Municipal Employees' Annuity and Benefit Fund of Chicago

A Pension Trust Fund of the City of Chicago

Chicago, Illinois

2007 Comprehensive Annual Financial Report

For the year ended December 31, 2007



PLANNING FOR YOUR FINANCIAL FUTURE

Municipal Employees' Annuity and Benefit Fund of Chicago

A Pension Trust Fund of the City of Chicago

2007 Comprehensive Annual Financial Report

For the year ended December 31, 2007

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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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, 2006

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

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

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Executive Director

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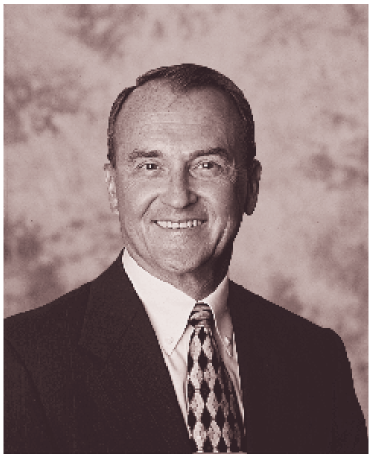
Stephanie D. Neely
Treasurer
Ex-officio Trustee

John K. Gibson
Recording Secretary
Elected Trustee

Joseph M. Malatesta
Elected Trustee

The Plan is operated and administered by a five-member Board of Trustees (Retirement Board) comprised of 2 ex-officio members (the City Comptroller and the City Treasurer) and 3 elected members. The Retirement Board sets investment policy, develops investment objectives, reviews investment performance, hires investment managers and consultants, approves or denies benefit claims, sets actuarial assumptions and reviews experience and results of operations.

Administrative Staff



Appointed by the Retirement Board, the Executive Director and his staff are responsible for the day-to-day administration and operations of the Plan. The administrative staff also implements the investment policies and decisions of the Retirement Board and the benefit provisions of the Plan.

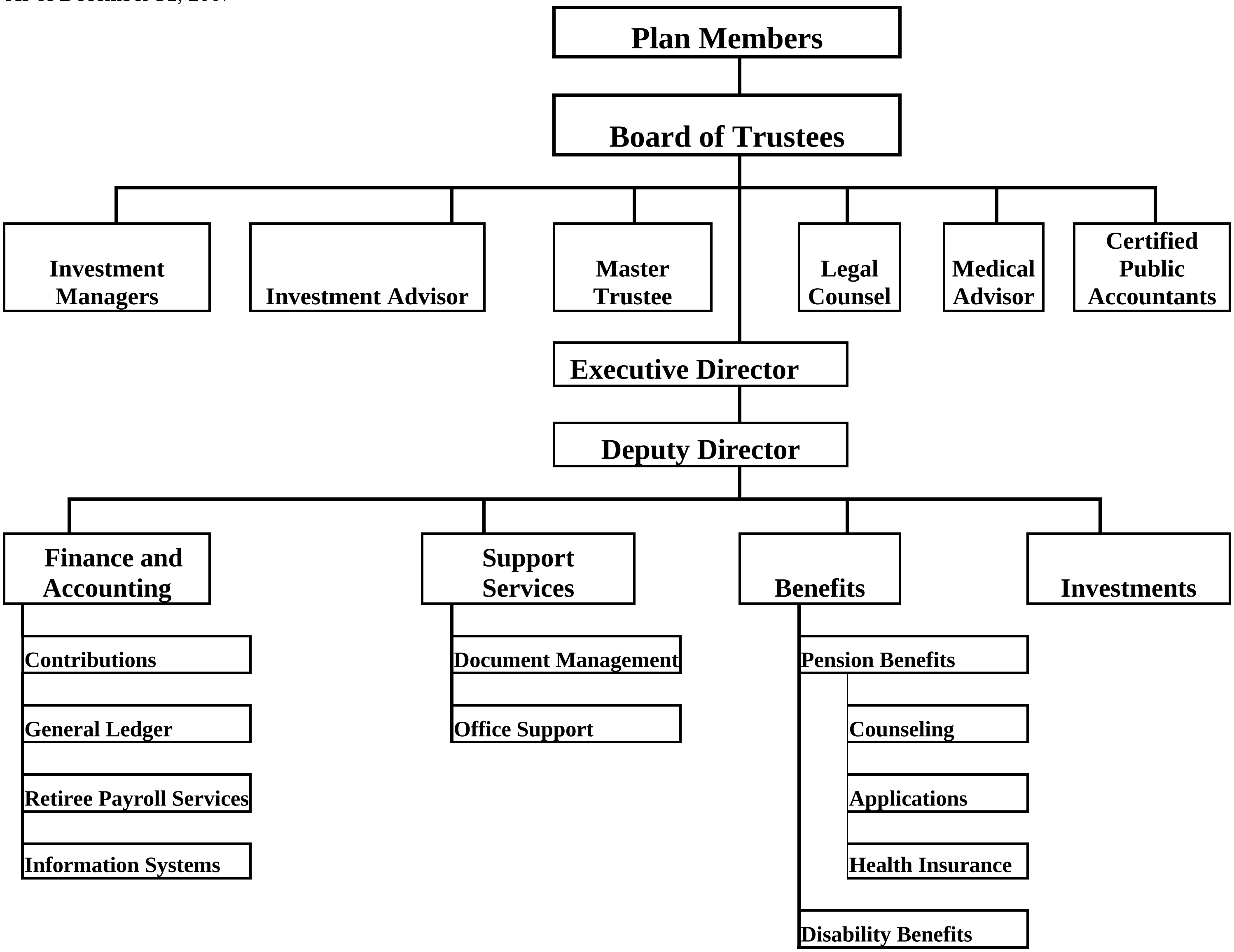
Terrance R. Stefanski
Executive Director

The administrative staff of 47 employees serves 34,885 actively contributing members, 22,786 retirees and surviving beneficiaries and 9,105 inactive members.

Managers: *(Left to right)*
Kriket Utz, *Support Services*
James E. Mohler, *Investments*
Jane Tessaro, *Benefits*
Tess Toledo, *Finance & Accounting*

Organizational Chart

As of December 31, 2007



Consultants

Legal Advisors
Frederick P. Heiss
William A. Marovitz
Chicago, IL

Medical Advisor
Terence Sullivan, M.D.
Chicago, IL

Investment Consultant
Edmund M. Burke
Becker, Burke Associates, Inc.
Chicago, IL

Master Custodian
Rita Curtin
The Northern Trust Company
Chicago, IL

Custodian
Stephanie D. Neely
City Treasurer
Chicago, IL

Actuary
Michael R. Kivi, F.S.A.
Amy Williams, A.S.A.
Gabriel Roeder Smith & Co.
Chicago, IL

Auditors
Michael Huels, C.P.A.
Bansley and Kiener, L.L.P.
Chicago, IL

Consultants - *Investment Managers are listed on pages 49-51*
Brokers are listed on pages 60-61

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

Letter of Transmittal

May 29, 2008

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Municipal Employees' Annuity and Benefit Fund of Chicago (the Plan)- Defined Benefit Pension and Health Insurance Subsidy for the calendar year ended December 31, 2007.

Accounting System, Reporting and Independent Audit

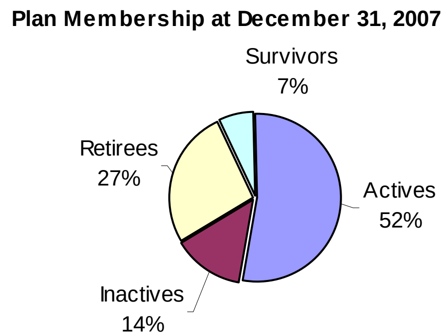
The responsibility for the contents of this report rests with the management of the Plan. The financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board's directives. Management is responsible in establishing and maintaining an internal accounting control system designed to safeguard Plan assets and provide reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the Plan's internal accounting control system is adequate and the accompanying financial statements, schedules and statistical tables are fairly presented.

The financial statements presented in this report have been audited by Bansley and Kiener, L.L.P., Certified Public Accountants, and have issued an unqualified ("clean") opinion for calendar year ended December 31, 2007. The independent auditor's report is located at the front of the Financial Section of this report. This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A is located in the Financial Section immediately following the Independent Auditor's Report.

Plan Overview

The Plan, a component unit of the City of Chicago, is a defined benefit, single employer plan that was established in 1921. For the past 87 years, the Plan has served its active members, retired members and their beneficiaries. The Plan provides retirement and disability benefits to qualified members and certain surviving dependents. The Plan also provides a small subsidy toward the healthcare costs of its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. The City of Chicago provides subsidies of up to 50% of retiree healthcare costs for its employees based on years of service. The Board of Education does not subsidize its retiree healthcare plan.

The total Plan members as of December 31, 2007 was 66,779. Active members employed and contributing to the Plan were 34,885; members receiving benefits were 18,198 retirees, 4,410 surviving spouses and 178 children; members with deferred annuities were 3; and inactive members were 9,105. Of the active members, 49% are employed by the City of Chicago and 51% are with the Chicago Public Schools in non-teaching positions.



Funding Status

The long-term financial stability of a pension is measured in terms of the ratio of the assets and the actuarial accrued liability. 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.

The Plan engages an independent actuary to perform an actuarial valuation of the Plan on an annual basis. Gabriel Roeder Smith & Company conducted the actuarial valuation as of plan year ending December 31, 2007. At year-end 2007, the actuarial value of assets, actuarial accrued liability (excluding liabilities for health insurance subsidies) and unfunded actuarial accrued liability were $6.890 billion, $9.968 billion, respectively, resulting in a funded ratio of 69.1%. The actuarial value of assets smoothes gains and losses over a five-year period. More detailed analysis on the funding status of the Plan is located in the Actuarial Section of this report.

The funding objective of the Plan is to meet all expected future obligations to its participants through its plan assets and future contributions. Illinois State laws governing the Plan constrain employer contributions to be 1.25 times the employee contributions received two years earlier. Employees are required to contribute 8.5% of covered salary. The most recent actuarial valuation of the Plan on the State reporting basis shows that an employer contribution multiple of 2.97 is needed to adequately finance the Plan. For the past five years, the statutory employer contributions have been less than the Annual Required Contributions (ARC). Due to statutory constraints, the employer contributed only 40.7% of the ARC for 2007. Employer contributions in 2008 are again expected to be less than the ARC for 2008. The 2007 employer shortfall of contributions created a net pension obligation of $202.1 million at year-end 2007.

Historical information relating to funding progress is presented in the Required Supplementary Information – Schedule of Funding Progress in the Financial Section and the detailed discussion of actuarial valuation results is located in Actuarial Section of this report.

Investment Activities and Economic Forecasts

The Retirement Board sets a target allocation of assets to diversify the portfolio from unnecessary risk while positioning the portfolio to best meet long-term return objectives. Multiple external investment managers are utilized to invest the Plan's assets.

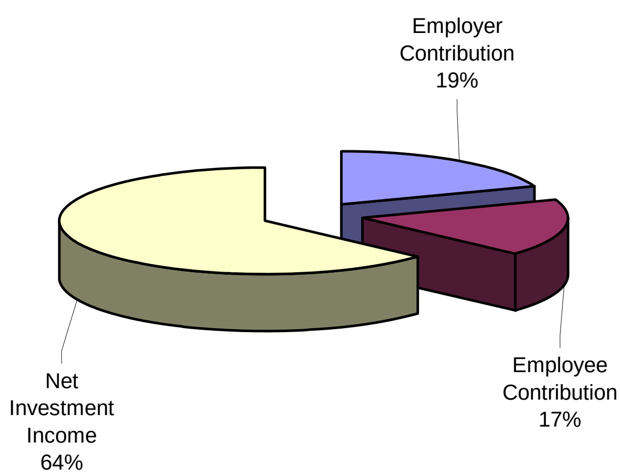
Within each investment mandate, mutually agreed upon goals, objectives and guidelines are set to measure performance and safeguard assets from unwanted risk exposures. More detail on the Plan's target asset allocation, investment goals, objectives and guidelines can be located within the Investment Section of this report.

The total return for the Plan in 2007 was 7.8%, slightly below the Plan's actuarial assumption of 8%. Over periods of three, five and ten years the Plan has annually returned 9.2%, 11.5% and 7.4%, respectively.

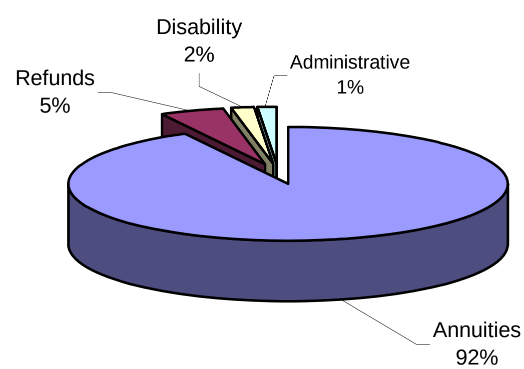
After three straight year of down markets, a rebound that began in 2003 has rewarded investors handsomely over the last five years. During this period, the Plan grew from $5.1 billion to $7 billion, returning 11.5% annually. The Plan's diversification internationally, and within real estate and private equity helped boost returns when compared to an allocation of traditional, domestic assets alone.

Also note that the $1.9 billion growth in assets over the last five years was net of withdrawals used to supplement funding of monthly benefit payrolls, which totaled $1.3 billion over the same period. The Plan's largest source of revenue is the return on investments, which accounts for 64% of the Plan's total revenues for 2007. Since revenues from member and employer contributions were not sufficient to pay benefits, the Plan withdrew approximately $320 million from its investment portfolio, or 66% of the total investment revenues, to pay benefits in 2007.

2007 Revenues: $766.5 million



2007 Expenditures: $598.1 million



After five years of strong returns, the financial markets are facing strong headwinds in 2008. Investors have sent a shock wave through the fixed income markets. Skyrocketing increases in mortgage defaults and home foreclosures have led investors to question the credit quality of certain mortgage securities causing their values to plummet. Additionally, inflationary pressures on consumer goods have produced recessionary worries, which have triggered a reduction in discretionary spending.

These concerns have triggered disappointing returns for investors so far in 2008. We project the road ahead, especially over the next few months, to be rocky, but a diversified portfolio with a focus on risk aversion will help a portfolio during these difficult times in the market.

Major Issues and Initiatives

Investments: The Retirement Board took the following actions in accordance with their fiduciary responsibility to the Plan's members:

- Additional commitment were given to the following:
  - $5 million to Shamrock-Hostmark Hotel Fund I, a real estate partnership fund focused on hotel investment opportunities in stable urban markets.
  - $5 million additional to Prudential Real Estate Investors' PRISA II fund.
  - $10 million to Muller & Monroe a Chicago-based minority-owned private equity firm for its second fund, M2 Private Equity Fund of Funds.
  - $15 million to Citigroup Venture Capital International Growth Partnership Fund II, a private equity fund focused on opportunities in developing countries.
- Due to performance, the following investment managers were terminated:
  - ABN AMRO Asset Management, a large cap growth account. The funds were split evenly and transitioned to two existing large cap growth accounts, CastleArk Asset Management and Harris Investment Management.
  - Northern Trust's Emerging Manager Fund, a domestic small cap mandate, and transitioned to United Investment Managers, a Chicago-based emerging manager fund, and the mandate was changed to a domestic all cap account.
  - New Amsterdam Partners, a domestic large cap growth account. The assets of the account were transitioned to CastleArk Asset Management, an existing large cap growth account.
  - Bear Stearns Asset Management, a domestic large cap value account. 80% of the funds were transitioned to two existing domestic large cap value accounts with Great Lakes Advisors and Wellington Management Company. The other 20% of the assets were liquidated to assist with monthly benefit payments.
- In 2007, the Board entered into a contingency agreement with Kohlberg & Associates to review the Plan's custodial relationship with The Northern Trust Company. The review was able to pinpoint cost saving opportunities in custodial services, securities lending, and management of short-term cash positions. In the first quarter of 2008, the Board signed a new five-year agreement with The Northern Trust at a projected cost savings to the Plan of approximately $3.9 million over the life of the contract.
- In the fourth quarter of 2007 the Board began a request for proposal (RFP) process in regards to investment consulting services. At the end of the first quarter of 2008, the Board negotiated a five-year contract with Marquette Associates, headquartered in Chicago, Illinois.

Pension Benefit Administration System: Improvements to the Pension Benefit System (PBS), a project that began during the summer of 2007, are in progress. The enhanced system will incorporate newer technologies in data management that will streamline processes, preserve data integrity and safeguard data archival. Historical data load and current payroll load were completed in 2007. Currently being tested is the payment process functionality for refunds, disability and new retirements. Appointment, communication services and benefit estimates are being developed. The newer version of the PBS will be totally functional by the end of 2008. The totally integrated benefit system will provide the users with the best technology solutions in the administration of the Plan's benefit services in a much more user friendly and efficient process.

Imaging Project – Full production of the workflow for imaging commenced in June 2007 as scheduled. At year-end 2007, approximately 317,000 archive pages and 11,000 pages of daily incoming mail have been scanned. As of early 2008, approximately 55,400 member files (that includes files of former members who had taken a refund of their contributions) have been converted into electronic files. The remaining active member files should be converted by September 2008. Conversion of annuitant files will begin in the last quarter of 2008 thru the end of 2009. In addition, as members apply for benefit payment, their files are also being scanned. As such, all benefits casework (retirement, disability, survivor benefits and refunds) is processed using imaged documents. Clerical efficiency has improved 100%, as there is virtually no time lost to searching for files or documents.

Website Phase I – Initial development of the website began in the last quarter of 2007. The Plan's website was launched in early 2008 completing Phase I of this project. By visiting our website at http://www.meabf.org, a member can access answers to frequently asked member questions, download publications and forms such as member handbook, benefit application, financial reports, and newsletters. A member may also send an email to submit questions or requests. We see our website as a project in progress, as we continue to look for ways to improve the site to better serve our members. More enhanced web services will be in Phase II that will begin early 2009, after the Pension Benefit System is completed. Utilizing information from PBS, we can streamline information distribution to member.

Signature Verification Project – Procedures are in place to ensure that pension benefits are paid to those currently entitled to receive benefits and to identify those no longer entitled to receive benefits. One of the procedures employed by staff to achieve these objectives is the periodic correspondence with retirees or their beneficiaries to determine that they are still alive. In late 2007, a signature verification form was mailed to approximately 23,000 benefit recipients requiring them to sign the form in the presence of a notary and return the completed form to the Plan. By end of the 1st quarter of 2008, 95% of the forms have been received.

Business Continuity – Connection from the remote site to the main office has been established and tested. Staff members who have gone to the remote site were able to access the network server and work that day. Once telephone connection issues are resolved, staff members will be alternately scheduled to work at the remote site on a periodic basis.

Legislative Changes in Plan Provisions - The following legislative changes in Plan provisions were approved by the Illinois State legislature as of December 31, 2007:

- PA 095-0279, approved August 17, 2007 provides that, beginning on the effective date, legally adopted children shall be entitled to the same benefits as other children.
- PA 095-0521, approved August 28, 2007 requires the retirement system or pension fund to divest its assets with an Illinois finance entity if the entity does not annually certify that it complies with the requirements of the High Risk Home Loan Act.
- PA 095-0504, approved August 28, 2007 allows a sheriff's law enforcement employee under the IMRF Article to transfer service credit under the Chicago Municipal Article to the IMRF.

Awards

The Plan received from Government Finance Officers Association of the United States and Canada (GFOA) a certificate of achievement for excellence in financial reporting for its 18th Comprehensive Annual Financial Report (CAFR) for the calendar year ended December 31, 2006.

To qualify for this award, a government unit must publish an easily readable and efficiently organized CAFR, that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements

A Certificate of Achievement is valid for a period of one-year only. We believe this report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

This financial report is intended to provide complete and reliable information for making management decisions, determining compliance with applicable law, and evaluating responsible stewardship of Plan assets held in trust for Plan members.

The compilation of this report is made possible through the combined effort of the administrative staff under the leadership of the Board of Trustees and the Executive Director, Terrance R. Stefanski. Our sincere appreciation is extended to our staff members Tola Adenaya, Kathy Schanding, Kelly Wietsma, James Mohler, and our consultants and all those who have assisted in and contributed towards the completion of this report.

We extend our profound gratitude to the entire Board of Trustees for their continued support. We thank the entire staff for working so diligently to maintain superior customer service for our members. We also thank the dedication of the IT staff assigned with the arduous task of providing the technological tools necessary for the staff to perform the day-to-day business processes.

Respectively submitted,

Terrance R. Stefanski
Executive Director

Teresita T. Toledo
Comptroller

Financial

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
O'HARE PLAZA
8745 WEST HIGGINS ROAD, SUITE 200
CHICAGO, ILLINOIS 60631
AREA CODE 312 263.2700

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of plan net assets of Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2007, and the related statement of changes in plan net assets for the year 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 audit. The prior year summarized comparative information has been derived from the plan's 2006 financial statements and, in our report dated April 5, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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, 2007, and the changes in its plan net assets for the year 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 audit was made 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 professional and consulting costs are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Plan adopted Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, during the year ended December 31, 2007. The Plan adopted Governmental Accounting Standards Board Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year ended December 31, 2006.

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

April 7, 2008

Management's Discussion and Analysis (Unaudited)

The management of the Municipal Employees' Annuity and Benefit Fund of Chicago ("Plan") presents this narrative overview and analysis of the Plan's overall financial position for the year ended December 31, 2007. This Management's Discussion and Analysis should be read in conjunction with the financial statements that follow.

Understanding The Fund's Financial Statements

The financial statements that include the statement of plan net assets, statement of changes in plan net assets and notes to financial statements, are prepared based on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) directives.

The statement of plan net assets reports the plan's assets at fair values and current liabilities that are owed as of the statement date; and the resulting net plan assets (assets less current liabilities = net plan assets) at the calendar year end held in trust to pay future benefits to retirees and beneficiaries.

The statement of changes in plan net assets shows the results of financial transactions that occurred during the calendar year. It discloses the additions to plan net assets such as contributions and net investment income, and deductions from plan net assets such as benefit payments, and administrative expenses. The resulting net increase (or decrease) in plan assets (additions less deductions = net increase (or decrease) in plan assets) reflects the change in the value of plan net assets 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. Disclosures include a general description of the Pension Plan and Health Insurance Plan, summary of significant accounting policies, implementation of any new accounting pronouncements, how assets values are determined, deposits and investments, reserves, and any contingencies or commitments.

The required supplementary information that follows the notes to the financial statements is required by GASB. It includes required schedule of funding progress and schedule of employer contributions as well as related disclosures. These schedules are based on the actuarial valuations and contribute to an understanding of the funding progress over the last six years.

Additional supplemental schedules include information regarding administrative expenses, consulting costs and investment management fees incurred by the Plan.

Management's Discussion and Analysis (continued)

Financial Highlights

- The Plan's investment portfolio returned **7.8% for 2007** calendar year, just under the 8% actuarial assumed investment rate of return, compared to 12.9% investment rate of return in 2006 and 6.9% in 2005.

- Plan net assets increased by **$168.4 million (2.5%) to slightly more than $7 billion in 2007.**

- Total additions (contributions, investment income, and other income) to plan assets were **$766.5 million in 2007.** In comparison to 2006 there was a decrease of **$298.7 million (-28.0%), which** was due primarily to a decline in net investment income. Member contributions increased slightly by **$3 million (2.3%) in 2007** while employer contributions decreased by **$8.9 million (-5.7%) in 2007**.

- Total deductions from plan net assets were **$598.1 million in 2007.** An increase of **$17.1 million (2.9%) in 2007** occurred due to normal increases in benefit payments.

- As of the December 31, 2007 actuarial valuation, the Plan's total Unfunded Actuarial Accrued Liability (UAAL) for both pension and retiree health insurance obligations increased to **$3.3 billion in 2007** from $3.2 billion in 2006 and $2.9 billion in 2005. The increase is primarily due to contribution shortfalls and losses due to retirements, terminations and mortality. Based on composite actuarial values for both pension and retiree health insurance obligations), the funded ratio as of the end of year **valuations was 67.6%** in 2007, 67.2% in 2006, 68.5% in 2005.

- The combined Annual Required Contribution (ARC) for pension and retiree health insurance obligations for **2007 was $366.4 million**, 40.4% of which was contributed by the employer. ARC for 2006 was $325.9 million, 48.2% of which was contributed by the employer. ARC for 2005 was $285.3 million, 54.4% of which was contributed by the employer. 2007 marks the fourth consecutive year that employer contributions which are set by state law, fell short of the ARC.

- The number of members in the Plan increased slightly to **66,779 total members** as of December 31, 2007 from 66,457 in 2006, and 65,078 in 2005. The number of active members increased 4.4% to **34,885 active members** in 2007 from 33,429 in 2006, and 33,743 in 2005. The number of members receiving benefits (including deferred annuitants) decreased 0.1% to **22,789 benefit recipients** in 2007 from 22,828 in 2006, and 22,895 in 2005. The number of inactive members was 9,105 in 2007, 10,200 in 2006, and 8,440 in 2005.

Management's Discussion and Analysis (continued)

Summary of Plan net assets as of December 31 ($ in millions)

	2007	2006	2005	Increase/(Decrease) FY 2007	Increase/(Decrease) FY 2006
Cash and Cash equivalents	$ 1.6	$ 1.6	$ 1.5	$ -	$ 0.1
Receivables from investments sold & accrued earnings	105.1	103.1	61.8	2.0	41.3
Receivables for contributions & others	170.9	164.5	167.5	6.4	(3.0)
Investments, at fair value	6,900.0	6,797.0	6,348.0	103.0	449.0
Invested securities lending collateral	1,037.2	922.8	745.3	114.4	177.5
Property and equipment	3.4	3.8	4.3	(0.4)	(0.5)
Total assets	8,218.2	7,992.8	7,328.4	225.4	664.4
Payables for investments purchased	163.1	222.0	219.5	(58.9)	2.5
Securities lending payable	1,037.2	922.8	745.3	114.4	177.5
Accounts payable and accrued expenses	8.4	6.9	6.7	1.5	0.2
Total liabilities	1,208.7	1,151.7	971.5	57.0	180.2
Net assets held in trust for pension benefits	**$ 7,009.5**	**$ 6,841.1**	**$ 6,356.9**	**$ 168.4**	**$ 484.2**

Summary of Changes in the Plan net assets ($ in millions)

Additions:	2007	2006	2005	Increase/(Decrease) FY 2007	Increase/(Decrease) FY 2006
Members' contributions	$ 132.5	$ 129.5	$ 122.5	$ 3.0	$ 7.0
Employers' contributions:	148.1	157.0	155.1	(8.9)	1.9
Net investment income	484.8	775.8	401.2	(291.0)	374.6
Securities lending income	1.1	2.9	1.1	(1.8)	1.8
Total additions	766.5	1,065.2	679.9	(298.7)	385.3
Deductions:					
Annuity benefits	543.4	528.4	514.6	15.0	13.8
Health insurance premium supplement	8.5	8.7	8.9	(0.2)	(0.2)
Disability benefits	10.6	10.3	10.0	0.3	0.3
Refunds of contributions & rollover distributions	28.0	27.2	26.8	0.8	0.4
Administrative expenses	7.6	6.4	5.5	1.2	0.9
Total deductions	598.1	581.0	565.8	17.1	15.2
Net Increase (Decrease)	**$ 168.4**	**$ 484.2**	**$ 114.1**	**$ (315.8)**	**$ 370.1**
Net Assets, January 1	**6,841.1**	**6,356.9**	**6,242.7**		
Net Assets, December 31	**$ 7,009.5**	**$ 6,841.1**	**$ 6,356.9**		

Management's Discussion and Analysis (continued)

Overall Analysis of the Financial Position

Net Plan Assets

The Plan's total assets increased by $225.4 million (2.8%) and liabilities increased by $57.0 million (4.9%) for FY 2007. At year-end total assets were valued at $8.2 billion. Receivables for contributions increased by $6.4 million (3.9%) while investment related receivables increased by $2.0 million (1.9%). The value of invested securities on loan, shown both as assets and liabilities at year-end increased by $114.4 million. Plan net assets held in trust for future benefit payments increased slightly by $168.4 million (2.5%) in FY 2007. The following table shows the allocation of invested assets at year-end:

	($ In millions)			Increase/(Decrease)	
	2007	**2006**	**2005**	**FY 2007**	**FY 2006**
Bonds	$1,718.2	$1,701.0	$1,594.2	$ 17.2	$ 106.8
Domestic equity	3,554.6	3,588.8	3,408.8	(34.2)	180.0
International equity	900.2	868.0	735.0	32.2	133.0
Real estate	330.5	288.0	263.2	42.5	24.8
Alternative investments	120.5	105.7	98.3	14.8	7.4
Short-term investments	276.0	245.5	248.5	30.5	(3.0)
Total invested assets	**$6,900.0**	**$6,797.0**	**$6,348.0**	**$ 103.0**	**$ 449.0**

Despite the fact that $353.0 million was liquidated from the investment portfolio to assist in paying monthly benefits, investments increased by $103.0 million in 2007. The largest increases in invested assets for 2007 were seen in the real estate and private equity portfolios, and were due to additional capital contributions and some valuation changes in mid to later stage funds. The Plan's domestic equity portfolio decreased by $34.2 million because performance in the domestic markets was unable to outpace the withdrawals of $255.0 million from this segment of the portfolio needed to pay monthly benefits throughout the year. Performance in the international markets, however, provided a net increase of $32.2 million in 2007, despite the withdrawal of $95.0 million to pay benefits. Fixed income also increased slightly, by $17.2 million. Funds withdrawn from the portfolio to meet monthly cash flow requirements came from rebalancing to target allocations.

Changes in Net Plan Assets

Contributions from members increased by $3.0 million (2.3%) in 2007 mainly due to permissive service credit purchases. The number of active members increased by 4.4% to 34,885 but average salary increased by only 1.58% during 2007. Contributions from the employer (net of loss provision) decreased by $8.9 million (-5.7%) in 2007. Employer contributions are statutorily set at 1.25 times employee contribution level in the second prior fiscal year.

Management's Discussion and Analysis (continued)

Changes in Net Plan Assets (continued)

Net investment income decreased by $291.0 million (-37.5%) in 2007. Investments did not appreciate as much in 2007 as in 2006: investment returns were 7.8% in 2007 compared to 12.9% return in 2006. The actuarial assumption for investment rate of return is 8%. Investment fees were $25.9 million in 2007, an increase of $2.9 million (12.4%) from 2006. Securities lending income was $1.1 million in 2007, a $1.8 million decrease from 2006.

Annuity benefit payments increased slightly by $15.0 million (2.8%) in 2007. All eligible employee annuitants received a scheduled 3% annual cost of living adjustment. During the year, 769 employee annuitants, 247 spouse annuitants and 38 child annuitants were added to the payroll; while 754 employee annuitants, 288 spouse annuitants and 53 child annuitants were removed from the payroll.

For 2007, health insurance subsidies decreased by $0.2 million (-2.3%). The decrease is attributable to a reduction in subsidy for retirees switching to supplementary coverage when Medicare coverage begins. The plan subsidy for the Medicare supplement is $55/mo and the subsidy for full coverage is $85/mo. Disability benefit payments increased by $0.3 million (2.9%) in 2007 mainly due to a net increase in duty disability claims. During 2007, 556 ordinary disability recipients and 307 duty disability recipients were added to the payroll; while 582 ordinary disability recipients and 291 duty disability recipients were removed from the payroll.

Refunds of contributions increased by $0.8 million (2.9%) in 2007.

Administrative expenses increased by $1.2 million (18.8%) in 2007. The increase in 2007 is mainly due to increases in the following administrative costs:

- $0.7 million increase in personnel costs: $0.5 million represents additional OPEB expense that is being recognized in 2007 in accordance with GASB 45 and $0.2 million represents cost of living and scheduled step increases as well as additional part-time and temporary employees hired for an imaging project.
- $0.2 million represents insurance premiums paid for fiduciary liability insurance.
- $0.2 million increase in international custody fees primarily due to an increase in international equity values and transactions.
- $0.1 million increase in other administrative expenses.

Management's Discussion and Analysis (continued)

Other Post-Employment Benefits (OPEB)

GASB Statement No. 45 Accounting and Financial Reporting by Employers for Other Post- employment Benefits (OPEB) requires retirement systems to estimate their expenses and liabilities for OPEB. The Plan implemented GASB 45 in 2007 in connection with the healthcare coverage it provides for its retired staff members, and their eligible spouse and dependents receiving annuity benefits under the Plan. The Plan and the retirees share the cost of the healthcare coverage. Retiree healthcare benefits are funded on a pay-as-you-go basis. The Plan's estimated OPEB expense for the staff retiree healthcare program was $537,400 in FY 2007. The actual employer contribution for FY 2007 was $53,810.

Securities Lending

A credit crunch that began in the third quarter of 2007, triggered significant valuation declines in certain short-term investments. The Plan's master custodian provides securities lending services to the Plan and is authorized to invest collateral received, for loaned securities, in approved commingled short-term investment funds. Some of the holdings within these short-term funds were adversely affected by the credit crunch as of year-end December 31, 2007. However, the master custodian has offered to carry its client's negative balances until they are fully recouped. The Plan and the master custodian expect these short-term investments to return to their full value at maturity. As such, their values have not been diminished in the financial statements. As of December 31, 2007, the Plan's unrecognized shortfall was -$4.7 million.

Economic Factors and Rates of Return

In 2007, investor concerns over sub prime mortgages and the possibility of a recession-triggered volatility in the domestic and global financial markets. International markets fared better than domestic with the MSCI EAFE index returning 11.2% for the year. Domestically, the S&P 500 and Russell 2000 returned 5.5% and -1.6%, respectively. Because of investor concerns in 2007, all equity indexes three-year returns were negatively impacted compared to the three-year returns ending December 31, 2006. Over three years, the MSCI EAFE produced 16.8% annually, and the S&P 500 and Russell 2000 returned 8.6% and 6.8%, respectively. Fixed income investments, as represented by the Lehman Brothers U.S. Aggregate index, produced an attractive return of 7.0% in 2007. Market turmoil also triggered a flight to quality as spreads widened significantly and Treasury yields declined. While uneasiness over mortgage defaults significantly hurt the REIT sector, the general real estate market generated healthy returns for the year.

Request for Information

Additional information is available on the Plan's website at www.meabf.org, or upon request. Please direct requests to Mr. Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago, 221 N. LaSalle Street, Suite 500, Chicago, IL 60601.

Statements of Plan Net Assets

December 31, 2007 with comparative totals for 2006

	Pension Plan	Health Insurance Plan	Total 2007	Total 2006
Cash and cash equivalents	$ 1,604,187	$ -	$ 1,604,187	$ 1,561,759
Receivables				
Contributions from the City of Chicago, net of allowance for $ 14,304,348 in 2007 and $15,686,130 in 2006	160,360,812	-	160,360,812	153,597,925
Early Retirement Incentive (ERI) Receivable	205	-	205	3,159
Member contributions	10,528,434	-	10,528,434	10,550,830
Interest and dividends	17,722,472	-	17,722,472	16,576,117
Receivables for investments sold	87,322,078	-	87,322,078	86,520,647
Miscellaneous	43,768	-	43,768	372,277
Total receivables	275,977,768	-	275,977,768	267,620,955
Investments, at fair value				
Bonds	1,718,198,492	-	1,718,198,492	1,701,045,511
Common and preferred stock	4,454,812,607	-	4,454,812,607	4,456,696,971
Real estate	330,533,414	-	330,533,414	288,026,845
Other investments	120,482,749	-	120,482,749	105,722,396
Short-term investments	275,979,001	-	275,979,001	245,515,223
Total investments	6,900,006,263	-	6,900,006,263	6,797,006,946
Invested securities lending collateral	1,037,232,545	-	1,037,232,545	922,831,534
Property and equipment, net of accumulated depreciation and amortization of $2,413,971 in 2007 and $1,656,862 in 2006	3,380,530	-	3,380,530	3,806,767
Total assets	8,218,201,293	-	8,218,201,293	7,992,827,961
LIABILITIES				
Payables for investments purchased	163,051,059	-	163,051,059	222,005,658
Accounts payable and accrued expenses	7,910,156	-	7,910,156	6,862,904
Securities lending collateral	1,037,232,545	-	1,037,232,545	922,831,534
OPEB liability	-	483,590	483,590	-
Total liabilities	1,208,193,760	483,590	1,208,677,350	1,151,700,096
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 36)	$7,010,007,533	$ (483,590)	$ 7,009,523,943	$ 6,841,127,865

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

Statements of Changes Plan Net Assets

Year ended December 31, 2007 with comparative totals for 2006

	Pension Plan	Health Insurance Plan	Total 2007	Total 2006
Additions				
Contributions from the City of Chicago	$ 139,552,330	$ 8,584,720	$ 148,137,050	$ 157,062,770
Member contributions	132,442,200	-	132,442,200	129,466,090
Total contributions	271,994,530	8,584,720	280,579,250	286,528,860
Investment income				
Net appreciation in fair value of investments	339,013,557	-	339,013,557	628,262,629
Interest	79,407,999	-	79,407,999	69,542,200
Dividends	82,402,518	-	82,402,518	75,047,747
Income from real estate investments	9,935,868	-	9,935,868	11,984,948
Other income (loss)	-	-	-	14,044,318
	510,759,942	-	510,759,942	798,881,842
Less investment expenses	25,913,973	-	25,913,973	23,047,785
Net income from investing activities	484,845,969	-	484,845,969	775,834,057
Security lending activities				
Securities lending income	55,763,678	-	55,763,678	44,449,534
Borrower rebates	(53,471,114)	-	(53,471,114)	(40,642,588)
Bank fees	(1,212,382)	-	(1,212,382)	(915,052)
Net income from securities lending activities	1,080,182	-	1,080,182	2,891,894
Total additions	757,920,681	8,584,720	766,505,401	1,065,254,811
Deductions				
Benefits				
Annuity payments	543,411,793	-	543,411,793	528,426,077
Disability and death benefits	10,624,807	-	10,624,807	10,267,133
Contribution of insurance premiums	-	8,530,910	8,530,910	8,730,476
Total benefits	554,036,600	8,530,910	562,567,510	547,423,686
Refund of member contributions	20,725,016	-	20,725,016	20,615,107
Rollover distributions	7,284,496	-	7,284,496	6,579,202
Administrative expenses	6,994,901	-	6,994,901	6,397,685
OPEB expense	-	537,400	537,400	-
Total deductions	589,041,013	9,068,310	598,109,323	581,015,680
Net increase	168,879,668	(483,590)	168,396,078	484,239,131
Net assets held in trust for pension benefits				
Beginning of year	6,841,127,865	-	6,841,127,865	6,356,888,734
End of year	$ 7,010,007,533	$ (483,590)	$ 7,009,523,943	$ 6,841,127,865

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 in the period when due, pursuant to formal commitments as well as statutory or contractual requirements. 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. Fair values of securities are based primarily on quotations from national security exchanges. 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 Private Equity 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.

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, 2007 and 2006 is as follows:

	2007	2006
Pension administration system	$4,997,988	$4,997,988
Furniture	55,052	75,601
Equipment	32,615	33,840
Computers	281,811	231,771
Leasehold improvements	135,696	124,429
	5,503,162	5,463,629
Less accumulated depreciation and amortization	2,413,971	1,656,862
	3,089,191	3,803,767
Construction in progress	291,339	-
Net property and equipment	$3,380,530	$3,806,767

Construction in progress consists of the iteration of the Pension Administration System placed in service in May 2005. This phase of the project is currently being tested and is expected to be completed by September 30, 2008. Estimated cost to complete the second iteration is approximately $1,100,000.

Administrative Expenses

Administrative expenses are budgeted and approved by the Plan's Board of Trustees. Funding for these expenses is included in the employer contributions as mandated in the Illinois State Statutes Chapter 40, Pension Article 5/8-190.

Other Postemployment Benefits

During the years ended December 31, 2007 and 2006, the Plan adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively*. As a result, the Plan has addressed the accounting and disclosures related to other postemployment benefits.

Notes to Financial Statements (continued)

Note 2 – Description of Pension and Health Insurance Plans

Pension 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, 2007 and 2006 were $1,564,458,835 and $1,475,877,378, respectively.

Plan membership at December 31 is as follows:

	2007	2006
Active employees (includes members currently receiving disability benefits):		
Vested	16,117	15,689
Nonvested	18,768	17,740
	34,885	33,429
Retirees and beneficiaries currently receiving benefits	22,789	22,828
Terminated (inactive members) employees entitled to benefits or a refund of contributions	9,105	10,200
	66,779	66,457

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 or 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 year of the first payment date following the later of (1) the third anniversary of retirement or (2) the attainment of age 53.

Notes to Financial Statements (continued)

Note 2 – Description of Pension and Health Insurance Plans (continued)

Pension Plan (continued)

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.

Health Insurance Plan

In accordance with the provisions of Illinois Compiled Statutes (ILCS) Chapter 5, Article 8, Section 164.1 and Section 164.2, the Pension Plan is required to subsidize the healthcare costs of its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. The supplemental benefit payments are remitted monthly to the City of Chicago or the insurance carrier designated by the Board of Education in the following amounts:

1. From July 1, 2003 through June 30, 2008, $85 per month for each such annuitant who is not eligible to receive Medicare benefits and $55 per month for each such annuitant who is eligible to receive Medicare benefits.

2. From July 1, 2008 through June 30, 2013, $95 per month for each such annuitant who is not eligible to receive Medicare benefits and $65 per month for each such annuitant who is eligible to receive Medicare benefits.

The payments described above shall be funded on a pay-as-you-go basis by the tax levy authorized under Section 8-173.

As of December 31, 2007, there are 9,231 (9,392 as of December 31, 2006) City annuitants enrolled in the City's health care plan and 1,958 (1,988 as of December 31, 2006) Board of Education annuitants enrolled in the Board of Education retiree health care plan receiving this subsidy benefit.

The annual required contribution represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years. The estimated City contribution represents the expected benefit payments for the health insurance supplement. In 2007 and 2006, the Pension Plan received contributions of $8,530,910 and $8,730,476 and remitted contributions of $8,530,910 and $8,730,476, respectively.

Notes to Financial Statements (continued)

Note 2 – Description of Pension and Health Insurance Plans (continued)

Staff Retiree Health Insurance Plan

Staff members or employees of the Municipal Employees' Annuity and Benefit Fund of Chicago are contributing members of the Plan. When the staff members of the Plan eventually retire, if eligible, pension benefits are provided under the provisions of the Illinois Compiled Statutes (ILCS) Chapter 5, Article 8. Retired staff members of the Plan are not eligible to participate in the City of Chicago group health plan nor the Board of Education group health plan; hence not eligible to receive health insurance subsidy, a post-employment benefit other than pension (OPEB) under the ILCS Chapter 5, Art. 8.

The Plan, as an employer, provides health insurance coverage for its staff members, active employees, retirees or survivors of former staff members and eligible dependents receiving an annuity. The Plan and the retiree share the total cost of the healthcare premium rate. The healthcare premium rates paid by the retirees are the same rates as those paid by the City of Chicago retirees. Retirees may elect dental and vision coverage on a self-paid basis.

Retiree healthcare benefits are funded on a pay-as-you-go basis. For the year ended December 31, 2007, the total retiree healthcare premiums remitted to the insurance carrier amounted to $78,866; 32% of which or $25,056 was contributed by the retired staff members/survivors with the remaining 68% or $53,810 contributed by the Plan.

The Pension Plan's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Pension Plan's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Pension Plan's net OPEB obligation:

Annual required contribution	$ 537,400
Contributions made	(53,810)
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	$ 483,590

Notes to Financial Statements (continued)

Note 2 – Description of Pension and Health Insurance Plans (continued)

Staff Retiree Health Insurance Plan (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2007 is as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$ 537,400	10%	$ 483,590

Note 3 – Deposits and Investments

Deposits that are held locally in the Plan's name are held by the Treasurer of the City Chicago, ex-officio Treasurer of the Plan. At December 31, 2007 and 2006, the Plan's book balances of cash are $1,604,187 and $1,561,759, respectively. The actual bank balances at December 31, 2007 and 2006 are $1,603,887 and $1,561,459, respectively. All non-investment related bank balances at year end are insured or collateralized at 110% of the principal amount.

Custodial credit risk is the risk that, in the event of a financial institution failure, the Plan will not be able to recover deposits or collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name. The Plan does not have a formal policy relating to custodial risk. As of December 31, 2007 and 2006, $4,264,361 and $2,759,826 of the Plan's deposits with its custodian Northern Trust was exposed to custodial credit risk.

Notes to Financial Statements (continued)

Note 3 – Deposits and Investments (continued)

Certain Plan investments are held by a bank administered trust fund. There were no investments representing 5% or more of the Plan's net assets as of December 31, 2007 and 2006.

	2007	2006
Investments At Fair Value As Determined by Quoted Price		
Bonds	$1,718,198,492	$1,701,045,511
Domestic and international equity	4,454,812,607	4,456,696,971
	6,173,011,099	6,157,742,482
Investments at Fair Value As Determined by Plan Administrator		
Real estate	330,533,414	288,026,845
Private equity	120,482,749	105,722,396
Short-term investments	275,979,001	245,515,223
	726,995,164	639,164,464
Total investments	$6,900,006,263	$6,797,006,946

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, 2007 the average term of the loan was 84 days (96 days in 2006). 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, 2007 had a weighted average maturity of 45 days (70 days in 2006). As of December 31, 2007 and 2006, the Plan had loaned to borrowers securities with a fair value of $1,040,349,638 and $941,011,874, respectively. As of December 31, 2007 and 2006, the Plan received from borrower's cash collateral of $1,037,232,545 and $922,831,534, and non-cash collateral of $29,791,378 and $43,035,885, respectively. Securities lending net income for the years ended December 31, 2007 and 2006 was $1,080,182 and $2,891,894 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.

Notes to Financial Statements (continued)

Note 3 – Deposits and Investments (continued)

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

	2007	2006
Securities loaned - cash collateral		
Domestic bonds	$ 315,484,354	$ 343,616,592
Domestic equities	644,598,777	490,025,562
International equities	50,475,129	64,333,835
Total securities loaned - cash collateral	1,010,558,260	897,975,989
Securities loaned - non-cash collateral		
Domestic bonds	24,107,813	20,618,401
Domestic equities	4,436,530	21,207,150
International equities	1,247,035	1,210,334
Total securities loaned - non-cash collateral	29,791,378	43,035,885
Total	$ 1,040,349,638	$ 941,011,874

Notes to Financial Statements (continued)

Note 3 – Deposits and Investments (continued)

Foreign Currency Risk

The Plan's exposure to foreign currency risk at December 31, 2007 was as follows:

Currency	Fair Value	Percentage
Australian Dollar	$ 11,119,736	1.74%
Brazilian Real	25,964,016	4.06%
Canadian Dollar	758,902	.12%
Swiss Franc	40,047,799	6.26%
Chilean Peso	879,900	.14%
Czech Koruna	1,276,758	.20%
Danish Krone	1,179,705	.18%
Egyptian pound	2,582,423	.40%
Euro	182,134,815	28.46%
British Pound Sterling	93,508,087	14.61%
Hong Kong Dollar	34,769,678	5.43%
Hungarian Forint	14,173	.00%
Indonesian Rupiah	6,137,535	.96%
New Israeli Shekel	2,214,943	.35%
Indian Rupee	23,135,576	3.62%
Japanese Yen	105,807,796	16.53%
South Korean Won	28,457,833	4.45%
Mexican Peso	9,263,437	1.45%
Malaysian Ringgit	6,066,803	.95%
Norwegian Krone	3,212,739	.50%
Philippine Peso	1,936,396	.30%
Polish Zloty	1,778,149	.28%
Swedish Krona	5,400,466	.84%
Singapore Dollar	6,490,628	1.01%
Thai Baht	3,430,333	.54%
Turkish Lira	6,933,458	1.08%
New Taiwan Dollar	19,742,619	3.08%
South African Rand	14,435,697	2.26%
United Arab Emirates Dirham	1,305,160	.20%
Total	$639,985,560	100.00%

All foreign currency-denominated investments are in equities and foreign cash. The Plan does not have a formal policy relating to foreign currency risk.

Notes to Financial Statements (continued)

Note 3 – Deposits and Investments (continued)

Interest Rate Risk

As of December 31, 2007, the Plan had the following investments and maturities:

Security Type	Total Fair Value	Less than 1 year	1-6 years	6-10 years	10 or more years	Maturity Not Determined
Asset backed	$ 74,033,320	$ -	$ 27,608,840	$ -	$ 46,424,480	-
Commercial mortgage backed	125,829,783	-	850,731	-	124,979,052	-
Corporate bonds	300,198,472	14,700,915	152,429,148	70,121,300	57,155,638	5,791,471
Government agencies	277,181,981	2,368,218	52,238,165	56,775,787	5,600,263	160,199,548
Government bonds	208,779,283	-	70,984,313	49,776,369	88,018,601	-
Government mortgage backed	321,360,582	-	15,282	1,458,131	245,328,575	74,558,594
Index linked government bonds	18,002,608	-	8,113,350	5,337,209	4,552,049	-
Municipal/Provincial bonds	158,910	-	-	-	158,910	-
Non-government backed CMO's	73,878,635	-	984,153	2,559,804	70,334,678	-
Other fixed income	318,774,919	-	609,140	-	-	318,165,779
Short term investment funds	225,895,145	-	-	-	-	225,895,145
Short - term bills and notes	25,497,910	25,497,910	-	-	-	-
Total	**$1,969,591,548**	**$42,567,043**	**$313,833,122**	**$186,028,600**	**$ 642,552,246**	**$784,610,537**

The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rate risk.

Notes to Financial Statements (continued)

Note 3 – Deposits and Investments (continued)

Credit Risk

The following table reflects credits ratings of fixed income securities held by the Plan as of December 31, 2007:
(in thousands)

S&P Credit Rating	*Fair Value*	*Asset Backed Securities*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Index Linked Gov't Bonds*	*Non-Gov't Backed CMO's*	*Municipal Provincial Bonds*	*Other Fixed Income*
TSY	$ 21,378	$ -	$ -	$ -	$ -	$ 13,265	$ -	$ 8,113	$ -	$ -	$ -
AGY	488,727	-	-	-	168,732	-	319,995	-	-	-	-
AAA	546,485	65,777	102,854	11,097	102,343	186,680	-	9,889	67,845	-	-
AA+	7,487	366	1,298	3,641	-	-	-	-	2,182	-	-
AA	22,139	489	3,396	18,095	-	-	-	-	-	159	-
AA-	41,944	-	467	36,527	4,950	-	-	-	-	-	-
A+	20,990	502	-	20,488	-	-	-	-	-	-	-
A	36,288	403	-	35,066	595	224	-	-	-	-	-
A-	32,147	1,303	-	30,735	-	109	-	-	-	-	-
BBB+	61,760	-	-	54,887	-	6,873	-	-	-	-	-
BBB	33,689	2	-	33,059	-	628	-	-	-	-	-
BBB-	24,767	540	-	24,227	-	-	-	-	-	-	-
BB+	4,623	494	-	4,129	-	-	-	-	-	-	-
BB	1,452	702	-	750	-	-	-	-	-	-	-
BB-	1,017	-	-	1,017	-	-	-	-	-	-	-
B+	1,213	-	-	801	-	-	-	-	412	-	-
B	7,065	1,367	-	5,698	-	-	-	-	-	-	-
B-	983	-	-	983	-	-	-	-	-	-	-
CCC	178	178	-	-	-	-	-	-	-	-	-
NR	363,866	1,910	17,815	18,998	563	1,000	1,366	-	3,439	-	318,775
Total	$1,718,198	$ 74,033	$125,830	$300,198	$ 277,183	$ 208,779	$321,361	$ 18,002	$73,878	$ 159	$318,775

TSY = Treasury Issue
AGY = Agency Issue
NR = Not Rated

The Plan does not have a formal policy in regards to aggregate credit quality of fixed income holdings. The Plan utilizes external investment management firms to invest in fixed income securities and credit quality is addressed within the guidelines of the mandate. Unless allowed by the mutually agreed upon guidelines of the mandate, all securities invested in are investment grade. If a holding falls below investment grade, the manager will either sell the security or will inform the Plan of the lower rating and why they believe that it is prudent to continue to hold the security as they believe that the security will return to investment grade.

Notes to Financial Statements (continued)

Note 4 – 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.

	2007	2006
Net assets reserved for:		
Retirement and survivor benefits for active employees	$ 4,484,084,139	$ 4,253,340,727
Retirement and survivor benefits for retired employees	5,484,662,705	5,438,978,756
	9,968,746,844*	9,692,319,483
Unreserved net assets	(2,959,222,901)	(2,851,191,618)
Net assets held in trust for pension benefits	$ 7,009,523,943	$ 6,841,127,865

*Excludes actuarial liability for Plan health insurance supplement under 40ILCS, Chapter 5, Article 8, Section 164.1 and 164.2.

Note 5 – Office Lease

The Plan leases its administrative office and storage facilities under a fifteen-year agreement in effect through February 29, 2008 and has been extended through February 28, 2009. The lease may be canceled subject to significant cancellation penalties. The lease currently requires monthly payments of $29,167. 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, 2007:

Year Ending December 31,	Amount
2008	$328,241
2009	58,333
Total	$386,574

Required Supplementary Information

Schedule of Funding Progress – Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b-a)/c}
12/31/07	$ 6,890,462,918	$ 9,968,746,844	$ 3,078,283,926	69.1%	$ 1,564,458,835	196.8%
12/31/06	$ 6,509,145,626	$ 9,476,118,446	$ 2,966,972,820	68.7%	$ 1,475,877,378	201.0%
12/31/05	$ 6,332,378,676	$ 9,250,211,817	$ 2,917,833,141	68.5%	$ 1,407,323,058	207.3%
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%

Schedule of Employer Contributions – Pension Plan

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2007	$ 343,123,106	40.7%
2006	$ 303,271,824	48.9%
2005	$ 285,291,350	54.4%
2004	$ 198,199,001	77.7%
2003	$ 158,614,805	89.5%
2002	$ 92,711,870	141.3%

Beginning in 2006, the Annual Required Contribution does not include contributions to health insurance supplement.

Note to the Schedules of Funding Progress and Employer Contributions – Pension Plan

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

Valuation date	December 31, 2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Pension Investment rate of return[1]	8.0%
Projected salary increases[1]	4.5%
[1]Includes inflation at	3.0%
Post retirement benefit increases	3.0% per year beginning at the earlier of: 1) the later of the first of January of the year after retirement and age 60 2) the later of the first of January of the year after the second anniversary of retirement and age 53

OPEB liabilities are excluded beginning in 2006.
OPEB liabilities are discounted at a rate of 4.5% beginning in 2005.

Schedule of Funding Progress – Health Insurance Supplement

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}
12/31/07	$ -	$ 217,868,343	$ 217,868,343	0.0%	$ 1,564,458,835	13.9%
12/31/07	$ -	$ 216,201,037	$ 216,201,037	0.0%	$ 1,475,877,378	14.7%

Schedule of Employer Contributions – Health Insurance Supplement

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2007	$23,287,106	36.9%
2006	$22,642,162	38.6%

Note to the Schedule of Funding Progress and Employer Contributions–Health Insurance Supplement

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

Valuation date	December 31, 2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions:	
OPEB investment rate of return [1]	4.5%
Projected salary increases[1]	4.5%
[1]Includes inflation at	3.0%
Healthcare Cost Trend Rate	0.0%

Healthcare cost trend not applicable-fixed dollar subsidy

Schedule of Funding Progress – Staff Retiree Health Insurance Plan

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}
12/31/06	$ -	$ 4,435,400	$ 4,435,400	0.0%	$ 2,497,700	177.6%

Schedule of Employer Contributions – Staff Retiree Health Insurance Plan

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2007	$537,400	10.00 %

Note to Schedules of Funding Progress and Employer Contributions – Staff Retiree Health Insurance Plan

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

Valuation date	December 31, 2006
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years
Actuarial assumptions:	
Discount Rate	4.5%
Projected Salary Increases	0-4.5%
Ultimate Trend	5.0%
Wage inflation	4.5%

Schedule of Administrative Expenses

	2007	2006
Administrative Salaries	$ 2,742,404	$ 2,499,128
Payroll taxes	40,568	32,463
Employee Benefits	683,193	759,612
Professional Services:		
Actuarial	161,703	147,194
Medical	45,214	43,888
Auditing	32,000	31,000
Legal	117,468	100,838
Custodial	772,057	610,459
Consulting	41,034	55,373
Investment consultants	194,500	180,000
Data Processing	365,835	499,293
Contractual	12,249	14,653
Office Supplies and Equipment	95,143	49,450
Office Equipment Maintenance	13,007	7,856
Bank service charge	-	2,972
Equipment Rental	8,522	8,027
Depreciation	811,941	785,300
Printing and Publishing	130,927	129,985
Postage	86,542	58,696
Rent and Utilities	309,088	276,905
Miscellaneous	6,335	4,947
Insurance	219,300	4,145
Telephone and Communications	57,157	50,849
Travel	26,873	22,909
Dues and Subscriptions	21,841	21,743
Total Administrative Expenses	6,994,901	6,397,685
OPEB expense	537,400	-
Total Administrative and OPEB expense	$ 7,532,301	$ 6,397,685

Schedule of Professional and Consulting Fees

	2007	2006
Legal Advisors	$ 117,468	$ 100,838
Medical Advisors	45,214	43,888
Investment Consultant	194,500	180,000
Consulting Actuary	161,703	147,194
Consulting	41,034	55,373
Auditor	32,000	31,000
Master Custodian	772,057	610,459
Total	$ 1,363,976	$ 1,168,752

Schedule of Investment Management Compensation

	2007	2006
Equity Managers		
ABN AMRO	$ 84,795	$ 215,847
Ariel Capital	1,450,974	1,894,174
Attucks Asset Management	17,305	10,085
Bear Stearns	585,767	751,787
Castle Ark	270,006	150,686
Clearbridge Advisors	652,069	587,472
Earnest Partners	435,269	29,623
Great Lakes Advisors	618,803	586,289
Harris Investment Mgmt.	346,419	314,781
Holland Capital	648,016	602,980
Keeley Asset Mgmt.	807,819	897,799
MacKay Shields	528,929	488,567
MEABF Emerging Manager Fund	374,658	506,471
New Amsterdam Partners	131,458	138,701
Northern Trust Quantative Adv.	181,610	176,746
NorthPointe Capital	235,656	16,815
Penn Capital	670,489	46,690
TCW	385,531	327,003
TIMCO	-	26,174
UBS AM Equity	570,098	564,283
United Investmemt Managers	136,001	-
Voyageur Asset Management	313,942	22,145
Wellington Capital	685,803	648,104
William Blair Large Cap	605,081	590,645
William Blair Small/Mid Cap	434,438	31,972
Total Equity	11,170,936	9,625,839
Bond Managers		
Alliance Bernstein	478,039	455,990
NTGI Bond Index	90,500	87,322
Frank Russell Trust	-	36,474
Lehman Brothers	281,580	272,153
Payden & Rygel	171,238	170,984
UBS AM Bonds	510,370	475,728
Total Bond	$ 1,531,727	$ 1,498,651

Schedule of Investment Management Compensation (continued)

	2007	2006
International Equity Managers		
Alliance Bernstein Emerging Markets	$ 806,471	$ 529,742
Alliance Bernstein International	746,776	739,577
Frank Russell Trust	-	158,957
LSV Asset Management	751,503	706,225
MFS	773,829	692,449
MacKay Shields	618,613	496,167
Mondrain	-	55,006
Walter Scott	992,645	769,627
William Blair	1,008,154	806,014
Total International Equity	5,697,991	4,953,764
Real Estate Managers		
AFL-CIO Building Trust	241,712	224,989
American Realty	193,294	179,593
Capri Capital	720,622	869,817
DV Urban	225,000	151,603
J P Morgan	802,291	663,327
John Buck Company	316,620	400,829
Prudential Asset Mgmt.	620,055	642,458
Shamrock-Hostmark Hotel Fund	60,938	-
Tishman Speyer	375,000	137,780
UBS Realty Advisors	187,500	51,523
Walton Street Partners	447,749	262,500
Total Real Estate	4,190,781	3,584,419
Private Equity Managers		
First Analysis	816,544	878,943
Hispania Partners	125,000	125,000
Hopewell Ventures	112,500	112,500
Invesco	18,945	12,808
MK Capital	100,000	100,000
Mesirow Financial	978,750	1,185,093
Midwest Mezzanine Fund	556,591	437,500
Muller & Monroe	100,000	100,000
Nogales Investors	425,000	283,312
SB Partners	89,208	149,956
Total Private Equity	3,322,538	3,385,112
Total	$25,913,973	$23,047,785

Investments

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

INVESTMENT REPORT - 2007

June 30, 2008

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

First and foremost, thank you for the opportunity to report on the Plan's investment portfolio for 2007. Below please find a summary of key activities that impacted the financial markets in 2007, a brief review of the Plan's return performance for the year, and a reflection on the impact that continued growing liquidity needs will have on the Plan.

2007 – Market Review

The collapse of the housing and credit markets in the second half of 2007 will leave a lasting effect on the financial markets for years to come. The sub-prime lending industry, a volatile but lucrative practice of providing loans at high interest rates to borrowers with poor credit histories, flamed out causing illiquidity in the credit markets as pricing sources for fixed income securities became non-existent. Defaults grew exponentially and capitalization levels of companies that were once highly coveted investments dropped like stones. Evaluation practices of rating agencies such as Standard & Poor's and Moody's came under great scrutiny as securities once rated as investment grade quickly took on the attributes of junk status. The collapse of hedge funds by UBS, Bear Stearns, and Goldman Sachs sent shock waves as investors tried to understand the amount of exposure these unregulated investment vehicles had and the level of leverage utilized within their positions. The Federal Reserve, understanding the dire effect lasting illiquidity could have on the fixed income markets, began to provide significant monetary stimulus. By year-end the federal funds rate dropped to 4.25%, a reduction of 50 basis points from its high point during the year.

The sub-prime lending crisis was not isolated to only poorer credit instruments and domestic markets. As the reliability of credit ratings came under question, investments in most credit-spread instruments were met with pricing and liquidity concerns.

Treasury bond yields, which can reflect investor sentiment towards market risk, were pushed downward as investors reduced their appetite for risk and willingly took lower yields for higher safety. Inflationary concerns were also prevalent as consumer sentiment continued to decline, reducing consumer discretionary spending. The housing industry, after multiple years of significant appreciation, faced a perfect storm scenario as credit tightened, housing valuations decreased and vacant homes grew to levels not seen in over four decades.

Inflationary fears and easing of monetary policy also deflated the value of our currency during the year, helping commodity prices reach record levels. Gold futures climbed to $805.70, its highest level since January 1980. Crude oil ended up 57% for the year, hitting a high of $98.18 per barrel, and showed no signs of reversing direction. High commodity prices will continue to have a direct inflationary effect on goods and services that we demand on a daily basis.

The events of the latter part of 2007 did not however eliminate positive returns in most areas of the investment markets. Domestically, two indices that reflect the returns of larger companies, the Russell 3000 and the Standard & Poor's 500, returned 5.1% and 5.5%, respectively. In aggregate, smaller companies fared worse as the Russell 2000 Index finished down –1.6%. International markets continued to outperform their domestic counterparts as the MSCI EAFE Index returned 11.2% for 2007.

2007 – Plan Investment Performance

At year-end 2007, the portfolio had a 52% allocation to domestic equity, both large and small firms, 13% exposure to international equities, a 29% allocation to fixed income and short-term instruments, and a 7% allocation to real estate and private equity. The portfolio achieved a 7.8% rate of return for the year, ranking in the 51st percentile compared to other public plans. The Plan's allocation to private equity and real estate, even though small allocations, provided the highest returns in 2007. The Plan's international equity portfolio also performed well outpacing the MSCI EAFE Index by 390 basis points, but the Plan's overall return was hurt by a lower allocation to international compared to peers. The returns in the domestic equity part of the portfolio grew assets by approximately $220 million, but due to operating cash flow requirements the Plan's allocation to domestic equity decreased by $34 million as $255 million of securities were liquidated to assist with monthly benefit payments. The Plan's fixed income allocation returned 5.4% for the year, but underperformed its benchmark as exposure to certain credit spread instruments reduced valuations.

The Plan's funding ratio for 2007, represented by the actuarial value of assets as a percentage of the actuarial accrued liability, was 67.6%, a slight increase from 67.2% in 2006. Using fair value of assets, the Plan's funding ratio was 68.8%, a decrease from 2006, 70.6%. Going forward, improvement in the Plan's funding ratio will be dependent on achieving the actuarially determined rate or return over time and addressing the growing discrepancy between the statutorily determined contributions received and the actuarially determined contribution requirement.

The Plan's investment policy is designed to maximize returns while minimizing risk over the long-term. The actuarially determined 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 longer periods 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 Plan over ten years has returned 7.4% annually. The ten-year return for 2007 is the first time, in reviewing over fifteen years of return data, that the return underperformed our actuarial return of 8%. Over twenty years though, the Plan continues to reflect significant out performance over the actuarial assumption, returning 9.9% annually.

2007 – Plan's Operating Cash Flow Needs

Withdrawals from the investment portfolio to assist with the payment of monthly retirement benefits continue to reduce the amount of reserves available to cover future liabilities. In aggregate, $353 million was drawn in 2007 to assist in the payment of monthly benefits, which led to Fund assets only growing by 2.5%, compared to the investment return of 7.8% for the year. Operating requirements withdrawn from the investment portfolio is done in conjunction with rebalancing the portfolio's asset allocation to the Retirement Board's targeted allocations.

The Master Custodian's certification letter for 2007, a summary of the Plan's goals, objectives and guidelines, and select investment schedules follow for your review. I hope you find the information informative. I would also like to thank Kelly Wietsma, Investment Analyst, for her hard work in the preparation of this report.

Respectfully submitted,

James E. Mohler
Senior Investment Manager

Note: Investment returns and percentile rankings are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the fair value of assets.

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675
(312) 630-6000

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, 2007 through December 31, 2007.

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
Senior Vice President

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 goals, objectives and guidelines to direct 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 mandate to select, acquire, maintain and dispose of individual investments.

Description of Investment Goals, Objective and Guidelines

The Board established a three-phased program for implementing the investment goals and objectives of the Plan:

- Phase 1 reduce risk and improve diversification through the use 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 objectives and guidelines established in phase 2.

Phases 1 and 2 were implemented in the 1980's and phase 3 has been a continuous process. Asset and liability studies are conducted at the Board's pleasure, usually every three to five years. In early 2008 the Board concluded a search for an investment consultant. The Board and the Plan's staff will be working diligently with the new consultant, Marquette Associates, to review the current portfolio structure and incorporate recommendations that the Board believes are prudent and will assist in achieving their investment 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 private equity. 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%. Returns of asset classes within the portfolio are evaluated against comparable 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 goals and objectives of the mandate. The return of the total Plan is also compared to a universe of other pension plans with similar structures.

Cash Flow Needs

Cash equivalent positions represent either residual cash of active managers at a specific point in time or operational cash flow reserve requirements to honor operating cash needs for the upcoming month, estimated at $60 to $65 million for 2008. Monies drawn from investments to assist monthly operating cash flow needs is primarily taken from asset classes that have become over funded compared to determined allocation targets.

Investment Managers
As of December 31, 2007

AFL-CIO Building Investment Trust
Washington, D.C.
Real Estate Fund

Alliance Bernstein
New York, New York
Emerging Markets
International Equity Value
Fixed Income Bond Core +

American Institutional Realty Advisors
Glendale, California
Real Estate Fund

Ariel Capital Management
Chicago, Illinois
Domestic Equity Small/Mid Cap Value

Attucks Asset Management
Chicago, Illinois
Domestic Equity Large Cap Core

Capri Capital Advisors
Chicago, Illinois
Real Estate Partnerships

CastleArk Asset Management
Chicago, Illinois
Domestic Equity Large Cap Growth

ClearBridge Advisors
New York, New York
Domestic Equity Large Cap Growth

DV Urban Realty
Chicago, Illinois
Real Estate Partnership

Earnest Partners
Atlanta, Georgia
Domestic Equity Mid Cap Core

Great Lakes Advisors
Chicago, Illinois
Domestic Equity Large Cap Value

Harris Investment Management
Chicago, Illinois
Domestic Equity Large Cap Growth

Hispania Capital Partners
Chicago, Illinois
Private Equity Direct Partnership

Holland Capital Management
Chicago, Illinois
Domestic Equity Large Cap Growth

Hopewell Ventures
Chicago, Illinois
Private Equity Direct Partnership

Invesco
New York, New York
Private Equity Fund of Funds

John Buck Company
Chicago, Illinois
Real Estate Partnerships

JP Morgan Fleming Asset Management
New York, New York
Real Estate Fund

Keeley Asset Management
Chicago, Illinois
Domestic Equity Mid Cap Value

Lehman Brothers Asset Management
Chicago, Illinois
Fixed Income Bond Core

Investment Managers (continued)

First Analysis
Chicago, Illinois
Private Equity Direct Partnerships

Frontenac Company
Chicago, Illinois
Private Equity Direct Partnership

Mesirow Financial
Chicago, Illinois
Private Equity Direct Partnerships
Private Equity Fund of Funds

MFS Investment Management
Boston, Massachusetts
International Equity Core

Midwest Mezzanine Funds
Chicago, Illinois
Private Equity Direct Partnerships

MK Capital
Chicago, Illinois
Private Equity Direct Partnership

Muller & Monroe Asset Management
Chicago, Illinois
Private Equity Fund of Funds

Nogales Investors Management
Los Angeles, California
Private Equity Direct Partnerships

Northern Trust Global Investment Advisors
Chicago, Illinois
Domestic Equity Large Cap Core
Fixed Income Bond Core

LSV Asset Management
Chicago, Illinois
International Equity Value

MacKay Shields
New York, New York
Domestic Equity Large Cap Growth
International Equity Growth

Shamrock-Hostmark
Burbank, California
Real Estate Partnership

Tishman Speyer
New York, New York
Real Estate Partnership

Trust Company of the West
Los Angeles, California
Domestic Equity Small Cap Growth

UBS Global Asset Management
Chicago, Illinois
Domestic Equity Large Cap Core
Fixed Income Bond Core

UBS Realty Advisors
Hartford, Connecticut
Real Estate Partnership

United Investment Managers
Chicago, Illinois
Domestic Equity All Cap

Voyageur Asset Management
Minneapolis, Minnesota
Domestic Equity Mid Cap Growth

Investment Managers (continued)

NorthPointe Capital
Troy, Michigan
Domestic Equity Small Cap Growth

Payden & Rygel Investment Management
Los Angeles, California
Fixed Income Bond Core +

Penn Capital Management
Cherry Hill, New Jersey
Domestic Equity Small/Mid Cap Core

Prudential Real Estate Investors
Parsippany, New Jersey
Real Estate Funds

SB Partners
Chicago, Illinois
Private Equity Direct Partnership

Walter Scott & Partners
Edinburgh, Scotland
International Equity Growth

Walton Street Capital
Chicago, Illinois
Real Estate Partnerships

Wellington Management Company
Boston, Massachusetts
Domestic Equity Large Cap Value

William Blair & Company
Chicago, Illinois
Domestic Equity Large Cap Growth
Domestic Equity Small/Mid Cap Growth
Emerging Markets Equity

Performance Returns

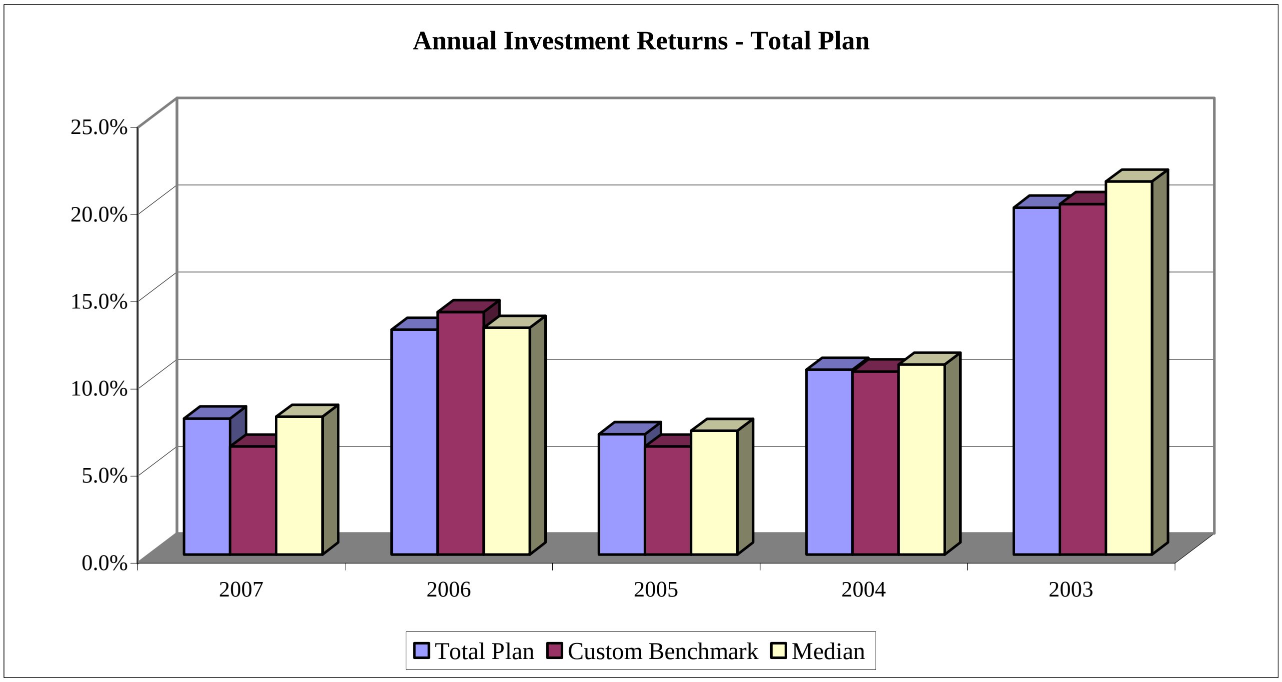
As of December 31, 2007

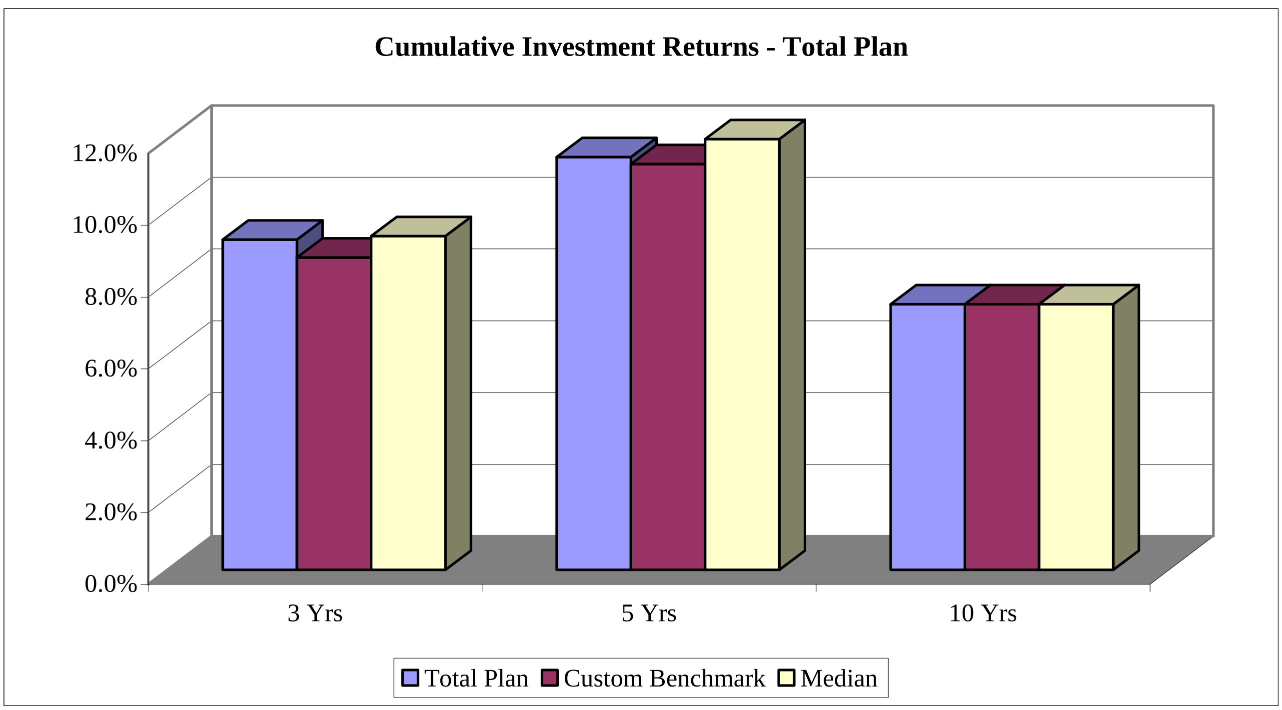
	2007	2006	2005	2004	2003	Annualized 3 Yrs	5 Yrs	10 Yrs
Total Plan								
The Plan	7.8%	12.9%	6.9%	10.6%	19.9%	9.2%	11.5%	7.4%
Custom Benchmark*	6.2%	13.9%	6.2%	10.5%	20.1%	8.7%	11.3%	7.4%
Median	7.9%	13.0%	7.1%	10.9%	21.4%	9.3%	12.0%	7.4%
Domestic Equity								
The Plan	5.5%	13.4%	5.9%	13.2%	31.2%	8.2%	13.5%	7.0%
S&P 500 Stock Index	5.5%	15.8%	4.9%	10.9%	28.7%	8.6%	12.8%	5.9%
Russell 2000	-1.5%	18.3%	4.6%	18.3%	47.3%	6.8%	16.2%	7.1%
International Equity								
The Plan	15.1%	31.8%	17.9%	19.5%	39.5%	21.4%	24.4%	11.1%
MSCI EAFE Net	11.2%	26.3%	13.5%	20.2%	38.6%	16.8%	21.6%	8.7%
Fixed Income								
The Plan	5.1%	4.2%	2.1%	4.3%	4.4%	3.8%	4.0%	5.5%
Lehman Aggregate Bond Index	7.0%	4.3%	2.4%	4.3%	4.1%	4.6%	4.4%	6.0%
Real Estate								
The Plan	20.1%	16.5%	23.1%	9.3%	6.1%	19.9%	14.9%	13.2%
NCREIF Open End	15.9%	16.3%	19.0%	13.3%	9.0%	17.0%	14.6%	12.4%
Cash Equivalents								
The Plan	3.5%	4.6%	2.8%	1.4%	1.3%	3.6%	2.7%	3.7%
30 Day U.S. Treasury Bills	4.5%	4.8%	3.0%	1.3%	1.0%	4.1%	2.9%	3.4%

Investment returns are gross of fees and supplied by Becker, Burke Associates. The calculations were prepared using a time-weighted rate of return based on the market rate of return.

**The custom benchmark consists of a blend of indices based on the weight of each asset class of the Fund as of 12/31/07.*

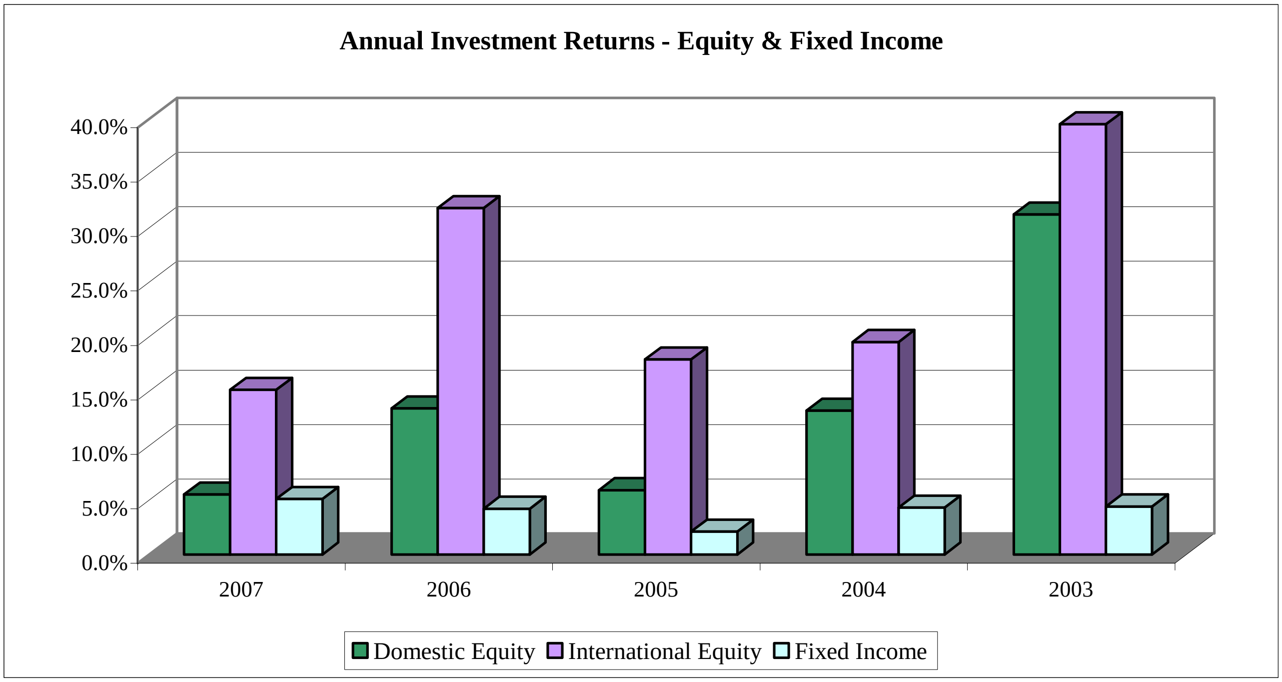
Performance Returns (Continued)

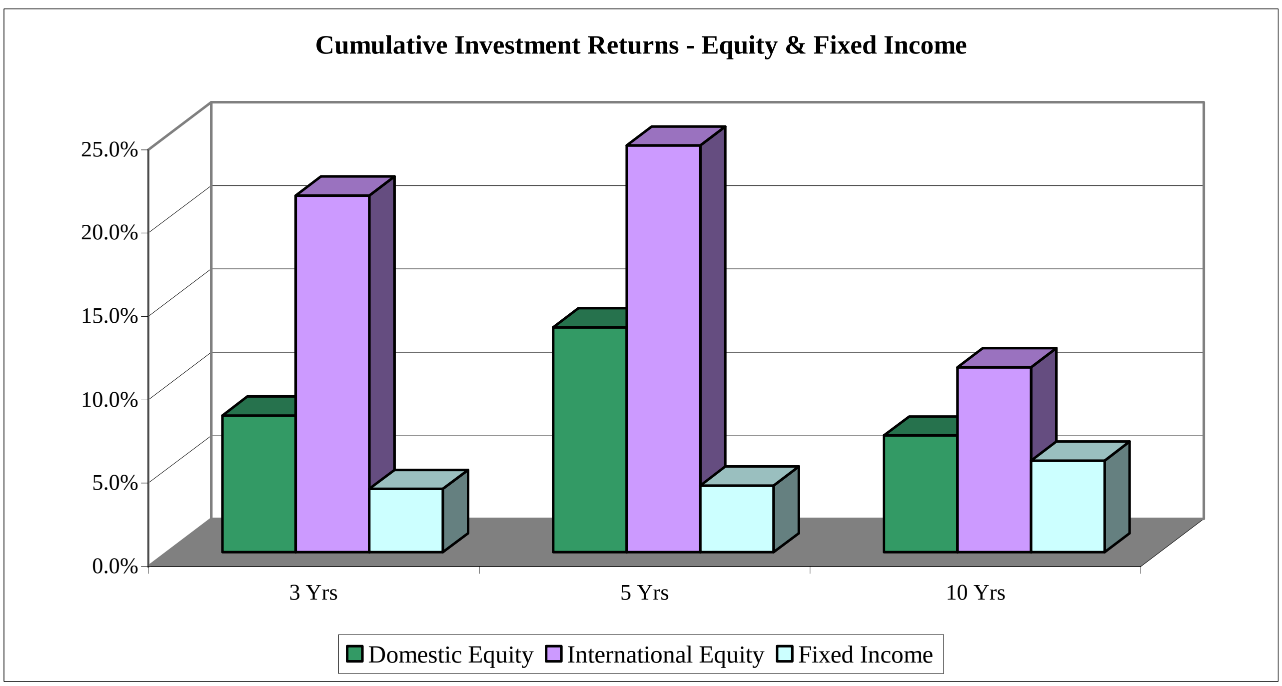




Investment Returns are supplied by Becker, Burke Associates and the calculations were prepared using a time-weighted rate of return based on the market rate of return.

Performance Returns (Continued)





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.

Investments (Fair to Book)

As of December 31, 2007 and December 31, 2006

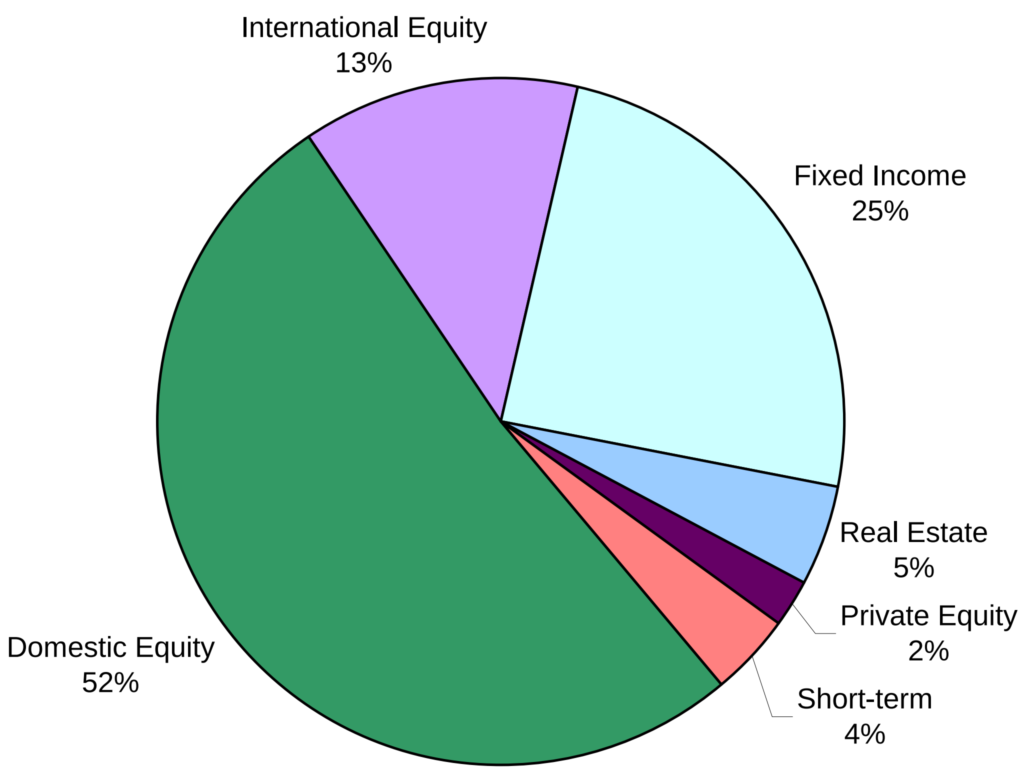
Category	12/31/2007 Fair Value	%	12/31/2007 Book Value	%	12/31/2006 Fair Value	%	12/31/2006 Book Value	%
Fixed Income	$1,718,198,492	25%	$1,701,693,678	29%	$1,701,045,511	25%	$ 1,696,485,364	30%
Equities								
Domestic	3,554,623,991	52%	2,792,285,102	48%	3,588,714,626	53%	2,685,501,043	47%
International	900,188,616	13%	659,453,058	11%	867,982,346	13%	670,427,415	12%
Total Equities	4,454,812,607	65%	3,451,738,159	59%	4,456,696,971	66%	3,355,928,458	59%
Real Estate	330,533,414	5%	228,412,085	4%	288,026,845	4%	222,304,023	4%
Private Equity	120,482,749	2%	172,477,012	3%	105,722,396	2%	166,016,528	3%
Cash Equivalents	275,979,001	4%	275,926,179	5%	245,515,223	4%	245,364,974	4%
Total Investments	$6,900,006,263	100%	$5,830,247,113	100%	$6,797,006,946	100%	$ 5,686,099,347	100%
Net Receivables/Payables	(17,722,472)		(17,722,472)		(16,576,116)		(16,576,116)	
Total Invested Assets	$6,917,728,735		$5,847,969,585		$6,813,583,062		$ 5,702,675,463	

Investment Asset Allocation

As of December 31, 2007

Asset Class	Current Allocation	Target Allocation
Domestic Equity	52%	55%
International Equity	13%	10%
Fixed Income	25%	25%
Real Estate	5%	6%
Private Equity	2%	4%
Short-term	4%	0%
Investment Assets	**100%**	**100%**

Asset Allocation as of December 31, 2007

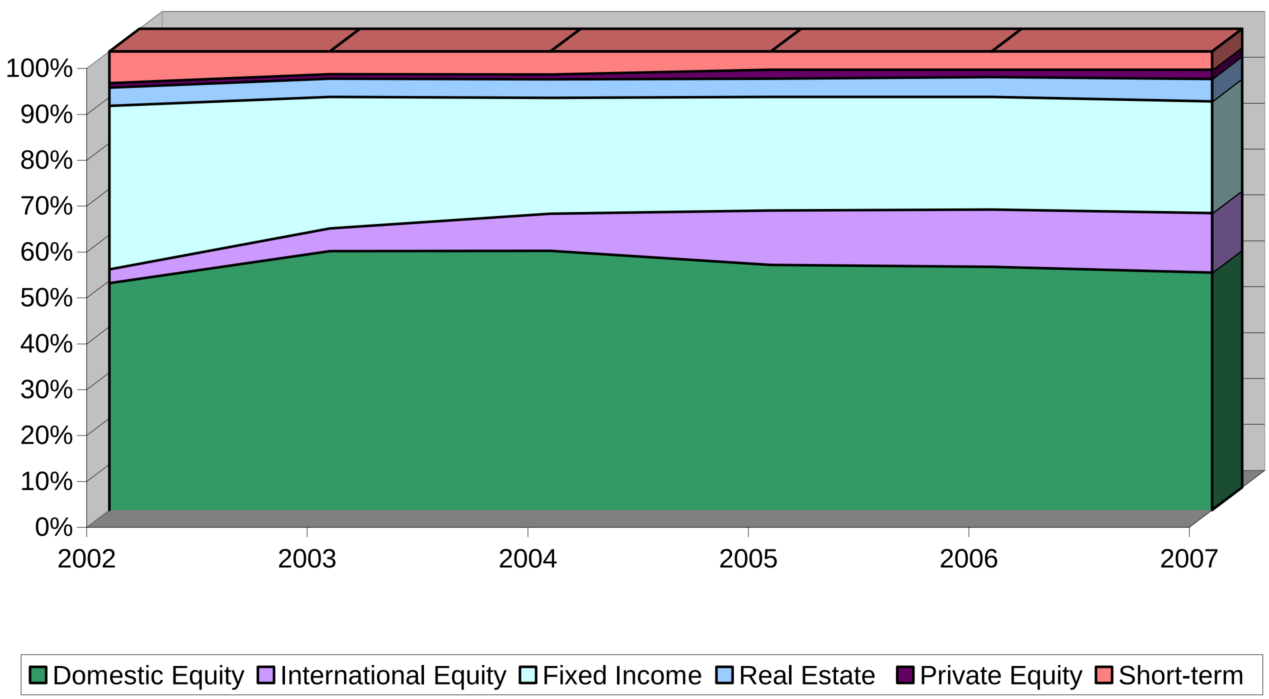


Investment Asset Allocation

Last six years

Asset Class	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Domestic Equity	50%	57%	56%	54%	53%	52%
International Equity	3%	5%	8%	12%	13%	13%
Fixed Income	36%	29%	25%	25%	25%	25%
Real Estate	4%	4%	4%	4%	4%	5%
Private Equity	1%	1%	1%	2%	2%	2%
Short-term	7%	5%	5%	4%	4%	4%
Investment Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Allocation Over the Last Six Years



Ten Largest Holdings (Excludes Commingled Funds)

As of December 31, 2007

Domestic Equity

Name of Security	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of Domestic Equity
Exxon Mobil Corp.	Energy	711,103	$66,623,240	$38,669,447	1.87%
General Electric Co.	Other	1,642,698	60,894,815	19,722,547	1.71%
Microsoft Corp.	Info. Technology	1,285,125	45,750,450	19,537,700	1.29%
Apple Inc.	Info. Technology	207,851	41,171,126	26,499,166	1.16%
Cisco Systems Inc.	Info. Technology	1,500,841	40,627,766	10,003,139	1.14%
AT&T Inc.	Telecommunications	902,587	37,511,516	13,625,002	1.06%
Chevron Corp.	Energy	394,787	36,845,471	16,101,253	1.04%
Conoco Phillips	Energy	352,069	31,087,693	18,185,969	0.87%
Intel Corp.	Info. Technology	1,080,152	28,796,852	9,920,819	0.81%
Altria Group Inc.	Consumer Staples	372,844	28,179,550	16,381,185	0.79%
Total		**8,450,057**	**$417,488,478**	**$188,646,227**	**11.74%**

International Equity

Name of Security	Country	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of Int'l Equity
Nestle SA	Switzerland	Consumer Staples	22,240	$10,214,901	$ 3,781,547	1.13%
Roche Holdings AG	Switzerland	Health Care	53,680	9,274,220	1,424,856	1.03%
BASF	Germany	Basic Materials	45,900	6,805,432	3,068,449	0.76%
TESCO	U.K.	Retail	703,007	6,678,664	2,546,146	0.74%
Diageo	U.K.	Consumer Staples	308,424	6,630,647	2,037,935	0.74%
ADR. Nokia Corp.	Finland	Telecommunications	168,950	6,485,991	1,763,887	0.72%
ADR Taiwan Semicond.	Taiwan	Technology	643,664	6,410,893	597,855	0.71%
ING Groep NV	Netherlands	Financial Services	157,500	6,159,800	991,915	0.68%
BNP Paribas	France	Financial Services	55,800	6,055,045	940,510	0.67%
GlaxoSmithKline	U.K.	Health Care	222,780	5,672,928	(191,826)	0.63%
Total			**2,381,945**	**$70,388,521**	**$16,961,274**	**7.82%**

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

Ten Largest Holdings (Excludes Commingled Funds) (Continued)

As of December 31, 2007

Fixed Income

Name of Security	Sector	Fair Value	% of Fixed Income
U.S. Treasury Bonds 4.5% Due 2/15/2036	Government Bonds	$28,691,962	1.67%
FNMA 30 Year 6%	Gov. Mortgage Backed	21,230,174	1.24%
FHLMC 5.125% Due 11/17/2017	Government Agencies	18,317,607	1.07%
FHLB 5% Due 11/17/2017	Government Agencies	17,963,201	1.05%
FHLMC 30 Year Gold Partic. Certificate 6%	Gov. Mortgage Backed	16,306,036	0.95%
U.S. Treasury Notes 4.875% Due 6/30/2012	Government Bonds	15,803,313	0.92%
FNMA Pool 6.5% Due 9/1/2036	Gov. Mortgage Backed	13,812,694	0.80%
FNMA 30 Year 5.5%	Gov. Mortgage Backed	13,238,431	0.77%
U.S. Treasury Bonds 4.75% Due 2/15/2037	Government Bonds	12,914,575	0.75%
U.S. Treasury Notes 3.875% Due 9/15/2010	Government Bonds	11,934,218	0.69%
Total		**$170,212,210**	**9.91%**

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

Domestic Equity Brokerage Commissions

As of December 31, 2007

Broker Name	Commissions	(#) Shares	Cost per Share
LYNCH JONES & RYAN*	$249,899	5,941,251	$0.04
MELVIN SECURITIES**	195,107	5,139,130	0.04
CABRERA CAPITAL MARKETS**	145,899	4,831,881	0.03
GARDNER RICH & CO.**	126,197	4,015,391	0.03
MERRILL LYNCH PIERCE FENNER & SMITH	111,873	4,452,163	0.03
LOOP CAPITAL MARKETS/BROADCORT CAPITAL**	109,538	4,195,579	0.03
LIQUIDNET INC.	87,657	3,658,846	0.02
WILLIAMS CAPITAL GROUP**	76,575	2,039,755	0.04
GOLDMAN SACHS & CO.	75,501	2,007,961	0.04
KNIGHT SECURITIES	73,004	5,544,662	0.01
MR BEAL & CO.**	71,958	1,892,844	0.04
JEFFRIES & CO.	69,745	1,801,539	0.04
INVESTMENT TECHNOLOGY GROUP INC.	67,739	3,763,128	0.02
BEAR STEARNS	66,272	2,452,279	0.03
LEHMAN BROTHERS INC. NEW YORK	58,448	2,077,877	0.03
CITIGROUP GLOBAL MARKETS/SMITH BARNEY	54,737	1,403,940	0.04
INSTINET*	51,980	1,280,484	0.04
BNY ESI SECURITIES CO.	47,249	1,267,481	0.04
NATIONAL FINANCIAL SERVICES	46,401	1,272,466	0.04
JONES AD	45,086	1,154,301	0.04
BERNSTEIN, SANFORD & CO.	39,188	1,036,861	0.04
CREDIT SUISSE FIRST BOSTON CORP.	37,992	1,217,156	0.03
JONESTRADING INST SERV.	36,337	1,045,508	0.03
MORGAN STANLEY & CO. INC. NEW YORK	33,763	1,587,235	0.02
BOE SECURITIES INC./BROADCORT CAP.**	32,410	842,497	0.04
JP MORGAN SECURITIES	28,260	750,336	0.04
CAP INSTITUTIONAL SERVICES INC.	25,630	546,415	0.05
JACKSON SECURITIES**	25,296	662,175	0.04
MANAGERS WITH < $25,000 OF COMMISSIONS	641,211	21,229,220	0.03
Total Domestic Equity Commissions	**$2,730,955**	**89,110,361**	**$0.03**

**Commission recapture brokerage firm. The Retirement Board has commission recapture arrangements with two firms, where 70% of commission costs are rebated to the Fund.*

***Women/minority-owned brokerage firm. 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 headquartered in the State of Illinois.*

International Equity Brokerage Commissions

As of December 31, 2007

Broker Name	Commissions	(#) Shares
MERRILL LYNCH	$112,987	14,516,225
CREDIT SUISSE FIRST BOSTON CORP.	112,732	11,035,674
UBS AG	91,638	11,465,732
CITIGROUP GLOBAL MARKETS	86,531	9,362,945
JP MORGAN SECURITIES	83,256	8,789,650
MORGAN STANLEY & CO.	69,851	6,291,579
GOLDMAN SACHS & CO.	56,379	5,173,352
CREDIT LYONNAIS	52,425	8,386,774
LEHMAN BROTHERS INC.	40,973	2,609,883
BEAR STEARNS	38,715	4,245,760
DEUTSCHE BANK SECURITIES	31,551	35,479,862
HSBC BANK	30,305	1,712,251
INSTINET*	30,033	4,973,678
PERSHING LLC	26,102	2,125,195
MANAGERS WITH < $25,000 OF COMMISSIONS	338,910	28,853,010
Total International Equity Commissions	**$1,202,387**	**155,021,570**

**Commission recapture brokerage firm. The Retirement Board has commission recapture arrangements with two firms, where 70% of commission costs are rebated to the Fund.*

*For a **schedule of investment fees by category**, please refer to the schedule "Investment Management Compensation" on pages 40 – 41.*

Actuarial

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April 9, 2008
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, 2007. 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 actuarially required contribution for 2008. It includes disclosure information required under Governmental Accounting Standards Board (GASB) Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. The assumptions and methods used were selected by the actuary and meet the parameters set for the disclosure presented in the financial section by GASB Statement No. 25 and GASB Statement No. 43.

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

- Active Member Valuation Data
- Retirees 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 utilized for active members and persons receiving benefits from the Plan was 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 Normal 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 2.97 is needed to adequately finance the Plan. It should be noted that the statutory employer contributions have been less than the Annual Required Contribution (ARC) for the past five years and are again expected to be less than the ARC for 2008. In order for employer contributions to be increased, the State legislature would first need to amend the statute.

The valuation results set forth 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. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Gabriel, Roeder, Smith & Company

Michael R. Kivi

Amy Williams

Michael R. Kivi, F.S.A.	Amy Williams, A.S.A.
Senior Consultant	Consultant

Summary of Actuarial Valuation

		December 31, 2006		December 31, 2007	% Change
ACTUARIAL VALUES					
Termination Values					
Liability	$	6,786,768,449	$	7,010,401,993	**3.30 %**
Assets - Actuarial Value		6,509,145,626		6,890,462,918	**5.86 %**
Deficiency/(Excess)		277,622,823		119,939,076	**(56.80)%**
Funded Ratio		**95.91%**		**98.29%**	**2.48 %**
Actuarial Values [1]					
Actuarial Liability	$	9,692,319,483	$	10,186,615,187	**5.10 %**
Assets - Actuarial Value		6,509,145,626		6,890,462,918	**5.86 %**
Unfunded Liability (Surplus)		3,183,173,857		3,296,152,269	**3.55 %**
Funded Ratio		**67.16%**		**67.64%**	**0.72 %**
Annual Required Contribution (ARC)	$	366,410,212	$	384,169,836	**4.85 %**
Market Values					
Actuarial Liability	$	9,692,319,483	$	10,186,615,187	**5.10 %**
Assets - Market Value		6,841,127,865		7,009,523,943	**2.46 %**
Unfunded Liability		2,851,191,618		3,177,091,244	**11.43 %**
Funded Ratio		**70.58%**		**68.81%**	**(2.51)%**
Book Values					
Actuarial Liability	$	9,692,319,483	$	10,186,615,187	**5.10 %**
Assets - Book Value		5,730,220,266		5,939,764,793	**3.66 %**
Unfunded Liability (Surplus)		3,962,099,217		4,246,850,394	**7.19 %**
Funded Ratio		**59.12%**		**58.31%**	**(1.37)%**

[1] *Values include both Pension and OPEB*

Summary of Actuarial Valuation (continued)

	December 31, 2006	December 31, 2007	% Change
Assets			
Market Value - Beginning of Year	$ 6,356,888,734	$ 6,841,127,865	**7.62 %**
Income			
Investment Income	778,725,950	485,926,151	**(37.60)%**
Employer Contributions	157,062,769	148,137,050	**(5.68)%**
Employee Contributions	129,466,091	132,442,200	**2.30 %**
Subtotal	1,065,254,810	766,505,401	**(28.04)%**
Outgo (Refunds, Benefits & Expenses)	581,015,679	598,109,323	**2.94 %**
Net Change	484,239,131	168,396,078	**(65.22)%**
Market Value - End of Year	$ 6,841,127,865	$ 7,009,523,943	**2.46 %**
Book Value - Beginning of Year	$ 5,279,937,024	$ 5,730,220,266	**8.53 %**
Income			
Investment Income	744,770,061	527,074,600	**(29.23)%**
Employer Contributions	157,062,769	148,137,050	**(5.68)%**
Employee Contributions	129,466,091	132,442,200	**2.30 %**
Subtotal	1,031,298,921	807,653,850	**(21.69)%**
Outgo (Refunds, Benefits & Expenses)	581,015,679	598,109,323	**2.94 %**
Net Change	450,283,242	209,544,527	**(53.46)%**
Book Value - End of Year	$ 5,730,220,266	$ 5,939,764,793	**3.66 %**
Actuarial Value - Beginning of Year	$ 6,332,378,676	$ 6,509,145,626	**2.79 %**
Income			
Investment Income	471,253,769	698,847,365	**48.30 %**
Employer Contributions	157,062,769	148,137,050	**(5.68)%**
Employee Contributions	129,466,091	132,442,200	**2.30 %**
Subtotal	757,782,629	979,426,615	**29.25 %**
Outgo (Refunds, Benefits & Expense)	581,015,679	598,109,323	**2.94 %**
Net Change	176,766,950	381,317,292	**115.72 %**
Actuarial Value - End of Year	$ 6,509,145,626	$ 6,890,462,918	**5.86 %**

Summary of Actuarial Valuation (continued)

	December 31, 2006	December 31, 2007	% Change
Members			
Active[1]	33,429	34,885	**4.36 %**
Inactive	10,200	9,105	**(10.74)%**
Retirees	18,183	18,198	**0.08 %**
Deferred	1	3	**200.00 %**
Survivors	4,451	4,410	**(0.92)%**
Disabilities	523	513	**(1.91)%**
Children	193	178	**(7.77)%**
Payroll Data			
Valuation Payroll	$ 1,475,877,378	$ 1,564,458,835	**6.00 %**
Average Salary	44,150	44,846	**1.58 %**

[1]*Active members 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, 2007. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2008.
2. To develop the annual required contribution (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension cost under GASB #27 and the annual OPEB cost under GASB #45.
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 active lives.

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.

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 contribution (ARC) under GASB #25 for the year ending December 31, 2008, is $360.4 million, which is for pension benefits only. This amount is net of employee contributions of $135.9 million and is based on a 30-year amortization period.

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB) beginning with the Fund’s 2006 fiscal year. The OPEB ARC for the fiscal year ending December 31, 2008, is $23.8 million.

Because of the requirements of GASB #43, there are some differences between the calculation of the ARC for pension benefits and the ARC for OPEB. These differences are summarized below.

	Pension ARC	OPEB ARC
Investment Return	8.00% per year	4.50% per year
Assets	5-year smoothed market	No assets (Pay-as-you-go)

GASB #43 requires that the investment return assumption (or “discount rate”) used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The investment return assumption of 4.50 percent reflects the fact that OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

Beginning with the December 31, 2006, actuarial valuation, GASB #25 requires the use of a 30-year amortization period to determine the pension ARC.

The Unfunded Actuarial Accrued Liability based on the Actuarial Value of Assets increased from $3.183 billion to $3.296 billion during the year, resulting in a change in funding ratio from 67.2 percent to 67.6 percent. The increase in the Unfunded Actuarial Accrued Liability is largely attributable to a shortfall in contributions relative to the actuarially determined contribution requirement and a loss due to retirement, termination and mortality. A more thorough examination of these and other factors can be found in the Analysis of Financial Experience and the Reconciliation of Funded Ratio.

Based on the Market Value of Assets, the Unfunded Actuarial Accrued Liability increased from $2.851 billion to $3.177 billion, and the funded ratio decreased from 70.6 percent to 68.8 percent.

Plan Membership

	December 31, 2006	December 31, 2007
Active Members [1]		
Number	33,429	34,885
Vested	15,689	16,117
Non-vested	17,740	18,768
Average Age	46.1	46.1
Average Service	10.8	10.8
Average Annual Salary	$44,150	$44,846
Inactive Members		
Number	10,200	9,105
Average Age	43.9	44.7
Average Service	4.5	4.2
Retirees		
Number	18,183	18,198
Average Age	72.1	72.4
Average Annual Benefit	$27,028	$27,960
Deferreds		
Number	1	3
Average Age	51.2	52.9
Average Annual Benefit	$1,920	$8,668
Surviving Spouses		
Number	4,451	4,410
Average Age	77.0	77.2
Average Annual Benefit	$11,385	$11,589
Children	193	178
Total Members	66,457	66,779

[1]*Active members include disabled employees.*

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

Total members receiving benefits under the Plan decreased 0.1 percent during 2007, from 22,634 to 22,608, while the number of active members increased 4.4 percent from 33,429 to 34,885. Total expenditures for benefits increased from $547 million in 2006 to $563 million during 2007, or 2.9 percent.

Changes in Provisions of the Plan

The following Public Acts were passed in 2007 and made the following changes to the Fund Provisions.

PA 095-0279 was approved August 17, 2007

Provides that, beginning on the effective date, legally adopted children shall be entitled to the same benefits as other children, and no child's or survivor's benefit shall be disallowed because the child is an adopted child.

PA 095-0521 was approved August 28, 2007

Provides that, in order for an Illinois finance entity to be eligible for investment or deposit of retirement system or pension fund assets, the Illinois finance entity must annually certify that it complies with the requirements of the High Risk Home Loan Act and the rules adopted pursuant to that Act that are applicable to that Illinois finance entity. Requires the retirement system or pension fund to divest its assets with the Illinois finance entity if the certification is not made. Provides that these certification requirements are severable. Makes changes in the severability provisions applicable to the amendatory Act.

PA 095-0504 was approved August 28, 2007

Amends the Illinois Municipal Retirement Fund (IMRF) and Chicago Municipal Articles of the Illinois Pension Code. Allows a sheriff's law enforcement employee under the IMRF Article to transfer service credit under the Chicago Municipal Article to the IMRF.

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 were 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. The same assumptions that were used in the prior valuation as of December 31, 2006, were used.

2007 Experience Analysis

The Fund had an investment loss in 2007 of $49 million relative to the 8.00 percent expected rate of return on a market value basis. The gain on an actuarial value basis relative to the 8.00 percent expected rate of return was $191 million due to the deferred recognition of investment gains and losses.

Individual salary increases varied among plan participants, but the overall increase was lower than anticipated by the actuarial assumptions, resulting in an experience gain of $7 million. Service credit changes and purchases resulted in an experience loss of $40 million.

There was an additional loss of $71 million from all other factors, including actual retirement, termination, disability, mortality experience, and data changes. This is about 0.7 percent of the December 31, 2007, liabilities, which is a reasonable variation.

The following tables summarize the experience gains and losses for the year:

Reconciliation of Funded Ratio

	2007	**2006**
Funded Ratio Beginning of Year	**67.16%**	**68.46%**
Expected Increase If All Assumptions Realized	1.27%	1.18%
Expected Funded Ratio	**68.43%**	**69.64%**
Gains (Losses) during the Year Attributable to:		
Contributions in Excess (Less Than) of Normal Cost plus Interest	-1.98%	-1.67%
Gain (Loss) on Investment Return	1.89%	-0.25%
Gain (Loss) from Salary Changes	0.05%	-0.11%
Gain (Loss) from Retirement, Termination, & Mortality	-0.48%	-0.36%
Gain (Loss) from Data Corrections	0.00%	0.00%
Gain (Loss) from Transfers	0.00%	0.00%
Change in Methodology	0.00%	0.00%
Non-ERI Service Credit Changes and Purchases	-0.27%	-0.09%
Changes in Assumptions	0.00%	0.00%
Plan Amendments	0.00%	0.00%
Total Gain (Losses) During the Year	-0.79%	-2.48%
Funded Ratio End of Year	**67.64%**	**67.16%**

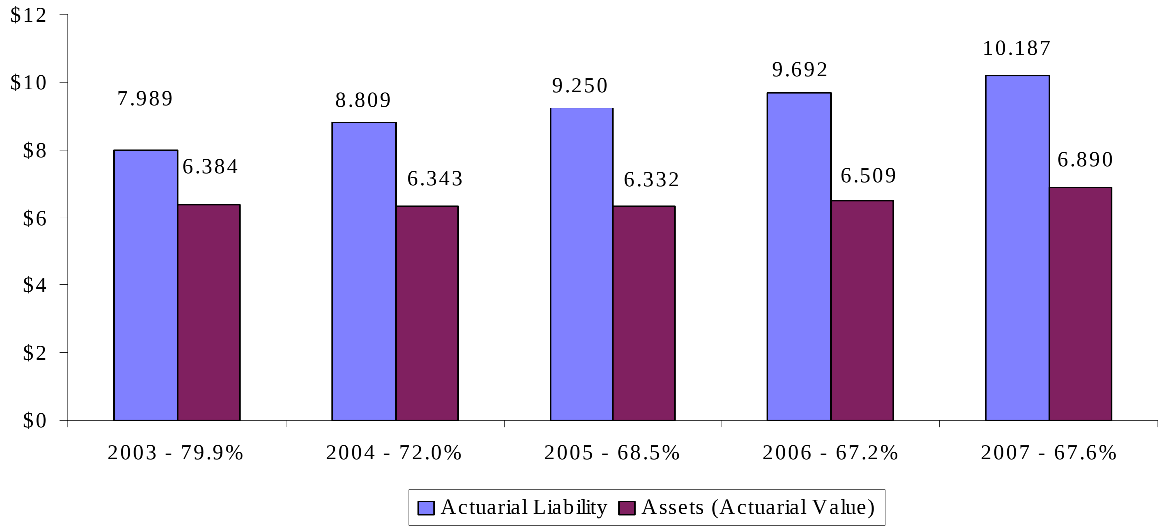
Analysis of Financial Experience

	2007	2006	2005	2004	2003
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) Beginning of Year	$3,183,173,857	$2,917,833,141	$2,465,424,785	$1,604,537,599	$1,173,117,883
(Gains) Losses during the Year Attributable to:					
Contributions less than (in excess of) Normal Cost plus Interest	199,581,204	160,792,128	117,187,386	32,776,482	3,456,024
(Gain) Loss on Investment Return	(190,572,574)	23,783,664	218,674,940	282,820,577	358,329,234
(Gain) Loss from Salary Changes	(7,181,683)	15,270,913	79,469,300	(48,441,973)	(70,999,285)
(Gain) Loss from Retirement, Termination, & Mortality	71,476,178	51,557,086	122,267,607	109,401,939	109,170,676
(Gain) Loss from Data Corrections	-	-	-	-	-
(Gain) Loss from Transfers	-	-	-	24,201,945	-
Change in Methodology	-	-	-	-	-
Non-ERI Service Credit Changes/Purchases	39,675,287	13,936,925	10,339,947	95,475,721	-
Changes in Assumptions	-	-	(95,530,824)	-	-
Plan Amendments	-	-	-	364,652,495	31,463,067
Net Increase (Decrease) in UAAL	112,978,412	265,340,716	452,408,356	860,887,186	431,419,716
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) End of Year	$3,296,152,269	$3,183,173,857	$2,917,833,141	$2,465,424,785	$1,604,537,599

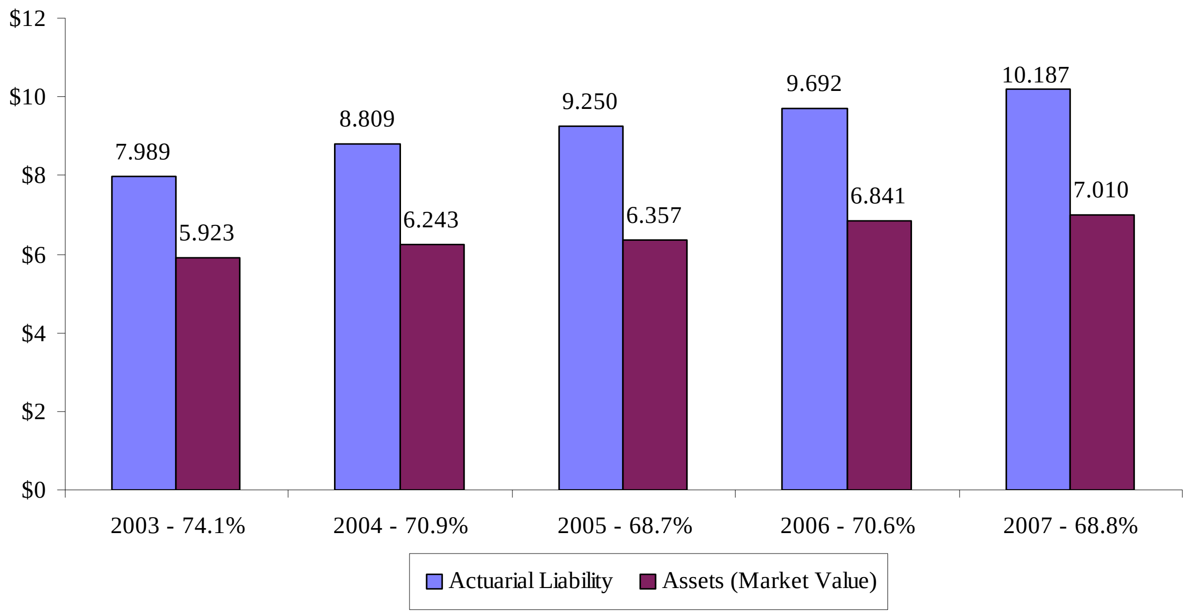
Funding Analysis

The following charts summarize the various measures of benefit security (funded ratio) examined in this valuation and highlight the trends of the measures.

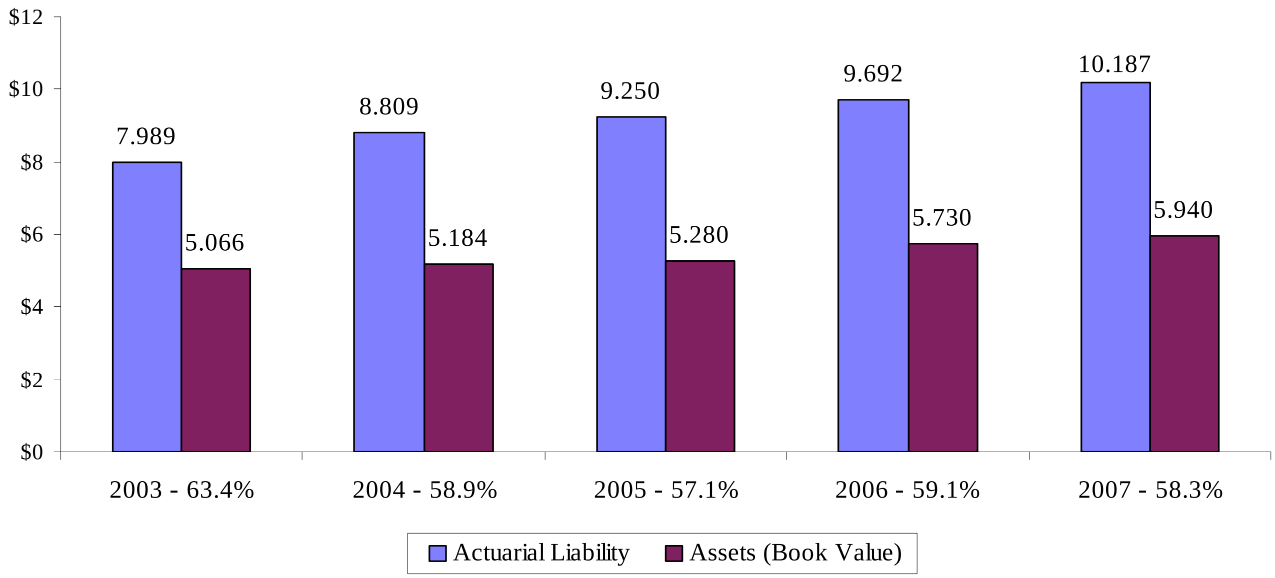
Components of Funded Ratio
State Reporting ($ in billions)



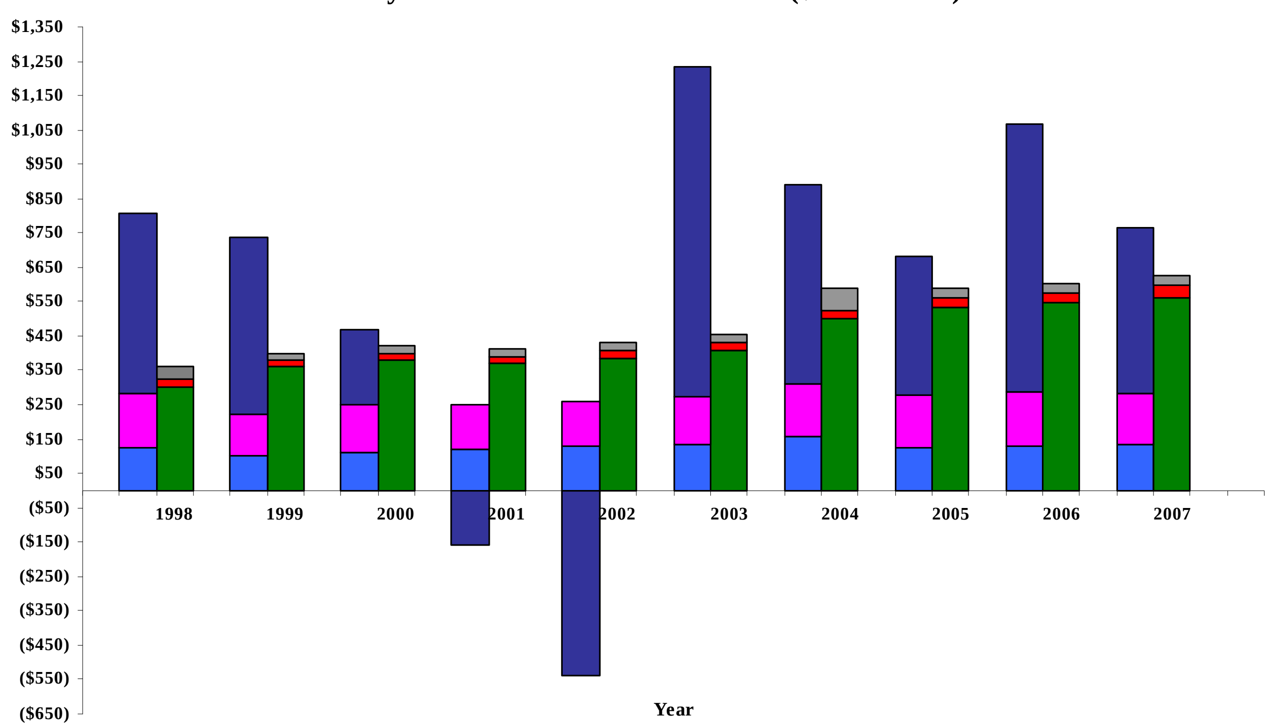
Components of Funded Ratio
Based on Market Value ($ in billions)



Components of Funded Ratio
Based on Book Value ($ in billions)



Summary of Income and Disbursements ($ in millions)



INCOME: Employee Contributions
Employer Contributions
Investment Income

DISBURSEMENTS: Benefits
Expenses
Refunds

Conclusion

On a market value basis, the funded ratio has decreased from 70.6 percent in the last valuation to 68.8 percent in this valuation due to lower than expected returns on a Market Value of Assets basis and contribution shortfalls and liability losses. When measured using the Actuarial Value of Assets, which smoothes gains and losses over a five-year period, the funding ratio increased from 67.2 percent in 2006 to 67.6 percent in 2007. Future decreases in the funded ratio are expected to occur as a result of contributions that are insufficient to adequately finance the Plan.

Summary of Actuarial Values

	APV of Projected Benefits	2008 Normal Cost
(1) Values for Active and Inactive Members		
(a) Retirement	$ 5,513,197,811	$ 148,817,640
(b) Termination - Vested	400,837,938	23,141,161
(c) Termination - Non Vested	90,263,179	26,335,464
(d) Death	126,866,493	6,200,029
(e) Inactive Vested and Non-Vested	204,453,577	-
(f) Health Insurance	224,499,123	10,446,202
(g) Disability	-	11,733,441
(h) Expenses of Administration	-	7,532,301
Total for Actives and Inactives	$ 6,560,118,121	$ 234,206,238
(2) Values for Members in Payment Status	$ 5,572,797,922	$ -
(3) Grand Totals	$ 12,132,916,043	$ 234,206,238
Actuarial Present Value of Future Compensation		$ 14,134,128,724

Actuarial Reserve Liabilities

As of December 31, 2007

Accrued Liabilities for Active and Inactive Participants [1]	$ 4,613,817,265
Reserves For:	
Service Retirement Pension	$ 4,757,632,799
Future Spouses of Current Retirees	389,796,148
Surviving Spouse Pension	335,581,179
Health Insurance Supplement	88,135,217
Children Annuitants	1,652,579
Total Accrued Liabilities	$ 10,186,615,187
Unfunded Actuarial Liabilities	$ 3,296,152,269
Actuarial Net Assets	$ 6,890,462,918

[1] *Accrued liabilities for active participants include retirement liability for members in ordinary or duty disabled status. Liability for disability benefits is recognized as a one-year term cost of 0.75 percent of pay added to the normal cost.*

Statutory Reserves

As of December 31, 2007

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserves[1]			
Retirees	$ 1,091,692,298	$ 4,153,028,489	$ 5,244,720,787
Future Surviving Spouses	248,236,694	352,381,550	600,618,244
Spouse	153,153,119	169,707,354	322,860,473
Annual Benefits			
Retirees	$ 131,682,711	$ 377,133,285	$ 508,815,996
Future Surviving Spouses	N/A	N/A	N/A
Spouse	22,613,156	28,494,592	51,107,748

[1]*Statutory Reserves are based on the Combined Annuity Mortality Table with interest at 3% per annum or the American Experience Table of Mortality at 4% per annum*

Actuarial Accrued Liability Prioritized Solvency Test

Valuation Date 12/31	(1) Active and Inactive Member Contribution	(2) Retirees And Beneficiaries	(3) Active and Inactive Members (ER Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets (1)	(2)	(3)
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%
2005 [1]	1,252,060,754	5,325,007,461	2,673,143,602	6,332,378,676	100.00%	95.40%	0.00%
2006	1,347,789,693	5,438,978,756	2,905,551,034	6,509,145,626	100.00%	94.90%	0.00%
2007	1,437,604,071	5,572,797,922	3,176,213,194	6,890,462,918	100.00%	97.85%	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 plan'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 and inactive member contributions on deposit; (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active and inactive members. In a plan that has been following the discipline of financing, the obligation for active and inactive 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 and inactive members (present value 3) will be partially covered by the remainder of present assets. Generally, if the plan has been following a system of amortizing the Unfunded Liability, the funded portion of present value (3) will increase over time.

Development of Actuarial Value of Assets

As of December 31,2007

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

(a) Market Value of Assets as of 12/31/2006 — $ 6,841,127,865

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

	Item	Amount	Weight for Timing	Weighted Amount
i)	Member Contributions	$ 132,442,200	50.0%	$ 66,221,100
ii)	City Contributions & Misc.	148,137,050	50.0%	74,068,525
iii)	Benefit Payments	(562,567,510)	50.0%	(281,283,755)
iv)	Refunds	(28,009,512)	50.0%	(14,004,756)
v)	Administration	(7,532,301)	50.0%	(3,766,151)
vi)	Total			$(158,765,037)

(c)	Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vi))]	$ 6, 682,362,828
(d)	Assumed Rate of Return on Plan Assets for the Year	8.00%
(e)	Expected Return [(c) * (d)]	$ 534,589,026

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

(a)	Market Value of Assets as of 12/31/2006	$ 6,841,127,865
(b)	Income (less investment income) for Prior Plan Year	280,579,250
(c)	Disbursements Paid in Prior Year	598,109,323
(d)	Market Value of Assets as of 12/31/2007	7,009,523,943
(e)	Actual Return [(d) + (c) - (b) - (a)]	$ 485,926,151

(3) **Investment Gain/(Loss) for Prior Year** — $ (48,662,875)

(4) **Actuarial Value of Assets as of 12/31/2007**

(a) Market Value of Assets as of 12/31/2007 — $ 7,009,523,943

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

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	2003	$ 558,324,412	0.00%	$ -
ii)	2004	115,258,014	20.00%	23,051,603
iii)	2005	(85,582,181)	40.00%	(34,232,872)
iv)	2006	281,954,324	60.00%	169,172,594
v)	2007	(48,662,875)	80.00%	(38,930,300)
vi)	Total	$ 821,291,694		$ 119,061,025

(c) Actuarial Value of Assets [(a) - (b) (vi)] — $ 6,890,462,918

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
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%
2005	285,291,350	153,389,000	155,067,116	54.35%
2006	325,913,986	153,184,000	157,062,769	48.19%
2007	366,410,212	146,096,000	148,137,050	40.43%

[1]*Under Normal Cost plus Level-Dollar Amortization. Amortization period of 30 years beginning in 2007 and 40 years prior to 2007. Negative ARC values are set to Zero, as no contribution is then required*
[2]*Tax levy after 4.00 percent loss*
[3]*Net tax levy plus miscellaneous. Includes prior year adjustments for taxes*

Annual Required Contributions of Employer and Trend Information (continued)

Year	Assets Available for Benefits as a % of Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Surplus) as a % of Covered Payroll End of Year	Employer Contribution as a % of Covered Payroll Beginning of Year
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%
2005	68.46%	207.33 %	11.90%
2006	67.16%	215.68 %	11.16%
2007	67.64%	210.69 %	10.04%

Actuarial accrued liabilities and contributions include pension and OPEB

Retirees and Beneficiaries Added To and Removed From Payrolls

Last ten years

Year	Added to Payroll No.	Added to Payroll Ann. Benefits[1]	Removed from Payroll No.	Removed from Payroll Ann. Benefits	Payroll End of Year No.	Payroll End of Year Ann. Benefits	Average Annual Benefit	Increase in Average Benefit
Employee Annuitants (Male and Female)								
1998 [2]	3,135	$94,348,388	670	$9,714,702	15,838	$299,778,262	$18,928	17.65%
1999	604	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 [2]	3,133	127,180,562	733	14,182,304	18,253	464,549,712	25,451	14.77%
2005	698	27,479,544	730	15,040,308	18,221	476,988,948	26,178	2.86%
2006	713	30,424,920	751	15,961,128	18,183	491,452,740	27,028	3.25%
2007	769	34,450,704	754	17,087,448	18,198	508,815,996	27,960	3.45%
Surviving Spouse Annuitants (Not Including Compensation)								
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%
2005	255	3,408,036	260	2,624,292	4,467	50,078,232	11,211	1.70%
2006	265	3,498,720	281	2,904,360	4,451	50,672,592	11,385	1.55%
2007	247	3,464,400	288	3,029,244	4,410	51,107,748	11,589	1.79%

[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
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 %
2005	33,743	1.43 %	1,407,323,058	8.00 %	41,707	6.47 %	4.50 %	3.59 %
2006	33,429	(0.93)%	1,475,877,378	4.87 %	44,150	5.86 %	4.50 %	0.71 %
2007	34,885	4.36 %	1,564,458,835	6.00 %	44,846	1.58 %	4.50 %	4.73 %
Average Increase (Decrease) for the Last five years		(0.30)%		2.71 %		2.98 %	4.70 %	2.59 %

Actuarial Methods and Assumptions

As of December 31, 2007

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 Normal Actuarial Cost Method. Under this Method, a Normal Cost is developed by spreading 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, as a level percentage of pay.

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., 30 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: 1994 Group Annuity Mortality Table, sex distinct Tables set forward two years. (Adopted 2005)

Disability: Disability cost valued as a term cost of 0.75 percent of payroll. (Adopted 2005)

Rate of Retirement:

	Age and Service - Based Rates of Retirement								
Service	**50-54**	**55-59**	**60-64**	**65**	**66**	**67**	**68**	**69**	**70+**
10			15%	25%	20%	17%	15%	15%	100%
11			13%	23%	18%	15%	13%	13%	100%
12			10%	20%	15%	12%	10%	10%	100%
13			10%	20%	15%	12%	10%	10%	100%
14			10%	20%	15%	12%	10%	10%	100%
15			10%	20%	15%	12%	10%	10%	100%
16			10%	20%	15%	12%	10%	10%	100%
17			10%	20%	15%	12%	10%	10%	100%
18			10%	20%	15%	12%	10%	10%	100%
19			10%	20%	15%	12%	10%	10%	100%
20		10%	10%	20%	15%	12%	10%	10%	100%
21		10%	10%	20%	15%	12%	10%	10%	100%
22		10%	10%	20%	15%	12%	10%	10%	100%
23		10%	10%	20%	15%	12%	10%	10%	100%
24		10%	10%	20%	15%	12%	10%	10%	100%
25		20%	15%	25%	20%	17%	15%	15%	100%
26		16%	16%	26%	21%	18%	16%	16%	100%
27		17%	17%	27%	22%	19%	17%	17%	100%
28		18%	18%	28%	23%	20%	18%	18%	100%
29		19%	19%	29%	24%	21%	19%	19%	100%
30	25%	20%	20%	30%	25%	22%	20%	20%	100%
31	20%	20%	20%	30%	25%	22%	20%	20%	100%
32	20%	20%	20%	30%	25%	22%	20%	20%	100%
33	37%	37%	37%	47%	42%	39%	37%	37%	100%
34	37%	37%	37%	47%	42%	39%	37%	37%	100%
35	30%	30%	30%	40%	35%	32%	30%	30%	100%
36	30%	30%	30%	40%	35%	32%	30%	30%	100%
37	40%	40%	40%	50%	45%	42%	40%	40%	100%
38	60%	60%	60%	70%	65%	62%	60%	60%	100%
39	80%	80%	80%	90%	85%	82%	80%	80%	100%
40	100%	100%	100%	100%	100%	100%	100%	100%	100%

Rates of Retirement: Adopted 2005

Rates of Termination:

Service	Rate
0	20.00%
1	15.00%
2	10.00%
3	9.00%
4	8.00%
5	7.00%
6	6.50%
7	5.75%
8	4.75%
9	4.50%
10	5.00%
11	4.00%
12	4.00%
13	3.60%
14	3.30%
15	3.00%
16	2.80%
17	2.50%
18	2.30%
19	2.10%
20	1.90%
21	1.70%
22	1.60%
23	1.50%
24	1.30%
25	1.20%
26	1.10%
27	1.00%
28	0.90%
29	0.80%
30	0.00%

Rates of termination adopted 2005.

Economic Assumptions

Investment Return Rate and Discount Rate: 8.00 percent per annum (net of investment expense) for pensions and 4.50 percent per annum for OPEB. The 8.00 percent assumption contains a 3.00 percent inflation assumption and a 5.00 percent real rate of return assumption for pension. Pension investment return and discount rate adopted 1999 and OPEB discount rate adopted 2005.

Future Salary Increases: The following illustrative annual rates of salary increases were used:

Service	Salary Scale
1	7.00%
2	6.75%
3	6.25%
4	5.75%
5	5.25%
6-19	4.75%
20+	4.50%

Adopted 2005.

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 percent 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, age 65 and older, 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: 4.00 percent overall loss on tax levy is assumed.

Statistical

This section of the comprehensive annual financial report contains trend information to help the reader understand how the Plan's financial performance had changed over time.

Source of Data

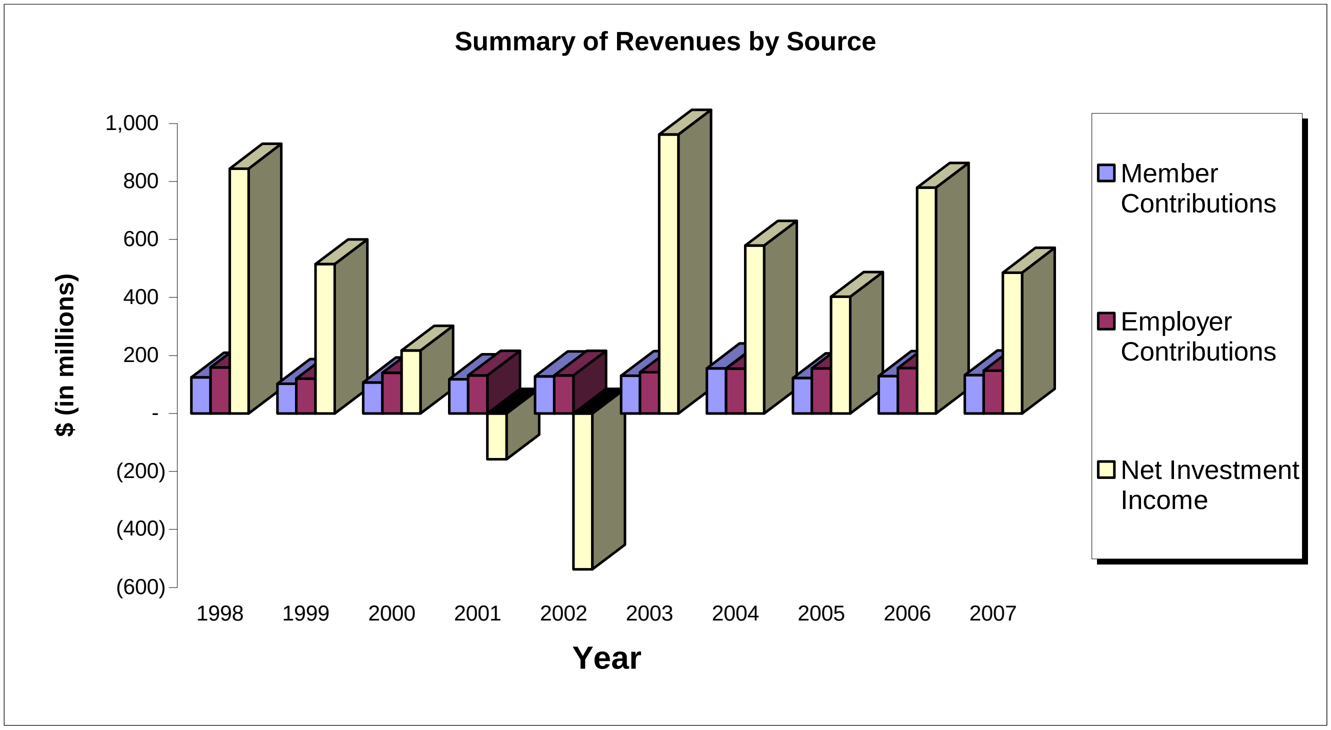
Data presented in this section of the comprehensive annual financial report is derived from the financial statements; retirement files prepared by the Plan staff and from the actuarial valuation report.

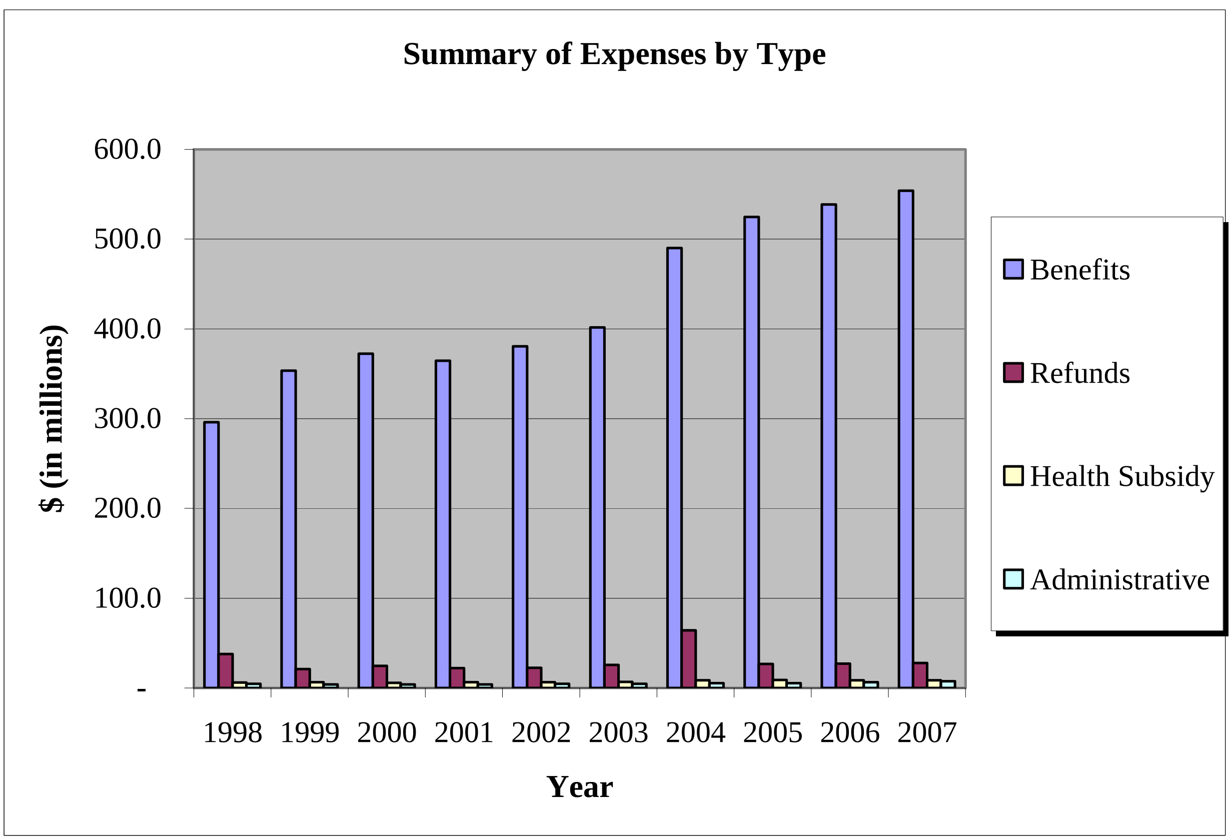
Methodology

Data were imported into Microsoft Excel for calculations and for generating graphs and statistical tables with ten years of data.

Assumptions

Active members are those with reported wages in the last payroll of the calendar year. Retired members and beneficiaries are those who were paid benefits in the last month of calendar year.


Summary of Revenues by Source
$ (in millions)
1,000
800
600
400
200
-
(200)
(400)
(600)
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
Member Contributions
Employer Contributions
Net Investment Income


Summary of Expenses by Type
$ (in millions)
600.0
500.0
400.0
300.0
200.0
100.0
-
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
Benefits
Refunds
Health Subsidy
Administrative

Changes in Plan Net Assets (Last ten years)

	2007	2006	2005	2004
Additions:				
Employer contributions	$ 148,137,050	$ 157,062,769	$ 155,067,116	$ 153,919,476
Member contributions	132,442,200	129,466,091	122,542,484	155,884,575
Net investment income	485,926,151	778,725,950	402,310,621	578,730,089
Total Additions	766,505,401	1,065,254,810	679,920,221	888,534,140
Deductions:				
Annuities:				
Retirement	491,780,107	477,505,602	464,243,871	431,559,744
Spouse	51,063,889	50,340,031	49,783,518	49,163,339
Children	567,797	580,445	595,785	596,325
Total Annuities	543,411,793	528,426,078	514,623,174	481,319,408
Disabilities:				
Ordinary	7,857,240	7,824,045	8,011,243	7,200,947
Duty	2,767,567	2,443,087	1,979,267	1,629,578
Total disabilities	10,624,807	10,267,132	9,990,510	8,830,525
Health insurance subsidy				
Retiree	7,199,189	7,373,775	7,499,145	7,301,575
Spouse	1,318,801	1,343,866	1,367,932	1,376,142
Children	12,920	12,835	9,944	12,240
Total health insurance subsidy	8,530,910	8,730,476	8,877,021	8,689,957
Refunds:				
Separation	24,156,118	24,417,644	23,302,733	41,155,595 [1]
Beneficiaries	2,649,518	2,253,324	3,015,029	2,351,692
Others [2]	1,203,876	523,340	419,694	20,765,013
Total refunds	28,009,512	27,194,308	26,737,456	64,272,300
Administrative Expenses	7,532,301	6,397,685	5,545,268	5,470,007
Total Deductions	598,109,323	581,015,679	565,773,429	568,582,197
Net Increase/(Decrease)	169,396,078	484,239,131	114,146,792	319,851,943
Beginning of year	6,841,127,865	6,356,888,734	6,242,741,942	5,922,789,999
End of year	7,010,523,943	6,841,127,865	6,356,888,734	6,242,641,942

[1] *Early retirement incentive offered to employees.*

[2] *Others include Transfer of contributions to other Funds and refunds due to error in deductions*

This schedule provides detailed financial information about the trends of the key sources of additions and deductions from Plan net assets and also shows the growth of the Plan net assets for the last ten years.

Changes in Plan Net Assets (continued)

2003	2002	2001	2000	1999	1998
$ 141,882,893	$ 130,966,381	$ 131,439,834	$ 140,171,920	$ 119,644,186	$ 158,564,165
129,644,188	128,395,307	118,240,723	107,371,034	102,454,040	124,675,114
961,888,872	(538,062,313)	(158,373,573)	217,067,663	515,440,459	844,588,751
1,233,415,953	(278,700,625)	91,306,984	464,610,617	737,538,685	1,127,828,030
341,614,634	321,677,720	308,930,340	316,479,067	300,490,756	256,049,250
48,558,458	47,691,000	47,073,636	48,410,776	45,783,597	31,905,210
661,845	637,823	545,019	542,763	612,360	653,079
390,834,937	370,006,543	356,548,995	365,432,606	346,886,713	288,607,539
8,475,088	8,321,808	5,893,479	5,306,741	5,159,383	5,844,025
2,404,604	2,264,690	2,026,502	1,638,730	1,470,101	1,618,312
10,879,692	10,586,498	7,919,981	6,945,471	6,629,484	7,462,337
5,606,013	5,109,041	5,103,748	4,765,407	5,319,168	5,056,235
1,275,598	1,169,581	1,168,505	1,069,503	1,150,637	1,129,501
-	-	-	-	-	-
6,881,611	6,278,622	6,272,253	5,834,910	6,469,805	6,185,736
21,848,317	19,682,186	19,548,445	20,983,768	20,957,744	34,731,234 [1]
2,884,456	1,771,013	2,096,763	2,670,519	N/A	N/A
828,712	972,718	306,586	1,020,561	241,788	3,119,947
25,561,485	22,425,917	21,951,794	24,674,848	21,199,532	37,851,181
4,678,633	4,557,088	4,086,513	3,844,082	3,851,246	4,654,198
438,836,358	413,854,668	396,779,536	406,731,917	385,036,780	344,760,991
794,579,595	(692,555,293)	(305,472,552)	57,878,700	352,501,905	783,067,039
5,128,210,404	5,820,765,697	6,126,238,249	6,068,359,549	5,715,857,644	4,932,790,605
5,922,789,999	5,128,210,404	5,820,765,697	6,126,238,249	6,068,359,549	5,715,857,644

[1] *Early retirement incentive offered to employees.*

Additions By Source *(Last ten years)*

Year	Employer Contributions	Member Contributions	Investment Income (net of expense)	Total
1998	$ 158,564,165	$ 124,675,114	$ 844,588,751	$ 1,127,828,030
1999	119,644,186	102,454,040	515,440,459	737,538,685
2000	140,171,920	107,371,034	217,067,663	464,610,617
2001	131,439,834	118,240,723	(158,373,573)	91,306,984
2002	130,966,381	128,395,307	(538,062,313)	(278,700,625)
2003	141,882,893	129,644,188	961,888,872	1,233,415,953
2004	153,919,476	155,884,575	578,730,089	888,534,140
2005	155,067,116	122,542,484	402,310,621	679,920,221
2006	157,062,769	129,466,091	778,725,950	1,065,254,810
2007	148,137,050	132,442,200	485,926,151	766,505,401

Deductions By Type *(Last ten years)*

Year	Benefits	Health Insurance Subsidy	Refunds	Administrative Expense	Total
1998	$ 296,069,876	$ 6,185,736	$ 37,851,181	$ 4,654,198	$ 344,760,991
1999	353,516,197	6,469,805	21,199,532	3,851,246	385,036,780
2000	372,378,077	5,834,910	24,674,848	3,844,081	406,731,916
2001	364,468,976	6,272,253	21,951,794	4,086,513	396,779,536
2002	380,593,041	6,278,622	22,425,917	4,557,088	413,854,668
2003	401,714,629	6,881,611	25,561,485	4,678,634	438,836,359
2004	490,149,933	8,689,957	64,272,300	5,470,007	568,582,197
2005	524,613,684	8,877,021	26,737,456	5,545,268	565,773,429
2006	538,693,210	8,730,476	27,194,308	6,397,685	581,015,679
2007	554,036,600	8,530,910	28,009,512	7,532,301	598,109,323

The following schedules contain information to help the reader understand how the Plan's financial report relates to the services and activities it provides to its members.

Benefits By Type *(Last ten years)*

	Annuity Benefits				Disability Benefits			
Year	Employee	Surviving Spouse	Children	Total Annuities	Ordinary	Duty	Total Disabilities	Total Benefits
1998	$ 256,049,250	$31,905,210	$ 653,079	$ 288,607,539	$ 5,844,025	$ 1,618,312	$ 7,462,337	$ 296,069,876
1999	300,490,756	45,783,597	612,360	346,886,713	5,159,383	1,470,101	6,629,484	353,516,197
2000	316,479,067	48,410,776	542,763	365,432,606	5,306,741	1,638,730	6,945,471	372,378,077
2001	308,930,340	47,073,636	545,019	356,548,995	5,893,479	2,026,502	7,919,981	364,468,976
2002	321,677,720	47,691,000	637,823	370,006,543	8,321,808	2,264,690	10,586,498	380,593,041
2003	341,614,634	48,558,458	661,845	390,834,937	8,475,088	2,404,604	10,879,692	401,714,629
2004	431,559,744	49,163,339	596,325	481,319,408	7,200,947	1,629,578	8,830,525	490,149,933
2005	464,243,871	49,783,518	595,785	514,623,174	8,011,243	1,979,267	9,990,510	524,613,684
2006	477,505,602	50,340,031	580,445	528,426,077	7,824,045	2,443,087	10,267,133	538,693,210
2007	491,780,107	51,063,889	567,797	543,411,793	7,857,240	2,767,567	10,624,807	554,036,600

Health Insurance Subsidy Benefit by Type of Annuitant *(Last ten years)*

Year	Employee Annuitants	Spouse Annuitants	Child Annuitants	Total
1998	$ 5,056,235	$ 1,129,501	$ -	$ 6,185,736
1999	5,319,168	1,150,637	-	6,469,805
2000	4,765,407	1,069,503	-	5,834,910
2001	5,103,748	1,168,505	-	6,272,253
2002	5,109,041	1,169,581	-	6,278,622
2003	5,606,013	1,275,598	-	6,881,611
2004	7,301,575	1,376,142	12,240	8,689,957
2005	7,499,145	1,367,932	9,944	8,877,021
2006	7,373,775	1,343,866	12,835	8,730,476
2007	7,199,189	1,318,801	12,920	8,530,910

Refunds by Type *(Last ten years)*

Year	Separation	Beneficiaries	Others[2]	Total
1998	$ 34,731,234	N/A	$ 3,119,947	$ 37,851,181
1999	20,957,744	N/A	241,789	21,199,532
2000	20,983,768	$ 2,670,519	1,020,561	24,674,848
2001	19,548,445	2,096,763	306,584	21,951,794
2002	19,682,186	1,771,013	972,718	22,425,917
2003	21,848,317	2,884,456	828,713	25,561,485
2004	41,155,595	2,351,692	20,765,013	64,272,300
2005	23,302,733	3,015,029	419,695	26,737,456
2006	24,417,644	2,253,324	523,341	27,194,308
2007	24,156,118	2,649,518	1,203,876	28,009,512

[2]*Others include transfer of contributions to other Funds and refunds due to error in deductions*
N/A – not available

Current Retirees by Range of Pension Amounts

As of December 31, 2007

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Child Annuitants	Total Number of Annuitants
Deferred	3	-	-	3
$ 1 - $ 250	343	77	178	598
251 - 500	322	63	-	385
501 - 750	237	56	-	293
751 - 1,000	1,126	3,163	-	4,289
1,001 - 1,250	4,069	326	-	4,395
1,251 - 1,500	1,141	270	-	1,411
1,501 - 1,750	1,245	181	-	1,426
1,751 - 2,000	1,163	115	-	1,278
2,001 - 2,250	1,047	65	-	1,112
2,251 - 2,500	835	42	-	877
2,501 - 2,750	771	29	-	800
2,751 - 3,000	725	14	-	739
3,001 - 3,250	648	5	-	653
3,251 - 3,500	589	3	-	592
3,501 - 3,750	564	-	-	564
3,751 - 4,000	594	1	-	595
4,001 - 4,250	449	-	-	449
4,251 - 4,500	398	-	-	398
4,501 - 4,750	449	-	-	449
4,751 - 5,000	331	-	-	331
Over $ 5,000	1,152	-	-	1,152
Totals	**18,201**	**4,410**	**178**	**22,789**

Source of Data: 2007 Actuarial Valuation Report

Average Employee Retirement Benefits Payable *(Last ten years)*

Year	Average Annual Benefit	Average Current Age of Retirees	Average Annual Benefit at Retirement Current Year	Average Age at Retirement Current Year	Average Years Service at Retirement Current Year
1998	$ 18,928	71.5	$ 23,471	62.4	27.6
1999	19,347	72.3	12,625	63.5	N/A
2000	19,789	72.6	13,986	64.5	17.4
2001	20,364	73.0	17,063	63.5	21.4
2002	21,211	73.1	23,407	63.2	22.0
2003	22,176	72.6	25,832	61.9	25.3
2004	25,451	71.0	35,222	59.6	27.9
2005	26,178	71.8	22,753	63.5	24.4
2006	27,028	72.1	23,757	63.1	24.1
2007	27,960	72.4	26,910	63.1	24.6

Source: 2007 Actuarial Valuation Report

Retirees and Beneficiaries By Type of Benefit *(Last ten years)*

	Annuity			Disability		Compensation	Reciprocal	
Year	Employee	Spouse	Child	Ordinary	Duty	Annuitants	Employee[1]	Spouse
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
2005	16,027	4,094	204	304	158	2[1]	2,194	373
2006	15,926	4,075	193	330	193	2[1]	2,257	376
2007	15,899	4,042	178	304	209	2[1]	2,299	368

[1] *Compensation annuitants also included with spouse annuitants*

Source of Data: 2007 Actuarial Valuation Report

Retirees and Beneficiaries By Type of Coverage - Health Insurance Subsidy *(Last ten years)*

	Covered Annuitants *						
	Employee		Spouse			Total Not	Total
Year	Single	Family	Single	Family	Total	Covered	Annuitants
1998	5,543	3,141	1,859	63	10,606	9,714	20,320
1999	4,930	2,911	1,747	61	9,649	10,582	20,231
2000	5,479	2,895	1,931	60	10,365	9,773	20,138
2001	5,481	2,807	1,921	61	10,270	9,617	19,887
2002	5,501	2,795	1,933	62	10,291	9,772	20,063
2003	5,524	2,757	1,918	46	10,245	10,109	20,354
2004	6,337	3,450	1,901	49	11,737	10,988	22,725
2005	6,326	3,326	1,885	46	11,583	11,105	22,688
2006	6,252	3,218	1,863	47	11,380	11,254	22,634
2007	6,255	3,087	1,807	49	11,198	11,410	22,608

* *Does not include deferred annuitants and children*

Source: 1998-2007 Actuarial Reports

Staff Retiree Healthcare Plan (OPEB)

Counts

Actives	Retirees and Beneficiaries	Total
47	9	56

Retiree and Beneficiary Healthcare Coverage Type [1]

1 Person	2 Person	Family	Total
47	9	9	56

[1] Coverage Type for actives not provided because assumption is made on coverage type at the time of retirement.

Average Pension Benefit Payments to New Retirees *(Last ten years)*

Retirement Effective Dates		10-14	15-19	20-24	25-30	30+	Total
	Average Monthly Benefit at Retirement	N/A	N/A	N/A	N/A	N/A	$ 2,033
1998	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	$ 3,026
	Number of New Retirees	N/A	N/A	N/A	N/A	N/A	3,135
	Average Monthly Benefit	N/A	N/A	N/A	N/A	N/A	$ 1,138
1999	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	$ 2,340
	Number of Active Recipients	N/A	N/A	N/A	N/A	N/A	604
	Average Monthly Benefit at Retirement	N/A	N/A	N/A	N/A	N/A	$ 1,236
2000	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	$ 2,764
	Number of Active Recipients	N/A	N/A	N/A	N/A	N/A	593
	Average Monthly Benefit at Retirement	N/A	N/A	N/A	N/A	N/A	$ 1,506
2001	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	NA
	Number of Active Recipients	N/A	N/A	N/A	N/A	N/A	557
	Average Monthly Benefit at Retirement	N/A	N/A	N/A	N/A	N/A	$ 2,025
2002	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	$ 3,406
	Number of Active Recipients	N/A	N/A	N/A	N/A	N/A	910
	Average Monthly Benefit at Retirement	$ 921	$ 1,391	$ 1,813	$ 2,550	$ 3,532	$ 2,419
2003	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Recipients	135	107	98	133	318	791
	Average Monthly Benefit at Retirement	$ 911	$ 1,631	$ 2,237	$ 2,776	$ 3,767	$ 3,005
2004	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Recipients	137	210	473	583	1,408	2,811
	Average Monthly Benefit at Retirement	$ 1,067	$ 1,250	$ 1,578	$ 2,177	$ 3,269	$ 2,394
2005	Average Final Average Salary	$ 2,955	$ 2,799	$ 3,110	$ 3,298	$ 4,095	$ 3,565
	Number of Active Recipients	56	54	51	65	219	445
	Average Monthly Benefit at Retirement	$ 1,141	$ 1,286	$ 1,577	$ 2,416	$ 3,610	$ 2,451
2006	Average Final Average Salary	$ 3,471	$ 2,927	$ 3,076	$ 3,716	$ 4,555	$ 3,804
	Number of Active Recipients	53	60	95	73	194	475
	Average Monthly Benefit at Retirement	$ 1,198	$ 1,381	$ 2,029	$ 2,658	$ 3,919	$ 2,800
2007	Average Final Average Salary	$ 3,548	$ 3,075	$ 3,796	$ 2,811	$ 4,939	$ 4,242
	Number of Active Recipients	54	69	94	70	229	516

This schedule excludes reciprocal annuities, money purchase annuities and minimum annuities beginning in 2003.
N/A – not available

Number of Covered Employees *(Last ten years)*

Year	Male Participants	Female Participants	Total Participants
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
2005	13,039	20,704	33,743
2006	13,107	20,322	33,429
2007	13,568	21,317	34,885

Source of Data: 2007 Actuarial Valuation Report

Covered Employees by Age & Length of Service

Attained	Completed Years of Service									
Age	**Under 1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35 & Over**	**Total**
Under 20	34	47	-	-	-	-	-	-	-	81
20-24	242	623	92	-	-	-	-	-	-	957
25-29	274	1,341	559	69	-	-	-	-	-	2,243
30-34	214	1,231	1,084	358	26	-	-	-	-	2,913
35-39	246	1,216	1,367	864	382	16	-	-	-	4,091
40-44	190	1,125	1,470	1,022	855	357	15	-	-	5,034
45-49	148	1,055	1,561	1,151	1,104	829	301	18	1	6,168
50-54	116	802	1,197	980	1,098	912	516	126	6	5,753
55-59	77	513	797	752	885	658	266	104	45	4,097
60-64	34	242	438	351	439	392	190	64	46	2,196
65-69	13	90	173	149	148	153	80	52	40	898
70 & Over	7	50	100	60	67	57	44	21	48	454
W/O DOB	-	-	-	-	-	-	-	-	-	-
Total	**1,595**	**8,335**	**8,838**	**5,756**	**5,004**	**3,374**	**1,412**	**385**	**186**	**34,885**

Source of Data: 2007 Actuarial Valuation Report