PARK EMPLOYEES' AND
RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

FINANCIAL REPORT

JUNE 30, 2012 AND 2011

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the statements of plan net assets of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Fund), a Component Unit/Fund of the Chicago Park District, as of June 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund'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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 3 through 5 and page16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of tax levies receivable, administrative and general expenses, annual professional expenses, and annual investment expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of tax levies receivable, administrative and general expenses, annual professional expenses, and annual investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bansley and Kiener, L.L.P.
Certified Public Accountants

December 20, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis Year Ended June 30, 2012

This discussion and analysis of the Park Employee's and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Fund) financial performance provides an overview of the Fund's financial activities for the year ended June 30, 2012. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

a) The Fund's net assets decreased during the year by $42.0 million or 9.3% compared to an increase of $40.4 million or 9.8% for 2011.
b) The Fund's annual investment return of 1.4% outperformed the portfolio benchmark return of 1.2%.
c) The Fund's three-year rate of return of 11.1% outperformed the portfolio benchmark return of 9.7%.
d) The Fund's five-year rate of return of 1.6% outperformed the portfolio benchmark of 1.3%.
e) The Fund's ten-year rate of return of 5.6% lagged the portfolio benchmark of 5.8%.
f) The 2012 additions to the Fund's net assets of $25.1 million is $80.5 million less than the 2011 additions.
g) Total 2012 deductions of $67.1 million is 2.9% higher than the 2011 deductions.
h) The Fund's actuarially computed funding ratio is 50.9%, which is 7.1% less than 2011.

Using this Annual Report

Management's Discussion and Analysis introduces the Fund'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 Fund's overall financial condition. The first of these statements is the Statements 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 Fund is improving or deteriorating.

The second financial statement is the Statements 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 Financial Statements will provide information essential to achieve full disclosure and understanding of the Fund'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 Receivable, Administrative and General Expenses, Annual Professional Expenses, and Annual Investment Expenses.

The Fund as a Whole

Fund Net Assets

The Fund's net assets at fiscal year-end are $410,797,588. This is $42,012,900 less than the 2011 year-end net assets of $452,810,488. This compares to an increase of $40,437,133 for the prior fiscal year. The following tables are comparative summaries of net assets:

Statements of Plan Net Assets – Current Year

	2012	2011	Increase (Decrease)
Total Assets	$452,750,121	$495,682,062	$(42,931,941)
Total Liabilities	41,952,533	42,871,574	(919,041)
Net Assets	$410,797,588	$452,810,488	$(42,012,900)

Management's Discussion and Analysis (Continued)

Statements of Plan Net Assets – Prior Year

	2011	2010	Increase (Decrease)
Total Assets	$495,682,062	$451,657,596	$44,024,466
Total Liabilities	42,871,574	39,284,241	3,587,333
Net Assets	$452,810,488	$412,373,355	$40,437,133

Changes in Plan Net Assets

The 2012 investment income was $3,861,173 as compared to the investment income of $84,890,838 in 2011. The decrease in the 2012 investment income is primarily a direct result of the decline in market value of the Fund's investments producing unrealized losses. The unrealized gains and losses are directly tied to the economic state of the broader financial markets.

For the fiscal year, expenditures were $67,147,261 which is $1,920,487 higher than 2011. The slight increase in retirement and spousal benefit expenditures is primarily the result of the 3% annual increase. The increase in refunds is 19.6% and is due to a rise in withdrawals. All other benefit increases and decreases were minor in nature.

Statements of Changes in Plan Net Assets – Current Year

	2012	2011	Increase (Decrease)
ADDITIONS			
Employer Contributions	$ 10,868,361	$ 10,981,419	$ (113,058)
Employee Contributions	10,404,827	9,791,650	613,177
Investment Income (includes security lending activities)	3,861,173	84,890,838	(81,029,665)
Total Additions	$ 25,134,361	$105,663,907	$(80,529,546)
DEDUCTIONS			
Retirement Benefits	$ 52,051,852	$ 50,950,848	$ 1,101,004
Spousal Benefits	10,801,985	10,374,674	427,311
Child Benefits	14,719	18,519	(3,800)
Disability Benefits	274,724	391,491	(116,767)
Death Benefits	371,225	307,000	64,225
Total benefits	63,514,505	62,042,532	1,471,973
Refund of Contributions	1,988,153	1,662,358	325,795
Administrative and General Expenses	1,644,603	1,521,884	122,719
Total Deductions	$ 67,147,261	$ 65,226,774	$ 1,920,487
Increase (Decrease) in Plan Net Assets	(42,012,900)	40,437,133	(82,450,033)
Beginning of Year	452,810,488	412,373,355	(40,437,133)
End of Year	$410,797,588	$452,810,488	$(42,012,900)

Management's Discussion and Analysis (Continued)

Statements of Changes in Plan Net Assets – Prior Year

	2011	2010	Increase (Decrease)
ADDITIONS			
Employer Contributions	$ 10,981,419	$ 10,829,339	$ 152,080
Employee Contributions	9,791,650	9,829,998	(38,348)
Investment Income (includes security lending activities)	84,890,838	41,419,975	43,470,863
Total Additions	$105,663,907	$ 62,079,312	$43,584,595
DEDUCTIONS			
Retirement Benefits	$ 50,950,848	$ 50,528,497	$ 422,351
Spousal Benefits	10,374,674	10,083,124	291,550
Child Benefits	18,519	17,400	1,119
Disability Benefits	391,491	312,818	78,673
Death Benefits	307,000	249,500	57,500
Total benefits	62,042,532	61,191,339	851,193
Refund of Contributions	1,662,358	1,368,903	293,455
Administrative and General Expenses	1,521,884	1,465,562	56,322
Total Deductions	$ 65,226,774	$ 64,025,804	$ 1,200,970
Increase (Decrease) in Plan Net Assets	40,437,133	(1,946,492)	42,383,625
Beginning of Year	412,373,355	414,319,847	(1,946,492)
End of Year	$452,810,488	$412,373,355	$40,437,133

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 Fund's actuarially computed funding ratio is 50.9%, which is 7.1% less than 2011. This drop is the direct result of the continual recognition of deferred unrealized losses for 2008 and 2009 due to the five-year smoothing of market values used to determine the actuarial value of assets. The annual investment return for the fiscal year was 1.4%, which is lower than the 21.0% for 2011 and the 11.3% for 2010.

The Fund's 1.4% return outperformed its performance benchmark by roughly 20 basis points and outperformed the peer median by roughly 40 basis points. Over the trailing three-year and five-year periods, the Fund outperformed the performance benchmark by roughly 140 and 30 basis points, respectively. Over the trailing ten-year period the Fund returned 5.6%, underperforming the 8.0% actuarial rate of return.

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

Contacting the Fund'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 visit the Fund's website at www.chicagoparkpension.org or contact the Fund at 55 East Monroe Street, Suite 2720, Chicago, Illinois 60603.

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
Cash	$ -	$ 64,527
Receivables		
Contributions from employer, net of allowance for loss of $140,355 in 2011	15,974	15,484
Employee contributions	283,492	573,234
Workers' compensation offset of duty disability benefits, net of allowance for loss of $16,076 in 2012	156,050	-
Due from broker for securities sold	141,975	176,760
Accrued investment income	574,624	885,225
Miscellaneous receivables	60,911	2,269
	1,233,026	1,652,972
Investments, at fair value		
Short-term investments	9,311,424	12,474,656
Bonds	65,824,474	81,736,788
Common and preferred stocks	55,138,935	64,193,591
Collective investment funds	95,983,701	133,104,264
Mutual funds	14,575,794	-
Pooled separate real estate accounts	10,868,246	10,485,505
Private equity partnerships	155,691,096	150,622,560
	407,393,670	452,617,364
Invested securities lending collateral	40,244,278	41,247,636
Furniture and fixtures - net	50,520	62,949
Prepaid annuity benefits	3,785,303	-
Other prepaid expenses	43,324	36,614
	3,828,627	36,614
Total assets	452,750,121	495,682,062
LIABILITIES		
Accounts payable	398,409	424,804
Deferred rent	106,951	12,179
Accrued benefits payable	267,407	201,750
Securities lending collateral	40,244,278	41,247,636
Due to broker for securities purchased	935,488	985,205
	41,952,533	42,871,574
Net assets held in trust for pension benefits	$ 410,797,588	$ 452,810,488

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

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Additions		
Contributions		
Employer contributions	$ 10,868,361	$ 10,981,419
Employee contributions	10,404,827	9,791,650
Total contributions	21,273,188	20,773,069
Investment income		
Net appreciation in fair value of investments	78,361	79,741,346
Interest	3,379,116	4,015,261
Dividends	1,525,051	2,103,662
Partnership income	1,439,936	1,736,119
	6,422,464	87,596,388
Less investment expenses	2,626,522	2,767,571
	3,795,942	84,828,817
Security lending activities		
Securities lending income	118,045	149,358
Borrower rebates	2,226	(37,111)
Bank fees	(55,040)	(50,226)
	65,231	62,021
Total additions	25,134,361	105,663,907
Deductions		
Benefits		
Annuity payments	62,868,556	61,344,041
Disability and death benefits	645,949	698,491
Total benefits	63,514,505	62,042,532
Refund of contributions	1,988,153	1,662,358
Administrative and general expenses	1,644,603	1,521,884
Total deductions	67,147,261	65,226,774
Net increase (decrease)	(42,012,900)	40,437,133
Net assets held in trust for pension benefits		
Beginning of year	452,810,488	412,373,355
End of year	$ 410,797,588	$ 452,810,488

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

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit/Fund of the Chicago Park District)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Fund Description and Contribution Information

The Fund 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 Fund is considered a component unit of the Chicago Park District's financial statements as a pension trust fund. The Fund is administered in accordance with the Illinois Compiled Statutes. The defined benefits as well as the employer and employee contribution levels of the Fund are mandated by Illinois State Statutes and may be amended only by the Illinois legislature. The Fund provides retirement, disability and death benefits to fund members and beneficiaries. At June 30, 2012 and 2011, Fund membership consists of:

	2012	2011
Retirees and beneficiaries currently receiving benefits	2,921	2,913
Current employees	2,977	2,795
Vested terminated members entitled to benefits	153	141

Pension legislation (Public Act 96-0889) was approved during 2010 and establishes two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Fund uses a tier concept to distinguish these groups, generally:

Tier 1 – Participants that became members before January 1, 2011.

Tier 2 – Participants that first became members on or after January 1, 2011.

Tier 1 employees attaining the age of 50 with at least ten years of creditable service are entitled to receive a service retirement pension. The retirement pension is based upon the average of the four highest consecutive years of salary within the last ten years of service. If the employee retires prior to the attainment of age 60, the rate associated with the service 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.

Tier 2 employees attaining the age 62 with at least ten years or more of creditable service are entitled to receive a discounted service retirement pension. Employees attaining the age 67 or more, with at least 10 years of service are entitled to receive a non-discounted annuity benefit. The annuity is discounted one-half percent for each full month the employee is under age 67. The retirement pension is based upon the average of the eight highest consecutive years of salary within the last 10 years of service prior to retirement. Pensionable salary is limited to $108,882 in 2012 and $106,800 in 2011.

Note 1 – Fund Description and Contribution Information (Continued)

Post-Retirement Increase

Tier 1: An employee annuitant under Tier 1 who retires at age 60 or older with at least 30 years of service is eligible to receive an increase of three percent, based on the annuity granted at retirement, payable following the first 12 months of benefits on either the next January or July. If the employee annuitant retires before age 60 with less than 30 years of service, then the increases begin on the January or July following the later of the attainment of age 60 or 12 months of benefits received.

Tier 2: An employee annuitant under Tier 2 that is eligible to receive an increase in the annuity benefit, shall receive an annual increase equal to the lesser of three percent or one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12 month period ending with the September preceding the increase. The increase is based on the amount of the originally granted benefit (simple). This increase begins after age 67 on the first January following one full year of benefits received.

Surviving Spouse Pension

Tier 1: Upon the death of an employee annuitant under Tier 1, the surviving spouse, meeting certain eligibility requirements, is entitled to a spousal annuity. The surviving spouse is entitled to the lesser of a money purchase calculation, 50% of the highest salary or 75% of the granted annuity. With 20 years of service the entitlement becomes the higher of the eligible money purchase calculation or 50% of retiree's annuity at time of death. The surviving spouse is also eligible to receive an increase of three percent compounded, on the January following one full year after the date of death of the employee or annuitant.

Tier 2: The annuity payable to the surviving spouse of an employee annuitant under Tier 2 is equal to 66 2/3% of the participant's earned retirement annuity at the time of death without reduction due to age. The surviving spouse is also eligible to receive an increase of the lesser of three percent or one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero).

Child Annuity

Under Tier 1 and Tier 2, unmarried children under the age of 18 of a deceased employee or annuitant having at least two years of service are entitled to a benefit. The child's annuity is an amount equal to $100 a month when there is a surviving spouse or $150 when there is no surviving spouse, subject to maximum limitations.

Ordinary Disability Benefit

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of any cause other than an accidental injury incurred while in the performance of an act of duty is entitled to an ordinary disability benefit at the amount equal to 45% of the employee's annual salary at the time of disablement. An employee can receive ordinary disability for a period equal to one fourth of his/her service credits up to a maximum of five years, exclusive of the disability period. Tier 2 participants have salary limitations similar to employee contributions.

Duty Disability Benefit

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of a work related injury incurred while in the performance of an act of duty is entitled to a duty disability benefit in the amount equal to 75% of the employee's annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act. Tier 2 participants have salary limitations similar to employee contributions.

Note 1 – Fund Description and Contribution Information (Continued)

Contributions

Covered employees are required by state statutes to contribute 9.0 percent of their salary to the Fund. 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 Fund 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 Fund 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 Fund has no component units. The Fund is considered a component unit fund of the Chicago Park District and, as such, is included in the Chicago Park District's financial statements as a pension trust fund. 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 Fund.

Method Used to Value Investments

The Fund 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; collective investment funds; and private equity partnerships as set forth in the Illinois Compiled Statutes. 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. Investments for which market quotations are not readily available are valued at their fair values as determined by the bank administrator under the direction of the Board of Trustees, with the assistance of a valuation service.

Note 2 – Summary of Significant Accounting Policies (Continued)

Administrative Expenses

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

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Date of Management's Review

Management has evaluated subsequent events through December 20, 2012, the date the financial statements were available to be issued.

Note 3 – Investments

The Fund's investments are held by a bank administered trust fund, except for the collective investment funds, pooled separate real estate accounts and private equity partnerships. Investments that represent 5 percent or more of the Fund's net assets (except those issued or guaranteed by the U.S. Government) are separately identified.

	2012	2011
Investments At Fair Value As		
Determined by Quoted Price		
Short-term investments	$ 9,311,424	$ 12,474,656
Bonds	65,824,474	81,736,788
Common and preferred stock	55,138,935	64,193,591
Mutual funds	14,575,794	-
	144,850,627	158,405,035
Investments At Fair Value As		
Determined by Bank Administrator		
Collective investment funds		
International Research Equity	-	40,037,922
NTGI QM Collective Daily S&P 500	21,683,494	25,995,995
NTGI QM Collective Daily US Marketcap Equity	26,691,831	25,501,633
NTGI QM Collective Daily All Country World Index	47,608,376	41,568,714
Pooled separate real estate accounts	10,868,246	10,485,505
Private equity partnerships		
Entrust Diversified Select Equity Fund	23,794,552	24,781,532
K2 Long Short Fund	22,691,831	23,037,930
Other	109,204,713	102,803,098
	$407,393,670	$452,617,364

The Fund 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 Fund must be invested exclusively for the benefit of their members and in accordance with the respective Fund's investment goals and objectives.

Note 3 – Investments (Continued)

Interest Rate Risk

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

The Fund 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.

At June 30, 2012 the following tables show the investments in debt securities by investment type and maturity (expressed in thousands).

2012 Security Type	Total Market Value	Less Than 1 Year	1 – 6 Years	6 -10 Years	10+ Years	Maturity N/D*
Asset backed	$ 212	$ -	$ -	$ -	$ 212	$-
Commercial mortgage backed	3,497	-	-	-	3,497	-
Corporate bonds	18,558	112	8,411	6,913	3,122	-
Government agencies	4,065	538	2,740	692	95	-
Government bonds	13,310	80	3,993	3,900	5,337	-
Government mortgage backed	26,009	-	279	3,331	22,398	1
Non-government backed CMO's	173	-	-	-	173	-
Short term investment funds	9,311	9,311	-	-	-	-
Total	$75,135	$10,041	$15,423	$14,836	$34,834	$1

* 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 Plan 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.

Note 3 – Investments (Continued)

The following tables present the Fund's ratings as of June 30, 2012 (expressed in thousands).

2012 S & P Credit Rating	Market Value	Asset Backed Securities	Comm'l Mortgage Backed	Corporate Bonds	Gov't Agencies	Gov't Bonds	Gov't Mortgage Backed	Non Gov't Backed CMO
AAA	$ 1,587	$212	$1,375	$ -	$ -	$ -	$ -	$ -
AA	5,791	-	100	1,548	3,970	-	-	173
A	8,673	-	1,013	7,660	-	-	-	-
BBB	6,691	-	703	5,893	95	-	-	-
BB	2,683	-	-	2,683	-	-	-	-
B	593	-	-	546	-	47	-	-
NR	534	-	306	228	-	-	-	-
US Gov't Agency	39,272	-	-	-	-	13,263	26,009	-
Total	$65,824	$212	$3,497	$18,558	$4,065	$13,310	$26,009	$173

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. A review of the Fund's exposure to custodial credit risks reflects that there is none.

Note 4 – Deposits

At June 30, 2012 and 2011, the Fund's book balances of cash were $ -0- and $64,527, respectively, at the Northern Trust Company Bank. The actual bank balances were $1,320 and $70,028, respectively, at June 30, 2012 and 2011. The Fund maintains cash balances at the Northern Trust Company Bank. Accounts at this institution may from time to time exceed amounts insured by the Federal Deposit Insurance Company.

Note 5 – Securities Lending

Under the provisions of state statutes, the Fund lends securities (both equity and fixed income) to qualified and Fund approved brokerage firms for collateral that will be returned for the same securities in the future. The Fund's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Fund 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 Fund unless the borrower defaults. However, the Fund 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 108 days. As of June 30, 2012 and 2011, the Fund had loaned to borrowers securities with a market value of $39,795,477 and $40,440,675, respectively. As of June 30, 2012, the fair value of the collateral received by the Fund was $40,224,278, and the collateral invested by the Fund was $40,224,278. As of June 30, 2011, the fair value of the collateral received by the Fund was $41,247,636 and the collateral invested by the Fund was $41,247,636.

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

Note 6 – Operating Leases

The Fund has entered into an operating lease for office space through April 30, 2013, which was amended and extended through April 30, 2026. 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. Upon executing the amendment, the Fund received rent abatements in the amount of $115,587 which are being amortized over the life of the lease. The unamortized portion, deferred rent, amounted to $106,951 at June 30, 2012. The total rental expense was $117,317 and $131,275 for the years ended June 30, 2012 and 2011, respectively.

Following is a schedule of minimum future rental payments for each of the next five years and in the aggregate under the non-cancelable operating lease at June 30, 2012:

Year Ending June 30	Amount
2013	$ 67,276
2014	84,214
2015	86,543
2016	88,871
2017	91,200
2018-2022	490,926
2023-2026	415,637
	$1,324,667

The Fund leases office equipment under non-cancelable operating leases that expire at various dates through May, 2016. Total rent expense incurred under these operating leases was $20,470 and $18,058 for the years ended June 30, 2012 and 2011, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2012 for each of the next four years and in the aggregate are:

Year Ending June 30	Amount
2013	$14,920
2014	10,621
2015	5,688
2016	5,214
	$36,443

Note 7 – Commitments

During the years ended June 30, 2012 and 2011, the Fund committed to purchase $75,000,000 interest in private equity partnerships. At June 30, 2012 and 2011, the Fund had a remaining contractual obligation of $13,913,772 and $21,701,340, respectively, to purchase additional interest in the private equity partnerships.

Note 8 – Deferred Compensation Plan

The Fund is a governmental eligible employer within the meaning of Code Section 457(e)(1)(A) and has established a deferred compensation plan (457(b)) for eligible employees. Individual contributions to the plan are equal to the amount of salary reductions elected by the each participant for the year up to a maximum allowable by IRS regulations. Total employee contributions were $74,700 and $57,845 for the years ended June 30, 2012 and 2011, respectively. Employer contributions are not allowed.

Note 9 – Funded Status and Funding Progress

The funded status of the Fund as of June 30, 2012, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$440,692	$866,371	$425,679	50.9%	$114,234	372.6%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/12
Actuarial cost method	Projected unit
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	3.0%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/12	$440,692	$866,371	$425,679	50.9%	$114,234	372.6%
6/30/11	489,371	843,944	354,573	58.0%	107,687	329.3%
6/30/10	518,583	833,026	314,443	62.3%	107,361	292.9
6/30/09	553,755	823,897	270,142	67.2	108,883	248.1
6/30/08	586,676	795,379	208,703	73.8	111,698	186.9
6/30/07	583,296	767,931	184,635	76.0	106,602	173.2

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

	Employer Contributions	
Year Beginning July 1,	Annual Required Contribution	Percentage Contributed
2011	$28,052	39%
2010	25,319	43
2009	22,400	48
2008	18,285	53
2007	16,073	56
2006	14,572	66

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Valuation date	6/30/12
Actuarial cost method	Projected unit
	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	3.0%

TAX LEVIES RECEIVABLE

Levy Year (Calendar)	Tax Levy	Collections	Tax Levies Receivable	Allowance for Uncollectible Taxes	Allowance for Uncollectible Write-offs as a Percentage of Tax Levy	Net Tax Levies Receivable
At June 30, 2012:						
2011	$ 10,761,575	$10,745,601	$ 15,974	$ -	0.00%	$ 15,974
At June 30, 2011:						
2007	$ 9,149,814	$ 9,149,191	$ 623	$ 623	0.01%	$ -
2008	9,857,126	9,737,546	119,580	119,580	1.21%	-
2009	10,331,182	10,311,030	20,152	20,152	0.20%	-
2010	10,868,619	10,853,135	15,484	-	0.00%	15,484
			$155,839	$ 140,355		$ 15,484

ADMINISTRATIVE AND GENERAL EXPENSES

	Year Ended June 30, 2012	Year Ended June 30, 2011
Actuary expense	$ 46,000	$ 42,000
Auditing	26,000	25,000
IT consultant	17,450	-
Conference and convention expense	12,210	21,321
Contributions for annuities of Retirement Board employees	122,270	112,800
Depreciation	23,433	22,682
Equipment rental	20,470	18,058
Equipment maintenance	439	1,668
Filing fee - State of Illinois	8,000	8,000
File storage expense	4,547	3,959
Hospitalization	178,179	161,512
Legal	35,030	41,883
Legislative consultant	21,600	9,000
Medical fees	1,260	1,080
Office supplies and expenses	26,655	17,205
Postage	14,864	6,389
Insurance - surety bond and other	2,491	1,764
Rent expense	117,317	131,275
Salaries	908,606	847,533
Social security - Medicare	9,504	8,568
Bank fees	22,255	22,979
Telephone	9,240	8,471
Transportation	1,973	1,386
Trustees' election expense	14,810	7,351
Total administrative and general expenses	$ 1,644,603	$ 1,521,884

ANNUAL PROFESSIONAL EXPENSES

	Year Ended June 30, 2012	Year Ended June 30, 2011
Legal	$ 35,030	$ 41,883
Medical	1,260	1,080
Actuary	46,000	42,000
Auditing	26,000	25,000
IT consultant	17,450	-
Legislative consultant	21,600	9,000
Total	$ 147,340	$ 118,963

ANNUAL INVESTMENT EXPENSES

	Year Ended June 30, 2012	Year Ended June 30, 2011
U.S. EQUITY		
Great Lakes Advisors	$ 82,003	$ 89,194
Ariel Capital Management	104,437	140,966
Northern Trust Quantitative Advisors	19,578	20,071
RBC Global Asset Management (formerly Voyageur Asset Management)	133,078	136,979
	339,096	387,210
NON - U.S. EQUITY		
Wellington Trust Company	109,354	279,868
Northern Trust Quantitative Advisors	21,486	24,775
	130,840	304,643
U.S. BONDS		
LM Capital Group	27,780	25,039
MacKay Shields	127,661	147,887
Chicago Equity Partners	67,576	72,266
	223,017	245,192
REAL ESTATE		
Principal Financial Group	199,431	163,351
ULLICO	40,259	-
	239,690	163,351
PARTNERSHIPS		
HarbourVest Partners	334,686	350,000
Entrust Capital	270,266	277,331
Trumbull Property (formerly UBS Realty Investors)	316,805	270,934
Mesirow Financial	228,000	228,000
K2 Advisors	276,513	278,960
New York Life Capital Partners	112,942	119,033
	1,539,212	1,524,258
OTHER		
Custody	56,750	50,000
Investment consultant	97,917	92,917
	154,667	142,917
Total	$2,626,522	$2,767,571