

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, 2008 AND 2007

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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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, 2008 and 2007, 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, 2008 and 2007, 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 receivable, 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 1, the Plan adopted Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.


Certified Public Accountants

December 17, 2008

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, 2008

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, 2008. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- a) The Plan's net assets decreased during the year by \$59.4 million or 9.5% compared to an increase of \$48.2 million or 8.4% for 2007.
- b) The Plan's annual investment return of -3.0% underperformed the portfolio benchmark return of -2.7%.
- c) The Plan's three-year rate of return of 6.5% lagged the portfolio benchmark return of 7.1%.
- d) The Plan's five-year rate of return of 8.4% lagged the portfolio benchmark return of 9.0%.
- e) The Plan's ten-year rate of return of 5.6% lagged the portfolio benchmark return 6.2%
- f) Total 2008 additions to the Plan's net assets of \$1.9 million is \$106.2 million lower than the 2007 additions and \$53.4 million lower than the 2006 additions.
- g) Total 2008 deductions of \$61.2 million is 2.4% higher than the 2007 deductions and 2.7% higher than the 2006 deductions.
- h) The Plan's actuarially computed funding ratio is 73.8%, which is 2.2% less than 2007, and 3.0% less than 2006.

USING THIS ANNUAL REPORT

Management's 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 Receivable, 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 \$562,269,564. This is \$59,356,136 lower than 2007 year-end net assets of \$621,625,700 and \$11,117,936 lower than 2006 year-end net assets. The following table is a comparative summary of net assets:

	2008	2007	Net Change + (-)	2006
Total Assets	\$638,006,131	\$699,127,104	\$(61,120,973)	\$ 654,952,391
Total Liabilities	75,736,567	77,501,404	(1,764,837)	81,564,891
Net Assets	\$562,269,564	\$621,625,700	\$(59,356,136)	\$573,387,500

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

Additions	2008	2007	Net Change + (-)	2006
Employer Contributions	\$ 8,998,687	\$ 9,594,593	\$ (595,906)	\$10,173,860
Employee Contributions	10,264,805	9,719,082	545,723	9,117,032
Less: Statutory reduction of employer contributions	-	-	-	(5,000,000)
Investment Income (Loss) (includes security lending activities)	(17,391,594)	88,741,395	(106,132,989)	40,970,688
Totals	\$ 1,871,898	\$108,055,070	\$ (106,183,172)	\$55,261,580

The 2008 investment loss was \$17,391,594 as compared to the investment income of \$88,741,395 in 2007 and investment income of \$40,970,688 in 2006. The decrease in 2008 investment income (loss) is primarily a direct result of the decrease in market value of the Plan's investments producing unrealized losses. The unrealized gains and losses are directly tied to the economic state of the broader financial markets.

For the fiscal year 2008, expenditures were \$61,228,034 which is \$1,411,164 higher than 2007 and \$1,625,136 over 2006 expenditures. The slight increase in retirement and spouse's benefit expenditures is primarily the result of the 3% annual increase. All other benefit increases and decreases were minor in nature except that there was an 11.1% increase in refunds of contributions during 2008.

Deductions	2008	2007	Net Change + (-)	2006
Retirement Benefits	\$47,935,949	\$47,002,222	\$ 933,727	\$46,668,385
Spouse Benefits	9,440,330	9,265,244	175,086	9,073,756
Childrens Benefits	22,299	24,900	(2,601)	31,100
Disability Benefits	279,139	246,691	32,448	222,225
Death Benefits	295,900	271,000	24,900	308,000
Total Benefits	57,973,617	56,810,057	1,163,560	56,303,466
Refund of Contributions	1,964,838	1,768,914	195,924	2,067,947
Administrative & General Expenses	1,289,579	1,237,899	51,680	1,231,485
Totals	\$61,228,034	\$59,816,870	\$1,411,164	\$59,602,898

THE PLAN AS A WHOLE (Continued)

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

The Plan's actuarially computed funding ratio is 73.8%, which is 2.2% less than 2007 and 3.0% less than 2006. This drop is the direct result of the continual recognition of deferred unrealized losses for 2006 and 2008 due to the five-year smoothing of market values used to determine the actuarial value of assets. The annual investment return for the fiscal year was -3.0%, which is lower than the 16.2% for 2007 and the 7.4% in 2006.

The Plan's -3.0% return underperformed its performance benchmark by roughly 30 basis points and outperformed the peer median by roughly 156 basis points. The Plan over the trailing three-year and five-year periods underperformed the performance benchmark by roughly 60 basis points each time period. Over the trailing ten-year period that Plan returned 5.6%, underperforming the 8.0% actuarial rate of return.

The Plan is postured to generate strong investment returns as the financial markets 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, 2008 AND 2007

ASSETS	2008	2007
Cash	\$ 61,031	\$ 3,386,534
Receivables		
Contributions from employer, net of allowance for loss of \$750,634 in 2008 and \$679,882 in 2007	4,404,723	4,646,398
Employee contributions	490,263	433,619
Due from broker for securities sold	13,171,959	13,959,179
Accrued investment income	1,299,937	1,395,357
Miscellaneous receivables	7,534	-
	<u>19,374,416</u>	<u>20,434,553</u>
Investments, at fair value		
Short-term investments	27,391,398	15,946,109
Bonds	194,078,790	194,506,277
Common and preferred stocks	63,575,166	86,225,240
Collective investment funds	175,628,326	232,867,559
Pooled separate real estate accounts	76,920,831	71,726,274
Private equity partnerships	33,830,519	24,562,096
	<u>571,425,030</u>	<u>625,833,555</u>
Invested securities lending collateral	<u>46,951,553</u>	<u>49,447,775</u>
Furniture and fixtures - net	<u>68,193</u>	<u>1,610</u>
Prepaid expenses	<u>125,908</u>	<u>23,077</u>
Total assets	<u>638,006,131</u>	<u>699,127,104</u>
LIABILITIES		
Accounts payable	374,646	392,140
Accrued benefits payable	321,392	96,166
Securities lending collateral	46,951,553	49,447,775
Due to broker for securities purchased	28,088,976	27,565,323
	<u>75,736,567</u>	<u>77,501,404</u>
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 14)	<u>\$ 562,269,564</u>	<u>\$ 621,625,700</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Additions		
Contributions		
Employer contributions	\$ 8,998,687	\$ 9,594,593
Employee contributions	<u>10,264,805</u>	<u>9,719,082</u>
Total contributions	<u>19,263,492</u>	<u>19,313,675</u>
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	(31,469,651)	74,828,513
Interest	11,343,545	11,173,549
Dividends	2,374,312	2,675,522
Investment return on pooled separate real estate accounts	<u>1,973,107</u>	<u>1,952,774</u>
	(15,778,687)	90,630,358
Less investment expenses	<u>1,826,974</u>	<u>1,937,135</u>
	<u>(17,605,661)</u>	<u>88,693,223</u>
Security lending activities		
Securities lending income	2,186,507	2,561,680
Borrower rebates	(1,830,177)	(2,482,048)
Bank fees	<u>(142,263)</u>	<u>(31,460)</u>
	<u>214,067</u>	<u>48,172</u>
Total additions	<u>1,871,898</u>	<u>108,055,070</u>
Deductions		
Benefits		
Annuity payments	57,398,578	56,292,366
Disability and death benefits	<u>575,039</u>	<u>517,691</u>
Total benefits	57,973,617	56,810,057
Refund of contributions	1,964,838	1,768,914
Administrative and general expenses	<u>1,289,579</u>	<u>1,237,899</u>
Total deductions	<u>61,228,034</u>	<u>59,816,870</u>
Net increase (decrease)	(59,356,136)	48,238,200
Net assets held in trust for pension benefits		
Beginning of year	<u>621,625,700</u>	<u>573,387,500</u>
End of year	<u>\$ 562,269,564</u>	<u>\$ 621,625,700</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, 2008 and 2007, Plan membership consists of:

	<u>2008</u>	<u>2007</u>
Retirees and beneficiaries currently receiving benefits	3,013	3,056
Current employees	3,031	3,040
Vested terminated members entitled to benefits	161	162

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; collective investment funds; and private equity partnerships as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values for bonds and stocks are determined by quoted market prices. Investments for which market quotations are not readily available are valued at their fair values as determined by the bank administrator under the direction of the Board of Trustees, with the assistance of a valuation service.

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.

Pension Disclosures

During the year ended June 30, 2008, the Plan adopted Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. As a result, the Plan has addressed certain pension disclosures.

Note 2 – Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have occurred in the prior year financial statements to conform with the current year presentation.

Note 3 – Investments

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

	<u>2008</u>	<u>2007</u>
Investments At Fair Value As		
Determined by Quoted Price		
Short-term investments	\$ 27,391,398	\$ 15,946,109
Bonds		
PIMCO Fds	31,923,232	31,382,729
Other	162,155,558	163,123,548
Common and preferred stock	<u>63,575,166</u>	<u>86,225,240</u>
	285,045,354	296,677,626
Investments At Fair Value As		
Determined by Bank Administrator		
Collective investment funds		
International Research Equity	29,671,080	48,871,874
NTGI QM Collective Daily S&P 500	46,461,329	51,021,570
NTGI QM Collective Daily US Marketcap Equity	49,970,049	76,579,146
NTGI QM Collective Daily All Country World Index	49,525,868	-
NTGI QM Collective Daily EAFE	-	56,394,969
Pooled separate real estate accounts	76,920,831	71,726,274
Private equity partnerships	<u>33,830,519</u>	<u>24,562,096</u>
	<u>\$571,425,030</u>	<u>\$625,833,555</u>

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, 2008 and 2007 the following tables show the investments in debt securities by investment type and maturity (expressed in thousands).

<u>2008</u>		Total Market	Less Than				Maturity
Security Type		Value	1 Year	1 – 6 Years	6 -10 Years	10+ Years	N/D*
Asset backed	\$ 4,297	\$ -	\$ 2,548	\$ 397	\$ 1,352	\$ -	
Commercial mortgage backed	8,738	-	363	418	7,459	498	
Corporate convertible bonds	602	371	-	-	231	-	
Corporate bonds	90,581	3,276	15,478	11,102	8,485	52,240	
Government agencies	14,897	3,403	1,984	227	303	8,980	
Government bonds	22,425	-	7,225	10,899	4,301	-	
Government mortgage backed	50,082	95	806	2,770	46,411	-	
Municipal/provincial bonds	1,269	-	-	-	310	959	
Non-government backed CMO's	1,159	-	60	105	994	-	
Short term investment funds	27,391	27,391	-	-	-	-	
Short term bills and notes	29	29	-	-	-	-	
Total	<u>\$221,470</u>	<u>\$34,565</u>	<u>\$28,464</u>	<u>\$25,918</u>	<u>\$69,846</u>	<u>\$62,677</u>	

<u>2007</u>		Total Market	Less Than				Maturity
Security Type		Value	1 Year	1 – 6 Years	6 -10 Years	10+ Years	N/D*
Asset backed	\$ 7,627	\$ 121	\$ 5,638	\$ 481	\$ 1,297	\$ 90	
Commercial mortgage backed	7,862	-	-	443	7,242	177	
Corporate convertible bonds	2,018	267	260	312	1,119	60	
Corporate bonds	68,963	59	8,427	10,209	9,252	41,016	
Government agencies	34,752	3,429	9,348	2,300	1,131	18,544	
Government bonds	14,980	372	4,237	6,589	3,782	-	
Government mortgage backed	48,401	-	1,175	5,149	30,242	11,835	
Government issued commercial mortgage backed	64	-	64	-	-	-	
Municipal/provincial bonds	870	-	-	-	330	540	
Non-government backed CMO's	1,826	-	13	206	1,607	-	
Short term investment funds	15,946	15,946	-	-	-	-	
Short term bills and notes	7,143	7,143	-	-	-	-	
Total	<u>\$210,452</u>	<u>\$27,337</u>	<u>\$29,162</u>	<u>\$25,689</u>	<u>\$56,002</u>	<u>\$72,262</u>	

* 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, 2008 and 2007 (expressed in thousands).

<u>2008</u>										
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	Municipal Bonds
AAA	\$ 32,406	\$2,027	\$8,218	\$ 845	\$ 2,646	\$17,954	\$ -	\$ -	\$ 716	\$ -
AA	4,473	527	-	3,427	519	-	-	-	-	-
A	8,389	14	-	8,375	-	-	-	-	-	-
BBB	14,436	963	-	13,155	153	-	-	-	-	165
BB	3,816	-	-	3,767	-	49	-	-	-	-
B	2,987	-	-	2,938	-	49	-	-	-	-
CCC	412	-	-	412	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-	-	-
NR	91,400	766	520	85,684	-	-	2,883	-	443	1,104
US Gov't Agency	<u>63,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,579</u>	<u>4,373</u>	<u>47,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$221,470</u>	<u>\$4,297</u>	<u>\$8,738</u>	<u>\$118,603</u>	<u>\$14,897</u>	<u>\$22,425</u>	<u>\$50,082</u>	<u>\$ -</u>	<u>\$1,159</u>	<u>\$1,269</u>
<u>2007</u>										
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	Municipal Bonds
AAA	\$ 37,941	\$5,846	\$7,452	\$ 750	\$ 9,559	\$13,504	\$ -	\$ -	\$ 830	\$ -
AA	4,386	-	-	2,967	1,419	-	-	-	-	-
A	5,812	-	-	5,812	-	-	-	-	-	-
BBB	9,445	935	-	8,320	-	190	-	-	-	-
BB	4,809	-	-	4,147	-	662	-	-	-	-
B	3,591	-	-	3,432	-	159	-	-	-	-
CCC	339	-	-	339	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-	-	-
D	32	-	-	32	-	-	-	-	-	-
NR	75,578	846	410	68,269	667	372	3,148	-	996	870
US Gov't Agency	<u>68,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,107</u>	<u>94</u>	<u>45,254</u>	<u>64</u>	<u>-</u>	<u>-</u>
Total	<u>\$210,452</u>	<u>\$7,627</u>	<u>\$7,862</u>	<u>\$94,068</u>	<u>\$34,752</u>	<u>\$14,981</u>	<u>\$48,402</u>	<u>\$ 64</u>	<u>\$1,826</u>	<u>\$870</u>

Custodial Credit Risk

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

Note 4 – Deposits

At June 30, 2008 and 2007, the Plan's book balances of cash were \$61,031 and \$3,386,534, respectively, at the Northern Trust Company Bank. The actual bank balances were \$70,918 and \$42,364, respectively, at June 30, 2008 and 2007. The Plan maintains cash balances at the Northern Trust Company Bank. Accounts at this institution may from time to time exceed amounts insured by the Federal Deposit Insurance Company.

Note 5 – Securities Lending

Under the provisions of state statutes, the 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 36 days. As of June 30, 2008 and 2007, the Plan had loaned to borrowers securities with a market value of \$45,847,128 and \$48,440,670, respectively. As of June 30, 2008 and 2007, the Plan received from borrowers, cash collateral of \$46,951,553 and \$49,447,775, and non-cash collateral of \$312,242 and \$3,440,561, respectively. Securities lending net income for the years ended June 30, 2008 and 2007 was \$214,067 and \$48,172, 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 Leases

The Plan has entered into an operating lease for office space 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, 2008:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 55,452
2010	57,598
2011	59,743
2012	61,890
2013	<u>53,305</u>
	<u>\$287,988</u>

The total rental expense for the years ended June 30, 2008 and 2007 was \$124,552 and \$130,496, respectively.

During the current year, the Plan began leasing photocopy equipment at a monthly charge of \$421 under an operating lease which expires June 30, 2012. Minimum future rental commitments at June 30, 2008, under the operating lease agreement, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 5,052
2010	5,052
2011	5,052
2012	<u>5,052</u>
	<u>\$ 20,208</u>

Equipment rent expense was \$3,429 for the year ended June 30, 2008.

Note 7 – Commitments

During the current year, the Plan committed to purchase an additional \$10,000,000 interest in private equity partnerships, bringing the total commitment to \$55,000,000. At June 30, 2008 and 2007, the Plan had a remaining contractual obligation of \$23,700,000 and \$22,282,500, respectively, to purchase additional interest in the private equity partnerships.

Note 8 – Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

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)
\$586,676	\$795,379	\$208,703	73.8%	\$111,698	186.9%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/08
Actuarial cost method	Projected unit
Amortization method	Level dollar
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Inflation rate	4%

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)
6/30/08	\$586,676	\$795,379	\$208,703	73.8%	\$111,698	186.9%
6/30/07	583,296	767,931	184,635	76.0	106,602	173.2
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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

Year Ended June 30,	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
2008	\$19,237	47%
2007	17,529	55
2006	15,235	34
2005	14,760	32
2004	7,518	100
2003	7,215	100

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Valuation date	6/30/08
Actuarial cost method	Projected unit
	Entry age (2004 and prior)
Amortization method	Level dollar
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Inflation rate	4%

TAX LEVIES RECEIVABLE

<u>Levy Year (Calendar)</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Tax Levies 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, 2008:						
2004	\$ 9,832,905	\$ 9,765,958	\$ 66,947	\$ 66,947	0.68%	\$ -
2005	10,046,917	9,970,556	76,361	76,361	0.76%	-
2006	9,719,115	9,565,115	150,808	150,808	1.55%	-
2007	9,130,361	4,277,293	4,861,241	456,518	5.00%	4,404,723
			<u>\$5,155,357</u>	<u>\$ 750,634</u>		<u>\$4,404,723</u>
At June 30, 2007:						
2003	\$ 10,128,985	\$ 10,054,306	\$ 74,679	\$ 74,679	0.74%	\$ -
2004	9,832,905	9,832,905	-	-	0.00%	-
2005	10,046,917	9,927,510	119,407	119,407	1.19%	-
2006	9,719,115	4,586,921	5,132,194	485,796	5.00%	4,646,398
			<u>\$5,326,280</u>	<u>\$ 679,882</u>		<u>\$4,646,398</u>

ADMINISTRATIVE AND GENERAL EXPENSES

	Year Ended June 30,	
	2008	2007
Actuary expense	\$ 40,000	\$ 38,000
Auditing	21,500	19,750
Conference and convention expense	37,221	34,664
Contributions for annuities of Retirement Board employees	91,846	89,032
Depreciation	7,796	358
Equipment rental	3,429	6,258
Equipment maintenance	1,210	972
Filing fee - State of Illinois	8,000	8,000
File storage expense	2,789	1,836
Hospitalization	130,095	139,596
Legal	8,757	6,293
Legislative consultant	13,111	13,500
Medical fees	1,195	725
Office supplies and expenses	34,011	19,054
Postage	17,828	16,143
Insurance - surety bond and other	2,180	2,033
Printing	185	981
Rent expense	124,552	130,496
Salaries	720,662	687,969
Social security - Medicare	7,268	7,285
Telephone	7,927	6,505
Transportation	840	2,056
Trustees' election expense	7,177	6,393
Total administrative and general expenses	<u>\$ 1,289,579</u>	<u>\$ 1,237,899</u>

ANNUAL PROFESSIONAL EXPENSES

		<u>Year Ended June 30,</u>	
		<u>2008</u>	<u>2007</u>
Legal		\$ 8,757	\$ 6,293
Medical		1,195	725
Actuary		40,000	38,000
Auditing		21,500	19,750
Legislative Consultant		<u>13,111</u>	<u>13,500</u>
Total		<u>\$ 84,563</u>	<u>\$ 78,268</u>

ANNUAL INVESTMENT EXPENSES

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>U.S. EQUITY</u>		
Great Lakes Advisors	\$ 165,904	\$ 158,454
Ariel Capital Management	185,607	209,359
Northern Trust Quantitative Advisors	55,424	56,531
	<u>406,935</u>	<u>424,344</u>
<u>NON - U.S. EQUITY</u>		
Wellington Trust Company	267,743	334,976
Northern Trust Quantitative Advisors	56,531	73,507
	<u>324,274</u>	<u>408,483</u>
<u>U.S. BONDS</u>		
Pacific Investment Management Co.	238,303	244,613
MacKay Shields	216,204	192,925
Taplin, Canida & Habacht	42,942	46,754
Reams Asset Management	113,575	116,838
	<u>611,024</u>	<u>601,130</u>
<u>REAL ESTATE</u>		
UBS Brinson Realty	341,384	322,025
<u>BANKING</u>		
Custody	50,000	50,000
Other	23,857	39,190
	<u>73,857</u>	<u>89,190</u>
<u>CONSULTING</u>		
Ennis Knupp & Associates	17,000	91,963
Marquette Associates	52,500	-
	<u>69,500</u>	<u>91,963</u>
Total	<u>\$ 1,826,974</u>	<u>\$ 1,937,135</u>