

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, 2010 AND 2009

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

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

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the statements of plan net assets of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan), a Component Unit/Fund of the Chicago Park District, as of June 30, 2010 and 2009, 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, 2010 and 2009, 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.

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

Certified Public Accountants

December 30, 2010

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, 2010**

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, 2010. 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 \$1.9 million or 0.5% compared to a decrease of \$147.9 million or 26.3% for 2009.
- b) The Plan's annual investment return of 11.3% underperformed the portfolio benchmark return of 11.7%.
- c) The Plan's three-year rate of return of -4.1% lagged the portfolio benchmark return of -2.1%.
- d) The Plan's five-year rate of return of 1.9% lagged the portfolio benchmark return of 3.5%.
- e) The Plan's ten-year rate of return of 3.2% lagged the portfolio benchmark return 3.4%.
- f) Total 2010 additions to the Plan's net assets of \$62.0 million is \$145.7 million higher than the 2009 reductions.
- g) Total 2010 deductions of \$64.0 million is 0.4% lower than the 2009 deductions.
- h) The Plan's actuarially computed funding ratio is 62.3%, which is 4.9% less than 2009.

**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.

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

### PLAN NET ASSETS

The Plan's net assets at fiscal year-end are \$412,373,355. This is \$1,946,492 lower than 2009 year-end net assets of \$414,319,847. This compares to a reduction of \$147,949,717 for the prior fiscal year. The following tables are comparative summaries of net assets:

#### STATEMENT OF PLAN NET ASSETS – CURRENT YEAR

	2010	2009	Increase (Decrease)
Total Assets	\$451,657,596	\$424,368,430	\$27,289,166
Total Liabilities	39,284,241	10,048,583	29,235,658
<b>Net Assets</b>	<b>\$412,373,355</b>	<b>\$414,319,847</b>	<b>\$ (1,946,492)</b>

#### STATEMENT OF PLAN NET ASSETS – PRIOR YEAR

	2009	2008	Increase (Decrease)
Total Assets	\$424,368,430	\$638,006,131	\$(213,637,701)
Total Liabilities	10,048,583	75,736,567	(65,687,984)
<b>Net Assets</b>	<b>\$414,319,847</b>	<b>\$562,269,564</b>	<b>\$(147,949,717)</b>

### CHANGES IN PLAN NET ASSETS

The 2010 investment income was \$41,419,975 as compared to the investment loss of \$103,488,375 in 2009. The increase in 2010 investment income is primarily a direct result of the increase in market value of the Plan's investments producing unrealized income. The unrealized gains and losses are directly tied to the economic state of the broader financial markets.

For the fiscal year, expenditures were \$64,025,804 which is \$254,449 lower than 2009. The slight increase in retirement and spouse's benefit expenditures is primarily the result of the 3% annual increase. The reduction in refunds is due to a 26% reduction in withdrawals. All other benefit increases and decreases were minor in nature.

## THE PLAN AS A WHOLE (Continued)

## STATEMENT OF CHANGES IN PLAN NET ASSETS – CURRENT YEAR

	2010	2009	Increase (Decrease)
<b>ADDITIONS</b>			
Employer Contributions	\$10,829,339	\$ 9,677,765	\$ 1,151,574
Employee Contributions	9,829,998	10,141,146	(311,148)
Investment Income (Loss) (includes security lending activities)	41,419,975	(103,488,375)	144,908,350
<b>Total Additions</b>	<b>\$62,079,312</b>	<b>\$ (83,669,464)</b>	<b>\$145,748,776</b>
<b>DEDUCTIONS</b>			
Retirement Benefits	\$ 50,528,497	\$ 49,910,083	\$ 618,414
Spouse Benefits	10,083,124	9,819,764	263,360
Childrens Benefits	17,400	24,250	(6,850)
Disability Benefits	312,818	258,117	54,701
Death Benefits	249,500	252,500	(3,000)
<b>Total Benefits</b>	<b>61,191,339</b>	<b>60,264,714</b>	<b>926,625</b>
Refund of Contributions	1,368,903	2,680,359	(1,311,456)
Administrative & General Expenses	1,465,562	1,335,180	130,382
<b>Total Deductions</b>	<b>\$ 64,025,804</b>	<b>\$ 64,280,253</b>	<b>\$ (254,449)</b>
<b>Increase (Decrease) in Plan Net Assets</b>	<b>(1,946,492)</b>	<b>(147,949,717)</b>	<b>146,003,225</b>
Beginning of Year	414,319,847	562,269,564	(147,949,717)
End of Year	\$412,373,355	\$414,319,847	\$ (1,946,492)

## STATEMENT OF CHANGES IN PLAN NET ASSETS – PRIOR YEAR

	2009	2008	Increase (Decrease)
<b>ADDITIONS</b>			
Employer Contributions	\$ 9,677,765	\$ 8,998,687	\$ 679,078
Employee Contributions	10,141,146	10,264,805	(123,659)
Investment Income (Loss) (includes security lending activities)	(103,488,375)	(17,391,594)	(86,096,781)
<b>Total Additions</b>	<b>\$ (83,669,464)</b>	<b>\$ 1,871,898</b>	<b>\$(85,541,362)</b>
<b>DEDUCTIONS</b>			
Retirement Benefits	\$ 49,910,083	\$ 47,935,949	\$ 1,974,134
Spouse Benefits	9,819,764	9,440,330	379,434
Childrens Benefits	24,250	22,299	1,951
Disability Benefits	258,117	279,139	(21,022)
Death Benefits	252,500	295,900	(43,400)
<b>Total Benefits</b>	<b>60,264,714</b>	<b>57,973,617</b>	<b>2,291,097</b>
Refund of Contributions	2,680,359	1,964,838	715,521
Administrative & General Expenses	1,335,180	1,289,579	45,601
<b>Total Deductions</b>	<b>\$ 64,280,253</b>	<b>\$ 61,228,034</b>	<b>\$ 3,052,219</b>
<b>Increase (Decrease) in Plan Net Assets</b>	<b>(147,949,717)</b>	<b>(59,356,136)</b>	<b>(88,593,581)</b>
Beginning of Year	562,269,564	621,625,700	(59,356,136)
End of Year	\$ 414,319,847	\$562,269,564	\$(147,949,717)

**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 62.3%, which is 4.9% less than 2009. This drop is the direct result of the continual recognition of deferred unrealized losses for 2006, 2008 and 2009 due to the five-year smoothing of market values used to determine the actuarial value of assets. The annual investment return for the fiscal year was 11.3%, which is higher than the -18.6% for 2009.

The Plan's 11.3% return underperformed its performance benchmark by roughly 40 basis points and underperformed the peer median by roughly 70 basis points. The Plan over the trailing three-year and five-year periods underperformed the performance benchmark by roughly 200 and 160 basis points, respectively. Over the trailing ten-year period that Plan returned 3.2%, 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 2720, Chicago, Illinois 60603.

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

STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 2010 AND 2009

ASSETS	2010	2009
Cash	\$ 64,527	\$ 61,379
Receivables		
Contributions from employer, net of allowance for loss of \$208,667 in 2010 and \$813,513 in 2009	16,299	4,579,768
Employee contributions	535,297	508,687
Due from broker for securities sold	-	4,582,583
Accrued investment income	849,835	1,063,847
Miscellaneous receivables	1,105	10,818
	<u>1,402,536</u>	<u>10,745,703</u>
Investments, at fair value		
Short-term investments	15,669,242	15,864,575
Bonds	80,464,068	92,895,993
Common and preferred stocks	57,832,724	58,480,290
Collective investment funds	112,919,062	105,323,262
Pooled separate real estate accounts	15,663,010	12,076,548
Private equity partnerships	128,986,093	123,941,117
	<u>411,534,199</u>	<u>408,581,785</u>
Invested securities lending collateral	<u>38,527,702</u>	<u>4,891,085</u>
Furniture and fixtures - net	<u>85,632</u>	<u>52,960</u>
Prepaid expenses	<u>43,000</u>	<u>35,518</u>
Total assets	<u>451,657,596</u>	<u>424,368,430</u>
LIABILITIES		
Accounts payable	475,968	421,338
Accrued benefits payable	280,571	287,145
Securities lending collateral	38,527,702	5,090,925
Due to broker for securities purchased	-	4,249,175
	<u>39,284,241</u>	<u>10,048,583</u>
Net assets held in trust for pension benefits	<u>\$ 412,373,355</u>	<u>\$ 414,319,847</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Additions		
Contributions		
Employer contributions	\$ 10,829,339	\$ 9,677,765
Employee contributions	9,829,998	10,141,146
Total contributions	<u>20,659,337</u>	<u>19,818,911</u>
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	36,262,140	(111,526,629)
Interest	4,050,974	6,321,288
Dividends	1,938,396	2,266,855
Investment return on pooled separate real estate accounts	83,734	279,143
Partnership income	1,862,214	2,097,880
	<u>44,197,458</u>	<u>(100,561,463)</u>
Less investment expenses	2,947,487	2,847,397
	<u>41,249,971</u>	<u>(103,408,860)</u>
Security lending activities		
Securities lending income	81,823	421,372
Securities lending gain (loss)	118,100	(199,840)
Borrower rebates	15,555	(231,751)
Bank fees	(45,474)	(69,296)
	<u>170,004</u>	<u>(79,515)</u>
Total additions	<u>62,079,312</u>	<u>(83,669,464)</u>
Deductions		
Benefits		
Annuity payments	60,629,021	59,754,097
Disability and death benefits	562,318	510,617
Total benefits	61,191,339	60,264,714
Refund of contributions	1,368,903	2,680,359
Administrative and general expenses	1,465,562	1,335,180
Total deductions	<u>64,025,804</u>	<u>64,280,253</u>
Net decrease	(1,946,492)	(147,949,717)
Net assets held in trust for pension benefits		
Beginning of year	414,319,847	562,269,564
End of year	<u>\$ 412,373,355</u>	<u>\$ 414,319,847</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, 2010 and 2009, Plan membership consists of:

	<u>2010</u>	<u>2009</u>
Retirees and beneficiaries currently receiving benefits	2,956	3,013
Current employees	2,816	2,865
Vested terminated members entitled to benefits	160	159

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.

### *New Accounting Pronouncements*

The Plan implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* for the fiscal year beginning July 1, 2009. These pronouncements have no impact on the Plan's net assets.

## Note 2 – Summary of Significant Accounting Policies (Continued)

*Evaluation of Subsequent Events*

Management has evaluated subsequent events through December 30, 2010, the date the financial statements were available to be issued.

*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.

	2010	2009
Investments At Fair Value As		
Determined by Quoted Price		
Short-term investments	\$ 15,669,242	\$ 15,864,575
Bonds	80,464,068	92,895,993
Common and preferred stock	<u>57,832,724</u>	<u>58,480,290</u>
	153,966,034	167,240,858
Investments At Fair Value As		
Determined by Bank Administrator		
Collective investment funds		
International Research Equity	29,550,403	27,929,788
NTGI QM Collective Daily S&P 500	25,283,983	24,764,091
NTGI QM Collective Daily US Marketcap Equity	20,767,422	18,981,639*
NTGI QM Collective Daily All Country World Index	37,317,254	33,647,744
Pooled separate real estate accounts	15,663,010	12,076,548
Private equity partnerships		
Entrust Diversified Select Equity Fund	23,564,427	21,835,037
K2 Long Short Fund	21,108,614	23,166,693
Other	<u>84,313,052</u>	<u>78,939,387</u>
	<u>\$411,534,199</u>	<u>\$408,581,785</u>

\* Does not represent 5% or more of the Plan's net assets at that date.

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.

## Note 3 – Investments (Continued)

*Interest Rate Risk*

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

The 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.

At June 30, 2010 and 2009 the following tables show the investments in debt securities by investment type and maturity (expressed in thousands).

<u>2010</u>	<u>Total Market</u>	<u>Less Than</u>				<u>Maturity</u>
<u>Security Type</u>	<u>Value</u>	<u>1 Year</u>	<u>1 – 6 Years</u>	<u>6 -10 Years</u>	<u>10+ Years</u>	<u>N/D*</u>
Asset backed	\$ 951	\$ 2	\$ 339	\$ 610	\$ -	\$ -
Commercial mortgage backed	5,384	-	-	-	5,384	-
Corporate convertible bonds	545	348	-	-	197	-
Corporate bonds	31,967	261	11,598	14,287	5,821	-
Government agencies	6,250	805	5,130	233	82	-
Government bonds	8,513	-	2,115	2,949	3,449	-
Government mortgage backed	26,511	42	560	3,207	22,689	13
Municipal/provincial bonds	124	-	-	-	124	-
Non-government backed CMO's	219	-	1	-	218	-
Short term investment funds	<u>15,669</u>	<u>15,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$96,133</u>	<u>\$17,127</u>	<u>\$19,743</u>	<u>\$21,286</u>	<u>\$37,964</u>	<u>\$ 13</u>

  

<u>2009</u>	<u>Total Market</u>	<u>Less Than</u>				<u>Maturity</u>
<u>Security Type</u>	<u>Value</u>	<u>1 Year</u>	<u>1 – 6 Years</u>	<u>6 -10 Years</u>	<u>10+ Years</u>	<u>N/D*</u>
Asset backed	\$ 3,371	\$ -	\$ 2,023	\$ 1,261	\$ 87	\$ -
Commercial mortgage backed	5,102	-	-	571	4,531	-
Corporate convertible bonds	1,115	-	920	-	195	-
Corporate bonds	41,443	730	15,070	14,280	11,269	94
Government agencies	3,327	-	1,244	1,695	388	-
Government bonds	14,363	-	8,853	1,971	3,539	-
Government mortgage backed	20,207	-	1,078	2,509	16,620	-
Municipal/provincial bonds	256	-	-	-	256	-
Guaranteed fixed	1,904	-	1,904	-	-	-
Non-government backed CMO's	1,467	-	44	26	1,397	-
Short term investment funds	15,865	15,865	-	-	-	-
Short term bills and notes	<u>341</u>	<u>341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$108,761</u>	<u>\$16,936</u>	<u>\$31,136</u>	<u>\$22,313</u>	<u>\$38,282</u>	<u>\$ 94</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.

## Note 3 – Investments (Continued)

*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.

The following tables present the Plan's ratings as of June 30, 2010 and 2009 (expressed in thousands).

2010										
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	Guaranteed Fixed	Non- Gov't Backed CMO	Municipal Bonds
AAA	\$14,520	\$ 204	\$ 3,519	\$ -	\$6,168	\$4,411	\$ -	\$ -	\$ 218	\$ -
AA	2,699	-	93	2,606	-	-	-	-	-	-
A	10,641	-	884	9,757	-	-	-	-	-	-
BBB	16,040	560	619	14,655	82	-	-	-	-	124
BB	4,588	185	-	4,366	-	37	-	-	-	-
B	609	-	-	609	-	-	-	-	-	-
CCC	25	-	-	25	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-	-	-
NR	16,435	2	269	16,163	-	-	-	-	1	-
US Gov't Agency	30,576	-	-	-	-	4,065	26,511	-	-	-
Total	<u>\$96,133</u>	<u>\$ 951</u>	<u>\$5,384</u>	<u>\$48,181</u>	<u>\$6,250</u>	<u>\$8,513</u>	<u>\$26,511</u>	<u>\$ -</u>	<u>\$ 219</u>	<u>\$ 124</u>
2009										
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	\$ 11,161	\$ 970	\$4,987	\$ -	\$ 316	\$ 2,579	\$ -	\$ 1,904	\$ 405	\$ -
AA	2,733	87	-	2,646	-	-	-	-	-	-
A	13,190	358	-	10,908	1,641	-	-	-	283	-
BBB	21,158	1,241	-	19,698	72	-	-	-	36	111
BB	2,901	18	-	2,848	-	35	-	-	-	-
B	1,201	-	-	1,108	-	-	-	-	93	-
CCC	2,428	50	-	2,378	-	-	-	-	-	-
CC	15	-	-	15	-	-	-	-	-	-
C	4	-	-	4	-	-	-	-	-	-
D	68	-	-	68	-	-	-	-	-	-
NR	20,648	647	115	19,091	-	-	-	-	650	145
US Gov't Agency	33,254	-	-	-	1,298	11,749	20,207	-	-	-
Total	<u>\$108,761</u>	<u>\$3,371</u>	<u>\$5,102</u>	<u>\$58,764</u>	<u>\$3,327</u>	<u>\$14,363</u>	<u>\$20,207</u>	<u>\$1,904</u>	<u>\$1,467</u>	<u>\$ 256</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, 2010 and 2009, the Plan's book balances of cash were \$64,527 and \$61,379, respectively, at the Northern Trust Company Bank. The actual bank balances were \$64,496 and \$61,857, respectively, at June 30, 2010 and 2009. 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 112 days. As of June 30, 2010 and 2009, the Plan had loaned to borrowers securities with a market value of \$37,461,938 and \$4,773,029, respectively. As of June 30, 2010, the fair value of the collateral received by the Plan was \$38,527,702, and the collateral invested by the Plan was \$38,527,702. As of June 30, 2009, the fair value of the collateral received by the Plan was \$5,090,925 and the collateral invested by the Plan was \$4,891,085, resulting in a realized and unrealized loss in the amount of \$199,840.

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 three years under the noncancelable operating lease at June 30, 2010:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 59,744
2012	61,891
2013	<u>53,305</u>
	<u>\$174,940</u>

The total rental expense for the years ended June 30, 2010 and 2009 was \$133,365 and \$141,724, respectively.



## Note 6 – Operating Leases (Continued)

During the years ended June 30, 2010 and 2009, the Plan leased mail machine equipment under an operating lease which expires March 31, 2014. Effective September 1, 2009, the quarterly charge increased to \$1,491 from \$1,455. During the years ended June 30, 2010 and 2009, the Plan leased photocopy equipment under an operating lease which expires June 30, 2012. Effective November 1, 2009, the monthly charge increased to \$482 from \$421. Minimum future rental commitments at June 30, 2010, under these operating lease agreements, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$10,257
2012	10,257
2013	4,473
2014	<u>3,355</u>
	<u>\$28,342</u>

Equipment rent expense was \$11,053 and \$11,110 for the years ended June 30, 2010 and 2009, respectively.

## Note 7 – Commitments

During the years ended June 30, 2010 and 2009, the Plan committed to purchase \$75,000,000 interest in private equity partnerships. At June 30, 2010 and 2009, the Plan had a remaining contractual obligation of \$27,089,866 and \$33,580,730, 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, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
\$518,583	\$833,026	\$314,443	62.3%	\$107,361	292.9%

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	6/30/10
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	4.0%



ADMINISTRATIVE AND GENERAL EXPENSES

	Year Ended June 30,	
	2010	2009
Actuary expense	\$ 48,000	\$ 46,000
Auditing	25,000	23,000
Conference and convention expense	21,924	35,732
Contributions for annuities of Retirement Board employees	91,025	100,699
Depreciation	18,958	15,234
Equipment rental	11,053	11,110
Equipment maintenance	1,156	918
Filing fee - State of Illinois	8,000	8,000
File storage expense	4,130	2,308
Hospitalization	141,980	124,840
Legal	18,146	20,737
Legislative consultant	35,250	4,500
Medical fees	866	1,443
Office supplies and expenses	32,974	21,254
Postage	20,792	11,660
Insurance - surety bond and other	2,352	2,165
Printing	1,904	730
Rent expense	133,365	141,724
Salaries	822,409	743,852
Social security - Medicare	8,262	7,897
Telephone	8,329	8,909
Transportation	714	1,574
Trustees' election expense	8,973	894
	<u>\$ 1,465,562</u>	<u>\$ 1,335,180</u>
Total administrative and general expenses		

ANNUAL PROFESSIONAL EXPENSES

		<u>Year Ended June 30,</u>	
		<u>2010</u>	<u>2009</u>
Legal		\$ 18,146	\$ 20,737
Medical		866	1,443
Actuary		48,000	46,000
Auditing		25,000	23,000
Legislative Consultant		<u>35,250</u>	<u>4,500</u>
Total		<u>\$ 127,262</u>	<u>\$ 95,680</u>

ANNUAL INVESTMENT EXPENSES

	Year Ended June 30,	
	2010	2009
<u>U.S. EQUITY</u>		
Great Lakes Advisors	\$ 97,014	\$ 108,871
Ariel Capital Management	135,616	102,921
Northern Trust Quantitative Advisors	20,890	49,072
RBC Global Asset Management (formerly Voyageur Asset Management)	144,977	48,193
	<u>398,497</u>	<u>309,057</u>
<u>NON - U.S. EQUITY</u>		
Wellington Trust Company	243,480	206,907
Northern Trust Quantitative Advisors	23,762	8,399
	<u>267,242</u>	<u>215,306</u>
<u>U.S. BONDS</u>		
Pacific Investment Management Co.	-	36,202
LM Capital Group	9,666	-
MacKay Shields	159,901	184,881
Taplin, Canida & Habacht	-	2,523
Chicago Equity Partners	67,168	-
Reams Asset Management	42,768	91,769
	<u>279,503</u>	<u>315,375</u>
<u>REAL ESTATE</u>		
Principal Financial Group	95,972	146,793
ULLICO	221,552	-
	<u>317,524</u>	<u>146,793</u>
<u>PARTNERSHIPS</u>		
HarbourVest Partners	350,000	350,000
PineBridge Investments (formerly AIG Investments)	49,752	54,754
Entrust Capital	277,339	277,258
Trumbull Property (formerly UBS Realty Investors)	259,640	345,623
Mesirow Financial	226,790	314,893
K2 Advisors	298,456	258,815
New York Life Capital Partners	59,766	97,671
	<u>1,521,743</u>	<u>1,699,014</u>
<u>BANKING</u>		
Custody	50,000	50,000
Other	22,978	21,852
	<u>72,978</u>	<u>71,852</u>
<u>CONSULTING</u>		
Marquette Associates	90,000	90,000
Total	<u>\$ 2,947,487</u>	<u>\$ 2,847,397</u>