

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 94th Annual Report of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund (the "Fund") for the year ended December 31, 2013.

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 The Fund's portfolio performance returned 16.9% outperforming the policy benchmark, which returned 13.8%. The Fund's International and Hedge Fund investment managers produced strong returns of 17.7% and 17.4%, respectively. The Fund's U.S. Equity and Real Estate investment managers produced strong returns of 35.8% and 12.0%, respectively. The Fund's Private Equity portfolio also contributed a strong return of 13%.

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	2013	2012^a
Number of new participants	360	160
Number of service retirements	110	51
Separations from service with refund	151	70
Deaths among the participants	8	3
Deaths among retired employees	98	46
At the End of the Year	2013	2012^a
Number of participants*	3,064	3,042
Retired employees	2,102	2,090
Widows and Widowers	785	798
Children Beneficiaries	16	18

*Current contributing participants as of December 31, 2013 estimated to be 2,765.

The CPD work force has been on the rise. Tier II employees (hired after January 1, 2011 without previously contributing to the Fund or any reciprocal fund in Illinois) represent approximately 18% of the current contributing participants.

Financial Facts The Fund's revenue sources during the year were \$10,732,730 from employee contributions; \$10,513,947 from employer contributions and \$62,838,918 net income from investments. For the six months ended December 31, 2012, the comparable amounts were \$5,086,702 from employee contributions; \$5,217,521 from employer contributions and \$22,271,885 net income from investments. Total

Fund investments were \$416,652,020, which includes \$7,119,891 of short-term investments, as of December 31, 2013 compared to \$400,178,274, which includes \$6,500,064 of short-term investments, as of December 31, 2012.

Benefit payments, refunds and administrative expenses for the year were \$69,533,586 compared with \$33,637,379 for the six months ended December 31, 2012.

Equity Investments The Board has engaged several equity advisors who are responsible for managing the Fund's equities. As of December 31, 2013, the Fund's U.S. equity advisors are: (1) Ariel Capital Management, LLC (2) Great Lakes Advisors, Inc., and (3) RBC Global Asset Management, Inc. The Fund's non-U.S. equity advisor is William Blair & Company.

As of December 31, 2013, the Fund owned the following equity securities:

	Cost	Fair Value
Common Stock	<u>\$44,951,683</u>	<u>\$76,300,829</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 December 31, 2013, the Fund's fixed income advisors are: (1) MacKay Shields, LLC, (2) Chicago Equity Partners, LLC, (3) LM Capital Group, LLC, and 4) ULLICO.

As of December 31, 2013, the Fund owned the following fixed income securities:

Type	Cost	Fair Value	% of Total FV
Government Securities:			
U.S. Treasury	\$ 13,781,536	\$ 13,262,142	18.4
U.S. Agency	5,180,197	5,015,138	7.0
Govn't. Mort. Bkd.	<u>28,606,214</u>	<u>30,339,757</u>	<u>42.1</u>
Total Govt. Securities	<u>47,567,947</u>	<u>48,617,037</u>	<u>67.4</u>
Corporate Bonds:			
Industrial	17,010,860	17,269,712	23.9
Foreign	2,814,054	2,607,930	3.6
Non-Govn't Bkd	182,079	157,759	.2
CMO	2,761,109	3,295,061	4.6
Asset Backed	<u>174,917</u>	<u>200,213</u>	<u>.3</u>
Total Corporate Bonds	<u>22,943,019</u>	<u>23,530,675</u>	<u>32.6</u>
Total Bonds & Notes	<u>\$ 70,510,966</u>	<u>\$ 72,147,712</u>	<u>100.0</u>

Index Fund Investments Northern Trust Quantitative Advisors (NTQA) is the index fund manager for the Fund. As of December 31, 2013, the Fund investments in the following index funds:

Name	Units	Cost	Fair Value
NTQA ACWI-Ex US	4,137	\$ 47,993,023	\$ 57,174,631
NTQA Growth Fund	1,200	14,067,686	19,773,234
NTQA U.S. Market Cap Fund	<u>673</u>	<u>22,741,160</u>	<u>32,269,458</u>
Total Index Funds	<u>6,010</u>	<u>\$ 84,801,869</u>	<u>\$109,217,323</u>

Real Estate Investments The Fund participated in various real estate investments. As of December 31, 2013 they are as follows:

Investment	Market Value	1 yr. Annualized Performance (%)
UBS-Trumbull Property Fund	\$ 17,701,010	9.2
UBS-Trumbull Prop. Inc. Fund	17,684,292	8.5
Principal Financial-Enhanced	<u>17,369,659</u>	17.9
Total Real Estate Investments	<u>\$ 52,754,961</u>	

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

	Total Capital Commitment (000's)	Called	Capital Balance
HarbourVest Funds:			
Mezzanine	\$ 3,500	\$ 2,762,213	\$ 1,788,380
VII Buyout	24,500	19,864,950	15,995,151
VIII Venture	<u>7,000</u>	<u>5,635,000</u>	<u>5,794,445</u>
Total HarbourVest	<u>35,000</u>	<u>28,262,163</u>	<u>23,577,976</u>
Mesirow Funds:			
Part. Fund III	7,000	5,740,000	6,523,025
Capital Partners	3,000	2,865,000	1,516,136
Part. Fund IV	<u>10,000</u>	<u>6,686,893</u>	<u>7,790,196</u>
Total Mesirow	<u>20,000</u>	<u>15,291,893</u>	<u>15,829,357</u>
New York Life	10,000	6,402,852	7,516,818
PineBridge:	<u>10,000</u>	<u>7,679,609</u>	<u>7,133,472</u>
Totals	<u>\$ 75,000</u>	<u>\$ 57,636,517</u>	<u>\$ 54,057,623</u>

^a Represents six months ended December 31, 2012.

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	\$16,151,212	\$22,860,522
K2 Advisors-Long/Short Fund	<u>17,980,108</u>	<u>22,193,159</u>
Totals	<u>\$34,131,320</u>	<u>\$45,053,681</u>

Investment Policy The Board utilizes professional investment advisors to manage all Fund 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, Inc., 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 28, 2013. **Edward L. Affolter**, was re-elected to a full term of four years expiring on June 30, 2017 and was declared "duly elected" by the Election Monitor and admitted to trusteeship upon administration of the "Oath of Office" by the Secretary Pro Tem.

Legislative Matters On January 7, 2014, Governor Quinn signed Senate Bill 1523 into law which is now Public Act 098-0622. This legislation provides sustainable funding that will secure the long-term health of the Fund. It affects all stakeholders; the employer, employees and retirees and is phased in over a five year period. The Fund would have been very likely to run out of money in 2023 if not for the much needed legislation. A summary of the provision, the first of which take effect January 1, 2015, can be found on the Fund's website.

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 December 31, 2013

MEMBERS ELECTED BY THE EMPLOYEES

ROBERT GERAGHTY
Term expires June 30, 2014

FRANK C. HODOROWICZ
Term expires June 30, 2015

MARIO GIANFORTUNE
Term expires June 30, 2016

EDWARD L. AFFOLTER
Term expires June 30, 2017

APPOINTED BY THE COMMISSIONERS of the CHICAGO PARK DISTRICT

JOSEPH M. FRATTO
STEVEN J. LUX
PAMELA A. MUNIZZI

OFFICERS

PAMELA A. MUNIZZI, President
ROBERT GERAGHTY, Vice President
EDWARD L. AFFOLTER, Secretary

ADMINISTRATIVE STAFF

DEAN J. NIEDOSPIAL, Executive Director
JAIME L. MCCABE, Comptroller
THE SEGAL COMPANY, Actuary

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

94th ANNUAL REPORT of the PRESIDENT

YEAR ENDED
DECEMBER 31, 2013

55 East Monroe Street
Suite 2720
Chicago, Illinois 60603

Telephone: (312) 553-9265
Fax: (312) 553-9114

www.chicagoparkpension.org

THE NORTHERN TRUST COMPANY of CHICAGO
Custodian