



**MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This is a summary of the Comprehensive Annual Financial Report ("CAFR") for the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Fund") as of December 31, 2020. MEABF is a Pension Trust Fund of the City of Chicago, and as such is included in their [annual financial reporting](#).

ABRIDGED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(\$000)

2020

2019

**Municipal Employees'
Annuity & Benefit
Fund of Chicago**

*A Pension Trust Fund of the
City of Chicago*

Employee Contributions	\$157,800	\$146,600
Employer Contributions	<u>498,600</u>	<u>421,000</u>
Total Contributions	656,400	567,600

Verna R. Thompson
President
Elected

Benefits, Refunds & Disability	(975,100)	(955,400)
Administrative	<u>(7,100)</u>	<u>(6,700)</u>
Total Deductions	(982,200)	(962,100)

Reshma Soni
Vice President
Ex-Officio

Net Operating Deficit	(325,800)	(394,500)
Net Investment Income	335,400	560,900

Melissa Conyears-Ervin
Treasurer
Ex-Officio

Net Assets - Beginning of Year	<u>4,080,600</u>	<u>3,914,200</u>
Assets - End of Year	<u>\$4,090,200</u>	<u>\$4,080,600</u>

The value of Net position of the Fund was \$4,090.2 million as of December 31, 2020 compared to \$4,080.6 million as of December 31, 2019, an increase of \$9.6 million in net assets. The increase was mainly attributed to the statutorily increased employer contributions, as well as the investment return experienced by the Fund. The Fund's investment portfolio net rate of return for 2020 was 10.4%.

Robert P. Degnan
Recording Secretary
Elected

FUND MEMBER STATISTICS

William Canning
Elected

	<u>Total</u>	<u>%</u>		<u>Total</u>	<u>%</u>
Active Members			Active Members		
City of Chicago	13,782	44%	Male	12,134	39%
Board of Education	17,469	56%	Female	19,193	61%
Other	<u>76</u>	<1%	Average Salary	\$59,345	
	31,327		Average Years of Service	11.2 Y	
			Average Age	46.5 Y	

Dennis White
Executive Director

Annuitants		
Female	13,127	61%
Male	8,259	39%
Total	21,386	
Average annual annuity	\$42,053	
Average age	73.2 years	

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Beneficiaries		
Spouse	3,867	
Child	97	
Reversionary	121	

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Summary of Key Valuation Results - Pension

	2021	2020
Contributions for plan year beginning January 1:		
Actuarially determined contribution requirement	\$1,218,360,892	\$1,167,153,830
Expected employer contributions	576,000,000	499,000,000
Actual employer contributions*	-	498,598,904
Funding elements for plan year beginning January 1:		
Actuarial value of assets	3,977,037,893	4,012,852,196
Actuarial accrued liability	17,814,812,242	17,260,356,470
Unfunded actuarial accrued liability on an actuarial value basis	13,837,774,349	13,247,504,274
Funded ratio on an actuarial value basis	22.32%	23.25%
GASB information as of December 31 of the prior year:		
Long-term expected rate of return	7.00%	7.00%
Municipal bond index	2.12%	2.74%
Single equivalent discount rate	7.00%	7.00%
Total pension liability	\$17,814,812,242	\$17,260,356,470
Plan fiduciary net position	4,090,239,084	4,080,642,490
Net pension liability	13,724,573,158	13,179,713,980
Plan fiduciary net position as a percentage of total pension liability	22.96%	23.64%
<i>*Receivable amount to be paid the following year. \$438,598,904 is a receivable amount to be paid the following year, \$60,000,000 of the 2020 contribution requirement was paid in July 2020.</i>		
Funding elements for plan year beginning January 1:		
Employer normal cost, including administrative expenses, adjusted for timing	\$176,888	\$282,294
Fair value of assets	-	-
Actuarial value of assets	-	-
Actuarial accrued liability	\$32,414,697	\$35,938,912
Unfunded actuarial accrued liability on an actuarial value basis	\$32,414,697	\$35,938,912
Funded ratio on an actuarial value basis	0.0%	0.0%
GASB information as of December 31 of the prior year:		
Discount rate	2.12%	2.74%
Total OPEB liability	\$32,414,697	\$35,938,912

*Data and table provided by Segal Consultants

2020 SUMMARY LEGISLATIVE OVERVIEW

The MEABF of Chicago was created in 1921 by the Illinois General Assembly. MEABF is a pension trust fund of the City of Chicago and is administered under Chapter 40, Act 5, Article 1, 8 and 20 of the Illinois Compiled Statutes (Statutes). The Fund is a defined benefit single employer Fund that was established in 1921 by the Illinois State legislature, which is the governing body that sets benefit levels, as well as employee and employer contribution levels for financing the Fund.

The following legislative changes, enacted in 2020, affected the operations of the Fund and the rights of its membership:

Public Act 101-0640 (SB 2135)

- Approved and effective June 12, 2020
- Provides the following provisions that may be enacted by the government due to the COVID-19 pandemic:
 - Meetings subject to the Open Meetings Act can be conducted by audio or video conference without a quorum of the members physically present under certain conditions
 - No public entity will be considered in violation of this Act for failure to respond to a request between March 10, 2020 and June 1, 2020, as long as the entity responds within 30 days of the effective date of this Act
 - The deadlines for filing statements of economic interest on or after March 17, 2020 are suspended until August 1, 2020
 - Allows for notaries and witnesses to perform their duties using two-way audio-video communication technology that allows video and audio interaction between the individual signing the document, the witness, and the notary public

Public Act 101-0642 (SB 1863)

- Approved and effective June 16, 2020
- Creates the Conduct of the 2020 General Election Article in the Code
- Establishes November 3, 2020, as a State holiday to be known as General Election Day to be observed throughout the state
- Provides that all government offices shall be closed unless said office is being used for election day services or as a polling place
- Also provides for changes to the following: vote by mail, first time voters, the public dissemination of information, early voting, election judges, additional duties of election authorities, and 2020 county party conventions

*Legislative Overview provided by Segal Consultants

2020 SUMMARY INVESTMENT OVERVIEW

Following a strong market in 2019, the Market experienced a sharp decline in the 1st quarter of 2020, then recovered in the remainder of the year as governments issued stimulus payments to citizens and businesses, and later in the year, vaccine approval was finalized for emergency use in developed nations. Private Equity led all major broad asset classes for the year (33.6%). Public equities were led by the US market (20.8%) with growth significantly outperforming value for the year, followed by emerging markets (18.3%), and international developed markets (7.8%). The Bond market also provided a robust performance, with broad core fixed income (7.5%), high yield (7.1%), and bank loans (2.8%) benefitting from decreasing interest rates.

The Fund's investment portfolio generated a 10.4% return, net-of fees. The underperformance was due to value allocations, and manager underperformance. Major contributors to the return were International Equity (14.0%), outperformed its benchmark MSCI ACWI ex US IMI Index (11.1%). Hedged Equity asset classes (8.5%) outperformed the HFRX Equity Hedge Index (4.6%). Detractors to the underperformance against its benchmark were the overall Fixed Income asset class (5.8%) underperforming its benchmark Barclays Cap Aggregate Bond Index (7.5%) due to the bank loan allocation, performance from our Domestic Equity (18.4%) versus Wilshire 5000 Index (20.8%) due to the portfolio's value bias, Real Estate (1.0%) versus NCREIF Property Index (1.6%), and Private Equity (26.5%) vs Cambridge Associates Private Equity Index (33.6%).

In 2020, the Fund initiated and completed one search for an international small cap equity mandate to provide downside protection and overall diversification. The new mandate was funded in March 2021, through redemptions from incumbent international small cap equity managers, and equally split between two international small cap equity managers.

*Overview provided by Marquette Associates

Performance Performance

	Calendar Year Returns					Annualized Returns		
	2020	2019	2018	2017	2016	3 Yrs	5 Yrs	10 Yrs
Total Plan								
The Plan - Net of Fees	10.4%	16.8%	-5.7%	15.2%	6.6%	6.8%	8.4%	7.7%
Policy Benchmark	13.0%	17.7%	-3.9%	14.8%	6.4%	8.5%	9.3%	7.8%
Fixed Income								
The Plan	5.8%	8.7%	-0.1%	4.0%	6.5%	4.7%	5.0%	4.4%
Barclays Cap Aggregate Bond Index	7.5%	8.7%	0.0%	3.5%	2.6%	5.3%	4.4%	3.8%
Domestic Equity								
The Plan	18.4%	28.8%	-8.5%	19.8%	11.3%	11.7%	13.2%	12.1%
S&P 500 Index	18.4%	31.5%	-4.4%	21.8%	12.0%	14.2%	15.2%	13.9%
Wilshire 5000 Index	20.8%	31.0%	-5.3%	21.0%	13.4%	14.5%	15.5%	13.8%
Russell 2000 Index	20.0%	25.5%	-11.0%	14.6%	21.3%	3.7%	9.7%	8.7%
International Equity								
The Plan	14.0%	23.4%	-16.8%	32.1%	2.6%	5.4%	9.7%	6.2%
MSCI ACWI ex U.S. Index	10.7%	21.5%	-14.2%	27.2%	4.5%	4.9%	8.9%	4.9%
Real Estate								
The Plan	1.0%	4.5%	6.4%	6.4%	7.6%	3.9%	5.2%	8.8%
NCREIF Property Index	1.6%	6.4%	6.7%	7.0%	8.0%	4.9%	5.9%	9.0%
Private Equity								
The Plan	26.5%	11.0%	5.1%	9.9%	12.3%	13.8%	12.7%	12.4%
Cambridge Associates Private Equity Index	33.6%	17.8%	11.3%	20.7%	9.1%	20.5%	18.2%	15.5%
Hedged Equity								
The Plan	8.5%	13.8%	-6.0%	10.9%	-1.1%	5.1%	5.0%	5.5%
HFRX Equity Hedge Index	4.6%	10.7%	-9.4%	10.0%	0.1%	1.6%	2.9%	0.8%

A Note About Funding

The 2020 Valuation Report was presented and accepted by the Board of Trustees of the Municipal Employees' Annuity and Benefit Fund of Chicago on June 17, 2021, by Segal Consultants. The following statement regarding **Funding Adequacy** is included in its transmittal letter:

"The fixed dollar contributions through 2022 leave the Fund vulnerable to adverse experience. Given the low funded ratio, the Fund is still at risk of potential insolvency if an economic recession or investment market downturn were to occur in the near term. We strongly recommend an actuarial funding method that targets 100% funding where payments at least cover interest on the unfunded liability and a portion of the principal balance. If the Fund becomes insolvent, the employer will be required to make contributions on a "pay-as-you-go" basis, which means the employer would have to pay all benefits as they become due."

*Data and table provided by Marquette Associates