Comprehensive Annual Financial Report

For the year ended December 31, 2003

MEA&B

C H I C A G O

Municipal Employees Annuity and Benefit Fund of Chicago

A component unit of the City of Chicago

Chicago, Illinois

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, 2003

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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MEA&B
CHICAGO
Municipal Employees' Annuity and
Benefit Fund of Chicago
221 North LaSalle Street, Suite 500, Chicago, Illinois 60601
Telephone 312.236.4700 • Fax 312.236.2383

June 28, 2004

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Municipal Employees' Annuity and Benefit Fund of Chicago (the *Plan*) for the year ended December 31, 2003. The *CAFR* consists of five sections. The *Introductory Section* contains this letter of transmittal, the 2002 Certificate of Achievement for Excellence in Financial Reporting, and a description of the administrative organization. The *Financial Section* contains the opinion of the independent public accountants, management's discussion and analysis, and the financial statements including notes and required supplementary information. The *Investment Section* contains a letter from the Senior Investment Manager, the custodian bank's certification letter, the *Plan's* investment authority and policies, and supplemental investment schedules. The *Actuarial Section* contains the report of the actuary and the results of the most recent actuarial valuation. The *Statistical Section* contains various tables containing significant *Plan* data.

The *Plan* came into being in the year 1922 by virtue of an Act of the State of Illinois Legislature to provide benefits to qualified employees of the City of Chicago, the Chicago Public Schools, employees of the Retirement Board and the survivors, dependents and other beneficiaries of those employees. The *Plan* now serves 35,384 active members, 11,159 inactive members and 20,573 annuity benefit recipients. There are 513 active members receiving temporary disability benefits.

The *Plan* is considered a component unit of the City of Chicago, and, as such, is included in the City of Chicago's financial statements. The financial information contained in the *CAFR* is presented in conformance with reporting requirements of the Governmental Accounting Standards Board (GASB) and is the responsibility of the management of the *Plan*. As required by GASB, the *Plan's* management has provided a Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Management's Discussion and Analysis, which begins on page 15, immediately follows the report of the independent public accountants.

Accounting System and Internal Control

The *Plan* uses the accrual basis of accounting in recording its assets and liabilities, revenues and expenses. Revenues are recognized when earned without regard to the date of collection and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are valued at fair value.

Management is responsible for maintaining a system of adequate internal accounting controls. These controls are designed to provide reasonable assurance that transactions are executed in accordance with management's authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This internal control system provides reasonable, but not absolute, assurance that these objectives are met.

Introduction

Funding

State law mandates employer and employee contributions together should sufficiently provide for the actuarial requirements of the Fund. Member contributions are set by statute at 8.5% of covered salary. Limits for the employer contributions, which are also set by State statute, can produce shortfalls in the actuarial contribution requirement in a given year.

The long-term financial stability of a pension fund is indicated by its funded ratio. The better the level of funding the larger the ratio of assets to liabilities, which gives participants a greater assurance that their pension benefits are secure. Funding level decreased to 79.9% in 2003 primarily due to losses in the financial markets in prior years. Portions of these losses continue to be recognized in the five-year smoothed market method of calculating the funding level. Please refer to the Actuarial Section for details concerning the actuarial methods and assumptions used in determining funding.

Investments

The *Plan's* investment policy, when combined with the statutory employer and employee contributions, is designed to promote the long-term financing of the projected funding requirements. While the *Plan* had experienced negative returns on investment in 2002 and 2001, the positive momentum in the financial markets in 2003 helped the *Plan* catapult to a 19.9% rate of return for the year. The magnitude of the rebound produced a 3.8% annualized return over the last five years, and pushed the *Plan's* ten year return to 9.2%, one hundred and twenty basis points higher than the *Plan's* actuarially assumed rate of return of 8%. At fair value, the investment manager mix as of December 31, 2003 was 62% equities, domestic and international, 32% fixed income securities, 1% in cash equivalents, 4% in real estate and 1% in private equity investments. The Board utilizes external portfolio managers employing both passive and active management strategies.

The Investment Section contains a more comprehensive analysis of the *Plan's* portfolio and performance for the year ending December 31, 2003. The MD&A of the Financial Section also reflects investment performance for the years ending December 31, 2003 and 2002.

Operations

Phase 3 of the Database Project, which included the disbursement exports, batch updates for legislative changes and cost of living increases, and reports, has been completed in 2003. Although plans were to place the system into service late in 2003, staff efforts had to be redirected to an early retirement incentive (ERI) program, which developed at that time. Because staff efforts will remain focused on ERI workload during 2004, the system will not be placed into service until late in 2004 or early in 2005.

Late into the year, the Illinois Legislature considered an early retirement incentive program. Although it was not passed until January 2004, the *Plan* received over 6,000 requests for pension benefit estimates as well as benefit applications in November and December 2003. An ad-hoc casework management system had to be developed and installed by the *Plan's* staff on very short notice to handle the massive workload and keep track of the status of the estimates and applications. Bar coding, to identify the member record, was added to all of the estimates, applications, and other forms sent to members for completion and return. Scanning the forms promptly upon return greatly facilitated further processing and tracking. A call center was implemented to log phone calls from the members and linked to the casework management system, which gave the staff the ability to provide members with a quick status of their requests.

The Retirement Board continues to seek ways to improve operational efficiency and reduce administrative costs through system development and technology upgrades. In 2003, a considerable number of paper records were converted electronically and thousands of participant files were prepared for imaging. This project is in its early stages and additional manpower will be assigned to this project in 2004.

Other Developments:

a. *Retirement Board*

   John Gibson, Chief Engineer of Senn High School, was sworn in for his third term as Trustee.

b. *Legislative Developments*
The General Assembly passed legislation in 2003 that was signed into law by the Governor and provided an extension of the employer provided health care benefits to June 30, 2013 and increased the amount of the *Plan's* health subsidy to eligible participants.

Major pension legislation contained under House Bill 600 was passed and signed into law by the Governor early 2004 included the following:

- Early retirement incentive program
- Transfer of city contributions to the Fire Fund for paramedics who were transferred to the Fire Fund in 1983.
- Cost of living increases will be paid on January 1st of each year beginning January 1, 2005.

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 Retirement Board. As required, the independent accountant's unqualified opinion accompanies the Fund's 2003 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, 2002. 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 *Plan* has received a Certificate of Achievement for the last fourteen years (1989-2002). We believe this report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

Acknowledgements
The compilation of this report reflects the combined efforts of the *Plan's* Actuary, Certified Public Accountants, and administrative staff under the leadership of the Retirement Board. It is intended to provide complete and reliable information for making management decisions, determining compliance with applicable law, and evaluating the responsible stewardship of plan assets contributed by the members and the employer.

On behalf of the Retirement Board, we thank the staff, the advisors, and the many other people who work so diligently to assure the continued successful operation of the *Plan*.

Respectfully submitted,

Terrance R. Stefanski
Executive Director

Tess Toledo
Comptroller

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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, 2002

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Board of Trustees

(December 31, 2003)

Joseph M. Malatesta, *President*
Joseph Malatesta was appointed to the Board on July 1, 1998. 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.

Tariq G. Malhance, *Vice-President*
Tariq Malhance is Vice President of the Board, and one of two ex-officio members. As City Comptroller, Tariq is responsible for managing the City's cash flow, debt, and credit activities, in addition to his responsibilities for the City's accounting, auditing, financial and compliance reporting. Tariq also sits on the Retirement Board of the Chicago Firemen's, Chicago Laborer's and Chicago Policemen's retirement plans. He is a graduate of the University of Karachi, Pakistan, where he earned a Bachelor of Commerce degree. Subsequently, Mr. Malhance earned an undergraduate degree in Finance from Roosevelt University in Chicago, and two graduate degrees, an M.B.A. in Finance from Roosevelt University and an M.A. in Economics from the University of Illinois, Chicago.

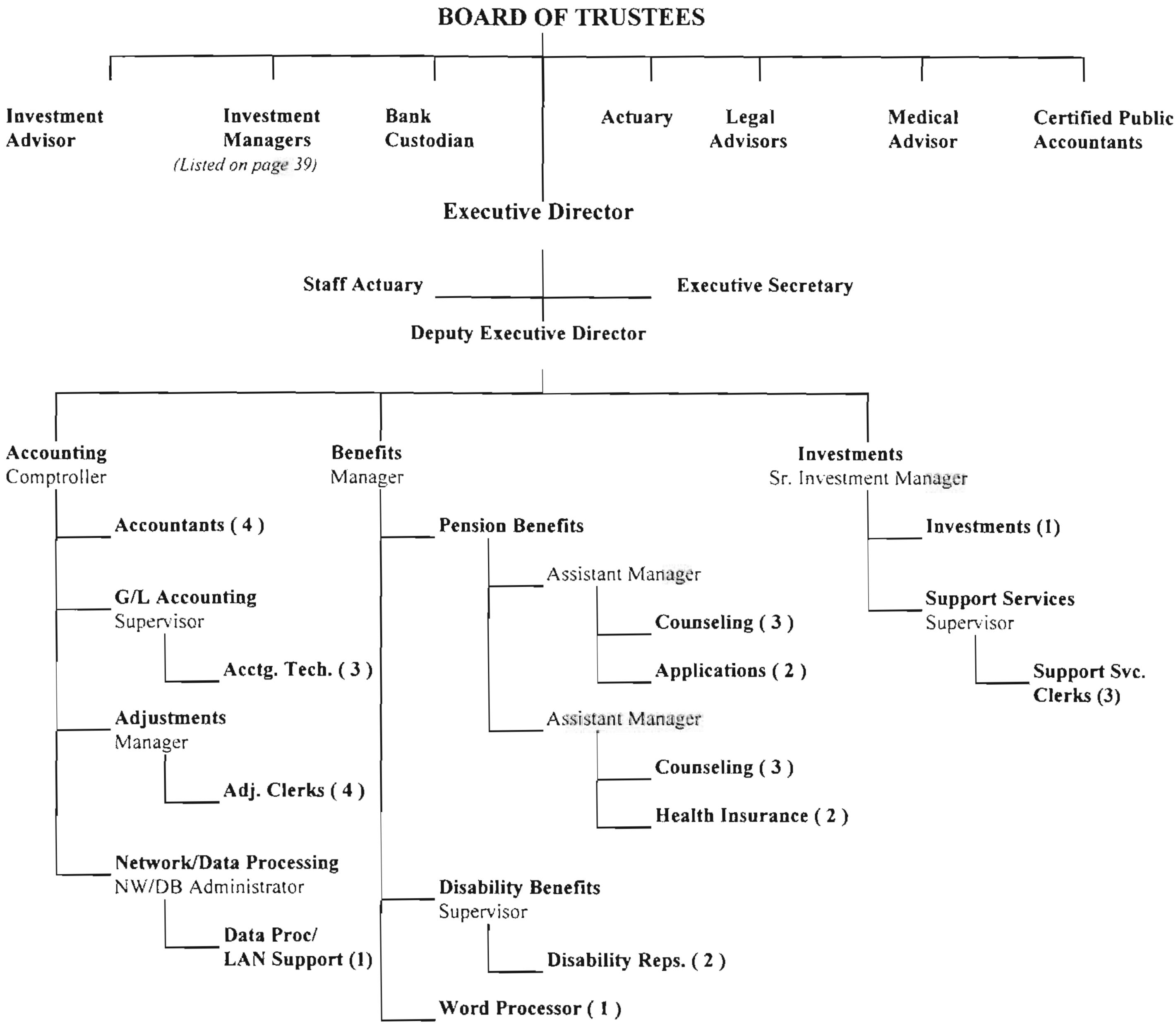
Judith C. Rice, *Treasurer*
Judith C. Rice is Treasurer of the Board, and one of two ex-officio members. Ms. Rice was elected City Treasurer of the City of Chicago on February 25, 2003. She has held that office since her appointment by Mayor Richard M. Daley in November 2000. Immediately preceding her 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.

Peter Brejnak, *Recording Secretary*
Peter Brejnak was appointed to the Board in November 1997. Peter has been a public servant for over 32 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 Employees Society of Chicago.

John K. Gibson, *Trustee*
John Gibson was appointed to the Pension Board on February 20, 1997. He was re-elected Trustee in September 2003. 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 Vice President of Local 143, the Chicago Public School Engineer's Union.

Organizational Chart

(As of 12/31/03)



Advisors - *are listed on page 12*

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

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

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

CONSULTING ACTUARY
Mr. Michael R. Kivi
Gabriel, Roeder, Smith & Company
20 North Clark Street, Suite 2400
Chicago, IL 60602

AUDITORS
Mr. Michael Huels
Bansley and Kiener, L. L. P.
O'Hare Plaza
8745 West Higgins Road, Suite 200
Chicago, IL 60631

Financial

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
O'HARE PLAZA
8745 WEST HIGGINS ROAD, SUITE 200
CHICAGO, ILLINOIS 60631
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, 2003 and 2002, 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, 2003 and 2002, 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.

Management's discussion and analysis and 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.

As described in Note 1, the Plan adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* as of January 1, 2002.

Bansley and Kiener, L.L.P.
Certified Public Accountants

April 6, 2004

Management's Discussion and Analysis (Unaudited)

This section presents management's discussion and analysis of the Municipal Employees' Annuity and Benefit Fund of Chicago's ("Plan") financial position and performance for the years ended December 31, 2003 and 2002. It provides an overall overview of the financial activities and the effects of significant changes. This discussion and analysis is intended to be read in conjunction with the Plan's financial statements.

Overview of the Financial Statements and Accompanying Information

The following discussion and analysis are intended to serve as an introduction to the *Plan's* basic financial statements. The basic financial statements are described below:

- **The Statements of Plan Net Assets** show a point-in-time snapshot of account balances at year-end. They report the assets held in trust for future pension benefit payments and any current liabilities as of the statement date. The liabilities do not include the actuarial value of future benefits.

- **The Statement of Changes in Plan Net Assets** show the sources and uses of funds during the calendar year, where Additions – Deductions = Net Increase (or Decrease) in Net Assets. This Net Increase (or Decrease) in Net Assets illustrates the change in net assets as reported in the Statements of Plan Net Assets from the prior year to the current year.

- **The Notes to the Financial Statements** are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the data provided in the financial statements. Information in the notes discloses the *Plan's* organization, accounting policies, benefits and contributions, how assets values are determined, contingencies and commitments.

The financial statements are prepared based on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect ongoing *Plan* perspective. Therefore, in addition to the two financial statements explained above, this report includes two Required Supplementary Information schedules with historical trend information.

- The Schedule of Funding Progress contains actuarial information about the status of the *Plan* from an ongoing, long-term perspective in the accumulation of sufficient assets to pay future pension and post employment benefits when due. Actuarial Liabilities in excess of Valuation Assets indicate that insufficient assets have been accumulated to fund the future benefits of current members and retirees.

- The Schedule of Employer Contributions contains historical trend information regarding the value of total annual contributions employer must pay and the related percentage the employer has contributed to meet its requirement.

- The Notes to the Required Supplementary Information provide background information and explanatory detail to aid in understanding the required supplementary schedules.

The Schedule of Administrative Expenses and Schedule of Consulting Costs show the costs of managing the *Plan*. The Schedule of Investment Management Compensation provides the detail of investment related expenses reported in the Statements of Changes in Plan Net Assets.

Financial

FINANCIAL HIGHLIGHTS

- The Municipal Employees' Annuity and Benefit Fund of Chicago's net assets increased by $794.6 million to $5,922.8 million or 15.5% in 2003 from $5,128.2 million in 2002. In 2002, the *Plan's* net assets decreased by $692.6 million, or 11.9% from $5,820.8 million in 2001. The increase in 2003 was mainly from the increase in the fair value of investments due to the double-digit returns in the equity markets. The $794.6 million net increase in assets in 2003 was a strong increase for the *Plan* compared to the $692.6 million net decrease in value in 2002. The net decrease in 2002 was over twice as large as the $305.5 million decrease in 2001. Even though a strong gain in 2003, each year net assets continue to be reduced by the growing operating deficit caused by the static level of Fund contributions and the continually increasing benefit payments owed.

- The *Plan*'s rate of return at fair value was 19.9%, a complete turnaround from last year's return of –9.3%. The surging equity markets led the way during the year.

- The funding objective of the *Plan* is to meet long-term defined pension benefit obligations. As of December 31, 2003, the date of the most recent actuarial valuation, the *Plan* is actuarially funded at 79.9%. In general, this means that for every dollar of future pension benefits due, the *Plan* has approximately eighty cents of net assets available for payment. This ratio is less than the 84.5% funded ratio as of December 31, 2002 and 93.3% as of December 31, 2001. We expect the funding level to decrease further in 2004 due to a plan amendment allowing early retirement in 2004, which will increase benefit payments and fund liabilities significantly.

- Revenues (additions to plan net assets) for calendar year 2003 were $1,233.4 million, which includes member and employer contributions of $271.5 million and net investment activity, including realized and unrealized gains totaling $960.2 million. Revenues increased by $1,512.0 million in 2003 from a negative $278.6 million in 2002 and a positive $91.3 million in 2001.

- Expenses (deductions from plan net assets) increased to $438.8 million in 2003 from $413.9 million in 2002 and $396.8 million in 2001. The *Plan* paid $397.7 million in retirement benefits to 20,573 participants during 2003, compared to $376.3 million paid to 20,279 participants during 2002 and $362.8 million paid to 20,088 participants in 2001. Benefit payments increased primarily due to cost of living increases, an increase in the number of retirees and a plan amendment extending and increasing the health insurance subsidy benefit.

- Property and equipment expenditures consist primarily of office furniture and equipment, as well as technology upgrades and database systems. In 2003 we completed Phase 3 of the Database Project. This included the disbursement exports, batch updates for plan amendments, cost of living increases, reports and the death event for widows. Debugging the system and running annuity calculations are temporarily put on hold due to the processing of a massive number of benefit estimates and retirement applications due to a plan amendment allowing early retirement. The Database System will be placed in service beginning January 2005.

PLAN NET ASSETS

A summary of the Plan's Net Assets is presented below:

Plan Net Assets
(in millions)
As of December 31, 2003 and 2002

	2003	2002	Change $	Change %
Cash and cash equivalents	$ 1.5	$ 1.5	$ -	
Receivables	165.2	154.8	10.4	6.7%
Brokers - unsettled trades	94.7	61.2	33.5	54.7%
Investments, at fair value	5,990.1	5,265.8	724.3	13.8%
Invested securities lending collateral	421.0	543.4	(122.4)	-22.5%
Property and equipment	4.9	4.1	0.8	19.5%
Total assets	6,677.4	6,030.8	646.6	
Brokers - unsettled trades	326.9	355.1	(28.2)	-7.9%
Securities lending payable	421.0	543.4	(122.4)	-22.5%
Accounts payable and accrued expenses	6.7	4.1	2.6	63.4%
Total liabilities	754.6	902.6	(148.0)	
Net Plan Assets	$5,922.8	$5,128.2	$794.6	15.5%

Plan Net Assets
(in millions)
As of December 31, 2002 and 2001

	2002	2001	Change $	Change %
Cash and cash equivalents	$ 1.5	$ 1.5	$ -	
Receivables	154.8	155.3	(0.5)	-0.3%
Brokers - unsettled trades	61.2	53.0	8.2	15.5%
Investments, at fair value	5,265.8	5,791.4	(525.6)	-9.1%
Invested securities lending collateral	543.4	497.2	46.2	9.3%
Property and equipment	4.1	3.1	1.0	32.3%
Total assets	6,030.8	6,501.5	(470.7)	
Brokers - unsettled trades	355.1	179.7	175.4	97.6%
Securities lending payable	543.4	497.2	46.2	9.3%
Accounts payable and accrued expenses	4.1	3.8	0.3	7.9%
Total liabilities	902.6	680.7	221.9	
Net Plan Assets	$5,128.2	$5,820.8	($692.6)	-11.9%

CHANGES IN PLAN NET ASSETS

Revenues - Additions to Plan Net Assets

- Member contributions increased in 2003 to $129.6 million from $128.4 million in 2002 and $118.2 million in 2001.
- Employer contributions increased by 8.4% to $141.9 million in 2003 from $130.9 million in 2002. The increase in employer contributions is attributed to higher member contributions in 2001 as a result of retroactive salary adjustments. Employer contributions are calculated using a statutorily set multiplier (currently 1.25) times member contributions collected two years prior. Employer contributions for 2002 were consistent with 2001.
- Net investment activity showed a gain for the year ended December 31, 2003 totaling $960.2 million, compared to the loss of $539.5 million in 2002 and a loss of $160.3 million in 2001. As discussed earlier in the Financial Highlights section, the increase resulted from the significant increase in the fair values of domestic and international equity investments. Investment fees, which are netted from investment income, increased by 6.9% to $16.9 million in 2003 compared to $15.8 million in 2002. Investment fees in 2002 decreased 5.5% from $16.7 million in 2001.
- The *Plan* earns additional income by lending investment securities to broker-dealers. The lending is done on a pooled basis by the custodial bank. The broker-dealers provide collateral to the custodial bank and generally use the borrowed securities to cover short sales and failed trades. In 2003, net securities lending income increased by 13.3% to $1.7 million compared to $1.5 million in income in 2002. In 2002, net securities lending income decreased by 25% from $2.0 million in income in 2001.

Expenses - Deductions from Plan Net Assets

Benefit payments, refunds of contributions to members who terminate employment, and administrative costs comprise the *Plan's* expenses.

- Retirement annuity payments increased by 5.7% to $397.7 million in 2003 from $376.3 million in 2002. Retirement annuity payments in 2002 increased by 3.7% from $362.8 million in 2001. The increase is mainly attributable to the 3% annual compounded cost of living increase, increase in the number of annuitants and a plan amendment extending and raising the health insurance subsidy amount paid by the Fund for its retirees enrolled in the retiree health plan.
- Disability benefit payments increased slightly by 2.8% to $10.9 million from $10.6 million in 2002. The increase was mainly due to an increase in the number of duty disability cases. In 2002 disability benefit payments increased by 34.2% from $7.9 million in 2001. The increase in 2002 from 2001 was mainly due to a plan amendment that provided for payment of the 8.5% employee contribution for the disabled member to be made by the *Plan*. The change was retroactive to January 1, 2001.
- Refunds of member contributions including rollover distributions increased by 13.8% to $25.5 million from $22.4 million in 2002. There was a 1.8% increase in 2002 from $22.0 million in 2001.
- Cost to administer the *Plan* in 2003 was consistent with 2002 with a slight increase of 2.2% to $4.7 million in 2003 from $4.6 million in 2002. In 2002, administrative expenses increased by 11.5% from $4.1 million in 2001 due to an increase health insurance costs and additional personnel.

The following tables show a comparative summary of various changes in Plan Net Assets for calendar years ending December 31, 2003, 2002 and 2001.

Changes in Plan Net Assets
(in millions)
As of December 31, 2003 and 2002

	2003	2002	Change $	Change %
Additions:				
Member contributions	$ 129.6	$ 128.4	$ 1.2	0.9%
Employer contributions	141.9	130.9	11.0	8.4%
Net investment gains and (losses)				
and investment income	960.2	(539.5)	1,499.7	278.0%
Securities lending income	1.7	1.5	0.2	13.3%
Total additions	1,233.4	(278.7)	1,512.0	
Deductions:				
Annuity benefits	397.7	376.30	21.4	5.7%
Disability benefits	10.9	10.6	0.2	2.8%
Refunds of contributions and rollover distributions	25.5	22.4	3.2	13.8%
Administrative expenses	4.7	4.6	0.1	2.2%
Total deductions	438.8	413.9	24.9	
Net Increase (Decrease)	$794.6	($692.6)	$1,487.1	214.7%

Changes in Plan Net Assets
(in millions)
As of December 31, 2002 and 2001

	2002	2001	Change $	Change %
Additions:				
Member contributions	$ 128.4	$118.2	$10.2	8.6%
Employer contributions	130.9	131.4	(0.4)	-0.3%
Net investment gains and (losses)				
and investment income	(539.5)	(160.3)	(379.2)	-236.6%
Securities lending income	1.5	2.0	(0.5)	-25.0%
Total additions	(278.7)	91.3	(369.9)	
Deductions:				
Annuity benefits	376.3	362.8	13.5	3.7%
Disability benefits	10.6	7.9	2.7	34.2%
Refunds of contributions and rollover distributions	22.4	22.0	0.4	1.8%
Administrative expenses	4.6	4.1	0.5	11.5%
Total deductions	413.9	396.8	17.1	
Net Increase (Decrease)	($692.6)	($305.5)	($387.0)	-126.7%

PLAN MEMBERSHIP

Plan membership at year-end 2003, 2002 and 2001 is shown in the following tables:

Changes in Plan Membership
As of December 31, 2003 and 2002

			Increase (Decrease)	
	2003	**2002**	**#**	**% Change**
Retirees and beneficiaries receiving benefits	20,573	20,279	294	1.5%
Active employees (includes members currently receiving disability benefits):				
Vested	16,955	16,347	608	3.7%
Non-vested	18,429	19,175	(746)	(3.9%)
Terminated (inactive members) employees entitled to benefits or a refund of contributions	11,159	11,137	22	0.2%
Total	67,116	66,938	178	0.3%

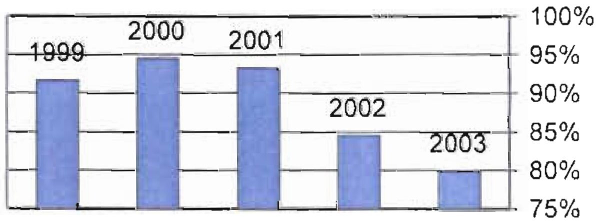
Changes in Plan Membership
As of December 31, 2002 and 2001

			Increase (Decrease)	
	2002	**2001**	**#**	**% Change**
Retirees and beneficiaries receiving benefits	20,279	20,088	191	1.0%
Active employees (includes members currently receiving disability benefits):				
Vested	16,347	16,439	(902)	(0.6%)
Non-vested	19,175	20,240	(1,065)	(5.3%)
Terminated (inactive members) employees entitled to benefits or a refund of contributions	11,137	9,551	1,586	16.6%
Total	66,938	66,318	620	0.9%

FUNDING STATUS

The *Plan's* Actuary uses a five-year smoothed market value to determine the actuarial value of assets. The smoothing prevents extreme volatility due to short-term fluctuations in the investment markets. The actuarial value of assets for the December 31, 2003 valuation was $6,384 million and the actuarial liability was $7,989 million. The actuarial assets decreased by $20 million in 2003 from $6,404 million in 2002. Actuarial assets also decreased in 2002 from $6,467 million in 2001. The actuarial liability increased by 5.4%, $412 million in 2003, from $7,577 million in 2002. Actuarial liabilities also increased in 2002 from $6,934 million in 2001. The assets currently fund 79.9% of this liability, a decrease from the 84.5% funded ratio in 2002 and 93.3% in 2001.The decrease in the funded ratio resulted from prior year's losses that are being recognized due to the five-year smoothed market method and due to increased benefit payments in 2003.

Schedule of Funding Progress
Funded Ratio
(As of December 31, years indicated)



INVESTMENT ACTIVITIES

At year-end 2003, the *Plan's* equity investments (domestic and international) increased in value by 33% to $3,666 million from $2,757 million at year-end 2002. At year-end 2002, equity investments decreased in value by 19.0% from $3,402 million at year-end 2001. This increase is attributable to the rebounding equity markets in 2003. Even though the *Plan's* year-end value increased by $794.6 million, operating needs required approximately $195 million in capital drawdowns to cover benefit payments during the year. The *Plan's* real estate exposure continued to increase as additional funding was added to this asset class and performance was positive, even though underperformed compared to the median. The *Plan's* private equity exposure continued its decline due to continued underperformance in this investment sector.

Investment Returns
Periods ending December 31, years as indicated

	2003	2002
Total Fund	19.9%	-9.3%
Benchmark Portfolio	20.1%	-7.7%
Median Return	21.9%	-8.7%
Domestic Equities	31.2%	-20.5%
Benchmark: S & P 500	28.7%	-22.1%
Equity Median Return	32.9%	-21.9%
International Equities	39.2%	-14.3%
Benchmark: EAFE Index	38.6%	-15.9%
International Equity Median Return	34.8%	-14.8%
Fixed Income	4.4%	8.9%
Benchmark: Lehman Aggregate Index	4.1%	10.3%
Fixed Income Median Return	5.1%	9.6%
Real Estate	6.1%	4.3%
Benchmark: NCREIF Property Index	7.6%	4.9%

(1) Median returns are from Universes compiled by Becker, Burke Associates.

The financial position of the *Plan* rebounded in 2003 making up ground from the negative financial markets over the two years prior. The table above shows portfolio returns compared to relative benchmarks and median fund returns for 2003 and 2002, which are reflective of the market environment.

Economic Factors Impacting 2004

An Early Retirement Incentive (ERI) Program under Public Act 93-0654 signed by the Governor on January 16, 2004 will have significant increase in actuarial liabilities and benefit payments. On the revenue side, there will be an increase in the employee contributions in 2004 as participants purchase permissive service credits including additional five years of service allowed in the ERI program.

Contact information

This financial report is designed to provide the employer, plan participants and others with a general overview of the *Plan's* finances and show accountability for money it receives. Questions concerning any data provided in this report or requests for additional information should be addressed to Mr. Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago, 221 N. LaSalle Street, Suite 500, Chicago, IL 60601.

Statements of Plan Net Assets

	December 31	
ASSETS	2003	2002
Cash and cash equivalents	$ 1,489,668	$ 1,482,551
Receivables		
Contributions from the City of Chicago, net of allowance for loss of $12,654,055 in 2003 and $13,635,440 in 2002	141,959,570	131,123,910
Member contributions	7,428,152	8,908,420
Interest and dividends	15,110,907	14,722,668
Brokers – unsettled trades	94,653,910	61,170,647
Miscellaneous	749,480	70,202
Total receivables	259,902,019	215,995,847
Investments, at fair value		
Bonds	1,724,704,367	1,905,914,880
Common and preferred stock	3,665,515,058	2,756,564,806
Real estate	235,849,045	186,189,857
Other investments	76,289,753	66,921,823
Short-term investments	287,757,532	350,178,691
Total investments	5,990,115,755	5,265,770,057
Invested securities lending collateral	421,022,183	543,441,734
Property and equipment, net of accumulated depreciation and amortization of $360,824 in 2003 and $348,350 in 2002	4,855,632	4,053,424
Total assets	6,677,385,257	6,030,743,613
LIABILITIES		
Brokers – unsettled trades	326,860,431	355,020,296
Accounts payable and accrued expenses	6,712,644	4,071,179
Securities lending collateral	421,022,183	543,441,734
Total liabilities	754,595,258	902,533,209
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 31)	$5,922,789,999	$5,128,210,404

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

Statements of Changes in Plan Net Assets

	Years Ended December 31	
	2003	2002
Additions		
Contributions from the City of Chicago	$ 141,882,893	$ 130,966,381
Member contributions	129,644,188	128,395,307
Total contributions	271,527,081	259,361,688
Investment income		
Net appreciation (depreciation) in fair value of investments	866,228,827	(647,140,279)
Interest	57,514,903	69,503,046
Dividends	44,928,838	44,378,422
Income from real estate investments	8,336,777	9,394,470
Other	20,440	112,742
	977,029,785	(523,751,599)
Less investment expenses	16,875,154	15,778,745
	960,154,631	(539,530,344)
Security lending activities		
Securities lending income	7,867,695	10,290,450
Borrower rebates	(5,390,231)	(8,193,132)
Bank fees	(743,233)	(629,287)
	1,734,241	1,468,031
Total additions	1,233,415,953	(278,700,625)
Deductions		
Benefits		
Annuity payments	397,716,547	376,285,165
Disability and death benefits	10,879,692	10,586,498
Total benefits	408,596,239	386,871,663
Refund of member contributions	20,961,648	18,336,036
Rollover distributions	4,599,837	4,089,881
Administrative and general expenses	4,678,634	4,557,088
Total deductions	438,836,358	413,854,668
Net increase (decrease)	794,579,595	(692,555,293)
Net assets held in trust for pension benefits		
Beginning of year	5,128,210,404	5,820,765,697
End of year	$5,922,789,999	$5,128,210,404

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

Notes to Financial Statements

Note 1 – 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 are carried at cost, which approximates fair value. Certain short-term obligations, such as United States Treasury Bills and discount paper, are 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.

Notes to Financial Statements
(Continued)

Note 1 – 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, 2003 and 2002 is as follows:

	2003	2002
Furniture	$ 89,122	$ 94,254
Equipment	53,386	62,406
Computers	297,480	358,851
Leasehold improvements	52,921	52,921
	492,909	568,432
Less accumulated depreciation and amortization	360,824	348,350
	132,085	220,082
Construction in progress	4,723,547	3,833,342
Net property and equipment	$4,855,632	$4,053,424

Construction in progress consists of an installation of a new computer system at a total estimated cost of $5,000,000, to be placed in service by January 2005.

New Financial Reporting Model

Effective January 1, 2002, the *Plan* implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) and Statement No. 37, *Basic Financial Statements – and Management's Discussion – for State and Local Governments: Omnibus* (GASB No. 37). As a result of GASB No. 34 and GASB No. 37, a Management's Discussion and Analysis (MD&A) section providing analysis of the *Plan's* overall financial position and results of operations has been included with the *Plan's* financial statements.

Note 2 – Deposits and Investments

At December 31, 2003 and 2002, the *Plan's* book balances of cash are $1,489,668 and $1,482,551, respectively. The actual bank balances at December 31, 2003 and 2002 are $1,488,868 and $1,481,751, 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.

Notes to Financial Statements
(Continued)

Note 2 – 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, 2003 and 2002. 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, 2003 Book Value	December 31, 2003 Fair Value	December 31, 2002 Book Value	December 31, 2002 Fair Value
Bonds	1	$1,552,376,158	$1,724,704,367	$1,676,180,424	$1,905,914,880
Stocks	1	2,500,995,277	3,195,244,696	2,362,357,221	2,366,190,306
Short-term instruments	1	18,375,426	18,377,450	12,835,999	12,840,160
Real estate	N/A	224,479,348	235,849,045	176,448,456	186,189,857
Venture capital	N/A	153,832,241	76,289,753	136,131,990	66,921,823
Commingled funds	N/A	683,135,289	739,650,444	801,794,885	727,713,031
		$5,133,193,739	$5,990,115,755	$5,165,748,975	$5,265,770,057

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 3 – 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.

	2003	2002
Investments At Fair Value As Determined by Quoted Price		
Bonds		
NTGI Aggregate Bond Index Fund	$ 355,599,017	$ -
BT Pyramid Broad Market Fixed Income Fund	-	496,997,292
Other	1,369,105,350	1,408,917,588
Common and preferred stock	3,665,515,058	2,756,564,806
	5,390,219,425	4,662,479,686
Investments at Fair Value As Determined by Plan Administrator		
Real estate	235,849,045	186,189,857
Other	76,289,753	66,921,823
Short-term investments	287,757,532	350,178,691
	599,896,330	603,290,371
Total investments	$5,990,115,755	$5,265,770,057

Notes to Financial Statements
(Continued)

Note 4– 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, 2003 the average term of the loan was 70 days (80 days in 2002). 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, 2003 had a weighted average maturity of 43 days (43 days in 2002). As of December 31, 2003 and 2002, the *Plan* had loaned to borrowers securities with a fair value of $491,965,333 and $637,801,921, respectively. As of December 31, 2003 and 2002, the *Plan* received from borrower's cash collateral of $421,022,183 and $543,441,734, and non-cash collateral of $83,340,965 and $108,024,168, respectively. Securities lending net income for the years ended December 31, 2003 and 2002 were $1,734,241 and $1,468,031, respectively. At year-end, the *Plan* has no credit risk exposure to borrowers because the amounts the *Plan* owes the borrowers exceed the amounts the borrowers owe the *Plan*.

A summary of securities loaned at fair value as of December 31:

	2003	2002
Securities loaned – cash collateral		
Domestic bonds	$242,633,566	$291,341,628
Domestic equities	154,277,072	230,089,583
International equities	13,924,912	10,446,657
Total securities loaned – cash collateral	410,835,550	531,877,868
Securities loaned – non-cash collateral		
Domestic bonds	67,418,422	105,342,286
Domestic equities	13,030,363	495,157
International equities	680,998	86,610
Total securities loaned – non-cash collateral	81,129,783	105,924,053
Total	$491,965,333	$637,801,921

Note 5 – Description of Plan

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance or any person employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (*Plan*) who is not participating in any other pension fund or retirement system is covered by the *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, 2003 and 2002 were $1,395,513,060 and $1,377,909,441, respectively.

Notes to Financial Statements
(Continued)

Note 5 – Description of Plan (Continued)

Plan membership at December 31 is as follows:

	2003	2002
Active employees (includes members currently receiving disability benefits):		
Vested	16,955	16,347
Nonvested	18,429	19,175
	35,384	35,522
Retirees and beneficiaries currently receiving benefits	20,573	20,279
Terminated (inactive members) employees entitled to benefits or a refund of contributions	11,159	11,137
	67,116	66,938

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 2.4% 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. There is a 10 year deferred vested benefit payable at age 60. The original annuity is limited to 80% 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 employee's monthly annuity is increased by 3% annually beginning on the earlier of the following: 1) the later of the third anniversary of retirement and age 53, or 2) the later of the first anniversary of retirement and age 60.

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 *Plan*. 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 *Plan* made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually.

Net Assets Held in Trust for Pension Benefits

The *Plan* has reserved a portion of plan net assets for future obligations. Employee contributions are distributed to active employee and survivor benefit reserves based on requirements specified in Illinois State Statutes. After meeting current cash requirements for administrative expense and disability benefits, employer contributions and investment income are allocated to all reserves based on actuarially calculated requirements. Amounts are transferred between reserves annually based on actuarially calculated requirements.

Notes to Financial Statements
(Continued)

Note 5 – Description of Plan (Continued)

	2003	2002
Net assets reserved for:		
Retirement and survivor benefits for active employees	$ 4,247,878,838	$ 4,025,932,872
Retirement and survivor benefits for retired employees	3,740,757,718	3,551,167,505
	7,988,636,556	7,577,100,377
Unreserved net assets	(2,065,846,557)	(2,448,889,973)
Net assets held in trust for pension benefits	$ 5,922,789,999	$ 5,128,210,404

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 $21,191 ($21,704 in 2002). 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, 2003:

Year Ending December 31,	Amount
2004	$ 254,292
2005	254,292
2006	254,292
2007	254,292
2008	42,382
Total	$1,059,550

Note 7 – Subsequent Event

On January 16, 2004, the Governor signed an Early Retirement Incentive program under Public Act 93-0654. The impact on the employee contributions, actuarial liabilities and benefit payments regarding this new legislation allowing early retirement in 2004 has not been determined.

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)
12/31/03	$6,384,098,957	$7,988,636,556	$1,604,537,599	79.9%	$1,395,513,060	115.0%
12/31/02	$6,403,982,494	$7,577,100,377	$1,173,117,883	84.5%	$1,377,909,441	85.1%
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%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2003	$158,614,805	89.5%
2002	$92,711,870	141.3%
2001	$83,526,133	157.4%
2000	$93,016,467	150.7%
1999	$157,514,076	76.0%
1998	$108,174,346	146.6%

Notes 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	12/31/03
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	8.0%
Projected salary increases	5.0%
Inflation	3.0%
Post retirement benefit increase	3.0% per year beginning at the earlier of: 1) the later of the third anniversary of retirement and age 53, or 2) the later of the first anniversary of retirement and age 60

Other Supplementary Schedules

Schedule of Administrative Expenses

	Years Ended December 31	
	2003	2002
Administrative Salaries	$2,007,185	$2,060,040
Employee Benefits	626,789	552,557
Professional Services:		
Actuarial	110,233	82,587
Data Processing	499,023	485,240
Medical	40,128	38,952
Auditing	30,500	28,500
Legal	111,885	139,827
Custodial	117,629	138,915
Contractual	107,457	86,256
Consulting	70,016	52,905
Investment advisory	180,000	160,000
Office Supplies and Equipment	62,852	56,945
Office Equipment Maintenance	11,587	13,770
Bank service charge	4,670	4,820
Equipment Rental	12,865	24,461
Depreciation	93,017	94,761
Printing and Publishing	193,323	115,051
Postage	74,838	68,997
Rent and Utilities	236,531	269,575
Retirement Board Election Costs	4,734	2,692
Miscellaneous	8,700	11,924
Telephone and Communications	31,871	31,385
Travel	26,286	20,757
Dues and Subscriptions	16,515	16,171
Total	$4,678,634	$4,557,088

Schedule of Consulting Costs

	2003	2002
Legal Advisors	$111,885	$139,827
Medical Advisors	40,128	38,952
Investment Consultant	180,000	160,000
Consulting Actuary	110,233	82,587
Auditor	30,500	28,500
Master Custodian	117,629	138,915
Total	$590,375	$588,781

Schedule of Investment Management Compensation

	Years Ended December 31	
	2003	2002
Balanced Managers		
Brinson Partners	$ -	$ 200,958
Equity Managers		
Alliance Capital	864,927	1,018,340
Ariel Capital	1,463,032	1,346,766
Bear Stearns	742,464	688,469
Deutsche Asset Mgmt.	-	106,440
Great Lakes Advisors	375,890	344,004
Holland Capital	223,421	29,041
Keeley Asset Mgmt.	500,611	472,369
MacKay Shields	291,156	-
Northern Trust Quantative Adv.	194,869	96,833
Oppenheimer Capital	-	170,753
Smith Barney Asset Mgmt.	279,573	50,000
TCW	254,458	210,254
TIMCO	197,241	168,236
UBS AM Equity	517,837	374,070
Waddell & Reed	-	59,828
Weiss, Peck & Greer	544,931	619,646
Wellington Capital	862,727	803,119
William Blair	195,790	-
Total Equity	7,508,927	6,558,168
Bond Managers		
Alliance Capital	444,803	580,216
Criterion	108,338	296,473
Deutsche Asset Mgmt.	310,787	130,985
Frank Russell Trust	254,625	287,218
Lincoln Capital	145,272	240,578
Payden & Rygel	328,900	127,351
UBS AM Bonds	313,943	231,621
Total Bond	1,906,668	1,894,442
International Equity Managers		
Frank Russell Trust	1,333,898	1,302,653
MFS	151,811	145,538
Nicholas Applegate	143,351	143,667
Oechsle	203,327	206,499
Total International Equity	1,832,387	1,798,357

Schedule of Investment Management Compensation (Continued)

	Years Ended December 31	
	2003	2002
Real Estate Managers		
AFL-CIO Building Trust	148,557	108,880
Capital Associates Rlty.	899,125	623,087
J P Morgan	425,074	281,334
John Buck Company	435,000	187,500
Prudential Asset Mgmt.	438,372	479,367
Total Real Estate	2,346,128	1,680,168
Venture Capital Managers		
First Analysis	1,305,195	1,233,588
Frontenac Corp.	40,000	120,000
Hispania Partners	62,500	-
Invesco	25,756	41,706
Mesirow Financial	1,185,093	1,580,565
Midwest Mezzanine Fund	437,500	445,793
SB Partners	225,000	225,000
Total Venture Capital	3,281,044	3,646,652
Total	$16,875,154	$15,778,745

Investments

MEA&B
CHICAGO
Municipal Employees' Annuity and
Benefit Fund of Chicago
221 North LaSalle Street, Suite 500, Chicago, Illinois 60601
Telephone 312.236.4700 • Fax 312.236.2383

June 28, 2004

The Retirement Board and Executive Director
Municipal Employees' Annuity & Benefit Fund of Chicago
221 N. LaSalle Street, Room #500
Chicago, Illinois 60601

2003 - Investment Activity

"A four-year streak of equity losses happened only once in the 20th Century, the Great Depression (1929-32)" *Wall Street Journal (1/02/03).*

Most investors entered 2003 thoroughly battered, coming off of three straight years of equity losses, which had not occurred in over sixty years. This down market cycle had been longer and more severe than any they had ever faced before. During these three years the S&P500 Index declined by almost forty percent and the NASDAQ Composite Index fell from its peak by approximately seventy percent. Would a ray of hope ever materialize?

Well, the first quarter of the year did not give investors the feeling that a ray of hope was imminent. Equity markets continued their decline with value style managers falling more than their growth style counterparts. Diversifying internationally did not offer any help as the EAFE international index fell by twice the amount of its domestic counterpart. A four-year streak of equity losses didn't seem impossible.

During the second quarter, signs of hope finally arrived. Upbeat financial news and positive developments in Iraq helped investor confidence, resulting in one of the strongest quarters in a long time. Market sectors that had been getting heavily pummeled, led the way. Smaller companies outperformed larger companies and international holdings outpaced their domestic peers. The sudden strength in equity returns ranged from 15% to 25%. Heading into the second half of the year, investors felt much better, but were still gun shy. The thought of the markets suddenly rising and then quickly falling could not be ruled out.

The third quarter would become the barometer for the year. Could gains hold and grow or would momentum be lost? Luckily, good news from the equity markets continued. Returns for the quarter were impressive even after the significant gains in the previous quarter. Performance leaders continued to be smaller companies, international investing and the hardest hit sectors, with returns ranging between 3% and 9%. Going into the fourth quarter, the markets were up by double-digits year-to-date. The losing streak appeared to be at an end.

With a strong economic wind at it's back, the equity markets sailed thru the fourth quarter. Other than unemployment concerns, economic indicators reflected continued strength. As investors headed into the holiday season, equity markets gave investors a present, the banner performance year they had been waiting for. Large domestic companies were up almost 30%, which was outpaced by small domestic companies being up over 47%. International equity did something it hadn't done in a long time, outpaced its domestic counterparts by returning almost 40% during the year.

The rebound in the equity markets was a long time coming. Committed, strong-stomached investors who stayed loyal to their asset allocations were rewarded. The Municipal *Plan* was one of those investors.

2003 – Plan Investment Performance

The *Plan's* rate of return for the year was 19.9% ranking the *Plan* in the 63rd percentile compared to other public plans. This return helped the *Plan's* net assets to grow by over $790 million. The funding ratio for 2003, represented by the actuarial value of assets as a percentage of the actuarial accrued liability, was 79.9%. This was a decline from the previous year due to the inclusion of deferred investment losses from the previous four years. With the strong performance in the equity markets, the *Plan's* domestic equity exposure grew to 57% of the portfolio compared to 50% in 2002. The overall return of the *Plan's* domestic equities was 31.2%, outperforming the S&P 500, which returned 28.7%. The *Plan's* 33% allocation to bonds, an anchor for the portfolio in previous years, cooled due to the strong equity markets. The *Plan's* bond allocation returned 4.4%, out performing the Lehman Brothers Aggregate Bond Index, which returned 4.1%.

The *Plan's* investment policy is designed to maximize returns while minimizing risk. The actuarial rate of return for the total portfolio 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. As such, they are a much better indication of the ability to meet stated investment objectives.

2003 – Plan's Operating Cash Flow Needs

Draws from the investment portfolio to assist in the payment of monthly retirement benefits were $195 million for the year. Funds are usually drawn in concurrence with the Retirement Board's targeted allocations. Operating draws are projected to grow from asset classes significantly in 2004 due to the Early Retirement Incentive Program passed by the State Legislature in early 2004.

I have included for your review the Master Custodian's certification letter for 2003, a summary of the *Plan's* investment policy and select supplemental investment schedules for the year. I hope they are informative.

Sincerely,

James E. Mohler
Senior Investment Manager

Note: The Plan's returns are supplied by Becker, Burke Associates and are in compliance with AIMR standards.

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Municipal Employees' Annuity and Benefit Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period January 1, 2003 through December 31, 2003.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the Master Custody Agreement among the Board of Trustees of the Fund and The Northern Trust Company dated April 1, 1996 as amended (the "Custody Agreement"), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Account by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in the Account in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Lend Securities in the Account pursuant to a Securities Lending Agreement entered into by and between the Board of Trustees and The Northern Trust Company.
6. Invest cash balances held from time to time in the individual investment management accounts of the Account in short term-cash equivalent securities.
7. Facilitate the exercising of rights of ownership, including but not limited to, proxy voting, stock subscriptions and conversion rights as directed by the Fund or its appointed investment managers.
8. Hold securities in the Account in the name of the Fund or nominee form or other means as provided in the Custody Agreement.
9. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
10. Employ agents to the extent provided in the Custody Agreement.
11. Provide disbursement services.
12. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: Rita M. Curtin

Rita M. Curtin
Vice President

INVESTMENT MANAGERS *(As of December 31, 2003)*

AFL/CIO Building Investment Trust
Alliance Capital
American Institutional Realty Advisors
Ariel Capital
Bear Stearns Asset Management
Capri Capital
First Analysis
Frank Russell Trust
Frontenac Corp.
Great Lakes Advisors
Hispania Capital Partners
Holland Capital Management
Invesco
The John Buck Company
J.P. Morgan Fleming Asset Management
Keeley Asset Management
Lincoln Capital Management
MacKay Shields
Mesirow Financial
MFS International
Midwest Mezzanine Funds
Nicholas Applegate
Northern Trust Global Investment Advisors
Oechsle International
Payden & Rygel
Prudential Realty
SB Partners
Smith Barney Asset Management
Travelers Investment Management Company
Trust Company of the West
UBS Global Asset Management
Weiss, Peck & Greer
Wellington Capital
WestAm Asset Management
William Blair & Company

Investments

Investment Authority and Responsibility

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 investments deemed to be prudent. 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.

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 *Plan*.

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.

Description of Investment Policies, Objective and Guidelines

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

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

Phase 2 establish objectives and guidelines for managing the *Plan'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 created in 1987 and is reviewed periodically for continued relevancy to *Plan* liabilities. Phase 3 is ongoing as portfolio performance is compared to *Plan* objectives and guidelines.

The Retirement Board completed a review of its investment policy and manager structure in 2001. Based on this study the Board set the *Plan's* asset allocation parameters. Targets within these parameters are used to put the portfolio in an optimal position to achieve the *Plan's* long-term goals and objectives.

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 *Plan'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 objectives and management style is also utilized.

Performance Review

The rate of return of the *Plan* 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 account's guidelines and the mutually agreed upon objectives. The return of the total *Plan* is also compared to a universe of other pension plans with similar structures.

Asset Allocation

As of December 31, 2003 the allocation of plan assets at fair value to investment manager mandates compared to the Retirement Board's determined parameters and target.

Vehicle	Range %	Target %	Actual %
U.S. Equities:			
Large	42-48%	45%	44%
Small/Mid	8-12%	10%	13%
Intl. Equities	8-12%	10%	5%
Bonds	24-28%	26%	32%
Real Estate	2-5%	5%	4%
Venture Capital	2-4%	4%	1%
Cash Equivalents	0%	0%	1%

Cash equivalents represent operational cash flow reserves for approximately two months operating cash needs. Monies drawn from investments to assist monthly operating cash flow needs is primarily taken from mandates that have become over funded compared to determined allocation ranges.

Investments (Fair to Book)
Periods Ended December 31, 2003 and December 31, 2002

Category	12/31/03 Fair Value	%	12/31/03 Book Value	%	12/31/02 Fair Value	%	12/31/02 Book Value	%
Bonds	$1,724,704,367	29%	$1,552,376,158	30%	$1,905,914,880	36%	$1,676,180,424	32%
Equities								
Domestic	3,385,777,575	57%	2,711,517,530	53%	2,614,386,490	50%	2,691,188,566	52%
International	279,737,482	5%	203,232,954	4%	142,178,316	3%	135,625,009	3%
Total Equities	3,665,515,057	61%	2,914,750,484	57%	2,756,564,806	52%	2,826,813,575	55%
Real Estate	235,849,046	4%	224,479,348	4%	186,189,857	4%	176,448,456	3%
Venture Capital	76,289,753	1%	153,832,241	3%	66,921,823	1%	136,131,990	3%
Cash Equivalents	287,757,532	5%	287,755,508	6%	350,178,691	7%	350,174,530	7%
Total Investments	$5,990,115,755	100%	$5,133,193,739	100%	$5,265,770,057	100%	$5,165,748,975	100%

Manager by Type & Percentage of Investments
As of December 31, 2003

	Fair Value	%
Bond Managers		
Alliance Capital	$425,728,368	7.1%
Frank Russell	137,207,369	2.3%
Lincoln Capital	577,782,232	9.6%
Northern Trust Global Investment Advisors	355,599,017	5.9%
Payden & Rygel	110,036,768	1.8%
UBS Bonds	184,449,248	3.1%
West AM	174,882,708	2.9%
	1,965,685,710	32.8%
Domestic Equity Managers		
Alliance Capital	429,733,301	7.2%
Ariel Capital	516,067,873	8.6%
Bear Stearns	288,084,464	4.8%
Great Lakes Advisors	163,525,863	2.7%
Holland Capital	123,865,783	2.1%
Keeley Asset Mgmt.	162,114,874	2.7%
MacKay Shields	113,260,744	1.9%
Northern Trust Global Investment Advisors	811,332,289	13.5%
Smith Barney Asset Mgmt.	115,318,393	1.9%
Trust Company of the West	29,083,207	0.5%
Travelers Investment Mgmt. Company	53,775,659	0.9%
UBS Equity	198,354,370	3.3%
Wellington Capital	273,932,918	4.6%
William Blair	112,950,069	1.9%
	3,391,399,808	56.6%
International Equity Managers		
Frank Russell	200,961,595	3.4%
MFS International	31,261,688	0.5%
Nicholas Applegate	20,768,669	0.3%
Oechsle International	28,262,351	0.5%
	281,254,303	4.7%

Investments

Manager by Type & Percentage of Investments (Continued)
As of December 31, 2003

	Fair Value	%
Real Estate Managers		
AFL-CIO Building Trust	16,085,059	0.3%
American Realty	8,572,500	0.1%
Capri Capital	94,057,822	1.6%
JP Morgan Fleming	45,611,572	0.8%
John Buck Company	24,392,952	0.4%
Prudential	47,876,597	0.8%
	236,596,501	3.9%
Venture Capital Managers		
First Analysis	20,653,657	0.3%
Frontenac Corporation	642,244	0.0%
Hispania Capital Partners	680,190	0.0%
Invesco	4,318,431	0.1%
Mesirow Private Equity Investments	17,964,442	0.3%
Mesirow Fund of Funds	14,946,087	0.2%
Midwest Mezzanine Funds	16,220,485	0.3%
SB Partners	1,906,172	0.0%
	77,331,709	1.3%
Short-term Account		
Fund Balance	37,847,724	0.7%
Total Investments	$5,990,115,755	100.0%

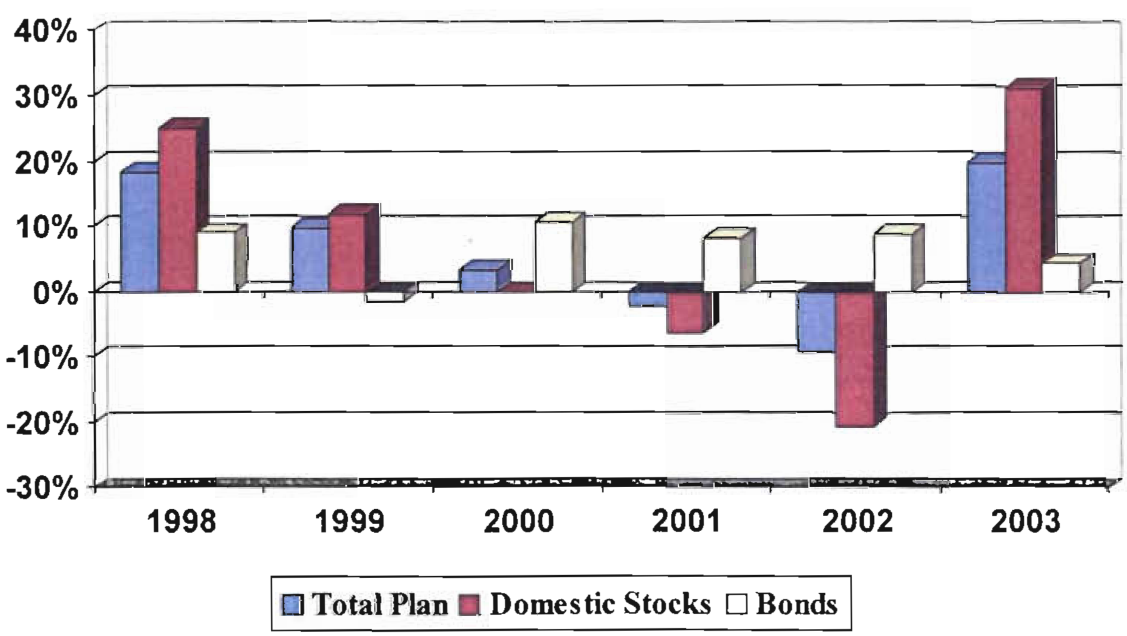
Annual Investment Returns

Last six years

	2003	2002	2001	2000	1999	1998
Total Plans						
The Plan	19.9%	-9.3%	-2.3%	3.3%	9.8%	18.4%
Inflation + 3%	4.9%	5.4%	4.6%	6.4%	5.7%	4.6%
Domestic Stocks						
The Plan	31.2%	-20.5%	-6.3%	0.0%	11.9%	25.2%
S&P 500 Stock Index	28.7%	-22.1%	-11.9%	-9.1%	21.0%	28.6%
Bonds						
The Plan	4.4%	8.9%	8.1%	10.7%	-1.5%	9.0%
Lehman Aggregate Bond Index	4.1%	10.3%	8.4%	11.6%	-0.8%	8.7%

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

Annual Investment Returns



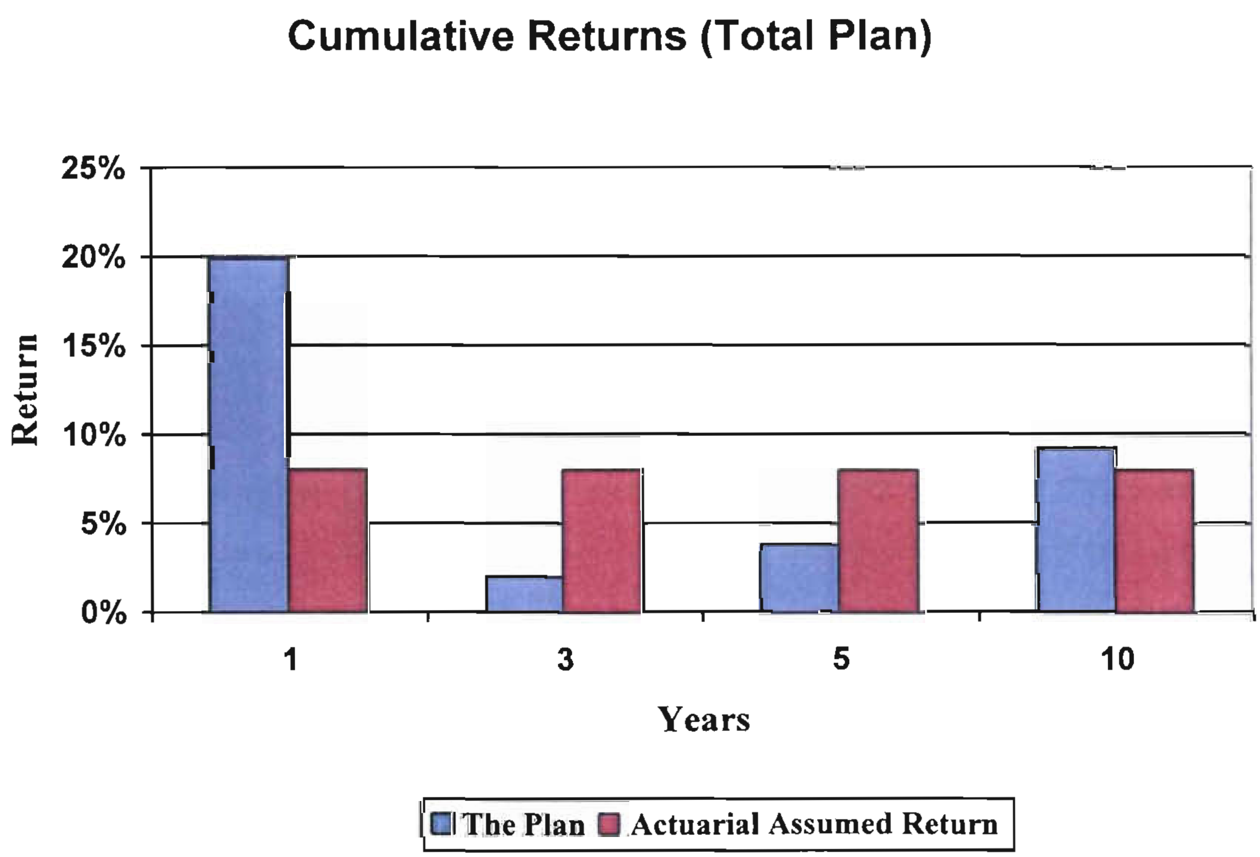
Investments

Cumulative Returns

Last 1,3,5, and 10 years

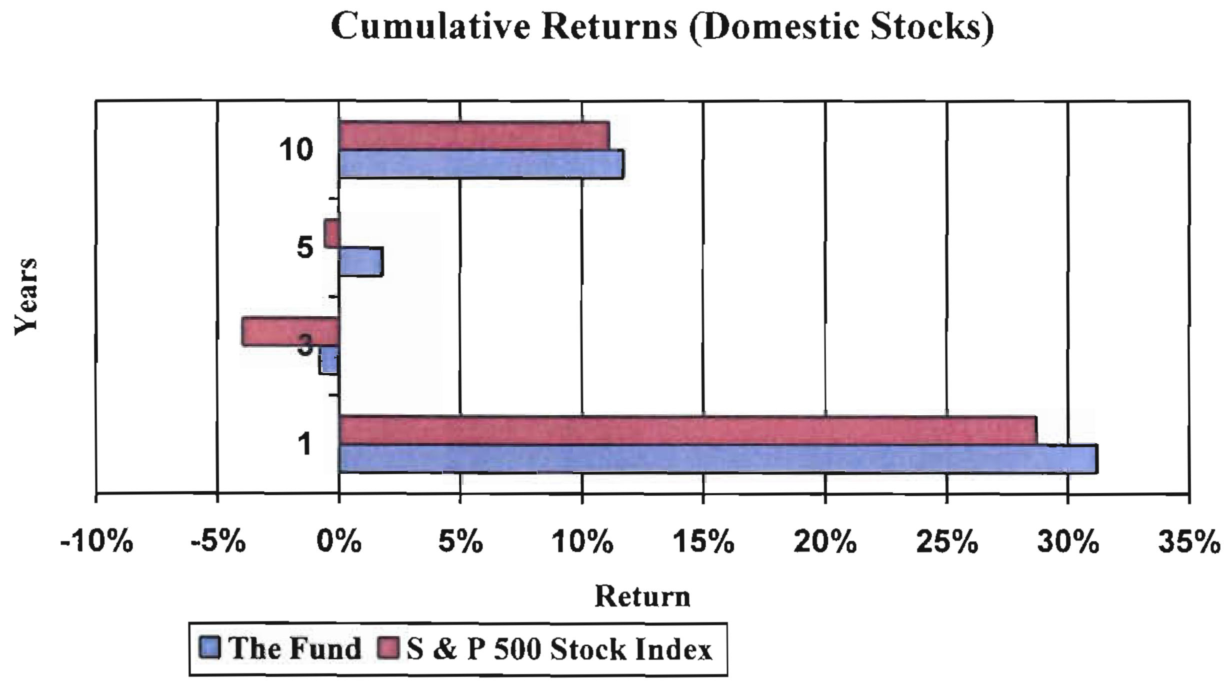
	1 Year	3 Years	5 Years	10 Years
TOTAL PLAN				
The Plan	19.9%	2.0%	3.8%	9.2%
Actuarial Assumed Return	8.0%	8.0%	8.0%	8.0%
DOMESTIC STOCKS				
The Plan	31.2%	-0.8%	1.8%	11.7%
S&P 500 Stock Index	28.7%	-4.0%	-0.6%	11.1%
BONDS				
The Plan	4.4%	7.1%	6.0%	6.6%
Lehman Aggregate Bond Index	4.1%	7.6%	6.6%	6.9%

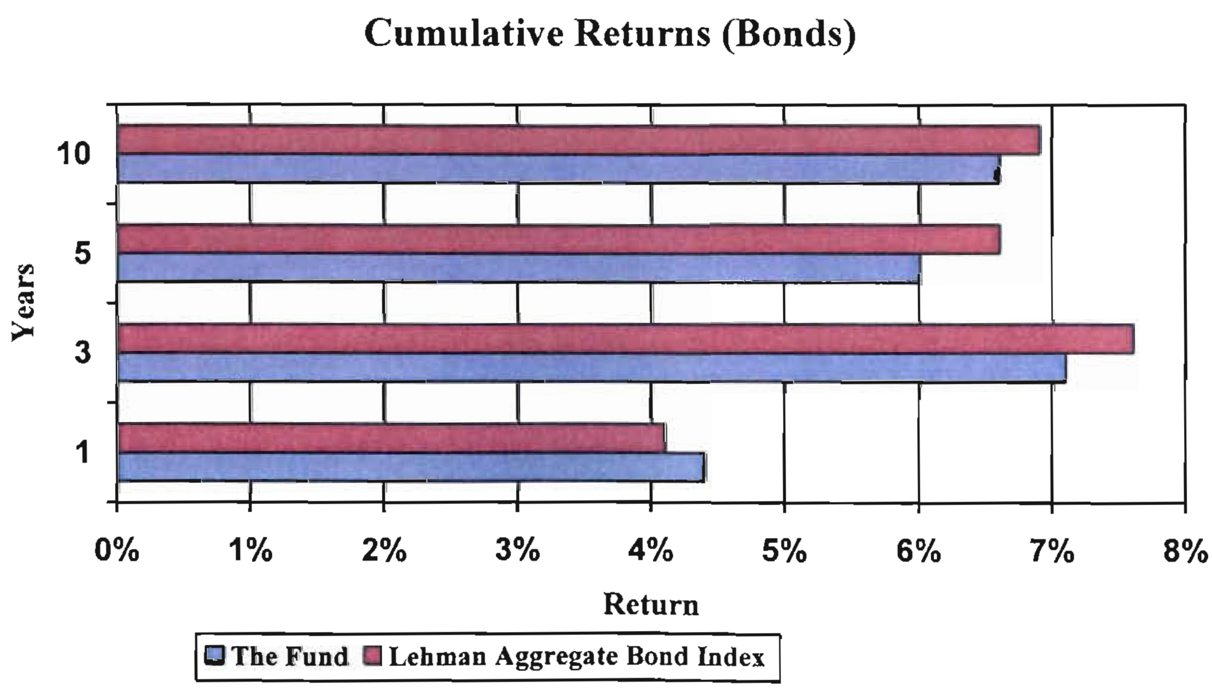
Investment returns are supplied by Becker, Burke Associates and are in compliance with AIMR standards.



Cumulative Returns (Continued)

Last 1,3,5, and 10 years



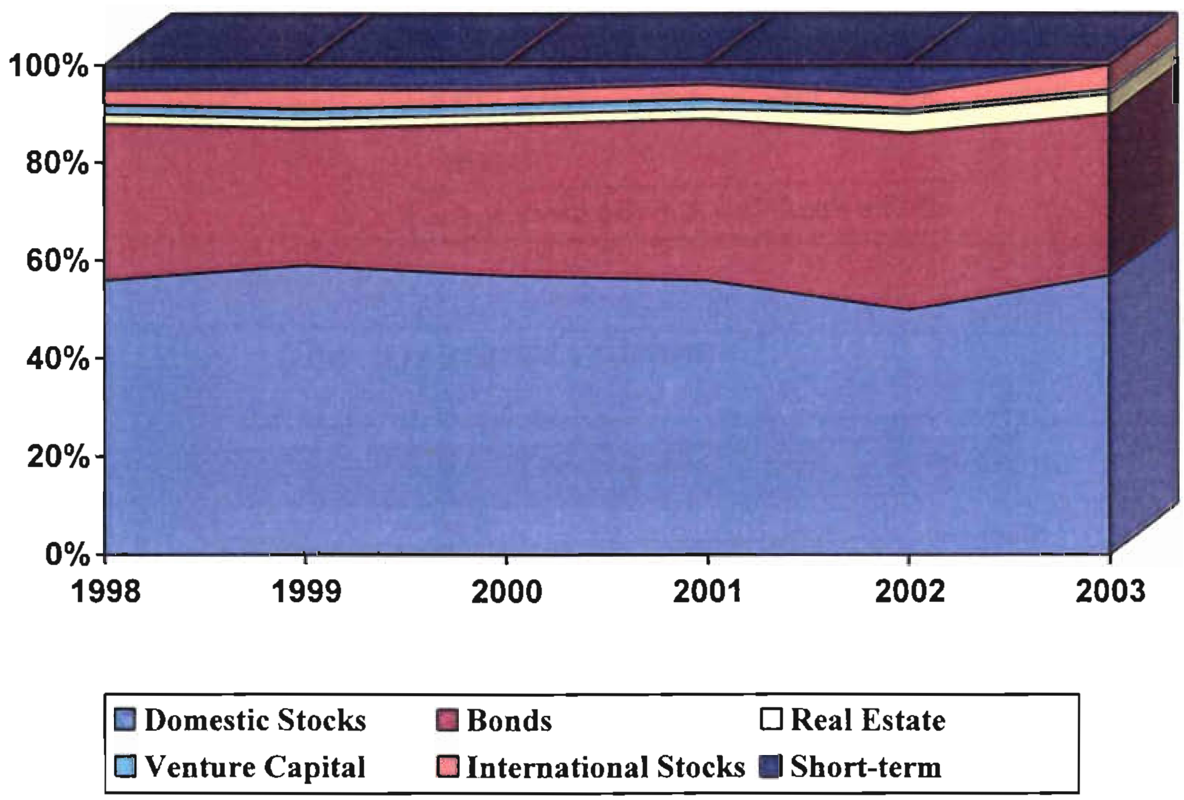


Investments

Investment Manager Mix (Relative Fair Values)

Last six years

	2003	2002	2001	2000	1999	1998
Domestic Stocks	57%	50%	56%	57%	59%	56%
Bonds	33%	36%	33%	31%	28%	32%
Real Estate	4%	4%	2%	2%	2%	2%
Venture Capital	1%	1%	2%	2%	2%	2%
International Stocks	5%	3%	3%	3%	4%	3%
Short-term	1%	7%	4%	5%	5%	5%
Investment Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**



Fifteen Largest Investment Holdings
As of December 31, 2003

Type of Investment	Name of Investment	($) Fair Value	% of Invested Assets
Commingled Bond Fund	NTGI Aggregate Bond Index	$355,599,017	5.9%
Commingled Short-term Fund	NTGI Short-term Investment Fund	280,653,596	4.7%
Commingled Equity Fund	NTGI S&P500 Equity Index Fund	269,464,811	4.5%
Commingled Int'l Equity Fund	Frank Russell International Fund	109,936,734	1.8%
Common Stock	Citigroup Inc.	69,859,350	1.2%
Common Stock	Pfizer Inc.	62,954,598	1.1%
Common Stock	Microsoft Inc.	62,637,196	1.0%
Commingled Bond Fund	UBS Securities Mortgage Fund	62,070,983	1.0%
Common Stock	American International Group, Inc.	49,379,329	0.8%
Mortgage Backed	FNMA 30 Year / 6.5%	46,168,607	0.8%
Real Estate Fund	JP Morgan Strategic Property Fund	45,611,507	0.8%
Common Stock	General Electric Company	45,464,699	0.8%
Mortgage Backed	FHLMC Gold Single Family 30 Year / 5.5%	43,060,553	0.7%
Common Stock	Exxon Mobil Corp.	42,932,576	0.7%
Real Estate Fund	Capital Associates Apartment Fund	39,969,132	0.7%
	Total	**$1,585,762,688**	**26.5%**

Note: Complete listings of the portfolio holdings are available for review at the Fund office.

Investments

Investment Brokerage Commissions
As of December 31, 2003

Broker Name	($) Commissions	(#) Shares	($) Cost per Share
Loop Capital Markets/Broadcort Capital	$259,233	6,006,282	$0.04
Lynch Jones & Ryan	221,116	4,475,588	0.05
Merrill Lynch Pierce Fenner & Smith	216,301	4,788,057	0.05
Gardner Rich & Co.	178,523	4,405,950	0.04
Correspondent Services Corp.	117,707	3,156,231	0.04
Morgan Stanley & Co Inc. New York	88,113	2,090,308	0.04
Lehman Brothers Inc	82,964	2,602,350	0.03
Autranet Inc Equity Trades	78,322	1,550,200	0.05
Goldman Sachs & Company	70,228	1,454,743	0.05
J.P. Morgan Securities Inc	60,161	1,270,436	0.05
Williams Capital Group LP	59,925	1,442,266	0.04
Frank Russell SEC/Broadcort	59,377	1,183.400	0.05
Jefferies & Company	57,975	1,169,259	0.05
Credit Suisse First Boston Corporation	56,729	1,178,236	0.05
Smith Barney Inc	54,581	1,055,214	0.05
Berean Capital Inc II	54,344	1,308,955	0.04
First Southwest Co.	50,999	1,269,034	0.04
UBS Securities LLC New York/	50,908	1,325,948	0.04
Instinet	47,467	1,280,603	0.04
Cabrera Capital Markets, Inc	44,401	1,110,016	0.04
Westminister	43,332	1,083,300	0.04
Wachovia Securities LLC\	42,281	899,481	0.05
Weeden and & Co	38,741	936,967	0.04
National Financial Services	38,240	792,463	0.05
Mesirow Financial Inc.	38,111	885,550	0.04
PXP Securities Corp	33,260	706,919	0.05
UBS Financial Services Inc	32,411	750,500	0.04
Banc America Secur. Montgomery Div.	31,173	627,588	0.05
Deutsche Bank Securities Inc	28,195	649,979	0.04
BNY ESI Securities Co.	28,135	674,564	0.04
Managers with < $25,000 of Commissions	638,678	14,428,041	0.04
Total Broker Commissions as of 12/31/03	$2,901,931	66,558,428	$0.04

Domestic Trading

The Retirement Board's brokerage policy encourages investment managers, as they search for best possible trade execution, to utilize women/minority-owned business enterprises, specifically firms registered in the State of Illinois. The Retirement Board also has commission recapture arrangements with two firms, were 70% of commission costs are rebated to the Fund.

Actuarial

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

20 North Clark Street • Suite 1100 • Chicago, Illinois 60602 • 312-456-9800 • fax 312-456-9801

April 12, 2004

The Retirement Board of the
Municipal Employees' Annuity and Benefit
Fund of Chicago
221 North LaSalle Street
Suite 500
Chicago, Illinois 60601

Subject: **Actuarial Certification**

Board Members:

At your request, we have performed an actuarial valuation for the Municipal Employees' Annuity and Benefit Fund of Chicago ("the Plan") as of December 31, 2003. An actuarial valuation of the Plan is performed annually. The valuation has been performed to measure the funding status of the Plan and determine the contribution for 2003. 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 Plan**—Data for active members was provided by the Plan's staff. Data utilized for persons receiving benefits from the Plan was also provided by the Plan's staff. We have tested this data for reasonableness.
b) **Asset Values**—The values of assets of the Plan were provided by the Plan'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 Plan is the Entry Age Actuarial Cost Method. The objective of this method is to recognize the costs of Plan 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 Plan when due. The provision of State Law establishing the Plan 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 Plan on the State reporting basis shows that a ratio of 1.56 is needed to adequately finance the Plan. In order for employer contributions to be increased, the State legislature would first need to amend the statute.

The valuation results set out in this report are based on the data and actuarial techniques described above, and upon the provisions of the Plan 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, F.S.A.
Senior Consultant

Alex Rivera, A.S.A.
Senior Consultant

Table 1
Summary Of Actuarial Valuation

		December 31, 2002		December 31, 2003	% Change
Actuarial Values					
Termination Values					
Liability	$	4,768,588,091	$	5,026,726,325	**5.41 %**
Assets - Actuarial Value		6,403,982,494		6,384,098,957	**(0.31)%**
Deficiency/(Excess)		(1,635,394,403)		(1,357,372,632)	**(17.00)%**
Funded Ratio		**134.30%**		**127.00%**	**(5.43)%**
GASB #25 Values					
Actuarial Liability	$	7,577,100,377	$	7,988,636,556	**5.43 %**
Assets - Actuarial Value		6,403,982,494		6,384,098,957	**(0.31)%**
Unfunded Liabilty (Surplus)		1,173,117,883		1,604,537,599	**36.78 %**
Funded Ratio		**84.52%**		**79.91%**	**(5.45)%**
Annual Required Contribution (ARC)	$	158,614,805	$	198,199,001	**24.96 %**
Market Values					
Actuarial Liability	$	7,577,100,377	$	7,988,636,556	**5.43 %**
Assets - Market Value		5,128,210,404		5,922,789,999	**15.49 %**
Unfunded Liability		2,448,889,973		2,065,846,557	**(15.64)%**
Funded Ratio		**67.68%**		**74.14%**	**9.54 %**
Book Values					
Actuarial Liability	$	7,577,100,377	$	7,988,636,556	**5.43 %**
Assets - Book Value		5,028,189,322		5,065,867,984	**0.75 %**
Unfunded Liability (Surplus)		2,548,911,055		2,922,768,572	**14.67 %**
Funded Ratio		**66.36%**		**63.41%**	**(4.44)%**

Summary Of Actuarial Valuation (continued)

		December 31, 2002		December 31, 2003	% Change
Assets					
Market Value - Beginning of Year	$	5,820,765,698	$	5,128,210,404	**(11.90)%**
Income					
Investment Income		(538,062,313)		961,888,872	**278.77 %**
Employer Contributions		130,966,381		141,882,893	**8.34 %**
Employee Contributions		128,395,307		129,579,379	**0.92 %**
Subtotal		(278,700,625)		1,233,351,144	**542.54 %**
Outgo (Refunds, Benefits & Expenses)		413,854,669		438,836,358	**6.04 %**
Net Income/(Expense) Adjustment		-		64,809	
Net Change		(692,555,294)		794,579,595	**214.73 %**
Market Value - End of Year	$	5,128,210,404	$	5,922,789,999	**15.49 %**
Book Value - Beginning of Year	$	5,190,062,134	$	5,028,189,322	**(3.12)%**
Income					
Investment Income		(7,379,832)		204,987,939	**2877.68 %**
Employer Contributions		130,966,381		141,882,893	**8.34 %**
Employee Contributions		128,395,307		129,579,379	**0.92 %**
Subtotal		251,981,856		476,450,211	**89.08 %**
Outgo (Refunds, Benefits & Expenses)		413,854,669		438,836,358	**6.04 %**
Net Income/(Expense) Adjustment		-		64,809	
Net Change		(161,872,813)		37,678,662	**123.28 %**
Book Value - End of Year	$	5,028,189,321	$	5,065,867,984	**0.75 %**
Actuarial Value - Beginning of Year	$	6,466,797,543	$	6,403,982,494	**(0.97)%**
Income					
Investment Income		91,677,932		147,425,740	**60.81 %**
Employer Contributions		130,966,381		141,882,893	**8.34 %**
Employee Contributions		128,395,307		129,579,379	**0.92 %**
Subtotal		351,039,620		418,888,012	**19.33 %**
Outgo (Refunds, Benefits & Expense)		413,854,669		438,836,358	**6.04 %**
Net Income/(Expense) Adjustment		-		64,809	
Net Change		(62,815,049)		(19,883,537)	**68.35 %**
Actuarial Value - End of Year	$	6,403,982,494	$	6,384,098,957	**(0.31)%**

Summary of Actuarial Valuation (continued)

	December 31, 2002	December 31, 2003	% Change
Members			
Active [1]	35,522	35,384	(0.39)%
Inactive	11,137	11,159	0.20 %
Retirees [2]	15,550	15,862	2.01 %
Survivors	4,517	4,501	(0.35)%
Disabilities	389	513	31.88 %
Children	212	210	(0.94) %
Payroll Data			
Valuation Payroll	$ 1,377,909,441	$ 1,395,513,060	1.28 %
Average Salary	38,790	39,439	1.67 %

[1] Active members include disabled employees.
[2] Retired members included deferred employee annuitants

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 ("the *Plan*") as of December 31, 2003. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2004.
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 *Plan*.

The funded status in basic terms is a comparison of the *Plan'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. *Plan* liabilities are dependent on the actuarial assumptions and actuarial cost method. *Plan* assets can be measured at market value, book value, or some variation to smooth the fluctuations that invariably occur from year to year.

For *Plan* 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, 2004 is $198.2 million. This amount is net of employee contributions of $121.5 million. The ARC last year, for the year ending December 31, 2003, was $158.6 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 $1.173 billion to $1.605 billion during the year, resulting in a change in funding ratio from 84.5% to 79.9%. The increase in the Unfunded Actuarial Liability is largely attributable to a loss on the Actuarial Value of Assets and a change in plan provisions. A more thorough examination of these and other factors can be found in the Analysis of Financial Experience (gain/loss analysis)) in Table 4.

Actuarial

Based on the Market Value of Assets, the Unfunded Actuarial Liability decreased from $2.449 billion to $2.066 billion, and the funded ratio increased from 67.7% to 74.1%.

Table 2
Plan Membership

	December 31, 2002	December 31, 2003
Active Members		
Number	35,522	35,384
Vested	16,347	16,955
Non-vested	19,175	18,429
Average Age	45.6	45.9
Average Service	10.5	10.8
Average Annual salary	$38,790	$39,439
Inactive Members		
Number	11,137	11,159
Average Age	43.5	43.4
Average Service	3.6	3.5
Deferred		
Number	4	9
Average Age	52.5	53.4
Average Annual Benefit	$10,265	$10,016
Retirees		
Number	15,546	15,853
Average Age	73.1	72.6
Average Annual Benefit	$21,211	$22,176
Surviving Spouse		
Number	4,517	4,501
Average Age	76.4	76.9
Average Annual Benefit	$10,639	$10,841
Children	212	210
Total Members	66,938	67,116

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

Total members receiving benefits under the *Plan* increased 1.5% during 2003 from 20,063 to 20,354. Total expenditures for benefits increased from $387 million in 2002 to $409 million during 2003, or 5.7%.

Changes in Provisions of the Fund

PA 93-0042 was passed in 2003, and made the following changes to the *Plan* Provisions:

The healthcare benefits were increased to $85 per month for non-Medicare eligible participants and $55 per month for Medicare eligible participants for the period from July 1, 2003 through June 30, 2008. Thereafter, the benefits are increased from $85 to $95 and $55 to $65 for the period July 1, 2008 to June 30, 2013.

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.

We have maintained many of the assumptions and methods used by the prior actuary, including the application of loads to account for liabilities for future refunds, disabilities, child annuities, and reciprocal annuities. We will review these assumptions as more data becomes available to us. However, we do not expect these changes will substantially impact the *Plan's* liabilities.

2003 Experience Analysis

The *Plan* had an investment gain in 2003 of $558 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 $358 million due to the deferred recognition of investment gains and losses.

Individual salary increases varied among plan participants but the overall increase was slightly lower than anticipated by the actuarial assumptions, resulting in an experience gain of $71 million.

There was an additional loss of $109 million from all other factors, including actual retirement, termination, disability, mortality experience, and data changes. This is about 1.4% percent of the December 31, 2003 liabilities, which is a reasonable variation.

Table 4 summarizes the experience gains and losses for the year.

Changes in Assumptions

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

Table 3

Summary Of Basic Actuarial Values

		APV of Projected Benefits	2004 Normal Cost
(1)	Values for Active Members		
	(a) Retirement	$4,932,901,095	$ 129,826,328
	(b) Termination	236,021,514	25,561,485
	(c) Death	133,326,984	6,230,591
	(d) Health Insurance	91,640,618	3,147,830
	(e) Disability, Children's Benefit and Reciprocal	475,741,116	14,211,762
	(f) Expenses of Administration	-	4,678,634
	Total for Actives	$5,869,631,327	$ 183,656,630
(2)	Values for Members in Payment Status	3,740,757,718	-
(3)	Grand Totals	$9,610,389,045	$ 183,656,630
Actuarial Present Value of Future Compensation			$ 12,897,350,496

Table 4

Analysis of Financial Experience

	2003	2002	2001	2000	1999
Unfunded Actuarial Accrued Liability (UAAL), Beginning of Year	$1,173,117,883	$467,378,934	$367,203,474	$544,458,071	$1,121,870,701
(Gains) Losses During the Year Attributable to:					
Contributions in (excess) deficiency of Normal Cost plus Interest	3,456,024	(50,118,958)	(61,169,938)	(116,656,502)	45,300,907
(Gain) Loss on Investment Return	358,329,234	419,605,037	182,147,072	102,925,143	(569,034,392)
(Gain) Loss from Salary Changes	(70,999,285)	(8,665,613)	118,932,900	(179,627,774)	30,493,969
(Gain) Loss from Retirement, Termination and Mortality	109,170,676	49,293,343	(139,734,574)	16,104,536	47,080,346
(Gain) Loss from Data Corrections					
Differences in Liabilities from Prior Actuary					(422,338,196)
Change in Methodology					291,084,736
Change in Assumptions					
Plan Amendments	31,463,067	295,625,140			
Net Increase (Decrease) in UAAL	431,419,716	705,738,949	100,175,460	(177,254,597)	(577,412,630)
Unfunded Actuarial Accrued Liability (UAAL), End of Year	$1,604,537,599	$1,173,117,883	$467,378,934	$367,203,474	$544,458,071

Table 5
Actuarial Reserve Liabilities
As of December 31, 2003

Accrued Liabilities for Active Participants	$ 3,903,690,697
Reserves For:	
Service Retirement Pension	$ 3,038,765,016
Future Spouses of Current Retirees	321,163,689
Ordinary Disability Benefits	206,123,565
Duty Disability Benefits	57,364,690
Surviving Spouse Pension	325,308,079
Health Insurance Supplement	55,520,934
Children Annuitants	16,745,053
Reciprocal Benefits	63,954,833
Total Accrued Liabilities	$7,988,636,556
Unfunded Actuarial Liabilities	$1,604,537,599
Actuarial Net Assets	$6,384,098,957

Table 6
Statutory Reserves
As of December 31, 2003

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserve			
Retirees	$ 766,624,289	$ 2,581,096,278	$ 3,347,720,567
Future Surviving Spouses	$ 154,106,344	$ 165,390,379	$ 319,496,723
Spouses	$ 138,161,919	$ 172,839,321	$ 311,001,240
Annual Benefits			
Retirees	$ 98,360,366	$ 253,191,088	$ 351,551,454
Future Surviving Spouses	N/A	N/A	N/A
Spouses	$ 45,111,413	$ 19,827,469	$ 48,796,907

Statutory reserves are based on the Combined Annuity Mortality Table at 3% interest.

Table 7

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)
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 [1,2]	935,038,744	2,251,886,541	2,072,219,872	4,467,100,715	100.00%	100.00%	61.78%
1998 [1,2]	865,320,511	3,508,852,569	1,950,542,822	5,202,095,202	100.00%	100.00%	42.45%
1999 [1,3]	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%
2002 [2]	1,217,420,586	3,551,167,505	2,808,512,286	6,403,982,494	100.00%	100.00%	58.23%
2003 [2]	1,285,968,607	3,740,757,718	2,961,910,231	6,384,098,957	100.00%	100.00%	45.83%

1. Change in actuarial assumptions
2. Change in benefits
3. 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.

Table 8

Development Of Actuarial Value Of Assets As Of December 31, 2003

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

(a) Market Value of Assets as of 12/31/2002 — $ 5,128,210,404

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

Item	Amount	Weight for Timing	Weighted Amount
i) Member Contributions	$ 129,579,379	50.0%	$ 64,789,689
ii) City Contributions & Misc.	141,882,893	50.0%	70,941,447
iii) Net Income/(Expense) Adjustment	64,809	50.0%	32,404
iv) Benefit Payments	(408,596,239)	50.0%	(204,298,119)
v) Refunds	(25,561,485)	50.0%	(12,780,743)
vi) Administration	(4,678,634)	50.0%	(2,339,317)
vii) Total			$ (83,654,639)

(c) Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vii)]	$ 5,044,555,765
(d) Assumed Rate of Return on Plan Assets for the Year	8.00%
(e) Expected Return [(c) * (d)]	$ 403,564,461

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

(a) Market Value of Assets as of 12/31/2002	$ 5,128,210,404
(b) Income (less investment income) for Prior Plan Year	271,527,080
(c) Disbursements Paid in Prior Year	438,836,358
(d) Market Value of Assets as of 12/31/2003	5,922,789,999
(e) Actual Return [(d) + (c) - (b) - (a)]	$ 961,888,873

(3) Investment Gain/(Loss) for Prior Year — $ 558,324,412

(4) Actuarial Value of Assets as of 12/31/2003

(a) Market Value of Assets as of 12/31/2003 — $ 5,922,789,999

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

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	1999	$ 63,148,044	0.00%	-
ii)	2000	(262,033,541)	20.00%	(52,406,708)
iii)	2001	(642,588,674)	40.00%	$ (257,035,470)
iv)	2002	(997,543,850)	60.00%	(598,526,310)
v)	2002	558,324,412	80.00%	446,659,530
vi)	Total	$ (1,280,693,609)		$ (461,308,958)

(c) Actuarial Value of Assets [(a) - (b) (vi)] — $ 6,384,098,957

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.

Table 9

Annual Required Contributions Of Employer And Trend Information

Last ten years

Year	Annual Required Contribution (ARC) of the Employer[1]	Required Statutory Basis[2]	Actual[3]	Percent of ARC Contributed
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%
2002	92,711,870	131,500,800	130,966,381	141.26%
2003	158,614,805	140,748,480	141,882,893	89.45%

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.

Annual Required Contributions Of Employer And Trend Information (continued)

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
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%
2002	84.52%	85.14 %	9.52%
2003	79.91%	114.98 %	10.30%

Table 10
Active Participating Member Valuation Data
Last ten years

Year End	Members in Service	Percent Increase	Annual Salaries	Percent Increase	Average Salary	Percent Increase	Actuarial Salary Assumption	CPI Chicago
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 %
2002	35,522	(3.15)%	$ 1,377,909,441	0.21 %	$38,790	3.47 %	5.00%	2.50 %
2003	35,384	(0.39)%	$ 1,395,513,060	1.28 %	$39,439	1.67 %	5.00%	1.70 %
Average Increase (Decrease) for the Last 5 years		1.40%		3.73%		2.32%		2.32%

Table 11

Retirees And Beneficiaries Added To and Removed From Payrolls

Last ten years

Employee Annuitants (Male and Female)

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
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	8,688,842	13,373	215,144,576	16,088	5.78%
1998	3,135	94,348,388	670	9,714,702	15,838	299,778,262	18,928	17.65%
1999	640	7,574,818	725	3,278,538	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%
2002	910	20,996,020	726	4,089,101	15,546	329,741,436	21,211	4.16%
2003	1,002	25,806,766	695	3,996,748	15,853	351,551,454	22,176	4.55%

Surviving Spouse Annuitants (Not Including Compensation)

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
1994	314	$2,046,301	273	$1,136,691	4,285	$20,583,006	$4,804	3.62%
1995	305	2,890,172	257	2,049,011	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	1,811,448	4,482	45,271,671	10,101	44.71%
1999	312	3,499,596	280	2,696,948	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%
2002	294	3,671,626	302	2,833,880	4,517	48,058,286	10,639	1.95%
2003	284	3,704,694	300	2,966,073	4,501	48,796,907	10,841	1.90%

Actuarial Methods and Assumptions
As of December 31, 2003

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.

Experience gains (losses) decrease (increase) the UAAL and thus are amortized as part of 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

Actuarial

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	0.170									
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 health insurance supplement in effect as of June 30, 2013 will continue for life for all employee annuitants (and their future surviving spouses). The amount of the *Plan* paid health insurance from July 1, 2003 until June 30, 2008 is \$85.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and \$55.00 if qualified. Then, the amount of the *Plan* paid health insurance from July 1, 2008 until June 30, 2013 is \$95.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and \$65.00 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:	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.
Reciprocal Loading:	Based on a loading of the retirement liability.

Summary of Principal Eligibility and Benefit Provisions
As of December 31, 2003

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; persons employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (*Plan*) who is not participating in any other pension fund or retirement system. 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. Current and former employees of the Chicago Housing Authority and the Public Building Commission who have service in the Fund or who reinstate service in this Fund, may elect to participate in this Fund with respect to their employment with the Chicago Housing Authority or the Public Building Commission under certain conditions.

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 five other months. For Ordinary Disability credit, the exact number of days, months and years is used.

Actuarial

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 80% of final average salary.

1. An employee age 60 or older with at least 10 years of service, or an employee age 55 or older with at least 20 years of service, or an employee age 50 or older with at least 30 years of service, is entitled to an annuity equal to 2.4% 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. If the employee withdraws from service before age 60 with less than 20 years of service, he can begin to receive an annuity no earlier than age 60. For an employee who is eligible to begin receiving an annuity before age 60, the annuity is discounted 0.25% for each month the employee is younger than age 60 unless he has at least 25 years of service.

2. The employee will receive a minimum annuity of $850 per month if the employee withdraws 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 for a spouse when added to the spouse's 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 annuitant is entitled to receive an increase of 3% of the currently payable annuity. This increase begins upon the earlier of the following:

1.) the later of the third anniversary of retirement and age 53, and
2.) the later of the first anniversary of retirement and age 60.

Increases apply only to life annuities.

Elected City Officers' 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 and is at least age 55 with 20 or more years of service, or 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 (or age 50 if the employee had at least 25 years of service) at the time the employee retires or dies in service.

If the employee dies while receiving a retirement annuity, the spouse is eligible for 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 had at least 25 years of service 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.

If the employee dies in service on or after August 27, 2002, with at least 10 years of service, the spouse is entitled to an annuity of half of the minimum formula annuity earned and accrued to the credit of the employee at the date of death. For the purposes of this benefit, the minimum formula annuity earned and accrued to the credit of the employee is equal to 2.40% for each year of service of the highest average annual salary for any four consecutive years within the last 10 years of service immediately preceding the date of death, up to a maximum of 80% of the highest average annual salary. This annuity is not reduced due to the age of the employee or spouse. The spouse is eligible for this annuity only if the marriage was in effect for 10 full years or more.

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.

Child 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 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.

Actuarial

Family Maximum

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

Disabilities

Duty Disability Benefits

Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty has 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 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. 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 Benefits

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. The first payment shall be made one month after the disablement occurs provided the employee is not then in receipt of salary. Disability is limited to a maximum of 25% of the employee's total service or five years, whichever occurs first.

The *Plan* contributes salary deductions for annuity purposes for the ordinary disability benefit. Such amounts contributed by the Fund after December 31, 2000, while the employee is receiving ordinary disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Group Health Hospital and Surgical Insurance Premiums

The pension plan shall provide payments in the amount of $85 per month for non-Medicare eligible city annuitants (defined in section 164.1 of Article 8 of the Illinois Pension Code as persons receiving an age and service annuity, a widow's annuity, a child's annuity, or a minimum annuity as a direct result of previous employment by the City of Chicago) and $55 per month for Medicare eligible city annuitants from July 1, 2003 through June 30, 2008. Thereafter, the pension plan shall provide payments in the amount of $95 per month for non-Medicare eligible city annuitants and $65 per month for Medicare eligible city annuitants from July 1, 2008 through June 30, 2013.

The city health care plans referred to above and the *Plan's* payments to the city for such plans are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.
Should the Board of Education continue to sponsor a retiree health plan, the *Plan* is authorized to provide payments to the Board of Education, on behalf of each eligible annuitant who chooses to participate in the Board of Education retiree health benefit plan, in the amount of $85 per month for non-Medicare eligible participants and $55 per month

for Medicare eligible participants from July 1, 2003 through June 30, 2008. Thereafter, the *Plan* is authorized to provide payments to the Board of Education, on behalf of each eligible annuitant who chooses to participate in the Board of Education retiree health benefit plan, in the amount of \$95 per month for non-Medicare eligible participants and \$65 per month for Medicare eligible participants from July 1, 2008 through June 30, 2013.

The Board of Education health benefit plan referred to above and the *Plan's* payments to the Board of Education for such plan are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

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's annuity.

Disability Deductions

The employee's pension deductions paid by the city while the employee is receiving disability benefits are no longer refunded to the employee if the duty disability was granted after December 31, 1981, or if the ordinary disability was granted after December 31, 2000. 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 *Plan* or 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 *Plan*. The tax will produce an amount that does not exceed the amount of contributions by the employees to the *Plan* made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 for the year 1999 and each year thereafter.

When the balance of the prior service reserve equals its liabilities (including in addition to all other liabilities, the present value of all annuities, present and prospective, according to the applicable mortality tables and rates of interest), the City shall cease to contribute the amounts to proved prior service annuities and other annuities and benefits.

Actuarial

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. The W-2 salary is therefore reduced by the amount of contributions. 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 20, 1981, the Board of Education paid contributions in the amount of 7% of the employee's salary. 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 20, 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 in Plan Provisions

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.

Actuarial

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.

Actuarial

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 five 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.
  - Five-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 five 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 five 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, five 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.

Actuarial

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 five 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 five 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 five 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, five 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).

2002 Session

SB 314

- Effective July 1, 2002.
- The accrual rate for the minimum formula annuity is changed from 2.2% to 2.4% of final average salary and the maximum annuity is changed from 75% to 80% of final average salary for employees withdrawing from service on or after January 1, 2002.
- The 3% post-retirement automatic increase will now begin no later than 3 years after retirement for an eligible retiree (An eligible retiree is an employee annuitant, not a widow or widower annuitant, originally granted a lifetime annuity). For eligible retirees less than age 60 on the first anniversary of retirement, the 3% increase will begin at the earlier of age 60, and the latest of the following dates:
    - The third anniversary of retirement
    - The attainment of age 53; or
    - January 1, 2002

  For eligible retirees age 60 or older on the first anniversary of retirement, the 3% increase will begin on the first anniversary of retirement.

Actuarial

HB 5168

- Effective June 28, 2002.
- For the eligible spouse of an employee who dies in service on or after August 28, 2002, with at least 10 years of service, the annuity is no less than 50% of the minimum formula annuity the employee would have been entitled to based on service and salary to the date of death without regard to age eligibility requirements. This is equal to 2.4% of final average salary for each year of service. The employee and the spouse must have been married for ten years.
- For children of employees who die in service on or after June 28, 2002, there is no service requirement for eligibility for children's annuity.
- The definition of "child" now includes any child adopted before employee withdraws from service and at least one year prior to the date any benefit for the child accrues. Previously the adoption also had to take place before the employee attained age 55.
- For ordinary disability benefits paid on or after January 1, 2001, the ordinary disability benefit is 50% of the employee's salary at the date of disability with the amounts ordinarily contributed by the employee for annuity purposes contributed by the Fund. These contributions are not refundable.
- The pension fund subsidy for retiree health insurance was extended through June 30, 2003. For annuitants (other than child annuitants) taking the employer-provided plan, the subsidy is $75 month if the annuitant is not eligible for Medicare, and $45 per month if the annuitant is eligible for Medicare.
- Current and former Chicago Housing Authority employees who have service in this Fund or who reinstate service in this Fund may elect to participate in this Fund with respect to their employment with the Chicago Housing Authority under certain conditions. Contributions can be made for past service as well as current service.
- Current and former Public Building Commission employees who have service in this Fund or who reinstate service in this Fund may elect to participate in this Fund with respect to their employment with the Public Building Commission under certain conditions. Contributions can be made for past service as well as current service.
- An employee with 10 years of service in this Fund may establish service credit for up to seven years of full-time employment by the Illinois Housing Development Authority.
- The City Clerk and City Treasurer may elect to establish alternative credits in the Aldermanic Plan.
- Chicago aldermen may receive an annuity at age 55 with 10 years of service or age 60 with eight years of service.
- An alderman in service on June 1, 1995, can make payments for prior service up to 30 days after the effective date, even though he might be out of service or retired.
- A member of the Fund who has service in Police Fund may apply to Police to transfer his credits and service to Municipal under certain conditions. This must be done within 90 days of the effective date. Employee and employer contributions will be transferred.

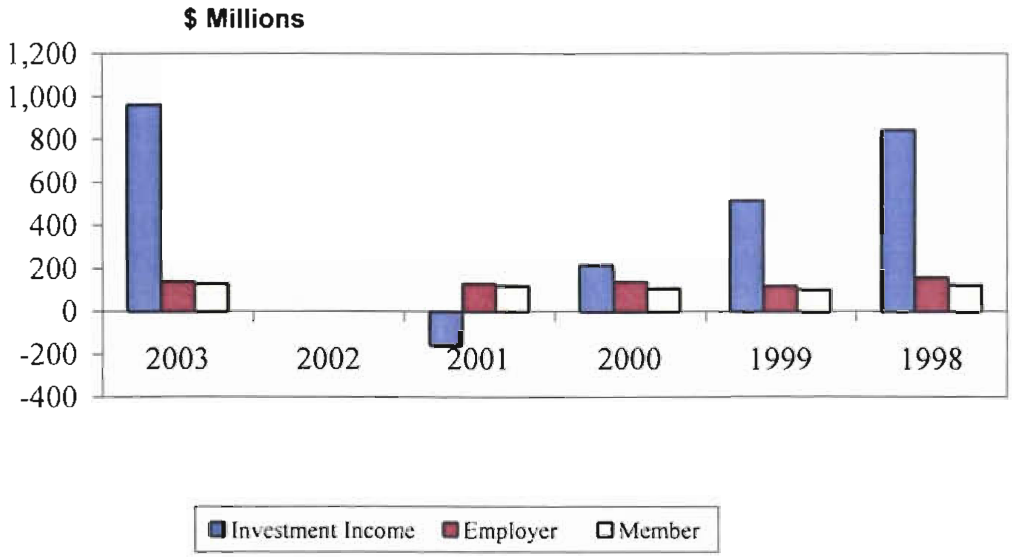
2003 Session

SB 1701

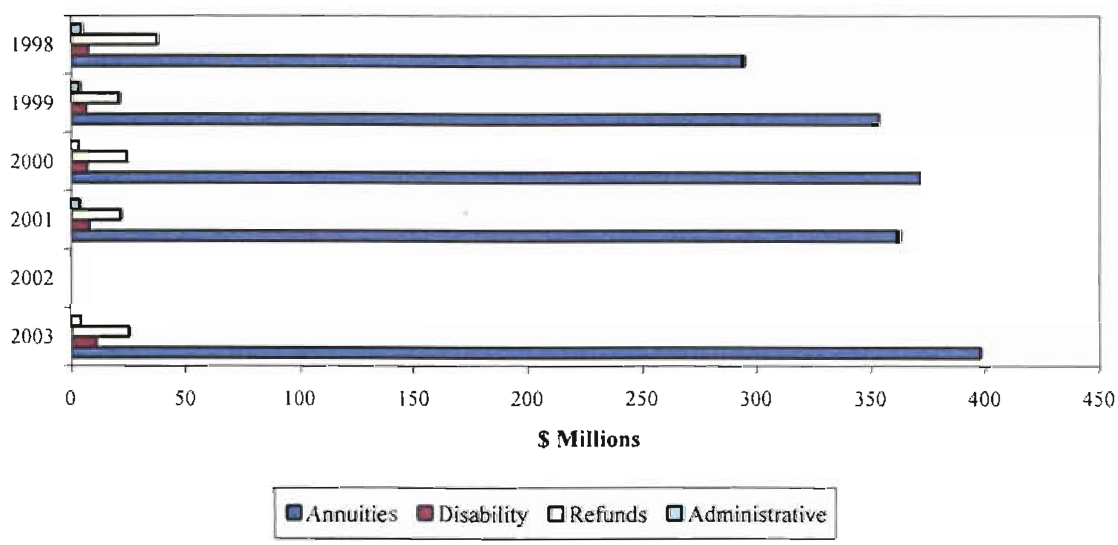
- Effective July 1, 2003.
- The healthcare benefits were extended and increased to $85 per month for non-Medicare eligible participants and $55 per month for Medicare eligible participants for the period from July 1, 2003 through June 30, 2008. Thereafter, the benefits are extended and increased from $85 to $95 and $55 to $65 for the period July 1, 2008 to June 30, 2013.
- The healthcare benefits referred to above are not and shall not be construed to be pension or retirement benefits for the purposes for Section 5 of Article XIII of the Illinois Constitutions of 1970.

Statistical

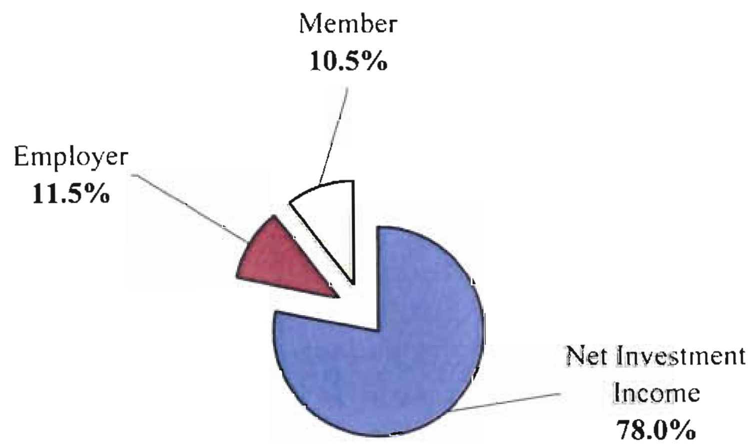
Additions to Plan Net Assets by Source



Deductions from Plan Net Assets by Type



2003 Revenues by Source



2003 Applications by Type

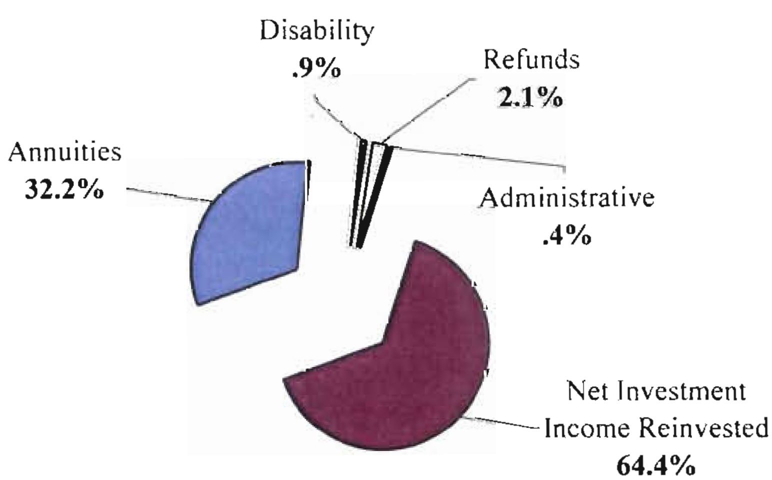


Table 12

Revenues by Source

Last ten years

Year	Investment Earnings Net of Direct Investment Expense *	Employer Contributions		Member Contributions	Total
		Dollars	Percent of Annual Covered Payroll		
1994	$132,643,737	$137,076,271	13.84%	$88,015,188	$357,735,196
1995	253,328,494	159,275,835	14.74%	92,504,531	505,108,860
1996	488,519,305	152,556,327	14.02%	94,995,616	736,071,248
1997	776,452,044	156,832,214	14.57%	98,978,257	1,032,262,515
1998	844,588,751	158,564,165	13.30%	124,675,114	1,127,828,030
1999	515,440,459	119,644,186	10.24%	102,454,040	737,538,685
2000	217,067,663	140,171,920	11.06%	107,371,034	464,610,617
2001	(158,373,573)	131,439,834	10.57%	118,240,723	91,306,984
2002	(538,062,313)	130,966,381	9.52%	128,395,307	(278,700,625)
2003	961,888,872	141,882,893	10.30%	129,644,188	1,233,415,953

* *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.*

Table 13

Expenses by Type

Last ten years

Year	Benefits	Refunds	Administrative Expense	Total
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
2002	386,871,663	22,425,917	4,557,088	413,854,668
2003	408,596,239	25,561,485	4,678,634	438,836,358

Table 14
Benefit Expense By Type
Last ten years

	Annuity				Disability			
Year	Employee	Surviving Spouse	Children	Health Subsidy	Ordinary	Duty	Refunds	Total
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
2002	321,673,434	47,691,000	637,823	6,278,622	8,321,808	2,264,690	22,425,917	409,293,293
2003	341,614,634	48,558,458	661,845	6,881,610	8,475,088	2,404,604	25,561,485	434,157,724

Table 15
Retirees And Beneficiaries By Type Of Benefit
Last ten years

	Annuity			Disability		Compensation	Reciprocal	
Year	Employee	Spouse	Child	Ordinary	Duty	Annuitants	Employee	Spouse
1994	11,802	3,963	214	403	175	1	1,611	322
1995	11,776	3,997	217	459	165	1	1,611	336
1996	11,841	4,030	226	460	191	1	1,607	350
1997	11,774	4,083	221	464	166	1	1,599	354
1998	14,070	4,120	228	263	120	1	1,768	362
1999	13,985	4,115	213	298	152	1	1,732	399
2000	13,744	4,213	189	300	148	1	1,786	395
2001	13,608	4,138	198	309	196	2 [1]	1,754	387
2002	13,725	4,132	212	260	129	2 [1]	1,821	385
2003	13,909	4,118	210	323	190	2 [1]	1,944	383

1. Compensation annuitants also included with spouse annuitants

Source of Data: 2003 Actuarial Report

Table 16
Average Employee Retirement Benefits Payable
Last ten years

Years Ended	Average Annual Benefit	Average Current Age of Retirees	Average Annual Benefit at Retirement Current Year	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
1994	$ 14,304	72.1	$ 10,455	65.1	18.90
1995	14,753	72.0	14,071	64.3	21.90
1996	15,210	72.6	15,090	64.2	22.60
1997	16,088	72.5	13,651	64.4	20.30
1998	18,928	71.5	23,471	62.4	27.60
1999	19,347	72.3	12,625	63.5	N/A
2000	19,789	72.6	13,986	64.5	17.40
2001	20,364	73.0	17,063	63.5	21.40
2002	21,211	73.1	23,407	63.2	22.03
2003	22,176	72.6	25,832	61.9	25.32

Source of Data: 2003 Actuarial Report

Table 17
Distribution of Current Annuitants by Pension Amounts

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Child Annuitants	Total Number of Annuitants
Deferred	9	-	-	9
$1-$250	336	77	210	623
251 - 500	236	61	-	297
501 - 750	121	29	-	150
751 – 1,000	3,873	3,584	-	7,457
1,001 – 1,250	2,436	270	-	2,706
1,251 – 1,500	1,383	206	-	1,589
1,501 – 1,750	1,199	121	-	1,320
1,751 – 2,000	934	71	-	1,005
2,001 – 2,250	778	38	-	816
2,251 – 2,500	748	21	-	769
2,501 – 2,750	597	8	-	605
2,751 – 3,000	533	10	-	543
3,001 – 3,250	456	4	-	460
3,251 – 3,500	480	1	-	481
3,501 – 3,750	390	-	-	390
3,751 – 4,000	319	-	-	319
Over $4,000	1,034	-	-	1,034
Totals	**15,862**	**4,501**	**210**	**20,573**

Source of Data: 2003 Actuarial Report

Table 18
Statistics On Employee Annuities Classified By Age

Age	Male No.	Male Annual Payments	Female No.	Female Annual Payments
Under 50	8	$ 45,188	4	$ 23,193
50	7	321,769	4	115,990
51	19	772,388	8	283,600
52	20	799,752	18	574,088
53	24	919,347	15	586,913
54	44	2,075,652	26	824,339
55	58	2,157,867	44	1,281,702
56	78	2,671,507	88	2,490,636
57	75	2,609,833	89	2,133,098
58	78	2,436,103	84	2,050,299
59	77	2,255,673	100	2,078,831
60	121	3,894,704	167	3,963,594
61	180	5,947,728	229	4,377,891
62	147	4,519,936	232	4,914,942
63	189	5,253,814	258	5,043,251
64	182	5,443,577	276	5,429,917
65	230	6,746,425	355	6,952,357
66	270	8,159,090	390	7,231,054
67	223	6,402,148	396	7,208,765
68	277	8,522,159	400	7,341,269
69	255	7,112,471	395	7,143,325
70	253	7,225,994	342	5,923,493
71	254	7,278,748	336	5,828,609
72	263	7,896,626	328	5,915,847
73	250	7,462,455	393	6,791,073
74	284	8,409,001	394	6,535,225
75	262	8,081,443	372	6,077,403
76	284	8,153,250	359	6,020,751
77	255	6,769,641	309	4,951,754
78	267	7,852,985	315	5,121,017
79	244	6,914,179	294	4,409,596
80	234	6,458,880	279	4,189,541
81	208	5,537,583	265	4,001,782
82	183	4,867,450	255	3,774,407
83	164	3,958,614	237	3,507,452
84	144	3,547,505	183	2,555,019
85 & over	534	11,080,172	969	13,337,774
Totals	**6,645**	**$190,561,657**	**9,208**	**$160,989,797**

Source of Data: 2003 Actuarial Report

Table 19
History Of Annuities
Last ten years

Employee Annuitants

Year End	Number of Annuitants	Total Annuities	Average Annuities
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
2002	15,546	329,741,436	21,211
2003	15,853	351,551,454	22,176

Surviving Spouse Annuities

Year End	Number of Annuitants	Total Annuities	Average Annuities
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
2002	4,517	48,058,286	10,639
2003	4,501	48,796,907	10,841

Source of Data: 2003 Actuarial Report

Table 20
Number of Actively Participating Members
Last ten years

Year	Male Participants	Female Participants	Total Participants
1994	17,016	19,238	36,254
1995	15,297	20,217	35,514
1996	15,087	19,933	35,020
1997	14,798	20,041	34,839
1998	14,207	18,912	33,119
1999	16,533	19,335	35,868
2000	17,806	18,283	36,089
2001	14,928	21,751	36,679
2002	14,037	21,485	35,522
2003	13,976	21,408	35,384

Source of Data: 2003 Actuarial Report

Table 21
Participating Members by Age and Length of Service

	Completed Years of Service									
Attained Age	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	38	105	-	-	-	-	-	-	-	143
20-24	184	706	123	-	-	-	-	-	-	1,013
25-29	222	1,240	491	47	-	-	-	-	-	2,000
30-34	201	1,479	1,161	437	26	-	-	-	-	3,304
35-39	157	1,443	1,243	1,010	401	25	-	-	-	4,279
40-44	162	1,507	1,437	1,269	880	382	10	-	-	5,647
45-49	118	1,222	1,195	1,311	1,076	795	226	25	-	5,968
50-54	82	846	878	1,097	1,019	748	448	175	9	5,302
55-59	59	525	535	734	823	608	305	227	39	3,855
60-64	26	277	340	464	502	355	213	139	51	2,367
65-70	11	110	144	198	165	153	67	94	41	983
Over 70	12	75	75	67	79	88	45	48	34	523
Total	**1,272**	**9,535**	**7,622**	**6,634**	**4,971**	**3,154**	**1,314**	**708**	**174**	**35,384**

Source of Data: 2003 Actuarial Report

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