MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

A Component Unit of the City of Chicago

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2001

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2001

Prepared by:
Administrative Staff of the
Municipal Employees' Annuity and Benefit Fund of Chicago
221 North LaSalle Street, Suite 500
Chicago, Illinois 60601

Terrance R. Stefanski
Executive Director

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Board of Trustees

(December 31, 2001)

Peter Brejnak, *President*

Peter Brejnak was appointed to the Board in November 1997. Peter has been a public servant for 30 years, most currently with the Department of Water as Training Coordinator at the Jardine Water Purification Plant. Peter is also a former Non-Commissioned Officer in the United States Marine Corps, and a former Vice Commander of the John P. Hayes American Legion Post. He is also a member of the Board of Directors of the Municipal Employes Society of Chicago.

Phoebe S. Selden, *Vice-President*

Phoebe is Vice-President of the Board, and one of two ex-officio members. As City Comptroller since 1998, Phoebe is a board member of three of the four city pension funds. Previously, she was First Managing Deputy Comptroller, and has been with the Comptroller's office since 1990. Phoebe is also a member of the Committee on Accounting, Auditing and Financial Reporting for the Government Finance Officers Association, and is a member of the Economics Committee of Airports Council International. Prior to her city service, she was an Audit Manager with the international public accounting firm of Ernst & Young. Phoebe is a 1984 graduate from DePaul University, and a Certified Public Accountant.

Judith C. Rice, *Treasurer*

Judith Rice was appointed by Mayor Richard M. Daley to the position of Treasurer of the City of Chicago in November 2000. Immediately preceding her appointment, Ms. Rice served as the first woman Commissioner of the Department of Transportation. Ms. Rice also served as Commissioner of the Department of Water, again breaking ground as the first woman Commissioner. Prior to that, she was the Managing Deputy Director, then Director of the Department of Revenue. She began her city career in 1989 as an Assistant Corporation Counsel. Ms. Rice received her JD from John Marshall Law School in 1988 and was admitted to the Illinois Bar the same year. She graduated Cum Laude in 1981 from Loyola University with a Bachelor of Arts in Communication.

John K. Gibson, *Recording Secretary*

John Gibson was appointed to the Pension Board on February 20, 1997. He is the Chief Engineer of Senn High School, one of the most ethnically diverse schools in the nation. John started his career in the Chicago Public Schools in 1969. During this time he also taught engineering courses for sixteen years in the evening division for the Chicago City Colleges. Mr. Gibson is an elected member of the Executive Board of Local 143, the School Engineers Union. John also serves as Treasurer of the Municipal Employes Society of Chicago.

Joseph M. Malatesta, *Trustee*

Joseph Malatesta was appointed to the Board on July 1, 1998. He was re-elected Trustee in September 2001, for a three year term. Currently, Joe is General Manager of Operations in the Department of Aviation at O'Hare International Airport. His career with the City of Chicago began in 1991 at the City Treasurer's office as a Fund Manager. Joe received his Bachelor's Degree from the University of Illinois at Chicago, and his Master in Business Administration from Dominican University.

Organizational Chart

BOARD OF TRUSTEES

- Investment Advisor
- Investment Managers
- Bank Custodian
- Actuary
- Legal Advisors
- Medical Advisor
- Certified Public Accountants

Executive Director

- Staff Actuary
- Executive Secretary

Deputy Executive Director

- **Accounting** Comptroller
  - **Accountants (4)**
  - **G/L Accounting** Supervisor
    - **Acctg Tech. (3)**
  - **Adjustments** Manager
    - **Adj. Clerks (4)**
  - **Network/Data Processing** NW/DB Administrator
- **Benefits** Manager
  - **Pension Benefits**
    - Assistant Manager
      - **Counseling (3)**
      - **Applications (2)**
    - Assistant Manager
      - **Counseling (3)**
      - **Health Insurance (2)**
  - **Disability Benefits** Supervisor
    - **Disability Reps. (2)**
  - **Word Processor (1)**
- **Investments** Sr. Investment Manager
  - **Investments**
  - **Special Projects (1)**
  - **Office Services (3)**

Advisors - *are listed on page 6*

Advisors

LEGAL ADVISORS
Mr. Frederick P. Heiss
188 West Randolph, Suite 1226
Chicago, IL 60606

Mr.William A. Marovitz
101 West Grand Ave., Suite 200
Chicago, IL 60610

MEDICAL ADVISOR
Dr. Terence Sullivan, M.D.
1522 West Diversey Ave.
Chicago, IL 60614

INVESTMENT CONSULTANT
Mr. Edmund M. Burke
Becker, Burke Associates, Inc.
221 North LaSalle Street, Suite 1000
Chicago, IL 60601

BANK CUSTODIAN
Ms. Rita Curtin
The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

CUSTODIAN
Ms. Judith Rice
City Treasurer
121 North LaSalle Street
Chicago, IL 60602

CONSULTING ACTUARY
Mr. Michael R. Kivi
Gabriel, Roeder, Smith & Company
One Towne Square, Suite 800
Southfield, MI 48076

AUDITORS
Mr. Michael Huels
Bansley and Kiener, L. L. P.
125 South Wacker Drive
Chicago, IL 60606

INVESTMENT ADVISORS
Alliance Capital
Ariel Capital
Bear Stearns
Bear Stearns Realty
Brinson Partners
Capri Capital Associates
Criterion Management
Deutsche Asset Management
First Analysis
Frank Russell Trust
Frontenac Corp.
Great Lakes Advisors
Invesco
John Buck Fund I
Keeley Asset Management
Lincoln Capital Management
Mesirow Financial
MFS International
Midwest Mezzanine Funds
Nicholas Applegate
The Northern Trust Company
Oechsle International
Oppenheimer Capital
Payden & Rygel
Prudential Realty
SB Partners
Travelers Investment Co.
Trust Company of the West
Waddell & Reed
Weiss, Peck & Greer
Wellington Capital

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipal Employees' Annuity and Benefit Fund of Chicago, Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Municipal Employees' Annuity and Benefit Fund of Chicago
221 North LaSalle Street, Suite 500, Chicago, Illinois 60601
Telephone 312.236.4700 • Fax 312.551.7864

Terrance R. Stefanski, Executive Director

Letter of Transmittal

June 28, 2002

The Retirement Board
Municipal Employees' Annuity & Benefit Fund of Chicago
Chicago, Illinois 60601

Dear Members of the Retirement Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Municipal Employees' Annuity and Benefit Fund of Chicago (the Fund) a Component Unit of the City of Chicago for the year ended December 31, 2001. The management of the Fund is responsible for both the accuracy of the data, and the completeness and fairness of the presentation. The report has five sections. The Introductory Section contains this letter of transmittal, administrative and organizational information, and the Certificate of Achievement for Excellence in Financial Reporting for the previous year. The Financial Section contains the report of the independent public accountants as well as the financial statements, notes and supplementary information. The Investment Section contains a summary of the Fund's investment authority, statement of policy and procedures, current year's investment activity and performance, and summary tables of relevant investment data. The Actuarial Section contains the Actuary's Certification Letter, a summary of the actuarial valuation and its results, a summary of the major actuarial assumptions and methods used, a plan summary and a historical listing of changes in plan provisions. The Statistical Section contains relevant statistical summaries on the membership and schedules of revenues by source, expenses by type and other statistical information.

The Fund is a single-employer, defined benefit public employee retirement system (PERS) established by the State of Illinois to provide retirement, death and disability benefits to qualified employees of the City of Chicago and the Board of Education of the City of Chicago. The Fund is considered a Component Unit of the City of Chicago, and, as such, is included in the

City of Chicago's financial statements. The Fund is administered in accordance with Chapter 40 of the Illinois Compiled Statutes, Act 5, Articles 1, 8 and 20.

The Fund came into being in the year 1922 by virtue of an Act of the State of Illinois Legislature. It superseded the former Municipal Pension Fund, which was created by an Act of the legislature in the year 1911, as well as the Public School Employees' Pension Fund, which was established in the year 1903. The Fund now serves 36,679 active members, 9,551 inactive members and 20,088 annuity recipients. There are 505 active members receiving temporary disability benefits.

The primary goals of the Fund are to provide quality service to the membership and to preserve the fiscal integrity and financial stability of the Fund.

The plan description is provided within the notes to the financial statements in the Financial Section, and in the Actuarial Section of this report.

Additions to Plan Net Assets

Receipts from employer and member contributions, as well as net proceeds from realized returns on investments, provided the necessary reserves to finance benefits. Contributions and net proceeds realized from investments for 2001 totaled $484.8 million, a decrease of approximately 40.2% from 2000:

	2001 (millions)	2000 (millions)	Increase (Decrease) Amount	% Change
Realized investment gains and losses	$94.9	$415.6	($320.7)	(77.2%)
Net income from investment	140.3	147.4	(7.1)	(4.8%)
	$235.2	$563.0	($327.8)	(58.2%)
Employer contributions	131.4	140.2	(8.8)	(6.3%)
Member contributions	118.2	107.4	10.8	10.0%
Total revenues available for benefits	$484.8	$810.6	($325.8)	(40.2%)
Unrealized depreciation in fair value of investments	(393.5)	(346.0)	(47.5)	13.7%
Total additions	$91.3	$464.6	($373.3)	(80.3%)

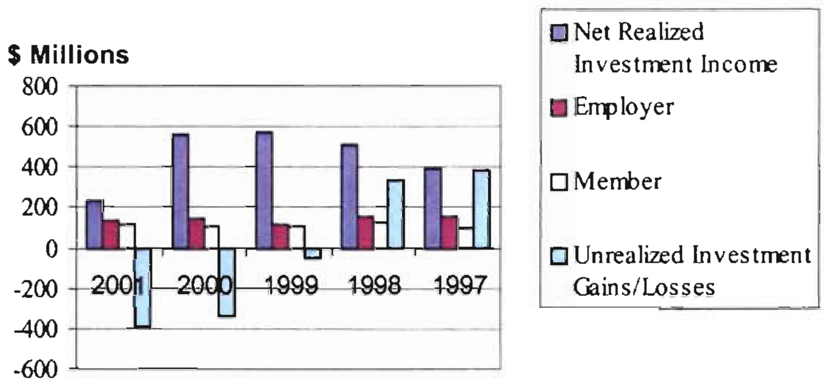
Employer contributions are calculated using a statutorily set multiplier (currently 1.25) times member contributions collected two years prior. The decrease in employer contributions for 2001 is primarily due to a decrease in employee contributions in 1999 compared to 1998.

The increase in member contributions is attributable to an increase in total member salaries to $1,375 million, from $1,243 million, a 10.6% increase. Active membership increased by 1.63% to 36,679 with an average salary increase of 8.81% mainly due to retroactive raises paid during the year going back to 1997. The member contribution rate remained at 8.5% of regular earnings.

As of December 31, 2001, the Fund had a $393.5 million unrealized depreciation in the fair value of investments. This was a 13.7% increase in the unrealized depreciation from the previous year. Realized gains from sale of investments decreased to $94.9 million in 2001 from $415.6 in 2000. Interest, dividends, income from real estate, and securities lending income totaled $140.3

million, $7.1 million less than $147.4 million reported in 2000. Direct investment expenses decreased from $17.5 million in 2000 to $16.7 million in 2001 mainly due to the reduction in equity values. Securities lending income, net of related expenses, decreased from $2.1 million in 2000 to $2.0 million in 2001.

Revenues by Source



Deductions to Plan Net Assets

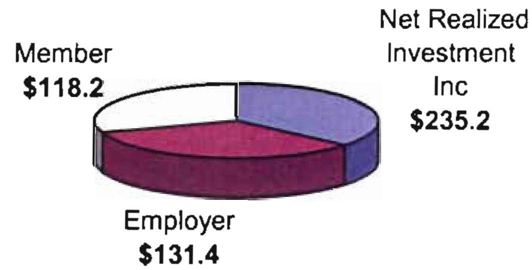
The main purpose for which the Fund was created was to provide benefits to qualified members and their beneficiaries. The cost of these benefits includes recurring payments paid out as annuity (retirement and survivor's) and disability (duty and ordinary) benefits, refunds of contributions to terminated employees and the cost of administration. Expenses for 2001 totaled $396.8 million, a decrease of $9.9 million from 2000.

	2001 (millions)	2000 (millions)	Increase (Decrease) Amount	% Change
Annuity benefits	$362.8	$371.3	($8.5)	(2.3%)
Disability benefits	7.9	6.9	1.0	14.5%
Refunds	22.0	24.7	(2.7)	(11.0%)
Administrative expenses	4.1	3.8	.3	8.0%
Total Deductions	$396.8	$406.7	($9.9)	(2.4%)

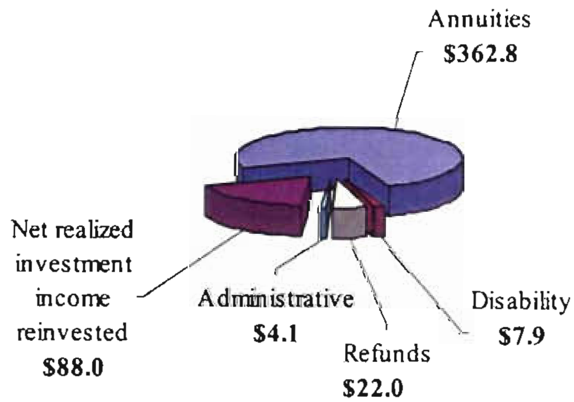
The decrease in annuity payments was due to an additional payment made in 2000 to adjust all annuitants' payment due dates to the 1st of the month, regardless of their retirement date. A growth in the number of duty disability recipients resulted in higher disability payments. There were fewer number of employees who took a refund of their contributions in 2001, resulting in a decrease in the refunds. The escalating costs of health insurance premiums resulted to a higher administrative expense.

Revenue Charts

2001 Revenues by Source ($ in millions)



2001 Revenues by Application ($ in millions)



Funding

The long-term financial stability of a pension fund is indicated by its funded ratio, generally defined as the actuarial value of assets expressed as a percentage of the actuarial accrued liability. The Fund's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in actuarially required contribution rates due to short-term fluctuations in the investment markets. For the December 31, 2001 valuation, the actuarial value of assets was $6,467 million. The aggregate actuarial liability was $6,934 million. The assets held currently fund 93.26% of this liability, which is slightly less than the funding ratio of 94.49% reported for 2000.

State law mandates employer and employee contributions together should sufficiently provide for the actuarial requirements of the Fund. State statutes also set limits for the employer contributions that can produce shortfalls in a given year. For 2001, the statutorily required employer and member contributions were sufficient to cover the actuarial contribution requirement. For year 2002 and later, we expect the statutorily required employer and employee contributions to continue to exceed the actuarial contribution requirement.

The actuarial certification letter, including a description of the financing objective of the Fund, the progress being made toward this objective, and related funding information is provided in the Actuarial Section of this report.

Investment Authority and Performance
The Fund's investment policy, when combined with the statutory employer and employee contributions, is designed to promote the long-term financing of the funding requirements. The Board believes that its investment policy, as evidenced by historical and current performance, is helping the Fund meet its goals. However, due to the passage of substantial benefit increases and reductions in employer contributions over the last few years, the Board of Trustees initiated an asset/liability study in 1999, which was finalized in the first half of 2001. In concluding this study, an asset allocation and manager structure has been developed to address the current needs of the Fund and position itself to best meet projected future financial demands and achieve the overall goal of full funding.

As of December 31, 2001 the Fund was 59% allocated to equity securities, domestic and international, 33% in fixed income securities, 4% in cash equivalents, and the remainder in real estate and venture capital investments.

Refer to the Investment Section of this report for further information regarding investment policy and performance. Fund staff is responsible for preparing the investment section with the assistance of the Fund's investment consultant.

Economic Outlook 2002
The economic outlook for the Fund continues to be conservative. After stellar performances in the 1990's, one would only assume that a correction was inevitable. What has surprised everyone is the severity and length of the correction. As you will read in the Investment Section the Fund has performed well during these down markets, but has not been exempt from the overall reduction in market values. The Fund has always prided itself on its focus on fundamentals, which helps during a struggling market environment. We continue to position ourselves to participate in any future market upswings, but will continue to focus on return expectations within an acceptable level of risk.

Legislative Developments
There were no major legislative developments that occurred in 2001 that had a major impact on the Fund. On June 7, 2001, President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001. Beginning January 1, 2002, payments for eligible optional service credits may be made with funds rolled over from a 457 deferred compensation plan or a 403(b) tax deferred annuity plan, if allowed by the 457 or 403(b) plan.

The Board, in conjunction with the Fund's consultants, continued to work in Springfield toward improving benefits for the members. House Bill 2099 which failed to pass in 2001 will be resubmitted at the 2002 spring session of the Illinois Legislature. The significant provisions include, among other things, an increase in the accrual rates to 2.4% per year of service with a maximum of 80% of final average salary (currently 2.2%/75%).

Data Processing Project
Work has been completed on Phase I of the project. This included all historical data and the screen set-ups. In 2002, we will complete the calculation events of Phase II. This includes service adjustment payments; retroactive and acting-up pay, and termination (death). Phase III is annuity payment processing which is projected to be completed in the third quarter of 2002. This will include data transfers to our paymaster to disburse monthly benefit payments and in-house production of all related reporting requirements such as agenda reports and annuity award letters.

Internal Controls
In developing the Fund's accounting system, consideration is given to the adequacy of internal accounting controls and constant effort is directed toward improving the level of internal controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

Independent Audit
The Illinois Pension Code requires an annual audit of the financial statements of the Plan by independent certified public accountants selected by the Board of Trustees. As required, the independent accountant's unqualified opinion accompanies the Fund's 2001 Financial Statement and is included in the Financial Section of this report.

Certificate of Achievement for Excellence in Financial Reporting
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Municipal Employees' Annuity and Benefit Fund of Chicago for its comprehensive annual financial report for the year ended December 31, 2000. The Certificate of Achievement is a prestigious national award, recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy the requirements of both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one-year only. The Fund has received a Certificate of Achievement for the last twelve years (1989-2000). We believe this report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standard Board. Transactions of the Fund are reported on the accrual basis of accounting.

Acknowledgements

The production of this report was made possible through the combined efforts of the Board of Trustees, the Fund's Actuary, Certified Public Accountants, and administrative staff. It is intended to provide complete and reliable information for making management decisions, determining compliance with applicable law, and evaluating the responsible stewardship of Fund assets. We want to express our gratitude and sincere appreciation for the diligence of all contributors in the production of this publication.

Respectfully submitted,

Terrance R. Stefanski	Tess Toledo
Executive Director	Comptroller

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Financial Section

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BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
125 SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606-4496
AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Municipal Employees' Annuity & Benefit Fund
of Chicago
Chicago, Illinois

We have audited the statements of plan net assets of the Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Municipal Employees' Annuity & Benefit Fund of Chicago as of December 31, 2001 and 2000, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative expenses, investment management compensation, and consulting costs are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bansley and Kiener, L.L.P.

Certified Public Accountants

March 14, 2002

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000
Cash and cash equivalents	$ 1,468,767	$ 1,154,467
Receivables		
Contributions from the City of Chicago, net of allowance for loss of $13,606,074 in 2001 and $14,498,119 in 2000	130,076,092	136,924,534
Employee contributions for early retirement	-	4,913
Member contributions	5,803,828	8,380,686
Interest and dividends	19,312,008	24,906,673
Brokers - unsettled trades	53,060,411	115,197,037
Miscellaneous	61,937	35,315
Total receivables	208,314,276	285,449,158
Investments, at fair value		
Bonds	1,924,055,174	1,873,625,052
Common and preferred stock	3,401,752,054	3,624,069,240
Real estate	122,232,996	123,345,549
Other investments	88,243,345	133,147,543
Short-term investments	255,073,738	282,268,650
Total investments	5,791,357,307	6,036,456,034
Invested securities lending collateral	497,217,769	780,296,681
Property and equipment, net of accumulated depreciation and amortization of $314,267 in 2001 and $235,734 in 2000	3,125,330	2,203,397
Total assets	6,501,483,449	7,105,559,737
LIABILITIES		
Brokers - unsettled trades	179,720,662	194,225,557
Accounts payable and accrued expenses	3,779,321	4,799,250
Securities lending collateral	497,217,769	780,296,681
Total liabilities	680,717,752	979,321,488
Net assets held in trust for pension benefits (A schedule of funding progress is presented later in this report)	$ 5,820,765,697	$ 6,126,238,249

The accompanying notes are an integral part of the financial statements.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Additions		
Contributions from the City of Chicago	$ 131,439,834	$ 140,171,920
Salary deductions	118,240,723	107,371,034
Total contributions	249,680,557	247,542,954
Investment income		
Net appreciation (depreciation) in fair value of investments	(298,692,657)	69,589,172
Interest	96,042,640	101,777,052
Dividends	51,627,638	53,747,921
Income from real estate investments	7,385,525	6,605,570
Other	-	690,441
	(143,636,854)	232,410,156
Less investment expenses	16,694,784	17,491,102
	(160,331,638)	214,919,054
Security lending activities		
Securities lending income	28,293,764	38,883,331
Borrower rebates	(25,496,526)	(35,757,109)
Bank fees	(839,173)	(977,613)
	1,958,065	2,148,609
Total additions	91,306,984	464,610,617
Deductions		
Benefits		
Annuity payments	362,821,248	371,267,517
Disability and death benefits	7,919,981	6,945,471
Total benefits	370,741,229	378,212,988
Refund of employee deductions	18,085,378	19,304,404
Rollover distributions	3,866,416	5,370,444
Administrative and general expenses	4,086,513	3,844,081
Total deductions	396,779,536	406,731,917
Net increase (decrease)	(305,472,552)	57,878,700
Net assets held in trust for pension benefits		
Beginning of year	6,126,238,249	6,068,359,549
End of year	$ 5,820,765,697	$ 6,126,238,249

The accompanying notes are an integral part of the financial statements.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Plan

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance who is not participating in any other pension fund or retirement system is covered by the Municipal Employees' Annuity and Benefit Fund of Chicago (Plan) which is a defined benefit single employer pension plan with a defined contribution minimum. Although this is a single employer plan, the defined benefits, as well as the employer and employee contribution levels, are mandated in Illinois State Statutes (chapter 40, Pensions, Article 5/8) and may be amended only by the Illinois legislature. The City of Chicago accounts for the plan as a pension trust fund. The payroll for employees covered by the plan for the years ended December 31, 2001 and 2000 were $1,375,048,892 and $1,243,439,345, respectively.

Plan membership at December 31 is as follows:

	2001	2000
Active employees (includes members currently receiving disability benefits):		
Vested	16,439	16,185
Nonvested	20,240	19,904
	36,679	36,089
Retirees and beneficiaries currently receiving benefits	20,088	20,327
Terminated (inactive members) employees entitled to benefits or a refund of contributions	9,551	8,469
	66,318	64,885

The Plan provides retirement benefits as well as death and disability benefits. Employees age 55 or more with at least 10 years of service are entitled to receive a monthly purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.2% per year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. Beginning January 1, 1999, there is a 10 year deferred vested benefit payable at age 60. The original annuity is limited to 75% of the highest average annual salary. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $850 per month. The monthly annuity is increased by 3% at the first payment date following the later of age 60 or the first anniversary of retirement, and by 3% annually thereafter.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when an employee became a participant). The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Fund. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 – Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan is considered a component unit fund of the City of Chicago and, as such, is included in the City of Chicago's financial statements. Accordingly, these financial statements present only Municipal Employees' Annuity & Benefit Fund of Chicago and are not intended to present fairly the financial position of the City of Chicago and the result of its operations in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Investments in short-term obligations, principally commercial paper, United States Treasury bills, and bank repurchase agreements, are carried at cost, which approximates fair value. Discount paper is carried at fair value. Fair values for bonds and stocks are determined by quoted market prices. Fair values of real estate, commingled real estate and venture capital investments are based upon annual independent appraisals.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit with the Treasurer of the City of Chicago as well as investments held by the City Treasurer on behalf of the Plan with original maturities of 90 days or less.

Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the straight-line methods over periods ranging from 5-8 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. A summary of property and equipment at December 31, 2001 and 2000 is as follows:

	2001	2000
Furniture	$ 142,661	$ 149,628
Equipment	47,181	53,491
Computers	342,295	322,115
Leasehold improvements	43,166	43,166
	575,303	568,400
Less accumulated depreciation and amortization	314,267	235,734
	261,036	332,666
Construction in progress	2,864,294	1,870,731
Net property and equipment	$3,125,330	$2,203,397

Construction in progress consists of an installation of a new computer system at a total estimated cost of $3,800,000 to be completed by January, 2003.

Note 3 – Deposits and Investments

At December 31, 2001 and 2000, the Plan's book balances of cash are $1,468,767 and $1,154,467, respectively. The actual bank balances at December 31, 2001 and 2000 are $1,467,967 and $1,384,829, respectively. The deposits of the Plan are insured or collateralized in the Plan's name or held by the Plan, by its custodian The Northern Trust Company, or by the Treasurer of the City of Chicago in the Plan's name.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 – Deposits and Investments (Continued)

The following table presents a summarization of the book and fair values of the Plan's investments and related categorization of credit risk at December 31, 2001 and 2000. Category 1 includes insured or registered investments held by the Northern Trust Company, as agent of the Plan, in the Plan's name:

Investment	Risk Category	December 31, 2001 Book Value	December 31, 2001 Fair Value	December 31, 2000 Book Value	December 31, 2000 Fair Value
Bonds	1	$1,745,157,577	$1,924,055,174	$1,716,040,770	$1,873,625,052
Stocks	1	2,785,014,341	3,235,851,164	2,652,515,786	3,419,639,540
Short-term investments:					
Commercial paper	1	2,496,404	2,503,142	6,124,076	6,195,523
Other commingled funds	N/A	252,560,657	252,570,596	276,073,127	276,073,127
Real estate	N/A	112,623,545	122,232,996	113,776,691	123,345,549
Venture capital	N/A	128,920,004	88,243,345	118,926,790	133,147,543
International equity commingled	N/A	133,881,216	165,900,890	128,680,483	204,429,700
		$5,160,653,744	$5,791,357,307	$5,012,137,723	$6,036,456,034

Fair values of securities are based primarily on quotations from national security exchanges. Fair values of real estate, commingled real estate, and venture capital investments are based upon independent appraisals.

Note 4 – Investments

Certain Plan investments are held by a bank administered trust fund. Investments that represent 5 percent or more of the Plan's net assets (except those issued or guaranteed by the U.S. Government) are separately identified.

	2001	2000
Investments At Fair Value As Determined by Quoted Price		
Bonds		
BT Pyramid Broad Market Fixed Income Fund	$ 517,256,461	$ 475,700,093
Other	1,406,798,713	1,397,924,959
Common and preferred stock	3,401,752,054	3,624,069,240
	5,325,807,228	5,497,694,292
Investments at Fair Value As Determined by Plan Administrator		
Real estate	122,232,996	123,345,549
Other	88,243,345	133,147,543
Short-term investments	255,073,738	282,268,650
	465,550,079	538,761,742
Total investments	$5,791,357,307	$6,036,456,034

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 5 – Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Plan as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. All securities loans can be terminated on demand by either the Plan or the borrower. At December 31, 2001 the average term of the loan was 21 days. All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the fair value of the securities loaned, the collateral is adjusted accordingly. Cash collateral is invested in the short-term investment pool, which at December 31, 2001 had a weighted average maturity of 48 days. As of December 31, 2001 and 2000, the Plan had loaned to borrowers securities with a fair value of $547,870,896 and $841,053,830, respectively. As of December 31, 2001 and 2000, the Plan received from borrowers cash collateral of $497,217,769 and $780,296,681, and non-cash collateral of $67,227,280 and $86,263,509, respectively. Securities lending net income for the years ended December 31, 2001 and 2000 was $1,958,065 and $2,148,609, respectively. At year end, the fund has no credit risk exposure to borrowers because the amounts the fund owes the borrowers exceed the amounts the borrowers owe the fund.

Note 6 – Office Lease

The Plan leases its administrative office and storage facilities under a fifteen-year agreement in effect through February 28, 2008. The lease may be canceled after ten years subject to significant cancellation penalties. The lease currently requires monthly payments of $20,292. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance expenses.

Following is a summary of estimated future lease payments under the Plan's operating lease as of December 31, 2001:

Year Ending December 31,	Amount
2002	$ 243,504
2003	243,504
2004	243,504
2005	243,504
2006	243,504
Thereafter	284,088
Total	$1,501,608

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b–a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
12/31/01	$6,466,797,545	$6,934,176,477	$ 467,378,932	93.3%	$1,375,048,892	34.0%
12/31/00	$6,297,976,257	$6,665,179,731	$ 367,203,474	94.5%	$1,243,439,345	29.5%
12/31/99	$6,017,841,114	$6,562,299,185	$ 544,458,071	91.7%	$1,267,181,658	43.0%
12/31/98	$5,202,095,202	$6,323,965,903	$1,121,870,701	82.3%	$1,168,639,224	96.0%
12/31/97	$4,467,100,715	$5,259,125,157	$ 792,024,442	84.9%	$1,192,286,688	66.4%
12/31/96	$3,907,997,927	$4,514,208,388	$ 606,210,461	86.6%	$1,076,057,784	56.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2001	$ 83,526,133	157.4%
2000	$ 93,016,467	150.7%
1999	$157,514,076	76.0%
1998	$108,174,346	146.6%
1997	$100,278,969	156.4%
1996	$123,313,173	123.7%

NOTE TO SCHEDULES OF FUNDING PROGRESS AND 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	12/31/01
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%
Inflation	3%
Post retirement benefit increase	3% per year beginning after annuitant reaches age 60

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Administrative Salaries	$ 1,762,051	$ 1,631,227
Employee Benefits	480,124	368,142
Professional Services:		
Actuarial	87,870	172,208
Data Processing	591,031	589,099
Medical	37,800	37,800
Auditing	22,000	26,000
Legal	109,094	96,264
Custodial	116,782	102,228
Contractual	84,797	84,865
Benefit and Refund Calculations	-	435
Consulting	71,180	76,203
Investment advisory	160,000	-
Office Supplies and Equipment	46,622	43,362
Office Equipment Maintenance	13,440	21,194
Bank service charge	4,989	4,473
Equipment Rental	23,064	18,413
Depreciation	105,912	85,514
Insurance	8,632	-
Printing and Publishing	111,550	114,305
Postage	62,257	77,027
Rent and Utilities	256,804	242,958
Retirement Board Election Costs	2,628	1,144
Miscellaneous	8,221	8,403
Telephone and Communications	28,398	15,799
Travel	28,925	14,193
Dues and Subscriptions	16,015	12,825
	4,240,186	3,844,081
Administrative Expense Recoveries	(153,673)	-
Total Administrative Expenses	$ 4,086,513	$ 3,844,081

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Balanced Managers		
Brinson Partners	$ 757,135	$ 745,429
Equity Managers		
Alliance Capital	1,224,320	1,766,963
Ariel Capital	1,312,236	1,105,377
Bear Stearns	748,520	678,402
Chicago Asset Mgmt.	336,163	689,144
Deutsche Asset Mgmt.	132,699	289,597
Great Lakes Advisors	287,637	266,441
Keeley Asset Mgmt.	440,635	408,595
Northern Trust Quantative Adv.	39,353	-
Oppenheimer Capital	797,412	793,611
TCW	173,852	130,739
TIMCO	136,614	197,043
Waddell & Reed	276,537	220,613
Weiss, Peck & Greer	803,127	1,069,896
Wellington Capital	748,001	710,076
Total Equity	7,457,106	8,326,497
Bond Managers		
Alliance Capital	614,208	559,881
Criterion	281,831	260,615
Deutsche Asset Mgmt. - Index	128,761	117,874
Frank Russell Trust	294,775	267,117
Lincoln Capital	432,233	553,966
Payden & Rygel	138,249	125,480
Total Bond	1,890,057	1,884,933
International Equity Managers		
Frank Russell Trust	1,500,025	1,821,262
MFS	153,064	126,796
Nicholas Applegate	173,026	156,575
Oechsle	248,626	215,268
Total International Equity	2,074,741	2,319,901
Real Estate Managers		
Capital Associates Rlty.	532,561	564,952
Glenborough Realty	-	18,973
John Buck Company	196,875	160,208
Prudential Asset Mgmt.	461,195	414,723
Total Real Estate	1,190,631	1,158,856
Venture Capital Managers		
First Analysis	1,074,969	1,000,000
Frontenac Corp.	200,000	320,000
Invesco	71,412	105,268
Mesirow Financial	1,587,539	1,326,879
Midwest Mezzanine Fund	166,194	78,339
SB Partners	225,000	225,000
Total Venture Capital	3,325,114	3,055,486
Total	$ 16,694,784	$ 17,491,102

SCHEDULE OF CONSULTING COSTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Legal Advisors	$ 109,094	$ 96,264
Medical Advisors	37,800	37,800
Investment Consultant	160,000	140,000
Consulting Actuary	87,870	172,208
Auditor	22,000	26,000
Master Custodian	116,782	102,228
Total	$ 533,546	$ 574,500

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**This section was prepared by the Investment Staff of the Fund.*

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MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO

INVESTMENTS (Fair to Book)

Periods Ended December 31, 2001 and December 31, 2000

CATEGORY	12/31/01 FAIR VALUE	%	12/31/01 BOOK VALUE	%	12/31/00 FAIR VALUE	%	12/31/00 BOOK VALUE	%
BONDS	$1,924,055,174	33%	$1,745,157,577	34%	$1,873,625,052	31%	$1,716,040,770	34%
Domestic Equities	3,235,851,164	56%	2,785,014,341	54%	3,419,639,540	57%	2,652,515,786	53%
International Equities	165,900,890	3%	133,881,216	3%	204,429,700	3%	128,680,483	3%
EQUITIES	3,401,752,054	59%	2,918,895,557	57%	3,624,069,240	60%	2,781,196,269	55%
REAL ESTATE	122,232,996	2%	112,623,545	2%	123,345,549	2%	113,776,691	2%
VENTURE CAPITAL	88,243,345	2%	128,920,004	2%	133,147,543	2%	118,926,790	2%
CASH EQUIVALENTS	255,073,738	4%	255,057,061	5%	282,268,650	5%	282,197,203	6%
TOTAL INVESTMENTS	**$5,791,357,307**	**100%**	**$5,160,653,744**	**100%**	**$6,036,456,034**	**100%**	**$5,012,137,723**	**100%**

Investment Authority

The authority granted to the Retirement Board (the Board) can be found in the **Illinois Compiled Statutes, Chapter 40, Act 5, Section 8-201 and 8-201.1. Section 1-113 also defines allowable investments.** Any fiduciary with investment authority is required to discharge his, or her, duties with respect to a plan with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Investment Responsibility

In order to clarify the roles and responsibilities of the Board and the various investment professionals engaged by the Board, **the following responsibilities have been designated:**

The Board **assumes the responsibility for establishing an investment policy to guide the investment activity of the Fund**.

The Board engages various managers to make investments in accordance with this policy and applicable statutes. These managers apply their professional judgment in making investment decisions. Managers are given full discretion within their assigned style and strategy to select, acquire, maintain and dispose of individual investments.

Investment Policy and Objectives

The Board established a **three-phased program for implementing the investment policy of the Fund:**

Phase 1 **reduce risk and improve diversification** through the use of multiple complementary managers,

Phase 2 **establish objectives and guidelines** for managing the Fund's assets, and

Phase 3 **evaluate and refine the structure of managers** established in phase 1 and the objectives and guidelines established in phase 2.

Phase 1 was implemented during 1983 through 1985. Continuing formal performance reviews have been held semi-annually since then. **Phase 2** was initiated in 1986 and completed in 1987. **Phase 3** is ongoing and has been repeated annually since 1987.

The Retirement Board completed a review of its investment policy and manager structure during the year. The process began in 2000 with a study of the asset and liabilities of the Fund to determine estimated cash flows over the next ten years. Based on this study the Board set the Fund's asset allocation parameters.

Targets within these parameters will be utilized to put the portfolio in an optimal position to achieve the Fund's long-term goals and objectives.

A **list of the funded ratios**, based on actuarial determined assets and liabilities in accordance with GASB 25, is provided below:

December 31, 2001	**93.26%**
2000	94.49%
1999	91.70%
1998	82.26%
1997	84.94%
1996	86.57%
1995	78.67%

Investment Allocation Guidelines

Under the "Prudent Person Rule" the members of the Retirement Board are required to discharge their duties with respect to a plan, with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Diversification

The Fund's assets are diversified in several ways to minimize the risk of loss. Diversification is accomplished through the proper allocation of assets. The main allocation is to publicly traded stocks and bonds. Additional diversification is achieved by an allocation to international stocks and small allocations to real estate and venture capital. Diversification within asset classes based on investment characteristics and management style is also utilized.

Performance Review

The rate of return of the Fund is compared annually against the actuarial assumed rate of return of 8%. The return is also compared with numerous market indices, including the Standard and Poor's 500 Stock Index and the Lehman Brothers Aggregate Bond Index. Target rates of return vary from one investment manager to another, depending upon the objective of each manager's portfolio. The return of the total Fund is also compared to a universe of other pension funds with similar structures.

Asset Allocation

As of December 31, 2001 the allocation of Fund assets at fair values compared to the Fund's determined parameters and target.

Vehicle	Range %	Target %	Actual%
U.S. Equities:			
Large	42-48%	45%	45%
Small/Mid	8-12%	10%	11%
Intl. Equities	8-12%	10%	3%
Bonds	24-28%	26%	33%
Real Estate	2-5%	5%	2%
Venture Capital	2-4%	4%	2%
Cash Equivalents	0%	0%	4%

Range and target percentages were determined based on an asset/liability study finalized in early 2001.

Manager by Type & Percentage of Investments
As of December 31, 2001

	Market Value	%
Balanced Managers		
Brinson Partners	***$286,580,563.05***	***4.9%***
Bond Managers		
Alliance Capital	528,045,682.92	9.1%
Criterion Asset Mgmt.	140,014,297.31	2.4%
Deutsche Asset Mgmt.	517,256,461.26	8.9%
Frank Russell	118,331,717.21	2.0%
Lincoln Capital	514,696,673.14	8.9%
Payden & Rygel	102,355,302.20	1.8%
	1,920,700,134.04	***33.2%***
Equity Managers		
Alliance Capital	523,226,275.60	9.0%
Ariel Capital	436,514,181.97	7.5%
Bear Stearns	254,799,001.58	4.4%
Deutsche Asset Mgmt.	537,548,078.76	9.3%
Great Lakes Advisors	97,346,592.66	1.7%
Keeley Asset Mgmt.	127,764,581.03	2.2%
Northern Trust	350,655,392.96	6.1%
Oppenheimer Capital	289,601,004.26	5.0%
TCW	15,426,067.45	0.3%
TIMCO	31,483,342.78	0.5%
Waddell & Reed	37,673,716.24	0.7%
Weiss, Peck & Greer	206,359,276.75	3.6%
Wellington Capital	201,529,716.04	3.5%
	3,109,927,228.08	***53.7%***
International Equity Manager		
Frank Russell	165,900,890.03	2.9%
MFS International	24,897,632.68	0.4%
Nicholas Applegate	19,077,421.63	0.3%
Oechsle International	25,835,060.26	0.4%
	235,711,004.60	***4.1%***
Real Estate Managers		
Bear Stearns	1,403,274.00	0.0%
Capital Associates Apt. Fund	41,661,009.00	0.7%
John Buck Company	8,024,186.00	0.1%
Prudential	48,069,291.33	0.8%
Public Pension Fund II	24,011,688.00	0.4%
	123,169,448.33	***2.1%***
Venture Capital Managers		
Capital Fund Partners	2,225,169.00	0.0%
First Analysis	30,952,602.65	0.5%
Frontenac Corporation	1,516,156.75	0.0%
Invesco	8,188,386.57	0.1%
Mesirow Financial	30,744,361.00	0.5%
Mesirow Fund I	12,730,874.00	0.2%
Midwest Mezzanine Fund	5,017,470.00	0.1%
SB Partners	284,970.00	0.0%
	91,659,989.97	***1.6%***
Short-term Account		
*Fund Balance	***23,608,938.93***	***0.4%***
Total Investments	***$5,791,357,307.00***	***100.0%***

*The Fund Balance account is for monthly benefit and administrative payments and collection of returned capital and miscellaneous receipts.

SUMMARY OF 2001 INVESTMENT ACTIVITY

2001 - Investment Management Modifications

The Board, through its investment policy, seeks to blend various investment managers' styles to maximize returns while controlling risk. The activities of the financial markets is regularly monitored and compared to the performance of the Fund's portfolio. In the short-run, modifications to the portfolio are minimal. The Fund is a long-term investor and in no way attempts to time the market by participating in momentum type investing. Changes to the portfolio are usually done based on aligning or realigning the portfolio to the determined optimal allocation of assets, enabling the achievement of the long-term goals and objectives of the Fund. An exception to this is in real estate and venture capital, where based on available funds, the Fund may decide to participate in certain partnerships if a quality opportunity presents itself and fits within the allocation parameters and objectives of that asset class.

As discussed earlier in this report, the Board set the asset allocation parameters needed for achieving the investment goals and objectives of the Fund based on an asset and liability study concluded at the beginning of the year. Allocation parameters were set for all asset classes, equities, bonds, alternatives, etc. Within each asset class, allocations to different mandates were set based on manager's investment philosophy, capitalization of companies invested in, and degree of asset management utilized. This triggered the termination of two mandates, the reduction of one and the creation of one new mandate to our equity allocation. Chicago Asset Management, a contrarian large-cap value manager with an account valued at $193 million, and Weiss, Peck & Greer's active core mandate, valued at $55 million, were terminated. $120 million was taken from Deutsche Asset Management's S&P500 index with a dividend tilt account for diversification purposes. All monies from these changes were consolidated to open a new account with The Northern Trust Company. The account is a passively managed S&P500 index account. Both moves were made based on the conclusions of the investment study finalized during the year. On the bond side, Lincoln Capital, manager of an active aggregate bond mandate, had its mandate changed to an enhanced index account. Also, $70 million was removed from their account to assist with operating cash flow needs.

Opportunities in real estate and venture capital presented themselves during the year, as the Board committed to four new partnerships with existing general partners. On the real estate side, Capri/Capital Advisors closed their third apartment fund in the fourth quarter; the Fund committed $40 million. In venture capital, the Board committed $86 million to four separate funds. $25 million went to First Analysis Private Equity Fund IV, $25 million to Midwest Mezzanine Fund III, $18 million to Mesirow Capital Partners VIII and $18 million to Mesirow Partnership Fund II. All the funds are direct investment funds except for Mesirow Partnership Fund II, which is a "fund of funds" structure. All monies will be drawn over the next three to five years.

2001 – Market In Review

2001 will be forever remembered for the horrific events of September 11th. The innocent victims and the many heroes, who gave their lives to try and save others, will never be forgotten.

2001 was a difficult year for the markets even before the events of September 11th. Coming off a negative year in 2000, pressure was on companies to justify their premium cost as corporate earnings continued to decline. The Federal Reserve began to ease monetary policy early in the year to help the stumbling markets. When it was all said and done, eleven reductions occurred during the year, dropping key rates to their lowest levels in decades. Your usual correlation of rate reductions causing a jump in stock prices did not occur. The continued pressure on corporate earnings caused companies to rethink their short-term objectives. Cash became king as companies slashed payrolls, cut capital spending and prepared themselves for an uncertain recessionary period. Taking this, in conjunction with the events of September 11th, and investor's hopes for a rebound in 2001 faded away. The terrorist attacks closed the stock exchanges for four business days, the longest suspension in over sixty years. Added to all this uncertainty was the sudden collapse of one of our countries largest energy companies, Enron Corporation, under a swirl of accounting irregularity accusations. Somehow during this, the equity markets rebounded in the fourth quarter, but not enough to save the year from reflecting negative returns.

Sectors of the equity markets that continued to get beaten up during the year were technology and telecommunications. Exempt from the beating were companies such as Microsoft and Dell Computers, which became defensive plays in the technology arena. No significant sector showed across the board rallies, but consumer spending on home improvements helped companies like Home Depot, Best Buy and Lowe's.

For balanced funds, administrators savored their allocation to bonds for a second straight year. Struggling equity markets, low inflation and monetary easing made for another strong year in the fixed income markets. Leading the way was investment-grade corporate securities, even with weak earnings reports. Two consecutive years of bonds outpacing equities has only occurred four times prior.

Going into 2002, investors are continuing to hope for a rebound. One ray of hope is that markets have not declined in three consecutive years in over sixty years. Unfortunately, we have seen a lot of painful records broken during this extended bear market. Positive corporate earnings, that hoped to show their face in 2001, will need to appear in 2002 for it to be a positive year. Most analysts still feel that companies are trading at a premium, which could continue to cause downward pressure on stock prices. Also, more attacks on our country could hurt the chances for a solid rebound.

INVESTMENT PERFORMANCE

2001 - Fund Performance

The Fund earned a rate of return of –2.3% for the year. This ranked in the 48th percentile compared to other public funds. The funding ratio, represented by the actuarial asset value of assets as a percentage of the actuarial accrued liability, is 93.26%, showing continued strength even after two consecutive years of market disappointments.

2001 - Asset Class Performance

As mentioned prior, the overall return of the Fund was –2.3%, which was achieved during another very difficult investment year. As in 2000, overall loss in value was minimized by the Fund's allocation to bonds and our conservatism within our equity allocation. The Fund's allocation to domestic equities was consistent from last year at 56%, which returned a –6.3%, comparing favorably to the S&P 500, which lost –11.9%. The Fund's weighting in value style management, which under-performed growth styles in 1998-99, helped minimize losses in 2000-2001. The Fund's bond exposure, 33% overall, continued to anchor the portfolio, returning 8.1%, slightly under performing the Lehman Aggregate Bond Index, at 8.4%

2001 - Fund Performance (Multi-Year Periods)

As stated previously, the Fund's investment policy is designed to maximize returns while minimizing risk. The actuarial rate of return is conservatively set at 8% to avoid speculative investing and its inherent risk. Uncontrollable market factors will positively or negatively affect rates of return each year. Annualized returns for periods such as three and five years tend to eliminate market fluctuations and also reflect a return's comparability to benchmark indices. As such, they are a much better indication of the ability to meet stated investment objectives. Refer to the following schedules to see the Fund's returns over multi-year time periods.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
INVESTMENT RETURNS
As of December 31, 2001

ANNUAL INVESTMENT RETURNS
Total Fund, Domestic Stocks, and Bond Investments

For the Year Ended December	2001	2000	1999	1998	1997	Cumulative Annuals 3 Years	Cumulative Annuals 5 Years
TOTAL FUND							
The Fund	-2.3%	3.3%	9.8%	18.4%	19.9%	3.5%	9.5%
Inflation + 3%	4.6%	6.4%	5.7%	4.6%	4.7%	5.6%	5.3%
DOMESTIC STOCKS							
The Fund	-6.3%	0.0%	11.9%	25.2%	31.4%	1.6%	11.5%
S & P 500 Stock Index	-11.9%	-9.1%	21.0%	28.6%	33.4%	-1.0%	10.7%
BONDS							
The Fund	8.1%	10.7%	-1.5%	9.0%	9.1%	5.6%	7.1%
Lehman Aggregate Bond Index	8.4%	11.6%	-0.8%	8.7%	9.7%	6.3%	7.4%

Investment returns are supplied by Becker, Burke Associates and are in compliance with AIMR standards.

ASSET ALLOCATION (Relative Fair Values)

	2001	2000	1999	1998	1997
Domestic Stocks	56%	57%	59%	56%	53%
Bonds	33%	31%	28%	32%	34%
Real Estate	2%	2%	2%	2%	2%
Venture Capital	2%	2%	2%	2%	3%
International Stocks	3%	3%	4%	3%	3%
Short-term	4%	5%	5%	5%	5%
Investment Assets	**100%**	**100%**	**100%**	**100%**	**100%**

Actuarial Funding Ratio (Fair Value of Net Assets/Actuarial Accrued Liabilities)

	2001	2000	1999	1998	1997
Actuarial Funding Ratio	83.94%	91.91%	92.47%	90.38%	93.78%
Actuarial Funding Ratio Objective	**80.00%**				

MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
FIFTEEN LARGEST INVESTMENT HOLDINGS
For Fiscal Year Ended December 31, 2001

Type of Investment	Name of Investment	($) Fair Value	% of Invested Assets
Commingled Bond Fund	BT Pyramid Broad Market Bond Fund	$517,256,461	8.9%
Commingled Equity Fund	Northern Trust S&P500 Equity Index Fund	350,642,015	6.1%
Commingled Short-term Fund	Northern Trust Short-term Investment Funds	246,334,897	4.3%
Commingled Int'l Equity Fund	Frank Russell International Fund	91,515,740	1.6%
Common Stock	Citigroup Inc.	76,854,538	1.3%
Common Stock	General Electric Company	63,775,296	1.1%
Common Stock	Microsoft Inc.	51,390,125	0.9%
Common Stock	Pfizer Inc.	45,195,878	0.8%
Real Estate Fund	Capital Associates Apartment Fund	41,661,009	0.7%
Common Stock	American Intl. Group Inc.	40,060,158	0.7%
Common Stock	Johnson & Johnson Co.	37,095,533	0.6%
Common Stock	AOL Time Warner Inc.	35,446,425	0.6%
Common Stock	Tyco Intl. LTD.	35,338,410	0.6%
Common Stock	Exxon Mobil Corp.	34,311,258	0.6%
Treasury Bond	U.S. Treasury Bond 8.125% / 8-15-19	32,483,588	0.6%
Treasury Note	U.S. Treasury Note 6% / 8-15-04	31,511,914	0.5%
	Total	**$1,730,873,244**	**29.9%**

Note: A complete listing of the portfolio holdings are available for review at the Fund office.

MUNICIPAL EMPLOYEE'S ANNUITY AND BENEFIT FUND OF CHICAGO

INVESTMENT BROKERAGE COMMISSIONS

For Fiscal Year Ended December 31, 2001

BROKER NAME	($) Commissions	(#) Shares	($) Cost per Share
BROADCORT CAPITAL CORP.	360,600	6,215,517	$0.058
MERRILL LYNCH PIERCE FENNER & SMITH	332,528	5,794,221	0.057
LYNCH JONES & RYAN	241,037	4,289,627	0.056
SMITH BARNEY INC.	194,394	3,453,910	0.056
BEAR STEARNS SECURITIES CORP.	174,407	3,281,314	0.053
GOLDMAN SACHS & COMPANY	166,239	2,784,571	0.060
MORGAN STANLEY & CO. INC.	130,619	2,406,361	0.054
CORRESPONDENT SERVICES CORP.	121,564	2,118,650	0.057
FIRST BOSTON CORP.	103,821	2,014,400	0.052
J.P. MORGAN SECURITIES INC.	97,226	1,665,500	0.058
BERNSTEIN, SANFORD C. & CO.	83,270	1,411,770	0.059
FRANK RUSSELL SEC/BROADCORT	81,773	1,526,267	0.054
PAINE WEBBER INC.	79,512	1,506,525	0.053
LEHMAN BROTHERS INC.	76,180	1,316,500	0.058
PAINE WEBBER GOVERNMENT SECURITIES INC.	74,856	1,449,187	0.052
PRUDENTIAL SECURITIES INCORP.	63,612	1,239,572	0.051
LEWCO SECURITIES	58,032	1,000,200	0.058
JEFFERIES & COMPANY	53,930	958,985	0.056
DONALDSON LUFKIN & JENRETTE	49,948	865,450	0.058
DB CLEARING SVCS.	48,386	864,100	0.056
ABN AMRO SECURITIES	37,489	681,353	0.055
CANTOR FITZGERALD $ CO.	36,655	654,300	0.056
MONTGOMERY SECURITIES	34,625	593,736	0.058
CAPITAL INSTITUTIONAL SVCS.	29,059	488,060	0.060
WEEDEN & CO.	29,024	511,100	0.057
AUTRANET INC.	28,235	473,900	0.060
OPPENHEIMER & CO. INC.	27,987	476,820	0.059
CITATION GROUP	27,184	474,000	0.057
COWEN & CO.	26,417	452,500	0.058
MANAGERS WITH < $25,000 OF COMMISSIONS	$436,346	7,286,768	0.060
TOTAL BROKER COMMISSIONS FOR 2001	**$2,868,607**		**$0.057**

Broker commissions are accounted for as an additional cost to a security when purchased, and as a reduction to the cash received when sold.

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GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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April 11, 2002

The Retirement Board of the
Municipal' Employees' Annuity and Benefit
Fund of Chicago
221 North LaSalle Street
Suite 748
Chicago, Illinois 60601

Subject: Actuarial Certification

Gentlemen:

At your request, we have performed an actuarial valuation for the Municipal Employees' Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2001. An actuarial valuation of the Fund is performed annually. The valuation has been performed to measure the funding status of the Fund and determine the contribution for 2002. It includes disclosure information required under GASB Statement No. 25 and Statement No. 27. The assumptions and methods used were selected by the actuary and meet the parameters set for the disclosure presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25.

We have provided the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Active Member Valuation Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Analysis of Financial Experience

We have also provided the following schedules for the financial sections of the report. We relied on information from the prior actuary for years before 1999.

- Schedule of Funding Progress
- Schedule of Employer Contributions

This valuation is based upon:

a) **Data Relative to the Members of the Fund** - Data for active members was provided by the Fund's staff. Data utilized for persons receiving benefits from the Fund was also provided by the Fund's staff. We have tested this data for reasonableness.
b) **Asset Values** - The values of assets of the Fund were provided by the Fund's staff. An actuarial value of assets was used to develop actuarial results for GASB Statement No. 25 and Statement No. 27.
c) **Actuarial Method** - The actuarial method utilized by the Fund is the Entry-Age Actuarial Cost Method. The objective of this method is to recognize the costs of Fund benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL), under this method is separately amortized. All actuarial gains and losses under this method are reflected in the UAAL.
d) **Actuarial Assumptions** - The same actuarial assumptions as last year were used for this valuation. They are set out in the following pages.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be 1.25 times the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 1:25:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis indicates that these contributions are adequate to finance the Fund.

As a result of a business alliance between Gabriel, Roeder, Smith and Company and the Fund's prior actuary, Watson Wyatt Worldwide, the Fund's retained actuary is Gabriel, Roeder, Smith and Company, effective with the December 31, 2001 actuarial valuation. There are no material differences in the valuation resulting from this change.

The valuation results set out in this report are based on the data and actuarial techniques described above, and upon the provisions of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct.

Gabriel, Roeder, Smith and Company

Michael R. Kivi, FSA
Consultant

W. James Koss, ASA
Consultant

David L. Hoffman
Consultant

R. Michael Gano
Senior Analyst

Summary of Actuarial Valuation

	December 31, 2000	December 31, 2001	% Change
Actuarial Values			
Termination Values			
Liability	$ 4,367,336,587	$ 4,434,004,223	**1.53 %**
Assets - Actuarial Value	6,297,976,257	6,466,797,543	**2.68 %**
Deficiency/(Excess)	(1,930,639,670)	(2,032,793,320)	**5.29 %**
Funded Ratio	**144.21%**	**145.85%**	**1.14 %**
GASB #25 Values			
Actuarial Liability	$ 6,665,179,731	$ 6,934,176,477	**4.04 %**
Assets - Actuarial Value	6,297,976,257	6,466,797,543	**2.68 %**
Unfunded Liabilty (Surplus)	367,203,474	467,378,934	**27.28 %**
Funded Ratio	**94.49%**	**93.26%**	**(1.30)%**
Annual Required Contribution (ARC)	$ 83,526,133	$ 92,711,870	**11.00 %**
Market Values			
Actuarial Liability	$ 6,665,179,731	$ 6,934,176,477	**4.04 %**
Assets - Market Value	6,126,238,249	5,820,765,697	**(4.99)%**
Unfunded Liability	538,941,482	1,113,410,780	**106.59 %**
Funded Ratio	**91.91%**	**83.94%**	**(8.67)%**
Book Values			
Actuarial Liability	$ 6,665,179,731	$ 6,934,176,477	**4.04 %**
Assets - Book Value	5,101,919,939	5,190,062,134	**1.73 %**
Unfunded Liability (Surplus)	1,563,259,792	1,744,114,343	**11.57 %**
Funded Ratio	**76.55%**	**74.85%**	**(2.22)%**

Summary of Actuarial Valuation (continued)

	December 31, 2000	December 31, 2001	% Change
Assets			
Market Value - Beginning of Year	$ 6,068,359,549	$ 6,126,238,249	**0.95 %**
Income			
Investment Income	217,067,663	(158,373,573)	**(172.96)%**
Employer Contributions	140,171,920	131,439,834	**(6.23)%**
Employee Contributions	107,371,034	118,240,723	**10.12 %**
Subtotal	464,610,617	91,306,984	**(80.35)%**
Outgo (Refunds, Benefits & Expenses)	406,731,917	396,779,536	**(2.45)%**
Net Change	57,878,700	(305,472,552)	**(627.78)%**
Market Value - End of Year	$ 6,126,238,249	$ 5,820,765,697	**(4.99)%**
Book Value - Beginning of Year	$ 4,710,909,230	$ 5,101,919,939	**8.30 %**
Income			
Investment Income	550,199,672	235,241,174	**(57.24)%**
Employer Contributions	140,171,920	131,439,834	**(6.23)%**
Employee Contributions	107,371,034	118,240,723	**10.12 %**
Subtotal	797,742,626	484,921,731	**(39.21)%**
Outgo (Refunds, Benefits & Expenses)	406,731,917	396,779,536	**(2.45)%**
Net Change	391,010,709	88,142,195	**(77.46)%**
Book Value - End of Year	$ 5,101,919,939	$ 5,190,062,134	**1.73 %**
Actuarial Value - Beginning of Year	$ 6,017,841,114	$ 6,297,976,257	**4.66 %**
Income			
Investment Income	439,324,106	315,920,265	**(28.09)%**
Employer Contributions	140,171,920	131,439,834	**(6.23)%**
Employee Contributions	107,371,034	118,240,723	**10.12 %**
Subtotal	686,867,060	565,600,822	**(17.65)%**
Outgo (Refunds, Benefits & Expense)	406,731,917	396,779,536	**(2.45)%**
Net Change	280,135,143	168,821,286	**(39.74)%**
Actuarial Value - End of Year	$ 6,297,976,257	$ 6,466,797,543	**2.68 %**

Summary of Actuarial Valuation (continued)

	December 31, 2000	December 31, 2001	% Change
Members			
Active*	36,089	36,679	**1.63 %**
Inactive	8,469	9,551	**12.78 %**
Retirees	15,530	15,365	**(1.06)%**
Survivors	4,608	4,525	**(1.80)%**
Disabilities	448	505	**12.72 %**
Children	189	198	**4.76 %**
Payroll Data			
Valuation Payroll	$ 1,243,439,345	$ 1,375,048,892	**10.58 %**
Average Salary	34,455	37,489	**8.81 %**

* Active participants include disabled employees

Discussion of Valuation Results

The actuarial report sets out the results of the actuarial valuation of the Municipal Employees' Annuity and Benefit Fund of Chicago ("Fund") as of December 31, 2001. The purposes of the actuarial valuation are:

1. To develop the minimum actuarially determined contribution for 2002.
2. To develop the annual required contribution (ARC) under GASB #25.
3. To develop the annual pension cost under GASB #27.
4. To review the funding status of the Fund.

The funded status, in basic terms, is a comparison of the Fund's liabilities to assets expressed as either unfunded liability or as a ratio of assets to liabilities. This comparison can be measured in various ways. Fund liabilities are dependent on the actuarial assumptions and actuarial cost method. Fund assets can be measured at market value, book value, or some variation to smooth the fluctuations that invariably occur from year to year.

For Fund and City financial reports, the funding status is measured using liabilities under the Entry Age Normal funding method and the Actuarial Value of Assets. The Actuarial Value of Assets is determined by annually spreading the difference between expected and actual investment earnings over a five-year period.

Summary of Results

The annual required contributions (ARC) under GASB #25 for the year ending December 31, 2002 is $92.7 million. This amount is net of employee contributions of $119.8 million. The ARC last year, for the year ending December 31, 2001, was $83.5 million. The ARC is determined using the Actuarial Value of Assets and a forty-year level dollar amortization of the unfunded actuarial liability.

The Unfunded Actuarial Liability increased from $367 million to $467 million during the year, resulting in a change in funding ratio from 94.5% to 93.3%. The increase in the Unfunded Actuarial Liability is largely attributable to the effect of salary increases larger than expected, and a loss on the Actuarial Value of Assets.

Based on the Market Value of Assets, the Unfunded Actuarial Liability increased from $539 million to $1,113 million, and the funded ratio decreased from 91.9% to 83.9%.

Plan Membership

The major characteristics of the data on the members of the Fund are summarized as follows:

	December 31, 2000	December 31, 2001
Active Members		
Number	36,089	36,679
Vested	16,185	16,439
Non-vested	19,904	20,240
Average Age	45.9	45.4
Average Service	9.7	10.0
Average Annual salary	$34,455	$37,489
Inactive Members		
Number	8,469	9,551
Retirees		
Number	15,530	15,365
Average Age	72.6	73.0
Average Annual Benefit	$19,789	$20,364
Surviving Spouse		
Number	4,608	4,525
Average Age	75.8	76.3
Average Annual Benefit	$10,308	$10,435
Children	189	198
Total Members	64,885	66,318

Total members receiving benefits under the Fund decreased 1.2% during 2001 from 20,138 to 19,890. Total expenditures for benefits decreased from $378 million in 2000 to $371 million during 2001, or 1.9%.

Changes and Provisions of the Fund

There were no changes in Plan provisions during 2001.

Discussion of Actuarial Assumptions

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long run experience.

There are two general types of actuarial assumptions:

1. Demographic Assumptions - reflect the flow of participants into and out of a retirement system, and

2. Economic Assumptions - reflect the effect of the economic climate on a retirement system.

Demographic assumptions can be readily studied over recent plan experience. Economic assumptions can be studied against recent experience; however, future experience is more likely to be a result of outside factors than of plan specifics. The most significant demographic assumptions are active turnover, retirement, and post-retirement mortality. The most significant economic assumptions are pay increases, investment return, and inflation. Other actuarial assumptions include disability incidence, active mortality, and percent married.

2001 Experience Analysis

The Fund had an investment loss in 2001 of $643 million relative to the 8% expected rate of return on a market value basis. The loss on an actuarial basis relative to the 8% expected rate of return was $182 million due to the deferred recognition of investment gains and losses.

The pay increase assumption consists of two parts, a base salary increase (three percent) plus a longevity-based increase (two percent). The overall 2001 salary increase was 10.4 percent for members included in both the December 31, 2000 and December 31, 2001 valuations. Because the pay increases were greater than anticipated by the actuarial assumptions, there was an experience loss of $119 million.

There was an additional gain of $140 million from all other factors, including actual retirement, termination, disability, mortality experience, and data changes.

Changes in Assumptions

There have been no changes in actuarial assumptions reflected in this valuation.

Actuarial Reserve Liabilities
As of December 31, 2001

Accrued Liabilities for Active Participants	$ 3,271,357,171
Reserves For:	
Service Retirement Pension	3,055,591,404
Ordinary Disability Benefits	151,172,833
Duty Disability Benefits	63,744,818
Surviving Spouse Pension	325,663,420
Children Annuitants	12,075,143
Reciprocal Benefits	54,571,688
Total Accrued Liabilities	6,934,176,477
Unfunded Actuarial Liabilities	467,378,934
Actuarial Net Assets	6,466,797,543

Summary of Basic Actuarial Values

		APV of Projected Benefits	2002 Normal Cost
(1)	Values for Active Members		
	(a) Retirement	$ 4,269,522,714	$ 120,957,977
	(b) Termination	208,286,160	21,951,793
	(c) Death	126,396,816	6,217,368
	(d) Health Insurance	66,685,407	2,439,788
	(e) Disability, Children's Benefit & Reciprocal	402,630,812	12,890,356
	(f) Expenses of Administration	0	4,086,514
	Total for Actives	$ 5,073,521,909	$ 168,543,796
(2)	Values for Members in Payment Status	3,381,254,824	0
(3)	Grand Totals	$ 8,454,776,733	$ 168,543,796
	Actuarial Present Value of Future Compensation		$ 13,017,884,997

Analysis of Financial Experience

Gains & Losses in Unfunded Actuarial Accrued Liability During Years Ended December 31
Resulting from Differences Between Assumed Experience and Actual Experience
($ in Millions)

	$ Gain (or Loss) For Year					
Type of Activity	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
Contributions	$61.2	$116.7	($45.3)	$71.0	$31.0	$11.9
Investment Return	(182.1)	(102.9)	569.0	456.0	119.4	90.5
Salary Changes	(118.9)	179.6	(30.5)	54.1	(134.7)	138.0
Retirement, Termination, Mortality	139.7	(16.1)	(47.1)	(146.5)	(33.8)	(29.3)
Differences in liabilities from prior actuary			422.3			
Change in Methodology/Assumptions			(291.1)	(10.6)	558.2	
Plan Amendments				(574.0)	(300.4)	
Early Retirement Incentive				(179.8)		
Gain (or Loss) During Year	($100.2)	$177.3	$577.4	($329.8)	$239.5	$211.2

Actuarial Accrued Liability Prioritized Solvency Test

Valuation Date 12/31	(1) Active Member Contribution	(2) Retirees and Beneficiaries	(3) Active Members (ER Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets (1)	(2)	(3)
1992	714,169,439	1,331,738,169	1,154,846,625	2,735,313,710	100.00%	100.00%	59.70%
1993 [b]	667,556,151	1,921,282,257	957,323,830	3,044,072,035	100.00%	100.00%	47.55%
1994	742,348,747	1,916,914,202	1,065,084,447	3,129,379,505	100.00%	100.00%	44.14%
1995	805,024,007	1,952,562,309	1,125,704,254	3,466,557,418	100.00%	100.00%	62.98%
1996	860,474,026	2,001,416,124	1,117,048,458	3,907,997,927	100.00%	100.00%	93.65%
1997 [a,b]	935,038,744	2,251,886,541	2,072,219,872	4,467,100,715	100.00%	100.00%	61.78%
1998 [a,b]	865,320,511	3,508,852,569	1,950,542,822	5,202,095,202	100.00%	100.00%	42.45%
1999 [a,c]	881,590,795	3,357,380,909	2,323,327,481	6,017,841,114	100.00%	100.00%	76.57%
2000	986,495,384	3,380,841,203	2,297,843,144	6,297,976,257	100.00%	100.00%	84.02%
2001	1,052,749,399	3,381,254,824	2,500,172,254	6,466,797,543	100.00%	100.00%	81.31%

a. *Change in actuarial assumptions*
b. *Change in benefits*
c. *Change in actuary*

The prioritized solvency test is another means of checking a system's progress under its funding program, based on the Actuarial Accrued Liability. In this test the plan's present assets (cash and investments) are compared with obligations in order of priority: (1) active member contributions on deposit; (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active members. In a system that has been following the discipline of financing, the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the Actuarial Accrued Liability for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if the system has been following a system of amortizing the Unfunded Liability, the funded portion of present value (3) will increase over time.

Development of Actuarial Value of Assets
As of December 31, 2001

(1) Expected Return on Market Value of Assets for Prior Year

(a) Market Value of Assets as of 12/31/2000 — $ 6,126,238,249

(b) Actual Income and Disbursements in Prior Year Weighted for Timing

	Item	Amount	Weight for Timing	Weighted Amount
i)	Member Contributions	$ 118,240,723	50.0%	$ 59,120,362
ii)	City Contributions & Misc.	131,439,834	50.0%	65,719,917
iii)	Benefit Payments	(370,741,229)	50.0%	(185,370,615)
iv)	Refunds	(21,951,793)	50.0%	(10,975,897)
v)	Administration	(4,086,514)	50.0%	(2,043,257)
vi)	Total			$ (73,549,490)

(c) Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vi))] — $ 6,052,688,759

(d) Assumed Rate of Return on Plan Assets for the Year — 8.00%

(e) Expected Return [(c) * (d)] — $ 484,215,101

(2) Actual Return on Market Value of Assets for Prior Year

(a) Market Value of Assets as of 12/31/2000 — $ 6,126,238,249

(b) Income (less investment income) for Prior Plan Year — 249,680,557

(c) Disbursements Paid in Prior Year — 396,779,536

(d) Market Value of Assets as of 12/31/2001 — 5,820,765,697

(e) Actual Return [(d) + (c) - (b) - (a)] — $ (158,373,573)

(3) Investment Gain/(Loss) for Prior Year — $ (642,588,674)

(4) Actuarial Value of Assets as of 12/31/2001

(a) Market Value of Assets as of 12/31/2001 — $ 5,820,765,697

(b) Deferred Investment Gains and (Losses) for Last 5 Years

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	1997	-	0.00%	-
ii)	1998	-	20.00%	-
iii)	1999	$ 63,148,044	40.00%	$ 25,259,218
iv)	2000	(262,033,541)	60.00%	(157,220,125)
v)	2001	(642,588,674)	80.00%	(514,070,939)
vi)	Total	$ (841,474,171)		$ (646,031,846)

(c) Actuarial Value of Assets [(a) - (b) (vi)] — $ 6,466,797,543

Note: The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

Annual Required Contributions of Employer and Trend Information

Year	Annual Required Contribution (ARC) of the Employer[1]	Required Statutory Basis[2]	Actual[3]	Percent of ARC Contributed
1992	$110,113,785	$117,896,050	$119,851,582	108.84%
1993	114,286,388	131,552,200	133,957,499	117.21%
1994	121,536,892	133,637,250	137,076,271	111.16%
1995	127,020,331	155,935,200	159,275,835	125.39%
1996	123,313,173	150,244,150	152,556,327	123.71%
1997	100,278,969	153,004,815	156,832,214	156.40%
1998	108,174,346	152,248,055	158,564,165	146.58%
1999	157,514,076	117,813,120	119,644,186	75.96%
2000	93,016,467	136,727,040	140,171,920	150.70%
2001	83,526,133	130,199,616	131,439,834	157.36%

1 Under Normal Cost plus 40 Year Level-Dollar Amortization. Negative ARC values are set to zero, as no contribution is then required

2 Tax levy after 4% loss

3 Net tax levy plus miscellaneous. Includes prior year adjustments for taxes beginning in 1991

Year	Assets Available for Benefits as a % of Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus) as a % of Covered Payroll End of Year	Employer Contribution as a % of Covered Payroll Beginning of Year
1992	75.03%	89.57 %	12.37%
1993	75.98%	97.16 %	13.18%
1994	74.03%	101.60 %	13.84%
1995	78.67%	86.38 %	14.74%
1996	86.57%	56.34 %	14.02%
1997	84.94%	66.43 %	14.57%
1998	82.26%	96.00 %	13.30%
1999	91.70%	42.97 %	10.24%
2000	94.49%	29.53 %	11.06%
2001	93.26%	33.99 %	10.57%

Schedule of Active Member Valuation Data

Year End	Members in Service	Percent Increase	Annual Salaries	Percent Increase	Average Salary	Percent Increase	Actuarial Salary Assumption	CPI Chicago
1992	35,548	(1.98)%	$1,016,438,280	4.91 %	$28,593	7.03 %	6.00%	3.00%
1993	34,489	(2.98)%	$990,566,232	(2.55)%	$28,721	0.45 %	6.00%	3.00%
1994	36,254	5.12 %	$1,080,425,256	9.07 %	$29,802	3.76 %	6.00%	2.20%
1995	35,514	(2.04)%	$1,087,913,784	0.69 %	$30,633	2.79 %	6.00%	3.20%
1996	35,020	(1.39)%	$1,076,057,784	(1.09)%	$30,727	0.31 %	6.00%	2.70%
1997	34,839	(0.52)%	$1,192,286,688	10.80 %	$34,223	11.38 %	5.00%	2.70%
1998	33,119	(4.94)%	$1,168,639,224	(1.98)%	$35,286	3.11 %	5.00%	2.01%
1999	35,868	8.30 %	$1,267,181,658	8.43 %	$35,329	0.12 %	5.00%	2.57%
2000	36,089	0.62 %	$1,243,439,345	(1.87)%	$34,455	(2.47)%	5.00%	4.03%
2001	36,679	1.63 %	$1,375,048,892	10.58 %	$37,489	8.81 %	5.00%	0.82%
Average Increase (Decrease) for the Last 5 years		1.02%		5.19%		4.19%		2.43%

Schedule of Retirees and Beneficiaries Added To and Removed From Payrolls

Year	Added to Payroll No.	Added to Payroll Ann. Benefits	Removed from Payroll No.	Removed from Payroll Ann. Benefits	Payroll End of Year No.	Payroll End of Year Ann. Benefits	Average Annual Benefit	Increase in Average Benefit
Employee Annuitants (Male or Female)								
1992	987	$ 13,752,775	548	$ 2,749,757	11,212	$134,922,888	$12,034	4.62%
1993	3043	59,219,491	711	4,530,997	13,544	189,611,382	14,000	16.34%
1994	567	10,332,338	698	8,079,926	13,413	191,863,794	14,304	2.18%
1995	650	13,551,155	676	7,915,427	13,387	197,499,522	14,753	3.14%
1996	708	10,683,679	647	3,644,502	13,448	204,538,699	15,210	3.09%
1997	564	19,294,719	639	8,688,841	13,373	215,144,576	16,088	5.78%
1998	3135	94,348,388	670	9,714,702	15,838	299,778,262	18,928	17.65%
1999	640	7,574,818	725	11,859,024	15,717	304,074,542	19,347	2.21%
2000	593	8,293,448	780	5,050,261	15,530	307,317,729	19,789	2.28%
2001	557	9,504,016	725	3,987,228	15,362	312,834,517	20,364	2.91%
Surviving Spouse Annuitants (Not Including Compensation)								
1992	279	$ 1,698,645	226	$ 895,160	4,179	$18,768,253	$ 4,491	3.15%
1993	317	1,955,074	252	1,049,931	4,244	19,673,396	4,636	3.22%
1994	314	2,046,301	273	1,136,691	4,285	20,583,006	4,804	3.62%
1995	305	2,890,172	257	1,139,401	4,333	21,424,167	4,944	2.93%
1996	298	1,898,417	251	1,059,543	4,380	22,263,041	5,083	2.80%
1997	311	9,943,282	254	1,119,717	4,437	31,086,606	7,006	37.84%
1998	325	15,996,513	280	1,811,449	4,482	45,271,671	10,101	44.71%
1999	312	3,499,596	280	2,821,399	4,514	46,074,319	10,207	1.05%
2000	344	3,308,638	250	1,882,218	4,608	47,500,739	10,308	0.99%
2001	277	3,318,509	360	3,598,708	4,525	47,220,540	10,435	1.23%

Actuarial Methods and Assumptions
As of December 31, 2001

Actuarial Cost Method

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The principal Actuarial Cost Method used in this valuation is the Entry Age Actuarial Cost Method. Under this Method, a Normal Cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant over the total working lifetime of that participant, from hire to termination.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued liability ("UAAL") develops. The UAAL is generally amortized over a defined period of time (e.g., 40 years). The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL.

Actuarial Assumptions

Demographic Assumptions

Mortality: 1983 Group Annuity Mortality Table set forward two years. Adopted 1997.

Rates of Retirement: Rates varying by age and sex. Adopted 1998. See table below for sample values.

Entry Ages
Male

Age	22	27	32	37	42	47	52	57	62	67
40	0.001	0.002								
50	0.001	0.001	0.001	0.002						
55	0.300	0.300	0.050	0.010	0.002					
60	0.700	0.200	0.100	0.070	0.030	0.020	0.020	0.010		
65	0.700	0.700	0.350	0.400	0.400	0.300	0.250	0.100	0.100	
70	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Entry Ages
Female

Age	22	27	32	37	42	47	52	57	62	67
40	0.002	0.002								
50	0.001	0.001	0.001	0.002						
55	0.300	0.300	0.100	0.020	0.002					
60	0.500	0.250	0.100	0.100	0.050	0.030	0.020	0.050		
65	0.300	0.400	0.350	0.300	0.400	0.250	0.200	0.150	0.080	
70	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Rates of Termination: Rates varying by age and sex. Adopted 1998.
See table below for sample values.

Entry Ages Male										
Age	22	27	32	37	42	47	52	57	62	67
25	0.210									
30	0.090	0.190								
35	0.030	0.090	0.120							
40	0.013	0.030	0.070	0.070						
45	0.004	0.013	0.036	0.050	0.076					
50		0.004	0.011	0.030	0.054	0.074				
55				0.007	0.008	0.040	0.062			
60						0.003	0.020	0.032		

Entry Ages Female										
Age	22	27	32	37	42	47	52	57	62	67
25	0.017									
30	0.120	0.158								
35	0.062	0.120	0.094							
40	0.026	0.056	0.054	0.062						
45	0.007	0.011	0.022	0.050	0.088					
50			0.007	0.030	0.050	0.058				
55				0.007	0.022	0.044	0.064			
60						0.001	0.050	0.042		

Economic Assumptions

Investment Return Rate: 8.00% per annum (net of investment expense). This assumption contains a 3% inflation assumption and a 5% real rate of return assumption. Adopted 1999.

Future Salary Increases: The assumed rate of individual salary increases is 5.0% per year. The salary assumption includes a 3% inflation and 2% merit and longevity assumption. Adopted 1997.

Asset Value: The Actuarial Value of Assets is smoothed by using a five-year phase-in of each year's unexpected investment gains and losses. Adopted 1999.

Other Assumptions

Marital Status: It is assumed that 85% of members have an eligible spouse. The male spouse is assumed four years older than the female spouse. No assumption is made about other dependents. Adopted 1999.

Group Health Insurance:	It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future surviving spouses). The amount of the Fund paid health insurance from January 1, 1993 until June 30, 2002 is $75.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and $45.00 if qualified. It is assumed that all annuitants age 65 and older will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future surviving spouses of retirees are assumed to be eligible for Medicare, as well as surviving spouse annuitants that are currently receiving a health insurance supplement.
Required Ultimate Multiple:	Is based on the actuarial requirements (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.
Loss in Tax Levy:	4% overall loss on tax levy is assumed.

Summary of Principal Eligibility and Benefit Provisions
As of December 31, 2001

Members

Persons appointed under civil service who are employed by the City and Board of Education of Chicago (other than teachers); temporary and non-career service employees who have a total of at least one year of service and have four consecutive months of service immediately prior to filing written application with the Retirement Board; aldermen and other officials of the City and the Board of Education of Chicago who shall, while in office, file written application with the Retirement Board. Beginning January 1, 1984, temporary and non-career service employees will automatically be members. Aldermen and other officials of the City and the Board of Education of Chicago will still file written application with the Retirement Board

Service

For all purposes except minimum annuity and ordinary disability credit, service in four months in any calendar year constitutes one year of service credit. For minimum annuity, one half-year credit is given for one complete month of service and a full year credit is given for one complete month of service plus service in at least 5 other months. For Ordinary Disability credit, the exact number of days, months and years is used.

Retirement Annuity

Money Purchase Formula: Maximum is 60% of highest salary. Applies in cases where an employee is age 55 or older and has a minimum of 10 years of service. If employee is age 55 to 60 with service less than 20 years, the annuity is based on all employee deductions plus 1/10 of the City contributions for each year over 10. In the case of withdrawal before age 55 and application after age 55, the annuity is based on employee deductions plus 1/10 of the City contributions for each year over 10, with interest to date of application or age 55, whichever is later. The age factor for age 55 is used. The annuity is based on all employee deductions and City contributions in cases where the employee is (a) age 55 to 60 with 20 or more years of service; (b) age 60 or older; or (c) resigning at the time of disability credit expiration.

Minimum Annuity Formula: Maximum is 75% of final average salary.

a. An employee age 60 or older with at least 10 years of service withdrawing on or after January 1, 1999, or an employee age 55 or older withdrawing on or after July 1, 1990, with at least 20 years of service, or an employee age 50 or older withdrawing on or after June 27, 1997 with at least 30 years of service, is qualified for an annuity equal to 2.2%, for each year of service, of the final average salary during the four highest consecutive years within the last 10 years of service prior to retirement. This annuity is discounted 0.25% for each month the employee is younger than age 60 unless he has at least 25 years of service, or 30 years of service if the employee withdrew before June 27, 1997. The employee could also choose the old factors (1.8%, 2.0%, 2.2%, and 2.4%) for each 10 years of service credit if it is to his benefit.

b. An employee who is at least age 65 with 15 or more years of service is qualified for an annuity equal to 1% for each year of service multiplied by the final average salary added to the sum of $25 for each year of service.

c. The employee will receive a minimum annuity of $850 per month if the employee retires at age 60 or older with at least 10 years of service on or after January 1, 1999.

Reversionary Annuity: An employee may elect to reduce his or her annuity by an amount less than or equal to $400 to provide a reversionary annuity for a spouse, parent, child, brother, or sister, to begin upon the employee's death. The election must be made before retirement and have been in effect one year prior to death. The one-year requirement is waived if the beneficiary is the employee's spouse. The death of the employee before retirement voids this election. The reversionary annuity cannot exceed 100% of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3% automatic annual increase in the annuity will be computed on the original, not the reduced, annuity; if the beneficiary dies before the employee annuitant, the full annuity is restored for annuities granted after June 30, 1983. The amount of the monthly reversionary annuity is determined by multiplying the amount of the monthly reduction in the employee's annuity by a factor based on the age of the employee and the difference between the ages of the employee and the reversionary annuitant at the starting date of the employee's annuity.

Reciprocal Annuity: Under reciprocal retirement, an employee can receive an annuity based on combined service credits in two or more governmental units in Illinois to whose pension funds he or she has contributed.

Automatic Increase in Annuity: An employee who is age 60 or older is entitled to receive an increase of 3% of the original annuity. This increase begins in January of the year immediately following the year of the first anniversary of retirement. An employee who retires prior to age 60 will receive such increase beginning in January of the year following the year he attained age 60. Effective for retirements on or after January 1, 1987, the first increase shall begin upon the first annuity payment date following the first anniversary of retirement, or age 60 if later. Beginning January 1, 1999, increases are calculated as 3% of the monthly annuity payable at the time of increase. Increases apply only to life annuities.
Elected City Officer's Optional Plan: An alternative plan for elected officials of 3% of the Final Salary for the first 8 years, 4% for the next four years and 5% thereafter, subject to the maximum 80%, is available. The elected official must contribute an additional 3% of salary to receive these benefits. This plan also enclosed alternative widow and disability benefit formulas. This plan became effective upon approval from the IRS on September 17, 1991.

Spouse Annuity: The surviving spouse annuity is the greater of the annuity under the money purchase formula or the minimum annuity formula. Surviving spouses who remarry on or after September 4, 2000 will not have their annuities terminated.

Money Purchase Formula: When an employee retires, the spouse's annuity is fixed, based on employee deductions and City pay credits made for spouses' annuity purposes and a joint life age factor. (If the employee is a female, these are deductions accumulated since October 1974). If the employee dies in service, the spouse's annuity is based on all sums accumulated to their credit. For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" shall continue to be used; however, surviving spouse's single life annuities and reversionary annuities shall be computed using the best factor (the factor producing the highest annuity), without regard to gender.

Spouses' Minimum Annuity Formula: If the employee retires or dies in service before July 1, 1990, and is at least age 60 with 20 or more years of service, the spouse's annuity is equal to half the amount of annuity that the employee was entitled to receive at the time of death, if death occurred before retirement, or was entitled to receive on the date of retirement, if the employee died after retirement. The spouse's annuity must then be discounted .25% for each month that the spouse is under age 60 at the time the annuity is fixed.

If the employee retires or dies in service after July 1, 1990 and is at least age 55 with 20 or more years of service, or if the employee retires or dies in service on or after June 27, 1997 and is at least age 50 with 30 or more years of service, the spouse's annuity is equal to half the amount of annuity the employee was entitled to receive at the time of retirement or death in service. This annuity must then be discounted .25% for each month the spouse is under age 55 at the time the employee retires or dies in service.

If the employee dies on or after June 27, 1997 while receiving a retirement annuity, the spouse may choose an annuity of one-half of the employee's annuity at death. This annuity is discounted for his/her age under 55 at the time of the employee's death, unless the employee was at least age 50 with 30 or more years of service, or at least age 55 with 25 or more years of service, and died on or after January 1, 1998 and withdrew from service on or after June 27, 1997, in which case the spouse annuity would be discounted for spouse age under 50 at the time of the employee's death.
In the case of the spouse of a female employee, the employee must have made contributions for her spouse for at least 20 years to qualify for the minimum annuity formula. Current female employees may elect to pay spouse contributions for their full service before October 1974.

The spouse will receive a minimum annuity of $800 per month if the employee retires with at least 10 years of service or dies in service with at least five years of service on or after January 1, 1999.

Child's Annuity: A child's annuity is provided for unmarried children of a deceased employee who are under the age of 18, if the child was conceived or born before the withdrawal from service, or legally adopted at least one year before the child's annuity becomes payable. The annuity is $220 per month while the spouse of the deceased employee is alive and $250 per month if the spouse is deceased. Except for duty death, the deceased employee must have had four years of service or at least two years from latest re-entrance if he had previously resigned from service.

Family Maximum: Non-Duty Death: 60% of final monthly salary.
Duty Death: 70% of final monthly salary.

Disabilities

Duty Disability Benefit: Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty shall have a right to receive a duty disability benefit in the amount of 75% of salary at date of injury, plus $10 a month for each unmarried child (the issue of the employee) less than age 18. Child's duty disability benefit is limited to 15% of the employee's salary as of the date of injury. Duty disability benefits begin one day after the later of the last day worked or the last day paid.

If the disability has resulted from any mental disorder, physical defect or disease, which existed at the time such injury was sustained, the duty disability benefit shall be 50% of salary at date of injury.

Disablement because of heart attacks, strokes, or any disablement due to heart disease shall not be considered the result of an accident suffered in the performance of duty. However, the employee will receive service credit and the City will contribute salary deductions for annuity purposes if the employee is receiving Workers' Compensation.

A duty disability benefit is payable to age 65 if the disability benefits begin before age 60. For an employee who begins disability on or after age 60, disability will continue for five years or to age 70, whichever occurs first. The age 70 limitation was removed beginning January 1, 1987. As of January 1, 1991, a duty disability benefit which continues for more than five years and which starts before the employee's age 60, will be increased by 10% on January 1st of the sixth year.

The City contributes salary deductions for annuity purposes for the duty disability benefit. Such amounts contributed by the City after December 31, 1981, while the employee is receiving duty disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Ordinary Disability Benefit: This benefit is granted for disability incurred other than in performance of an act of duty and is 50% of salary as of the last day worked less the sum ordinarily deducted from salary for annuity purposes. The first payment shall be made one month after the disablement occurs. Disability is payable until age 65 and limited to a maximum of 25% of the employee's total service or five years, whichever occurs first if disability benefits begin before age 60. For an employee who begins disability on or after age 60, disability will continue for a period not greater than 25% of the employee's total service, but not more than five years or age 70, whichever occurs first. The age 70 limitation was removed beginning January 1, 1987.

Group Health Hospital and Surgical Insurance Premiums

The pension fund may provide up to a maximum of $75 per month for non-Medicare eligible annuitants (employees or surviving spouses, without regard to age or years of service) and up to $45 per month for Medicare eligible annuitants until June 30, 2002. The annuitant must be enrolled in the City or Board of Education group health plans.

Refunds

To Employees: An employee who resigns before age 55, or before age 60 with less than 10 years of service is entitled to all salary deductions accumulated with interest to date of resignation, plus the 0.5% deducted for annuity increase purposes without interest.

To Estate: Amounts contributed by an employee, excluding the 0.5% deductions for annuity increase, that have not been paid out as annuity, are refundable to his or her estate, with interest either to the date of retirement or death, if the employee died in service.

Refund in lieu of Annuity: If the annuity of an employee or spouse is less than $800 a month, the employee or spouse may elect to receive a refund, as above, in lieu of an annuity.

Spouses' Annuity Contributions: If unmarried at the time of retirement, the employee is entitled to a refund, with interest, of contributions made for the spouse.

The employee's pension deductions paid by the city while the employee is receiving duty disability benefits are no longer refunded to the employee if the duty disability was granted after December 31, 1981. These deductions are now used only for annuity purposes.

Deductions and Contributions

Covered employees are required to contribute 8.5% of their salary to the Fund.

The City shall annually levy a tax which, when added to the amounts deducted from the salaries of the employees, or otherwise contributed by them, will be sufficient for the requirements of the Fund. The tax will produce an amount that does not exceed the amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 for the year 1999 and each year thereafter.

Tax Shelter of Employee Salary Deductions

Beginning January 1, 1982, the City employee salary deductions were designated for income tax purposes as made by the employer. Gross wages are therefore reduced by the amount of contributions to arrive at Federal reportable wages. For pension purposes gross wages remain unchanged. Income tax will be paid when a refund or annuity is granted. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions. Beginning September 1, 1981, the Board of Education employee contributions were paid by the employer. The 1985 amendments contained a provision whereby the amount of pick-up, if any, is included in the pensionable salary for contributions and benefits. Such provision was retroactive to September 1, 1981. Beginning May 28, 2000, the remainder of contributions due for Board of Education employee salary deductions was designated for income tax purposes to be made by the employer and treated in the same manner as city employee salary deductions.

LEGISLATIVE CHANGES 1979 THROUGH 2001

1979 Session

SB 964

- Disability benefit for chronic alcoholism, pregnancy, or childbirth.

HB 1023

- Reciprocal Act: changes proportionate pension credits under the "alternative formula."

HB 2012

- Under IRS Code Section 414(h), employer may pick up the employee contributions for all compensation earned after December 31, 1980, by a reduction in the cash salary or an offset to a future salary increase or by a combination of both.

1980 Session

HB 3635

- Reversed all changes made by HB 2012 and put the pick-up section as a new paragraph; they are treated as employee contributions for all purposes, including refunds and determination of the tax levy.

Spring 1981 Session

SB 21

- Actuarial Reporting Standards.

SB 851

- Authorizes investments in conventional mortgage pass-through securities.

SB 879

- Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months; $100 penalty per day if late.

HB 212

- Eliminates refund of City contributions made while an employee is receiving duty disability benefits.

HB 213

- $200 refund in lieu of annuity.

HB 215

- Authorizes securities lending.

Spring 1982 Session

SB 1147

- Minimum reporting and actuarial information for 1984.

SB 1180

- Board of Education may incur an obligation to "pick up" employee contributions. These contributions may be paid by a special Pension Contribution Liability Tax. If levied, no payment is required until actual collection of the tax.

SB 1452

- Provides that an active member of the General Assembly who was employed by the City of Chicago by temporary appointment or in an exempt position, and could have elected to participate in the Fund but did not so elect, may establish credit for such service by making the required contribution.

SB 1579

- Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant; list of permitted investments moved to general section of the statute.

HB 740

- Pension credit may be established for services rendered for a transportation system operated by a public utility prior to the establishment of the CTA.

HB 2286

- Allows persons who withdrew from service or became eligible for survivors' benefits in 1981 and who receive a monthly annuity between $100 and $200 to elect a refund in lieu of annuity.

Spring 1983 Session

SB22

- Delegation of investment authority restrictions.

HB 380

- Maximum survivor annuity from $400 to $500; 10% increase in duty disability benefit January 1 of the sixth year.

HB 514

- 10% prudent person investment category.

HB 637

- Allows an active member of the General Assembly to establish credit in this fund for time for which he or she could have elected to participate with interest at 6% and to transfer credits to the Park Fund.

HB 1144

- Revises provision allowing a person who withdrew from service or began receiving a widow's annuity in 1981 to elect to receive a refund in lieu of annuity by extending the deadline for election by one year to March 1, 1984, and by raising the amount subject to refund to $250 per month.

- 3% post-retirement annuity increase for those who qualify.

- Mandatory coverage for all employees in temporary positions.

- Reversionary annuity revisions - table of factors.

- Credit for Executive Director of Chicago Land Clearance Commission or Chicago Dwellings Association or for service as administrator of Illinois--Indiana Bi-State Commission--if certain contributions are made before April 1, 1984.

Federal Law and Regulation or Supreme Court Decision

- For an employee under the age of 70 who commences disability on or after attainment of age 60 in service, the ordinary disability benefit payments shall not exceed in the aggregate throughout the employee's service a period equal to 1.4 of the total service rendered prior to the date of the disability but no more than five years or age 70, whichever is earlier. The duty disability payments shall be payable for a period of five years or age 70, whichever occurs first.

- For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" shall continue to be used; however, widows' single life annuities and reversionary annuities shall be computed using the best factor (the factor producing the highest annuity, not depending upon sex).

1984 Session

- Illinois Public Employees' Pension Laws Commission abolished.

1985 Session

HB 561

- 1.80, 2.00, 2.20, 2.40% benefit accrual rate for those born before January 1, 1936, and retiring after July 18, 1985.

- Reduction in age discount factor (employee and widow) from 0.5% to 0.25% for employees born before January 1, 1936, and retiring after July 18, 1985.

- Health insurance supplement up to $25 per month if the employee is age 65 or older with at least 15 years of service (for each employee annuitant in receipt of annuity and for each employee who retires on annuity in the future).

- Disability provisions extended to age 70 in certain cases.

- Unisex money purchase factors for widows/widowers.

- Membership provisions extended to age 70.

- Board of Education employee contribution "pick up" included in the definition of salary for contribution and benefit purposes (retroactive).

1986 Session

HB 2630

- Beginning for retirement or death in service on or after January 23, 1987, the spouse dollar cap is eliminated.

- Beginning for retirement on or after January 1, 1987, the first annuity increase will begin on the first annuity payment date following the first anniversary of retirement or age 60 if later.

1987 Session

HB 2715

- 1.80, 2.00, 2.20, 2.40% benefit accrual rates for those born on or after January 1, 1936, and retiring on or after January 1, 1988.
- Reduction in an age discount factor (employee and widow) from .5% to .25% for employees born on or after January 1, 1936, and retiring or dying in service on or after January 1, 1988. No discount for employee age less than 60 if employee has at least 35 years of service.
- Minimum employee annuity of $250 and minimum spouse of $200 under certain conditions.
- Elimination of cap on maximum widow's annuity for spouses of certain retired employees with repayment of any "excess spouse" refund.

- Change amount of children's benefits to $120 or $150, effective January 1, 1988.

- Provides for certain "Good Government" initiatives.

1988 Session

- No legislative changes.

1989 Session

SB 95

- Signed August 23, 1989. Changed the amount of fund paid health insurance "supplement" from January 1, 1988 until December 31, 1992 to $65 per month for each annuitant not qualified to receive Medicare benefits (and $35 if qualified) and from January 1, 1993 until December 31, 1997 the amounts are $75 and $45, respectively. Widows will now be supplemented and employee annuitants will no longer be required to meet the age 65 and 15 years of service requirements. The City will be required to pay 50% of the aggregated cost of health care claims for the retired group under all health care plans offered by the City. A procedure was established for the City to determine, with the help of an independent actuary, the aggregate cost of claims and premiums for each calendar year from 1989 through 1997 for the retired group.

HB 332

- Signed August 23, 1989. Eliminated age related discriminatory provisions as required by Federal law or regulation. Provided for Age Discrimination changes effective January 1, 1988 to eliminate age 65 requirements for marriage in service and children's benefits, provided contributions after age 65 for spouse benefits, provided employee accumulation annuities be computed after age 70, provided employee and spouse accumulation annuities not be "fixed" at age 65, provided no age 70 restriction on disability benefits, provided for active members over age 65 that their accounts be "unfixed" and accumulate interest until the date of withdrawal, and provided that there be no age 70 membership limitation and removed the permitted "no spouse" refund at age 65.

- Allow for local labor officials on a leave of absence from the Fund to contribute for their service as a local labor official.

1990 Session

SB 136

- Amends Chapter 120, Paragraph 671 of the Revenue Act to provide for a separate listing on the tax bill of the dollar amount of tax due from the person assessed which is allocable to a tax levied under the Illinois Pension Code, or any other tax levied by a municipality or township for public pension or retirement purposes. Effective January 1, 1990.

SB 1951

- Signed January 14, 1991. Beginning for withdrawals on or after January 1, 1991, annuity payments will be made as of the first day of the calendar month during the annuity payment period.
- 2.2% benefit accrual rate for employees retiring on or after July 1, 1990.
- No discount for employee age less than 60 if employee has at least 30 years of service and retires on or after July 1, 1990.
- Minimum employee annuity of $350 and minimum spouse of $300 under certain conditions.
- Spouses and widows of employees retiring or dying in service on or after July 1, 1990 with 20 or more years of service at age 55 or over will be eligible for half of the employee's annuity discounted .25% for each month the spouse or widow is less than 55.
- Retroactive eligibility for 35 years no discount and spouse and widow annuities computed as half of employee annuity.
- Refund in lieu of $300 annuity.
- Disability benefit retroactive one year from application; duty disability deductions in lieu for heart attack or stroke.
- An alternative plan for elected officials of 3% of salary for the first 8 years, 4% for the next 4 years and 5% thereafter, subject to a maximum of 80%, is available. The elected official must contribute an additional 3% of salary to receive these benefits. This plan also includes alternative widow and disability benefit formulas. This plan will become effective upon approval from the IRS.
- Collateral for securities lending expanded.
- Fractional payment for refund repayment and temporary service authorized. Credit established by fractional payment shall be earliest service for which credit may be established.

1991 Session

HB 971

- Signed November 19, 1991. Eligibility for the alternative plan for elected officials was extended to persons who hold office as a City officer on April 30, 1991 until 30 days after the date the plan takes effect, notwithstanding the ending of his term of office prior to that effective date.

1992 Session
SB 1650

- Signed January 25, 1993.
- Transfer provisions for County elected officers and judges.
- **Early Retirement Incentive** was created for withdrawals from December 31, 1992 to June 30, 1993.
  - Requires a total of 20 years of service (with at least 10 in this fund, 5 in a Reciprocal fund and up to 5 purchased under ERI).
  - Requires age 55 or older.
  - Requires an election form to be filed before June 1, 1993.
  - Retired under this Article.
  - Provides for elimination of the age discount for employees 55-60.
  - Provides for 80% maximum final average salary compared to the present 75%.
  - Provides for an optional purchase of up to 5 years of service credit for 4.25% of the November 1, 1992 salary.
  - Provides for a 24-month option to pay for ERI service.
  - Provides for a tax levy derived from ERI contributions.

1993 Session

- No legislative changes.

1994 Session

- No legislative changes.

1995 Session

SB 114

- Approved July 14, 1995.

- The amount of earnings that may be taken into account by any retirement system is limited to the maximum dollar limitation specified in Section 401(a)(17) of the Internal Revenue Code, except for persons who became Members before 1996.

- The Fund is authorized to make certain involuntary distributions required by Section 401(a)(9) of the Internal Revenue Code.

SB 424

- Approved July 7, 1995.

- The Pension Laws Commission was created as a legislative support services agency.

1996 Session

SBJPA

- On August 20, 1996 the Small Business Job Protection Act was signed by President Clinton.

- Treatment of governmental plans under Code Section 415:

- Rule limiting annual benefit to 100% of the average of the highest 3 year compensation no longer applies.

- Excess benefit plans are permitted to provide Members with benefits in excess of the Code Section 415 limits.

- Early retirement reduction does not apply to certain survivor and disability benefits.

- The definition of compensation now includes elective deferrals.

- Taxation of distributions:

    - $5,000 death benefit exclusion was repealed for deaths after August 20, 1996.

    - 5 year averaging for lump sum distributions was repealed effective January 1, 2000.

    - Annuity payments will be taxed according to a simplified general rule which uses investment and age as of annuity starting date for annuities which start on or after November 19, 1996.

1997 Session

HB 15

- Approved June 27, 1997.

- For withdrawals from service occurring on or after July 1, 1990, an alternate method of calculating salary using the annual equivalent of average salary instead of the salary rate applicable for the greatest part of the year is allowed.

- Annuities effective on or after January 1, 1998 will be payable on the first day of the calendar month.

- The prudent person rule for investing is allowed.

- An eligible employee is allowed to contribute for all periods of temporary service while still in City service, for up to 90 days after withdrawal from City service, or while in reciprocal service.

- The Board is allowed to adopt rules prescribing the manner of repaying refunds and purchasing any optional credit including accepting rollovers for payments.

- The City is allowed to use deposits from any legal source (including borrowing) in lieu of all or part of the tax levy on or after June 27, 1997.

HB 313

- Approved June 27, 1997. For withdrawals from service occurring on or after June 27, 1997, an employee (or surviving spouse) age 50 or over with at least 30 years of service is eligible to receive an annuity based on the minimum annuity formula.

- For withdrawals from service occurring on or after June 27, 1997, an employee under age 60, with at least 25 years of service, is not subject to an age discount

- The surviving spouse of a retiree dying on or after June 27, 1997, while receiving an annuity is eligible for one half of the employee's annuity at death, discounted for spouse's age under 55 at the time of employee's death.

- Beginning June 27, 1997, employees already receiving annuity will receive a minimum annuity of $550 for life (reciprocal annuitants must have at least 5 years of Municipal service). Any future employee annuitant withdrawing from service after attainment of age 60 with 10 or more years of service would qualify for this minimum.

- Beginning June 27, 1997, widow(er)s already receiving annuity will receive a minimum annuity of $500 for life (reciprocal annuitants must have at least 5 years of Municipal service). For future spouses of retirees, 10 years of service is required. For spouses of employees dying in service in the future, 5 years of service is required.

- Beginning June 27, 1997, the child's annuity will be increased to $220 per month if the spouse of the deceased employee parent survives or $250 per month if no such spouse survives.

- Coverage in the City group health insurance is extended through June 30, 2002, with some modification in the plans offered. Pension fund supplement remains $45 and $75 for Medicare eligible and non-Medicare eligible annuitants respectively.

- Spouses of employees dying in service after age 50 on or after June 27, 1997 will be eligible to receive 50% of the annuity that the employee would have received. This annuity will be reduced by .25% per month for each month that the spouse is below the age of 55.

- Spouses of employees dying after retirement on or after June 27, 1997 will be eligible to receive 50% of the employee's annuity at death. This annuity will be reduced by .25% per month for each month that the spouse is below the age of 55.

HB 1641

- Approved August 22, 1997.

- Beginning August 22, 1997, for surviving spouses of employees who retired or died in service before January 23, 1987, the previous $300, $400, or $500 maximum spouse annuity limitation is removed. If an excess spouse refund was paid, it must be repaid with interest.

- Service paid under Section 8-230 can be counted for ordinary disability purposes for periods of disability on or after August 22, 1997.

- Early Retirement Incentive was created for withdrawals from December 31, 1997 to June 30, 1998.

  - Requires an election form to be filed before June 1, 1998.

  - Requires a member to be a current contributor on November 1, 1997 and have not previously retired under this Article.

  - Provides for elimination of the age discount for employees age 55 to 60.

  - Provides for 80% maximum final average salary compared to the present 75%.

  - Provides for an optional purchase of up to 5 years of service credit for 4.25% of the November 1, 1997 salary.

  - Provides for a 24 month option to pay for ERI service.

  - Provides for a tax levy derived from ERI contributions.

1998 Session

HB 3515

- Approved August 14, 1998.

- Beginning January 1, 1999, the automatic increase for employee annuitants changed to 3% compounded for all past, current, and future annuitants regardless of the effective date of the annuity. Term annuities are not eligible for the increase.

- Employees withdrawing after January 1, 1999 will be eligible for the minimum formula upon attainment of age 60 if they have at least 10 years of service.

- Beginning January 1, 1999, employees already receiving an annuity as of August 14, 1998 will receive a minimum annuity of $850 for life (reciprocal annuitants must have at least 5 years of Municipal service). Any future employee annuitant withdrawing from service after August 14, 1998 after attainment of age 60 with 10 or more years of service would qualify for this minimum.

- Beginning January 1, 1999, widow(er)s already receiving annuity as of August 14, 1998 will receive a minimum of $800 for life (reciprocal annuitants must have at least 5 years of Municipal service). For future spouses of retirees dying after August 14, 1998, 10 years of service is required. For spouses of employees dying in service after August 14, 1998, 5 years of service is required.

- The conditions of the reversionary option were changed as follows:

  - The nullification of reversionary payment due to employee dying was reduced to 365 days after written designation was filed with the board and now applies only to parents, children, and siblings (not spouses).

  - Employees may reduce their monthly annuity by as much as $400.

  - The increased annuity for spouse may now be as much as 100% of the reduced employee annuity.

- Spouses and widows that are eligible for the "50% employee amount" will no longer have this amount reduced for under age 55 if the employee dies on or after January 1, 1998 and withdrew from service on or after June 27, 1997, and the employee retired after age 55 with at least 25 years of service or after age 50 with at least 30 years of service. The age discount will only apply if the spouse is under age 50.

- The child of an annuitant who withdraws after January 1, 1998 having attained age 50 with at least 30 years of service is eligible for a child annuity upon the death of the annuitant.

- The required employer multiple has been set at 1.25 for 1999 and beyond.

- Money deposited under 5/8-173(f) may be used by the fund for any of the purposes for which the proceeds of the tax levied by the city under this section may be used.

- An employee or former employee may pay and receive credit for all periods of full-time employment by the Public Building Commission as long as they are not receiving credit for the same service from another retirement system. Employee must pay employee and employer contributions based on the salary received from the Public Building Commission for employment. Repayment must be made before annuity begins.

- Annuitants may authorize a portion of their annuity to be withheld for payment of dues to the labor organization by which they were represented. A minimum of 25 annuitants must choose an organization for it to be included in this plan.

HB 1612

- Effective July 1, 1999, Qualified Illinois Domestic Relations Orders were recognized.

1999 Session

- No Changes

2000 Session

HB 1583

- Approved July 6, 2000.

- An employee or widow whose annuity would amount to less than $800 per month may elect to receive a refund in lieu of annuity. Formerly, only employees and widows whose annuity would be less than $300 per month could choose a refund.

- The reversionary annuity tables have been extended down to age 50 from age 55 to comply with the change in the law allowing retirement at age 50 with 30 years of service.

- The Board is allowed to pay an annuity (if the person qualifies) directly to a Medicare approved, State certified nursing home or to a publicly owned and operated nursing home, hospital, or mental institution. Each person must qualify under the provisions of this amendment.

- Annuities of widows who remarry on or after the date 60 days after the effective date of this amendment would not be terminated upon remarriage.

- For annuities effective before January 1, 1998, all annuity payments will be made on the first day of the calendar month, for the entire month without proration.

2001 Session

EGTRRA

- On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 was signed by President Bush.

- Beginning January 1, 2002, payments for eligible optional service credits may be made with funds rolled over from a 457 deferred compensation plan or a 403(b) tax deferred annuity plan (if allowed by the 457 or 403(b) plan).

Statistical Section

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Revenues by Source

Calendar Year	Member Contributions	Employer Contributions: Dollars	Employer Contributions: Percent of Annual Covered Payroll	Investment Earnings Net of Direct Investment Expense *	Total
1992	$83,373,713	$119,851,582	12.37%	$179,617,717	$382,843,012
1993	105,286,953	133,957,499	13.18%	233,999,012	473,243,464
1994	88,015,188	137,076,271	13.84%	132,643,737	357,735,196
1995	92,504,531	159,275,835	14.74%	253,328,494	505,108,860
1996	94,995,616	152,556,327	14.02%	488,519,305	736,071,248
1997	98,978,257	156,832,214	14.57%	776,452,044	1,032,262,515
1998	124,675,114	158,564,165	13.30%	844,588,751	1,127,828,030
1999	102,454,040	119,644,186	10.24%	515,440,459	737,538,685
2000	107,371,034	140,171,920	11.06%	217,067,663	464,610,617
2001	118,240,723	131,439,834	10.57%	(158,373,573)	91,306,984

* *Note: For years including and subsequent to 1997, net investment income includes realized and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.*

Expenses by Type

Calendar Year	Benefits	Refunds	Administrative Expense	Total
1992	$161,209,423	$18,237,551	$2,983,818	$182,430,792
1993	194,353,001	21,508,866	3,568,145	219,430,013
1994	224,443,786	15,833,999	3,456,607	243,734,392
1995	229,254,773	23,768,066	3,299,108	256,321,947
1996	238,254,858	29,370,050	3,356,208	270,981,116
1997	252,629,079	25,330,325	3,897,012	281,856,416
1998	302,255,612	37,851,181	4,654,198	344,760,991
1999	359,986,002	21,199,532	3,851,246	385,036,780
2000	378,212,988	24,674,848	3,844,081	406,731,917
2001	370,741,229	21,951,794	4,086,513	396,779,537

Benefit Expenses by Type

	Annuity Benefits				Disability Benefits			
Year	Retirement	Surviving Spouse	Children	Health Subsidy	Ordinary	Duty	Refunds	Total
1992	$130,609,914	$18,526,349	$331,710	$4,032,833	$5,956,429	$1,752,188	$18,237,551	$179,446,974
1993	161,985,599	19,332,793	359,490	5,533,902	5,561,486	1,579,731	21,508,866	215,861,867
1994	191,105,128	20,229,141	370,450	5,834,347	5,237,005	1,667,716	15,833,999	240,277,786
1995	194,176,038	20,993,507	342,423	5,704,258	6,276,672	1,761,875	23,768,066	253,022,839
1996	201,517,537	21,926,188	338,937	5,643,538	6,931,793	1,896,865	29,370,050	267,624,908
1997	210,965,124	26,705,328	525,769	5,567,932	7,097,259	1,767,668	25,330,325	277,959,405
1998	256,049,250	31,905,210	653,079	6,185,736	5,844,025	1,618,312	37,851,181	340,106,793
1999	300,490,756	45,783,597	612,360	6,469,805	5,159,383	1,470,101	21,199,532	381,185,534
2000	316,479,067	48,410,776	542,763	5,834,910	5,306,741	1,638,730	24,674,848	402,887,835
2001	308,930,340	47,073,636	545,019	6,272,253	5,893,479	2,026,502	21,951,794	392,693,023

Average Employee Retirement Benefit Payment Amounts

Years Ended	Average Monthly Benefit	Average Current Age of Retirees	Average Monthly Benefit at Retirement Current Year	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
1992	$1,003	73.1	$1,161	66.1	22.80
1993	1,167	71.7	1,622	64.4	27.40
1994	1,192	72.1	871	65.1	18.90
1995	1,229	72.0	1,173	64.3	21.90
1996	1,268	72.6	1,258	64.2	22.60
1997	1,341	72.5	1,138	64.4	20.30
1998	1,577	71.5	1,956	62.4	27.60
1999	1,612	72.3	1,052	63.5	N/A
2000	1,649	72.6	1,166	64.5	17.40
2001	1,697	73.0	1,422	63.5	21.40

Schedule of Retired Members by Type of Benefit

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Child Annuitants
Deferred	3	0	
$1-250	294	68	198
$251-500	190	52	
$501-750	61	20	
$751-1,000	5,402	3,806	
$1,001-1,250	1,411	248	
$1,251-1,500	1,474	160	
$1,501-1,750	1,106	80	
$1,751-2,000	866	44	
$2001-2,250	778	22	
$2,251-2,500	653	11	
$2,501-2,750	568	4	
$2,751-3,000	484	6	
$3,001-3,250	498	3	
$3,251-3,500	395	1	
$3,501-3,750	293	0	
$3,751-4,000	286	0	
$4,001-4,250	208	0	
$4,251-4,500	122	0	
$4,501-4,750	111	0	
$4,751-5,000	61	0	
Over $5,000	101	0	
Totals	15,365	4,525	198

Statistics on Employee Annuities
Classified by Age as of December 31, 2001

	Male		Female	
Age	No.	Annual Payments	No.	Annual Payments
Under 50	7	$ 43,603	6	$ 46,152
50	2	83,000	5	93,424
51	7	220,334	3	86,284
52	13	443,569	11	279,483
53	11	272,006	12	275,546
54	31	996,084	21	654,377
55	35	1,125,929	38	874,061
56	47	1,245,003	47	889,496
57	55	1,434,508	68	1,244,779
58	89	2,699,694	106	2,213,711
59	134	4,148,477	161	3,000,011
60	106	3,109,607	159	3,349,232
61	148	4,011,256	188	3,528,251
62	144	4,198,324	208	3,961,295
63	193	5,511,479	275	5,029,814
64	245	7,161,409	304	5,441,387
65	191	5,361,359	352	5,940,885
66	258	7,597,944	371	6,382,377
67	246	6,580,354	361	6,189,147
68	257	6,996,804	333	5,477,795
69	261	7,207,048	331	5,468,905
70	270	7,640,414	334	5,624,378
71	262	7,326,946	385	6,202,017
72	304	8,482,637	386	5,959,700
73	280	8,022,748	373	5,788,792
74	314	8,468,223	372	5,880,715
75	277	6,943,292	329	4,876,692
76	303	8,240,794	326	4,976,720
77	274	7,180,436	314	4,482,598
78	264	6,925,637	299	4,212,059
79	242	5,990,398	290	4,121,693
80	212	5,245,416	280	3,867,896
81	194	4,362,092	271	3,788,923
82	174	3,998,899	210	2,786,370
83	133	2,828,538	190	2,645,414
84	132	2,850,073	193	2,478,960
85 & over	504	9,305,353	831	10,455,495
Totals	**6,619**	**$174,259,687**	**8,743**	**$138,574,830**

History of Annuities
1992-2001

Employee Annuitants (Male and Female)			
Year End	Number of Annuitants	Total Annuities	Average Annuities
1992	11,212	$134,922,888	$ 12,034
1993	13,544	189,611,382	14,000
1994	13,413	191,863,794	14,304
1995	13,387	197,499,522	14,753
1996	13,448	204,538,699	15,210
1997	13,373	215,144,576	16,088
1998	15,838	299,778,262	18,928
1999	15,717	304,074,542	19,347
2000	15,530	307,317,729	19,789
2001	15,362	312,834,517	20,364

Surviving Spouse Annuities			
Year End	Number of Annuitants	Total Annuities	Average Annuities
1992	4,179	$ 18,768,253	$ 4,491
1993	4,244	19,673,396	4,636
1994	4,285	20,583,009	4,804
1995	4,333	21,424,168	4,944
1996	4,380	22,263,041	5,083
1997	4,437	31,086,606	7,006
1998	4,482	45,271,671	10,101
1999	4,514	46,074,319	10,207
2000	4,608	47,500,739	10,308
2001	4,525	47,220,540	10,435

Total Lives and Annual Salaries of All Active Participants
As of December 31, 2001

Attained Age	Completed Years of Service									
	Under 1	1-4	5-9	10-14[2]	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	23 $297,409	164 $1,347,422	- -	- -	- -	- -	- -	- -	- -	187 $1,644,831
20-24	169 3,648,811	765 17,894,825	87 $1,915,075	- -	- -	- -	- -	- -	- -	1,021 23,458,711
25-29	188 4,242,203	1,534 48,526,135	534 17,888,341	42 $1,229,757	- -	- -	- -	- -	- -	2,298 71,886,436
30-34	184 4,217,656	1,716 58,509,948	1,054 42,658,406	479 19,287,362	19 $971,828	- -	- -	- -	- -	3,452 125,645,200
35-39	185 4,065,432	1,774 56,181,929	1,297 49,693,681	1,072 43,581,925	401 18,422,396	17 $775,380	- -	- -	- -	4,746 172,720,743
40-44	155 3,555,303	1,675 54,094,717	1,442 52,390,488	1,355 53,046,888	989 48,917,947	289 15,083,783	2 $82,992	- -	- -	5,907 227,172,118
45-49[1]	824 23,878,181	1,299 42,431,100	1,223 44,935,736	1,287 50,091,778	1,081 50,851,049	695 38,244,370	188 11,146,625	14 $839,619	- -	6,611 262,418,458
50-54	75 1,903,717	871 28,829,159	869 31,176,766	1,101 42,460,339	992 44,290,461	694 35,418,063	378 21,868,130	156 7,767,080	7 $406,238	5,143 214,119,953
55-59	38 802,184	469 15,029,377	556 19,386,267	755 27,699,981	763 32,534,928	531 24,333,623	246 12,887,119	167 8,044,597	35 1,884,736	3,560 142,602,812
60-64	21 285,035	256 6,845,862	385 12,302,950	491 17,039,200	435 17,441,268	314 12,590,585	170 7,530,025	198 7,257,853	47 2,815,406	2,317 84,108,184
65 & Over	10 176,223	162 3,005,194	236 5,911,667	238 8,391,129	264 10,456,679	222 9,193,058	101 4,319,451	135 4,446,234	69 3,371,811	1,437 49,271,446
Total	**1,872 $47,072,154**	**10,685 $332,695,668**	**7,683 $278,259,377**	**6,820 $262,828,359**	**4,944 $223,886,556**	**2,762 $135,638,862**	**1,085 $57,834,342**	**670 $28,355,383**	**158 $8,478,191**	**36,679 $1,375,048,892**

1 – Includes 730 members with null date of birth
2 – Includes 1,371 members with null date of hire