending collateral	243,632,186	304,808,240
Property and equipment, net of accumulated depreciation and amortization of $20,039 in 2017 and $14,229 in 2016	30,500	14,818
Total assets	4,843,005,900	4,829,135,108
LIABILITIES		
Due to broker	38,450,544	75,948,987
Accounts payable and accrued expenses	6,904,883	6,756,704
Securities lending collateral	243,632,186	304,808,240
OPEB liability	-	5,393,581
Total liabilities	288,987,613	392,907,512
Net position restricted for pension benefits	$ 4,554,018,287	$ 4,436,227,596

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, 2017 AND 2016

	2017	2016
Additions		
Contributions from the City of Chicago	$ 261,763,635	$ 157,444,029
Member contributions	134,764,920	130,390,848
Total contributions	396,528,555	287,834,877
Investment income		
Net appreciation in fair value of investments	522,085,114	178,672,757
Interest	38,782,075	49,249,373
Dividends	49,218,319	50,922,223
Income from real estate investments	18,290,585	21,154,776
	628,376,093	299,999,129
Less investment expenses	19,341,002	20,477,574
Net income from investing activities	609,035,091	279,521,555
Security lending activities		
Securities lending income	3,732,703	2,013,113
Borrower rebates	(2,124,012)	49,475
Bank fees	(128,686)	(164,997)
Net income from securities lending activities	1,480,005	1,897,591
Other additions - OPEB termination	5,393,581	-
Total additions	1,012,437,232	569,254,023
Deductions		
Benefits		
Annuity payments	842,632,392	813,092,340
Disability benefits	11,711,092	12,004,051
Post-employment healthcare subsidies	-	7,725,538
Total benefits	854,343,484	832,821,929
Refund of member contributions	33,830,051	34,575,271
Administrative and OPEB expenses	6,473,006	7,056,784
Total deductions	894,646,541	874,453,984
Net increase (decrease)	117,790,691	(305,199,961)
Net position restricted for pension benefits		
Beginning of year	4,436,227,596	4,741,427,557
End of year	$ 4,554,018,287	$ 4,436,227,596

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)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan is considered a component unit fund of the City of Chicago and, as such, is included in the City of Chicago's financial statements 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

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 value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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.

Income Taxes

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

Recently Issued Accounting Pronouncements

GASB Statement No. 82, *Pension Issues,* was established to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that were raised with respect to Statement No. 67*, Financial Reporting for Pension Plans,* Statement No. 68*, Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This statement established accounting and financial reporting requirements for pensions provided to employees of state or local governmental employers. This statement also established financial reporting requirements for pension plans administered through trusts that meet the criteria in paragraph three of Statement No. 67, The Plan adopted this statement for the year ended December 31, 2017.

GASB Statement No. 84, *Fiduciary Activities*, was established to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. MEABF is currently evaluating the financial statement impact of GASB Statement No. 84. If applicable, this statement will be implemented for the year ended December 31, 2019.

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

GASB Statement No. 85, *Omnibus 2017*, was established to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPED]). MEABF is currently evaluating the financial statement impact of GASB Statement No. 85. If applicable, this statement will be implemented for the year ended December 31, 2018.

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.

The following table represents the Board's adopted asset allocation policy for both years 2017 and 2016:

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 years ended December 31, 2017 and 2016, the annual money-weighted rate of return on Plan investments, net of investment expense, was 14.9 percent and 6.1 percent, respectively. 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, 2017 and 2016, the Plan's book balances of cash are $492,001 and $489,437, respectively. The actual bank balances at December 31, 2017 and 2016 are $491,601 and $489,037, respectively. All non-investment related bank balances at year end are insured or collateralized at 102% of the principal amount.

Note 3 – Deposits and Investments (continued)

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, 2017 and 2016, $6,209,425 and $5,740,847, 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 position as of December 31, 2017 or 2016.

The Plan's investments are reported at fair value in the accompanying statement of fiduciary net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Generally accepted accounting principles provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Note 3 – Deposits and Investments (continued)

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), as a practical expedient are not classified in the fair value hierarchy.

Equity and equity derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities and short-term investment securities classified in Level 2 are valued using matrix pricing techniques maintained by the various pricing vendors. Matrix pricing is used to value securities based on the securities relationship to a benchmark's quoted price. Equity securities classified in Level 2 are securities with a theoretical price calculated by applying a standardized formula to derive a price from a related security.

Equity securities and other assets classified in Level 3 are valued with last trade data having limited trading volume.

The valuation method for certain fixed income and alternative investments is based on the investments' NAV per share (or its equivalent), provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the fixed income and alternative investment less their liabilities. This practical expedient is not used when it is determined to be probable that the Plan will sell the investment for an amount different than the reported NAV.

Note 3 – Deposits and Investments (continued)

The following table summarizes the valuation of MEABF investments by the fair value hierarchy levels as of December 31, 2017.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investment Measured at Fair Value	December 31, 2017	Level 1	Level 2	Level 3
Equity securities				
Common Stock	$2,080,744,579	$2,078,004,194	$ 2,368,331	$372,054
Preferred Stock	5,123,254	5,122,364	-	890
Stapled Securities	3,490,379	3,490,379	-	-
Rights/Warrants	27,742	23,053	4,591	98
Funds-Equities ETF	311,820	311,820	-	-
Total equity securities	2,089,697,774	2,086,951,810	2,372,922	373,042
Debt securities				
Government Bonds	133,739,757	-	133,739,757	-
Government Agencies	32,989,630	-	32,989,630	-
Municipal/Provincial Bonds	10,612,972	-	10,612,972	-
Corporate Bonds	407,988,476	-	407,988,098	378
Corporate Convertible Bonds	2,853,008	-	2,853,008	-
Bank Loans	184,424,093	-	184,424,093	-
Government Mortgage-Backed Securities	134,807,368	-	134,807,368	-
Commercial Mortgage-Backed	7,353,587	-	7,353,587	-
Asset Backed Securities	12,936,169	-	12,936,169	-
Non-Government Backed CMO’s	7,179	-	7,179	-
Index Linked Government Bonds	2,714,757	-	2,714,757	-
Total debt securities	930,426,996	-	930,426,618	378
Short-term investment securities				
Short-term Bills & Notes	9,538,359	-	9,538,359	-
Funds-short-term investment	159,489,033	-	159,463,772	25,261
Total short-term investment securities	169,027,392	-	169,002,131	25,261
Total investments measured by fair value level	3,189,152,162	$2,086,951,810	$1,101,801,671	$398,681
Investments measured at Net Asset Value (NAV)				
Commingled Fixed Income Funds	56,064,908			
Hedge Funds	418,747,415			
Private Equity Partnerships	200,760,945			
Real Estate	431,421,604			
Total investments measured at NAV	1,106,994,872			
Total investments measured at fair value	$4,296,147,034			
Collateral from securities lending	$ 243,632,186		$ 243,632,186	

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Note 3 – Deposits and Investments (continued)

The following table summarizes the valuation of MEABF investments by the fair value hierarchy levels as of December 31, 2016.

		Fair Value Measurements Using		
Investment Measured at Fair Value	December 31, 2016	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equity securities				
Common Stock	$1,910,088,134	$1,903,667,525	$ 6,221,695	$198,914
Preferred Stock	11,930,377	11,930,377	-	-
Stapled Securities	4,295,171	4,295,171	-	-
Rights/Warrants	31,964	24,386	7,578	-
Funds-Equities ETF	243,475	243,475	-	-
Total equity securities	1,926,589,121	1,920,160,934	6,229,273	198,914
Debt securities				
Government Bonds	127,495,868	-	127,495,868	-
Government Agencies	32,244,077	-	32,244,077	-
Municipal/Provincial Bonds	11,541,194	-	11,541,194	-
Corporate Bonds	418,195,272	-	418,195,272	-
Corporate Convertible Bonds	5,518,165	-	5,518,165	-
Bank Loans	197,581,008	-	197,581,008	-
Government Mortgage-Backed Securities	141,961,670	-	141,961,670	-
Commercial Mortgage-Backed	5,134,973	-	5,134,973	-
Asset Backed Securities	10,708,519	-	10,708,519	-
Non-Government Backed CMO's	57,017	-	57,017	-
Index Linked Government Bonds	3,866,010	-	3,866,010	-
Total debt securities	954,303,773	-	954,303,773	-
Short-term investment securities				
Short-term Bills & Notes	8,996,832	-	8,996,832	-
Funds-short-term investment	183,100,422	-	183,100,422	-
Total short-term investment securities	192,097,254	-	192,097,254	-
Total investments measured by fair value level	3,072,990,148	$1,920,160,934	$1,152,630,300	$198,914
Investments measured at Net Asset Value (NAV)				
Commingled Fixed Income Funds	53,131,974			
Hedge Funds	463,825,386			
Private Equity Partnerships	237,648,563			
Real Estate	458,150,837			
Total investments measured at NAV	1,212,756,760			
Total investments measured at fair value	$4,285,746,908			
Collateral from securities lending	$ 304,808,240		$ 304,808,240	

Note 3 – Deposits and Investments (continued)

Investments measured at NAV for fair value are not subject to level classification. The Plan's investments in certain entities that are measured at the NAV per share (or its equivalent) is presented on the following table.

Investments Measured at Net Asset Value (NAV)

	Fair Value December 31, 2017	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	$ 56,064,908	$ -	Quarterly	60 days
Hedge Funds	$418,747,415	$ -	Quarterly	90 days
Private Equity Funds	$200,760,945	$34,499,632	Not Eligible	N/A
Real Estate Funds	$431,421,604	$ 2,192,621	Quarterly - Open-end, Not Eligible - Closed-end	90 days - Open-end

	Fair Value December 31, 2016	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	$ 53,131,974	$ -	Quarterly	60 days
Hedge Funds	$463,825,386	$ -	Quarterly	90 days
Private Equity Funds	$237,648,563	$43,086,416	Not Eligible	N/A
Real Estate Funds	$458,150,837	$ 2,703,774	Quarterly - Open-end, Not Eligible - Closed-end	90 days - Open-end

Note 3 – Deposits and Investments (continued)

Commingled Fixed Income Funds

This type of investment consists of fixed income securities diversified in high yield, bank loans, and private debt securities.

Hedge Funds

This type of investment consists of long/short equity hedge fund-of-funds.

Private Equity Funds

This type of investment includes limited partnerships. Generally, the types of partnership strategies included in these portfolios are venture capital, buyouts, special situations, mezzanine, and distressed debt. Private equity partnerships have an approximate life of 10-15 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying investments are realized. The Plan has no plans to liquidate the total portfolio.

Real Estate Funds

This type includes investments in open and closed-end real estate funds. Investments in open-end funds have limited redemption availability as redemption opportunities are based on available liquidity. Closed-end funds do not offer redemptions. Distributions from closed-end funds will be received as the underlying investments are liquidated. The Plan has no plans to liquidate the total portfolio.

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, 2017 was as follows:

Currency	*Equities**	*Fixed Income*	*Short term Investments*	*Total*	*Percentage*
Australian Dollar	$ 38,845,775	$ -	$ 834,010	$ 39,679,785	4.5%
Brazilian Real	14,297,835	-	200,437	14,498,272	1.6%
British Pound Sterling	128,274,268	-	678,684	128,952,952	14.5%
Canadian Dollar	25,199,605	-	307,639	25,507,244	2.9%
Chilean Peso	696,500	-	94,129	790,629	0.1%
Colombian Peso	159,074	-	74,977	234,051	0.0%
Czech Koruna	73,240	-	46,476	119,716	0.0%
Danish Krone	18,741,856	-	19,658	18,761,514	2.1%
Egyptian Pound	51,931	-	8,796	60,727	0.0%
Euro	185,693,725	-	744,002	186,437,727	21.0%
HK offshore Chinese Yuan Renminbi	-	-	1,287	1,287	0.0%
Hong Kong Dollar	70,691,089	-	147,466	70,838,555	8.0%
Hungarian Forint	1,234,571	-	4,820	1,239,391	0.1%
Indian Rupee	43,170,809	-	112,365	43,283,174	4.9%
Indonesian Rupiah	5,413,943	-	95,540	5,509,483	0.6%
Japanese Yen	183,316,391	-	2,924,460	186,240,851	21.0%
Kenyan Shilling	534,288		-	534,288	0.1%
Malaysian Ringgit	1,061,254	-	96,069	1,157,323	0.1%
Mexican Peso	2,718,212	-	19,602	2,737,814	0.3%
New Israeli Shekel	4,151,034	-	60,052	4,211,086	0.5%
New Taiwan Dollar	16,654,559	-	76,112	16,730,671	1.9%
New Zealand Dollar	1,952,989	-	38,056	1,991,045	0.2%
Norwegian Krone	7,470,135	-	60,475	7,530,610	0.8%
Philippine Peso	3,477,490	-	42,716	3,520,206	0.4%
Polish Zloty	1,117,183	-	15,095	1,132,278	0.1%
Qatari Rial	210,437	-	21,302	231,739	0.0%
Russian Ruble	961,927	-	-	961,927	0.1%
Singapore Dollar	6,026,333	-	61,742	6,088,075	0.7%
South African Rand	15,036,887	-	44,999	15,081,886	1.7%
South Korean Won	22,549,874	-	57,900	22,607,774	2.5%
Swedish Krona	21,413,171	-	239,076	21,652,247	2.4%
Swiss Franc	47,737,515	-	250,736	47,988,251	5.4%
Thai Baht	10,029,924	-	(66,788)	9,963,136	1.1%
Turkish Lira	2,351,889	-	31,887	2,383,776	0.3%
United Arab Emirates Dirham	403,695	-	47,464	451,159	0.1%
Held in Foreign Currency	881,719,408	-	7,391,241	889,110,649	100.0%
Held in U.S Dollars	-	-	-	-	0.0%
Total	$881,719,408	$ -	$7,391,241	$889,110,649	100.0%

*Includes Forward contracts, rights and warrants.

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Note 3 – Deposits and Investments (continued)

For comparative purposes, the Plan's exposure to foreign currency risk at December 31, 2016 was as follows:

Currency	*Equities**	*Fixed Income*	*Short term Investments*	*Total*	*Percentage*
Australian Dollar	$ 40,429,703	$ -	$ 307,015	$ 40,736,718	4.6%
Brazilian Real	19,759,864	-	48,719	19,808,583	2.2%
British Pound Sterling	118,886,257	-	1,260,278	120,146,535	13.5%
Canadian Dollar	36,175,426	-	534,017	36,709,443	4.1%
Chilean Peso	1,362,562	-	74,916	1,437,478	0.2%
Colombian Peso	221,226	-	69,253	290,479	0.0%
Czech Koruna	94,857	-	14,043	108,900	0.0%
Danish Krone	13,149,451	-	66,754	13,216,205	1.5%
Egyptian Pound	67,395	-	22,791	90,186	0.0%
Euro	172,968,216	-	1,334,621	174,302,837	19.5%
HK offshore Chinese Yuan Renminbi	-	-	1,203	1,203	0.0%
Hong Kong Dollar	49,259,118	-	857,395	50,116,513	5.6%
Hungarian Forint	1,769,975	-	31,111	1,801,086	0.2%
Indian Rupee	28,331,859	-	262,098	28,593,957	3.2%
Indonesian Rupiah	8,565,450	-	179,712	8,745,162	1.0%
Japanese Yen	166,666,227	-	2,189,102	168,855,329	18.9%
Malaysian Ringgit	2,887,319	-	62,851	2,950,170	0.3%
Mexican Peso	5,003,239	-	62,648	5,065,887	0.6%
New Israeli Shekel	3,747,887	-	68,946	3,816,833	0.4%
New Taiwan Dollar	14,118,604	-	166,998	14,285,602	1.6%
New Zealand Dollar	2,093,131	-	139,507	2,232,638	0.3%
Norwegian Krone	6,483,770	-	70,107	6,553,877	0.7%
Philippine Peso	4,709,231	-	27,621	4,736,852	0.5%
Polish Zloty	540,737	-	55,883	596,620	0.1%
Qatari Rial	420,335	-	49,741	470,076	0.1%
Russian Ruble	1,614,481	-	-	1,614,481	0.2%
Singapore Dollar	7,397,465	-	142,214	7,539,679	0.8%
South African Rand	12,882,892	-	127,982	13,010,874	1.5%
South Korean Won	21,381,928	-	99,447	21,481,375	2.4%
Swedish Krona	22,023,853	-	86,000	22,109,853	2.5%
Swiss Franc	44,972,853	-	244,154	45,217,007	5.1%
Thai Baht	7,904,235	-	17,565	7,921,800	0.9%
Turkish Lira	1,398,911	-	25,667	1,424,578	0.2%
United Arab Emirates Dirham	2,908,990	-	63,467	2,972,457	0.3%
Held in Foreign Currency	820,197,447	-	8,763,826	828,961,273	93.0%
Held in U.S Dollars	62,176,486	-	-	62,176,486	7.0%
Total	$882,373,933	$ -	$8,763,826	$891,137,759	100.0%

*Includes Forward contracts, rights and warrants.

Note 3– Deposits and Investments (continued)

Interest Rate Risk

As of December 31, 2017, the Plan had the following investments and maturities:

Investment Type	Total Fair Value	1 year or Less	1-6 yrs	6-10 Years	10 or more years	Maturity not Determined
Asset backed	$ 12,936,169	$ -	$ 10,970,369	$ 1,959,826	$ 5,974	$ -
Bank loans	184,424,093	4,299,713	116,246,302	63,878,078	-	-
Commercial mortgage backed	7,353,587	-	-	-	7,353,587	-
Corporate bonds	407,988,476	7,042,037	227,206,085	132,061,862	41,678,492	-
Corporate convertible bonds	2,853,008	-	1,239,491	1,613,517	-	-
Government agencies	32,989,630	-	18,928,329	13,223,994	837,307	-
Government bonds	133,739,757	-	65,077,093	53,333,404	15,329,260	-
Government mortgage backed	134,807,368	18,728	2,090,071	3,365,256	117,827,454	11,505,859
Index linked government bonds	2,714,757	-	-	2,714,757	-	-
Municipal / provincial bonds	10,612,972	645,914	9,395,297	107,587	464,174	-
Non-government backed CMO's	7,179	-	-	-	7,179	-
Other fixed Income	56,064,908	-	-	-	-	56,064,908
Total	$986,491,904	$12,006,392	$451,153,037	$272,258,281	$183,503,427	$67,570,767

For comparative purposes as of December 31, 2016, the Plan had the following investments and maturities:

Investment Type	Total Fair Value	1 year or Less	1-6 yrs	6-10 Years	10 or more years	Maturity not Determined
Asset backed	$ 10,708,519	$ -	$ 10,302,930	$ 397,440	$ 8,149	$ -
Bank loans	197,581,008	6,886,951	128,249,836	62,444,221	-	-
Commercial mortgage backed	5,134,973	-	-	-	5,134,973	-
Corporate bonds	418,195,272	4,926,694	244,392,367	139,384,785	29,491,426	-
Corporate convertible bonds	5,518,165	1,409,960	2,135,682	1,609,573	362,950	-
Government agencies	32,244,077	-	24,945,461	6,503,529	795,087	-
Government bonds	127,495,868		65,010,820	51,933,525	10,551,523	-
Government mortgage backed	141,961,670	15,153	2,619,131	4,208,075	115,372,659	19,746,652
Index linked government bonds	3,866,010	-	769,257	2,978,944	117,809	-
Municipal / provincial bonds	11,541,194	482,347	10,515,839	105,877	437,131	-
Non-government backed CMO's	57,017	-	49,132	-	7,885	-
Other fixed Income	53,131,974	-	-	-	-	53,131,974
Total	$1,007,435,747	$13,721,105	$488,990,455	$269,565,969	$162,279,592	$72,878,626

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.

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, 2017:

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*	*Linked Gov't Bonds*	*Municipal/ Provincial Bonds*	*Non-Gov't Backed CMO's*	*Other Fixed Income*
US Govt	$ 268,368,700	$ -	$ -	$ -	$ -	$ -	$ 492,129	$ 131,975,392	$ 133,186,422	$ 2,714,757	$ -	$ -	$ -
AAA	12,727,803	5,847,731	-	-	2,939,750	-	628,071	-	-	-	3,312,251	-	-
AA	52,684,834	350,148	-	-	15,367,408	-	29,998,093	-	-	-	6,962,006	7,179	-
A	105,999,248	730,324	-	-	105,086,192	-	-	128,625	-	-	54,107	-	-
BBB	157,382,710	2,175,763	23,810,775	-	128,364,166	-	1,812,423	1,023,663	-	-	195,920	-	-
BB	129,504,801	-	46,727,704	-	82,777,097	-	-	-	-	-	-	-	-
B	114,384,661	-	57,703,115	-	56,148,365	533,181	-	-	-	-	-	-	-
CCC	16,522,427	-	6,446,099	-	9,452,962	623,366	-	-	-	-	-	-	-
CC	4,091,181	-	3,713,991	-	377,190	-	-	-	-	-	-	-	-
D	3,644,130	-	3,644,130	-	-	-	-	-	-	-	-	-	-
NR	121,181,409	3,832,203	42,378,279	7,353,587	7,475,346	1,696,461	58,914	612,077	1,620,946	-	88,688	-	56,064,908
Total	$ 986,491,904	$ 12,936,169	$ 184,424,093	$ 7,353,587	$ 407,988,476	$ 2,853,008	$ 32,989,630	$ 133,739,757	$ 134,807,368	$ 2,714,757	$ 10,612,972	$ 7,179	$ 56,064,908

The following table reflects credit ratings of fixed income securities held by the Plan as of December 31, 2016:

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*	*Linked Gov't Bonds*	*Municipal/ Provincial Bonds*	*Non-Gov't Backed CMO's*	*Other Fixed Income*
US Govt	$ 268,896,469	$ -	$ -	$ -	$ -	$ -	$ 454,300	$ 124,175,513	$ 140,400,646	$ 3,866,010	$ -	$ -	$ -
AAA	15,280,677	7,703,082	-	-	2,135,091	-	263,309	-	-	-	5,179,195	-	-
AA	56,889,299	453,092	-	-	21,004,333	-	29,784,138	129,200	1,639	-	5,509,012	7,885	-
A	101,692,207	304,672	-	17,768	101,263,890	-	-	-	-	-	105,877	-	-
BBB	142,235,200	1,109,970	20,049,519	194,128	117,674,243	-	1,742,330	717,900	-	-	747,110	-	-
BB	155,505,411	-	73,247,303	-	82,258,108	-	-	-	-	-	-	-	-
B	129,360,815	2,472	57,190,723	-	71,410,767	756,853	-	-	-	-	-	-	-
CCC	29,926,653	-	13,624,334	-	15,206,637	1,095,682	-	-	-	-	-	-	-
D	1,048,688	-	-	-	1,048,688	-	-	-	-	-	-	-	-
NR	106,600,328	1,135,231	33,469,129	4,923,077	6,193,515	3,665,630	-	2,473,255	1,559,385	-	-	49,132	53,131,974
Total	$ 1,007,435,747	$ 10,708,519	$ 197,581,008	$ 5,134,973	$ 418,195,272	$ 5,518,165	$ 32,244,077	$ 127,495,868	$ 141,961,670	$ 3,866,010	$ 11,541,194	$ 57,017	$ 53,131,974

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, 2017 and 2016. 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 gain (loss) of $96,967 and $112,214 on foreign currency forward contracts in 2017 and 2016, respectively. As of December 31, 2017, 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	$ 16,830	$	$ 333	$(1,130)
British Pound Sterling	339,503	(182,077)	313	1,834
Canadian Dollar	71,011	-	1,832	2,011
Euro	390,541	(212,850)	2,786	344
Hong Kong Dollar	-	-	-	-
Indonesian Rupiah	-	-	-	-
Japanese Yen	341,002	(89,946)	(1,091)	(1,100)
New Taiwan Dollar	-	(404,895)	936	913
South Korean Won	-	-	-	44
Swiss Franc	99,929	-	1,020	1,020
Thai Baht	407,577	-	1,304	1,304
United States Dollar	885,832	(1,655,024)	-	-
	$2,552,225	$(2,544,792)	$ 7,433	$ 5,240

Note 4 – Derivatives (continued)

For comparative purpose, as of December 31, 2016 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	$ 130,803	$ (176,372)	$ 1,463	$ 2,296
British Pound Sterling	466,387	-	(1,521)	(11,292)
Canadian Dollar	74,633	-	(179)	647
Euro	248,182	-	2,442	8,841
Hong Kong Dollar	-	-	-	15
Indonesian Rupiah	-	-	-	(12)
Japanese Yen	429,128	(130,468)	9	197
New Taiwan Dollar	-	(18,954)	23	23
South Korean Won	-	(38,020)	(44)	(82)
Swiss Franc	-	-	-	(404)
United States Dollar	233,592	(1,216,718)	-	-
	$1,582,725	$(1,580,532)	$ 2,193	$ 229

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 as of December 31, 2017 and 2016 was $1,065,262 and $975,594, respectively.

As of December 31, 2017 and 2016, open futures contracts had the following values:

	2017 Notional Value	2016 Notional Value
Total Futures	$5,307,458	$7,608,467

Note 4 – Derivatives (continued)

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, 2017, the Plan's investments in rights and warrants were as follows:

	Notional Value	Fair Value	Change in Fair Value
Total Rights and Warrants	$299,209	$27,742	$(4,149)

For comparative purposes, as of December 31, 2016, The Plan's investments in rights and warrants were as follows:

	Notional Value	Fair Value	Change in Fair Value
Total Rights and Warrants	$766,814	$31,964	$(7,334)

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. 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, 2017 the average term of the loans was 75 days (54 days in 2016). 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, 2017 had a weighted average maturity of 34 days (28 days in 2016). As of December 31, 2017 and 2016 the Plan had loaned to borrowers securities with a fair value of $237,867,337 and $296,437,445, respectively. As of December 31, 2017 and 2016, the Plan received from borrowers' cash collateral of $243,632,186 and $304,808,240, respectively. As of December 31, 2017 and 2016, the Plan received non-cash collateral from borrowers of $635,588, and $532,025 respectively.

Securities lending net income for the years ended December 31, 2017 and 2016 was $1,480,005 and $1,897,591, respectively.

Note 5 – Securities Lending (continued)

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

	2017	2016
Securities loaned – cash collateral		
Fixed income		
Domestic corporate fixed income	$ 58,559,341	$ 35,964,732
US Government agencies	-	10,766,827
US Government bonds	16,469,706	16,254,182
Equity		
Domestic equities	149,663,866	216,465,578
International equities	12,713,653	16,528,171
Total securities loaned – cash collateral	237,406,566	295,979,490
Securities loaned – non-cash collateral		
Equity		
Domestic equities	-	225,000
International equities	460,771	232,955
Total securities loaned – non-cash collateral	460,771	457,955
Total	$237,867,337	$296,437,445

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, 2017 and 2016 is as follows:

	2017	2016
Computers	$39,306	$22,115
Office equipment	11,233	6,932
	50,539	29,047
Less accumulated depreciation and amortization	20,039	14,229
Net property and equipment	$30,500	$14,818

Depreciation and amortization expense was $5,809 and $4,423 for 2017 and 2016, 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, 2017 and 2016 were $1,686,532,720 and $1,646,939,238, respectively.

Plan membership at December 31 is as follows:

	2017	2016
Active employees (includes members currently receiving disability benefits):		
Vested	15,320	15,741
Non-vested	15,602	14,555
	30,922	30,296
Retirees and beneficiaries currently receiving benefits	25,382	25,234
Retirees not currently receiving benefits	1	2
Terminated employees entitled to benefits but not yet receiving them	1,933	1,956
Terminated employees entitled to a refund of contributions	15,616	14,920
Total	73,854	72,408

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

Pension legislation (Public Act 96-0889) was approved during 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions levels. On July 6, 2017 Illinois Public Act 100-0023 was enacted which added a third class of membership with different retirement eligibility conditions and contribution levels. 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.
Tier 3 – Participants that first became members on or after July 6, 2017; or a Tier 2 member who irrevocably elected between October 1 and November 15, 2017 to be subject to Tier 3 eligibility conditions and contribution levels ("Elective Tier 3 Member").

A member's classification is determined based upon the date the member becomes a contributing member in a designated reciprocal system/fund codified in the Illinois Pension Code.

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, to the date of termination of services 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 or predominate, whichever is greater) 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 formula annuity at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a) (17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $850 per month.

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

Tier 3 employees age 65 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 60 with 10 years of service. The annuity is discounted 1/2 percent for each full month the employee is under age 65. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

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

Under Tier 2 and Tier 3 pensionable salary was limited to $112,408 in 2017 and $111,572 in 2016, increased each year 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). These figures are provided to the Plan by the Illinois Department of Insurance.

Automatic Increase in Employee Annuity

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

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

Tier 2: An employee annuitant under Tier 2 who is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3.0 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 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.

Tier 3: An employee annuitant under Tier 3 who is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3.0 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 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 65,or
2) the first anniversary of the annuity start date.

Surviving Spouse Pension

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

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

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

Automatic Increase in Spouse Annuity

Under Tier 2 and Tier 3: The surviving spouse of an employee shall receive an annual increase equal to the lesser of 3.0 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 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 or on January 1 following the first anniversary of the commencement of the annuity otherwise.

Child Annuity

Under Tier 1, Tier 2 and Tier 3, 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, Tier 2 and Tier 3 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 lifetime maximum of 5 years.

Duty Disability

Under Tier 1, Tier 2 and Tier 3, 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. This benefit is limited to age 65 or 5 years from the latest injury, whichever is latest.

Funding Policy

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

Member Contributions

Active members are required to contribute a percentage of their pensionable salary to MEABF. Tier 1 and Tier 2 members contribute 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. Beginning in 2017, Tier 3 members contribute 11.5% of their pensionable salary (9.5% 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.

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

Under Tier 1,Tier 2 and Tier 3 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 may be refundable. Employees receiving ordinary or duty disability benefits are credited with a percentage of salary for pension purposes just as though the employee were working but these credits are not refundable. Tier 1 and Tier 2 are credited with 8.5% of salary and Tier 3 is credited with 11.5% of salary.

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 and Tier 3 was limited to $112,408 in 2017 and $111,572 in 2016, increased each year 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. Effective July 6, 2017 legislation which included a new funding structure to increase employer contributions was put into law. The new structure provides for fixed dollar contributions for payment years 2018 through 2022. For payment years 2023 to 2058 the employer's required annual contribution shall be equal to the sum of the employer's portion of the projected normal cost for that fiscal year, plus an amount determined on a level percentage of employee payroll that is sufficient to bring the total actuarial assets of the Plan up to 90% of the total actuarial liabilities of the Plan by the end of 2058.

Prior to 2017 fiscal year, the employer was 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 an actuarially determined contribution needed to adequately finance MEABF is $1,005,456,621 and $961,769,955 for fiscal years 2017 and 2016, respectively. The statutory employer contributions have been less than the actuarially determined contributions for the past fifteen years. Contribution rates may be increased only by an amendment by the State Legislature to the Illinois Pension Code.

Net Pension Liability of Participating Employer

The components of the net pension liability as of December 31, 2017 and 2016, were as follows:

	2017	2016
Total pension liability	$16,282,396,195	$23,291,271,396
Plan fiduciary net position	4,554,018,287	4,436,227,596
Employer's net pension liability	11,728,377,908	18,855,043,800
Plan fiduciary net position as a percentage of total pension liability	27.97%	19.05%

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, 2017 and 2016, using actuarial assumptions applied to all periods included in the measurement.

	2017	2016
Inflation	2.50%	3.00%
Salary increase	3.50% to - 7.75% (1.50% to 6.50% for 2018-2022), varying by years of service	4.5% - 8.25%, varying by years of service
Investment rate of return	7.0%, net of investment expense	7.5%, net of investment expense
Municipal bond rate	3.44% based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of December 31, 2017	3.78% based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of December 31, 2016
Cost of living adjustments	Tier 1: 3.0% compound	Tier 1: 3.0% compound
	Tier 2 &3: the lesser of 3.0% or one-half the change in CPI, simple	Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

Post-retirement mortality rates for December 31, 2017 were based on the RP-2014 Healthy Annuitant Mortality Table, set forward two years for males and one year for females, and projected generationally using scale MP-2016. Pre-retirement mortality rates were based on 120% of the RP-2014 Employee Mortality Tables projected generationally using scale MP-2016.

Post-retirement mortality rates for December 31, 2016 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, 2017, valuation were based on the results of actuarial experience study for the period January 1, 2012 through December 31, 2016. The actuarial assumptions used for December 31, 2016, valuation were based on results of an 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, 2017 and 2016 are summarized in the following table:

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

	2017		2016	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Fixed income	27%	1.0%	27%	0.5%
Domestic equity	26%	5.6%	26%	4.8%
International equity	22%	5.7%	22%	5.0%
Hedge Funds	10%	3.6%	10%	2.8%
Private equity	5%	9.4%	5%	8.6%
Real Estate	10%	5.4%	10%	5.2%

Discount rate

For December 31, 2017, the discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service cost of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

For December 31, 2016 the discount rate used to measure the total pension liability was 3.9%. The projection of cash flows used to determine the discount rate assumed plan member contributions would be made at the current contribution rate and that employer contributions would 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. Projected employer contributions and contributions from future plan members that are intended to fund the service cost of future plan members and their beneficiaries are not 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 3.9% was calculated using the long-term expected rate of return and the municipal bond index.

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

The following presents the net pension liability as of December 31, 2017, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

Net pension liability	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
December 31, 2017	$13,807,800,455	$11,728,377,908	$10,006,089,666

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

For comparative purposes, the net pension liability as of December 31, 2016, calculated using the discount rate of 3.9%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.9%) or 1 percentage point higher (4.9%) than the current rate:

Net pension liability	1% Decrease (2.9%)	Current Discount Rate (3.9%)	1% Increase (4.9%)
December 31, 2016	$22,351,267,299	$18,855,043,800	$15,983,850,967

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 December 31, 2016. The supplemental benefit payments were 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. Based on Public Act 98-0043, December 31, 2016 was the last payment for the healthcare subsidy.

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

As of December 31, 2016, there were 7,930 City annuitants enrolled in the City's health care plan and 942 Board of Education annuitants enrolled in the Board of Education retiree health care plan that were receiving this subsidy benefit. As disclosed above, the retiree health care plan was terminated on December 31, 2016.

The annual required contribution represented a level of funding that if paid on an ongoing basis, was projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years. The estimated City contribution represented the expected benefit payments for the health insurance supplement. In 2016, the Pension Plan received contributions of $7,725,538 and remitted contributions of $7,725,538. No amounts were received or remitted in 2017.

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

Based on Public Act 98-0043 the Post-employment Healthcare subsidy was discontinued as of December 31, 2016. Therefore, no actuarial accrued liability or unfunded actuarial accrued liability is required to be computed.

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:

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

Valuation Date	December 31, 2016
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	0 years closed as of December 31, 2016
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)

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 were not eligible to participate in the City of Chicago group health plan nor the Board of Education group health plan; hence were not eligible to receive a health insurance subsidy, a post-employment benefit other than pension (OPEB) under the ILCS Chapter 5, Art. 8.

In prior years MEABF, as an employer, offered 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"). At December 31, 2016 14 retirees and beneficiaries were enrolled in the Healthcare Plan. As of January 1, 2017 MEABF discontinued the health subsidy.

Funding

Post-employment healthcare benefits were funded on a pay-as-you-go basis. No assets were accumulated to pre-fund the healthcare benefits. MEABF and the annuitant shared the total cost of the Staff Retiree Healthcare. For 2016, MEABF, as employer contributed $135,371. No amounts were contributed in 2017.

Retirees elected 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 was 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 represented a level of funding that, if paid on an ongoing basis, was 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:

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

	2017	2016	2015
Annual OPEB Cost			
Annual Required Contribution (ARC)	$ -	$ 853,059	$ 742,131
Interest on Net OPEB Obligation	242,711	213,348	190,966
Adjustment to ARC	(5,636,292)	(278,528)	(249,308)
Annual OPEB Cost	(5,393,581)	787,879	683,789
Employer Contributions	-	135,371	186,411
Increase (Decrease) in NOO	(5,393,581)	652,508	497,378
Net OPEB Obligations (NOO)			
Net OPEB Obligation at Beginning of Year	5,393,581	4,741,073	4,243,695
Increase (Decrease) in NOO	(5,393,581)	652,508	497,378
Net OPEB Obligation at End of Year	$ -	$5,393,581	$4,741,073

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. Due to the discontinuance of the health subsidy, the liability was eliminated in 2017. The employer contributions for 2017 and 2016 consist of $0 and $83,045, respectively, explicit subsidy along with $0 and $52,326, respectively, implicit subsidy. Implicit subsidy is treated as administrative expense of the defined benefit plan. In 2017 and 2016, MEABF contributed 0% and 15.9%, 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 2017 and 2016 as the MEABF Staff Retiree OPEB expense is net of employer implicit and explicit subsidies. The elimination of the liability in 2017 is shown as "other additions – OPED termination" on the Statement of Changes in Fiduciary Net Position.

The following table is a summary of the OPEB Cost

Year	Annual OPEB Cost	% of Annual OPEB Obligation Contributed	Net OPEB Obligation
2017	$(5,393,581)	0%	$0
2016	787,879	17.2%	5,393,581
2015	683,789	27.3%	4,741,073

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, 2015, 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	$7,642,615	$7,642,615	0.0%	$3,168,250	241.2%

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

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

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, 2017. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry-Age Normal; level percentage of payroll
Actuarial Value of Assets	No Asset (pay-as-you-go)
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Actuarial assumptions:	
Discount rate	4.50%
Inflation rate	3.00%
Projected payroll growth	4.00%
Salary increases	Varies based on years of service from 8.25% to 4.5%
Health cost trend rates;	
Non-Medicare Medical & Prescription Drugs	7.25% graded to 5.0% over 9 years
Medicare Medical & Prescription Drugs	8.00% graded to 5.0% over 9 years

Discontinuance of Subsidized MEABF Staff Retiree Healthcare

The December 31, 2016 actuarial studies used in the preparation of the financial statements were prepared under the assumption that MEABF would continue to offer subsidized health insurance coverage. During 2016, the Board of Trustees voted to discontinue the health subsidy effective January 1, 2017. Consequently, the OPEB liability should have been eliminated at December 31, 2016 and revisions made to the actuarial studies. Since the amount of the OPEB liability was not material to the financial statements, MEABF elected not to revise the actuarial studies or eliminate the liability at December 31, 2016. The net OPEB obligation was eliminated in 2017 as disclosed above.

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:

	2017	2016
City contribution Reserves	$ 1,863,594,045	$ 1,830,853,535
Salary Deduction Reserves	1,864,062,283	1,830,459,297
Prior Services Reserves	10,235,538,278	9,175,409,547
Annuity Payment Reserves	2,318,069,717	2,217,643,974
Optional Reserve Account	1,131,872	982,343
	16,282,396,195	15,055,348,696
Unreserved Net Deficit	(11,728,377,908)	(10,619,121,100)
	$ 4,554,018,287	$ 4,436,227,596

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 $54,588 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.

Disaster Recovery (DR) site

MEABF was a 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 that ended August 31, 2016. Subsequently, MEABF has agreed to a service contract for cloud retention with unlimited storage.

Following is a summary of estimated future lease payments under the Plan's operating leases as of December 31, 2017:

Year Ending December 31,	Amount
2018	$ 691,647
2019	683,026
2020	701,676
2021	720,639
2022	739,926
2023-February 2026	2,472,752
Total	$6,009,666

Total rent expense was $601,406 and $571,702 for 2017 and 2016, 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 carries fiduciary liability insurance that limits the risk of loss arising from court challenges to fiduciary decisions. The Plan also carries cyber liability insurance that limits the risk of defense costs and settlements as a result of failure to protect or the wrongful release of confidential information of participants, beneficiaries and employees of the Plan.

Note 11 – Commitments and Contingencies

Investment Commitments

As of December 31, 2017 and 2016 approximately $36.7 million and $47.5 million of capital committed to investments in real estate and private equity funds were undrawn. The Plan believes that the capital may take up to three years to be fully requested.

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.

The Plan is currently one of the four City pension funds named as defendants in the lawsuit *Michael W. Underwood, et al., v. City of Chicago, et al.* involving a 1985 amendment to the Illinois Pension Code previously requiring the Municipal Fund to pay a $25 monthly healthcare subsidy to those annuitants who are sixty-five (65) years or older with 15 years or more of service. On June 29, 2017, the Appellate Court affirmed the Circuit Court's holding that those annuitants who had joined the Municipal Fund prior to April, 2003, are entitled to a continuation of the subsidies provided in the 1985 amendment and remanded the case to the Circuit Court for further proceedings with respect to how the monthly subsidy would be paid amongst other unresolved matters.

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 Internal Revenue Service regulations. Total employee contributions were $242,901 and $239,964 for 2017 and 2016, respectively. Employer contributions are not allowed.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 572,533,631	$ 619,743,849	$ 226,816,035	$ 247,243,416
Interest	915,710,984	878,369,406	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	(177,754,999)	(127,119,398)	(109,835,037)	(5,504,116)
Changes of assumptions	(7,431,191,282)	(578,920,424)	8,711,754,654	-
Benefit payments, including refunds of employee contributions	(888,173,535)	(859,671,662)	(826,036,323)	(798,622,811)
Net change in total pension liability	$ (7,008,875,201)	$ (67,598,229)	$11,051,775,563	$ (1,521,825,970)
Total pension liability – beginning	23,291,271,396	23,358,869,625	12,307,094,062	13,828,920,032
Total pension liability – ending (a)	$16,282,396,195	$23,291,271,396	$23,358,869,625	$12,307,094,062
Plan fiduciary net position				
Contributions – employer	$ 261,763,635	$ 149,718,491	$ 149,225,191	$ 149,746,748
Contributions - employee	134,764,920	130,390,848	131,428,103	129,971,981
Net investment income	610,515,096	281,419,146	114,025,290	283,281,925
Benefit payments, including refunds of employee contributions	(888,173,535)	(859,671,662)	(826,036,323)	(798,622,811)
Administrative expenses	(6,473,006)	(7,056,784)	(6,701,000)	(6,567,842)
Other – OPED termination	5,393,581	-	-	-
Net change in plan fiduciary net position	$ 117,790,691	$ (305,199,961)	$ (438,058,739)	$ (242,189,999)
Plan fiduciary net position - beginning	4,436,227,596	4,741,427,557	5,179,486,296	5,421,676,295
Plan fiduciary net position – ending (b)	4,554,018,287	4,436,227,596	4,741,427,557	5,179,486,296
Employer's net pension liability ending (a)-(b)	$11,728,377,908	$18,855,043,800	$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)

	2017	2016	2015	2014
Total pension liability	$16,282,396,195	$23,291,271,396	$23,358,869,625	$12,307,094,062
Plan fiduciary net position	4,554,018,287	4,436,227,596	4,741,427,557	5,179,486,296
Employer's net pension liability	11,728,377,908	18,855,043,800	18,617,442,068	7,127,607,766
Plan fiduciary net position as a percentage of total pension liability	27.97%	19.05%	20.30%	42.89%
Covered-employee payroll	$ 1,686,532,720	$ 1,646,939,238	$ 1,643,480,973	$ 1,602,977,593
Employer's net pension liability as a percentage of covered-employee payroll	695.41%	1,144.85%	1,132.81%	444.65%

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
2017	$1,005,456,621	$261,763,635	$743,692,986	$1,686,532,720	15.5%
2016	$ 961,769,955	$149,718,491	$812,051,464	$1,646,939,238	9.1%
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%

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

SCHEDULE OF INVESTMENT RETURNS

Year ended December 31	Annual Money-Weighted Rate of Return, net of investment expense
2017	14.9%
2016	6.1%
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, 2017
Actuarial cost method	Entry-Age Normal
Amortization method	30 years open, level dollar amortization
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expense
Projected salary increases	3.5% to 7.75% (1.5% to 6.5% for 2018-2022), varying by years of service
Inflation rate	2.50%
Cost of living adjustments	Tier 1: 3% compound Tier 2 & 3: The lesser 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)
12/31/17	$ -	$ -	$ -	00.0%	$1,686,532,720	N/A
12/31/16	$ -	$ -	$ -	00.0%	$1,646,939,238	N/A
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%

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

Based on Public Act 98-0043 the Post-employment Healthcare was discontinued as of December 31, 2016, therefore no actuarial accrued liability or unfunded actuarial accrued liability is required.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(POST - EMPLOYMENT HEALTHCARE)

Year Ended December 31,	Annual Required Contribution	Employer Contributions: Amount Contributed	Employer Contributions: Percentage Contributed
2017	$ -	$ -	N/A
2016	$ 8,342,459	$7,725,538	92.6%
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%

Based on Public Act 98-0043 the Post-employment Healthcare was discontinued as of December 31, 2016, therefore no annual contribution was required.

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, 2016
Actuarial cost method	Entry age normal
Actuarial value of assets	No Asset (pay-as-you-go)
Amortization method	Level dollar, closed (30-year open prior to January 1, 2014)
Remaining amortization period	0 years as of December 31, 2016
Actuarial assumptions:	
Investment rate of return	4.50%
Includes inflation	3.00%
Payroll growth	4.00%
Medical cost trend rate	N/A (fixed subsidy benefit)

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)
12/31/15	$ -	$7,642,615	$7,642,615	00.0%	$3,168,520	241.2%
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, 2015. The actuarial valuation as of December 31, 2015 included projections through the year ended December 31, 2017.

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

		Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Amount Contributed	Percentage Contributed
2017	$ -	$ -	N/A
2016	$853,059	$135,371	15.9%
2015	$742,131	$186,411	25.1%
2014	$704,214	$181,745	25.8%
2013	$667,546	$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%

Actuarial valuation prepared at December 31, 2015 has been revised to reflect discontinuance of OPEB as of January 1, 2017.

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, 2015
Actuarial cost method	Entry-Age Normal; level percentage of payroll
Asset value of assets	No Assets (Pay-as-you-go)
Amortization method	30 years open, level dollar
Amortization period	30 years
Actuarial assumptions:	
Discount Rate	4.50%
Inflation Rate	3.00%
Projected payroll growth	4.00%
Salary increases	Varies based on years of service from 8.25% to 4.50%
Healthcare cost trend rates;	
Non-Medicare Medical & Prescription Drugs	7.25% graded to 5.0% over 9 years
Medicare Medical & Prescription Drugs	8.00% graded to 5.0% over 9 years

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE AND OPEB EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Personnel		
Administrative salaries	$ 3,219,243	$ 3,239,477
Payroll taxes	44,027	77,076
Employee benefits	1,267,710	1,130,344
OPEB expense	-	652,508
	4,530,980	5,099,405
Professional Services		
Actuarial valuation	84,090	92,285
Staff actuary	-	52,745
Legal services	226,777	263,187
Medical	54,370	52,786
Audit	39,000	38,000
Legislative liaison services	18,248	17,717
Payroll services	422,785	384,557
IT consulting	21,797	16,732
Other consulting	6,620	8,820
	873,687	926,829
Communication		
Printing & publications	12,890	20,287
Postage	63,910	72,646
Telephone and communications	31,993	36,442
	108,793	129,375
Occupancy and utilities		
Office rent	601,406	571,702
Utilities	9,961	11,561
Office maintenance	1,318	2,141
	612,685	585,404
Other operating expense		
Fiduciary and insurance	224,461	207,003
Office supplies and equipment	47,156	35,863
Depreciation	5,809	4,423
Equipment rental and maintenance	10,064	18,889
Training and travel	10,889	7,652
Contractual services	22,500	20,893
Dues and subscriptions	15,664	14,615
Miscellaneous	10,318	6,433
	346,861	315,771
Total Administrative and OPEB expense	$ 6,473,006	$ 7,056,784

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Fixed Income Managers		
LM Capital Group	$ 316,304	$ 316,800
MacKay Shields	709,406	866,676
Neuberger Berman	51,824	101,554
Segall Bryant & Hamill	195,007	193,832
Symphony Asset Management	794,086	780,099
UBS Global Asset Management	67,871	91,430
Total Fixed Income	2,134,498	2,350,391
Domestic Equity Managers		
Ariel Investments	498,510	470,118
Geneva Capital Management	269,772	348,721
Great Lakes Advisors	388,006	334,232
Herndon Capital Management	-	30,118
Holland Capital Management	40,058	321,632
Keeley Asset Management	551,833	601,104
Rhumbline Advisers	86,136	63,486
Total Domestic Equity	1,834,315	2,169,411
International Equity Managers		
Cornerstone Capital Management	553,952	542,533
LSV Asset Management	708,879	601,011
Nothern Trust Company	168,786	230,157
Segall Bryant & Hamill	385,462	84,038
Walter Scott & Partners	833,103	735,096
William Blair	1,176,594	1,082,949
Total International Equity	3,826,776	3,275,784
Global Equity		
FIS Group	957,400	1,146,310
Hedged Equity		
K2 Advisors	1,111,144	1,270,615
The Rock Creek Group	1,842,785	1,869,377
Parametric Defensive Equity	74,113	-
Neuberger Berman US PutWrite	50,973	-
Total Hedged Equity	3,079,015	3,139,992

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)

	2017	2016
Real Estate Managers		
AFL-CIO Building Trust	1,028,049	835,511
American Realty	672,100	684,864
DV Urban	26,224	55,804
J P Morgan	1,132,961	1,017,228
John Buck Company	-	28,645
Mesirow Real Estate	561,803	945,335
Prudential Asset Mgmt.	-	1,041,560
Tishman Speyer	55,232	55,447
UBS Realty Advisors	33,920	57,327
Walton Street Partners	61,002	133,294
Total Real Estate	3,571,291	4,855,015
Private Equity Managers		
Adams Street Partners	391,447	434,232
Carpenter Bancorp Fund	78,793	86,778
First Analysis	-	4,243
GoldPoint Partners	137,324	169,537
Hispania Partners	66,979	36,942
Hopewell Ventures	38,317	64,564
Levine Leichtman	388,766	139,999
MK Capital	57,970	78,464
Mesirow Financial	300,605	407,816
Midwest Mezzanine Fund	205,769	352,123
Morgan Stanley Secondary	58,007	40,576
Muller & Monroe	79,239	77,238
Nogales Investors	8,792	40,304
Prudential Capital Partners	335,353	517,548
RCP Advisors	20,763	149,490
Stepstone	80,158	84,779
TRG Management	43,018	56,851
Total Private Equity	2,291,300	2,741,484
Total Investment Management Fees	17,694,595	19,678,387
Other Investment Expenses		
Investment Consultant	290,000	290,000
Master Custodian	1,338,045	476,783
Investment Legal Services	18,362	32,404
Total Other Investment Expenses	1,646,407	799,187
Total Investment Expenses	$ 19,341,002	$ 20,477,574

SCHEDULE OF PROFESSIONAL AND CONSULTING COSTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Legal Advisors	$ 226,777	$ 263,187
Medical Advisors	54,370	52,786
Consulting Actuary	84,090	145,030
Other Consulting	46,665	43,269
Auditor	39,000	38,000
Payroll Services	422,785	384,557
Total	$ 873,687	$ 926,829