

**COOK COUNTY, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**November 30, 2018**

**Net Pension Liability**

The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

*Actuarial assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	7.5% to 1.50%
Investment rate of return	7.25%
Municipal Bond Rate	3.16%
Discount rate	4.47%

Mortality rates were based on an experience analysis of the County Employees Annuity and Benefit Fund over the period 2013 through 2016. The RP-2014 Blue Collar Mortality Table, base year 2006, Conduent Modified MP-2017 projection scale was used.

The long-term expected rate of return on the Fund's investments was determined based on the results of an experience review performed by a consultant. The investment return assumption was based on the current asset allocation of the A & B Plan. In the experience review, the consultant developed best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Fund's target asset allocation are listed in the table below.

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	26.00%	4.77%
Domestic equity	33.00%	10.76%
International equity	21.00%	9.51%
Real Estate	9.00%	8.82%
Private equity	4.00%	11.43%
Hedge Funds	6.00%	7.31%
Short-term investment	1.00%	3.98%
Total investments	<u>100.00%</u>	