Comprehensive Annual Financial Report

For the year ended December 31, 2004

MEA&B

C H I C A G O

Municipal Employees Annuity and Benefit Fund of Chicago

A Pension Trust Fund of the City of Chicago

Chicago, Illinois

Municipal Employees' Annuity and Benefit Fund of Chicago
A Pension Trust Fund of the City of Chicago

Comprehensive Annual Financial Report
For the year ended December 31. 2004

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

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Terrance R. Stefanski, Executive Director

June 28, 2005

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

It is with great pleasure that we submit the Comprehensive Annual Financial Report (*CAFR*) of the Municipal Employees' Annuity and Benefit Fund of Chicago (the *Plan*) for the year ended December 31, 2004. The financial information contained in the *CAFR* is presented in conformance with reporting requirements of the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and fairness of the presentation rests with the management of the *Plan*.

The CAFR is divided into the following five sections.

- The *Introductory Section* contains this letter of transmittal, the 2003 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 with significant *Plan* data.

Plan Overview

The *Plan* was established in 1922 by virtue of an Act of the State of Illinois Legislature. The purpose of the *Plan* is to provide disability and retirement benefits to qualified members. The *Plan* also provides benefits to certain surviving dependents. The *Plan* covers employees of the City of Chicago, non-teacher employees of the Board of Education and employees of the Municipal Employees' Annuity and Benefit Fund of Chicago who are not participating in any other City of Chicago pension fund or retirement system. For constitutionally elected city officials, certain employees of the Law Department and the Board of Election Commissioners, membership is optional. The *Plan* now serves 33,267 active members, 12,161 inactive members, and 22,933 annuity benefit recipients. There were 1,434 active members who have received temporary disability benefits during 2004. The *Plan* is considered a component unit (one of four pension trust funds, Police, Fire, Laborers and Municipal) of the City of Chicago, and, as such, is included in the City of Chicago's financial statements. Additional information regarding the administration and history of the *Plan* can be found in the *Financial Section – Notes to the Financial Statements* portion of this report.

Accounting System and Reports

Accounting Method – As required by Generally Accepted Accounting Principles (*GAAP*), the financial statements are prepared using the accrual method of accounting to record assets, liabilities, revenues and expenses. Revenues are recognized when earned without regard to the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are valued at fair market values.

Introduction

Internal Control – The *Plan* utilizes a system of internal accounting controls designed to protect assets and permit preparation of financial statements, supporting schedules and statistical tables that are fairly presented in accordance with generally accepted accounting principles. Controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

Management's Discussion and Analysis - As required by GASB, the *Plan* has provided Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Management's Discussion and Analysis, which begins on page 17 immediately following the report of the independent public accountants, includes an overview of the financial statements and summary comparative data for calendar years 2004 and 2003.

Independent Audit
Bansley and Kiener, Certified Public Accountants, have issued an unqualified ("clean") opinion of the Plan's financial statements for the calendar year December 31, 2004. The independent auditor's report is located at the front of the Financial Section of this report.

Funding Status
The long-term financial stability of a pension fund is indicated by its funded ratio. The greater the level of funding, the larger the ratio of assets to the actuarial accrued liability and the larger the asset base for generating investment returns, all of which give participants a greater assurance that their pension benefits will be met. A pension fund is fully funded when it has enough money in reserve to meet all expected future obligations to participants. The Plan's funding objective is to meet long term benefit promises through contributions that remain approximately level as a percent of member payroll. Historical information relating to progress in meeting this objective is presented in the Required Supplementary Information – "Schedule of Funding Progress" on page 31. At December 31, 2004 the Plan had a funded ratio of 72.0%. Funding level decreased from 79.9% in 2003 mainly due to legislation providing for an Early Retirement Incentive (ERI) and losses in the financial markets. 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 are also set by State statute. Presently, employer contributions are 1.25 times applicable employee contributions. Investment returns provide additional revenues.

Investments
With the strong returns in 2003 carrying into 2004, the portfolio returned to a 1999 high mark of $6.2 billion, while distributing over $450 million in member benefits. The *Plan's* investments returned 10.6% in 2004, and a blended return of 15.2% annually over the last two years. Long-term returns continue to exceed actuarial assumptions (8% annual return assumption) as the *Plan* had an annual return of 9.3% over the last fifteen years and 10.7% over the last twenty years. The Plan's allocation of assets as of December 31, 2004 was 65% equities, domestic and international, 28% fixed income securities, 1% cash equivalents, 4% real estate and 2% private equity investments. To properly diversify the portfolio the Board utilizes external portfolio managers, incorporating a variety of management styles and using both passive and active management strategies.

The Investment Section contains a comprehensive analysis of the *Plan's* portfolio and performance for periods ending December 31, 2004. The MD&A of the Financial Section also reflects investment performance for the years ending December 31, 2004 and 2003.

2004 Highlights and Initiatives

Legislative Changes in Plan Provisions

House Bill 600 was signed by the Governor and became effective January 16, 2004. This legislation included the following changes in plan provisions:

- An Early Retirement Incentive (ERI) was created for retirements from January 31, 2004 to February 29, 2004 (or to May 31, 2004, for those deemed critical employees). While the ERI was under consideration at the Illinois General Assembly, we mailed 14,000 Estimate of Benefit Request Forms to those members potentially eligible. We processed approximately 6,400 estimates of ERI benefits over a six-week period, which is more than three times the number requested in a non-ERI year. We experienced extremely high volumes of phone calls. To ensure that these calls were serviced efficiently, we developed a Call Center to log the incoming calls received daily, logging the time, caller's name, callback number, type of inquiry, the name of the staff person who returned the call and action taken in response to the inquiry. During the ERI period, we also experienced record numbers of applications including an unprecedented number of walk-ins, and an increased number of service purchase calculations and payments. A special early retirement packet was developed and group sessions were scheduled daily to speed up the application process. Although the extremely high volume of applicants affected our normally more personal service, we successfully processed a record number of retirement applications within a few months. Each new retiree received a first check with an estimated amount, within thirty to sixty days after their retirement date. Final annuity amounts were calculated and paid within a few months afterward. From January 1 thru May 31, 2004, we processed 2,691 new retirements, which is 11.5 times greater than the number of retirements processed during the same period in 2003. New retirements added to annuity roll in 2004 totaled 3,133 compared to a total of 1,002 new retirements in 2003.
- Annual cost of living increases were moved to January 1st of each year for eligible retirees.
- Employees, who previously withdrew contributions from the Fund, may have their service credits restored by repaying the withdrawn contributions with interest after completing:
  - 90 days of service if in this Fund, or
  - Two years of service if with any participating Fund under the Reciprocal Act.
- For paramedics formerly in this Fund, municipality credits (employer contributions) earned in this Fund were transferred to the Firemen's Annuity and Benefit Fund of Chicago with 11% interest compounded annually to the date of the transfer. This one-time transfer amounted to $24,201,945.
- Employees may elect to make pretax payments via payroll withholding, for optional types of service payments such as refund repayments or temporary service payments. Such payments will be treated as employer contributions for tax purposes. The employee election is irrevocable.
- For the eligible spouse of an employee who died in service on or after January 1, 2002, and before August 28, 2002, with at least 10 years of service, the annuity is no less than 50 percent of the minimum formula annuity the employee would have been entitled to based on service and salary to date of death without regard to age eligibility requirements. This minimum formula annuity is equal to 2.40 percent of final average salary for each year of service. The employee and spouse must have been married for ten years.

Pension Administration System

Conversion to the new Pension Administration System was deferred due to the 2004 ERI workload.

Customer Service Standards

The *Plan's* goal is to provide timely, thorough and accessible service to our members. We use our newsletters, member handbook, counseling sessions, phone counseling and group meetings to advise our members and retirees about their current and future benefits. We continue to seek new ways to improve our delivery of customer service. During 2004, we started the process of reviewing and simplifying all forms in anticipation of conversion to a web format with availability online for our members to view and download. In 2005, we will replace the existing phone system with a more customer friendly system allowing easier access to our staff. The system will also provide statistical information regarding volume, timing, and duration of phone calls, which will be used to further improve service.

Administrative Costs
The Retirement Board continues to seek new systems and technology to improve operational efficiency and reduce administrative costs. Imaging software was acquired and installed in November 2004, and we began scanning documents immediately thereafter. Preparing files for imaging is a labor intensive, continuous process. We have over seventy five thousand files with an average of 30 documents in each file. In anticipation of server migration in early 2005, hardware was purchased in late 2004. Early 2005, our Exchange server and NT server were migrated to Windows 2003. Other software programs for backup and protection against virus were also upgraded. To streamline in-house processes, programs were developed in 2004 to automate manual spreadsheet calculations and migrate spreadsheet data into an Access database.

Other Developments:
The Retirement Board continued to adjust the Plan's portfolio to meet their target asset allocation and performance objectives. The following adjustments were made to the portfolio during the year:

- Domestic large cap growth managers, William Blair & Company, Holland Capital, MacKay Shields and Smith Barney Asset Management, received $50 million in additional funds each, to realign mandates within the group.
- Hopewell Ventures, a Chicago based private equity firm focused on Midwest venture opportunities, received a commitment of $5 million.
- Capri Capital, a Chicago based African-American Real Estate firm focused on mezzanine financing, received a commitment of $10 million.
- MK Capital, a Chicago based private equity firm received a commitment of $5 million.
- ABN AMRO and Harris Investment Management were each awarded $50 million mandates in the Board's large cap growth allocation.
- CastleArk Asset Management and New Amsterdam Partners were each awarded $30 million mandates in the Board's large cap growth allocation.
- Nogales Investors, a Latino-owned private equity firm focused on opportunities in strong Latino markets, received a $10 million commitment.
- Walter Scott & Company and MacKay Shields International were awarded $60 million and $50 million mandates, respectively, as the Board increased their target allocation in international equities.
- MFS International, an existing international core manager, received $30 million in additional funds, as part of the new target allocation in international equities.
- Oechsle International, an international growth manager, was terminated due to performance reasons.
- Nicholas Applegate, an international growth manager, was terminated due to performance reasons.

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, 2003. 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 fifteen years (1989-2003). 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 whose cooperation and diligent efforts help to assure the successful operation of the *Plan*.

Respectfully submitted,

Terrance R. Stefanski
Executive Director

Teresita T. 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, 2003

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

President

Executive Director

Board of Trustees
(December 31, 2004)

Peter Brejnak, *President*
Peter Brejnak has served the Retirement Board since November 1997. Peter has been a public servant for over 33 years, most currently with the Department of Water as Acting Chief 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.

Tariq G. Malhance, *Vice-President*
Tariq Malhance is Vice President of the Board, and one of two ex-officio members. As City Comptroller, he 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. Mr. Malhance also serves as a trustee of the Chicago Policemen's Annuity & Benefit Fund of Chicago, where he holds the office of President of the Retirement Board. In addition, he is a trustee of the Laborer's Annuity and Benefit Fund of Chicago, as well as the Firemen's Annuity and Benefit Fund of Chicago, where he holds the position of Chairman of the Investment Committee. 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.

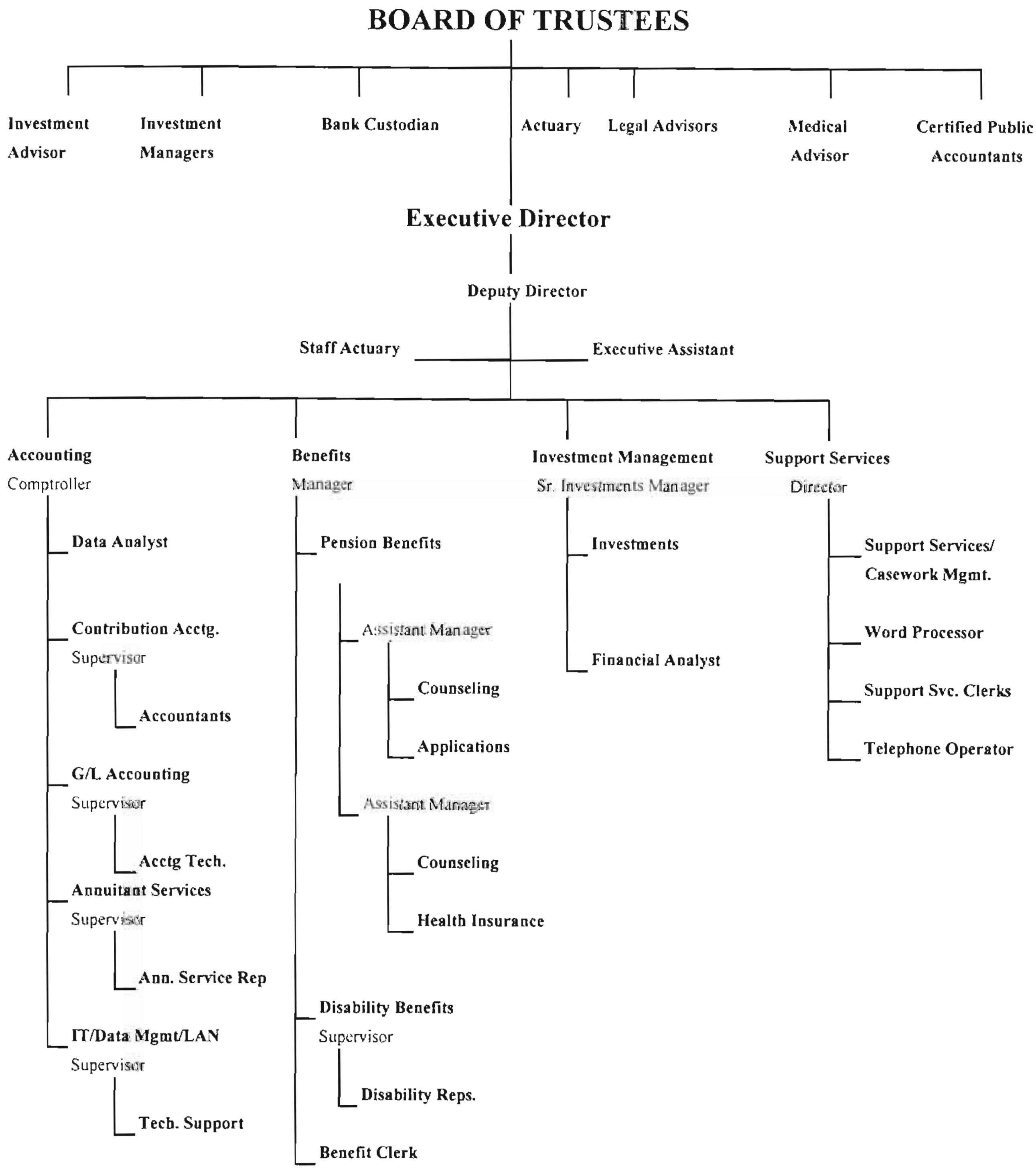
Judith C. Rice, *Treasurer*
Judith C. Rice is Treasurer of the Board, and one of two ex-officio members. Ms. Rice was elected City Treasurer of the City of Chicago on February 25, 2003. She has held that office since her appointment by Mayor Richard M. Daley in November 2000. Immediately preceding her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

John K. Gibson, *Recording Secretary*
John Gibson has served the Retirement Board since February 20, 1997. He is the Chief Engineer of Senn High School, one of the most ethnically diverse schools in the nation. John started his career in the Chicago Public Schools in 1969. During this time he also taught engineering courses for sixteen years in the evening division for the Chicago City Colleges. Mr. Gibson is Vice President of Local 143, the Chicago Public School Engineer's Union.

Joseph M. Malatesta, *Trustee*
Joseph Malatesta has served the Retirement Board since 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's in Business Administration (MBA) from Dominican University.

Organizational Chart

(As of 12/31/04)



Advisors – *are listed on page 14*
Investment Managers – *are listed on page 39*

Advisors

LEGAL ADVISORS
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Chicago, IL 60606

Mr.William A. Marovitz
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City Treasurer
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BANK CUSTODIAN
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The Northern Trust Company
50 South LaSalle Street
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CONSULTING ACTUARY
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Financial

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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, 2004 and 2003, 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, 2004 and 2003, 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.

Bansley and Kiener, L.L.P.

Certified Public Accountants

March 31, 2005

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, 2004 and 2003. 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 Statements 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

Management's Discussion and Analysis (Unaudited)

FINANCIAL HIGHLIGHTS

The Plan's net assets increased by $320.0 million, 5.4% to $6,242.8 million in 2004 from $5,922.8 million in 2003 and $5,128.2 million in 2002. The fair value of investments increased by $303.0 million, 5.1% to $6,293.1 million in 2004 from $5,990.1 million in 2003 and $5,265.8 million in 2002. The $303 million increase in the fair value of investments in 2004 was mainly due to strong performance in the equity markets, domestic and international, in the fourth quarter of the year. Due to legislation that allowed an early retirement buyout, receivables from employer and member contributions increased to $172.3 million, a 14.7% increase in 2004 compared to $150.1 million in 2003 and $140.1 million in 2002. Receivables for investment and accrued earnings decreased by $15.5 million, 14.1%, to $94.3 million in 2004 from $109.8 million in 2003 and $75.9 million in 2002. The difference arises primarily from timing differences in the settlement dates of securities that have been sold at year-end. Payables for investments purchased at year-end decreased by $11.6 million, 3.5% to $316.7 million in 2004 from $328.3 million in 2003 and $356.1 million in 2002. Investments purchased are accounted for on a trade-date basis. The difference is primarily from timing differences in the settlement of securities purchased at year-end. Accrued expenses increased by $1.3 million, 25.3% to $6.6 million in 2004 from $5.3 million in 2003 and $3.1 million in 2002. The increase in accrued expenses is due to $4.3 million in accrued investment fees at year-end.

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

Plan Net Assets

($ in millions)

As of December 31, 2004, 2003 and 2002

	2004	**2003**	**2002**
Cash and cash equivalents	$ 1.5	$ 1.5	$ 1.5
Receivables for investments sold and accrued earnings	94.3	109.8	75.9
Receivables for contributions and other rec'bles	172.3	150.1	140.1
Investments, at fair value	6,293.1	5,990.1	5,265.8
Invested securities lending collateral	806.7	421.0	543.4
Property and equipment	4.9	4.9	4.1
Total assets	7,372.8	6,677.4	6,030.8
Payables for investments purchased	316.7	328.3	356.1
Securities lending payable	806.7	421.0	543.4
Accounts payable and accrued expenses	6.6	5.3	3.1
Total liabilities	1,130.0	754.6	902.6
Net assets held in trust for pension benefits	$ 6,242.8	$ 5,922.8	$ 5,128.2

Management's Discussion and Analysis (Unaudited)

The summary of changes in net assets is presented below:

Changes in Plan Net Assets
($ in millions)
Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Additions:			
Member contributions	$ 155.9	$ 129.6	$ 128.4
Employer contributions	153.9	141.9	130.9
Net investment gains and (losses) and investment income	577.5	960.2	(539.5)
Securities lending income	1.3	1.7	1.5
Total Additions	888.6	1,233.4	(278.7)
Deductions:			
Annuity benefits and lump sum payments	490.0	397.7	376.3
Disability benefits	8.8	10.9	10.6
Refunds of contributions and rollover distributions	40.1	25.5	22.4
Transfer to Firemen's A&B Fund of Chicago	24.2	-	-
Administrative expenses	5.5	4.7	4.6
Total deductions	568.6	438.8	413.9
Net Increase (Decrease)	$ 320.0	$ 794.6	$ (692.6)

Additions to Plan Net Assets

- Member contributions increased by 20.2% in 2004 to $155.9 million from $129.6 million in 2003 and $128.4 million in 2002. The increase in 2004 is due to legislation that allowed an early retirement incentive (ERI) buyout wherein the participating members had the option to purchase up to five years of ERI service in addition to other permissive service credits that the member purchased.

- Employer contributions had a modest increase of 8.5% to $153.9 million in 2004 from $141.9 million in 2003 and $130.9 in 2002. Employer contributions are calculated using a statutorily set multiplier (currently 1.25) times member contributions collected two years prior.

- Net appreciation in fair value of investments and net investment income for the year ended December 31, 2004 totaled $577.5 million, compared to the increase in value of $960.2 million in 2003 and the decrease in value of $539.5 million in 2002. As discussed earlier in the Financial Highlights section, the increases in 2004 and 2003 were a result of the strong performance in the domestic and international equity markets. Investment fees, which are based on asset values and netted from investment income, increased by 16.3% to $19.6 million in 2004 compared to $16.9 million in 2003 and $15.8 million in 2002. The increase in investment fees was mainly attributable to the value increases in the equity allocation of the portfolio and an increase in private equity and real estate investments.

- 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. Net securities lending income decreased by 27.3% to $1.3 million in 2004 from $1.7 million in 2003 and $1.5 million in 2002. The decrease is attributable to the low interest rate environment in 2004.

Management's Discussion and Analysis (Unaudited)

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 annuities, health insurance subsidies and lump sum payments increased by 23.2% to $490.0 million in 2004 from $397.7 million in 2003 and $376.3 million in 2002. The increase in 2004 is primarily due to an early retirement buyout, which added 2,460 participants to the annuity rolls. A provision of the buyout legislation offered an option to receive a lump sum payment with an actuarially reduced annuity to qualified participants. Eighty seven participants elected this option.

- Disability benefit payments decreased by 18.8% to $8.8 million in 2004 from $10.9 million in 2003 and $10.6 million in 2002. The decrease is mainly due to disability retroactive adjustments that were paid in 2003.

- Refunds of contributions including rollover distributions increased by 56.8% to $40.1 million in 2004 from $25.5 million in 2003 and $22.4 million in 2002. The increase in 2004 is due to the early buyout that generated an increase in refunds of spousal contributions.

- Legislation was passed in 2004 requiring a one-time transfer of municipality credits earned in this Plan with interest for certain paramedics who were transferred from the Plan to the Firemen's Annuity and Benefit Fund of Chicago in 1983. This one-time transfer amounted to $24,201,945.

- Cost to administer the Plan in 2004 increased by 16.9% to $5.5 million in 2004 from $4.7 million in 2003 and $4.6 million in 2002. Due to the early retirement buyout, the Plan incurred additional expenses in 2004 mainly in personnel, services and data processing costs.

Management's Discussion and Analysis (Unaudited)

INVESTMENT ACTIVITIES

At year-end 2004, the Plan's equity investments (domestic and international) increased to $4,007 million from $3,666 million at year-end 2003, and $2,756 million at year-end 2002. The 2004 increase is mainly due to the strong performance in the equity markets, especially in the fourth quarter. Even though the Plan's asset values increased for a second straight year, operating needs forced continued capital drawdowns to cover benefit payments. Approximately $290 million was drawn from investments in 2004. The Plan's real estate performed well for the year due to the high demand for real estate assets as buyers had continued access to inexpensive debt financing.

Investment Returns

Periods ending December 31, years as indicated

	2004	2003	2002
Total Plan	10.6%	19.9%	-9.3%
Benchmark Portfolio	10.5%	20.1%	-7.7%
Median Return	11.1%	21.9%	-8.7%
Domestic Equities	13.2%	31.2%	-20.5%
Benchmark: S & P 500	10.9%	28.7%	-22.1%
Equity Median Return	13.5%	32.9%	-21.9%
International Equities	20.0%	39.2%	-14.3%
Benchmark: EAFE Index	20.2%	38.6%	-15.9%
International Equity Median Return	20.5%	34.8%	-14.8%
Fixed Income	4.3%	4.4%	8.9%
Benchmark: Lehman Aggregate Index	4.3%	4.1%	10.3%
Fixed Income Median Return	4.8%	5.1%	9.6%
Real Estate	10.5%	6.1%	4.3%
Benchmark: NCREIF Property Index	12.2%	7.6%	4.9%

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

The value of the Plan's assets continued to improve in 2004 helping to regain the ground lost during the bear market from 2000-2002. The table above reflects Plan returns, benchmarks returns and median Plan returns for 2004, 2003 and 2002.

Financial

Management's Discussion and Analysis (Unaudited)

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

ASSETS	December 31 2004	2003
Cash and cash equivalents	$ 1,497,435	$ 1,489,668
Receivables		
Contributions from the City of Chicago, net of allowance for loss of $14,045,478 in 2004 and $12,654,055 in 2003	156,255,955	141,959,570
Early Retirement Incentive (ERI) Receivable	7,053,698	-
Member contributions	8,910,799	7,428,152
Interest and dividends	13,508,210	15,110,907
Brokers - unsettled trades	80,804,787	94,653,910
Miscellaneous	35,701	749,480
Total receivables	266,569,150	259,902,019
Investments, at fair value		
Bonds	1,599,536,283	1,724,704,367
Common and preferred stock	4,007,207,419	3,665,515,058
Real estate	251,754,076	235,849,045
Other investments	90,335,602	76,289,753
Short-term investments	344,293,435	287,757,532
Total investments	6,293,126,815	5,990,115,755
Invested securities lending collateral	806,723,308	421,022,183
Property and equipment, net of accumulated depreciation and amortization of $399,937 in 2004 and $360,824 in 2003	4,874,043	4,855,632
Total assets	7,372,790,751	6,677,385,257
LIABILITIES		
Brokers - unsettled trades	279,791,899	326,860,431
Accounts payable and accrued expenses	43,533,602	6,712,644
Securities lending collateral	806,723,308	421,022,183
Total liabilities	1,130,048,809	754,595,258
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 31)	$ 6,242,741,942	$ 5,922,789,999

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

Financial

Statements of Changes in Plan Net Assets

	Year ended December 31	
	2004	2003
Additions		
Contributions from the City of Chicago	$ 153,919,476	$ 141,882,893
Member contributions	155,884,575	129,644,188
Total contributions	309,804,051	271,527,081
Investment income		
Net appreciation in fair value of investments	475,237,829	866,228,827
Interest	52,546,967	57,514,903
Dividends	58,260,812	44,928,838
Income from real estate investments	11,058,021	8,336,777
Other	365	20,440
	597,103,994	977,029,785
Less investment expenses	19,634,053	16,875,154
	577,469,941	960,154,631
Security lending activities		
Securities lending income	8,298,180	7,867,695
Borrower rebates	(6,501,203)	(5,390,231)
Bank fees	(536,829)	(743,233)
	1,260,148	1,734,241
Total additions	888,534,140	1,233,415,953
Deductions		
Benefits		
Annuity payments	490,009,365	397,716,547
Disability and death benefits	8,830,525	10,879,692
Total benefits	498,839,890	408,596,239
Refund of member contributions	32,470,285	20,961,648
Rollover distributions	7,600,070	4,599,837
Transfer to Firemen's Fund	24,201,945	-
Administrative and general expenses	5,470,007	4,678,634
Total deductions	568,582,197	438,836,358
Net increase	319,951,943	794,579,595
Net assets held in trust for pension benefits		
Beginning of year	5,922,789,999	5,128,210,404
End of year	$ 6,242,741,942	$ 5,922,789,999

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 and commingled real estate are based upon annual independent appraisals. Fair value of Venture Capital investments are primarily based on the lesser of cost or the general partner determined fair value.

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, 2004 and 2003 is as follows:

	2004	2003
Furniture	$ 80,530	$ 89,122
Equipment	64,301	53,386
Computers	347,807	297,480
Leasehold improvements	57,121	52,921
	549,759	492,909
Less accumulated depreciation and amortization	399,937	360,824
	149,822	132,085
Construction in progress	4,724,221	4,723,547
Net property and equipment	$4,874,043	$4,855,632

Construction in progress consists of an installation of a new computer system to be placed in service by May, 2005. As of December 31, 2004, no additional significant costs are expected to be incurred.

Note 2 – 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, 2004 and 2003 were $1,303,127,528 and $1,395,513,060 respectively.

Notes to Financial Statements
(Continued)

Note 2 – Description of Plan (Continued)

Plan membership at December 31 is as follows:

	2004	2003
Active employees (includes members currently receiving disability benefits):		
Vested	15,030	16,955
Nonvested	18,237	18,429
	33,267	35,384
Retirees and beneficiaries currently receiving benefits	22,933	20,573
Terminated (inactive members) employees entitled to benefits or a refund of contributions	12,161	11,159
	68,361	67,116

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 monthly annuity is increased by 3% in January of the year of the first payment date following the later of age 60 of the first anniversary of retirement, and by 3% annually thereafter; except for an employee retiring prior to age 60 the first increase will occur not later than January of the first payment date following the later of (1) the third anniversary of retirement or (2) the attainment of age 53.

Effective January 16, 2004, Public Act 093-0654 established an early retirement incentive program for certain employees of the City of Chicago or the Board of Education whose years of age plus years of service was at least 70. A minimum of 50 years of age and 10 years of Municipal service credit was required. Those employees who elected to retire during the period from January 31, 2004 and February 29, 2004 were able to attain up to five years of additional service credit upon making specified contributions. Employees who had previously earned maximum pension benefits were able to receive a lump sum from the Plan equal to 100% of their salary for the year as of February 29, 2004 or the date of withdrawal, whichever was earlier, in exchange for an actuarially reduced annuity.

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.

Notes to Financial Statements
(Continued)

Note 3 – Deposits and Investments

At December 31, 2004 and 2003, the Plan's book balances of cash are $1,497,435 and $1,489,668, respectively. The actual bank balances at December 31, 2004 and 2003 are $1,496,635 and $1,488,868, 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.

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, 2004 and 2003. Category 1 includes insured or registered investments held by the Northern Trust Company, as agent of the Plan, in the Plan's name:

	Risk	December 31, 2004		December 31, 2003	
Investment	Category	Book Value	Fair Value	Book Value	Fair Value
Bonds	1	$1,477,935,060	$1,599,536,283	$1,552,376,158	$1,724,704,367
Stocks	1	2,630,155,430	3,503,853,994	2,500,995,277	3,195,244,696
Short-term instruments	1	167,749,997	167,929,877	18,375,426	18,377,450
Real estate	N/A	229,310,952	251,754,076	224,479,348	235,849,045
Venture capital	N/A	166,440,337	90,335,602	153,832,241	76,289,753
Commingled funds	N/A	562,488,766	679,716,983	683,135,289	739,650,444
		$5,234,080,542	$6,293,126,815	$5,133,193,739	$5,990,115,755

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. Fair Value of Venture Capital investments are primarily based on the lesser of cost or the general partner determined fair value.

Note 4 – Investments

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

	2004	2003
Investments At Fair Value As Determined by Quoted Price		
Bonds		
NTGI Aggregate Bond Index Fund	$ 342,072,202	$ 355,599,017
Other	1,257,464,081	1,369,105,350
Common and preferred stock	4,007,207,419	3,665,515,058
	5,606,743,702	5,390,219,425
Investments at Fair Value As Determined by Plan Administrator		
Real estate	251,754,076	235,849,045
Other	90,335,602	76,289,753
Short-term investments	344,293,435	287,757,532
	686,383,113	599,896,330
Total investments	$6,293,126,815	$5,990,115,755

Notes to Financial Statements
(Continued)

Note 5 – Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Plan as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. All securities loans can be terminated on demand by either the Plan or the borrower. At December 31, 2004 the average term of the loan was 60 days (70 days in 2003). 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, 2004 had a weighted average maturity of 38 days (43 days in 2003). As of December 31, 2004 and 2003, the Plan had loaned to borrowers securities with a fair value of $867,036,966 and $491,965,333, respectively. As of December 31, 2004 and 2003, the Plan received from borrower's cash collateral of $806,723,308 and $421,022,183, and non-cash collateral of $78,817,103 and $83,340,965, respectively. Securities lending net income for the years ended December 31, 2004 and 2003 was $1,260,148 and $1,734,241, 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:

	2004	2003
Securities loaned – cash collateral		
Domestic bonds	$441,052,948	$242,633,566
Domestic equities	338,352,464	154,277,072
International equities	10,423,647	13,924,912
Total securities loaned – cash collateral	789,829,059	410,835,550
Securities loaned – non-cash collateral		
Domestic bonds	39,627,618	67,418,422
Domestic equities	37,580,289	13,030,363
International equities	-	680,998
Total securities loaned – non-cash collateral	77,207,907	81,129,783
Total	$867,036,966	$491,965,333

Note 6– Transfer to Firemen's Annuity and Benefit Fund of Chicago

Legislation was passed in 2004 requiring a one-time transfer of municipality credits earned in this Plan with interest for certain paramedics who were transferred from the Plan to the Firemen's Annuity and Benefit Fund of Chicago in 1983. This one-time transfer amounted to $24,201,945.

Note 7 – 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 7 – Net Assets Held in Trust for Pension Benefits (Continued)

	2004	2003
Net assets reserved for:		
Retirement and survivor benefits for active employees	$ 3,591,475,630	$ 4,247,878,838
Retirement and survivor benefits for retired employees	5,217,025,314	3,740,757,718
	8,808,500,944	7,988,636,556
Unreserved net assets	(2,565,759,002)	(2,065,846,557)
Net assets held in trust for pension benefits	$ 6,242,741,942	$ 5,922,789,999

Note 8 – 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 $21,639 ($21,191 in 2003). 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, 2004:

Year Ending December 31,	Amount
2005	$ 259,668
2006	259,668
2007	259,668
2008	43,278
Total	$ 822,282

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)
12/31/04	$6,343,076,159	$8,808,500,944	$2,465,424,785	72.0%	$1,303,127,528	189.2%
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	$6,466,797,543	$6,934,176,477	$ 467,378,934	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%

Schedule of Employer Contributions

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2004	$198,199,001	77.7%
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%

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	12/31/04
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	
	2004	2003
Administrative Salaries	$ 2,497,420	$ 2,007,185
Employee Benefits	745,558	626,789
Professional Services:		
Actuarial	78,960	110,233
Data Processing	725,250	499,023
Medical	41,340	40,128
Auditing	36,000	30,500
Legal	67,790	111,885
Custodial	127,506	117,629
Contractual	177,267	107,457
Consulting	75,381	70,016
Investment advisory	180,000	180,000
Office Supplies and Equipment	55,456	62,852
Office Equipment Maintenance	2,978	11,587
Bank service charge	4,482	4,670
Equipment Rental	8,936	12,865
Depreciation	72,327	93,017
Printing and Publishing	122,705	193,323
Postage	66,902	74,838
Rent and Utilities	287,808	236,531
Retirement Board Election Costs	4,497	4,734
Miscellaneous	10,711	8,700
Insurance	3,525	-
Telephone and Communications	33,426	31,871
Travel	26,071	26,286
Dues and Subscriptions	17,711	16,515
Total Administrative Expenses	$ 5,470,007	$ 4,678,634

Schedule of Consulting Costs

	Years Ended December 31	
	2004	2003
Legal Advisors	$ 67,790	$ 111,885
Medical Advisors	41,340	40,128
Investment Consultant	180,000	180,000
Consulting Actuary	78,960	110,233
Consulting	75,381	70,016
Auditor	36,000	30,500
Master Custodian	127,506	117,629
Total	$ 606,977	$ 660,391

Schedule of Investment Management Compensation

	Years Ended December 31	
	2004	2003
Equity Managers		
ABN AMRO	$ 79,428	$ -
Alliance Capital	191,995	864,927
Ariel Capital	1,826,734	1,463,032
Bear Stearns	915,790	742,464
Castle Ark	52,315	-
Great Lakes Advisors	480,091	375,890
Harris Investment Mgmt.	83,706	-
Holland Capital	549,802	223,421
Keeley Asset Mgmt.	642,546	500,611
MacKay Shields	460,884	291,156
MEABF Emerging Manager Fund	406,186	-
New Amsterdam Partners	50,347	-
Northern Trust Quantative Adv.	204,772	194,869
Smith Barney Asset Mgmt.	620,128	279,573
TCW	255,082	197,241
TIMCO	314,424	254,458
UBS AM Equity	592,855	517,837
Weiss, Peck & Greer	-	544,931
Wellington Capital	883,757	862,727
William Blair	506,588	195,790
Total Equity	9,117,430	7,508,927
Bond Managers		
Alliance Capital	434,765	444,803
West AM	148,521	313,943
NTGI Bond Index	111,055	108,338
Frank Russell Trust	322,478	310,787
Lincoln Capital	261,508	254,625
Payden & Rygel	139,841	145,272
UBS AM Bonds	338,796	328,900
Total Bond	1,756,964	1,906,668

Schedule of Investment Management Compensation (continued)

	Years Ended December 31	
	2004	2003
International Equity Managers		
Frank Russell Trust	1,597,011	1,333,898
MFS	202,726	151,811
MacKay Shields	19,293	-
Nicholas Applegate	165,350	143,351
Oechsle	210,053	203,327
Total International Equity	2,194,433	1,832,387
Real Estate Managers		
AFL-CIO Building Trust	165,000	148,557
Capri Capital	1,025,000	899,125
J P Morgan	450,000	425,074
John Buck Company	416,250	435,000
Prudential Asset Mgmt.	475,000	438,372
Walton Street Partners	187,500	-
Total Real Estate	2,718,750	2,346,128
Venture Capital Managers		
First Analysis	1,275,000	1,305,195
Frontenac Corp.	-	40,000
Hispania Partners	125,000	62,500
Hopewell Ventures	50,000	-
Invesco	23,015	25,756
Mesirow Financial	1,185,093	1,185,093
Midwest Mezzanine Fund	437,500	437,500
Nogales Investors	525,868	-
SB Partners	225,000	225,000
Total Venture Capital	3,846,476	3,281,044
Total	$ 19,634,053	$ 16,875,154

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

Terrance R. Stefanski, Executive Director

June 30, 2005

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

"Finally!" Stock market investors cheered at the end of 2003 as three straight years of negative returns finally came to an end. Significant gains, especially in the second half of the year, moved equities into positive territory for the first time since 1999. Early in 2004, many investors dared to think optimistically again, but many uncertainties remained. Was this historic bear market really over? Was the rebound a short-term phenomenon? Or, would it trigger an extended recovery in the equity markets?

2004 – Investing in the Financial Markets

Even with a slow start, investor optimism continued in 2004 after all major asset classes showed early gains. Smaller companies, which incurred a larger part of the market diminution during the bear market, outperformed their larger counterparts. Value concentrated investors in aggregate faired better than growth investors. Publicly traded REITs continued their strong performance as investors' insatiable appetite for real estate assets continued.

At mid-year, the debt market suffered from inflation concerns, reversing its year-to-date gains. The stock market was able to withstand the fear of inflation and held on to earlier gains.

The second half of the year began with a significant variance in equity returns. Over a three-month period, value managers were able to outperform their growth peers by over six hundred basis points. This overall effect brought equity markets down slightly. Bond investments rebounded from their second quarter losses, providing investors with positive returns during the third quarter.

Like the previous year, 2004 ended with a significant rally. The Presidential election in November helped to remove considerable uncertainty for investors, triggering an influx of investment into the markets. The stock market rallied accordingly. The rally was led by the significant gains of smaller companies and strong performance by the international markets.

Even with a slow start, the market rally that started in 2003 was able to continue through 2004, helping many investors achieve double-digit returns. The Municipal Plan's portfolio, with its well-diversified allocation of assets, was able to capitalize on the rallying markets, growing Plan assets to record levels.

2004 – Investment Performance

The Plan's rate of return for the year was 10.6% ranking the Plan in the 55th percentile compared to other public plans. This return helped assets grow by over $300 million in 2004 and pushed asset growth to $1.1 billion over the last two years.

With another strong performance year in the equity markets, the Plan's exposure to domestic equity managers grew slightly to 58% of the portfolio compared to 57% in 2003. The overall return of the Plan's domestic equity managers was 13.2%, outperforming the S&P 500, which returned 10.9%. The Plan's 28% allocation to bond managers performed at the benchmark, returning 4.3% for the year.

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. Market factors can positively or negatively affect rates of return each year. Annualized returns for periods such as ten years tend to smooth the effects of short-term market fluctuations. As such, reviewing an individual investors performance over a longer time period is a much better indicator of their ability to meet stated investment objectives. The Municipal Plan, over ten years, has returned 10.3% annually, outperforming the actuarial rate of return by two hundred and thirty basis points.

2004 – Operating Cash Flow Needs

The need to liquidate assets from the investment portfolio to assist the payment of monthly retirement benefits continues to grow, reducing the amount of reserves available for investment. In aggregate, $292 million, a 52% increase from 2003, was liquidated during the year to assist in the payment of monthly benefits. When needed, funds are liquidated in conjunction with rebalancing the portfolio to the Retirement Board's targeted allocations.

The Master Custodian's certification letter for 2004, a summary of the Plan's investment policy, and select investment schedules follow for your review.

Sincerely,

James E. Mohler
Senior Investment Manager

Note: Investment returns are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

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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, 2004 through December 31, 2004.

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, 2004)*

ABN AMRO Asset Management
AFL/CIO Building Investment Trust
Alliance Capital
American Institutional Realty Advisors
Ariel Capital
Bear Stearns Asset Management
Capri Capital
CastleArk Asset Management
First Analysis
Frank Russell Trust
Frontenac Corp.
Great Lakes Advisors
Harris Investment Management
Hispania Capital Partners
Holland Capital Management
Hopewell Ventures
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
MK Capital
New Amsterdam Partners
Nogales Investors
Northern Trust Global Investment Advisors
Payden & Rygel
Prudential Realty
SB Partners
Smith Barney Asset Management
Travelers Investment Management Company
Trust Company of the West
UBS Global Asset Management
Walter Scott & Partners
Walton Street Capital
Wellington Capital
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 2004. 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, 2004 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	35-45%	40%	43%
Small/Mid	13-17%	15%	15%
Intl. Equities	8-12%	10%	7%
Bonds	22-28%	25%	28%
Real Estate	4-6%	6%	4%
Private Equity	2-4%	4%	2%
Cash Equivalents	0%	0%	1%

State statute allows for approximately three months of operational cash flow reserves for monthly expenditures. As approximately 95% of the Plan's expenditures are paid on the last or first business day of each month, the Plan is able to keep portfolio assets invested throughout the month, only liquidating assets just prior to needing reserves to cover monthly expenditures. Liquidated assets are primarily taken from asset classes that have become over funded compared to the determined target allocation.

Investments

Investments (Fair to Book)

Periods Ended December 31, 2004 and December 31, 2003

Category	12/31/04 Fair Value	%	12/31/04 Book Value	%	12/31/03 Fair Value	%	12/31/03 Book Value	%
Bonds	$1,599,536,283	25%	$1,477,935,060	28%	$1,724,704,367	29%	$1,552,376,158	30%
Equities								
Domestic	3,518,459,688	56%	2,655,896,115	51%	3,385,777,575	57%	2,711,517,530	53%
International	488,747,731	8%	360,384,524	7%	279,737,482	5%	203,232,954	4%
Total Equities	4,007,207,419	64%	3,016,280,639	58%	3,665,515,057	61%	2,914,750,484	57%
Real Estate	251,754,076	4%	229,310,952	4%	235,849,046	4%	224,479,348	4%
Private Equity	90,335,602	1%	166,440,337	3%	76,289,753	1%	153,832,241	3%
Cash Equivalents	344,293,435	5%	344,113,554	7%	287,757,532	5%	287,755,508	6%
Total Investments	$6,293,126,815	100%	$5,234,080,542	100%	$5,990,115,755	100%	$5,133,193,739	100%

Manager by Type & Percentage of Investments

As of December 31, 2004

	Fair Value	%
Bond Managers		
Alliance Capital	$477,052,023	7.6%
Frank Russell	130,668,186	2.1%
Lincoln Capital	554,454,092	8.8%
Northern Trust Global Investment Advisors	342,072,202	5.4%
Payden & Rygel	115,637,289	1.8%
UBS Bonds	190,267,017	3.0%
	1,810,150,810	28.8%
Domestic Equity Managers		
ABN AMRO Asset Management	55,278,255	0.9%
Ariel Capital	617,010,497	9.8%
Bear Stearns	326,291,436	5.2%
CastleArk Asset Management	34,644,864	0.6%
Great Lakes Advisors	200,980,127	3.2%
Harris Investment	57,096,088	0.9%
Holland Capital	181,902,206	2.9%
Keeley Asset Mgmt.	195,624,973	3.1%
MacKay Shields	170,842,546	2.7%
New Amsterdam Partners	34,282,502	0.5%
Northern Trust Global Investment Advisors	925,989,817	14.7%
Smith Barney Asset Mgmt.	171,386,587	2.7%
Trust Company of the West	32,183,193	0.5%
Travelers Investment Mgmt. Company	63,651,393	1.0%
UBS Equity	214,531,493	3.4%
Wellington Capital	204,614,398	3.3%
William Blair	174,427,383	2.8%
	3,660,737,756	58.2%
International Equity Managers		
Frank Russell	236,875,081	3.8%
MFS International	67,364,331	1.1%
MacKay Shields	52,742,101	0.8%
Walter Scott	60,036,164	1.0%
	417,017,677	6.6%

Manager by Type & Percentage of Investments (Continued)

As of December 31, 2004

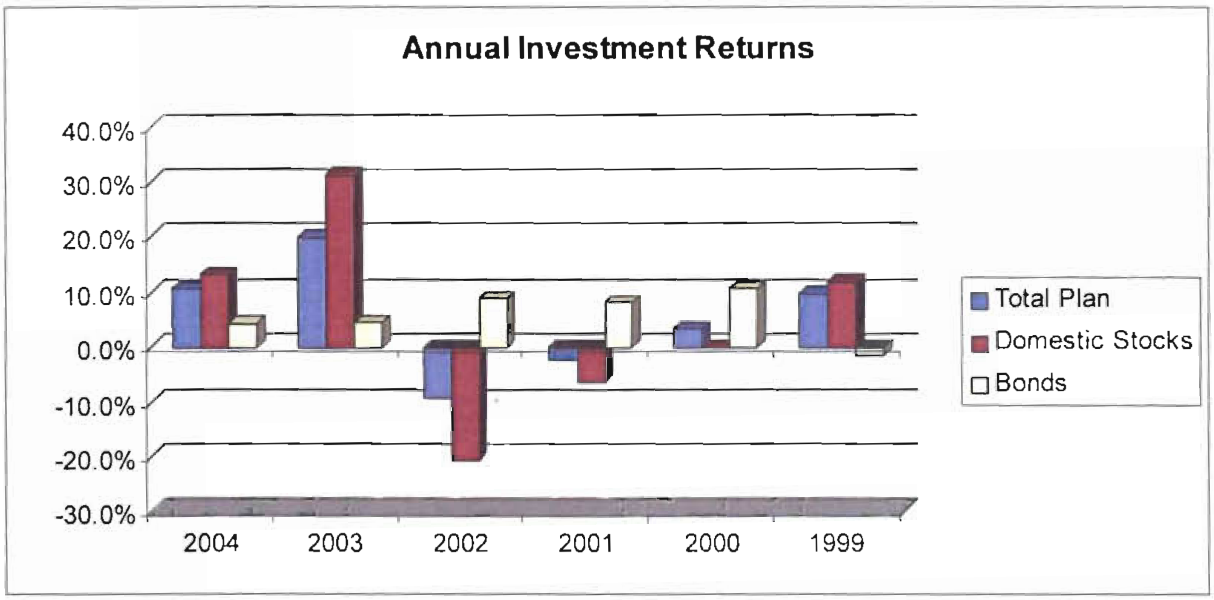
	Fair Value	%
Real Estate Managers		
AFL-CIO Building Trust	16,964,014	0.3%
American Realty	14,186,704	0.2%
Capri Capital	97,399,435	1.5%
JP Morgan Fleming	50,753,961	0.8%
John Buck Company	19,917,415	0.3%
Prudential	52,035,864	0.8%
	251,257,393	4.0%
Private Equity Managers		
First Analysis	24,286,023	0.4%
Frontenac Corporation	1,365,237	0.0%
Hispania Capital Partners	188,789	0.0%
Hopewell Ventures	1,000,000	0.0%
Invesco	4,387,058	0.1%
Mesirow Private Equity Investments	14,540,518	0.2%
Mesirow Fund of Funds	16,883,581	0.3%
Midwest Mezzanine Funds	23,477,297	0.4%
MK Capital	548,789	0.0%
Nogales Investors	3,228,745	0.1%
SB Partners	2,979,799	0.0%
Walton Street Capital	1,864,239	0.0%
	94,750,074	1.5%
Short-term Account		
Fund Balance	59,213,105	0.9%
Total Investments	$6,293,126,815	100.0%

For fees paid to the above managers, refer to Schedule of Investment Management Compensation on pages 33-34.

Annual Investment Returns

Last six years

	2004	2003	2002	2001	2000	1999
Total Plans						
The Plan	10.6%	19.9%	-9.3%	-2.3%	3.3%	9.8%
Inflation + 3%	5.5%	4.9%	5.4%	4.6%	6.4%	5.7%
Domestic Stocks						
The Plan	13.2%	31.2%	-20.5%	-6.3%	0.0%	11.9%
S&P 500 Stock Index	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%
Bonds						
The Plan	4.3%	4.4%	8.9%	8.1%	10.7%	-1.5%
Lehman Aggregate Bond Index	4.3%	4.1%	10.3%	8.4%	11.6%	-0.8%

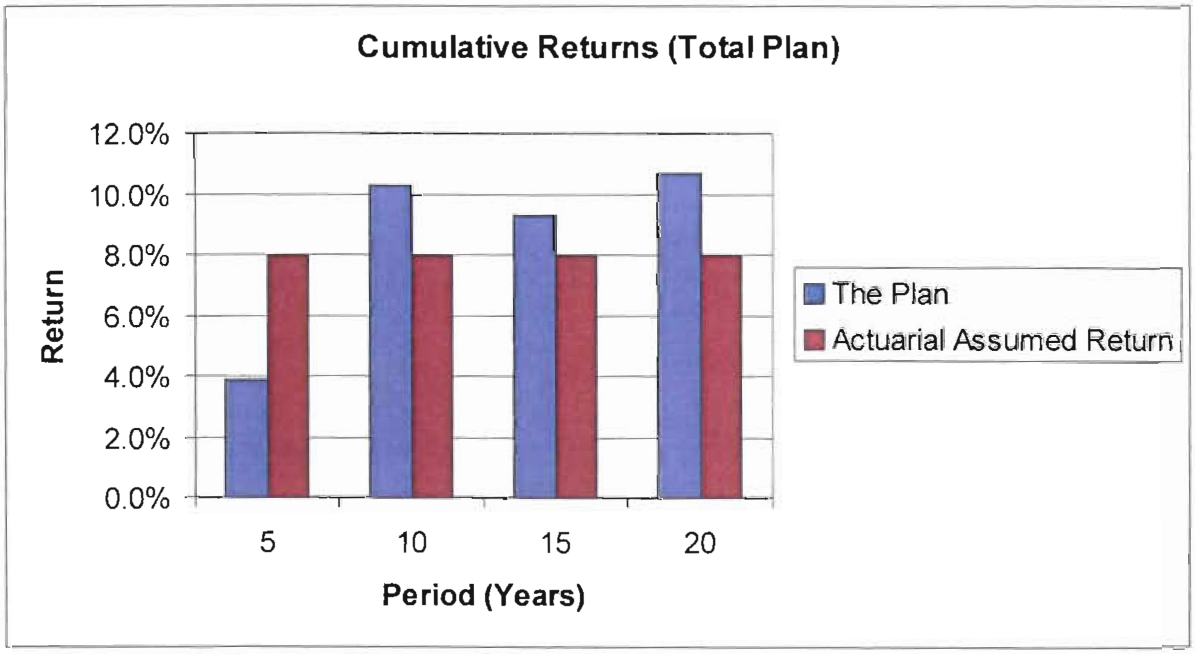


Investment returns are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

Investments

Cumulative Annuals – Total Plan
As of December 31, 2004
Last 5, 10, 15, and 20 years

	5 Years	10 Years	15 Years	20 Years
Total Plan	3.9%	10.3%	9.3%	10.7%
Actuarial Assumed Return	8.0%	8.0%	8.0%	8.0%



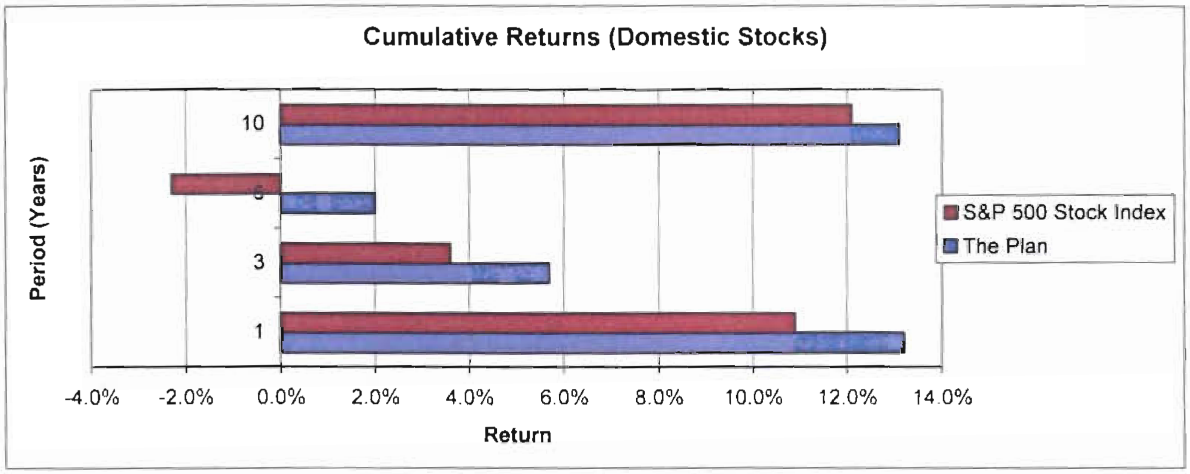
- Returned 270 basis points over the Actuarial Assumed Return annually for the last twenty years,
- Added 230 and 130 basis points over the Actuarial Assumed Return annually over the last ten and fifteen years, respectively,
- Since 1992, ten year rolling rates of return have exceeded the Actuarial Assumed Return each year by an average of 340 basis points.

Investment returns are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

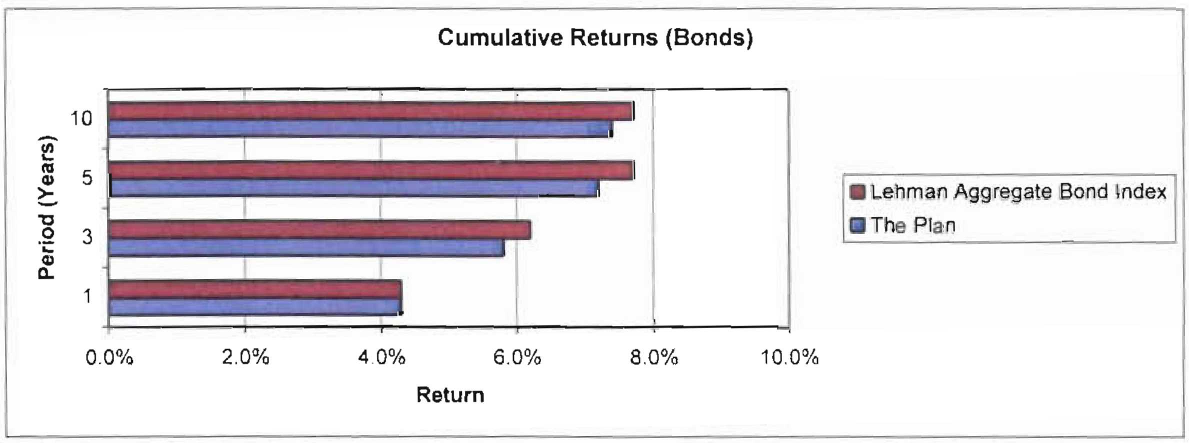
Cumulative Annuals – Domestic Stocks and Bonds

As of December 31, 2004
Last 1, 3, 5, and 10 years

	1 Year	3 Years	5 Years	10 Years
Domestic Stocks				
The Plan	13.2%	5.7%	2.0%	13.1%
S&P 500 Stock Index	10.9%	3.6%	-2.3%	12.1%



	1 Year	3 Years	5 Years	10 Years
Bonds				
The Plan	4.3%	5.8%	7.2%	7.4%
Lehman Aggregate Bond Index	4.3%	6.2%	7.7%	7.7%



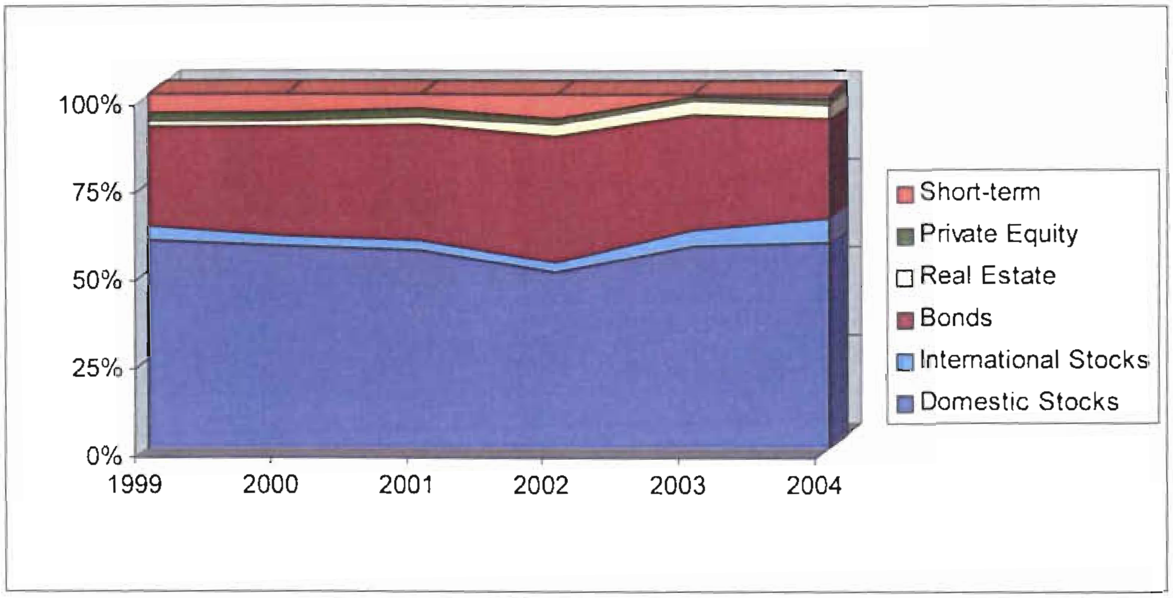
Investment returns are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

Investments

Investment Asset Allocation (By Manager)

Last six years

	1999	2000	2001	2002	2003	2004
Domestic Stocks	59%	57%	56%	50%	57%	58%
International Stocks	4%	3%	3%	3%	5%	7%
Bonds	28%	31%	33%	36%	33%	28%
Real Estate	2%	2%	2%	4%	4%	4%
Private Equity	2%	2%	2%	1%	1%	2%
Short-term	5%	5%	4%	7%	1%	1%
Investment Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**



Fifteen Largest Investment Holdings

Year Ended December 31, 2004

Type of Investment	Name of Investment	($) Fair Value	% of Invested Assets
Commingled Bond Fund	NTGI Aggregate Bond Index	$342,072,202	5.4%
Commingled Equity Fund	NTGI S&P500 Equity Index Fund	266,636,430	4.2%
Commingled Short-term Fund	NTGI Short-term Investment Funds	181,513,515	2.9%
Commingled Int'l Equity Fund	Frank Russell International Fund	129,188,611	2.1%
Commingled Bond Fund	US Securitized Mortgage Fund	72,120,904	1.1%
Common Stock	General Electric Company	65,342,300	1.0%
Commingled Int'l Equity Fund	Walter Scott International Group	60,036,164	1.0%
Common Stock	Citigroup Inc.	58,429,428	0.9%
Common Stock	Exxon Mobil Corp.	53,084,138	0.8%
Common Stock	Microsoft Inc.	50,871,439	0.8%
Real Estate Fund	JP Morgan Strategic Property Fund	50,753,961	0.8%
Mortgage Backed	FNMA 30 Year / 6.0%	45,934,681	0.7%
Short-term Bills and Notes	US Treasury Bills	45,887,576	0.7%
Mortgage Backed	FNMA 30 Year / 5.5%	44,873,150	0.7%
Real Estate Fund	Capital Associates Apartment Fund	42,163,348	0.7%
	Total	**$1,508,907,847**	**24.0%**

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

Investment Brokerage Commissions

As of December 31, 2004

Broker Name	($) Commissions	(#) Shares	($) Cost per Share
LOOP CAPITAL MARKETS/BROADCORT CAPITAL	$288,393	7,293,321	0.04
LYNCH JONES & RYAN	222,929	5,190,345	0.04
MERRILL LYNCH PIERCE FENNER & SMITH	188,641	4,393,244	0.04
GARDNER RICH & CO.	170,317	4,263,007	0.04
NATIONAL FINANCIAL SERVICES	145,562	3,767,751	0.04
J.P. MORGAN SECURITIES INC	143,300	5,789,435	0.03
MORGAN STANLEY & CO INC. NEW YORK	97,833	4,044,846	0.02
GOLDMAN SACHS & COMPANY	97,285	3,249,681	0.03
FIRST SOUTHWEST CO.	71,085	1,730,325	0.04
INSTINET	70,699	3,224,171	0.02
BNY ESI SECURITIES CO.	65,154	1,867,921	0.04
CITIGROUP GLOBAL MARKETS INC/SMITH BARNEY	63,449	1,293,214	0.05
JEFFERIES & COMPANY	61,339	1,294,096	0.05
FRANK RUSSELL SEC/BROADCORT	57,073	1,209,379	0.05
GUZMAN & COMPANY	50,229	1,496,931	0.03
LEHMAN BROTHERS INC	47,920	1,259,556	0.04
UBS/WARBURG SECURITIES LLC NEW YORK	47,814	1,365,772	0.04
BEAR, STEARNS, SECURITIES CORP	46,972	1,285,046	0.04
CREDIT SUISSE FIRST BOSTON CORPORATION	38,292	969,291	0.04
CABRERA CAPITAL MARKETS, INC	34,737	937,950	0.04
BANC AMERICA SECUR. MONTGOMERY DIV.	33,972	822,967	0.04
BEREAN CAPITAL INC II	32,101	801,800	0.04
ABN AMRO SECURITIES (USA) INC	27,142	665,000	0.04
MANAGERS WITH < $25,000 OF COMMISSIONS	616,461	15,248,851	0.04
Total Broker Commissions - Domestic Trading as of 12/31/04	$2,718,699	73,463,900	$0.04

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

GRS

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

20 North Clark Street • Suite 2400 • Chicago, Illinois 60602 • 312-456-9800 • fax 312-456-9801

April 12, 2005

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, 2004. 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 2005. 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 2.23 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

Summary of Actuarial Valuation

	December 31, 2003	December 31, 2004	% Change
Actuarial Values			
Termination Values			
Liability	$ 5,026,726,325	$ 6,382,908,951	**26.98 %**
Assets - Actuarial Value	6,384,098,957	6,343,076,159	**(0.64)%**
Deficiency/(Excess)	(1,357,372,632)	39,832,792	**(102.93)%**
Funded Ratio	**127.00%**	**99.38%**	**(21.75)%**
GASB #25 Values			
Actuarial Liability	$ 7,988,636,556	$ 8,808,500,944	**10.26 %**
Assets - Actuarial Value	6,384,098,957	6,343,076,159	**(0.64)%**
Unfunded Liabilty (Surplus)	1,604,537,599	2,465,424,785	**53.65 %**
Funded Ratio	**79.91%**	**72.01%**	**(9.89)%**
Annual Required Contribution (ARC)	$ 198,199,001	$ 285,291,350	**43.94 %**
Market Values			
Actuarial Liability	$ 7,988,636,556	$ 8,808,500,944	**10.26 %**
Assets - Market Value	5,922,789,999	6,242,741,942	**5.40 %**
Unfunded Liability	2,065,846,557	2,565,759,002	**24.20 %**
Funded Ratio	**74.14%**	**70.87%**	**(4.41)%**
Book Values			
Actuarial Liability	$ 7,988,636,556	$ 8,808,500,944	**10.26 %**
Assets - Book Value	5,065,867,984	5,183,689,930	**2.33 %**
Unfunded Liability (Surplus)	2,922,768,572	3,624,811,014	**24.02 %**
Funded Ratio	**63.41%**	**58.85%**	**(7.20)%**

Summary of Actuarial Valuation (continued)

	December 31, 2003	December 31, 2004	% Change
Assets			
Market Value - Beginning of Year	$ 5,128,210,404	$ 5,922,789,999	**15.49 %**
Income			
Investment Income	961,888,872	578,730,088	**(39.83)%**
Employer Contributions	141,882,893	153,919,476	**8.48 %**
Employee Contributions	129,579,379	155,884,575	**20.30 %**
Subtotal	1,233,351,144	888,534,139	**(27.96)%**
Outgo (Refunds, Benefits & Expenses)	438,836,358	544,380,251	**24.05 %**
Outgo (Transfer to FABF)	-	24,201,945	
Net Income/(Expense) Adjustment	64,809	-	
Net Change	794,579,595	319,951,943	**(59.73)%**
Market Value - End of Year	$ 5,922,789,999	$ 6,242,741,942	**5.40 %**
Book Value - Beginning of Year	$ 5,028,189,322	$ 5,065,867,984	**0.75 %**
Income			
Investment Income	204,987,939	376,600,091	**83.72 %**
Employer Contributions	141,882,893	153,919,476	**8.48 %**
Employee Contributions	129,579,379	155,884,575	**20.30 %**
Subtotal	476,450,211	686,404,142	**44.07 %**
Outgo (Refunds, Benefits & Expenses)	438,836,358	544,380,251	**24.05 %**
Outgo (Transfer to FABF)	-	24,201,945	
Net Income/(Expense) Adjustment	64,809	-	
Net Change	37,678,662	117,821,946	**212.70 %**
Book Value - End of Year	$ 5,065,867,984	$ 5,183,689,930	**2.33 %**
Actuarial Value - Beginning of Year	$ 6,403,982,494	$ 6,384,098,957	**(0.31)%**
Income			
Investment Income	147,425,740	217,755,347	**47.71 %**
Employer Contributions	141,882,893	153,919,476	**8.48 %**
Employee Contributions	129,579,379	155,884,575	**20.30 %**
Subtotal	418,888,012	527,559,398	**25.94 %**
Outgo (Refunds, Benefits & Expense)	438,836,358	544,380,251	**24.05 %**
Outgo (Transfer to FABF)	-	24,201,945	
Net Income/(Expense) Adjustment	64,809	-	
Net Change	(19,883,537)	(41,022,798)	**(106.32)%**
Actuarial Value - End of Year	$ 6,384,098,957	$ 6,343,076,159	**(0.64)%**

Summary of Actuarial Valuation (continued)

	December 31, 2003	December 31, 2004	% Change
Members			
Active[1]	35,384	33,267	**(5.98)%**
Inactive	11,159	12,161	**8.98 %**
Retirees	15,853	18,253	**15.14 %**
Deferred	9	7	**(22.22)%**
Survivors	4,501	4,472	**(0.64)%**
Disabilities	513	426	**(16.96)%**
Children	210	201	**(4.29)%**
Payroll Data			
Valuation Payroll	$ 1,395,513,060	$ 1,303,127,528	**(6.62)%**
Average Salary	39,439	39,172	**(0.68)%**

[1]Active participants include disabled employees.

Discussion of Valuation Results

The actuarial report sets forth the results of the actuarial valuation of the Municipal Employees' Annuity and Benefit Fund of Chicago ("the Plan") as of December 31, 2004. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2005.
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.

Actuarial Obligations of the Plan

The value of all future pension payments, calculated using the actuarial assumptions contained in this report, is the sum of payments to two major groups of beneficiaries - the retired lives and the actives lives.

1. **Retired Lives:**
   For those currently receiving known benefits, i.e., current retirees, widows, widowers, and children, the value is determined based on estimated future longevity with the future benefit payment discounted to present time at the assumed investment earnings rate.

2. **Active Lives:**
The value of future payments for active employees who will receive benefits in the future is estimated, since the amount of pension is only known at the actual time of retirement. This estimate is made using various assumptions as to future salary increases, probable retirement age, and probability of death, withdrawal, or disablement before retirement. For active employees, the goal is to have enough assets on hand at retirement to pay for all future benefits promised. To provide for an orderly accumulation of these required assets, an actuarial funding method is used.

Using the "Entry Age Normal" funding method, assets are allocated as a level amount (expressed as a percentage of salary) over the employee's working lifetime. These allocated costs are called "normal costs" and are sufficient, if set aside each year, to fully fund his or her benefits when and if he or she retires. The actuarial reserve (amount of assets needed now) is then the present value of future benefits less the value of future normal costs to be paid.

The difference between the sum of actuarial reserves for active and retired lives ("the Actuarial Accrued Liability") and the present assets is called the "Unfunded Actuarial Accrued Liability." If assets exceed the liability, there is a surplus. The unfunded liability depends upon the benefits, the characteristics of the covered group of employees and retirees, the actuarial assumptions, and the actuarial funding method. The unfunded liability can be thought of as the amount of assets that will be needed in future years to provide for all future benefits payable when added to the future normal costs determined by the actuarial funding method.

For the pension plan to be in balance (funded ratio of 100 percent), the present value of all benefits payable in the future must equal the sum of present assets plus the present value of all future contributions. If a plan is 100 percent funded, it does not mean that no contributions are ever needed again. It simply means that the plan is where it should be. The assets of the plan are sufficient to provide for future benefits payable based on service to the date of valuation. **Future contributions are still needed** to provide the "normal costs" for service after the date of the valuation in order to have sufficient assets at retirement to provide the future payments of the total projected benefit.

Summary of Results

The annual required contributions (ARC) under GASB #25 for the year ending December 31, 2005, is $285.3 million. This amount is net of employee contributions of $113.5 million. The ARC for the year ending December 31, 2004, was $198.2 million. The ARC is determined using the Actuarial Value of Assets and a 40-year level dollar amortization of the unfunded actuarial liability.

The Unfunded Actuarial Liability increased from $1.605 billion to $2.465 billion during the year, resulting in a change in funding ratio from 79.9 percent to 72.0 percent. The increase in the Unfunded Actuarial Liability is largely attributable to a change in plan provisions and a loss on the Actuarial Value of Assets. A more thorough examination of these and other factors can be found in the Analysis of Financial Experience table on page 59.

Based on the Market Value of Assets, the Unfunded Actuarial Liability increased from $2.066 billion to $2.566 billion, and the funded ratio decreased from 74.1 percent to 70.9 percent.

Plan Membership

	December 31, 2003	December 31, 2004
Active Members		
Number	35,384	33,267
Vested	16.955	15,030
Non-vested	18,429	18,237
Average Age	45.9	45.3
Average Service	10.8	10.1
Average Annual Salary	$39,439	$39,172
Inactive Members		
Number	11,159	12,161
Average Age	43.4	44.0
Average Service	3.5	3.6
Retirees		
Number	15,853	18,253
Average Age	72.6	71.0
Average Annual Benefit	$22,176	$25,451
Deferred		
Number	9	7
Average Age	53.4	53.4
Average Annual Benefit	$10,016	$12,003
Surviving Spouse		
Number	4,501	4,472
Average Age	76.9	76.2
Average Annual Benefit	$10,841	$11,023
Children	210	201
Total Members	67,116	68.361

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

Total members receiving benefits under the Plan increased 11.6 percent during 2004, from 20,354 to 22,725, while the number of active members decreased 6.0 percent from 35,384 to 33,267. These changes are attributable to the Early Retirement Incentive in 2004. Total expenditures for benefits increased from $409 million in 2003 to $499 million during 2004, or 22.0 percent.

Changes in Provisions of the Plan

PA 93-0654 was passed in 2004, and made the following changes to the Fund Provisions

1. An Early Retirement Incentive (ERI) was created for withdrawals from January 31, 2004, to February 29, 2004 (or to May 31, 2004 for those deemed critical employees).

2. All employee ERI contributions are excluded from the base from which the tax levy is derived.

3. Automatic increases in annuities will now take effect in the January of each year in which they are to be provided.

4. An employee who previously withdrew contributions from the Fund, may have his rights under the Fund restored after repaying the withdrawn contributions with interest after completing the required amount of service after the date of refund. The required service is 90 days of service under this fund or two years of service under any participating Fund under the Reciprocal Act.

5. Municipality credits earned in this Fund shall be transferred to the Firemen's Annuity and Benefit Fund of Chicago with 11.00 percent interest, compounded annually, to the date of the transfer for former paramedics who are now covered under the Firemen's Annuity and Benefit Fund.

6. Employees may elect to have their optional contributions "picked-up" by the employer, to be treated as employer contributions for tax purposes. The employee election is irrevocable.

7. For the eligible spouse of an employee who died in service on or after January 1, 2002, and before August 28, 2002, with at least 10 years of service, the annuity is no less than 50 percent of the minimum formula annuity the employee would have been entitled to based on service and salary to date of death without regard to age eligibility requirements. This minimum formula annuity is equal to 2.40 percent of final average salary for each year of service. The employee and spouse must have been married for ten years.

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.

2004 Experience Analysis

Fund liabilities increased by $401 million, and the Unfunded Actuarial Accrued Liability increased by $365 million, as a result of Public Act 93-0654. $328 million of the increase in Fund liabilities is attributable to the ERI, and $73 million of the increase in Fund liabilities to the change in timing of automatic increases in annuities. The $292 million increase in the Unfunded Actuarial Accrued Liability attributable to the ERI is $36 million less than the increase in Fund liabilities, due to member contributions and receivables.

The Fund had an investment gain in 2004 of $115 million relative to the 8.00 percent expected rate of return on a market value basis. The loss on an actuarial basis relative to the 8.00 percent expected rate of return was $283 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 $48 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 1.2 percent of the December 31, 2004, liabilities, which is a reasonable variation.

The Analysis of Financial Experience table below summarizes the experience gains and losses for the year.

Changes in Assumptions

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

Analysis of Financial Experience

	2004	2003	2002	2001	2000
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL), Beginning of Year	$1,604,537,599	$1,173,117,883	$467,378,934	$367,203,474	$544,458,071
(Gains) Losses During the Year Attributable to:					
Contributions in (excess) deficiency of Normal Cost plus Interest	32,776,482	3,456,024	(50,118,958)	(61,169,938)	(116,656,502)
(Gain) Loss on Investment Return	282,820,577	358,329,234	419,605,037	182,147,072	102,925,143
(Gain) Loss from Salary Changes	(48,441,973)	(70,999,285)	(8,665,613)	118,932,900	(179,627,774)
(Gain) Loss from Retirement, Termination & Mortality	109,401,939	109,170,676	49,293,343	(139,734,574)	16,104,536
(Gain) Loss from Transfers	24,201,945				
Non-ERI Service Credit Changes and Purchases	95,475,721				
Plan Amendments	364,652,495	31,463,067	295,625,140		
Net Increase (Decrease) in UAAL	860,887,186	431,419,716	705,738,949	100,175,460	(177,254,597)
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL), End of Year	$2,465,424,785	$1,604,537,599	$1,173,117,883	$467,378,934	$367,203,474

Actuarial

Summary of Basic Actuarial Values

			APV of Projected Benefits	2005 Normal Cost
(1)	Values for Active Members			
	(a)	Retirement	$ 4,373,967,119	$ 122,738,871
	(b)	Termination	424,019,225	44,384,153
	(c)	Death	120.972,571	5,627.039
	(d)	Health Insurance	79,809,133	2,846,638
	(e)	Disability, Children's Benefit & Reciprocal	347,414,380	11,946,035
	(f)	Expenses of Administration	-	5,470.007
	Total for Actives		$ 5,346,182.428	$ 193,012,743
(2)	Values for Members in Payment Status		5,217.025.314	-
(3)	Grand Totals		$ 10,563.207,742	$ 193,012,743
	Actuarial Present Value of Future Compensation			$ 12,434,581,384

Actuarial Reserve Liabilities

As of December 31, 2004

Accrued Liabilities for Active Participants	$ 3,358,459,400
Reserves For:	
Service Retirement Pension	$ 4,333,902,771
Future Spouses of Current Retirees	484,238,834
Ordinary Disability Benefits	139,058,676
Duty Disability Benefits	32,822,971
Surviving Spouse Pension	327,441.390
Health Insurance Supplement	71,442,319
Children Annuitants	12,778,028
Reciprocal Benefits	48,356,555
Total Accrued Liabilities	$8,808,500,944
Unfunded Actuarial Liabilities	$2,465,424,785
Actuarial Net Assets	$6,343,076.159

Statutory Reserves

As of December 31, 2004

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserve			
Retirees	$ 1,089,363,616	$ 3,966,646,428	$ 5,056,010,044
Future Surviving Spouses	$ 239,148,418	$ 335,585,954	$ 574,734,372
Spouses	$ 142,428,414	$ 171,695,425	$ 314,123,839
Annual Benefits			
Retirees	$ 126,092,533	$ 338,457,179	$ 464,549,712
Future Surviving Spouses	N/A	N/A	N/A
Spouses	$ 20,475,640	$ 28,818,848	$ 49,294,488

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

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)
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%
2004 [2]	1,165,883,637	5,217,025,314	2,425,591,993	6,343,076,159	100.00%	99.24%	0.00%

[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.

Actuarial

Development of Actuarial Value of Assets

As of December 31, 2004

(1) **Expected Return on Market Value of Assets for Prior Year**				
(a) Market Value of Assets as of 12/31/2003				$ 5,922,789,999
(b) Actual Income and Disbursements in Prior Year Weighted for Timing				
Item	**Amount**	**Weight for Timing**	**Weighted Amount**	
i) Member Contributions	$ 155,884,575	50.0%	$ 77,942,288	
ii) City Contributions & Misc.	153,919,476	50.0%	76,959,738	
iii) Net Income/(Expense) Adjustment	-	50.0%	-	
iv) Benefit Payments	(498,839,889)	50.0%	(249,419,945)	
v) Refunds	(40,070,355)	50.0%	(20,035,178)	
vi) Transfer to FABF	(24,201,945)	50.0%	(12,100,973)	
vii) Administration	(5,470,007)	50.0%	(2,735,004)	
viii) Total			$ (129,389,074)	
(c) Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vii))]				$ 5,793,400,925
(d) Assumed Rate of Return on Plan Assets for the Year				8.00%
(e) Expected Return [(c) * (d)]				$ 463,472,074
(2) **Actual Return on Market Value of Assets for Prior Year**				
(a) Market Value of Assets as of 12/31/2003				$ 5,922,789,999
(b) Income (less investment income) for Prior Plan Year				309,804,051
(c) Disbursements Paid in Prior Year				568,582,196
(d) Market Value of Assets as of 12/31/2004				6,242,741,942
(e) Actual Return [(d) + (c) - (b) - (a)]				$ 578,730,088
(3) **Investment Gain/(Loss) for Prior Year**				$ 115,258,014
(4) **Actuarial Value of Assets as of 12/31/2004**				
(a) Market Value of Assets as of 12/31/2004				$ 6,242,741,942
(b) Deferred Investment Gains and (Losses) for Last 5 Years				

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	2000	$ (262,033,541)	0.00%	$ -
ii)	2001	(642,588,674)	20.00%	(128,517,735)
iii)	2002	(997,543,850)	40.00%	(399,017.540)
iv)	2003	558,324,412	60.00%	334,994,647
v)	2004	115,258,014	80.00%	92.206,411
vi)	Total	$ (1,228,583,639)		$ (100,334,217)

(c) Actuarial Value of Assets [(a) - (b) (vi)] $ 6,343,076,159

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 percent per year.

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
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%
2004	198,199,001	152,510,400	153,919,476	77.66%

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 Contribution 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
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%
2004	72.01%	189.19%	11.03%

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
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%
2004	3,133	127,180,562	733	14,182,304	18,253	464,549,712	25,451	14.77%

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
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%
2004	273	3,456,012	302	2,958,431	4,472	49,294,488	11,023	1.68%

1 Annual benefits added to payroll include post-retirement increase amounts starting in 2004.
2 Early retirement incentive offered to employees.

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
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 %
2004	33,267	(5.98)%	$ 1,303,127,528	(6.62)%	$39,172	(0.68)%	5.00%	2.20 %
Average Increase (Decrease) for the Last 5 years		(1.45%)		.72%		2.16%		2.25%

Actuarial Methods and Assumptions

As of December 31, 2004

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.

Current Actuarial Assumptions

Demographic Assumptions

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

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

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

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

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

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

Entry Ages Female										
Age	22	27	32	37	42	47	52	57	62	67
25	0.170									
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 1999.

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, 2004

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.

Retirement Annuity

Money Purchase Formula

Maximum is 60 percent 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 1/10th 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 1/10th 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 percent of final average salary.

a. 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 2.40 percent 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 percent for each month the employee is younger than age 60 unless he has at least 25 years of service.

b. 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.

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 annity cannot exceed 100 percent of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3.00 percent 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 3.00 percent of the currently payable annuity. This increase begins in January of the year of the first payment date following the earlier of:

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 3.00 percent of the Final Salary for the first eight years, 4.00 percent for the next four years and 5.00 percent thereafter, subject to the maximum 80 percent, is available. The elected official must contribute an additional 3.00 percent of salary to receive these benefits. This plan also includes 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 spouses' annuity is fixed, based on employee deductions and City contributions 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 his or her credit.

For 3.00 percent 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 0.25 percent 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 January 1, 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 percent 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 percent 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's Annuity

A child's annuity is provided for an unmarried child of a deceased employee who is 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.

Family Maximum

Non-Duty Death: 60 percent of final monthly salary.
Duty Death: 70 percent 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 percent 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 percent 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 percent 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 benefits 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 percent 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 percent 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. Length of time on disability is limited to a maximum of 25 percent 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 Plan 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 *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 *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 Employee

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 0.50 percent deducted for annuity increase purposes without interest.

To Estate

Amounts contributed by an employee, excluding the 0.50 percent 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 duty 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 8.50 percent of their salary to the *Plan*.

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. The total amount of contributions by the employees shall not include contributions for service credit purchases under Section 8-138.4 for purposes of establishing the tax levy amount.

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 provide prior service annuities and other annuities and benefits.

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 7.00 percent 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. Effective January 16, 2004, the Fund may allow the employee to designate any optional contribution amounts that he has elected to pay to the Fund as employer contributions for income tax purposes. The contributions shall be made by the employer through a reduction in payroll to the employee and the election to have the employer make the optional contributions is irrevocable. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions.

Legislative Changes in *Plan* Provisions 1979 through 2004

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.

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.

Actuarial

HB 2286

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

Spring 1983 Session

SB22

- Delegation of investment authority restrictions.

HB 380

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

HB 514

- 10% prudent person investment category.

HB 637

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

HB 1144

- Revises provision allowing a person who withdrew from service or began receiving a widow's annuity in 1981 to elect to receive a refund in lieu of annuity by extending the deadline for election by one year to March 1, 1984, and by raising the amount subject to refund to $250 per month.
- 3% post-retirement annuity increase for those who qualify.
- Mandatory coverage for all employees in temporary positions.
- Reversionary annuity revisions - table of factors.
- Credit for Executive Director of Chicago Land Clearance Commission or Chicago Dwellings Association or for service as administrator of Illinois--Indiana Bi-State Commission--if certain contributions are made before April 1, 1984.

Federal Law and Regulation or Supreme Court Decision

- For an employee under the age of 70 who commences disability on or after attainment of age 60 in service, the ordinary disability benefit payments shall not exceed in the aggregate throughout the employee's service a period equal to 1/4 of the total service rendered prior to the date of the disability but no more than five years or age 70, whichever is earlier. The duty disability payments shall be payable for a period of five years or age 70, whichever occurs first.
- For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" shall continue to be used; however, widows' single life annuities and reversionary annuities shall be computed using the best factor (the factor producing the highest annuity, not depending upon sex).

1984 Session

- Illinois Public Employees' Pension Laws Commission abolished.

1985 Session

HB 561

- 1.80, 2.00, 2.20, 2.40% benefit accrual rate for those born before January 1, 1936, and retiring after July 18, 1985.
- Reduction in age discount factor (employee and widow) from 0.5% to 0.25% for employees born before January 1, 1936, and retiring after July 18, 1985.
- Health insurance supplement up to $25 per month if the employee is age 65 or older with at least 15 years of service (for each employee annuitant in receipt of annuity and for each employee who retires on annuity in the future).
- Disability provisions extended to age 70 in certain cases.

- Unisex money purchase factors for widows/widowers.
- Membership provisions extended to age 70.
- Board of Education employee contribution "pick up" included in the definition of salary for contribution and benefit purposes (retroactive).

1986 Session

HB 2630

- Beginning for retirement or death in service on or after January 23, 1987, the spouse dollar cap is eliminated.
- Beginning for retirement on or after January 1, 1987, the first annuity increase will begin on the first annuity payment date following the first anniversary of retirement or age 60 if later.

1987 Session

HB 2715

- 1.80, 2.00, 2.20, 2.40% benefit accrual rates for those born on or after January 1, 1936, and retiring on or after January 1, 1988.
- Reduction in an age discount factor (employee and widow) from .5% to .25% for employees born on or after January 1, 1936, and retiring or dying in service on or after January 1, 1988. No discount for employee age less than 60 if employee has at least 35 years of service.
- Minimum employee annuity of $250 and minimum spouse of $200 under certain conditions. Elimination of cap on maximum widow's annuity for spouses of certain retired employees with repayment of any "excess spouse" refund.
- Change amount of children's benefits to $120 or $150, effective January 1, 1988.
- Provides for certain "Good Government" initiatives.

1988 Session

- No legislative changes.

1989 Session

SB 95

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

HB 332

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

1990 Session

Actuarial

SB 136

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

SB 1951

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

1991 Session

HB 971

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

1992 Session

SB 1650

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

Actuarial

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.

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.

- Early Retirement Incentive was created for withdrawals from January 31, 2004, to February 29, 2004 (or to May 31, 2004, for those deemed critical employees).
  - Requires an election form to be filed before January 31, 2004.
  - Requires a member to be a current contributor who has not previously retired under this Article and satisfy one of the following:
    - Active as of October 15, 2003
    - Returned to active from approved leave of absence prior to December 15, 2003
    - Receiving ordinary or duty disability benefits as of October 15, 2003
    - Restored to service by January 31, 2004, after having been involuntarily laid off

- 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.

HB 5168

- Effective June 28, 2002.

- For the eligible spouse of an emplEarly Retirement Incentive was created for withdrawals from January 31, 2004, to February 29, 2004 (or to May 31, 2004, for those deemed critical employees).
    - Requires an election form to be filed before January 31, 2004.
    - Requires a member to be a current contributor who has not previously retired under this Article and satisfy one of the following:
        - Active as of October 15, 2003
        - Returned to active from approved leave of absence prior to December 15, 2003
        - Receiving ordinary or duty disability benefits as of October 15, 2003
        - Restored to service by January 31, 2004, after having been involuntarily laid off
- oyee 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.

Actuarial

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.

2004 Session

HB 600

- Early Retirement Incentive was created for withdrawals from January 31, 2004, to February 29, 2004 (or to May 31, 2004, for those deemed critical employees).
  - Requires an election form to be filed before January 31, 2004.
  - Requires a member to be a current contributor who has not previously retired under this Article and satisfy one of the following:
    - Active as of October 15, 2003
    - Returned to active from approved leave of absence prior to December 15, 2003
    - Receiving ordinary or duty disability benefits as of October 15, 2003
    - Restored to service by January 31, 2004, after having been involuntarily laid off

- Effective January 16, 2004.
  - Requires that employees that reenter service forfeit their right to receive benefits and will have their benefits recalculated at the time of retirement excluding the benefits provided under the ERI.
  - Requires that the participant is age 50 with ten years of creditable service in this Fund and have 70 combined years of age and service, with service in one or more systems under the Reciprocal Act (excluding service purchased under the ERI).
  - Provides for elimination of the age discount for employees younger than age 60.
  - Provides for an optional purchase of up to five years of service credit for 4.25 percent of the monthly salary rate in effect October 15, 2003.
  - Provides for a 24-month option to pay for ERI service.
  - Provides for the exclusion of ERI contributions from the base from which the tax levy is derived.
  - Allows Board members to continue until the end of their terms without forfeiting the benefits provided by the early retirement incentive.
  - Provides for a lump sum benefit option of 100 percent of salary at retirement and an actuarially reduced monthly annuity for those employees who were eligible for the maximum benefit (excluding purchased service under the ERI)
- Automatic increases in annuities will now take effect in the January of each year in which they are to be provided.
- An employee who previously withdrew contributions from the Fund, may have his rights under the Fund restored after repaying the withdrawn contributions with interest after completing the required amount of service after the date of refund. The required service is:
  - 90 days of service under this Fund or
  - Two years of service under any participating Fund under the Reciprocal Act.

- Municipality credits earned in this Fund shall be transferred to the Firemen's Annuity and Benefit Fund of Chicago with 11.00 percent interest compounded annually to the date of the transfer for former paramedics who are now covered under the Firemen's Annuity and Benefit Fund.
- Employees may elect to have their optional contributions "picked-up" by the employer, to be treated as employer contributions for tax purposes. The employee election is irrevocable.
- For the eligible spouse of an employee who died in service on or after January 1, 2002, and before August 28, 2002, with at least 10 years of service, the annuity is no less than 50 percent of the minimum formula annuity the employee would have been entitled to based on service and salary to date of death without regard to age eligibility requirements. This minimum formula annuity is equal to 2.40 percent of final average salary for each year of service. The employee and spouse must have been married for ten years.

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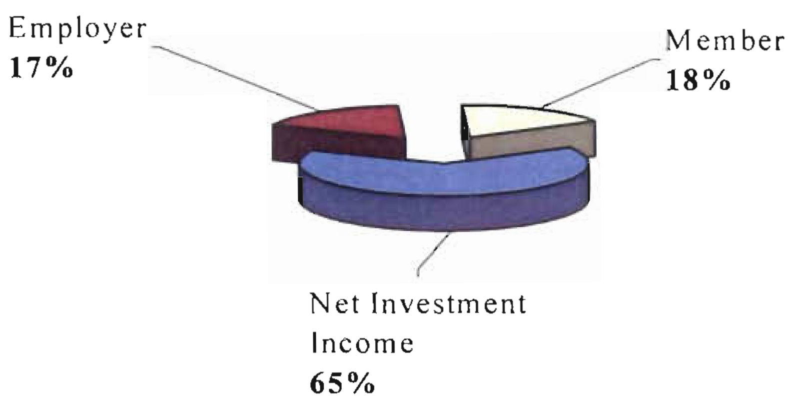
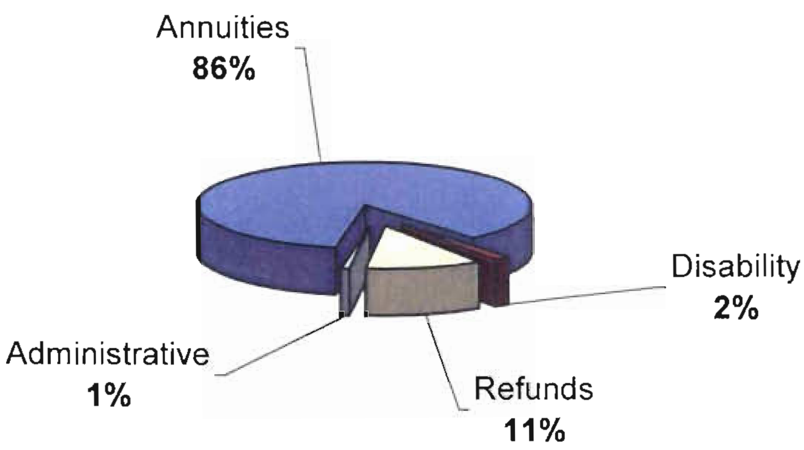
Statistical

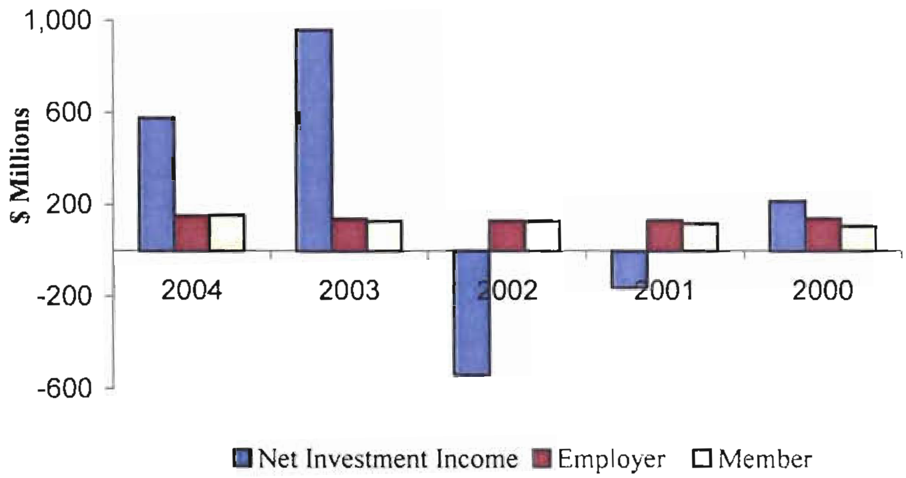
2004 Revenues by Source



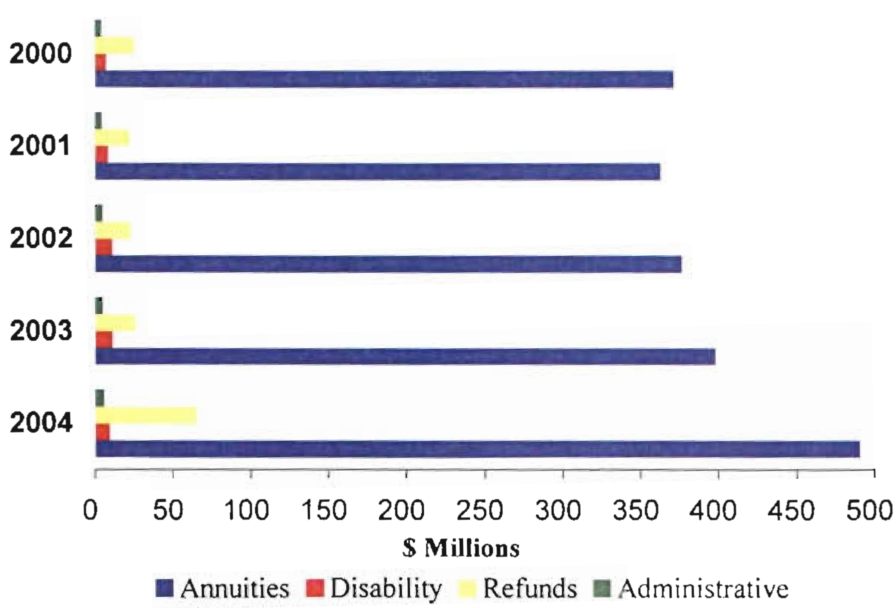
2004 Applications by Type



Additions to Plan Net Assets by Source



Deductions from Plan Net Assets by Type



Revenues by Source

Last ten years

Year	Investment Earnings Net of Direct Investment Expense *	Employer Contributions Dollars	Employer Contributions Percent of Annual Covered Payroll	Member Contributions	Total
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
2004	578,730,089	153,919,476	10.30%	155,884,575	888,534,140

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

Expenses by Type

Last ten years

Year	Benefits	Refunds	Administrative Expense	Total
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
2004	498,839,890	64,272,300	5,470,007	568,582,197

Benefit Expenses By Type

Last ten years

	Annuity				Disability	
Year	Employee	Surviving Spouse	Children	Health Subsidy	Ordinary	Duty
1995	$194,176,038	$20,993,507	$342,423	$5,704,258	$6,276,672	$1,761,875
1996	201,517,537	21,926,188	338,937	5,643,538	6,931,793	1,896,865
1997	210,965,124	26,705,328	525,769	5,567,932	7,097,259	1,767,668
1998	256,049,250	31,905,210	653,079	6,185,736	5,844,025	1,618,312
1999	300,490,756	45,783,597	612,360	6,469,805	5,159,383	1,470,101
2000	316,479,067	48,410,776	542,763	5,834,910	5,306,741	1,638,730
2001	308,930,340	47,073,636	545,019	6,272,253	5,893,479	2,026,502
2002	321,673,434	47,691,000	637,823	6,278,622	8,321,808	2,264,690
2003	341,614,634	48,558,458	661,845	6,881,611	8,475,088	2,404,604
2004	431,559,744	49,163,339	596,325	8,689,957	7,200,947	1,629,578

Retirees and Beneficiaries By Type of Benefit

Last ten years

	Annuity			Disability		Compensation	Reciprocal	
Year	Employee	Spouse	Child	Ordinary	Duty	Annuitants	Employee	Spouse
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
2004	16,109	4,087	201	294	132	2 [1]	2,144	385

[1] Compensation annuitants also included with spouse annuitants

Source of Data: 2004 Actuarial Report

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
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
2004	25,451	71.0	35,222	59.6	27.94

Source of Data: 2004 Actuarial Report

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	7	-	-	7
$1 - $250	341	78	201	620
251 - 500	257	60	-	317
501 - 750	168	35	-	203
751 - 1,000	1,420	3,453	-	4,873
1,001 - 1,250	4,509	297	-	4,806
1,251 - 1,500	1,354	228	-	1,582
1,501 - 1,750	1,330	138	-	1,468
1,751 - 2,000	1,204	87	-	1,291
2,001 - 2,250	928	43	-	971
2,251 - 2,500	867	24	-	891
2,501 - 2,750	822	14	-	836
2,751 - 3,000	718	10	-	728
3,001 - 3,250	625	4	-	629
3,251 - 3,500	632	1	-	633
3,501 - 3,750	597	-	-	597
3,751 - 4,000	460	-	-	460
4,001 - 4,250	409	-	-	409
4,251 - 4,500	427	-	-	427
4,501 - 4,750	341	-	-	341
4,751 - 5,000	191	-	-	191
Over 5,000	653	-	-	653
Totals	**18,260**	**4,472**	**201**	**22,933**

Source of Data: 2004 Actuarial Report

Statistics On Employee Annuities Classified by Age
As Of December 31, 2004

	Male		Female	
Age	No.	Annual Payments	No.	Annual Payments
Under 50	7	$ 33,780	6	$ 45,228
50	15	856,500	18	695,820
51	98	4,444,680	51	2,164,944
52	125	6,077,724	74	2,902,632
53	121	5,745,480	102	3,679,728
54	117	5,197,644	87	3,251,400
55	168	7,273,584	120	4,060,536
56	158	6,570,600	122	3,854,556
57	187	7,485,108	181	5,489,556
58	162	6,574,416	193	5,220,972
59	148	5,559,156	173	5,062,320
60	158	5,693,292	206	4,893,696
61	207	7,738,176	272	6,936,780
62	266	9,407,208	304	6,307,368
63	195	6,379,416	317	7,562,184
64	237	7,454,616	322	7,109,496
65	220	7,150,428	351	7,328,100
66	259	8,133,168	426	8,965,332
67	308	9,697,584	431	8,678,292
68	245	7,514,520	416	8,060,184
69	290	9,602,640	439	8,673,336
70	263	7,822,020	416	8,004,912
71	263	7,970,004	353	6,669,996
72	255	7,805,712	344	6,323,544
73	258	8,283,552	334	6,435,900
74	245	7,792,788	395	7,296,192
75	277	8,724,792	394	6,959,520
76	260	8,537,172	370	6,444,168
77	278	8,453,688	357	6,371,952
78	241	6,782,676	298	5,097,312
79	253	7,827,876	304	5,258,988
80	236	7,086,660	286	4,505,892
81	221	6,406,716	268	4,295,868
82	187	5,251,860	258	4,133,448
83	168	4,613,268	246	3,837,840
84	152	3,871,116	219	3,338,016
85 & over	568	12,796,584	984	14,017,500
Totals	**7,816**	**$ 254,616,204**	**10,437**	**$ 209,933,508**

Source of Data: 2004 Actuarial Report

History Of Annuities

Last ten years

Employee Annuitants

Year End	Number of Annuitants	Total Annuities	Average Annuities
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
2004	18,253	464,549,712	25,451

Surviving Spouse Annuities

Year End	Number of Annuitants	Total Annuities	Average Annuities
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
2004	4,472	49,294,488	11,023

Source of Data: 2004 Actuarial Report

Number of Actively Participating Members

Year	Male Participants	Female Participants	Total Participants
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
2004	12,756	20,511	33,267

Source of Data: 2004 Actuarial Report

Participating Members by Age and Length of Service

Attained Age	Completed Years of Service: Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 20	28	70	-	-	-	-	-	-	-	98
20-24	225	560	97	-	-	-	-	-	-	882
25-29	282	1,106	527	43	-	-	-	-	-	1,958
30-34	246	1,151	1,242	377	17	-	-	-	-	3,033
35-39	253	1,161	1,342	903	342	11	-	-	-	4,012
40-44	268	1,158	1,609	1,148	887	330	8	-	-	5,408
45-49	244	998	1,383	1,222	1,149	839	160	18	-	6,013
50-54	148	739	1,014	1,081	1,010	662	253	118	4	5,029
55-59	102	472	663	729	741	420	161	142	28	3,458
60-64	37	247	398	372	471	265	114	93	38	2,035
65-69	22	81	187	150	141	93	56	85	40	855
70 & over	15	68	94	66	64	67	35	39	38	486
Total	**1,870**	**7,811**	**8,556**	**6,091**	**4,822**	**2,687**	**787**	**495**	**148**	**33,267**

Source of Data: 2004 Actuarial Report

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