County Employees' and Officers' Annuity and Benefit Fund of Cook County

Financial Statements

December 31, 2006

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2006 AND 2005

CONTENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
County Employees' and Officers' Annuity
and Benefit Fund of Cook County

We have audited the accompanying statements of plan net assets of County Employees' and Officers' Annuity and Benefit Fund of Cook County (the Plan) as of December 31, 2006 and 2005 and the related combining statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's 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 financial status of County Employees' and Officers' Annuity and Benefit Fund of Cook County as of December 31, 2006 and 2005 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 3b, and the required supplementary information consisting of the schedule of funding progress, the schedule of employer contributions and the notes to those schedules on pages 21 through 23 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 24 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion for 2006 and 2005, is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have previously audited the financial statements for the years ended 2004, 2003 and 2002 (which are not presented herein), and we expressed unqualified opinions on those financial statements. The financial statements for the year ended 2001 (which are not presented herein) were audited by other auditors, whose report expressed an unqualified opinion on those financial statements. In our opinion, the information on page 25 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports (for 2004, 2003 and 2002) and their report (for 2001) on the required supplementary information (pages 21 and 22) stated that we/they applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Legacy Professionals LLP

August 31, 2007

This section presents management's discussion and analysis of the County Employees' and Officers' Annuity and Benefit Fund of Cook County's (Plan) financial position at December 31, 2006 and performance for the year ended December 31, 2006. It provides an overview of the financial activities and the effects of any significant changes. This discussion and analysis are intended to be read in conjunction with the Plan's financial statements.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The basic financial statements are described below:

> **Statements of Plan Net Assets** provides a snapshot of account balances and net assets held in trust for future pension benefit payments and any liabilities as of the Plan's year end.
>
> **Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets** show the sources and uses of funds during the calendar year, where additions less deductions equal net increase in net assets. This net increase in net assets illustrates the change in net assets as reported in the Statements of Plan Net Assets from the prior year to the current year.
>
> **Notes to the Financial Statements** provide additional information that is essential to achieving a better understanding of the data provided in the financial statements.
>
> **Required Supplementary and Additional Information Schedules** provide detailed, historical trend information of assets, liabilities and employer contributions.

Financial Highlights

The County Employees' and Officers' Annuity and Benefit Fund of Cook County's **total assets** were $9,092,888,241 in 2006 compared to $8,117,877,730 in 2005. **Total liabilities** were $1,422,101,178 in 2006 compared to $1,153,922,974 in 2005. **Net assets** increased by $706,832,307 or 10.1% in 2006 to $7,670,787,063 from $6,963,954,756 in 2005. The increase in net assets was mainly due to the increase in the fair value of investments.

The **rate of return** of the Plan's investment portfolio for 2006 was 11.4% versus 2005's return of 4.8%.

Financial Highlights (continued)

The **funding objective** of the Plan is to meet long-term defined pension benefit obligations. As of December 31, 2006, the date of the most recent actuarial valuation, the Plan is actuarially funded at 75.4% (Pension benefits - 84.6%, Retiree health insurance plan - 0.0%). This ratio is lower than the 75.8% (Pension benefits - 84.3%, Retiree health insurance plan - 0.0%) funded ratio as of December 31, 2005.

The actuarial value of assets for the December 31, 2006 valuation for pension benefits was $7,462,683,122 and the actuarial liability was $8,826,581,465. The actuarial liability increased by $486,176,620 or 5.8% in 2006, from $8,340,404,845 in 2005.

The actuarial value of assets for the December 31, 2006 valuation for the retiree health insurance was $0, and the actuarial liability was $1,506,821,967. The actuarial liability increased by $46,139,046 or 3.2% in 2006, from $1,460,682,921 in 2005.

Based on a combined actuarial valuation of the pension and retiree health insurance benefits, the actuarial value of assets for the December 31, 2006 valuation was $7,462,683,122 and the actuarial liability was $9,904,578,174. The actuarial liability increased by $634,634,041, or 6.8% in 2006, from $9,269,944,133 in 2005. Differences exist between the individual and combined reports due to a difference in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

Changes in Plan Net Assets

Revenues - Additions to Plan Net Assets

Revenues for calendar year 2006 were $1,101,360,984 compared to $720,772,635 in 2005.

Member contributions decreased by 30.2% to $121,672,773 in 2006 from $174,213,741 in 2005. There was $70,253 in optional payments and deductions in 2006 as compared to $50,798,742 in 2005.

Employer contributions increased by 2.9% to $221,186,219 in 2006 from $214,849,442 in 2005. Employer contributions are calculated using a statutorily set multiplier (currently 1.54) times member contributions collected two years prior.

Net investment activity totaled $747,619,968 for the year ended December 31, 2006 compared to $323,245,508 for the year ended December 31, 2005. The increase exhibited in investment earnings resulted primarily from the increase in the overall performance of the financial markets from the prior year. Investment fees, which are netted from investment income, increased by 7.8% to $10,730,106 in 2006 compared to $9,953,617 in 2005.

Changes in Plan Net Assets (continued)

Revenues - Additions to Plan Net Assets (continued)

Net securities lending income increased by 9.3% to $1,625,033 in 2006 from $1,486,431 in 2005.

Employee transfers from Forest Preserve resulted from Forest Preserve District employees transferring employment to Cook County. The accrued pension benefit obligation transferred from the Forest Preserve Fund to the Cook County Fund was $345,410 in 2006 compared to $186,159 in 2005.

Expenses - Deductions from Plan Net Assets

Expenses increased by 5.0% to $394,528,677 in 2006 from $375,758,947 in 2005.

Retirement annuity payments increased by 4.7% to $323,262,588 in 2006 from $308,649,986 in 2005. There were 13,836 participants paid during 2006 compared to 13,581 participants paid during 2005. The increase in retirement annuity payments is mainly due to the 3% annual compounded cost of living increase and an increase in the number of retirees.

Disability payments increased by 3.2% to $11,722,480 in 2006 from $11,359,918 in 2005. This increase was mainly due to increased salaries that the disability payments are calculated against.

Group hospital premiums increased by 8.2% to $30,642,245 in 2006 from $28,308,863 in 2005. This increase is due to more retirees participating in the Plan.

Refunds of member contributions, including rollover distributions, increased by 8.2% to $24,922,209 in 2006 from $23,041,743 in 2005.

Cost to administer the Plan decreased by 9.5% to $3,979,155 in 2006 from $4,398,437 in 2005. This was primarily attributable to a decrease in actuarial and consulting fees.

Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan's finances and show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

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Executive Director
County Employees' and Officers' Annuity
and Benefit Fund of Cook County
33 North Dearborn Street
Suite 1100
Chicago, IL 60602

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Statements of Plan Net Assets

December 31, 2006 and 2005

	2006	2005
Assets		
Cash	$ 30,473,262	$ 28,318,628
Receivables		
Employer - tax levy less allowance for loss and cost of $13,980,580 in 2006 and $15,021,124 in 2005	214,959,429	201,238,796
Plan member	286,986	297,294
Accrued investment income	21,502,886	20,124,432
Due from Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	1,445,302	1,216,629
Due from Cook County	6,042,927	4,400,986
Other	611,504	(1,776)
Total receivables	244,849,034	227,276,361
Investments	7,401,966,347	6,718,651,098
Collateral held for securities on loan	1,415,599,598	1,143,631,643
Total assets	9,092,888,241	8,117,877,730
Liabilities		
Plan member accounts payable	-	499,968
Health insurance payable	2,946,271	5,895,357
Accounts payable - other	3,264,499	3,006,615
Due to Cook County	290,810	889,391
Securities lending collateral	1,415,599,598	1,143,631,643
Total liabilities	1,422,101,178	1,153,922,974
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 21)	$ 7,670,787,063	$ 6,963,954,756

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
ADDITIONS						
Contributions						
Employer - tax levy	$ 221,186,219	$ 194,367,840	$ 26,818,379	$ 214,849,442	$ 187,153,294	$ 27,696,148
Plan member contributions						
Salary deductions	116,594,898	116,594,898	-	116,014,231	116,014,231	-
Refund repayments	2,316,250	2,316,250	-	4,588,266	4,588,266	-
Former service payments	333,714	333,714	-	808,541	808,541	-
Optional payments and deductions	70,253	70,253	-	50,798,742	50,798,742	-
Miscellaneous - military service, sick time and alternative costs	438,769	438,769	-	164,452	164,452	-
Deductions in lieu of disability	1,918,889	1,918,889	-	1,839,509	1,839,509	-
Total plan member contributions	121,672,773	121,672,773	-	174,213,741	174,213,741	-
Investment income						
Net appreciation in fair value of investments	598,260,850	598,260,850	-	190,554,053	190,554,053	-
Dividends	60,121,259	60,121,259	-	44,444,904	44,444,904	-
Interest	95,678,166	95,678,166	-	94,967,224	94,967,224	-
Limited partnership income	4,103,265	4,103,265	-	3,026,883	3,026,883	-
Commission recapture	186,534	186,534	-	206,061	206,061	-
	758,350,074	758,350,074	-	333,199,125	333,199,125	-
Less investment expense	(10,730,106)	(10,730,106)	-	(9,953,617)	(9,953,617)	-
Net investment income	747,619,968	747,619,968	-	323,245,508	323,245,508	-
Securities lending						
Income	62,698,408	62,698,408	-	30,389,798	30,389,798	-
Expenses						
Borrower rebates	(60,535,583)	(60,535,583)	-	(28,408,852)	(28,408,852)	-
Management fees	(537,792)	(537,792)	-	(494,515)	(494,515)	-
Net securities lending income	1,625,033	1,625,033	-	1,486,431	1,486,431	-
Other						
Federal subsidized programs	4,252,144	4,252,144	-	3,443,036	3,443,036	-
Medicare Part D subsidy	2,913,709	-	2,913,709	-	-	-
Prescription plan rebates	910,157	-	910,157	612,715	-	612,715
Employee transfers from Forest Preserve	345,410	345,410	-	186,159	186,159	-
Miscellaneous	835,571	835,571	-	2,735,603	2,735,603	-
Total other additions	9,256,991	5,433,125	3,823,866	6,977,513	6,364,798	612,715
Total additions	1,101,360,984	1,070,718,739	30,642,245	720,772,635	692,463,772	28,308,863

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
DEDUCTIONS						
Benefits						
Annuities						
Employee	$ 301,803,116	$ 301,803,116	$ -	$ 289,176,133	$ 289,176,133	$ -
Spouse and children	21,459,472	21,459,472	-	19,473,853	19,473,853	-
Disability benefits						
Ordinary	11,183,117	11,183,117	-	10,977,594	10,977,594	-
Duty	539,363	539,363	-	382,324	382,324	-
Group hospital premiums	30,642,245	-	30,642,245	28,308,863	-	28,308,863
Total benefits	365,627,313	334,985,068	30,642,245	348,318,767	320,009,904	28,308,863
Refunds	24,922,209	24,922,209	-	23,041,743	23,041,743	-
Net administrative expenses	3,979,155	3,979,155	-	4,398,437	4,398,437	-
Total deductions	394,528,677	363,886,432	30,642,245	375,758,947	347,450,084	28,308,863
NET INCREASE	706,832,307	706,832,307	-	345,013,688	345,013,688	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
Beginning of year	6,963,954,756	6,963,954,756	-	6,618,941,068	6,618,941,068	-
End of year	$ 7,670,787,063	$ 7,670,787,063	$ -	$ 6,963,954,756	$ 6,963,954,756	$ -

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes (formerly Chapter 108-1/2, Article 9 of the Illinois Revised Statutes).

Method of Accounting - The financial statements are presented using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer, Cook County, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Limited partnerships are carried at fair value as estimated by each partnership's general partner. Demand notes are carried at cost which approximates fair value. Where less than an entire investment holding is sold, average value is used to determine realized gain or loss.

Allocated Expenses - The cost of office operations is paid initially by the County Employees' and Officers' Annuity and Benefit Fund of Cook County. These expenses are allocated between the County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County on a pro rata basis as applicable.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

NOTE 2. PLAN DESCRIPTION

The County Employees' and Officers' Annuity and Benefit Fund of Cook County was established on January 1, 1926 and is governed by legislation contained in Illinois Compiled Statutes, particularly Chapter 40, Article 5/9. The Plan can be amended only by the Illinois Legislature. The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement, death (spouse or children) and disability benefits for full-time employees of Cook County (County) and the dependents of such employees. The Plan is considered to be a component unit of Cook County, Illinois and is included in the County's financial statements as a pension trust fund.

The Statutes authorize a Board of Trustees (Retirement Board) of nine members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, four are to be elected by the employee members of the Plan and three are to be elected by the annuitants of the Plan. The two ex officio members are the Comptroller of Cook County or someone chosen by the Comptroller and the Treasurer of Cook County or someone chosen by the Treasurer. All members of the Retirement Board are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the County Board of Cook County a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The County's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.54. The source of funds for the County's contributions has been designated by State Statutes as the County's annual property tax levy. The County's payroll for employees covered by the Plan for 2006 and 2005 was $1,412,878,627 and $1,387,459,142 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The County Employees' and Officers' Annuity and Benefit Fund of Cook County provides retirement as well as death and disability benefits. Employees age 50 or over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.4% for each year of credited service to a maximum benefit of 80% of the final average monthly salary. For retirees between ages 50 and 60, the monthly retirement benefit is reduced 1/2 percent for each month the participant is under age 60. This reduction is waived for participants having 30 or more years of credited service.

At December 31, 2006 and 2005, participants consisted of the following:

	2006	2005
Retirees and beneficiaries currently receiving benefits:		
Employee	11,416	11,190
Spouse	2,294	2,255
Children	126	136
Disability	337	345
Subtotal	14,173	13,926
Current employees:		
Vested	14,013	13,745
Nonvested	11,542	11,981
Subtotal	25,555	25,726
Total	39,728	39,652

Participants should refer to the summary plan description or applicable State Statutes for more complete information.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer contributions are funded primarily through a County tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees of the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.54.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2006 and December 31, 2005 indicate the annual required contribution to be $421,092,345 and $398,340,979 for 2007 and 2006 respectively. The annual required contribution based on an annual projected payroll of $1,412,878,627 for 25,555 active members in 2006 and $1,387,459,142 for 25,726 active members in 2005 is computed as follows:

	2006	2005
Normal cost	$ 342,584,576	$ 333,904,419
30-year level dollar amortization of the unfunded liability	198,772,359	182,536,220
	541,356,935	516,440,639
Less estimated plan member contributions	(120,264,590)	(118,099,660)
Actuarially determined contribution requirement for subsequent fiscal year	421,092,345	398,340,979
Expected net employer contribution from tax levy after 3.5% loss	(258,899,040)	(221,416,720)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 162,193,305	$ 176,924,259
Required tax levy multiple	2.50	2.77
Present authorized multiple	1.54	1.54

A Schedule of Funding Progress is located in the Required Supplementary Information on page 21. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 4. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation. Based on legislation enacted on August 23, 2007, the reserves for actuarial liabilities were eliminated effective December 31, 2006.

NOTE 4. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

Net assets held in trust for pension benefits as of December 31 were comprised of the following Plan net asset balances:

	2006	2005
Net assets held in trust for pension benefits	$ 7,670,787,063	$ -
Salary Deduction Fund	-	1,369,649,777
County Contribution Fund	-	1,198,451,739
Annuity Payment Fund - liabilities	-	817,196,410
Annuity Payment Fund - reserve	-	123,389,627
Prior Service Fund	-	5,761,251,777
Supplementary Payment Reserve	-	4,803
Fund (deficit)	-	(2,305,989,377)
Total net assets held in trust for pension benefits	$ 7,670,787,063	$ 6,963,954,756

The Salary Deduction Fund was used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts were kept until the employee retired or withdrew from service before qualifying for an annuity. At retirement, account balances were transferred to the Annuity Payment Fund. In case an eligible employee elected to take a refund of contributions instead of an annuity, the contribution refund was charged to this reserve fund. The Annuity Payment Fund received the amounts transferred from the individual accounts in the County Contribution Fund and the Salary Deduction Fund when an employee retired and qualified for an annuity. All age and service annuity payments were charged to this Fund.

The County Contribution Fund was used to accumulate amounts contributed by the County to provide for annuities based on age and service of each employee and spouse. An individual account was maintained for each employee and spouse until the employee retired, at which time the individual account balances were transferred to the Annuity Payment Fund.

The Prior Service Fund was a reserve account for the accumulation of County contributions to provide for a) employee and spouse annuities that were based on service performed before the Plan's effective date of January 1, 1926, and b) any excess in minimum annuity formula requirements over the amounts required for age and service annuities, and for spouse annuities.

The Fund deficit or surplus represented the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A deficit indicated that additional assets would be needed to provide for future benefits.

NOTE 5. INVESTMENT SUMMARY

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the "prudent person" provisions of the State Statutes. All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the State Statutes. The following table presents a summarization of the fair value (carrying amount) of the Plan's investments as of December 31, 2006 and 2005. Investments that represent 5% or more of the Plan's net assets held in trust for benefit purposes are separately identified.

Investments	2006	2005
Corporate bonds:		
Not on securities loan	$ 579,621,799	$ 562,489,527
On securities loan	58,656,427	66,557,463
U.S. and Foreign Government obligations:		
Not on securities loan	610,877,845	755,977,981
On securities loan	395,205,866	338,739,191
Equities:		
Not on securities loan	2,964,330,255	2,565,109,147
On securities loan	936,621,820	706,623,413
Equity mutual funds	665,099,796	611,924,956
Fixed income mutual funds:		
NTGI Daily Aggregate Bond Index Fund	708,426,904	572,061,870
Others	2,969,064	-
Limited partnerships	248,995,609	304,217,855
Demand notes	254,543,535	324,086,495
Net unsettled investment trades	(23,382,573)	(89,136,800)
	7,401,966,347	6,718,651,098
Collateral held for securities on loan	1,415,599,598	1,143,631,643
Total investments and collateral held for securities on loan	$ 8,817,565,945	$ 7,862,282,741

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk

During the year ended December 31, 2005, the Plan adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 modifies or eliminates the disclosure requirements for deposits that are not covered by depository insurance and investment securities that are uninsured and are not registered in the name of the government or trust agent.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The Plan had $2,411 and $366,662 in cash and short-term deposits that was uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name as of December 31, 2006 and 2005, respectively.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has set the average credit quality for the total fixed income portfolio (corporate and U.S. Government holdings) of not less than Aa by Moody's Investor Service and/or AA by Standard & Poor's ratings. The following table presents a summarization of the credit quality ratings of investments at December 31, 2006 and 2005 as valued by Moody's Investors Service and/or Standard & Poor's:

Type of Investment	Rating	2006	2005
Corporate bonds	Aaa/AAA	$ 193,992,266	$ 174,779,620
	Aa/AA	101,413,336	68,736,849
	A/A	206,499,192	195,409,871
	Baa/BBB	117,572,028	124,200,708
	Ba/BB	4,137,021	13,467,552
	B/B	6,729,329	4,236,632
	Caa/CCC	623,617	-
	Not Rated	7,311,437	48,215,758
		$ 638,278,226	$ 629,046,990
U.S. Government and Government Agency obligations	Aaa/AAA	$ 996,395,398	$ 598,137,877
	Aa/AA	5,511,855	4,627,947
	A/A	796,883	56,801,785
	Baa/BBB	3,379,575	-
	B/B	-	285,106
	Not Rated	-	434,337,994
		$ 1,006,083,711	$ 1,094,190,709
Foreign Government obligations	B/B	$ -	$ 204,000
	Ba/BB	-	322,463
		$ -	$ 526,463
Fixed income mutual funds	Not Rated	$ 711,395,968	$ 572,061,870
Demand notes	Not Rated	$ 254,543,535	$ 324,086,495

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan has set the duration for the total fixed income portfolio to fall within plus or minus 50% of the duration for the fixed income performance benchmark (Lehman Aggregate Fixed Income Index which was 4.42 and 4.57 years at December 31, 2006 and 2005 respectively). The following table presents a summarization of debt investments at December 31, 2006 and 2005 using the segmented time distribution method:

Type of Investment	Maturity	2006	2005
Corporate bonds	Less than 1 year	$ 27,333,031	$ 47,985,070
	1 - 5 years	293,936,573	205,699,280
	6 - 10 years	108,223,787	156,293,940
	Over 10 years	208,784,835	219,068,700
		$ 638,278,226	$ 629,046,990
U.S. and Foreign Government obligations	Less than 1 year	$ 71,420,489	$ 81,475,106
	1 - 5 years	258,826,653	285,856,800
	6 - 10 years	199,429,315	196,470,752
	Over 10 years	476,407,254	530,914,514
		$ 1,006,083,711	$ 1,094,717,172

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan limits the amount of investments in foreign equities to 15% of total Plan assets and foreign fixed income obligations to 5% of total Plan assets. The Plan's exposure to foreign currency risk at December 31, 2006 and 2005 is as follows:

Type of Investment	Fair Value (USD) 2006	Fair Value (USD) 2005
Corporate bonds:		
New Zealand dollar	$ -	$ 304,317
U.S. dollar	638,278,226	628,742,673
Total corporate bonds	$ 638,278,226	$ 629,046,990
U.S. and Foreign Government obligations:		
Australian dollar	$ -	$ 481,549
U.S. dollar	1,006,083,711	1,094,235,623
Total U.S. and Foreign Government obligations	$ 1,006,083,711	$ 1,094,717,172

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2006	Fair Value (USD) 2005
Equities:		
Australian dollar	$ 19,004,521	$ 7,566,060
British pound	124,747,336	48,961,596
Canadian dollar	15,100,265	6,492,193
Chinese yuan	1,360,884	-
Danish krone	6,344,688	754,646
European euro	189,359,673	69,812,341
Hong Kong dollar	15,247,827	4,946,078
Israeli skekel	1,270,273	-
Japanese yen	112,176,586	50,357,125
Mexican peso	(2,035,688)	-
New Zealand dollar	92	503,699
Norwegian krone	7,195,751	5,138,714
Singapore dollar	4,938,632	1,453,783
South African rand	376	-
South Korean won	-	1,285,050
Swedish krona	14,872,758	4,208,447
Swiss franc	29,184,337	14,432,686
Taiwan dollar	5	4
Thailand baht	1,061,053	909,329
U.S. dollar	3,381,682,565	3,054,910,809
Net unsettled investment trades	(20,559,859)	-
Total equities	$ 3,900,952,075	$ 3,271,732,560
Limited partnerships:*		
Israeli skekel	$ 4,831,026	$ 3,842,995
U.S. dollar	244,164,583	300,374,860
Total limited partnership	$ 248,995,609	$ 304,217,855

* Foreign currency risk disclosure in limited partnerships is limited to direct holdings in a foreign limited partnership. Information is not available regarding the plan's share of a foreign investment held by a domestic limited partnership.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

During 2006 and 2005, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $378,531,442 and $440,857,767 respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Combining Statements of Changes in Pension Plan and Postemployment Health Care Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of Plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in Plan assets being reported in both the current year and the previous year(s).

NOTE 6. WHEN-ISSUED TRANSACTIONS

The Plan may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment take place. As of December 31, 2006, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $22,095,000. As of December 31, 2005, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $90,615,000.

NOTE 7. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan is not restricted as to the type or amount of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults. The average term of securities loaned was four days for 2006 and two days for 2005; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity at December 31, 2006 and 2005 of two days and four days, respectively. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loans.

NOTE 7. SECURITIES LENDING (CONTINUED)

As of December 31, 2006 and 2005, the fair value (carrying amount) of loaned securities was $1,390,484,113 and $1,111,920,067 respectively. As of December 31, 2006 and 2005, the fair value (carrying amount) of collateral received by the Plan was $1,415,599,598 and $1,143,631,643 respectively. Therefore, as of December 31, 2006 and 2005, the Plan had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Plan.

During 2006 and 2005, there were no losses due to default of a borrower or the lending agent. The contract with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

NOTE 8. COMMITTED CASH

The Plan has agreed with independent parties to purchase shares of various limited partnerships. As of December 31, 2006, the Plan has commitments of approximately $33,420,000 outstanding which are due on demand.

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN

The Plan has adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the year ended December 31, 2006, which establishes uniform financial reporting standards for Other Postemployment Benefits (OPEB) plans.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County administers the Healthcare Premium Plan (HPP), a single-employer defined benefit postemployment healthcare plan. HPP provides a healthcare premium subsidy to annuitants or their surviving spouses who elect to participate in HPP. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. Presently, the Plan subsidizes approximately 55% and 70% of the monthly premiums for employees and spouse annuitants, respectively. The remaining cost is borne by the annuitant.

HPP is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees.

At December 31, 2006 and 2005, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 7,132 and 7,079 respectively.

NOTE 9. POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Summary of Significant Accounting Policies

Method of Accounting - HPP's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The Plan considers the premium supplement an additional retirement benefit, with no contribution rate or asset allocation associated with it. The amount of employer contributions for postemployment healthcare benefits is assumed to equal the premium supplement expensed for the period. Healthcare premium subsidies are recognized when due and payable.

Contributions - The Plan funds HPP on a "pay-as-you-go" basis. Administrative costs associated with HPP are paid by the Plan.

Administrative Costs - Administrative costs associated with HPP are paid by the Plan.

NOTE 10. RELATED PARTY TRANSACTIONS

As of December 31, 2006 and 2005, the Plan has investments consisting of stocks, bonds or ownership equity of its investment custodian, real estate investment consultant and various investment managers or limited partnerships with a total market value of approximately $418,090,000 and $488,300,000 respectively.

NOTE 11. LEASE AGREEMENTS

The Plan leases its office facility under a five year lease arrangement in effect through May 31, 2007. The lease calls for annual adjustments on the anniversary date of the commencement of the lease. Rent expense under this lease, net of rent abatements, for the last two years was $364,614 and $321,610 respectively.

The following is a schedule by year of the future minimum rental payments required under noncancelable lease terms of this operating lease:

Year ending December 31,	
2007	$ 130,270

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Year Ended December 31,		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Pension Benefits							
2001	(1)	$ 5,935,506,269	$ 6,678,219,689	$ 742,713,420	88.88%	$ 1,274,942,064	58.25%
2002	(2)	$ 5,861,233,506	$ 7,846,307,991	$ 1,985,074,485	74.70%	$ 1,330,456,896	149.20%
2003		$ 5,929,201,142	$ 8,780,969,704	$ 2,851,768,562	67.52%	$ 1,307,079,312	218.18%
2004		$ 6,700,845,111	$ 9,450,784,086	$ 2,749,938,975	70.90%	$ 1,371,540,481	200.50%
2005	(3)	$ 7,027,508,138	$ 8,340,404,845	$ 1,312,896,707	84.26%	$ 1,387,459,142	94.63%
2006	(3)	$ 7,462,683,122	$ 8,826,581,465	$ 1,363,898,343	84.55%	$ 1,412,878,627	96.53%
Retiree Health Insurance Plan							
2005		$ -	$ 1,460,682,921	$ 1,460,682,921	0.00%	$ 1,387,459,142	105.28%
2006		$ -	$ 1,506,821,967	$ 1,506,821,967	0.00%	$ 1,412,878,627	106.65%
Changes in Actuarial Assumptions							
2005	(4)	$ -	$ (531,143,633)	$ (531,143,633)	0.00%		
2006	(4)	$ -	$ (428,825,258)	$ (428,825,258)	0.00%		
Combined							
2001		$ 5,935,506,269	$ 6,678,219,689	$ 742,713,420	88.88%	$ 1,274,942,064	58.25%
2002		$ 5,861,233,506	$ 7,846,307,991	$ 1,985,074,485	74.70%	$ 1,330,456,896	149.20%
2003		$ 5,929,201,142	$ 8,780,969,704	$ 2,851,768,562	67.52%	$ 1,307,079,312	218.18%
2004		$ 6,700,845,111	$ 9,450,784,086	$ 2,749,938,975	70.90%	$ 1,371,540,481	200.50%
2005		$ 7,027,508,138	$ 9,269,944,133	$ 2,242,435,995	75.81%	$ 1,387,459,142	161.62%
2006		$ 7,462,683,122	$ 9,904,578,174	$ 2,441,895,052	75.35%	$ 1,412,878,627	172.83%

(1) = Change in actuarial assumptions.

(2) = Change in benefits.

(3) = Pension benefits only. The information for 2004 and prior includes the retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

See notes to required supplementary information.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Employer Contributions

Year Ended December 31,		Annual Required Contribution (1) (ARC) (a)	Required Statutory Basis (2) (b)	Employer Contribution (c)	Percent of ARC Contributed (c/a)
Pension Benefits					
2001		$ 211,188,715	$ 155,880,940	$ 161,141,138	76.30%
2002		$ 253,942,375	$ 174,214,910	$ 178,410,973	70.26%
2003		$ 364,658,305	$ 182,112,650	$ 185,608,032	50.90%
2004		$ 457,427,014	$ 212,515,195	$ 201,957,937	44.15%
2005	(3)	$ 321,669,394	$ 201,830,715	$ 190,596,330	59.25%
2006	(3)	$ 282,223,686	$ 215,455,550	$ 198,619,984	70.38%
Retiree Health Insurance Plan					
2005		$ 107,301,732	$ -	$ 27,696,148	25.81%
2006		$ 166,070,688	$ -	$ 26,818,379	16.15%
Changes in Actuarial Assumptions					
2005		$ -	$ -		
2006	(4)	$ (49,953,395)	$ -		
Combined					
2001		$ 211,188,715	$ 155,880,940	$ 161,141,138	76.30%
2002		$ 253,942,375	$ 174,214,910	$ 178,410,973	70.26%
2003		$ 364,658,305	$ 182,112,650	$ 185,608,032	50.90%
2004		$ 457,427,014	$ 212,515,195	$ 201,957,937	44.15%
2005		$ 428,971,126	$ 201,830,715	$ 218,292,478	50.89%
2006		$ 398,340,979	$ 215,455,550	$ 225,438,363	56.59%

(1) = 30 Year level dollar amortization beginning in 2005.
40 Year level dollar amortization for 2004 and prior.

(2) = Tax levy after 3.5% overall loss beginning in 2004.
Tax levy after 3.0% overall loss for 2003 and prior.

(3) = Pension benefits only. The information for 2004 and prior includes pension benefits and retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan (combined report - 7.5%, individual report - 5.0%).

See notes to required supplementary information.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Notes to Schedule of Funding Progress and Schedule of Employer Contributions

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

Valuation date	December 31, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return	
Pension benefits	7.5% compounded annually
Retiree health insurance plan	5.0% compounded annually
Combined	7.5% compounded annually
Projected salary increases	
Pension benefits	
Inflation	3.0%
Merit and seniority	2.0%
Postretirement benefit increases	3.0% compounded per year for employee and widow(er) annuitants
Increases in postretirement health insurance costs	
2008	9.00%
2009	8.00%
2010	7.00%
2011	6.00%
2012 and later	5.00%
Mortality rates	1983 Group Annuity Mortality Table, Male and Female, rated up two years
Retirement age assumptions	Based on actual past experience assume all employees retire by age 75

ADDITIONAL INFORMATION

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedules of Net Administrative Expenses

Years Ended December 31, 2006 and 2005

	2006	2005
Actuarial service	$ 122,986	$ 533,514
Audit	74,500	59,500
Bank charges	102,492	107,044
Consulting fees	284,349	855,477
Election expense	110,770	99,885
Health insurance premiums - staff	273,138	209,489
Insurance - fidelity, fiduciary and liability	58,495	57,716
Investment consulting fees	271,664	290,782
Investment custodian fees	417,767	273,638
Legal	103,776	79,234
Membership and conference	4,040	4,570
Office expense	126,377	116,153
Postage	143,336	95,710
Printing and stationery	35,693	27,453
Recovery site expense	91,259	-
Rent	364,614	321,610
Salaries	1,429,672	1,309,134
Travel	5,626	4,641
Utilities	7,682	7,133
Total	4,028,236	4,452,683
Less portion allocated to Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	(49,081)	(54,246)
Net administrative expenses	$ 3,979,155	$ 4,398,437

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Additions By Source

Year Ended December 31,	Plan Member Contributions (1)	Employer Contributions (2)	Net Investment and Net Securities Lending Income (Loss) (3)	Total Additions
2001	$ 125,798,208	$ 161,397,616	$ (37,961,948)	$ 249,233,876
2002	$ 147,031,109	$ 178,743,886	$ (382,116,211)	$ (56,341,216)
2003	$ 140,073,582	$ 185,608,033	$ 883,619,351	$ 1,209,300,966
2004	$ 148,991,804	$ 204,279,644	$ 571,265,643	$ 924,537,091
2005	$ 174,213,741	$ 221,826,955	$ 324,731,939	$ 720,772,635
2006	$ 121,672,773	$ 230,443,210	$ 749,245,001	$ 1,101,360,984

Deductions By Type

Year Ended December 31,	Benefits (4)	Refunds	Net Administrative Expenses	Total Deductions
2001	$ 212,456,712	$ 22,274,689	$ 5,054,769	$ 239,786,170
2002	$ 225,242,236	$ 20,254,536	$ 6,394,921	$ 251,891,693
2003	$ 315,816,457	$ 44,209,953	$ 7,255,667	$ 367,282,077
2004	$ 344,638,409	$ 18,049,094	$ 6,780,941	$ 369,468,444
2005	$ 348,318,767	$ 23,041,743	$ 4,398,437	$ 375,758,947
2006	$ 365,627,313	$ 24,922,209	$ 3,979,155	$ 394,528,677

1 - Includes deductions in lieu of disability.

2 - Net tax levy plus other additions.

3 - Includes realized net gain or loss on investments sold and starting in 2005, net securities lending income.

4 - Includes transfers (from) reciprocating funds.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedule of Taxes Receivable

December 31, 2006

Levy Year	Gross Levy	Uncollected Balance	Reserve for Loss and Costs	Net Uncollected Balance
2005	$ 209,151,000	$ 7,096,659	$ 7,096,659	$ -
2006	$ 223,270,000	221,843,350	6,883,921	214,959,429
		$ 228,940,009	$ 13,980,580	$ 214,959,429

Note:

Uncollected taxes for years 2004 and prior are fully reserved.

2005 tax levy includes net Illinois Replacement Tax of $36,300,000.

2006 tax levy includes net Illinois Replacement Tax of $22,349,327.