MEABF

Municipal Employees' Annuity and Benefit Fund of Chicago

A Pension Trust Fund of the City of Chicago
Chicago, Illinois

2009

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2009

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For the Fiscal Year Ended December 31, 2009

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

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Municipal Employees' Annuity and Benefit Fund of Chicago for its 2008 Comprehensive Annual Financial Report. To qualify, the report must satisfy both generally accepted accounting principles and applicable legal requirements. MEABF has received this Certificate of Achievement for the last twenty years.

2010 RETIREMENT BOARD

Joseph M. Malatesta
President
Elected Trustee

Steve Lux
Vice-President
Ex-Officio Trustee
(Comptroller, City of Chicago)

Stephanie D. Neely
Treasurer
Ex-Officio Trustee
(Treasurer, City of Chicago)

Peter M. Brejnak
Recording Secretary
Elected Trustee

John K. Gibson
Elected Trustee

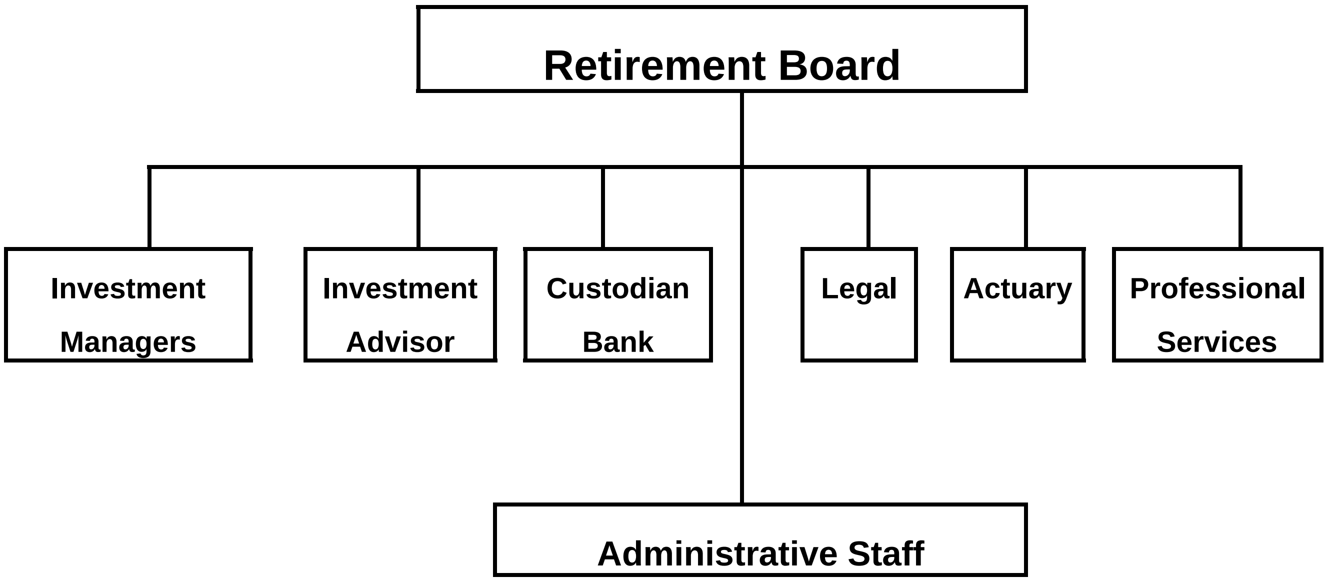
A five-member Retirement Board is the governing body of the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF). By statute, the Retirement Board shall consist of two serving as ex-officio members, the City Comptroller and the City Treasurer, and three members who are employees and elected by the contributing members.

The Retirement Board is ultimately responsible for the operation, administration and management of all the activities of MEABF. Having oversight of the investment activities, the Retirement Board sets investment policies and objectives, hires investment managers and investment consultants and reviews investment performance. The Retirement Board also approves the MEABF operating budget and approves or denies benefit claims.

The Retirement Board appoints the Executive Director, and retains consultants for investment, actuarial, legal and other provisional services necessary for the transaction of business.

The Retirement Board meets monthly and holds special meetings as needed. As members of the Retirement Board, they receive no compensation.

Organizational Chart



Consultants

Investment Consultant

Brian Wrubel
James R. Wesner

Marquette Associates
Chicago, IL

Legal Advisors

Frederick P. Heiss
William A. Marovitz

Chicago, IL

Auditors

Michael Huels, C.P.A.
Bansley & Kiener, L.L.P.

Chicago, IL

Master Custodian

Rita Curtin

The Northern Trust Company

Chicago, IL

Actuary

Michael R. Kivi, F.S.A.

Amy Williams, A.S.A.

Gabriel Roeder Smith & Company

Chicago, IL

Medical Advisor

Terence Sullivan, M.D.

Chicago, IL

Custodian

Stephanie D. Neely

City Treasurer

Chicago, IL

Investment Managers and Investment Fees - *are listed on pages 45-48*
Brokers used by Investment Managers - *are listed on pages 68-69*

ORGANIZATIONAL CHART

RETIREMENT BOARD

Administrative Staff

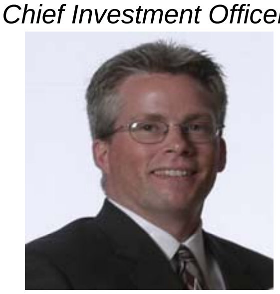
Terrance R. Stefanski, C.P.A.
Executive Director

Joseph M. Malatesta
Deputy Executive Director

Tess Toledo
Comptroller

- Contributions
- General Ledger
- Retiree Payroll Services
- Information Systems

Jim Mohler
Chief Investment Officer



- Peformance Analysis
- Cash Management
- Investment Accounting

Jane Tessaro
Benefits Manager

- Pension Benefits
  - Counseling
  - Applications
  - Health Insurance
  - Telecommunications
- Disability Benefits

- Document Management
- Office Support

Appointed by the Retirement Board, the Executive Director and his staff are responsible for the Plan's day- administration and operation. The administrative staff also implements the investment policies and decisions of the Retirement Board and the Plan benefit provisions. The administrative staff of fifty fulltime fulltime employees serves 31,586 actively contributing members; 22,782 retirees and surviving annuitants; and 12,919 inactive members.

LETTER OF TRANSMITTAL

June 1, 2010

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

It is with great pleasure that we present the Comprehensive Annual Financial Report (CAFR) of the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Plan"), a pension trust fund of the City of Chicago, for the year ended December 31, 2009. This transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A, which immediately follows the Independent Auditor's Report in the Financial Section, provides additional narrative introduction, overview and analysis of the basic financial statements.

Management Responsibility

Management is responsible for the information contained in this report. We have committed the resources necessary to maintain an internal accounting control system designed to safeguard assets and allow preparation of financial statements, supporting schedules and statistical tables that are fairly presented in accordance with generally accepted accounting principles. Controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. It is to the best of our knowledge and belief, that the information contained in this report is complete, all disclosures necessary to enable the reader to gain an understanding of MEABF activities have been included and the accompanying financial statements, schedules and statistical tables are fairly presented.

This report is available on the web at http://www.meabf.org/publications.php.

Independent Audit

Bansley and Kiener, Certified Public Accountants, have conducted the audit of the Plan's financial statements and issued an unqualified ("clean") opinion of the Plan's financial statements for the calendar year December 31, 2009. The independent auditor's report is located at the front of the Financial Section of this report.

MEABF Profile

MEABF is a pension trust fund of the City of Chicago. It is a defined benefit single employer plan that was established in 1921 by the Illinois State legislature, which is the governing body that sets benefit levels, and employee and employer contribution levels for financing the Plan. It is a component unit of the City of Chicago and as such, it is included in the City of Chicago's financial statements. MEABF is the largest of four City of Chicago pension trust funds: Police, Fire, Laborers and Municipal.

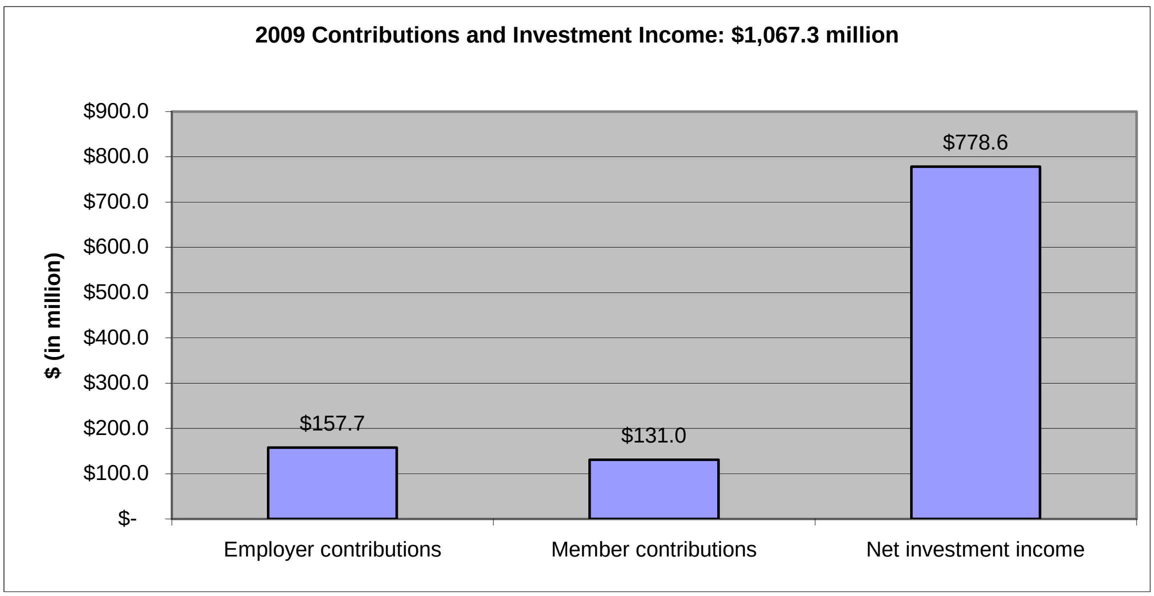
MEABF is administered under the direction of a five-member Retirement Board comprised of two ex-officio members (the City Treasurer and the City Comptroller) and three elected members. The Retirement Board is responsible for making rules, investing reserves, developing investment objectives, adopting investment policies, evaluating asset allocations and hiring investment and professional consultants. The Retirement Board is also responsible for reviewing actuarial assumptions, conducting experience analysis, contracting for an independent audit, actuarial valuations and reporting the Plan's financial condition. The Retirement Board appoints an executive director who manages a staff to carry out daily operations.

MEABF provides age and service retirement benefits, survivor benefits, post-retirement increases, duty disability benefits and ordinary disability benefits to all members who meet Plan requirements. MEABF also provides a fixed amount of post-employment healthcare subsidy for its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. For a more detailed MEABF description, its membership and the benefit provisions, please read Note 2 of the Notes to Financial Statements located on pages 27 thru 33.

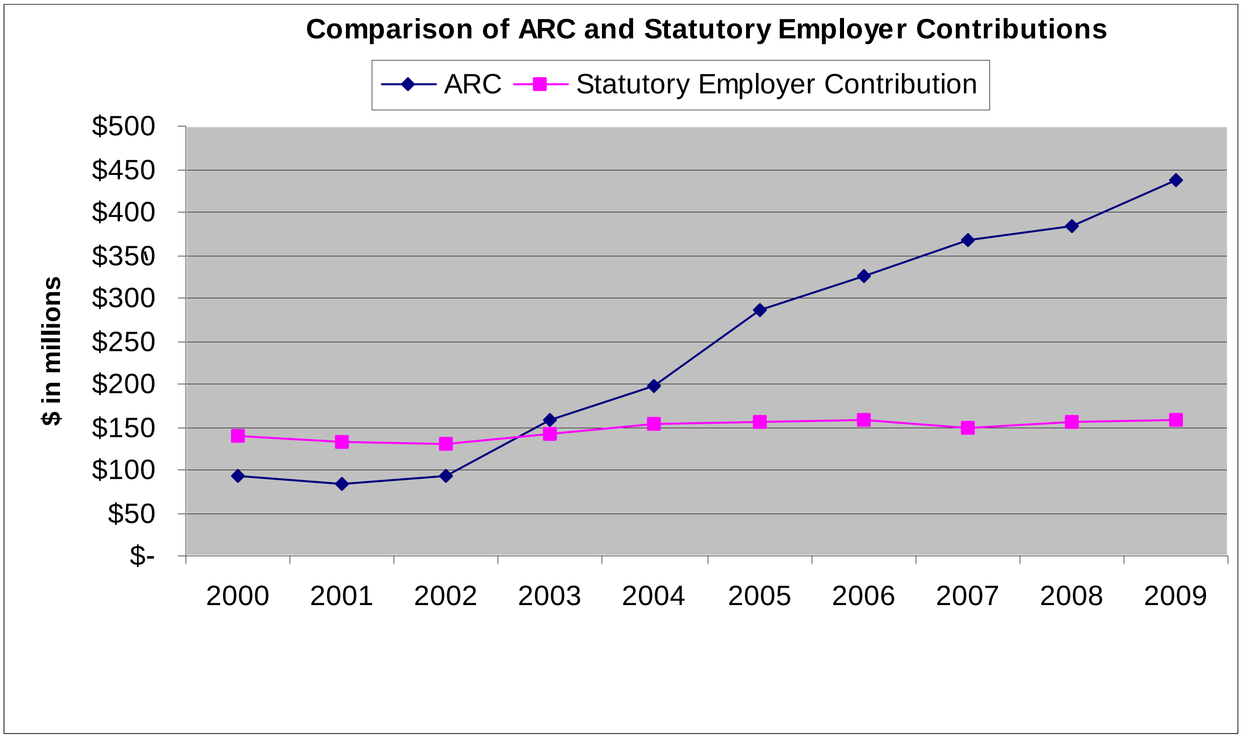
The Plan experienced a 3.0 percent decrease in the number of active members due to layoffs and terminations by the employer in 2009 while the number of members receiving benefits slightly increased 0.3 percent during 2009, as more employees retired from service in 2009. On December 31, 2009, there were 31,586 active members, 12,919 inactive members, 18,245 members receiving employee annuity benefits (6 of whom have deferred annuities) and 4,531 receiving survivor annuities. A breakdown of the Plan's membership is provided in the Statistical Section.

Funding Requirements

Member contributions, employer contributions and investment earnings on these contributions fund the Plan. The funding objective of MEABF is to meet all future obligations to its participants with MEABF assets and future contributions. The following chart shows contributions and investment income for 2009.



An independent actuary performs an annual valuation of the Plan to determine whether the current levels of contribution will be sufficient to cover the cost of benefits earned by members. As of the December 31, 2009 actuarial valuation conducted by Gabriel Roeder Smith, MEABF had $6,295.8 million in actuarial value of assets, $11,054.3 million in actuarial liabilities for pension and post-employment healthcare subsidies leaving $4,758.5 million in unfunded actuarial accrued liabilities. Based on the actuarial value of assets, the funded ratio for both pension and post-employment healthcare subsidy decreased to 57.0 percent in 2009 from 62.9 percent in the prior year. The report concludes that future decreases in the funded ratio are expected to occur as a result of contributions that are insufficient to adequately finance the Plan. The chart below shows that for the past seven years, the statutory employer contributions have been less than the Annual Required Contribution (ARC).



Due to statutory constraints, the employer contributed only 35.8% of the $413.5 million ARC for 2009 pension benefits; and contributed 42.0% of the $23.0 million ARC for 2009 other post-employment benefits. Employer contributions in 2010 are again expected to be less than the ARC. The Retirement Board continues to stress the importance of proper annual funding of the Plan to ensure its long-term solvency. A detailed discussion of funding is provided in the Actuarial Section of this report. Historical information relating to funding progress is presented in the Required Supplementary information – Schedule of Funding Progress in the Financial Section.

Major Initiatives

The Retirement Board is responsible for benefit administration and investing fund reserves. The most noteworthy initiatives in 2009 are discussed below.

Administration:

The Plan, in its endeavor to provide excellent customer service to its members and participants, continues to invest in improving its processes and staying ahead in technology. In 2009 MEABF continues to make progress on several on-going projects.

MEABF staff and the software developers continued working on the Pension Benefit Administration System (PBS), a data management and benefit administration system that will streamline our processes, preserve data integrity, and safeguard data. The project was re-evaluated and modifications to the original design and specifications pushed the projected completion date to the last quarter of 2010. PBS will provide users with better technology solutions for the administration of benefit services by incorporating user friendly, time efficient process.
On the Document-Imaging initiative, file records of active members were completed in 2008 and survivor annuitant records were completed in 2009 as scheduled. Back-file conversion of employee annuitants is ongoing and has a target completion date of early 2011. On average, 400 pages are imaged daily.

Pre-retirement workshops explaining the benefit provisions of the Plan and outlining the benefit application process are held periodically at different employer sites throughout the year and include presentations by MEABF staff. We strive for excellence in serving our members, in providing accurate and timely information. MEABF continues to analyze its ways of interacting with its members and seeks to improve ways to make member interaction as professional, pleasant and informative as possible. MEABF staff, trained to provide attentive and responsive member service, responded to approximately a quarter of a million phone inquiries from Plan members and annuitants in 2009.

Investments:

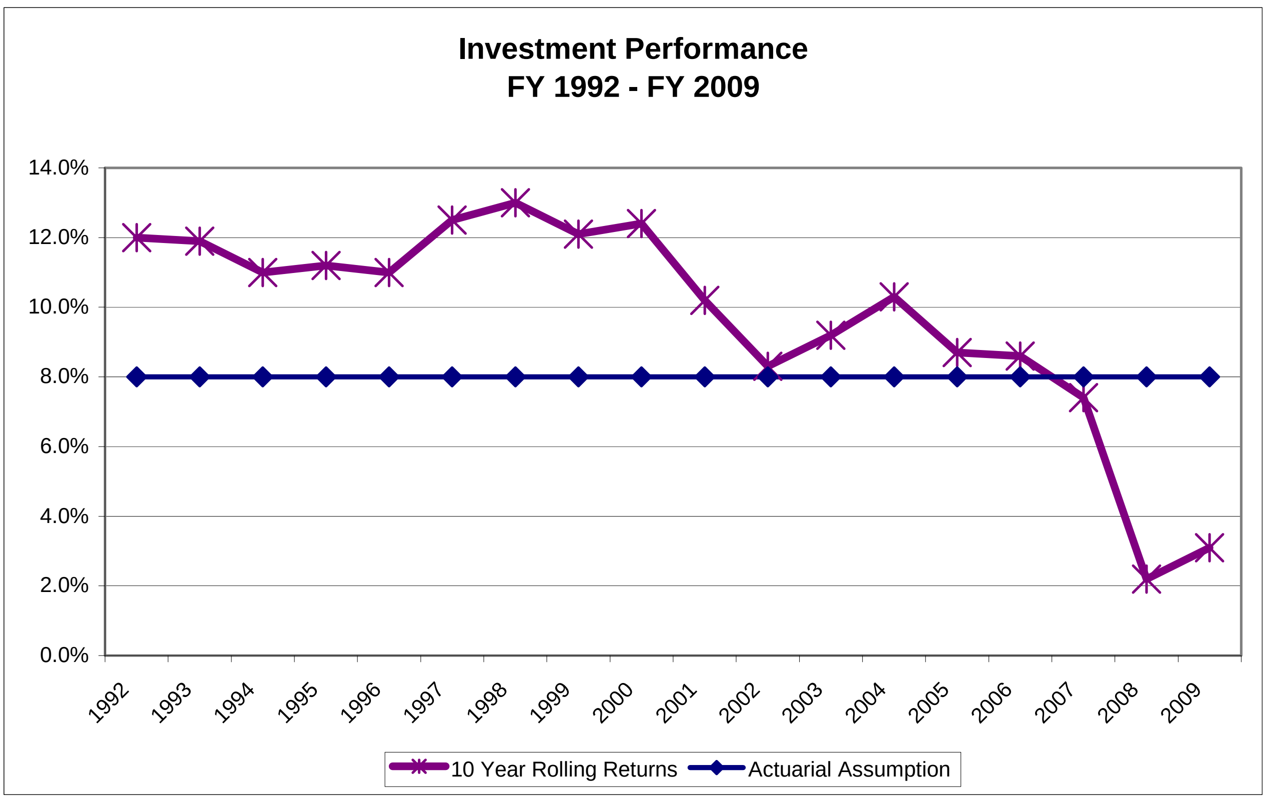
The Retirement Board took the following actions in accordance with their investment policy:

- Real Estate and Private Equity
  - $50 million to Mesirow Financial, a Chicago-based firm, for its real estate fund. In contract discussions.
  - $10 million to Carpenter Community BancFund, a private equity fund that invests in community bank opportunities.
- Domestic Equity
  - $60 million to RhumbLine Advisors, an African American-owned firm, to manage a mid cap growth index account.
  - $80 million to Geneva Capital Management, a Milwaukee-based firm, to manage a mid cap growth account.
  - FIS Group hired to manage the emerging manager of managers program.
  - A change in mandate for Keeley Asset Management from mid cap value to small cap value.
  - A change in mandate for William Blair & Company from small/mid cap growth to mid cap growth.
- Hedged Equity
  - An additional $25 million was allocated to K2 Advisors for the hedged equity fund of funds account.
  - An additional $25 million was allocated to The Rock Creek Group, a female-owned firm, for the hedged equity fund of funds account.
- Fixed Income
  - $300 million to Segall Bryant & Hamill, a Chicago-based firm, to manage a new allocation in the intermediate fixed income asset class.
  - $75 million to Symphony Asset Management to manage a new allocation in senior bank loans.
  - An additional $25 million was allocated to MacKay Shields for the high yield fixed income account.
- Terminated the following accounts:
  - William Blair & Company, a large cap growth account.
  - MacKay Shields, a large cap growth account.
  - Harris Investment Management, a large cap growth account.
  - Voyageur Asset Management, a mid cap growth account.
  - TCW, a small cap growth account.
  - United Investment Managers, an emerging manager of managers program.

Economic Factors

Record market reductions continued into 2009, eventually bottoming out in early March. Historic levels of monetary stimulus pumped into the economy eased gridlock in the capital markets, allowing company's access to much needed capital. As investor panic eased, markets began to rally, helping produce strong returns in 2009. Throughout this volatile time, the Retirement Board continued to move the Plan portfolio closer to targeted asset allocations established in August 2008. New investments in hedge funds, high yield bonds, and bank loans were made to further diversify the portfolio and gain exposure to market sectors participating in strong recoveries from depressed valuations. Within each investment mandate, mutually agreed upon goals, objectives and guidelines are set to measure performance and safeguard assets. More detail on MEABF's target allocation mix and the Retirement Board's investment goals, objectives and guidelines can be located within the Investment Section of this report.

The total return for MEABF in 2009 was 19.7%, significantly above the MEABF actuarial assumption of 8%, and well above returns of –27.9% and 7.8% earned in 2008 and 2007, respectively. Even with 2009 reflecting strong returns, the effects of 2008 continued to depress long-term returns. The graph below compares ten-year rolling returns to the actuarial assumed rate of return going back to 1992. As you can see, over the long-term MEABF has historically outperformed the assumed rate of return. It has only been recently, 2007, that the ten-year rolling rate of return has dipped under the 8% assumption. Volatile markets or not, the Retirement Board will continue to structure the portfolio in accordance with their target allocation mix, which should reduce downside risk and best position the portfolio to achieve the Board's long-term performance goals and objectives.



Benefit payments impact on the local economy - Benefit payments, which continue to grow due to annuity cost of living increases, and refunds of contributions totaled $633 million in 2009. Approximately $557 million or 88 percent of the benefit payments remained in Illinois; $511 million or 81 remained in Illinois Cook County and $411 million or 65 percent remained in the City of Chicago.

Certificate of Achievement for Excellence in Financial Reporting

The Plan was awarded a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the year ended December 31, 2008 by the Government Finance Officers Association of the United States and Canada (GFOA). The Plan has received this prestigious award in each of the last 20 years.

To be awarded a Certificate of Achievement, 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 conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff and our sincere appreciation is extended to Adetola Adenaya, Haeyoung Kim, James Mohler, Kathy Schanding, Kelly Wietsma, Maria Alanguilan, Nadia Oumata 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 Board of Trustees for their leadership and continued support. We sincerely thank the entire staff in all departments who, on any given day, routinely respond to the needs of our members in a professional, informative, timely and responsive manner. They are key element in the successful operations of MEABF.

Respectively submitted,

Terrance R. Stefanski
Executive Director

Teresita T. Toledo
Comptroller

The compilation of this Comprehensive Annual Financial Report is made possible by the dedicated teamwork of MEABF administrative staff under the leadership of the Board of Trustees and the Executive Director.

Left to right: Nadia Oumata, Data Analyst; Kathy Schanding, Staff Actuary; Adetola Adenaya, Assistant Comptroller; Teresita Toledo, Comptroller; Kelly Wietsma, Investment Analyst; Maria Alanguilan, LAN Coordinator; James Mohler, Chief Investment Officer; (not shown in the picture) Haeyoung Kim, Benefits Process/Projects Coordinator;

Global Distribution of 2009 Annuity Benefit Payments

State	Annuity Recipients	Annual Benefit Payments	State	Annuity Recipients	Annual Benefit Payments
AE	1	$ 23,593	New Hampshire	2	$ 38,492
Alabama	71	1,457,036	New Jersey	6	133,957
Alaska	1	20,845	New Mexico	23	631,151
Arizona	263	6,746,735	New York	11	228,958
Arkansas	70	1,629,082	North Carolina	46	916,360
California	140	3,102,963	Ohio	36	710,400
Colorado	30	714,328	Oklahoma	13	255,492
Connecticut	6	82,852	Oregon	11	143,084
District of Columbia	2	65,489	Pennsylvania	11	124,599
Florida	616	16,266,021	Puerto Rico	43	797,404
Georgia	124	2,667,797	Rhode Island	1	29,060
Hawaii	5	129,754	South Carolina	18	484,847
Idaho	6	243,379	South Dakota	3	75,381
Illinois	19,742	511,228,422	Tennessee	97	2,081,918
Indiana	264	6,106,609	Texas	134	2,929,728
Iowa	14	335,457	Utah	10	263,494
Kansas	7	123,252	Vermont	1	43,750
Kentucky	39	821,877	Virgin Islands	1	60,293
Louisiana	35	697,378	Virginia	27	442,314
Maine	3	120,133	Washington	22	427,096
Maryland	12	286,212	West Virginia	2	59,561
Massachusetts	12	323,154	Wisconsin	216	4,843,277
Michigan	153	4,079,215	Wyoming	3	72,270.00
Minnesota	36	788,135	**Total - U.S**	**22,753**	**$ 583,142,632**
Mississippi	126	2,776,252			
Missouri	38	865,076	Outside U.S	29	621,587
Montana	2	96,499			
Nebraska	3	60,727	**Total**	**22,782**	**$ 583,764,220**
Nevada	195	5,491,475			

Note:

[1] – Of the 22,782 annuity recipients, 87 percent or 19,742 annuitants remain Illinois residents; 79 percent or 17,950 annuitants reside in Illinois Cook County; and 61 percent or 13,861 annuitants reside in the City of Chicago.

[2] – Of the 29 annuity recipients living outside the U.S., 15 or 52 percent live in European countries.

[3] – Annual payments were based on the December 2009 annuity payments multiplied by 12 months.

County Distribution of 2009 Annuity Benefit Payments in the State of Illinois

County	Annuity Recipients	Annual Benefit Payments	County	Annuity Recipients	Annual Benefit Payments
BOONE	24	$ 799,194	MARSHALL	4	$ 93,922
BUREAU	3	51,031	MASON	1	45,083
CARROLL	3	67,916	MASSAC	1	53,338
CHAMPAIGN	15	426,541	MCDONOUGH	1	463
COLES	1	53,204	MCHENRY	187	5,309,969
COOK	17,950	464,420,057	MCLEAN	5	91,528
DE KALB	17	363,384	MONTGOMERY	1	21,230
DUPAGE	540	12,775,013	MORGAN	2	24,718
EDGAR	1	3,154	MOULTRIE	1	9,600
EFFINGHAM	1	9,600	OGLE	10	311,049
FAYETTE	1	9,600	PEORIA	4	105,066
FRANKLIN	6	79,814	PERRY	1	14,119
FULTON	1	55,328	POPE	1	9,600
GRUNDY	20	641,387	PULASKI	2	30,666
HENRY	2	72,771	PUTNAM	4	95,705
IROQUOIS	8	372,057	ROCK ISLAND	5	77,566
JACKSON	4	107,935	SALINE	4	47,438
JO DAVIESS	16	465,367	SANGAMON	14	358,359
JOHNSON	2	59,220	SHELBY	2	70,727
KANE	128	3,305,867	ST. CLAIR	2	29,873
KANKAKEE	41	1,069,689	STEPHENSON	7	153,543
KENDALL	17	617,991	UNION	1	38,118
KNOX	3	37,838	VERMILION	3	83,458
LA SALLE	7	188,432	WAYNE	1	45,159
LAKE	217	5,377,153	WHITESIDE	3	41,878
LEE	6	138,473	WILL	398	11,709,223
LOGAN	1	59,200	WILLIAMSON	10	249,705
MACOUPIN	2	24,342	WINNEBAGO	22	339,798
MADISON	6	90,866	WOODFORD	1	13,708
MARION	1	11,393	**Total**	**19,742**	**$ 511,228,422**

* Annual payments were based on the December 2009 annuity payments multiplied by 12 months.

Financial

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statements of plan net assets of Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Municipal Employees' Annuity & Benefit Fund of Chicago as of December 31, 2009 and 2008, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were 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.

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

April 7, 2010

Management's Discussion and Analysis as of December 31, 2009

This Management Discussion and Analysis (MD&A) of the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF" or the "Plan") provides a narrative overview and analysis of the financial activities of MEABF for the year ended December 31, 2009. Readers are encouraged to read the MD&A in conjunction with the financial statements to better understand the financial condition and performance of MEABF during the year ended December 31, 2009.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the financial statements that consists of the following components:

- The statement of plan net assets reports MEABF's at fair value or cost. Liabilities are reported at amounts owed as of the statement date; and the resulting net plan assets (assets less 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 activities 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.
- 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 MEABF.

Financial Highlights

- MEABF's investment portfolio returned 19.7 percent for 2009 (benchmark return of 18.4 percent) compared to a –27.9 percent return in 2008 (benchmark return of –23.8 percent) and 7.8 percent return in 2007 (benchmark return of 7.6 percent). Total return for the portfolio in 2009 exceeded the 8.0 percent actuarial assumed investment rate of return.
- Plan net assets held in trust reported in the Statement of Plan Net Assets total $5,166.2 million, an increase of $426.6 million or 9.0 percent from the prior year.
- Total additions as reported in the Statement of Changes in Plan Net Assets total $1,067.2 million**,** mainly attributable to the net appreciation in the fair value of investments. Total additions increased by $2,721.2 million from the prior year.
- Total deductions as reported in the Statement of Changes in Plan Net Assets total $640.6 million, an increase of $24.7 million or 3.9 percent from the prior year, due to scheduled benefit increases.
- As of the December 31, 2009 actuarial valuation, the total Plan's Unfunded Actuarial Accrued Liability (UAAL) for both pension plan and post-employment healthcare subsidy increased to $4,758.5 million in 2009 from $3,936.3 million in the prior year due to deferred recognition of investment gains and losses and continued contribution shortfalls.

- The net annual required contribution (ARC) for pension benefits only under Governmental Accounting Standards Board (GASB) Statement #25 for 2009 was $413.5 million, and the employer contributed 35.8 percent or $148.0 million in 2009. A calculation of a separate ARC for post-employment healthcare supplement is mandated by GASB #43 beginning in fiscal year 2006. The ARC for post-employment healthcare subsidy for 2009 was $23.0 million, and the employer contributed 42.0 percent or $9.7 million in 2009. Employer contributions are limited by State Statute.
- On an actuarial value of assets basis, which smoothes gains and losses over a five-year period, the funding ratio for defined pension and post-employment healthcare subsidy decreased to 57.0 percent in 2009 from 62.9 percent in 2008 and 67.6 percent in 2007.

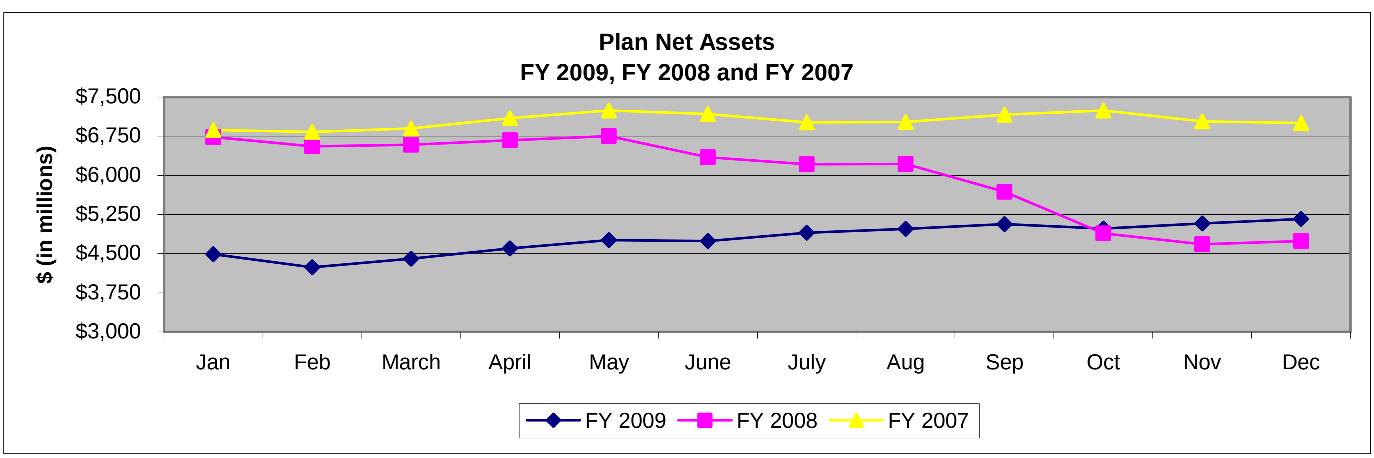
Financial Analysis

Plan Net Assets

Plan net assets as of December 31, 2009 showed a total plan net assets held in trust for pension and healthcare subsidy benefits of $5,166.2 million, compared to $4,739.6 million in 2008 and $7,009.5 million in 2007. Plan net assets increased by $426.6 million or 9.0 percent from 2008 largely due to the appreciation in the fair value of investments in 2009 from the depreciated values at the end of 2008. The value of securities on loan, shown both as assets and liabilities at year-end, also increased to $660.7 million in 2009 from $543.2 million in 2008 and $1,037.2 million in 2007.

Plan Net Assets ($ in millions)
(As of December 31, 2009, 2008 and 2007) **Table 1**

				Increase (Decrease) From 2008 to 2009	
	2009	2008	2007	$ Change	% Change
Cash, receivables and other assets	$ 241.3	$ 234.6	$ 281.0	$ 6.7	2.9%
Investments, at fair value	5,042.5	4,673.5	6,900.0	369.0	7.9%
Invested securities lending collateral	660.7	543.2	1,037.2	117.5	21.6%
Total assets	5,944.5	5,451.3	8,218.2	493.2	9.0%
Liabilities	778.3	711.7	1,208.7	66.6	9.3%
Total plan net assets	**$5,166.2**	**$4,739.6**	**$7,009.5**	**$426.6**	**9.0%**

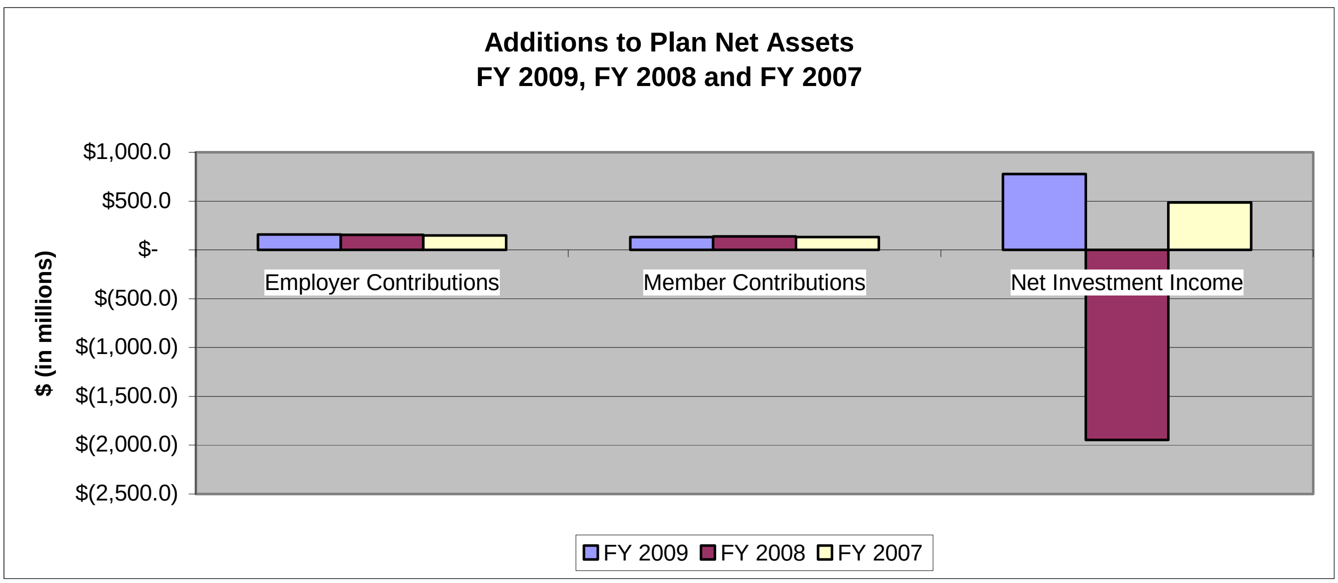


Additions and Deductions to Plan Net Assets ($ in millions)

(Years ended December 31, 2009, 2008 and 2007)

Table 2

	2009	2008	2007	Increase (Decrease) From 2008 to 2009 $ Change	% Change
Additions:					
Employer contributions	$ 157.7	$ 155.8	$ 148.1	$ 1.9	1.2%
Member contributions	131.0	137.7	132.5	(6.7)	-4.9%
Total contributions	288.7	293.5	280.6	(4.8)	-1.6%
Net investment income (loss)	750.5	(1,900.1)	483.8	2,650.6	139.5%
Net security lending income (loss)	28.0	(47.4)	1.1	75.4	159.3%
Total additions	**1,067.2**	**(1,654.0)**	**765.5**	**2,721.2**	**164.5%**
Deductions:					
Annuity and disability benefits	595.1	573.7	554.0	21.4	3.7%
Healthcare subsidy for City and BE retirees	9.7	9.0	8.5	0.7	7.8%
Refunds of contributions	28.1	25.5	28.0	2.6	10.2%
Administrative and OPEB expense	7.7	7.7	6.6	0.0	0.0%
Total deductions	**640.6**	**615.9**	**597.1**	**24.7**	**3.9%**
Net increase (decrease)	**426.6**	**(2,269.9)**	**168.4**	**2,696.5**	**118.8%**
Net assets at beginning of year	4,739.6	7,009.5	6,841.1	(2,269.9)	-32.4%
Ending net assets	**$5,166.2**	**$4,739.6**	**$7,009.5**	**$ 426.6**	**9.0%**

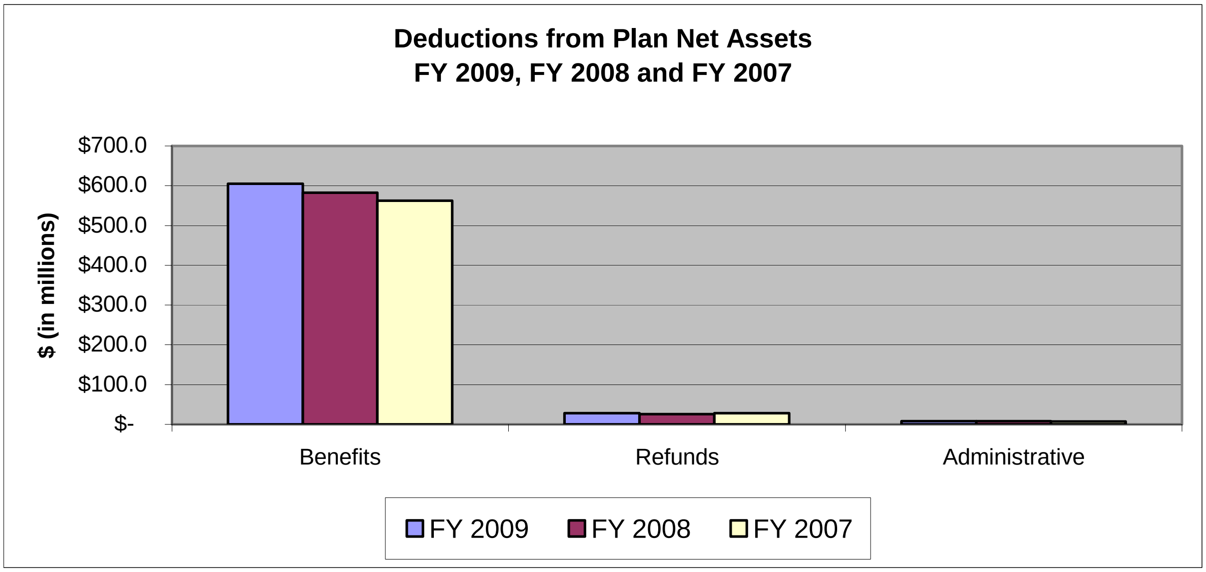


Employer contributions increased slightly by $1.9 million in 2009 to $157.7 million, compared to $155.8 million in 2008 and $148.1 million in 2007. Employer contributions are statutorily set at 1.25 times the employee contribution level in the second prior fiscal year.

Active members are required to contribute 8.5% of their salary, which is remitted to MEABF semi-monthly or bi-weekly. Member contributions totaled $131.0 million in 2009, compared to $137.7 million in 2008 and $132.5 million in 2007. The decrease is primarily attributable to layoffs and furloughs implemented both by the City of Chicago and the Board of Education in 2009.

Investments posted 19.7 percent return net of fees in 2009 compared to –27.9 percent return in 2008 and 7.8 percent return in 2007. In 2009, the financial markets regained ground from the turmoil in the investment market in 2008. The value of invested assets increased in 2009 by $750.5 million compared to a decrease of $1,900.1 million in 2008 and an increase of $483.8 million in 2007.

MEABF can earn additional investment income by allowing a provider to lend their securities to borrowers on their behalf. The borrower provides collateral on borrowed securities, which is invested in order to earn interest. Securities lending activities reflected a net gain of $28.0 million in 2009 compared to a loss of -$47.4 million in 2008 and a gain of $1.1 million in 2007.



Deductions from net assets held in trust for benefits are predominantly retirement annuity benefits. Annuity and disability benefits increased by 3.7% to $595.1 million from $573.7 million in 2008 and $554.0 million in 2007 primarily due to annual 3% cost of living increases for annuities. Post-employment healthcare subsidy benefits slightly increased to $9.7 million in 2009 from $9.0 million in 2008 and $8.5 million in 2007.

Other deductions include $28.1 million in refunds of contributions, an increase of $2.6 million or 10.2 percent from $25.5 million in 2008 and $28.0 million in 2007. In its efforts to balance its budget for fiscal year 2009, the City of Chicago announced in late December 2008 the termination of a number of City employees. This resulted to an increase in the refund of member contributions in 2009.

Administrative expenses totaled $7.7 million in 2009 and 2008 and $6.6 million in 2007. The depreciation of the pension administration system developed by Watson Wyatt was accelerated in 2008 and was retired from service in 2009 causing the increase in the administrative expense in 2008 and 2009 compared to 2007.

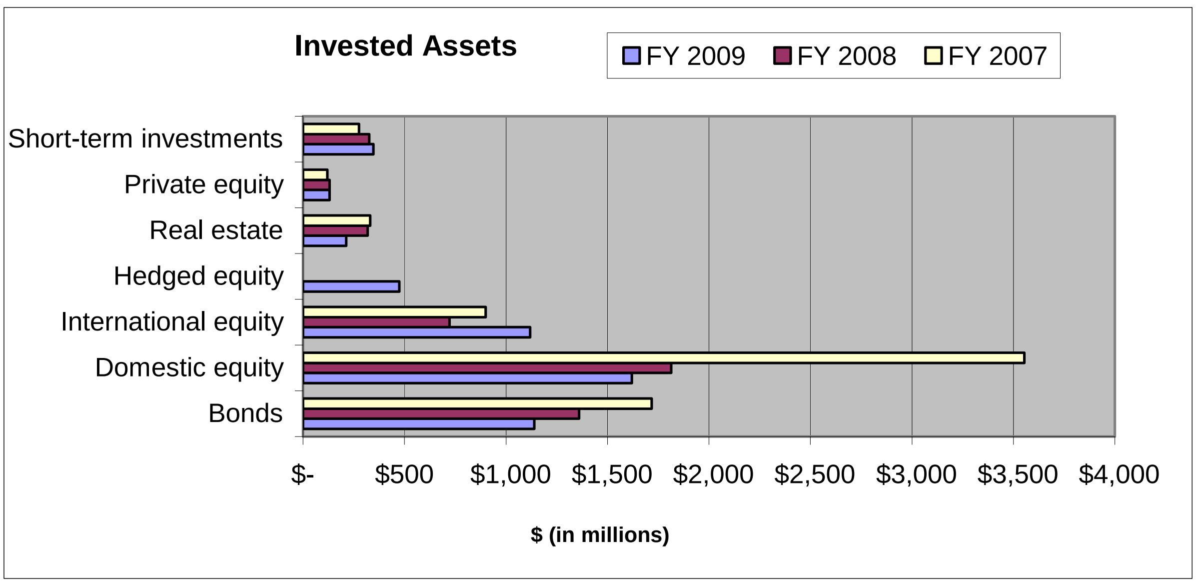
Based on the compensation study conducted in 2008 by an outside consultant, the Board approved market adjustments on salaries for 2009, making compensation more in line with the local market; however, it resulted to higher personnel costs in 2009. A reduction in the coverage for fiduciary liability insurance resulted in a decrease in fiduciary insurance premium by 33.4 percent. Among other administrative expense that decreased are: the cost of printing by 63.2 percent, supplies by 27.0 percent and consulting costs by 21.3 percent. On a cost per member basis (active and retired), administrative expense excluding direct investment expense, were $142.8 per member in 2009, compared to $140.1 in 2008 and $113.8 in 2007.

Securities Lending

The Plan's custodian is utilized for securities lending services and is authorized by contract to invest the collateral received on loaned securities in approved commingled short-term investment funds. As credit availability came to a halt in late 2008, some of the holdings within these short-term funds experienced significant markdowns, causing securities lending earnings to reflect a negative balance. The ramifications of the credit crunch led the federal government to inject record levels of stimulus into the markets, providing much needed liquidity. This massive easing helped investors reevaluate risk, which tightened historic credit spreads. These actions significantly reduced the markdown of depressed securities within utilized collateral pools, reducing our earnings shortfall to $19.3 million as of December 31, 2009, compared to $47.4 million as of December 31, 2008, an improvement of $28.1 million.

Summary of Investment at December 31 ($ in millions)

				Increase (Decrease) From 2008 to 2009	
	2009	**2008**	**2007**	$ Change	% Change
Bonds	$1,140.2	$1,360.4	$1,718.2	$(220.2)	-16.2%
Domestic equity	1,620.2	1,814.0	3,554.6	(193.8)	-10.7%
International equity	1,119.0	722.5	900.2	396.5	54.8%
Hedged equity	474.3	-	-	474.3	-
Real estate	212.0	318.4	330.5	(106.4)	-33.4%
Private equity	130.4	131.2	120.5	(0.8)	-0.6%
Short-term investments	346.4	327.0	276.0	19.4	5.9%
	$5,042.5	**$4,673.5**	**$6,900.0**	**$ 369.0**	**7.9%**



Due to positive investment performance, MEABF's investment portfolio increased by $369.0 million in 2009, closing the year at $5,042.5 million compared to $4,673.5 million in 2008 and $6,900.0 million in 2007.

The growth in assets would have been significantly higher if approximately $370.0 million in portfolio assets were not liquidated to supplement the disbursement of benefit payments during the year. Per asset class, domestic equity reflected strong returns, but exposure decreased by $193.8 million in 2009 as assets continued to be reallocated closer to target allocations. International equity increased by $396.5 million due to increased exposure and strong performance. Early in 2009, MEABF allocated a 10% position to hedged equity, a new asset class, to help reduce downside risk within the portfolio. Fixed income securities decreased by $220.2 million due to the liquidation of certain underperforming mandates and to supplement the disbursement of benefit payments. Holdings in real estate decreased by $106.4 million due to significant decreases in property appraisals.

Economic Factors and Rates of Return

After historic market declines in 2008 and the first part of 2009, markets began to turnaround, helping investors begin a long climb out of a serious hole. The deepest declining asset classes in 2008 led performance during the turnaround. MSCI International Emerging Markets index returned 78.5% percent after declining by 53.2% in the previous year. In the international developed markets, the MSCI EAFE (Europe, Australasia, and Far East) index returned 32.5% after a 43.1% decline in 2008. Domestically, the S&P 500, large companies, and the Russell 2000, smaller companies, gained 26.5% and 27.2%, respectively, after a decline of 37.0% and 33.8%, respectively. Fixed income investments, as represented by the Barclays Capital U.S. Aggregate Bond index, was one of the only positive returning asset classes in 2008, returning 5.2%; it reflected a similar return in 2009, 5.9%.

Funding Status

The funding status of MEABF determines whether plan net assets will be sufficient to meet future obligations. The funding status of MEABF is measured by a comparison of MEABF's actuarial liabilities to assets expressed as either unfunded liability or as a ratio of assets to liabilities. Actuarial liabilities represent the present value of future benefit payments to retirees and beneficiaries currently receiving payments and the value of future payments for active employees who will receive benefits in the future, calculated based on actuarial assumptions. Plan assets can be measured at market value, book value or some variation to smooth the fluctuations that occur from year to year. One method of valuing assets is the Actuarial Value of Assets, a method used by MEABF's independent actuary in performing their annual valuation of MEABF. This measurement smoothes actuarial gains and losses over a period of time and volatile market conditions are recognized over several years. The amount by which the value of future benefit payments for active and retired lives (actuarial liabilities) exceeds the actuarial values of assets is called the "Unfunded Actuarial Accrued Liability", which can be thought of as the amount of additional assets needed to provide for all future benefit obligations.

Defined Benefit Plan:- MEABF 's independent actuary, Gabriel Roeder Smith & Company, performed an actuarial valuation as of December 31, 2009. Based on this latest actuarial valuation, MEABF's actuarial value of liabilities for defined pension benefits was $10,830.1 million and actuarial value of assets was $6,295.8 million, and unfunded actuarial liability of $4,534.3 million and a funded ratio of 58.1 percent, a decrease from 64.2 percent in 2008 and 69.1 percent in 2007.

Post-employment Healthcare:- Based on this latest actuarial valuation, MEABF's estimated liability for future post-employment health insurance subsidy for City and Board of Education retirees increased to $224.2 million from $222.7 million in 2008 and $217.9 million in 2007. MEABF does not set aside assets to fund this post-employment health insurance subsidy. It is funded on a pay-as-you go basis and this benefit is set to expire in June 30, 2013.

The latest actuarial valuation shows an $822.2 million increase in the Unfunded Accrued Actuarial Liability (UAAL) for both defined pension benefits and post-employment health insurance subsidy to $4,758.5 million from $3,936.3 million in 2008 and $3,296.2 million in 2007, dropping the funded ratio to 57.0 percent in 2009 from 62.9 percent in 2008 and 67.6 percent in 2007. Albeit investments earned 19.7 percent rate of return in 2009, the UAAL increased due to the partial recognition of the losses that occurred in 2008, which had a significant negative effect on the actuarial value of assets as of December 31, 2009 and continued shortfall in contributions relative to the actuarially determined contribution requirement. Based on the actuarial smoothing techniques, MEABF has a $1,129.6 million unrealized loss yet to recognize over the next four years.

State law sets employer and member contribution rates. Members are required to contribute 8.5 percent of their salary. The employer is required to contribute the remaining amount necessary to finance MEABF's funding requirements. However, the state law constrains the employer contribution to be 1.25 times the employee contributions level in the second prior fiscal year. The most recent actuarial valuation of MEABF on the State reporting basis shows a ratio of 3.76 is needed to adequately finance MEABF.

Subsequent Events

The markets pulled back in the first two months of 2010 as concerns about prolonged high unemployment and unstable sovereign debt levels weighed on investors. March, however, saw a reversal in investor sentiment. At the time of the printing of this report, equity markets have rallied between 5% and 7% during the month of March.

Illinois Senate Bill 1946, a landmark pension reform bill, passed the General Assembly on March 24, 2010, and has been sent to the Governor for signature. SB1946 aims to overhaul thirteen pension systems within the Pension Code including MEABF. This is a measure to address huge pension liabilities within Illinois by reducing benefits for future employees and participants, creating a two-tier pension system beginning January 1, 2011.

Request for Information

Additional information is available upon request. Please direct your request to Mr. Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago, 221 N. LaSalle Street, Suite 500, Chicago, IL 60601.

Statement of Plan Net Assets

As of December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 1,626,601	$ 1,622,524
Receivables		
Contributions from City of Chicago, net of allowance for $16,653,240 in 2009 and $15,514,130 in 2008	163,372,905	159,465,741
Member contributions	9,133,718	8,131,701
Interests and dividends	14,573,930	15,804,728
Receivables for investments sold	50,975,416	46,807,079
Miscellaneous	200,264	105,546
Total Receivables	238,256,233	230,314,795
Investments, at fair value		
Bonds	1,140,211,398	1,360,360,660
Hedged Equity	474,261,684	-
Common and preferred stock	2,739,253,825	2,536,520,980
Real Estate	211,954,175	318,413,913
Other Investments	130,410,012	131,241,134
Short-Term Investments	346,362,717	327,011,431
Total Investments	5,042,453,811	4,673,548,118
Invested securities lending collateral	660,716,314	543,248,530
Property and Equipment, net of accumulated depreciation and amortization of $5,940,584	1,422,398	2,636,126
Total Assets	5,944,475,357	5,451,370,093
LIABILITIES		
Payables for Investments purchased	90,859,597	115,131,467
Accounts payable and accrued expenses	5,963,238	5,048,366
Securities lending collateral	660,716,314	543,248,530
Securities lending earnings shortfall	19,271,050	47,373,895
OPEB liability	1,440,663	954,080
Total Liabilities	778,250,863	711,756,338
Net Assets held in trust for Pension benefits	$ 5,166,224,494	$ 4,739,613,755

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

Statement of Changes in Plan Net Assets

Year ended December 31, 2009 and 2008

	2009	2008
ADDITIONS		
Employer contributions	$ 157,697,608	$ 155,832,612
Member contributions	130,980,605	137,748,907
Total contributions	288,678,213	293,581,519
Investment Income		
Net appreciation (depreciation) in fair value of investments	654,949,936	(2,051,463,604)
Interest	51,623,726	82,924,822
Dividends	57,397,754	81,008,326
Income from real estate investments	7,301,596	9,720,357
Other income (loss)	-	7,443
	771,273,012	(1,877,802,656)
Less: Direct investment expenses	20,798,656	22,388,147
Net income from investing activities	750,474,356	(1,900,190,803)
Security lending activities		
Securities lending income (loss)	34,638,880	(37,932,391)
Borrower rebates	468,466	(20,280,107)
Bank fees	(7,019,082)	10,827,367
Net income from securities lending activities	28,088,264	(47,385,132)
Total additions	1,067,240,833	(1,653,994,416)
DEDUCTIONS		
Benefits		
Annuity benefits	583,436,041	561,947,108
Disability benefits	11,682,652	11,687,603
Post employment healthcare subsidy for City & BE	9,651,118	9,029,362
Total benefits	604,769,811	582,664,073
Refunds of member contributions	28,094,365	25,501,985
Rollover distributions	-	-
Administrative and OPEB expenses	7,765,918	7,749,714
Total deductions	640,630,094	615,915,772
Net increase (decrease)	426,610,739	(2,269,910,188)
Net Assets held in trust for Pension benefits		
Beginning of year	4,739,613,755	7,009,523,943
End of year	$ 5,166,224,494	$ 4,739,613,755

The accompanying notes are an integral part of the 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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2009 and 2008 is as follows:

	2009	2008
Pension administration system	$ -	$ 4,997,988
Pension benefit system	1,379,910	980,573
Furniture	50,660	50,660
Equipment	31,707	31,707
Computers	844,497	572,335
Leasehold improvements	58,220	53,663
	2,364,994	6,686,926
Less accumulated depreciation and amortization	942,596	4,050,800
Net property and equipment	$ 1,422,398	$ 2,636,126

During 2008, the estimated useful life of the Pension Administration System was reduced due to the retirement of the system in 2009. This change had the effect of decreasing net assets held in trust for pension benefits as of December 31, 2008 by $717,250

The Pension Administration System developed by Watson Wyatt was retired from service in 2009, being replaced by a new Pension Benefit System (PBS) that is near completion. The payroll module of the PBS is currently in service. New requirements were added to the original specifications as enhancements increasing the total development costs to approximately $1,800,000. The new system will be completed by the 4th quarter of 2010.

Administrative Expenses

Administrative expenses are budgeted and approved by MEABF'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.

Pension Disclosures

During the year ended December 31, 2008, MEABF adopted Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. As a result, the Plan has addressed certain pension disclosures.

Evaluation of Subsequent Events

Management has evaluated subsequent events through April 7, 2010, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made in the prior year financial statements to conform with current year presentation.

Note 2 – Plan Description

Pension Plan

General

Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF, or the Plan) is the administrator of a single employer defined benefit plan that was established in 1921 to provide retirement annuities and disability benefits for covered employees and for survivors and other beneficiaries of such employees. The Plan is administered under Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. Benefit and contribution provisions are established by the Statutes and may be amended only by the Illinois state legislature. The Retirement Board, comprised of two ex-officio members (the City Comptroller and the City Treasurer) and three elected members, is authorized to carry out the provisions of Chapter 40, Act 5, Article 8 of the Illinois Compiled Statutes. The Retirement Board appoints the executive director, an actuary, an auditor, consultants and employees necessary for the transaction of business. The Retirement Board meets monthly and receives no compensation, but is reimbursed for necessary expenses. The Plan is included in the City of Chicago's financial reports as a component unit.

Membership

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance except for policemen, firemen, teachers, and those classified by the municipal personnel ordinance as labor service or persons employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (Plan) who is not participating in any other pension fund or retirement system is also covered by the Plan. The payroll for employees covered by the Plan for the years ended December 31, 2009 and 2008 were $1,551,973,348 and $1,543,976,553, respectively. Plan membership at December 31 is as follows:

	2009	2008
Active employees (includes members currently receiving disability benefits):		
Vested	17,391	16,301
Non-vested	14,195	16,262
	31,586	32,563
Retirees and beneficiaries currently receiving benefits	22,782	22,730
Terminated employees entitled to benefits but not yet receiving them	1,964	1,802
Terminated employees entitled to a refund of contributions	10,955	10,280
Total	67,287	67,375

Refunds of Employee Contributions

If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions. Certain disability pension credits are not refundable.

Note 2 – Plan Description (Continued)

Employee Pension

Employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 60 or more with at least 10 years of service or 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. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a) (17) and §415 limitations. 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.

Post-Retirement Increase

The monthly annuity is increased annually by 3% of the currently payable annuity. This increase begins in January of the year of the first payment date following the earlier of:

1. the later of the January 1st of the year after retirement and age 60, or
2. the later of the January 1st of the year after the second anniversary of retirement and age 53.

Surviving Spouse Pension

Upon the death of an employee, the surviving spouse meeting certain eligibility requirements is entitled to a spouse annuity. There are three basic methods ("money purchase method", "minimum formula annuity method" or the "minimum annuity method") used to determine the amount of spouse's annuity for an ordinary death (not duty-related death). The surviving spouse is entitled to the largest benefit but cannot exceed an amount equal to 50% of the highest salary earned by the employee.

Child Annuity

Annuities are provided for unmarried children of a deceased employee who are under the age of 18, if the child was conceived or born before withdrawal from service. The employee's death must occur while the employee is in service or in receipt of an annuity. The child's annuity is an amount equal to $220 a month when there is a surviving spouse and $250 when there is no surviving spouse, subject to maximum limitations.

Ordinary Disability

An employee who becomes disabled as the result of any cause other than an accidental injury incurred while in the performance of an act of duty is entitled to an ordinary disability benefit at the amount equal to 50% of the employee's annual salary at the time of disablement. An employee can receive ordinary disability for a period equal to one fourth of his service credits up to a maximum of 5 years.

Duty Disability

An employee who becomes disabled as the result of an accidental injury incurred while in the performance of an act of duty is entitled to a duty disability benefit in the amount equal to 75% of the employee's annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act.

Note 2 – Plan Description (Continued)

Funding Policy

The funding objective is to meet all expected future obligations to its participants through its Plan assets and contributions from employee and employer. Member and employer contribution rates are established by state law and may be amended only by the Illinois state legislature.

Member Contributions

Active members are required to contribute to MEABF 8.5% of their salary (6.5% to provide employee annuity, 1.5% to provide a surviving spouse annuity and .5% to provide post-retirement increases in annuity) in accordance with the statutes. The employer deducts or picks up the employee's contributions before federal income tax is withheld and remits the contributions collected to the Plan. Member contributions earn interest at the rate of 3% per annum and are refundable. Employees receiving ordinary or duty disability benefits are credited with 8.5% of salary for pension purposes just as though the employee were working but these credits are not refundable.

Employer Contributions

The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of MEABF. 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. Annual required contribution (ARC) rates are determined using the entry age normal actuarial funding method. MEABF uses the level dollar open method to amortize the unfunded liability over a thirty-year period. The actuarial valuation of the Plan shows that a ratio of 3.76 is needed to adequately finance MEABF. The statutory employer contributions have been less than the ARC for the past seven years. Contribution rates may be increased only by an amendment by the State legislature to the statues.

Note 2 – Plan Description (Continued)

Funding Status and Funding Progress – Pension Plan

The following table shows the funded status and funding progress as of December 31 2009, the most recent actuarial valuation:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
$6,295,788,191	$10,830,119,369	$4,534,331,178	58.1%	$1,551,973,348	292.2%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Additional information as of the latest actuarial valuations follows:

Valuation Date	December 31, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level dollar open
Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	8.0 percent per year
Projected Base Salary Increases	4.5 percent per year
Includes inflation at	3.0 percent per year
Post Retirement Benefit Increases	3.0 percent per year beginning at the earlier of 1) the later of the 1st January of the year after retirement and age 60, or *2)* the later of the 1st January of the year after the second anniversary of retirement and age 53.

Post-employment Healthcare Subsidy – City of Chicago and Board of Education Retirees

MEABF and the City of Chicago agreed to share in the cost of the Settlement Health Care Plan, a single employer defined benefit plan for city retirees administered by the City of Chicago. This agreement is in effect through June 30, 2013 and does not require an extension or continuation of the health care plan. In accordance with the provisions of Illinois Compiled Statutes (ILCS) Chapter 40, Act 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 are funded on a pay-as-you-go basis by the tax levy authorized under Section 8-173.

Note 2 – Plan Description (Continued)

As of December 31, 2009, there are 9,146 (9,167 as of December 31, 2008) City annuitants enrolled in the City's health care plan and 1,761 (1,913 as of December 31, 2008) 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 2009 and 2008, the Pension Plan received contributions of $9,651,118 and $9,029,362 and remitted contributions of $9,651,118 and $9,029,362, respectively.

Funding Status and Funding Progress – Post-employment Healthcare Subsidy for City of Chicago and Board of Education Retirees

The following table shows the funded status and funding progress as of December 31, 2009, the most recent actuarial valuation:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	$224,173,231	$224,173,231	.0%	$1,551,973,348	14.4%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Actuarial Assumptions:	
OPEB Investment Rate of Return	4.5 percent per year
Projected Base Salary Increases	4.5 percent per year
Includes inflation at	3.0 percent per year
Healthcare Cost Trend Rate	0.0 percent (Trend not applicable – Fixed dollar subsidy)

Post-employment Healthcare Benefits – MEABF as Employer

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.

Note 2 – Plan Description (Continued)

MEABF, as an employer, provides health insurance coverage for its retired staff members, or survivors of former staff members and eligible dependents receiving an annuity under a healthcare plan. The MEABF Staff Retiree Healthcare Plan is separate from the Settlement Health Care Plan administered by the City of Chicago and the group health insurance plan administered by the Board of Education for its retirees.

Funding

Post-employment healthcare benefits are funded on a pay-as-you-go basis. No assets are accumulated to pre-fund the healthcare benefits. MEABF and the annuitant share the total cost of the Staff Retiree Healthcare. For 2009 and 2008, MEABF, as employer contributed $111,840 and $96,670, respectively. 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.

Annual OPEB Cost and Net OPEB Obligation – MEABF Staff Retiree Healthcare

The OPEB cost for the staff retiree healthcare benefits is calculated based on the annual required contribution of the Plan as employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of MEABF's annual OPEB cost for the staff retiree healthcare benefits are shown in the following table:

	2009	2008
Annual OPEB Cost		
Annual Required Contribution (ARC)	$ 611,526	$ 573,808
Interest on Net OPEB Obligation	42,892	21,762
Adjustment to ARC	(55,995)	(28,410)
Annual OPEB Cost	598,423	567,160
Employer Contributions	111,840	96,670
Net OPEB Obligations (NOO)		
Net OPEB Obligation at Beginning of Year	954,080	483,590
Increase in NOO	486,583	470,490
Net OPEB Obligation at End of Year	$1,440,663	$ 954,080

The Net OPEB Obligation is the amount recorded in the MEABF's Statement of Plan Net Assets as of year-end as the net liability for MEABF Staff Retiree Healthcare OPEB Liability. The employer contributions consist of $61,119 explicit subsidy and $50,721 implicit subsidy and treated as administrative expense of the defined benefit plan. The Annual *OPEB Cost* recorded in the Statement of Changes in Plan Net Assets for 2009 as the MEABF Staff Retiree OPEB expense is net of employer implicit and explicit subsidy.

The following table shows the MEABF Staff Retiree Healthcare plan's annual OPEB cost and actual employer contributions as a percentage contributed for the current year and two preceding years.

Year ended December 31	Annual OPEB Cost	Amount Contributed	Percentage Contributed
2009	$598,423	$111,840	18.7%
2008	567,160	96,670	17.0%
2007	537,400	53,810	10.0%

Note 2 – Plan Description (Continued)

Funding Status and Funding Progress – Post-employment Benefit for MEABF Staff Retiree Healthcare

The following table shows the projected funded status and funding progress as of December 31, 2009 based on the most recent actuarial valuation as of December 31, 2006.

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	$5,264,073	$5,264,073	0.0%	$2,727,551	193.1%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funding Status and Funding Progress – Post-employment Benefit for MEABF Staff Retiree Healthcare

For a plan the size of the MEABF Staff Retiree Healthcare plan, GASB allows a valuation report to be used for up to 3 years if there are no significant changes in plan design, premiums/claims, or demographics that would materially change the results. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2006
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (Pay-as-you-go)
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Discount Rate	4.5%
Projected Base Salary Increases	4.5%
Wage Inflation	4.5%
Ultimate Healthcare Cost Trend Rate	5.0%

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, 2009 and 2008, the Plan's book balances of cash are $1,626,601 and $1,622,524, respectively. The actual bank balances at December 31, 2009 and 2008 are $1,626,301 and $1,622,224, 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, 2009 and 2008, $9,676,148 and $8,741,643 of the Plan's deposits with its custodian Northern Trust was exposed to custodial credit risk.

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, 2009 and 2008.

	2009	2008
Investments At Fair Value As Determined by Quoted Price		
Bonds	$1,140,211,398	$1,360,360,660
Domestic and international equity	2,739,253,825	2,536,520,980
	3,879,465,223	3,896,881,640
Investments at Fair Value As Determined by Plan Administrator		
Hedged equity	474,261,684	
Real estate	211,954,175	318,413,913
Private equity	130,410,012	131,241,134
Short-term investments	346,362,717	327,011,431
	1,162,988,588	776,666,478
Total investments	$5,042,453,811	$4,673,548,118

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, 2009 the average term of the loan was 87 days (69 days in 2008). 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, 2009 had a weighted average maturity of 67 days (44 days in 2008). As of December 31, 2009 and 2008, the Plan had loaned to borrowers securities with a fair value of $641,864,077 and $535,935,976, respectively. As of December 31, 2009 and 2008, the Plan received from borrower's cash collateral of $660,716,314 and $543,248,530, and non-cash collateral of $1,114,100 and $1,919,771, respectively.

Note 3 – Deposits and Investments (Continued)

Securities lending net income (loss) for the years ended December 31, 2009 and 2008 was $28,088,264 and $(47,385,132) respectively. The short-term investment pool in which cash collateral is invested is marked to market on a daily basis, generating a shortfall of $19,271,050 and $47,373,895 as of December 31, 2009 and 2008, respectively. The custodian believes that the shortfall is temporary and should rebound as holdings affected come closer to their maturity. The custodian has agreed to carry forward the liability and post future securities lending earnings against the current liability. At year end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

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

	2009	2008
Securities loaned – cash collateral		
Domestic bonds	$249,568,701	$210,939,527
Domestic equities	348,846,803	297,933,024
International equities	42,399,034	25,209,748
Total securities loaned – cash collateral	640,814,538	534,082,299
Securities loaned – non-cash collateral		
Domestic bonds	-	1,144,645
Domestic equities	39,286	69,966
International equities	1,010,253	639,066
Total securities loaned – non-cash collateral	1,049,539	1,853,677
Total	$641,864,077	$535,935,976

Note 3 – Deposits and Investments (Continued)

Foreign Currency Risk

The Plan's exposure to foreign currency risk at December 31, 2009 was as follows:

Currency	Fair Value	Percentage
Australian Dollar	$ 56,781,362	5.41%
Brazilian Real	30,976,072	2.95%
Canadian Dollar	56,751,896	5.40%
Swiss Franc	59,587,534	5.67%
Chilean Peso	2,631,679	.25%
Columbian Peso	1,245,312	.12%
Czech Koruna	342,588	.03%
Danish Krone	11,458,395	1.09%
Egyptian pound	1,227,442	.12%
Euro	245,848,212	23.40%
British Pound Sterling	162,256,667	15.45%
Hong Kong Dollar	70,248,440	6.69%
Hungarian Forint	439,143	.04%
Indonesian Rupiah	5,027,180	.48%
New Israeli Shekel	1,965,100	.19%
Indian Rupee	15,736,633	1.50%
Japanese Yen	195,631,057	18.62%
South Korean Won	21,238,218	2.02%
Mexican Peso	9,055,886	.86%
Malaysian Ringgit	3,298,639	.31%
Moroccan Dirham	177,230	.02%
New Zealand Dollar	1,748,241	.17%
Norwegian Krone	11,867,542	1.13%
Philippine Peso	298,682	.03%
Polish Zloty	968,361	.09%
Swedish Krona	23,165,909	2.21%
Singapore Dollar	17,657,904	1.68%
Thai Baht	2,082,418	.20%
Turkish Lira	4,726,776	.45%
New Taiwan Dollar	21,398,294	2.04%
South African Rand	14,130,269	1.34%
United Arab Emirates Dirham	563,963	.04%
Total	$1,050,533,044	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.

Note 3 – Deposits and Investments (Continued)

Interest Rate Risk

As of December 31, 2009, 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	$ 49,448,241	$ -	$ 1,570,840	$ -	$ 47,877,401	$ -
Bank loans	78,617,198	1,034,471	72,094,285	5,488,442	-	-
Commercial mortgage backed	43,490,654	-	-	-	43,490,654	-
Corporate bonds	358,583,638	1,658,077	172,605,777	149,138,617	35,181,167	-
Corporate convertible bonds	380,875	-	-	-	380,875	-
Government agencies	112,597,691	12,053,782	64,906,082	34,446,658	1,191,169	-
Government bonds	128,273,628	-	84,268,550	28,061,412	15,943,666	-
Government mortgage backed	182,743,987	-	13,784	11,329,974	149,354,836	22,045,393
Guaranteed Fixed Income	11,689,165	-	11,689,165	-	-	-
Index linked government bonds	7,182,146	-	-	7,182,146	-	-
Municipal / provincial bonds	9,509,166	-	-	7,878,931	1,630,235	-
Non-government backed CMO's	36,018,112	177,407	-	-	35,840,705	-
Other fixed income	122,057,772	-	-	-	-	122,057,772
Short term bills and notes	23,990,880	23,990,880	-	-	-	-
Short term investment funds	296,512,440	-	-	-	-	296,512,440
Total	$1,461,095,593	$38,914,617	$407,148,483	$243,526,180	$330,890,708	$440,615,605

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.

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, 2009 (in thousands):

S&P Credit Rating	Fair Value	Asset Backed Securities	Bank Loans	Comm'l Mortgage Backed	Corporate Bonds	Corporate Convertible Bonds*	Gov't Agencies	Gov't Bonds	Gov't Mortgage Backed	Guaranteed Fixed Income	Linked Gov't Bonds	Municipal/ Provincial Bonds	Gov't Backed CMO's	Other Fixed Income
AGY	$ 196,583	$ -	$ -	$ -	$ -	$ -	$ 14,067	$ -	$182,516	$ -	$ -	$ -	$ -	$ -
AAA	289,354	7,888	-	26,332	-	-	98,261	127,274	157	11,689	7,182	3,512	7,059	-
AA+	21,633	8,189	-	255	11,637	-	-	-	-	-	-	-	1,552	-
AA	17,737	8,048	-	360	3,182	-	-	-	-	-	-	2,100	4,047	-
AA-	11,120	1,237	-	141	9,742	-	-	-	-	-	-	-	-	-
A+	19,189	18	-	2,738	16,433	-	-	-	-	-	-	-	-	-
A	85,067	172	-	819	83,119	-	-	-	-	-	-	838	119	-
A-	31,273	-	-	1,361	29,912	-	-	-	-	-	-	-	-	-
BBB+	39,991	105	-	1,343	38,543	-	-	-	-	-	-	-	-	-
BBB	47,012	3,875	-	273	42,516	-	-	-	-	-	-	-	348	-
BBB-	42,026	-	-	-	42,026	-	-	-	-	-	-	-	-	-
BB+	14,892	3,213	2,964	-	8,435	280	-	-	-	-	-	-	-	-
BB	24,706	1,050	3,701	-	18,393	-	-	-	-	-	-	-	1,562	-
BB-	16,933	878	7,720	-	8,046	-	-	-	-	-	-	-	289	-
B+	24,096	-	8,993	-	15,103	-	-	-	-	-	-	-	-	-
B	19,917	2,399	6,420	-	9,430	-	-	-	-	-	-	-	1,668	-
B-	24,393	1,992	8,334	-	11,997	101	-	-	-	-	-	-	1,969	-
CCC+	2,088	-	-	-	2,088	-	-	-	-	-	-	-	-	-
CCC	29,260	8,990	1,221	-	3,621	-	-	-	-	-	-	-	15,428	-
CCC-	1,460	-	1,460	-	-	-	-	-	-	-	-	-	-	-
CC	956	956	-	-	-	-	-	-	-	-	-	-	-	-
D	434	434	-	-	-	-	-	-	-	-	-	-	-	-
NR	180,472	4	37,804	9,869	4,360	-	270	1,000	71	-	-	3,059	1,977	122,058
Total	$ 1,140,592	$ 49,448	$ 78,617	$ 43,491	$ 358,583	$ 381	$112,598	$ 128,274	$182,744	$ 11,689	$ 7,182	$ 9,509	$ 36,018	$ 122,058

TSY = Treasury Issue AGY = Agency Issue NR = Not Rated * Included in Domestic and International Equity

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.

Note 4 – Net Assets Held in Trust for Pension Benefits

Reserves represent the components of the Plan's net assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. At least once a year, before any transfer is made from these reserves, interest at 3% is credited to these reserves, except for the Supplementary Payment Reserves. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirement and other benefits as they become due. The Plan's major classes of reserves are as follows:

	2009	2008
City Contribution Reserves	$ 1,542,687,317	$ 1,464,478,847
Salary Deduction Reserves	1,542,299,902	1,464,099,104
Prior Services Reserves	6,222,045,385	5,960,217,402
Annuity Payment Reserves	1,745,878,782	1,715,662,109
Optional Reserve Account	1,146,026	1,156,080
Supplementary Payment Reserves	235,189	235,189
	11,054,292,601	10,605,848,731
Unreserved Net Assets	(5,888,068,107)	(5,866,234,976)
Net assets held in trust for pension benefits	$ 5,166,224,494	$ 4,739,613,755

City Contribution Reserves

Amounts contributed by the City for age and service annuity, surviving spouse annuity and supplemental annuity shall be credited to this reserve. When the employee annuity or surviving spouse annuity is granted the amount in this reserve for such annuity will be transferred to the annuity payment fund reserves.

Salary Deduction Reserves

Amounts contributed by the employee or amounts credited for the employee for age and service annuity and surviving spouse annuity shall be credited to this reserve. When the employee annuity or surviving spouse annuity is granted the amount in this reserve for such annuity will be transferred to the annuity payment fund reserves.

Annuity Payment Reserves

Amounts transferred from the City contribution reserves and the salary deduction reserves for annuities, which have been granted, will be credited to this reserve.

Prior Service Reserves

Amounts contributed by the City for minimum annuities shall be credited to this reserve.

Optional Reserves

Amounts contributed by the aldermen for the alternative plan.

Supplementary Payment Reserves

Amounts contributed by the annuitants and amounts transferred from the investment and interest reserve to provide annual increase for those who retired before the amendment providing post retirement increases and additional employee contributions.

Note 5 – Lease Agreements

Office Lease

MEABF leases its administrative office and storage facilities under a fifteen-year agreement that has been amended to extend the lease through February 28, 2011. The lease may be canceled subject to significant cancellation penalties. The lease currently requires monthly payments of $33,500. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance expenses.

Disaster Recovery (DR) site

MEABF is party to an agreement participated by four other pension funds (Laborer's, Police, Fire and Cook County) to lease an offsite office and storage facilities under an extended non-cancelable lease agreement in effect through August 31, 2016.

Following is a summary of estimated future lease payments under the Plan's operating leases as of December 31, 2009:

Year Ending December 31,	Amount
2010	$426,711
2011	80,006
2012	10,309
2013	10,622
2014	10,944
Years thereafter	11,501
Total	$550,093

Note 6- Risk Management

MAEBF carries liability insurance coverage provided by private insurance carriers. In order to limit the risk of asset loss from theft, fraud, robbery or burglary, the Plan carries a government crime policy. The Plan also carries fiduciary liability insurance that limits the risk of loss arising from court challenges to fiduciary decisions. To reduce the cost of insurance premiums, liability coverage was reduced to $10 million with the $5 million excess coverage dropped. There have been no claims in the last four years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress (Pension)

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)
12/31/09	$6,295,788,191	$10,830,119,369	$4,534,331,178	58.1%	$1,551,973,348	292.2%
12/31/08	$6,669,501,770	$10,383,157,695	$3,713,655,925	64.2%	$1,543,976,553	240.5%
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%

Schedule of Employer Contributions (Pension)

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2009	$413,508,622	35.8%
2008	$360,387,176	40.7%
2007	$343,123,106	40.7%
2006	$303,271,824	48.9%
2005	$285,291,350	54.4%
2004	$198,199,001	77.7%

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

Note To Schedules Of Funding Progress And Employer Contributions (Pension)

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, 2009
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	8.0%
Projected salary increases	4.5%
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 - Post Employment Healthcare

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}
12/31/09	$ -	$ 224,173,231	$ 224,173,231	0.0%	$ 1,551,973,348	14.4%
12/31/08	$ -	$ 222,691,036	$ 222,691,036	0.0%	$ 1,543,976,553	14.4%
12/31/07	$ -	$ 217,868,343	$ 217,868,343	0.0%	$ 1,564,458,835	13.9%
12/31/06	$ -	$ 216,201,037	$ 216,201,037	0.0%	$ 1,475,877,378	14.7%

Schedule of Employer Contributions - Post Employment Healthcare

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2009	$ 22,966,965	42.0%
2008	$ 23,782,660	38.0%
2007	$ 23,287,106	36.9%
2006	$ 22,642,162	38.6%

Note To Schedules Of Funding Progress And Employer Contributions (Pension)

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, 2009
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	4.5%
Projected salary increases	4.5%
Includes inflation at	3.0%
Healthcare Cost Trend Rate	0.0%

Healthcare cost trend not applicable- fixed dollar subsidy

Schedule Of Funding Progress (Post-Employment Healthcare-Staff Retiree Healthcare)

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	$ -	$ 5,264,073[1]	$ 5,264,073	00.0%	$ 2,727,551	193.1%

Schedule Of Employer Contributions (Post-Employment Healthcare-Staff Retiree Healthcare)

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2009	$ 598,423[1]	18.7%
2008	$ 567,160	17.0%
2007	$ 537,400	10.0%

[1] Projected for plan year ended December 31, 2009 based on most recent actuarial valuation as of December 31, 2006.

Note To Schedules Of Funding Progress And Employer Contributions (Post-Employment Healthcare-Staff Retiree Healthcare)

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
Asset valuation method	No Assets (Pay-as-you-go)
Amortization method	Level dollar open
Amortization period	30 years
Actuarial assumptions:	
Discount Rate	4.5%
Projected Salary Increases	4.5%
Ultimate Trend	5.0%
Wage inflation	4.5%

Schedule of Administrative and OPEB expenses

	2009	2008
Administrative Salaries	$ 2,937,230	$ 2,774,543
Payroll taxes	36,004	32,249
Employee Benefits	822,201	856,359
Professional Services	366,040	466,412
Data Processing	368,958	369,677
Contractual	21,318	15,683
Office Supplies and Equipment	43,376	59,381
Office Equipment Maintenance	17,263	19,402
Depreciation	1,894,805	1,776,272
Printing and Publishing	48,029	130,540
Postage	63,144	86,674
Rent and Utilities	417,618	377,266
Miscellaneous	4,893	1,806
Insurance	145,576	215,948
Telephone and Communications	56,065	55,284
Travel	21,826	26,441
Dues and Subscriptions	14,989	15,287
Total Administrative expense	7,279,335	7,279,224
OPEB expense	486,583	470,490
Total Administrative and OPEB expense	$ 7,765,918	$ 7,749,714

Schedule of Professional and Consulting Fees

	2009	2008
Legal Advisors	$ 85,448	$ 112,599
Medical Advisors	47,968	46,571
Consulting Actuary	148,651	170,483
Consulting	51,973	102,759
Auditor	32,000	34,000
Total	$ 366,040	$ 466,412

Schedule of Investment Management Compensation

	2009	2008
Equity Managers		
Ariel Capital	$ 474,430	$ 1,033,981
Attucks Asset Management	-	10,729
Castle Ark	321,113	379,913
Clearbridge Advisors	-	391,708
Earnest Partners	315,209	369,554
FIS Group	34,015	-
Geneva Capital Management	44,787	-
Great Lakes Advisors	390,325	616,854
Harris Investment Mgmt.	119,525	376,201
Holland Capital	441,690	523,629
Keeley Asset Mgmt.	582,064	646,821
MacKay Shields	92,725	424,603
Northern Trust Quantative Adv.	-	112,013
NorthPointe Capital	-	124,833
Penn Capital	-	387,181
Rhumbline Advisors Large Cap Core	72,205	29,821
Rhumbline Advisors Mid Cap Growth	4,908	-
TCW	125,272	355,379
UBS AM Equity	-	361,179
United Investmemt Managers	599,551	687,212
Voyageur Asset Management	97,714	264,785
Wellington Capital	655,689	917,614
William Blair Large Cap	126,479	489,391
William Blair Small/Mid Cap	400,638	353,372
Total Equity	$ 4,898,339	$ 8,856,773

Schedule of Investment Management Compensation (continued)

	2009	2008
Bond Managers		
Alliance Bernstein	$ 10,964	$ 478,055
LM Capital	416,820	-
MacKay Shields	263,066	-
NTGI Bond Index	71,067	93,848
Neuberger Berman	191,690	280,437
Payden & Rygel	-	28,164
RBC Global Asset Management	61,184	-
Segall Bryant & Hamill	180,959	-
Symphony Asset Management	123,288	-
UBS AM Bonds	62,500	-
Total Bond	1,381,538	880,504
International Equity Managers		
Alliance Bernstein Emerging Markets	-	553,402
Alliance Bernstein International	-	434,576
LSV Asset Management	507,848	579,834
MFS	-	501,847
MacKay Shields	582,529	535,041
NTGI All Country World Ex-US Index	144,414	-
NTGI International Small Cap Index	134,948	-
Walter Scott	758,685	815,018
William Blair	944,841	754,270
Total International Equity	3,073,265	4,173,988
Hedge Fund of Funds		
K2 Advisors	1,582,404	-
The Rock Creek Group	1,358,644	-
Total Hedge Fund of Funds	$ 2,941,048	$ -

Schedule of Investment Management Compensation (continued)

	2009	2008
Real Estate Managers		
AFL-CIO Building Trust	$ 190,777	$ 247,906
American Realty	148,871	203,938
Capri Capital	687,192	690,915
DV Urban	200,414	225,000
J P Morgan	608,609	845,048
John Buck Company	290,584	265,000
Prudential Asset Mgmt.	466,613	622,832
Shamrock-Hostmark Hotel Fund	72,500	75,000
Tishman Speyer	211,405	250,000
UBS Realty Advisors	63,170	187,500
Walton Street Partners	414,307	387,848
Total Real Estate	3,354,442	4,000,987
Private Equity Managers		
Adams Street Partners	528,984	-
Carpenter Bancorp Fund	391,803	-
Citigroup International PE Fund	225,000	225,000
First Analysis	532,361	705,093
Hispania Partners	344,388	175,000
Hopewell Ventures	112,500	112,500
Invesco	6,649	13,271
Levine Leichtman	437,500	366,770
MK Capital	100,000	100,000
Mesirow Financial	919,695	991,598
Midwest Mezzanine Fund	242,100	536,802
Muller & Monroe	300,000	200,000
Nogales Investors	263,170	425,000
SB Partners	84,500	89,208
Total Private Equity	4,488,650	3,940,242
Total Investment Management Fees	$ 20,137,282	$ 21,852,494

Schedule of Investment Management Compensation (continued)

	2009	2008
Other Investment Expenses		
Investment Consultant	$ 362,500	$ 204,500
Master Custodian	134,450	167,827
Negotiation fee: Custody Reduction	148,212	148,212
Investment Legal Services	7,712	6,614
Miscellaneous Investment Expense	8,500	8,500
Total Investment Management Fees	661,374	535,653
Total Investment Expenses	$ 20,798,656	$ 22,388,147

Investments

INVESTMENT REPORT - 2009

June 30, 2010

Board of Trustees and Executive Director
Municipal Employees' Annuity & Benefit Fund of Chicago
221 North LaSalle Street, Suite 500
Chicago, Illinois 60601

It is with great honor and privilege that we report on the status of the Plan's investment portfolio and summarize key market events that affected investors in 2009.

Investors started 2009 asking themselves *"could things get any worse"*? The damage done to investment portfolios in 2008 was historic and by early March, domestic markets were off by approximately 55% from previous highs, and international markets declined by over 60%. Triage by the Federal Government concluded that massive infusions of liquidity were needed to restart a paralyzed economy. A historic monetization began, but the timeliness and level of its impact was impossible to determine.

The massive liquidity infusion was received positively, easing capital gridlock and improving investor sentiment. The equity markets finally found a bottom and began to move in a positive direction. Stocks that had been severely beaten down by investor panic were now being scooped up at deep discounts to intrinsic value. The security classes that fell the farthest experienced the largest rebound. Emerging markets led the way, followed by developed international markets and domestic markets.

EQUITY MARKETS		
	2009	**2008**
S&P 500	26.5%	-37.0%
MSCI EAFE	32.5%	-43.1%
MSCI EMERGING	78.5%	-53.2%

As the rebound continued, risk in the bond market also began to be rewarded. High yield bonds and leveraged loans rewarded investors handsomely in 2009, returning 58.2% and 44.9%, respectively.

One investment class that did not participate in the rebound was real estate. The years of double-digit appreciation, access to cheap capital, and countless speculators came to an abrupt halt. Once the music stopped property values began to plummet. Investors purchasing primarily between 2005 and 2007 utilizing high levels of leverage, saw their equity quickly disappear, leaving them owing more than the value of their investment. Primary lenders, fearing for the solvency of their own investment, began to foreclose on properties to try to recapture their capital. Secondary lenders, in most cases, were left with nothing.

Opinions on the direction of 2010 run the gamut. Optimists believe equities continue to reflect prices below intrinsic value, inflationary fears remain low, and the federal government continues to show the willingness to support the markets. On the other hand, pessimism lingers as unemployment remains high, sovereign nations struggle with their debt levels, and record amounts of commercial loans mature in 2010 and 2011.

The Plan's investment portfolio ended the year returning 19.4%, net of fees. The year-end value of the portfolio was $5.1 billion, an increase of $368 million (7.8%) and net of $352 million (7.5%) drawn to honor monthly benefit payments. The year ended with an allocation of assets of 32% in domestic equity, 22% in international equity, 9% in hedged equity, 23% in fixed income, 4% in real estate, 3% in private equity, and the remaining in short-term instruments. The Plan's top ten holdings in domestic equity made up 10.7% of the domestic equity exposure, with the industrial and consumer discretionary sectors being the main over-weights. Top ten holdings internationally made up 6.8% of the international exposure with market neutral sector weightings, except for a marginal country overweight in Japan. Fixed income exposure compared to the Barclay's Aggregate Index reflected managers finding alpha opportunities in credits. Over-weights in corporate bonds, asset backed, and high yield instruments allowed the portfolio to more than double the performance of the index for the year. The Plan incurred $20.8 million in investment management fees during 2009, down 7% from 2008.

The Retirement Board seeks diversity when selecting and utilizing financial institutions to prudently invest the Plan's investment portfolio. Utilization goals have been established for investment management and brokerage services. For 2009, all goals were met or exceeded.

The purpose of a pre-pay funding structure is for a retirement plan to accumulate and prudently invest contributions to be able to meet current and future liability obligations. To successfully accomplish this in perpetuity, employee and employer contributions and investment income must be sufficient to pay annual benefits required and continue to grow the portfolio at an actuarially determined rate of return. Without the equal strength of these three legs, the stool comes in jeopardy of collapsing under the weight of its purpose.

This report includes the certification letter from Northern Trust for 2009, a summary of the Plan's goals, objectives, and guidelines, and informative investment schedules for your review. I take this opportunity to recognize the efforts of Kelly Wietsma, Investment Analyst, whose hard work each year helps make our report submission worthy for recognition for excellence from the Government Finance Officers' Association.

We hope you find this report informative.

Respectfully submitted,

Jim Mohler
Chief Investment Officer

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, 2009 through December 31, 2009.

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 as agreed per contract.

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 of multiple complementary managers,
- Phase 2 establish objectives and guidelines for managing the Plan's assets, and
- Phase 3 evaluate and refine the structure of managers established in phase 1 and the objectives and guidelines established in phase 2.

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 have worked diligently with the new consultant, Marquette Associates, to review the portfolio structure and incorporate recommendations that the Board believed to be 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. Guidelines are set at time of contract and are based on the mandate's goals and objectives.

Diversification

The Plan's assets are diversified in several ways to minimize downside risk. Diversification is accomplished through the proper target allocation mix. The target allocation mix includes publicly traded stocks and bonds and alternatives such as hedged funds, private equity, and real estate. Proper diversification within each asset class is based on establishing complementary investment objectives and management styles.

Performance Review

The annual return of the Plan is compared 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 Barclays Capital Aggregate Bond Index. Target performance varies from one investment manager to another, depending upon the 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. Monies drawn from investments to assist monthly operating cash flow needs is primarily taken from asset classes that have become over-allocated compared to determined targets.

Investment Managers

As of December 31, 2009

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

Adams Street Partners
Chicago, Illinois
Private Equity Direct Partnership
Private Equity Fund of Funds

American Institutional Realty Advisors
Glendale, California
Real Estate Core Fund

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

Capri Capital Advisors
Chicago, Illinois
Real Estate Partnership & Mezzanine Fund

Carpenter Community Banc Fund
Irvine, California
Private Equity Direct Partnership

Castle Ark Asset Management
Chicago, Illinois
Domestic Equity Large Cap Growth

Citi Alternative Investments
New York, New York
International Private Equity Direct Partnership

DV Urban Realty
Chicago, Illinois
Real Estate Partnership

Earnest Partners
Atlanta, Georgia
Domestic Equity Mid Cap Core

First Analysis
Chicago, Illinois
Private Equity Direct Partnerships

FIS Group, Inc.
Philadelphia, Pennsylvania
Manager of Managers
Domestic Equity All Cap

Geneva Capital Management
Milwaukee, Wisconsin
Domestic Equity Mid Cap Growth

Great Lakes Advisors
Chicago, Illinois
Domestic Equity Large Cap Value

Hispania Capital Partners
Chicago, Illinois
Private Equity Direct Partnerships

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

Investment Managers (Continued)

John Buck Company
Chicago, Illinois
Real Estate Partnerships

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

K2 Advisors
Stamford, Connecticut
Hedged Equity Fund of Funds

Keeley Asset Management
Chicago, Illinois
Domestic Equity Small Cap Value

Levine Leichtman
Beverly Hills, California
Structured Equity Partnership

LM Capital
San Diego, California
Fixed Income Bond Core

LSV Asset Management
Chicago, Illinois
International Equity Value

MacKay Shields
New York, New York
International Equity Growth
Fixed Income High Yield

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

Midwest Mezzanine Funds
Chicago, Illinois
Private Equity Mezzanine Funds

MK Capital
Chicago, Illinois
Private Equity Direct Partnership

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

Neuberger Berman
Chicago, Illinois
Fixed Income Enhanced Index

Nogales Investors Management
Los Angeles, California
Private Equity Direct Partnerships

Northern Trust Global Investment Advisors
Chicago, Illinois
Fixed Income Bond Core Index
International Equity All-World Ex-US Index
International Equity Small Cap Index

Prudential Real Estate Investors
Parsippany, New Jersey
Real Estate Funds

RBC Global Asset Management
Minneapolis, Minnesota
Fixed Income Opportunistic

Investment Managers (Continued)

RhumbLine Advisors
Boston, Massachusetts
Domestic Equity Large Cap Core Index
Domestic Equity Mid Cap Growth Index

The Rock Creek Group
Washington, D.C.
Hedged Equity Fund of Funds

SB Partners
Holland, Michigan
Private Equity Direct Partnership

Segall Bryant & Hamill
Chicago, Illinois
Fixed Income Intermediate

Shamrock-Hostmark
Burbank, California
Real Estate Partnership

Symphony Asset Management
San Francisco, California
Fixed Income Senior Bank Loans

Tishman Speyer
New York, New York
Real Estate Partnership

UBS Realty Advisors
Hartford, Connecticut
Real Estate 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 Mid Cap Growth
Emerging Markets Equity

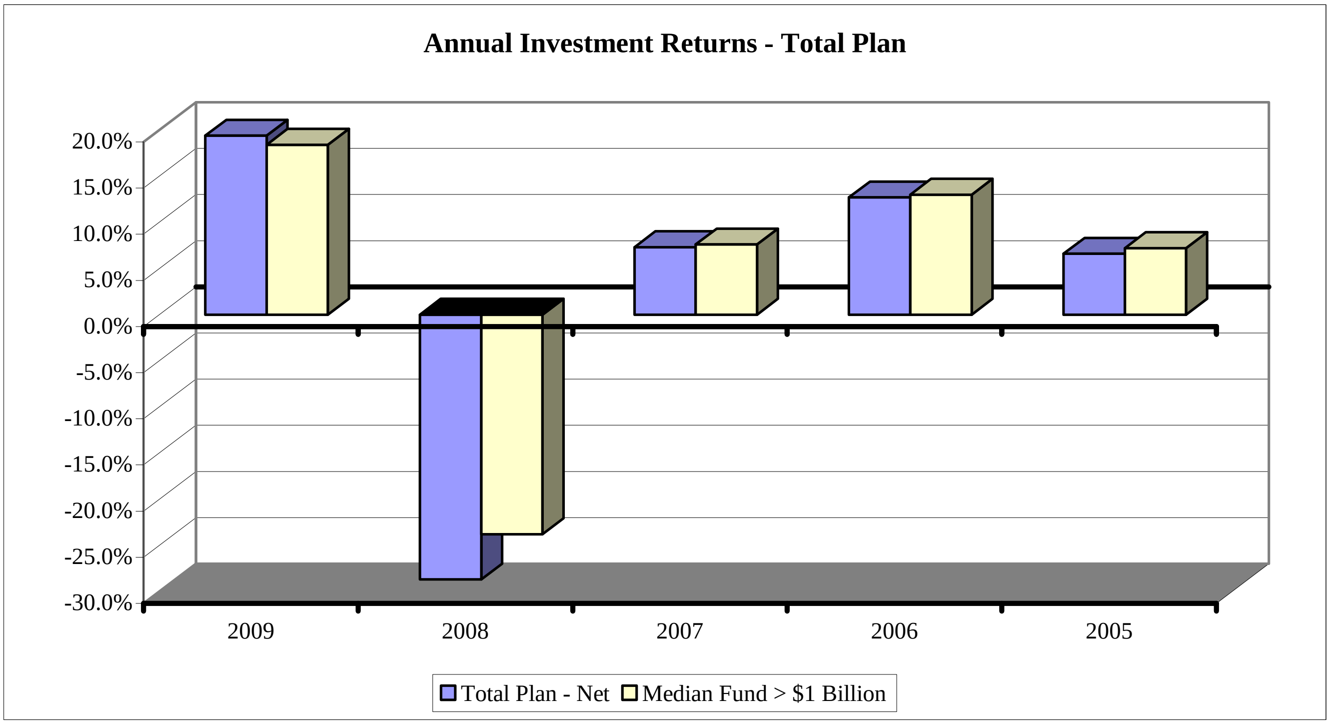
Performance Returns by Asset Class

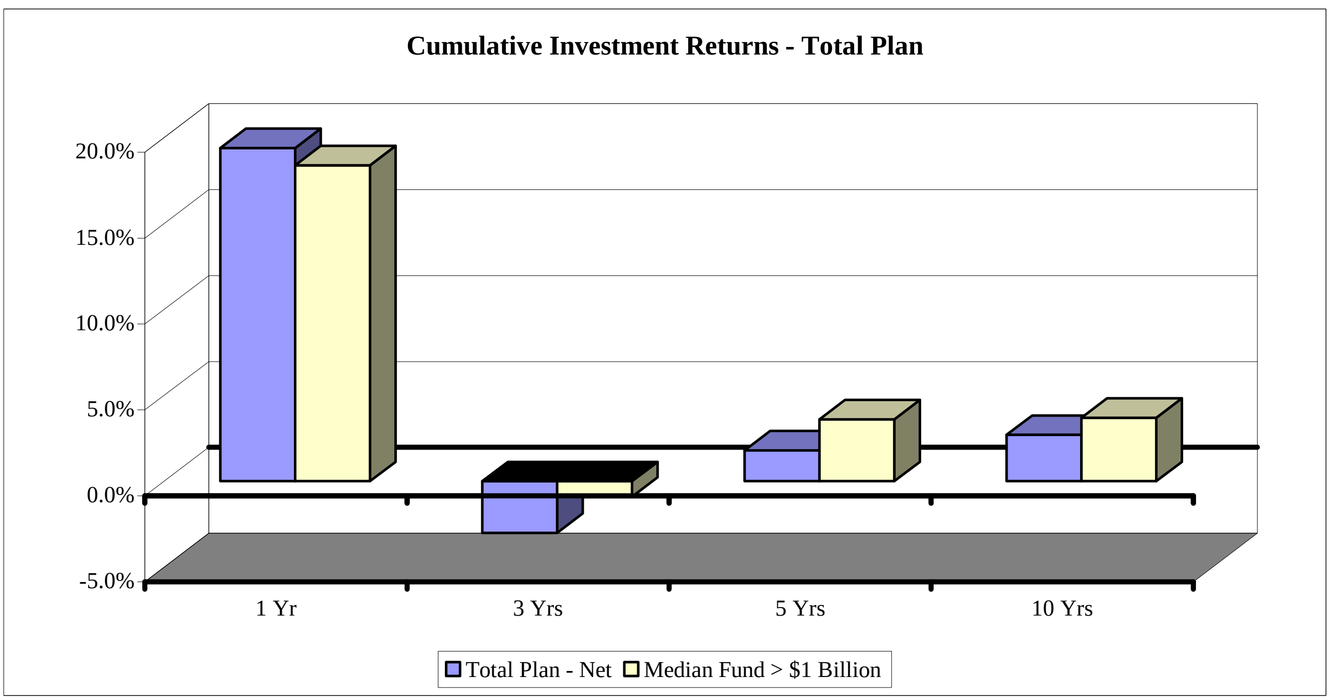
As of December 31, 2009

	2009	2008	2007	2006	2005	Annualized 3 Yrs	5 Yrs	10 Yrs
Total Plan								
The Plan - Gross	19.7%	-28.4%	7.6%	13.0%	6.9%	-2.7%	2.2%	3.1%
The Plan - Net	19.4%	-28.7%	7.3%	12.7%	6.6%	-3.0%	1.8%	2.7%
Median Fund > $1 Billion	18.4%	-23.8%	7.6%	13.0%	7.2%	-0.9%	3.6%	3.7%
Domestic Equity								
The Plan	34.4%	-38.7%	5.3%	12.8%	5.6%	-4.6%	0.6%	1.4%
S&P 500 Stock Index	26.5%	-37.0%	5.5%	15.8%	4.9%	-5.6%	0.4%	-1.0%
Russell 2000	27.2%	-33.8%	-1.5%	18.3%	4.6%	-6.1%	0.5%	3.5%
International Equity								
The Plan	41.8%	-36.7%	14.3%	30.0%	17.2%	0.9%	9.4%	4.1%
MSCI EAFE	32.5%	-43.4%	11.2%	26.3%	13.5%	-5.6%	4.0%	1.6%
Fixed Income								
The Plan	12.4%	-4.6%	5.2%	4.6%	2.3%	4.1%	3.8%	5.7%
Barclays Aggregate Bond	5.9%	5.2%	7.0%	4.3%	2.4%	6.0%	5.0%	6.3%
Barclays Government/Credit	5.2%	5.7%	7.4%	4.1%	1.6%	5.9%	4.7%	5.9%
Real Estate								
The Plan	-32.2%	-15.1%	15.3%	17.6%	25.3%	-12.8%	-0.5%	
NCREIF Open End	-16.9%	-6.5%	15.9%	16.3%	19.0%	-3.4%	4.7%	
Private Equity								
The Plan	0.0%	-13.8%	33.2%	10.7%	20.0%	4.7%	8.8%	
Venture Economic PE	7.7%	-21.7%	18.1%	20.9%	22.3%	0.5%	8.5%	

Investment returns were supplied by Marquette Associates and calculated using a time-weighted rate of return. Returns are presented net of fees unless otherwise noted.

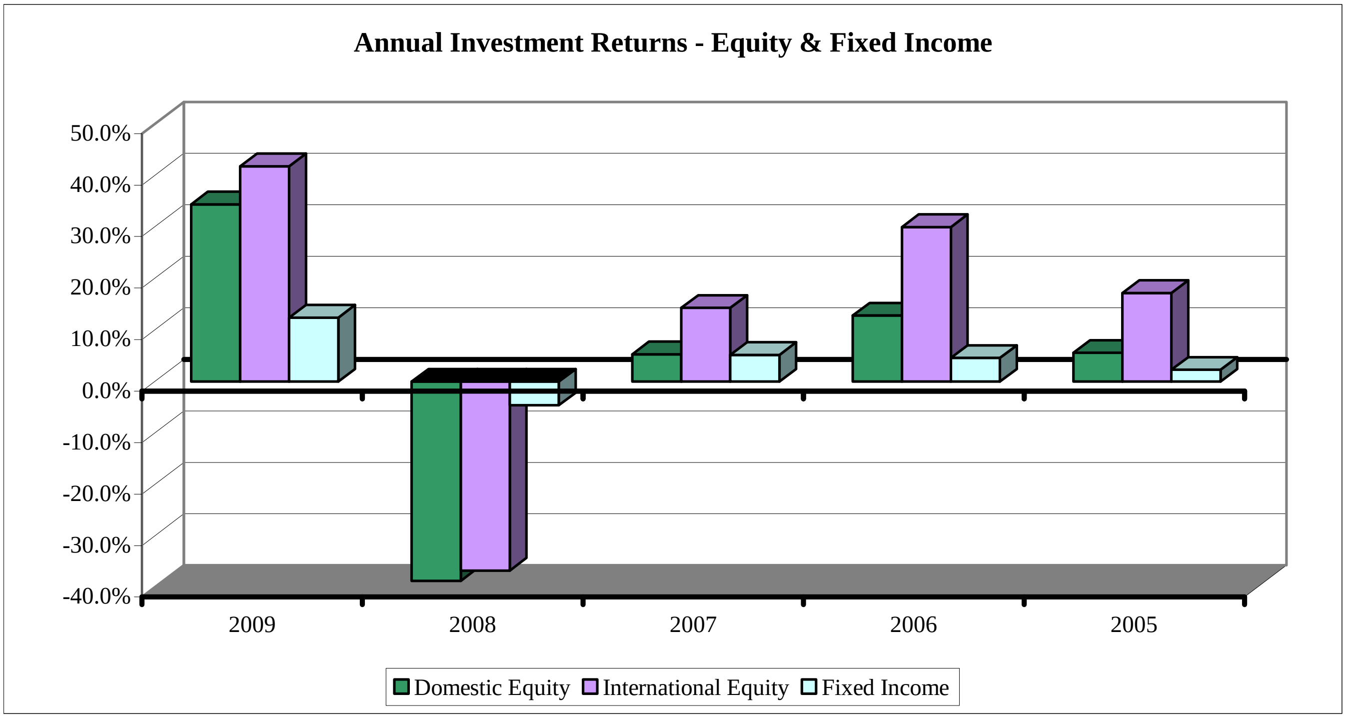
Performance Returns (Continued)

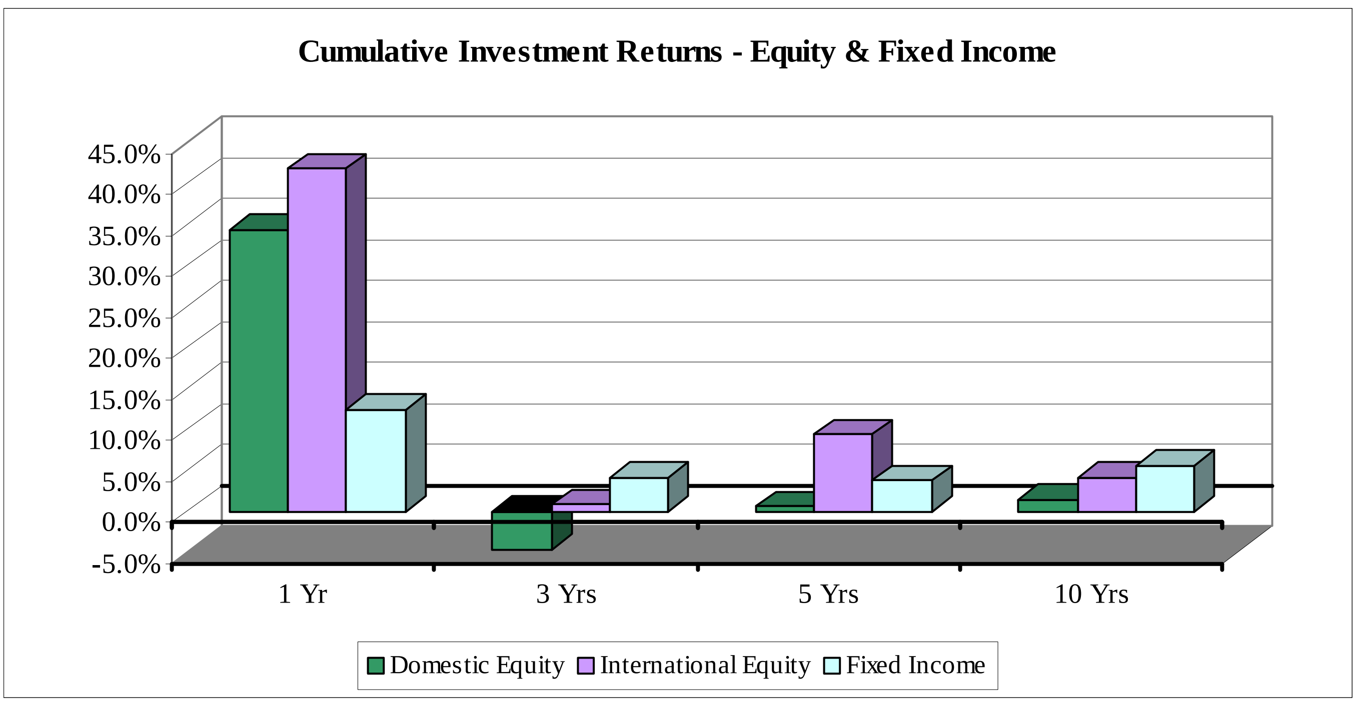




Investment returns were supplied by Marquette Associates and calculated using a time-weighted rate of return. Returns are presented net of fees unless otherwise noted.

Performance Returns (Continued)





Investment returns were supplied by Marquette Associates and calculated using a time-weighted rate of return. Returns are presented net of fees unless otherwise noted.

Investments (Fair to Book)

As of December 31, 2009 and December 31, 2008

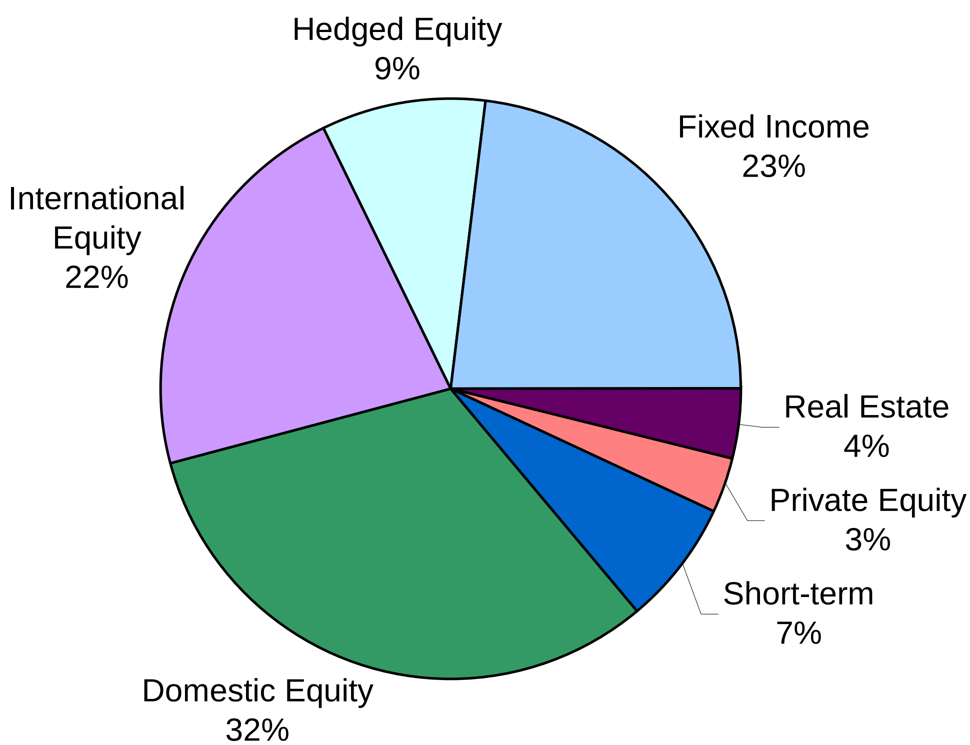
Category	12/31/2009 Fair Value	%	12/31/2009 Book Value	%	12/31/2008 Fair Value	%	12/31/2008 Book Value	%
Fixed Income	$1,140,211,398	23%	$1,110,320,208	23%	$1,360,360,660	29%	$1,434,531,503	27%
Equities								
Domestic	1,620,248,581	32%	1,422,335,407	29%	1,814,011,185	39%	2,192,775,662	41%
International	1,119,005,244	22%	1,046,239,231	21%	722,509,795	15%	965,497,257	18%
Total Equities	2,739,253,825	54%	2,468,574,638	51%	2,536,520,980	54%	3,158,272,918	59%
Hedged Equity	474,261,684	9%	450,000,000	9%	0	0%	0	0%
Real Estate	211,954,175	4%	274,808,091	6%	318,413,913	7%	254,629,833	5%
Private Equity	130,410,012	3%	216,818,220	4%	131,241,134	3%	195,131,012	4%
Cash Equivalents	346,362,717	7%	346,397,670	7%	327,011,431	7%	338,711,871	6%
Total Investments	$5,042,453,811	100%	$4,866,918,827	100%	$4,673,548,118	100%	$5,381,277,138	100%

Investment Asset Allocation

As of December 31, 2009

Asset Class	Target Allocation	Actual Allocation
Domestic Equity	25%	32%
International Equity	20%	22%
Hedged Equity	10%	9%
Fixed Income	25%	23%
Real Estate	10%	4%
Private Equity	10%	3%
Short-term	0%	7%
Investment Assets	**100%**	**100%**

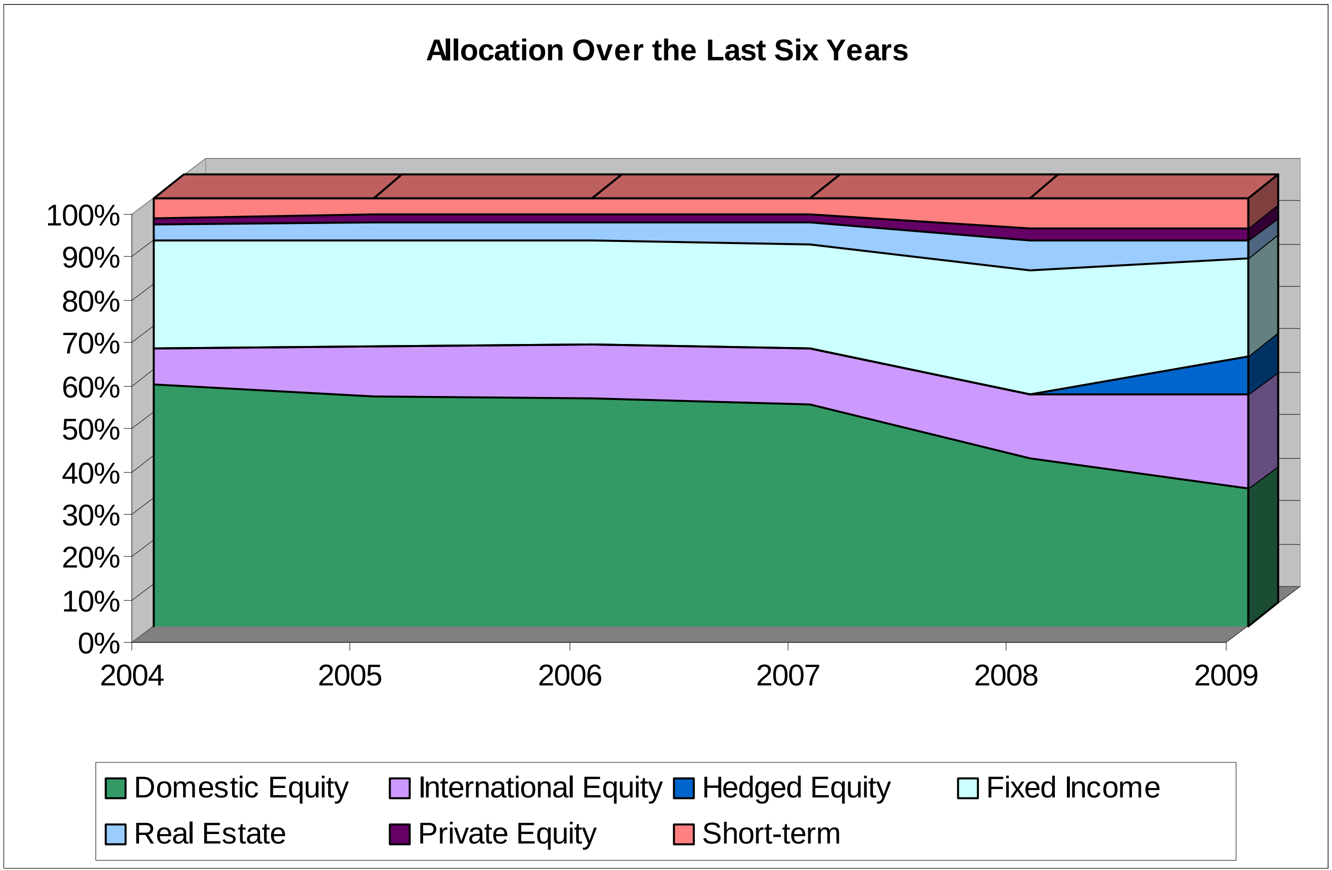
Actual Allocation as of December 31, 2009



Investment Asset Allocation

Last six years

Asset Class	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Domestic Equity	56%	54%	53%	52%	39%	32%
International Equity	8%	12%	13%	13%	15%	22%
Hedged Equity	0%	0%	0%	0%	0%	9%
Fixed Income	25%	25%	25%	25%	29%	23%
Real Estate	4%	4%	4%	5%	7%	4%
Private Equity	1%	2%	2%	2%	3%	3%
Short-term	5%	4%	4%	4%	7%	7%
Investment Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**



Domestic Equity Portfolio Summary

Year Ended December 31, 2009

Economic Sector Allocation

Sector	Market Value	Percentage of Total	S&P 500 Index Allocation
Industrials	$262,461,273	16.2%	10.2%
Information Technology	252,072,394	15.6%	19.8%
Financials	220,169,375	13.6%	14.4%
Consumer Discretionary	217,215,938	13.4%	9.6%
Health Care	174,007,964	10.7%	12.6%
Energy	173,146,930	10.7%	11.5%
Consumer Staples	150,574,549	9.3%	11.4%
Materials	66,683,668	4.1%	3.6%
Utilities	55,081,965	3.4%	3.7%
Telecommunication Services	32,442,532	2.0%	3.2%
Miscellaneous	16,391,993	1.0%	0.0%
Total	**$1,620,248,581**	**100.0%**	**100.0%**

Top 10 Holdings

Name of Security	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of U.S. Equity
Exxon Mobil Corp.	Energy	418,392	$28,530,150	$10,418,590	1.8%
Apple Inc.	Info. Technology	101,672	21,438,558	13,397,517	1.3%
Microsoft Corp.	Info. Technology	668,154	20,372,015	8,447,599	1.3%
Chevron Corp.	Energy	258,106	19,871,581	5,218,790	1.2%
IBM Corp.	Info. Technology	123,161	16,121,775	8,281,389	1.0%
AT&T Inc.	Telecomm.	519,152	14,551,831	1,576,042	0.9%
Proctor & Gamble	Consumer Staples	225,563	13,675,885	5,164,133	0.8%
Cisco Systems Inc.	Info. Technology	553,736	13,256,440	2,592,112	0.8%
Wells Fargo & Co.	Financial Services	487,348	13,153,523	(1,010,919)	0.8%
Philip Morris	Non-Durables	271,398	13,078,670	5,520,901	0.8%
Total		**3,626,682**	**$174,050,427**	**$59,606,153**	**10.7%**

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

International Equity Portfolio Summary

Year Ended December 31, 2009

Country Allocation

Country	Market Value	Percentage of Total	MSCI ACWI ex US Index Allocation
Europe/Africa			
United Kingdom	$169,949,063	15.2%	15.2%
Switzerland	78,033,596	7.0%	5.4%
Germany	59,009,053	5.3%	5.7%
France	57,347,554	5.1%	7.8%
Spain	35,839,536	3.2%	3.2%
Italy	31,142,468	2.8%	2.4%
Netherlands	26,850,892	2.4%	1.9%
Other	109,793,424	9.8%	7.9%
Total Europe/Africa	567,965,586	50.8%	49.5%
Asia/Pacific			
Japan	193,564,587	17.3%	14.6%
Australia	55,397,025	5.0%	5.9%
China	44,908,719	4.0%	4.0%
Hong Kong	26,595,921	2.4%	1.7%
Republic of Korea	21,211,078	1.9%	2.9%
Taiwan	20,501,271	1.8%	2.5%
Singapore	17,481,759	1.6%	1.0%
India	15,673,884	1.4%	1.7%
Other	28,580,233	2.6%	3.5%
Total Asia/Pacific	423,914,477	37.9%	37.8%
Americas			
Canada	66,799,330	6.0%	7.3%
Brazil	41,525,462	3.7%	3.8%
Mexico	12,974,530	1.2%	1.0%
Other	5,825,859	0.5%	0.6%
Total Americas	127,125,181	11.4%	12.7%
Total	**$1,119,005,244**	**100.0%**	**100.0%**

International Equity Portfolio Summary (Continued)

Year Ended December 31, 2009

Top 10 Holdings

Name of Security	Country	Sector	Shares	Fair Value	Unrealized Gain/Loss	% of Int'l Equity
Nestle SA	Switzerland	Consumer Staples	261,826	$12,714,549	$2,454,644	1.1%
TESCO	U.K.	Retail	1,417,122	9,794,520	605,834	0.9%
Roche Holdings Ag	Switzerland	Health Care	50,017	8,505,914	1,124,645	0.8%
Novartis Ag	Switzerland	Health Care	146,919	8,029,914	688,662	0.7%
HSBC Holdings	U.K.	Financial Services	613,090	7,017,463	(406,493)	0.6%
CNOOC Ltd.	China	Energy	4,432,000	6,973,182	(14,994)	0.6%
Petrol Brasileuros	Brazil	Energy	293,456	6,176,515	1,211,676	0.6%
BP	U.K.	Energy	620,799	6,014,983	(493,888)	0.5%
Banco Santander	Spain	Financial Services	215,352	5,706,448	(558,125)	0.5%
Indstrl & Comcl Bank	China	Financial Services	6,600,027	5,481,545	1,262,083	0.5%
Total			**14,650,608**	**$76,415,033**	**$5,874,043**	**6.8%**

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

Fixed Income Portfolio Summary

Year Ended December 31, 2009

Asset Allocation

Asset Category	Market Value	Percentage of Total	Barclays Aggregate Index Allocation
Corporate Bonds	$358,583,638	31.4%	23.1%
Government Mortgage Backed	182,743,986	16.0%	35.0%
Government Bonds	147,144,939	12.9%	27.7%
Government Agencies	112,597,691	9.9%	9.0%
Bank Loans	78,617,199	6.9%	0.0%
Asset Backed Securities	49,448,241	4.3%	0.4%
Commercial Mortgage Backed	43,490,654	3.8%	3.2%
Non-Government Backed CMOs	36,018,113	3.2%	0.0%
Municipal/Provincial Bonds	9,509,165	0.8%	0.0%
Other	122,057,772	10.7%	1.6%
Total	**$1,140,211,398**	**100.0%**	**100.0%**

Top 10 Holdings

Name of Security	Sector	Fair Value	Unrealized Gain/Loss	% of Fixed Income
FNMA Pool 5.5% Due 4/1/2036	Gov. Mortgage Backed	$13,251,458	$ 935,156	1.2%
U.S. Treasury Notes 4.25% Due 8/15/2014	Government Bonds	12,190,756	112,995	1.1%
U.S. Treasury Notes 1.375% Due 5/15/2012	Government Bonds	12,000,000	75,621	1.1%
U.S. Treasury Notes .875% Due 2/28/2011	Government Bonds	11,026,642	25,236	1.0%
U.S. Treasury Notes 4.0% Due 2/15/2015	Government Bonds	10,202,995	(476,537)	0.9%
U.S. Treasury Bonds 5.25%	Government Bonds	10,185,784	(340,627)	0.9%
U.S. Treasury Bonds 7.25% Due 5/15/2016	Government Bonds	9,903,128	(20,751)	0.9%
FNMA Pool 5.5% Due 3/1/2037	Gov. Mortgage Backed	9,852,182	531,497	0.9%
FNMA Pool 6.5% Due 9/1/2036	Gov. Mortgage Backed	9,736,608	457,910	0.9%
Federal Home Loan Mortgage Pool 5.5%	Gov. Mortgage Backed	9,716,269	354,542	0.9%
Total		**$108,065,821**	**$ 1,655,041**	**9.5%**

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

Domestic Equity Brokerage Commissions

As of December 31, 2009

Broker Name	Commissions	(#) Shares	Cost per Share
Loop Capital Markets**	$198,519	15,424,285	$0.01
Williams Capital Group**	176,597	12,798,055	0.01
Lynch Jones & Ryan*	139,104	3,618,296	0.04
Cabrera Capital Markets**	115,456	3,763,852	0.03
Gardner Rich & Company**	105,084	3,522,703	0.03
Cheevers & Company**	74,272	3,676,523	0.02
MR Beal & Company**	60,254	2,318,414	0.03
Liquidnet	59,047	2,475,818	0.02
BNY ESI Securities	56,545	1,414,954	0.04
Instinet*	53,338	1,226,174	0.04
Knight Securities	52,626	6,175,808	0.01
Melvin Securities**	52,364	1,391,139	0.04
Baypoint Trading	40,892	3,929,625	0.01
Barclays Capital	40,193	1,130,547	0.04
Goldman Sachs & Company	38,062	1,592,476	0.02
Merrill Lynch	36,400	1,379,116	0.03
Jeffries & Company	33,711	742,879	0.05
Credit Suisse First Boston	32,997	990,010	0.03
Citigroup Global Markets Inc.	30,416	726,127	0.04
UBS Warburg	28,890	1,226,594	0.02
Morgan Stanley & Company	26,794	1,549,842	0.02
Managers with < $25,000 of Commissions	428,745	14,216,479	0.03
Total Domestic Equity Commissions	$1,880,306	85,289,716	$0.02

**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, 2009

Broker Name	Commissions	(#) Shares
Instinet*	$80,598	21,527,159
Merrill Lynch	62,291	18,373,975
Credit Suisse First Boston	51,499	12,843,729
Pershing LLC	48,651	2,799,567
J.P. Morgan Securities	47,447	6,568,560
Deutsche Bank Securities	41,420	29,966,782
Goldman Sachs & Company	38,644	10,041,874
UBS AG	36,769	31,788,194
Macquarie Capital Securities	29,627	3,327,576
Morgan Stanley & Company	25,733	4,873,918
Managers with < $25,000 of Commissions	306,196	68,760,325
Total International Equity Commissions	$768,876	210,871,659

**Commission recapture brokerage firm. The Retirement Board has commission recapture arrangements with two firms,*

where 70% of commission costs are rebated to the Fund.

Investment Fees

As of December 31, 2009

In Thousands

	2009		2008	
Investment Manager Fees	**Fees**	**Average Basis Points**	**Fees**	**Average Basis Points**
Fixed Income Managers	$1,382	12	$881	6
Domestic Equity Managers	4,898	30	8,857	49
International Equity Managers	3,073	27	4,174	58
Hedged Equity Managers	2,941	62	0	0
Real Estate Managers	3,354	n/a	4,001	n/a
Private Equity Managers	4,489	n/a	3,940	n/a
	20,137		21,852	
Other Investment Fees				
Investment Consultant	363		205	
Master Custodian	134		168	
Negotiation Fee: Custody Reduction	148		148	
Investment Legal Services	8		7	
Miscellaneous Expenses	9		9	
	661		536	
Total Investment Fees	$20,799		$22,388	

*For a **schedule of investment fees by category**, please refer to the schedule "Investment Management Compensation" in the financial section on pages 45 - 48.*

Actuarial

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April 5, 2010

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, 2009. 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 2010. 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.

- Schedule of Funding Progress
- Schedule of Employer Contributions

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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 3.76 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 seven years and are again expected to be less than the ARC for 2010. 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. One or more of 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, F.S.A., E.A., M.A.A.A.
Senior Consultant

Amy Williams, A.S.A., M.A.A.A.
Consultant

Summary of Actuarial Valuation

	December 31, 2008	December 31, 2009	% Change
ACTUARIAL VALUES			
Termination Values			
Liability	$ 7,237,237,762	$ 7,485,109,283	**3.42 %**
Assets - Actuarial Value	6,669,501,770	6,295,788,191	**(5.60)%**
Deficiency/(Excess)	567,735,992	1,189,321,092	**109.48 %**
Funded Ratio	**92.16%**	**84.11%**	**(8.73)%**
Actuarial Values			
Actuarial Liability	$ 10,605,848,731	$ 11,054,292,600	**4.23 %**
Assets - Actuarial Value	6,669,501,770	6,295,788,191	**(5.60)%**
Unfunded Liability (Surplus)	3,936,346,961	4,758,504,409	**20.89 %**
Funded Ratio	**62.89%**	**56.95%**	**(9.43)%**
Annual Required Contribution (ARC)	$ 436,475,587	$ 506,902,840	**16.14 %**
Market Values			
Actuarial Liability	$ 10,605,848,731	$ 11,054,292,600	**4.23 %**
Assets - Market Value	4,739,613,755	5,166,224,494	**9.00 %**
Unfunded Liability	5,866,234,976	5,888,068,106	**0.37 %**
Funded Ratio	**44.69%**	**46.74%**	**4.58 %**
Book Values			
Actuarial Liability	$ 10,605,848,731	$ 11,054,292,600	**4.23 %**
Assets - Book Value	5,494,716,736	5,009,960,625	**(8.82)%**
Unfunded Liability (Surplus)	5,111,131,995	6,044,331,975	**18.26 %**
Funded Ratio	**51.81%**	**45.32%**	**(12.52)%**

Actuarial Liability includes both Pension and OPEB

Summary of Actuarial Valuation (continued)

	December 31, 2008	December 31, 2009	% Change
Assets			
Market Value - Beginning of Year	$ 7,009,523,943	$ 4,739,613,755	**(32.38)%**
Income			
Investment Income	(1,947,575,935)	778,562,620	**139.98 %**
Employer Contributions	155,832,612	157,697,608	**1.20 %**
Employee Contributions	137,748,907	130,980,605	**(4.91)%**
Subtotal	(1,653,994,416)	1,067,240,833	**164.53 %**
Outgo (Refunds, Benefits & Expenses)	615,915,772	640,630,094	**4.01 %**
Net Change	(2,269,910,188)	426,610,739	**118.79 %**
Market Value - End of Year	$ 4,739,613,755	$ 5,166,224,494	**9.00 %**
Book Value - Beginning of Year	$ 5,939,764,793	$ 5,494,716,736	**(7.49)%**
Income			
Investment Income	(122,713,804)	(132,804,230)	**(8.22)%**
Employer Contributions	155,832,612	157,697,608	**1.20 %**
Employee Contributions	137,748,907	130,980,605	**(4.91)%**
Subtotal	170,867,715	155,873,983	**(8.78)%**
Outgo (Refunds, Benefits & Expenses)	615,915,772	640,630,094	**4.01 %**
Net Change	(445,048,057)	(484,756,111)	**(8.92)%**
Book Value - End of Year	$ 5,494,716,736	$ 5,009,960,625	**(8.82)%**
Actuarial Value - Beginning of Year	$ 6,890,462,918	$ 6,669,501,770	**(3.21)%**
Income			
Investment Income	101,373,105	(21,761,698)	**(121.47)%**
Employer Contributions	155,832,612	157,697,608	**1.20 %**
Employee Contributions	137,748,907	130,980,605	**(4.91)%**
Subtotal	394,954,624	266,916,515	**(32.42)%**
Outgo (Refunds, Benefits & Expense)	615,915,772	640,630,094	**4.01 %**
Net Change	(220,961,148)	(373,713,579)	**(69.13)%**
Actuarial Value - End of Year	$ 6,669,501,770	$ 6,295,788,191	**(5.60)%**

Summary of Actuarial Valuation (continued)

		December 31, 2008		December 31, 2009	% Change
Members					
Active[1]		32,563		31,586	**(3.00)%**
Inactive		12,082		12,919	**6.93 %**
Retirees		18,173		18,245	**0.40 %**
Deferred		5		6	**20.00 %**
Survivors		4,378		4,364	**(0.32)%**
Disabilities		458		526	**14.85 %**
Children		174		167	**(4.02)%**
Payroll Data					
Valuation Payroll	$	1,543,976,553	$	1,551,973,348	**0.52 %**
Average Salary		47,415		49,135	**3.63 %**

[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, 2009. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2010.
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, 2010, is $483.9 million, which is for pension benefits only. This amount is net of employee contributions of $134.9 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, 2010, is $23.0 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 $3.936 billion to $4.759 billion during the year, resulting in a change in funding ratio from 62.9 percent to 57.0 percent. The increase in the Unfunded Actuarial Accrued Liability is mainly attributable to unfavorable investment return on the actuarial value of assets due to additional recognition of the investment loss from 2008, and a shortfall in contributions relative to the actuarially determined contribution requirement. A more thorough examination of these and other factors can be found in the Reconciliation of Unfunded Actuarial Accrued Liability and the Reconciliation of Funded Ratio.

Based on the Market Value of Assets, the Unfunded Actuarial Accrued Liability increased from $5.866 billion to $5.888 billion, and the funded ratio increased from 44.7 percent to 46.7 percent.

Plan Membership

	December 31, 2008	December 31, 2009
Active Members [1]		
Number	32,563	31,586
Vested	16,301	17,391
Non-vested	16,262	14,195
Average Age	46.7	47.1
Average Service	11.4	11.9
Average Annual Salary	$47,415	$49,135
Inactive Members		
Number	12,082	12,919
Average Age	44.3	44.5
Average Service	4.6	4.5
Retirees		
Number	18,173	18,245
Average Age	72.6	72.8
Average Annual Benefit	$28,928	$29,960
Deferred		
Number	5	6
Average Age	53.6	53.9
Average Annual Benefit	$7,949	$7,180
Surviving Spouses		
Number	4,378	4,364
Average Age	77.3	77.4
Average Annual Benefit	$11,867	$12,118
Children	174	167
Total Members	67,375	67,287

[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 increased 0.3 percent during 2009, from 22,551 to 22,609, while the number of active members decreased 3.0 percent from 32,563 to 31,586. Total expenditures for benefits increased from $583 million in 2008 to $605 million during 2009, or 3.8 percent.

Changes in Provisions of the Plan

The following Public Act was passed in 2009 by the 95th General Assembly that made changes to the Fund Provisions.

P.A. 95-1036 (SB 2520), approved February 17, 2009

The following Public Acts were passed in 2009 by the 96th General Assembly that made changes to the Fund Provisions.

P.A. 96-0753 (HB 2557), approved August 25, 2009
P.A. 96-0006 (SB 364), approved April 3, 2009
P.A. 96-0586 (SB 1440), approved August 18, 2009
P.A. 96-0727 (SB 1705), approved August 25, 2009

These changes do not materially impact the liabilities of the Fund.

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, 2008, were used.

2009 Experience Analysis

The Fund had an investment gain in 2009 of $413 million relative to the 8.00 percent expected rate of return on a market value basis. The loss on an actuarial value basis relative to the 8.00 percent expected rate of return was $542 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 $2 million. Service credit changes and purchases resulted in an experience loss of $11 million.

Combined City and employee contributions were less than Normal Cost plus interest on the Unfunded Actuarial Accrued Liability, which resulted in an increase in the Unfunded Actuarial Accrued Liability of $263.5 million. Contributions lower than Normal Cost plus interest have increased the Unfunded Actuarial Accrued Liability for the past eight years.

There was an additional loss of $8 million from all other factors, including actual retirement, termination, disability, mortality experience, and data changes. This is about 0.1 percent of the December 31, 2009, liabilities, which is a reasonable variation.

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

Reconciliation of Funded Ratio

	2009	**2008**
Funded Ratio Beginning of Year	**62.89%**	**67.64%**
Expected Increase If All Assumptions Realized	1.45%	1.31%
Expected Funded Ratio	**64.34%**	**68.95%**
Gains (Losses) during the Year Attributable to:		
Contributions in Excess (Less Than) of Normal Cost plus Interest	-2.39%	-2.00%
Gain (Loss) on Investment Return	-4.91%	-4.12%
Gain (Loss) from Salary Changes	0.01%	-0.03%
Gain (Loss) from Retirement, Termination, & Mortality	-0.04%	0.15%
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	-0.06%	-0.06%
Changes in Assumptions	0.00%	0.00%
Plan Amendments	0.00%	0.00%
Total Gain (Losses) During the Year	-7.39%	-6.06%
Funded Ratio End of Year	**56.95%**	**62.89%**

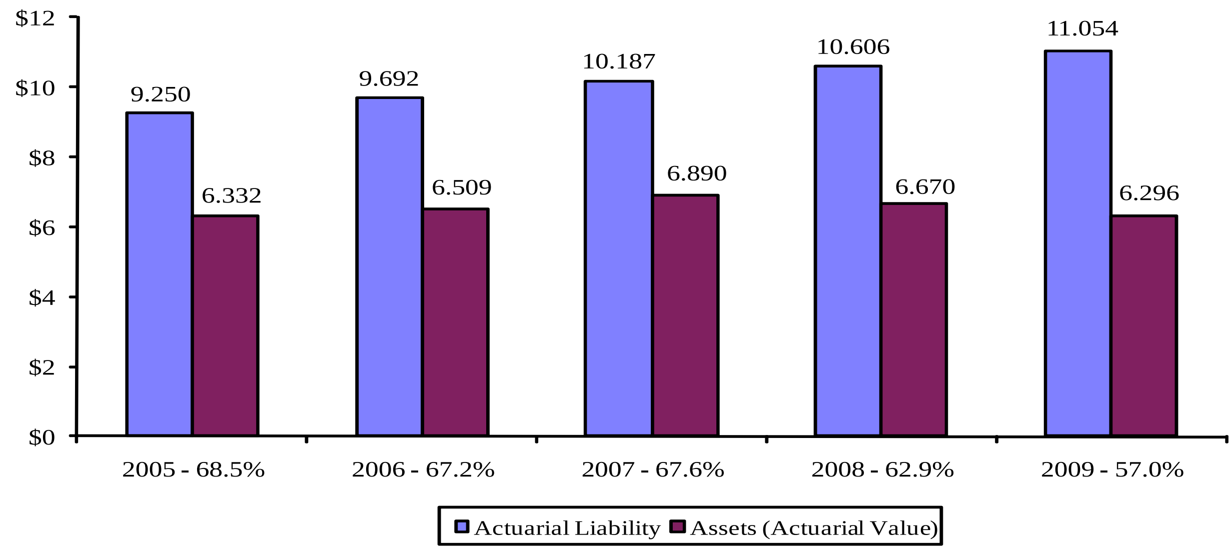
Analysis of Financial Experience

	2009	2008	2007	2006	2005
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)					
Beginning of Year	$3,936,346,961	$3,296,152,269	$3,183,173,857	$2,917,833,141	$2,465,424,785
(Gains) Losses during the Year Attributable to:					
Contributions less than (in excess of) Normal Cost plus Interest	263,525,304	211,536,054	199,581,204	160,792,128	117,187,386
(Gain) Loss on Investment Return	541,514,597	437,218,599	(190,572,574)	23,783,664	218,674,940
(Gain) Loss from Salary Changes	(2,224,555)	6,654,805	(7,181,683)	15,270,913	79,469,300
(Gain) Loss from Retirement, Termination, & Mortality	7,921,619	(25,452,703)	71,476,178	51,557,086	122,267,607
(Gain) Loss from Data Corrections	-	-	-	-	-
(Gain) Loss from Transfers	-	-	-	-	-
Change in Methodology	-	-	-	-	-
Non-ERI Service Credit Changes/Purchases	11,420,483	10,237,937	39,675,287	13,936,925	10,339,947
Changes in Assumptions	-	-	-	-	(95,530,824)
Plan Amendments	-	-	-	-	-
Net Increase (Decrease) in UAAL	822,157,448	640,194,692	112,978,412	265,340,716	452,408,356
Unfunded (Over funded) Actuarial Accrued Liability (UAAL) End of Year	$4,758,504,409	$3,936,346,961	$3,296,152,269	$ 3,183,173,857	$ 2,917,833,141

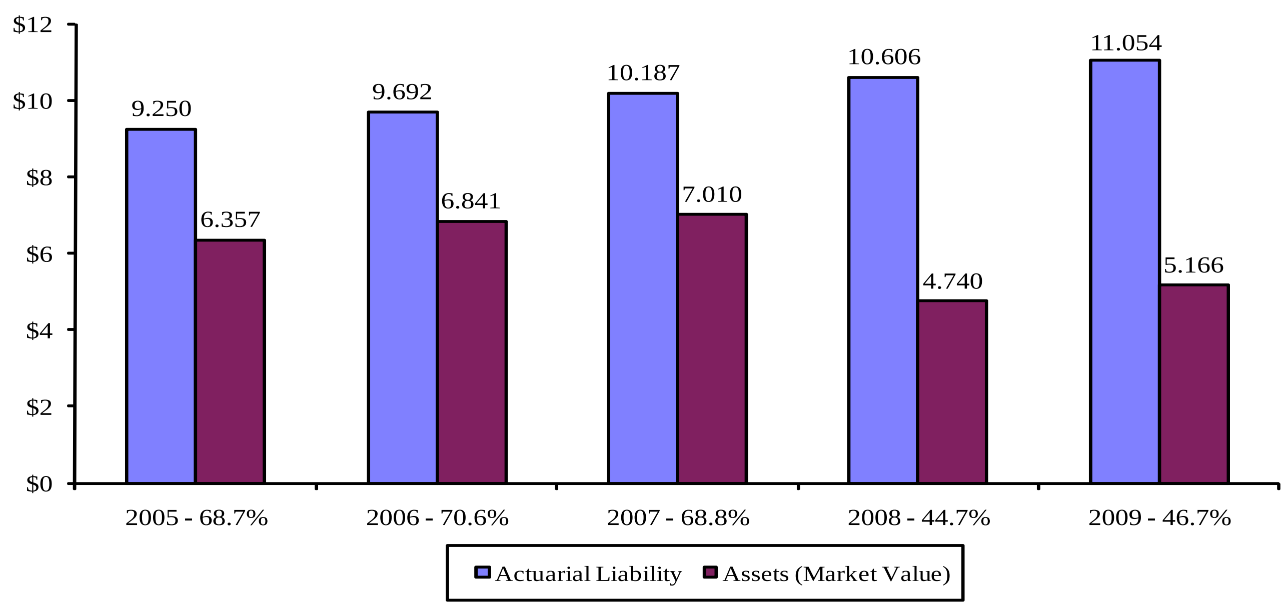
Funding Analysis

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

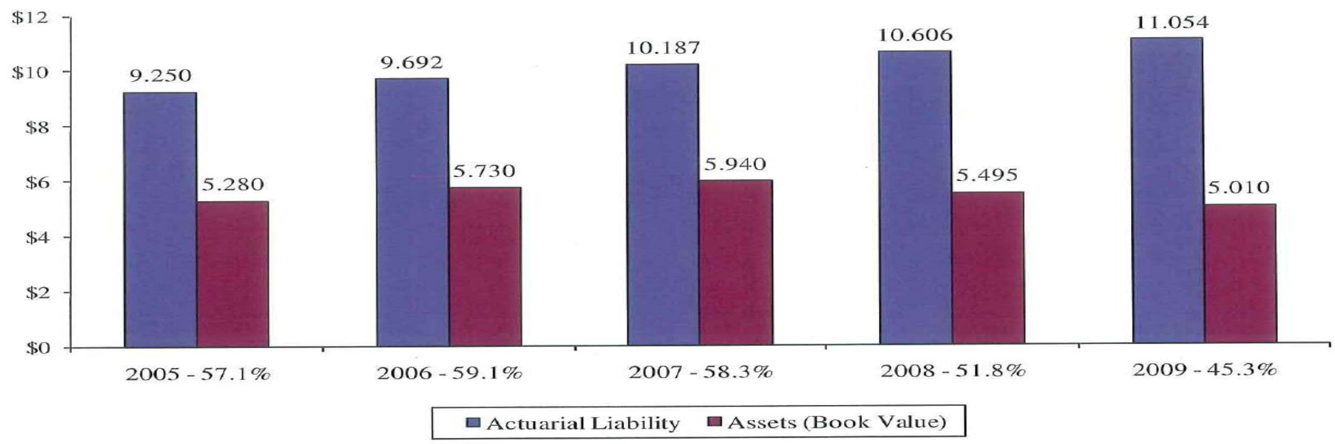
Components of Funded Ratio
Based on Actuarial Value of Assets
($ in Billions)



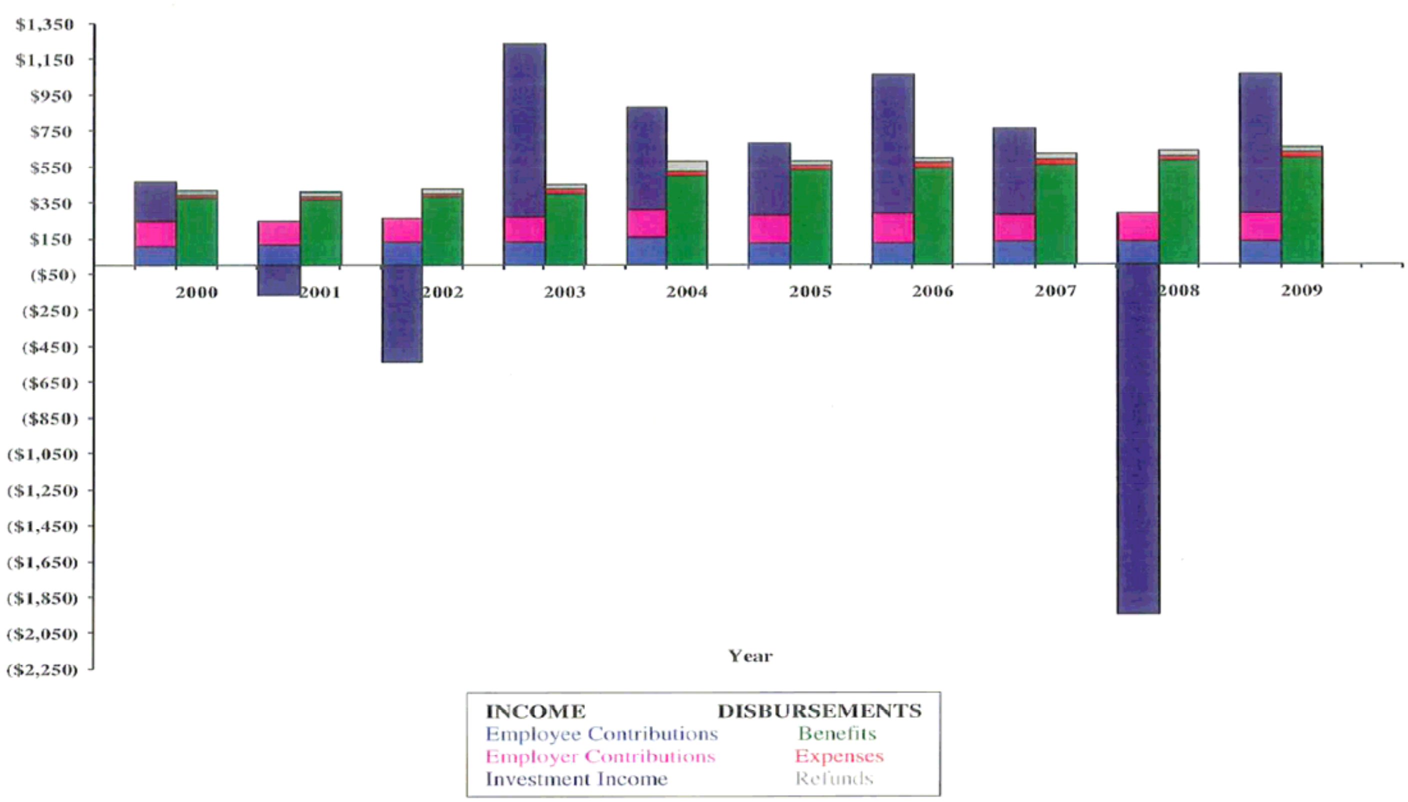
Components of Funded Ratio
Based on Market Value
($ in Billions)



COMPONENTS OF FUNDED RATIO
BASED ON BOOK VALUE
($ IN BILLIONS)



SUMMARY OF INCOME AND DISBURSEMENTS
($ IN MILLIONS)



Conclusion

On a market value basis, the funded ratio has increased from 44.7 percent in the last valuation to 46.7 percent in this valuation. While returns on a Market Value of Assets basis were higher than expected, the funded ratio did not increase more because of continued contribution shortfalls. The funded ratio using the Actuarial Value of Assets is expected to decrease for the next three years toward the funded ratio using the Market Value of Assets, at which point the significant investment losses from 2008 will be fully recognized. When measured using the Actuarial Value of Assets, which smoothes gains and losses over a five-year period, the funding ratio decreased from 62.9 percent in 2008 to 57.0 percent in 2009. Future decreases in the funded ratio are expected to occur as a result of contributions that are insufficient to adequately finance the Plan. Under the current funding policy, if all future assumptions are realized, the funding ratio is projected to deteriorate until assets are depleted within about 15 to 20 years.

Summary of Actuarial Values

	APV of Projected Benefits	2010 Normal Cost
(1) Values for Active and Inactive Members		
(a) Retirement	$ 5,875,430,018	$ 147,149,066
(b) Termination - Vested	382,148,131	23,011,848
(c) Termination - Non Vested	78,370,506	26,071,236
(d) Death	128,688,693	6,058,779
(e) Inactive Vested and Non-Vested	346,419,919	-
(f) Health Insurance	225,460,299	9,266,349
(g) Disability	-	11,639,800
(h) Expenses of Administration	-	7,765,918
Total for Actives and Inactive	$ 7,036,517,566	$ 230,962,996
(2) Values for Members in Payment Status	$ 5,874,606,230	$ -
(3) Grand Totals	$ 12,911,123,796	$ 230,962,996
Actuarial Present Value of Future Compensation		$ 13,544,297,762

Summary of Actuarial Values
As of December 2009

Accrued Liabilities for Active and Inactive Participants [1]	$ 5,179,686,370
Reserves For**:**	
Service Retirement Pension	$ 5,034,646,766
Future Spouses of Current Retirees	409,338,526
Surviving Spouse Pension	344,290,813
Health Insurance Supplement	84,723,671
Children Annuitants	1,606,454
Total Accrued Liabilities	$ 11,054,292,600
Unfunded Actuarial Liabilities	$ 4,758,504,409
Actuarial Net Assets	$ 6,295,788,191

[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 2009

	Annuity Payment Fund	Prior Service Fund	Total
Statutory Reserves[1]			
Retirees	$ 1,133,592,223	$ 4,375,000,395	$ 5,508,592,618
Future Surviving Spouses	258,593,014	363,549,243	622,142,257
Spouse	162,551,149	171,269,207	333,820,356
Annual Benefits			
Retirees	$ 138,469,409	$ 408,158,686	$ 546,628,095
Future Surviving Spouses	N/A	N/A	N/A
Spouse	$ 24,221,684	$ 28,662,508	$ 52,884,192

[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)
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%
2008	1,536,221,953	5,701,015,809	3,368,610,969	6,669,501,770	100.00%	90.04%	0.00%
2009	1,610,503,053	5,874,606,230	3,569,183,317	6,295,788,191	100.00%	79.75%	0.00%

[1] *Change in actuarial assumptions*

[2] *Change in benefits*

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, 2009

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

(a) Market Value of Assets as of 12/31/2008 — $ 4,739,613,755

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

	Item	Amount	Weight for Timing	Weighted Amount
i)	Member Contributions	$ 130,980,605	50.0%	$ 65,490,303
ii)	City Contributions & Misc.	157,697,608	50.0%	78,848,804
iii)	Benefit Payments	(604,769,811)	50.0%	(302,384,906)
iv)	Refunds	(28,094,365)	50.0%	(14,047,183)
v)	Administration	(7,765,918)	50.0%	(3,882,959)
vi)	Total			$(175,975,941)

(c)	Market Value of Assets Adj. for Actual Income and Disbursements [(a) + (b)(vi))]	$ 4,563,637,814
(d)	Assumed Rate of Return on Plan Assets for the Year	8.00%
(e)	Expected Return [(c) * (d)]	$ 365,091,025

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

(a)	Market Value of Assets as of 12/31/2008	$ 4,739,613,755
(b)	Income (less investment income) for Prior Plan Year	288,678,213
(c)	Disbursements Paid in Prior Year	640,630,094
(d)	Market Value of Assets as of 12/31/2009	5,166,224,494
(e)	Actual Return [(d) + (c) - (b) - (a)]	$ 778,562,620

(3) **Investment Gain/(Loss) for Prior Year** — $ 413,471,595

(4) **Actuarial Value of Assets as of 12/31/2009**

(a) Market Value of Assets as of 12/31/2009 — $ 5,166,224,494

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

	Plan Year	Gain/(Loss)	Weight for Timing	Deferred Amount
i)	2005	$ (85,582,181)	0.00%	$ -
ii)	2006	281,954,324	20.00%	56,390,436
iii)	2007	(48,662,875)	40.00%	(19,465,150)
iv)	2008	(2,495,444,480)	60.00%	(1,497,266,688)
v)	2009	413,471,595	80.00%	330,777,276
vi)	Total	$ (1,934,263,617)		$(1,129,563,697)

(c) Actuarial Value of Assets [(a) - (b) (vi)] — $ 6,295,788,191

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
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%
2008	384,169,836	155,136,000	155,832,612	40.56%
2009	436,475,587	157,125,216	157,697,608	36.13%

[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
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%
2008	62.89%	254.95 %	9.96%
2009	56.95%	306.61 %	10.21%

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)								
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%
2008	743	34,658,424	768	17,767,068	18,173	525,707,352	28,928	3.46%
2009	840	39,821,463	768	18,900,720	18,245	546,628,095	29,960	3.57%
Surviving Spouse Annuitants (Not Including Compensation)								
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%
2008	260	3,989,592	260	3,142,752	4,378	51,954,588	11,867	2.40%
2009	266	3,869,064	280	2,939,460	4,364	52,884,192	12,118	2.12%

[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
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 %
2008	32,563	(6.66)%	1,543,976,553	(1.31)%	47,415	5.73 %	4.50 %	(0.58)%
2009	31,586	(3.00)%	1,551,973,348	0.52 %	49,135	3.63 %	4.50 %	2.54 %
Average Increase (Decrease) for the Last five years		(1.03)%		3.56 %		4.64 %	4.50 %	2.18 %

Actuarial Methods and Assumptions

As of December 31, 2009

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)

Rates 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, 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.

Changes in Plan Net Assets

(Last ten years)

	2009	2008	2007	2006	2005
Additions:					
Employer contributions	$ 157,697,608	$ 155,832,612	$ 148,137,050	$ 157,062,769	$ 155,067,116
Member contributions	130,980,605	137,748,907	132,442,200	129,466,091	122,542,484
Net investment income	778,562,620	(1,947,575,935)	485,926,151	778,725,950	402,310,621
Total Additions	1,067,240,833	(1,653,994,416)	766,505,401	1,065,254,810	679,920,221
Deductions:					
Annuities	$ 583,436,041	$ 561,947,108	$ 543,411,793	$ 528,426,078	$ 514,623,174
Disabilities	11,682,652	11,687,603	10,624,807	10,267,132	9,990,510
Healthcare Subsidy	9,651,118	9,029,362	8,530,910	8,730,476	8,877,021
Refunds	28,094,365	25,501,985	28,009,512	27,194,308	26,737,456
Administrative Expenses	7,765,918	7,749,714	7,532,301	6,397,685	5,545,268
Total Deductions	640,630,093	615,915,772	598,109,323	581,015,679	565,773,429
Net Increase/(Decrease)	426,610,739	(2,269,910,188)	168,396,078	484,239,131	114,146,792
Beginning of year	4,739,613,755	7,009,523,943	6,841,127,865	6,356,888,734	6,242,741,942
End of year	$5,166,224,494	$4,739,613,755	$7,009,523,943	$6,841,127,865	$6,356,888,734

Changes in Plan Net Assets (continued)

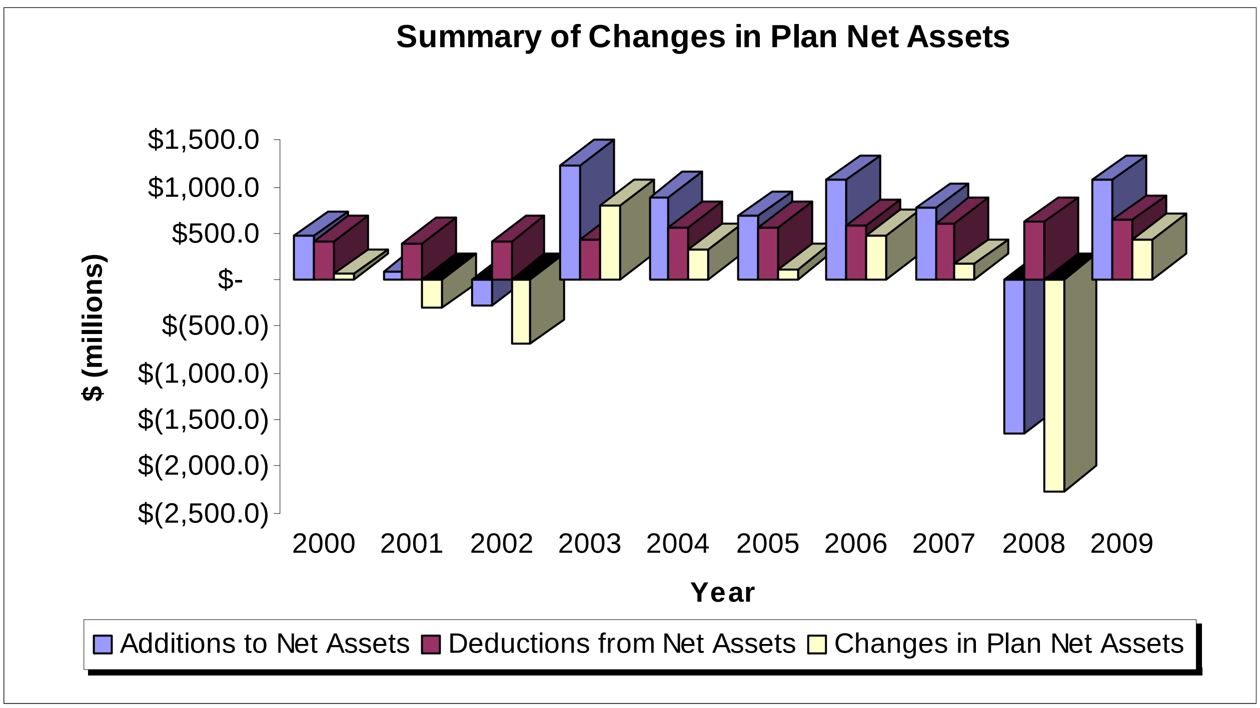
(Last ten years)

	2004	2003	2002	2001	2000
Additions:					
Employer contributions	$ 153,919,476	$ 141,882,893	$ 130,966,381	$ 131,439,834	$ 140,171,920
Member contributions	155,884,575	129,644,188	128,395,307	118,240,723	107,371,034
Net investment income	578,730,089	961,888,872	(538,062,313)	(158,373,573)	217,067,663
Total Additions	888,534,140	1,233,415,953	(278,700,625)	91,306,984	464,610,617
Deductions:					
Annuities	$ 481,319,408	$ 390,834,936	$ 370,006,543	$ 356,548,995	$ 365,432,606
Disabilities	8,830,525	10,879,692	10,586,498	7,919,981	6,945,471
Health Care Subsidy	8,689,957	6,881,611	6,278,622	6,272,253	5,834,910
Refunds	64,272,300	25,561,485	22,425,917	21,951,794	24,674,848
Administrative Expenses	5,470,007	4,678,634	4,557,088	4,086,513	3,844,082
Total Deductions	568,582,197	438,836,358	413,854,668	396,779,536	406,731,917
Net Increase/(Decrease)	319,951,943	794,579,595	(692,555,293)	(305,472,552)	57,878,700
Beginning of year	5,922,789,999	5,128,210,404	5,820,765,697	6,126,238,249	6,068,359,549
End of year	$6,242,741,942	$5,922,789,999	$5,128,210,404	$5,820,765,697	$6,126,238,249

Summary of Changes in Plan Net Assets

(Last ten years)

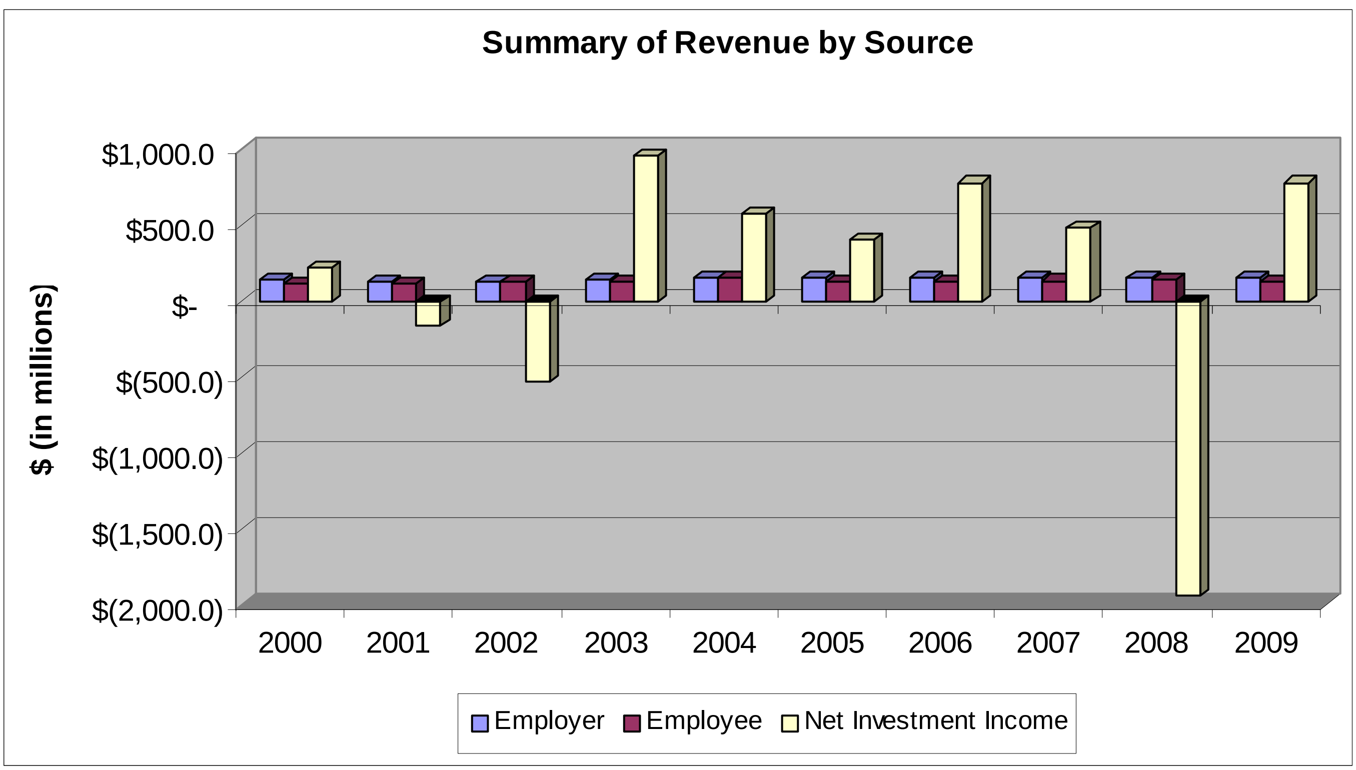
Year	Additions to Net Assets	Deductions from Net assets	Increase (Decrease) in Net Assets
2000	$ 464,610,617	$ 406,731,917	$ 57,878,700
2001	91,306,984	396,779,536	(305,472,552)
2002	(278,700,625)	413,854,668	(692,555,293)
2003	1,233,415,953	438,836,358	794,579,595
2004	888,534,140	568,582,197	319,951,943
2005	679,920,221	565,773,429	114,146,792
2006	1,065,254,810	581,015,679	484,239,131
2007	766,505,401	598,109,323	168,396,078
2008	(1,653,994,416)	615,915,772	(2,269,910,188)
2009	1,067,240,833	640,630,093	426,610,739



Additions to Net Assets By Source

(Last ten years)

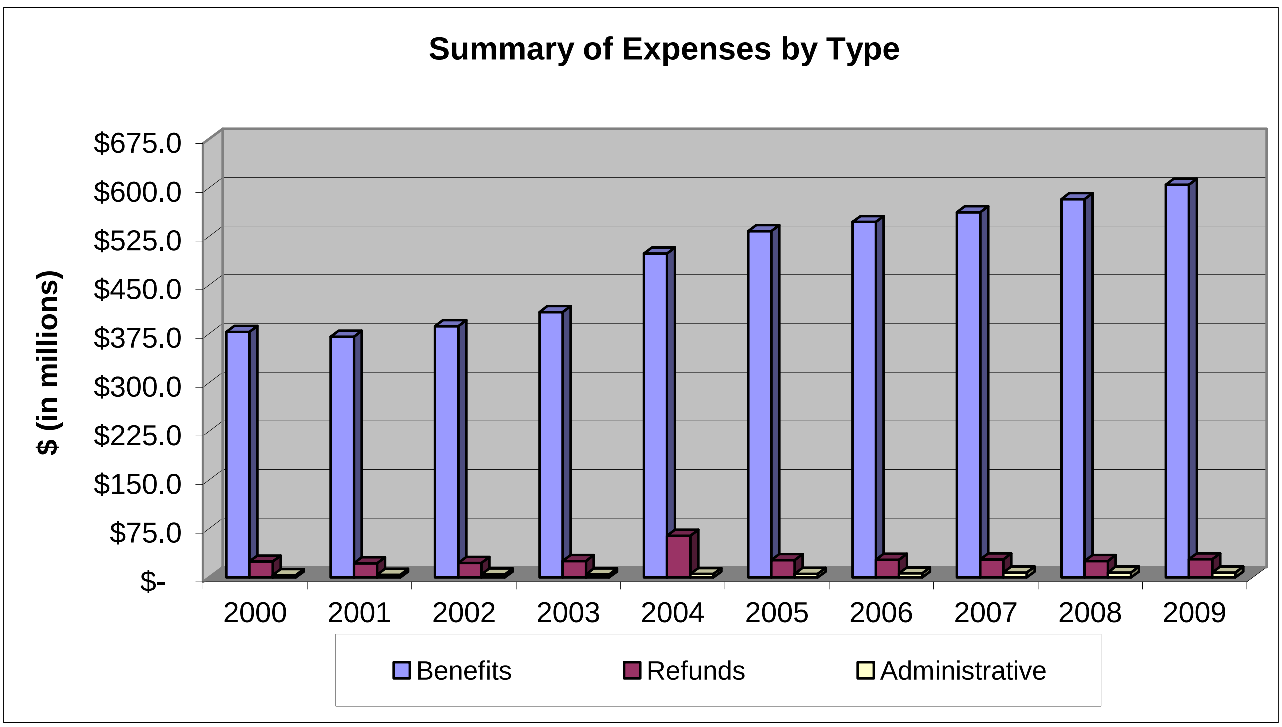
Year	Employer Contributions	Employee Contributions	Investment Income (net of expense)	Total
2000	$ 140,171,920	$ 107,371,034	$ 217,067,663	$ 464,610,617
2001	131,439,834	118,240,723	(158,373,573)	91,306,984
2002	130,966,381	128,395,307	(538,062,313)	(278,700,625)
2003	141,882,893	129,644,188	961,888,872	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
2008	155,832,612	137,748,907	(1,947,575,935)	(1,653,994,416)
2009	157,697,608	130,980,605	778,562,620	1,067,240,833



Deductions from Net Assets By Type

(Last ten years)

Year	Benefits	Refunds	Administrative Expense	Total
2000	$ 378,212,987	$ 24,674,848	$ 3,844,082	$ 406,731,917
2001	370,741,229	21,951,794	4,086,513	396,779,536
2002	386,871,663	22,425,917	4,557,088	413,854,668
2003	408,596,239	25,561,485	4,678,634	438,836,358
2004	498,839,890	64,272,300	5,470,007	568,582,197
2005	533,490,705	26,737,456	5,545,268	565,773,429
2006	547,423,686	27,194,308	6,397,685	581,015,679
2007	562,567,510	28,009,512	7,532,301	598,109,323
2008	582,664,073	25,501,985	7,749,714	615,915,772
2009	604,769,811	28,094,365	7,765,918	640,630,093



Benefits by Type

Last ten years

	2009	2008	2007	2006	2005
Annuities:					
Employee	$ 530,008,332	$ 509,510,036	$ 491,780,107	$ 477,505,602	$ 464,243,871
Surviving Spouse	52,904,482	51,880,155	51,063,889	50,340,031	49,783,518
Children	523,227	556,917	567,797	580,445	595,785
Total Annuities	583,436,041	561,947,108	543,411,793	528,426,078	514,623,174
Disabilities:					
Ordinary	8,290,644	8,311,069	7,857,240	7,824,045	8,011,243
Duty	3,392,008	3,376,534	2,767,567	2,443,087	1,979,267
Total Disabilities	11,682,652	11,687,603	10,624,807	10,267,132	9,990,510
Postemployment Healthcare Subsidy					
Employee	8,155,184	7,628,736	7,199,189	7,373,775	7,499,145
Surviving Spouse	1,487,337	1,389,751	1,318,801	1,343,866	1,367,932
Children	8,597	10,875	12,920	12,835	9,944
Total Healthcare Subsidy	9,651,118	9,029,362	8,530,910	8,730,476	8,877,021
Total Benefits	$ 604,769,811	$ 582,664,073	$ 562,567,510	$ 547,423,686	$ 533,490,705

Benefits by Type (continued)

(Last ten years)

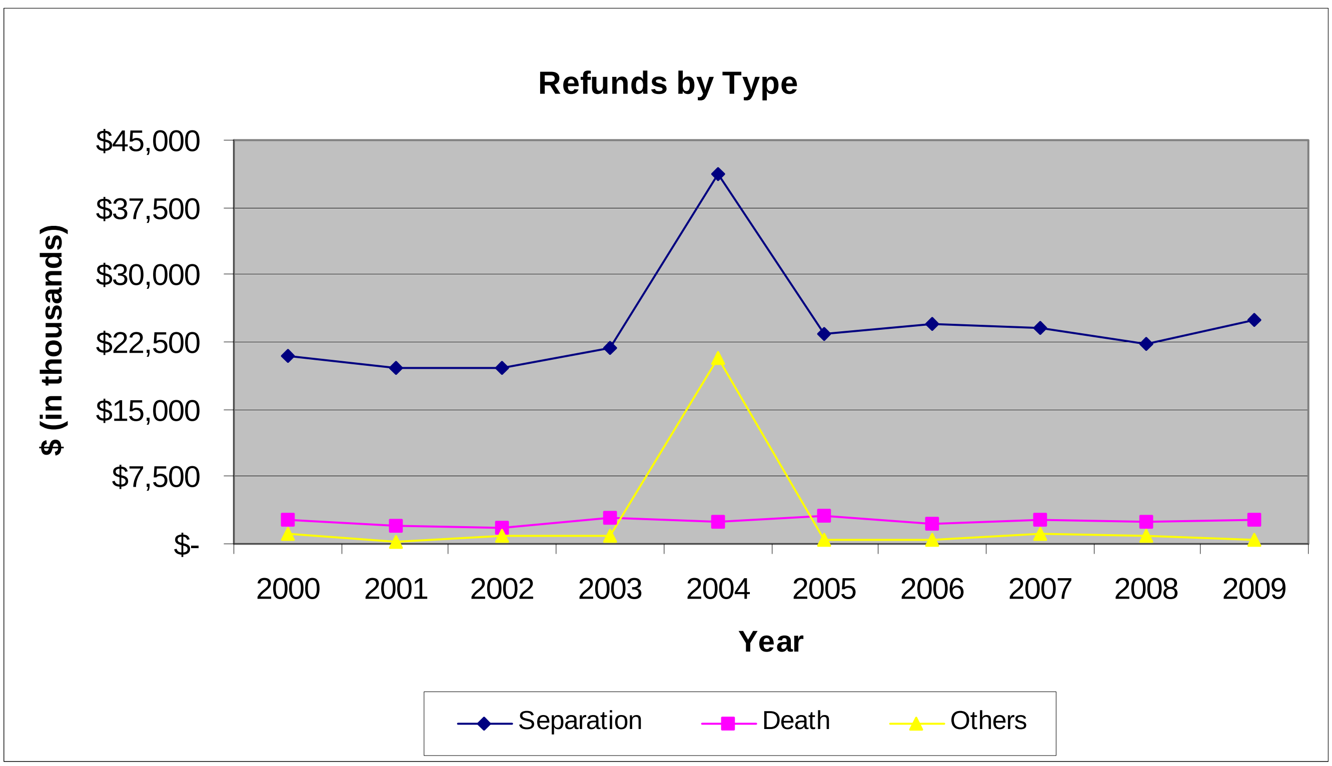
	2004	2003	2002	2001	2000
Annuities:					
Employee	$ 431,559,744	$ 341,614,633	$ 321,677,720	$ 308,930,340	$ 316,479,067
Surviving Spouse	49,163,339	48,558,458	47,691,000	47,073,636	48,410,776
Children	596,325	661,845	637,823	545,019	542,763
Total Annuities	481,319,408	390,834,936	370,006,543	356,548,995	365,432,606
Disabilities:					
Ordinary	7,200,947	8,475,088	8,321,808	5,893,479	5,306,741
Duty	1,629,578	2,404,604	2,264,690	2,026,502	1,638,730
Total Disabilities	8,830,525	10,879,692	10,586,498	7,919,981	6,945,471
Postemployment Healthcare Subsidy					
Employee	$ 7,301,575	$ 5,606,013	$ 5,109,041	$ 5,103,748	$ 4,765,407
Surviving Spouse	1,376,142	1,275,598	1,169,581	1,168,505	1,069,503
Children	12,240	-	-	-	-
Total Healthcare Subsidy	$ 8,689,957	$ 6,881,611	$ 6,278,622	$ 6,272,253	$ 5,834,910
Total Benefits	$ 498,839,890	$ 408,596,239	$ 386,871,663	$ 370,741,229	$ 378,212,987

Refunds by Type

(Last ten years)

Year	Separation	Death	Others[1]	Total
2000	$ 20,983,768	$ 2,670,519	$ 1,020,561	$ 24,674,848
2001	19,548,445	2,096,763	306,586	21,951,794
2002	19,682,186	1,771,013	972,718	22,425,917
2003	21,848,317	2,884,456	828,712	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	523,340	27,194,308
2007	24,156,118	2,649,518	1,203,876	28,009,512
2008	22,271,312	2,380,730	849,943	25,501,985
2009	24,942,884	2,670,267	481,214	28,094,365

[1]Others include transfer of contributions to other Funds and refunds due to error in deductions



Current Retirees by Range of Pension Amounts

As of December 31, 2009

Amount of Monthly Benefit	Number of Employee Annuitants	Number of Spouse Annuitants	Number of Child Annuitants	Total Number of Annuitants
Deferred	6	-	-	6
$ 1 - $ 250	341	79	167	587
251 - 500	354	63	-	417
501 - 750	252	70	-	322
751 - 1,000	998	2,927	-	3,925
1,001 - 1,250	3,750	347	-	4,097
1,251 - 1,500	1,043	302	-	1,345
1,501 - 1,750	1,106	203	-	1,309
1,751 - 2,000	1,131	150	-	1,281
2,001 - 2,250	1,104	84	-	1,188
2,251 - 2,500	884	61	-	945
2,501 - 2,750	728	42	-	770
2,751 - 3,000	698	23	-	721
3,001 - 3,250	673	8	-	681
3,251 - 3,500	637	3	-	640
3,501 - 3,750	539	-	-	539
3,751 - 4,000	538	2	-	540
4,001 - 4,250	561	-	-	561
4,251 - 4,500	455	-	-	455
4,501 - 4,750	389	-	-	389
4,751 - 5,000	447	-	-	447
Over $ 5,000	1,617	-	-	1,617
Totals	**18,251**	**4,364**	**167**	**22,782**

Source of Data: 2009 Actuarial Valuation Report

MEABF Staff Retiree Healthcare (OPEB)

Counts		Retiree and Beneficiary Health Coverage Type			
Retiress and Beneficiaries	Total	1 Person	2 Person	Family	Total
9	9	4	5	0	9

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	$ 1,236
2000	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	$ 2,764
	Number of New Retirees	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	N/A
	Number of New Retirees	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 New Retirees	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	$ 3,406
	Number of New Retirees	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 New Retirees	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 New Retirees	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 New Retirees	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 New Retirees	54	69	94	70	229	516
	Average Monthly Benefit at Retirement	$1,293	$1,630	$2,031	$2,765	$4,129	$ 2,847
2008	Average Final Average Salary	$3,980	$3,565	$3,981	$4,199	$5,285	$ 4,491
	Number of New Retirees	60	65	106	63	206	500
	Average Monthly Benefit at Retirement	$1,407	$1,790	$2,275	$3,255	$4,082	$ 2,969
2009	Average Final Average Salary	$4,664	$4,148	$4,406	$5,005	$5,209	$ 4,794
	Number of New Retirees	57	75	153	92	231	608

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

Source of Data: 2009 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	Spouse
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
2008	15,804	4,018	174	266	192	2[1]	2,369	360
2009	15,838	4,008	167	306	220	2[1]	2,407	356

[1] Compensation annuitants also included with spouse annuitants

Source of Data: 2009 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
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
2008	6,283	2,974	1,775	48	11,080	11,471	22,551
2009	6,251	2,877	1,738	41	10,907	11,702	22,609

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
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
2008	28,928	72.6	27,750	62.4	24.3
2009	29,960	72.8	29,843	62.9	23.9

Source of Data: 2009 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	22	5	-	-	-	-	-	-	-	27
20-24	192	420	66	-	-	-	-	-	-	678
25-29	232	1,054	453	82	-	-	-	-	-	1,821
30-34	161	960	872	439	49	-	-	-	-	2,481
35-39	170	942	982	965	363	34	-	-	-	3,456
40-44	113	872	1,019	1,078	795	347	21	-	-	4,245
45-49	95	829	1,107	1,280	976	788	362	26	-	5,463
50-54	73	545	950	1,085	1,044	1,000	661	145	8	5,511
55-59	38	402	660	783	863	774	435	148	48	4,151
60-64	13	216	384	430	471	468	234	87	51	2,354
65-69	6	73	140	166	170	194	100	49	44	942
70 & Over	3	35	91	69	68	66	49	30	46	457
W/O DOB	-	-	-	-	-	-	-	-	-	-
Total	**1,118**	**6,353**	**6,724**	**6,377**	**4,799**	**3,671**	**1,862**	**485**	**197**	**31,586**

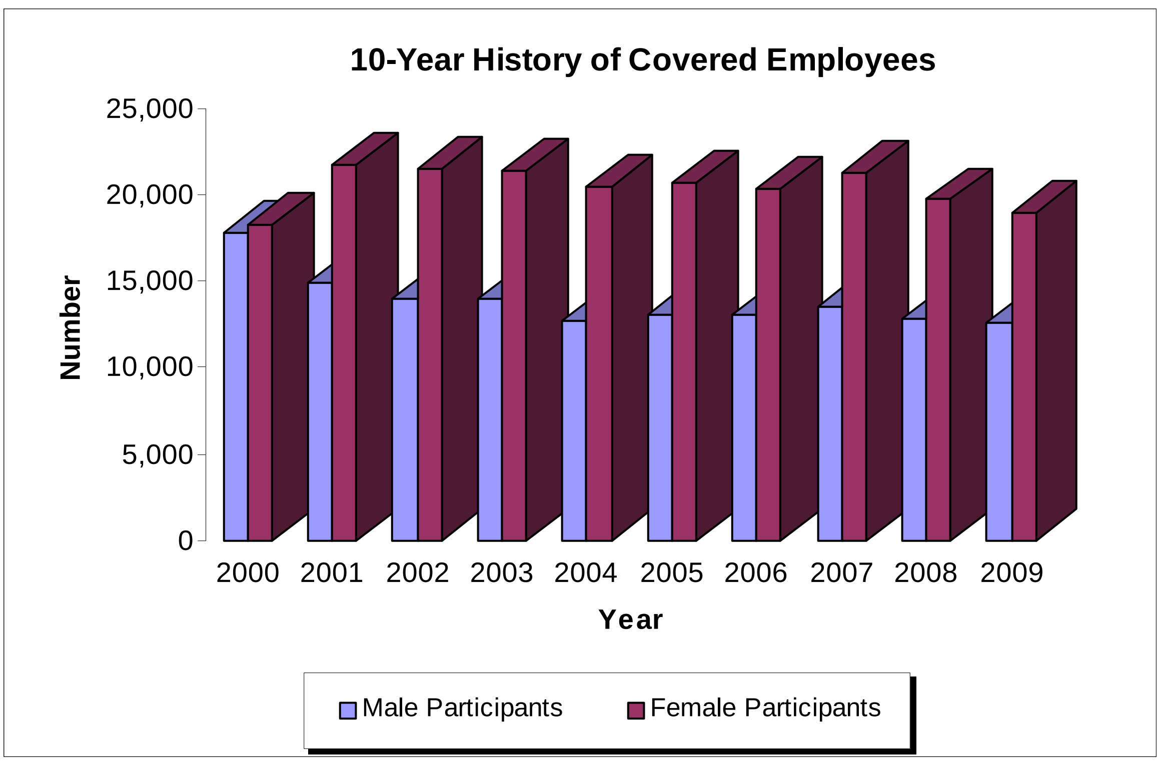
Source of Data: 2009 Actuarial Valuation Report

Number of Covered Employees

(Last ten years)

Year	Male Participants	Female Participants	Total Participants
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
2008	12,822	19,741	32,563
2009	12,598	18,988	31,586

Source of Data: 2009 Actuarial Valuation Report



10-Year History of Plan Membership

(Last ten years)

Year	Active	Inactive	Retirees	Beneficiaries	Total
2000	36,089	8,469	15,530	4,797	64,885
2001	36,679	9,551	15,365	4,723	66,318
2002	35,522	11,137	15,550	4,729	66,938
2003	35,384	11,159	15,862	4,711	67,116
2004	33,267	12,161	18,260	4,673	68,361
2005	33,743	8,440	18,224	4,671	65,078
2006	33,429	10,200	18,184	4,644	66,457
2007	34,885	9,105	18,201	4,588	66,779
2008	32,563	12,082	18,178	4,552	67,375
2009	31,586	12,919	18,251	4,531	67,287