

Agreed-Upon Procedures Requested

Note: The independent auditor shall perform sufficient procedures to provide a report to The Retirement Board of the Policemen's Annuity and Benefit Fund indicating the following procedures were performed, along with the related findings.

1. Compliance requirements contained in Chapter 40, Illinois Compiled Statutes, Act 5, Article 5
 - **Section 5-127** Minimum amount of annuity of present employee
 - **Section 5-132** Minimum annuity
 - **Section 5-148** Maximum annuities

Suggested Procedures

Select 15 retirement annuities from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Recalculate the annuity to determine that it was calculated in accordance with the Fund's guidelines, specifically whether the annuity did not exceed 75% of the highest annual average salary for any four consecutive years within the last ten years of service prior to retirement. Determine that the annuity was paid to an eligible police officer.

- **Section 5-129.1** Withdrawal at mandatory retirement age-amount of annuity

Suggested Procedures

Select all mandatory retirement annuities from the fiscal 2016 Retirement Board's minutes that meet the criteria for Section 5-129.1. For the mandatory retirement annuitants selected, obtain the related personnel files. Recalculate the selected participants' annuities to determine whether the amounts equaled 30% of the average salary for the first ten years of service, plus 2% of the average salary for each completed year of service or fraction thereof in excess of ten years, but not to exceed a maximum of 48% of average salary. Determine whether participants met the mandatory retirement age and have at least ten, but less than 20, years of service credit.

- **Section 5-136** and **Section 5-136.1** Widow's annuity-all employees attaining age 57 in service
- **Section 5-137** Widow's annuity-all employees-Death in service
- **Section 5-138** Widow's annuity-all employees-Withdrawal after age 50
- **Section 5-139** Widow's annuity-all employees-Withdrawal before age 50 and death after age 50
- **Section 5-140** Widow's annuity-all employees-Withdrawal and death before age 50
- **Section 5-144** Death from injury in the performance of acts of duty; compensation annuity and supplemental annuity
- **Section 5-167.4** Widow annuitant minimum annuity

Suggested Procedures

Select all approved death-duty related, 5 non-duty related deaths and 5 deaths after retirement beneficiaries from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Recalculate the death-in-service widow's (duty-related) annuities and compare them to the Fund's computations to determine if the compensation annuities were 75% of the officer's salary at the time of death payable until the officer would have attained age 63, and if the supplemental annuities (if any) were equal to the difference between the money purchase annuities for the spouses and an amount equal to 50% of the annual salaries the officers would have been receiving when he attained age 63. Recalculate the non-duty related widow's annuity to determine whether it was the greater of 30% of the annual maximum salary at the time of death or 50% of the benefit accrued by the officer at the date of death and that annuities for death after retirement were equal to 50% of the retirement annuities at the time of death; and that the minimum widow's annuity is \$1,000 per month.

- **Section 5-152** Child's annuity-Conditions-Amount

Suggested Procedures

Select 10 approved child annuitants from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Recalculate the children's annuities and compare the amounts to the Fund's computations to determine whether the benefit was 10% of the annual maximum salary of a first class patrolman during the widow or widower life or 15% if no widow or widower survived, payable until age 18, and that the annuity per family did not exceed 60% of the salary that would ordinarily have been paid to the policeman if he had been in active discharge of his duties for non-duty related death (100% for duty-related death). Determine that the child annuity was paid on behalf of an eligible police officer.

- **Section 5-153** Death benefit

Suggested Procedures

Select 15 approved death benefit recipients from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Recalculate the death benefit and determine that it was \$12,000 for death in service at age 49 and under; \$12,000 less \$400 for each year by which age at death exceeds 49 from age 50 to 62; and \$6,000 for age 63 and over; and that the death benefit for death after retirement for age 50 and over was \$6,000. Determine that the death benefit was paid on behalf of an eligible police officer to the appropriate named beneficiary.

- **Section 5-154** Duty disability benefit; child's disability benefit

Suggested Procedures

Select 5 duty disability benefit recipients from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Determine whether the police officers were eligible for this benefit and whether the duty disability was supported by an examination conducted by a Board-appointed physician. Recalculate the benefit to determine that it was 75% of salary at the time of the disability plus \$100 per month for each unmarried child less than age 18, with total child's

benefits not to exceed 25% of salary; and that the benefit was not less than 60% of current salary, beginning January 1, 2000, after seven years of payments.

- **Section 5-154.1** Occupational disease disability benefit

Suggested Procedures

Select 3 approved occupational disease disability benefit recipients from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Determine whether the police officers were eligible for this benefit and whether the occupational disease disability was supported by an examination conducted by a Board-appointed physician. Recalculate the benefit and determine that it was 65% of the salary attached to the rank held by the officer at the time of his or her removal from the police department payroll, plus \$100 per month for each unmarried child under the age of 18, and that the benefit was not less than 50% of current salary attached to the rank; with at least ten years of payments.

- **Section 5-155** Ordinary disability benefit

Suggested Procedures

Select 5 approved ordinary disability benefits from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Determine whether the police officer was eligible for this benefit and whether the ordinary disability was supported by an examination conducted by a Board-appointed physician. Recalculate the benefit and determine that it was 50% of salary at the time of the disability and that the payment of the benefit did not exceed one-fourth of his total service rendered to the City of Chicago prior to the time the officer became disabled, nor more than 5 years, with benefits payable until age 63.

- **Section 5-156** Proof of disability-Physical examinations

Suggested Procedures

Determine whether proof of disabilities were furnished to the Retirement Board and whether the police officers meet eligibility requirements for receiving benefits in connection with benefit recipients selected in above 3 procedures.

- **Section 5-157** Administration of disability benefits

Suggested Procedures

Determine whether an examination by a physician appointed by the Retirement Board was received at the time the disability benefits to the officers were approved in connection with benefit recipients selected in above 4 procedures.

- **Section 5-163** Refund-General

Suggested Procedures

Select 10 police officers who were approved to receive refunds of contributions from the fiscal 2016 Retirement Board's minutes and obtain the related personnel files. Determine whether the police officers were eligible for refunds and recalculate the amount of refund for reasonableness.

- **Section 5-167.1** Automatic increase in annuity; retirement from service after 9/1/67

Suggested Procedures

Select 10 annuitants from the benefit payment files and obtain the related personnel files. Recompute increases and determine that annuitants received an increase of 3% of the original annuities, with 20 years of service, if born before January 1, 1955; and an automatic increase of 1.5% of the original annuities to a maximum of 30%, if born after January 1, 1955.

- **Section 5-167.5** Payments to city

Suggested Procedures

Select 10 annuitants from the monthly insurance report generated from the benefit payment agent, and determine that the Fund properly paid a portion of the annuitants' group health insurance premiums for those annuitants that chose to participate in the City of Chicago health plan.

- **Section 5-168** Financing

Suggested Procedures

Determine that the City of Chicago levied a property tax that is equal to no less than \$420,000,000 in the payment year of 2016. Determine whether the City of Chicago made its contributions as soon as possible after salary deductions were made. If contributions were not remitted as soon as possible, determine that interest was included by the City of Chicago to the time that it was remitted.

- **Section 5-169** Contributions for age and service annuities for present employees and future entrants
- **Section 5-170** Contributions for widow's annuities for present employees and future entrants

Suggested Procedures

Select 10 active officers from the City of Chicago payroll remittance file and recalculate the contributions to determine whether employees' deductions were 9.0% of salary; 7.0% for providing an annuity benefit for themselves; 1.5% for survivor spouse annuity benefit; and 0.5% for automatic increase in annuity benefit.

- **Section 5.181** Board officers

Suggested Procedures

Review the minutes of the December 2016 Retirement Board meeting and determine that the Board elected a president, a vice president and a secretary among its Board members.

- **Section 5-182** Board meetings

Suggested Procedures

Review the minutes for the 2016 Retirement Board meetings and determine whether the meetings were held regularly, whether a quorum was present, and whether business transactions and votes were adequately documented in the minutes. Inquire with the Fund's personnel whether the Retirement Board meetings were open to the public.

- **Section 5-188** To have an audit
- **Section 5-197** Accounting

Suggested Procedures

Determine whether the Fund has a contract with an independent certified public accounting firm in 2016 to perform an annual audit of the assets of the Fund and issue a financial opinion for the year ended December 31, 2016.

- **Section 5-192** To submit annual report to city council

Suggested Procedures

Determine whether the Fund submitted its 2015 annual report in June 2016 to the City of Chicago Council.

- **Section 5-194.1** To have a budget

Suggested Procedures

Determine whether the Retirement Board adopted a budget for fiscal year 2016 during its December 2015 and/or January 2016 meeting.

- **Section 5-220** No compensation

Suggested Procedures

Review select accounting records and interview select management personnel to determine whether any member of the Board of Trustees of the Fund received any monies from the Fund as salary for services performed as a member of the Retirement Board.

- **Section 5-221** No commissions on investments

Suggested Procedures

Review select accounting records and interview select management personnel to determine whether any member of the Board of Trustees, employee, legal advisor, or custodian of the Fund received any commissions on any investments made by the Retirement Board.

2. Compliance requirements contained in Chapter 40, Illinois Compiled Statutes, Act 5, Article 1

- **Section 1-109.1** Allocation and Delegation of Fiduciary Duties

Suggested Procedures

According to the Illinois Compiled Statutes, on or before January 1, 2010, the Fund should implement a policy that sets forth goals for the utilization of emerging investment managers; utilization of businesses owned by minorities, females, and persons with disabilities; and increasing the utilization of minority broker-dealers. The Fund should submit a report to the Governor and the General Assembly by January 1 of each year. Review the transmittal letter of the related information to the Governor. On or before February 1, 2015, the Fund should implement a policy for increasing the utilization of minority investment managers.