

THE MUNICIPAL EMPLOYEES'  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

ANNUAL ACTUARIAL STATEMENT

AS OF

DECEMBER 31, 1975

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

TABLE OF CONTENTS

	<u>Pages</u>
Introduction.....	1 - 4
Exhibit A - Actuarial Balance Sheet, Assets and Liabilities.....	5 - 6
Exhibit B - Income and Expenditures.....	7 - 8
Exhibit C - History of Average Annual Salaries and of Investment Yields.....	9 - 10
Exhibit D - Comparative Analysis, Assets and Liabilities.....	11 - 12
Exhibit E - Cash Reconciliation, Receipts and Disbursements.....	13 - 14
Schedule A - Taxes Collectible	15
Schedule B - Actuarial Assumptions and Methods.....	16 - 19
Schedule C - Membership Statistics.....	20
Schedule D - Salary and Age Statistics.....	21 - 22
Schedule E - Annuitants Classified by Age.....	23
Schedule F - Annuities Granted as of 12/31/75.....	24
Schedule G - Summary of Plan.....	25 - 27

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August 26, 1976

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

Gentlemen:

This is to certify that the annual statement as of December 31, 1975 of the Municipal Employees' Annuity and Benefit Fund of Chicago is, to the best of my knowledge and belief, a true and correct statement of the affairs and conditions of said Fund for the calendar year 1975. This statement has been prepared from the books of the Fund as substantiated by my letters of recommendation to the Retirement Board.

The method of valuation, or method of financing the system, and the actuarial assumptions and methods used in the valuation are shown in a separate exhibit. The attempt is made to give effect to realistic valuation factors affecting costs. No major changes from the actuarial assumptions have been made except for change in mortality for active male employees.

The necessary actuarial assumptions are in the aggregate reasonable -- taking into account fund experience and future expectations -- and represents the best estimate of anticipated experience. The accounting procedure is outlined in Article 8 of the Illinois Pension Code.

The method of valuation is known as the normal cost-plus-interest basis and is intended to continue the current provisions of the Article governing the Fund in full force and effect on a permanent basis as explained in detail under the Actuarial Assumptions and Methods.

Based on the stated method of financing, I find that the minimum actuarial requirement for 1976 would be \$70,107,889.05. This minimum is based on an annual payroll of \$322,292,040.00 for 26,052 active members as of December 31, 1975.

5% Interest on an Unfunded Liability of \$555,126,303.55.....	\$27,756,315.18
Current Service Cost (13.14% of salary).....	<u>42,351,573.87</u>
Total Minimum Actuarial Requirement (21.75% of salary).....	\$70,107,889.05
Less Employee Contributions (8.5% of salary).....	27,394,823.40
Less Federal Government Contributions of.....	<u>1,026,381.48</u>
Resulting Employer Requirement (12.93% of salary) to be financed by tax levy.....	\$41,686,684.17
Amount to be levied assuming 12-1/2% loss estimate.....	\$47,641,924.77
Required Tax Multiple would therefore be.....	1.74

The current multiple, authorized in Article 8, is 1.69 for 1978 and after. As a result, an increase in multiple of .05 is needed. Assuming the members contribute 8-1/2% of salary -- this multiple is equivalent to 0.43% of salary. Based on a salary roll of \$322,292,040.00 the dollar amount of increase in tax levy required is \$1,385,855.77. The Fund would net 12-1/2% less -- or \$1,212,623.80.

The total unfunded liability as of December 31, 1975 is \$555,126,303.55. As of December 31, 1974 it was \$474,261,793.12. The increase for one year is \$80,864,510.43. The principal reasons for the change are:

1. Increase in average salaries of 8.6% over the assumed 3-1/2%. Each dollar increase in salary increases the unfunded liability by \$2.13.....	\$47,516,207.93
2. Asset loss - sale of bonds \$6,287,359.88 and sale of stocks \$281,478.70.....	6,578,838.58
3. Investment gain, yield on total assets 7.11% over assumed 5% on assets at the beginning of the year of \$391,690,403.98.....	(8,264,667.52)
4. Deficiency in annual contribution - last year's minimum required (net) \$38,240,155.00 less net tax levy for 1975 of \$27,868,750.00.....	10,371,405.00
5. Other miscellaneous non-recurring changes due to change in mortality and variation of actuarial assumptions.....	14,162,726.44
Due to actuarial method for wife and widow's annuities.....	6,000,000.00
Due to actuarial method for female spouse annuities.....	1,000,000.00
For reserve of inactive members and reciprocal benefits....	<u>3,500,000.00</u>
Total increase in unfunded liability for one year.....	<u>\$80,864,510.43</u>

The ratio of assets to liabilities or the Funded Ratio is 43.61% as of December 31, 1975 -- and was 45.23% as of December 31, 1974.

The ratio of active employees to annuitants and beneficiaries is 2.40 as of December 31, 1975 -- and was 2.30 as of December 31, 1974.

A measure of Plan Funding is to compare the assets to liabilities for present retirees on pension and the amount of contributions of active and inactive employees. This amount would be rough measure of what it would cost to terminate the Fund as of December 31, 1975.

Liability for retired annuitants, widows and spouses of annuitants.....	\$298,773,313.77
Salary Deductions contributed by Fund members.....	<u>187,681,844.74</u>
Total.....	\$486,455,158.51
Assets.....	<u>429,261,919.48</u>
Termination Over Fund Assets.....	<u>\$ 57,193,239.03</u>

In other words, if the Pension Fund was terminated on December 31, 1975, the assets on hand--amounting to \$429,261,919.48 would be sufficient to provide for the future lifetimes for all retired annuitants, widows and spouses of annuitants, for whom the total liability is \$298,773,313.77--the difference between the total assets and such reserve liability or \$130,488,605.71--could be paid to active employees. As there were 26,052 active employees on December 31, 1975, the average amount that could be paid to each such member would be \$5,008.77 as compared to the average amount of salary deductions of \$7,204.12. However, to fully fund the projected pensions would require \$26,317.17.

As in the past -- a continuous review of the Fund's operating experience is needed. The rates of salary increases, rates of retirement and investment earnings are of critical importance in cost estimates. Costs will need to be adjusted as these factors vary.

For example, for every \$1.00 in salary increase over the 3-1/2% increases assumed in the salary scale, the unfunded liability will be increased by about \$2.13. This will be in addition to the additional current annual service cost for every dollar in salary over the 3-1/2% salary scale assumed.

These additional costs will be reduced to some extent by the annual amount of investment income earned over the assumed 5% used for valuation purposes. The extent of the reduction will depend on the relative amounts of these two items.

In order to give the Retirement Board some guidance in estimating the effects on costs of variations in the principal actuarial assumptions, I have estimated the financial effect if the 1975 valuation is made based on a 6% a year compounded investment earning assumption and a 5% a year compounded salary scale. I find that the two valuations give results that are not too different.

A comparison of the principal results as of December 31, 1975, of the two valuations is shown in the following table:


	<u>5% Interest 3-1/2% Salary Scale</u>	<u>6% Interest 5% Salary Scale</u>
Funded Ratio.....	43.61%	46.87%
Unfunded Liability.....	\$555,126,303.55	\$486,527,800.26
Required Gross Multiple.....	1.74	1.75
Required Increase in Pay Roll.....	.43%	.51%

As a result, the middle-of-the-road funding method followed in the Fund valuations, which in turn is based on middle-of-the-road actuarial assumptions -- taken together with the two alternative actuarial valuations giving effect to two principal factors of cost, namely:

(1) the investment earning assumption, and (2) the salary earnings assumption gives, in my opinion, as realistic as possible a valuation of the Fund's present financial position and future trends under current conditions affecting the Fund.

HR 13040 -- now before the Congress -- which would place public employee funds under most of the requirements of ERISA for reporting, disclosure and fiduciary, may also affect the funding policies for such funds.

Respectfully submitted,

  
Actuary.

DFC:ss

MUNICIPAL EMPLOYEES'  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

ACTUARIAL BALANCE SHEET

AS OF

DECEMBER 31, 1975

ASSETS

AND

LIABILITIES

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

ACTUARIAL BALANCE SHEET

ASSETS

AS OF DECEMBER 31, 1975

CASH ON DEPOSIT:

First National Bank	\$ 1,610,842.33	
Continental Illinois National Bank	31,730.62	
LaSalle National Bank	0	
Exchange National Bank	0	
American National Bank and Trust Co.	0	
National Security Bank	0	
	<hr/>	① \$ 1,642,572.95

INVESTMENTS:

Bonds -- Par Value	\$343,291,643.87	②
Bond Premiums	197,299.05	③
Stocks -- At Cost -- Commons	58,329,281.87	④
Bond Discounts - Amortized	(13,347,926.24)	⑤
Accrued Interest on Bonds	6,588,707.84	⑥
Dividends Accrued	5,562.50	⑦
	<hr/>	395,064,568.89

TAXES IN TRANSIT

⑧ 29,582.57

ACCOUNTS RECEIVABLE:

Taxes Collectible -- Schedule "A"	\$ 30,182,480.09	⑨
Salary Deductions Accrued	2,474,798.78	⑩
Accounts Receivable --		
Other Annuity and Benefit Funds (Net)	258,425.14	⑪
Total from Individual Ledger Cards	126,986.08	⑫
	<hr/>	33,042,690.09

GROSS LEDGER ASSETS

429,779,414.50

LESS: ACCOUNTS PAYABLE:

Salary Deductions	\$ 40,681.61	
Accounts Payable -- Miscellaneous	1,261.62	
Total from Individual Ledger Cards	422,813.99	
Military Service Deductions --		
Excess from Refunds	32,148.90	
Old Law Deductions Refundable	20,588.90	
	<hr/>	⑬ 517,495.02

TOTAL LEDGER ASSETS AS OF DECEMBER 31, 1975

\$429,261,919.48



MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

ACTUARIAL BALANCE SHEET

LIABILITIES AND FUND BALANCES #

AS OF DECEMBER 31, 1975

LIABILITY RESERVES AGE AND SERVICE:

ANNUITY PAYMENT FUND ACCOUNT:

Employee Annuitants	\$ 82,425,545.62	
Employees' Annuities Fixed	25,547,672.64	
Spouse Annuitants	32,528,490.95	
Spouses' Annuities Fixed	<u>17,806,959.47</u>	
		\$158,308,668.68 (B)

SALARY DEDUCTION FUND ACCOUNT:

Employees' Deductions	\$160,654,756.20	
Spouses of Employees	<u>27,027,088.54</u>	
		187,681,844.74 (C)

CITY CONTRIBUTION FUND ACCOUNT:

Employees	\$158,284,250.58	
Spouses of Employees	40,557,173.60	
Supplemental Annuities	<u>20,670.86</u>	
		198,862,095.04 (D)

SUPPLEMENTARY PAYMENT RESERVE

359,850.04 (B)

OTHER RESERVES:

Annuity Payment Fund Account	<u>19,492,657.27</u>	(B)
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TOTAL AGE AND SERVICE LIABILITIES  
AND OTHER RESERVES

\$564,705,115.77

UNFUNDED OBLIGATIONS OF FUND FOR AGE  
AND SERVICE CREDITS GRANTED

(83,450,006.59) (E)

NET LIABILITY AGE AND SERVICE

\$481,255,109.18

PRIOR SERVICE FUND ACCOUNT:

Estimated Excess Liability		
Minimum Annuity	\$280,069,676.03 (D)	
Employee Annuitants	117,096,304.17 (B)	
Employees' Annuities Fixed	21,286.20	
Spouse Annuitants	4,697,520.33	
Spouses' Annuities Fixed	5,502,552.98	
Salary Deductions for 2% Annuity	<u>12,295,767.55</u> (C)	
		419,683,107.26

ESTIMATED BALANCES

UNFUNDED OBLIGATIONS	<u>(471,676,296.96)</u> (E)
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NET LIABILITIES FOR PRIOR SERVICE

(51,993,189.70)

TOTAL NET LIABILITIES AND FUND BALANCE  
AS OF DECEMBER 31, 1975

\$429,261,919.48

# Letter of transmittal sets forth method of valuation.

MUNICIPAL EMPLOYEES '  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

INCOME  
YEAR 1975

INCOME  
AND  
EXPENDITURES

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

INCOME

YEAR 1975

SALARY DEDUCTIONS:

Employees	\$20,117,237.69	
Spouses of Employees	4,353,081.64	
For the 2% Increase Retirement Annuity	<u>1,547,387.60</u>	
		\$26,017,706.93

SUPPLEMENTARY RESERVE CONTRIBUTIONS 1,711.41

PAYMENT BY EMPLOYEES FOR TEMPORARY SERVICE 686,990.39

CITY CONTRIBUTIONS: (Net after 12-1/2% Loss)

(Includes \$43,750.00 from  
Park District)

Employees	\$18,317,320.43	
Spouses	6,058,230.29	
Ordinary Disability	2,102,334.37	
Expense	685,569.29	
Children's Benefits	271,436.20	
Duty Disability	510,833.08	
Current Deficiency in Tax Levy	<u>( 76,973.66)</u>	
		27,868,750.00

FEDERAL GOVERNMENT CONTRIBUTIONS 1,026,381.48

CERTIFICATES OF DEPOSIT 411,148.54

BOND INTEREST (Note 1) 17,236,814.01

DIVIDENDS (Note 1) 1,596,127.42

RECEIVED FROM OTHER ANNUITY AND BENEFIT  
FUNDS RECIPROCAL ACT 148,026.65

GROSS INCOME FOR YEAR 1975 \$74,993,656.83

LESS: DISBURSEMENTS FOR 1975 37,407,271.32

INCREASE IN NET ASSETS FOR YEAR 1975 \$37,586,385.51

LESS: DECREASE IN ESTIMATE FOR TAXES  
RECEIVABLE PRIOR YEARS ( 14,870.01)

NET INCREASE IN NET ASSETS FOR YEAR 1975 \$37,571,515.50

Note 1. During the year book loss on sales of bonds was \$6,297,359.88 and loss on sales of stocks was \$281,478.70. The proceeds were invested in bonds with greater rates of coupons which will result in material gains to the Fund in the future.

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

EXPENDITURES

YEAR 1975

BENEFITS:

Employee Annuities	\$25,495,545.56
Spouse Annuities	4,949,249.76
Compensation Annuities	4,256.84
Ordinary Disability Benefits	2,076,827.80
Duty Disability Benefits	499,446.15
Children's Annuities	267,477.53
Supplementary Payment Annuities	<u>263,946.18</u>

Total \$33,556,749.82

EXPENSES:

Salaries	\$ 236,265.03
Actuarial Department Including I.B.M. Services	167,002.19
Medical Fees	15,824.70
Consultant	2,520.00
Audit	8,000.00
Forgery and Fraud Bonds	336.00
Rent and Electricity	49,226.41
Repairs and Maintenance on Office Machines	6,457.08
Office Supplies and Equipment	4,167.03
Printing and Stationery	15,580.88
Postage	17,005.08
Furniture and Fixtures	15,395.71
Telephone and Telegraph	201.50
Investment Counsel Service	122,071.26
Miscellaneous	6,194.37
Rent copy machine	939.99
Investigation Expense	58.50
Moving Expense	4,685.11
Fees - New York Tax	<u>3,640.00</u>

Total Expenses 675,570.84

REFUNDS

3,174,950.66

TOTAL CASH DISBURSEMENTS FOR YEAR 1975

\$37,407,271.32

MUNICIPAL EMPLOYEES'  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

HISTORY  
YEAR 1975

SALARIES  
AND  
YIELDS

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

HISTORY 1962 TO 1975

AVERAGE ANNUAL SALARIES ENTIRE FUND

Year	Male		Female		Male and Female		% Increase of Preceding Year
	Number of Members	Average Annual Salary	Number of Members	Average Annual Salary	Total Members	Average Annual Salary	
1962	13,023	\$ 7,513.35	6,417	\$ 4,315.43	19,440	\$ 6,457.74	
1963	12,951	7,625.00	6,724	4,386.79	19,675	6,518.33	0.94%
1964	13,445	7,695.24	6,968	4,430.10	20,413	6,580.68	0.96
1965	13,536	7,836.07	7,468	4,503.27	21,004	6,651.09	1.07
1966	13,338	8,303.72	7,967	5,066.82	21,305	7,093.28	6.65
1967	12,853	8,878.36	7,713	5,119.75	20,566	7,466.49	5.26
1968	13,616	9,301.30	8,352	5,451.58	21,968	7,837.67	4.97
1969	13,215	10,297.22	8,284	6,156.06	21,499	8,701.55	11.02
1970	13,206	11,192.00	11,557	6,116.78	24,763	8,823.00	1.40
1971	13,061	12,101.00	12,071	6,617.00	25,132	9,467.00	7.30
1972	12,891	12,588.76	12,255	7,038.27	25,146	9,884.00	4.40
1973	12,585	13,459.58	12,698	7,223.19	25,283	10,327.45	4.49
1974	12,524	14,723.44	12,920	8,161.24	25,444	11,391.27	10.30
1975	12,950	15,952.13	13,102	8,831.63	26,052	12,371.11	8.60

Average annual increase in salary 1962-1975 about 5 to 5-1/2% compounded.

Average annual increase for the last five years 7.02%.

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

HISTORY OF INVESTMENT YIELDS

<u>Year</u>	<u>Investment Yield on Total Assets</u>	<u>Investment Yield on Invested Assets</u>
December 31, 1970	4.64%	4.93%
December 31, 1971	4.73	5.00
December 31, 1972	5.29	5.67
December 31, 1973	5.27	5.67
December 31, 1974	5.85	6.37
December 31, 1975	6.49	7.11
Average of last 5 years	5.53%	5.98%

Notes:

$$\text{Yield} = \frac{\text{Investment Income}}{\text{Mean Assets}}$$

Bonds valued at amortized value, stocks at cost.

Market values are not considered.

Nonrecurring gains and losses are excluded from income.

MUNICIPAL EMPLOYEES'  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

COMPARATIVE ANALYSIS

YEAR 1975

ASSETS

AND

LIABILITIES



MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

COMPARATIVE ANALYSIS

ASSETS

	<u>January 1, 1975</u>	<u>December 31, 1975</u>	<u>Increase (Decrease)</u>
<b>CASH:</b>			
Cash on Deposit	\$ 5,006,043.62	\$ 1,642,572.95	\$(3,363,470.67)
Petty Cash	0	0	0
	<u>\$ 5,006,043.62</u>	<u>\$ 1,642,572.95</u>	<u>\$(3,363,470.67)</u>
<b>INVESTMENTS:</b>			
Bonds - Par Value	\$311,178,504.94	\$343,291,643.87	\$32,113,138.93
Bond Premiums	123,047.65	197,299.05	74,251.40
Stocks at Cost - Common	52,829,955.56	58,329,281.87	5,499,326.31
Bond Discounts	(12,532,902.38)	(13,347,926.24)	( 815,023.86)
Accrued Interest on Bonds	5,542,779.02	6,588,707.84	1,045,928.82
Dividends Accrued	0	5,562.50	5,562.50
	<u>\$357,141,384.79</u>	<u>\$395,064,568.89</u>	<u>\$37,923,184.10</u>
<b>TAXES IN TRANSIT</b>	<u>\$ 283,920.76</u>	<u>\$ 29,582.57</u>	<u>\$( 254,338.19)</u>
<b>ACCOUNTS RECEIVABLE:</b>			
Sale of Securities	\$ 431,998.82	\$ 0	\$( 431,998.82)
<b>ACCOUNTS RECEIVABLE:</b>			
Taxes Collectible	\$ 27,386,859.69	\$ 30,182,480.09	\$ 2,795,620.40
Accrued Salary Deductions	1,700,843.63	2,474,798.78	773,955.15
Accounts Receivable - Other Funds	114,844.17	258,425.14	143,580.97
Employee Accounts	<u>122,907.21</u>	<u>126,986.08</u>	<u>4,078.87</u>
	<u>\$ 29,325,454.70</u>	<u>\$ 33,042,690.09</u>	<u>\$ 3,717,235.39</u>
<b>GROSS LEDGER ASSETS</b>	<u>\$392,188,802.69</u>	<u>\$429,779,414.50</u>	<u>\$37,590,611.81</u>
<b>LESS: ACCOUNTS PAYABLE:</b>			
Salary Deductions	\$ 23,527.64	\$ 40,681.61	\$ 17,153.97
Accounts Payable - Other Funds	1,071.58	1,261.62	190.04
Employee Accounts	421,061.69	422,813.99	1,752.30
Military Service	32,148.90	32,148.90	0
Old Law Deductions Refundable	<u>20,588.90</u>	<u>20,588.90</u>	<u>0</u>
	<u>\$ 498,398.71</u>	<u>\$ 517,495.02</u>	<u>\$ 19,096.31</u>
<b>NET LEDGER ASSETS</b>	<u>\$391,690,403.98</u>	<u>\$429,261,919.48</u>	<u>\$37,571,515.50</u>

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

COMPARATIVE ANALYSIS

LIABILITIES AND FUND BALANCES

	<u>January 1, 1975</u>	<u>December 31, 1975</u>	<u>Increase (Decrease)</u>
AGE AND SERVICE:			
ANNUITY PAYMENT FUND ACCOUNT:			
Employee Annuitants	\$ 77,251,283.32	\$ 82,425,545.62	\$ 5,174,262.30
Employees' Annuities Fixed	24,273,377.16	25,547,672.64	1,274,295.48
Spouse Annuitants	30,304,661.50	32,528,490.95	2,223,829.45
Spouses' Annuities Fixed	16,765,385.95	17,806,959.47	1,041,573.52
	<u>\$ 148,594,707.93</u>	<u>\$ 158,308,668.68</u>	<u>\$ 9,713,960.75</u>
SALARY DEDUCTION FUND ACCOUNT:			
Employees' Deductions	\$ 147,380,279.83	\$ 160,654,756.20	\$ 13,274,476.37
Spouses of Employees	23,465,260.65	27,027,088.54	3,561,827.89
	<u>\$ 170,845,540.48</u>	<u>\$ 187,681,844.74</u>	<u>\$ 16,836,304.26</u>
CITY CONTRIBUTION FUND ACCOUNT:			
Employees	\$ 146,635,184.83	\$ 158,284,250.58	\$ 11,649,065.75
Spouses of Employees	36,018,994.57	40,557,173.60	4,538,179.03
Supplemental Annuities	18,914.29	20,670.86	1,756.57
	<u>\$ 182,673,093.69</u>	<u>\$ 198,862,095.04</u>	<u>\$ 16,189,001.35</u>
SUPPLEMENTARY PAYMENT RESERVE	\$ 322,084.81	\$ 359,850.04	\$ 37,765.23
OTHER RESERVES:			
Annuity Payment Fund Account	\$ 15,712,355.37	\$ 19,492,657.27	\$ 3,780,301.90
TOTAL LIABILITIES AND SURPLUS RESERVES	<u>\$ 518,147,782.28</u>	<u>\$ 564,705,115.77</u>	<u>\$ 46,557,333.49</u>
UNFUNDED OBLIGATIONS OF FUND FOR AGE AND SERVICE CREDITS GRANTED	<u>( 81,448,710.33)</u>	<u>( 83,450,006.59)</u>	<u>( 2,001,296.26)</u>
NET LIABILITIES	<u>\$ 436,699,071.95</u>	<u>\$ 481,255,109.18</u>	<u>\$ 44,556,037.23</u>
PRIOR SERVICE FUND ACCOUNT:			
Excess Minimum Annuity Provisions (Estimated)	\$ 224,347,292.28	\$ 280,069,676.03	\$ 55,722,383.75
Employee Annuitants	103,687,980.84	117,096,304.17	13,408,323.33
Employees' Annuities Fixed	28,442.52	21,286.20	( 7,156.32)
Spouse Annuitants	4,113,922.32	4,697,520.33	583,598.01
Spouses' Annuities Fixed	4,642,112.18	5,502,552.98	860,440.80
Contributions for Employees	4,061.08	0	( 4,061.08)
Contributions for Wives	1,942.19	0	( 1,942.19)
Salary Deductions for 2% Annuity	10,978,661.41	12,295,767.55	1,317,106.14
	<u>\$ 347,804,414.82</u>	<u>\$ 419,683,107.26</u>	<u>\$ 71,878,692.44</u>
ESTIMATED BALANCE OF UNFUNDED OBLIGATIONS	<u>(392,813,082.79)</u>	<u>(471,676,296.96)</u>	<u>(78,863,214.17)</u>
NET LIABILITIES FOR PREVIOUS SERVICE	<u>\$( 45,008,667.97)</u>	<u>\$( 51,993,189.70)</u>	<u>\$( 6,984,521.73)</u>
TOTAL NET LIABILITIES AND FUND BALANCES	<u>\$ 391,690,403.98</u>	<u>\$ 429,261,919.48</u>	<u>\$ 37,571,515.50</u>

MUNICIPAL EMPLOYEES'  
ANNUITY AND BENEFIT FUND  
OF CHICAGO

CASH RECONCILIATION

YEAR 1975

RECEIPTS

AND

DISBURSEMENTS

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

RECEIPTS - YEAR 1975 (ACTUAL CASH)

CASH BALANCE, JANUARY 1, 1975		\$ 5,006,043.62
RECEIPTS:		
Deductions from Employees' Salaries	\$24,928,374.07	
Interest on Investments	\$23,215,348.27	
Dividends on Stock	<u>1,872,043.62</u>	25,087,391.89
Bond Maturities and Sales	\$42,408,859.89	
Less: Losses on Bond Sales (Net)*	<u>6,297,359.88</u>	36,111,500.01
Stock Sales	\$11,063,034.26	
Less: Losses on Stock Sales (Net)	<u>281,478.70</u>	10,781,555.56
Taxes Collected (Levies for Fund Purposes)		25,312,597.78
Federal Government Contributions		1,026,381.48
Treasurer's Receipts		706,494.49
Contributions from Annuitants		1,711.41
Annuity Payments under Reciprocal Act	<u>148,026.65</u>	<u>124,104,033.34</u>

TOTAL CASH RECEIPTS PLUS CASH BALANCE, JANUARY 1, 1975 \$129,110,076.96

\* Losses were advisedly taken in order to replace low interest yielding bonds with higher interest yielding bonds, with the eventual result a financial gain, sufficient to more than offset a present temporary loss.

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

DISBURSEMENTS - YEAR 1975 (ACTUAL CASH)

DISBURSEMENTS:

INVESTMENTS:

Bonds and Notes Purchased (Premium and Discount, Net)	\$72,527,475.98	
Accrued Interest on Investments Purchased	1,137,649.97	
Stock Purchased	<u>16,562,360.57</u>	\$90,227,486.52

BENEFITS PAID:

Annuities to Employees, Spouses and Children	\$30,980,475.87	
Duty Disability Benefits	408,960.19	
Ordinary Disability Benefits	<u>1,723,417.54</u>	33,112,853.60

REFUNDS:

To Employees, Their Heirs or Estates	\$ 3,248,379.06	
Board of Education and City Comptrollers and Other A & B Funds	<u>203,213.99</u>	3,451,593.05

EXPENSE OF ADMINISTRATION:

Salaries, Actuarial, Legal, Medical and Consultant	\$ 421,611.92	
Audit	8,000.00	
Forgery Bonds, Surety & Insurance Premiums	336.00	
Investment Counsel Service	122,071.26	
Furniture and Fixtures	15,395.71	
Office Supplies and Equipment	4,167.03	
Postage	17,005.08	
Printing and Stationery	15,580.88	
Repairs and Maintenance of Office Machines	6,457.08	
Rent and Electricity	49,226.41	
Rental Copy Machine	939.99	
Telephone and Telegraph	201.50	
Miscellaneous	<u>14,577.98</u>	675,570.84
		<u>\$127,467,504.01</u>

CASH BALANCE, DECEMBER 31, 1975

\$ 1,642,572.95



MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

TAXES COLLECTIBLE -- CITY OF CHICAGO

DECEMBER 31, 1975

Year	Uncollected Taxes 12/31/75	Estimate for Loss 12/31/74	Additional Estimate Set Up 12/31/75	Total Estimate for Loss 12/31/75	Accounts Receivable Taxes Collectible
1966	\$ 950,602.43	\$ 934,829.00	\$	\$ 934,829.00	\$ 15,773.43
1967	1,318,958.48	1,305,982.00		1,305,982.00	12,976.48
1968	1,366,628.24	1,352,682.00		1,352,682.00	13,946.24
1969	1,549,659.48	1,479,713.00	45,625.00	1,525,338.00	24,321.48
1970	1,729,055.65	1,761,246.00	( 52,913.00)	1,708,333.00	20,722.65
1971	2,297,998.19	2,233,741.00		2,233,741.00	64,257.19
1972	2,777,789.52	2,552,690.00		2,552,690.00	225,099.52
1973	3,830,522.88	3,069,139.00		3,069,139.00	761,383.88
1974	4,764,218.22	3,600,000.00	( 254.00)	3,599,746.00	1,164,472.22
1975	<u>31,800,000.00</u>		<u>3,975,000.00</u>	<u>3,975,000.00</u>	<u>27,825,000.00</u>
Total	<u>\$52,385,433.09</u>	<u>\$18,290,022.00</u>	<u>\$3,967,458.00</u>	<u>\$22,257,480.00</u>	<u>\$30,127,953.09</u>
1966	\$ 3,770.74	\$ 3,600.00	\$	\$ 3,600.00	\$ 170.74
1967	4,752.50	3,600.00		3,600.00	1,152.50
1968	4,446.25	3,600.00		3,600.00	846.25
1969	3,027.00	3,400.00	( 373.00)	3,027.00	0
1970	4,430.94	3,900.00		3,900.00	530.94
1971	5,388.05	4,200.00		4,200.00	1,188.05
1972	7,573.86	4,200.00		4,200.00	3,373.86
1973	1,176.08	4,500.00	( 3,323.92)	1,176.08	0
1974	9,889.66	6,375.00		6,375.00	3,514.66
1975	<u>50,000.00</u>		<u>6,250.00</u>	<u>6,250.00</u>	<u>43,750.00</u>
Total	<u>\$ 94,455.08</u>	<u>\$ 37,375.00</u>	<u>\$ 2,553.08</u>	<u>\$ 39,928.08</u>	<u>\$ 54,527.00</u>
Grand Total	<u>\$52,479,888.17</u>	<u>\$18,327,397.00</u>	<u>\$3,970,011.08</u>	<u>\$22,297,408.08</u>	<u>\$30,182,480.09</u>

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Method: The actuarial funding method used is the ENTRY AGE NORMAL METHOD.

This cost method assigns to each year of employment a constant percentage of an employees salary, called the CURRENT SERVICE COST (sometimes referred to as NORMAL COST), sufficient to accumulate the necessary funds to provide for the full prospective costs of the employee's projected retirement pension. The amount of pension must be estimated using various assumptions as to future compensation levels, employee turnover, mortality, and pension fund earnings, since the actual pension can only be known at the time of retirement. These are called actuarial assumptions.

It should be emphasized that the actuarial assumptions do not directly affect the cost of the pension plan. Benefits are fixed by statute and will become payable as various members and their dependents satisfy the contingencies covered. The actual cost of the plan can only be determined after all benefits have been paid, and is equal to the total benefits paid, plus total administrative expenses minus total investment income.

The ACCRUED LIABILITY of the fund at any point in time is the accumulated value of all CURRENT SERVICE COSTS which should have been paid to that time for active employees plus the full prospective cost of pensions for all retired employees. The extent that the actual plan ASSETS are less than the ACCRUED LIABILITY is called the UNFUNDED LIABILITY.

An amount of money is required each year to keep the UNFUNDED LIABILITY from increasing if all assumptions are realized. This amount is called INTEREST ONLY on the UNFUNDED LIABILITY.

The total actuarial contribution required to the fund is equal to the CURRENT SERVICE COSTS plus INTEREST ONLY on the UNFUNDED LIABILITY. This is the funding policy. This minimum method of funding, often referred to as middle-of-the-road method is the method the fund has tried to follow in the past. It has evolved over the years and seeks to give effect to all interested groups including opinions often expressed by the Civil Federation. No funds are provided for amortization of the UNFUNDED LIABILITY.

Reserves for employee retirement annuities, spouses retirement annuities and death benefit annuities are valued on the entry age normal method. Grouped ages of entry used are under 25, 25-59 based on 5 year intervals and 60 and over.

The costs for the following items are valued on an annual cost basis. No reserves are set up as these items tend to stabilize on a cash basis.

- 1) Duty Disability Benefits
- 2) Ordinary Disability Benefits
- 3) Children's Annuities
- 4) Refunds - including refunds for no wife  
(a percentage of members is assumed married)
- 5) Expense of administration

Reserves are set up for duty, and ordinary disability recipients as if they were in active service.



## MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODSACTUARIAL ASSUMPTIONS:

MORTALITY: For mortality for members in the active service the 1951 Group Annuity Table was used. These rates of mortality approximate those experienced by the members of the Municipal Fund. For retirement annuitants and spouses the 1951 Group Annuity Mortality Table was used.

INTEREST: 5% a year, compounded annually. An exhibit of this report indicates the investment yields the Fund actually realized on investments valued over the past years. The average for the last five years was 5.98%. Interest earnings over the assumed 5% rate can be used to reduce losses which may result from variations in other cost factors such as increased costs resulting from salary increases greater than the 3-1/2% rate assumed.

SALARY SCALE: 3-1/2% a year, compounded annually. An exhibit of this report shows that the annual increase in total average salary for the past twelve years has been between 5 and 5-1/2%. It should be remembered that pensions are based directly on salary. If it is believed that this pattern will continue in the long range future, the salary scale assumption will need to be increased.

Increased costs will necessarily result with the extent of the increase in cost depending on the extent of the increase in salary over the assumed long range 3-1/2% assumption.

PROBABILITY OF RETIREMENT: The rates of retirement used in this valuation are shown on page 18...for each age of entrance group into the service and are based on the combined 1971 and 1972 experience of the Municipal Fund...modified to give effect to the greater rates of retirement in 1972 resulting from the impact of the first full calendar year during which the new annuity formula was in effect.

PROBABILITY OF WITHDRAWAL: These rates are shown on page 19 and are based on the experience of the Municipal Fund for the years 1971 and 1972.

THE SALARY SCALE AND PROPORTION OF MALES MARRIED ARE SHOWN ON PAGE EIGHTEEN.

ACTIVE MEMBERSHIP: It is assumed that the future active membership of the Fund will approximate its present membership, which as of December 31, 1975 was made up of 12,950 males and 13,102 females.

ASSET VALUE: Bonds are at amortized value; stocks are at cost.

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SERVICE TABLE FUNCTIONS

Rate of Retirement  
%

Male

Attained Age	Age at Entrance							
	22	27	32	37	42	47	52	57
60	10.2	6.6	5.1	3.9	1.9			
61	13.2	8.4	6.3	4.8	2.8	0.7	0.5	0.4
62	15.6	10.2	8.1	6.0	3.9	1.8	1.5	0.3
63	17.4	12.0	10.5	7.8	5.1	3.0	2.5	1.2
64	18.5	13.8	12.4	11.1	6.3	5.0	3.5	1.8
65	32.0	26.0	23.2	21.5	14.5	7.5	5.0	2.5
70	36.5	33.0	30.8	29.2	26.5	22.5	16.0	9.0
75	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Female

55	4.8	3.5	3.0	2.0	1.0			
56	5.8	4.5	4.0	2.8	1.5	0.5		
57	6.8	5.5	4.5	3.5	2.3	1.0		
58	8.0	6.3	5.5	4.2	3.0	1.8	0.2	
59	9.5	7.3	6.5	5.0	3.6	2.5	1.0	
60	11.0	8.0	7.0	5.5	4.5	3.0	2.0	
61	12.5	9.5	8.5	6.5	5.5	4.0	3.0	0.8
62	15.0	10.8	10.0	7.5	6.5	5.0	3.7	2.0
63	18.5	12.5	11.5	9.0	7.5	6.0	4.5	3.0
64	25.0	14.5	13.0	10.5	9.5	7.5	5.7	4.0
65	30.8	23.5	15.0	12.5	11.0	9.0	7.0	5.0
70	35.0	32.0	28.5	24.0	20.5	17.5	14.5	12.5
75	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Attained Age	Salary Scale 3-1/2% Per Yr.	Male Death	Female Death	Proportion
		Rate 1951 GA Per 1,000	Rate 1951 GA Per 1,000	of Males Married %
22	1.035	.6	.4	81
27	1.229	.8	.5	81
32	1.459	1.1	.7	81
37	1.733	1.5	1.0	80
42	2.059	2.4	1.5	83
47	2.445	4.5	2.3	83
52	2.905	7.9	3.5	84
57	3.450	12.2	5.6	82
62	4.097	18.3	9.8	80
67	4.866	30.1	16.5	78
70	5.396	39.3	23.1	74
75	6.408	62.4	44.3	74

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SERVICE TABLE FUNCTIONS

Rate of Withdrawal from Service

Male

<u>Attained Age</u>	<u>Age at Entrance</u>		<u>32</u>	<u>37</u>	<u>42</u>	<u>47</u>	<u>52</u>	<u>57</u>
	<u>22</u>	<u>27</u>						
22	16.5	-	-	-	-	-	-	-
27	9.8	12.0	-	-	-	-	-	-
32	4.5	7.2	9.5	-	-	-	-	-
37	2.0	3.8	5.0	8.8	-	-	-	-
42	0.5	1.8	2.8	4.5	8.5	-	-	-
47	0	0.5	1.5	2.5	4.0	7.5	-	-
52	0	0	0.3	1.0	1.5	4.2	8.5	-
57	0	0	0	0	0	2.0	3.2	5.0

Female

22	16.5	-	-	-	-	-	-	-
27	12.0	13.0	-	-	-	-	-	-
32	7.0	8.0	9.0	-	-	-	-	-
37	3.5	4.0	5.5	6.5	-	-	-	-
42	1.2	2.0	3.2	4.5	5.0	-	-	-
47	0.5	1.0	1.8	2.5	3.1	4.0	-	-
52	0	0	0.6	1.0	2.0	2.6	3.5	-
57	0	0	0	0	0.7	1.5	2.1	3.5

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

MEMBERSHIP STATISTICS

YEAR 1975

A. CHANGES IN ACTIVE PARTICIPANTS:

	<u>Number At Beginning Of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Number At End Of Year</u>
Male	12,524	1,282	856	12,950
Female	<u>12,920</u>	<u>1,085</u>	<u>903</u>	<u>13,102</u>
Total	<u>25,444</u>	<u>2,367</u>	<u>1,759</u>	<u>26,052</u>

B. CHANGES IN ANNUITANTS AND BENEFICIARIES:

	<u>Number At Beginning Of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Number At End Of Year</u>
Employee Annuities	6,080	553	906	5,727
Spouse Annuities	3,700	296	242	3,754
Children Annuities	422	83	84	421
Ordinary Disability Benefits	309	526	508	327
Duty Disability Benefits	38	262	250	50
Widow Compensation Annuities	2	0	0	2
Reversionary	7	6	0	13
Reciprocals	<u>514</u>	<u>81</u>	<u>51</u>	<u>544</u>
Total	<u>11,072</u>	<u>1,807</u>	<u>2,041</u>	<u>10,838</u>
Ratio of Active Participants to Annuitants and Beneficiaries	<u>2.30</u>			<u>2.40</u>

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SALARY AND AGE STATISTICS

AS OF DECEMBER 31, 1975

Ages and Salaries as of December 31, 1975

	<u>Male</u>			
	<u>Number</u>	<u>Average Age</u>	<u>Annual Salaries</u>	<u>Average Annual Salaries</u>
Under 20	3	15.0	\$ 39,696	\$13,232
22 to 24	279	22.6	3,383,160	12,126
25 to 29	626	27.1	8,341,560	13,325
30 to 34	716	32.2	10,638,000	14,858
35 to 39	914	37.0	14,395,848	15,750
40 to 44	1,265	42.1	19,823,160	15,670
45 to 49	1,811	47.1	30,150,624	16,649
50 to 54	2,398	52.1	40,161,240	16,748
55 to 59	2,300	57.0	37,511,616	16,309
60 to 64	1,583	61.8	24,637,968	15,564
65 to 69	660	66.5	10,640,784	16,122
70 and Over	247	72.6	4,361,568	17,658
Without Record	148		2,494,848	16,857
<b>Total</b>	<u>12,950</u>	<u>49.6</u>	<u>\$206,580,072</u>	<u>\$15,952</u>

Average Service 13.0 years

	<u>Female</u>			
	<u>Number</u>	<u>Average Age</u>	<u>Annual Salaries</u>	<u>Average Annual Salaries</u>
Under 20	17	18.9	\$ 110,280	\$ 6,487
20 to 24	334	22.6	2,646,360	7,923
25 to 29	837	27.0	7,367,880	8,803
30 to 34	995	32.2	8,908,848	8,954
35 to 39	1,406	37.2	12,126,144	8,625
40 to 44	1,623	42.0	13,720,656	8,454
45 to 49	1,929	47.0	16,337,880	8,470
50 to 54	2,150	52.0	18,585,360	8,644
55 to 59	1,953	56.8	17,806,632	9,118
60 to 64	1,237	61.7	11,808,984	9,546
65 to 69	384	66.5	4,056,624	10,564
70 and Over	112	72.5	1,251,768	11,177
Without Record	125		984,552	7,876
<b>Total</b>	<u>13,102</u>	<u>46.7</u>	<u>\$115,711,968</u>	<u>\$ 8,832</u>

Average Service 8.2 years

**Grand Total**      26,052      48.1      \$322,292,040      \$12,371

Average Service 10.5 years

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SALARY AND AGE STATISTICS

AS OF DECEMBER 31, 1975

Ages at Entrance  
and Salaries as of December 31, 1975

<u>Age at Entrance</u>	<u>Number</u>	<u>Male</u>	
		<u>Annual Salaries</u>	<u>Average Annual Salaries</u>
24 and Under	1,321	\$ 21,316,824	\$16,136.88
25 to 29	2,331	40,132,104	17,216.64
30 to 34	2,430	41,037,984	16,888.08
35 to 39	2,136	33,885,288	15,864.00
40 to 44	1,718	26,524,224	15,438.96
45 to 49	1,317	19,785,720	15,023.28
50 to 54	813	11,431,704	14,061.12
55 to 59	530	7,195,224	13,575.84
60 and Over	206	2,776,152	13,476.48
Without Record	148	2,494,848	16,857.12
Total	<u>12,950</u>	<u>\$206,580,072</u>	<u>\$15,952.08</u>
		<u>Female</u>	
24 and Under	1,341	\$ 13,085,520	\$ 9,757.92
25 to 29	1,362	13,463,976	9,885.36
30 to 34	1,807	16,550,904	9,159.36
35 to 39	2,247	19,629,912	8,736.00
40 to 44	2,295	19,659,072	8,566.08
45 to 49	2,026	16,893,360	8,338.32
50 to 54	1,237	10,072,104	8,142.48
55 to 59	522	4,223,016	8,090.16
60 and Over	140	1,149,552	8,211.12
Without Record	125	984,552	7,876.32
Total	<u>13,102</u>	<u>\$115,711,968</u>	<u>\$ 8,831.52</u>
Grand Total	<u>26,052</u>	<u>\$322,292,040</u>	<u>\$12,371.03</u>

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

ANNUITANTS CLASSIFIED BY AGE

YEAR 1975

Retirement Annuities

<u>Age</u>	<u>Number</u>	<u>Annual Payments</u>	<u>Average Annual Payments</u>	<u>Female Number</u>	<u>Annual Payments</u>	<u>Average Annual Payments</u>
30-34	0	\$ 0	\$ 0	1	\$ 600.00	\$ 600.00
35-39	0	0	0	1	300.00	300.00
40-44	1	325.92	325.92	0	0	0
45-49	0	0	0	1	300.00	300.00
50-54	5	5,091.00	1,018.20	3	2,591.40	863.80
55-59	74	308,021.04	4,162.45	88	187,947.96	2,135.77
60-64	355	2,212,208.52	6,231.57	305	832,102.32	2,728.20
65-69	904	5,464,575.12	6,044.88	747	2,281,282.08	3,053.93
70-74	910	4,809,633.24	5,285.31	657	2,090,750.76	3,182.27
75-79	701	3,388,806.72	4,834.25	544	1,704,893.52	3,134.00
80-84	399	1,790,241.12	4,486.82	253	616,115.40	2,435.24
85-89	159	657,144.96	4,132.99	88	233,705.64	2,655.75
90-94	45	146,010.84	3,244.69	20	34,714.56	1,735.73
	7	15,369.60	2,195.66	2	2,107.80	1,053.90
100	1	1,611.60	1,611.60	0	0	0
<b>Totals</b>	<b>3,561</b>	<b>\$18,799,039.68</b>	<b>\$5,279.15</b>	<b>2,710</b>	<b>\$7,987,411.44</b>	<b>\$2,947.38</b>
<b>Average Age</b>		<b>72.0</b>			<b>71.5</b>	

Spouses' Annuities

(Includes Compensation Annuities)

<u>Age</u>	<u>Number</u>	<u>Annual Payments</u>	<u>Average Annual Payments</u>
25-29	3	\$ 2,621.40	\$ 873.80
30-34	4	2,239.08	559.77
35-39	19	14,254.08	750.21
40-44	21	18,044.16	859.25
45-49	80	84,204.60	1,052.56
50-54	170	237,470.04	1,396.88
55-59	282	403,618.20	1,431.27
60-64	478	768,335.64	1,607.40
65-69	623	983,467.56	1,578.60
70-74	673	966,815.16	1,436.58
75-79	668	830,995.20	1,244.00
80-84	466	524,295.24	1,125.10
85-89	196	203,713.20	1,039.35
90-94	73	65,233.08	893.60
95-99	13	10,199.40	784.57
<b>Totals</b>	<b>3,769</b>	<b>\$5,115,506.04</b>	<b>\$1,357.26</b>
<b>Average Age</b>		<b>70.0</b>	

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

NEW ANNUITANTS AS OF DECEMBER 31, 1975

	<u>Male Annuitants</u>	<u>Female Annuitants</u>	<u>Spouse Annuitants</u>
Number	361	273	298
Average Age	66.7	66.2	63.8
Average Annual Annuity	\$6,961.49	\$3,842.87	\$2,019.16
Average expected years remaining to be lived based on average ages	13	18	20



MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

PLAN SUMMARY

Participant

(a) Persons appointed under civil service who are employed by the City and Board of Education of Chicago (other than teachers) and (b) temporary and non-civil service employees who have a total of at least one year of service and have four consecutive months of service immediately prior to filing written application with the Retirement Board and (c) aldermen and other officials of the City and the Board of Education of Chicago who shall, while in office, file written application with the Retirement Board.

Retirement Annuity

Money Purchase Formula: Applies in cases where an employee is age 55 or more and has between 10 and 20 years of service. The annuity is based on the entire sum accumulated from his salary deductions plus 1/10 City Contributions for each year after 10 years of service.

Minimum Annuity Formula: (a) An employee age 60 or older with at least 20 years of service, is qualified for an annuity equal to 1.67% of each of the first 10 years of service plus 1.90% for each of the next 10 years plus 2.1% for each of the next 10 years and 2.3% for each year of service over 30 years, of the final average salary during the four highest consecutive years within the last 10 years of service prior to retirement. This annuity is discounted 1/2 of 1% for each month the employee is younger than 60 to age 55. (b) An employee who is at least age 65 with 15 or more years of service is qualified for an annuity equal to 1% for each year of service multiplied by the final average salary added to the sum of \$25.00 for each year of service.

Maximum Annuity: 75% of final average salary.

Automatic Increase in Annuity: An employee who is age 60 or more is entitled to receive 2% of his original annuity, such increase to begin in January of the year immediately following the year of his first anniversary or retirement. An employee who retires prior to age 60 will receive such increase beginning in January of the year following the year he attained age 60.

Widow's Annuity (payable until remarriage)

Money Purchase Formula: This annuity is based on total salary and City Contributions subject to limitation that this annuity cannot exceed that amount of annuity she would have been entitled to had the employee worked at the same rate of salary to his age 65.

Widowers' Annuity: The same laws apply as for a Widow's Annuity excepting the fact that female employees started to contribute for their spouses in 1974, the widower is entitled only to the money purchase annuity based on his wife's contributions and the City Contributions made for his since 1974. If the female employee elects to pay for her husband's deductions for time prior to 1974 and if she qualifies for the minimum annuity - her husband will also qualify for the Widow's Minimum Annuity formula upon her death.

Widow's Minimum Annuity Formula: If the employee is at least age 60 and has 20 or more years of service, the widow's annuity is equal to one-half of the amount of annuity the employee was entitled to at the time of his death if he died before retirement, or was entitled to receive on the date of his retirement if he died after retirement. This widow's annuity is to be discounted 1/2 of 1% for each month that she is under age 60 at the time her annuity is fixed.

Maximum Annuity: \$400.00 a month.

Children's Annuity:

Employee must have at least 4 years of service for a child under the age of 18 to qualify for an annuity of \$80.00 a month if at least one spouse survives. If no spouse survives, the child is entitled to \$120.00 a month. Child's Annuity terminates upon attainment of age 18.

Family Maximum

The total of the spouse's and child's annuities cannot exceed \$400.00 a month plus 10% of the employee's final monthly salary.

Duty Disability Benefit

If an employee is disabled as a result of an accidental injury incurred in the performance of an act of duty, he is entitled to receive duty disability in the amount of 75% of his final salary, except that if the disability resulted from any physical defect or disease that existed at the time of the injury - 50% of his final salary. This benefit is reduced by the amount the employee receives from Workmen's Compensation. Duty Disability Benefit begins on the first day after the disablement occurs. In addition, the employee is entitled to receive \$10.00 a month for each child under age 18, the total amount paid for the children not to exceed 15% of his final salary. The City contributes the amounts necessary for the employee's pension.

Ordinary Disability

Ordinary disability is granted if the employee is disabled from any causes that are not duty related with the exception of chronic alcoholism or pregnancy. Ordinary Disability Benefit is equal to 50% of employee's final salary less his normal salary deductions for annuity purposes. Payment of such benefit shall not be greater than 1/4 of employee's total service but not to exceed 5 years. The first payment shall be made one month after the benefit is granted.

Refunds

To Employees: The entire amount with interest accumulated by the employee if he resigns before age 60 with less than 10 years of service. If employee is entitled to an annuity - he is eligible for a refund if his annuity is less than \$100.00 a month for life.

Of Spouses' Annuity Contributions: If the employee is not married at retirement age 65, employee is entitled to a refund of the contributions made for the spouse.

To Estate: Any amounts contributed by the employee, with interest, that are not paid out in the form of an annuity, are refundable to the estate of the employee.

Deductions and Contributions

	<u>Deductions</u>	<u>City Contributions</u>
Employee	6-1/2%	6%
Spouse	1-1/2%	2%
Annuity Increase	<u>1/2%</u>	-
Total	<u>8-1/2%</u>	<u>8%</u>

Income

The Fund derives its income from (1) a tax levy granted by the City; (2) interest on investments and (3) deductions from employees' salaries.

Financing

The City shall levy a tax annually which will produce a sum equal to 1.495 for 1975, 1.560 for 1976, 1.625 for 1977 and 1.690 for 1978 and after, times the total amount of contributions made by employees two calendar years prior to the year of the levy.