

To the members of the Retirement Board and the participants of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund:

It is my pleasure to present the President's 93rd Annual Report of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund (the "Fund") for the fiscal year ended June 30, 2012.

The purpose of this report is to inform the members of the Retirement Board (the "Board") and the participants of the Fund of changes in membership, financial facts and investment results, as well as other pertinent information, such as the progress of pension amendments and Board membership.

This report is submitted prior to closing the books, receipt of the actuarial report and the completion of the annual audit of the accounting records by the Fund's Certified Public Accountants.

General. Overall contributions have increased slightly and portfolio performance returned 1.4% outperforming the policy benchmark, which returned 1.2%. Although the Fund's International and Hedge Fund investment managers returned -13.8% and -3.8%, respectively, this was offset by the strong returns of the Fund's Fixed Income, Real Estate and Private Equity investment managers of 7.5%, 12.0% and 5.5%, respectively.

Membership. An employee who is hired for a position that is filled six months or more during the year will automatically become a member of the Fund upon his or her entrance into Chicago Park District (the "CPD") or Fund service.

During the Year	2012	2011
Number of new participants	434	188
Number of service retirements	100	78
Separations from service with refund	141	115
Deaths among the participants	6	9
Deaths among retired employees	111	109
At the End of the Year	2012	2011
Number of participants *	2,977	2,795
Retired employees	2,085	2,096
Widows and Widowers	804	803
Children Beneficiaries	13	14

* Current contributing participants as of June 30, 2012 estimated to be 2,804.

Financial Facts. The Fund's revenue sources during the year were \$10,269,078 from employee contributions; \$10,746,091 from employer contributions and \$7,124,776 net income from investments. A year ago, the comparable amounts were \$10,033,645 from employee contributions; \$10,850,508 from employer contributions and \$20,133,951 net income from investments.

The CPD work force has been on the rise which resulted in a slight increase in employee contributions. Tier II employees (hired after January 1, 2011 without previously contributing to the Fund or any reciprocal fund in Illinois) represent approximately 17% of the current contributing participants.

Benefit payments, refunds and administrative expenses for the year were \$66,726,456 compared with \$65,016,376 of a year ago.

Equity Investments. The Board has engaged several equity advisors who are responsible for managing the Fund's equities. As of June 30, 2012, the Fund's U.S. equity advisors are: (1) Ariel Capital Management, (2) Great Lakes Advisors, Inc., (3) RBC Global Asset Management, Inc., and 4) William Blair & Co., LLC, the Fund's non-U.S. equity advisor.

During the past year, the Board acquired stocks at a cost of \$26,401,450. The Board sold various stocks that cost \$13,857,664 for \$18,898,109 and realized an unadjusted net gain of \$5,040,445.

As of June 30, 2012, the Fund owned the following equity securities:

	Cost	Fair Value
Common Stock	<u>\$54,419,649</u>	<u>\$69,714,730</u>

Fixed Income Investments. The Board has engaged several fixed income advisors who are responsible for managing the Fund's fixed income securities. As of June 30, 2012, the Fund's fixed income advisors are: (1) MacKay Shields, LLC, (2) Chicago Equity Partners, LLC, (3) LM Capital Group, LLC, and 4) ULLICO Investment Company.

During the past year, the Board acquired bonds and notes having a total cost of \$55,905,332. The Board sold bonds and notes for \$70,711,493 reflecting an unadjusted net gain of \$2,144,469.

As of June 30, 2012, the Fund owned the following fixed income securities:

Type	Cost	Fair Value	% of Total FV
Government Securities			
U.S. Treasury	\$ 12,848,705	\$ 13,262,793	17.2
U.S. Agency	4,020,740	4,064,852	5.3
Gov't. Mort. Bkd.	34,794,492	36,877,586	48.1
Foreign	<u>50,400</u>	<u>47,075</u>	<u>.1</u>
Total Govt. Securities	<u>51,714,337</u>	<u>54,252,306</u>	<u>70.7</u>
Corporate Bonds:			
Industrial	14,481,793	15,263,460	19.9
Foreign	3,335,746	3,294,651	4.3
Non-Gov't Bkd	253,169	173,404	.2
CMO	2,857,030	3,496,268	4.6
Asset Backed	<u>174,917</u>	<u>212,631</u>	<u>.3</u>
Total Corporate Bonds	<u>21,102,655</u>	<u>22,440,414</u>	<u>29.3</u>
Total Bonds & Notes	<u>\$ 72,816,992</u>	<u>\$ 76,692,720</u>	<u>100.0</u>

Index Fund Investments. Northern Trust Quantitative Advisors (NTQA) is the index fund manager for the Fund. As of June 30, 2012, the Fund investments in the following index funds:

Name	Units 000's	Cost	Fair Value
NTQA ACWI-Ex US	4,535	\$ 52,612,750	\$ 47,608,376
NTQA Growth Fund	1,821	21,352,030	21,683,493
NTQA U.S. Market Cap Fund	<u>791</u>	<u>26,730,603</u>	<u>26,691,831</u>
Total Index Funds	<u>7,147</u>	<u>\$100,695,383</u>	<u>\$ 95,983,700</u>

During the fiscal year the Fund sold 5,366,061 units and realized a net gain of \$9,587,699.

Real Estate Investments. The Fund participated in various real estate investments. As of June 30, 2012 they are as follows:

Investment	Market Value	1 yr. Annualized Performance (%)
UBS-Trumbull Property Fund	\$ 17,175,067	10.2
UBS-Trumbull Prop. Inc. Fund	17,577,420	10.6
Principal Financial-Enhanced	<u>16,913,598</u>	14.9
Total Real Estate Investments	<u>\$ 51,666,085</u>	

Alternative Investments - Private Equity. During the year, the Fund continued its limited partnership agreements with HarbourVest Partners, LLC, Mesirow Financial Capital Partners, New York Life Capital Partners, LLC, and PineBridge Investments. They are summarized as follows:

	Total Capital Commitment (000's)	Called	Capital Balance
HarbourVest Funds:			
Mezzanine	\$ 3,500	\$ 2,733,059	\$ 2,231,874
VII Buyout	24,500	19,742,450	19,041,176
VIII Venture	<u>7,000</u>	<u>5,635,000</u>	<u>6,367,441</u>
Total HarbourVest	<u>35,000</u>	<u>28,110,509</u>	<u>27,640,491</u>
Mesirow Funds:			
Part. Fund III	7,000	5,740,000	6,480,605
Capital Partners	3,000	2,865,000	2,082,853
Part. Fund IV	<u>10,000</u>	<u>5,886,893</u>	<u>6,505,514</u>
Total Mesirow	<u>20,000</u>	<u>14,491,893</u>	<u>15,068,972</u>
New York Life	10,000	6,402,852	7,482,987
Pine Bridge	<u>10,000</u>	<u>7,322,442</u>	<u>7,077,719</u>
Totals	<u>\$ 75,000</u>	<u>\$ 56,327,696</u>	<u>\$ 57,270,169</u>

Hedge Funds. The Fund continued its limited partnership agreements with Entrust Capital, Inc. and K2 Advisors, LLC.

They are summarized as follows

	<u>Cost</u>	<u>Fair Value</u>
Entrust-Select Equity Fund	\$22,602,479	\$23,684,699
K2 Advisors-Long/Short Fund	<u>22,767,421</u>	<u>22,176,673</u>
Totals	<u>\$45,369,900</u>	<u>\$45,861,372</u>

Investment Policy. The Board utilizes professional investment advisors to manage all of its assets. An investment consultant is also utilized to assist the Board in its decision-making process. The Fund conducts an annual investment policy review with its investment consultant, Marquette Associates, to ensure the investment policy meets the risk/return objectives of the Fund. This year's annual investment policy review produced no material changes to the Fund's investment policy.

Retirement Board Membership. The annual election for an employee representative to the Retirement Board was held on Friday, June 22, 2012. **Mario Gianfortune**, was elected to a full term of four years expiring on June 30, 2016 and was declared "duly elected" by the Election Monitor and admitted to trusteeship upon administration of the "Oath of Office" by the Secretary.

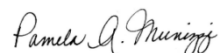
Legislative Matters. On August 16, 2012, Governor Quinn signed Public Act 97-0973 which changes the Fund's fiscal year from July 1st through June 30th to a calendar year from January 1st through December 31st. There is no fiscal impact to the Fund associated with this change. The Fund's calendar year is now consistent with the Chicago Park District and all other City of Chicago pension funds.

Pension reform was again at the forefront of this year's legislative session in Springfield, Illinois. A consensus between the Democrats and Republicans never materialized and no significant pension reform was passed. It appears that pension legislation may be addressed during this year's Veto Session, which will occur shortly after the November election. It must be noted that while the pending legislation only affects the State of Illinois pension funds, there is a widespread belief that whatever happens to the state pension funds will serve as a framework for the reforms to the City of Chicago's pension funds.

Acknowledgments. All of the statistical and financial information compiled and presented in this annual report is due to the combined efforts of the administrative staff of the Fund under the direction of the Executive Director, **Dean J. Niedospial**. Their efforts and services are hereby acknowledged with thanks and appreciation.

Reference. The official plan document that legally governs the operation of the Fund is found in the Illinois Compiled Statutes, Act 5 of Chapter 40, Article 12. For detailed information on the benefits of the Fund, refer to the Principal Provisions or log onto the Fund's website at www.chicagoparkpension.org.

On behalf of the Retirement Board,



PAMELA A. MUNIZZI

President

RETIREMENT BOARD

at JUNE 30, 2012

MEMBERS ELECTED BY THE EMPLOYEES

JOHN J. SHOSTACK
Term expires June 30, 2012

EDWARD L. AFFOLTER
Term expires June 30, 2013

ROBERT GERAGHTY
Term expires June 30, 2014

FRANK C. HODOROWICZ
Term expires June 30, 2015

APPOINTED BY THE COMMISSIONERS of the CHICAGO PARK DISTRICT

JOSEPH M. FRATTO
MELINDA MOLLOY
PAMELA A. MUNIZZI

OFFICERS

PAMELA A. MUNIZZI, President
JOHN J. SHOSTACK, Vice President
EDWARD L. AFFOLTER, Secretary

ADMINISTRATIVE STAFF

DEAN J. NIEDOSPIAL, Executive Director
JAIME L. MCCABE, Comptroller
SANDOR GOLDSTEIN, Actuary

THE NORTHERN TRUST COMPANY of CHICAGO
Depository/Custodian

PARK EMPLOYEES' and RETIREMENT BOARD EMPLOYEES' ANNUITY and BENEFIT FUND

93rd ANNUAL REPORT of the PRESIDENT

FISCAL YEAR ENDED
JUNE 30, 2012

PARK EMPLOYEES' ANNUITY AND BENEFIT FUND

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