

REPORT OF THE FINANCE SUBCOMMITTEE ON PENSION

PUBLIC HEARING

May 14, 2012

The Honorable,
The Board of Commissioners of Cook County

ATTENDANCE

Present: Chairman Gainer, Vice Chairman Goslin, Commissioners Murphy, Schneider, Steele and Suffredin (6)

Absent: Commissioners Tobolski (1)

Also Present: Commissioners Beavers, Gorman and Silvestri; Daniel Degnan – Executive Director, Cook County Pension Fund

Court Reporter: Anthony W. Lisanti, C.S.R.

Ladies and Gentlemen:

Your Committee on Pension of the Board of Commissioners of Cook County met pursuant to notice on Monday, May 14, 2012 at the hour of 9:15 A.M. for a public hearing in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Your Committee has considered the following item and, upon adoption of this report, the recommendation is as follows:

317955 DISCUSSION ON COOK COUNTY PENSION FUND INVESTMENT RETURNS (PROPOSED RESOLUTION). Submitting a Proposed Resolution sponsored by Bridget Gainer, Gregg Goslin, Joan Patricia Murphy, Timothy O. Schneider, Robert B. Steele and Larry Suffredin, County Commissioners.

PROPOSED RESOLUTION

DISCUSSION ON COOK COUNTY PENSION FUND INVESTMENT RETURNS

WHEREAS, the Cook County Pension Fund has an assumed return rate on investments of 7.5%; and

WHEREAS, the Cook County Pension Fund is expecting 2011 investment return rate to be lower than the expected 7.5% assumed rate of return. The average return was 4.7% for the last ten years and 7.84% for the last 20 years; and

WHEREAS, the assumed investment return rate is used to calculate the cost of providing pension benefits to county employees. The lower the return rate, the greater the unfunded liability; and

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WHEREAS, the lower than assumed return rate increases the urgency and necessity for County Pension reform conversations; and

WHEREAS, the County pension fund has seen its funding status decrease from 90% to 60% in the last ten years and poor investment returns are a key driver of the declining funded status; and

WHEREAS, pension reforms are necessary to realign our costs with actual performance.

NOW, THEREFORE, BE IT RESOLVED; that the Pension Subcommittee have a hearing with a representative of the Cook County Annuity and Benefit Board of Trustees to discuss Cook County Pension Fund Investment Returns and related funding matters.

***Referred to the Finance Subcommittee on Pension on May 1, 2012.**

Commissioner Murphy, seconded by Commissioner Suffredin, moved the Approval of Communication No. 317955 for discussion purposes.

Chairman Gainer delivered a slide presentation, entitled "Cook County Pension Fund 2011 Investment Returns Report." This is Attachment #1 to this report.

Daniel Degnan, Executive Director, Cook County Pension Fund, delivered remarks.

Chairman Gainer asked the Secretary to the Board to call upon the registered public speakers, in accordance with Cook County Code, Sec. 2-107(dd):

1. John Leninger – Neuma, Inc.
2. Mr. Petluck – Concerned Citizen
3. David Erwin Binter – President, Neuma, Inc.
4. George Blakemore – Concerned Citizen

Commissioner Murphy, seconded by Commissioner Suffredin, moved the Approval of Communication No. 317955. The motion carried.

Commissioner Murphy moved to adjourn the meeting, seconded by Commissioner Suffredin. The motion carried and the meeting was adjourned.

**YOUR COMMITTEE RECOMMENDS THE FOLLOWING ACTIONS
WITH REGARD TO THE MATTER NAMED HEREIN:**

Communication Number 317955 Approved

Respectfully submitted,
Committee on Pension


Bridget Garner, Chairman

Attest:


Matthew B. DeLeon, Secretary

*A video recording of this meeting is available on the Office of the Secretary to the Board's web site on the Video Page at <http://blog.cookcountyil.gov/secretarytotheboard/county-board-proceedings/county-board-video-and-audio/>

The transcript for this meeting is available in the Office of the Secretary to the Board, 118 North Clark Street, Room 567, Chicago, IL 60602.

Attachment #1

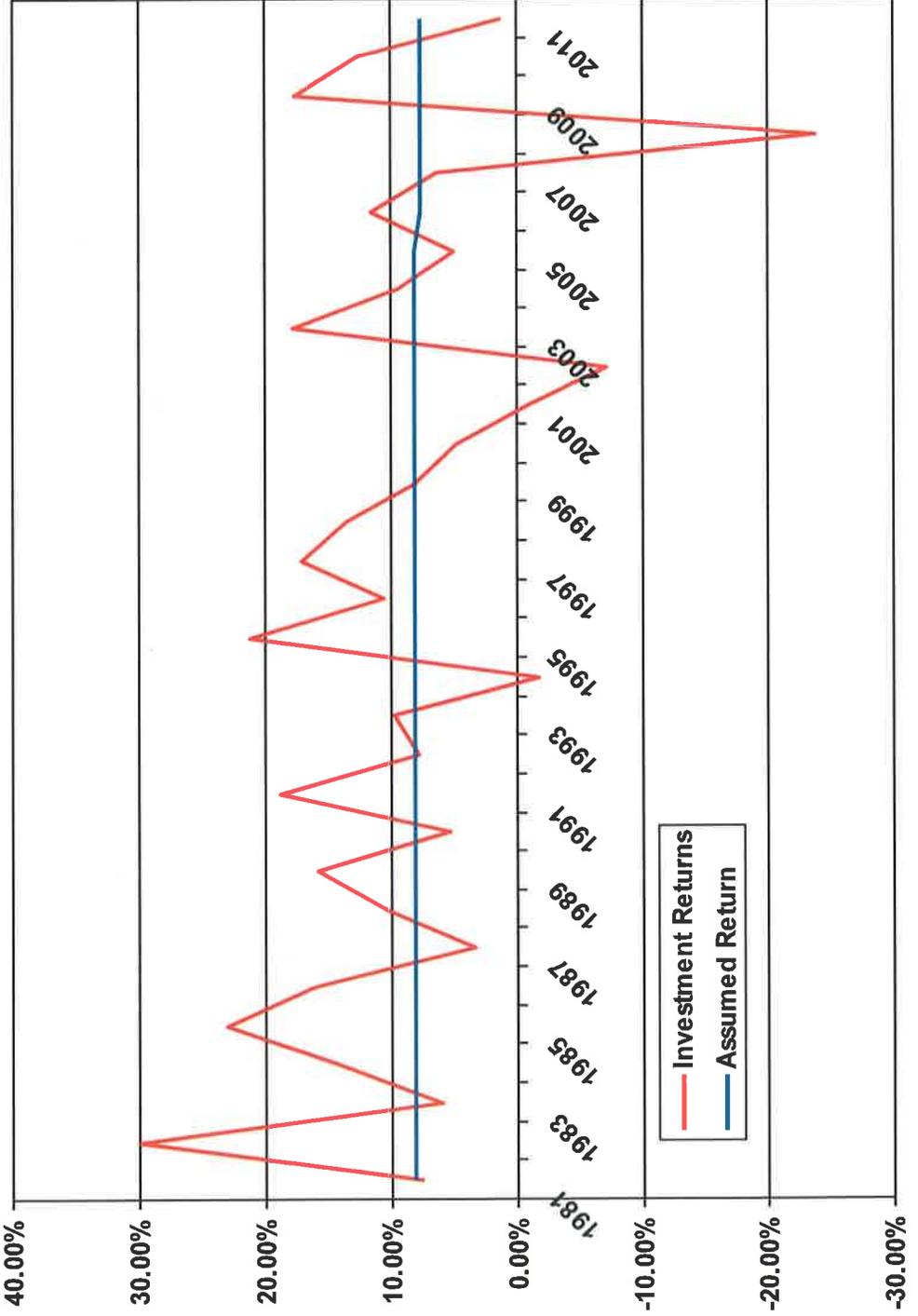
COOK COUNTY PENSION FUND 2011 INVESTMENT RETURNS REPORT

Presented to the Finance Sub-Committee on Pensions

May 14, 2012

Commissioner Bridget Gainer, Chair

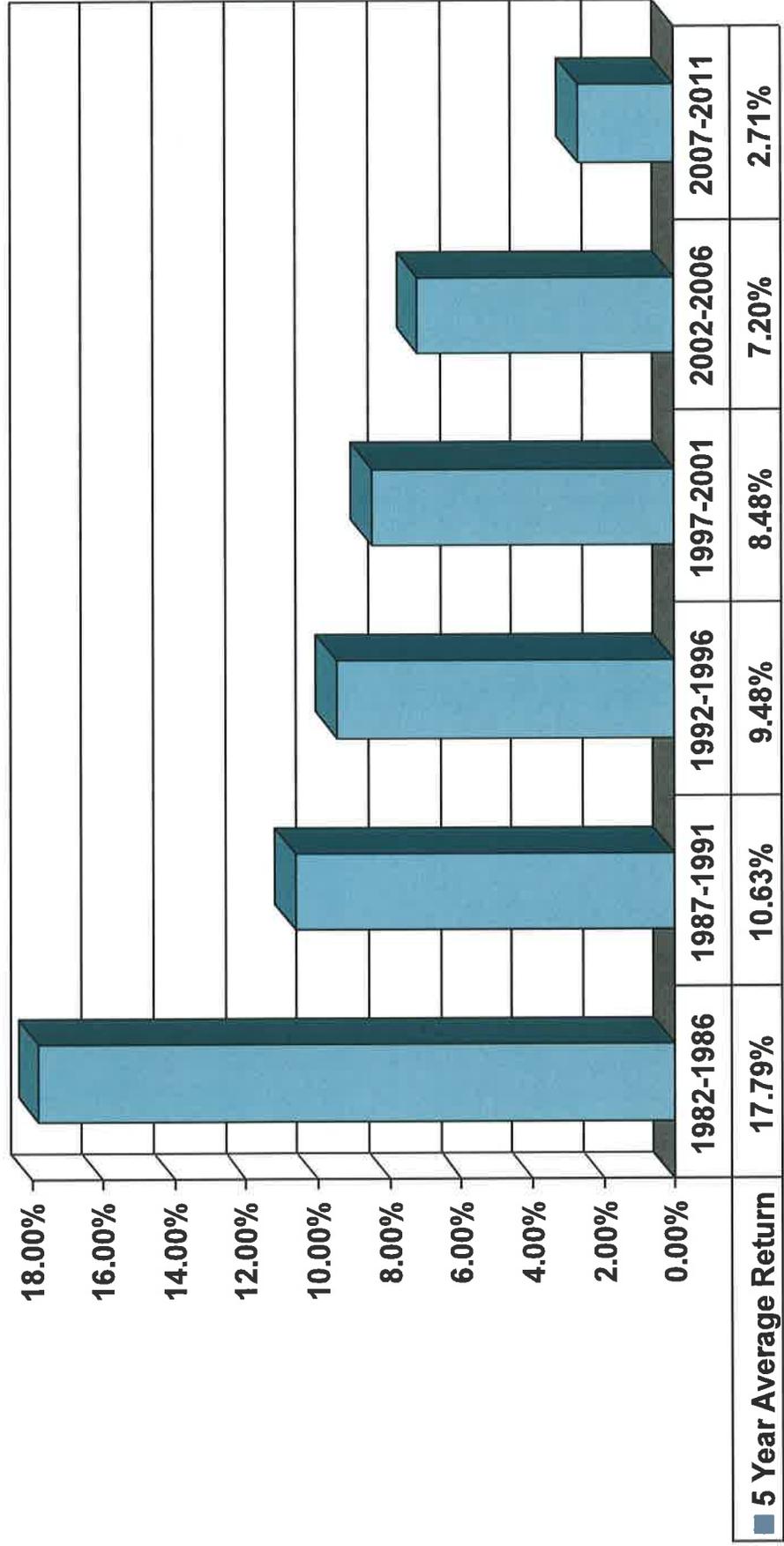
Cook County Pension Fund Investment Returns 1981-2011



Average Return
 1 year: 1.2%
 5 years: 2.71%
 10 years: 4.42%
 15 years: 6.13%
 20 years: 6.97%
 25 years: 7.67%
 30 years: 9.32%

Cook County Pension Fund

Investment Returns 5 Year Averages



Illinois Pension Fund Investment Returns

Illinois Funds	Fiscal Year	Market Value Return Rate	Source Document
Cook County	Jan 1, 2011 - Dec 31, 2011	1.20%	2011 Cook County Financial Report by Legacy
Municipal Fund	Jan 1, 2011 - Dec 31, 2011	0%	http://www.meabf.org/publications/2011_Audited_Financial_Report.pdf
IMRF	Jan 1, 2011 - Dec 31, 2011	-0.50%	http://www.imrf.org/porta/index.php?option=com_content&view=category&layout=blog&id=49&Itemid=127
Chicago Fire	Jan 1, 2011 - Dec, 31, 2011	-2.60%	http://www.fabf.org/PDF_Files/FundInvestments/12-31-11.pdf
Chicago Police	Jan 1, 2011 - Dec, 31, 2011	1.10%	http://www.chipabf.org/ChicagoPolicePension/PDF/Investments/Performance.pdf
Chicago Park District	Jan 1, 2011 - Dec, 31, 2011	2.10%	http://www.chicagoparkpension.org/Chicago_Park_4Q2011.pdf
MWRD	Jan 1, 2011 - Dec, 31, 2011	-0.29%	http://mwrdrf.org/financial-and-investment-related/performance-and-allocation

Other Public Sector and Private Sector Investment Returns

Other Public DB Funds	Fiscal Year	Market Value Return Rate	Source Document
Florida RS	Jan 1, 2011 - Dec, 31, 2011	-0.50%	https://www.rol.frs.state.fl.us/forms/2010-11_Annual_Report.pdf
Orange County, CA	Jan 1, 2011 - Dec, 31, 2011	0.74%	http://inlandpolitics.com/blog/2012/02/04/ocregister-2011-investment-returns-falter-for-oc-public-pension-plan/
State of NJ Public Employee's RS	Jan 1, 2011 - Dec, 31, 2011	1.70%	http://www.state.nj.us/treasury/pensions/annrpt2011/pers11.pdf
California State Teachers	Jan 1, 2011 - Dec, 31, 2011	2.30%	http://www.pionline.com/article/20120206/PRINTSUB/302069970
North Carolina RS	Jan 1, 2011 - Dec, 31, 2011	2.12%	http://www.pionline.com/article/20120206/PRINTSUB/302069970
Private Funds	Fiscal Year	Market Value Return Rate	Source Document
Boeing	Jan 1, 2011 - Dec, 31, 2011	8.40%	http://www.boeing.com/companyoffices/financial/2011q4/2011q4.pdf
AT&T	Jan 1, 2011 - Dec, 31, 2011	4.70%	http://www.att.com/Comment/about_us/files/pdf/ar2011_annual_report.pdf
General Electric	Jan 1, 2011 - Dec, 31, 2011	0.20%	http://www.ge.com/ar2011/pdf/GE_AR11_EntireReport.pdf
Lockheed Martin	Jan 1, 2011 - Dec, 31, 2011	5.32%	http://www.lockheedmartin.com/content/dam/lockheed/data/corporate/documents/2011--Annual-report.pdf
General Motors	Jan 1, 2011 - Dec, 31, 2011	11.10%	http://www.pionline.com/article/20120216/DAILYREG/120219920

National Trends Investment Returns

Type of Fund	Fiscal Year	Market Value Return Rate	Source Document
Public Sector Funds: BNY Mellon Asset Servicing	Jan 1, 2011 - Dec, 31, 2011	1.36%	http://www.pionline.com/article/20120123/PRINTSUB/301239970
S&P 500: DB Plans: Wilshire	Jan 1, 2011 - Dec, 31, 2011	3.80%	http://www.pionline.com/article/20120404/DAILYREG/120409936/wilshire-sp-500-pension-plans-take-funding-hit-in-2011
U.S. Corporate Plans: Towers Watson	Jan 1, 2011 - Dec, 31, 2011	2.40%	http://www.pionline.com/article/20120213/DAILYREG/120219969/towers-watson-corporate-plans-funding-lakes-hit-globally-in-2011
Average Corporate DC Plan: Callan	Jan 1, 2011 - Dec, 31, 2011	-1.10%	
Average Corporate DB Plan: Callan	Jan 1, 2011 - Dec, 31, 2011	2.90%	http://www.pionline.com/article/20120314/DAILYREG/120319945/average-dc-plan-returns-up-in-4th-quarter-down-for-2011
US Corporate Pension Plan Survey: Blackrock	Jan 1, 2011 - Dec, 31, 2011	4%	http://www.pionline.com/article/20120109/DAILYREG/120109930/blackrock-repbrt-2011-a-down-year-for-us-corporate-pension-plan-funding