Comprehensive Annual Financial Report

of the

Park Employees'
And Retirement Board Employees'
Annuity and Benefit Fund

(Component Unit of Chicago Park District)

for the

Fiscal Year ended June 30, 2006

Prepared by The Staff of the Retirement Board

Table Of Contents

Introductory Section

Financial Section

Investment Section

Actuarial Section

Table Of Contents (continued)

Actuarial Section (continued)

Statistical Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Park Employees' and Retirement Board Employees' Annuity & Benefit Fund, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Transmittal Letter

Retirement Board of the
PARK EMPLOYEES' ANNUITY AND BENEFIT FUND
55 East Monroe Street, Suite 2880
Chicago, Illinois 60603
Tel. # (312) 553-9265 Fax # (312) 553-9114

December 20, 2006

To the Retirement Board of the Park Employees' and
Retirement Board Employees' Annuity and Benefit Fund
Chicago, Illinois 60603

Dear Members of the Retirement Board:

Enclosed is the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago's (Fund) **Comprehensive Annual Financial Report (CAFR)** for the year ended June 30, 2006. The accuracy of the information contained in the report including all disclosures is the sole responsibility of the Fund. The intent of the CAFR is to present fairly the financial condition of the Fund and its related results of operations. The statements and disclosures contained in the CAFR are necessary to assist the Fund's participants, taxpayers and other interested parties towards fully understanding the Fund's financial condition. Readers of the CAFR are directed to review the Management Discussion and Analysis (MD & A) narrative of the Financial Section for important overview and analysis.

The CAFR has been formatted in accordance with five major areas of interest (sections). The five separate sections comprising the CAFR are as follows:

1) **An Introductory Section** containing this letter of transmittal, a list of the Board of Trustees and its Officers, the Fund's consultants and investment advisors, and an organizational chart of the Fund's operations.

2) **A Financial Section** consisting of the independent auditors' report, the audited financial statements and related supplementary disclosures.

3) **An Investment Section** consisting of the Fund's investment policy, asset allocation, investment performance and other pertinent investment data.

4) **An Actuarial Section** containing the Letter of Certification from the Fund's Actuary, the actuarial valuation as of June 30, 2006 and the related assumptions used, the plans funding data and summary of plan provisions.

5) **A Statistical Section** containing pertinent statistical data regarding the membership, historical funding ratios, revenue and expense trends, and various schedules required by GASB No. 44, *Economic Condition Reporting.*

Fund Background

The Fund is a single employer, defined benefit plan covering the eligible public employees of the Chicago Park District. The Fund was created by an act of the Legislature of the State of Illinois, approved June 21, 1919 and effective July 1, 1919, covering the three major park systems of Chicago. With the statutory consolidation of the separate park districts of Chicago on May 1, 1934, the Chicago Park District was created authorizing the Fund to cover its employees. The Fund is administered in accordance with Chapter 40 of the Illinois Compiled Statutes, Act 5, Articles 1 and 12.

Responsibilities of the Board of Trustees

The Board of Trustees is composed of seven members. Four members are elected by the active participants for four-year terms and three members are appointed by the Chicago Park District Board of Commissioners for three-year terms. Terms are staggered so that one member is elected and appointed each year. The Board of Trustees elects a President, Vice President and Secretary from within its ranks at its annual meeting in July of every year. These elected office holders each have a prescribed set of duties. The Board of Trustees has various duties and responsibilities which include: invest funds in accordance with state law and its internal investment policy; approve the appointments of all necessary consultants and advisors; develop and approve all rules, regulations and policies governing the operation of the Fund; review and approve all applications for disability, annuities and other benefits; monitor the financial and operational activities of the Fund; and approve all proposed legislation. The day-to-day operations of the Fund are the responsibility of the Executive Director.

Accounting Method and Internal Controls

The CAFR was prepared to conform with the principles of governmental accounting and reporting as pronounced by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). In recording assets and liabilities, revenues and expenses, the accrual basis of accounting is used. All revenues including contributions are recognized when earned and expenses are recorded when incurred. All reserves are recorded and maintained in accordance with actuarial reserve requirements.

The Fund employs a system of internal controls to adequately safeguard its assets and assure the reliability of its financial records which includes the financial statements, supporting schedules and statistical tables. Management with the assistance of its outside auditors continually reviews the system of internal control to insure its adequacy and effectiveness.

Revenues

Revenues received during the year are from three primary sources:

Source	*FY 2006*	*FY 2005*	*Increase (Decrease)*	*Percent Change*
Employee Contribution	$ 9,117,032	$ 8,515,799	$ 601,233	7.1
Employer Contribution	10,173,860	9,768,605	405,255	4.1
Less: Return of Employer Contribution	(5,000,000)	(5,000,000)	-	-
Investment Income	40,970,688	49,621,638	(8,650,950)	(17.4)
Total	$55,261,580	$62,906,042	$(7,644,462)	(12.2)

Employee contributions are based on the statutory contribution rate of 9% of salary for all active members in the Fund. Employee contributions have increased as the vacancies created from the 2004 Early Retirement Incentive Program (ERI) have gradually filled over time.

Employer contributions are statutorily set and are provided by the employer through a direct property tax levy. The tax levy is determined by multiplying the annual employee contributions two years prior to the levy year, by a factor of 1.1. The 1.1 factor is the Fund's multiplier and is one of the lowest of all major public pension fund multipliers. Employer contributions have significantly decreased as a result of Public Act 93-0654 enacted in January, 2004, which gave the employer the authority to reduce their annual contribution by up to $5 million for 2004 and 2005. During the fiscal year, the employer has reduced the current fiscal year contribution by $5 million. After 2005 the employer contribution will not be subject to any future reductions. Even after the reduction, overall employer contributions for 2006 were higher than in 2005 due primarily to greater employee contributions two years prior. The employer's workforce is expected to stabilize which should result in a consistent level of both employee and employer contributions going forward.

Investment income is comprised of actual earnings (i.e. dividends, interests, realized gains and losses) and unrealized gains and losses. An decrease in the fiscal year end market values for all investments has generated an unrealized loss. In spite of this market value decrease investment income inclusive of this unrealized loss is $40,970,688 for the fiscal year ending 2006.

The largest category of the Fund's expenses is for benefit payments. A breakdown of expenses are as follows:

Category	*FY 2006*	*FY 2005*	*Increase (Decrease)*	*Percent Change*
Retirement Benefits	$46,668,385	$46,472,103	$ 196,282	0.42
Spouses Benefits	9,073,756	8,614,689	459,067	5.33
Children Benefits	31,100	32,400	(1,300)	(4.01)
Disability Benefits	222,225	389,615	(167,390)	(42.96)
Death Benefits	308,000	392,200	(84,200)	(21.47)
Refund Payments	2,067,947	1,960,489	107,458	5.48
Administrative Expenses	1,231,485	1,185,866	45,619	3.85
Total	$59,602,898	$59,047,362	$ 555,536	0.94

Funding Status

For the current fiscal year, the Fund has complied with Governmental Standards Board (GASB) Statement No. 25 which requires the actuarial value of assets and annual required contributions be market related. In computing the actuarial valuation, a five-year smoothed market value was used. The actuarial valuations were based upon the actuarial liabilities being computed using the Projected Unit Credit Actuarial Cost Method. Actuarial valuations for fiscal years 2004 and prior were based upon the Entry Age Normal Actuarial Cost Method. The Trustees approved the change in valuation methods because of the resulting positive impact on funding due to the marked decline in the average age of active members.

Based upon the above, the unfunded liability as of June 30, 2006 was $172,585,110 which compares to $146,586,562 for the previous year. The funding ratio as of June 30, 2006 is 76.8% compared to 80.0% for the previous year. For 2006, the funding ratio declined because of continual recognition of deferred unrealized losses for 2002, 2003, and 2006 due to the five-year smoothing of market values used to determine the actuarial value of assets. Other factors contributing to the funding ratio drop is the increased actuarial liability for active members due to a higher employee level for 2006. It is anticipated that as the financial markets continue to strengthen the funding ratio will begin to increase approaching levels closer to full funding.

Investment Policy and Performance

The Fund's investment policy was developed to insure the long-term financing of its funding requirements. Utilizing the services of Ennis Knupp & Associates (E & K), the Fund's investment consultant, the Trustees will review the investment policy on an on-going basis making amendments as needed. The Fund's current investment policy, which details investment authority, asset allocation, diversification, liquidity, performance measurement and objective, is provided in the Investment Section of the CAFR.

As of June 30, 2006, the fair value of investments was $576,381,433 which compares to $583,566,887 as of June 30, 2005. As of June 30, 2006, the Fund's annual investment rate of return was 7.4% compared to 8.9% for the previous year. The Fund's 7.4% return lagged the performance benchmark by 90 basis points and the more equity-oriented peer fund median. The Fund's trailing three-year return modestly outpaced the performance benchmark and over the trailing five years approximated the benchmark. The total Fund has maintained a strong absolute ten-year return of 9.8% annually which significantly exceeds the actuarial assumed rate of return of 8%.

Technology

As a result of the installation of a new data processing system during the fiscal year of 2000, as well as the Fund's ongoing enhancement to hardware as well as software, the Fund continues to realize numerous operational efficiencies through the use of the most current technology available. The Fund plans to develop a multi-year plan regarding its data systems to insure the continued deployment of the most cost effective systems.

Legislative Program

During the fiscal year ended June 30, 2006 the Trustees continued to review of the Fund's enabling statutes, especially those pertaining to benefits and funding. The purpose of the review was to develop legislative proposals that insured the Fund's financial strength while providing additional benefits. During the current fiscal year, no statutory changes were enacted. The members will be kept informed of all legislative program developments as they unfold.

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Park Employees' and Retirement Board Employees' Annuity and Benefit Fund, Illinois for its comprehensive annual financial report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Governmental Accounting Standards Board (Statement's No. 34, No. 37, No. 40, and No. 44)

Effective July 1, 2001, the Plan implemented the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – a Management's Discussion and Analysis – for State and Local Government (GASB #34) and Statement No. 37, Basic Financial Statements – and Managements Discussion and Analysis-for State and Local Governments: Omnibus (GASB #37), as a result the Management's Discussion and Analysis (MD&A) provides analysis of the Fund's financial position and results of operation. Effective for the fiscal year ending June 30, 2006 the Plan adopted Governmental Accounting Standards Board Statement No. 40, Deposits and Investment Risk Disclosures and Governmental Accounting Standards Board Statement No. 44, Economic Condition Reporting (an amendment to NCGA Statement 1). Please refer to the Financial and Statistical Sections of the CAFR for further information.

Retirement Board

The annual election for an employee representative to the Retirement Board was held on Friday, June 23, 2006. I was reelected by the participants of the Fund for a four-year term beginning July 1, 2006. The Fund is awaiting a decision by the Chicago Park District Board of Commissioners regarding the expired terms of Trustees Claude A. Walton, Pamela A. Munizzi and Joseph M. Fratto.

Acknowledgments

All the statistical and financial information compiled and presented in this CAFR is due to the combined efforts of the administrative staff of the Fund under the direction of the Executive Director, ***Joseph M. Fratto*** and the Comptroller, ***John D. Lord***. Their efforts are hereby acknowledged with thanks and appreciation.

On behalf of the Retirement Board,

Luke J. Howe
President

PARK EMPLOYEES' ANNUITY AND BENEFIT FUND

MEMBERS
(as of June 30, 2006)

Elected by the Employees

Luke J. Howe
Term expires June 30, 2006

John J. Shostack
Term expires June 30, 2007

Kevin P. O'Hara
Term expires June 30, 2008

Edward L. Affolter
Term expires June 30, 2009

Appointed by the Commissioners of the Chicago Park District

Claude A Walton
Term expires June 30, 2003

Pamela A. Munizzi
Term expires June 30, 2004

Joseph M. Fratto
Term expires June 30, 2005

OFFICERS

Luke J. Howe, President
Pamela A. Munizzi, Vice President
Claude A. Walton, Secretary

ADMINISTRATIVE STAFF

Joseph M. Fratto, Executive Director
John D. Lord, Comptroller

CONSULTANTS

Jacobs, Burns, Orlove, Stanton & Hernandez, Attorney
Sandor Goldstein, F.S.A., Consulting Actuary
Ennis, Knupp & Associates, Investment Consultant

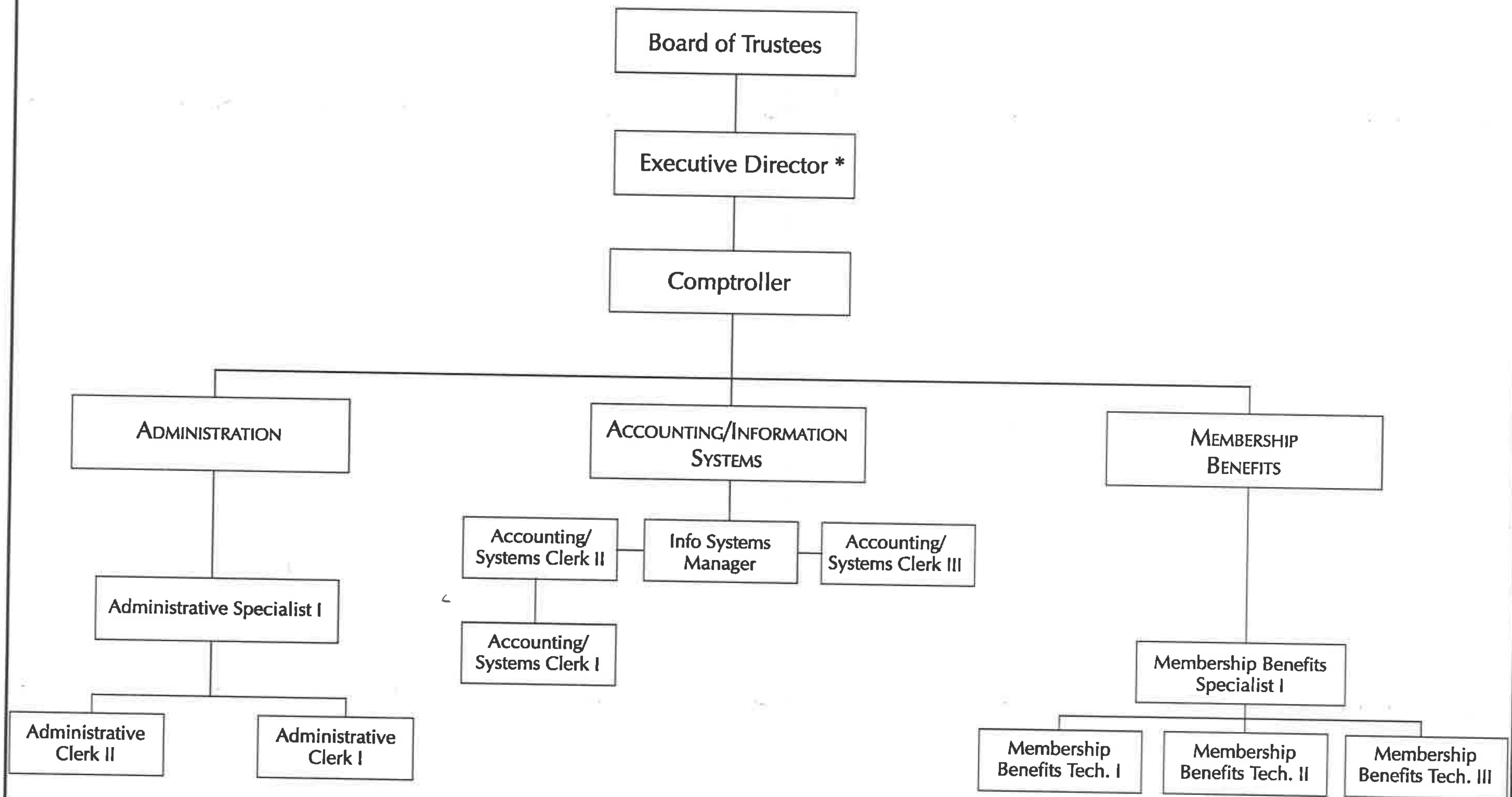
CUSTODIAN

The Northern Trust Company of Chicago

INVESTMENT ADVISORS

Ariel Capital Management – Chicago
Great Lakes Advisors, Inc. – Chicago
Harbourvest Partners L.L.C. – Boston
MacKay Sheilds, L.L.P. – New York
Mesirow Private Equity, Inc – Chicago
Northern Trust Quantitative Advisors – Chicago
Pacific Investment Management Company – California
Principal Global Investor – Chicago
Reams Asset Management Company – Indiana
Taplin, Canida & Habacht – Miami
UBS Realty Advisors, Inc. – Hartford
Wellington Trust Company, NA – Boston

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND
ORGANIZATION CHART



* The Executive Director is responsible for the handling of all investment matters. The Fund does not internally manage any investments. (Please see Schedule of Annual Investment Expenses for a listing of managers and other service providers.)

Report of the Independent Auditor

BANSLEY AND KIENER, L.L.P.
Certified Public Accountants
O'Hare Plaza
8745 West Higgins Road, Suite 200
Chicago, Illinois 60631
Tel. # (312) 263-2700

The Retirement Board
Park Employees' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Chicago, Illinois 60603

We have audited the statements of plan net assets of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan), a Component Unit/Fund of the Chicago Park District, as of June 30, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago as of June 30, 2006 and 2005, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of tax levies receivables, administrative and general expenses, annual professional expenses, and annual investment expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 2, the Plan adopted Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*, during the year ended June 30, 2005.

Bansley and Kiener, L.L.P.
Certified Public Accountants
November 7, 2006

Management's Discussion and Analysis

Management's Discussion and Analysis Year Ended June 30, 2006

This discussion and analysis of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Plan) financial performance provides an overview of the Plan's financial activities for the year ended June 30, 2006. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

a) The Plan's net assets slightly decreased during the year by $4.3 million or 0.8% compared to an increase of $3.9 million or 0.7% for 2005.

b) The Plan's annual investment return of 7.4% lagged the portfolio benchmark return of 8.3%.

c) The Plan's three-year rate of return of 9.9% exceeded the portfolio benchmark return of 9.7%.

d) The Plan's five-year rate of return of 6.2% approximated the portfolio benchmark return.

e) The Plan's annual return since inception of 9.8% have exceeded the actuarial assumed rate of return of 8%.

f) Total 2006 additions to the Plan's net assets of $55.3 million is $7.6 million lower than the 2005 additions and $34.9 million lower than the 2004 additions.

g) Total 2006 deductions of $59.6 million is 0.9% higher than the 2005 deductions and 6.7% higher than the 2004 deductions.

h) The Plan's actuarially computed funding ratio is 76.8% which is 3.2% less than 2005 and 5.8% less than 2004.

Using this Annual Report

Management Discussion and Analysis introduces the Plan's basic financial statements. The basic financial statements include the notes to the financial statements, required supplementary information and other additional information which will supplement the basic financial statements.

The financial statements provide information about the Plan's overall financial condition. The first of these statements is the Statement of Plan Net Assets. This is a statement indicating financial position information that includes assets and liabilities with the difference reported as net assets. Over time increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

The second financial statement is the Statement of Changes in Plan Net Assets during the fiscal year. All additions such as member and employer contributions and investment income are included. All deductions such as benefit payments, refunds of contributions and administrative and general expenses are reflected. An important purpose of the design of this statement is to show the individual components of additions and deductions that occurred during the fiscal year.

The accompanying Notes to the Financial Statements will provide information essential to achieve full disclosure and understanding of the Plan's financial statements.

In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information including the Schedules of Funding Progress and Employer Contributions along with the accompanying note to these schedules. Other supplementary information includes schedules of Tax Levies Receivables, Administrative and General Expenses, Annual Professional Expenses and Annual Investment Expenses.

The Plan as a Whole

The Plan's net assets at fiscal year-end are $573,387,500. This is $4,341,318 lower than 2005 year-end net assets of $577,728,818 and $482,638 lower than 2004 year-end net assets. The following table is a comparative summary of net assets:

	2006	*2005*	*2004*
Total Assets	$654,952,391	$669,841,334	$671,251,376
Total Liabilities	81,564,891	92,112,516	97,381,238
Net Assets	$573,387,500	$577,728,818	$573,870,138

During the current year, additions to net assets are summarized as follows:

Additions	*2006*	*2005*	*2004*
Employer Contributions	$10,173,860	$ 9,768,605	$ 9,840,681
Employee Contributions	9,117,032	8,515,799	10,593,581
Less: Statutory reduction of employer contributions	(5,000,000)	(5,000,000)	-
Investment Income (includes security lending activities)	40,970,688	49,621,638	69,754,905
Totals	$55,261,580	$62,906,042	$90,189,167

During the fiscal year, employer contributions were reduced by $5 million. In January 2004, legislation was enacted to give the employer the authority to reduce their contributions up to $5 million annually for 2004 and 2005. The 2006 investment income was $40,970,688 as compared to the investment income of $49,621,638 in 2005 and investment income of $69,754,905 in 2004. The decline in 2006 investment income is primarily a direct result of the decrease in market value of the Plan's investments producing a higher unrealized loss. The unrealized losses are directly tied to the economic state of the broader financial markets.

For the fiscal year, expenditures were $59,602,898 which is $555,536 higher than 2005 and $3,738,898 over 2004 expenditures. The slight increase in retirement and spouse's benefit expenditures is primarily the result of the 3% annual increase offset by a decline in the total of retirees for 2006. The decrease in childrens, disability, and death benefits more than offset the increase in refund of contributions and administrative and general expenditures during the fiscal year.

Deductions	*2006*	*2005*	*2004*
Retirement Benefits	$46,668,385	$46,472,103	$42,831,611
Spouse Benefits	9,073,756	8,614,689	8,196,180
Childrens Benefits	31,100	32,400	38,600
Disability Benefits	222,225	389,615	382,263
Death Benefits	308,000	392,200	292,539
Total Benefits	56,303,466	55,901,007	51,741,193
Refund of Contributions	2,067,947	1,960,489	2,923,613
Administrative & General Expenses	1,231,485	1,185,866	1,199,194
Totals	$59,602,898	$59,047,362	$55,864,000

The Plan as a Whole (continued)

The actuarial valuation was based upon the actuarial liabilities being computed using the Projected Unit Credit Actuarial Cost Method. Actuarial valuations for fiscal years 2004 and prior were based upon the Entry Age Normal Actuarial Cost Method. The Trustees approved the change in valuation methods because of the resulting positive impact on funding due to the marked decline in the average age of active members.

The Plan's actuarially computed funding ratio is 76.8% which is 3.2% less than 2005 and 5.8% less than 2004. This drop is the direct result of the continual recognition of deferred unrealized losses for 2002, 2003, and 2006 due to the five-year smoothing of market values used to determine the actuarial value of assets. Other factors contributing to the funding ratio drop is the increased actuarial liability for active members due to a higher employee level for 2006. The annual investment return for the fiscal year was 7.4% which is lower than the 8.9% for 2005 and the 13.4% in 2004. As the financial markets continue to improve and investment returns exceed 8% the funding ratio should stabilize and will begin to increase approaching levels closer to full funding.

The Plan's 7.4% return lagged its performance benchmark by roughly 90 basis points and the more equity-oriented peer fund median. The Plan's trailing three-year return modestly outpaced the performance benchmark and over the trailing five-year the Plan's return approximated the benchmark. The total Plan has achieved a strong absolute annual return of 9.8% which has significantly exceeded the actuarial assumed rate of return of 8%.

The Plan is postured to generate strong investment returns as financial markets continue to improve. The Plan's strong financial condition positions the plan to continue providing benefits well into the future.

Contacting the Plan's Financial Management

This report is intended to provide a general overview of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago for its employees and other interested parties. If you have questions, requests, or need additional information, please contact the Plan at 55 East Monroe Street, Suite 2880, Chicago, Illinois 60603.

Statements of Plan Net Assets

June 30, 2006 and 2005

ASSETS	2006	2005
Cash	$ 3,247,110	$ 60,000
Receivables		
Contributions from employer, net of allowance for loss of $610,827 in 2006 and $780,655 in 2005	4,971,628	4,827,374
Employee contributions	406,198	351,602
Due from broker for securities sold	22,890,746	24,886,814
Accrued investment income	1,512,584	1,315,769
Early retirement incentive program	1,215	171,226
	29,782,371	31,552,785
Investments, at fair value		
Short-term investments	16,798,487	31,190,630
Bonds	198,718,776	203,058,624
Common and preferred stocks	285,454,602	288,467,596
Pooled separate real estate accounts	62,913,733	55,384,620
Other	12,495,835	5,465,417
	576,381,433	583,566,887
Invested securities lending collateral	45,519,144	49,739,145
Furniture and fixtures -net	1,967	2,325
Prepaid expenses	20,366	28,713
Deferred charge-statutory reduction of employer contributions	-	4,891,479
Total Assets	654,952,391	669,841,334
LIABILITIES		
Accounts Payable	381,008	582,300
Accrued benefits payable	97,827	130,212
Securities lending collateral	45,519,144	49,739,145
Due to broker for securities purchased	35,566,912	41,660,859
	81,564,891	92,112,516
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 31)	$573,387,500	$577,728,818

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2006 and 2005

	2006	2005
Additions		
Contributions		
Employer contributions	$ 10,173,860	$ 9,768,605
Employee contributions	9,117,032	8,515,799
Statutory reduction of employer contributions	(5,000,000)	(5,000,000)
Total contributions	14,290,892	13,284,404
Investment income		
Net appreciation in fair value of investments	27,719,255	38,786,794
Interest	10,390,842	9,555,819
Dividends	2,865,233	2,985,591
Investment return on pooled separate real estate accounts	1,842,411	188,254
	42,817,741	51,516,458
Less investment expenses	1,926,528	1,981,830
	40,891,213	49,534,628
Security lending activities		
Securities lending income	2,137,999	1,345,359
Borrower rebates	(2,009,198)	(1,202,118)
Bank fees	(49,326)	(56,231)
	79,475	87,010
Total additions	55,261,580	62,906,042
Deductions		
Benefits		
Annuity payments	55,773,241	55,126,392
Disability and death benefits	530,225	774,615
Total benefits	56,303,466	55,901,007
Refund of contributions	2,067,947	1,960,489
Administrative and general expenses	1,231,485	1,185,866
Total deductions	59,602,898	59,047,362
Net increase (decrease)	(4,341,318)	3,858,680
Net assets held in trust for pension benefits		
Beginning of year	577,728,818	573,870,138
End of year	$573,387,500	$577,728,818

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Note 1: Plan Description and Contribution Information

The Plan is the administrator of a single employer defined benefit plan (PERS) established by the State of Illinois to provide annuities and benefits for substantially all employees of the Chicago Park District. The Plan is considered a component unit of the Chicago Park District's financial statements as a pension trust fund. The Plan is administered in accordance with the Illinois Compiled Statutes. The defined benefits as well as the employer and employee contribution levels of the Plan are mandated by Illinois State Statutes and may be amended only by the Illinois legislature. The Plan provides retirement, disability and death benefits to plan members and beneficiaries.

At June 30, 2006 and 2005, Plan membership consists of:

	2006	*2005*
Retirees and beneficiaries currently receiving benefits	3,115	3,184
Current employees	3,035	2,881
Vested terminated members entitled to benefits	167	186

Employees attaining the age of 50 with at least ten years or more of creditable service are entitled to receive a minimum service retirement pension. The retirement pension is based upon the average of the four highest consecutive years of salary within the last ten years at various rates depending on years of service. If the employee retires prior to the attainment of age 60, the allowance computed is reduced by one-quarter percent for each full month the employee is under age 60. There is no reduction if the participant has 30 years of service. Employees with four years of service at age 60 may receive a retirement benefit. The monthly annuity of an employee who retires at age 60 or after is increased each year, following one year's receipt of pension payments, by three percent of the original monthly annuity and the same three percent (not compounded) annually thereafter. Effective August 18, 1998, Public Act 90-766 established an employee who retires with at least 30 years of service is eligible to receive the annual increase of three percent, following one full year's receipt of pension payments, without regard to the attainment of age 60 and whether or not the employee was in service on or after the effective date of this amendment.

Effective January 16, 2004, Public Act 093-0654 established an early retirement incentive program in which employees who had attained age fifty (50) and had at least 10 years of creditable service with the Chicago Park District and elected to retire during the period from January 31, 2004 to February 29, 2004 were able to attain up to five years of additional service credit upon making specified contributions. For employees who have previously earned maximum pension benefits, they were able to receive a lump sum from the Plan equal to 100% of their salary for the year ending on February 29, 2004 or the date of withdrawal, whichever is earlier. The program also changed the benefit formula to 2.4% for each year of service.

Covered employees are required by state statutes to contribute 9.0 percent of their salary to the Plan. If a covered employee leaves employment before the age of 55, accumulated employee contributions are refundable without interest. The District is required by state statute to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Plan made in the fiscal year two years prior to the year for which the annual applicable tax is levied, multiplied by a factor of 1.1 annually. The District has no legal obligation to Fund pension costs above that allowed by statute.

Note 2: Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the appointed officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or

2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan is considered a component unit fund of the Chicago Park District and, as such, is included in the Chicago Park District's financial statements. Accordingly, these financial statements present only the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund and are not intended to present fairly the financial position of the Chicago Park District and the result of its operations in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statues. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values for bonds and stocks are determined by quoted market prices and for pooled separate real estate accounts as reported by the plan administrator.

Administrative Expenses

Administrative expenses are budgeted and approved by the Plan's Board of Trustees. Funding for these expenses is included in the employer contributions as determined by the annual actuarial valuation.

Deposit and Investment Disclosures

During the year ended June 30, 2005, the Plan adopted Government Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures.* As a result the Plan has addressed certain deposit and investment risk disclosures.

Note 3: Investments

The Plan's investments are held by a bank administered trust fund, except for the pooled separate real estate accounts. Investments that represent 5 per cent or more of the Plan's net assets (except those issued or guaranteed by the U.S. Government) are separately identified.

	2006	*2005*
Investments at Fair Value As		
Determined by Quoted Price		
Short term investments	$ 16,798,487	$ 31,190,630
Bonds		
PIMCO Fds	19,957,198	35,005,160
Other	178,761,578	168,053,464
Common and preferred stock		
Aggregate stock funds	208,469,696	127,312,882
Other	76,984,906	161,364,714
Other Investments	12,495,835	5,465,417
	513,467,700	528,182,267
Investments at Fair Value As		
Determined by Plan Administrator		
Pooled separate real estate accounts	62,913,733	55,384,620
	$576,381,433	$583,566,887

The Plan shall apply the prudent investor rule in investing for funds under its supervision. The "prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, with regards to preservation of capital and income and not speculation. The funds belonging to the Plan must be invested exclusively for the benefit of their members and in accordance with the respective Plan's investment goals and objectives.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change interest rates.

The Plan does not maintain a policy relative to interest rate risk. The Board of Trustees recognized that its investments are subject to short-term volatility. However, their goal is to maximize total return within prudent risk parameters.

Note 3: Investments *(continued)*

At June 30, 2006 and 2005 the following tables show the investments in debt securities by investment type and maturity (expressed in thousands):

Security Type	*Total Market Value*	*Less Than 1 Year*	*1-6 Years*	*6-10 Years*	*10+ Years*	*Maturity N/D*
Asset backed	$ 5,588	$ 49	$ 4,038	$ 215	$ 1,286	$ –
Commercial mortgage backed	6,483	–	–	–	6,483	–
Corporate bonds	78,327	655	11,100	10,511	8,073	47,988
Corporate convertible bonds	2,368	–	269	–	2,099	–
Government agencies	37,653	3,913	8,518	3,540	2,024	19,658
Government bonds	19,896	–	4,704	5,967	9,225	–
Government mortgage backed	44,761	–	476	5,935	25,851	12,499
Government issued commercial mortgage backed	257	–	257	–	–	–
Municipal/provincial bonds	2,306	–	168	218	141	1,779
Non-governmental backed CMO's	1,016	–	30	270	716	–
Short term bills and notes	64	64	–	–	–	–
Short term investment funds	16,798	16,798	–	–	–	–
Total	$215,517	$21,479	$29,560	$26,656	$55,898	$81,924

Security Type	*Total Market Value*	*Less Than 1 Year*	*1-6 Years*	*6-10 Years*	*10+ Years*	*Maturity * N/D**
Asset backed	$ 6,698	$ 519	$ 2,924	$ 802	$ 2,453	
Commercial mortgage backed	6,688	–	–	145	6,543	
Corporate bonds	81,896	2,471	48,506	17,326	13,593	
Corporate convertible bonds	–	–	–	–	–	
Government agencies	32,186	4,137	4,131	23,190	728	
Government bonds	17,382	–	4,608	4,448	8,326	
Government mortgage backed	47,907	–	1,210	4,293	42,404	
Government issued commercial mortgage backed	502	–	502	–	–	
Municipal/provincial bonds	2,135	–	176	–	1,959	
Non-governmental backed CMO's	452	–	192	–	260	
Short term bills and notes	4,333	4,333	–	–	–	
Short term investment funds	34,071	34,071	–	–	–	
Total	$234,250	$45,531	$62,249	$50,204	$76,266	

** Information not determinable*

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Park Employees' Retirement Fund maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each fixed income manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories.

The following table presents the Plan's ratings as of June 30, 2006 and 2005 (expressed in thousands):

S&P Credit Rating	*Index Market Value*	*Asset Backed Securities*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Gov't Issued CMO*	*Non-Gov't Backed CMO's*	*Municipal Bonds*	*Pooled Assets*
AAA	$ 38,990	$4,677	$6,023	$ 264	$10,938	$16,438	$ 204	$ -	$ 446	$ -	$ -
AA	4,746	-	-	2,321	2,425	-	-	-	-	-	-
A	8,379	49	-	7,945	-	-	-	-	-	385	-
BBB	12,453	220	-	12,052	-	181	-	-	-	-	-
BB	3,902	-	-	2,917	-	985	-	-	-	-	-
B	2,785	-	-	2,785	-	-	-	-	-	-	-
CCC	224	-	-	224	-	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-	-	-	-
D	96	-	-	96	-	-	-	-	-	-	-
NR	76,953	642	460	20,965	-	2,252	2,155	-	570	-	49,909
US Gov't Agency	66,989	-	-	-	4,633	40	42,402	257	-	-	19,657
Total	$215,517	$5,588	$6,483	$49,569	$17,996	$19,896	$44,761	$257	$1,016	$ 385	$69,566

S&P Credit Rating	*Index Market Value*	*Asset Backed Securities*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Gov't Issued CMO*	*Non-Gov't Backed CMO's*	*Municipal Bonds*	*Pooled Assets*
AAA	$ 32,924	$5,349	$5,188	$ 3,440	$3,295	$15,392	$ -	$ -	$ 260	$ -	$ -
AA	1,664	-	-	1,664	-	-	-	-	-	-	-
A	16,322	431	-	11,655	3,861	-	-	-	-	375	-
BBB	7,535	-	-	6,981	-	554	-	-	-	-	-
BB	7,985	-	-	7,541	-	444	-	-	-	-	-
B	3,075	50	-	3,025	-	-	-	-	-	-	-
CCC	77	-	-	77	-	-	-	-	-	-	-
C	290	-	-	290	-	-	-	-	-	-	-
D	1	-	-	1	-	-	-	-	-	-	-
NR	86,605	868	1,500	35,219	-	992	-	-	192	-	47,834
US Gov't Agency	77,772	-	-	-	4,449	-	47,907	502	-	-	24,914
Total	$234,250	$6,698	$6,688	$69,893	$11,605	$17,382	$47,907	$502	$ 452	$375	$72,748

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Our review of the Plan's exposure to custodial credit risks reflects that there is none.

Note 4: Deposits

At June 30, 2006 and 2005, the Plan's book balances of cash were $3,247,110 and $60,000, respectively, at the Northern Trust Company Bank. The actual bank balances were $80,959 and $40,339, respectively, at June 30, 2006 and 2005. The bank balances are insured by the Federal Deposit Insurance Corporation up to $100,000.

Note 5: Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, The Northern Trust Company, manages the securities lending program, which includes the securities of the Plan as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. However, the Plan does have the right to close the loan at any time. All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the market value of the securities loaned, the collateral is adjusted accordingly. Cash collateral is invested in the lending agent's short-term investment pool, which at year end has a weighted average maturity of 41 days. As of June 30, 2006 and 2005, the Plan had loaned to borrowers securities with a market value of $50,317,336 and $50,772,729, respectively. As of June 30, 2006 and 2005, the Plan received from borrowers cash collateral of $45,519,144 and $49,739,145, and non-cash collateral of $5,622,279 and $2,264,366, respectively. Securities lending net income for the years ended June 30, 2006 and 2005 was $79,475 and $87,010, respectively.

At year end, the Plan has no credit risk exposure to the borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

Note 6: Statutory Reduction of Employer Contributions

On January 16, 2004 an amendment to the Illinois Pension Code determined that the employer in its discretion could reduce the employer contribution by $5,000,000 for each of the calendar years 2006 and 2005. The employer properly chose not to remit $5,000,000 in the fall of 2004 and $4,891,479 again in the first quarter of 2005. As the legislature did not intend to adversely affect the Plan, and cause the Plan to recognize both reduced payments within the same fiscal year ended June 30, 2005, the Plan has deferred the second stautory reduction of employer contributions of $4,891,479 to its fiscal year ending June 30, 2006.

Note 7: Operating Leases

The Plan entered into an operating lease for office space effective August 1, 1996 and expiring July 31, 2006 and subsequently renewed through April 30, 2013. The lease provides that the lessee pay monthly base rent subject to annual increases, plus an escalation rent computed on costs incurred by the lessor.

Following is a schedule of minimum future rental payments for the next five years under the noncancelable operating lease at June 30, 2006:

Year ending June 30	*Amount*
2007	$ 51,324
2008	53,305
2009	55,452
2010	57,598
2011	59,743
Thereafter	136,662
	$414,084

The total rental expense for the years ended June 30, 2006 and 2005 was $131,762 and $132,532, respectively.

Required Supplementary Information

Schedule of Funding Progress
(Dollar amounts in thousands)

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 of percentage of Covered Payroll ((b-a)/c)
06/30/06	$572,659	$745,244	$172,585	76.8%	$101,058	170.8%
06/30/05	587,774	734,361	146,587	80.0	95,707	153.2
06/30/04	610,294	738,579	128,285	82.6	87,841	146.0
06/30/03	624,210	701,209	76,999	89.0	102,330	75.2
06/30/02	637,750	678,208	40,458	94.0	103,787	39.0
06/30/01	651,344	673,430	22,086	96.7	105,740	20.9

Schedule of Employer Contributions
(Dollar amounts in thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	$15,235	34%
2005	14,760	32
2004	7,518	100
2003	7,215	100
2002	6,288	100
2001	6,197	100

Note to Schedules of Funding Progress and Employer Contributions

Valuation date	06/30/06
Actuarial cost method	Projected unit (2006 and 2005)
	Entry age (2004 and prior)
Amortization method	Level dollar
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Inflation rate	4%

Additional Information

Tax Levies Receivable

Levy Year (Calendar)	*Tax Levy*	*Collections*	*Tax Levy Receivable*	*Allowance for Uncollectible Taxes*	*Allowance for Uncollectible Write-offs as a Percentage of Tax Levy*	*Net Tax Levy Receivable*
At June 30, 2006:						
2002	$10,121,430	$ 9,997,681	$ 108,482	$108,482	1.07	$ –
2003	10,135,021	10,168,340	–	–	0.00	–
2004	9,833,752	9,898,807	–	–	0.00	–
2005	10,048,241	4,572,768	5,473,974	502,345	5.00	4,971,628
			$5,582,456	$610,827		$4,971,628
At June 30, 2005:						
2001	$10,036,565	$ 9,859,004	$ 177,561	$177,561	1.77	$ –
2002	10,121,430	10,018,068	103,362	103,362	1.02	–
2003	10,135,021	10,126,935	8,086	8,086	0.08	–
2004	9,833,752	4,514,732	5,319,020	491,646	5.00	4,827,374
			$5,608,029	$780,655		$4,827,374

Schedule of Administrative and General Expenses

	Year Ended June 30,	
	2006	*2005*
Actuary expense	$ 38,000	$ 36,000
Auditing	18,750	17,500
Conference and convention expense	24,418	35,180
Contributions for annuities of Ret. Board Employees	94,356	86,619
Depreciation	358	179
Equipment rental	6,220	6,220
Equipment maintenance	1,072	1,512
Filing fee - Department of Insurance	8,000	8,000
File storage expense	1,733	2,482
Hospitalization	132,214	123,440
Legal	16,191	9,950
Legislative consultant	17,000	16,500
Medical fees	550	375
Office supplies and expenses	17,976	20,376
Postage	14,919	14,071
Insurance - surety bond and other	2,010	1,941
Printing	894	9,073
Rent expense	131,762	132,532
Salaries	681,886	636,127
Social Security - Medicare	7,111	6,677
Telephone	9,195	12,891
Transportation	614	656
Trustees' election expense	6,256	7,565
Total administrative and general expenses	$1,231,485	$1,185,866

Schedule of Annual Professional Expenses

	Year Ended June 30,	
	2006	*2005*
Actuary	$38,000	$36,000
Auditing	18,750	17,500
Legal	16,191	9,950
Legislative Consultant	17,000	16,500
Medical	550	375
Total	$90,491	$80,325

Schedule of Annual Investment Expenses

	Year Ended June 30,	
	2006	*2005*
U.S. EQUITY		
Ariel Capital Management	$ 190,070	$ –
Great Lakes Advisors, Inc.	149,986	140,978
The Kenwood Group	13,850	157,870
Wayne Hummer Management Company	83,602	241,863
Northern Trust Quantitative Advisors	79,211	63,311
Sub-Total	516,719	604,022
NON - U.S. EQUITY		
Wellington Trust Company, NA	288,093	246,503
Northern Trust Quantitative Advisors	38,560	38,777
Sub-Total	326,653	285,280
U.S. BONDS		
MacKay Shields, L.L.P.	201,036	207,833
Pacific Investment Management Co.	252,497	282,739
Reams Asset Management Co.	120,819	133,015
Smith Graham & Co.	5,861	71,071
Taplin, Canida & Habacht	43,723	–
Sub-Total	623,936	694,658
REAL ESTATE		
UBS Realty Advisors	287,602	261,035
BANKING		
Custody	50,000	50,000
Other	42,060	28,100
Sub-Total	92,060	78,100
CONSULTING		
Ennis, Knupp & Associates	79,558	58,735
TOTAL	$1,926,528	$1,981,830

INTRODUCTION

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statues. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transition date of such sale or exchange. Dividend income is recognized based on dividends declared. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values for bonds and stocks are determined by quoted market prices and for pooled separate real estate accounts as reported by the plan administrator.

The Investment Section was prepared by staff with assistance from Ennis, Knupp & Associates (E&K), the Fund's investment consultant and Northern Trust Company, the Fund's custodian.

INVESTMENT RECAP

Market Environment

The U.S. stock market advanced 9.9% during the year ended June 30, 2006, as measured by the Dow Jones Willshire 5000 Index. Small capitalization stocks outperformed large capitalization stocks over the trailing-year, as witnessed by the 14.6% return of the Russell 2000 Small Cap Index compared to the 9.1% return posted by the Russell 1000 Large Cap Index. In terms of style, value outperformed growth during the year, with the Russell 3000 Value Index advancing 12.3% and the Russell 3000 Growth Index returning 6.8%.

Non-U.S. equity markets outpaced their U.S. counterparts during the twelve months ended June 30, 2006. Non-U.S. developed markets advanced 26.6% (as measured by the MSCI EAFE Index) during the year, while emerging markets continued their run of recent strong performance (despite a fiscal fourth quarter pull-back), returning 35.5% (as measured by the MSCI Emerging Markets Free Index) over the trailing twelve month period. A declining U.S. dollar during much of the period contributed to the relative outperformance of non-U.S. markets.

The broad bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.8% during the fiscal year as yields rose across the U.S. Treasury curve. The government and corporate sectors both finished the fiscal year in negative territory, returning –1.2% and –2.2%, respectively. Motgage-backed and asset-backed issues were able to make modest gains in aggregate. High yield and emerging market debt (which are not included in the Legman Aggregate) posted solid returns during fiscal 2006, returning 4.8% and 8.1%, respectively.

On June 29th, the Federal Reserve initiated the eight quarter-point federal funds rate increase of the fiscal year, and seventeenth since June 2004. The resulting rate stood at 5.25% as of fiscal year-end rates have not been raised since fiscal year-end, however, as the Fed has left the federal funds rate unchanged at the last two Fed committee meetings. Real GDP rose at a robust 5.6% annualized rate during the fiscal third quarter, inflation, as measured by the Consumer Price Index, was 4.3% over the fiscal year and 3.1% over the six months ending June 30, 2006, making the largest six-month increase in the Index since late 1990.

Performance Commentary

The pension fund posted a one-year return of 7.4%. Equity markets were strong during fiscal year, but gains were tempered by exposure to the struggling fixed income market. Returns got a boost from a material allocation (approximately 11% of total fund assets as of fiscal year-end) to the strong-performing real estate market. The fund's 7.4% trailing-year return lagged that of its performance benchmark by roughly 90 basis points, and also lagged its more equity-oriented peer fund median. The fund's trailing three-year return modestly outpaced that of the performance benchmark, and over the trailing five years the fund approximated the return of its benchmark. The total fund has maintained a strong absolute return of 9.8% annually since inception, which significantly exceeds the actuarial assumed rate of return of 8%.

The broad U.S. stock market, as measured by the Dow Jones Wilshire 5000 Index, advanced 9.9% during the fiscal year. The fund's U.S. equity investments advanced 6.8% in aggregate. The relative performance of the fund's U.S. stock component was held back primarily by poor performance from U.S. stock managers Wayne Hummer Asset Management, who was terminated during the fiscal year, and the Ariel Capital Management, who was hired during the fiscal first quarter and struggled during much of fiscal 2006. The fund's U.S. stock component approximated the return of the Dow Jones Willshire 5000 Index over the trailing three-year period, and has outperformed the Index by 0.3 percentage points over the trailing five years.

Non-U.S. markets advanced 26.6% as measured by the MSCI EAFE (Europe, Australia, and Far East) Index during fiscal 2006. The fund's non-U.S. component return slightly trailed the Index, earning 26.2%. Over the trailing three years the fund's non-U.S. equity return again lagged the Index, while over the trailing five years the fund's non-U.S. component has modestly outpaced the Index.

Fixed income markets declined 0.8% in aggregate during the fiscal year as measured by the Lehman Brothers Aggregate Bond Index. Through negative on an absolute basis, the fund's fixed income managers posted a strong relative return in aggregate, returning –0.4% and outpacing the Index by 0.4 percentage points over the trailing twelve months. PIMCO, Reams, and newly hired manager Taplin, Canida and Habacht (who replaced Smith Graham as a bond manager for the fund during the fiscal first quarter) all added material relative value during the fiscal year. Trailing three-year and five-year returns for the bond component are also above the benchmark.

The real estate market, as measured by the NCREIF Open End Fund Index, advanced 17.5% during the trailing twelve-month period. Though strong on an absolute basis, the fund's aggregate real estate return of 15.6% lagged that of the Index. The fund's decision to increase its exposure to real estate during fiscal year 2005 has thus far proved quite beneficial.

The Private Equity market, as measured by the CSFB Post-Venture Cap Index, returned 11.3% during fiscal 2006. Though the Fund's private equity component lagged the return of the CSFB-Post Venture Cap Index, its 8.0% net return was quite impressive considering that both HarbourVest and Mesirow are both in the early stages of drawing down capital. As of fiscal year-end, the fund's allocation to private equity stood at 2.5%.

Summary of Investments

Periods Ended June 30, 2006 and June 30, 2005

	06/30/06				06/30/05			
CATEGORY	FAIR VALUE	%	BOOK VALUE	%	FAIR VALUE	%	BOOK VALUE	%
BONDS	$198,718,776	34	$205,911,011	38	$203,058,624	35	$203,144,415	40
Domestic Equities	200,212,321	35	183,597,787	34	218,337,159	37	155,574,991	31
International Equities	85,242,281	15	72,377,200	14	70,130,437	12	59,791,683	12
EQUITIES	285,454,602	50	255,974,987	48	288,467,596	49	215,366,674	43
REAL ESTATE	62,913,733	11	49,838,474	9	55,384,620	9	49,343,340	10
SHORT TERM	16,798,487	3	16,798,487	3	31,190,630	6	31,190,630	6
OTHER	12,495,835	2	11,354,893	2	5,465,417	1	5,007,127	1
INVESTMENT ASSETS*	$576,381,433	100	$539,877,852	100	$583,566,887	100	$504,052,186	100

**Investment assets do not reflect the amounts due to brokers at year end. Net due to brokers is $12,676,166 for F/Y/E 2006 and $16,774,045 for F/Y/E 2005.*

Statement of Investment Policy for the Park Employees' Annuity and Benefit Fund

ADOPTED 10/94

REVISED 8/1/98; 5/19/99; 2/16/00; 5/7/00; 05/20/03

The purpose of this statement is to establish the investment policy for the management of the assets of the Park Employees' Annuity and Benefit Fund.

Distinction of Responsibilities

The Trustees are responsible for establishing the investment policy that is to guide the investment of Fund assets. The target allocation that the Trustees deem appropriate for the Fund is displayed below. The Fund's investments are distributed to a number of asset classes to minimize investment risk through diversification and simultaneously provide enhanced investment performance. The Trustees are to review the investment policy every three to five years.

Investment managers appointed by the Trustees to execute the policy will invest the Fund assets in accordance with established guidelines, but will apply their own judgements concerning relative investment values. In particular, the investment managers are accorded full discretion, within established guidelines and policy limits, to select individual investments and diversify their portfolios.

Allocation of Assets

It is the Trustees' policy to invest the Fund's assets in the following proportions:

	Board Approved Policy		
Asset Category	***Target (%)***	***Range***	***(%)***
U.S. Equity	38.0	35.0	41.0
Non U.S. Equity	12.0	9.0	15.0
Private Equity	5.0	0.0	7.0
Real Estate	10.0	7.0	13.0
U.S. Bonds	35.0	32.0	38.0
	100.0		

Normal cash flows (contributions and benefit payments) will be used to maintain the allocation as close as practical to the target allocation. If normal cash flows are insufficient to maintain the allocation within the permissible range as of any calendar quarter-end, the Trustees shall transfer balances as necessary between the asset types to bring the allocation back within the permissible ranges.

Active and Passive Investments

The Board of Trustees have directed that a prescribed percentage of specific asset classes be invested passively through the use of index funds. The Board of Trustees have approved the following passive investment percentages:

Asset Category	***% Indexed***
U.S. Equity	50.0
Non-U.S. Equity	33.3
U.S. Bonds	0.0

Statement of Investment Policy...(Continued)

Diversification

The portfolio is to be diversified within each asset class to reduce the impact of large losses in individual investments in a manner that is consistent with Retirement Board policy, and otherwise at the discretion of each investment manager.

Liquidity

The cash flow needs of the plan are not material. The Trustees will notify managers of any need for cash withdrawals.

Individual Investment Management Performance Benchmark

Individual performance benchmarks will be established by the Board of Trustees and used to evaluate individual manager's performance.

Investment Objective

The investment objective of the Fund is to equal or exceed the rate of return of a benchmark comprised 38.0% of the Willshire 5000 Stock Index, 12.0% of the MSCI All Country World Ex-US Free Index, 35.0% of the Lehman Brothers Aggregate Bond Index, 5% of the Willshire 5000 Index Plus 300 Basis Points Annually and 10.0% of the NCREIF Property Index on a net-of-fee basis. As a secondary benchmark, the Fund is to achieve an above-median ranking in a universe of other public funds over a reasonable measurement period.

Schedule of Investment Performance

For the Year Ended June 30, 2002 – 2006
and Three, Five and Ten-Year Periods
Ending June 30, 2006

	One Year Ending 06/30, 2001-2005					Ending 06/30/06		
	2006	2005	2004	2003	2002	3 Years	5 Years	10 Years
Total Fund	7.4	8.9	13.4	4.3	-2.4	9.9	6.2	7.8
Benchmark Portfolio	8.3	9.0	11.8	5.9	-3.4	9.7	6.3	8.4
Public Funds Medium Return	10.7	9.7	16.2	3.2	-6.3	12.8	6.7	8.3
Actuarial Assumed Rate of Return	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Consumer Price Index	4.3	2.5	3.3	2.1	1.1	3.4	2.7	2.6
U.S Equities	8.8	7.7	25.4	-2.7	-12.1	13.0	4.3	7.6
Willshire 5000	9.9	8.2	21.2	1.3	-16.6	13.0	4.0	8.5
S & P 500	8.6	6.3	19.1	0.3	-18.0	11.2	2.5	8.3
Universe Median	11.0	7.6	20.9	-1.0	-17.4	15.1	5.8	10.1
Non-U.S. Equities	26.2	14.0	29.0	-4.6	-8.9	23.0	10.1	8.8*
EAFE Index	26.6	13.7	32.4	-6.5	-9.5	23.9	10.0	6.4
Universe Median	27.1	13.2	28.5	-6.9	-9.0	23.2	10.2	8.8
Fixed Income	-0.4	7.1	1.7	10.7	6.8	2.8	5.1	6.2
Lehman Aggregate Index	-0.8	6.8	0.3	10.4	8.6	2.1	5.0	6.2
Universe Median	-0.6	6.9	0.3	8.4	7.2	2.2	5.0	6.2
Real Estate	15.6	16.6	6.8	5.1	2.2	13.5	9.8	11.4
NCREIF Open End Fund Index	17.5	17.0	6.4	7.8	5.6	15.1	11.4	12.4
NCREIF Property Index	18.7	18.0	6.5	7.7	5.6	15.8	12.0	12.4

Return calculations were prepared using a time-weighted rate of return methodology in accordance with the performance presentation standards of the Association for Investment Management and Research (AIMR).

*Non-U.S. Equities reflect performance from inception date 01/31/95.

Schedule of Ten Largest Stock and Bond Holdings

For Fiscal Year Ended
June 30, 2006

STOCKS*

Shares	Holdings	Fair Value
25,800	Burlington Northern Santa Fe Corp., Common Shs.	$2,049,810
21,300	Textron Inc, Common Shs.	1,971,688
27,200	Altria Group Inc, Common Shs.	1,796,366
24,200	Conoco Philipps, Common Shs.	1,782,418
20,500	Cintas Corp., Common Shs.	1,655,785
32,400	3M Corp., Common Shs.	1,562,976
45,000	Citigroup Inc, Common Shs.	1,494,450
29,300	Target Corp., Common Shs.	1,431,891
26,200	American Express Co., Common Shs.	1,394,364
3,900	Markel Corp Holding Co., Common Shs.	1,353,300

BONDS*

Holdings	Fair Value
FNMA 30 yr pass-throughs 5.5% 30 years	$5,047,959
US Long Bond 09/20/2006	3,413,000
FNMA 30 yr pass-throughs 6% 30 years	2,546,294
FNMA Pool #555532 5.5% 06/01/2033	2,239,588
FHLMC Gold GO-8105 5.5% 01/01/2036	2,164,560
FNMA PreAssign 00295 4% 09/02/2008	1,982,958
FHLMC Multiclass PreAssign #00016	1,690,451
FNMA Pool #891850 5.5% 06/01/2021	1,528,584
FHLB BD 5.12% 09/08/2010/09/08/2006	1,491,767
FNMA NT 5.25% 04/15/2007	1,488,732

**A complete listing of all individual securities held is available for review upon request.*

Schedule of Investment Brokerage Commissions

Broker Name	Shares*	Commissions
Investment Technology Group	1,690,750	$ 32,273
Loop Capital Markets	630,156	25,179
Gardner Rich & Company	396,300	16,825
Jackson Securities	308,366	12,335
Melvin Securities	246,300	9,937
Cabrera Capital Markets	147,200	6,712
Labrabche Financial	162,900	6,080
Weeden & Company	140,400	5,503
William Blair & Company	106,700	4,418
Citigroup Global Markets, Inc.	100,800	4,113
Goldman Sachs & Company	72,100	2,884
Sutter Securities	66,600	2,779
Avian Securities	53,800	2,152
M.R. Beal & Company	56,900	2,151
Janney Montgomery Scott	40,580	2,029
Cheevers & Company	30,949	1,523
Prudential Equity Group	30,500	1,470
Barrington Research Associates	20,000	1,000
Broker Commissions under $1,000	276,900	11,076
Total Broker Commissions	4,578,201	$150,439

**Total shares traded 4,578,201 at an average cost of $0.0329 per share.*

Actuarial Certification

GOLDSTEIN & ASSOCIATES
29 South LaSalle Street, Suite 735
Chicago, Illinois 60603
Tel. # (312) 726-5877 * Fax # (312) 726-4323

December 12, 2006

The Trustees of the Retirement Board of the
Park Employees' Annuity and Benefit Fund of Chicago
55 East Monroe Street, Suite 2880
Chicago, Illinois 60603

We have completed the annual actuarial valuation of the Park Employees' Annuity and Benefit Fund of Chicago as of June 30, 2006. The purpose of the valuation was to determine the financial condition and funding requirements of the Fund.

Since the effective date of the last valuation, there have been no changes in the benefit provisions of the Fund.

The same as the assumptions that had been assumptions used for the June 30, 2006 actuarial valuation as had been used for the June 30, 2005 valuation. These actuarial assumptions were based on an experience analysis over the three-year period 2000-2002 and were adopted by the board as of June 30, 2003.

The projected unit credit actuarial cost method was used for the June 30, 2006 actuarial valuation. This is the same actuarial cost method that was used for the June 30, 2005 valuation.

The funding policy of the Fund is to have contributions sufficient to amortize the unfunded liability over a 30-year period. Employer contributions come from a property tax levied by the District equal to the total amount of contributions made by employees in the calendar year 2 years prior to the year of the levy, multiplied by 1.10. The 1.10 is known as the tax multiple. In years prior to Fiscal Year 2005, employer contributions to the Fund have been sufficient to meet the actuarially determined contribution requirement. For Fiscal Year 2005, the employer contribution was not sufficient to meet the actuarially determined contribution requirement.

The asset values used for the valuation were based on the asset information contained in the audited financial statements for the Fund for the year ending June 30, 2006. For purposes of the actuarial valuation, a 5-year smoothed market value of assets was used to determine the actuarial value of assets.

The valuation has been based on the membership data which was supplied by the administrative staff of the Fund. We have made additional tests to ensure its accuracy.

The trend data schedules presented in the financial section of the Comprehensive Annual Financial Report (CAFR) were prepared by the staff of the Fund based on information contained in our actuarial reports. All exhibits, tables, schedules, and appendices included in the accompanying actuarial section were prepared by us based on information provided by the Fund.

Actuarial Certification (continued)

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 25.

In our opinion, the following valuation results fairly represent the financial condition of the Park Employees' Annuity and Benefit Fund of Chicago.

Respectfully submitted,

Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff, A.S.A.
Associate Actuary

Actuary's Report

A. Purpose and Summary

We have carried out an actuarial valuation of the Park Employees' Annuity and Benefit Fund as of June 30, 2006. The purpose of the valuation was to determine the financial position and funding requirements of the Pension Fund. This report is intended to present the results of the valuation.

The results of the valuation are summarized below:

1. Total actuarial liability	$745,244,239
2. Actuarial value of assets	572,659,129
3. Unfunded actuarial liability	172,585,110
4. Funded Ratio	76.8%
5. Actuarially determined contribution requirement for fiscal year beginning July 1, 2006	14,571,540
6. Estimated employer contributions for fiscal year beginning July 1, 2006	8,673,843
7. Annual required contribution for fiscal year beginning July 1, 2006 under GASB Statement No. 25	14,571,540

B. Data Used for the Valuation

Participant Data. The participant data required to carry out the valuation was supplied by the Fund. The membership of the Fund as of June 30, 2006, on which the valuation was based, is summarized in Exhibit 1. It can be seen that there were 3,035 active members, 2,199 pensioners, 893 surviving spouses, and 23 children receiving benefits included in the valuation. The total active payroll as of June 30, 2006 was $101,058,024.

Exhibit 1

Summary of Membership Data

1. Number of Members	
(a) Active Members	
(i) Vested	1,050
(ii) Non-vested	1,985
(b) Members Receiving	
(i) Retirement Pensions	2,199
(ii) Surviving Spouse's Pensions	893
(iii) Children's Annuities	23
(c) Vested Terminated Members	167
2. Annual Salaries	
(a) Total Salary	$101,058,024
(b) Average Salary	33,298
3. Annual Pension Payments	
(a) Retirement Pensions	$ 47,044,562
(b) Surviving Spouse's Pensions	9,042,279
(c) Children's Annuities	28,200

Assets. In November of 1994, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 25 which establishes standards of financial reporting for governmental pension plans. The statement is effective for periods beginning after June 15, 1996.

Under GASB Statement No. 25, the actuarial value of assets to be used for determining a plan's funded status and annual required contributions needs to be **market related.** However, GASB has indicated that current market values should not be used if those values would result in unnecessary fluctuation in the funded status and the annual required contribution. Thus, in determining the actuarial value of assets, smoothing changes in the market value of assets over a period of three to five years is considered appropriate.

The asset values used for the valuation were based on the asset information contained in the statement of assets as of June 30, 2006 prepared by the Fund. The actuarial value of assets was determined by smoothing unexpected gains or losses over a period of 5 years. The resulting actuarial value of assets is $572,659,129. The development of this value is outlined in Exhibit 2. In comparison, the market value of assets as of June 30, 2006 was $573,387,500.

Exhibit 2

Actuarial Value of Assets

A. Development of Investment Gain	
1. Actuarial Value of Assets as of June 30, 2005	$587,774,143
2. Employer and Employee Contributions	14,290,892
3. Benefits and Expenses	59,602,898
4. Expected Investment Income	45,244,319
5. Total Investment Income, Including Income from Securities Lending	40,970,688
6. Investment Gain/(Loss) for the Year Ended June 30, 2006 (5 - 4)	(4,273,631)
B. Development of Actuarial Value of Assets as of June 30, 2006	
7. Expected Actuarial Value of Assets (1 + 2 - 3 + 4)	587,706,456
8. Investment Gain/(Loss) as of June 30, 2006 Recognized Current Year (20% of 6)	(854,726)
9. Investment Gain/(Loss) as of June 30, 2005 Recognized in Current Year	518,687
10. Investment Gain/(Loss) as of June 30, 2004 Recognized in Current Year	4,241,612
11. Investment Gain (Loss) as of June 30, 2003 Recognized in Current Year	(5,893,103)
12. Investment Gain (Loss) as of June 30, 2002 Recognized in Current Year	(13,059,797)
13. Actuarial Value of Assets as of June 30, 2006 (7 + 8 + 9 + 10 + 11 + 12)	$572,659,129

C. Fund Provisions

Our valuation was based on the provisions of the fund in effect as of June 30, 2006 as provided in Article 12 of the Illinois Pension Code. A summary of the principal provisions of the Fund is provided in Appendix 2.

D. Actuarial Assumptions and Cost Method

The actuarial assumptions used for the June 30, 2006 valuation are the same as the assumptions that had been used for the June 30, 2005 valuation. These actuarial assumptions were based on an experience analysis over the three-year period 2000-2002. The actuarial assumptions used for the current valuation are outlined in Appendix 1.

In our opinion, the actuarial assumptions used for the valuation are reasonable in the aggregate, taking into account fund experience and future expectations, and represent our best estimate of anticipated experience.

The projected unit credit actuarial cost method was used for the valuation. This is the same actuarial cost method that was used for the June 30, 2005 actuarial valuation.

E. Actuarial Liability and Funded Status

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 3. The total actuarial liability is then compared with the actuarial value of assets in order to arrive at the unfunded actuarial liability. (The actuarial terms used in this report are defined in Appendix 3.)

As of June 30, 2006, the total actuarial liability is $745,244,239, the actuarial value of assets is $572,659,129, and the unfunded actuarial liability is $172,585,111. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 76.8%.

Exhibit 3

Actuarial Liability and Funded Status

	Year Ending June 30	
	2006	2005
1. Actuarial Liability For Members in Receipt of Benefits		
(a) Money purchase component of annuities to retirees	$248,540,561	$250,316,175
(b) Fixed benefit component of annuities to retirees	51,509,753	51,998,256
(c) Annual increases in retirement annuity	108,197,584	104,587,867
(d) Annual increases to employee annuitants	1,148,452	1,192,350
(e) Survivor annuities to survivors of current retirees	53,196,034	53,788,434
(f) Lump sum death benefits	2,857,556	2,877,994
(g) Survivor annuities to current survivors	79,117,130	78,340,551
(h) Total	544,567,070	543,101,627
2. Actuarial Liability For Active Members		
(a) Basic retirement annuity	124,837,053	116,704,229
(b) Annual increase in retirement annuity	25,414,697	23,789,156
(c) Pre-retirement survivor's annuity	5,743,998	5,327,498
(d) Post-retirement survivor's annuity	12,602,109	11,819,479
(e) Withdrawal benefits	8,746,091	8,529,786
(f) Pre-retirement death benefit	1,018,688	949,816
(g) Post-retirement death benefit	327,602	312,605
(h) Total	178,690,238	167,432,569
3. Actuarial Liability For Inactive Members	21,986,931	23,826,509
4. Total Actuarial Liability	745,244,239	734,360,705
5. Actuarial Value of Assets	572,659,129	587,774,143
6. Unfunded Actuarial Liability	$172,585,110	$146,586,562
7. Funded Ratio	76.8%	80.0%

F. Employer's Normal Cost

The employer's share of the normal cost for the year beginning July 1, 2006 is developed in Exhibit 4. For the year beginning July 1, 2006, the total normal cost is determined to be $13,338,471, employee contributions are estimated to be $9,095,222, resulting in the employer's share of the normal cost of $4,243,249.

Based on a payroll of $101,058,024, the employer's share of the normal cost can be expressed as 4.20% of payroll.

Exhibit 4

Employer's Normal Cost for Year Beginning July 1, 2006

	Dollar Amount	*Percent of Payroll*
1. Basic retirement annuity	$ 7,172,564	7.10%
2. Annual increase in retirement annuity	1,409,076	1.39
3. Pre-retirement survivor's annuity	387,163	.38
4. Post-retirement survivor's annuity	728,064	.72
5. Withdrawal benefits, including refunds	1,925,033	1.91
6. Pre-retirement death benefit	105,764	.10
7. Post-retirement death benefit	25,108	.03
8. Children's annuity	28,200	.03
9. Ordinary disability benefit	215,540	.21
10. Duty disability benefit	48,900	.05
11. Administrative expenses	1,293,059	1.28
12. Total normal cost	13,338,471	13.20%
13. Employee contributions	9,095,222	9.00
14. Employer's share of normal cost	$ 4,243,249	4.20%

Note. The above figures are based on a total active payroll of $101,058,024 as of June 30, 2006.

G. Actuarially Determined Contribution Requirement

GASB Statements No. 25 and 27 provide for annual employer contribution requirements determined on an actuarial basis. According to the GASB statements, the actuarially determined contribution requirement is equal to the employer's normal cost plus an amortization of the unfunded actuarial liability. For a period of 10 years, the maximum acceptable amortization period is 40 years. After the 10-year period, the maximum acceptable amortization period is 30 years. We have therefore calculated the actuarially determined employer contribution requirement for the fiscal year beginning July 1, 2006 as the employer's normal cost plus a 30-year level-dollar amortization of the unfunded actuarial liability. The results of our calculation are shown in Exhibit 5.

Employer contributions to the Fund come from a tax levied upon all taxable property in the City of Chicago. The amount of tax that is levied is 1.10 times the amount of employee contributions made 2 years previously. The 1.10 is known as the tax multiple.

As can be seen from Exhibit 5, for the fiscal year beginning July 1, 2006 the actuarially determined contribution requirement amounts to $14,571,540. Based on the 1.10 tax multiple, and assuming a 5% loss in collections, we have estimated the employer contribution for the year beginning July 1, 2006 to be $8,673,843. Thus, the employer contribution is expected to fall short of the actuarially determined contribution requirement by $5,897,697.

Exhibit 5

Actuarially Determined Contribution Requirement For Year Beginning July 1, 2006

1. Employer's normal cost	$ 4,243,249
2. Annual amount to amortize the unfunded liability over 30 years through annual level-dollar payments	10,328,291
3. Actuarially determined contribution requirement for year beginning July 1, 2006	14,571,540
4. Estimated employer contribution for the year	8,673,843
5. Amount by which employer contribution is expected to be less than actuarially determined contribution requirement	$ 5,897,697

H. Annual Required Contribution for GASB Statement No. 25

GASB Statement No. 25 requires the disclosure of the annual required employer contribution (ARC), calculated in accordance with certain parameters. Based on the results of the June 30, 2006 actuarial valuation, we have therefore calculated the annual required contribution for the fiscal year beginning July 1, 2006. In accordance with the parameters prescribed in GASB Statement No. 25, in calculating the annual required contribution, we have used adjusted market value for the actuarial value of assets and have used a 30-year level-dollar amortization of the unfunded liability. On this basis, the annual required contribution for Fiscal Year 2006 has been determined to be as follows:

1. Employer's normal cost	$ 4,243,249
2. Annual amount to amortize the unfunded liability over 30 years through annual level-dollar payments	10,328,291
3. Annual required contribution	$14,571,540

I. Analysis of Financial Experience

The net actuarial experience during the period July 1, 2005 to June 30, 2006 resulted in an increase in the Fund's unfunded actuarial liability of $25,998,548. This increase in unfunded actuarial liability is a result of several kinds of gains and losses. The financial effect of the most significant gains and losses is illustrated in Exhibit 6.

The employer funding requirement for the year of normal cost plus interest on the unfunded actuarial liability amounted to $15,235,031, whereas the actual employer contribution for the year is estimated to be $5,173,860, resulting in an increase in the unfunded liability of $10,061,171.

The net rate of investment return earned by the assets of the Fund, based on the actuarial value of assets, was 5.3% in comparison with the assumed rate of investment return of 8.0%. This resulted in an increase in the unfunded liability of $15,047,000. Salaries increased at an average of 5.2% in comparison with an assumed rate of increase of 4.5% per year. This resulted in a increase in the unfunded liability of $1,182,000.

The various other aspects of the Fund's experience resulted in a net decrease in the unfunded actuarial liability of $291,623. The aggregate financial experience of the Fund resulted in a net increase in the unfunded actuarial liability of $25,998,548.

Exhibit 6

Analysis of Financial Experience Over the Period July 1, 2005 to June 30, 2006

1. Unfunded actuarial liability as of July 1, 2005	$146,586,562
2. Employer contributions requirement of normal cost plus interest on unfunded liability for period 7/1/05 to 6/30/06	15,235,031
3. Actual employer contribution for the year	5,173,860
4. Increase in unfunded liability due to employer contribution less than normal cost plus interest on unfunded liability (2 - 3)	10,061,171
5. Increase in unfunded liability due to investment return lower than assumed	15,047,000
6. Increase in unfunded liability due to salary increases higher than assumed	1,182,000
7. Decrease in unfunded liability due to other sources	291,623
8. Net increase in unfunded liability for the year (4 + 5 + 6 - 7)	25,998,548
10. Unfunded actuarial liability as of June 30, 2006 (1 + 8)	$172,585,110

J. Certification

This actuarial report has been prepared in accordance with generally accepted actuarial principles and practices and to the best of our knowledge, fairly represents the financial condition of the Park Employees' Annuity and Benefit Fund as of June 30, 2006.

Respectfully submitted,

Sandor Goldstein
Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff
Carl J. Smedinghoff, A.S.A.
Associate Actuary

Appendix 1

Summary of Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions. The actuarial assumptions used for the June 30, 2005 valuation are summarized below. These assumptions were adopted as of June 30, 2003.

Mortality Rates. The UP-1994 Mortality Table For Males, rated 1 year, for male participants, and the UP-1994 Mortality Table For Female Employees, rated up 1 year, for female participants, was used for the valuation.

Termination Rates. Termination rates based on the recent experience of the Fund were used. The following is a sample of the termination rates that were used:

		Rates of Termination Per 1000 Members	
Age	*0-4 Years Service*	*4-10 Years Service*	*10 or More Years Service*
20	281	-	-
25	260	231	-
30	179	131	47
35	167	129	41
40	156	97	35
45	113	93	28
50	110	89	-
55	107	85	-

Retirement Rates. Rates of retirement for each age from 50 to 75 based on the recent experience of the Fund were used. The following are samples of the rates of retirement that were used.

	Rate of Retirement Per 1000 Members	
Age	*Less Than 30 Years Service*	*30 Or More Years of Service*
50	50	400
55	55	200
60	80	80
65	120	120
70	140	140
75	1,000	1,000

Salary Progression. 4.5% per year, compounded annually.

Interest Rate. 8.0% per year, compounded annually.

Marital Status. 75% of participants were assumed to be married.

Spouse's Age. Male spouses are assumed to be 2 years older than female spouses.

Actuarial Value of Assets. The actuarial value of assets was determined by smoothing unexpected gains or losses over a period of 5 years.

Actuarial Cost Method. The projected unit credit actuarial cost method was used. Actuarial gains and losses are reflected in the unfunded actuarial liability. This actuarial cost method was adopted as of June 30, 2005.

Appendix 2

Summary of Principal Provisions

1. Membership. Any person employed by the Chicago Park District in a position requiring service for 6 months or more in a calendar year is required to become a member of the Fund as a condition of employment.

2. Employee Contributions. All members of the Fund are required to contribute 9% of salary to the Fund as follows:

7% for the retirement pension
1% for the spouse's pension
1% for the automatic increases in the retirement pension

In addition, employees are required to contribute $3.60 per month toward the cost of the single sum death benefit.

3. Retirement Pension-Eligibility. An employee may retire at age 50 with at least 10 years of service or at age 60 with 4 years of service.

If retirement occurs before age 60, the retirement pension is reduced 1/4 of 1% for each month that the age of the member is below 60. However, there is no reduction if the employee has at least 30 years of service.

4. Retirement Pension-Amount. The retirement pension is based on the average of the 4 highest consecutive years of salary within the last 10 years. For an employee who withdraws from service on or after December 31, 2003, the amount of the retirement pension is 2.4% of highest average salary for each year of service.

The maximum pension payable is 80% of the highest average annual salary.

An employee who was a participant before July 1, 1971 is entitled to the pension provided under the money purchase formula if it provides a greater pension than that provided under the above fixed benefit formula.

5. Post-Retirement Increase In Retirement Pension. An employee retiring at age 60 or over, or an employee with 30 or more years of service, is entitled to automatic annual increases of 3% of the originally granted pension following 1 year's receipt of pension payments. In the case of an employee with less than 30 years service who retires before age 60, the increases begin following the later of attainment of age 60 and receipt of 1 year's pension payments.

6. Surviving Spouse's Pension. A surviving spouse is entitled to a pension upon the death of an employee while in service or on retirement. If the surviving spouse is age 60 or over and the employee or pensioner had at least 20 years of service, the minimum surviving spouse's pension is 50% of the deceased employee's or retired employee's pension at the date of death. If the age of the surviving spouse is less than 60, the pension is reduced 1/2 of 1% for each month the surviving spouse is under age 60. If the employee had less than 20 years of service, the surviving spouse is entitled to a pension under the money purchase formula, taking into account employee and employer contributions toward the surviving spouse's pension.

Surviving spouse's pensions are subject to annual automatic increases of 3% per year based on the current amount of pension.

7. Children's Pension. Unmarried children of a deceased employee under the age of 18 are entitled to a children's pension. If either parent is living, the pension is $100.00 per month. If no parent survives, the pension for each child is $150.00 per month. The total amount payable to a spouse or children may not exceed 60% of the employer's final salary.

8. Single Sum Death Benefit. A death benefit is payable upon the death of an employee in service in addition to any other benefits payable to the surviving spouse or minor children. The death benefit payable is as follows:

$3,000 benefit during the 1st year of service,
$4,000 benefit during the 2nd year of service,
$5,000 benefit during the 3rd year of service,
$6,000 benefit during the 4th through 10th year of service,
$10,000 benefit if death occurs after 10 or more years of service.

Upon the death of a retired member with 10 or more years of service, the $10,000 maximum benefit is reduced to $6,000 if death occurs during the first year of retirement. Thereafter, it is reduced by $1,500 for each year or fraction of a year while on retirement, but shall not be less than $3,000.

9. Ordinary Disability Benefit. An ordinary disability benefit is payable after 8 consecutive days of absence for illness without pay. The amount of the benefit is 45% of salary. The benefit is payable for a period not to exceed 1/4 of the length of service or 5 years, whichever is less.

10. Occupational Disability Benefit. Upon disability resulting from an injury incurred while on duty, an employee is entitled to a disability benefit of 75% of salary from the first day of absence without pay. The benefit is payable during the period of disability until the employee attains age 65, if disability is incurred before age 60, or for a period of 5 years if disability is incurred after age 60.

11. Occupational Death Benefit. Upon the death of an employee resulting from an accident incurred in the performance of duty, the surviving spouse is entitled to an occupational death benefit of 50% of salary. Each unmarried child under the age of 18 is entitled to a benefit of $100 per month. The combined payments to a family may not exceed 75% of the employee's final salary. The total payments are reduced by Workmen's Compensation benefits.

12. Refunds. An employee who terminates employment before qualifying for a pension is entitled to a refund of employee contributions. The refund is payable to any employee who withdraws before age 55, regardless of the length of service. It is also payable to an employee who withdraws between age 55 and 60 with less than 10 years of service, and to an employee who withdraws after age 60 with less than 5 years of service.

An employee who is unmarried at date of retirement is entitled to a refund of the full amount contributed for the spouse's pension, without interest.

Appendix 3

Glossary of Terms Used in Report

1. **Actuarial Present Value.** The value of an amount or series of amounts payable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

2. **Actuarial Cost Method or Funding Method.** A procedure for determining the actuarial present value of pension plan benefits and for determining an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

3. **Normal Cost.** That portion of the present value of pension plan benefits which is allocated to a valuation year by the actuarial costs method.

4. **Actuarial Accrued Liability or Accrued Liability.** That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension benefits which is not provided for by future normal costs.

5. **Actuarial Value of Assets.** The value assigned by the actuary to the assets of the pension plan for purposes of an actuarial valuation.

6. **Unfunded Actuarial Liability.** The excess of the actuarial liability over the actuarial value of assets.

7. **Projected Unit Credit Actuarial Cost Method.** A cost method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefit allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial liability.

8. **Actuarial Assumptions.** Assumptions as to future events affecting pension costs.

9. **Actuarial Valuation.** The determination, as of the valuation date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

10. **Accrued Benefit or Accumulated Plan Benefits.** The amount of an individual's benefit as of a specific date determined in accordance with the terms of a pension plan and based on compensation and service to that date.

11. **Vested Benefits.** Benefits that are not contingent on an employee's future service.

Tables

TABLE I

Schedule of Active Member Valuation Data

Valuation Date	Active Members: Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
06/30/99	3,595	$ 94,254,767	$26,218	(4.3)
06/30/00	3,639	101,267,759	27,828	6.1
06/30/01	3,395	105,739,601	31,146	11.0
06/30/02	3,422	103,786,911	30,329	(2.6)
06/30/03	3,179	102,329,721	32,189	6.1
06/30/04	2,820	87,840,802	31,149	(3.2)
06/30/05	2,881	95,707,132	33,220	6.6
06/30/06	3,035	101,058,024	33,298	0.2

TABLE II

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End-of Year		Average Annual Benefit	% Increase in Average Annual Benefit
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
1999	310	$5,741,244	206	$ 762,966	3,251	$44,507,178	$13,690	9.0
2000	126	1,390,498	170	595,198	3,207	45,302,488	14,126	3.2
2001	140	1,638,676	191	1,527,484	3,156	45,413,680	14,390	1.9
2002	132	2,907,468	193	1,771,252	3,095	46,549,896	15,040	4.5
2003	131	2,946,242	186	2,418,091	3,040	47,078,047	15,486	3.0
2004	351	9,796,355	176	2,020,035	3,240(1)	54,854,367	17,063	10.2
2005	62	2,771,265	118	2,211,151	3,184	55,414,481	17,542	2.8
2006	70	3,304,140	139	2,631,780	3,115	56,086,841	18,139	3.4

TABLE III

Solvency Test

Fiscal Year Ended	ACCRUED LIABILITIES FOR (1) Active Members Accumulated Contributions	(2) Members Currently Receiving Benefits	(3) Active and Inactive Member Employer Portion	Actuarial Value of Assets	Percent of Accrued Liabilities Covered by Assets (1)	(2)	(3)
1999	$122,692,192	$415,269,765	$ 72,565,670	$592,283,760	100	100	75
2000	113,292,867	437,586,009	105,087,840	627,937,703	100	100	73
2001	119,126,713	433,551,115	120,751,775	651,343,906	100	100	82
2002	127,265,151	436,688,459	114,254,363	637,749,858	100	100	65
2003	119,192,515	448,993,236	133,023,176	624,209,658	100	100	42
2004	99,281,919	546,041,364	93,255,547	610,293,849	100	94	0
2005	107,874,190	543,101,627	83,384,888	587,774,143	100	88	0
2006	115,585,189	544,567,070	85,091,980	572,659,129	100	84	0

(1) 2004 Retires and Beneficiaries now includes 25 Children beneficiaries.

MEMBERSHIP STATISTICS

	FY 2006	FY 2005
Active participants	3,035	2,881
Retired employees - annuities	2,199	2,231
Surviving spouses - annuities	893	928
Children - annuities	23	25
Retirement granted during the year	70	62
Retirement reductions due to deaths and pension terminations	139	118
New Members	411	356
Withdrawals with refund	180	203

ACTIVE MEMBERS AND TOTAL ANNUAL SALARIES BY AGE
At June 30, 2006

Table I

	Male		Female		Total	
Age at 06/30/06	Number	Annual Salaries	Number	Annual Salaries	Number	Annual Salaries
17	1	$ 8,956	-	$ -	1	$ 8,956
18	12	62,144	13	107,118	25	169,262
19	36	321,389	25	216,107	61	537,496
20	41	483,930	30	287,979	71	771,909
21	39	479,425	30	311,540	69	790,965
22	48	672,340	53	635,480	101	1,307,820
23	50	812,971	50	747,445	100	1,560,416
24	37	558,877	35	528,021	72	1,086,898
25	41	740,173	34	655,750	75	1,395,923
26	39	814,420	22	400,898	61	1,215,318
27	42	930,005	23	404,955	65	1,334,960
28	23	547,528	22	594,677	45	1,142,205
29	22	669,655	29	847,645	51	1,517,300
30	32	807,132	18	569,325	50	1,376,457
31	19	451,007	27	936,147	46	1,387,154
32	33	792,248	21	578,142	54	1,370,390
33	38	1,295,147	20	531,849	58	1,826,996
34	27	832,389	30	864,417	57	1,696,806
35	36	1,043,155	38	1,150,236	74	2,193,391
36	54	1,665,558	30	902,956	84	2,568,514
37	48	1,457,799	25	970,975	73	2,428,774
38	46	1,564,058	31	912,069	77	2,476,127
39	42	1,642,405	36	1,167,438	78	2,809,843
40	39	1,393,582	30	990,895	69	2,384,477
41	54	2,002,474	42	1,381,066	96	3,383,540
42	38	1,540,510	21	663,126	59	2,203,636
43	50	1,799,417	28	895,001	78	2,694,418
44	61	2,671,581	37	1,021,132	98	3,692,713
45	49	1,998,452	39	1,528,039	88	3,526,491
46	54	2,260,018	32	1,084,424	86	3,344,442
47	57	2,468,132	27	1,019,302	84	3,487,434
48	61	2,542,477	24	887,795	85	3,430,272
49	50	2,154,995	20	591,473	70	2,746,468
50	58	2,412,463	26	1,047,787	84	3,460,250
51	62	2,891,833	25	979,463	87	3,871,296
52	45	2,075,768	19	671,700	64	2,747,468

ACTIVE MEMBERS AND TOTAL ANNUAL SALARIES BY AGE AT JUNE 30, 2006

Table I (continued)

Age at 06/30/06	Male Number	Male Annual Salaries	Female Number	Female Annual Salaries	Total Number	Total Annual Salaries
53	33	1,420,672	23	701,291	56	2,121,963
54	41	1,455,190	16	489,705	57	1,944,895
55	47	2,211,542	21	729,026	68	2,940,568
56	44	1,895,868	18	520,452	62	2,416,320
57	28	1,188,953	10	375,427	38	1,564,380
58	28	933,822	11	313,753	39	1,247,575
59	26	1,084,212	3	109,509	29	1,193,721
60	19	659,492	6	197,707	25	857,199
61	22	791,708	9	262,590	31	1,054,298
62	16	541,331	3	160,846	19	702,177
63	17	776,277	10	376,643	27	1,152,920
64	8	343,088	2	59,357	10	402,445
65	8	336,431	6	236,240	14	572,671
66	11	379,427	4	111,147	15	490,574
67	8	231,463	3	83,094	11	314,557
68	6	237,017	-	-	6	237,017
69	7	252,635	1	10,116	8	262,751
70	4	79,085	1	40,661	5	119,746
71	1	22,978	1	32,294	2	55,272
72	-	-	3	64,392	3	64,392
73	1	77,099	1	18,248	2	95,347
74	3	90,254	-	-	3	90,254
76	3	78,114	-	-	3	78,114
77	-	-	2	24,383	2	24,383
78	1	34,131	-	-	1	34,131
79	-	-	1	12,086	1	12,086
80	1	49,381	-	-	1	49,381
85	1	12,880	-	-	1	12,880
	1,868	$62,047,463	1,167	$32,011,339	3,035	$94,058,802

	Male	Female	Both
Average Age:	41.3	37.8	40.0
Average Salary:	$33,216	$27,430	$30,991

ACTIVE MEMBERS AND TOTAL ANNUAL SALARIES BY LENGTH OF SERVICE

Table II

At June 30, 2006

	Male		Female		Total	
Years of Service	Number	Annual Salaries	Number	Annual Salaries	Number	Annual Salaries
< 1	241	$ 1,541,552	164	$ 931,593	405	$ 2,473,145
1	210	4,617,786	146	2,256,538	356	6,874,324
2	125	4,160,470	79	1,636,232	204	5,796,702
3	79	1,708,403	48	1,076,271	127	2,784,674
4	97	2,340,914	58	1,218,559	155	3,559,473
5	84	2,399,837	69	1,529,456	153	3,929,293
6	114	4,030,897	74	2,698,543	188	6,729,440
7	111	4,113,895	79	2,635,411	190	6,749,306
8	67	2,396,535	64	2,228,320	131	4,624,855
9	71	2,340,260	50	1,754,422	121	4,094,682
10	71	2,649,001	57	1,997,416	128	4,646,417
11	36	1,108,072	29	1,262,685	65	2,370,757
12	16	637,475	17	755,605	33	1,393,080
13	19	987,149	16	604,909	35	1,592,058
14	61	2,339,345	30	1,191,598	91	3,530,943
15	33	1,691,427	9	343,466	42	2,034,893
16	36	2,158,231	20	900,897	56	3,059,128
17	27	1,425,215	26	1,148,342	53	2,573,557
18	23	1,134,257	12	528,638	35	1,662,895
19	32	1,627,396	10	415,703	42	2,043,099
20	39	1,930,373	19	871,042	58	2,801,415
21	35	1,874,937	18	790,239	53	2,665,176
22	23	1,036,347	9	399,540	32	1,435,887
23	24	1,195,017	10	502,414	34	1,697,431
24	19	1,160,727	4	154,773	23	1,315,500
25	42	2,464,354	12	533,715	54	2,998,069
26	31	1,510,303	5	236,260	36	1,746,563
27	15	757,582	9	423,878	24	1,181,460
28	17	955,374	-	-	17	955,374
29	16	868,576	3	112,493	19	981,069
30	14	824,795	6	239,790	20	1,064,585
31	13	696,131	4	185,479	17	881,610
32	10	554,904	-	-	10	554,904
33	4	194,655	1	55,464	5	250,119
34	2	119,382	2	37,692	4	157,074
35	1	40,377	1	50,838	2	91,215

ACTIVE MEMBERS AND TOTAL ANNUAL SALARIES BY LENGTH OF SERVICE
At June 30, 2006

Table II
(continued)

	Male		Female		Total	
Years of Service	Number	Annual Salaries	Number	Annual Salaries	Number	Annual Salaries
36	1	47,646	1	44,851	2	92,497
37	2	69,934	4	201,200	6	271,134
38	2	109,254	-	-	2	109,254
39	1	43,582	-	-	1	43,582
41	1	43,583	-	-	1	43,583
46	1	32,441	-	-	1	32,441
48	-	-	1	44,981	1	44,981
50	1	59,691	-	-	1	59,691
51	-	-	1	12,086	1	12,086
58	1	49,381	-	-	1	49,381
	1,868	$62,047,463	1,167	$32,011,339	3,035	$94,058,082

	Male	Female	Both
Average Service:	9.2 yrs.	7.5 yrs.	8.5 yrs.
Average Salary:	$33,216	$27,430	$30,991

RETIREMENT PENSIONS BY AGE AND ANNUAL PAYMENTS
At June 30, 2006

Table III

Age at 6/30/06	Male Number	Male Annual Payments	Female Number	Female Annual Payments	Total Number	Total Annual Payments
50	8	$ 184,424	3	$ 63,548	11	$ 247,972
51	17	361,162	3	56,775	20	417,937
52	23	667,735	1	11,210	24	678,945
53	27	741,016	13	413,066	40	1,154,082
54	30	887,492	5	123,427	35	1,010,919
55	39	943,894	13	389,155	52	1,333,049
56	37	978,208	4	143,191	41	1,121,399
57	44	1,121,231	6	179,663	50	1,300,894
58	47	1,193,903	12	337,688	59	1,531,591
59	47	1,162,179	8	127,162	55	1,289,341
60	46	937,856	15	304,920	61	1,242,776
61	34	886,242	10	166,493	44	1,052,735
62	47	1,330,603	17	287,877	64	1,618,480
63	65	1,506,841	21	390,116	86	1,896,957
64	42	985,272	19	294,768	61	1,280,040
65	52	1,312,289	12	150,993	64	1,463,282
66	38	885,955	10	66,420	48	952,375
67	55	1,381,257	19	297,419	74	1,678,676
68	54	1,298,587	15	181,473	69	1,480,060
69	65	1,432,947	15	258,789	80	1,691,736
70	48	1,172,467	17	271,933	65	1,444,400
71	65	1,477,500	13	145,701	78	1,623,201
72	64	1,486,794	14	152,893	78	1,639,687
73	50	1,018,952	18	257,681	68	1,276,633
74	54	1,005,203	13	196,982	67	1,202,185
75	64	1,414,954	15	181,551	79	1,596,505
76	54	1,394,377	12	228,380	66	1,622,757
77	64	1,445,984	14	180,691	78	1,626,675
78	61	1,196,524	13	151,906	74	1,348,430
79	50	1,177,143	11	153,810	61	1,330,953
80	30	640,914	11	139,435	41	780,349
81	49	1,195,175	11	162,409	60	1,357,584
82	35	683,239	13	182,217	48	865,456
83	43	791,782	11	117,084	54	908,866
84	27	507,544	8	52,248	35	559,792
85	27	661,579	10	209,855	37	871,434

RETIREMENT PENSIONS BY AGE AND ANNUAL PAYMENTS
At June 30, 2006

Table III
(continued)

Age at 06/30/06	Male Number	Male Annual Payments	Female Number	Female Annual Payments	Total Number	Total Annual Payments
86	24	446,841	10	129,412	34	576,253
87	17	432,598	11	130,644	28	563,242
88	11	243,870	5	74,800	16	318,670
89	16	224,770	7	44,733	23	269,503
90	9	163,779	7	62,639	16	226,418
91	10	115,471	11	102,308	21	217,779
92	9	177,356	2	16,439	11	193,795
93	2	13,110	5	40,558	7	53,668
94	4	43,267	3	30,682	7	73,949
95	1	6,659	2	10,212	3	16,871
96	-	-	3	24,931	3	24,931
97	-	-	1	6,374	1	6,374
101	-	-	2	4,956	2	4,956
	1,705	$39,336,945	494	$7,707,617	2,199	$47,044,562

	Male	Female	Both
Average Age:	70.0	71.9	70.4
Average Annual Payments:	$23,072	$15,602	$21,394

RETIREMENT PENSIONS BY AGE AT TIME OF RETIREMENT
At June 30, 2006

Table IV

	Male		Female		Total	
Age at Retirement	Number	Annual Payments	Number	Annual Payments	Number	Annual Payments
50	123	$ 2,965,391	28	$ 616,471	151	$ 3,581,862
51	80	2,306,105	16	449,945	96	2,756,050
52	72	2,125,809	23	561,248	95	2,687,057
53	64	1,699,186	15	372,507	79	2,071,693
54	61	1,760,358	17	498,810	78	2,259,168
55	102	2,147,366	43	521,062	145	2,668,428
56	98	2,123,983	22	309,901	120	2,433,884
57	76	1,920,032	13	160,128	89	2,080,160
58	79	1,601,066	17	215,639	96	1,816,705
59	73	1,852,479	23	301,840	96	2,154,319
60	102	2,431,450	39	524,630	141	2,956,080
61	85	2,059,830	17	251,824	102	2,311,654
62	109	2,255,698	29	405,486	138	2,661,184
63	80	1,710,598	24	362,760	104	2,073,358
64	65	1,512,037	26	286,330	91	1,798,367
65	130	2,513,499	35	348,532	165	2,862,031
66	77	1,414,538	16	225,001	93	1,639,539
67	63	1,388,056	21	263,670	84	1,651,726
68	43	1,011,335	17	267,148	60	1,278,483
69	34	671,620	13	187,647	47	859,267
70	32	588,375	15	209,775	47	798,150
71	21	608,196	5	43,727	26	651,923
72	10	203,611	4	87,594	14	291,205
73	6	125,997	3	66,037	9	192,034
74	2	65,204	1	2,808	3	68,012
75	7	162,080	4	49,621	11	211,701
76	4	51,708	1	3,330	5	55,038
77	1	2,572	5	87,136	6	89,708
78	3	33,034	-	-	3	33,034
80	1	19,276	1	15,265	2	34,541
81	1	4,362	-	-	1	4,362
82	1	2,094	-	-	1	2,094
92	-	-	1	11,745	1	11,745
	1,705	$39,336,945	494	$7,707,617	2,199	$47,044,562

	Male	Female	Both
Average Age:	59.6	60.5	59.8
Average Annual Payments:	$23,072	$15,602	$21,394

SURVIVING SPOUSE'S PENSION BY AGE AND ANNUAL PAYMENTS
At June 30, 2006

Table V

Age at 06/30/06	Number	Annual Payments	Age at 06/30/06	Number	Annual Payments
42	2	$ 15,562	72	29	$ 297,193
43	1	6,162	73	28	374,800
45	3	33,733	74	32	382,108
46	2	8,001	75	30	356,982
47	2	21,717	76	25	293,033
48	4	40,431	77	36	393,975
49	1	14,950	78	34	336,075
50	5	88,033	79	37	346,504
51	6	80,658	80	34	342,081
52	7	103,877	81	35	333,830
53	4	45,419	82	37	313,295
54	3	47,467	83	35	333,650
55	9	106,295	84	27	209,216
56	11	123,313	85	35	343,406
57	4	71,511	86	28	266,204
58	9	110,924	87	21	134,268
59	12	96,379	88	24	145,217
60	7	81,911	89	19	126,076
61	7	124,294	90	17	131,287
62	14	146,153	91	17	124,191
63	11	124,454	92	5	31,039
64	9	126,504	93	15	76,751
65	17	250,120	94	13	44,709
66	18	191,275	95	8	43,853
67	16	211,359	96	5	31,167
68	13	154,275	97	6	23,772
69	20	254,605	98	3	14,015
70	22	223,776	101	1	4,985
71	18	285,439			
				893	$9,042,279

Average Age:	76.3
Average Annual Payments:	$10,126

SURVIVING SPOUSE'S PENSION BY AGE AT COMMENCEMENT
Table VI

At June 30, 2006

Age at Commencement	Number	Annual Payments	Age at Commencement	Number	Annual Payments
21	1	823	60	26	292,800
27	1	2,856	61	30	320,914
28	2	8,431	62	26	248,648
29	1	1,427	63	19	240,511
30	1	10,650	64	30	326,594
31	2	8,228	65	24	255,884
32	1	792	66	38	452,715
33	4	21,631	67	34	300,392
34	1	5,491	68	29	299,895
35	3	5,094	69	33	342,012
36	8	38,492	70	28	293,977
37	2	17,085	71	26	270,014
38	3	11,613	72	27	289,367
39	5	56,165	73	21	146,849
40	2	30,555	74	26	260,619
41	8	62,655	75	14	169,866
42	11	88,540	76	22	221,063
43	7	79,698	77	15	135,325
44	12	56,881	78	14	115,172
45	6	69,783	79	11	105,840
46	8	72,758	80	24	227,737
47	5	51,494	81	10	45,702
48	13	128,165	82	11	77,027
49	16	185,484	83	10	79,222
50	17	178,101	84	12	95,930
51	13	142,611	85	2	12,594
52	11	103,822	86	2	20,910
53	26	247,903	87	3	13,545
54	15	189,977	88	4	31,485
55	23	300,049	89	3	23,331
56	21	214,292	91	1	18,807
57	20	279,072	93	1	3,509
58	26	339,801	95	1	5,442
59	21	288,162			
				893	$9,042,279

Average Age:	63.3
Average Annual Payments:	$10,126

RETIREE'S AUTOMATIC INCREASES BY AGE & ANNUAL PAYMENTS

at June 30, 2006

Table VII

	Male		Female		Total	
Age at 06/30/06	Number	Annual Payments	Number	Annual Payments	Number	Annual Payments
51	4	$ 3,680	1	$ 1,368	5	$ 5,048
52	13	26,030	-	0	13	26,030
53	25	42,215	9	19,266	34	61,481
54	17	36,274	4	6,827	21	43,101
55	25	50,047	8	20,091	33	70,138
56	20	46,044	3	10,981	23	57,025
57	32	88,226	4	15,835	36	104,061
58	31	111,413	8	38,243	39	149,656
59	29	117,181	3	14,129	32	131,310
60	40	93,704	14	37,262	54	130,966
61	32	105,513	10	8,497	42	114,010
62	44	183,821	16	40,489	60	224,310
63	62	232,297	20	51,506	82	283,803
64	40	158,689	17	42,077	57	200,766
65	49	193,325	9	23,656	58	216,981
66	36	137,599	9	9,093	45	146,692
67	53	250,695	19	49,563	72	300,258
68	51	222,254	15	30,180	66	252,434
69	63	266,621	15	41,435	78	308,056
70	44	217,763	17	47,167	61	264,930
71	62	305,601	12	27,949	74	333,550
72	59	333,214	13	32,499	72	365,713
73	49	231,654	15	53,043	64	284,697
74	51	234,029	13	48,489	64	282,518
75	63	334,727	14	40,114	77	374,841
76	50	369,060	12	62,990	62	432,050
77	62	384,519	13	45,758	75	430,277
78	60	317,901	13	40,527	73	358,428
79	48	368,930	11	39,943	59	408,873
80	29	201,752	11	39,273	40	241,025
81	49	391,562	11	46,944	60	438,506
82	34	219,295	13	57,807	47	277,102
83	43	253,106	11	33,483	54	286,589
84	26	177,761	7	19,783	33	197,544
85	26	229,501	10	61,577	36	291,078
86	24	160,292	10	46,633	34	206,925
87	17	153,284	11	39,989	28	193,273
88	11	87,967	5	27,934	16	115,901

RETIREE'S AUTOMATIC INCREASES BY AGE & ANNUAL PAYMENTS
at June 30, 2006

Table VII
(continued)

Age at 06/30/06	Male Number	Male Annual Payments	Female Number	Female Annual Payments	Total Number	Total Annual Payments
89	15	85,536	7	17,633	22	103,169
90	9	68,676	7	22,818	16	91,494
91	9	45,015	11	42,048	20	87,063
92	9	72,594	2	6,767	11	79,361
93	2	5,451	5	15,803	7	21,254
94	2	16,595	3	14,817	5	31,412
95	1	3,041	2	2,919	3	5,960
96	-	-	3	6,490	3	6,490
97	-	-	1	546	1	546
101	-	-	2	2,503	2	2,503
	1,520	$7,634,454	449	$1,404,744	1,969	$9,039,198

	Male	Female	Both
Average Age:	71.1	73.1	71.6
Average Monthly Increases:	$ 419	$ 261	$ 383
Average Annual Increases:	$5,023	$3,129	$4,591

ANNUITIES AND REFUNDS BY TYPE
Last Ten Years

Table VIII

Fiscal Year Ended June 30	Retirement	Surviving Spouse	Children	Refunds	
				Employees	Pensioners
1997	$32,440,180	$5,823,574	$42,691	$2,911,492	$ 91,506
1998	32,827,170	6,204,406	44,186	2,633,537	272,170
1999	35,570,062	6,559,658	44,760	2,923,125	240,516
2000	37,627,187	7,037,407	41,240	2,741,622	55,825
2001	38,066,945	7,425,246	56,950	2,983,459	66,709
2002	38,473,834	7,670,908	41,950	2,325,631	151,446
2003	38,708,659	7,971,585	42,050	2,570,017	204,820
2004	42,831,611	8,196,180	38,600	2,785,487	138,126
2005	46,472,103	8,614,689	32,400	1,792,192	168,297
2006	46,668,385	9,073,756	31,100	1,827,216	240,731

DEATH AND DISABILITY BENEFITS
Last Ten Years

Table IX

Fiscal Year Ended June 30	Death Benefit	Ordinary Disability	Duty Disability	Total
1997	$351,500	$539,960	$111,722	$1,003,182
1998	437,450	489,082	143,326	1,069,858
1999	398,961	417,875	21,920	838,756
2000	346,338	504,588	24,456	875,382
2001	356,050	597,481	(41,649) [a]	911,882
2002	343,500	382,660	36,629	762,789
2003	325,500	346,634	65,921	738,055
2004	292,539	314,265	67,998	674,802
2005	392,200	357,986	31,629	781,815
2006	308,000	203,233	18,992	530,225

(a) reflects net of recoveries of prior duty disability payments in accordance with state statute, actual duty disability payments were $62,516, offset by recoveries of $104,165.

NUMBER OF ACTIVE PARTICIPANTS
Last Ten Years

Table X

Fiscal Year Ended June 30	Male Participants	Female Participants	Total
1997	2,675	1,318	3,993
1998	2,758	1,502	4,260
1999	2,294	1,301	3,595
2000	2,276	1,363	3,639
2001	2,100	1,295	3,395
2002	2,131	1,291	3,422
2003	1,991	1,188	3,179
2004	1,740	1,080	2,820
2005	1,771	1,110	2,881
2006	1,868	1,167	3,035

ACTIVE PARTICIPANTS STATISTICAL AVERAGES
Last Ten Years

Table XI

Fiscal Year	Male			Female			Combined		
Ended June 30	Annual Salary	Age	Service	Annual Salary	Age	Service	Annual Salary	Age	Service
1997	$22,937	41.9	9.4	$18,270	37.8	6.0	$21,396	40.7	8.3
1998	22,544	41.2	9.2	17,730	36.1	5.7	20,846	39.4	8.0
1999	25,206	40.7	9.8	20,806	35.7	6.4	23,614	38.9	8.6
2000	26,963	40.6	9.0	22,097	35.7	5.7	25,140	38.8	7.7
2001	30,490	41.1	9.5	24,579	36.5	6.3	28,235	39.4	8.3
2002	29,986	41.2	9.5	24,285	36.3	6.4	27,835	39.3	8.3
2003	32,040	42.0	10.2	26,289	37.2	7.2	29,891	40.2	9.1
2004	31,553	41.2	9.4	26,964	37.5	7.4	29,795	39.8	8.6
2005	32,702	41.4	9.6	27,034	37.6	7.5	30,519	40.0	8.8
2006	33,216	41.3	9.2	27,430	37.8	7.5	30,991	40.0	8.5

RETIREES AND BENEFICIARIES RECEIVING BENEFITS
Last Ten Years

Table XII

Fiscal Year Ended June 30	Retirees	Surviving Spouses	Children	Total
1997	2,177	995	34	3,206
1998	2,163	984	37	3,184
1999	2,271	980	35	3,286
2000	2,242	965	34	3,241
2001	2,188	968	32	3,188
2002	2,148	945	34	3,127
2003	2,104	936	34	3,074
2004	2,294	921	25	3,240
2005	2,231	928	25	3,184
2006	2,199	893	23	3,115

RETIREES RECEIVING ANNUAL 3% INCREASES
Last Ten Years

Table XIII

Fiscal Year Ended	Number		Annual Increase			Total Annual
June 30	Male	Female	Male	Female	Number	Increase
1997	1,361	397	$3,869,093	$ 736,712	1,758	$4,605,805
1998	1,354	403	4,237,104	782,378	1,757	5,019,482
1999	1,436	414	4,715,874	856,592	1,850	5,572,466
2000	1,531	443	5,199,314	947,101	1,974	6,146,415
2001	1,475	426	5,152,004	933,478	1,901	6,085,428
2002	1,487	425	6,006,202	1,075,589	1,912	7,081,791
2003	1,456	424	6,397,934	1,132,989	1,880	7,530,923
2004	1,419	422	6,799,604	1,191,265	1,841	7,990,869
2005	1,545	456	7,198,720	1,312,555	2,001	8,511,275
2006	1,520	449	7,634,454	1,404,744	1,969	9,039,198

AVERAGE ANNUAL RETIREES/SURVIVING SPOUSE'S BENEFIT PAYMENTS
Last Ten Years

Table XIV

Fiscal Year Ended June 30	Average Annual Payments	
	Retiree	Spouse
1997	$ 15,093	$ 6,019
1998	15,346	6,439
1999	16,622	6,897
2000	17,020	7,403
2001	17,275	7,867
2002	18,018	8,270
2003	18,560	8,576
2004	20,289	9,023
2005	20,843	9,605
2006	21,394	10,126

FUNDED RATIO
Last Ten Years

Table I

Fiscal Year Ended June 30	(1) Actuarial Value of Assets	(2) Unfunded Accrued Liabilities	(3) Statutory Reserve Requirements (1) + (2)	(4) % Percent Funded (1) ÷ (3)
1997	$513,807,362	$ 35,754,062	$549,561,424	93.5
1998	549,728,274	15,854,045	565,582,319	97.2
1999	592,283,760	18,243,867	610,527,627	97.0
2000	627,937,703	28,029,013	655,966,716	95.7
2001	651,343,906	22,085,697	673,429,603	96.7
2002	637,749,858	40,458,115	678,207,973	94.0
2003	624,209,658	76,999,269	701,208,927	89.0
2004	610,293,849	128,284,981	738,578,830	82.6
2005	587,774,143	146,586,562	734,360,705	80.0
2006	572,659,129	172,585,110	745,244,239	76.8

RATIO OF UNFUNDED LIABILITY TO PAYROLL
Last Ten Years

Table II

Fiscal Year Ended June 30	Member Payroll	Unfunded Liability (a)	Liability % of Payroll
1997	$112,575,449	$ 35,754,062	31.8
1998	116,765,182	15,854,045	13.6
1999	94,254,767	18,243,867	19.4
2000	101,267,759	28,029,013	27.7
2001	105,739,601	22,085,697	20.9
2002	103,786,911	40,458,115	38.9
2003	102,329,721	76,999,269	75.2
2004	87,840,802	128,284,981	146.0
2005	95,707,132	146,586,562	153.2
2006	101,058,024	172,585,110	170.8

(a) reflects application of GASB No. 25.

REVENUES BY SOURCES
Last Ten Years

Table III

Fiscal Year Ended June 30 (a)	Taxpayer Contributions	Per Cent %	Employee Contributions	Per Cent %	Investment Income (b)	Per Cent %	Total	Per Cent %
1997	$10,598,279	10	$ 8,184,960	7	$90,394,867	83	$109,178,106	100
1998	9,136,515	9	8,622,130	8	86,071,627	83	103,830,272	100
1999	9,897,895	12	10,331,436	13	59,589,198	75	79,818,529	100
2000	8,982,701	21	8,819,236	21	24,303,889	58	42,105,826	100
2001	9,206,851	96	8,977,309	94	(8,590,539)	(90)	9,593,621	100
2002	9,977,765	2506	9,192,876	2348	(18,775,731)	(4754)	394,910	100
2003	9,842,559	25	9,533,018	24	20,297,955	51	39,673,532	100
2004	9,840,681	11	10,593,581	12	69,754,905	77	90,189,167	100
(c) 2005	4,768,605	8	8,515,799	14	49,621,638	78	62,906,042	100
(c) 2006	5,173,860	9	9,117,032	17	40,970,668	74	55,261,560	100

(a) reflects application of GASB No. 25
(b) includes income from securities lending
(c) taxpayer contributions includes statutory reduction of $5 million.

AVERAGE BENEFIT PAYMENTS
Last Ten Years
(Dollars in Thousands)

Table IV

	Years Credited Service						
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25-30	30+
Period 7/1/05 to 6/30/06							
Average monthly benefit	$ 276	$ 550	$ 958	$ 685	$ 1,342	$ 1,895	$ 2,991
Average final average salary	$ 4,829	$ 3,160	$ 3,086	$ 2,702	$ 3,305	$ 3,213	$ 4,756
Number of retired members	5	5	8	8	12	7	25
Period 7/1/04 to 6/30/05							
Average monthly benefit	$ 274	$ 862	$ 982	$ 972	$ 1,379	$ 1,828	$ 2,933
Average final average salary	$ 4,780	$ 5,357	$ 3,146	$ 2,734	$ 3,035	$ 3,358	$ 4,128
Number of retired members	9	7	6	8	7	7	11
Period 7/1/03 to 6/30/04							
Average monthly benefit	$ 331	$ 1,246	$ 945	$ 1,632	$ 2,034	$ 2,897	$ 2,761
Average final average salary	$ 5,264	$ 5,393	$ 3,236	$ 3,791	$ 3,838	$ 3,902	$ 3,786
Number of retired members	33	13	13	23	36	127	62
Period 7/1/02 to 6/30/03							
Average monthly benefit	$ 248	$ 704	$ 690	$ 902	$ 1,471	$ 1,899	$ 2,761
Average final average salary	$ 5,371	$ 5,612	$ 3,004	$ 2,744	$ 3,004	$ 3,472	$ 3,698
Number of retired members	18	9	12	10	8	3	15
Period 7/1/01 to 6/30/02							
Average monthly benefit	$ 257	$ 733	$ 648	$ 946	$ 1,005	$ 1,750	$ 2,925
Average final average salary	$ 5,428	$ 4,867	$ 3,447	$ 2,862	$ 2,215	$ 3,126	$ 3,868
Number of retired members	17	9	8	11	8	10	11
Period 7/1/00 to 6/30/01							
Average monthly benefit	$ 276	$ 290	$ 717	$ 873	$ 928	$ 1,363	$ 1,411
Average final average salary	$ 3,146	$ 1,956	$ 2,962	$ 2,617	$ 3,492	$ 3,038	$ 3,719
Number of retired members	1	6	12	15	6	15	25
Period 7/1/99 to 6/30/00							
Average monthly benefit	$ 239	$ 367	$ 585	$ 1,012	$ 1,188	$ 1,480	$ 2,589
Average final average salary	$ 3,872	$ 2,288	$ 2,340	$ 2,930	$ 2,682	$ 2,808	$ 3,384
Number of retired members	11	14	15	11	8	3	12
Period 7/1/98 to 6/30/99							
Average monthly benefit	$ 244	$ 511	$ 624	$ 937	$ 1,462	$ 1,748	$ 2,426
Average final average salary	$ 4,238	$ 3,465	$ 2,574	$ 2,636	$ 2,980	$ 2,970	$ 3,235
Number of retired members	9	13	12	7	18	60	115
Period 7/1/97 to 6/30/98							
Average monthly benefit	$ 212	$ 342	$ 694	$ 1,006	$ 1,523	$ 953	$ 2,291
Average final average salary	$ 4,164	$ 2,903	$ 2,918	$ 2,700	$ 3,108	$ 2,476	$ 2,892
Number of retired members	18	14	13	19	7	10	10
Period 7/1/96 to 6/30/97							
Average monthly benefit	$ 224	$ 244	$ 597	$ 895	$ 1,320	$ 1,541	$ 2,209
Average final average salary	$ 4,153	$ 1,877	$ 2,539	$ 2,605	$ 2,543	$ 2,556	$ 2,688
Number of retired members	11	11	17	17	16	6	11

PRINCIPAL PARTICIPATING EMPLOYERS

Table II

	2006			1997		
Participating Government	*Covered Employees*	*Rank*	*Percentage of Total System*	*Covered Employees*	*Rank*	*Percentage of Total System*
Chicago Park District	3,022	1	99.57	3,940	1	99.60
Retirement Board of the Park Employees' Annuity and Benefit Fund	12	2	0.40	14	2	0.35
City of Chicago	1	3	0.03	2	3	0.05
Total (3 Governments)	3,035		100.00%	3,956		100.00%

CHANGES IN NET ASSETS
Last Ten Years
(Dollars in Thousands)

Table III

	Fiscal Years									
	2006	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*
Additions										
Member Contributions	$ 9,117	$ 8,516	$10,593	$ 9,533	$ 9,193	$ 8,977	$ 8,819	$10,332	$ 8,622	$ 8,185
Employer Contribution	5,174	4,768	9,841	9,843	9,978	9,207	8,983	9,897	9,136	10,598
Investment Income	40,971	49,622	69,755	20,298	(18,776)	(8,591)	24,304	59,589	86,072	90,395
Total Additions	$55,262	62,906	90,189	39,674	395	9,593	42,106	79,818	103,830	109,178
Deductions (see Table IV)										
Benefit Payments	$56,303	55,901	51,741	47,460	46,949	46,461	45,581	43,013	40,145	39,310
Refunds	2,068	1,960	2,924	2,775	2,477	3,050	2,798	3,164	2,906	3,003
Administrative Expenses	1,232	1,186	1,199	1,170	1,123	1,083	1,148	1,113	1,051	1,093
Total Deductions	$59,603	59,047	55,864	51,405	50,549	50,594	49,527	47,290	44,102	43,406
Change in Net Assets	$ (4,341)	$ 3,859	$34,325	$(11,731)	$(50,154)	$(41,001)	$(7,421)	$32,528	$59,728	$65,772

BENEFIT AND REFUND DEDUCTIONS FROM NET ASSET BY TYPE
Last Ten Years

Table IV

(Dollars in Thousands)

	Fiscal Years									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Type of Benefit										
Age and Service Benefits										
Retirees	$46,668	$46,472	$42,832	$38,709	$38,474	$38,067	$37,627	$35,570	$32,827	$32,440
Surviving Spouses	9,074	8,615	8,196	7,971	7,671	7,425	7,038	6,559	6,204	5,823
Children	31	32	39	42	42	57	41	45	44	43
Death Benefit	308	392	292	325	343	356	346	399	438	352
Disability Benefits										
Members-Duty	19	32	68	66	37	(41)	24	22	143	112
Members-Non-Duty	203	358	314	347	382	597	505	418	489	540
Total Benefits	$56,303	$55,901	$51,741	$47,460	$46,949	$46,461	$45,581	$43,013	$40,145	$39,310
Type of Refund										
Death	$ 1,827	$1,792	$2,786	$2,570	$2,326	$2,983	$2,742	$2,923	$2,634	$2,911
Separation	241	168	138	205	151	67	56	241	272	92
Total Refunds	$ 2,068	$1,960	$2,924	$2,775	$2,477	$3,050	$2,798	$3,164	$2,906	$3,003

RETIRED MEMBERS BY TYPE OF BENEFIT

Table V

Amount of Monthly Benefit	Number of Retired Members	1	2	3
$ 1 - $ 250	344	187	107	50
251 - 500	419	247	114	58
501 - 750	289	164	93	32
751 - 1,000	308	186	95	27
1,001 - 1,250	227	122	73	32
1,251 - 1,500	222	135	54	33
1,501 - 1,750	189	138	41	10
1,751 - 2,000	180	154	16	10
Over 2,000	914	866	25	23
Total	3,092	2,199	618	275

Type of Retirement

1 *Normal Retirement for age and service, Including incentive retirements*

2 *Beneficiary payment, normal surviving spouse*

3 *Beneficiary payments, death in service*