Firemen's Annuity and Benefit Fund of Chicago
Comprehensive Annual Financial Report - A Component Unit of the City of Chicago, Illinois

Financial Statements

December 31, 2006

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2006 AND 2005

CONTENTS

REPORT OF INDEPENDENT AUDITORS

Firemen's Annuity and Benefit
Fund of Chicago

We have audited the accompanying statements of plan net assets of Firemen's Annuity and Benefit Fund of Chicago (the Plan) as of December 31, 2006 and 2005 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 the Plan's 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 financial status of Firemen's Annuity and Benefit Fund of Chicago at December 31, 2006 and 2005 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 3e and the Schedule of Funding Progress, the Schedule of Employer Contributions and Notes to the Schedules on pages 23 through 25 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 financial statements taken as a whole. The additional information presented on pages 26 through 28 is presented for purposes of additional analysis and is not a required part of the financial statements of Firemen's Annuity and Benefit Fund of Chicago. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion for, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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We also have previously audited, in accordance with generally accepted auditing standards, the financial statements for the years ended December 31, 2004, 2003 and 2002 (which are not presented herein), and we expressed an unqualified opinion on those financial statements. Our report on additional information related to those financial statements stated that such information presented on page 26 was fairly stated in all material respects in relations to the basic financial statements taken as a whole. The basic financial statements for the year ended 2001(which is not presented herein) were audited by other auditors, whose report expressed an unqualified opinion on those financial statements. Their report on additional information related to those financial statements stated that, in their opinion, such information was fairly presented in relation to the basic financial statements, taken as a whole. The information presented on pages 29 and 30, which is of a nonaccounting nature, has not been subjected to the auditing procedures applied in the audits of the basic financial statements and accordingly, we express no opinion on it.

Legacy Professionals LLP

April 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis of the financial position and performance of the Firemen's Annuity and Benefit Fund of Chicago (Plan) for the year ended December 31, 2006. This discussion is presented as a narrative overview of the financial activities and significant changes of the Plan and should be read in conjunction with the Plan's financial statements.

Overview of the Financial Statements

The discussion and analysis which follows is intended to serve as an introduction to the Plan's basic financial reporting, including the following statements:

Statement of Plan Net Assets presents the financial position of the Plan at fiscal year-end. It indicates the assets available for the payment of future benefits and any current liabilities that are owed as of the statement date. Investments are shown at fair value. All assets and liabilities are determined on an accrual basis.

Statement of Changes in Plan Net Assets presents the results of activities during the year. All changes affecting the assets and liabilities of the Plan are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation in fair value of investments.

Notes to Financial Statements provide additional information that is essential to achieving a better understanding of the data provided in the financial statements. The notes present information about the Plan's accounting policies, significant account balances and activities, material risks, obligations, and subsequent events, in any.

Required Supplementary and Additional Information Schedules provide detailed, historical trend information of assets, liabilities and employer contributions presented after the Notes to the Financial Statements.

The financial statements are prepared in accordance with Government Accounting Standards Board (GASB) Pronouncements.

Financial Highlights

The **net assets** of the Plan increased by $116.8 million, a 9.2% increase during 2006. The increase in assets was directly attributable to an increase in the value of total investments achieved by strong investment returns during the year.

The gross **rate of return** of the investment portfolio for 2006 was 15.5% versus 2005's return of 10.7%. Above benchmark performance returns across many of the Plan's equity and fixed income investments contributed to 2006's results.

The **actuarial funding** of the Plan for 2006 was 40.36%, contrasted against 2005's funding level of 41.75%. The slight decrease in the funding level during 2006 was primarily due to the recognition of the additional liability attributable to the changes in salary levels resulting from the new 2006 contract between the City of Chicago and Firemen's Local Union No. 2.

Plan Net Assets

A summary of the Plan net assets is provided below:

Plan Net Assets
(in millions)
As of December 31,

	2006	2005	Increase/(Decrease) in Dollars	Increase/(Decrease) in Percent
Cash and cash equivalents	$ 47.4	$ 29.6	$ 17.8	60.1%
Receivables and prepaid expenses	158.3	111.1	47.2	42.5
Investments, at fair value	1,263.7	1,143.3	120.5	10.5
Collateral held for securities on loan	223.0	179.6	43.3	24.2
Total assets	1,692.4	1,463.6	228.8	15.6
Payables	78.0	9.3	68.7	737.7
Securities lending collateral	222.9	179.6	43.3	24.1
Total liabilities	300.9	188.9	112.0	59.3
Plan net assets	$1,391.5	$1,274.7	$ 116.8	9.2

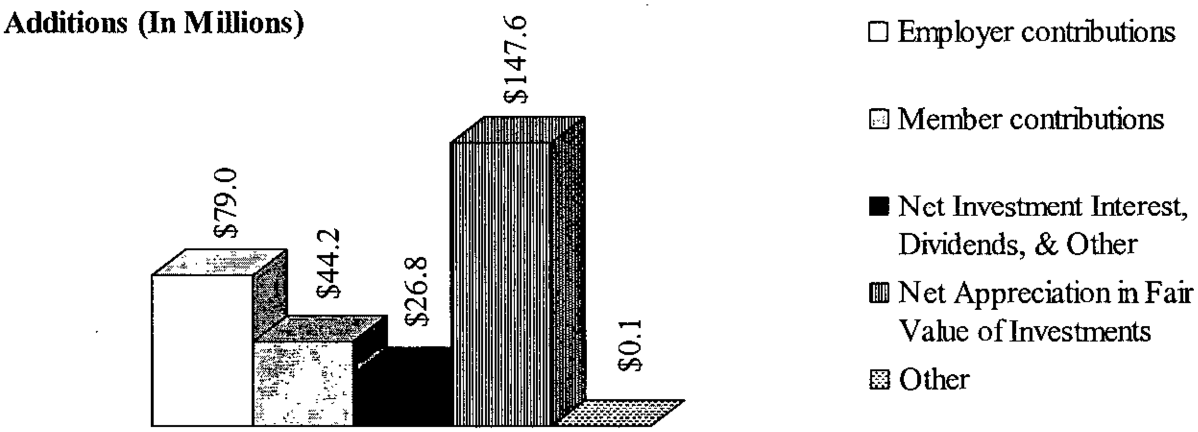
Changes in Plan Net Assets

A summary of the changes in Plan net assets, reflecting the changes in resources available to pay benefits to members, retirees and beneficiaries, is provided below:

Changes in Plan Net Assets
(in millions)
For the Years Ended December 31,

	2006	2005	Increase/(Decrease) in Dollars	Increase/(Decrease) in Percent
Additions:				
Employer contributions	$ 79.0	$ 90.1	$ (11.1)	12.4%
Member contributions	44.2	35.7	8.5	23.9
Net investment and securities lending income	174.4	112.0	62.4	55.7
Other	.1	.5	(.4)	(80.0)
Total additions	297.7	238.3	59.4	24.9
Deductions:				
Benefits	174.4	163.9	10.5	6.4
Annuitant health care	2.2	2.2	-	0.0
Refunds of contributions	1.6	1.5	.1	10.2
Administrative expenses	2.7	2.2	.5	22.7
Total deductions	180.9	169.8	11.1	6.5
Net increase in plan net assets	$ 116.8	$ 68.5	$ 48.3	70.5

Additions to Plan Net Assets



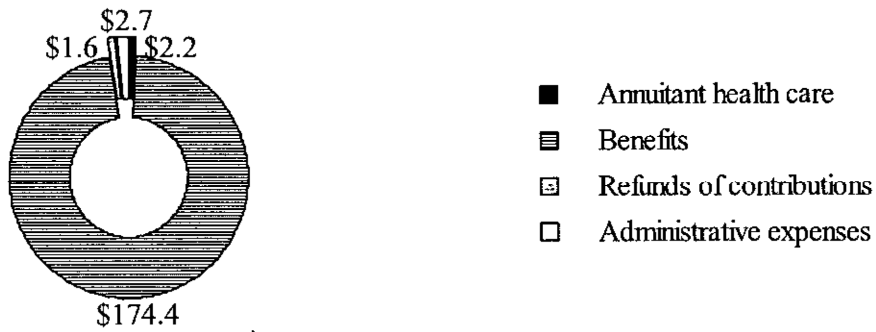
Employer contributions decreased $11.1 million (12.4%) between 2006's employer contribution of $79.0 million and 2005's employer contribution of $90.1 million. This decrease reflects the timing of required City of Chicago employer contributions in 2005 which corresponds to increased member contributions received in 2003 due to the new 2003 contract that was settled and retroactive salaries were paid.

Member contributions increased $8.5 million (23.8%), from $35.7 million in 2005 to $44.2 million in 2006 as a result of the retroactive salary increase payments made in accordance with the new contract signed in 2006 between the City of Chicago and Local 2.

Net investment and securities lending income increased. For 2006, the Plan earned $174.4 million in portfolio income and gains that were derived from strong showings in portfolio equity and fixed income holdings. Net investment income for 2005 was $112.0 million.

Deductions to Plan Net Assets

Deductions (In Millions)



Benefit payments to retirees and plan participants increased $10.5 million (6.4%) between 2005 and 2006 as retroactive adjustments to salaries due to the new 2006 contract agreement increased corresponding benefits to affected retirees.

Annuitant health care and administrative expenses remained relatively constant between 2006 and 2005.

Refund of contributions increased by $149,259 (10.2%) between 2006's refunds of $1,619,107 and 2005's refunds of $1,469,848.

Funding Status

The actuarial assets, actuarial liabilities and funding status for the Plan are provided below:

Actuarial Values
(in millions)
December 31,

	2006	2005	Increase in Dollars	Increase in Percent
Actuarial assets	$ 1,264.5	$ 1,203.7	$ 60.8	5.05%
Actuarial liabilities	3,133.1	2,882.9	250.2	8.68
Unfunded actuarial liabilities	$ 1,868.6	$ 1,679.2	$ 189.4	11.28
Funded ratio	40.36%	41.75%		

Actuarial assets increased slightly from $1.20 billion in 2005 to $1.26 billion in 2006 ($60.8 million; 5.1%) due to the strong investment gains of 2006 but were offset by the required five year actuarial smoothing of gains and losses from current and prior years.

Funding Status (continued)

Actuarial liabilities increased from $2.88 billion in 2005 to $3.13 billion in 2006 ($250.2 million; 8.68%), as the impact of court decisions, and increasing salary levels resulting from the new 2006 contract between the City of Chicago and Local 2 were recognized.

The **funded ratio** is one indicator of the financial strength of the Plan, measuring the ratio of net assets available to meet the actuarially determined future liabilities of the Plan. The decrease in the funded ratio from 41.75% in 2005 to 40.36% in 2006 was due primarily to the increased actuarial liabilities resulting from higher salaries provided by the recently enacted 2006 contract and actual contributions received are significantly less than the actual required contribution.

Investments

The performance of the Plan's investments, as shown by major asset class, is provided below:

Investment Results
For the Years Ended December 31,

	2006	2005
Equities	18.4%	12.5%
S & P 500 - benchmark	15.8%	4.9%
Fixed income	7.6%	3.1%
Lehman Bros. Aggregate - benchmark	3.8%	2.4%
Total Plan	15.5%	10.7%

The value of the Plan's investments, including cash and cash equivalents, increased from $1.173 billion in 2005 to $1.311 billion in 2006, an increase of $138.3 million (11.8%). Strong performance across all asset classes contributed to the increase in value. Total return for the entire investment portfolio in 2006 was 15.5%, compared with 10.7% in 2005.

Contact Information

This financial report is designed to provide plan participants, retirees, beneficiaries, the employer and all other interested users with a complete, detailed, easy to understand financial portrait of the Plan at December 31, 2006. Questions, concerns or comments regarding this report or requests for additional information should be addressed to:

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Firemen's Annuity & Benefit Fund of Chicago
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Chicago, IL 60603

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
RECEIVABLES		
Employer - net	$ 78,822,884	$ 92,192,171
Investment income	4,831,392	5,717,422
Unsettled trades	71,255,751	10,142,979
Other	3,249,162	3,045,262
Total receivables	158,159,189	111,097,834
PREPAID EXPENSES	155,725	71,852
INVESTMENTS		
Corporate bonds	119,159,822	97,977,760
U.S. and Foreign Government obligations	73,241,910	58,959,819
Equities	999,537,970	860,051,007
Cash deposits and short-term investments	47,362,629	29,598,770
Mutual funds	62,800,621	120,218,658
Private equity and venture capital	9,010,406	6,046,695
Total investments	1,311,113,358	1,172,852,709
COLLATERAL HELD FOR SECURITIES ON LOAN	222,953,380	179,559,634
Total assets	1,692,381,652	1,463,582,029
LIABILITIES AND NET ASSETS		
LIABILITIES		
Unsettled trades	75,689,410	7,346,694
Accounts payable and accrued expenses	1,870,717	1,417,374
Securities lending collateral	222,953,380	179,559,634
Participant accounts	383,832	600,844
Total liabilities	300,897,339	188,924,546
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,391,484,313	$ 1,274,657,483

(A schedule of funding progress is presented on page 23)

See accompanying notes to financial statements.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
ADDITIONS		
Contributions		
Employer		
Property taxes - net	$ 66,326,250	$ 75,002,915
Personal property replacement taxes	11,314,000	12,431,000
Exempt rank funding	1,331,133	2,695,000
Total employer contributions	78,971,383	90,128,915
Plan member		
Annuities	44,068,926	35,549,482
Death benefits	152,943	147,381
Total plan member contributions	44,221,869	35,696,863
Investment income		
Net appreciation in fair value of investments	147,561,347	87,573,723
Interest	16,675,649	15,311,244
Dividends	15,955,720	13,953,842
Other	127,696	124,735
	180,320,412	116,963,544
Less investment expenses	(6,622,559)	(5,394,733)
Net investment income	173,697,853	111,568,811
Securities lending		
Income	10,503,150	5,677,704
Expenses		
Borrower rebates	(9,558,264)	(5,067,212)
Management fees	(236,087)	(162,947)
Net securities lending income	708,799	447,545
Gift fund donations	72,412	82,510
Litigation settlement	-	160,000
Miscellaneous income	15,798	214,008
Total additions	297,688,114	238,298,652

See accompanying notes to financial statements.

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
DEDUCTIONS		
Age and service benefits		
Employees	$ 121,785,251	$ 115,447,346
Spouses	29,036,627	27,192,267
Dependents	1,141,990	919,291
Total age and service benefits	151,963,868	143,558,904
Disability benefits		
Duty	14,386,009	12,744,740
Occupational	6,551,197	6,074,191
Ordinary	266,389	277,816
Total disability benefits	21,203,595	19,096,747
Gift fund payments	441,500	371,600
Death benefits	778,400	844,000
Total benefits	174,387,363	163,871,251
Annuitant health care	2,208,075	2,187,458
Refunds of contributions	1,619,107	1,469,848
Administrative expenses	2,646,739	2,290,371
Total deductions	180,861,284	169,818,928
NET INCREASE	116,826,830	68,479,724
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,274,657,483	1,206,177,759
End of year	$ 1,391,484,313	$ 1,274,657,483

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer, the City of Chicago, has made a formal commitment to provide the contributions. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which generally represents reported market value as of the last business day of the year. Cash deposits and short-term investments are carried at cost which approximates fair value. Pooled funds are carried at fair value as estimated by the Plan's investment managers. Private equity and venture capital are carried at fair value as estimated by the Plan. Foreign securities quoted in foreign currencies are translated into U.S. dollars at year end exchange rates.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2. PLAN DESCRIPTION

The Firemen's Annuity and Benefit Fund of Chicago was established in 1931 and is governed by legislation contained in the Illinois Compiled Statutes (Statutes), particularly Chapter 40, Act 5, Article 6, which specifically and exclusively refers to the Plan. The Plan can be amended only by the Illinois Legislature. The Plan is a single-employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement and disability benefits for employees of the City of Chicago (City) employed under the provisions of the Municipal Personnel Ordinance as fire service and for the dependents of such employees. The Plan is considered to be a component unit of the City of Chicago and is included in the City's financial statements as a pension trust fund.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The Statutes authorize a Board of Trustees of eight members to carry out the provisions of the Article. According to the Article, four members of the Board are ex officio and four are to be elected by the employee members of the Plan. The four ex officio members are the City Treasurer, the City Clerk, the City Comptroller and the Deputy Fire Commissioner. All members of the Board of Trustees are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget that is prepared by the administrative staff of the Plan. The Board is required annually to submit to the City Council of the City of Chicago a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which are specified by the Department of Insurance.

Any employee of the City of Chicago employed under the provisions of the Municipal Personnel Ordinance as fire service is covered by the Firemen's Annuity and Benefit Fund of Chicago. Covered employees are required to contribute 9.125% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with statutory interest. The City of Chicago, for its employer's portion, is required by the Statutes to contribute the remaining amounts necessary to finance the requirements of the Plan. The City's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 2.26. The source of funds for the City's contribution has been designated by State Statutes as the City's annual property tax levy. The City of Chicago's payroll for employees covered by the Plan for the years ended December 31, 2006 and 2005 was $387,442,074 and $341,252,492 respectively.

The Plan provides retirement benefits as well as death and disability benefits. Employees who reach compulsory age (63) with at least 10 years of service and less than 20 years of service are entitled to receive an annuity of 30% of average salary for the first ten years of service plus an additional 2% for each year in excess of 10 with partial City contributions. This can not exceed 50%.

At age 50 or more with 10 or more but less than 20 years of service, the employee is entitled to an annuity of the entire sum accumulated for age and service annuity from deductions from salary, plus 1/10 of the sum accumulated from contributions by the City for each completed year of service after the first 10 years.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Employees with at least 20 years of service are entitled to receive a minimum formula annuity upon attainment of age 50, of 50% of final average salary plus an additional amount equal to 2.5% of final average salary for each year of service or fraction thereof in excess of 20 years of service. Final average salary is based on the highest average annual salary for any four consecutive years within the last ten years of service immediately preceding the date of retirement. This annuity shall not exceed 75% of the final average salary. The monthly annuity is increased by 3% of the original annuity at the first of the month following the later of age 55 or the first anniversary of retirement and by 3% each first day of January thereafter, if born before January 1, 1955. There is no limit on the increases. If born after January 1, 1955, the monthly annuity is increased by 1.5% of the original annuity at the first of the month following the later of age 60 or the first anniversary of retirement and 1.5% on each first day of January thereafter, but not to exceed a total increase of 30%.

At December 31, 2006 and 2005, participation consisted of the following:

	2006	2005
Retirees and beneficiaries currently receiving benefits	4,382	4,357
Terminated plan participants entitled to but not yet receiving benefits	177	180
Active plan participants	5,078	4,999
Total participants	9,637	9,536

NOTE 3. INVESTMENT SUMMARY

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the "prudent person" provisions of the Statutes. The following table presents a summarization of the fair value (carrying amount) of the Plan's investments as of December 31, 2006 and 2005.

Investments	2006	2005
Corporate bonds:		
Not on securities loan	$ 89,320,195	$ 74,026,080
On securities loan	29,839,627	23,951,680
U.S. and Foreign Government obligations:		
Not on securities loan	54,325,261	45,408,944
On securities loan	18,916,649	13,550,875
Equities:		
Not on securities loan	831,746,634	723,251,367
On securities loan	167,791,336	136,799,640
Cash deposits and short-term investments	47,362,629	29,598,770
Equity mutual funds	283,380	56,883,015
Fixed income mutual funds	62,517,241	63,335,643
Private equity and venture capital	9,010,406	6,046,695
	1,311,113,358	1,172,852,709
Collateral held for securities on loan	222,953,380	179,559,634
Total investments and invested securities lending cash collateral	$ 1,534,066,738	$ 1,352,412,343

Investment Risk

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. At December 31, 2006 and 2005, the Plan's exposure to such risk was $690,431 and $1,427,110 respectively, comprised of foreign currencies held outside the custodial bank.

For investments securities, custodial credit risk is the risk that, in the event of the failure of the counter party, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the Plan's name, and held by the counter party. To minimize custodial risk, the Plan's custodian physically (or through agreement with a sub-custodian) maintains possession of securities owned by the Plan. In addition, the Plan seeks to maintain a fully invested position in accordance with established target asset allocation and minimize cash deposits. At December 31, 2006 and 2005, the Fund's investments exposure to custodial risk was $21,281 that was uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name.

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The Plan establishes minimum investment rating guidelines for each investment manager based on their area of concentration and level of allowable risk. The following table presents a summarization at December 31, 2006 and 2005 of the credit quality ratings of investments in corporate bonds, foreign government obligations, short-term investments, and fixed income mutual funds as valued by Moody's Investors Service and/or Standard & Poor's:

Type of Investment	Rating	2006	2005
Corporate bonds	Aaa/AAA	$ 10,985,386	$ 17,500,813
	Aa/AA	8,697,056	9,013,252
	A/A	8,839,811	7,891,163
	Baa/BBB	26,941,171	23,649,421
	Ba/BB	10,369,485	14,297,406
	B/B	20,788,112	12,064,879
	Caa/CCC	6,496,728	4,237,000
	Not Rated	26,042,073	9,323,826
		119,159,822	97,977,760
Foreign Government obligations	Aaa/AAA	6,859,328	6,493,430
	Aa/AA	1,350,863	3,719,235
	Baa/BBB	4,312,902	4,894,614
	Ba/BB	1,509,562	1,406,305
	Not Rated	-	3,633,812
		14,032,655	20,147,396
U.S. Government obligations	Not Rated	59,209,255	38,812,423
Total U.S. and Foreign Government obligations		73,241,910	58,959,819
Cash deposits and short-term investments	Not Rated	47,362,629	29,598,770
Fixed income mutual funds	Not Rated	62,517,241	63,335,643
Total		$ 302,281,602	$ 249,871,992

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. The Plan requires investment managers to display an overall level of interest rate risk that is consistent with the benchmark specified by the Plan. The following table presents a summarization of debt investments at December 31, 2006 and 2005 using the segmented time distribution method:

Type of Investment	Maturity	2006	2005
Corporate bonds	Less than 1 year	$ 13,874,253	$ 829,553
	1-5 years	24,825,750	28,716,291
	6 - 10 years	29,402,830	30,824,822
	Over 10 years	51,056,989	37,607,094
		119,159,822	97,977,760
U.S. and Foreign Government obligations	Less than 1 year	2,929,278	3,309,518
	1-5 years	14,242,730	13,241,682
	6 - 10 years	9,925,650	9,732,861
	Over 10 years	46,144,252	32,675,758
		73,241,910	58,959,819
Total		$ 192,401,732	$ 156,937,579

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan requires investment managers to invest in at least ten countries if investing in foreign obligations and/or equities. The Plan's exposure to foreign currency risk at December 31, 2006 and 2005 is as follows:

Type of Investment	Fair Value (USD) 2006	Fair Value (USD) 2005
Corporate bonds:		
Brazilian real	$ -	$ 1,174,914
British pound	939,638	1,214,167
Canadian dollar	756,082	817,819
Indonesian rupiah	574,301	-
Japanese yen	3,726,032	-
Mexican peso	369,450	-
Netherlands guilders	10,555	-
New Zealand dollar	-	1,707,193
Singapore dollar	1,432,728	1,317,419
Thailand baht	893,824	1,450,325
U.S. dollar	110,457,212	90,295,923
	119,159,822	97,977,760
U.S. and Foreign Government obligations:		
Canadian dollar	1,350,815	7,353,047
Colombian peso	-	86,605
Mexican peso	3,735,670	3,984,254
New Zealand dollar	-	3,271,094
Norwegian krone	1,438,805	1,373,314
Singapore dollar	2,226,955	2,040,474
Swedish krona	1,726,030	1,547,027
U.S. dollar	62,763,635	39,304,004
	73,241,910	58,959,819

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2006	Fair Value (USD) 2005
Equities:		
Austrailian dollar	$ 4,623,210	$ 2,166,603
Brazilian real	6,384,050	1,011,420
British pound	38,843,998	27,457,397
Canadian dollar	4,807,896	3,100,611
Czech Republic koruny	217,759	-
Chilean peso	668,649	232,506
Chinese yuan	-	448,109
Danish krone	929,366	709,170
Egyptian pound	443,668	-
European euro	64,691,767	57,402,735
Hong Kong dollar	6,890,460	1,996,424
Hungarian forint	666,502	-
Indonesian rupiah	1,446,638	-
Israel new shekels	1,230,180	-
Japanese yen	39,537,937	35,934,901
Malaysian ringgit	1,455,681	324,269
Mexican peso	3,938,445	945,295
New Zeland dollar	914,777	1,092,652
Norwegian krone	649,064	750,821
Pakistan rupees	256,562	-
Philippines pesos	395,623	-
Polish zlotych	667,539	-
Singapore dollar	4,359,233	2,901,276
South African rand	4,758,666	1,264,033
South Korean won	9,671,016	2,315,210
Swedish krona	2,968,727	912,299
Swiss franc	12,107,932	11,914,177
Taiwan dollar	7,550,221	1,064,145
Thailand baht	659,744	-
Turkish lira	709,841	252,795
U.S. dollar	777,092,819	705,854,159
	999,537,970	860,051,007
Total	$ 1,191,939,702	$ 1,016,988,586

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

During 2006 and 2005, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $153,089,375 and $95,309,596 respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in plan assets being reported in both the current year and the previous year(s).

All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the Statutes.

NOTE 4. FOREIGN SECURITIES

The Plan does not isolate that portion of net appreciation (depreciation) in fair value of investments resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such fluctuations are included with net appreciation (depreciation) in fair value of investments. Net realized gains and losses on foreign currency transactions represent net exchange gains or losses on closed foreign currency contracts, disposition of foreign currencies, and the difference between the amount of investment income and foreign withholding taxes recorded on the Plan's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized gains and losses on foreign currency transactions arise from changes in the value of open foreign currency contracts and assets and liabilities other than investments at the year end, resulting from changes in the exchange rate.

NOTE 5. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan is not restricted as to the type or amount of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults.

NOTE 5. SECURITIES LENDING (CONTINUED)

The average term of securities loaned was 101 days in 2006 and 78 days in 2005; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity at December 31, 2006 and 2005 of 41 days and 39 days, respectively. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loans.

As of December 31, 2006 and 2005, the fair value (carrying amount) of loaned securities was $216,547,612 and $174,302,195 respectively. As of December 31, 2006 and 2005, the fair value (carrying amount) of collateral received by the Plan was $222,953,380 and $179,559,634 respectively. Therefore, as of December 31, 2006 and 2005, the Plan had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Plan.

During 2006 and 2005, there were no losses due to default of a borrower or the lending agent. The contract with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

NOTE 6. MORTGAGE-BACKED SECURITIES

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan are guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial instruments are carried at fair value on the Statement of Plan Net Assets included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Assets as part of investment income.

NOTE 7. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer obligations are funded through a City tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees to the Plan made in the calendar year, two years prior to the year for which the annual applicable tax is levied, multiplied by 2.26.

The actuarial valuations of the Plan as of December 31, 2006 and 2005 indicated a minimum annual projected contribution by the City to maintain the Plan on a minimum valuation basis to be $192,378,146 and $164,321,700 for 2006 and 2005, respectively. The minimum annual projected contribution was based on an annual payroll of $387,442,074 for 5,078 active participants during 2006 and $341,252,492 for 4,999 active participants during 2005 and was computed as follows:

	2006 Levy		
	Pension	Health Insurance Supplement	Total
Normal cost	$ 65,821,043	$ 1,437,750	$ 67,258,793
40-year level dollar amortization of the unfunded liability	158,759,837	2,739,017	161,498,854
	224,580,880	4,176,767	228,757,647
Less estimated plan member contributions	(36,379,501)	-	(36,379,501)
Annual required contribution to be financed by tax levy	$ 188,201,379	$ 4,176,767	$ 192,378,146
Required tax levy multiple			5.61

	2005 Levy		
	Pension	Health Insurance Supplement	Total
Normal cost	$ 57,835,993	$ 1,384,294	$ 59,220,287
40-year level dollar amortization of the unfunded liability	134,468,779	2,690,881	137,159,660
	192,304,772	4,075,175	196,379,947
Less estimated plan member contributions	(32,058,247)	-	(32,058,247)
Annual required contribution to be financed by tax levy	$ 160,246,525	$ 4,075,175	$ 164,321,700
Required tax levy multiple			4.54

According to the Plan's consulting actuary, the Plan needs additional contributions in order to adequately finance the Plan.

NOTE 8. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation.

Net assets held in trust for pension benefits as of December 31 were comprised of the following reserve surplus (deficit) balances:

	2006	2005
Prior Service Annuity Reserve	$ 1,137,972,227	$ 1,093,501,679
City Contribution Reserve	590,699,579	580,983,152
Annuity Payment Reserve	593,205,455	551,718,149
Salary Deduction Reserve	488,956,188	481,645,463
Death Benefit Reserve	(8,925,590)	(8,049,339)
Ordinary Disability Reserve	(407,007)	(231,693)
Supplementary Payment Reserve	663,498	921,562
Gift Reserve	2,871,665	2,418,416
Reserve (deficit)	(1,413,551,702)	(1,428,249,906)
Total net assets held in trust for pension benefits	$ 1,391,484,313	$ 1,274,657,483

The Prior Service Annuity Reserve is a reserve account for the accumulation of City contributions to provide for: a) employee and spouse annuities that are based on service performed before the Plan's effective date of July 1, 1931 and b) any excess in minimum annuity formula requirements over the amounts required for age and service annuities, and for spouse annuities.

The City Contribution Reserve is used to accumulate amounts contributed by the City to provide for annuities based on age and service of each employee and spouse. An individual account is maintained for each employee and spouse until the employee retires, at which time the individual account balances are transferred to the Annuity Payment Reserve.

The Salary Deduction Reserve is similarly used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts are maintained until the employee retires or withdraws from service before qualifying for an annuity. At retirement, account balances are transferred to the Annuity Payment Reserve. In case an eligible employee elects to take a refund of contributions instead of an annuity, the contribution refund is charged to this reserve. The Annuity Payment Reserve receives the amounts transferred from the individual accounts in the City Contribution Reserve and the Salary Deduction Reserve when an employee retires and qualifies for an annuity. All age and service annuity payments are charged to this reserve.

NOTE 8. RESERVES FOR ACTUARIAL LIABILITIES

The Death Benefit Reserve accumulates contributions from employees and the City for ordinary death benefits. All ordinary death benefits paid are charged to this reserve.

The Ordinary Disability Reserve accumulates contributions from employees and the City for ordinary disability benefits. All ordinary disability benefits paid are charged to this reserve.

The Supplementary Payment Reserve accumulates amounts to provide automatic annual postretirement increases to employee annuitants who retired before September 1, 1959 and amounts in excess of the original annuity grant due to increases in the minimum annuity.

The Gift Reserve accumulates donations to be used to provide an extra benefit to widowed spouse annuitants and orphaned child annuitants.

The Reserve surplus (deficit) represents the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A deficit indicates that additional assets will be needed to provide for future benefits, while a surplus indicates that present assets and future contributions exceed the expected requirements for future pension payments.

During the years ended December 31, 2006 and 2005, the Plan's actuary has determined that an increase in actuarial reserves of $306,189,258 and $136,815,988 respectively, is required. The net increase of revenue over expenses for the years ended December 31, 2006 and 2005 of $116,826,830 and $68,479,724 respectively, has been applied to the increase in actuarial reserves as noted above, which has resulted in an (increase) in the Plan deficit of $(189,362,428) and $(68,336,264) for the years ended December 31, 2006 and 2005, respectively.

As reported by the actuary, the changes in the Plan (deficit) during the years ended December 31, 2006 and 2005 consisted of the following:

	2006	2005
Plan (deficit) at the beginning of the year	$ (1,679,281,665)	$ (1,610,945,401)
Gains (losses) during the year attributable to:		
Gain (loss) from salary changes	(105,514,447)	40,654,533
(Loss) on investment return	24,389,764	(32,194,356)
Employer cost in excess of contributions	(68,623,327)	(60,494,782)
(Loss) from demographic assumptions	(21,421,453)	(17,264,774)
(Loss) from retroactive benefit increases	(6,651,379)	-
(Loss) from assumption changes	-	(12,434,686)
(Loss) from additional Bertucci liability	(7,878,491)	(11,681,326)
Gain (loss) from all other sources	(3,663,095)	25,079,127
Net (loss)	(189,362,428)	(68,336,264)
Plan (deficit) at the end of the year	$ (1,868,644,093)	$ (1,679,281,665)

NOTE 8. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

The above detail denotes the change in the unfunded liability based on assets valued using a Five Year Smoothed Average Market, a market related actuarial asset value as required by Governmental Accounting Standards Board Statement No. 25. The Plan (deficit) above will not equal the Plan surplus (deficit) denoted on page 18, which is based on assets valued at actual market value.

Some of the more significant actuarial assumptions used in the valuations were:

Mortality:
1983 Group Annuity Mortality Table, sex distinct.

Disabled Mortality:
1992 Railroad Retirement Board's Disabled Annuitant's Mortality Table.

Retirement age assumptions:
Assume all employees, except emergency medical technicians, retire by age 63 (mandatory retirement age as enacted by the City of Chicago in 2000). Emergency medical technicians are assumed to retire by age 65.

Investment rate of return:
8% per year for pensions, which contains a 3.5% inflation assumption and a 4.5% real rate of return assumption. 4.5% per year for the health insurance supplement with the rate effective as of December 31, 2005.

Salary increase:
4% per year, plus an additional percentage related to service and promotion.

Group health insurance:
Assume for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Plan paid health insurance from July 1, 2003 through June 30, 2008 is $85 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and $55 per month if qualified. After June 30, 2008, the amounts will be $95 and $65, respectively. Assume that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Assume future widows of retirees to be eligible for Medicare as well as widow annuitants who are currently receiving a health insurance supplement.

A Schedule of Funding Progress is located in the Required Supplementary Information on page 23. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 9. EMPLOYER CONTRIBUTIONS (TAXES) RECEIVABLE - NET

Employer contribution receivable at December 31, 2006 and 2005 consist of the following:

	2006	2005
Property taxes	$ 73,235,842	$ 85,844,466
Personal property replacement taxes	12,645,133	12,431,000
Less allowance for uncollectible accounts	(7,058,091)	(6,083,295)
Total	$ 78,822,884	$ 92,192,171

NOTE 10. RATIFICATION OF BARGAINING CONTRACT

During 2003, a bargaining contract was ratified between the City of Chicago and Firemen's Local Union No. 2. One of the provisions in the contract allowed for a salary increase retroactive to July 1, 1999. The increase in salary resulted in an increase in employee contributions of $10,000,000 during 2003 and increased employer contributions (tax levy) in 2005 (two years from the receipt of the retroactive increase in employee contributions) by approximately $22,600,000.

NOTE 11. ANNUITANT HEALTH INSURANCE

The Plan and the City of Chicago share in the cost of providing health care coverage to the annuitants or their surviving spouses who elect to participate in the City of Chicago Annuitant Medical Benefits Program. The Plan currently, in accordance with State Statutes, subsidizes the cost of monthly group health care premiums up to $85 per month for non-Medicare recipients and $55 per month for Medicare recipients. The remaining cost to participate in the Program is borne by the City of Chicago and the annuitant. At December 31, 2006 and 2005, the number of annuitants or surviving spouses whose cost to participate in the Program was subsidized totaled 3,103 and 3,083 respectively. The Plan's share of the Program cost subsidy for 2006 and 2005 was $2,208,075 and $2,187,458 respectively.

NOTE 12. RELATED PARTY TRANSACTIONS

At December 31, 2006 and 2005, the Plan held investments with a total fair value of $6,907,552 and $1,544,236 respectively, in its investment managers.

NOTE 13. LEASE AGREEMENTS

The Plan leases office facilities with lease payments subject to an escalation clause for increases in real estate taxes and maintenance charges. The lease runs through March 2020.

During 2006, the Plan entered into a noncancellable operating lease for office space for disaster recovery at an offsite facility which is subject to an escalation clause for increases in real estate taxes and maintenance charges. The lease runs through September 2016.

Rental expense for 2006 and 2005 was $169,460 and $126,249 respectively.

Future minimum rental payments required under the noncancellable operating leases are as follows:

Year ending December 31,	
2007	$ 110,144
2008	129,908
2009	137,162
2010	144,461
2011	149,847
2012 through 2016	816,957
2017 through 2020	414,937
Total	$ 1,903,416

NOTE 14. COMMITMENT

As of December 31, 2006, the Plan had a total capital commitment for three limited partnership agreements totaling $23,000,000. As of December 31, 2006, $8,470,000 has been invested, leaving a commitment of $14,530,000.

NOTE 15. LITIGATION

The Plan is involved in a number of cases involving the calculation of widow annuity payments as to the effective date of higher paying "duty death" widow benefits. If determined adversely to the Plan's position, the Plan's retroactive annuity payments may exceed $2,000,000. The Plan continues to vigorously defend against these cases and cannot adequately assess the outcome of these matters. Legal counsel is unable to quantify the economic impact to the Plan if these, and all future widows similarly situated, are found to be entitled to the higher "duty death" widow benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Firemen's Annuity and Benefit Fund of Chicago

Required Supplementary Information

Schedule of Funding Progress

Year Ended December 31,		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Pension Benefits							
2001		$1,245,129,955	$2,068,717,901	$ 823,587,946	60.19%	$277,964,912	296.29%
2002		$1,209,768,204	$2,088,706,217	$ 878,938,013	57.92%	$277,053,144	317.25%
2003	(1)	$1,194,007,767	$2,517,268,107	$1,323,260,340	47.43%	$335,170,501	394.80%
2004		$1,182,578,954	$2,793,524,355	$1,610,945,401	42.33%	$334,423,753	481.71%
2005		$1,203,654,052	$2,838,698,581	$1,635,044,529	42.40%	$341,252,492	479.13%
2006		$1,264,497,434	$3,088,124,064	$1,823,626,630	40.95%	$387,442,074	470.68%
Health Insurance Supplement							
2005		$ -	$ 44,237,156	$ 44,237,156	0.00%	$341,252,492	12.96%
2006		$ -	$ 45,017,463	$ 45,017,463	0.00%	$387,442,074	11.62%
Total							
2001		$1,245,129,955	$2,068,717,901	$ 823,587,946	60.19%	$277,964,912	296.29%
2002		$1,209,768,204	$2,088,706,217	$ 878,938,013	57.92%	$277,053,144	317.25%
2003	(1)	$1,194,007,767	$2,517,268,107	$1,323,260,340	47.43%	$335,170,501	394.80%
2004		$1,182,578,954	$2,793,524,355	$1,610,945,401	42.33%	$334,423,753	481.71%
2005		$1,203,654,052	$2,882,935,737	$1,679,281,685	41.75%	$341,252,492	492.09%
2006		$1,264,497,434	$3,133,141,527	$1,868,644,093	40.36%	$387,442,074	482.30%

(1) = Change in actuarial assumptions.

Firemen's Annuity and Benefit Fund of Chicago

Required Supplementary Information

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution (1) (ARC) (a)	Actual Employer Contribution (b)	Percent of ARC Contributed (b/a)
Pension Benefits			
2001	$ 104,014,168	$ 60,399,909	58.07%
2002	$ 105,106,367	$ 59,452,787	56.56%
2003	$ 111,079,054	$ 60,234,206	54.23%
2004	$ 134,762,334	$ 55,532,454	41.21%
2005	$ 161,696,388	$ 90,128,915	55.74%
2006	$ 160,246,525	$ 76,763,308	47.90%
Health Insurance Supplement			
2005	$ -	$ -	0.00%
2006	$ 4,075,175	$ 2,208,075	54.18%
Total			
2001	$ 104,014,168	$ 60,399,909	58.07%
2002	$ 105,106,367	$ 59,452,787	56.56%
2003	$ 111,079,054	$ 60,234,206	54.23%
2004	$ 134,762,334	$ 55,532,454	41.21%
2005	$ 161,696,388	$ 90,128,915	55.74%
2006	$ 164,321,700	$ 78,971,383	48.06%

(1) Annual Required Contribution (ARC) - This is the actuarially determined amount needed to finance all benefits.

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Amortization period	30 years
Actuarial value of assets	Pension - Five Year Smoothed Market Health Insurance Supplement - No Assets (Pay-As-You-Go)
Actuarial assumptions:	
Investment rate of return	Pension - 8% Health insurance supplement - 4.5%
Projected salary increase	4% per year, plus an additional percentage related to service and promotion
Postretirement increases	1.5% simple interest for 20 years for members born in or after 1955 3% simple interest for life for members born before 1955

ADDITIONAL INFORMATION

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

ADDITIONAL INFORMATION

ADDITIONS BY SOURCE

Year Ended December 31,	Employer Contributions	Employer Contributions as a Percentage of Payroll	Plan Member Contributions	Net Investment and Net Securities Lending Income (Loss) (1)	Other		Total Additions
2001	$ 60,399,909	21.73%	$ 27,615,475	$ (73,525,241)	$ 62,437		$ 14,552,580
2002	$ 59,452,787	21.46%	$ 27,622,476	$ (143,540,961)	$ 77,722		$ (56,387,976)
2003	$ 60,234,206	17.97%	$ 42,665,388	$ 249,995,138	$ 83,850		$ 352,978,582
2004	$ 55,532,454	16.61%	$ 37,734,425	$ 139,496,742	$ 24,322,475	(2)	$ 257,086,096
2005	$ 90,128,915	26.41%	$ 35,696,863	$ 112,016,356	$ 456,518		$ 238,298,652
2006	$ 78,971,383	20.38%	$ 44,221,869	$ 174,406,652	$ 88,210		$ 297,688,114

(1) Net investment and securities lending income includes net appreciation in fair value of investments, which includes unrealized gains and (losses) on investments held as well as realized gains and (losses) on investments sold.
(2) Includes payment of $24,201,945 from Municipal Employees' Annuity and Benefit Fund of Chicago.

DEDUCTIONS BY TYPE

Year Ended December 31,	Benefits	Health Insurance	Refunds	Administrative Expenses	Total Deductions
2001	$ 131,458,451	$ 1,820,378	$ 1,184,014	$ 1,975,988	$ 136,438,831
2002	$ 135,866,359	$ 1,843,850	$ 1,080,393	$ 1,959,054	$ 140,749,656
2003	$ 145,811,829	$ 2,001,403	$ 1,360,018	$ 2,046,754	$ 151,220,004
2004	$ 154,171,122	$ 2,184,105	$ 2,017,047	$ 2,096,598	$ 160,468,872
2005	$ 163,871,251	$ 2,187,458	$ 1,469,848	$ 2,290,371	$ 169,818,928
2006	$ 174,387,363	$ 2,208,075	$ 1,619,107	$ 2,646,739	$ 180,861,284

Firemen's Annuity and Benefit Fund of Chicago

Schedules of Administrative Expenses

Years Ended December 31, 2006 and 2005

	2006	2005
Personnel services		
Office salaries	$ 1,127,543	$ 988,937
Employee benefits	238,342	217,719
Total personnel services	1,365,885	1,206,656
Trustee and staff education/training	17,157	15,394
Professional services		
Accounting	10,749	-
Actuarial	85,507	109,123
Audit	28,600	27,800
Computer consulting	16,000	16,350
Medical	102,492	116,973
Legal	381,106	416,298
Payroll administration	7,883	8,379
Total professional services	632,337	694,923
Miscellaneous		
Rent	169,460	126,249
Disaster recovery	80,544	-
Insurance and surety bond	88,354	7,427
Utilities	22,218	19,553
Equipment and maintenance	29,572	21,653
Printing and postage	114,175	97,104
Office supplies	20,431	16,294
General and administrative	24,503	18,401
Other	82,103	66,717
Total miscellaneous	631,360	373,398
Total administrative expenses	$ 2,646,739	$ 2,290,371

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
INVESTMENT MANAGEMENT		
Ariel Capital Management	$ 104,744	$ 153,142
BA Partners (Private Equity)	121,349	-
Brandes Investment Management	493,435	407,936
Chicago Equity Partners	186,123	164,721
Columbia Management Advisors	-	50,315
Credit Suisse Asset Management	31,521	-
Earnest Partners LLC	140,160	66,062
Fox Asset Management	-	8,015
Globeflex Capital	265,049	85,839
Husic Capital Management	349,001	332,121
ICON Advisors	248,818	214,509
ING Aeltus Investment Management	148,413	134,140
Institutional Capital	378,278	338,077
INVESCO Capital Management	146,798	216,189
Keeley Asset Management	357,531	346,542
Loomis, Sayles & Company	331,883	328,997
LSV Asset Management	228,988	-
MacKay Shields Financial Corporation	185,428	178,767
Mesirow Financial Corp.	417,203	273,627
Montag & Caldwell	186,306	180,981
Mueller & Monroe	32,807	-
Navellier & Associates	193,752	217,305
Neuberger & Berman	735,404	733,566
Northern Trust Quantitative Advisors	145,076	132,223
The Boston Company	237,505	207,486
Western Asset Management	250,502	40,729
William Blair & Company	368,890	293,977
	6,284,964	5,105,266
CUSTODIAL BANKING		
The Northern Trust Company	137,595	89,467
INVESTMENT EVALUATION		
Mercer Investment Consulting	200,000	200,000
Total investment expenses	$ 6,622,559	$ 5,394,733

Firemen's Annuity and Benefit Fund of Chicago

Additional Information

Employee/Spouse Annuities

	Employee		Widow/Widower (Including Parent)	
Year	Number of Annuitants	Average Annuity	Number of Annuitants	Average Annuity
2001	2,422	$ 38,048	1,332	$ 12,399
2002	2,411	$ 40,052	1,331	$ 12,777
2003	2,412	$ 42,131	1,323	$ 13,220
2004	2,441	$ 45,675	1,353	$ 14,263
2005	2,442	$ 47,917	1,331	$ 15,388
2006	2,459	$ 50,171	1,323	$ 15,966

Employee Retirements

Year	Average Age at Retirement	Average Years of Service	Average Salary	Number of Retirements
2001	60.2	30.9	$ 63,228	114
2002	59.7	30.8	$ 64,560	107
2003	60.2	31.7	$ 71,176	134
2004	60.0	32.1	$ 82,735	147
2005	59.2	31.4	$ 81,747	126
2006	57.7	30.1	$ 85,115	123

Age and Service Distribution

Year	Number of Actives	Average Salary	Average Age	Average Service
2001	4,930	$ 56,382	42.6	14.3
2002	4,910	$ 56,426	43.1	14.7
2003	4,909	$ 68,277	43.5	15.0
2004	4,856	$ 68,868	44.0	15.2
2005	4,999	$ 68,264	44.0	15.0
2006	5,078	$ 76,298	44.4	15.0

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

ADDITIONAL INFORMATION

PARTICIPANT DATA

	2006	2005
ACTIVE MEMBERS		
Number	5,078	4,999
Annual payroll	$ 387,442,074	$ 341,252,492
Average salary	$ 76,298	$ 68,264
Average age	44.4	44.0
Average service	15.0	15.0
ANNUITANTS AND BENEFICIARIES		
Retired employees	2,459	2,442
Spouse, parent and widow annuitants	1,437	1,436
Children and dependents	110	111
Duty disabilities	257	254
Occupational disabilities	113	107
Ordinary disabilities	6	7
Total annuitants and beneficiaries	4,382	4,357
TOTAL BENEFITS	$ 174,387,363	$ 163,871,251