

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL VALUATION REPORT FOR THE YEAR ENDING
DECEMBER 31, 2012



April 8, 2013

Board of Trustees
Policemen's Annuity and Benefit Fund
City of Chicago
221 North LaSalle Street, Suite 1626
Chicago, IL 60601

Subject: Actuarial Valuation Report for the Year Ending December 31, 2012

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the Policemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2012. This valuation has been performed to measure the funded status of the Fund and to determine the contribution levels for 2013. In addition, it includes disclosure information required under GASB Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. The assumptions and methods used were recommended by the actuary and approved by the Board and meet the parameters set for the disclosure presented in the financial section by GASB Statement No. 25 and GASB Statement No. 43. These actuarial valuations of the Fund are performed annually.

We have prepared the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Summary of Actuarial Valuation Methods and Assumptions
- Schedule of Active Member Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Prioritized Solvency (Termination) Test
- Development of Annual Required Contributions under GASB Statements No. 25 and No. 43
- Development of Actuarial Gains and Losses
- Summary of Basic Actuarial Values

We have also provided the following schedules in the financial section of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

This valuation is based upon:

Data relative to the members of the Fund – Data for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness.

Asset Values – The value of assets of the Fund was provided by the Fund's staff. Book values of assets are used to develop actuarial results for the state reporting basis. Actuarial value of assets are used for financial reporting under GASB Statement No. 25 and Statement No. 27. In each future fiscal year, gains and losses will be phased in over a five year period.

Actuarial Method – The actuarial method utilized by the Fund is the Entry-Age Normal Actuarial Cost Method. The objective of this method is to amortize the costs of Fund benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

Actuarial Assumptions – On February 26, 2013, the Board approved a change in the investment return assumption from 8.00 percent to 7.75 percent. All other actuarial assumptions remain unchanged from the prior valuation. The assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.

Plan Provisions – The actuarial valuation is based on plan provisions in effect as of December 31, 2012.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. State Law currently constrains employer contributions to be twice the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 2:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that an employer to employee contribution ratio of 6.73:1 is needed to meet the actuarially determined contribution requirement.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provision of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct.

Respectfully yours,



Alex Rivera, F.S.A., E.A., M.A.A.A.
Senior Consultant



Lance Weiss, E.A., F.C.A., M.A.A.A.
Senior Consultant

ADDITIONAL DISCLOSURES REQUIRED BY ACTUARIAL STANDARDS OF PRACTICE

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

TABLE OF CONTENTS

| | | |
|-------------------------------------|---|----|
| Summary of Valuation Results | | 1 |
| Appendix 1 | Results of Actuarial Valuation | |
| Table 1 | Summary | 11 |
| Table 2 | Summary of Basic Actuarial Values | 14 |
| Table 3 | Development of Actuarially Determined Contribution for 2013 (State Basis) | 15 |
| Table 4 | Development of Annual Required Contribution under GASB #25 and GASB #43 for 2013 | 16 |
| Table 5 | Development of Actuarial Gains and Losses for 2012 | 17 |
| Table 6 | History of Recommended Employer Multiples | 18 |
| Table 7 | Ordinary Death Benefit Reserve | 19 |
| Table 8 | Actuarial Accrued Liability Prioritized Solvency Test | 20 |
| Appendix 2 | Assets of the Plan | 21 |
| Table 9 | Reconciliation of Assets as of December 31, 2012 | 22 |
| Table 10 | Development of Actuarial (Market-Related) Value of Assets as of December 31, 2012 | 23 |
| Appendix 3 | Data Reflecting Plan Members | |
| Exhibit A | Summary of Changes in Active Participants for Fiscal Year Ending December 31, 2012 | 24 |
| Exhibit B | Summary of Changes in Annuitants and Beneficiaries for Fiscal Year Ending December 31, 2012 | 25 |
| Exhibit C | Total Lives and Annual Salaries Classified by Age and Years of Service as of December 31, 2012 | |
| | Part I Active Male Participants | 26 |
| | Part II Active Female Participants | 27 |
| | Part III All Active Participants | 28 |

TABLE OF CONTENTS (CONT'D)

Appendix 3 (Cont'd)

| | | |
|-----------|--|----|
| Exhibit D | Showing Number of Refund Payments Made During Year for Fiscal Year Ending December 31, 2012 | |
| | Part I Male Employees | 29 |
| | Part II Female Employees | 30 |
| Exhibit E | Showing Statistics on Service Retirement Annuities Classified by Age as of December 31, 2012 | 31 |
| Exhibit F | Showing Statistics on Widow's Annuities Classified by Age as of December 31, 2012 | 32 |
| Exhibit G | Showing Statistics on Miscellaneous Annuities for Fiscal Year Ending December 31, 2012 | 33 |
| Exhibit H | Showing Participants Receiving Duty Disability Classified by Age and Length of Service as of December 31, 2012 | |
| | Part I Male | 34 |
| | Part II Female | 35 |
| Exhibit I | Showing Participants Receiving Ordinary Disability Classified by Age and Length of Service as of December 31, 2012 | |
| | Part I Male | 36 |
| | Part II Female | 37 |
| Exhibit J | Showing Participants Receiving Occupational Disease Disability Classified by Age and Length of Service as of December 31, 2012 | |
| | Part I Male | 38 |
| | Part II Female | 39 |
| Exhibit K | History of Average Annual Salaries | 40 |
| Exhibit L | New Annuities Granted During 2012 | 41 |
| Exhibit M | Retirees and Beneficiaries by Type of Benefit | 42 |
| Exhibit N | Average Employee Retirement Benefits Payable | 43 |

TABLE OF CONTENTS (CONT'D)

Appendix 3 (Cont'd)

| | | |
|-------------------|---|----|
| Exhibit O | History of Annuities | |
| | Part I Employee Annuitants (Male and Female) | 44 |
| | Part II Spouse Annuitants (not including compensation Widows) | 45 |
| Exhibit P | Counts of Retirees and Beneficiaries with Healthcare Coverage Subsidies | 46 |
| Exhibit Q | Schedule of Retired Members by Types of Benefit and Monthly Benefit Levels | 47 |
| Exhibit R | Schedule of Average Benefit Payments for New Annuities Granted during 2012 | 48 |
| Exhibit S | History of Retirees and Beneficiaries Added to and Removed from Benefit Payroll | 49 |
| Appendix 4 | Actuarial Methods and Assumptions as of December 31, 2012 | |
| | Actuarial Methods and Assumptions as of December 31, 2012 | 50 |
| Appendix 5 | Summary of Provisions of the Fund as of December 31, 2012 | |
| | Summary of Principal Eligibility and Benefit Provisions as of December 31, 2012 | 54 |
| Appendix 6 | Legislative Changes 1979 through 2012 | 61 |
| Appendix 7 | Additional Exhibits — GASB Disclosures | |
| | Exhibit A-1 GASB #25, #27, #43, and #45 Disclosures | 74 |
| | Exhibit A-2 Schedule of Funding Progress for GASB #25 | 76 |
| | Exhibit A-3 Schedule of Employer Contributions for GASB #25 | 77 |
| | Exhibit A-4 Supplementary Information for GASB #25/27 | 78 |

TABLE OF CONTENTS (CONT'D)

Appendix 7 (Cont'd)

| | | |
|--------------|---|----|
| Exhibit A-5 | Annual Pension Cost and Contributions Made for GASB #27 | 79 |
| Exhibit A-6 | Pension Cost Summary for GASB #27 | 80 |
| Exhibit A-7 | Development of Net Pension Obligation (NPO) for GASB #27 | 81 |
| Exhibit A-8 | Schedule of Funding Progress for GASB #43 | 84 |
| Exhibit A-9 | Schedule of Employer Contributions for GASB #43 | 85 |
| Exhibit A-10 | Supplementary Information for GASB #43 | 86 |
| Exhibit A-11 | Annual OPEB Cost And Contributions Made For GASB #45 for 2012 | 87 |
| Exhibit A-12 | OPEB Cost Summary for GASB #45 | 88 |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS

This report sets forth the results of the actuarial valuation of the Policemen's Annuity and Benefit Fund of the City of Chicago ("Fund") as of December 31, 2012. The purposes of this valuation are:

1. To develop actuarially determined contributions for 2013.
2. To develop the annual required contributions (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension and OPEB costs under GASB #27 and GASB #45.
4. To review the funded status of the Fund.

The funded status, in basic terms, is a comparison of Fund liabilities to Fund assets expressed as either unfunded liability or as a ratio of assets to liabilities. This comparison can be measured in various ways. Fund liabilities are dependent on the actuarial assumptions and actuarial cost method. Fund assets can be measured at market value, book value, or some variation to smooth the fluctuations that invariably occur from year to year.

Funded status is measured differently for reporting to the State and for Fund and City financial reports. The following chart shows how funded status is determined for each purpose.

| <u>PURPOSE</u> | <u>ACTUARIAL METHOD</u> | <u>ASSET VALUE</u> |
|---|-------------------------|---|
| State reporting | Entry Age Normal | Cost |
| Fund and City reporting after 1996 (GASB #25, #27, #43, and #45) | Entry Age Normal | Actuarial (Market-Related) Value of Assets |

Under the Entry-Age Normal Actuarial Cost Method, each participant's benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total "Normal Cost" is the sum of the current year's annual installments determined for all active participants. The "Actuarial Accrued Liability" is the excess of the discounted value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

The actuarial (market-related) value of assets is determined from market value with investment gains and losses smoothed over a five-year period. The actuarial assumptions used to determine the liabilities are the same in all three measures.

Comments on Results

For State reporting purposes, the actuarially determined contribution for the year ending December 31, 2013, is \$728.6 million (71.8 percent of covered payroll), or \$635.1 million (62.6 percent) after expected employee contributions are subtracted. The 2013 actuarially determined contribution of \$728.6 million compares with \$689.5 million for 2012.

The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2013, is \$474.2 million, which is 46.7 percent of payroll. This amount compares with an ARC of \$431.0 million or 41.7 percent of payroll for the year ending December 31, 2012. These amounts are for pension benefits only and are net of employee contributions of \$93.5 million for fiscal year 2013 and \$95.3 million for fiscal year 2012.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB). The ARC for fiscal year 2013 is based on this actuarial valuation as of December 31, 2012. The OPEB ARC for the fiscal year ending December 31, 2013, is \$10.4 million, which is 1.0 percent of payroll. This amount compares with an OPEB ARC of \$10.5 million or 1.0 percent of payroll for the year ending December 31, 2012.

Because of the requirements of GASB #43, there are some differences between the calculation of the ARC for pension benefits and the ARC for OPEB. These differences are summarized below.

| | Pension ARC | OPEB ARC |
|-------------------|------------------------|---------------------------|
| Investment Return | 7.75% per year | 4.5% per year |
| Assets | 5-year smoothed market | No assets (Pay-as-you-go) |

GASB #43 requires the investment return assumption (or “discount rate”) used to value OPEB liabilities to be based on the estimated long-term yield of the investments expected to be used to finance the payment of benefits. The investment return assumption of 4.5 percent reflects the fact that OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare account exists to prefund or pay the health insurance supplement.

Beginning with the actuarial valuation as of December 31, 2006, GASB #25 requires the use of at most a 30-year amortization period to determine the pension ARC, which is already required for the OPEB ARC.

Effective with Fiscal Year Ending December 31, 2014, GASB #67 is replacing GASB #25 for pension plan financial reporting requirements. GASB #68 is replacing GASB #27 for employer financial reporting effective with fiscal year ending December 31, 2015. The discount rate used for GASB #67 and #68 reporting purposes will produce a blended or average discount rate based on 7.75 percent for the projected benefits for all current members that can be paid from current assets and projected investment return, future employee contributions from current members, and future employer contributions attributable to current members, and a municipal bond rate (for example 4.00 percent) for the portion of the projected benefits after assets are depleted. We believe the liability based on the GASB blended rate will become the predominant liability that users will focus on.

Due to the blended discount rate and shorter amortization periods required under GASB #67 and #68, the liabilities and pension expense will be much higher and more volatile than under the current standards. A measurement of the blended discount rate, liability and pension expense has not yet been performed.

The actuarial liabilities increased by approximately \$47 million (or 8.2 percent) less than the expected value. The key factors impacting the actuarial liability loss of \$209 million include: Salary gains of \$115 million, demographic losses of \$26 million, new entrants losses of \$4 million, and other losses of \$37 million. The loss due to changing the investment return assumption from 8.00% to 7.75% was \$256 million.

On the State reporting basis, the unfunded liability increased from \$6.61 billion to \$7.27 billion and the funded ratio decreased from 31.72% to 28.89%. The funded ratio comparing actuarial value of assets

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

to actuarial liabilities decreased from 35.55% to 30.81%. The funded ratio comparing market value of assets to actuarial liabilities decreased from 32.78% to 31.44%.

On a market value basis, the unfunded liability increased due primarily to contribution shortfalls and the change in the investment return assumption. There was a gain on invested assets due to an approximate return of 11.7% on market value compared with the assumed return of 8.00%.

On a book value basis, the unfunded liability increased due to the realized asset losses, contribution shortfalls, and the change in the investment return assumption. The actual return on a book value basis of 6.7% was below the assumed return of 8.00%.

In each future fiscal year, for purposes of determining actuarial value of assets, investment gains and losses will be phased in over a five year period.

The total ARC for pension and OPEB for 2012 was \$441.5 million compared to actual contributions of \$207.7 million. This difference has increased over the last ten years and the impact can be seen in the GASB #27 Net Pension Obligation (NPO). The NPO has increased from \$635.6 million at December 31, 2002, to \$2,350.7 million as of December 31, 2012.

Public Act 96-1495, effective as of January 1, 2011, provides that the City finance plan benefits on an actuarial basis commencing with fiscal year 2015. The funding policy requires that future employer contributions, employee contributions and other fund income is sufficient to produce 90% funding by fiscal year end 2040. The projections are based on an open group, level percent of pay financing, and the projected unit credit cost method. The results contained in this valuation report do not include the projected funding requirements under the provisions of Public Act 96-1495 which will be provided in a separate letter.

Please note the highlighted area on page 28 showing the age/service distribution for active members. A large portion of the population is at or nearing retirement. We should continue to monitor this as the ratio of actives to retirees has been steadily declining, which can ultimately have a large impact on contribution requirements. A more thorough examination of these and other factors can be found in the Analysis of Actuarial Assumptions explanation and the gain/loss information in Table 5.

A summary of the primary results of this valuation is shown in the following table.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

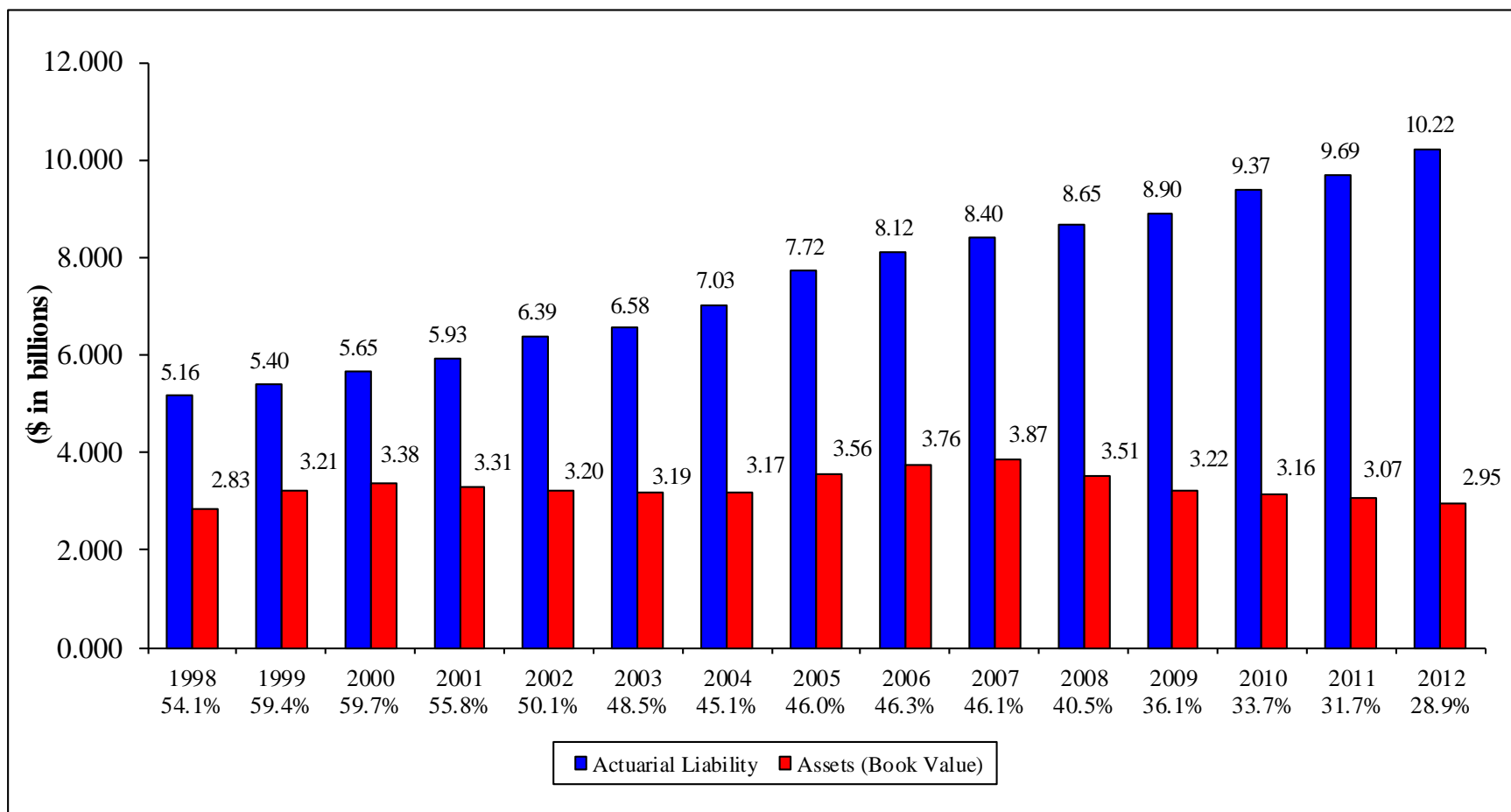
| | 2011 | | 2012 | |
|---|----------------|----------|----------------|-----------------------|
| | \$ in Millions | % of Pay | \$ in Millions | % of Pay ¹ |
| Contribution Levels | | | | |
| Actuarially | | | | |
| Determined Contribution | | | | |
| (State Reporting) ² | \$ 689.48 | 66.65% | \$ 728.59 | 71.77% |
| Annual Required Contribution ³ | 441.48 | 42.68 | 484.61 | 47.74 |
| (GASB 25 and 43) | | | | |
| Funded Status | | | | |
| Book Value of Assets | \$ 3,073.61 | 297.14% | \$ 2,952.87 | 290.87% |
| Actuarial Liability | 9,688.35 | 936.61 | 10,220.64 | 1,006.79 |
| Funded Ratio | 31.72% | N/A | 28.89% | N/A |
| Funded Status-Market Value | | | | |
| Market Value of Assets | \$ 3,175.51 | 306.99% | \$ 3,213.43 | 316.54% |
| Actuarial Liability | 9,688.35 | 936.61 | 10,220.64 | 1,006.79 |
| Funded Ratios | 32.78% | N/A | 31.44% | N/A |
| Funded Status - GASB #25 and #43 | | | | |
| Market-Related Value of Assets | \$ 3,444.69 | 333.01% | \$ 3,148.93 | 310.19% |
| Actuarial Liability | 9,688.35 | 936.61 | 10,220.64 | 1,006.79 |
| Funded Ratios | 35.55% | N/A | 30.81% | N/A |

¹ Payroll was \$1,034 million in 2011 and \$1,015 million in 2012.

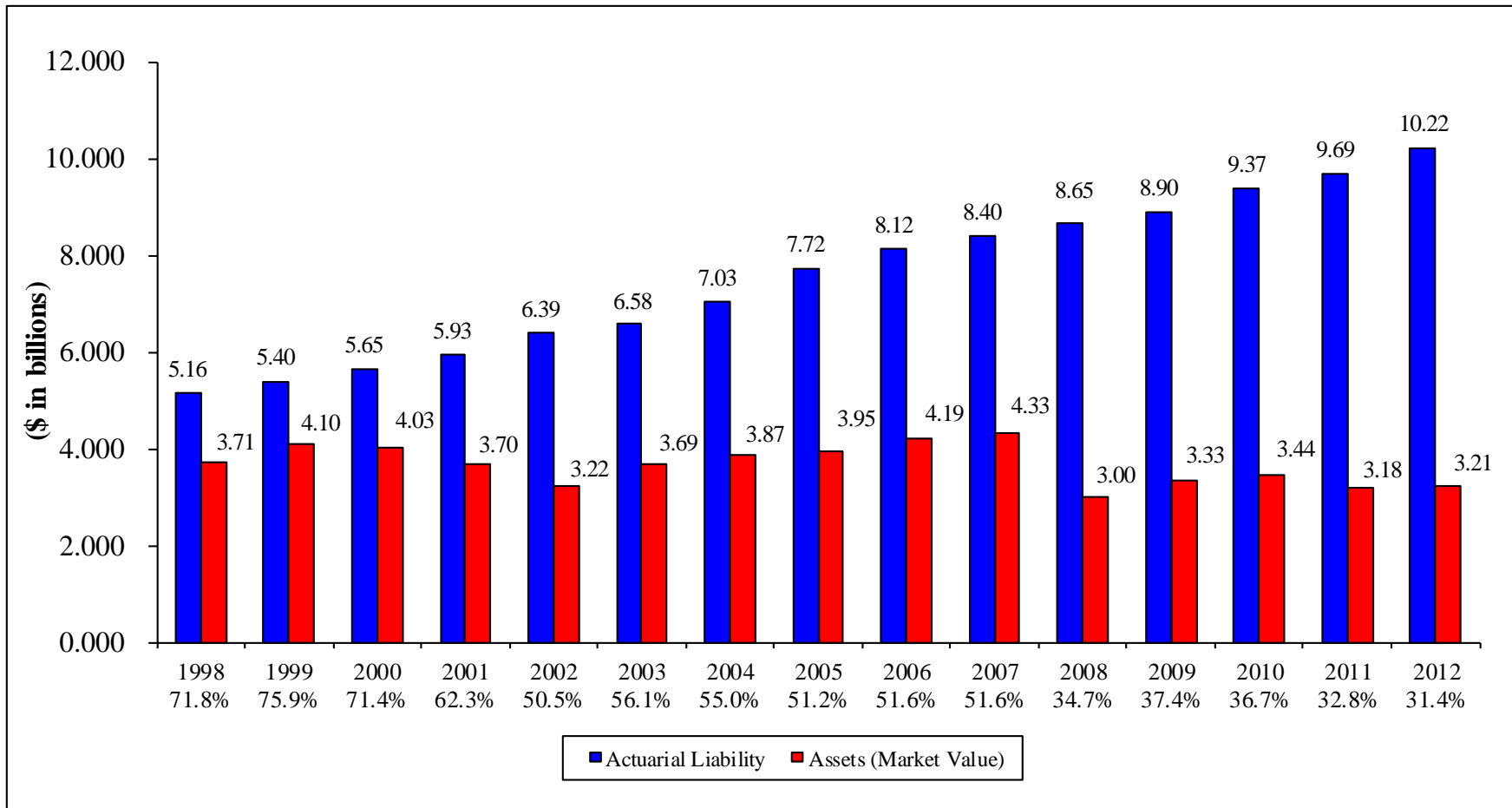
² The contribution is for the following fiscal year and includes estimated employee contributions of \$95.3 million for 2011 and \$93.5 million for 2012.

³ For the following fiscal year net of employee contributions. ARC for both pension and healthcare benefits under GASB #25 and GASB #43.

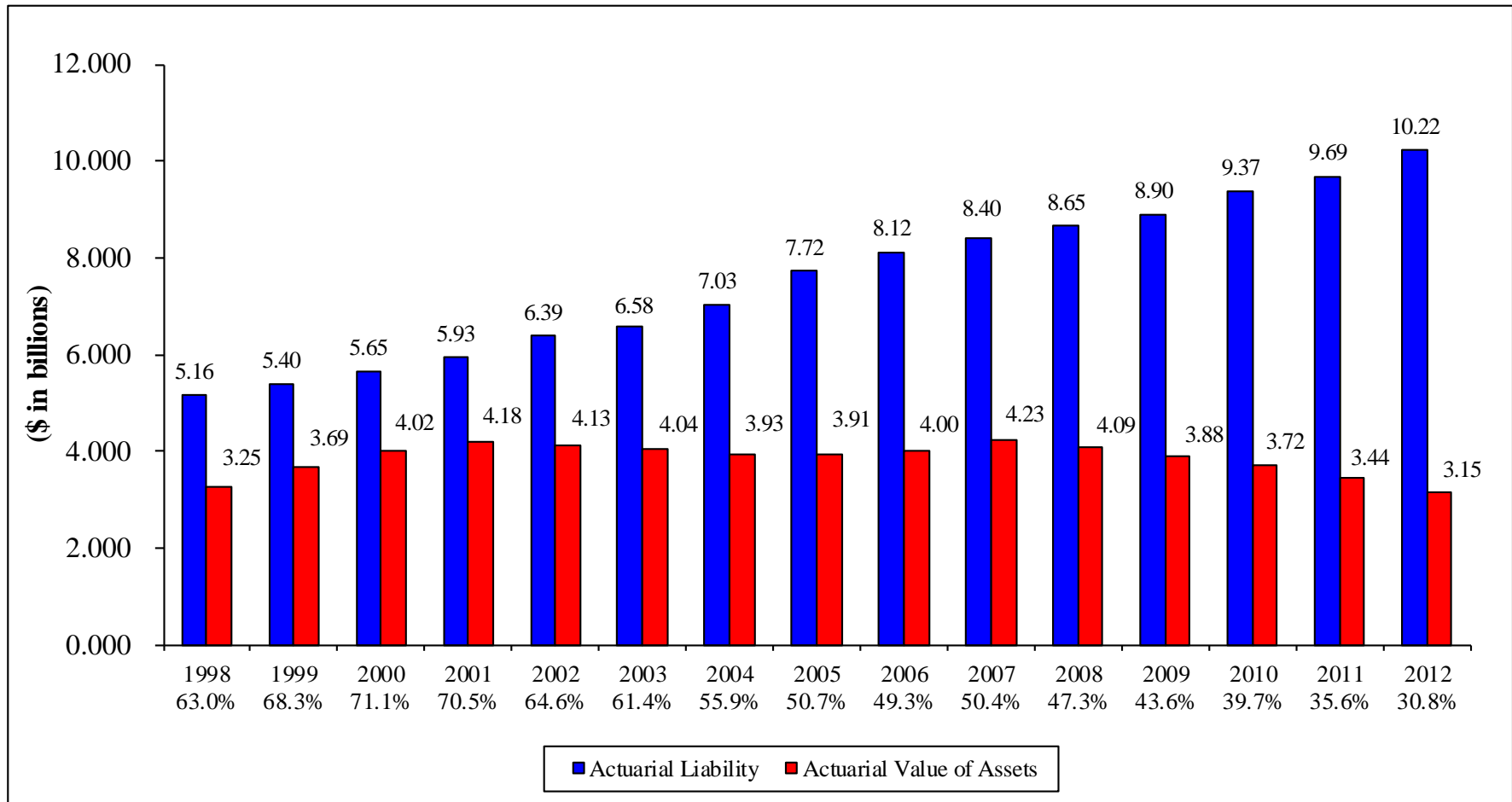
**POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF VALUATION RESULTS (CONT'D)
COMPONENTS OF FUNDED RATIO
STATE REPORTING**



**POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF VALUATION RESULTS (CONT'D)
COMPONENTS OF FUNDED RATIO
BASED ON MARKET VALUE**



**POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF VALUATION RESULTS (CONT'D)
COMPONENTS OF FUNDED RATIO
GASB #25 #43**



POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

Participants

| | <u>December 31, 2011</u> | <u>December 31, 2012</u> |
|----------------------------|--------------------------|--------------------------|
| Active Participants | | |
| Number | 12,236 | 12,026 |
| Average Age | 43.6 | 43.4 |
| Average Service | 15.0 | 14.9 |
| Average Annual Salary | \$84,538 ¹ | \$84,415 ² |
| Retirees | | |
| Number | 8,763 | 9,035 |
| Average Age | 68.4 | 68.5 |
| Average Monthly Benefit | \$4,592 | \$4,741 |
| Survivors | | |
| Number | 3,161 | 3,191 |
| Average Age | 74.8 | 75.1 |
| Average Monthly Benefit | \$1,571 | \$1,616 |

The major characteristics of the Fund participants are summarized as follows:

A large portion of the active participant population is nearing or is eligible for retirement; 33.8% of the workforce is between the ages of 45 and 54, while 25.5% have 20 or more years of service. Total participants receiving benefits under the Fund, including retirees, disabilities, survivors, and children increased 2.39% during 2012 from 12,663 to 12,966. The total retiree count increased by 3.1% during 2012. Total expenditures for benefits increased from \$575.3 million in 2011 to \$613.9 million during 2012, or 6.71%.

Changes in Provisions of the Fund

The following Public Acts were passed in 2012 by the 97th General Assembly that made changes to the Fund Provisions.

P. A. 97-0651, effective January 5, 2012

P. A. 97-0813, effective July 13, 2012

These changes do not directly impact the liabilities of the Fund as of the valuation date. A detailed description of the provisions in the Public Acts passed in 2012 can be found in the Historical Information section of this report.

¹ Average annual salary would have been \$81,531 without the addition of duty availability pay.

² Average annual salary would have been \$81,307 without the addition of duty availability pay.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Analysis of Actuarial Assumptions

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long run experience.

There are two general types of actuarial assumptions:

1. Demographic Assumptions — reflect the flow of participants into and out of a retirement system, and
2. Economic Assumptions — reflect the effect of the economic climate on a retirement system.

Demographic assumptions can be readily studied over recent plan experience. Economic assumptions can be studied against recent experience; however, future experience is more likely to be a result of outside factors than of plan specifics. The most significant demographic assumptions are: active turnover, retirement, disability incidence, and post-retirement mortality. The most significant economic assumptions are: pay increases, investment return, and inflation. Other actuarial assumptions include: active mortality and percent married.

Changes in Actuarial Assumptions and Methods

There were no changes in the Demographic Actuarial Assumptions during the plan year ending December 31, 2012.

For the December 31, 2012 actuarial valuation, the Investment Return Rate was changed in the Economic Assumptions from 8.00% to 7.75%. This change increased the actuarial liabilities by \$256 million and decreased the funded ratio from 32.25% to 31.44% on a market value basis.

2012 Gain/Loss Analysis

We performed a gain/loss analysis of the major factors which contributed to the change in the unfunded actuarial liability between December 31, 2011 and December 31, 2012. Our analysis by source follows.

Turnover

We reviewed all exits in 2012 from the Fund for reasons other than retirement, death, or disability for members with less than 20 years of service. The ratio of actual withdrawals to expected withdrawals was 177% (77 percent more than expected). The overall result is an actuarial gain.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

Retirement

The number of retirements during 2012 was more than expected. The ratio of actual retirements to expected retirements was 134%, resulting in an actuarial loss to the plan.

Disability

The number of new disabled participants during 2012 was more than expected. The ratio of actual to expected disability was 120%, resulting in a loss to the plan.

Mortality

There were fewer deaths during 2012 than expected for active members and more deaths than expected for annuitants, which resulted in a net actuarial gain to the fund.

Pay Increase

The average salary for continuing active members in the 2011 and 2012 valuations increased by 2.3%. This was 2.7% less than the expected increase from the 2011 salary. The lower than expected salary increases resulted in an actuarial gain to the fund.

Investment Return

During 2012, assets earned 11.7% on a market basis, 6.7% on a book basis, and 0.6% on an actuarial basis which compares to the 2012 assumed return of 8.0%. Overall, the fund experienced an actuarial loss due to investment performance, on an actuarial basis and book value basis, during the year.

Data and Other Sources

There were small actuarial losses in liabilities due to data corrections and other sources.

Conclusion

Overall, we believe that the current assumptions are doing a reasonable job of modeling experience. Table 5 of Appendix 1 shows a more detailed development of the actuarial gains and losses for the plan year ending December 31, 2012.

APPENDIX 1

RESULTS OF ACTUARIAL VALUATION

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY

Table 1A

| | December 31, | |
|--|----------------------|----------------------|
| | 2011 | 2012 |
| <u>Assets</u> | | |
| Book Value - Beginning of Year | \$ 3,159,704,269 | \$ 3,073,609,092 |
| <u>Income</u> | | |
| Investment Income Net of Expenses | \$ 211,720,949 | \$ 194,517,018 |
| Employer Contributions | 183,521,526 | 207,228,022 |
| Employee Contributions | 98,222,257 | 95,892,052 |
| Miscellaneous | 104,468 | 423,216 |
| Subtotal | \$ 493,569,200 | \$ 498,060,308 |
| <u>Outgo (Refunds, Benefits, & Administration)</u> | \$ 579,664,377 | \$ 618,795,083 |
| Book Value - End of Year | \$ 3,073,609,092 | \$ 2,952,874,317 |
| Market Value - End of Year | 3,175,508,681 | 3,213,433,233 |
| Actuarial Value - End of Year | 3,444,690,362 | 3,148,929,770 |
| <u>Member Counts</u> | | |
| Active | 12,236 | 12,026 |
| Retirees | 8,763 | 9,035 |
| Survivors | 3,161 | 3,191 |
| Disabilities | 349 | 346 |
| Inactives | 624 | 664 |
| Children | 390 | 394 |
| <u>Payroll Data</u> | | |
| Valuation Payroll | \$ 1,034,403,526 | \$ 1,015,170,686 |
| Average Salary | 84,538 | 84,415 |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY (CONT'D)

Table 1B

| | December 31, | |
|--|---------------------|-------------------|
| | 2011 | 2012 |
| <u>ACTUARIAL VALUES</u> | | |
| <u>Funding - State Basis</u> | | |
| Actuarial Liability | \$ 9,688,349,905 | \$ 10,220,638,509 |
| Assets - Book Value - Net | 3,073,609,092 | 2,952,874,317 |
| Unfunded Liability | 6,614,740,813 | 7,267,764,192 |
| Funded Ratio | 31.72% | 28.89% |
| Actuarially Determined Total Contribution ¹ | \$ 689,479,397 | \$ 728,592,633 |
| Deficiency in Required Contribution (est.) | 380,077,329 | 442,493,101 |
| Required Employer Contribution Multiple | 5.71 | 6.73 |
| <u>Termination Values</u> | | |
| Liability | \$ 7,350,706,289 | \$ 7,834,008,959 |
| Deficiency | 4,277,097,197 | 4,881,134,642 |
| Quick Ratio | 41.81% | 37.69% |
| <u>Funding using Market Values</u> | | |
| Actuarial Liability | \$ 9,688,349,905 | \$ 10,220,638,509 |
| Assets - Market Value | 3,175,508,681 | 3,213,433,233 |
| Unfunded Liability | 6,512,841,224 | 7,007,205,276 |
| Funded Ratio | 32.78% | 31.44% |
| <u>GASB #25 and #43 Values</u> | | |
| Actuarial Liability ³ | \$ 9,688,349,905 | \$ 10,220,638,509 |
| Assets - Actuarial Value | 3,444,690,362 | 3,148,929,770 |
| Unfunded Liability | 6,243,659,543 | 7,071,708,739 |
| Funded Ratio | 35.55% | 30.81% |
| Annual Required Contribution (ARC) ² | 441,483,651 | 484,607,486 |

¹Includes estimated employee contributions of \$95,307,068 for December 31, 2011, and \$93,535,532 for December 31, 2012.

²ARC is for the following fiscal year, and is the total under GASB#25 and GASB#43. The fiscal year 2013 ARC for Pension benefits is \$ 474,177,604, and the fiscal year 2013 ARC for OPEB is \$10,429,882.

³Disclosures under GASB#25 and GASB#43 show Actuarial Accrued Liability separately for Pensions and OPEB.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY (CONT'D)

Table 1C
Active Accrued Liability and Normal Cost by Tier
Includes Pension and Healthcare

| | <u>Tier 1 Members</u> | <u>Tier 2 Members</u> ² | <u>Total</u> |
|--|-----------------------|------------------------------------|------------------|
| (1) Count | 11,540 | 486 | 12,026 |
| (2) Payroll | \$ 993,223,408 | \$ 21,947,278 | \$ 1,015,170,686 |
| (3) Average Payroll | \$ 86,068 | \$ 45,159 | \$ 84,415 |
| (4) Actuarial Accrued Liability (AAL) ¹ | \$ 3,679,456,201 | \$ 959,594 | \$ 3,680,415,795 |
| (5) Total Normal Cost ¹ | \$ 179,759,879 | \$ 3,525,678 | \$ 183,285,557 |
| (6) Total Normal Cost as a Percent of Pay | 18.1% | 16.1% | 18.1% |
| (7) Estimated Member Contributions | \$ 91,506,579 | \$ 2,028,953 | \$ 93,535,532 |
| (8) Net Normal Cost ¹ | \$ 88,253,300 | \$ 1,496,725 | \$ 89,750,025 |
| (9) Net Normal Cost as a Percent of Pay | 8.9% | 6.8% | 8.8% |

¹The normal cost and liabilities for healthcare are based on a discount rate of 4.5%.

²Members hired on or after January 1, 2011.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF BASIC ACTUARIAL VALUES

Table 2

| | APV of Projected Benefits | Actuarial Accrued Liability (AAL) |
|---|--|--|
| | | |
| <u>(1) Values for Active Members</u> | | |
| (a) Retirement | \$5,040,060,158 | \$3,497,680,048 |
| (b) Termination | 68,099,962 | 7,707,851 |
| (c) Disability | 365,005,353 | 151,403,724 |
| (d) Death | 89,794,102 | 23,624,172 |
| Total for Actives | \$5,562,959,575 | \$3,680,415,795 |
| <u>(2) Values for Inactive Members</u> | | |
| (a) Retired | 5,683,911,713 | 5,683,911,713 |
| (b) Survivor | 513,867,069 | 513,867,069 |
| (c) Disability | 267,807,543 | 267,807,543 |
| (d) Inactive (Deferred Vested) | 64,940,396 | 64,940,396 |
| (e) Children | 9,695,993 | 9,695,993 |
| Total for Inactives | 6,540,222,714 | 6,540,222,714 |
| <u>(3) Grand Totals</u> | \$12,103,182,289 | \$10,220,638,509 |
| <u>(4) Normal Cost for Active Members</u> | \$ 183,285,557 | |
| <u>(5) Actuarial Present Value of Future Compensation</u> | \$10,746,060,973 | |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF ACTUARIALLY
DETERMINED CONTRIBUTION FOR 2013
(STATE BASIS)

Table 3

| | |
|---|------------------|
| <u>(1) Normal Cost (see Table 2)</u> | \$ 183,285,557 |
| <u>(2) Actuarial Accrued Liability (AAL)</u> | \$10,220,638,509 |
| <u>(3) Unfunded AAL (UAAL)</u> | |
| (a) Assets at Book | \$ 2,952,874,317 |
| (b) UAAL (2-3(a)) | 7,267,764,192 |
| <u>(4) Interest on UAAL Payable at End of Year</u> | \$ 557,765,364 |
| <u>(5) Actuarially Determined Contribution for 2013</u> | |
| (a) Interest Adjustment for Semimonthly Payment | \$ (12,458,288) |
| (b) Total Minimum Contribution (1+4+5(a)) | \$ 728,592,633 |
| (c) Total Minimum Contribution (Percent of Pay) | 71.77% |
| <u>(6) Estimated City and Member Contributions for 2013</u> | |
| (a) City | \$ 192,564,000 |
| (b) Members | 93,535,532 |
| (c) Total | \$ 286,099,532 |
| <u>(7) Estimated Deficiency/(Excess) for 2013</u> | |
| (a) in Dollars (5(b)-6(c)) | \$ 442,493,101 |
| (b) as a Percentage of Pay | 43.59% |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF ANNUAL REQUIRED
CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2013 ¹

Table 4

| | <u>Pension</u> | <u>Health Ins. Supplement</u> | <u>Total</u> |
|---|------------------|-----------------------------------|------------------|
| <u>(1) Normal Cost (see Table 2)</u> | \$ 179,118,343 | \$ 4,167,214 | \$ 183,285,557 |
| <u>(2) Actuarial Accrued Liability (AAL)</u> | \$10,051,827,391 | \$ 168,811,118 | \$10,220,638,509 |
| <u>(3) Unfunded AAL (UAAL)</u> | | | |
| (a) Actuarial Value of Assets | \$ 3,148,929,770 | \$ 0 | \$ 3,148,929,770 |
| (b) UAAL (2-3(a)) | 6,902,897,621 | 168,811,118 | 7,071,708,739 |
| <u>(4) Amortization Payable at Beginning of Year ²</u> | \$ 367,073,974 | \$ 6,027,100 | \$ 373,101,074 |
| <u>(5) Estimated Member Contributions</u> | \$ 93,535,532 | \$ 0 | \$ 93,535,532 |
| <u>(6) Annual Required Contribution (ARC) for 2013</u> | | | |
| (a) Interest Adjustment for Semi-monthly Payment | 21,520,819 | 235,568 | 21,756,387 |
| (b) Annual Required Contribution (1 + 4 - 5 + 6(a)) | \$ 474,177,604 | \$ 10,429,882 | \$ 484,607,486 |
| (c) Annual Required Contribution (Percent of Pay) | 46.71% | 1.03% | 47.74% |
| <u>(7) Estimated City Contribution for 2013</u> | \$ 182,784,614 | \$ 9,779,386 ³ | \$ 192,564,000 |
| <u>(8) Estimated Deficiency/(Excess) for 2013</u> | | | |
| (a) in Dollars (6(b)-7) | \$ 291,392,990 | \$ 650,496 | \$ 292,043,486 |
| (b) as a Percentage of Pay | 28.70% | 0.06% | 28.77% |

¹ Pension liabilities were discounted at 7.75% per year, and OPEB liabilities discounted at 4.5% per year.

² Amortization is over a 30-year period as a level percent of pay.

³ Represents expected health insurance supplemental benefits for fiscal year 2013.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES FOR 2012

Table 5

| | |
|--|------------------------|
| <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2012</u> | |
| (1) Actuarial Accrued Liability - 12/31/2011 | \$9,688,349,905 |
| (2) Assets at Book Value - 12/31/2011 | 3,073,609,092 |
| (3) Unfunded Accrued Actuarial Liability - 12/31/2011 | <u>\$6,614,740,813</u> |
| <u>EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2012</u> | |
| (4) Normal Cost for 2012 | \$ 177,910,993 |
| (5) Total Contributions for 2012 | 303,543,290 |
| (6) Interest on (3), (4), & (5) at Valuation Rates | <u>525,710,463</u> |
| (7) Expected Unfunded Actuarial Accrued Liability - 12/31/2012 | <u>\$7,014,818,979</u> |
| ((3)+(4)-(5)+(6)) | |
| <u>DEVIATIONS FROM EXPECTED</u> | |
| (8) (Gain)/Loss on Investment Return (Book Value) | \$44,084,492 |
| (9) (Gain)/Loss from Salary Changes | (115,345,955) |
| (10) (Gain)/Loss from Retirement | 33,065,081 |
| (11) (Gain)/Loss from Turnover | (1,414,675) |
| (12) (Gain)/Loss from Mortality | (8,048,677) |
| (13) (Gain)/Loss from Disability | 2,652,583 |
| (14) (Gain)/Loss from New Entrants | 4,433,995 |
| (15) (Gain)/Loss from All Other Sources | <u>37,342,595</u> |
| (16) Composite Experience (Gain)/Loss | (\$3,230,561) |
| (17) (Gain)/Loss as a percentage of Expected UAAL ((16)/(7)) | (0.0)% |
| (18) (Gain)/Loss from Assumption Changes | 256,175,774 |
| <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2012</u> | |
| (19) Unfunded Accrued Actuarial Liability - 12/31/2012 ((7)+(16)+(18)) | \$7,267,764,192 |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF RECOMMENDED EMPLOYER MULTIPLES *

Table 6

| Year of Report | Statutory Multiple | Normal Cost Plus Interest | Normal Cost Plus Amortization ⁴ | |
|---------------------|--------------------|---------------------------|--|-------------------|
| | | | Level \$ | Level % of Salary |
| 1983 ^{1,2} | 2.00 | 4.11 | 4.29 | 3.12 |
| 1984 | 2.00 | 4.26 | 4.46 | 3.24 |
| 1985 ^{1,2} | 2.00 | 4.50 | 4.70 | 3.48 |
| 1986 ¹ | 2.00 | 4.15 | 4.31 | 3.18 |
| 1987 ¹ | 2.00 | 4.13 | 4.29 | 3.16 |
| 1988 | 2.00 | 4.16 | 4.32 | 3.18 |
| 1989 ^{1,2} | 2.00 | 3.79 | 3.91 | 2.85 |
| 1990 ³ | 2.00 | 3.58 | 3.68 | 2.73 |
| 1991 | 2.00 | 3.80 | 3.91 | 2.98 |
| 1992 ¹ | 2.00 | 3.23 | 3.36 | 2.11 |
| 1993 | 2.00 | 3.23 | 3.37 | 2.10 |
| 1994 | 2.00 | 3.05 | 3.18 | 1.98 |
| 1995 | 2.00 | 3.34 | 3.49 | 2.17 |
| 1996 | 2.00 | 3.19 | 3.32 | 2.10 |
| 1997 | 2.00 | 3.10 | 3.23 | 2.04 |
| 1998 ^{1,2} | 2.00 | 3.63 | 3.77 | 2.56 |
| 1999 | 2.00 | 3.15 | 3.27 | 2.24 |
| 2000 ¹ | 2.00 | 3.27 | 3.39 | 2.32 |
| 2001 ² | 2.00 | 3.63 | 3.78 | 2.56 |
| 2002 | 2.00 | 4.62 | 4.79 | 3.33 |
| 2003 ^{1,2} | 2.00 | 4.46 | 4.63 | 3.23 |
| 2004 ² | 2.00 | 4.99 | 5.18 | 3.60 |
| 2005 ^{1,2} | 2.00 | 5.33 | 5.56 | 3.85 |
| 2006 | 2.00 | 4.95 | 5.40 | 3.94 |
| 2007 | 2.00 | 4.98 | 5.43 | 3.97 |
| 2008 | 2.00 | 5.43 | 5.94 | 4.30 |
| 2009 ¹ | 2.00 | 5.87 | 6.42 | 4.61 |
| 2010 | 2.00 | 6.19 | 6.78 | 4.85 |
| 2011 | 2.00 | 5.71 | 6.26 | 4.45 |
| 2012 ¹ | 2.00 | 6.73 | 7.43 | 5.25 |

¹Change in actuarial assumptions.

²Change in benefits.

³Change in actuary.

⁴Prior to 2005, amortizations were over a 40-year period. In 2005, pension unfunded liability was amortized over a 40-year period and OPEB liability over a 30-year period. Starting in 2006, both pension and OPEB amortizations are over a 30-year period.

* Based on book value of assets.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ORDINARY DEATH BENEFIT RESERVE

Table 7

Actuarial Balance Sheet – 6% Basis

December 31, 2012

ASSETS

| | |
|--|-----------------------|
| Fund Balance | \$(22,350,263) |
| Present Values of Future Contributions: | |
| Contributions by Members at \$30.00 a Year | 4,344,364 |
| Annual City Contribution of \$224,000 | 2,697,315 |
| Unfunded Liability | 47,478,618 |
| TOTAL ASSETS | \$ 32,170,034 |

LIABILITIES

| | |
|---|----------------------|
| Present Value of Future Death Benefits (6%, 83 GAM) | |
| Active & Disabled Members | 6,546,143 |
| Retired Members | 25,623,891 |
| TOTAL LIABILITIES | \$ 32,170,034 |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST

Table 8

| Valuation Date 12/31 | (1) | (2) | (3) | Actuarial Value of Assets | Portion (%) of Present Value Covered By Assets | | |
|-------------------------|---|----------------------------|---|---------------------------|--|--------|-------|
| | Active and Inactive Member Contribution | Retirees and Beneficiaries | Active and Inactive Members (ER Financed Portion) | | (1) | (2) | (3) |
| 1998 ^{1,2} | \$ 777,205,937 | \$ 2,690,216,494 | \$ 1,690,773,788 | \$ 3,249,729,847 | 100.00% | 91.91% | 0.00% |
| 1999 | 763,729,532 | 2,939,332,536 | 1,691,810,150 | 3,685,681,671 | 100.00% | 99.41% | 0.00% |
| 2000 ¹ | 818,382,556 | 3,228,954,418 | 1,604,693,684 | 4,019,467,561 | 100.00% | 99.14% | 0.00% |
| 2001 ² | 803,453,930 | 3,463,944,097 | 1,665,112,602 | 4,183,796,025 | 100.00% | 97.59% | 0.00% |
| 2002 | 846,622,627 | 3,769,125,439 | 1,769,097,893 | 4,124,579,960 | 100.00% | 86.97% | 0.00% |
| 2003 ^{1,2} | 893,425,839 | 3,856,262,804 | 1,831,744,607 | 4,039,695,590 | 100.00% | 81.59% | 0.00% |
| 2004 ² | 910,480,098 | 4,313,531,046 | 1,810,260,330 | 3,933,031,342 | 100.00% | 70.07% | 0.00% |
| 2005 ^{1,2} | 950,764,942 | 4,677,632,909 | 2,094,339,296 | 3,914,431,654 | 100.00% | 63.36% | 0.00% |
| 2006 | 1,016,217,810 | 4,858,554,051 | 2,241,771,313 | 3,997,990,919 | 100.00% | 61.37% | 0.00% |
| 2007 | 1,082,742,927 | 5,006,931,293 | 2,309,718,259 | 4,231,681,817 | 100.00% | 62.89% | 0.00% |
| 2008 | 1,144,380,257 | 5,208,199,833 | 2,299,966,099 | 4,093,719,894 | 100.00% | 56.63% | 0.00% |
| 2009 ¹ | 1,217,645,647 | 5,391,373,730 | 2,291,882,108 | 3,884,978,241 | 100.00% | 49.47% | 0.00% |
| 2010 | 1,251,147,487 | 5,717,654,520 | 2,406,050,870 | 3,718,954,539 | 100.00% | 43.16% | 0.00% |
| 2011 | 1,286,345,939 | 6,041,684,411 | 2,360,319,555 | 3,444,690,362 | 100.00% | 35.72% | 0.00% |
| 2012 ¹ | 1,309,825,828 | 6,475,282,318 | 2,435,530,363 | 3,148,929,770 | 100.00% | 28.40% | 0.00% |

¹Change in actuarial assumptions.

²Change in benefits.

APPENDIX 2
ASSETS OF THE PLAN

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ASSETS OF THE PLAN

The book value of the plan assets, net of accounts payable, decreased from \$3.074 billion as of December 31, 2011, to \$2.953 billion as of December 31, 2012. The market value of the plan assets, net of accounts payable, increased from \$3.176 billion as of December 31, 2011, to \$3.213 billion as of December 31, 2012. Table 9 details the development of asset values during 2012 and Table 10 shows the development of the actuarial value of assets as of December 31, 2012. In each future fiscal year, gains and losses will be phased in over a five year period.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
RECONCILIATION OF ASSETS AS OF DECEMBER 31, 2012

Table 9

| | Market Value | Book Value |
|---|---------------------|-------------------|
| 1. Value of assets as of 12/31/2011 | \$3,175,508,681 | \$3,073,609,092 |
| 2. Income for plan year: | | |
| a) Member contributions | \$ 95,892,052 | \$ 95,892,052 |
| b) City contributions | 207,228,022 | 207,228,022 |
| c) Investment income net of expenses | 353,176,345 | 194,517,018 |
| d) Miscellaneous revenue | 423,216 | 423,216 |
| e) Total income | \$ 656,719,635 | \$ 498,060,308 |
| 3. Disbursements for plan year: | | |
| a) Benefit payments | | |
| i) Pension, disability and death benefit payments | \$ 592,990,346 | \$ 592,990,346 |
| ii) Healthcare premiums | 9,765,686 | 9,765,686 |
| b) Refunds | 11,150,565 | 11,150,565 |
| c) Administration | 4,888,486 | 4,888,486 |
| d) Total disbursements | \$ 618,795,083 | \$ 618,795,083 |
| 4. Value of assets as of 12/31/2012 | \$3,213,433,233 | \$2,952,874,317 |
| 5. Estimated rate of return in 2012: ¹ | | |
| a) Gross | 12.01% | 7.00% |
| b) Net of investment expense (Investment expense of \$9,235,684) | 11.70% | 6.67% |

¹Method used for calculating rate of return does not reflect specific timing of income and outflows. It is also based on total assets, not invested assets.

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF ACTUARIAL (MARKET-RELATED)
VALUE OF ASSETS AS OF DECEMBER 31, 2012**

Table 10

1. Expected Return on Market Value of Assets for Prior Year

- a) Market value of assets as of 12/31/2011 \$ 3,175,508,681
b) Actual income and disbursements in prior year weighted for timing

| Item | Amount | Weight for Timing | Weighted Amount |
|----------------------------|------------------------|----------------------|-------------------------|
| i) Member contributions | \$ 95,892,052 | 50.0% | \$ 47,946,026 |
| ii) City contributions | 207,228,022 | 50.0% | 103,614,011 |
| iii) Miscellaneous revenue | 423,216 | 50.0% | 211,608 |
| iv) Benefit payments | (602,756,032) | 50.0% | (301,378,016) |
| v) Refunds | (11,150,565) | 50.0% | (5,575,283) |
| vi) Administration | (4,888,486) | 50.0% | (2,444,243) |
| vii) Total | <u>\$(315,251,793)</u> | | <u>\$ (157,625,897)</u> |

- c) Market value of assets adjusted for actual income and disbursements [(a) + (b)(vii)] \$ 3,017,882,784
d) Assumed rate of return on plan assets for the year 8.00%
e) Expected return [(c) * (d)] \$ 241,430,623

2. Actual Return on Market Value of Assets for Prior Year

- a) Market value of assets as of 12/31/2011 \$ 3,175,508,681
b) Income (less investment income) for prior plan year 303,543,290
c) Disbursements paid in prior year 618,795,083
d) Market value of assets as of 12/31/2012 3,213,433,233
e) Actual return [(d) + (c) - (b) - (a)] \$ 353,176,345

3. Investment Gain/(Loss) for Prior Year [2(e) - 1(e)]

\$ 111,745,722

4. Actuarial Value of Assets as of 12/31/2012

- a) Market value of assets as of 12/31/2012 3,213,433,233
b) Deferred investment gains and (losses) for last 5 years

| Plan Year | Gain/(Loss) | Percent Deferred | Deferred Amount |
|-----------|---------------------------|---------------------|----------------------|
| i) 2008 | \$ (1,442,475,137) | 0.00% | \$ 0 |
| ii) 2009 | 336,925,451 | 20.00% | 67,385,090 |
| iii) 2010 | 113,711,599 | 40.00% | 45,484,640 |
| iv) 2011 | (229,604,741) | 60.00% | (137,762,845) |
| v) 2012 | 111,745,722 | 80.00% | 89,396,578 |
| vi) Total | <u>\$ (1,109,697,106)</u> | | <u>\$ 64,503,463</u> |

- c) Actuarial Value of Assets \$ 3,148,929,770

The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

APPENDIX 3

DATA REFLECTING PLAN MEMBERS

EXHIBIT A
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2012

| | <u>Male</u> | <u>Female</u> | <u>Total</u> |
|---|--------------|---------------|---------------|
| Number of Participants at Beginning of Fiscal Year ² | 9,270 | 2,966 | 12,236 |
| Increases: | | | |
| Participants Added During Year | 350 | 92 | 442 |
| Participants Returning From Inactive or Disability Status | 36 | 12 | 48 |
| Totals | 9,656 | 3,070 | 12,726 |
| Decreases: | | | |
| Terminations During Year | 483 | 217 | 700 |
| Number of Participants at End of Fiscal Year | 9,173 | 2,853 | 12,026 |
| Total Inactive Participants | | | 664 |
| <u>Terminations:</u> | | | |
| Withdrawal (With Refunds) ¹ | 10 | 8 | 18 |
| Withdrawal (Without Refunds) | 99 | 37 | 136 |
| Ordinary Disability Benefit | 12 | 15 | 27 |
| Occupational Disease Disability Benefit | 2 | 1 | 3 |
| Duty Disability Benefit | 11 | 5 | 16 |
| Retirements | 337 | 149 | 486 |
| Deaths (Occupational) | 0 | 0 | 0 |
| Deaths (Non-occupational) | 12 | 2 | 14 |
| Totals | 483 | 217 | 700 |

¹ This total differs from the total of 63 shown in Exhibit D due to the fact that only 18 of the refunds were paid to participants who were considered to be active as of December 31, 2011.

² Includes one active member reclassified from male to female and one active member reclassified from female to male.

EXHIBIT B
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2012

| | Number at Beginning of Year | Additions During Year | Terminations During Year | Number at End of Year |
|---|--|--------------------------------------|---|--------------------------------------|
| Service Retirement Annuities | 8,763 | 539 | 267 | 9,035 |
| Widow Annuities | 3,091 | 174 | 143 | 3,122 |
| Children's Annuities | 214 | 21 | 21 | 214 |
| Ordinary Disability Benefit (Non-Occupational) | 43 | 27 | 23 | 47 |
| Occupational Disease Disability Benefit | 36 | 3 | 3 | 36 |
| Duty Disability Benefit (Occupational) | 270 | 20 | 27 | 263 |
| Children's Disability Benefit | 176 | 27 | 23 | 180 |
| Widows' Compensation Annuities (Service Connected Death) | 70 | 0 | 1 | 69 |
| Totals | 12,663 | 811 | 508 | 12,966 |
| Annual Benefits | \$562,386,796 | \$ 50,931,101 | \$ 17,488,557 | \$595,829,340 |

EXHIBIT C – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE MALE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2012

| AGE | Years of Service | | | | | | | | | Total | Annual Salary |
|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|--------------|-----------------------|
| | Under 1 year | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 and over | | |
| Under 20 | | | | | | | | | | 0 | \$ 0 |
| 20 to 24 | 9 387,936 | | | | | | | | | 9 | 387,936 |
| 25 to 29 | 213 9,184,172 | 125 8,888,517 | 126 9,898,963 | | | | | | | 464 | 27,971,652 |
| 30 to 34 | 90 3,879,360 | 145 10,483,216 | 804 63,208,414 | 220 18,184,393 | | | | | | 1,259 | 95,755,383 |
| 35 to 39 | 35 1,508,640 | 56 4,015,056 | 448 35,212,982 | 847 70,324,792 | 102 9,058,112 | | | | | 1,488 | 120,119,582 |
| 40 to 44 | 2 86,208 | 28 2,039,355 | 261 20,498,108 | 765 63,208,544 | 898 79,349,724 | 194 18,343,770 | | | | 2,148 | 183,525,708 |
| 45 to 49 | | 3 218,172 | 87 6,845,097 | 303 24,840,714 | 675 58,710,189 | 590 55,376,248 | 202 20,872,158 | | | 1,860 | 166,862,578 |
| 50 to 54 | | | 2 157,184 | 109 8,942,806 | 272 23,417,235 | 367 33,805,975 | 391 39,452,266 | 29 3,012,141 | | 1,170 | 108,787,607 |
| 55 to 59 | | | 2 157,184 | 51 4,153,102 | 128 10,971,015 | 148 13,341,058 | 206 20,176,742 | 60 6,284,098 | 10 1,003,636 | 605 | 56,086,834 |
| 60 to 64 | | | | 10 809,680 | 32 2,719,375 | 29 2,578,861 | 34 3,245,091 | 31 3,052,371 | 34 3,541,637 | 170 | 15,947,013 |
| 65 and over | | | | | | | | | | 0 | 0 |
| Total Active | 349 | 357 | 1,730 | 2,305 | 2,107 | 1,328 | 833 | 120 | 44 | 9,173 | |
| Annual Salary | \$15,046,316 | \$25,644,316 | \$135,977,931 | \$190,464,030 | \$184,225,650 | \$123,445,913 | \$83,746,257 | \$12,348,609 | \$ 4,545,272 | | \$ 775,444,293 |

EXHIBIT C – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE FEMALE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2012

| AGE | Years of Service | | | | | | | | | Total | Annual Salary |
|----------------------|------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|-------------------|--------------|-----------------------|
| | Under 1 year | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 and over | | |
| Under 20 | | | | | | | | | | 0 | \$ 0 |
| 20 to 24 | | | | | | | | | | 0 | 0 |
| 25 to 29 | 34 1,465,536 | 29 2,091,247 | 26 2,043,391 | | | | | | | 89 | 5,600,174 |
| 30 to 34 | 38 1,637,952 | 49 3,557,702 | 235 18,469,111 | 44 3,681,150 | | | | | | 366 | 27,345,915 |
| 35 to 39 | 18 775,872 | 17 1,224,895 | 155 12,184,394 | 242 19,968,262 | 21 1,946,087 | | | | | 453 | 36,099,511 |
| 40 to 44 | 1 43,104 | 9 669,270 | 105 8,258,594 | 220 18,181,075 | 238 20,664,708 | 57 5,167,834 | | | | 630 | 52,984,585 |
| 45 to 49 | 1 43,104 | | 37 2,910,543 | 117 9,587,467 | 178 15,327,843 | 164 15,330,955 | 52 5,115,788 | | | 549 | 48,315,700 |
| 50 to 54 | | | 1 78,592 | 51 4,150,606 | 124 10,561,571 | 148 13,456,386 | 152 15,132,152 | 11 1,096,760 | | 487 | 44,476,067 |
| 55 to 59 | | | 1 78,592 | 29 2,381,695 | 71 6,029,153 | 67 6,031,783 | 42 4,070,098 | 7 719,392 | 1 96,412 | 218 | 19,407,125 |
| 60 to 64 | | | | 4 324,928 | 22 1,877,307 | 18 1,581,947 | 9 903,252 | 6 610,554 | 2 199,328 | 61 | 5,497,316 |
| 65 and over | | | | | | | | | | 0 | 0 |
| Total Active | | 104 | 560 | 707 | 654 | 454 | 255 | 24 | 3 | 2,853 | |
| Annual Salary | | \$7,543,114 | \$44,023,216 | \$58,275,184 | \$56,406,670 | \$41,568,906 | \$25,221,290 | \$2,426,705 | \$ 295,740 | | \$ 239,726,393 |

EXHIBIT C – PART III
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ALL ACTIVE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2012

| AGE | Years of Service | | | | | | | | | Total | Annual Salary |
|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------|-------------------------|
| | Under 1 year | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 and over | | |
| Under 20 | | | | | | | | | | 0 | \$ 0 |
| 20 to 24 | 9 387,936 | | | | | | | | | 9 | 387,936 |
| 25 to 29 | 247 10,649,708 | 154 10,979,764 | 152 11,942,354 | | | | | | | 553 | 33,571,826 |
| 30 to 34 | 128 5,517,312 | 194 14,040,918 | 1,039 81,677,524 | 264 21,865,543 | | | | | | 1,625 | 123,101,298 |
| 35 to 39 | 53 2,284,512 | 73 5,239,951 | 603 47,397,376 | 1,089 90,293,055 | 123 11,004,199 | | | | | 1,941 | 156,219,093 |
| 40 to 44 | 3 129,312 | 37 2,708,625 | 366 28,756,701 | 985 81,389,619 | 1,136 100,014,433 | 251 23,511,604 | | | | 2,778 | 236,510,293 |
| 45 to 49 | 1 43,104 | 3 218,172 | 124 9,755,639 | 420 34,428,181 | 853 74,038,032 | 754 70,707,204 | 254 25,987,946 | | | 2,409 | 215,178,278 |
| 50 to 54 | | | 3 235,776 | 160 13,093,412 | 396 33,978,806 | 515 47,262,361 | 543 54,584,418 | 40 4,108,900 | | 1,657 | 153,263,674 |
| 55 to 59 | | | 3 235,776 | 80 6,534,797 | 199 17,000,168 | 215 19,372,841 | 248 24,246,840 | 67 7,003,489 | 11 1,100,048 | 823 | 75,493,959 |
| 60 to 64 | | | | 14 1,134,607 | 54 4,596,682 | 47 4,160,808 | 43 4,148,342 | 37 3,662,925 | 36 3,740,965 | 231 | 21,444,329 |
| 65 and over | | | | | | | | | | 0 | 0 |
| Total Active | 441 | 461 | 2,290 | 3,012 | 2,761 | 1,782 | 1,088 | 144 | 47 | 12,026 | |
| Annual Salary | \$19,011,884 | \$33,187,430 | \$180,001,146 | \$248,739,214 | \$240,632,320 | \$165,014,819 | \$108,967,547 | \$14,775,314 | \$ 4,841,012 | | \$ 1,015,170,686 |

EXHIBIT D – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING NUMBER OF REFUND PAYMENTS MADE DURING YEAR
TO MALE EMPLOYEES FOR FISCAL YEAR ENDING DECEMBER 31, 2012

| Age at Date of Refund | Length of Service at Date of Refund | | | | | | Total |
|--------------------------|-------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------|-----------|
| | Under 1 Year | Between 1 and 2 | Between 2 and 3 | Between 3 and 4 | Between 4 and 5 | 5 and over | |
| Under 20 | | | | | | | 0 |
| 20 to 24 | | | | | | | 0 |
| 25 to 29 | | | 1 | | 2 | 1 | 4 |
| 30 to 34 | | 2 | | | | 11 | 13 |
| 35 to 39 | | 1 | | | 1 | 10 | 12 |
| 40 to 44 | 1 | | | 2 | | 6 | 9 |
| 45 to 49 | | | | | | 6 | 6 |
| 50 to 54 | 1 | | | | | 1 | 2 |
| 55 to 59 | | | | | | | 0 |
| 60 & over | | 1 | | | | | 1 |
| Totals | 2 | 4 | 1 | 2 | 3 | 35 | 47 |

Includes only number of actual refunds paid or accrued during fiscal year reported.

EXHIBIT D – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING NUMBER OF REFUND PAYMENTS MADE DURING YEAR
TO FEMALE EMPLOYEES FOR FISCAL YEAR ENDING DECEMBER 31, 2012

| Age at Date of Refund | Length of Service at Date of Refund | | | | | | Total |
|--------------------------|-------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------|-----------|
| | Under 1 Year | Between 1 and 2 | Between 2 and 3 | Between 3 and 4 | Between 4 and 5 | 5 and over | |
| Under 20 | | | | | | | 0 |
| 20 to 24 | | | | | | | 0 |
| 25 to 29 | | | | | | 1 | 1 |
| 30 to 34 | | | | | | 2 | 2 |
| 35 to 39 | | | | | | 5 | 5 |
| 40 to 44 | | | | | | 6 | 6 |
| 45 to 49 | | | | | | 2 | 2 |
| 50 to 54 | | | | | | | 0 |
| 55 to 59 | | | | | | | 0 |
| 60 & over | | | | | | | 0 |
| Totals | 0 | 0 | 0 | 0 | 0 | 16 | 16 |

Includes only number of actual refunds paid or accrued during fiscal year reported.

EXHIBIT E
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON SERVICE RETIREMENT ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2012

| AGE | MALE | | FEMALE | | TOTAL | |
|---------------|--------------|----------------------|-------------|---------------------|--------------|----------------------|
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments |
| UNDER 50 | 5 | \$ 63,000 | 4 | \$ 50,400 | 9 | \$ 113,400 |
| 50 | 12 | 777,882 | 8 | 357,663 | 20 | 1,135,545 |
| 51 | 26 | 1,358,905 | 12 | 569,544 | 38 | 1,928,449 |
| 52 | 28 | 1,576,165 | 12 | 666,035 | 40 | 2,242,200 |
| 53 | 37 | 1,787,644 | 18 | 871,737 | 55 | 2,659,381 |
| 54 | 24 | 1,295,984 | 15 | 762,102 | 39 | 2,058,086 |
| 55 | 64 | 3,857,781 | 41 | 2,294,034 | 105 | 6,151,815 |
| 56 | 73 | 4,327,963 | 52 | 2,716,666 | 125 | 7,044,629 |
| 57 | 92 | 5,749,251 | 45 | 2,355,290 | 137 | 8,104,541 |
| 58 | 147 | 9,873,982 | 63 | 3,347,524 | 210 | 13,221,506 |
| 59 | 166 | 10,633,707 | 62 | 3,610,813 | 228 | 14,244,520 |
| 60 | 215 | 13,508,227 | 72 | 4,057,545 | 287 | 17,565,772 |
| 61 | 332 | 21,605,735 | 78 | 4,403,131 | 410 | 26,008,866 |
| 62 | 384 | 25,647,915 | 90 | 4,957,166 | 474 | 30,605,081 |
| 63 | 478 | 29,986,825 | 79 | 4,207,458 | 557 | 34,194,283 |
| 64 | 521 | 33,089,076 | 107 | 5,550,003 | 628 | 38,639,079 |
| 65 | 585 | 36,812,613 | 74 | 3,931,792 | 659 | 40,744,405 |
| 66 | 540 | 33,067,080 | 47 | 2,071,660 | 587 | 35,138,740 |
| 67 | 355 | 21,360,991 | 35 | 1,646,594 | 390 | 23,007,585 |
| 68 | 367 | 21,956,153 | 40 | 1,983,782 | 407 | 23,939,935 |
| 69 | 398 | 23,235,297 | 38 | 1,622,561 | 436 | 24,857,858 |
| 70 | 351 | 20,154,919 | 23 | 1,007,213 | 374 | 21,162,132 |
| 71 | 310 | 16,997,937 | 17 | 856,194 | 327 | 17,854,131 |
| 72 | 251 | 13,856,213 | 17 | 787,359 | 268 | 14,643,572 |
| 73 | 233 | 12,580,943 | 2 | 42,673 | 235 | 12,623,616 |
| 74 | 230 | 12,257,072 | 3 | 167,930 | 233 | 12,425,002 |
| 75 | 171 | 8,681,488 | 6 | 293,398 | 177 | 8,974,886 |
| 76 | 152 | 7,683,244 | 5 | 274,866 | 157 | 7,958,110 |
| 77 | 140 | 7,204,825 | 1 | 40,450 | 141 | 7,245,275 |
| 78 | 129 | 6,467,067 | 0 | 0 | 129 | 6,467,067 |
| 79 | 132 | 6,507,168 | 0 | 0 | 132 | 6,507,168 |
| 80 | 154 | 7,572,752 | 0 | 0 | 154 | 7,572,752 |
| 81 | 127 | 6,311,452 | 0 | 0 | 127 | 6,311,452 |
| 82 | 125 | 5,827,835 | 0 | 0 | 125 | 5,827,835 |
| 83 | 122 | 5,734,103 | 0 | 0 | 122 | 5,734,103 |
| 84 | 94 | 4,014,146 | 0 | 0 | 94 | 4,014,146 |
| 85 to 89 | 305 | 12,189,786 | 0 | 0 | 305 | 12,189,786 |
| 90 to 94 | 82 | 2,628,775 | 1 | 23,280 | 83 | 2,652,055 |
| 95 to 99 | 8 | 247,637 | 1 | 764 | 9 | 248,401 |
| 100+ | 2 | 36,673 | 0 | 0 | 2 | 36,673 |
| Totals | 7,967 | \$458,526,211 | 1068 | \$55,527,627 | 9,035 | \$514,053,838 |

EXHIBIT F
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON WIDOW'S ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2012

| Age | No. | Annual Payments | Age | No. | Annual Payments |
|----------|-----|--------------------|--------------|--------------|---------------------|
| Under 30 | 1 | \$ 20,479 | 65 | 81 | \$ 1,748,661 |
| 30 | 1 | 20,953 | 66 | 93 | 1,979,651 |
| 31 | 0 | 0 | 67 | 84 | 1,727,593 |
| 32 | 0 | 0 | 68 | 73 | 1,547,895 |
| 33 | 1 | 19,399 | 69 | 96 | 1,965,310 |
| 34 | 0 | 0 | 70 | 104 | 2,175,295 |
| 35 | 0 | 0 | 71 | 84 | 1,830,042 |
| 36 | 0 | 0 | 72 | 82 | 1,671,778 |
| 37 | 3 | 62,088 | 73 | 88 | 1,734,661 |
| 38 | 3 | 98,422 | 74 | 111 | 1,976,039 |
| 39 | 2 | 40,828 | 75 | 111 | 2,035,674 |
| 40 | 5 | 105,930 | 76 | 102 | 1,919,788 |
| 41 | 5 | 97,653 | 77 | 97 | 1,779,605 |
| 42 | 4 | 84,114 | 78 | 87 | 1,598,134 |
| 43 | 9 | 174,990 | 79 | 96 | 1,784,564 |
| 44 | 3 | 62,239 | 80 | 95 | 1,684,556 |
| 45 | 5 | 93,557 | 81 | 110 | 1,848,284 |
| 46 | 3 | 57,023 | 82 | 112 | 1,969,961 |
| 47 | 7 | 143,834 | 83 | 91 | 1,554,018 |
| 48 | 7 | 147,280 | 84 | 91 | 1,453,953 |
| 49 | 10 | 212,846 | 85 | 102 | 1,621,933 |
| 50 | 6 | 149,291 | 86 | 95 | 1,457,383 |
| 51 | 12 | 237,649 | 87 | 83 | 1,194,885 |
| 52 | 16 | 339,250 | 88 | 68 | 983,174 |
| 53 | 13 | 260,639 | 89 | 76 | 1,094,793 |
| 54 | 18 | 370,478 | 90 | 50 | 709,296 |
| 55 | 20 | 397,224 | 91 | 51 | 676,976 |
| 56 | 22 | 491,440 | 92 | 49 | 637,354 |
| 57 | 25 | 549,349 | 93 | 25 | 336,508 |
| 58 | 45 | 1,049,717 | 94 | 25 | 324,556 |
| 59 | 37 | 928,512 | 95 | 17 | 208,770 |
| 60 | 36 | 835,021 | 96 | 8 | 96,000 |
| 61 | 47 | 967,388 | 97 | 16 | 192,148 |
| 62 | 50 | 1,031,859 | 98 | 6 | 72,000 |
| 63 | 63 | 1,274,472 | 99 | 7 | 84,558 |
| 64 | 70 | 1,566,757 | 100+ | 7 | 84,000 |
| | | | Total | 3,122 | \$57,650,477 |

EXHIBIT G
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON MISCELLANEOUS ANNUITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2012

| | No. | Annual Payments |
|--|------------|----------------------------|
| Children's Annuities | 214 | \$1,362,239 |
| Widows' Compensation Annuities | 69 | 4,248,075 |
| Ordinary Disability Benefits | 47 | 1,981,692 |
| Occupational Disease Disability Benefits | 36 | 1,813,517 |
| Duty Disability Benefits | 263 | 14,441,218 |
| Children's Disability Benefits | 180 | 278,284 |
| Totals | 809 | \$24,125,025 |

EXHIBIT H – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------------------------|----------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | 1 | 41,796 | 1 | 53,386 | 2 | 115,304 | | | | | 4 | 210,486 |
| 35 to 39 | | | 2 | 102,343 | 5 | 252,759 | | - | | | | | 7 | 355,102 |
| 40 to 44 | | | 3 | 145,303 | 9 | 449,031 | 13 | 722,857 | 8 | 496,364 | 1 | 62,780 | 34 | 1,876,335 |
| 45 to 49 | | | 6 | 306,932 | 8 | 422,066 | 6 | 328,926 | 5 | 278,842 | 2 | 128,126 | 27 | 1,464,892 |
| 50 to 54 | | | 4 | 197,316 | 8 | 421,067 | 12 | 639,409 | 7 | 430,876 | 9 | 594,392 | 40 | 2,283,060 |
| 55 to 59 | | | 8 | 392,802 | 4 | 217,064 | 15 | 811,036 | 11 | 618,154 | 10 | 608,834 | 48 | 2,647,890 |
| 60 & over | | | | | 4 | 221,439 | 5 | 269,855 | 10 | 510,829 | 14 | 861,437 | 33 | 1,863,560 |
| Totals | 0 | \$0 | 24 | \$ 1,186,492 | 39 | \$ 2,036,812 | 53 | \$ 2,887,387 | 41 | \$ 2,335,065 | 36 | \$ 2,255,569 | 193 | \$ 10,701,325 |

EXHIBIT H – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------------------------|---------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | 1 | 40,977 | | | | | | | | | 1 | 40,977 |
| 35 to 39 | | | 2 | 98,503 | 1 | 54,329 | 1 | 60,924 | | | | | 4 | 213,756 |
| 40 to 44 | | | 4 | 190,788 | 5 | 259,233 | 4 | 214,517 | 2 | 116,350 | | | 15 | 780,888 |
| 45 to 49 | | | 1 | 46,807 | 1 | 62,958 | 4 | 205,770 | 3 | 172,346 | 1 | 65,194 | 10 | 553,075 |
| 50 to 54 | | | | - | 7 | 374,526 | 2 | 106,296 | 4 | 235,193 | 3 | 190,995 | 16 | 907,010 |
| 55 to 59 | | | | - | 2 | 111,214 | 8 | 414,209 | 3 | 167,926 | 1 | 39,435 | 14 | 732,784 |
| 60 & over | | | 2 | 98,485 | 1 | 45,363 | 2 | 103,356 | 3 | 141,000 | 2 | 123,199 | 10 | 511,403 |
| Totals | 0 | \$0 | 10 | \$475,560 | 17 | \$907,623 | 21 | \$1,105,072 | 15 | \$832,815 | 7 | \$418,823 | 70 | \$ 3,739,893 |

EXHIBIT I – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|-----------|--------------------|-----------|--------------------|-----------------------------|---------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | | | | | | | | | | | 0 | 0 |
| 35 to 39 | | | | | | 3 | 119,235 | | | | | | 3 | 119,235 |
| 40 to 44 | | | | | | | - | 2 | 89,797 | | | | 2 | 89,797 |
| 45 to 49 | | | | | | 1 | 40,129 | 5 | 199,341 | | | | 6 | 239,470 |
| 50 to 54 | | | | | | 2 | 78,829 | 4 | 165,508 | 3 | 130,469 | | 9 | 374,806 |
| 55 to 59 | | | | | | | | 1 | 38,948 | 3 | 131,034 | | 4 | 169,982 |
| 60 & over | | | | | | | | | | 1 | 41,473 | | 1 | 41,473 |
| Totals | 0 | \$0 | 0 | \$0 | 0 | \$0 | 6 | \$238,193 | 12 | \$493,594 | 7 | \$302,976 | 25 | \$ 1,034,763 |

EXHIBIT I- PART II
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|-----------|--------------------|-----------------------------|-------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | | | 1 | 39,296 | | | | | | | 1 | 39,296 |
| 35 to 39 | | | | | | | | | | | | | 0 | 0 |
| 40 to 44 | | | | | 1 | 39,296 | 1 | 39,323 | 1 | 41,972 | | | 3 | 120,591 |
| 45 to 49 | | | | | 1 | 38,042 | | | 4 | 167,389 | 2 | 91,831 | 7 | 297,262 |
| 50 to 54 | | | | | | | | | 3 | 122,393 | 8 | 367,387 | 11 | 489,780 |
| 55 to 59 | | | | | | | | | | | | | 0 | 0 |
| 60 & over | | | | | | | | | | | | | 0 | 0 |
| Totals | 0 | \$0 | 0 | \$0 | 3 | \$116,634 | 1 | \$39,323 | 8 | \$331,754 | 10 | \$459,218 | 22 | \$ 946,929 |

EXHIBIT J – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|-----------|--------------------|-----------------------------|---------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | | | | | | | | | | | 0 | 0 |
| 35 to 39 | | | | | | | | | | | | | 0 | 0 |
| 40 to 44 | | | | | | | | | | | | | 0 | 0 |
| 45 to 49 | | | | | | | | | | | | | 0 | 0 |
| 50 to 54 | | | | | | | | | 6 | 305,811 | 3 | 166,948 | 9 | 472,759 |
| 55 to 59 | | | | | | | 2 | 84,093 | 2 | 99,490 | 6 | 335,309 | 10 | 518,892 |
| 60 & over | | | | | | | 1 | 43,065 | 1 | 43,065 | 9 | 458,199 | 11 | 544,329 |
| Totals | 0 | \$0 | 0 | \$0 | 0 | \$0 | 3 | \$127,158 | 9 | \$448,366 | 18 | \$960,456 | 30 | \$ 1,535,980 |

EXHIBIT J- PART II
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2012

| ATTAINED AGE | Length of Service as of December 31, 2012 | | | | | | | | | | | | Total Annual Payments | |
|-----------------|---|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|-----------|--------------------|-----------------------------|-------------------|
| | Under 1 Year | | 1 to 4 | | 5 to 9 | | 10 to 14 | | 15 to 19 | | 20 & Over | | | |
| | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | No. | Annual Payments | | |
| UNDER 30 | | | | | | | | | | | | | 0 | \$ 0 |
| 30 to 34 | | | | | | | | | | | | | 0 | 0 |
| 35 to 39 | | | | | | | | | | | | | 0 | 0 |
| 40 to 44 | | | | | | | | | | | | | 0 | 0 |
| 45 to 49 | | | | | | | 1 | 42,635 | | | | | 1 | 42,635 |
| 50 to 54 | | | | | | | 1 | 41,853 | 1 | 45,026 | 1 | 54,409 | 3 | 141,288 |
| 55 to 59 | | | | | | | | | 1 | 40,782 | | | 1 | 40,782 |
| 60 & over | | | | | | | | | 1 | 52,832 | | | 1 | 52,832 |
| Totals | 0 | \$0 | 0 | \$0 | 0 | \$0 | 2 | \$84,488 | 3 | \$138,640 | 1 | \$54,409 | 6 | \$ 277,537 |

EXHIBIT K
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF AVERAGE ANNUAL SALARIES

| Year End | Members in Service | Increase | Current Year Salary | Increase | Average Salary | Increase | Actuarial Assumptions | CPI Chicago |
|--|-------------------------------|-----------------|--------------------------------|-----------------|---------------------------|-----------------|----------------------------------|------------------------|
| 1983 | 12,557 | (2.0)% | \$ 381,553,344 | 9.4 % | \$ 30,386 | 11.6 % | 6.00 | 4.0 |
| 1984 ¹ | 12,110 | (3.6) | 379,686,648 | (2.8) | 30,610 | 0.7 | 6.00 | 3.8 |
| 1985 | 12,096 | (0.1) | 395,295,432 | 6.6 | 32,680 | 6.8 | 6.00 | 3.8 |
| 1986 | 12,578 | 4.0 | 431,883,240 | 9.3 | 34,336 | 5.1 | 6.00 | 2.0 |
| 1987 | 12,602 | 0.2 | 443,122,728 | 2.6 | 35,163 | 2.4 | 6.00 | 4.1 |
| 1988 ² | 12,495 | (0.8) | 443,669,520 | 0.1 | 35,508 | 1.0 | 6.00 | 3.9 |
| 1989 | 12,060 | (3.5) | 437,121,504 | (1.5) | 36,246 | 2.1 | 6.00 | 5.1 |
| 1990 | 12,039 | (0.2) | 471,544,173 | 7.9 | 39,168 | 8.1 | 6.00 | 5.5 |
| 1991 | 12,513 | 3.9 | 520,015,930 | 10.3 | 41,558 | 6.1 | 6.00 | 3.0 |
| 1992 | 12,570 | 0.5 | 538,404,098 | 3.5 | 42,832 | 3.1 | 5.80 | 3.3 |
| 1993 | 12,591 | 0.2 | 561,156,282 | 4.2 | 44,568 | 4.1 | 5.80 | 2.3 |
| 1994 | 13,095 | 4.0 | 599,073,276 | 6.8 | 45,748 | 2.6 | 5.80 | 2.9 |
| 1995 | 13,437 | 2.6 | 622,413,737 | 3.9 | 46,321 | 1.3 | 5.80 | 2.2 |
| 1996 | 13,475 | 0.3 | 654,149,310 | 5.1 | 48,545 | 4.8 | 5.80 | 3.8 |
| 1997 | 13,435 | (0.3) | 675,515,532 | 3.7 | 50,280 | 3.6 | 5.80 | 1.7 |
| 1998 ³ | 13,586 | 1.1 | 736,401,756 | 9.0 | 54,203 | 7.8 | 5.50 | 1.5 |
| 1999 | 13,829 | 1.8 | 755,303,667 | 2.6 | 54,617 | 0.8 | 5.50 | 2.6 |
| 2000 | 13,858 | 0.2 | 759,343,026 | 0.5 | 54,795 | 0.3 | 5.50 | 4.0 |
| 2001 | 13,889 | 0.2 | 763,352,475 | 0.5 | 54,961 | 0.3 | 5.50 | 0.8 |
| 2002 | 13,720 | (1.2) | 866,531,789 | 13.5 | 63,158 | 14.9 | 5.50 | 2.5 |
| 2003 | 13,746 | 0.2 | 887,555,791 | 2.4 | 64,568 | 2.2 | 5.50 | 1.7 |
| 2004 | 13,569 | (1.3) | 874,301,958 | (1.5) | 64,434 | (0.2) | 5.50 | 2.2 |
| 2005 | 13,462 | (0.8) | 948,973,732 | 8.5 | 70,493 | 9.4 | 5.50 | 3.6 |
| 2006 | 13,749 | 2.1 | 1,012,983,635 | 6.7 | 73,677 | 4.5 | 5.50 | 0.7 |
| 2007 | 13,748 | 0.0 | 1,038,957,026 | 2.6 | 75,572 | 2.6 | 5.50 | 4.7 |
| 2008 | 13,373 | (2.7) | 1,023,580,667 | (1.5) | 76,541 | 1.3 | 5.50 | (0.6) |
| 2009 | 13,154 | (1.6) | 1,011,205,359 | (1.2) | 76,874 | 0.4 | 5.50 | 2.5 |
| 2010 | 12,737 | (3.2) | 1,048,084,301 | 3.6 | 82,287 | 7.0 | 5.50 | 1.2 |
| 2011 | 12,236 | (3.9) | 1,034,403,526 | (1.3) | 84,538 | 2.7 | 5.50 | 2.1 |
| 2012 | 12,026 | (1.7) | 1,015,170,686 | (1.9) | 84,415 | (0.1) | 5.50 ⁴ | 1.7 |
| Average Increase (Decrease) for the last 5 years: | | (2.6)% | | (0.5)% | | 2.3 % | | 1.4 % |

¹ Members in service does not include those age 63 and over who are still working.

² Figures do not include retroactive raise.

³ Pay definition changed to include duty availability pay. Of the \$1,015,170,686 current year salary, \$37,368,278 is duty availability pay.

⁴ See Appendix 4 for a complete description of the current assumptions.

EXHIBIT L
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
NEW ANNUITIES GRANTED DURING 2012

| | Annuitants | Widows/ Widowers of Deceased Employees¹ | Widows/ Widowers of Deceased Annuitants | Compensation Widows/ Widowers |
|---|-------------------|---|--|--|
| Number retired/deceased | 539 | 10 | 164 | 0 |
| Average age attained | 58.7 | 56.8 | 72.3 | 0.0 |
| Average length of service | 26.7 | N/A | N/A | N/A |
| Average annual salary [4 out of 10] | \$ 90,773 | N/A | N/A | N/A |
| Average annual final salary | \$ 93,900 | N/A | N/A | N/A |
| Total annual annuity | 33,039,315 | 281,471 | 4,156,025 | 0 |
| Average annual annuity | 61,297 | 28,147 | 25,341 | 0 |
| Total liability [(Based on 3% Comb. and 4% Amer. Exp.)] | \$ 472,116,987 | 4,066,670 | 38,672,303 | 0 |
| Average liability | \$ 875,913 | 406,667 | 235,807 | 0 |
| Total investment [Employee-paid for tax purposes] | \$ 1,308,938 | N/A | N/A | N/A |
| Average investment ² | \$ 2,428 | N/A | N/A | N/A |
| Liability/cost | 360.7 | N/A | N/A | N/A |
| Liability/final pay | \$ 9.33 | N/A | N/A | N/A |

¹ Not including compensation or supplemental.

² Based on previously-taxed contributions.

EXHIBIT M
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

| Years | ANNUITANTS | | | DISABILITY | | | | Widow Comp. | Total |
|-------|------------|---------------------|-------|------------|------|--------|--------------------|----------------|--------|
| | Employee | Spouse ¹ | Child | Ordinary | Duty | Occup. | Child ² | | |
| 1983 | 3,642 | 3,202 | 446 | 104 | 86 | | | 70 | 7,550 |
| 1984 | 3,723 | 3,152 | 435 | 87 | 113 | | | 74 | 7,584 |
| 1985 | 3,861 | 3,234 | 406 | 95 | 126 | | | 70 | 7,792 |
| 1986 | 4,212 | 3,145 | 380 | 78 | 144 | | | 69 | 8,028 |
| 1987 | 4,467 | 3,100 | 354 | 66 | 156 | | | 75 | 8,218 |
| 1988 | 4,595 | 3,184 | 350 | 63 | 167 | | | 78 | 8,437 |
| 1989 | 4,772 | 3,202 | 335 | 58 | 179 | | | 71 | 8,617 |
| 1990 | 4,936 | 3,214 | 335 | 51 | 187 | | | 66 | 8,789 |
| 1991 | 5,033 | 3,137 | 329 | 75 | 192 | | | 68 | 8,834 |
| 1992 | 5,109 | 3,129 | 310 | 83 | 204 | | | 66 | 8,901 |
| 1993 | 5,195 | 3,151 | 294 | 59 | 211 | | 160 | 66 | 9,136 |
| 1994 | 5,309 | 3,123 | 281 | 51 | 221 | | 159 | 64 | 9,208 |
| 1995 | 5,510 | 3,133 | 254 | 51 | 231 | 1 | 144 | 60 | 9,384 |
| 1996 | 5,714 | 3,120 | 252 | 67 | 256 | 12 | 158 | 59 | 9,638 |
| 1997 | 5,945 | 3,104 | 240 | 59 | 270 | 36 | 130 | 59 | 9,843 |
| 1998 | 6,241 | 3,093 | 228 | 56 | 279 | 57 | 150 | 57 | 10,161 |
| 1999 | 6,520 | 3,118 | 249 | 57 | 291 | 76 | 150 | 58 | 10,519 |
| 2000 | 6,876 | 3,107 | 267 | 48 | 274 | 87 | 149 | 59 | 10,867 |
| 2001 | 7,192 | 3,114 | 255 | 52 | 265 | 95 | 143 | 59 | 11,175 |
| 2002 | 7,392 | 3,092 | 235 | 38 | 289 | 103 | 150 | 59 | 11,358 |
| 2003 | 7,498 | 3,083 | 247 | 29 | 285 | 97 | 139 | 63 | 11,441 |
| 2004 | 7,815 | 3,133 | 249 | 44 | 287 | 85 | 130 | 65 | 11,808 |
| 2005 | 8,026 | 3,107 | 247 | 35 | 298 | 82 | 139 | 65 | 11,999 |
| 2006 | 8,083 | 3,093 | 255 | 39 | 291 | 69 | 132 | 64 | 12,026 |
| 2007 | 8,155 | 3,137 | 242 | 52 | 284 | 65 | 136 | 64 | 12,135 |
| 2008 | 8,210 | 3,148 | 237 | 39 | 286 | 58 | 139 | 66 | 12,183 |
| 2009 | 8,227 | 3,111 | 232 | 44 | 284 | 52 | 138 | 66 | 12,154 |
| 2010 | 8,495 | 3,079 | 222 | 37 | 284 | 40 | 155 | 69 | 12,381 |
| 2011 | 8,763 | 3,091 | 214 | 43 | 270 | 36 | 176 | 70 | 12,663 |
| 2012 | 9,035 | 3,122 | 214 | 47 | 263 | 36 | 180 | 69 | 12,966 |

¹ Includes reversionary.

² Children's Disability Benefit not tracked before 1993.

EXHIBIT N
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE

| Years Ended | Average Annual Benefit | Average Current Age of Retirees | Average Age at Retirement Current Year * | Average Years of Benefit Service at Retirement Current Year * |
|--------------------|-------------------------------|--|---|--|
| 1983 | \$ 10,770 | 68 | 59.4 | 29.3 |
| 1984 | 11,782 | 68 | 58.6 | 29.9 |
| 1985 | 13,070 | 68 | 58.7 | 30.2 |
| 1986 | 15,033 | 67 | 57.7 | 30.0 |
| 1987 | 16,257 | 67 | 58.1 | 30.1 |
| 1988 | 17,855 | 67 | 58.8 | 30.9 |
| 1989 | 19,315 | 67 | 58.6 | 30.7 |
| 1990 | 21,120 | 68 | 58.9 | 30.2 |
| 1991 | 21,782 | 68 | 58.4 | 30.8 |
| 1992 | 23,128 | 68 | 57.7 | 30.3 |
| 1993 | 24,724 | 68 | 56.9 | 29.6 |
| 1994 | 25,636 | 68 | 55.7 | 29.5 |
| 1995 | 26,996 | 67 | 55.3 | 29.2 |
| 1996 | 28,412 | 67 | 55.5 | 29.8 |
| 1997 | 29,867 | 67 | 55.0 | 29.3 |
| 1998 | 31,682 | 66 | 54.6 | 30.0 |
| 1999 | 33,220 | 66 | 54.8 | 29.9 |
| 2000 | 34,880 | 66 | 56.3 | 31.6 |
| 2001 | 36,428 | 66 | 56.4 | 29.8 |
| 2002 | 38,199 | 66 | 55.6 | 29.4 |
| 2003 | 38,998 | 66 | 57.1 | 30.2 |
| 2004 | 41,914 | 66 | 57.5 | 30.4 |
| 2005 | 43,930 | 67 | 57.3 | 30.6 |
| 2006 | 45,680 | 67 | 58.0 | 29.6 |
| 2007 | 47,392 | 67 | 58.1 | 29.3 |
| 2008 | 49,239 | 68 | 58.3 | 29.4 |
| 2009 | 50,799 | 68 | 59.2 | 28.6 |
| 2010 | 53,060 | 68 | 59.1 | 28.1 |
| 2011 | 55,104 | 68 | 59.5 | 27.4 |
| 2012 | 56,896 | 69 | 58.7 | 26.7 |

* Averages for New Annuitants in 2012.

EXHIBIT O – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF ANNUITIES EMPLOYEE ANNUITANTS (MALE AND FEMALE)

| Year End | Number of Annuitants | Total Annuities | Average Annuities |
|-----------------|-----------------------------|------------------------|--------------------------|
| 1983 | 3,642 | \$ 39,223,898 | \$ 10,770 |
| 1984 | 3,723 | 43,864,666 | 11,782 |
| 1985 | 3,861 | 50,464,782 | 13,070 |
| 1986 | 4,212 | 63,319,877 | 15,033 |
| 1987 | 4,467 | 72,621,701 | 16,257 |
| 1988 | 4,595 | 82,044,371 | 17,855 |
| 1989 | 4,772 | 92,170,354 | 19,315 |
| 1990 | 4,936 | 104,221,349 | 21,114 |
| 1991 | 5,033 | 109,629,175 | 21,782 |
| 1992 | 5,109 | 118,162,135 | 23,128 |
| 1993 | 5,195 | 128,443,550 | 24,724 |
| 1994 | 5,309 | 136,102,089 | 25,636 |
| 1995 | 5,510 | 148,748,836 | 26,996 |
| 1996 | 5,714 | 162,343,898 | 28,412 |
| 1997 | 5,945 | 177,557,655 | 29,867 |
| 1998 | 6,241 | 197,728,489 | 31,682 |
| 1999 | 6,520 | 216,593,933 | 33,220 |
| 2000 | 6,876 | 239,833,436 | 34,880 |
| 2001 | 7,192 | 261,991,891 | 36,428 |
| 2002 | 7,392 | 282,368,164 | 38,199 |
| 2003 | 7,498 | 292,407,321 | 38,998 |
| 2004 | 7,815 | 327,560,253 | 41,914 |
| 2005 | 8,026 | 352,579,199 | 43,930 |
| 2006 | 8,083 | 369,228,619 | 45,680 |
| 2007 | 8,155 | 386,485,701 | 47,392 |
| 2008 | 8,210 | 404,254,060 | 49,239 |
| 2009 | 8,227 | 417,924,766 | 50,799 |
| 2010 | 8,495 | 450,742,884 | 53,060 |
| 2011 | 8,763 | 482,875,300 | 55,104 |
| 2012 | 9,035 | 514,053,838 | 56,896 |

EXHIBIT O – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF ANNUITIES SPOUSE ANNUITANTS (NOT INCLUDING
COMPENSATION WIDOWS)

| Year End | Number of Annuitants | Total Annuities | Average Annuities |
|---------------------|---------------------------------|----------------------------|------------------------------|
| 1983 | 3,202 | \$ 10,083,245 | \$ 3,151 |
| 1984 | 3,152 | 10,213,392 | 3,199 |
| 1985 | 3,164 | 10,339,504 | 3,228 |
| 1986 | 3,145 | 12,770,159 | 4,060 |
| 1987 | 3,100 | 12,959,691 | 4,180 |
| 1988 | 3,184 | 13,701,678 | 4,303 |
| 1989 | 3,202 | 16,304,771 | 5,092 |
| 1990 | 3,214 | 16,779,894 | 5,221 |
| 1991 | 3,137 | 17,342,488 | 5,528 |
| 1992 | 3,129 | 20,773,699 | 6,639 |
| 1993 | 3,151 | 24,711,076 | 7,842 |
| 1994 | 3,123 | 28,041,269 | 8,979 |
| 1995 | 3,133 | 28,792,959 | 9,190 |
| 1996 | 3,120 | 30,778,518 | 9,865 |
| 1997 | 3,104 | 31,492,268 | 10,146 |
| 1998 | 3,093 | 32,285,743 | 10,438 |
| 1999 | 3,118 | 36,134,606 | 11,589 |
| 2000 | 3,107 | 37,022,962 | 11,916 |
| 2001 | 3,114 | 38,316,493 | 12,305 |
| 2002 | 3,092 | 40,086,748 | 12,965 |
| 2003 | 3,083 | 39,924,324 | 12,950 |
| 2004 | 3,133 | 44,609,535 | 14,239 |
| 2005 | 3,107 | 47,658,776 | 15,339 |
| 2006 | 3,093 | 49,187,928 | 15,903 |
| 2007 | 3,137 | 51,646,225 | 16,464 |
| 2008 | 3,148 | 53,489,665 | 16,992 |
| 2009 | 3,111 | 53,381,986 | 17,159 |
| 2010 | 3,079 | 53,621,501 | 17,415 |
| 2011 | 3,091 | 55,323,666 | 17,898 |
| 2012 | 3,122 | 57,650,477 | 18,466 |

EXHIBIT P
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
COUNTS OF RETIREES AND BENEFICIARIES WITH HEALTHCARE
COVERAGE SUBSIDIES

| Year End | Employee | Spouse ¹ | Total |
|---------------------|-----------------|----------------------------|--------------|
| 2006 | 7,552 | 2,104 | 9,656 |
| 2007 | 7,637 | 2,253 | 9,890 |
| 2008 | 7,731 | 2,286 | 10,017 |
| 2009 | 7,763 | 2,285 | 10,048 |
| 2010 | 7,878 | 2,240 | 10,118 |
| 2011 | 8,111 | 2,257 | 10,368 |
| 2012 | 8,458 | 2,280 | 10,738 |

¹ Includes children.

EXHIBIT Q
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF RETIRED MEMBERS BY TYPES OF BENEFIT AND MONTHLY BENEFIT LEVELS

| Years | Retirement | | Disability | | Widow ¹ | | Child ² | | Totals | |
|---------------------------|--------------|--------------|------------|-----------|--------------------|--------------|--------------------|------------|--------------|--------------|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| Under \$100 | 6 | 1 | | | | | 1 | | 7 | 1 |
| \$100 to under \$250 | 11 | 3 | | | | | 118 | 85 | 129 | 88 |
| \$250 to under \$500 | 20 | 7 | | | | | 43 | 33 | 63 | 40 |
| \$500 to under \$750 | 21 | 1 | | | | | 37 | 42 | 58 | 43 |
| \$750 to under \$1,000 | 3 | 3 | | | | | 21 | 13 | 24 | 16 |
| \$1,000 to under \$2,000 | 148 | 35 | | | 38 | 2,430 | | | 186 | 2,465 |
| \$2,000 to under \$3,000 | 489 | 59 | 3 | | 5 | 577 | | | 497 | 636 |
| \$3,000 to under \$4,000 | 1,411 | 358 | 42 | 35 | | 64 | | | 1,453 | 457 |
| \$4,000 to under \$5,000 | 2,196 | 287 | 148 | 46 | | 28 | | 1 | 2,344 | 362 |
| \$5,000 to under \$6,000 | 2,526 | 220 | 49 | 17 | 3 | 37 | | | 2,578 | 274 |
| \$6,000 to under \$7,000 | 783 | 59 | 6 | | | 6 | | | 789 | 65 |
| \$7,000 to under \$8,000 | 200 | 21 | | | | | | | 200 | 21 |
| \$8,000 to under \$9,000 | 56 | 6 | | | | 1 | | | 56 | 7 |
| \$9,000 to under \$10,000 | 65 | 7 | | | | 1 | | | 65 | 8 |
| \$10,000 and over | 32 | 1 | | | | 1 | | | 32 | 2 |
| Totals: | 7,967 | 1,068 | 248 | 98 | 46 | 3,145 | 220 | 174 | 8,481 | 4,485 |

¹ Includes reversionary.

² Children's Disability Benefit not tracked before 1993.

EXHIBIT R
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF AVERAGE BENEFIT PAYMENTS FOR NEW ANNUITIES GRANTED DURING 2012

| Years of Service: | | 0-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | >= 35 | Total |
|--------------------------|-------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|
| 2010 | Number of Retired Members | 0 | 1 | 13 | 105 | 161 | 140 | 131 | 551 |
| | Average annual salary [4 out of 10] | \$0 | \$81,122 | \$70,339 | \$80,639 | \$88,735 | \$91,739 | \$92,194 | \$88,330 |
| | Average Monthly Benefit | \$0 | \$2,535 | \$2,667 | \$3,837 | \$5,385 | \$5,734 | \$5,762 | \$5,199 |
| 2011 | Number of Retired Members | 1 | 8 | 16 | 95 | 175 | 103 | 102 | 500 |
| | Average annual salary [4 out of 10] | \$18,730 | \$76,848 | \$70,140 | \$82,778 | \$92,829 | \$93,780 | \$98,280 | \$91,097 |
| | Average Monthly Benefit | \$390 | \$2,158 | \$2,728 | \$3,949 | \$5,497 | \$5,861 | \$6,142 | \$5,257 |
| 2012 | Number of Retired Members | 0 | 9 | 22 | 123 | 217 | 88 | 80 | 539 |
| | Average annual salary [4 out of 10] | \$0 | \$72,245 | \$65,305 | \$85,175 | \$92,825 | \$94,854 | \$98,415 | \$90,773 |
| | Average Monthly Benefit | \$0 | \$2,066 | \$2,511 | \$4,002 | \$5,408 | \$5,928 | \$6,151 | \$5,108 |

EXHIBIT S
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF RETIREES AND BENEFICIARIES
ADDED TO AND REMOVED FROM BENEFIT PAYROLL

| Yr. | Added to Payroll | | Removed from Payroll | | Payroll End of Year | | Average Annual Benefits | Increase to Avg. Benefits |
|--|------------------|------------------|----------------------|-----------------|---------------------|-----------------|-------------------------|---------------------------|
| | No. | Annual Benefits. | No. | Annual Benefits | No. | Annual Benefits | | |
| Employee Annuitants (Male and Female) | | | | | | | | |
| 2010 | 551 | \$ 44,873,260 | 283 | \$ 12,055,142 | 8,495 | \$ 450,742,884 | \$ 53,060 | 4.5% |
| 2011 | 500 | 42,603,517 | 232 | 10,471,101 | 8,763 | 482,875,300 | 55,104 | 3.9% |
| 2012 | 539 | 43,830,960 | 267 | 12,652,422 | 9,035 | 514,053,838 | 56,896 | 3.3% |
| Widow/Widower Annuitants (Not Including Compensation) | | | | | | | | |
| 2010 ¹ | 145 | \$ 2,838,113 | 177 | \$ 2,598,598 | 3,079 | \$ 53,621,501 | \$ 17,415 | 1.5% |
| 2011 ¹ | 144 | 3,709,829 | 132 | 2,007,664 | 3,091 | 55,323,666 | 17,898 | 2.8% |
| 2012 ¹ | 174 | 4,436,964 | 143 | 2,110,153 | 3,122 | 57,650,477 | 18,466 | 3.2% |

¹ Not including Compensation Annuitants.

APPENDIX 4

ACTUARIAL METHODS AND ASSUMPTIONS AS OF
DECEMBER 31, 2012

POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL METHODS AND ASSUMPTIONS AS OF DECEMBER 31, 2012

I. ACTUARIAL COST METHOD

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The Actuarial Cost Method used in this valuation for all purposes is the Entry Age Normal Actuarial Cost Method.

Under the Entry Age Normal Actuarial Cost Method, each participant’s benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total “Normal Cost” is the sum of the current year’s annual installments determined for all active participants. The “Actuarial Accrued Liability” is the excess of the value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a fixed period of time (e.g. 30 years) from the date incurred. At a minimum, interest on UAAL should be funded. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL. The Minimum Actuarially Determined Contribution contains only an interest payment on the UAAL.

II. CURRENT ACTUARIAL ASSUMPTIONS

The current actuarial assumptions were adopted and became effective December 31, 2009, and were based on an experience study for the period January 1, 2003, to December 31, 2008. The investment return assumption was changed effective for the December 31, 2012 actuarial valuation.

A. Demographic Assumptions

- Mortality: 1994 Group Annuity Mortality Table. The mortality table used is a static table and provides an estimated margin of 25 percent, based on the postretirement experience from 2003 through 2008, for future mortality improvement.
- Disabled Mortality: 1994 Group Annuity Mortality Table set forward six years.
- Rate of Disability: Rates at which members are assumed to become disabled under the provisions of the Fund. Sample rates assumed are as follows:

| ATTAINED AGE | RATE |
|--------------|-------|
| 22 | .0003 |
| 27 | .0006 |
| 32 | .0012 |
| 37 | .0015 |
| 42 | .0020 |
| 47 | .0045 |
| 52 | .0050 |
| 57 | .0060 |
| 62 | .0060 |

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2012 (CONT'D)**

The distribution of disability types is assumed to be as follows:

| | |
|---------------------------------|-----|
| Duty Disability | 45% |
| Occupational Disease Disability | 15% |
| Ordinary Disability | 40% |

Rate of Retirement: Rates at which members are assumed to retire under the provisions of the Fund. The rates assumed are as follows:

For members hired before January 1, 2011:

| <u>ATTAINED AGE</u> | <u>RATE ¹</u> |
|---------------------|--------------------------|
| 49 | .00 |
| 50 | .08 |
| 51 | .08 |
| 52 | .08 |
| 53 | .08 |
| 54 | .15 |
| 55 | .15 |
| 56 | .15 |
| 57 | .15 |
| 58 | .15 |
| 59 | .15 |
| 60 | .25 |
| 61 | .30 |
| 62 | .35 |
| 63 | 1.00 |

For members hired on or after January 1, 2011:

| <u>ATTAINED AGE</u> | <u>RATE ¹</u> |
|---------------------|--------------------------|
| 49 | .00 |
| 50 | .02 |
| 51 | .02 |
| 52 | .02 |
| 53 | .02 |
| 54 | .08 |
| 55 | .17 |
| 56 | .17 |
| 57 | .17 |
| 58 | .17 |
| 59 | .17 |
| 60 | .25 |
| 61 | .30 |
| 62 | .35 |
| 63 | 1.00 |

¹ Only for members eligible for a formula annuity.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Turnover Rates: The following sample rates exemplify the table:

| <u>YEARS OF SERVICE</u> | <u>RATE</u> |
|-------------------------|-------------|
| 0 | 0.028 |
| 1 | 0.022 |
| 2 | 0.014 |
| 3 | 0.013 |
| 4-9 | 0.012 |
| 10 | 0.011 |
| 11 | 0.010 |
| 12 | 0.009 |
| 13 | 0.008 |
| 14 | 0.007 |
| 15 | 0.006 |
| 16 | 0.005 |
| 17-25 | 0.004 |

B. Economic Assumptions

Investment Return Rate: 7.75% per annum for pensions effective as of December 31, 2012 and 4.50% for OPEB effective as of December 31, 2005.

General Inflation: The 7.75% Investment Return Rate assumption contains a 3.00% inflation assumption and a 4.75% real rate of return assumption for pension.

Future Salary Increases: Assumed rates of individual salary increase at 4.0% per year, plus an additional percentage based on the following service scale:

| <u>COMPLETED YEARS OF SERVICE</u> * | <u>SCALE</u> |
|---|--------------|
| 1 | 0.250 |
| 2 | 0.060 |
| 3 | 0.050 |
| 4 | 0.050 |
| 5 | 0.040 |
| 6-9 | 0.000 |
| 10 | 0.035 |
| 11-14 | 0.000 |
| 15 | 0.035 |
| 16-19 | 0.000 |
| 20 | 0.035 |
| 21-24 | 0.000 |
| 25 | 0.035 |
| Over 25 | 0.000 |

* Includes increases at 12 and 18 months of service.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Asset Value: For State reporting, bonds are at amortized value and stocks are at cost.

For GASB #25 and #27, the actuarial value of assets is smoothed by recognizing each year's difference between actual and expected investment return at the rate of 20 percent per year over a five-year period.

C. Other Assumptions

Marital Status: It is assumed that 85% of members have an eligible spouse. The male spouse is assumed to be three years older than the female spouse. No assumption is made about other dependents.

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance is \$95.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and \$65.00 if qualified. It is assumed that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future widows of retirees are assumed to be eligible for Medicare, as well as widow annuitants that are currently receiving a health insurance supplement.

Required Ultimate Multiple: The actuarially determined contribution (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.

Loss in Tax Levy: 4% overall loss on tax levy is assumed.

APPENDIX 5

SUMMARY OF PROVISIONS OF THE FUND AS OF
DECEMBER 31, 2012

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012

PARTICIPANTS An employee in the police department of the City of Chicago appointed and sworn or designated by law as a peace officer with the title of policeman, policewoman, chief surgeon, police surgeon, police dog catcher, police kennelman, police matron and members of the police force of the police department.

SERVICE In computing service rendered by a police officer, the following periods shall be counted, in addition to all periods during which he performed the duties of his position, as periods of service for annuity purposes only: All periods of (a) vacation; (b) leave of absence with pay; (c) military service; (d) disability for which the police officer receives disability benefit. The calculation of service is based on a day-to-day basis for most purposes. For the purpose of calculating benefits under the Dominant Formula, one-year of Service is credited for a year in any portion of which a police officer is compensated.

RETIREMENT

Eligibility Attainment of age 50 with at least 10 years of service.

For participants that first became members on or after January 1, 2011, attainment of age 55 with at least 10 years of service. Participants may retire at attainment of age 50 with 10 years of service with a reduced benefit.

Mandatory Effective in plan year 2003, retirement is mandatory for a participant who has attained age 63.

Accumulation Annuity At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years, the employee is entitled to an annuity based on all sums accumulated.

Formula Minimum Annuity While there are several alternative formulas available with 20 or more years of service, the Dominant Formula is 50% of highest average salary (including duty availability pay) in 48 consecutive months within the last 10 years of service plus 2.5% for each year or fraction of service over 20 years, limited to 75% of average salary.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

***Mandatory Retirement
Minimum Annuity***

A police officer who is required to withdraw from service due to attainment of mandatory retirement age who has less than 20 years of service credit may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post retirement increases.

Post-Retirement Increase

A retiree born before January 1, 1955, with at least 20 years of service or receiving a mandatory retirement minimum annuity, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later, and shall not be subject to a 30% maximum increase. For retirees born after January 1, 1955, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%.

For participants that first became members on or after January 1, 2011, increases are equal to the lesser of 3.00 percent and 50 percent of CPI-U of the original benefit, commencing at age 60.

Minimum Annuity

The benefit of any retiree who retired from the service before January 1, 1986, at age 50 or over with at least 20 years of service, or due to termination of disability is not less than \$1,050 per month.

For participants that first became members on or after January 1, 2011, the member is entitled to an annuity based on an accrual rate of 2.5 percent of the final average salary for each fraction of service. Maximum is 75 percent of the final average salary. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement. Pensionable salary is limited to \$106,800 in 2011, increased by the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12-month period ending with the September preceding the November 1, which is the date that the new amount will be calculated and made available to the pension funds.

For participants that first became members on or after January 1, 2011, who retire after age 50 but before age 55 is attained, the member is entitled to an annuity based on an accrual rate of 2.5 percent of the final average salary for each fraction of service, reduced by one half of one percent per month for retirement prior to age 55, subject to a maximum benefit of 75 percent.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Reversionary Annuity A member, prior to retirement, may elect to reduce his own annuity, and provide a reversionary annuity, to begin upon the officer's death, for the officer's spouse.

SURVIVOR INCOME BENEFITS PAYABLE ON DEATH

Death in Service (Non-Duty): Generally, a money-purchase benefit is provided, based on total salary deductions and City contributions. However, if a policeman dies in service after December 31, 1985, with at least 1.5 years of service, the widow's annuity is the greater of (a) 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death (without dollar limit) or (b) 50% of the benefit accrued by the policeman at date of death.

The lifetime benefit is payable until death.

Death in Service (Duty Related)

Compensation Annuity 75% of the member's salary attached to the civil service position that would ordinarily have been paid to such member as though in active discharge of his duties at the time of death payable until the date the policeman would have attained age 63.

Supplemental Annuity Payable for life and is equal to the difference between the money purchase annuity for the spouse and an amount equal to 75% of the annual salary (including all salary increases and longevity raises) the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.

Death after Retirement If a police officer retires on or after January 1, 1986, and subsequently dies, the widow's annuity is 40% before 1988 and 50% on and after January 1, 1988 of the retired policeman's annuity at the time of death (without dollar limit).

Maximum Annuity \$500 a month (after discount for age difference) under both the accumulation method and the old formula method. There is no dollar limit on the 30%, 40% or 50% benefit.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Minimum Annuity Any spouse is entitled to a minimum annuity of \$1,000 a month.

For participants that first became members on or after January 1, 2011, widow benefits are equal to 66-2/3 percent of the officer's earned annuity at the date of death. Automatic increases to the annuity are equal to the lesser of 3.00 percent and 50 percent of CPI-U, commencing when the survivor reaches age 60, and applied to the original granted retirement annuity.

CHILDREN'S ANNUITIES

Eligibility Payable at death of the policeman to all unmarried children less than 18 years of age.

Benefit 10% of the annual maximum salary of a first class patrolman during widow (widower) life, 15% otherwise.

Payable Until Age 18. If the child is disabled, benefit is payable for life or as long as such disablement exists.

Family Maximum 60% (non-duty death) or 100% (duty death) of the salary that would ordinarily been paid to the policeman, if he had been in the active discharge of his duties.

Parent's Annuities

Eligibility Payable to a dependent parent at the death of a policeman who is in either active service, or receiving a disability benefit, or on leave of absence, or in receipt of an annuity granted after 20 years of service, or waiting to start receiving an annuity granted for 20 years of service. The benefit is only payable if there are no surviving spouses or children eligible for benefits.

Benefit 18% of the current salary attached to the rank at separation from service.

Payable until Death of the dependent parent.

DUTY DISABILITY BENEFIT

Eligibility Disabling condition incurred in the performance of duty.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Benefit 75% of salary at the time the disability is allowed plus \$100.00 per month for each unmarried child less than age 18, (total amount of child's benefits shall not exceed 25% of salary). Beginning January 1, 2000, after 7 years of payment, the benefit shall not be less than 60% of the current salary attached to the rank held by the policemen at the time of disability. Payable to employee's age 63 or by operation of law, whichever is later. Salary deductions are contributed by the City.

OCCUPATIONAL DISEASE DISABILITY BENEFIT

Eligibility Heart attack or any disability heart disease after 10 years of service.

Benefit 65% of salary attached to the rank held by the police officer at the time of his or her removal from the police department payroll with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under the age of 18 is entitled to a benefit of \$100 per month. This benefit is not terminated at age 18 if the child is then dependent by reason of physical or mental disability. Salary deductions are contributed by the City.

ORDINARY DISABILITY BENEFIT

Eligibility Disabling condition other than duty or occupational related.

Benefit 50% of salary at the time of injury, payable for a period not more than 25% of service (excluding any previous disability time) rendered prior to injury, nor more than 5 years. Disability shall cease at age 63. Salary deductions are contributed by the City.

DEATH BENEFIT

Eligibility Payable upon the death of a police officer whose death occurs while in active service; on authorized leave of absence; within 60 days of receipt of salary; while receiving duty or ordinary disability benefit; occurring within 60 days of termination of such benefit; or occurring on retirement while in receipt of annuity and separation was effective after 20 years of service. This benefit is payable to beneficiaries or, if none, to estate.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

Benefit

| <i>Death in Service:</i> | <u>AGE AT DEATH</u> | <u>BENEFIT</u> |
|--------------------------|---------------------|---|
| | 49 and under | \$12,000 |
| | 50-62 | \$12,000 less \$400 for each year by which age at death exceeds 49. |
| | 63 and Over | \$6,000 |

| <i>Death after Retirement:</i> | <u>AGE AT DEATH</u> | <u>BENEFIT</u> |
|--------------------------------|---------------------|----------------|
| | 50 and over | \$6,000 |

If death results from injury incurred in performance of duty before retirement on annuity, the benefit payable is \$12,000 regardless of the attained age.

**GROUP HEALTH
HOSPITAL AND
SURGICAL INSURANCE
PROGRAM**

The pension fund shall provide payments in the amount of \$95 per month for non-Medicare eligible city annuitants and \$65 per month for Medicare eligible city annuitants through June 30, 2013.

REFUNDS

| | |
|-----------------------------|--|
| Policemen | Without regard to service and under age 50, or with less than 10 years of service and under age 57 at withdrawal: a refund of all salary deductions together with 1.5% simple interest until the date of withdrawal. |
| For Spouse's Annuity | Upon retirement an unmarried policeman will receive a refund of contributions for spouse's annuity, accumulated at 3% compounded annually. |
| Of Remaining Amounts | If at death of a retired policeman the total member contributions paid while active exceed the total retirement benefits paid to date of death, the difference is payable. |

CONTRIBUTIONS

| | | |
|--------------------------|------------------|-----|
| Salary Deductions | Employee | 7 % |
| | Spouse | 1½% |
| | Annuity Increase | ½% |
| | | 9 % |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2012 (CONT'D)

| | | | |
|--|------------------|----------|-------------|
| City Contributions ¹ | Employee | 9-5/7% | |
| | Spouse | 2 % | |
| | Annuity Increase | 1/2% | Unallocated |
| | | 12-3/14% | |

¹ Credited to Participant's Accumulation Annuity and Widow's Annuity Account

In addition to the above contributions, a contribution is made to support the Death Benefit. Policemen contribute \$2.50 per month. City contributes a total of \$224,000 for all policemen.

The total City contribution is generated by a tax equal to double the contributions by the policemen to the Fund two years prior to the year of the tax levy.

**"PICK UP" OF
EMPLOYEE SALARY
DEDUCTIONS**

Beginning January 1, 1982, the employee contributions were "picked up" by the employer. The W-2 salary is therefore reduced by the amount of contribution. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is received. For the purpose of benefits, refunds or contributions, these contributions will be treated as employee contributions.

**SALARY CAP AND COLA DEVELOPMENT FOR MEMBERS HIRED ON OR AFTER
JANUARY 1, 2011**

| Year Ending | CPI-U | 1/2 CPI-U | COLA | Maximum Annual Pensionable Earnings |
|-------------|-------|-----------|-------|-------------------------------------|
| 2011 | | | 3.00% | \$106,800.00 |
| 2012 | 3.90% | 1.95% | 1.95% | \$108,882.60 |
| 2013 | 2.00% | 1.00% | 1.00% | \$109,971.43 |

APPENDIX 6

LEGISLATIVE CHANGES 1979 THROUGH 2012

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012

1979 Session

HB 2128

Refund repayment provided at least 3 years of service after reentry, surviving spouse may pay in the case of death of the employee.

HB 2012

Under IRS Code Section 414(h), employer may pick up the employee contributions for all compensation earned after December 31, 1981 by a reduction in the cash salary or an offset to a future salary increase or by a combination of both.

HB 2160

Duty disability benefit based on the salary when the benefit is payable in the case of a disabled policeman who returns to active service for a period of at least 2 years.

1980 Session

HB 3635

Reversed all changes made by HB 2012 and put the pick-up section as a new paragraph; they are treated as employee contributions for all purposes, including refunds and determination of the tax levy.

1981 Session

SB 21

Actuarial reporting standards.

SB 851

Authorizes investments in conventional mortgage pass-through securities.

SB 879

Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months; \$100 penalty per day if late.

SB 1126

Duty disability benefits based on salary at time disability is allowed; salary for policeman on leave of absence; definition of heart attack.

HB 291

Minimum survivor's annuity from \$200 to \$250.

Spring 1982 Session

SB 740

Minimum employee annuity from \$350 to \$400 effective July 1, 1982, for policemen who retired before September 1, 1976.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

SB 1127

3% post-retirement increase for employees born before January 1, 1930, without 30% maximum, effective January 1, 1983.

Group health hospital and surgical insurance premium \$55 for annuitant not qualified to receive Medicare; \$21 if annuitant is qualified, effective January 1, 1983.

SB 1147

Actuarial reporting to Insurance Department and Pension Laws Commission. Actuarial statements prepared by a qualified actuary for plan years ending after December 31, 1984, including actuarial present value of credited projected benefits.

SB 1579

Permitted investment list moved to general section of the statute. Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant.

Spring 1983 Session

SB 22

Delegation of investment authority restrictions.

HB 514

10% prudent person investment category.

HB 1412

Heart attack; need not result from an injury.

HB 1413

Wrongful death of a police officer bars benefit.

HB 1414

50/20 50%, plus 2% minimum formula; if retire in 1984 qualify with 52 and 22; in 1985, 51 and 21; in 1986 and after, 50 and 20.

HB 2003

Reversionary annuity. Securities lending.

City Ordinance

Changes compulsory retirement from 63 to 70.

1984 Court Decision

Kaner case awarding widow compensation annuity 75% of the salary attached to the civil service position that would have ordinarily have been paid to him as though he were in active discharge of his duties for widows of policemen who died a duty death after January 1, 1970.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

1984 Session

Illinois Public Employees' Pension Laws Commission abolished.

1985 Session

HB 1529

30% (of maximum first class patrolman salary) widow's benefit for death in service, with 1.5 years of service, eliminated the excess spouse refund.

40% (of policeman annuity at the time of death) widow's benefit for death after retirement (for retirements after January 1, 1986 only).

Death benefit increase: retirees \$2,250 to \$6,000, actives \$12,000 before 50 graded down to \$6,000.

Minimum widow pension from \$250 to \$325 under certain conditions.

3% increase for the closed group receiving 2%.

Widow compensation annuity for duty deaths after September 17, 1969.

1986 Session

HB 2630

Expands the widow compensation annuity category to include duty deaths after January 1, 1940.

1987 Session

HB 2715

Beginning January 1, 1988, 50% of employees' annuity at death for widows (present and future) whose spouse retired on or after January 1, 1986.

3% annual increase for life to all employee annuitants (present and future) born before 1940 instead of 1930.

1988 Session

No legislative changes.

1989 Session

SB 95

Signed August 23, 1989. Changed the amount of fund paid health insurance "supplement" from January 1, 1988, until December 31, 1992, to \$65 per month for each annuitant not qualified to receive Medicare benefits (and \$35 if qualified) and from January 1, 1995, until December 31, 1997, the amounts are \$75 and \$45, respectively. Widows will now be supplemented also. The City will be required to pay 50% of the aggregated cost of health care claims for the retired group under all health

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

care plans offered by the City. A procedure was established for the City to determine, with the help of an independent actuary, the aggregate cost of claims and premiums for each calendar year from 1989 through 1997 for the retired group.

\$150 to \$200 minimum widow's benefit.

Beginning January 1, 1990, minimum widow's annuity shall be \$400.

Transfer of credits to IMRF for a County Sheriff upon application and payment by the Fund.

HB 332

Signed August 23, 1989, age discrimination changes. Removed the age 63 limitations in determining benefits for money purchase employee and widow annuities, disability benefits and refunds. The change requires contributions (deductions from salary) and concurrent City contributions from January 1, 1988, until withdrawal but not for the period between the attainment of age 63 and January 1, 1988.

Allow transfer credits and creditable service under any other pension fund if police officer has 10 years of service and payment before January 1, 1990.

Provides for a transfer of credits to the Municipal Fund or State Fund of any police officer with at least 10 years of service.

1990 Session

SB 1951

Allows policemen to withdraw at age under 50 with at least 20 years of service to receive benefit based on minimum formula commencing at age 50.

Widows of active policemen receive benefit not less than 50% of annuity payable to the policeman had he retired on the date of death.

Compensation and supplemental widows' annuities do not cease upon remarriage.

1991 Session

HB 969

Increases the minimum monthly benefit to retirees who had at least 20 years of service prior to January 1, 1992 to \$650.

Increases the minimum monthly widow's annuity payable upon death after January 1, 1992 of:

- an active policeman with at least 10 years of service, or
- a policeman who had at least 20 years of service at withdrawal from the Fund to \$500.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

1992 Session

No legislative changes.

1993 Session

SB 1650

Increases the minimum monthly benefit to retirees who had at least 20 years of service prior to January 1, 1995 to \$750, and after January 1, 1995 to \$850.

Increases the minimum monthly widow's annuity payable upon death after January 1, 1995 of:

- an active policeman with at least 10 years of service; or
- a policeman who had at least 20 years of service at withdrawal from the Fund to \$600, and after January 1, 1995 to \$700.

1994 Session

No legislative changes.

1995 Session

SB 99

Beginning January 1, 1996, supplemental annuity changed to the difference between the annuity for the widow and an amount equal to 50% of the annual salary (including all salary increases and longevity raises) the policeman would have been receiving when he attained age 63 if the policeman had continued in service at the same rank (whether career service or exempt) that he last held in the police department.

Beginning January 1, 1996, duty disability minimum benefit is stated such that after 10 years of payment the benefit shall not be less than 50% of the current salary attached to the rank held by the policeman at the time of removal from police department payroll.

An occupational disease disability benefit has been added for any policeman with at least 10 years of service who suffers a heart attack or any other disability heart disease. The benefit shall be 65% of salary attached to the rank held by the officer at the time of his or her removal from the police department payroll, with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under age 18 is entitled to a benefit of \$50 per month. This benefit is not terminated at age 18 if child is then dependent by reason of a physical or mental disability.

Beginning January 1, 1996, the age of the commencement of automatic increases in annuities has been lowered to age 55 for policemen born on or after January 1, 1940, but before January 1, 1945. Any policemen born before January 1, 1945, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increases before January 1, 1996, will receive the initial increase on (1) January 1, 1996, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

Beginning January 1, 1996, the minimum monthly widow's annuity payable upon death increases to \$700.00 for all widow's not previously eligible for the minimum.

1996 Session

SB 1456

Effective August 9, 1996, a parent's annuity equal to 18% of the current salary attached to the rank at separation from service will be provided to each of the natural parents of a police officer who dies under certain conditions. Those conditions include: death in active service, while receiving a disability benefit, during leave of absences, or after 20 years of service and eligible or receiving an annuity. The benefit is payable only if there are no surviving spouse or children eligible for benefits.

1997 Session

PA 90-551

Effective December 12, 1997, the law was amended to include on prospective basis duty availability in the definition of salary. The law also allows policemen who retired or were at least age 50 and had at least 20 years of service between July 1, 1994, and December 31, 1997, to count duty availability pay in the calculation of final average salary. In order for this to happen, the policemen must elect to do so and must contribute the employee contributions (9%) without interest from the duty availability pay that is to be considered in the final average salary calculation.

Effective June 27, 1997, PA 90-0031 was enacted. This law extends the hospitalization plan through June 30, 2002, for annuitants and their eligible dependents.

Effective July 1, 1997, PA 89-643 was amended. This provision extended the parent's annuity eligibility to apply to dependent parents of police officers who died prior to August 9, 1996.

1998 Session

PA 90-0766

Effective August 16, 1998, this law increased the minimum monthly widow's annuity payable from \$700.00 to \$800.00 effective January 1, 2012. This law also increased the earnings limit maximum for those receiving disability benefits such that the sum of the disability benefit and outside compensation may be up to 150% of the rate of salary which the participant would be receiving if working in his regularly appointed civil service position as a policeman.

2000 Session

In 2000 the City of Chicago has enacted mandatory retirement for Policemen upon attainment of age 63.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

2001 Session

PA92-0052

Effective July 12, 2001.

Beginning on January 1, 2000, the minimum duty disability after 7 years of payment shall be 60% of the current salary attached to the rank held by the policeman at the time of removal from police department payroll. If the Board finds that the disability permanently renders the policeman totally disabled for any service of a remunerative character, the minimum disability benefit shall be 75% of the current salary attached to the rank held by the policeman at the time of removal from payroll.

The child's benefit for both duty disability and occupational disease disability was increased to \$100 per month.

The law removed the earnings limit of 150% of regular salary to be eligible to receive disability benefits.

With effect from January 1, 2000, the age of the commencement of the automatic 3% increases in annuities has been lowered to age 55 for policemen born on or after January 1, 1945, but before January 1, 1950. Any policeman born before January 1, 1950, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increase before January 1, 2000, will receive the initial increase at the latest of (1) January 1, 2000, (2) the first anniversary of the date of retirement, or (3) attainment of age 55.

2002 Session

HB 5168

- Effective June 28, 2002.
- A police officer who is required to withdraw from service due to attainment of mandatory retirement age and who has less than 20 years of service credit, may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post-retirement increases.
- The supplemental annuity payable to the widow of an officer on account of a duty-related death is increased to the difference between the money purchase annuity for the spouse and 75% (previously 50%) of the annual salary the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.
- The pension fund subsidy for retiree health insurance was extended through June 30, 2003. For annuitants (other than child annuitants) taking the employer-provided plan, the subsidy is \$75 per month if the annuitant is not eligible for Medicare and \$45 per month if the annuitant is eligible for Medicare.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

2003 Session

SB 1701

- Effective July 1, 2003.
- The healthcare benefits were increased to \$85 per month for non-Medicare eligible participants and \$55 per month for Medicare eligible participants for the period from July 1, 2003, through June 30, 2008. Thereafter, the benefits are increased from \$85 to \$95 and \$55 to \$65 for the period July 1, 2008, to June 30, 2013.
- The healthcare benefits referred to above are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

2004 Session

PA 93-0654

- Effective January 16, 2004.
- The minimum annuity formula accrual rate for service after 20 years was increased from 2.0% to 2.5% with total benefits limited to 75% of final average pay.
- The minimum benefit for age-service retirements was increased to \$950 per month during 2004 and \$1,050 per month thereafter.
- The minimum widow annuity was increased to \$900 per month during 2004 and \$1,000 per month thereafter.

2005 Session

PA 94-0624

- Effective August 18, 2005.
- Beginning January 1, 2000, removes the limitation for maintaining benefits for non-civil service positions when assigned within three years of retirement for non-civil service positions with the title of Captain.

HB 1009

- Effective January 1, 2005, any policeman born after January 1, 1950, but before January 1, 1955 shall receive a benefit increase of 3% compounded annually. Any policeman born before January 1, 1955, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increase before January 1, 2005, will receive the initial increase at the latest of (1) January 1, 2005, (2) the first anniversary of the date of retirement, or (3) attainment of age 55.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

SB 23

- Approved June 27, 2005.
- Prohibits the investment or deposit from the retirement system or pension fund to certain entities doing business in or with the government of the Republic of the Sudan. Fund managing companies must certify that under Section 1-110.5 of the pension code that they have not loaned to, invested in, or otherwise transferred any of the pension fund assets to a forbidden entity.

SB 1446

- Approved August 22, 2005.
- Provides for various changes in provisions and procedures concerning Qualified Illinois Domestic Relations Orders. Allows for alternate payee's benefit to be based on a percentage of employee's benefit. Effective July 1, 2006.

2006 Session

No legislative changes.

2007 Session

PA 95-0279

- Effective January 1, 2008.
- Removes restriction that a child be born or legally adopted before withdrawal from service for a child's annuity. Removes restriction requiring that adoption proceedings must have been initiated 6 months prior to the policeman's death.

PA 95-0504

- Effective August 28, 2007.
- Beginning on the effective date, a widow's annuity shall no longer be subject to termination or suspension due to remarriage. Any widow's annuities previously terminated or suspended due to remarriage shall be resumed upon application, but the resumption shall not be retroactive.
- At the discretion of the Board, a widow's annuity may be granted to a widow who was denied a benefit for having been married less than one year at the time of the member's death.
- Removes age limitation on child's annuity for children who are so physically or mentally handicapped as to be unable to support themselves.

2008 Session

No legislative changes.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

2009 Session

P.A. 95 -1036

- Effective February 17, 2009.

- For purposes of tax levy, contributions by the policeman to the Fund shall not include payments made by a policeman to establish credit under Section 5-214.2.

- An officer with prior service credit under article 3,7,9,10,13,14,15 Funds may transfer up to 10 years of service in 6 month increments provided the transfer of service results in no increase to the unfunded actuarial accrued liability of the Fund.

PA 96-0006

- Effective April 3, 2009.

- The Illinois Governmental Ethics Act.

P.A. 96 -285

- Effective August 11, 2009.

- Extends PA 95-1036 service purchase eligibility to include members of article 8 Funds and law enforcement officers with any agency of the United States Government.

P.A. 96 -727

- Effective August 25, 2009.

- Allows an officer with at least 10 years of PABF service to transfer up to 48 months of eligible service as a County Correctional Officer. The officer is required to pay to the Fund the difference between contributions transferred by the County on behalf of the officer and the amount of employee and employer contributions that would have been contributed had the officer been a member of this Fund plus interest at the actuarially assumed rate.

P.A. 96 -745

- Effective August 25, 2009.

- Transfer of service to Article 14 (State Employees' Retirement System) now includes investigators for the Office of the Attorney General and investigators for

- The Department of Revenue. Interest on the repayment of refund is changed from 6% to the actuarially assumed rate.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

PA 96-753

- Effective August 25, 2009.

- Encourages the public pension funds, and any State entity investing on behalf of the public pension funds, to promote the economy of Illinois through the use of economic opportunity investments.

- Instructs the fund's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

2010 Session

P.A. 96-1260

- Effective July 23, 2010.

- A policeman may purchase benefit service for all periods of service in the military before beginning service as an active policeman. The total amount of such service shall not exceed 2 years.

PA 96-1495 (HB 3538)

- Effective January 1, 2011.

- Changes the financing for the Fund. Assets are marked to market at March 30, 2011. For fiscal years ending after March 30, 2011, the actuarial value of assets is based on a five-year smoothing of investment gains and losses incurred in fiscal years ending after March 30, 2011. The City levies a new tax starting in FY2015. Each year, employer contributions combined with member contributions and other fund revenue must be equal to the amount that is sufficient to produce 90% funding by the end of fiscal year 2040. The projections are based on an open group projection and level percent of pay financing and actuarial liabilities are based on the projected unit credit cost method. If the City does not make the statutorily required contributions, then the State, starting in FY 2016, could withhold State grants to the City, and directly deposit the withheld funds into the PABF. The withheld funds are limited to 33 percent of total State grants to the City in FY 2016, 67 percent in FY 2017, and 100 percent on and after FY 2018.

- Changes benefits for members hired on or after January 1, 2011. For these employees the minimum retirement eligibility is at age 55 with 10 years of service with the annuity based on an accrual rate of 2.5 percent, subject to a maximum of 75 percent. Employees may retire at age 50 with 10 years of service with the annuity based on accrual rate of 2.5 percent, reduced by one half of one percent per month for retirement prior to age 55, subject to a maximum of 75 percent. The final average salary is based on 96 consecutive months within the last 120 months. Annual salary is capped at \$106,800, indexed annually at the lesser of 3.0 percent and fifty percent of CPI-U. COLA is equal to the lesser of 3.0 percent and 50 percent of CPI-U, commencing at age 60, with no 30% cap, applied to the original granted retirement annuity. Widow benefits are 66-2/3 percent of the policemen's earned annuity at the date of death.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

Widow COLA is equal to the lesser of 3.0 percent and 50 percent of CPI-U, commencing when the survivor reached age 60, and applied to the original granted retirement annuity.

2011 Session

P.A. 97-326 (HB 1872)

- Effective August 12, 2011.

- A policeman may transfer up to 10 years of credible service to a fund covered under Article 3. PABF will pay the Article 3 fund an amount consisting of (1) the amounts credited to the applicant through employee contributions, plus accumulated interest plus (2) an amount representing municipality contributions equal to the amount determined in (1) plus (3) any interest paid to PABF in order to reinstate credits and credible service.

- A policeman may reinstate credits and credible service that was terminated upon receipt of a refund, by paying the Fund the amount of the refund plus interest thereon at the actuarially assumed rate, compounded annually, from the date of the refund to the date of the payment.

P.A. 97-344 (HB 3376)

- Effective August 12, 2011.

- Makes changes concerning annual increases to the monthly annuities of persons who first become a policeman on or after January 1, 2011 and deletes repetitive language concerning annual increases in survivor's annuities for Tier 2.

P.A. 97-530 (SB 1672)

- Effective August 23, 2011.

- Requires all pension funds and retirement systems subject to the Code to comply with the federal Heroes Earnings Assistance and Relief Tax Act of 2008.

P.A. 97-609 (SB 1831)

- Effective August 26, 2011.

- Applies to those members hired on or after January 1, 2012.
 - Provides that if a new hire is receiving a retirement annuity or pension and accepts a contractual position to provide services to a governmental entity from which he or she has retired, then that person's annuity or pension will be suspended during that contractual service.

 - Makes it a Class A misdemeanor for a pensioner who is seeking contractual employment to fail to notify certain persons about his or her retirement status before accepting an employment contract.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO LEGISLATIVE CHANGES 1979 THROUGH 2012 (CONT'D)

P.A. 97-504 (HB 1670)

- Approved August 23, 2011.
- Amends the Open Meetings Act.
 - Requires each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
 - Requires those members to complete the training not later than one year after the effective date of the amendatory Act.
 - Requires each elected or appointed member of a public body subject to the Act who becomes such a member after the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
 - Requires those members to complete the training not later than the 90th day after the date the member either (i) takes the oath of office, if the member is required to take an oath of office to assume the person's duties as a member of the public body or (ii) otherwise assumes responsibilities as a member of the public body, if the member is not required to take an oath of office to assume the person's duties as a member of the governmental body.
 - Requires each member who successfully completes the curriculum to file a copy of the certificate of completion with the public body.
 - Provides that the failure of one or more members of a public body to complete the training required by this Section does not affect the validity of an action taken by the public body.
 - Provides that an elected or appointed member of a public body subject to this Act who has successfully completed the required training and filed a copy of the certificate of completion with the public body is not required to subsequently complete that training.

2012 Session

P.A. 97-0651

- Approved and effective January 5, 2012.
- Requires any reasonable suspicion of fraud against the Fund to be reported to the State's Attorney for investigation.
- Changes provisions for Union Leaves of Absence.

P.A. 97-813

- Effective July 13, 2012.
- Clarifies provisions of widow's annuity.

APPENDIX 7

ADDITIONAL EXHIBITS – GASB DISCLOSURES

EXHIBIT A-1
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
GASB #25, #27, #43, AND #45 DISCLOSURES

The Governmental Accounting Standards Board (GASB) has adopted Statement #25, changing the way in which governmental retirement systems must report financial information. GASB #25 is effective for Fund and City reporting in 1997.

The GASB has also issued Statements #43 and #45, changing the way in which governmental retirement systems and governmental employers report financial information for other postemployment benefits (OPEB). GASB #43 is effective for the fund in fiscal year 2006 and GASB #45 is effective for the City in fiscal year 2007.

This report includes the following Exhibits with information required to be reported under GASB #25, #27, #43, and #45. This report includes the following exhibits with information required to be reported under GASB #25, #27, #43 and #45. GASB has released GASB #67 and GASB #68 which replace Statements #25 and #27 and significantly change the calculations of the unfunded liability, annual pension expense, and employer's balance sheet liability. However, GASB #67 is first effective with fiscal year ending December 31, 2014, and GASB #68 is first effective with fiscal year ending December 31, 2015. Therefore, the information presented in this report is based on the current GASB #25 and #27 requirements. **This information is presented in draft form for review. Please let us know if there are any changes so that we may maintain consistency with the financial statements.**

Exhibit A-2: Schedule of Funding Progress for GASB #25

This exhibit shows a 15-year history of funding progress. The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-3: Schedule of Employer Contributions for GASB #25

This exhibit shows the Annual Required Contribution (ARC) as computed under GASB #25 and the percent of this amount actually received. This exhibit shows a 16-year history.

Exhibit A-4: Supplementary Information for GASB #25/27

This exhibit has certain information required in the notes to the Fund's financial reports.

Exhibit A-5: Annual Pension Cost and Contributions Made for GASB #27

This exhibit shows the components of annual pension cost (ARC, interest on the Net Pension Obligation (NPO), and the adjustment to the ARC), increase or decrease in the NPO and the NPO at the end of the year. The exhibit also includes the dollar amount of contributions made.

Exhibit A-6: Pension Cost Summary for GASB #27

This exhibit has a 15-year summary of annual pension cost; percentage of annual pension cost contributed that year and NPO at the end of the year.

EXHIBIT A-1 (CONT'D)
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
GASB #25, #27, #43, AND #45 DISCLOSURES

Exhibit A-7: Development of Net Pension Obligation (NPO) for GASB #27

This exhibit documents the 25-year summary of the calculation of the net pension obligations under GASB #27.

Exhibit A-8: Schedule of Funding Progress for GASB #43

The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-9: Schedule of Employer Contributions for GASB #43

This exhibit compares the Annual Required Contribution (ARC) as computed under GASB #43 with the amount actually received.

Exhibit A-10: Supplementary Information for GASB #43

This exhibit has certain information required in the notes to the Fund's financial reports.

Exhibit A-11: Annual OPEB Cost and Contributions Made for GASB #45 for 2012

This exhibit shows the components of annual OPEB cost (ARC, interest on the Net OPEB Obligation (NOO), and the adjustment to the ARC), increase or decrease in the NOO and the NOO at the end of the year. The exhibit also includes the dollar amount of contributions made.

Exhibit A-12: Pension Cost Summary for GASB #45

This exhibit has a six-year summary of annual OPEB cost; percentage of annual OPEB cost contributed that year and NOO at the end of the year.

EXHIBIT A-2
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF FUNDING PROGRESS FOR GASB #25

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) ¹ | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|--|---|--|-----------------------------------|------------------------------------|--|
| 12/31/1998 | \$ 3,249,729,847 | \$ 5,158,196,219 | \$ 1,908,466,372 | 63.00% | \$ 736,401,756 | 259.16% |
| 12/31/1999 | 3,685,681,671 | 5,394,872,218 | 1,709,190,547 | 68.32% | 755,303,667 | 226.29% |
| 12/31/2000 | 4,019,467,561 | 5,652,030,658 | 1,632,563,097 | 71.12% | 759,343,026 | 215.00% |
| 12/31/2001 | 4,183,796,025 | 5,932,510,629 | 1,748,714,604 | 70.52% | 763,352,475 | 229.08% |
| 12/31/2002 | 4,124,579,960 | 6,384,845,959 | 2,260,265,999 | 64.60% | 866,531,789 | 260.84% |
| 12/31/2003 | 4,039,695,590 | 6,581,433,250 | 2,541,737,660 | 61.38% | 887,555,791 | 286.37% |
| 12/31/2004 | 3,933,031,342 | 7,034,271,474 | 3,101,240,132 | 55.91% | 874,301,958 | 354.71% |
| 12/31/2005 | 3,914,431,654 | 7,722,737,147 | 3,808,305,493 | 50.69% | 948,973,732 | 401.31% |
| 12/31/2006 | 3,997,990,919 | 7,939,561,277 | 3,941,570,358 | 50.36% | 1,012,983,634 | 389.11% |
| 12/31/2007 | 4,231,681,817 | 8,220,352,638 | 3,988,670,821 | 51.48% | 1,038,957,026 | 383.91% |
| 12/31/2008 | 4,093,719,894 | 8,482,574,033 | 4,388,854,139 | 48.26% | 1,023,580,667 | 428.77% |
| 12/31/2009 | 3,884,978,241 | 8,736,101,666 | 4,851,123,425 | 44.47% | 1,011,205,359 | 479.74% |
| 12/31/2010 | 3,718,954,539 | 9,210,056,428 | 5,491,101,889 | 40.38% | 1,048,084,301 | 523.92% |
| 12/31/2011 | 3,444,690,362 | 9,522,395,036 | 6,077,704,674 | 36.17% | 1,034,403,526 | 587.56% |
| 12/31/2012 | 3,148,929,770 | 10,051,827,391 | 6,902,897,621 | 31.33% | 1,015,170,686 | 679.97% |

¹ Actuarial liability excludes OPEB benefits as of December 31, 2006.

EXHIBIT A-3
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB #25

| For Year Ending December 31 | Annual Required Contribution | Actual Employer Contribution | Percentage Contributed |
|--|---|---|-----------------------------------|
| 1998 | \$105,484,624 | \$118,867,416 | 112.69% |
| 1999 | 133,535,979 | 125,281,970 | 93.82% |
| 2000 | 125,129,864 | 139,481,871 | 111.47% |
| 2001 | 123,201,657 | 139,675,766 | 113.37% |
| 2002 | 130,237,405 | 141,989,027 | 109.02% |
| 2003 | 181,545,562 | 140,807,354 | 77.56% |
| 2004 | 203,757,534 | 135,744,173 | 66.62% |
| 2005 | 238,423,459 | 178,278,371 | 74.77% |
| 2006 ¹ | 262,657,025 | 150,717,705 | 57.38% |
| 2007 | 312,726,608 | 170,598,268 | 54.55% |
| 2008 | 318,234,870 | 172,835,805 | 54.31% |
| 2009 | 339,488,187 | 172,043,784 | 50.68% |
| 2010 | 363,624,570 | 174,500,507 | 47.99% |
| 2011 | 402,751,961 | 174,034,600 | 43.21% |
| 2012 | 431,010,173 | 197,885,552 | 45.91% |
| 2013 | 474,177,604 | TBD | TBD |

¹ Starting with fiscal year 2006, GASB #25 disclosure includes pension benefits only. The retiree healthcare supplement will be recognized under GASB #43 disclosure.

EXHIBIT A-4
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUPPLEMENTARY INFORMATION FOR GASB #25/27

The information presented in the required Supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|--|--|
| Valuation Date | December 31, 2012 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | 5-year smoothed market |
| Amortization Method | Level percent open |
| Remaining Amortization Period | 30 years |
| Actuarial Assumptions: | |
| Pension Investment Rate of Return | 7.75%, December 31, 2012 8.00%, December 31, 2011 |
| General Inflation | 3.00% |
| Projected Salary Increases | 4.00% per year, plus additional percentage related to service. |
| Cost-of-Living Allowance | For members hired before January 1, 2011: 3.00% (1.50% for retirees born after January 1, 1955) For members hired on or after January 1, 2011: ½ CPI, max 3.00%; assumed rate of 1.5% |

| | 2011 ¹ | 2012 ¹ |
|---|-------------------|-------------------|
| Payable to Retirees, Beneficiaries, and Inactives | \$5,961,518,390 | \$ 6,428,152,427 |
| Current Employees: | | |
| Accumulated Employee Contributions Including Statutory Interest | 1,286,345,939 | 1,309,825,828 |
| Payable to Vested and Non-Vested Employees | 2,274,530,707 | 2,313,849,136 |
| Total Actuarial Accrued Liability | \$9,522,395,036 | \$10,051,827,391 |
| Net Plan Actuarial Assets | 3,444,690,362 | 3,148,929,770 |
| Unfunded AAL (assets in excess of AAL) | \$6,077,704,674 | \$ 6,902,897,621 |
| Percent Funded | 36.17% | 31.33% |
| Unfunded AAL as Percent of Payroll | 587.56% | 679.97% |
| Payroll | \$1,034,403,526 | \$ 1,015,170,686 |

¹ Excludes liabilities for retiree healthcare subsidy.

EXHIBIT A-5
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ANNUAL PENSION COST AND CONTRIBUTIONS MADE FOR GASB #27

Contribution Rates

| | |
|------|---|
| City | Proceeds from a tax levy not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 2.00. |
|------|---|

| | |
|--------------|------|
| Plan Members | 9.0% |
|--------------|------|

Annual Pension Cost for 2012

| | |
|------------------------------------|----------------------|
| Annual Required Contribution (ARC) | \$431,010,173 |
| Interest on Net Pension Obligation | 165,221,297 |
| Adjustment to ARC | <u>(112,872,393)</u> |
| Total | \$483,359,077 |

| | |
|-----------------------------------|----------------------------|
| Contributions Made in 2012 | \$197,885,552 ¹ |
|-----------------------------------|----------------------------|

Net Pension Obligation (NPO):

| | |
|----------------------------|--------------------|
| NPO at 12/31/2011 | \$2,065,266,212 |
| Increase/(Decrease) in NPO | <u>285,473,525</u> |
| NPO at 12/31/2012 | \$2,350,739,737 |

| | |
|--|---------------|
| Pension Liability at Transition (January 1, 1997) | \$566,107,984 |
|--|---------------|

¹ Includes miscellaneous revenue.

EXHIBIT A-6
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
PENSION COST SUMMARY FOR GASB #27

| Year Ended December 31 | Annual Pension Cost | % of Annual Pension Cost Contributed | Net Pension Obligation |
|-----------------------------------|------------------------------------|---|---------------------------------------|
| 1998 | \$124,458,001 | 95.51% | \$590,179,285 |
| 1999 | 152,690,804 | 82.05 | 617,588,119 |
| 2000 | 145,174,269 | 96.08 | 623,280,517 |
| 2001 | 143,430,813 | 97.38 | 627,035,564 |
| 2002 | 150,588,435 | 94.29 | 635,634,972 |
| 2003 | 202,175,694 | 69.65 | 697,003,312 |
| 2004 | 226,379,433 | 59.96 | 787,638,572 |
| 2005 | 263,987,011 | 67.53 | 873,347,212 |
| 2006 | 302,556,587 | 52.47 | 1,017,144,522 |
| 2007 ¹ | 338,508,467 | 50.40 | 1,185,054,721 |
| 2008 | 348,272,798 | 49.63 | 1,360,491,714 |
| 2009 | 373,972,967 | 46.00 | 1,562,420,897 |
| 2010 | 403,227,708 | 43.28 | 1,791,148,098 |
| 2011 | 448,152,714 | 38.83 | 2,065,266,212 |
| 2012 | 483,359,077 | 40.94 | 2,350,739,737 |

¹ Annual pension cost for fiscal years on and after 2007 excludes OPEB which are recognized in GASB 45 accounting.

EXHIBIT A-7
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27 PRIOR TO JANUARY 1, 1997

| Year Ending December 31 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Assumptions and Method | | | | | | | | | | |
| Interest Rate | 7.5% | 7.5% | 7.5% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Amortization Period (years) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Cost Method | EAN | EAN | EAN | EAN | EAN | EAN | EAN | EAN | EAN | EAN |
| Actuarially Determined Contribution (ADC) | | | | | | | | | | |
| Normal Cost | \$ 88,600,984 | \$90,317,357 | \$90,506,052 | \$79,153,328 | \$67,782,578 | \$78,695,560 | \$66,329,000 | \$68,617,000 | \$72,637,000 | \$76,463,000 |
| Interest on Unfunded | 89,867,346 | 92,162,828 | 93,180,094 | 88,948,163 | 110,558,088 | 126,460,879 | 120,691,562 | 132,733,871 | 144,248,034 | 150,876,009 |
| Total ADC | \$178,468,330 | \$182,480,185 | \$183,686,146 | \$168,101,491 | \$178,340,666 | \$205,156,439 | \$187,020,562 | \$201,350,871 | \$216,885,034 | \$227,339,009 |
| Interest on NPO | - | 5,194,794 | 10,671,277 | 16,254,357 | 19,887,447 | 23,818,783 | 29,389,826 | 32,880,844 | 36,612,931 | 40,614,169 |
| Adjustment to ADC | - | (4,758,157) | (11,443,199) | (17,430,139) | (21,421,034) | (25,657,792) | (31,714,118) | (35,473,365) | (39,495,803) | (43,810,319) |
| Annual Pension Cost | \$178,468,330 | \$182,916,822 | \$182,914,224 | \$166,925,709 | \$176,807,079 | \$203,317,430 | \$184,696,270 | \$198,758,350 | \$214,002,162 | \$224,142,859 |
| Net Pension Obligations (NPO) | | | | | | | | | | |
| NPO at Beginning of Year | \$ - | \$69,263,914 | \$142,283,691 | \$203,179,467 | \$248,593,093 | \$297,734,789 | \$367,372,826 | \$411,010,553 | \$457,661,636 | \$507,677,114 |
| Annual Pension Cost | 178,468,330 | 182,916,822 | 182,914,224 | 166,925,709 | 176,807,079 | 203,317,430 | 184,696,270 | 198,758,350 | 214,002,162 | 224,142,859 |
| Total Contributions | (109,204,416) | (109,897,045) | (122,018,448) | (121,512,083) | (127,665,383) | (133,679,393) | (141,058,542) | (152,107,267) | (163,986,684) | (165,711,990) |
| NPO at End of Year | \$ 69,263,914 | \$142,283,691 | \$203,179,467 | \$248,593,093 | \$297,734,789 | \$367,372,826 | \$411,010,553 | \$457,661,636 | \$507,677,114 | \$566,107,984 |

EXHIBIT A-7 (CONT'D)
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27 AFTER JANUARY 1, 1997

| Year Ending December 31: Assumptions and Method | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Interest Rate | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Salary Scale | 4.5% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Amortization Period (years) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Cost Method | EAN | EAN | EAN | EAN | EAN | EAN | EAN | EAN |
| Annual Pension Cost | | | | | | | | |
| Annual Required Contribution (ARC) | \$107,607,525 | \$105,484,624 | \$133,535,979 | \$125,129,864 | \$123,201,657 | \$130,237,405 | \$181,545,562 | \$203,757,534 |
| Interest on Net Pension Obligation | 45,288,639 | 46,767,096 | 47,214,343 | 49,407,050 | 49,862,441 | 50,162,845 | 50,850,798 | 55,760,265 |
| Adjustment to ARC | (25,053,818) | (27,793,719) | (28,059,518) | (29,362,645) | (29,633,285) | (29,811,815) | (30,220,666) | (33,138,366) |
| Total | \$127,842,346 | \$124,458,001 | \$152,690,804 | \$145,174,269 | \$143,430,813 | \$150,588,435 | \$202,175,694 | \$226,379,433 |
| Net Pension Obligations (NPO) | | | | | | | | |
| NPO at Beginning of Year | \$566,107,984 | \$584,588,700 | \$590,179,285 | \$617,588,119 | \$623,280,517 | \$627,035,564 | \$635,634,972 | \$697,003,312 |
| Annual Pension Cost | 127,842,346 | 124,458,001 | 152,690,804 | 145,174,269 | 143,430,813 | 150,588,435 | 202,175,694 | 226,379,433 |
| Total Contributions | (109,361,629) | (118,867,416) | (125,281,970) | (139,481,871) | (139,675,766) | (141,989,027) | (140,807,354) | (135,744,173) |
| NPO at End of Year | \$584,588,700 | \$590,179,285 | \$617,588,119 | \$623,280,517 | \$627,035,564 | \$635,634,972 | \$697,003,312 | \$787,638,572 |

EXHIBIT A-7 (CONT'D)
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27 AFTER JANUARY 1, 1997

| Year Ending December 31: Assumptions and Method | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest Rate | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.00% |
| Salary Scale | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Amortization Period (years) | 40 | 40 | 30 | 30 | 30 | 30 | 30 | 30 |
| Cost Method | EAN | EAN | EAN | EAN | EAN | EAN | EAN | EAN |
| Annual Pension Cost | | | | | | | | |
| Annual Required Contribution (ARC) | \$238,423,459 | \$273,733,047 | \$312,726,608 | \$318,234,870 | \$339,488,187 | \$363,624,570 | \$402,751,961 | \$431,010,173 |
| Interest on Net Pension Obligation | 63,011,086 | 69,867,777 | 81,371,562 | 94,804,378 | 108,839,337 | 124,993,672 | 143,291,848 | 165,221,297 |
| Adjustment to ARC | (37,447,534) | (41,044,237) | (55,589,703) | (64,766,450) | (74,354,557) | (85,390,534) | (97,891,095) | (112,872,393) |
| Total | \$263,987,011 | \$302,556,587 | \$338,508,467 | \$348,272,798 | \$373,972,967 | \$403,227,708 | \$448,152,714 | \$483,359,077 |
| Net Pension Obligations (NPO) | | | | | | | | |
| NPO at Beginning of Year | \$787,638,572 | \$873,347,212 | \$1,017,144,522 | \$1,185,054,721 | \$1,360,491,714 | \$1,562,420,897 | \$1,791,148,098 | \$2,065,266,212 |
| Annual Pension Cost | 263,987,011 | 302,556,587 | 338,508,467 | 348,272,798 | 373,972,967 | 403,227,708 | 448,152,714 | 483,359,077 |
| Total Contributions | (178,278,371) | (158,759,277) | (170,598,268) | (172,835,805) | (172,043,784) | (174,500,507) | (174,034,600) | (197,885,552) |
| NPO at End of Year | \$873,347,212 | \$1,017,144,522 | \$1,185,054,721 | \$1,360,491,714 | \$1,562,420,897 | \$1,791,148,098 | \$2,065,266,212 | \$2,350,739,737 |

¹ 8.0% for Pension and 4.5% for OPEB, beginning with fiscal year 2006.

² 40 years for Pension and 30 years for OPEB for fiscal year 2006.

³ Annual Pension Cost for fiscal years on and after 2007 excludes OPEB which are recognized in GASB 45 accounting.

EXHIBIT A-8
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF FUNDING PROGRESS FOR GASB #43

| 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) |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 12/31/2005 | \$ 0 | \$ 176,117,539 | \$ 176,117,539 | 0.00% | \$ 948,973,732 | 18.56% |
| 12/31/2006 | 0 | 176,981,897 | 176,981,897 | 0.00% | 1,012,983,634 | 17.47% |
| 12/31/2007 | 0 | 179,039,841 | 179,039,841 | 0.00% | 1,038,957,026 | 17.23% |
| 12/31/2008 | 0 | 169,972,156 | 169,972,156 | 0.00% | 1,023,580,667 | 16.61% |
| 12/31/2009 | 0 | 164,799,819 | 164,799,819 | 0.00% | 1,011,205,359 | 16.30% |
| 12/31/2010 | 0 | 164,796,449 | 164,796,449 | 0.00% | 1,048,084,301 | 15.72% |
| 12/31/2011 | 0 | 165,954,869 | 165,954,869 | 0.00% | 1,034,403,526 | 16.04% |
| 12/31/2012 | 0 | 168,811,118 | 168,811,118 | 0.00% | 1,015,170,686 | 16.63% |

EXHIBIT A-9
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB #43

| For Year Ending December 31 | Annual Required Contribution | Actual Employer Contribution | Percentage Contributed |
|--|---|---|-----------------------------------|
| 2006 | \$11,076,022 | \$8,041,573 | 72.60% |
| 2007 | 11,220,081 | 8,107,708 | 72.26% |
| 2008 | 11,348,959 | 8,850,186 | 77.98% |
| 2009 | 11,810,766 | 9,266,431 | 78.46% |
| 2010 | 10,659,006 | 9,354,163 | 87.76% |
| 2011 | 10,538,116 | 9,591,394 | 91.02% |
| 2012 | 10,473,478 | 9,765,686 | 93.24% |
| 2013 | 10,429,882 | TBD | TBD |

EXHIBIT A-10
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUPPLEMENTARY INFORMATION FOR GASB #43

The information presented in the required Supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---------------------------------------|--|
| Valuation Date | December 31, 2012 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Value of Assets | No assets (Pay-as-you-go) |
| Amortization Method | Level percent open |
| Remaining Amortization Period | 30 years |
| Actuarial Assumptions: | |
| OPEB Investment Rate of Return | 4.50% |
| General Inflation | 3.00% |
| Projected Salary Increases | 4.00% per year, plus additional percentage related to service. |
| Healthcare Cost Trend Rate | 0.00% ¹ |

| | 2011 | 2012 |
|---|-----------------|-----------------|
| Payable to Retirees, Beneficiaries, and Inactives | \$ 108,022,235 | \$ 112,070,287 |
| Current Employees: | | |
| Accumulated Employee Contributions Including Statutory Interest | - | - |
| Payable to Vested and Non-Vested Employees | 57,932,634 | 56,740,831 |
| Total Actuarial Accrued Liability | \$ 165,954,869 | \$ 168,811,118 |
| Net Plan Actuarial Assets | - | - |
| Unfunded AAL (assets in excess of AAL) | \$ 165,954,869 | \$ 168,811,118 |
| Percent Funded | 0.00% | 0.00% |
| Unfunded AAL as Percent of Payroll | 16.04% | 16.63% |
| Payroll | \$1,034,403,526 | \$1,015,170,686 |

¹ Trend not applicable - Fixed dollar subsidy.

EXHIBIT A-11
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ANNUAL OPEB COST AND CONTRIBUTIONS
MADE FOR GASB #45 FOR 2012

Contribution Rates

| | |
|--------------|---------------|
| City | Pay-as-you-go |
| Plan Members | None |

Annual OPEB Cost for 2012

| | |
|------------------------------------|------------------|
| Annual Required Contribution (ARC) | \$ 10,473,478 |
| Interest on Net OPEB Obligation | 479,448 |
| Adjustment to ARC | <u>(380,397)</u> |
| Total | \$ 10,572,529 |

Contributions Made in 2012

\$ 9,765,686

Net OPEB Obligation (NOO):

| | |
|----------------------------|----------------|
| NOO at 12/31/2011 | \$ 10,654,411 |
| Increase/(Decrease) in NOO | <u>806,843</u> |
| NOO at 12/31/2012 | \$ 11,461,254 |

EXHIBIT A-12
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
OPEB COST SUMMARY FOR GASB #45

| Year Ended December 31 | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-----------------------------------|---------------------------------|--|------------------------------------|
| 2007 | \$11,220,081 | 72.26% | \$3,112,373 |
| 2008 | 11,377,894 | 77.78 | 5,640,081 |
| 2009 | 11,863,201 | 78.11 | 8,236,851 |
| 2010 | 10,735,582 | 87.13 | 9,618,270 |
| 2011 | 10,627,535 | 90.25 | 10,654,411 |
| 2012 | 10,572,529 | 92.37 | 11,461,254 |