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, 2011

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2011 AND 2010

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LEGACY
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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
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, 2011 and 2010 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, 2011 and 2010 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 3c and the required supplementary information consisting of the Schedule of Funding Progress, the Schedule of Employer Contributions and Notes to the Schedules on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

311 South Wacker Drive | Suite 4000 | Chicago, IL 60606 | 312-368-0500 | 312-368-0746 Fax | www.legacycpas.com

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 31 and 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have previously audited the financial statements for the years ended December 31, 2009, 2008, 2007, and 2006 (which are not presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information on page 31 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. The information presented on pages 33 and 34, 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

May 23, 2012

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011 AND 2010

The discussion and analysis of the financial position and performance of the Firemen's Annuity and Benefit Fund of Chicago (the Plan) provides a comprehensive review of the Plan's financial activities for the years ended December 31, 2011 and 2010. The purpose of this discussion and analysis is to look at the Plan's financial performance as a whole; readers should review the financial statements, notes to the financial statements, required supplementary and additional information schedules in order to enhance their understanding of the Plan's financial condition.

Financial Statements

The financial statements consist of the Statements of Plan Net Assets, Statements of Changes in Plan Net Assets, Notes to Financial Statements and Required Supplementary and Additional Information Schedules. The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer, the City of Chicago, is bound by statute to provide the contributions. Plan member contributions are recognized in the period due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Financial Highlights

A summary of the Statements of Plan Net Assets is provided below:

Plan Net Assets
As of December 31,

	2011	2010	Increase/(Decrease) in Dollars	Increase/(Decrease) in Percent
Receivables	$ 94,909,534	$ 106,038,032	$ (11,128,498)	(10.5)%
Prepaid expenses	137,026	148,525	(11,499)	(7.7)%
Investments, at fair value	904,152,540	1,010,162,764	(106,010,224)	(10.5)%
Collateral held for securities on loan	150,848,760	152,508,016	(1,659,256)	(1.1)%
Total assets	1,150,047,860	1,268,857,337	(118,809,477)	(9.4)%
Payables	5,425,551	10,271,144	(4,845,593)	(47.2)%
Securities lending collateral	150,848,760	152,508,016	(1,659,256)	(1.1)%
Total liabilities	156,274,311	162,779,160	(6,504,849)	(4.0)%
Plan net assets	$ 993,773,549	$ 1,106,078,177	$ (112,304,628)	(10.2)%

Financial Highlights (continued)

Plan net assets at December 31, 2011 were $993,773,549 versus $1,106,078,177 at December 31, 2010, which represents a 10.2% decrease. This decrease was primarily due to the liquidation of marketable securities to meet monthly benefit obligations. Changes in receivables and payables are primarily the result of the timing of certain investment transactions.

A summary of the Statements of Changes in Plan Net Assets is provided below:

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

	2011	2010	Increase/(Decrease) in Dollars	Increase/(Decrease) in Percent
Additions:				
Employer contributions	$ 85,498,002	$ 83,591,601	$ 1,906,401	2.3 %
Plan member contributions	51,917,510	41,730,194	10,187,316	24.4 %
Net investment income (loss)	(23,010,560)	150,381,522	(173,392,082)	(115.3)%
Net securities lending income	560,186	452,962	107,224	23.7 %
Other	33,594	30,282	3,312	10.9 %
Total additions	114,998,732	276,186,561	(161,187,829)	(58.4)%
Deductions:				
Benefits	218,897,479	213,159,055	5,738,424	2.7 %
Annuitant health care	2,628,163	2,644,290	(16,127)	(0.6)%
Refunds of contributions	2,054,456	1,762,277	292,179	16.6 %
Litigation settlement	510,747	1,139,710	(628,963)	(55.2)%
Professional services	720,396	663,449	56,947	8.6%
Administrative expenses	2,492,119	2,383,730	108,389	4.5 %
Total deductions	227,303,360	221,752,511	5,550,849	2.5 %
Net increase/(decrease) in plan net assets	$ (112,304,628)	$ 54,434,050	$ (166,738,678)	(306.3)%

Financial Highlights (continued)

The ratification of the labor contract between the Chicago Fire Fighters Union, Local No. 2, and the City of Chicago in 2010 and the payment of retroactive salary amounts in 2011 resulted in changes in member contributions and benefit payments in 2011. In 2011, the Plan received approximately $6.8 million in retroactive member contributions dating back to July 2007. The 24.4% increase in member contributions was also due to the increase in active members' salaries in 2011. The increase in benefit payments is also attributable to the new contract. The Plan was required to pay approximately $4.2 million in retroactive benefits and the level of monthly benefits increased for some participants as a result of this contract.

In 2011, the Plan's investment income decreased by $173,392,082 (115.3%) over 2010. 2011 was a year marked by uncertainty and volatility in the markets. The U.S. debt downgrade and concerns regarding the Eurozone sovereign debt crisis erased gains from the first half of the year and shook investor confidence. The Plan's realized return on investments for 2011 was a negative 2.0% in comparison to 17.7% in 2010. Despite the negative return in 2011, the Plan has nearly fully recovered from the historic market decline that occurred late in 2008 through early 2009.

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

Investment Results
For the Years Ended December 31,

	2011	2010
Equities	(4.6)%	19.5%
S&P 500 Benchmark	2.1%	15.1%
Fixed income	6.2%	12.1%
Barclays Aggregate Benchmark	7.8%	6.5%
Total Plan	(2.0)%	17.7%

Funding Status

The Plan experienced both a decrease in actuarial assets and an increase in actuarial liabilities in 2011. Actuarial assets decreased 8.0% due to the five year smoothing adjustment that recognized a portion of the 2008 investment loss. Actuarial liabilities increased 5.3% due the Plan's costs exceeding the actuarial contributions that were received and a change in actuarial assumptions from the 2011 experience analysis performed by the Plan's actuary. These factors contributed to an 11.7% increase in the Plan's unfunded actuarial liability and a decrease in the funded ratio from 32.4% in 2010 to 28.3% in 2011. 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.

Actuarial Values (in Millions)
For the Years Ended December 31,

	2011	2010	Increase/(Decrease) in Dollars	Increase/(Decrease) in Percent
Actuarial assets	$ 1,101.7	$ 1,198.1	$ (96.4)	(8.0)%
Actuarial liabilities	3,898.9	3,703.2	195.7	5.3 %
Unfunded actuarial liabilities	$ 2,797.2	$ 2,505.1	$ 292.1	11.7 %
Funded ratio	28.3%	32.4%		

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, 2011. Comments, questions or concerns regarding this report or requests for additional information should be addressed to:

Kenneth Kaczmarz
Executive Director
Firemen's Annuity & Benefit Fund of Chicago
20 S. Clark Street
Suite 1400
Chicago, IL 60603

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
RECEIVABLES		
Employer - net	$ 88,208,670	$ 93,031,069
Investment income	3,143,455	3,810,246
Unsettled trades	1,679,686	7,468,496
Other	1,877,723	1,728,221
Total receivables	94,909,534	106,038,032
PREPAID EXPENSES	137,026	148,525
INVESTMENTS		
Corporate bonds	80,463,129	100,142,343
U.S. and Foreign Government obligations	69,643,751	62,869,928
Equities	627,552,759	717,177,840
Cash deposits and short-term investments	36,573,831	37,508,584
Pooled funds	37,918,125	44,172,697
Private equity and venture capital	52,000,945	48,291,372
Total investments	904,152,540	1,010,162,764
COLLATERAL HELD FOR SECURITIES ON LOAN	150,848,760	152,508,016
Total assets	1,150,047,860	1,268,857,337
LIABILITIES AND NET ASSETS		
LIABILITIES		
Unsettled trades	3,635,624	8,376,471
Accounts payable and accrued expenses	1,218,650	1,326,292
Securities lending collateral	150,848,760	152,508,016
Participant accounts	557,213	557,227
Securities lending payable	14,064	11,154
Total liabilities	156,274,311	162,779,160
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 993,773,549	$ 1,106,078,177

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, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions		
Employer		
Property taxes - net	$ 63,682,006	$ 62,267,968
Personal property replacement taxes	20,406,446	19,911,079
Exempt rank funding	1,409,550	1,412,554
Total employer contributions	85,498,002	83,591,601
Plan member		
Annuities	51,770,206	41,578,499
Death benefits	147,304	151,695
Total plan member contributions	51,917,510	41,730,194
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	(44,453,844)	130,596,480
Interest	13,391,007	11,497,193
Dividends	13,955,923	13,809,166
	(17,106,914)	155,902,839
Less investment expenses	(5,903,646)	(5,521,317)
Net investment income (loss)	(23,010,560)	150,381,522
Securities lending		
Income	472,635	525,967
Borrower rebates	273,999	77,768
Management fees	(186,448)	(150,773)
Net securities lending income	560,186	452,962
Gift fund donations	6,220	6,895
Miscellaneous income	10,671	11,321
Tax levy interest	16,703	12,066
Total additions	114,998,732	276,186,561

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, 2011 AND 2010

	2011	2010
DEDUCTIONS		
Benefits		
Age and service benefits		
Employees	$ 158,576,222	$ 150,136,804
Spouses	30,934,405	37,721,582
Dependents	1,057,352	819,130
Total age and service benefits	190,567,979	188,677,516
Disability benefits		
Duty	17,988,870	15,303,110
Occupational	8,925,389	7,983,597
Ordinary	208,341	135,632
Total disability benefits	27,122,600	23,422,339
Gift fund payments	500,000	400,000
Death benefits	706,900	659,200
Total benefits	218,897,479	213,159,055
Annuitant health care	2,628,163	2,644,290
Refunds of contributions	2,054,456	1,762,277
Litigation settlement	510,747	1,139,710
Professional services	720,396	663,449
Administrative expenses	2,492,119	2,383,730
Total deductions	227,303,360	221,752,511
NET INCREASE (DECREASE)	(112,304,628)	54,434,050
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,106,078,177	1,051,644,127
End of year	$ 993,773,549	$ 1,106,078,177

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, is bound by statute 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 investment partnership. 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.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events - Subsequent events have been evaluated through May 23, 2012, which is the date the financial statements were available to be issued.

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, 2011 and 2010 was $425,385,354 and $400,404,320 respectively.

The Plan provides retirement benefits as well as death and disability benefits. Employees who reach compulsory age 63, except for emergency medical technicians, which is age 65, 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, an 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, 2011 and 2010, participation consisted of the following:

	2011	2010
Retirees and beneficiaries currently receiving benefits	4,478	4,409
Terminated plan participants entitled to but not yet receiving benefits	67	57
Active plan participants	4,842	5,052
Total participants	9,387	9,518

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, 2011 and 2010.

	2011	2010
Corporate bonds:		
Not on securities loan	$ 71,645,072	$ 84,995,009
On securities loan	8,818,057	15,147,334
U.S. and Foreign Government obligations:		
Not on securities loan	61,762,548	55,053,058
On securities loan	7,881,203	7,816,870
Equities:		
Not on securities loan	497,457,430	596,525,543
On securities loan	130,095,329	120,652,297
Cash deposits and short-term investments	36,573,831	37,508,584
Pooled funds:		
Equity mutual funds	12,088,948	16,614,202
Fixed income mutual funds	25,829,177	27,558,495
Private equity and venture capital	52,000,945	48,291,372
	904,152,540	1,010,162,764
Collateral held for securities on loan	150,848,760	152,508,016
Total investments and collateral held for securities on loan	$ 1,055,001,300	$ 1,162,670,780

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, 2011 and 2010, the Plan's exposure to such risk was $1,773,174 and $1,288,897 respectively, comprised of foreign currencies held outside the custodial bank.

For investment 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, 2011 and 2010, the Plan had no investments that were 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. On August 5, 2011, Standard & Poor's downgraded its credit rating of the U.S. Government and Government Agency obligations from AAA to AA. The following table presents a summarization at December 31, 2011 and 2010 of the lower credit quality rating 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, as applicable:

Type of Investment	Rating	2011	2010
Corporate bonds	Aaa/AAA	$ 3,432,512	$ 6,280,552
	Aa/AA	3,350,536	5,787,018
	A/A	15,831,033	18,255,699
	Baa/BBB	21,950,396	31,411,506
	Ba/BB	9,986,186	5,583,965
	B/B	10,884,386	13,732,424
	Caa/CCC	4,408,461	4,634,363
	Ca/CC	398,102	547,729
	D/D	259,150	-
	Not Rated	7,331,269	10,400,885
	U.S. Government Guaranteed	2,631,098	3,508,202
		80,463,129	100,142,343
U.S. and Foreign Government obligations	Aaa/AAA	7,838,909	27,566,765
	Aa/AA	12,810,170	1,287,014
	A/A	4,444,407	3,419,578
	Baa/BBB	2,749,992	3,717,489
	Ba/BB	1,410,327	1,175,387
	Ca/CC	279,714	-
	Not Rated	528,922	151,205
	U.S. Government Guaranteed	39,581,310	25,552,490
		69,643,751	62,869,928
Cash deposits and short-term investments	Not Rated	36,573,831	37,508,584
Pooled funds:			
Fixed income mutual funds	Not Rated	25,829,177	27,558,495
Total		$ 212,509,888	$ 228,079,350

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, 2011 and 2010 using the segmented time distribution method:

Type of Investment	Maturity	2011	2010
Corporate bonds	Less than 1 year	$ 2,197,285	$ 5,500,066
	1-5 years	12,159,700	22,282,958
	6 - 10 years	24,786,636	20,774,390
	Over 10 years	41,319,508	51,584,929
		80,463,129	100,142,343
U.S. and Foreign Government obligations	Less than 1 year	8,143,347	5,966,041
	1-5 years	16,211,630	20,927,901
	6 - 10 years	11,363,200	9,090,032
	Over 10 years	33,925,574	26,885,954
		69,643,751	62,869,928
Total		$ 150,106,880	$ 163,012,271

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, 2011 and 2010 is as follows:

Type of Investment	Fair Value (USD) 2011	Fair Value (USD) 2010
Corporate bonds:		
Australian dollar	$ 1,242,227	$ 1,469,726
Canadian dollar	144,148	-
Indonesian rupiah	-	711,334
European euro	142,041	-
Japanese yen	197,986	4,337,531
Mexican peso	277,256	306,112
New Zealand dollar	681,142	659,107
U.S. dollar	77,778,329	92,658,533
	$ 80,463,129	$ 100,142,343
U.S. and Foreign Government obligations:		
Canadian dollar	6,078,621	4,916,940
Colombian peso	725,582	754,287
European euro	1,547,837	239,671
Indian rupee	631,252	2,359,849
Indonesian rupiah	1,389,515	964,070
Malaysian ringgit	444,025	454,665
Mexican peso	1,085,545	1,167,197
New Zealand dollar	763,441	718,303
Philippines peso	1,159,998	1,171,012
South Korean won	1,129,036	1,798,617
U.S. dollar	54,688,899	48,325,317
	$ 69,643,751	$ 62,869,928
Pooled Funds:		
Canadian dollar	185,215	-
U.S. dollar	37,732,910	44,172,697
	$ 37,918,125	$ 44,172,697

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2011	Fair Value (USD) 2010
Equities:		
Australian dollar	$ 3,256,644	$ 2,919,131
Brazilian real	8,438,220	12,639,115
British pound	32,588,708	31,035,964
Canadian dollar	7,783,505	7,697,277
Czech koruna	140,033	-
Chilean peso	847,947	935,634
Danish krone	772,896	1,159,849
Egyptian pound	236,471	629,253
European euro	36,002,452	47,215,870
Hong Kong dollar	9,027,962	12,379,621
Hungarian forint	211,027	441,031
Indian rupee	2,711,665	4,620,048
Indonesian rupiah	1,016,708	2,317,800
Israeli shekel	428,474	1,107,432
Japanese yen	33,045,443	39,266,055
Malaysian ringgit	533,409	748,999
Mexican peso	1,204,058	2,440,223
New Zealand dollar	-	443,949
Norwegian krone	1,396,829	1,564,560
Pakistan rupees	219,407	252,691
Philippines peso	790,506	665,552
Polish zlotych	273,766	930,281
Singapore dollar	1,632,690	2,190,330
South African rand	3,007,827	4,322,897
South Korean won	7,431,564	8,972,775
Swedish krona	1,854,322	1,537,726
Swiss franc	6,607,889	11,195,846
Taiwan dollar	3,575,945	4,788,179
Thailand baht	1,399,362	1,631,239
Turkish lira	801,988	1,646,466
U.S. dollar	460,315,042	509,482,047
	$ 627,552,759	$ 717,177,840

NOTE 3. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

During 2011 and 2010, net realized gain (loss) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $50,999,173 and $42,298,225 respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statements 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.

The average term of securities loaned was 89 days in 2011 and 114 days in 2010; 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, 2011 and 2010 of 15 days and 23 days, respectively. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loaned.

As of December 31, 2011 and 2010, the fair value (carrying amount) of loaned securities was $146,794,589 and $143,616,501 respectively. As of December 31, 2011 and 2010, the fair value (carrying amount) of collateral received by the Plan was $150,848,760 and $152,508,016 respectively.

Although the Plan's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. 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.

There were no losses due to default of a borrower or the lending agent during the years ended December 31, 2011 and 2010.

NOTE 6. DERIVATIVES

The Plan invests in derivative financial instruments as provided by the Plan's Statement of Investment Policy. The Plan uses derivative financial instruments to gain exposure to an asset class, manage portfolio risk or to facilitate international portfolio trading.

A derivative security is a financial contract whose value is based on, or "derived" from, a traditional security, an asset, or a market index. Derivative instruments include options, forward contracts, swaps, and futures as part of the Plan's portfolio.

Derivative transactions involve, to varying degrees, credit risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

The Plan's portfolio includes the following derivative instruments at December 31, 2011 and 2010:

	2011	2010
Hedging derivative instruments:		
Options	$ 938	$ (23,150)
Forward currency contract receivables	5,308,244	4,882,313
Forward currency contract payables	(5,220,567)	(4,974,659)
Swap assets	87,493	136,428
Swap liabilities	(99,587)	(136,371)
Total hedging derivative instruments	76,521	(115,439)
Investment derivative instruments:		
Future purchase commitments	(19,035,237)	(14,028,888)
Future sales commitments	19,035,237	14,028,888
Margin deposit for outstanding futures contracts	-	100,000
Total investment derivative instruments	-	100,000
Total	$ 76,521	$ (15,439)

The Plan uses options to reduce the risk of holding an asset. An option is a contract that conveys the right, but not the obligation, to buy (call) or sell (put) an item at an agreed upon price during a certain period of time or on a specific date.

Forward contracts are used to hedge against fluctuations in foreign currency-denominated assets used primarily in portfolio trade settlements. These contracts are a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

NOTE 6. DERIVATIVES (CONTINUED)

Swaps are used by the Plan to hedge certain risks such as interest rate risk, or to speculate on changes in the underlying price of an asset. Traditionally, a swap is the exchange of one security for another to change the maturity, quality, structure of an issue, or because investment objectives have changed.

Futures contracts are used to provide exposure to an asset class using uninvested cash. These contracts are a legally binding agreement, made on the trading floor of a futures exchange, to buy or sell a commodity or financial instrument sometime in the future. Futures contracts have little credit risk, as organized exchanges are the guarantors.

The Plan's derivative instruments are reported at fair value in equity and cash deposits and short-term investments on the Statement of Plan Net Assets. The gain or loss on derivative instruments is reported as part of investment income on the Statement of Changes in Plan Net Assets.

NOTE 7. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2011, the most recent actuarial valuation date, the Plan was 28.26% funded on an actuarial basis. The actuarial accrued liability for benefits was $3,898,899,224 and the actuarial value of assets was $1,101,741,862 resulting in an unfunded actuarial accrued liability (UAAL) of $2,797,157,362. The covered payroll (annual payroll of active employees covered by the Plan) was $425,385,354 and the ratio of the UAAL to the covered payroll was 657.56%.

The Schedule of Funding Progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 7. FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2011
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period	30 years
Asset valuation method	Five Year Smoothed Market

Actuarial assumptions:

Investment return rate	8.0% per year for pensions and 4.5% per year for the health insurance supplement
Projected salary increases	2011 - 4.25% per year, 2010 - 4.0% 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; 3.0% simple interest for life for members born before 1955
Mortality rates	2011 - RP-2000 Combined Healthy Mortality Table, sex distinct.
	2010 - 1983 Group Annuity Mortality Table, sex distinct.
Disabled mortality rates	2011 - RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years.
	2010 - 1992 Railroad Retirement Board's Disabled Annuitant's Mortality Table
Termination rates	Based on recent experience of the Plan
Retirement rates	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

NOTE 8. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer obligations are funded through the City which are 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, 2011 and 2010 indicated a minimum annual projected contribution by the City to maintain the Plan on a minimum valuation basis to be $254,525,565 and $222,815,766 for 2011 and 2010, respectively. The minimum annual projected contribution was based on an annual payroll of $425,385,354 for 4,842 active participants during 2011 and $400,404,320 for 5,052 active participants during 2010 and was computed as follows:

	2011 Levy		
	Pension	Health Insurance Supplement	Total
Normal cost	$ 74,337,928	$ 1,535,416	$ 75,873,344
30-year level dollar amortization of the unfunded liability	213,309,081	2,933,876	216,242,957
	287,647,009	4,469,292	292,116,301
Less estimated plan member contributions	(37,590,736)	-	(37,590,736)
Annual required contribution to be financed by tax levy	$ 250,056,273	$ 4,469,292	$ 254,525,565
Required tax levy multiple			6.94

	2010 Levy		
	Pension	Health Insurance Supplement	Total
Normal cost	$ 68,407,195	$ 1,511,790	$ 69,918,985
30-year level dollar amortization of the unfunded liability	187,621,614	2,915,939	190,537,553
	256,028,809	4,427,729	260,456,538
Less estimated plan member contributions	(37,640,772)	-	(37,640,772)
Annual required contribution to be financed by tax levy	$ 218,388,037	$ 4,427,729	$ 222,815,766
Required tax levy multiple			6.24

NOTE 8. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

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

NOTE 9. 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, 2011 and 2010 were comprised of the following reserve surplus (deficit) balances:

	2011	2010
Prior Service Annuity Reserve	$ 1,546,305,851	$ 1,431,459,965
City Contribution Reserve	754,343,760	724,590,057
Annuity Payment Reserve	748,377,216	682,471,519
Salary Deduction Reserve	622,803,838	598,628,457
Death Benefit Reserve (deficit)	(13,367,531)	(12,426,798)
Ordinary Disability Reserve	242,722	214,986
Supplementary Payment Reserve	233,884	344,116
Gift Reserve	4,836,392	4,150,045
Reserve (deficit)	(2,670,002,583)	(2,323,354,170)
Total net assets held in trust for pension benefits	$ 993,773,549	$ 1,106,078,177

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.

NOTE 9. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

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.

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, 2011 and 2010, the Plan's actuary has determined that an increase in actuarial reserves of $179,718,688 and $352,028,479 respectively, is required. The net increase/(decrease) in Plan net assets for the years ended December 31, 2011 and 2010 of ($112,304,628) and $54,434,050 respectively, has been applied to the increase in actuarial reserves as noted above, which has resulted in an increase in the Plan deficit by $292,023,316 and $297,594,429 for the years ended December 31, 2011 and 2010, respectively.

NOTE 9. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

As reported by the actuary, the changes in the Plan (deficit) during the years ended December 31, 2011 and 2010 consisted of the following:

	2011	2010
Plan (deficit) at the beginning of the year	$ (2,505,134,046)	$ (2,207,539,617)
Gains (losses) during the year attributable to:		
Salary changes	43,535,222	54,625,757
Investment return	(102,693,719)	(76,812,217)
Employer cost in excess of contributions	(137,833,108)	(120,172,857)
Demographic assumptions	(14,434,661)	(6,709,702)
Programming changes	(10,142,608)	-
Assumption changes	(47,816,880)	-
Retroactive pay adjustments	-	(142,091,101)
All other sources	(22,637,562)	(6,434,309)
Net (loss)	(292,023,316)	(297,594,429)
Plan (deficit) at the end of the year	$ (2,797,157,362)	$ (2,505,134,046)

The above detail denotes the change in the unfunded liability based on assets valued using a Five Year Smoothed 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 21, which is based on assets valued at actual market value.

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

Mortality:
2011 - RP-2000 Combined Healthy Mortality Table, sex distinct
2010 - 1983 Group Annuity Mortality Table, sex distinct.

Disabled mortality:
2011 - RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years
2010 - 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, 4.5% per year for the health insurance supplement with the rate effective as of December 31, 2005.

Salary increase:
2011 - 4.25% per year, 2011 - 4% per year, plus an additional percentage related to service and promotion.

NOTE 9. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

Health insurance supplement:

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 Plan-paid health insurance is $95 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and $65 per month if qualified. 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 28. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 10. EMPLOYER CONTRIBUTIONS (TAXES) RECEIVABLE - NET

Employer contribution receivable at December 31, 2011 and 2010 consist of the following:

	2011	2010
Property taxes	$ 73,276,722	$ 79,131,756
Personal property replacement taxes	23,228,550	22,638,554
Less allowance for uncollectible accounts	(8,296,602)	(8,739,241)
Total	$ 88,208,670	$ 93,031,069

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, in accordance with State Statutes, subsidizes the cost of monthly group health care premiums up to $95 per month for non-Medicare recipients and $65 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, 2011 and 2010, the number of annuitants or surviving spouses whose cost to participate in the Program was subsidized totaled 3,146 and 3,173 respectively. The Plan's share of the Program cost subsidy for 2011 and 2010 was $2,628,163 and $2,644,290 respectively.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

The Plan, as an employer, contributed premiums for health and dental insurance for four retired employees in 2011 and three retired employees in 2010. The Plan's contribution towards insurance premiums for 2011 and 2010 was $28,738 and $17,476 respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

The Plan has allowed the Ende, Menzer ,Walsh & Quinn Retirees', Widows' and Children's Assistance Fund (Corporation) to utilize its facilities and equipment to accommodate the once a year distribution to widows and orphans in December at no additional expense to the Plan. This distribution by the Corporation, to the widows and orphans, had been handled by the Plan.

Three of the Plan's Trustees and the Executive Director are also directors of the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund.

During the years ended December 31, 2011 and 2010, the Firemen's Annuity and Benefit Fund of Chicago contributed $500,000 and $400,000, respectively, to the Ende, Menzer, Walsh & Quinn Retirees', Widows' and Children's Assistance Fund from the balances in the gift reserve account as allowed under the discretionary authority granted by 40ILCS Act 5, Article 6-202 to render financial assistance to qualified widows and children annuitants of the participants of the Firemen's Annuity and Benefit Fund of Chicago.

NOTE 14. 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 2011 and 2010 was $187,585 and $204,920 respectively.

NOTE 14. LEASE AGREEMENTS (CONTINUED)

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

Year ending December 31,		
2012	$	155,279
2013		160,756
2014		166,278
2015		171,845
2016		162,798
2017 through 2020		414,938
Total	$	1,231,894

NOTE 15. COMMITMENT

The Plan had a total capital commitment to eleven limited partnerships totaling $70,500,000. As of December 31, 2011, $58,268,912 has been invested, leaving a commitment of $12,231,088.

NOTE 16. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This Statement considers the timing and frequency of the measurement of actuarial liabilities for OPEB by agent employers and also considers the guidelines regarding the use of the alternative measurement method by agent employers with small individual OPEB plans. The provisions related to the frequency and timing of measurements are effective for the Plan's fiscal year ending December 31, 2012.

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. Statement No. 60 is effective for the Plan's fiscal year ending December 31, 2012.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. This Statement improves financial reporting for a governmental financial reporting entity by modifying certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. The Statement also clarifies the reporting of equity interests in legally separate organizations. Statement No. 61 is effective for the Plan's fiscal year ending December 31, 2013.

NOTE 16. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE (CONTINUED)

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Statement No. 62 is effective for the Plan's fiscal year ending December 31, 2012.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 is effective for the Plan's fiscal year ending December 31, 2012.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting - An Amendment of GASB Statement No. 53.* This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or swap counterparty's credit support provider. Statement No. 64 is effective for the Plan's fiscal year ending December 31, 2012.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Statement No. 65 is effective for the Plan's fiscal year ending December 31, 2013.

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting guidance by reporting conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Government Fund Type Definition*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 is effective for the Plan's fiscal year ending December 31, 2013.

The Plan is currently evaluating the impact of adopting the above Statements.

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						
2006	$1,264,497,434	$ 3,088,124,064	$ 1,823,626,630	40.95%	$ 387,442,074	470.68%
2007	$1,374,960,353	$ 3,215,874,182	$ 1,840,913,829	42.76%	$ 389,124,547	473.09%
2008	$1,335,695,474	$ 3,311,268,993	$ 1,975,573,519	40.34%	$ 396,181,778	498.65%
2009	$1,269,231,178	$ 3,428,838,267	$ 2,159,607,089	37.02%	$ 400,912,173	538.67%
2010	$1,198,113,789	$ 3,655,025,957	$ 2,456,912,168	32.78%	$ 400,404,320	613.61%
2011	$1,101,741,862	$ 3,851,918,889	$ 2,750,177,027	28.60%	$ 425,385,354	646.51%
Health Insurance Supplement						
2006	$ -	$ 45,017,463	$ 45,017,463	0.00%	$ 387,442,074	11.62%
2007	$ -	$ 47,096,707	$ 47,096,707	0.00%	$ 389,124,547	12.10%
2008	$ -	$ 47,309,338	$ 47,309,338	0.00%	$ 396,181,778	11.94%
2009	$ -	$ 47,932,528	$ 47,932,528	0.00%	$ 400,912,173	11.96%
2010	$ -	$ 48,221,878	$ 48,221,878	0.00%	$ 400,404,320	12.04%
2011	$ -	$ 46,980,335	$ 46,980,335	0.00%	$ 425,385,354	11.04%
Total						
2006	$1,264,497,434	$ 3,133,141,527	$ 1,868,644,093	40.36%	$ 387,442,074	482.30%
2007	$1,374,960,353	$ 3,262,970,889	$ 1,888,010,536	42.14%	$ 389,124,547	485.19%
2008	$1,335,695,474	$ 3,358,578,331	$ 2,022,882,857	39.77%	$ 396,181,778	510.59%
2009	$1,269,231,178	$ 3,476,770,795	$ 2,207,539,617	36.51%	$ 400,912,173	550.63%
2010	$1,198,113,789	$ 3,703,247,835	$ 2,505,134,046	32.35%	$ 400,404,320	625.65%
2011	$1,101,741,862	$ 3,898,899,224	$ 2,797,157,362	28.26%	$ 425,385,354	657.56%

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			
2006	$ 160,246,525	$ 76,763,308	47.90%
2007	$ 188,201,379	$ 72,022,810	38.27%
2008	$ 189,940,561	$ 81,257,754	42.78%
2009	$ 203,866,919	$ 89,211,671	43.76%
2010	$ 218,388,037	$ 80,947,311	37.07%
2011	$ 250,056,273	$ 82,869,839	33.14%
Health Insurance Supplement			
2006	$ 4,075,175	$ 2,208,075	54.18%
2007	$ 4,176,767	$ 2,248,156	53.83%
2008	$ 4,307,852	$ 2,486,950	57.73%
2009	$ 4,370,229	$ 2,645,135	60.53%
2010	$ 4,427,729	$ 2,644,290	59.72%
2011	$ 4,469,292	$ 2,628,163	58.80%
Total			
2006	$ 164,321,700	$ 78,971,383	48.06%
2007	$ 192,378,146	$ 74,270,966	38.61%
2008	$ 194,248,413	$ 83,744,704	43.11%
2009	$ 208,237,148	$ 91,856,806	44.11%
2010	$ 222,815,766	$ 83,591,601	37.52%
2011	$ 254,525,565	$ 85,498,002	33.59%

(1) Annual Required Contribution (ARC) - This is the actuarially determined amount needed to finance 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, 2011
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining 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	Pension - 2011 - 4.25% per year, 2010 - 4% per year, plus an additional percentage related to service and promotion Health insurance supplement - 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
Mortality	2011 - RP-2000 Combined Healthy Mortality Table, sex distinct 2010 - 1983 Group Annuity Mortality Table, sex distinct
Disabled mortality	2011 - RP-2000 Combined Healthy Mortality Table, sex distinct, set forward six years 2010 - 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.

SUPPLEMENTARY INFORMATION

Firemen's Annuity and Benefit Fund of Chicago

Supplementary 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
2006	$ 78,971,383	20.38%	$ 44,221,869	$ 174,406,652	$ 88,210	$ 297,688,114
2007	$ 74,270,966	19.09%	$ 41,120,231	$ 148,806,209	$ 161,666	$ 264,359,072
2008	$ 83,744,704	21.14%	$ 40,479,884	$ (484,093,138)	$ 107,321	$ (359,761,229)
2009	$ 91,856,806	22.91%	$ 41,604,787	$ 208,537,084	$ 36,804	$ 342,035,481
2010	$ 83,591,601	20.88%	$ 41,730,194	$ 150,834,484	$ 30,282	$ 276,186,561
2011	$ 85,498,002	20.10%	$ 51,917,510	$ (22,450,374)	$ 33,594	$ 114,998,732

(1) Net investment and securities lending income includes net appreciation (depreciation) in fair value of investments, which includes unrealized gains and (losses) on investments held as well as realized gains and (losses) on investments sold.

Deductions by Type

Year Ended December 31,	Benefits	Health Insurance	Refunds	Litigation Settlement	Professional Services and Administrative Expenses	Total Deductions
2006	$ 174,387,363	$ 2,208,075	$ 1,619,107	$ -	$ 2,646,739	$ 180,861,284
2007	$ 179,350,432	$ 2,248,156	$ 1,706,383	$ -	$ 3,084,127	$ 186,389,098
2008	$ 187,496,591	$ 2,486,950	$ 2,659,788	$ 16,750	$ 2,839,557	$ 195,499,636
2009	$ 196,391,656	$ 2,645,135	$ 2,109,170	$ 417,059	$ 3,021,756	$ 204,584,776
2010	$ 213,159,055	$ 2,644,290	$ 1,762,277	$ 1,139,710	$ 3,047,179	$ 221,752,511
2011	$ 218,897,479	$ 2,628,163	$ 2,054,456	$ 510,747	$ 3,212,515	$ 227,303,360

FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULES OF INVESTMENT SERVICES, PROFESSIONAL SERVICES AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT SERVICES		
Advisory	$ 5,302,045	$ 5,011,452
Consulting	236,250	225,000
Custodial	365,351	284,865
Total investment services	$ 5,903,646	$ 5,521,317
PROFESSIONAL SERVICES		
Accounting	$ 5,000	$ 10,000
Actuarial	219,513	106,650
Audit	33,000	32,000
Consulting	18,311	18,000
Legal	342,015	386,942
Medical	94,590	99,466
Payroll administration	7,967	10,391
Total professional services	$ 720,396	$ 663,449
ADMINISTRATIVE EXPENSES		
Disaster recovery	$ 24,038	$ 27,843
Employee benefits	356,410	244,228
Equipment and maintenance	37,221	24,037
General and administrative	163,347	186,108
Insurance and surety bond	164,409	185,029
Office salaries	1,477,467	1,433,940
Printing and postage	81,642	77,625
Rent	187,585	204,920
Total administrative expenses	$ 2,492,119	$ 2,383,730

Firemen's Annuity and Benefit Fund of Chicago

Supplementary Information

Employee/Spouse Annuities

	Employee		Widow/Widower (Including Parent)	
Year	Number of Annuitants	Average Annuity	Number of Annuitants	Average Annuity
2006	2,459	$ 50,171	1,323	$ 15,966
2007	2,488	$ 52,446	1,301	$ 16,365
2008	2,471	$ 54,492	1,307	$ 16,958
2009	2,556	$ 57,023	1,293	$ 17,520
2010	2,577	$ 59,133	1,262	$ 18,092
2011	2,665	$ 61,879	1,254	$ 18,700

Employee Retirements

Year	Average Age at Retirement	Average Years of Service	Average Salary	Number of Retirements
2006	57.7	30.1	$ 85,115	123
2007	58.1	30.0	$ 89,621	126
2008	57.4	29.6	$ 88,841	109
2009	57.8	30.3	$ 92,010	185
2010	59.0	29.7	$ 93,933	117
2011	58.5	29.4	$ 98,859	197

Age and Service Distribution

Year	Number of Actives	Average Salary	Average Age	Average Service
2006	5,078	$ 76,298	44.4	15.0
2007	4,938	$ 78,753	45.1	15.6
2008	5,037	$ 78,654	45.0	15.5
2009	5,137	$ 78,044	44.7	15.1
2010	5,052	$ 79,257	45.3	15.7
2011	4,842	$ 87,853	45.9	16.3

Firemen's Annuity and Benefit Fund of Chicago

Supplementary Information

Participant Data

	2011	2010
Active members		
Number	4,842	5,052
Annual payroll	$ 425,385,354	$ 400,404,320
Average salary	$ 87,853	$ 79,257
Average age	45.9	45.3
Average service	16.3	15.7
Annuitants and beneficiaries		
Retired employees	2,665	2,577
Widow/widower, parent and compensation annuitants	1,354	1,362
Children and dependents	85	83
Duty disabilities	249	259
Occupational disabilities	121	124
Ordinary disabilities	4	4
Total annuitants and beneficiaries	4,478	4,409
Total benefits	$ 218,897,479	$ 213,159,055