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, 2005 AND 2004

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 Plan), a Component Unit/Fund of the Chicago Park District, as of June 30, 2005 and 2004, 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, 2005 and 2004, 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 4, 2005

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, 2005

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, 2005. 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 increased during the year by $3.9 million or 0.7% compared to an increase of $34.3 million or 6.4% for 2004.
- The Plan's annual investment return of 8.9% enabled the total fund to exceed the actuarial assumed rate of return of 8.0%.
- The Plan's three-year rate of return of 8.9% slightly lagged the portfolio benchmark return of 9.0%.
- The Plan's five-year rate of return of 4.4% exceeded the Portfolio Benchmark Return of 3.9% and the Public Funds Universe Median Return of 3.7%.
- The Plan's ten-year return of 8.5%, as well as the 9.9% annual return since inception, both have exceeded the actuarial assumed rate of 8.0%.
- Total 2005 additions to the Plan's net assets of $62.9 million is $27.3 million lower than the 2004 additions and $23.2 million higher than the 2003 additions.
- Total 2005 deductions of $59.0 million is 5.7% higher than the 2004 deductions and 14.9% higher than the 2003 deductions.
- The Plan's actuarially computed funding ratio is 80.0% which is 2.6% less than 2004 and 9.0% less than 2003.

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.

USING THE ANNUAL REPORT (Continued)

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 $577,728,818. This is $3,858,680 greater than 2004 year-end net assets of $573,870,138 and $38,183,847 greater than 2003 year-end net assets. The following table is a comparative summary of net assets:

	2005	2004	2003
Total Assets	$669,841,334	$671,251,376	$602,288,757
Total Liabilities	92,112,516	97,381,238	62,743,786
Net Assets	$577,728,818	$573,870,138	$539,544,971

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

Additions	2005	2004	2003
Employer Contributions	$ 9,768,605	$ 9,840,681	$ 9,842,559
Employee Contributions	8,515,799	10,593,581	9,533,018
Less: Statutory reduction of employer contributions	(5,000,000)	-	-
Investment income (includes security lending activities)	49,621,638	69,754,905	20,297,955
Totals	$62,906,042	$90,189,167	$39,673,532

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 2005 investment income was $49,621,638 as compared to the investment income of $69,754,905 in 2004 and investment income of $20,297,955 in 2003. The 2005 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 $59,047,362 which is $3,183,362 higher than 2004 and $7,642,645 over 2003 expenditures. The net increase in retirement and spouse's benefit expenditures is primarily the result of a full year of additional benefit payments required by the Early Retirement Incentive Program (ERI) and the benefit formula change to 2.4% for each year of service, both enacted in early January 2004. The decrease in refund of contributions, administrative and general expenses, and children's benefit payments more than offset the increases in disability and death benefit payments during the fiscal year.

THE PLAN AS A WHOLE (Continued)

Deductions	2005	2004	2003
Retirement Benefits	$46,472,103	$42,831,611	$38,708,659
Spouse Benefits	8,614,689	8,196,180	7,971,585
Childrens Benefits	32,400	38,600	42,050
Disability Benefits	389,615	382,263	412,555
Death Benefits	392,200	292,539	325,500
Total benefits	55,901,007	51,741,193	47,460,349
Refund of Contributions	1,960,489	2,923,613	2,774,837
Administrative and General Expenses	1,185,866	1,199,194	1,169,531
Totals	$59,047,362	$55,864,000	$51,404,717

The June 30, 2005 and June 30, 2004 actuarial valuation was based upon the actuarial liabilities being computed using the Projected Unit Credit Actuarial Cost Method. Prior years actuarial valuations were based upon the Entry Age Normal Actuarial Valuation 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 80.0% which is 2.6% less than 2004 and 9.0% less than 2003. This drop is the direct result of the decline in investment returns over the 2000-2003 period in comparison to the actuarial assumed rate of 8.0% even though the actuarial liability declined by $4.2 million during the year. The annual investment return for the fiscal year was 8.9% which is lower than the 13.4% for 2004 but higher than the 4.3% in 2003, and significantly above the actuarial assumed rate of 8.0%. 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 8.9% return slightly lagged its performance benchmark by roughly 10 basis points. The Plan's trailing three-year return also slightly lagged the performance benchmark, but over the trailing five-year the Plan's return has comfortably outpaced the benchmark and ranks in the top quartile in a universe of peer funds. The total Plan had maintained a strong absolute ten-year return of 8.5% annually and since inception an annual return of 9.9% which both significantly exceeded the actuarial assumed rate of return of 8%.

The Plan continues to generate strong investment returns which is the direct result of improving financial markets. 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.

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, 2005 AND 2004

ASSETS	2005	2004
Cash	$ 60,000	$ 63,168
Receivables		
Contributions from employer, net of allowance for loss of $780,655 in 2005 and $948,791 in 2004	4,827,374	5,421,992
Employee contributions	351,602	302,013
Due from broker for securities sold	24,886,814	24,955,178
Accrued investment income	1,315,769	1,507,969
Early retirement incentive program	171,226	414,348
	31,552,785	32,601,500
Investments, at fair value		
Short-term investments	31,190,630	19,872,991
Bonds	203,058,624	237,252,136
Common and preferred stocks	288,677,596	297,366,534
Pooled separate real estate accounts	55,384,620	23,981,315
Other	5,255,417	1,703,308
	583,566,887	580,176,284
Invested securities lending collateral	49,739,145	58,367,928
Furniture and fixtures - net	2,325	-
Prepaid expenses	28,713	42,496
Deferred charge - statutory reduction of employer contributions	4,891,479	-
Total assets	669,841,334	671,251,376
LIABILITIES		
Accounts payable	582,300	579,245
Accrued benefits payable	130,212	235,426
Securities lending collateral	49,739,145	58,367,928
Due to broker for securities purchased	41,660,859	38,198,639
	92,112,516	97,381,238
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 14)	$ 577,728,818	$ 573,870,138

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, 2005 AND 2004

	2005	2004
Additions		
Contributions		
Employer contributions	$ 9,768,605	$ 9,840,681
Employee contributions	8,515,799	10,593,581
Statutory reduction of employer contributions	(5,000,000)	-
Total contributions	13,284,404	20,434,262
Investment income		
Net appreciation in fair value of investments	38,786,794	56,680,327
Interest	9,555,819	9,928,263
Dividends	2,985,591	3,016,260
Investment return on pooled separate real estate accounts	188,254	2,031,035
	51,516,458	71,655,885
Less investment expenses	1,981,830	1,981,245
	49,534,628	69,674,640
Security lending activities		
Securities lending income	1,345,359	626,727
Borrower rebates	(1,202,118)	(494,831)
Bank fees	(56,231)	(51,631)
	87,010	80,265
Total additions	62,906,042	90,189,167
Deductions		
Benefits		
Annuity payments	55,126,392	51,066,391
Disability and death benefits	774,615	674,802
Total benefits	55,901,007	51,741,193
Refund of contributions	1,960,489	2,923,613
Administrative and general expenses	1,185,866	1,199,194
Total deductions	59,047,362	55,864,000
Net increase	3,858,680	34,325,167
Net assets held in trust for pension benefits		
Beginning of year	573,870,138	539,544,971
End of year	$ 577,728,818	$ 573,870,138

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, 2005 and 2004, Plan membership consists of:

	2005	2004
Retirees and beneficiaries currently receiving benefits	3,184	3,240
Current employees	2,881	2,820
Vested terminated members entitled to benefits	186	Not available

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 Fund 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 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.

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

	2005	2004
Investments At Fair Value As		
Determined by Quoted Price		
Short-term investments	$ 31,190,630	$ 19,872,991
Bonds		
PIMCO Fds	35,005,160	40,497,834
Other	168,053,464	196,754,302
Common and preferred stock		
Aggregate stock funds	127,312,882	125,514,597
Other	161,364,714	171,851,937
Other investments	5,255,417	1,703,308
	528,182,267	556,194,969
Investments At Fair value As		
Determined by Plan Administrator		
Pooled separate real estate accounts	55,384,620	23,981,315
	$583,566,887	$580,176,284

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 in interest rates.

Note 3 – Investments (Continued)

At June 30, 2005 the following table shows 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
Asset backed	$ 6,698	$ 519	$ 2,924	$ 802	$ 2,453
Commercial mortgage backed	6,688	-	-	145	6,543
Commercial paper	2,880	2,880	-	-	-
Corporate bonds	81,896	2,471	48,506	17,326	13,593
Government agencies	32,186	4,137	4,131	23,190	728
Government bonds	15,582	-	3,747	3,509	8,326
Government mortgage backed	47,907	-	1,210	4,293	42,404
Government issued commercial mortgage backed	502	-	502	-	-
Index linked government bonds	1,800	-	861	939	-
Municipal/provincial bonds	2,135	-	176	-	1,959
Non-government backed CMO's	452	-	192	-	260
Short term bills and notes	4,333	4,333	-	-	-
Total	$203,059	$14,340	$62,249	$50,204	$76,266

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 table presents the Plan's ratings as of June 30, 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	Index Linked Gov't Bonds	Non-Gov't Backed CMO's	Municipal Bonds	Pooled Assets
AAA	$32,924	$5,349	$5,188	$ 3,440	$ 3,295	$13,592	$ -	$ -	$1,800	$260	$ -	$ -
AA+	184	-	-	184	-	-	-	-	-	-	-	-
AA	1,480	-	-	1,480	-	-	-	-	-	-	-	-
AA-	4,883	-	-	1,022	3,861	-	-	-	-	-	-	-
A+	3,333	-	-	3,108	-	-	-	-	-	-	225	-
A	3,974	-	-	3,824	-	-	-	-	-	-	150	-
A-1+	431	431	-	-	-	-	-	-	-	-	-	-
A-	3,701	-	-	3,701	-	-	-	-	-	-	-	-
BBB+	3,200	-	-	3,200	-	-	-	-	-	-	-	-
BBB	4,335	-	-	3,781	-	554	-	-	-	-	-	-
BBB-	4,390	-	-	4,144	-	246	-	-	-	-	-	-
BB+	2,351	-	-	2,351	-	-	-	-	-	-	-	-
BB	1,244	-	-	1,046	-	198	-	-	-	-	-	-
BB-	752	-	-	752	-	-	-	-	-	-	-	-
B+	911	-	-	911	-	-	-	-	-	-	-	-
B	690	-	-	690	-	-	-	-	-	-	-	-
B-	722	50	-	672	-	-	-	-	-	-	-	-
CCC+	56	-	-	56	-	-	-	-	-	-	-	-
CCC	21	-	-	21	-	-	-	-	-	-	-	-
CCC-	277	-	-	277	-	-	-	-	-	-	-	-
C	13	-	-	13	-	-	-	-	-	-	-	-
D	1	-	-	1	-	-	-	-	-	-	-	-
NR	55,414	868	1,500	4,028	-	992	-	-	-	192	-	47,834
US Gov't Agency	77,772	-	-	-	4,449	-	47,907	502	-	-	-	24,914
Total Debt Securities	$203,059	$6,698	$6,688	$38,702	$11,605	$15,582	$47,907	$ 502	$1,800	$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 Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's review of the exposure to custodial credit risks reflects that there is none.

Note 3 – Investments (Continued)

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, 2004. Category 1 includes insured or registered investments held by Northern Trust Company, as agent of the Plan, in the Plan's name.

	Risk Category	2004 Fair Value	2004 Cost
Short-term investments			
Commercial paper	1	$ 19,872,991	$ 19,872,991
U.S. Government bonds, Notes, bills and agency securities	1	77,926,210	78,734,140
Corporate bonds	1	159,325,926	160,488,468
Preferred stock	1	1,468,070	2,261,185
Common stock	1	252,151,960	190,295,567
International equity			
Commingled	N/A	43,746,504	42,053,983
Real estate investments	N/A	23,981,315	25,873,189
Other investments	N/A	1,703,308	1,749,900
		$580,176,284	$521,329,423

Note 4 – Deposits

At June 30, 2005 and 2004, the Plan's book balances of cash were $60,000 and $63,168, respectively, at the Northern Trust Company Bank. The actual bank balances were $40,339 and $88,038, respectively, at June 30, 2005 and 2004. 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, 2005 and 2004, the Plan had loaned to borrowers securities with a market value of $50,772,729 and $66,035,976, respectively. As of June 30, 2005 and 2004, the Plan received from borrowers, cash collateral of $49,739,145 and $58,367,928, and non-cash collateral of $2,264,366 and $8,854,935, respectively. Securities lending net income for the years ended June 30, 2005 and 2004 was $87,010 and $80,265, 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 2004 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 statutory reduction of employer contributions of $4,891,479 to its fiscal year ending June 30, 2006.

Note 7 – 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 year's amount, plus an escalation rent computed on costs incurred by the lessor.

Following is a schedule of minimum future rental payments for the next two years under the noncancelable operating lease at June 30, 2005:

Year Ending June 30	Amount
2006	$49,379
2007	4,197
	$53,576

The total rental expense for the years ended June 30, 2005 and 2004 was $132,532 and $126,303, 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 a Percentage of Covered Payroll ((b-a)/c)
6/30/05	$587,774	$734,361	$146,587	80.0%	$ 95,707	153.1%
6/30/04	610,294	738,579	128,285	82.6%	87,841	146.0%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

	Employer Contributions	
Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	$14,760	32%
2004	7,518	100%
2003	7,215	100%
2002	6,288	100%
2001	6,197	100%
2000	6,427	100%

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Valuation date	6/30/05
Actuarial cost method	Projected unit (2005 and 2004) (previous years Entry age)
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%

TAX LEVIES RECEIVABLES

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 Levies Receivable
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
At June 30, 2004:						
2000	$ 9,442,405	$ 9,346,347	$ 96,058	$ 96,058	1.02%	$ -
2001	10,036,565	9,904,376	132,189	132,189	1.32%	-
2002	10,121,430	9,907,335	214,095	214,095	2.12%	-
2003	10,135,021	4,206,580	5,928,441	506,449	5.00%	5,421,992
			$ 6,370,783	$ 948,791		$ 5,421,992

ADMINISTRATIVE AND GENERAL EXPENSES

	Year Ended June 30, 2005	Year Ended June 30, 2004
Actuary expense	$ 36,000	$ 36,000
Auditing	17,500	17,800
Conference and convention expense	35,180	27,761
Contributions for annuities of Retirement Board employees	86,619	77,206
Depreciation	179	-
Equipment rental	6,220	6,039
Equipment maintenance	1,512	2,792
Filing fee - Department of Insurance	8,000	6,000
File storage expense	2,482	1,034
Hospitalization	123,440	127,106
Legal	9,950	27,333
Legislative consultant	16,500	17,000
Medical fees	375	900
Office supplies and expenses	20,376	27,560
Postage	14,071	15,987
Insurance - surety bond and other	1,941	1,801
Printing	9,073	7,828
Rent expense	132,532	126,303
Salaries	636,127	650,058
Social security - Medicare	6,677	7,708
Telephone	12,891	7,721
Transportation	656	933
Trustees' election expense	7,565	6,324
Total administrative and general expenses	$ 1,185,866	$ 1,199,194

ANNUAL PROFESSIONAL EXPENSES

	Year Ended June 30, 2005	Year Ended June 30, 2004
Legal	$ 9,950	$ 27,333
Medical	375	900
Actuary	36,000	36,000
Auditing	17,500	17,800
Legislative Consultant	16,500	17,000
Total	$ 80,325	$ 99,033

ANNUAL INVESTMENT EXPENSES

	Year Ended June 30, 2005	Year Ended June 30, 2004
U.S. EQUITIES		
Great Lakes Advisors	$ 140,978	$ 121,494
The Kenwood Group	157,870	149,574
Wayne Hummer Investment LLC	241,863	237,140
Northern Trust Quantitative Advisors	54,127	55,945
	594,838	564,153
NON - U.S. EQUITY		
Wellington Trust Company	246,503	224,366
Northern Trust Quantitative Advisors	47,961	19,953
	294,464	244,319
U.S. BONDS		
Pacific Investment Management Co.	282,739	326,972
Smith Graham & Company	71,071	73,414
MacKay Shields	207,833	211,970
Reams Asset Management	133,015	146,475
	694,658	758,831
REAL ESTATE		
UBS Brinson Realty (formerly Allegis Realty)	261,035	244,285
BANKING		
Custody	50,000	50,000
Other	28,100	29,416
	78,100	79,416
CONSULTING		
Ennis Knupp & Associates	58,735	90,241
TOTAL	$ 1,981,830	$ 1,981,245