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, 2006 AND 2005

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, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

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

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

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

November 7, 2006

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, 2006

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

FINANCIAL HIGHLIGHTS

- The Plan's net assets slightly decreased during the year by $4.3 million or 0.8% compared to an increase of $3.9 million or 0.7% for 2005.
- The Plan's annual investment return of 7.4% lagged the portfolio benchmark return of 8.3%.
- The Plan's three-year rate of return of 9.9% exceeded the portfolio benchmark return of 9.7%.
- The Plan's five-year rate of return of 6.2% approximated the portfolio benchmark return.
- The Plan's annual return since inception of 9.8% have exceeded the actuarial assumed rate of return of 8%.
- Total 2006 additions to the Plan's net assets of $55.3 million is $7.6 million lower than the 2005 additions and $34.9 million lower than the 2004 additions.
- Total 2006 deductions of $59.6 million is 0.9% higher than the 2005 deductions and 6.7% higher than the 2004 deductions.
- The Plan's actuarially computed funding ratio is 76.8% which is 3.2% less than 2005 and 5.8% less than 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

THE PLAN AS A WHOLE (Continued)

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

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 method decline in the average age of active members.

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

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

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

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

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

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, 2006 AND 2005

ASSETS	2006	2005
Cash	$ 3,247,110	$ 60,000
Receivables		
Contributions from employer, net of allowance for loss of $610,827 in 2006 and $780,655 in 2005	4,971,628	4,827,374
Employee contributions	406,198	351,602
Due from broker for securities sold	22,890,746	24,886,814
Accrued investment income	1,512,584	1,315,769
Early retirement incentive program	1,215	171,226
	29,782,371	31,552,785
Investments, at fair value		
Short-term investments	16,798,487	31,190,630
Bonds	198,718,776	203,058,624
Common and preferred stocks	285,454,602	288,467,596
Pooled separate real estate accounts	62,913,733	55,384,620
Other	12,495,835	5,465,417
	576,381,433	583,566,887
Invested securities lending collateral	45,519,144	49,739,145
Furniture and fixtures - net	1,967	2,325
Prepaid expenses	20,366	28,713
Deferred charge - statutory reduction of employer contributions	-	4,891,479
Total assets	654,952,391	669,841,334
LIABILITIES		
Accounts payable	381,008	582,300
Accrued benefits payable	97,827	130,212
Securities lending collateral	45,519,144	49,739,145
Due to broker for securities purchased	35,566,912	41,660,859
	81,564,891	92,112,516
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 13)	$ 573,387,500	$ 577,728,818

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, 2006 AND 2005

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

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

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, 2006 and 2005, Plan membership consists of:

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

Reporting Entity

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

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

(2) Fiscal dependency on the primary government.

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

Basis of Accounting

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

Method Used to Value Investments

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled 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.

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

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

Interest Rate Risk

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

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

Note 3 – Investments (Continued)

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

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

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

* Information not determinable

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

Credit Risk

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

Note 3 – Investments (Continued)

The following tables present the Plan's ratings as of June 30, 2006 and 2005 (expressed in thousands).

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

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

Custodial Credit Risk

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

Note 4 – Deposits

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

Note 5 – Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, the Northern Trust 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. Cash collateral is invested in the lending agent's short-term investment pool, which at year end has a weighted average maturity of 41 days. As of June 30, 2006 and 2005, the Plan had loaned to borrowers securities with a market value of $50,317,336 and $50,772,729, respectively. As of June 30, 2006 and 2005, the Plan received from borrowers, cash collateral of $45,519,144 and $49,739,145, and non-cash collateral of $5,622,279 and $2,264,366, respectively. Securities lending net income for the years ended June 30, 2006 and 2005 was $79,475 and $87,010, respectively.

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

Note 6 – Statutory Reduction of Employer Contributions

On January 16, 2004, an amendment to the Illinois Pension Code determined that the employer in its discretion could reduce the employer contribution by $5,000,000 for each of the calendar years 2006 and 2005. The employer properly chose not to remit $5,000,000 in the fall of 2004 and $4,891,479 again in the first quarter of 2005. As the legislature did not intend to adversely affect the Plan, and cause the Plan to recognize both reduced payments within the same fiscal year ended June 30, 2005, the Plan has deferred the second 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, expiring July 31, 2006 and subsequently renewed through April 30, 2013. The lease provides that the lessee pay monthly base rent subject to annual increases, plus an escalation rent computed on costs incurred by the lessor.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/06	$572,659	$745,244	$172,585	76.8%	$101,058	170.8%
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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

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

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Valuation date	6/30/06
Actuarial cost method	Projected unit (2006 and 2005)
	Entry age (2004 and prior)
Amortization method	Level dollar
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Inflation rate	4%

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, 2006:						
2002	$ 10,121,430	$ 9,997,681	$ 108,482	$ 108,482	1.07%	$ -
2003	10,135,021	10,168,340	-	-	0.00%	-
2004	9,833,752	9,898,807	-	-	0.00%	-
2005	10,048,241	4,572,768	5,473,974	502,345	5.00%	4,971,628
			$5,582,456	$ 610,827		$4,971,629
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

ADMINISTRATIVE AND GENERAL EXPENSES

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

ANNUAL PROFESSIONAL EXPENSES

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

ANNUAL INVESTMENT EXPENSES

	Year Ended June 30, 2006	Year Ended June 30, 2005
U.S. EQUITIES		
Great Lakes Advisors	$ 149,986	$ 140,978
The Kenwood Group	13,850	157,870
Wayne Hummer Investment LLC	83,602	241,863
Ariel Capital Management	190,070	-
Northern Trust Quantitative Advisors	54,560	54,127
	492,068	594,838
NON - U.S. EQUITY		
Wellington Trust Company	288,093	246,503
Northern Trust Quantitative Advisors	63,211	47,961
	351,304	294,464
U.S. BONDS		
Pacific Investment Management Co.	252,497	282,739
Smith Graham & Company	5,861	71,071
MacKay Shields	201,036	207,833
Taplin, Canida & Habacht	43,723	-
Reams Asset Management	120,819	133,015
	623,936	694,658
REAL ESTATE		
UBS Brinson Realty (formerly Allegis Realty)	287,602	261,035
BANKING		
Custody	50,000	50,000
Other	42,060	28,100
	92,060	78,100
CONSULTING		
Ennis Knupp & Associates	79,558	58,735
TOTAL	$ 1,926,528	$ 1,981,830