



Paths to Solvency

Presented to the Finance Sub-Committee on Pensions

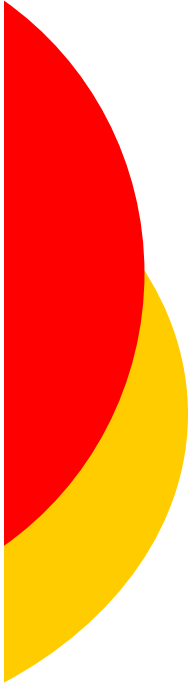
June 29, 2011

Commissioner Bridget Gainer, Chair



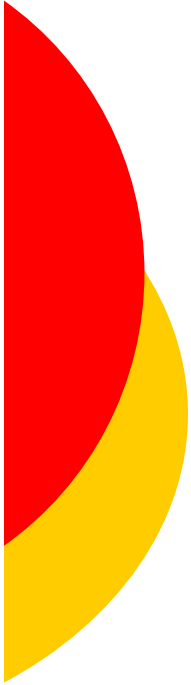
Contents

- Introduction
- Potential Pension Adjustments
- Results



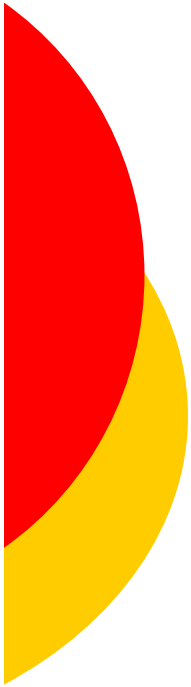
Introduction

- The Cook County Pension is currently funded at 60.7%. The funded status has dropped 30% in the last ten years and 15% in the last five.
- Cook County, as the employer, has made their full statutory required contributions to the Pension Fund every year and has repaid any loans from the fund.
- The statutory contribution is a multiple of the employee contribution and unrelated to the actuarial value of the liability being accrued by the fund.

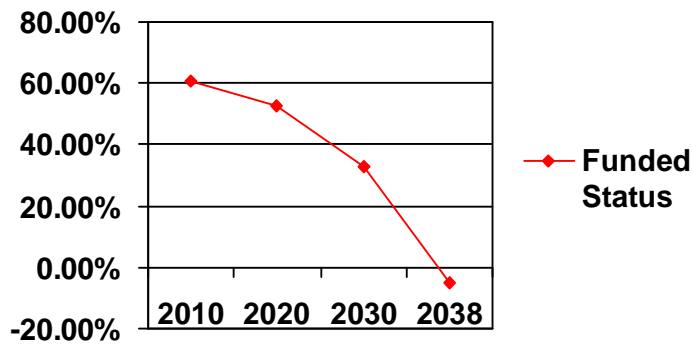


Data Tables

The following Data Tables were calculated by the Cook County Pension Fund Actuary Sandor Goldstein. Data tables are included in the appendix.

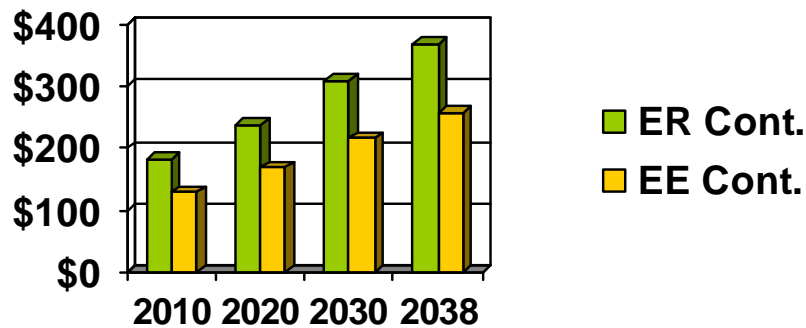


Benefits, Employer & Employee Contribution: No Change



- Projected funded status with no changes to benefit formula or contribution levels

Millions



Billions

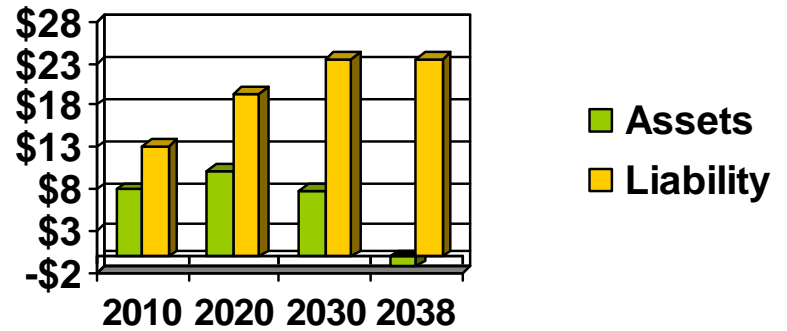
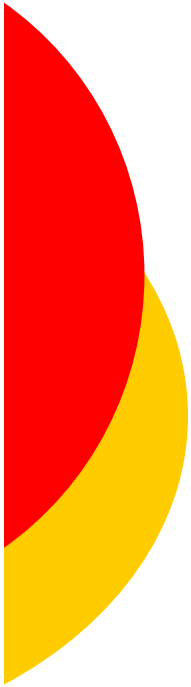


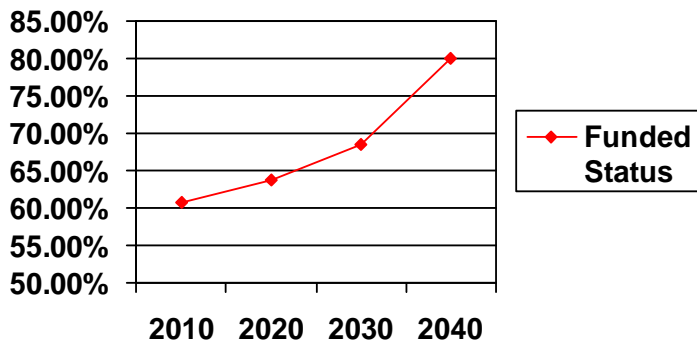
Table 1
Paths to Solvency
Commissioner Gainer



Benefits: No Change

EE Contribution: No Change (8.5% of pay)

ER Contribution: Level % of payroll to reach 80% funded by 2040



- Employer Contributes 21.49% of payroll annually beginning in 2012
- Employer currently contributes approximately 13% of payroll

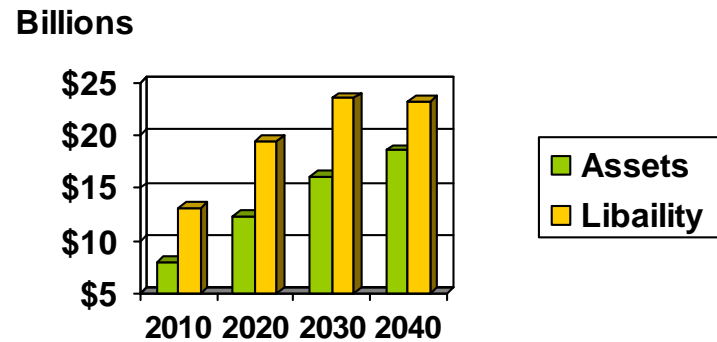
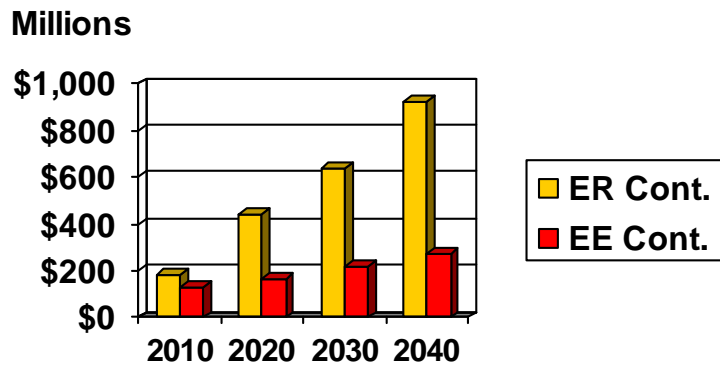
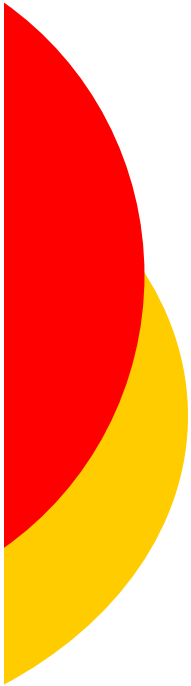


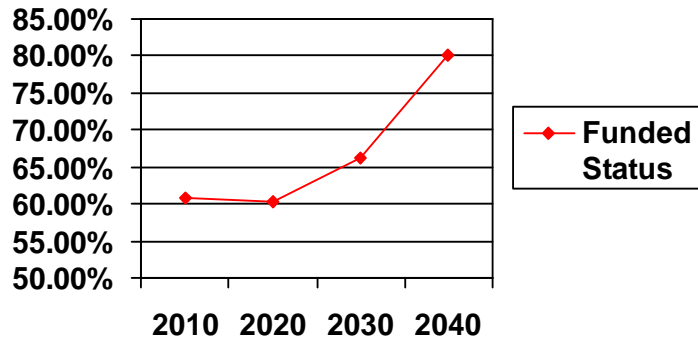
Table 2
Paths to Solvency
Commissioner Gainer



Benefits: Multiple 2.4 to 2.2

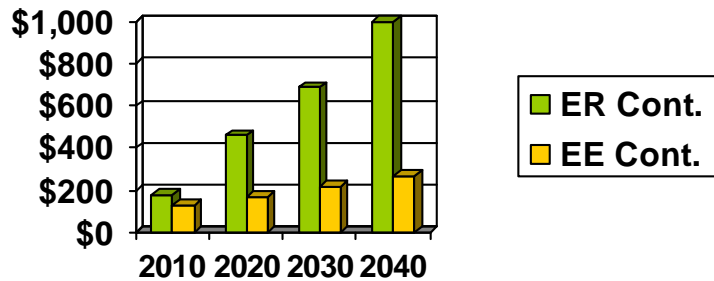
EE Contribution: No Change

ER Contribution: Ramp over 10 years until 80% funded in 2040.

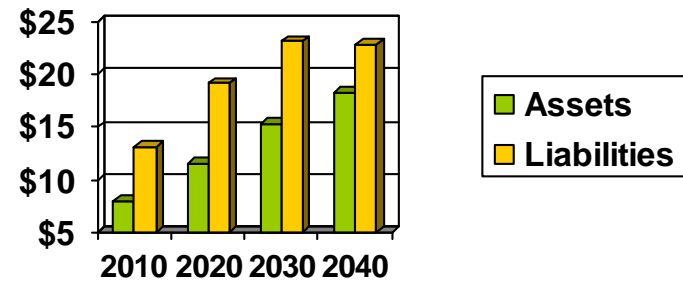


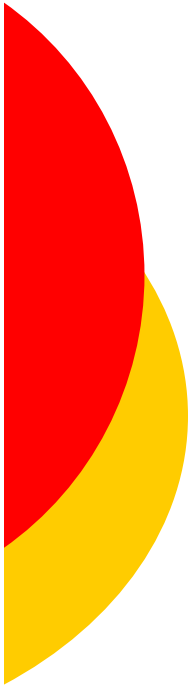
- After 10 years the ER contributes at 23.29% until 2040

Millions



Billions



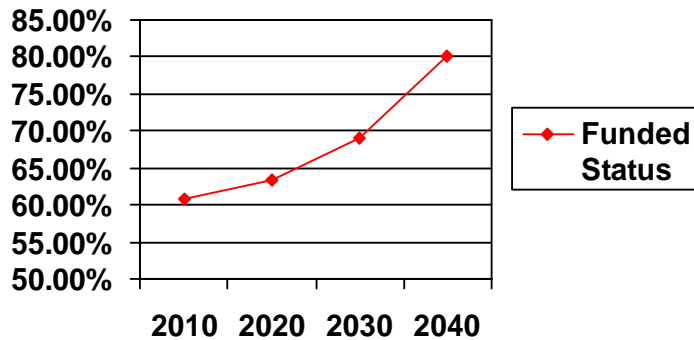


Benefits: Retirement age is increased by 5 years.

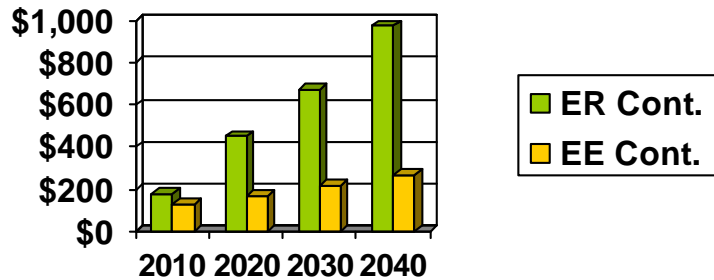
EE Contribution: No change

ER Contribution: Ramp over 10 years until 80% funded in 2040.

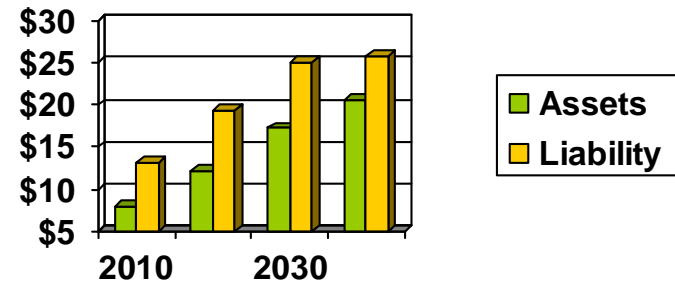
- After 10 years ER contributes at 22.72% until 2040

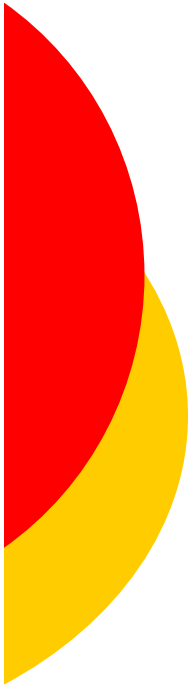


Millions



Billions





Benefits: COLA is lesser of ½ of CPI or 3%, compounded from 3%.

EE Contribution: No Change but increases with wage growth.

ER Contribution: Ramp over 10 years until 80% funded in 2040.

After the 10 year ramp the % of payroll would be 19.12% until 2040.

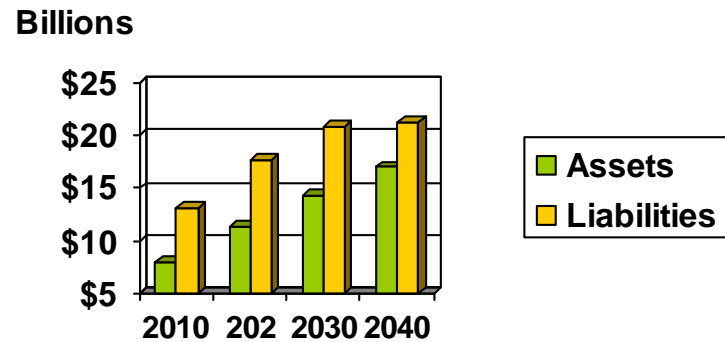
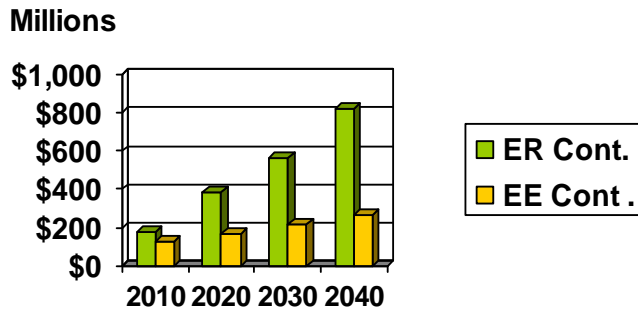
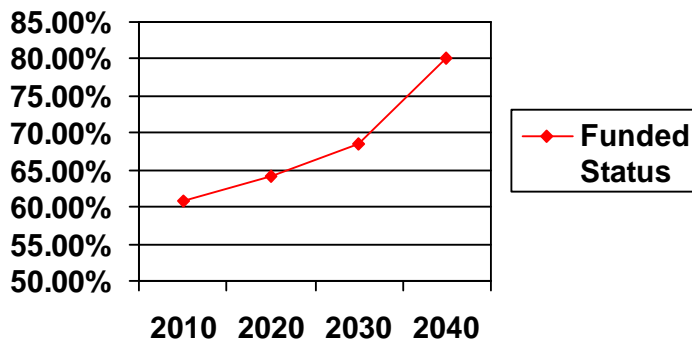
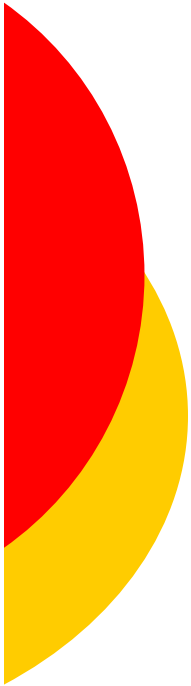


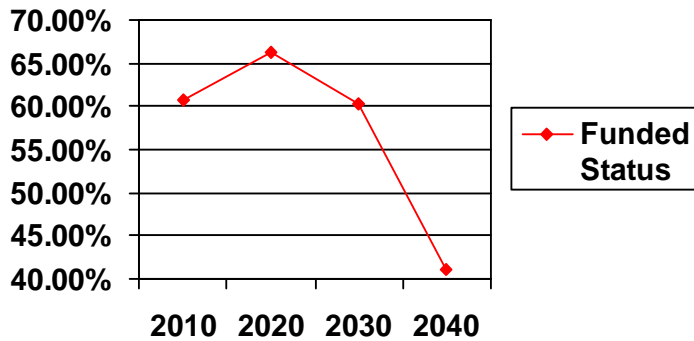
Table 6
Paths to Solvency
Commissioner Gainer



Benefits: Multiple 2.4 to 2.2; FAS = final 8 years; retirement age increased 5 years; COLA reduced to lesser of 3% or ½ CPI.

EE Contribution: an additional 1% of Salary to 9.5%

ER Contribution: No formula change, but increases with wage & contributions



- Changes only apply to those under 50
- Multiplier changed from 2.4% to 2.2%
- Final Average Salary changed to average of last 8 years
- COLA reduced to 3% or half of CPI
- Retirement Age increased 5 years
- Employees Contribute 9.5% of Salary

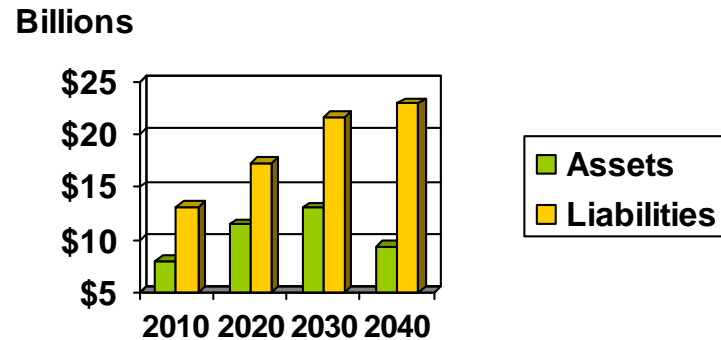
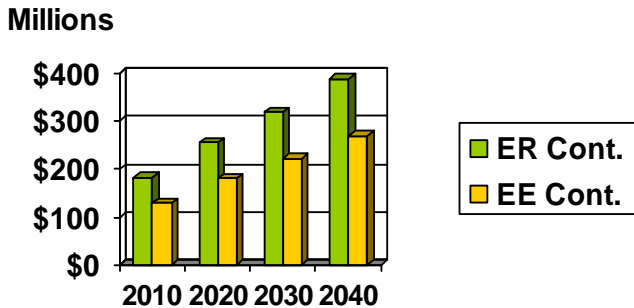
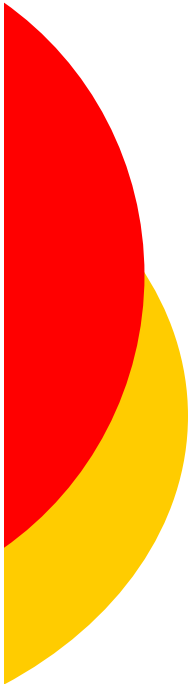


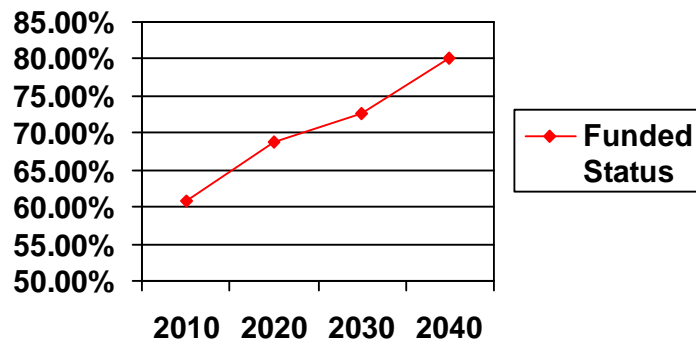
Table 12
Paths to Solvency
Commissioner Gainer



Benefits: Multiple 2.4 to 2.2; FAS = final 8 years; retirement age increased 5 years; COLA reduced to lesser of 3% or ½ CPI.

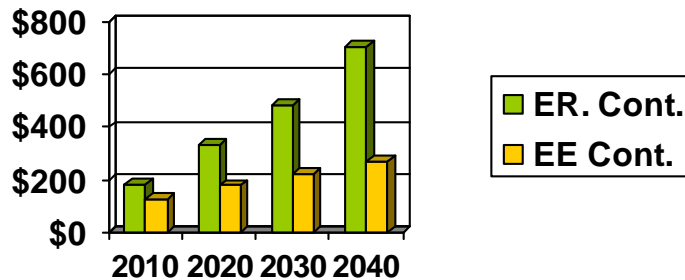
EE Contribution: Additional 1% of Salary to 9.5%

ER Contribution: Ramp over 10 years until 80% funded in 2040.



- After 10 years Employer Contribution levels off at 16.42%

Millions



Billions

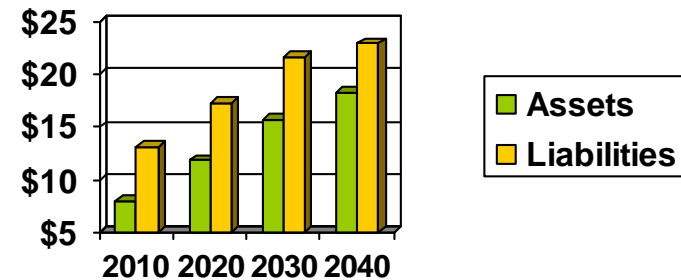
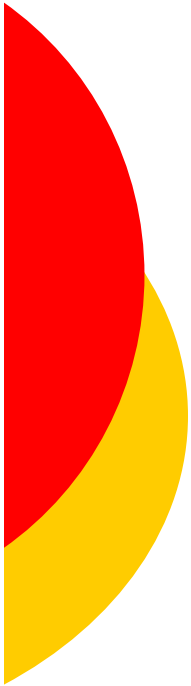


Table 13
 Paths to Solvency
 Commissioner Gainer

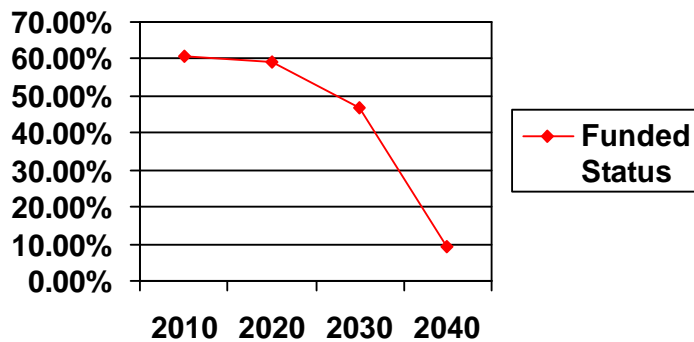


Benefits: Basket of Changes only applies to Employees under age 50:

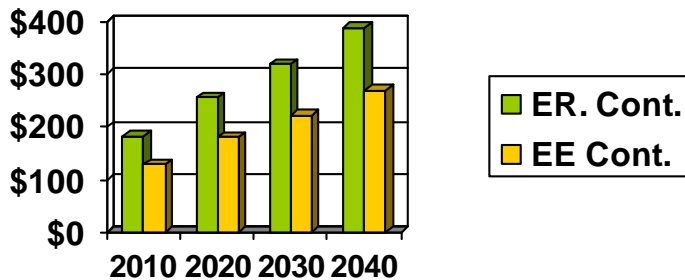
EE Contribution: Additional 1% of Salary to 9.5%

ER Contribution: No formula change, but increases with wage & contributions

- Benefit changes apply only to Employees under age 50
- Employer contributes at current formula



Millions



Billions

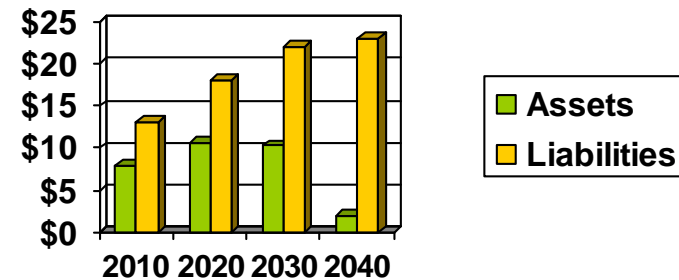
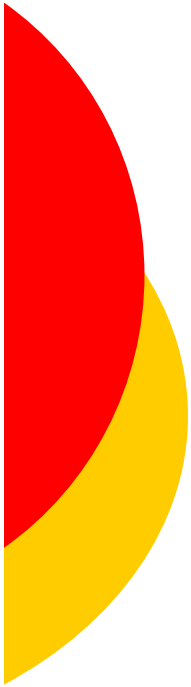


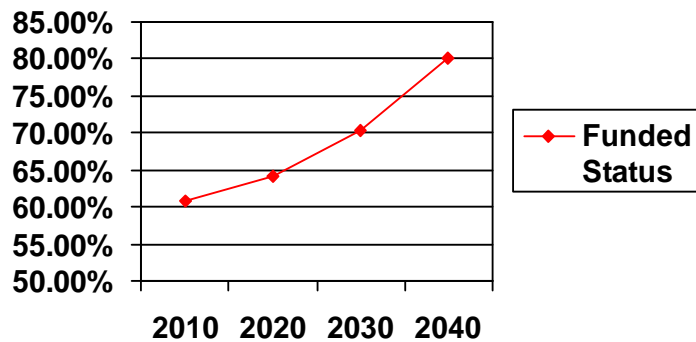
Table 15
 Paths to Solvency
 Commissioner Gainer



Benefits: Basket of Changes only apply to those under age 50

EE Contribution: Additional 1% of Salary

ER Contribution: Ramp over 10 years until 80% funded in 2040



- Changes only apply to those under 50
- Multiplier changed from 2.4% to 2.2%
- FAS to average of last 8 years
- COLA reduced to 3% or half of CPI
- Retirement Age increased 5 years
- After 10 years Employer Contribution levels off at 16.42%

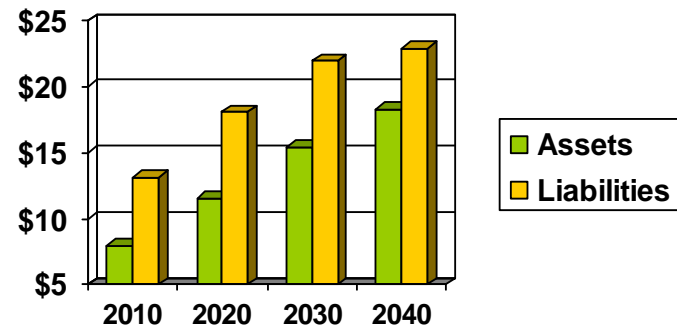
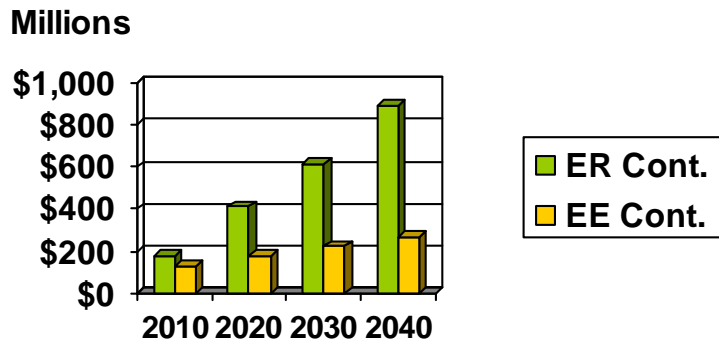
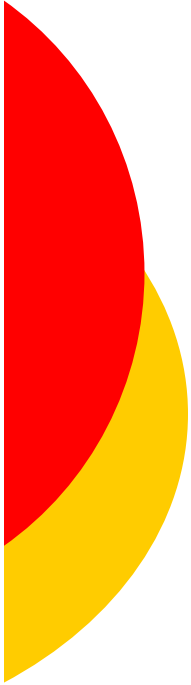
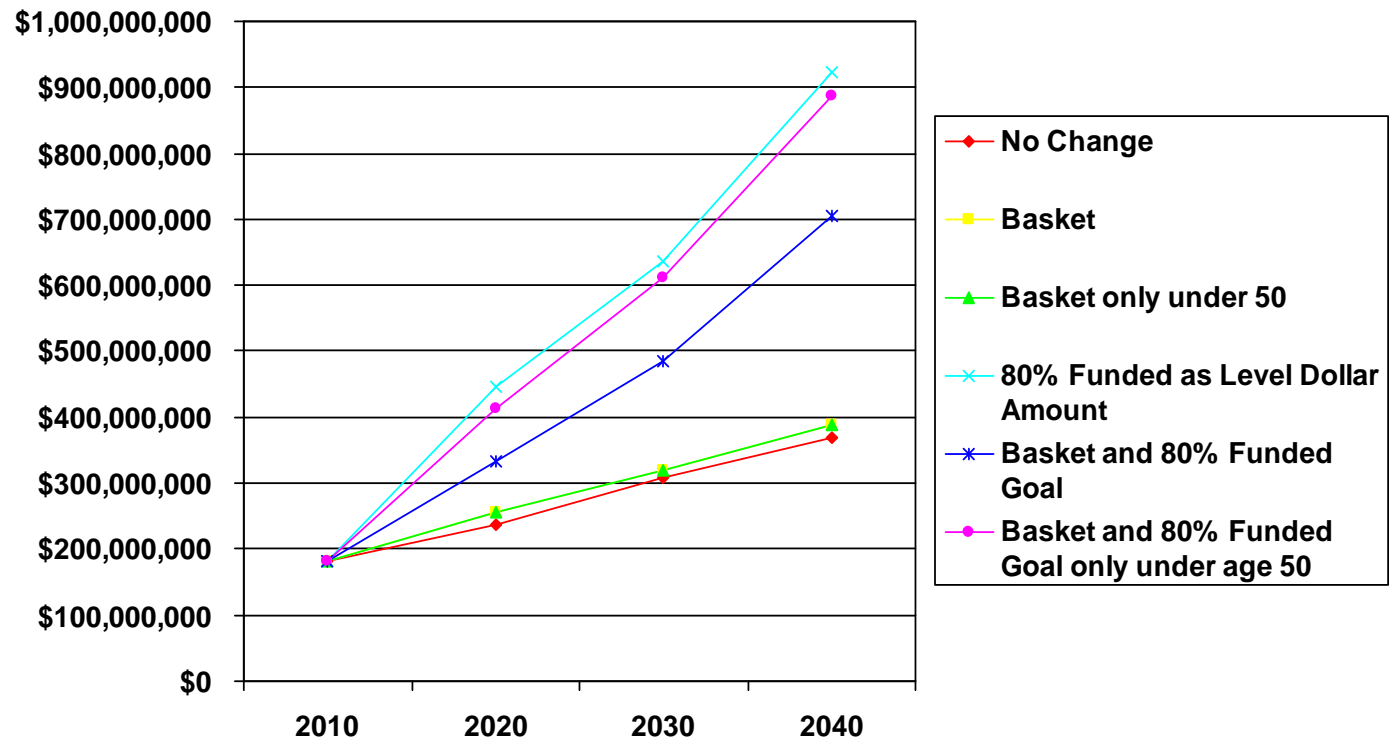
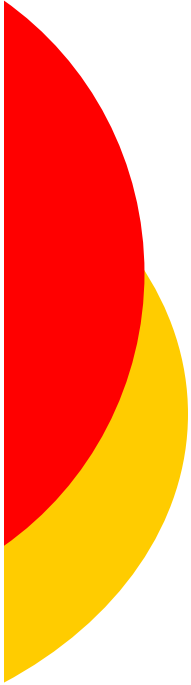


Table 16
Paths to Solvency
Commissioner Gainer

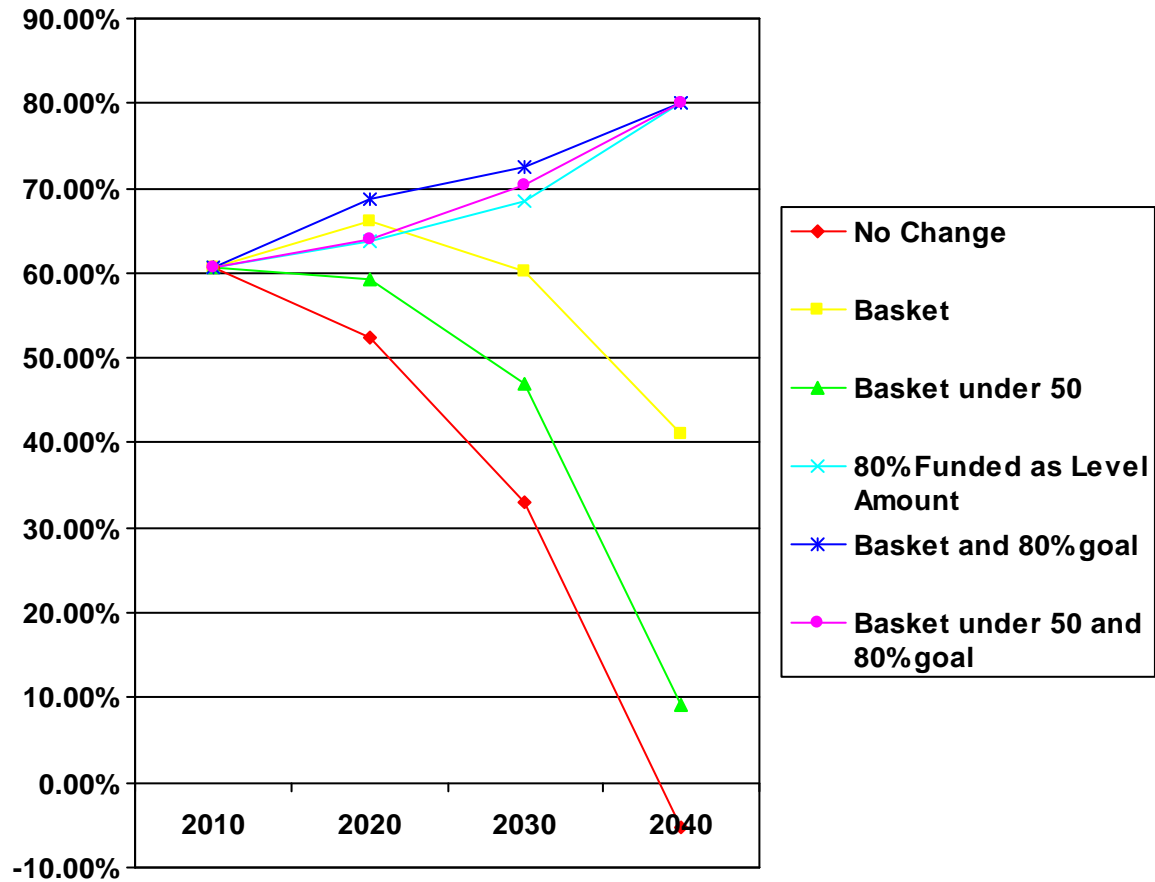


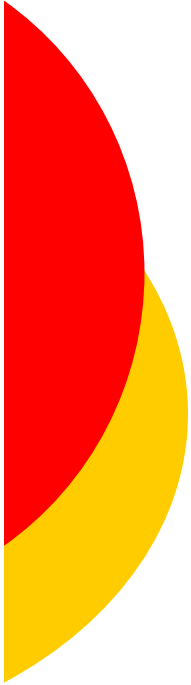
Employer Contribution





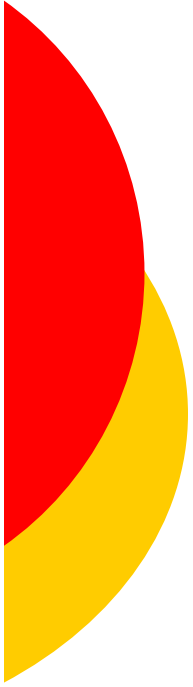
Funded Status





Results

- If no action is taken the Cook County Employee Annuity and Benefit Fund will be unable to pay it's obligations by 2038.
- Even if benefits are modified slightly by using the changes in the basket, that still will not bring the fund to an 80% solvency.
- In order to be 80% solvent by 2040 there will have to be increases by the Employer greater than the current statutory contribution limits, increase in Employee contributions and changes to the retiree benefit structure.



Appendix

- Tables 1-17 provided by Actuary Sander Goldstein