

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, 2003 AND 2002

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

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**BANSLEY AND KIENER, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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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 Plan), a Component Unit/Fund of the Chicago Park District, as of June 30, 2003 and 2002, 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, 2003 and 2002, 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.

*Bansley and Kiener, L.L.P.*

Certified Public Accountants

October 10, 2003

PARK EMPLOYEES' AND RETIREMENT BOARD EMPLOYEES'  
ANNUITY AND BENEFIT FUND OF CHICAGO  
(A COMPONENT UNIT/FUND OF THE CHICAGO PARK DISTRICT)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2003**

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, 2003. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

- The Plan's net assets declined during the year by \$11.7 million or 2.1% compared to a decline of \$50.2 million or 8.3% for 2002.
- The Plan's annual investment return of 4.3% enabled the total fund to rank in the top quartile of the Russell/Mellon Public Fund Universe and was higher than the -2.4% return for 2002 and -1.5% return for 2001.
- The Plan's three and five year rates of return exceeded the Public Fund's Universe Median Return.
- Total 2003 additions to the Plan's net assets of \$39.7 million is \$39.3 million higher than the 2002 additions and \$30.1 million higher than the 2001 additions.
- Total 2003 deductions of \$51.4 million is 1.7% higher than the 2002 deductions and 1.6% higher than the 2001 deductions.
- The Plan's actuarially computed funding ratio is 89.0% which is 5.0% less than 2002 and 7.7% less than 2001.

**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.

## USING THIS ANNUAL REPORT (Continued)

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 \$539,544,971. This is \$11,731,185 less than 2002 year-end net assets of \$551,276,156 and \$61,885,467 less than 2001 year-end net assets. However, the decrease in 2003 net assets of 2.1% is significantly less than the 8.3% decline in 2002. The following table is a comparative summary of net assets:

	2003	2002	2001
Total Assets	\$615,273,651	\$649,854,607	\$705,964,359
Total Liabilities	<u>75,728,680</u>	<u>98,578,451</u>	<u>104,533,921</u>
Net Assets	<u>\$539,544,971</u>	<u>\$551,276,156</u>	<u>\$601,430,438</u>

During the current year, there was a significant increase in investment income. This is summarized as follows:

Additions	2003	2002	2001
Employer Contributions	\$ 9,842,559	\$ 9,977,765	\$ 9,206,851
Employee Contributions	9,533,018	9,192,876	8,977,309
Investment income (loss) (includes security lending activities)	<u>20,297,955</u>	<u>(18,775,731)</u>	<u>(8,590,539)</u>
Totals	<u>\$39,673,532</u>	<u>\$ 394,910</u>	<u>\$ 9,593,621</u>

The 2003 investment income was \$20,297,955 as compared to an investment loss of (\$18,775,731) in 2002 and an investment loss of (\$8,590,539) in 2001. The 2003 investment income is primarily a direct result of the increase in market value of the Plan's investments producing significant unrealized gains. The unrealized gains are directly tied to the economic improvement of the broader financial markets.

For the fiscal year, expenditures were \$51,404,717 which is \$855,525 higher than 2002 and a slightly less increase over 2001 expenditures. The net increase in expenses was the result of increases in benefit payments, refunds of contributions and administrative and general expenses which were partially offset by decreases in disability and death benefit payments.

**THE PLAN AS A WHOLE (Continued)**

<u>Deductions</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Retirement Benefits	\$38,708,659	\$38,473,834	\$38,066,945
Spouse Benefits	7,971,585	7,670,908	7,425,246
Childrens Benefits	42,050	41,950	56,950
Disability Benefits	412,555	419,289	555,832
Death Benefits	<u>325,500</u>	<u>343,500</u>	<u>356,050</u>
Total benefits	47,460,349	46,949,481	46,461,023
Refund of Contributions	2,774,837	2,477,077	3,050,168
Administrative and General Expenses	<u>1,169,531</u>	<u>1,122,634</u>	<u>1,082,588</u>
Totals	<u>\$51,404,717</u>	<u>\$50,549,192</u>	<u>\$50,593,779</u>

The Plan's actuarially computed funding ratio is 89.0% which is 5.0% less than 2002 and 7.7% less than 2001. This drop is the direct result of the decline in investment returns over the 2000-2002 period in comparison to the actuarial assumed rate of 8.0%. The annual investment return for the fiscal year was 4.3% which is higher than the -2.4% for 2002 and -1.5% for 2001, but still below the actuarial assumed rate of 8.0%. In addition, based on the triennial experience analysis of the actuarial assumptions used by the Plan, certain changes were adopted. In summary, the Plan has revised its mortality, retirement and termination rates, adopted a new salary increase assumption and will smooth market related gains and losses over a five-year period.

In summation, the Plan's annual return of 4.3% enabled the Plan to rank in the top quartile of the Russell/Median Public Fund Universe and to exceed the Public Fund's Median Return. The Plan's three-year return and five-year return exceeded the Public Fund's Median Return, as well. The fund has generated a significant increase in investment income during the current year which is the direct result of improving financial markets. In addition, the Plan's current funding ratio of 89.0% strongly 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.

**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, 2003 AND 2002**

ASSETS	<u>2003</u>	<u>2002</u>
Cash	\$ 60,386	\$ 60,356
Receivables		
Contributions from employer, net of allowance for loss of \$1,077,640 in 2003 and \$909,844 in 2002	5,491,843	5,174,210
Employee contributions	268,131	269,807
Due from broker for securities sold	25,673,152	25,423,039
Accrued investment income	1,534,818	1,749,748
Note receivable	625,000	1,250,000
Miscellaneous receivable	1,630	-
	<u>33,594,574</u>	<u>33,866,804</u>
Investments, at fair value		
Short-term investments	19,064,481	22,321,751
Bonds	227,826,401	271,662,441
Common and preferred stocks	251,598,158	248,314,585
Pooled separate real estate accounts	23,692,581	23,610,628
	<u>522,181,621</u>	<u>565,909,405</u>
Invested securities lending collateral	<u>59,041,846</u>	<u>49,996,763</u>
Prepaid expenses	<u>395,224</u>	<u>21,279</u>
Total assets	<u>615,273,651</u>	<u>649,854,607</u>
 LIABILITIES		
Accounts payable	891,259	710,968
Accrued benefits payable	211,165	104,108
Securities lending collateral	59,041,846	49,996,763
Due to broker for securities purchased	15,584,410	47,766,612
	<u>75,728,680</u>	<u>98,578,451</u>
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 11)	<u>\$ 539,544,971</u>	<u>\$ 551,276,156</u>

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, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Additions		
Contributions		
Employer contributions	\$ 9,842,559	\$ 9,977,765
Employee contributions	<u>9,533,018</u>	<u>9,192,876</u>
Total contributions	<u>19,375,577</u>	<u>19,170,641</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	3,196,879	(36,865,389)
Interest	12,426,961	14,143,001
Dividends	3,868,471	3,324,734
Investment return on pooled separate real estate accounts	<u>2,599,582</u>	<u>2,604,913</u>
	22,091,893	(16,792,741)
Less investment expenses	<u>1,861,912</u>	<u>2,100,854</u>
	<u>20,229,981</u>	<u>(18,893,595)</u>
Security lending activities		
Securities lending income	709,663	1,136,466
Borrower rebates	(592,260)	(940,908)
Bank fees	<u>(49,429)</u>	<u>(77,694)</u>
	<u>67,974</u>	<u>117,864</u>
Total additions	<u>39,673,532</u>	<u>394,910</u>
Deductions		
Benefits		
Annuity payments	46,722,294	46,186,692
Disability and death benefits	<u>738,055</u>	<u>762,789</u>
Total benefits	47,460,349	46,949,481
Refund of contributions	2,774,837	2,477,077
Administrative and general expenses	<u>1,169,531</u>	<u>1,122,634</u>
Total deductions	<u>51,404,717</u>	<u>50,549,192</u>
Net decrease	(11,731,185)	(50,154,282)
Net assets held in trust for pension benefits		
Beginning of year	<u>551,276,156</u>	<u>601,430,438</u>
End of year	<u>\$ 539,544,971</u>	<u>\$ 551,276,156</u>

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 – 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, 2003 and 2002, Plan membership consists of:

	<u>2003</u>	<u>2002</u>
Retirees and beneficiaries currently receiving benefits	3,074	3,127
Current employees	3,179	3,422

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.

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 as revenues in the period in which employee services are performed. 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 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 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.

### *Reclassifications*

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

### 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 percent or more of the Plan's net assets (except those issued or guaranteed by the U.S. Government) are separately identified.

	2003	2002
Investments At Fair Value As Determined by Quoted Price		
Short-term investments	\$ 19,064,481	\$ 22,321,751
Bonds		
PIMCO Fds	70,276,419	38,134,870
Other	157,549,982	233,527,571
Common and preferred stock	123,355,287	120,089,076
Aggregate stock funds		
U.S. Smart Index Fund	-	54,096,437
Other	<u>128,242,871</u>	<u>74,129,072</u>
	498,489,040	542,298,777
Investments At Fair value As Determined by Plan Administrator		
Pooled separate real estate accounts	<u>23,692,581</u>	<u>23,610,628</u>
	<u>\$522,181,621</u>	<u>\$565,909,405</u>

The following table presents a summarization of the fair and book values of the Plan's investments and related categorization of credit risk at June 30, 2003 and 2002. Category 1 includes insured or registered investments held by Northern Trust Company, as agent of the Plan, in the Plan's name.

	Risk Category	2003		2002	
		Fair Value	Cost	Fair Value	Cost
Short-term investments					
Commercial paper	1	\$ 19,064,481	\$ 19,064,481	\$ 22,321,751	\$ 22,321,751
U.S. Government bonds, notes, bills and agency securities	1	57,613,606	56,654,908	86,908,102	85,739,042
Corporate bonds	1	170,212,795	166,932,393	184,754,339	188,064,391
Preferred stock	1	2,609,445	3,201,185	2,839,122	3,361,039
Common stock	1	213,071,646	196,108,232	206,467,966	216,053,502
International equity commingled	N/A	35,917,067	43,927,276	39,007,497	44,800,471
Real estate investments	N/A	<u>23,692,581</u>	<u>25,976,430</u>	<u>23,610,628</u>	<u>25,588,662</u>
		<u>\$522,181,621</u>	<u>\$511,864,905</u>	<u>\$565,909,405</u>	<u>\$585,928,858</u>

### Note 4 – Deposits

At June 30, 2003 and 2002, the Plan's book balances of cash were \$60,386 and \$60,356, respectively, at the Northern Trust Company Bank. The actual bank balances were \$63,546 and \$71,757, respectively, at June 30, 2003 and 2002. 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 Co., 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. As of June 30, 2003 and 2002, the Plan had loaned to borrowers securities with a market value of \$59,041,846 and \$49,996,763, respectively. As of June 30, 2003 and 2002, the Plan received from borrowers cash collateral of \$46,056,952 and \$43,767,475, and non-cash collateral of \$14,670,129 and \$7,721,048, respectively. Securities lending net income for the years ended June 30, 2003 and 2002 was \$67,974 and \$117,864, 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 – Operating Lease

The Plan entered into an operating lease for office space effective August 1, 1996 and expiring July 31, 2006. The lease provides that the lessee pay monthly base rent subject to annual increases of 2% of the prior years amount, plus an escalation rent computed on costs incurred by the lessor.

Following is a schedule of minimum future rental payments for the next four years under the noncancelable operating lease at June 30, 2003:

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$ 47,462
2005	48,411
2006	49,379
2007	<u>4,197</u>
	<u>\$149,449</u>

The total rental expense for the years ended June 30, 2003 and 2002 was \$124,889 and \$115,730, respectively.

#### Note 7 – Note Receivable

On October 1, 2001, the Plan completed its sale of the Fort Road and Ritchie Real Estate Properties realizing a gain approximating \$2,300,000. The amount of the note is for \$1,250,000 payable on or before the two-year anniversary of the date of the note. The note has an interest rate of 9.0% per annum. At June 30, 2003 and 2002, the balance due on this note was \$625,000 and \$1,250,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE 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 a Percentage of Covered Payroll ((b-a)/c)
6/30/03	\$624,210	\$701,209	\$76,999	89.0%	\$102,330	75.2%
6/30/02	637,750	678,208	40,458	94.0%	103,787	39.0%
6/30/01	651,344	673,430	22,086	96.7%	105,740	20.9%
6/30/00	627,938	655,967	28,029	95.7%	101,268	27.7%
6/30/99	592,284	610,528	18,244	97.0%	94,255	19.4%
6/30/98	549,728	565,582	15,854	97.2%	116,765	13.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

Year Ended June 30,	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
2003	\$7,215	100%
2002	6,288	100%
2001	6,197	100%
2000	6,427	100%
1999	4,098	100%
1998	5,200	100%

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Valuation date	6/30/03
Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market (4-year smoothed market in previous years)
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% (5.0% in previous years)
Inflation rate	4%

TAX LEVIES RECEIVABLES

<u>Levy Year (Calendar)</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Tax Levy Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Allowance for Uncollectible Write-offs as a Percentage of Tax Levy</u>	<u>Net Tax Levies Receivable</u>
At June 30, 2003:						
1999	\$ 9,019,051	\$8,706,121	\$ 312,930	\$ 312,930	3.47%	\$ -
2000	9,442,405	9,438,847	3,558	3,558	0.04%	-
2001	10,036,565	9,780,722	255,843	255,843	2.55%	-
2002	10,121,430	4,124,278	5,997,152	505,309	5.00%	5,491,843
			<u>\$6,569,483</u>	<u>\$ 1,077,640</u>		<u>\$5,491,843</u>
At June 30, 2002:						
1998	\$ 9,933,892	\$9,871,473	\$ 62,419	\$ 62,419	0.63%	\$ -
1999	9,019,051	8,717,528	301,523	301,523	3.34%	-
2000	9,442,405	9,397,522	44,883	44,883	0.48%	-
2001	10,036,565	4,361,336	5,675,229	501,019	5.00%	5,174,210
			<u>\$6,084,054</u>	<u>\$ 909,844</u>		<u>\$5,174,210</u>

ADMINISTRATIVE AND GENERAL EXPENSES

	Year Ended June 30,	
	2003	2002
Actuary expense	\$ 35,500	\$ 40,000
Auditing	18,500	14,700
Conference and convention expense	39,421	24,886
Contributions for annuities of Retirement Board employees	89,925	80,393
Equipment rental	6,376	6,427
Equipment maintenance	3,570	6,057
Computer hardware/software	-	134
Filing fee - Department of Insurance	6,000	6,000
File storage expense	1,240	1,240
Hospitalization	105,703	98,500
Legal	25,000	39,232
Legislative consultant	17,000	17,000
Medical fees	850	600
Office supplies and expenses	38,292	27,491
Postage	17,118	14,714
Insurance - surety bond and other	2,305	1,869
Printing	7,173	13,185
Rent expense	124,889	115,730
Salaries	606,119	589,901
Social security - Medicare	7,353	7,235
Telephone	8,023	7,719
Transportation	1,471	1,228
Trustees' election expense	7,703	8,393
	<u>\$ 1,169,531</u>	<u>\$ 1,122,634</u>
Total administrative and general expenses		

ANNUAL PROFESSIONAL EXPENSES

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
Legal	\$ 25,000	\$ 39,232
Medical	850	600
Actuary	35,500	40,000
Auditing	18,500	14,700
Legislative Consultant	<u>17,000</u>	<u>17,000</u>
Total	<u>\$ 96,850</u>	<u>\$ 111,532</u>



ANNUAL INVESTMENT EXPENSES

	<u>Year Ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>U.S. EQUITIES</u>		
Great Lakes Advisors	\$ 110,210	\$ 134,647
J.P. Morgan U.S. Research	49,551	158,413
The Kenwood Group	124,057	153,620
Wayne Hummer Investment LLC	212,058	241,269
Northern Trust Quantitative Advisors	39,373	36,215
	<u>535,249</u>	<u>724,164</u>
<u>NON - U.S. EQUITY</u>		
Wellington Trust Company	178,890	206,135
Northern Trust Quantitative Advisors	17,208	19,853
	<u>196,098</u>	<u>225,988</u>
<u>U.S. BONDS</u>		
Pacific Investment Management Co.	387,249	462,537
Smith Graham & Company	75,373	72,482
MacKay Shields	153,556	98,346
Reams Asset Management	147,681	151,478
	<u>763,859</u>	<u>784,843</u>
<u>REAL ESTATE</u>		
UBS Brinson Realty (formerly Allegis Realty)	<u>224,366</u>	<u>234,438</u>
<u>BANKING</u>		
Custody	50,000	50,000
Other	20,187	29,745
	<u>70,187</u>	<u>79,745</u>
<u>CONSULTING</u>		
Ennis Knupp & Associates	<u>72,153</u>	<u>51,676</u>
<b>TOTAL</b>	<u><u>\$ 1,861,912</u></u>	<u><u>\$ 2,100,854</u></u>