POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

a component unit of the City of Chicago

for the year ended December 31, 2009

Comprehensive Annual Financial Report

Policemen's Annuity and Benefit Fund

A Component unit
of the City of Chicago
for the year ended
December 31, 2009

Prepared by
John J. Gallagher, Jr.
Executive Director
Regina Tuczak
Comptroller
Pacifico V. Panaligan
Assistant Comptroller

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Suite 1626
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POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Comprehensive Unit Financial Report
Year Ended December 31, 2009

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Policemen's Annuity and Benefit Fund of Chicago Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2008

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

President

Executive Director

THE RETIREMENT BOARD
of the
Policemen's Annuity and Benefit Fund
City of Chicago
221 NORTH LASALLE STREET-ROOM 1626
CHICAGO, ILLINOIS 60601
(312) 744-3891

Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago Chicago, Illinois

The Policemen's Annuity and Benefit Fund of Chicago (the Fund) hereby submits the comprehensive annual financial report (CAFR) for the year ending December 31, 2009. The Fund accepts responsibility for the accuracy of the data and the completeness and fairness of presentation, including disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Fund. All disclosures necessary to enable the reader to understand the Fund's financial activities have been included.

Any employee of the City of Chicago employed under the provisions of the municipal personnel ordinance as police service is covered by the Policemen's Annuity and Benefit Fund of Chicago. The Fund is governed under Illinois State Statutes (Chapter 40, Pension, Article 5, Illinois Compiled Statutes) and may be amended only by the Illinois Legislature.

The Fund was established in 1921 with the mission of providing retirement benefits to the members of the Chicago Police Department and their spouses. To properly execute this mission the Fund is administered by an eight (8) member Board of Trustees. The Board is composed of four (4) elected members, with one elected from each rank of police officer, sergeant, lieutenant and above, and a member from the retired members and their widows. The Mayor of Chicago appoints four members. The Retirement Board then elects a Board President, a Vice-President and a Recording Secretary from its own membership.

The Retirement Board is charged with many duties including: approval of all applications for benefits and annuities, investment of Fund monies in a manner prescribed by the State Statutes and Fund policy, adoption of rules and regulations for the proper conduct of the affairs of the Fund, an annual audit conducted by a certified public accountant certifying financial results for each year and the filing of a detailed report of the affairs of the Fund to the State of Illinois Department of Insurance and the City of Chicago each year. A summary of plan provisions adopted by the Retirement Board are presented as part of this CAFR.

This report presents the financial activities of the Fund and is composed of five (5) sections:

1. The introductory section contains the table of contents, this transmittal letter, a listing of the Retirement Board members and office staff members, a listing of professional consultants, the Fund's organizational chart and a summary of plan provisions;

2. The financial section contains the report of the independent auditors, management discussion and analysis, the financial statements and accompanying notes, required supplementary information and supporting schedules of the Fund;

3. The investment section reports on activity, policy, results, allocation, fees and commissions and includes an investment summary;

4. The actuarial section contains the report of the Fund's actuary with supporting actuarial assumptions, schedules and tables;

5. The statistical section provides membership data for both active members and annuitants of the Fund.

Financial Information

The management of the Fund is responsible for establishing and maintaining an internal control structure designed to ensure the safety of the Fund's assets from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements that conform to generally accepted accounting principles. The internal control system is included in the auditor's review and is designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Users of this report are strongly encouraged to review the **Management's Discussion and Analysis** portion of the Financial Section in order to obtain a more complete understanding of the Fund's financial condition and activity.

Investment Performance and Policy

The Fund relies heavily upon the performance of its assets to fund benefits (augmented by both employer and employee contributions). The severe dislocation created by market conditions has drastically reduced the performance of those assets. The impact of the sub-prime mortgage collapse on U.S. Equity markets in late 2007 preceded an overall economic collapse in 2008. 2008 saw the U.S. stock market suffering its worst year since the Great Depression with equity prices dropping an average of -37.2%. Global equity markets rebounded in 2009 which resulted in the Fund achieving a return of 21.5% for 2009, with domestic and foreign equities being the two largest contributors. Domestic equity for the Fund returned 32.9% for the Fund while international equities returned 40.1%. Fixed income also delivered a positive return of 11.7%. Total Fund return compared very favorably with its positive portfolio performance throughout this past year. Investable markets in 2009 and into 2010 remain volatile and credit dislocations continue to be a threat to a global economic recovery. While 2009 was an impressive year on an absolute basis relative to losses endured in 2008, the Fund realizes it will take many years for assets to recover to levels seen in 2007 and is proceeding in a prudent manner.

47 professional investment management firms managed the investment portfolio at year-end 2009. These firms make investment decisions under the Prudent Person Rule authorized by state statutes and the investment policy guidelines adopted by the Board of Trustees. The Board also employs two investment consultants to monitor investment performance, to aid in the selection of investment management firms, and to assist in the development of investment policy.

Economic Condition and Outlook

Although the collapse in market prices has reduced the value of Fund net assets from $4.3 billion as of year-end 2007 to $3.3 billion as of year-end 2009, the Board of Directors and the Fund's investment consultants feel that the Fund is sufficiently structured and diversified to sustain prevailing market conditions. The Fund is undergoing a restructuring effort towards greater allocation to alternative investments (Private equity, real estate, infrastructure, hedge fund-of-funds, and other opportunistic vehicles) which the Fund's Board of Trustees and investment advisors feel constitutes a sound strategy that should be continued despite intermittent market dislocations and volatility.

Current market conditions constitute an anomaly rarely seen in the history of the Fund since inception. The Fund needs a sustained recovery in the market value of its assets in order to meet its future obligations to its annuitants. The paramount objective of the Fund is to meet its long-term defined pension benefit obligations. The funding ratio of the Fund on a market value basis declined substantially in 2008 and the Fund is clearly not alone among employee benefit plans in this occurrence.

Funding Status

The actuarial value of assets at year-end 2009, using the GASB 25 and 43 methods, was $3.88 billion with a corresponding actuarial liability of $8.90 billion. The GASB 25 actuarial liability increased approximately $250 million, up from $8.65 billion total in 2008. Fund assets currently fund 43.65% of this liability, decreasing from a funded ratio of 47.31% in 2008. The decrease in the funded ratio largely resulted from the collapse of U.S. and global financial markets in 2008. Under GASB 25 the Fund smoothes its investment returns over a five year period. As more of the losses from 2008 are recognized, the funded ratio will continue to decrease. It should also be noted that there has been no increase in the employer contribution requirement (tax multiplier) since 1982 when the rate was increased from 1.97 to 2.00 times the employee contributions received two years prior.

The Budget Process

The Fund's budget is prepared through a process that originated in 1975. At that time, a budget for only the Fund's administrative expenses was prepared and approved. The 1990 budget was expanded to include all revenue and expense categories, including employer and employee contributions, investment income, annuity, death, and disability benefit expenses. The 2009 budget process builds from recent years' strengths and includes additional charts and graphs. Policies and procedures have remained substantially consistent with those of the prior year, with the exception that the ideas for new projects were sought beginning in July. The current fiscal planning and budgeting process then formally begins in July and ends in December with the approval by the Board of Trustees.

Public Pensions Commission

Late in 2007, the Mayor of the City of Chicago announced the formation of a special commission to propose ways to improve the financial strength of the City's four pension funds. The Police Pension Fund has been experiencing a drag on its funding progress from the impact that negative cash flows have on long-term investment returns. Negative cash flow occurs when employee and employer contributions are not sufficient enough to offset total annual benefit expenses, requiring the Fund to tap into its investment portfolio to assist in paying benefits when due.

The executive directors from each of the four city pension funds served on this Mayoral commission as well as an elected trustee representing each pension fund. Several union-appointed representatives and private-sector business leaders also served on the Commission. The Commission issued its report in 2010 and a copy is available on the Fund's website at www.chipabf.org.

Major Initiatives

The Fund will continue to strive for customer service excellence by improving the operational efficiencies and service delivery to the membership. In August of 2007, the Board approved the hiring of a consultant to develop a new pension accounting and administration system which will significantly improve our ability to better serve our active and retired participants. The new system became fully operational in 2009. The Fund will add enhancements to this system in 2010, one of which will be an online estimate program for members. We have also joined with several other local public pension funds in establishing a disaster recovery center.

Professional Services

The Fund's actuarial services are provided by Gabriel, Roeder, Smith & Company. The annual audit was conducted by Mitchell & Titus LLP, Certified Public Accountants. The

Fund’s primary investment consultant is Ennis, Knupp, and Associates. In 2006, the Fund hired Courtland Partners, Ltd. as an additional consultant specializing in real estate investment. A complete listing of all investment managers is detailed in the CAFR's introductory section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the year ended December 31, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports and the Fund has received the certificate for 18 out of the past 19 years.

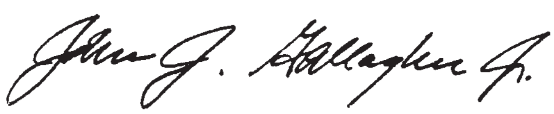
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

On behalf of the Board of Trustees, I wish to express appreciation to the staff and professional consultants who work so effectively to ensure the continued successful operation of the Fund. It is an honor and a privilege to serve the men and women of the Chicago Police Department and the City of Chicago. I extend my appreciation to all Fund participants for their interest and involvement in all plan activities. With our new pension administration system, we will be better able to serve you going forward and, as always, welcome your comments or suggestions.

Respectfully submitted,



John J. Gallagher, Jr.
Executive Director
June 21, 2010

RETIREMENT BOARD MEMBERS AND OFFICE STAFF

December 31, 2009

Appointed Trustees

Robert F. Reusche, President
Steven J. Lux,
Investment Committee Chairman
Stephanie D. Neely, Treasurer
Gene R. Saffold

Elected Trustees

Kenneth A. Hauser, Vice President
Michael J. Lazzaro, Recording Secretary
James P. Maloney
Michael K. Shields

Office Staff Members

John J. Gallagher, Jr., Executive Director
Sam Kunz, Chief Investment Officer
Regina Tuczak, Comptroller
Pacifico V. Panaligan, Assistant Comptroller

Support Staff

Adarsh Bagai
Karina Fruin
Kris Matalik
Dorothy Miller
Erwin Santos

Robert Crawford
Kay Hylton
Anne McGowan
Richard Mulhbacher
Maritza Vazquez
Richard Wrobel

Joseph Ferreri
Carol Lopez
Charles McLaughlin
Ed Rausch
Kathy Walsh

PROFESSIONAL CONSULTANTS

LEGAL ADVISOR
David R. Kugler, Esquire

MEDICAL ADVISOR
Peter Orris, M.D.

INVESTMENT CONSULTANTS
Ennis, Knupp and Associates
Courtland Partners, Ltd.

CONSULTING ACTUARY
Gabriel, Roeder, Smith & Company

AUDITOR
Mitchell & Titus L.L.P.

MASTER CUSTODIAN
The Northern Trust Company

COMMERCIAL BANK
Chase

INVESTMENT MANAGERS

ABR Chesapeake
Adams Street Partners
Aetos Capital LLC
AG Realty
Apollo Real Estate Advisors
Ariel Capital Management
Artisan Partners
Attucks Asset Management LLC
Capital Guardian Trust Co.
The Carlyle Group
Chancellor
Channing Capital
Chicago Equity Partners
Dearborn Partners
Declaration Management
Denali Advisors
DRA Advisors LLC
DV Urban Realty
European Investors Inc.
Global Infrastructure Partners
Great Lakes Advisors
HarbourVest Partners, LLC
Holland Capital Management
ING Clarion Real Estate
Invesco Capital Management
JP Morgan Asset Management
K2 Advisors
LM Capital Group
Lone Star Funds
Macquarie Group
McKinley Capital Management
Mesirow
Montag & Caldwell
Morgan Stanley Real Estate
Muller & Monroe
Northern Trust Global Investments
Oaktree Capital Management
Piedmont Investment Advisors
Prudential Real Estate
Quadrant Real Estate Advisors
RCP Advisors
Shamrock-Hostmark
Taplin, Canida & Habacht
UBS Global Asset Management
Wellington Management Company
Wells Capital Management
William Blair & Company

ORGANIZATION CHART

RETIREMENT
BOARD OF TRUSTEES
Robert F. Reusche, President
Kenneth A. Hauser, Vice-President
Steven J. Lux, Investment Committee Chairman
Michael J. Lazzaro, Recording Secretary
Stephanie D. Neely, Treasurer
James P. Maloney, Trustee
Gene R. Saffold, Trustee
Michael K. Shields, Trustee

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⇑

EXECUTIVE DIRECTOR	**CHIEF INVESTMENT OFFICER**
John J. Gallagher, Jr.	Samuel Kunz, CFA

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⇑

PROFESSIONAL CONSULTANTS	**COMPTROLLER**
Legal Advisor	Regina Tuczak, CPA
Medical Advisor	**ASSISTANT COMPTROLLER**
Investment Consultants	Pacifico V. Panaligan, CPA
Consulting Actuary	
Auditor	
Master Custodian	
Investment Managers	

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BENEFIT CALCULATIONS	**BENEFIT CLAIMS**	**BENEFIT COUNSELING**	**BENEFIT DISBURSEMENTS**
Richard Wrobel	Kay Hylton	Maggie O’Grady	Kris Matalik

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Financial Section

Mitchell & Titus

Mitchell & Titus LLP
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Chicago, IL 60606

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Policemen's Annuity and Benefit Fund of Chicago

We have audited the accompanying statement of plan net assets of the Policemen's Annuity and Benefit Fund of Chicago (the Fund) as of December 31, 2009 and 2008, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Policemen's Annuity and Benefit Fund of Chicago as of December 31, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). 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 we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary schedules of administrative expenses, consulting costs, and investment fees are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These other supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mitchell & Titus, LLP

June 18, 2010

Management's Discussion and Analysis

The Management's Discussion and Analysis section of this report is intended to serve as an introduction to the financial statements of the Policemen's Annuity and Benefit Fund of Chicago (the Fund) and to supplement the information contained therein.

OVERVIEW OF FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

The basic financial statements are prepared in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB) and are described below:

- **The Statements of Plan Net Assets** report the Fund's assets, liabilities, and the resultant net assets where assets minus liabilities equal net assets available at the end of the year.

- **The Statements of Changes in Plan Net Assets** show the sources and uses of funds during the calendar year, where additions minus deductions equal the net increase (or decrease) in net assets available for the year.

- **The Notes to the Financial Statements** are an integral part of the financial statements and include important information and schedules to provide a better understanding of the data provided in the financial statements. Information contained in the note disclosures includes the Fund's accounting policies, benefits, contributions, investments, fund reserves, and various other relevant topics.

- **Required Supplementary Information** presents detailed required historical information and is presented after the Notes to the Financial Statements. This supplementary information includes data on funding progress and employer contributions, along with other information useful in evaluating the financial condition of the Fund.

FINANCIAL HIGHLIGHTS

- The net assets of the Fund increased by $325 million, or 10.8%, to $3.326 billion during 2009; increasing from $3.001 billion at December 31, 2008.

- Fund investments earned, prior to consideration of investment-related expenses, approximately $576 million during 2009 compared to a loss of approximately ($1,093) million during 2008. The positive return reflects the improvement in global capital markets, which delivered positive returns, as economic indicators hinted at stabilization. The main positive contributors to absolute performance were U.S. and International Equity. On a relative basis, U.S. Equity, Fixed Income, and to a lesser extent Real Estate compared favorably to their respective benchmarks. Private Equity was the weakest performer in the investment asset allocation, with negative returns on both a relative and absolute basis.

- The Fund received contributions of $95.6 million from members and $180.5 million from the City of Chicago in 2009, compared to contributions of $93.2 million from members and $181.5 million from the City of Chicago in 2008. The number of active members declined by 1.6% from 2008 to 2009; however, active member purchases of prior service credit from prior law enforcement positions resulted in an increase in member contributions in 2009. Employer contributions from the City of Chicago decreased by 0.6%. Employer contributions are mandated by a statutorily set multiplier of 2.0 times member contributions collected two years prior. The reduction in contributions is due to a special receipt of proceeds from a bond sale conducted by the City of Chicago, which was included in 2008 contributions. Such contributions were in addition to the statutory requirement. Thus, although active membership increased two years prior, employer contributions declined from 2008 to 2009.

- Investment Activity Expenses declined by approximately $1.7 million in 2009, from $11.5 million in 2008 to $9.8 million in 2009. The Fund's investment management fees are based on the fair value of those assets. This decline of 14.8% was primarily the result of a lower level of assets under management by active managers, due to the deterioration of the financial global markets in 2008.

- Benefit payments, excluding death benefits and refunds, increased by approximately $17.1 million in 2009, from $489.8 million in 2008 to $506.9 million in 2009. Although benefit payments increased, the number of retirees and beneficiaries receiving benefit payments actually declined by .2%. The increase in benefit payments is due to annual cost of living increases provided to retirees born prior to January 1, 1955. Death benefits and refunds of employee deductions remained consistent from 2008 to 2009 and accounted for approximately $7.9 million of benefit payments in each year.

- Administrative expenses increased by approximately $.15 million, or 3.6%, from $4.154 million in 2008 to $4.304 million in 2009. The increased administrative expense is primarily due to increased consulting fees related to actuarial, medical, and legal services. Additionally, health insurance expense for the Fund's staff increased by $.102 million during 2009, due to rising premium costs.

- The funding objective of the Fund is to meet its long-term defined pension benefit obligations. The funding ratio of the Fund on a fair value basis experienced an insignificant increase, from 34.7% at December 31, 2008 to 37.4% at December 31, 2009.

- Under Government Accounting Standard Board (GASB) numbers 25 and 43, the Fund uses a five-year actuarial smoothing method in valuing its assets to determine its funded status and the contributions required to fund the plan going forward. This actuarial valuation method reduces the effect of short-term market volatility and provides a more stable trend valuation for the Fund's long-term planning needs. The funding ratio of the

Fund using an actuarial value of assets experienced an insignificant decrease, from 47.3% at December 31, 2008 to 43.7% at December 31, 2009.

- In compliance with GASB No. 45, the Fund recognizes a liability for other post-employment benefits (OPEB), which represent health insurance coverage for active and retired employees of the Fund. This obligation was first accrued as an expense in the 2008 financial statements in the amount of $344,600 at December 31, 2008; expense of $173,600 was recognized in 2009, resulting in a total accrued liability of $518,200 as of December 31, 2009.

PLAN NET ASSETS

A summary of plan net assets is presented below:

Plan Net Assets
(In millions)
As of December 31, 2009 and 2008

	2009	2008	2009–2008 Change $	2009–2008 Change %
Cash and cash equivalents	$ 113.0	$ 165.9	$ (52.9)	(31.9)
Receivables	204.9	197.9	7.0	3.5
Brokers – unsettled trades	121.3	359.4	(238.1)	(66.2)
Investments, at fair value	3,037.0	2,681.4	355.6	13.3
Invested securities lending collateral	375.1	287.6	87.5	30.4
Total assets	3,851.3	3,692.2	159.1	
Brokers – unsettled trades	144.1	393.2	(249.1)	(63.3)
Securities lending payable	376.1	292.6	83.5	28.5
OPEB obligation	0.5	0.3	0.2	66.7
Accounts payable and accrued expenses	4.5	5.1	(.6)	(11.8)
Total liabilities	525.3	691.2	(165.9)	
Net assets	$ 3,326.1	$ 3,001.0	$ 325.1	

The increase in net assets of $325 million in 2009 was primarily due to improvement in the equity markets, which experienced the highest gaining year since the 1930s. The improvement comes after widespread dislocation in the U.S. and global financial markets during 2008, which led to a significant loss in investment value during that year.

CHANGES IN PLAN NET ASSETS

The following table reflects a comparative summary of various changes in plan net assets.

Changes in Plan Net Assets
(In millions)
Years Ended December 31, 2009 and 2008

	2009	2008	2009–2008 Change $	2009–2008 Change %
Additions:				
Member contributions	$ 95.6	$ 93.2	$ 2.4	2.6
Employer contributions	180.5	181.5	(1.0)	(.6)
Net investment gains (losses) and investment income	566.0	(1,104.4)	1,670.4	151.2
Securities lending income (loss)	1.3	(0.5)	1.8	360.0
Miscellaneous income	0.8	0.2	0.6	300.0
Total additions	844.2	(830.0)	1,674.2	
Deductions:				
Annuity, disability, and death benefits	$ 508.5	$ 491.6	$ 16.9	3.4
Refunds of contributions	6.2	6.1	0.1	1.6
OPEB expense	0.2	0.3	(0.1)	(33.3)
Administrative expenses	4.3	4.2	0.2	4.8
Total deductions	519.2	502.2	17.1	
Net increase	$ 325.1	$ (1,332.2)	$ 1,657.1	

The significant increase in additions of net assets in 2009 was driven by the large improvement in investment income. The Fund's assets available for investment earned 21.5% in 2009, compared to an investment loss of (27.8%) in 2008. The strong performance in the financial markets, assisted by government programs such as Term Asset-Backed Loan Facility (TALF), Troubled Asset Relief Program (TARP), Cash for Clunkers, and tax credits for first-time home buyers, have played a crucial role in the economic recovery. This recovery has enabled the Fund to recover a significant portion of the severe losses experienced in 2008.

INVESTMENT ACTIVITIES

The Fund continues to move cautiously toward alternative investments and the Board of Trustees approved a slightly revised strategic allocation from 2008. Overall, rebalancing activity was marginal during 2009. One U.S. equity manager was terminated in July for performance and organizational reasons. Proceeds from such terminations were used immediately for benefit funding requirements. Because of exceptional returns in U.S. equities in 2009, tactical allocations made in Real Estate Investment Trusts (REITs) during the first half of the year were trimmed substantially during the fourth quarter of 2009. Finally, an opportunistic allocation to distressed residential mortgage backed securities made during the last quarter of 2008 was returned with more than a 48% net internal rate of return to the Fund toward the end of the year. These proceeds were also used for immediate benefit funding requirements.

By year-end 2009, the Board of Trustees, working closely with its investment consultant, had established target allocations of: U.S. equities, 30%; international equities, 18%; fixed income, 25%; real estate, 7%; private equity, 7%; opportunistic strategies; 9%; and infrastructure; 4%. The established target asset allocation at the end of 2008 was: U.S. equities, 33%; international equities, 18%; fixed income, 20%; real estate, 7%; private equity, 7%; opportunistic strategies, 10%, and infrastructure, 5%.

Investment Returns
Years Ended December 31, 2009 and 2008

	2009	2008
Total Fund	21.5%	(27.8)%
Benchmark portfolio	21.6	(25.7)
@EKA Public Fund Index	19.8	(25.5)
Domestic equities	32.9	(37.7)
Benchmark (DJ Wilshire 5000)	28.6	(37.2)
International equities	40.1	(46.3)
Benchmark (MSCI All-Country)	41.4	(45.5)
Fixed income	11.7	(4.1)
Benchmark (Barclays Capital Aggregate)	5.9	5.2
Alternatives	(10.9)	(8.0)
Benchmark	10.2	(27.5)

The alternatives performance benchmark used by the Fund is a weighted average of the NCREIF Index, Consumer Price Index +5%, Credit Suisse Leveraged Loan Index, Hedge Fund Research Fund of Funds Index, and the Dow Jones U.S. Total Stock Market Index based on the historical market values of real estate, infrastructure, short term opportunistic strategies, opportunistic strategies, and private equity.

PLAN MEMBERSHIP

The following table reflects the plan membership as of December 31, 2009 and 2008.

Changes in Plan Membership
As of December 31, 2009 and 2008

	2009	2008	Change	%
Retirees and beneficiaries receiving benefits	12,154	12,183	(29)	(0.2)
Active employees	13,154	13,373	(219)	(1.6)
Terminated (inactive members) employees entitled to benefits or refunds of contributions	634	636	(2)	(0.3)
Total	25,942	26,192	(250)	(1.0)

FUNDING STATUS

The actuarial value of assets, using the GASB 25 and 43 methods, for the December 31, 2009 valuation was $3.88 billion and the actuarial liability was $8.90 billion. The actuarial liability increased by approximately $250 million in 2009, from $8.65 billion in 2008 to $8.90 billion in 2009. The assets currently fund 43.7% of this liability, a decrease from the 47.3% funded ratio in 2008. The decrease in the funded ratio resulted largely from the collapse in U.S. and global financial markets in 2008. As the Fund uses a five-year actuarial smoothing method in valuing its assets to determine its funded status, investment losses experienced in 2008 will be reflected in the actuarial value of assets over a five-year period, concluding in 2012.

The Board of Trustees is very concerned with the funded level of actuarial liabilities. The unfunded accrued actuarial liability for pension benefits and for the health insurance supplement increased from 2008 to 2009. Additionally, the annual required contribution for these benefits, as computed under GASB 25 and 43, was not reached in 2009 or 2008. However, the Board has taken steps to ensure a sufficient level of liquidity within the portfolio to fund monthly benefits, while pursuing its long-term goal of maximum investment performance.

CONTACT INFORMATION

This financial report is designed to provide the employer, plan participants, and others with a general overview of the Fund's finances and to show accountability for the monies received. Questions concerning any data provided in this report can be submitted to:

Mr. John J. Gallagher, Jr.
Executive Director
Policemen's Annuity and Benefit
Fund of Chicago
221 N. LaSalle
Suite 1626
Chicago, IL 60601

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF PLAN NET ASSETS

AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Cash	$ 250	$ 250
Receivables		
Employer tax levies, net of allowance for loss of $17,476,339 in 2009 and $16,071,614 in 2008	191,450,555	184,583,494
Member contributions	4,511,386	4,568,185
Interest and dividends	8,933,655	8,705,209
Accounts receivable—due from brokers	121,339,956	359,458,397
	326,235,552	557,315,285
Investments at fair value		
U.S. Common stock and other equity	1,134,330,611	958,142,235
Collective investment funds, stock	243,475,859	186,929,884
Collective investment funds, fixed income	219,399,032	297,275,551
International equity	547,973,699	445,987,186
Bonds and notes	472,823,948	469,517,596
Short-term instruments	112,012,093	165,898,425
Infrastructure	31,501,982	17,378,111
Forward contracts and swaps	8,105,495	-
Hedge fund-of-funds	104,425,380	69,937,800
Real estate	90,428,931	86,035,448
Venture capital	185,516,853	150,183,393
	3,149,993,883	2,847,285,629
Invested securities lending cash collateral	375,111,985	287,600,269
Total Assets	3,851,341,670	3,692,201,433
LIABILITIES		
Refunds and accounts payable	4,550,594	5,075,246
Trade accounts payable—due to brokers	144,123,721	393,161,289
Securities lending cash collateral	376,098,401	292,621,917
OPEB obligation	518,200	344,600
Total Liabilities	525,290,916	691,203,052
Net assets held in trust for pension benefits	$ 3,326,050,754	$ 3,000,998,381

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

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
ADDITIONS		
Contributions		
Employer	$ 180,510,851	$ 181,526,448
Plan member salary deductions	95,614,390	93,207,408
Total contributions	276,125,241	274,733,856
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	512,929,419	(1,187,618,379)
Interest	30,186,909	36,659,393
Dividends	30,177,953	54,994,319
Real estate income	2,561,835	3,006,892
	575,856,116	(1,092,957,775)
Investment activity expenses		
Investment management fees	(8,987,507)	(10,695,551)
Custodial fees	(197,804)	(217,885)
Investment consulting fees	(616,179)	(563,110)
Total investment activity expenses	(9,801,490)	(11,476,546)
Net income (loss) from investing activities	566,054,626	(1,104,434,321)
From securities lending activities		
Net depreciation in fair value of investments	(986,416)	(5,080,033)
Securities lending income	1,513,641	13,376,393
Borrower rebates	1,145,050	(7,840,877)
Bank fees	(412,078)	(930,628)
Net income (loss) from securities lending activities	1,260,197	(475,145)
Total net investment income (loss)	567,314,823	(1,104,909,466)
Miscellaneous income	799,364	159,543
Total additions	844,239,428	(830,016,067)
DEDUCTIONS		
Pension and disability benefits	506,853,184	489,823,660
Death benefits	1,662,800	1,779,200
Refunds of employee deductions	6,193,872	6,118,449
	514,709,856	497,721,309
Administrative expenses	4,303,599	4,153,570
OPEB expense	173,600	344,600
Total deductions	519,187,055	502,219,479
Net increase (decrease)	325,052,373	(1,332,235,546)
Net assets held in trust for pension benefits:		
Beginning of year	3,000,998,381	4,333,233,927
End of year	$ 3,326,050,754	$ 3,000,998,381

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Accounting principles generally accepted in the United States as established by the Governmental Accounting Standards Board (GASB) define a financial reporting entity as consisting of the primary government and its component units, for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of the primary government to impose its will on the component unit, or a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable for its component units.

Based on the above criteria, the Policemen's Annuity and Benefit Fund of Chicago (the Fund, or PABF) is considered to be a component unit of the City of Chicago (the City). The Fund is part of the City's financial reporting entity and is included in the City's fiduciary statement of net assets as pension trust funds.

Basis of Accounting

The Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits and refunds are recognized as deductions when payable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investments

The Fund is authorized to invest in bonds, notes, and other direct obligations of the U.S. Government and U.S. Government agencies; corporate bonds, debentures, and notes; certain notes secured by mortgages, including pass-through securities; common and preferred stocks; certain pooled funds; and other types of investment vehicles as set forth in the Illinois Compiled Statutes.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are valued by appraisals provided by the investment manager. Hedge fund, venture capital, infrastructure, and certain opportunistic investments are reported at estimated fair value as determined by the general partner of the investment vehicle.

Furniture and Office Equipment

Furniture and office equipment are not capitalized as they are immaterial and are charged to expenses in the year of purchase.

Administrative Expenses

Administrative expenses are recorded as incurred and are budgeted and approved by the Fund's Board of Trustees. Administrative expenses are funded by the employer contributions.

Income Taxes

Income earned by the Fund is not subject to federal income tax.

Securities Lending Transactions

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets in the statements of plan net assets at fair value. Securities received as collateral are reported as assets only if the Fund has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statements of plan net assets.

New Accounting Pronouncements

In June of 2008, GASB issued Statement Number 53, "*Accounting and Financial Reporting for Derivative Instruments*," which requires that the fair value of derivative instruments be reported in the financial statements of government entities. Since the Fund's financial statements already accounts for derivative instruments at fair value, the impact of this statement on the Fund will be limited to disclosure. The provisions of this statement are effective for financial statements beginning after June 15, 2009.

NOTE 2 PENSION PLAN

Plan Description and Contribution Information

The Policemen's Annuity and Benefit Fund of Chicago is the administrator of a defined benefit, single-employer pension plan with a defined contribution minimum for the purpose of providing benefits to the police officers of the City of Chicago, their widows, and their children. Any employee of the City employed under the provisions of the municipal personnel ordinance as police service is covered by the Fund. The defined benefits as well as the employer and employee contribution levels are mandated in Illinois Compiled Statutes (40 ILCS Act 5, Article 5) and may be amended only by the Illinois State Legislature. The Fund is governed by an eight-member Board of Trustees (four appointed by the City, three elected by the policemen, and one elected by the annuitants), whose duties are to administer the Fund under the Illinois Pension Code.

The City of Chicago payrolls for employees covered by the Fund for the years ended December 31, 2009 and 2008 were $1,011,205,359 and $1,023,580,667, respectively. At December 31, 2009 and 2008, the Fund membership consisted of the following:

	2009	2008
Active Employees	13,154	13,373
Retirees and beneficiaries currently receiving benefits	12,154	12,183
Terminated employees entitled to benefits or a refund of contributions but not yet receiving them	634	636
	25,942	26,192

The Fund provides retirement benefits as well as death and disability benefits. Employees age 50 or older with at least 10 years of service are entitled to receive a money purchase annuity and partial City contributions if less than 20 years of service have been completed. Effective 2003, the mandatory retirement age for a participant is 63. Employees age 50 or older with at least 20 years of service are entitled to receive a minimum formula annuity of 2.5% per year for the first 20 years of service, plus 2.5% per year for each following year or fraction thereof times the final average salary (highest average annual salary for any four consecutive years within the last ten years of service immediately preceding the date of retirement). The annuity shall not exceed 75% of the highest average annual salary.

NOTE 2 PENSION PLAN *(continued)*

The monthly annuity increases by 3% of the original annuity at the first of the month following the later of the attainment of age 55 or the first anniversary of retirement, and by 3% on each January 1 thereafter, if the recipient was born before January 1, 1955.

If the recipient was born after January 1, 1955, the monthly annuity increases by 1.5% of the original annuity at the first of the month following the later of the attainment of age 60 or the first anniversary of retirement, and 1.5% on each January 1 thereafter, but will not exceed a total of 30%.

Covered employees are required to contribute 9.0% of their salary to the Fund. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest. The City is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Fund. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 2.00 annually.

The total annual actuarial required contribution to the Fund (financed by the employees and the City) is equal to the normal cost plus interest only on the unfunded actuarial accrued liabilities determined using the entry age normal method. This actuarial cost method amortizes the costs of the participants' benefits over the entire career of each member as a level of percentage of compensation. The employer contribution required for interest only on the unfunded actuarial accrued liabilities results in a decreasing annual employer cost expressed as a percentage of payroll as future payrolls increase. Since the tax levy is expressed as a multiple of the total salary deductions made two years prior, the City is effectively contributing a level annual percentage of payrolls.

NOTE 2 PENSION PLAN *(continued)*

Funded Status and Funding Progress

The funded status of the Fund as of December 31, 2009, the most recent actuarial valuation date, is as follows:

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	$3,884,978,241	$8,736,101,666	$4,851,123,425	44.47%	$1,011,205,359	479.74%
12/31/08	4,093,719,894	8,482,574,033	4,388,854,139	48.26	1,023,580,667	428.77

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information regarding the actuarial values of Fund assets and the ratio to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2009
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.0% per year, plus additional percentage related to service
Cost of living allowance	3.0% (1.50% for retirees born after January 1, 1955)

NOTE 3 HEALTH INSURANCE SUPPLEMENT

Plan Description and Contribution Information

The City offers group health benefits to annuitants and their eligible dependents through the City's health care plans.

NOTE 3 HEALTH INSURANCE SUPPLEMENT *(continued)*

Premiums are established by the City, with the City paying 50% of the claims or premiums, whichever are applicable, with the remaining amount to be paid by all annuitants participating in the City's health care plans. Currently, the Fund pays to the City on behalf of each of the annuitants who chooses to participate in any of the City's health care plans, up to a maximum of $85 per month from July 1, 2003 through June 30, 2008, and $95 per month from July 1, 2009 through June 30, 2013 for each annuitant who is not qualified to receive Medicare benefits; and up to a maximum of $55 per month from July 1, 2003 through June 30, 2008, and $65 per month from July 1, 2009 through June 30, 2013 for each annuitant who is qualified to receive Medicare benefits.

The health insurance supplement is financed with current contributions on a pay-as-you-go basis. There is no separate healthcare account to pay the health insurance supplement.

At December 31, 2009 and 2008, the number of annuitants or surviving spouses who had subsidized health insurance totaled 10,048 and 10,017, respectively. Of the remaining annuitants or surviving spouses, all were eligible for subsidized health insurance, subject to their election of such benefits at a future date, and successful completion of the City's enrollment procedures. The annual required contribution 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 30 years. The estimated City contribution represents the expected benefit payments for the health insurance supplement. In 2009 and 2008, the Fund received contributions of $9,266,431 and $8,850,186 from the City, and remitted contributions of insurance premiums to the City of $9,266,431 and $8,850,186, respectively. Contributions to the health insurance supplement are equal to insurance premium payments to the City. There were no net assets to report for the health insurance supplement at December 31, 2009 or 2008.

<u>Funded Status and Funding Progress</u>

The funded status of Fund's health care plans as offered by the City as of December 31, 2009, the most recent actuarial valuation date, is as follows:

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	$ -	$ 164,799,819	$ 164,799,819	0.00%	$1,011,205,359	16.30%
12/31/08	-	169,972,156	169,972,156	0.00	1,023,580,667	16..61

NOTE 3 HEALTH INSURANCE SUPPLEMENT *(continued)*

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information regarding the actuarial values of Fund assets and the ratios to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2009
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining 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	4.0% per year, plus additional percentage related to service
Health cost trend rate	0.0%

NOTE 4 CASH AND INVESTMENT RISK

Cash

The bank balance and carrying amount of the Fund's deposits, excluding $250 of petty cash, at December 31, 2009 were $804,310 and ($917,989), respectively; and $863,116 and ($828,761) at December 31, 2008, respectively. The bank balance at December 31, 2009 and 2008 is on deposit with the City Treasurer and is insured or collateralized by securities held by the City Treasurer in the Fund's name

Investment Policy

The Fund's overall investment policy is based on the following principles established by the Trustees:

- Maintain a long-term investment horizon for the Fund
- Emphasize equity investments to enhance long-term return
- Diversify investments across several asset classes
- Avoid market-timing strategies

In order to minimize the impact of large losses and reduce annual variability of returns, the Fund's assets are allocated across several different asset classes and diversified broadly within each asset class.

Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2009 and 2008.

	2009	2008
U.S. Government and agency fixed income	$ 214,424,267	$ 226,332,190
U.S. corporate fixed income	258,399,681	243,185,406
U.S. common collective fixed income funds	219,399,032	297,275,551
U.S. equities	1,134,330,611	958,142,235
U.S. common collective stock funds	243,475,859	186,929,884
Foreign equities	547,973,699	445,987,186
Pooled short-term investment funds	50,909,140	73,208,119
Infrastructure	31,501,982	17,378,111
Real estate	90,428,931	86,035,448
Venture capital	185,516,853	150,183,393
Forward contracts and swaps	8,105,495	701,587
Hedge fund-of-funds	104,425,380	69,937,800
Cash and cash equivalents	61,102,953	91,988,719
Total investments at fair value	$ 3,149,993,883	$ 2,847,285,629

There are no individual investments held by the Fund that represent 5% or more of net assets held in trust for pension benefits, except for the Fund's investment in the Northern Trust Collective Daily U.S. Market Cap Equity Index Fund, which amounted to $243,475,859 and $186,929,884 at December 31, 2009 and 2008, respectively.

Investment Risks

The Fund's investments are subject to certain types of risks, including interest rate risk, credit risk, custodial credit risk, and foreign currency risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Interest Rate Risk—Interest rate risk is the risk that the fair value of debt securities decreases due to increases in the prevailing market interest rate. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fund manages its exposure to fair value loss arising from increasing interest rates in several ways. All fixed-income investments are managed by external investment managers. The Fund employed six such managers in 2009 and 2008. Each investment manager is required to determine the maturities of all fixed-income securities in their portfolio. Additionally, guidelines are provided to the external investment managers, given the level of risk within the investment manager's portfolio. These guidelines include a target duration range that is consistent with each investment manager's respective strategy.

The following tables show the segmented time distribution of the Fund's investments into time periods of maturities based on the investments' cash flows.

At December 31, 2009, the Fund had the following investments and maturities related to certain fixed-income securities (bonds and notes):

		Investment Maturities			
Investment Type	Fair Value	Less than 1 Year	1 to 6 Years	7 to 10 Years	More than 10 Years
Asset backed securities	$ 22,602,827	$ -	$ 12,213,394	$ 3,942,795	$ 6,446,638
Commercial mortgage backed securities	44,894,255	-	661,503	622,956	43,609,796
Corporate bonds	181,709,894	4,013,217	62,205,179	68,199,262	47,292,236
Government agency securities	7,872,709	422,000	6,826,078	624,631	-
Government bonds	57,082,993	764,531	10,745,531	20,486,218	25,086,713
Government mortgage backed securities	135,226,796	-	-	15,176,107	120,050,689
Government issued commercial mortgage backed securities	2,122,677	-	-	2,122,677	-
Guaranteed fixed income	777,053	-	777,053	-	-
Index linked government funds	6,739,265	-	3,073,584	3,665,681	-
Municipal principal bonds	5,379,827	-	2,471,827	487,558	2,420,442
Non-government backed collateralized mortgage obligations	8,415,652	-	259,444	2,277,706	5,878,502
	$ 472,823,948	$ 5,199,748	$ 99,233,593	$ 117,605,591	$ 250,785,016

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

At December 31, 2008, the Fund had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities: Less than 1 Year	1 to 6 Years	7 to 10 Years	More than 10 Years
Asset-backed securities	$ 41,488,871	$ 203,453	$ 23,949,417	$ 5,996,521	$ 11,339,480
Commercial mortgage-backed securities	39,671,716	-	-	751,797	38,919,919
Corporate bonds	141,400,932	2,266,531	52,164,270	49,394,497	37,575,634
Government agency securities	15,699,981	-	8,594,980	1,659,303	5,445,698
Government bonds	39,311,798	2,001,771	3,261,405	11,152,109	22,896,513
Government mortgage-backed securities	170,985,707	-	709,798	15,664,365	154,611,544
Guaranteed fixed income	1,961,176	-	1,961,176	-	-
Municipal principal bonds	334,704	-	-	-	334,704
Non-government-backed collateralized mortgage obligations	18,662,711	-	758,863	3,811,578	14,092,270
Total	$ 469,517,596	$ 4,471,755	$ 91,399,909	$ 88,430,170	$ 285,215,762

Credit Risk—Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. One measure of credit risk is the quality ratings issued by national ratings agencies such as Moody's Investors Services and Standard & Poor's Financial Services (S&P). The Fund's investment policy establishes guidelines for diversification and credit quality of investment portfolios for each investment manager. Suggested levels of credit quality ratings less than investment grade are provided to the external investment managers.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

The following table provides information on the credit ratings associated with the Fund's investments in debt securities. Rates were obtained from S&P:

	Fair Value	
	2009	**2008**
Quality Rating:		
AAA	$ 55,095,266	$ 70,656,569
AA	16,198,738	5,541,401
A	67,074,877	68,466,924
BBB	87,518,343	62,636,066
BB	6,381,400	4,240,319
B	2,534,624	2,405,289
Not rated	19,863,946	26,573,859
Other	3,732,487	2,664,979
Total credit risk of U.S. corporate fixed income	258,399,681	243,185,406
U.S. Government and agency fixed income securities	214,424,267	226,332,190
	$ 472,823,948	$ 469,517,596

Custodial Credit Rate Risk: Custodial credit risk applies to investments, cash and certificates of deposit. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For cash and certificates of deposit, custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned. As of December 31, 2009 and 2008 deposits of $1,236,478 and $517,839, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. The Fund does not have a formal policy regarding custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

The Fund does not have a formal investment policy governing foreign currency risk, but does manage its exposure to loss in the fair value of investments by requiring managers of foreign investments to maintain diversified portfolios. The Fund's equity and fixed-income portfolios include investments that are subject to foreign currency risk. Such investments include non-U.S. equities, government bonds, corporate bonds, and derivative instruments. The fund's exposure to foreign currency risk is as follows:

	Fair Value	
	2009	**2008**
Currency		
Australian Dollar	$ 14,334,054	$ 12,062,499
Brazilian Real	9,363,148	1,188,161
British Pound Sterling	84,107,739	57,807,165
Canadian Dollar	15,818,307	13,899,826
Czech Koruna	243,455	(2,103,706)
Danish Krone	4,130,053	4,219,171
Egyptian Pound	274,658	276,976
Euro Currency Unit	133,425,125	104,078,408
Hong Kong Dollar	36,604,250	18,969,862
Hungarian Forint	221	32,190
Indian Rupee	8,485,379	1,904,608
Indonesian Rupiah	3,096,460	1,504,286
Japanese Yen	60,586,454	63,409,406
Malaysian Ringgit	1,187,530	481,555
Mexican Peso	5,072,079	1,449,749
New Israeli Shekel	1,900,758	543,900
New Taiwan Dollar	10,502,828	-
Norwegian Krone	4,337,136	1,221,275
Polish Zloty	380,222	133,450
Singapore Dollar	11,717,775	3,168,558
South African Rand	5,121,557	1,580,239
South Korean Won	6,566,762	2,623,045
Swedish Krona	7,873,577	6,197,952
Swiss Franc	43,671,940	43,906,396
Taiwan Dollar	-	4,404,600
Thai Baht	664,631	263,839
Turkish Lira	1,061,630	1
Total investments in foreign currency	$ 470,527,728	$ 343,223,411

Derivatives

The Fund's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends on the value of an underlying instrument such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in the underlying element of the derivative will cause the value of a financial instrument to decrease or become more costly to settle. In addition to derivative transactions executed directly by the Fund's investment managers, the Fund holds interests in collective funds, hedge funds, and private equity funds, which may engage in derivative transactions. The Fund does not purchase derivatives with borrowed funds.

Futures Contracts: The Fund's external investment managers enter into futures contracts in the normal course of investing activities to manage market risk associated with the Fund's fixed-income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of plan net assets. The credit risk associated with these contracts is minimal, as they are traded on organized exchanges and settled daily.

The Fund had interest rate futures contracts to purchase (sell) Australian Treasury bonds, Euro dollars and United Kingdom Treasury bonds with notional amounts of $9,859,187, ($45,425,321), and (9,144,441), respectively. Additionally, the Fund had interest rate futures contracts to purchase (sell) U.S. Treasury securities with notional amounts of $5,408,862 and ($5,307,200), respectively. Notional amounts do not quantify risk or represent assets or liabilities of the Fund, but are used in the calculation of cash settlements under the contracts. The fair value of futures contracts in the statements of plan net assets was zero at December 31, 2009, as settlements are by cash daily. Changes in fair value are accounted for as net appreciation (depreciation) in fair value of investments.

Interest Rate and Credit Default Swaps: The Fund's external investment managers utilize interest rate and credit default swaps in the management of the Fund's fixed-income portfolio. Swap agreements are contractual agreements between two or more parties in which each party agrees to exchange sets of cash flows based on certain agreed-upon parameters. Gains and losses on swaps are determined based on market values and are recorded in the statements of changes in plan net assets. The market value of swaps outstanding at December 31, 2009 was a net unrealized loss of $2,534,915.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Forward Interest Rate Contracts: The Fund's external investment managers entered into a forward contract to purchase U.S. Treasury strips during 2009. Forward contracts are contracts for delayed delivery of securities in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. The holder is exposed to credit risk for nonperformance and to market risk for changes in interest rates. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statements of plan net assets. The Fund's external investment managers attempt to mitigate this credit risk through structured trading with reputable parties. The fair value of the forward contract was $7,098,810 as of December 31, 2009. The unrealized loss on the contract was $516,467 during 2009 and is included in net appreciation (depreciation) in the fair value of investments on the statements of changes in plan net assets.

NOTE 5 SECURITIES LENDING PROGRAM

State statutes and Board of Trustees policies permit the Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund's master custodian, Northern Trust Bank, lends securities of the type on loan at year-end for collateral in the form of cash, irrevocable letters of credit, or other securities to a minimum of 102% for U.S. securities and 105% for non-U.S. securities. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is 81 days. Cash collateral is invested in the lending agent's Core USA Collateral Pool, which at December 31, 2009, had a weighted-average life, as measured by interest sensitivity, of 41 days. The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities received unless the borrower defaults.

NOTE 5 SECURITIES LENDING PROGRAM *(continued)*

Loans outstanding as of December 31, 2009 and 2008 were as follows:

	2009	2008
Market value of securities loaned	$ 363,732,687	$ 282,849,401
Market value of cash collateral from Borrowers	375,111,985	287,600,269
Market value of non-cash collateral from borrowers	731,857	821,204

As of December 31, 2009 and 2008, the Fund had limited credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Fund.

There were unrealized losses of $986,416 and $5,021,648 recorded in the financial statements as of December 31, 2009 and 2008, respectively, calculated based on the difference between book value of cash collateral due to borrowers under the securities lending program and the fair value of invested cash collateral under the securities lending program.

NOTE 6 UNFUNDED INVESTMENT COMMITMENTS

The Fund had unfunded commitments of approximately $168 million and $300 million at December 31, 2009 and 2008, respectively, in connection with real estate, infrastructure, and private equity investments.

NOTE 7 POST-RETIREMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTH PLAN

(a) Plan Description

The Policemen's Annuity and Benefit Fund of Chicago (PABF), as an employer, administers a single-employer defined benefit post-retirement healthcare plan (Staff Retiree Health Plan). The Staff Retiree Health Plan provides lifetime health and dental insurance for eligible retirees and their spouses through PABF's group health insurance plan, which covers both active and retired members. As of December 31, 2009 and 2008, seven retirees were in the Staff Retiree Health Plan and 20 active employees could be eligible at retirement. Benefit subsidy provisions have been established by PABF's Board of Trustees. The amount of the subsidy varies according to a retiree's years of service with PABF. These benefit subsidy provisions can be modified or terminated at the sole discretion of the PABF Board.

NOTE 7 POST-RETIREMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTH PLAN *(continued)*

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. For 2009 and 2008, PABF contributed approximately $101,400 and $86,000, respectively, to the Staff Retiree Health Plan for current premiums, with an implicit subsidy of $19,600 and $18,700, for 2009 and 2008, respectively. Members receiving benefits contributed approximately $25,000, or 20% of the total premiums, for 2009, and approximately $27,000, or 24% of the total premiums, for 2008.

Annual OPEB Cost and Net OPEB Obligation

PABF's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the 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 30 years. The amortization period is open. The following table shows the components of PABF's annual OPEB cost for 2009 and 2008, the amount actually contributed to the Staff Retiree Health Plan, and changes in PABF's net OPEB obligation to the Staff Retiree Health Plan:

	2009	2008
Annual required contribution	$ 290,600	$ 274,600
Interest on net OPEB obligation	15,500	7,800
Adjustment to annual required contribution	(11,500)	(5,800)
Annual OPEB expense	294,600	276,600
Employer contributions made	121,000	104,700
Increase in net OPEB obligation	173,600	171,900
Net OPEB obligation at beginning of year	344,600	172,700
Net OPEB obligation at end of year	$ 518,200	$ 344,600

NOTE 7 POST-RETIREMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTH PLAN *(continued)*

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Staff Retiree Health Plan, and the net OPEB obligation for 2009 and 2008 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 290,600	41.6%	$ 518,200
12/31/2008	274,600	38.1	344,600

Funded Status and Funding Progress (unaudited)

The funded status of PABF's Staff Retiree Health Plan as of December 31, 2009, and 2008, is as follows:

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	$ -	$ 3,474,800	$ 3,474,800	0.00%	$ 1,256,800	276.5%
12/31/08	-	3,239,700	3,239,700	0.00	1,202,700	269.4

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Staff Retiree Health Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information on the actuarial values of assets of the Staff Retiree Health Plan and its ratio to the AAL for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and members to that point. The actuarial methods and assumptions used include techniques that

NOTE 7 POST-RETIREMENT BENEFITS OF THE FUND—STAFF RETIREE HEALTH PLAN *(continued)*

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

For the December 31, 2009 and 2008 actuarial valuations the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the employer's assumed return on its assets and an annual healthcare cost trend rate of 9.0% initially, reduced by increments of 1.0 percentage point per year to an ultimate rate of 5.0% after four years. Both rates include a 4.5% general inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years. The projected salary increase assumption was 4.5%.

NOTE 8 RESERVES

The Fund maintains several reserves, as required by the Illinois Pension Code and Board policy. The following are brief descriptions of the reserves:

City Contribution Reserve

	2009	**2008**
Balances at December 31	$ 1,729,155,112	$ 1,020,868,413

The City Contribution Reserve is maintained for the payment of the City's portion of future retirement benefits for active and inactive participants. Interest at 3% is credited to this reserve annually. When the amount of annuity for a policeman or widow is fixed, the City Contribution Reserve is charged with the amount of the present value of retirement benefit and the Annuity Payment Reserve is credited with such amount.

The City Contribution Reserve does not equal the present value of expected retirement benefits. The reserve is maintained on a cost basis, in accordance with the Illinois Pension Code.

NOTE 8 RESERVES *(continued)*

Salary Deduction Reserve

	2009	2008
Balances at December 31	$ 1,190,282,943	$ 1,118,778,431

The Illinois Pension Code requires the Fund to maintain separate accounts for each policeman for the amounts of salary deductions with interest at 3% per year. When a policeman retires, the amount of his annuity is charged to the Salary Deduction Reserve and credited to the Annuity Payment Reserve. If a policeman takes a separation refund, his salary deductions are refunded to him and charged to the Salary Deduction Reserve. This reserve is fully funded.

Annuity Payment Reserve

	2009	2008
Balances at December 31	$ 1,669,671,740	$ 588,854,748

When the amount of annuity has been fixed, the present value of expected benefit is transferred from the City Contribution Reserve and the Salary Deduction Reserve to the Annuity Payment Reserve for the payment of annuity. All age and service annuities, widow's annuities, and refunds are charged to this reserve.

Annually, the actuary calculates the present value of all annuities. The Investment and Interest Reserve will transfer amounts to the Annuity Payment Reserve to ensure that the balance in the Annuity Payment Reserve equals the present value of annuities. This reserve is fully funded.

Prior Service Annuity Reserve

	2009	2008
Balances at December 31	$ (622,643,823)	$ 822,176,168

The Prior Service Annuity Reserve is increased by the City's contributions for policemen and widows' prior service annuities and all prior service annuities payable to policemen and widows are charged to this reserve. This reserve included an unfunded liability of $5,683,524,900 and $5,146,778,037 as of December 31, 2009 and 2008, respectively.

NOTE 8 RESERVES *(continued)*

Gift Reserve

	2009	2008
Balances at December 31	$ 13,911,648	$ 13,835,549

The Gift Reserve is maintained for gifts, grants, bequests, or other amounts received by the Fund. The Board of Trustees determines the use of these funds. Interest is credited to the Gift Reserve annually.

Investment and Interest Reserve

All gains and losses from investments and investment earnings are recorded in the Investment and Interest Reserve. Interest due to the City Contribution Reserve, Salary Deduction Reserve, Prior Service Annuity Reserve, Gift Reserve, and Supplementary Payment Reserve is transferred from the Investment and Interest Reserve to those reserves.

Ordinary Death Benefit Reserve

	2009	2008
Balances at December 31	$ (16,017,798)	$ (14,164,303)

Amounts contributed by policemen and the City for death benefits are credited to the Ordinary Death Benefit Reserve. Death benefit payments are charged to this reserve. The Ordinary Death Benefit Reserve had a deficit of $16,017,798 at December 31, 2009 and $14,164,303 at December 31, 2008, respectively.

Automatic Increase Reserve

	2009	2008
Balances at December 31	$ (638,756,470)	$ (549,798,027)

The Automatic Increase Reserve is credited with amounts deducted from the salaries of policemen and matching contributions by the City for automatic increase in annuity with interest thereon. Payments of increased annuities and salary deduction refunds for increase in annuity are charged to this reserve. At December 31, 2009 and 2008, the Automatic Increase Reserve had a deficit of $638,756,470 and $549,798,027, respectively.

NOTE 8 RESERVES *(continued)*

Supplementary Payment Reserve

	2009	2008
Balances at December 31	$ 447,402	$ 447,402

The Supplementary Payment Reserve receives amounts transferred from the Investment and Interest Reserve for supplemental increases in annuity for certain eligible retirees. This reserve is fully funded.

Child's Annuity Reserve

Amounts contributed by the City for child's annuity are credited to the Child's Annuity Reserve, and payments of child's annuity are charged to this reserve.

Duty Disability Reserve

The Duty Disability Reserve is increased by the City's contributions for duty disability benefits, child's disability benefits, and compensation annuities and is decreased by the payments of these benefits.

Ordinary Disability Reserve

Amounts contributed by the City for ordinary disability benefits are credited to the Ordinary Disability Reserve. Payments of ordinary disability benefits are charged to this reserve.

Hospitalization Fund Reserve

The health care premiums are paid from the tax levies and are credited to the reserve for Group Hospitalization Fund. Premium payments to the City are charged against this reserve.

Expense Reserve

Amounts contributed toward the cost of administration are credited to the Expense Reserve, while expenses of administration are charged to this reserve.

NOTE 9 DEFERRED COMPENSATION PLAN

The Fund offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Fund, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is managed by a third-party administrator.

The assets of the plan were placed in trust accounts with the plan administrator for the exclusive benefit of participants and their beneficiaries and are not considered assets of the Fund.

NOTE 10 LEASE AGREEMENT

The Fund leases its office facilities under a noncancellable agreement that expires in 2015. Office rental expense amounted to $229,294 and $225,355 for the years ended December 31, 2009 and 2008, respectively.

Future minimum rental payments under the office lease at December 31, 2009 are as follows:

Year	Amount
2010	$ 233,234
2011	239,258
2012	244,687
2013	248,626
2014	252,562
Thereafter	256,502
	$ 1,474,869

NOTE 11 RISK MANAGEMENT

The Fund is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund carries commercial insurance to reduce its exposure to risk of loss. There is no significant reduction in insurance coverage from year to year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – PENSION

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	$ 3,933,031,342	$ 7,034,271,474	$ 3,101,240,132	55.91%	$ 874,301,958	354.71%
12/31/05	3,914,431,654	7,722,737,147	3,808,305,493	50.69	948,973,732	401.31
12/31/06	3,997,990,919	7,939,561,277	3,941,570,358	50.36	1,012,983,634	389.11
12/31/07	4,231,681,817	8,220,352,638	3,988,670,821	51.48	1,038,957,026	383.91
12/31/08	4,093,719,894	8,482,574,033	4,388,854,139	48.26	1,023,580,667	428.77
12/31/09	3,884,978,241	8,736,101,666	4,851,123,425	44.47	1,011,205,359	479.74

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Year Ended December 31	Contributions Annual Required	Actual Employee	Actual Employer	Percentage Contributed
2004	$ 203,757,534	$ 78,800,816	$ 135,744,173	66.62%
2005	238,423,459	89,109,811	178,278,371	74.77
2006	262,657,025	91,965,685	150,717,705	57.38
2007	312,726,608	93,299,996	170,598,268	54.55
2008	318,234,870	93,207,408	172,835,805	54.31
2009	339,488,187	95,614,390	172,043,785	50.68

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Valuation date	December 31, 2009 and 2008, respectively
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	30 years
Actuarial value of assets	5-year smoothed market
Actuarial assumptions:	
Pension investment rate of return	8.0%
Projected salary increases	4.0% per year, plus additional percentage related to service
Cost of living allowance	3.0% (1.5% for retirees born after January 1, 1955)

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – HEALTH INSURANCE

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

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)
12/31/05	$ -	$ 176,117,539	$ 176,117,539	0.00%	$948,973,732	18.56%
12/31/06	-	176,981,897	176,981,897	0.00	1,012,983,634	17.47
12/31/07	-	179,039,841	179,039,841	0.00	1,038,957,026	17.23
12/31/08	-	169,972,156	169,972,156	0.00	1,023,580,667	16.61
12/31/09	-	164,799,819	164,799,819	0.00	1,011,205,359	16.30

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS – HEALTH INSURANCE

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Year Ended December 31	Contributions Annual Required	Contributions Actual Employee	Contributions Actual Employer	Percentage Contributed
2006	$ 11,076,022	$ -	$ 8,041,573	72.60%
2007	11,220,081	-	8,107,708	72.26
2008	11,348,959	-	8,850,186	77.98
2009	11,810,766	-	9,266,431	78.46

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – HEALTH INSURANCE

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Valuation date	December 31, 2009 and 2008, respectively
Actuarial cost method	Entry age normal
Actuarial value of assets	No assets (pay-as-you-go)
Amortization method	Level percent open
Remaining amortization period	30 years
Actuarial assumptions:	
OPEB investment rate of return	4.5%
Projected salary increases	4.0% per year, plus additional percentage related to service
Healthcare Cost Trend Rate	0.00% (fixed dollar subsidy)

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – STAFF RETIREE HEALTH PLAN

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	$ -	$ 3,021,300	$ 3,021,300	0.00%	$ 1,150,900	262.5%
12/31/08	-	3,239,700	3,239,700	0.00	1,202,700	269.4
12/31/09	-	3,474,800	3,474,800	0.00	1,256,800	276.5

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS – STAFF RETIREE HEALTH PLAN

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Year Ended December 31	Contributions Annual Required	Actual Employee	Actual Employer	Percentage Contributed
2007	$ 261,500	$ -	$ 88,800	34%
2008	274,600	-	104,700	38
2009	290,600	-	121,000	42

The accompanying notes are an integral part of this schedule.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STAFF RETIREE HEALTH PLAN

YEARS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

Valuation date	December 31, 2009 and 2008, respectively
Actuarial cost method	Entry age normal
Actuarial value of assets	No assets (pay-as-you-go)
Amortization method	Level percent open
Remaining amortization period	30 years
Actuarial assumptions:	
OPEB investment rate of return	4.5% per year
Wage inflation	4.5% per year
Healthcare trend	9.0% per year, graded down to 5.0% per year ultimate trend in 1.0% increments

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Administrative expenses		
Actuary services	$ 265,200	$ 101,407
Benefits disbursement	189,755	233,681
Equipment service and rent	53,016	62,272
External auditors	58,805	45,925
Fiduciary insurance	110,343	111,766
Legal services	291,210	240,450
Medical consultant	240,341	217,251
Miscellaneous	855,623	1,152,249
Occupancy and utilities	240,843	230,468
Personnel salaries and benefits	1,978,905	1,738,916
Postage	6,000	6,000
Supplies	13,558	13,185
	$ 4,303,599	$ 4,153,570

POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CONSULTING COSTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Payment to consultants		
External auditors	$ 58,805	$ 45,925
Medical consultant	240,341	217,251
Legal services	291,210	240,450
Actuary service	265,200	101,407
Investment manager fees	8,987,507	10,695,551
Master trustee fees	197,804	217,885
Consulting fees	616,179	563,110
	$ 10,657,046	$ 12,081,579

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT FEES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Investment managers		
Ariel Capital Management	$ 227,946	$ 253,697
Artisan Partners	433,358	680,013
Attucks Asset Management	35,077	42,053
Capital Guardian Trust Co.	482,652	580,627
Channing Capital	132,732	148,667
Chicago Equity Partners	393,057	492,410
Cordillera Asset Management	64,442	144,770
Dearborn Partners LLC	169,346	171,345
Denali Advisors	86,315	135,582
European Investors	122,723	678
Great Lakes Advisors	465,186	595,058
Harris Investments	-	19,039
Holland Capital Management	187,463	269,124
ING Clarion	82,136	-
Invesco Capital Management	385,546	383,197
JP Morgan Fleming Asset Management	501,214	388,016
LM Capital Group	74,242	71,065
McKinley Capital	318,397	432,141
Montag & Caldwell	633,410	794,282
Northern Trust Global Investments - Index Funds	88,679	133,351
Piedmont Investment Advisors	138,925	189,043
Piedra Capital Ltd.	-	77,932
Taplin, Canida, & Habacht	112,567	118,768
UBS Global Asset Management	1,509,302	1,692,687
Wellington Management	407,513	416,630
Wells Capital Management	377,781	355,190
William Blair & Co.	1,557,498	2,110,186
Total investment managers fees	8,987,507	10,695,551
Investment consultants		
Elkins McSherry Inc	25,000	-
Ennis Knupp & Associates	350,810	350,375
Courtland Partners	107,824	133,208
Kolhberg & Associates	132,545	79,527
Total investment consultants fees	616,179	563,110
Master custodian		
The Northern Trust Company	197,804	217,885
Total investment fees	$ 9,801,490	$ 11,476,546

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Investment Section

ENNISKNUPP

Investments

(Compiled by Ennis, Knupp & Associates, Investment Advisors to the Fund)

Investment Authority. Since December 16, 1987, the Policemen's Annuity & Benefit Fund of Chicago has operated in accordance with Public Act 85-964, which is the Prudent-Person rule for the Police Fund's investments. The Prudent-Person rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the prevailing conditions. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.)

Investment Policy. In 1983, the Trustees undertook a restructuring of the Fund's investment policy to improve the Fund's investment diversification. The revised policy allows for investment in additional asset classes (e.g., international stocks and bonds, real estate and private equity investments). As a result of the policy change, the Fund was restructured. The Trustees allocated monies among the new asset classes and added several new investment managers. The Trustees also allocated monies to passive investments (index funds), which provide a low-cost means of achieving market-like returns.

Distinction of Responsibilities. In order to clarify the roles and responsibilities of the Trustees and the various investment professionals engaged by the Trustees, the Trustees divided the responsibilities for the Fund as follows:

> The Trustees assume the responsibility for establishing the investment policy that is to guide the investment of the Fund. The investment policy describes the degree of investment risk that the Trustees deem appropriate.
>
> Investment managers are appointed to execute the policy and invest pension assets in accordance with the policy and applicable statutes, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual investments, (2) make periodic adjustments to the proportions of equity and fixed income investments, and (3) diversify pension assets.

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Allocation of Assets. As of December 31, 2009, the Fund's asset allocation targets were as follows:

Asset Category	Current Target Allocation	Long-Term Target Allocation
U.S. Equity	41%	30%
Non-U.S. Equity	18%	18%
Fixed Income	28%	25%
Private Equity	6%	7%
Real Estate	3%	7%
Opportunistic Strategies	3%	9%
Infrastructure	1%	4%
TOTAL	100%	100%

Diversification. The Fund's assets are diversified in several ways to minimize the potential for large losses in individual investments. Since 1984, the Trustees have expanded the number of asset classes available for investment to seven and have hired multiple managers. As of December 31, 2009, the Fund retained 48 investment managers for a total of 62 different accounts. During the year, the Opportunistic Strategies asset class was expanded with an initial commitment made to the Oaktree Senior Bank Loan Fund. Within the Private Equity asset class, RCP Advisors Fund IV made its initial drawdown. Additionally, the Adams Street Co-Investment Fund II made its initial drawdown early in the year. Two new real estate managers were also funded during 2009 – Mesa West II and Declaration Management.

Investment Objective. The return of the Total Fund is compared with the return of a "policy portfolio" comprising of a policy-weighted mix of the Dow Jones U.S. Total Stock Market Index, the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. Index, the Barclays Capital Aggregate Bond Index, the NCREIF Net Property Index, the CPI + 5% annually, the HFR Fund of Funds Index, and the Credit Suisse Leveraged Loan Index. The investment objective is to equal or exceed the policy portfolio rate of return after fees. The Total Fund's return is also compared with a universe of other public funds.

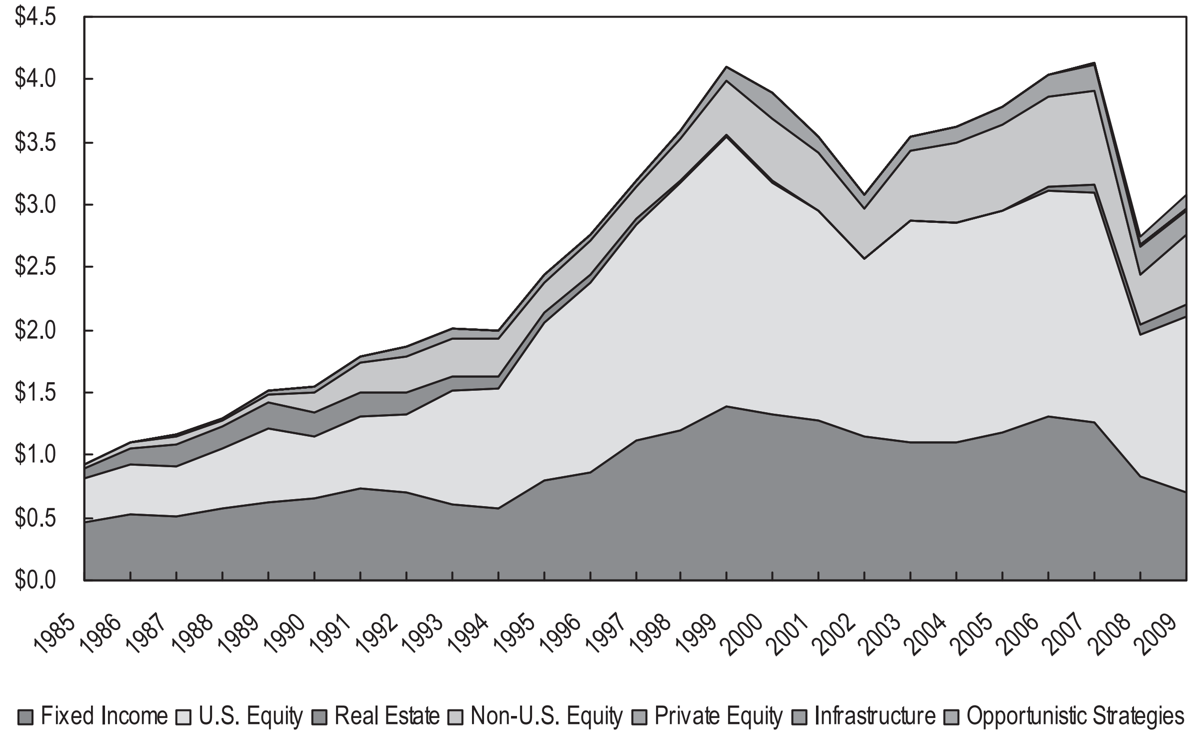
2009 Asset Allocation. As of December 31, 2009, the Fund was overweight to U.S. Equity and non-U.S. Equity relative to long-term policy. The Fund held corresponding underweight allocations to fixed income, real estate, private equity, infrastructure, and opportunistic strategies. The Fund's market value increased by approximately $338.7 million during the year. This was a result of a combination of investment gains of 566.5 million and net disbursements of 227.8 million. The Fund's asset allocation as of December 31, 2009 is shown in the table on the following page.

Fair Value & Asset Allocation
At December 31, 2009
($ in thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Infrastructure	Opportunistic	Cash	Total	% of Total
Ariel Capital Management	$48,349	--	--	--	--	--	--	$48	$48,397	1.6%
Attucks	75,650	--	--	--	--	--	--	--	75,650	2.4
Channing Capital	20,377	--	--	--	--	--	--	289	20,666	0.7
Chicago Equity Partners	121,578	--	--	--	--	--	--	857	122,435	7.0
Denali Advisors	19,895	--	--	--	--	--	--	242	20,137	0.7
Great Lakes	196,312	--	--	--	--	--	--	19,653	215,965	7.0
Holland Capital	51,700	3,469	--	--	--	--	--	1,706	56,876	1.8
Montag & Caldwell	223,373	--	--	--	--	--	--	2,256	225,629	7.3
NT US MarketCap	243,476	--	--	--	--	--	--	--	243,476	7.9
Piedmont	38,244	--	--	--	--	--	--	582	38,827	1.3
UBS Global Management	177,931	--	--	--	--	--	--	--	177,931	5.8
William Blair	162,593	--	--	--	--	--	--	2,058	164,651	5.3
U.S. Equity	*1,379,479*	*3,469*	--	--	--	--	--	*27,692*	*1,410,641*	*45.6*
Artisan International	$3,314	$63,912	--	--	--	--	--	$1,681	$68,908	2.2
Capital Guardian Trust	--	110,777	--	--	--	--	--	2,608	113,385	3.7
Global Transition Account	--	11	--	--	--	--	--	--	11	0.0
JP Morgan Asset Mgmt.	--	93,491	--	--	--	--	--	1,327	94,819	3.1
McKinley Capital Mgmt.	--	58,430	--	--	--	--	--	1,010	59,440	1.9
UBS Global Management	--	105,270	--	--	--	--	--	--	105,270	3.4
William Blair & Company	--	116,525	--	--	--	--	--	2,621	119,146	3.9
Non-U.S. Equity	*3,314*	*548,416*	--	--	--	--	--	*9,248*	*560,979*	*18.1*
Dearborn (Baird)	--	--	$83,526	--	--	--	--	$3,119	$86,645	2.8
LM Capital	--	--	29,262	--	--	--	--	1,379	30,641	1.0
NT Aggregate Bond	--	--	132,287	--	--	--	--	--	132,287	4.3
Taplin, Canida & Habacht	--	--	56,756	--	--	--	--	1,617	58,373	1.9
Wellington	--	--	194,487	--	--	--	--	--	197,487	6.3
Wells Capital Management	--	--	193,762	--	--	--	--	--	193,762	6.3
Fixed Income	--	--	*690,079*	--	--	--	--	*6,115*	*696,194*	*22.5*
RCP Advisors VI	--	--	--	--	$2,365	--	--	--	$2,365	0.1
Adams Street Partners	--	--	--	--	84,256	--	--	--	84,256	2.7
Chancellor	--	--	--	--	921	--	--	--	921	0.0
Harbourvest Partners	--	--	--	--	35,797	--	--	--	35,797	1.2
INVESCO Private Capital	--	--	--	--	33,150	--	--	--	33,150	1.1
Mesirow Fund II	--	--	--	--	11,048	--	--	--	11,048	0.4
Mesirow Fund IV	--	--	--	--	3,988	--	--	--	3,988	0.1
Muller & Monroe	--	--	--	--	8,844	--	--	--	8,844	0.3
Muller & Munroe MEPEFF	--	--	--	--	5,130	--	--	--	5,130	0.2
Zell/Chilmark	--	--	--	--	18	--	--	--	18	0.0
Private Equity	--	--	--	--	*185,517*	--	--	--	*185,517*	*6.0*

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Infrastructure	Opportunistic	Cash	Total	# of Total
Global Infrastructure Partners	--	--	--	--	--	$24,788	--	--	$24,788	0.8
The Carlyle Group	--	--	--	--	--	5,512	--	--	5,512	0.2
Infrastructure	--	--	--	--	--	*30,300*	--	--	*30,300*	*1.0*
ABR Chesapeake III	--	--	--	$9,751	--	--	--	--	$9,751	0.3
AG Core Plus Realty II	--	--	--	7,101	--	--	--	--	7,101	0.2
Apollo Real Estate Advisors	--	--	--	3,409	--	--	--	--	3,409	0.1
DRA Advisors	--	--	--	2,175	--	--	--	--	2,175	0.1
DV Urban	--	--	--	9,720	--	--	--	--	9,720	0.3
Lone Star Fund IV	--	--	--	8,215	--	--	--	--	8,215	0.3
Lone Star Global	--	--	--	2,972	--	--	--	--	2,972	0.1
M.S. Prime Property	--	--	--	9,168	--	--	--	--	9,168	0.3
Macquarie Global	--	--	--	1,202	--	--	--	--	1,202	0.0
Morgan Stanley RE VI-INTL	--	--	--	1,569	--	--	--	--	1,569	0.1
PRISA	--	--	--	7,235	--	--	--	--	7,235	0.2
Quadrant R.E. Advisors	--	--	--	4,002	--	--	--	--	4,002	0.1
Shamrock-Hostmark	--	--	--	1,950	--	--	--	--	1,950	0.1
UBS Realty Investors	--	--	--	9,236	--	--	--	--	9,236	0.3
European Investors II	--	--	--	5,256	--	--	--	--	5,256	0.2
ING Clarion	--	--	--	8,439	--	--	--	--	8,439	0.3
Real Estate	--	--	--	*91,803*	--	--	--	--	*91,803*	*3.0*
Oaktree Capital	--	--	--	--	--	--	$26,823	--	$26,823	0.9
Short Term Opportunistic Strategies	--	--	--	--	--	--	*26,823*	--	*26,823*	*0.9*
Aetos Capital	--	--	--	--	--	--	$38,681	--	$38,681	1.3
K2 Advisors	--	--	--	--	--	--	38,922	--	38,922	1.3
Opportunistic Strategies	--	--	--	--	--	--	*77,602*	--	*77,602*	*2.5*
Cash Flow Account	--	--	--	--	--	--	--	$11,935	$11,935	0.4
Cash	--	--	--	--	--	--	--	*11,935*	*11,935*	*0.4*
Total	$1,382,794	$551,885	$690,079	$91,803	$185,517	$30,300	$104,425	$54,990	$3,091,793	100%
Percent of Total	44.7%	17.9%	22.3%	3.0%	6.0%	1.0%	3.4%	1.8%	100%	
Policy	40.6	18	28	3	6	1	3.4	0	100%	
Percent Passively Managed	23	0	19	0	0	0	0	0	100%	

HISTORICAL ASSET ALLOCATION BY ASSET CLASS



Summary of 2009 Investment Activity

Investment Manager Changes. Several changes were made to the investment manager line-up during the year. One U.S. equity manager was terminated and the account of a previously terminated fixed income manager was fully liquidated. Two new private equity partnerships began drawing down assets. Additionally, two real estate managers received initial funding throughout the year. The Fund also made an allocation to a new opportunistic strategies manager based on dislocation opportunities in the credit markets.

Market Environment. The first two months of 2009 were, in large part, a continuation of the flight to quality of 2008. Equity markets reached a bottom on March 9, 2009, with the S&P 500 Index hitting a low of 676.53. Around this time, it became apparent that worldwide government intervention effectively staved off the possibility of a depression. The Federal Reserve initiated a quantitative easing program intended to support a struggling housing market and provide liquidity to the credit markets. In total, the Federal Reserved purchased $1.25 trillion in agency mortgage-backed securities as a result of this program. With investor optimism of an economic recovery growing, the equity market rallied sharply during the final nine and a half months of the year. Within the credit markets, spreads in all non-Treasury sectors fell from their historically levels leading to price improvements among the most distressed securities.

In total, the economy contracted 2.4% during 2009; however, real GDP rebounded during the final two quarters of the year after declining during the four previous quarters. Unemployment steadily increased throughout the year, beginning at 7.4% and ending the year at 10.0%. Inflation, as measured by the Consumer Price Index, remained relatively modest at 2.7% for the year.

The domestic stock market finished 2009 with a return of 28.6%, making it the best year since 2003. Many market observers classified the 2009 market upswing as a low-quality rally, meaning the riskiest stocks with the most questionable fundamentals were the strongest performers during the year. Comparatively, these stocks were the weakest performers during the market downturn in 2008. Despite the rally, the U.S. stock market ended the year 24% below its October 2007 highs.

On a style basis, growth stocks performed better than their value counterparts, and on a capitalization basis, mid cap stocks led the market, followed by small cap and large cap issues.

Non-U.S. stocks outperformed the U.S. market during the year, posting a 41.4% gain, as measured by the MSCI All Country World ex-U.S. Index. The reversal of 2008's flight to quality caused the dollar to depreciate relative to other currencies, especially those of emerging market countries. The declining dollar provided a boost for U.S. investors with exposure to non-U.S. markets. Emerging markets dominated all other equity markets during the year with a return of 78.5%. Developed markets posted a more modest 24.7% return. Late in the year, concern grew that certain European countries, led by Greece, would be unable to repay their sovereign debt. This dampened investor sentiment heading into the new year.

The U.S. fixed income market generated a 5.9% return in aggregate during 2009. The Government sector was the only sector to decline during the year (-2.2%) as 2008's flight to quality reversed. Credit spreads declined throughout the year, translating to strong performance in the corporate (+16.0%) and asset-backed (+24.7%) sectors of the market. The high yield sector ended the year a record 58.2% higher, exceeding the next best year (1991) by twelve percentage points.

Real estate, as measured by the NCREIF Net Property Index, lost 16.9% during the year. Property values continuously declined on a year-over-year basis. Demand remained weak in light of increasing job losses and a generally weak economic environment. Income growth within real estate and new construction tend to lag the broader economy.

Total Fund Performance. For 2009, the Total Fund posted a return of 21.5%, which matched the return of the policy benchmark. The policy benchmark represents a hypothetical portfolio invested solely in passive index funds in the proportion of the Fund's allocation targets. Over the trailing three-year period, the Fund's performance slightly lagged the policy portfolio and trailed the average public fund. For the trailing five-year period, the Fund's return of 2.8% underperformed the 3.2% return of the policy portfolio.

Asset Class Performance. The Fund's U.S. equity component posted a return of 32.9% and outperformed the return of the Index by 4.3 percentage points during 2009. The Fund's non-U.S. equity component produced a gain of 40.1% in 2009, which fell short of the benchmark's return of 41.4%.The fixed income component posted a return of 11.7% which nearly doubled the benchmark's return of 5.9%. The Real Estate component lost 9.1% during the year, but added value relative to the asset class benchmark. Valuations in private equity tend to lag the public markets; therefore, the private equity portfolio experienced losses related to the 2008 market downturn in 2009. The asset class posted a loss of 21.3% during the year.

Longer-Term Performance. The table on the following page details the annual returns earned by the Fund over the past five calendar years, as well as the cumulative annualized returns for periods ending December 31, 2009. Also shown are the returns of the Fund's aggregate investments in each of the major asset classes, as well as those of the performance benchmarks.

ANNUAL INVESTMENT RETURNS[1]

Calculations were repaired using a time-weighted rate of return based on the market rate of return.

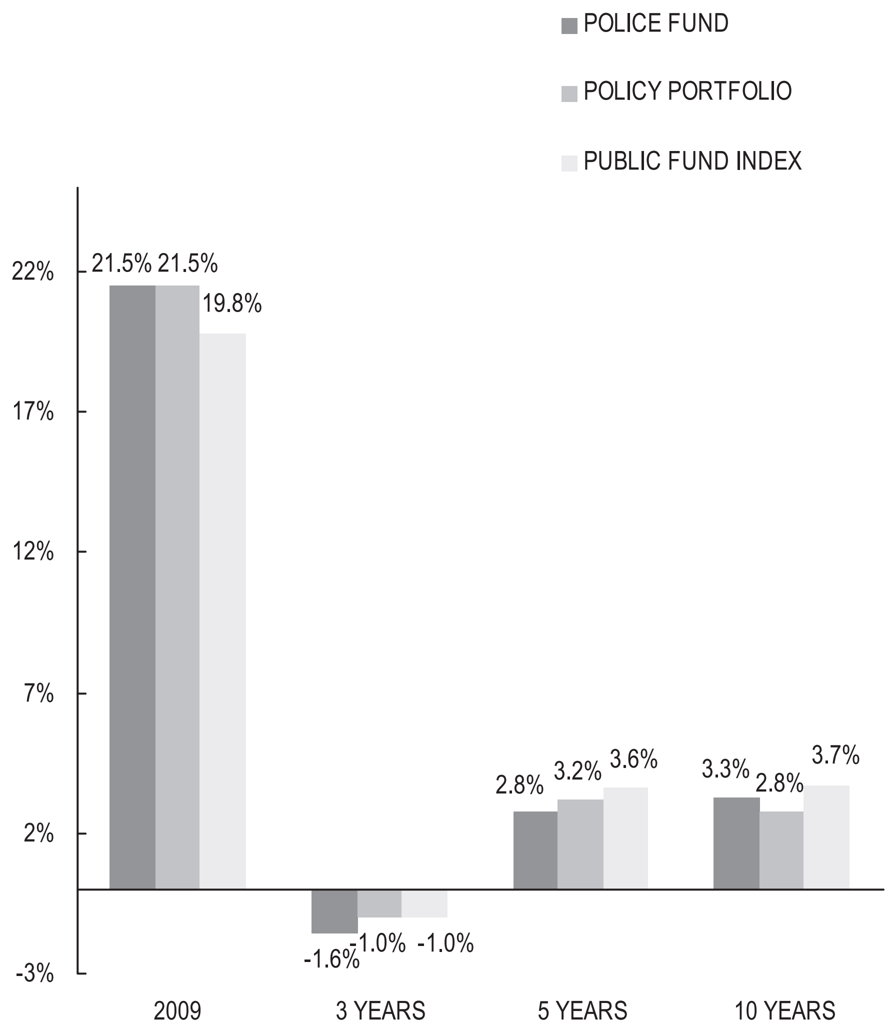
	2005	2006	2007	2008	2009	*Cumulative Annualized Returns* 3 Years	5 Years	10 Years
TOTAL FUND								
Police Fund	7.3%	12.1%	8.8%	-27.8%	21.5%	-1.6%	2.8%	3.3%
Policy Portfolio	6.5	13.3	7.9	-25.7	21.5	-1.0	3.2	2.8
Russell/Mellon Public Fund Index	8.4	13.8	8.7	-25.5	19.8	-1.0	3.6	3.7
Inflation	3.4	2.5	4.1	0.1	2.7	2.3	2.6	2.5
U.S. EQUITY								
Police Fund	6.8%	12.2%	7.5%	-37.7%	32.9%	-3.8%	1.3%	1.3%
DJ U.S. Total Stock Market Index	6.4	15.8	5.6	-37.2	28.6	-5.2	1.0	-0.3
Universe Median	7.0	14.3	5.2	-37.9	28.6	-5.6	0.6	0.3
NON-U.S. EQUITY								
Police Fund	15.9%	23.7%	16.4%	-46.3%	40.1%	-4.4%	4.6%	1.1%
Performance Benchmark	16.6	26.7	16.7	-45.5	41.4	-3.5	5.8	2.7
Universe Median	15.4	25.1	14.1	-44.1	36.6	-4.5	4.7	2.6
FIXED INCOME								
Police Fund	2.5%	4.6%	5.1%	-4.1%	11.7%	4.0%	3.8%	5.6%
Barclays Capital Aggregate Bond Index	2.4	4.3	7.0	5.2	5.9	6.0	5.0	6.3
Universe Median	2.5	4.4	6.5	-0.4	11.8	5.7	4.8	6.3
REAL ESTATE								
Police Fund[2]	N/A	N/A	0.5%	-18.0%	-9.1%	-8.6%	N/A	N/A
NCREIF Net Property Index	N/A	N/A	15.8	-6.5	-16.9	-3.4	N/A	N/A

Asset Allocation	2005	2006	2007	2008	2009
Domestic Stocks	47%	45%	45%	41%	41%
International Stocks	18	18	18	15	18
Private Equity	4	4	5	8	6
Fixed Income	31	33	31	30	28
Infrastructure	N/A	N/A	N/A	<1	1
Opportunistic	N/A	N/A	N/A	3	3
Real Estate	0	<1	2	3	3

[1] *Returns are reported net of investment management fees.*

[2] *Real Estate investment results are shown beginning in 2007, when the Fund's new real estate program was initiated.*

Annual and Cumulative Returns
Periods Ending December 31, 2009



Courtland Partners, Ltd.

Real Estate Investments

(Compiled by Courtland Partners, Ltd., Real Estate Investment Advisors to the Fund)

2009 Private Real Estate Market Review

Real estate asset values have now fallen between 30–40% from their peak in 2008. Relative to the early 1990s, pricing has corrected much faster during this down cycle. Commercial real estate in major markets is expected to reach cyclical lows towards the end of 2010 or the first half of 2011. Although real estate capital markets appear to be showing signs of stabilizing (increase in transaction volumes, CMBS issuance and tightening of debt spreads) property fundamentals continue to decline. Declining fundamentals will replace weak capital markets as the biggest impediment to a recovery in returns over the next couple of years.

Core Real Estate

U.S commercial real estate suffered its worst capital value decline on record at -22.0% in calendar year 2009. Since the peak in the first quarter of 2008, the NCREIF Property Index ("NPI") has experienced negative appreciation of 30.9%. The NPI total return for 2009 was -16.8%, the lowest calendar year return in the index's history. The appreciation return for the period was -22.0%, while the income return was 6.2% for the year. The fourth quarter of 2009 was the seventh consecutive quarter of negative total returns in US commercial real estate, but value declines fell less during the quarter than during the preceding four quarters giving hope that the worst of the property value write downs are now behind us.

Value Real Estate

According to the Courtland Partners Database, the average value fund net total return for calendar year 2009 was -17.8%, comprised of a 6.4% income return and a -22.3% appreciation return. Since peaking in 2Q08, the average value fund has declined 28.4%. The PABF's value real estate investments posted a net total return of positive 3.8% for 2009 versus a net total return of -17.8% for the average value fund within the Courtland Partners Database of managers. The PABF's value real estate investments have consistently delivered net returns in excess of the average value fund within the Courtland Partners Database. For the 4Q09, 1-yr., 2-yr. and 3-yr. performance periods, the PABF's value real estate investments have outperformed the average value fund in the Courtland Partners Database by 4.5%, 21.6%, 14.4% and 8.4%, respectively.

Opportunistic Real Estate

According to the Courtland Partners Database, the average opportunistic fund net total return for calendar year 2009 was -20.0%, comprised of a 1.9% income return and a -19.3% appreciation return. Since peaking in 4Q07, the average opportunistic fund has declined 50.1%. The PABF's opportunistic real estate investments posted a net total return of -26.5% for 2009 versus a net total return of -20.0% for the average opportunistic fund within the Courtland Partners Database of managers. For the 4Q09, 1-yr., 2-yr. and 3-yr. performance periods, the PABF's opportunistic real estate investments have underperformed the average opportunistic fund in the Courtland

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Courtland Partners, Ltd.

Partners Database by 2.1%, 6.5%, 3.6% and 14.0%, respectively.

Global REITs

In 2009, the real estate securities markets reported one of its best performance years on record. During the year, public real estate companies successfully raise capital to strengthen their balance sheets, either to address debt covenant and maturity issues, or to position themselves to take advantage of acquisition opportunities. On a global basis, the public real estate companies issued more than USD 50 billion of equity in 2009. The FTSE EPRA/NAREIT Global Real Estate Index posted a calendar year total return of 38.3% in 2009. The strong performance came after the sector experienced a massive decline of 47.7% in 2008. As a result, despite the strong gains in 2009, the global listed property sector is still down nearly 40% from its peak. For calendar year 2009, the PABF's global real estate securities managers (EII Global Property Fund and ING Global Real Estate Securities Fund) returned 48.3% and 52.3%, respectively versus 38.3% for the benchmark.

Largest Stock Holdings as of December 31, 2009

	Shares	Stocks	Fair Value
1	6,891,926	HARBOURVEST GL PVT EQUITY ‘A’ SHARES	$ 33,598,139
2	92,755	APPLE INC	19,558,319
3	208,431	3M CO COM	17,230,991
4	432,414	MERCK & CO. INC NEW COM	15,800,408
5	160,165	BURLINGTON NORTHN SANTA FE CORP COM	15,795,472
6	202,737	CHEVRON CORP COM	15,608,722
7	24,677	GOOGLE INC CL A	15,299,246
8	286,211	WAL-MART STORES INC COM	15,297,978
9	289,520	HEWLET PACKARD CO COM	14,913,175
10	230,915	PEPSICO	14,039,632

Largest Bond Holdings as of December 31, 2009

	Par	Bonds	Fair Value
1	10,355,000	UNITED STATES TREAS BDS DUE 08/15/2023	$ 12,367,753
2	8,000,000	FNMA SINGLE FAMILY MORTGAGE 4.5% 30	7,957,520
3	5,337,980	FNMA POOL #745418 5.5% DUE 04/01/2036	5,607,105
4	4,500,000	UNITED STATES TREAS NTS DUE 03/31/2016	4,305,236
5	3,806,000	UNITED STATES TREAS NTS DUE 12/31/2014	3,795,001
6	3,500,000	GNMA II JUMBOS 4.5% 30 YEARS SETTLES JAN	3,496,728
7	3,500,000	GNMA II JUMBOS 4.5% 30 YEARS SETTLES FEB	3,484,694
8	3,250,000	UNITED STATES TREAS NTS DUE 11/30/2011	3,228,800
9	3,118,000	UNITED STATES TREAS NTS DUE 08/15/2019	3,065,384
10	2,609,356	FNMA POOL #995233 5.5% 10/01/2021 BEO	2,781,730

A complete list of portfolio holdings is available upon request.

Commissions Paid by Investment Managers in 2009

Manager	Total Number of Trades	Total Number of Shares	Total Commissions
Ariel Capital Management	660	1,929,500	$ 51,297
Artisan Partners	2,395	11,467,508	127,658
Attucks Asset Management	74	32,424	305
Capital Guardian Trust Co.	2,624	26,962,471	168,531
Channing Capital	194	530,334	15,940
Chicago Equity Partners	2,183	13,773,448	278,984
Cordillera Asset Management	1,139	3,291,606	126,608
Denali Advisors	529	1,386,994	21,321
Great Lakes Advisors	102	1,205,744	54,532
Holland Capital Management	53	335,550	10,954
ING Clarion Real Estate	2,320	9,348,962	37,716
JP Morgan Global Asset Management	234	3,787,279	21,832
McKinley Capital Management	818	10,877,892	118,992
Montag & Caldwell	193	3,309,360	117,954
Piedmont Investment	195	1,892,984	57,796
UBS Global Asset Management	611	19,099,902	122,770
UBS US Equity Fund	1,684	7,612,225	229,465
Wellington Management	1	1,138	9
William Blair & Company	2,027	23,963,149	601,717
	18,036	**140,798,470**	**$ 2,164,380**

Commissions Paid to Brokers in 2009

Broker	Total Number of Shares	Total Commissions
Liquidnet Inc	7,829,046	$ 153,091
Gardner Rich & Co	3,319,159	109,757
Instinet	3,588,917	99,768
Cabrera Capital Markets	2,811,286	99,217
Merrill Lynch	10,528,581	91,173
Loop Capital Markets	3,261,303	87,941
JP Morgan Securities	9,255,031	83,872
Morgan Stanley	12,377,357	82,034
UBS	5,344,025	76,375
CSFB	8,936,017	72,398
Investment Technology Group	4,914,039	71,866
Citigroup Global Markets	4,660,395	67,622
Credit Suisse	4,549,548	66,187
Goldman Sachs & Co	5,244,897	60,749
Cheevers & Co.	1,854,258	60,575
Deutsche Bank	2,124,891	47,528
Melvin Securities	1,189,201	40,318
Pershing LLC	2,848,611	37,591
Robert W. Baird & Co.	827,009	32,781
Macquarie Securities	4,524,974	31,948
Jeffries & Co	897,781	29,358
Williams Capital Group LP	859,242	27,279
Barclays Capital	786,277	26,857
Mr. Beal and Company	899,662	26,801
Gordon Haskett & Co.	332,450	19,947
Bear Stearns	2,094,738	19,097
BNY ESI Securities	439,104	17,283
Magna Securities Corp.	519,710	16,055
Bernstein, Sanford & Co	594,273	13,548
Citation Group	414,150	12,756
Nutmeg Securities	306,600	12,264
Goldman Executing and Clearing	474,019	11,845
ISI Group Inc	322,390	11,786
Credit Lyonnais	2,446,512	11,498
HSBC	3,006,532	10,445
Keefe Bruvette & Woods	325,239	10,421
Knight Securities	791,001	10,206
Societe General	296,701	9,556
Exane Paris	327,982	9,533

Pipeline Trading Systems	596,403	9,450
Finacorp Securities	305,790	9,450
Nomura Securities	867,399	9,045
Bloomberg Tradebook LLC	502,402	8,970
Multitrade Securities LLC	287,660	8,630
Cheuvreux De Virieu Paris	292,283	8,273
Morgan Keegan & Co	235,180	8,191
Nomura International PLC	1,148,989	7,982
ABN Amro	1,257,987	7,347
Sanford C Bernstein Ltd	431,686	7,123
Brokers with less than $7,000 in commissions	18,749,783	300,593
Totals	**140,798,470**	**$ 2,164,380**

Investment Summary
as of 12/31/09

Investment Type	Fair Value	Percent of Total Fair Value
Fixed Income		
Government Bonds	$ 214,424,266	6.8%
Corporate Bonds	258,399,681	8.2%
Total Bonds:	472,823,947	15.0%
Pooled Bond Index Fund	219,399,032	7.0%
Total Fixed Income:	692,222,979	22.0%
Equities		
U.S. Equities	1,134,330,611	36.0%
International Equities	547,973,699	17.4%
Stock Index Funds	243,475,859	7.7%
Total Equities:	1,925,780,169	61.1%
Other Investments		
Real Estate	90,428,931	2.9%
Hedge Fund-of-Funds	104,425,380	3.3%
Infrastructure	31,501,982	1.0%
Forward Contracts/Swaps	8,105,495	0.3%
Venture Capital	185,516,853	5.9%
Total Other:	419,978,641	13.3%
Short-term funds and Cash:	112,012,094	3.6%
Total Assets at Fair Value:	$ 3,149,993,883	100.0%

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Actuarial Section

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April 19, 2010

Board of Trustees
Policemen's Annuity and Benefit Fund
City of Chicago
221 North LaSalle Street, Suite 1626
Chicago, IL 60601

Subject: Actuarial Valuation Report for the Year Ending December 31, 2009

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Policemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2009. This valuation has been performed to measure the funded status of the Fund and to determine the contribution levels for 2010. In addition, it includes disclosure information required under GASB Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. These actuarial valuations of the Fund are performed annually.

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

- Summary of Actuarial Valuation Methods and Assumptions
- Schedule of Active Member Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Development of Annual Required Contributions under GASB Statements No. 25 and No. 43
- Development of Actuarial Gains and Losses
- Summary of Basic Actuarial Values
- Schedule of Average Benefit Payments for New Annuities Granted in 2009
- Schedule of Retired Members by Types and Amounts of Benefits

We have also provided the following schedules in the financial section of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

This valuation is based upon:

Data relative to the members of the Fund — Data for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness.

Asset Values — The value of assets of the Fund was provided by the Fund's staff. Book values of assets are used to develop actuarial results for the state reporting basis. Actuarial value of assets are used for financial reporting under GASB Statement No. 25 and Statement No. 27.

Actuarial Method — The actuarial method utilized by the Fund is the Entry-Age Normal Actuarial Cost Method. The objective of this method is to amortize the costs of Fund benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

Actuarial Assumptions — The actuarial assumptions have been changed since the last report to reflect the results of the experience study performed for the period of January 1, 2003 through December 31, 2008. The assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be twice 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 2:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that a ratio of 5.87:1 is needed to adequately finance the Fund.

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

Respectfully yours,

Alex Rivera

Alex Rivera, FSA
Senior Consultant

Michael R Kivi

Michael R. Kivi, FSA
Senior Consultant

I. 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 Actuarial Cost Method used in this valuation for all purposes is the Entry Age Normal Actuarial Cost Method.

Under the Entry Age Normal Actuarial Cost Method, each participant's benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total "Normal Cost" is the sum of the current year's annual installments determined for all active participants. The "Actuarial Accrued Liability" is the excess of the value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

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 fixed period of time (e.g. 30 years) from the date incurred. At a minimum, interest on UAAL should be funded. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL. The Minimum Actuarially Determined Contribution contains only an interest payment on the UAAL.

II. CURRENT ACTUARIAL ASSUMPTIONS

The current actuarial assumptions were adopted and became effective December 31, 2009, and were based on an experience study for the period January 1, 2003, to December 31, 2008.

A. Demographic Assumptions

Mortality: 1994 Group Annuity Mortality Table.

Disabled Mortality: 1994 Group Annuity Mortality Table set forward six years.

Rate of Disability: Rates at which members are assumed to become disabled under the provisions of the Fund. Sample rates assumed are as follows:

Attained Age	Rate
22	.0003
27	.0006
32	.0012
37	.0015
42	.0020
47	.0045
52	.0050
57	.0060
62	.0060

The distribution of disability types is assumed to be as follows:

Duty Disability	45%
Occupational Disease Disability	15%
Ordinary Disability	40%

Rate of Retirement: Rates at which members are assumed to retire under the provisions of the Fund. The rates assumed are as follows:

Attained Age	**Rate [1]**
49	.00
50	.80
51	.80
52	.80
53	.80
54	.15
55	.15
56	.15
57	.15
58	.15
59	.15
60	.25
61	.30
62	.35
63	1.00

[1] Only for members eligible for a formula annuity.

Turnover Rates: The following sample rates exemplify the table:

Years of Service	**Rate**
0	0.028
1	0.022
2	0.014
3	0.013
4-9	0.012
10	0.011
11	0.010
12	0.009
13	0.008
14	0.007
15	0.006
16	0.005
17-25	0.004

B. Economic Assumptions

Investment Return Rate: 8.00% per annum for pensions and 4.50% for OPEB. OPEB rate effective as of December 31, 2005.

Future Salary Increases: Assumed rates of individual salary increase at 4.0% per year, plus an additional percentage based on the following service scale:

Completed Years of Service [a]	Scale
1	0.250
2	0.060
3	0.050
4	0.050
5	0.040
6-9	0.000
10	0.035
11-14	0.000
15	0.035
16-19	0.000
20	0.035
21-24	0.000
25	0.035
Over 25	0.000

[a] Includes increases at 12 and 18 months of service.

Asset Value: For State reporting, bonds are at amortized value and stocks are at cost.

For GASB #25 and #27, the actuarial value of assets is smoothed by recognizing each year's difference between actual and expected investment return at the rate of 20 percent per year over a five-year period.

C. Other Assumptions

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

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance is $95.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and $65.00 if qualified. It is assumed that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future widows of retirees are assumed to be eligible for Medicare, as well as widow annuitants that are currently receiving a health insurance supplement.

Required Ultimate Multiple:	The actuarially determined contribution (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.
Loss in Tax Levy:	4% overall loss on tax levy is assumed.

History of Average Annual Salaries

Year End	Members in Service	Increase	Current Year Salary	Increase	Average Salary	Increase	Actuarial Assumptions	CPI Chicago
1968	12,427	6.8	$108,057,504	11.2	$8,895	6.5	3.50	4.3
1969	12,595	1.4	136,846,000	26.6	10,865	22.1	3.50	5.4
1970	12,948	2.8	160,682,780	17.4	12,410	4.2	3.50	5.6
1971	13,296	2.7	178,077,405	10.8	13,393	7.9	5.00	3.9
1972	13,318	0.2	185,841,384	4.4	13,954	4.2	5.00	2.9
1973	13,692	2.8	196,404,600	5.7	14,344	2.8	5.00	6.2
1974	13,291	(2.9)	205,212,984	4.5	15,440	7.6	5.00	10.7
1975	13,163	(1.0)	226,348,320	10.3	17,196	11.4	5.00	7.9
1976	13,353	1.4	244,004,592	7.8	18,273	6.3	5.00	4.8
1977	13,446	0.7	259,475,784	6.3	19,298	5.6	5.00	6.4
1978	13,107	(2.5)	270,132,744	4.1	20,610	6.8	5.00	8.6
1979	12,635	(3.6)	277,077,160	2.5	21,924	6.4	5.00	12.5
1980	12,587	(0.4)	292,438,368	5.5	23,233	6.0	5.00	14.4
1981	12,465	(1.0)	310,153,128	6.1	24,882	7.1	5.00	9.6
1982	12,810	2.8	348,850,944	12.5	27,233	9.4	6.00	6.8
1983	12,557	(2.0)	381,553,344	9.4	30,386	11.6	6.00	4.0
1984 [1]	12,110	(3.6)	379,686,648	(2.8)	30,610	0.7	6.00	3.8
1985	12,096	(0.1)	395,295,432	6.6	32,680	6.8	6.00	3.8
1986	12,578	4.0	431,883,240	9.3	34,336	5.1	6.00	2.0
1987	12,602	0.2	443,122,728	2.6	35,163	2.4	6.00	4.1
1988 [2]	12,495	(0.8)	443,669,520	0.1	35,508	1.0	6.00	3.9
1989	12,060	(3.5)	437,121,504	(1.5)	36,246	2.1	6.00	5.1
1990	12,039	(0.2)	471,544,173	7.9	39,168	8.1	6.00	5.5
1991	12,513	3.9	520,015,930	10.3	41,558	6.1	6.00	3.0
1992	12,570	0.5	538,404,098	3.5	42,832	3.1	5.80	3.3
1993	12,591	0.2	561,156,282	4.2	44,568	4.1	5.80	2.3
1994	13,095	4.0	599,073,276	6.8	45,748	2.6	5.80	2.9
1995	13,437	2.6	622,413,737	3.9	46,321	1.3	5.80	2.2
1996	13,475	0.3	654,149,310	5.1	48,545	4.8	5.80	3.8
1997	13,435	(0.3)	675,515,532	3.7	50,280	3.6	5.80	1.7
1998 [3]	13,586	1.1	736,401,756	9.0	54,203	7.8	5.50	1.5
1999	13,829	1.8	755,303,667	2.6	54,617	0.8	5.50	2.6
2000	13,858	0.2	759,343,026	0.5	54,795	0.3	5.50	4.0
2001	13,889	0.2	763,352,475	0.5	54,961	0.3	5.50	0.8
2002	13,720	(1.2)	866,531,789	13.5	63,158	14.9	5.50	2.5
2003	13,746	0.2	887,555,791	2.4	64,568	2.2	5.50	1.7
2004	13,569	(1.3)	874,301,958	(1.5)	64,434	(0.2)	5.50	2.2
2005	13,462	(0.8)	948,973,732	8.5	70,493	9.4	5.50	3.6
2006	13,749	2.1	1,012,983,635	6.7	73,677	4.5	5.50	0.7
2007	13,748	0.0	1,038,957,026	2.6	75,572	2.6	5.50	4.7
2008	13,373	(2.7)	1,023,580,667	(1.5)	76,541	1.3	5.50	(0.6)
2009	13,154	(1.6)	1,011,205,359	(1.2)	76,874	0.4	5.50	2.5
Average Increase (Decrease) for the last 5 years:		**(0.6)%**		**3.0 %**		**3.6 %**		**2.2 %**

1 Members in service does not include those age 63 and over who are still working.
2 Figures do not include retroactive raise.
3 Pay definition changed to include duty availability pay. Of the $1,011,205,358 current year salary, $38,046,080 is duty availability pay.

SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS FOR FISCAL YEAR ENDING DECEMBER 31, 2009

	Male	Female	Total
Number of Participants at Beginning of Fiscal Year	**10,134**	**3,239**	**13,373**
Increases:			
Participants Added During Year	108	25	133
Participants Returning From Inactive or Disability Status	24	6	30
Totals	10,266	3,270	13,536
Decreases:			
Terminations During Year	304	78	382
Number of Participants at End of Fiscal Year	9,962	3,192	13,154
Total Inactive Participants			634
Terminations:			
Withdrawal (With Refunds)[1]	22	6	28
Withdrawal (Without Refunds)	72	12	84
Ordinary Disability Benefit	6	8	14
Occupational Disease Disability Benefit	2	0	2
Duty Disability Benefit	16	3	19
Retirements	171	46	217
Deaths (Occupational)	1	0	1
Deaths (Non-occupational)	14	3	17
Totals	**304**	**78**	**382**

SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES FOR FISCAL YEAR ENDING DECEMBER 31, 2009

	Number at Beginning of Year	Additions During Year	Terminations During Year	Number at End of Year
Service Retirement Annuities	8,210	261	244	8,227
Widow Annuities	3,148	137	174	3,111
Children's Annuities	237	16	21	232
Ordinary Disability Benefit (Non-Occupational)	39	18	13	44
Occupational Disease Disability Benefit	58	2	8	52
Duty Disability Benefit (Occupational)	286	22	24	284
Children's Disability Benefit	139	20	21	138
Widows' Compensation Annuities (Service Connected Death)	66	0	0	66
Totals	12,183	476	505	12,154

POLICEMEN'S ANNUITY AND BENEFIT FUND
TOTAL ANNUITANTS AND BENEFICIARIES (LAST SIX YEARS)

	Annuitants & Beneficiaries Beginning of Year	Additions During The Year	Terminations During The Year	Annuitants & Beneficiaries at Year-end	Average Annuitants & Beneficiaries
2004	11,441	858	491	11,808	11,625
2005	11,808	676	485	11,999	11,904
2006	11,999	542	515	12,026	12,013
2007	12,026	627	518	12,135	12,081
2008	12,135	603	555	12,183	12,159
2009	12,183	476	505	12,154	12,169

POLICEMEN'S ANNUITY AND BENEFIT FUND
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)
1996	$ 717,890,959	$ 2,150,952,000	$ 1,498,186,586	$ 2,599,760,692	100.00%	87.49%	0.00%
1997	750,341,108	2,333,523,000	1,525,303,810	2,896,754,452	100.00%	91.98%	0.00%
1998 [1,2]	777,205,937	2,690,216,494	1,690,773,788	3,249,729,847	100.00%	91.91%	0.00%
1999	763,729,532	2,939,332,536	1,691,810,150	3,685,681,671	100.00%	99.41%	0.00%
2000 [1]	818,382,556	3,228,954,418	1,604,693,684	4,019,467,561	100.00%	99.14%	0.00%
2001 [2]	803,453,930	3,463,944,097	1,665,112,602	4,183,796,025	100.00%	97.59%	0.00%
2002	846,622,627	3,769,125,439	1,769,097,893	4,124,579,960	100.00%	86.97%	0.00%
2003 [1,2]	893,425,839	3,856,262,804	1,831,744,607	4,039,695,590	100.00%	81.59%	0.00%
2004 [2]	910,480,098	4,313,531,046	1,810,260,330	3,933,031,342	100.00%	70.07%	0.00%
2005 [1,2]	950,764,942	4,677,632,909	2,094,339,296	3,914,431,654	100.00%	63.36%	0.00%
2006	1,016,217,810	4,858,554,051	2,241,771,313	3,997,990,919	100.00%	61.37%	0.00%
2007	1,082,742,927	5,006,931,293	2,309,718,259	4,231,681,817	100.00%	62.89%	0.00%
2008	1,144,380,257	5,208,199,833	2,299,966,099	4,093,719,894	100.00%	56.63%	0.00%
2009 [1]	1,217,645,647	5,391,373,730	2,291,882,108	3,884,978,241	100.00%	49.47%	0.00%

[1]Change in actuarial assumptions.
[2]Change in benefits.

(1) Percentage equals lesser of 100% or (Col. D / Col. A)

(2) Percentage equals lesser of 100% or [(Col. D - Col. A) / Col. B]

POLICEMEN'S ANNUITY AND BENEFIT FUND DEVELOPMENT OF ANNUAL REQUIRED CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2010 [1]

	Pension	Health Ins. Supplement	Total
(1) Normal Cost (see Table 2)	$ 173,861,719	$ 4,534,379	$ 178,396,098
(2) Actuarial Accrued Liability (AAL)	$8,736,101,666	$ 164,799,819	$8,900,901,485
(3) Unfunded AAL (UAAL)			
(a) Actuarial Value of Assets	$3,884,978,241	$ 0	$3,884,978,241
(b) UAAL (2-3(a))	4,851,123,425	164,799,819	5,015,923,244
(4) Amortization Payable at Beginning of Year [2]	$ 265,127,035	$ 5,883,884	$ 271,010,919
(5) Estimated Member Contributions	$ 93,205,425	$ 0	$ 93,205,425
(6) Annual Required Contribution (ARC)			
(a) Interest Adjustment for Semimonthly Payment	17,841,241	240,743	18,081,984
(b) Annual Required Contribution (1 + 4 - 5 + 6(a))	$ 363,624,570	$ 10,659,006	$ 374,283,576
(c) Annual Required Contribution (Percent of Pay)	35.96%	1.05%	37.01%
(7) Estimated City Contribution	$ 176,999,949	$ 9,415,051[3]	$ 186,415,000
(8) Deficiency/(Excess)			
(a) in Dollars (6(b)-7)	$ 186,624,621	$ 1,243,955	$ 187,868,576
(b) as a Percentage of Pay	18.46%	0.12%	18.58%

[1] Pension liabilities were discounted at 8.0% per year, and OPEB liabilities discounted at 4.5% per year.
[2] Amortization is over a 30-year period as a level percent of pay.
[3] Represents expected health insurance supplemental benefits for fiscal year 2010.

POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF BASIC ACTUARIAL VALUES

UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2009		
(1)	Actuarial Accrued Liability - 12/31/2008	$8,652,546,189
(2)	Assets at Book Value - 12/31/2008	3,505,768,152
(3)	Unfunded Accrued Actuarial Liability - 12/31/2008	$5,146,778,037
EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2009		
(4)	Normal Cost for 2009	$ 182,505,483
(5)	Total Contributions for 2009	276,924,605
(6)	Interest on (3), (4), & (5) at Valuation Rates	409,495,455
(7)	Expected Unfunded Actuarial Accrued Liability - 12/31/2009 ((3)+(4)-(5)+(6))	$5,461,854,370
DEVIATIONS FROM EXPECTED		
(8)	(Gain)/Loss on Investment Return (Book Value)	$321,739,338
(9)	(Gain)/Loss from Salary Changes	(127,740,761)
(10)	(Gain)/Loss from Retirement	(24,843,807)
(11)	(Gain)/Loss from Turnover	814,317
(12)	(Gain)/Loss from Mortality	(8,165,666)
(13)	(Gain)/Loss from Disability	(4,783,268)
(14)	(Gain)/Loss from Assumption Changes	121,674,574
(15)	(Gain)/Loss from New Entrants	2,245,254
(16)	(Gain)/Loss from All Other Sources	(59,269,451)
(17)	Composite Actuarial (Gain)/Loss	$221,670,530
UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2009		
(18)	Unfunded Accrued Actuarial Liability - 12/31/2009 ((7)+(17))	$5,683,524,900

POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF BASIC ACTUARIAL VALUES

	APV of Projected Benefits	Actuarial Accrued Liability (AAL)
(1) Values for Active Members		
(a) Retirement	$4,779,852,112	$3,286,629,640
(b) Termination	66,976,900	7,359,704
(c) Disability	402,817,632	160,497,189
(d) Death	87,905,814	20,277,176
Total for Actives	$5,337,552,458	$3,474,763,709
(2) Values for Inactive Members		
(a) Retired	$ 4,641,804,446	$ 4,641,804,446
(b) Survivor	479,404,373	479,404,373
(c) Disability	255,570,315	255,570,315
(d) Inactive (Deferred Vested)	34,764,046	34,764,046
(e) Children	14,594,596	14,594,596
Total for Inactives	$ 5,426,137,776	$ 5,426,137,776
(3) Grand Totals	$10,763,690,234	$8,900,901,485
(4) Normal Cost for Active Members	$ 178,396,098	
(5) Actuarial Present Value of Future Compensation	$10,900,791,829	

POLICEMEN'S ANNUITY AND BENEFIT FUND
SCHEDULE OF RETIRED MEMBERS BY TYPES OF BENEFITS AND MONTHLY BENEFIT LEVELS

Monthly Benefit Amount	Annuitants		Disabilitants		Widowers/Widows		Children		Totals	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Under $100	9	1							**9**	**1**
$100 to under $250	14	3				2	106	58	**120**	**63**
$250 to under $500	21	7				1	75	43	**96**	**51**
$500 to under $750	17	1			1	2	37	35	**55**	**38**
$750 to under $1,000	2	1					6	7	**8**	**8**
$1,000 to under $2,000	259	32	1		35	2,613	1		**296**	**2,645**
$2,000 to under $3,000	761	76	10	10	2	398		2	**773**	**486**
$3,000 to under $4,000	1,912	280	131	48		45			**2,043**	**373**
$4,000 to under $5,000	2,680	149	129	27	3	43			**2,812**	**219**
$5,000 to under $6,000	1,423	87	14	5		24			**1,437**	**116**
$6,000 to under $7,000	288	13	2			3			**290**	**16**
$7,000 to under $8,000	78	2				3			**78**	**5**
$8,000 to under $9,000	61	7				1			**61**	**8**
$9,000 to under $10,000	31	3	1						**32**	**3**
$10,000 and over	9		2			1			**11**	**1**
Totals:	**7,565**	**662**	**290**	**90**	**41**	**3,136**	**225**	**145**	**8,121**	**4,033**

SCHEDULE OF AVERAGE BENEFIT PAYMENTS FOR NEW ANNUITIES GRANTED IN 2009

Years of Service:	10-14	15-19	20-24	25-29	30-34	>= 35	Total
Number of New Annuitants	5	11	57	64	34	90	**261**
Average Annual Salary	$ 70,852	74,337	79,525	87,921	85,628	91,211	**$ 86,043**
Average Monthly Benefit	$ 2,381	2,666	4,001	5,568	5,360	5,875	**$ 5,121**

NOTE: THERE WERE NO NEW ANNUITANTS IN 2009 WITH LESS THAN 10 YEARS OF SERVICE.

SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS AS OF DECEMBER 31, 2009

PARTICIPANTS	An employee in the police department of the City of Chicago appointed and sworn or designated by law as a peace officer with the title of policeman, policewoman, chief surgeon, police surgeon, police dog catcher, police kennelman, police matron and members of the police force of the police department.
SERVICE	In computing service rendered by a police officer, the following periods shall be counted, in addition to all periods during which he performed the duties of his position, as periods of service for annuity purposes only: All periods of (a) vacation; (b) leave of absence with pay; (c) military service; (d) disability for which the police officer receives disability benefit. The calculation of service is based on a day-to-day basis for most purposes. For the purpose of calculating benefits under the Dominant Formula, one-year of Service is credited for a year in any portion of which a police officer is compensated.

RETIREMENT

Eligibility	Attainment of age 50 with at least 10 years of service.
Mandatory	Effective in plan year 2003, retirement is mandatory for a participant who has attained age 63.
Accumulation Annuity	At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years, the employee is entitled to an annuity based on all sums accumulated.
Formula Minimum Annuity	While there are several alternative formulas available with 20 or more years of service, the Dominant Formula is 50% of highest average salary (including duty availability pay) in 48 consecutive months within the last 10 years of service plus 2.5% for each year or fraction of service over 20 years, limited to 75% of average salary.

Mandatory Retirement Minimum Annuity

A police officer who is required to withdraw from service due to attainment of mandatory retirement age who has less than 20 years of service credit may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post retirement increases.

Post-Retirement Increase

A retiree born before January 1, 1955, with at least 20 years of service or receiving a mandatory retirement minimum annuity, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later, and shall not be subject to a 30% maximum increase. For retirees born after January 1, 1955, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%.

Minimum Annuity

The benefit of any retiree who retired from the service before January 1, 1986, at age 50 or over with at least 20 years of service, or due to termination of disability is not less than $1,050 per month.

Reversionary Annuity

A member, prior to retirement, may elect to reduce his own annuity, and provide a reversionary annuity, to begin upon the officer's death, for the officer's spouse.

SURVIVOR INCOME BENEFITS PAYABLE ON DEATH

Death in Service (Non-Duty):

Generally, a money-purchas benefit is provided, based on total salary deductions and City contributions. However, if a policeman dies in service after December 31, 1985, with at least 1.5 years of service, the widow's annuity is the greater of (a) 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death (without dollar limit) or (b) 50% of the benefit accrued by the policeman at date of death.

The lifetime benefit is payable until death.

Death in Service (Duty Related)

Compensation Annuity	75% of the member's salary attached to the civil service position that would ordinarily have been paid to such member as though in active discharge of his duties at the time of death payable until the date the policeman would have attained age 63.
Supplemental Annuity	Payable for life and is equal to the difference between the money purchase annuity for the spouse and an amount equal to 75% of the annual salary (including all salary increases and longevity raises) the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.
Death after Retirement	If a police officer retires on or after January 1, 1986, and subsequently dies, the widow's annuity is 40% before 1988 and 50% on and after January 1, 1988 of the retired policeman's annuity at the time of death (without dollar limit).
Maximum Annuity	$500 a month (after discount for age difference) under both the accumulation method and the old formula method. There is no dollar limit on the 30%, 40% or 50% benefit.
Minimum Annuity	Any spouse is entitled to a minimum annuity of $1,000 a month.

CHILDREN'S ANNUITIES

Eligibility	Payable at death of the policeman to all unmarried children less than 18 years of age.
Benefit	10% of the annual maximum salary of a first class patrolman during widow (widower) life, 15% otherwise.
Payable Until	Age 18. If the child is disabled, benefit is payable for life or as long as such disablement exists.
Family Maximum	60% (non-duty death) or 100% (duty death) of the salary that would ordinarily been paid to the policeman, if he had been in the active discharge of his duties.

Parent's Annuities	
Eligibility	Payable to a dependent parent at the death of a policeman who is in either active service, or receiving a disability benefit, or on leave of absence, or in receipt of an annuity granted after 20 years of service, or waiting to start receiving an annuity granted for 20 years of service. The benefit is only payable if there are no surviving spouses or children eligible for benefits.
Benefit	18% of the current salary attached to the rank at separation from service.
Payable until	Death of the dependent parent.

DUTY DISABILITY BENEFIT

Eligibility	Disabling condition incurred in the performance of duty.
Benefit	75% of salary at the time the disability is allowed plus $100.00 per month for each unmarried child less than age 18, (total amount of child's benefits shall not exceed 25% of salary). Beginning January 1, 2000, after 7 years of payment, the benefit shall not be less than 60% of the current salary attached to the rank held by the policemen at the time of disability. Payable to employee's age 63 or by operation of law, whichever is later. Salary deductions are contributed by the City.

OCCUPATIONAL DISEASE DISABILITY BENEFIT

Eligibility	Heart attack or any disability heart disease after 10 years of service.
Benefit	65% of salary attached to the rank held by the police officer at the time of his or her removal from the police department payroll with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under the age of 18 is entitled to a benefit of $100 per month. This benefit is not terminated at age 18 if the child is then dependent by reason of physical or mental disability. Salary deductions are contributed by the City.

ORDINARY DISABILITY BENEFIT

Eligibility	Disabling condition other than duty or occupational related.
Benefit	50% of salary at the time of injury, payable for a period not more than 25% of service (excluding any previous disability time) rendered prior to injury, nor more than 5 years. Disability shall cease at age 63. Salary deductions are contributed by the City.

DEATH BENEFIT

Eligibility

Payable upon the death of a police officer whose death occurs while in active service; on authorized leave of absence; within 60 days of receipt of salary; while receiving duty or ordinary disability benefit; occurring within 60 days of termination of such benefit; or occurring on retirement while in receipt of annuity and separation was effective after 20 years of service. This benefit is payable to beneficiaries or, if none, to estate.

Benefit

Death in Service:

Age at Death	Benefit
49 and under	$12,000
50-62	$12,000 less $400 for each year by which age at death exceeds 49.
63 and Over	$6,000

Death after Retirement:

Age at Death	Benefit
50 and over	$6,000

If death results from injury incurred in performance of duty before retirement on annuity, the benefit payable is $12,000 regardless of the attained age.

GROUP HEALTH HOSPITAL AND SURGICAL INSURANCE PROGRAM

The pension fund shall provide payments in the amount of $95 per month for non-Medicare eligible city annuitants and $65 per month for Medicare eligible city annuitants through June 30, 2013.

REFUNDS

Policemen

Without regard to service and under age 50, or with less than 10 years of service and under age 57 at withdrawal: a refund of all salary deductions together with 1.5% simple interest until the date of withdrawal.

For Spouse's Annuity	Upon retirement an unmarried policeman will receive a refund of contributions for spouse's annuity, accumulated at 3% compounded annually.
Of Remaining Amounts	If at death of a retired policeman the total member contributions paid while active exceed the total retirement benefits paid to date of death, the difference is payable.

CONTRIBUTIONS

Salary Deductions	Employee	7 %	
	Spouse	1½%	
	Annuity Increase	½%	
		9 %	
City Contributions [1]	Employee	9-5/7%	
	Spouse	2 %	
	Annuity Increase	½%	Unallocated
		12-3/14%	

[1] Credited to Participant's Accumulation Annuity and Widow's Annuity Account

In addition to the above contributions, a contribution is made to support the Death Benefit. Policemen contribute $2.50 per month. City contributes a total of $224,000 for all policemen.

The total City contribution is generated by a tax equal to double the contributions by the policemen to the Fund two years prior to the year of the tax levy.

"PICK UP" OF EMPLOYEE SALARY DEDUCTIONS	Beginning January 1, 1982, the employee contributions were "picked up" by the employer. The W-2 salary is therefore reduced by the amount of contribution. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is received. For the purpose of benefits, refunds or contributions, these contributions will be treated as employee contributions.

Statistical Section

SUPPLEMENTAL INFORMATION

The following section contains special schedules designed to supplement benefit payment data contained elsewhere in this Comprehensive Annual Financial Report.

- **Revenues by Source and Expenses by Type** details the specific sources and uses of funds: Employee contributions obtained from participants through payroll deductions, employer contributions from the City of Chicago's real estate tax levy (Calculated using a 2.0 multiplier that matches employee contributions on a two year lag basis) and finally, investment income derived from the Fund's portfolio of assets. On the expense side, the largest component is benefit payments to participants, followed by refunds of contributions to participants and finally, the Fund's own administrative expenses.

- **Schedule of Benefit Expenses by Type (Last 10 Years)** further details the total annual benefit expense by breaking it down into payments to annuitants, survivors, disability payments, death benefits, and health insurance supplements.

- **Average Employee Retirement Benefits Payable** provides some key demographics of the annuitant population including average annual benefit paid, average current age, average age at retirement, and average years of service prior to retirement.

- **Retirees and Beneficiaries by Type of Benefit** provides totals for each type of benefit payment including those to annuitants and their survivors as well as to employees receiving disability benefits from the Fund.

REVENUES BY SOURCE AND EXPENSES BY TYPE

Year	Employee Contributions(1)	Employer Contributions(2)	Investment Income (3)	Total	Employer Cont. as a percent of Current Year Payroll
1998	$ 69,890,008	$ 118,867,416	$ 467,101,444	$ 655,858,868	16.19%
1999	70,185,289	125,281,970	475,716,575	671,183,834	16.14%
2000	71,261,412	139,481,871	31,299,210	242,042,493	16.58%
2001	71,146,651	139,675,766	(214,033,382)	(3,210,965)	18.37%
2002	79,238,513	141,989,025	(335,936,484)	(114,708,946)	18.30%
2003	79,816,332	140,807,354	627,291,033	847,914,719	15.86%
2004	78,800,816	135,744,173	367,908,110	582,453,099	15.53%
2005	89,109,811	178,278,371	261,389,227	528,777,409	18.79%
2006	91,965,685	158,759,277	447,275,047	698,000,009	15.67%
2007	93,299,996	178,705,975	349,914,156	621,920,127	17.20%
2008	93,207,408	181,685,991	(1,104,909,466)	(830,016,067)	17.75%
2009	95,614,390	180,510,851	567,314,823	844,239,428	17.85%

Year	Benefits Expenses	Administrative Expenses	Refunds	Total	Income Less Payouts
1998	$ 251,231,727	$ 1,923,882	$ 4,288,642	$ 257,444,251	$ 398,414,617
1999	274,572,115	2,104,158	4,627,583	281,303,856	389,879,978
2000	297,506,761	2,201,877	4,642,278	304,350,916	(62,308,423)
2001	324,836,320	2,451,822	5,664,009	332,952,151	(336,163,116)
2002	350,413,759	2,544,860	5,238,860	358,197,479	(472,906,425)
2003	370,696,206	3,166,145	4,806,372	378,668,723	469,245,996
2004	401,519,101	2,626,056	5,781,659	409,926,816	172,526,283
2005	431,445,018	2,660,819	5,644,241	439,750,078	89,027,331
2006	452,788,081	2,700,475	5,271,842	460,760,398	237,239,611
2007	471,478,513	3,077,073	6,206,813	480,762,399	141,157,728
2008	491,602,860	4,153,570	6,118,449	501,874,879	(1,331,890,946)
2009	508,515,984	4,303,599	6,193,872	519,013,455	325,225,973

(1) Includes deductions in lieu for disability
(2) Net tax levy and miscellaneous income
(3) Includes realized net gain or loss on sale and exchange of assets, and net of investment expense

Schedule of Benefit Expenses by Type (Last 10 Years)

Year	Employee	Spouse	Dependent	Ordinary, Duty and Children Disability	Death	Hospitalization	Total
2000	$233,114,183	$39,163,934	$1,177,881	$16,711,644	$1,818,700	$5,520,420	$297,506,762
2001	257,540,559	40,169,959	1,189,323	18,536,460	1,736,900	5,663,121	324,836,322
2002	278,369,295	42,773,551	1,197,537	20,563,408	1,610,800	5,899,168	350,413,759
2003	297,127,105	43,938,085	1,178,671	19,938,927	1,783,627	6,720,792	370,687,207
2004	322,926,347	47,527,540	1,230,130	20,250,689	1,837,006	7,747,390	401,519,102
2005	347,272,478	51,283,810	1,228,497	22,184,105	1,500,000	7,976,128	431,445,018
2006	366,275,912	53,432,655	1,368,446	21,783,830	1,886,443	8,040,795	452,788,081
2007	384,061,774	54,134,067	1,287,970	22,132,157	1,754,836	8,107,708	471,478,512
2008	401,472,930	56,142,862	1,351,770	22,005,912	1,779,200	8,850,186	491,602,860
2009	417,879,734	56,616,500	1,326,895	21,803,624	1,622,800	9,266,431	508,515,984

AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE

Years Ended	Average Annual Benefit	Average Current Age of Retirees	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
1979	$ 7,920	68	57.3	28.1
1980	8,573	68	57.6	28.2
1981	9,292	68	58.4	28.6
1982	10,020	68	59.1	29.2
1983	10,770	68	59.4	29.3
1984	11,782	68	58.6	29.9
1985	13,070	68	58.7	30.2
1986	15,033	67	57.7	30.0
1987	16,257	67	58.1	30.1
1988	17,855	67	58.8	30.9
1989	19,315	67	58.6	30.7
1990	21,120	68	58.9	30.2
1991	21,782	68	58.4	30.8
1992	23,128	68	57.7	30.3
1993	24,724	68	56.9	29.6
1994	25,636	68	55.7	29.5
1995	26,996	67	55.3	29.2
1996	28,412	67	55.5	29.8
1997	29,867	67	55.0	29.3
1998	31,682	66	54.6	30.0
1999	33,220	66	54.8	29.9
2000	34,880	66	56.3	31.6
2001	36,428	66	56.4	29.8
2002	38,199	66	55.6	29.4
2003	38,998	66	57.1	30.2
2004	41,914	66	57.5	30.4
2005	43,930	67	57.3	30.6
2006	45,680	67	58.0	29.6
2007	47,392	67	58.1	29.3
2008	49,239	68	58.3	29.4
2009	50,799	68	59.2	28.6

RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

	ANNUITANTS			DISABILITY				Widow	
Years	Employee	Spouse[1]	Child	Ordinary	Duty	Occup.	Child[2]	Comp.	Total
1979	3,458	3,140	558	145	47			64	7,412
1980	3,546	3,154	511	163	57			66	7,497
1981	3,657	3,170	475	142	72			71	7,587
1982	3,666	3,175	462	125	75			70	7,573
1983	3,642	3,202	446	104	86			70	7,550
1984	3,723	3,152	435	87	113			74	7,584
1985	3,861	3,234	406	95	126			70	7,792
1986	4,212	3,145	380	78	144			69	8,028
1987	4,467	3,100	354	66	156			75	8,218
1988	4,595	3,184	350	63	167			78	8,437
1989	4,772	3,202	335	58	179			71	8,617
1990	4,936	3,214	335	51	187			66	8,789
1991	5,033	3,137	329	75	192			68	8,834
1992	5,109	3,129	310	83	204			66	8,901
1993	5,195	3,151	294	59	211		160	66	9,136
1994	5,309	3,123	281	51	221		159	64	9,208
1995	5,510	3,133	254	51	231	1	144	60	9,384
1996	5,714	3,120	252	67	256	12	158	59	9,638
1997	5,945	3,104	240	59	270	36	130	59	9,843
1998	6,241	3,093	228	56	279	57	150	57	10,161
1999	6,520	3,118	249	57	291	76	150	58	10,519
2000	6,876	3,107	267	48	274	87	149	59	10,867
2001	7,192	3,114	255	52	265	95	143	59	11,175
2002	7,392	3,092	235	38	289	103	150	59	11,358
2003	7,498	3,083	247	29	285	97	139	63	11,441
2004	7,815	3,133	249	44	287	85	130	65	11,808
2005	8,026	3,107	247	35	298	82	139	65	11,999
2006	8,083	3,093	255	39	291	69	132	64	12,026
2007	8,155	3,137	242	52	284	65	136	64	12,135
2008	8,210	3,148	237	39	286	58	139	66	12,183
2009	8,227	3,111	232	44	284	52	138	66	12,154

1) Includes reversionary.

2) New benefit classification enacted by law in 1995.

Schedule of Active Member Data - Last 10 Years

Year	Number of Members at Year End	Annual Average Salary	% Increase in Average Salary
2000	13,858	$ 54,795	---
2001	13,889	54,961	0.3%
2002	13,720	63,158	14.9%
2003	13,746	64,568	2.2%
2004	13,569	64,434	-0.2%
2005	13,462	70,493	9.4%
2006	13,749	73,677	4.5%
2007	13,748	75,572	2.6%
2008	13,373	76,541	1.3%
2009	**13,154**	**76,874**	**0.4%**

Schedule of Retired Member Data - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	Average Monthly Benefit	Average Age at Retirement	Average Age of Current Retirees	Average Years of Service at Retirement
2000	6,876	$ 34,880	$ 2,907	56.3	66	31.6
2001	7,192	36,428	3,036	56.4	66	29.8
2002	7,392	38,199	3,183	55.6	66	29.4
2003	7,498	38,998	3,250	57.1	66	30.2
2004	7,815	41,914	3,493	57.5	66	30.4
2005	8,026	43,930	3,661	57.3	67	30.6
2006	8,083	45,680	3,807	58.0	67	29.6
2007	8,155	47,392	3,949	58.1	67	29.3
2008	8,210	49,239	4,103	58.3	68	29.4
2009	**8,227**	**50,799**	**4,233**	**59.2**	**68**	**28.6**

Schedule of Widow Annuitants - Last 10 Years

Year	Number at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	3,107	$ 11,918	---
2001	3,114	12,305	3.2%
2002	3,092	12,965	5.4%
2003	3,083	12,950	-0.1%
2004	3,133	14,239	10.0%
2005	3,107	15,339	7.7%
2006	3,093	15,903	3.7%
2007	3,137	16,464	3.5%
2008	3,148	16,992	3.2%
2009	**3,111**	**17,159**	**1.0%**

Schedule of Children's Annuities - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	267	$ 4,193	---
2001	255	4,343	3.6%
2002	235	4,490	3.4%
2003	247	4,521	0.7%
2004	249	4,682	3.6%
2005	247	4,967	6.1%
2006	255	5,053	1.7%
2007	242	5,518	9.2%
2008	237	5,615	1.8%
2009	**232**	**5,749**	**2.4%**

Schedule of Ordinary Disability Recipients Data - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	48	$ 26,480	---
2001	52	21,895	-17.3%
2002	38	28,400	29.7%
2003	29	23,272	-18.1%
2004	44	32,607	40.1%
2005	35	35,984	10.4%
2006	39	39,004	8.4%
2007	52	39,075	0.2%
2008	39	37,407	-4.3%
2009	**44**	**38,081**	**1.8%**

Schedule of Duty Disability Recipients Data - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	274	$ 32,912	---
2001	265	35,594	8.1%
2002	289	41,350	16.2%
2003	285	41,147	-0.5%
2004	287	42,358	2.9%
2005	298	45,447	7.3%
2006	291	47,503	4.5%
2007	284	48,713	2.5%
2008	286	48,682	-0.1%
2009	**284**	**49,842**	**2.4%**

Schedule of Occupational Disease Disability Recipients Data - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	87	$ 37,241	---
2001	95	37,518	0.7%
2002	103	40,360	7.6%
2003	97	38,665	-4.2%
2004	85	40,752	5.4%
2005	82	41,537	1.9%
2006	69	42,640	2.7%
2007	65	44,360	4.0%
2008	58	45,548	2.7%
2009	**52**	**46,427**	**1.9%**

Schedule of Children's Disability Recipients Data - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	149	$ 392	---
2001	143	1,200	206.0%
2002	150	1,540	28.3%
2003	139	1,235	-19.8%
2004	130	1,230	-0.4%
2005	139	1,200	-2.5%
2006	132	1,200	0.0%
2007	136	1,193	-0.5%
2008	139	1,200	0.5%
2009	**138**	**1,275**	**6.3%**

Schedule of Widow's Compensation Annuities - Last 10 Years

Year	Number of Annuitants at Year End	Average Annual Benefit	% Increase in Average Benefit
2000	59	$ 41,232	---
2001	59	40,453	-1.9%
2002	59	46,130	14.0%
2003	63	47,567	3.1%
2004	65	45,411	-4.5%
2005	65	52,595	15.8%
2006	64	55,096	4.8%
2007	64	56,056	1.7%
2008	66	55,386	-1.2%
2009	**66**	**56,596**	**2.2%**

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