POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
(Component Unit of the City of Chicago)

Financial Statements and Supplementary Information
For the Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(Component Unit of the City of Chicago)
December 31, 2011 and 2010

TABLE OF CONTENTS

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of plan net assets of the Policemen's Annuity and Benefit Fund of Chicago (the Fund) as of December 31, 2011 and 2010, and the related statements 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, 2011 and 2010, and the changes in plan net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of administrative expenses, consulting costs, and investment fees are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell & Titus, LLP

June 21, 2012

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 more comprehensive understanding of the data provided in the financial statements. Information contained in the note disclosures includes the Fund's accounting policies, descriptions of pension and health benefits and related liabilities, detail of investments and related risks, 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 decreased by $264 million, or 7.7%, to $3.176 million during 2011. At December 31, 2010, the net assets of the Fund increased by $114 million, or 3.3%, to $3,440 million from the December 31, 2009, balance of $3,326 million.

- Fund investment income earned, net of investment-related expenses was approximately $32.5 million during 2011, compared with a gain of approximately $368.7 million during 2010. The returns reflect declining Equities in general and non-U.S. Equities in particular, as concerns about global growth, especially in Europe, hit the markets in the third quarter. Equities' subpar performance was mitigated by strong returns in Fixed Income and Private Equity, which posted robust annual returns of 7.88% and 12.78%, respectively. On a relative basis, Private Equity and Equity compared favorably against their respective benchmarks. While U.S. and Non-U.S. Equity returns were approximately in line with their benchmarks, the Fund's overweight toward U.S. Equity was a clear positive contributor to relative returns. While Real Estate and Infrastructure contributed positively to absolute returns, they both trailed their benchmarks on a relative basis.

Financial Highlights *(continued)*

- The Fund received contributions of $98.2 million from members and $183.5 million from the City of Chicago in 2011, compared to contributions of $108.4 million from members and $183.8 million from the City of Chicago in 2010. The number of active members declined 3.9% from 2010 to 2011; which partially contributed to the decline in contributions, however, the decrease in contributions is due primarily to a retroactive wage increase provided to active members in August 2010, which was reflective of a new employment contract between the City of Chicago and collective bargaining groups for various ranks within the Chicago Police Department, with salary increases effective July 1, 2007. The retroactive increases resulted in a one-time payment of $12.3 million of additional member contributions in 2010. The 2011 and 2010 member contributions also reflect approximately $3.1 million and $3.3 million, respectively, of incremental purchases of service credit from prior law enforcement positions, including military service. Employer contributions from the City of Chicago experienced a slight decline of 0.2% from 2010 to 2011. Employer contributions are mandated by a statutorily set multiplier of 2.0 times member contributions collected two years prior. The decrease in contributions is reflective of member contributions from 2009, which had declined from the prior year.

- Benefit payments, excluding death benefits, increased by approximately $32.0 million in 2011, from $534.5 million in 2010 to $566.5 million in 2011. The number of retirees and beneficiaries increased in 2011 by 283 members, or 2.3%, thus contributing to the increase. Since January 1, 2010, the Fund has experienced over 1,000 retirements of active members, which resulted in significant increases in benefits in both 2010 and 2011. Another reason for the increase is the annual cost of living adjustments provided to retirees born prior to January 1, 1955. Death benefits and refunds of employee deductions decreased slightly from 2010 to 2011 by approximately $0.6 million, from $9.4 million to $8.8 million, respectively. The decrease is due to fewer death benefits and refunds paid in 2011, as compared to 2010.

- Administrative expenses were essentially unchanged from 2010 to 2011, as both years incurred approximately $3.9 million in related expenses. Fund management had worked vigorously to maintain and control administrative expenses, including fees paid to consultants, and staff salary and benefits, both of which declined from 2010 to 2011.

- 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 a decrease, from 36.7% at December 31, 2010 to 32.8% at December 31, 2011. The decrease reflects a decline in net assets, combined with an increase in the actuarial liability at December 31, 2011, as compared to December 31, 2010.

Financial Highlights *(continued)*

- Under 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 a decrease, from 39.7% at December 31, 2010 to 35.6% at December 31, 2011.

- In compliance with GASB No. 45, the Fund recognizes a liability for other post-employment benefits (OPEB), represent health insurance coverage for active and retired Fund employees. This obligation was first accrued as an expense in the 2008 financial statements. Expense of $0.440 million and $0.463 million was recognized in 2010 and 2011, respectively, resulting in a total accrued liability of $0.831 million and $1,160 million as of December 31, 2010, and 2011, respectively.

Plan Net Assets

A summary of Plan net assets is presented below:

Plan Net Assets
(In millions)
As of December 31, 2011, 2010, and 2009

				2011–2010 Change	
	2011	**2010**	**2009**	**$**	**%**
Receivables	$ 196.7	$ 212.9	$ 204.9	$ (16.2)	(7.6)
Brokers–unsettled trades	194.0	276.4	121.3	(82.4)	(29.8)
Investments, at fair value	3,094.8	3,301.1	3,150.0	(206.3)	(6.2)
Invested securities lending collateral	312.1	295.7	375.1	16.4	5.5
Total assets	3,797.6	4,086.1	3,851.3	(288.5)	(7.1)
Brokers–unsettled trades	304.4	344.2	144.1	(39.8)	(11.6)
Securities lending payable	312.1	295.7	376.1	16.4	5.5
OPEB obligation	1.2	0.8	0.5	0.4	50.0
Accounts payable and accrued expenses	4.4	5.7	4.5	(1.3)	(22.8)
Total liabilities	622.1	646.4	525.2	(24.3)	(3.8)
Net assets	$ 3,175.5	$ 3,439.7	$ 3,326.1	$ (264.2)	(7.7)

Plan Net Assets *(continued)*

The decrease in net assets of $264.2 million in 2011 was driven primarily by immediate benefit funding requirements. The assets available for investment earned 0.78% in 2011, compared to an investment gain of 12.72% in 2010. Persistent concerns about the global economy in general and European activity in particular affected Equity returns during the year. The relative performance of Fixed Income and Private Capital provided some relief and the overall portfolio performance was basically flat during the measurement period.

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, 2011, 2010 and 2009

				2011–2010 Change	
	2011	**2010**	**2009**	**$**	**%**
ADDITIONS					
Member contributions	$ 98.2	$ 108.4	$ 95.6	$ (10.2)	(9.4)
Employer contributions	183.5	183.8	180.5	(0.3)	(0.2)
Net investment gains (losses) and investment income	32.5	368.7	566.0	(336.2)	(91.2)
Securities lending income (loss)	1.2	0.9	1.3	0.3	33.3
Miscellaneous income	0.1	0.0	0.8	0.1	0.0
Total additions	315.5	661.8	844.2	(346.3)	(52.3)
DEDUCTIONS					
Annuity, disability, and death benefits	568.0	536.3	508.5	31.7	5.9
Refunds of contributions	7.3	7.6	6.2	(0.3)	(3.9)
OPEB expense	0.5	0.4	0.2	0.1	25.0
Administrative expenses	3.9	3.9	4.3	0.0	0.0
Total deductions	579.7	548.2	519.2	31.5	5.7
Net (decrease) increase	$ (264.2)	$ 113.6	$ 325.0	$ (377.8)	332.6

The Fund experienced a net decrease in net assets in 2011, after two years of net increases in both 2010 and 2009. The decreases are due primarily to payments of benefits that were in excess of contributions received and investment returns. Net assets available for investment produced earnings of 0.78%, 12.72% and 21.5% in 2011, 2010 and 2009, respectively. While the overall investment portfolio performance was essentially flat in 2011, the Fund continues to experience retirement levels in 2011 and 2010 significantly above levels in 2009 and 2008. The increased retirement levels are partially attributed to some early retirement health care benefits offered to members by the City of Chicago in 2011 and 2010. Retirements of over 1,000 active members occurred during the two years of 2011 and 2010.

Investment Activities

The Fund continues to prudently implement the revised strategic allocation approved by the Board of Trustees in late 2010. Overall, rebalancing activity was concentrated on funding two mandates in Global Tactical Asset Allocation (GTAA) for about 10% of the total portfolio in late 2011. The U.S. Equity exposure was further reduced through the year because of immediate benefit funding requirements.

The strategic allocation was unchanged during 2011. Long-term targets include: 21% for U.S. Equity, 20% for non-U.S. Equity, 22% for Fixed Income and Cash, 19% for Tactical & Alpha Strategies, 4% for Real Assets, 7% for Private Equity, 5% for Real Estate, and 2% for Infrastructure.

Investment Returns
Years Ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Total fund (%)	0.78	12.72	21.50
Equities	(4.68)	15.60	34.78
Fixed income	7.88	7.91	11.62
Alternatives	(2.91)	5.29	10.96
Private capital	12.78	11.40	(16.49)
Cash and cash equivalents	0.13	0.19	0.48

Private capital consists of investments in private equity, real estate and infrastructure. Alternative investments consist of fund of hedge fund investments and tactical allocations.

Plan Membership

The following table reflects the Plan membership as of December 31, 2011, 2010 and 2009.

Changes in Plan Membership
As of December 31, 2011, 2010 and 2009

				2011–2010	
	2011	2010	2009	Change	%
Retirees and beneficiaries receiving benefits	12,663	12,380	12,154	283	2.3
Active employees	12,236	12,737	13,154	(501)	(3.9)
Terminated (inactive members) employees entitled to benefits or refunds of contributions	624	620	634	4	0.6
Total	25,523	25,737	25,942	(214)	(0.8)

Funding Status

The actuarial value of assets, using the GASB 25 and 43 methods, for the December 31, 2011 valuation was $3,445 million and the actuarial liability was $9,688 million. The actuarial liability increased by approximately $313 million in 2011, from $9,375 million in 2010 to $9,688 million in 2011. The assets currently fund 35.6% of this liability, a decrease from the 39.7% funded ratio in 2010. 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, which were $1,104 million, are reflected in the actuarial value of assets over a five-year period, concluding in 2012. Likewise, actuarial investment gains and losses from 2008 through 2011 are also amortized over a five-year period.

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 2010 to 2011. Additionally, the annual required contribution for these benefits, as computed under GASB 25 and 43, was not reached in 2011 or 2010. 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.

On December 30, 2010, Governor Pat Quinn signed into law, SB 3538, as part of Public Act 096-1495. This new legislation included provisions, which will significantly change the method by which contributions to the Fund by the Employer are determined, as well as the level of benefits afforded police officers hired by the City of Chicago after January 1, 2011.

Police officers hired after January 1, 2011, are subject to different provisions in their defined benefit pension plan provisions. The changes are similar to other revisions made to various state and local pension systems in Illinois, including a change in the minimum retirement age for a non-reduced benefit, changes in the method of determining final average salary, changes in the calculation of the annual cost of living increase for retirees, changes in survivor benefits, and a salary cap on compensation included in the calculation of pension benefits.

The formula by which the Employer, the City of Chicago, will fund members' pension benefits was significantly changed, effective with the City of Chicago tax levy beginning in 2015. Previously, the City of Chicago met its fiduciary obligation for funding through a tax multiplier calculation that was based upon active member contributions. Public Act 096-1495 changes that funding obligation such that annually actuarially determined employer contributions will be calculated and required. Such actuarially determined contributions will be established with a funding goal of 90% by the end of 2040, based upon the actuarial value of Fund assets and application of certain required actuarial assumptions and methodologies. The Public Act also provides an enhancement mechanism such that failure by the City of Chicago to remit the required contributions can result in withholding of certain grants owed by the State of Illinois Comptroller to the City of Chicago, and direct deposit of such monies to the Fund.

Funding Status *(continued)*

The financing for the Fund, as measured and reported for the City of Chicago tax levy beginning in 2015 requires that assets are marked-to-market at March 30, 2011 and the actuarial value of assets be based upon a five-year smoothing of investment gains and losses incurred in fiscal years ending after March 30, 2011. The actuarial value of assets as defined in Public Act 096-1495 will affect the actuarial valuation as of January 1, 2015, and the development of contributions for Plan year-ending December 31, 2015. The Fund intends to adopt the statutory change in the actuarial value of assets effective for the plan year beginning January 1, 2015. Consequently, the financial statements included herein continue the five-year smoothing method already in place prior to this legislation without a reset of asset values at March 30, 2011.

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
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POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Statements of Plan Net Assets
As of December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 250	$ 250
Receivables		
Employer tax levies, net of allowance for loss of $17,953,633 in 2011 and $18,417,241 in 2010	184,153,465	199,875,680
Member contributions	4,588,788	4,624,607
Interest and dividends	7,995,119	8,381,341
Accounts receivable—due from brokers	193,960,667	276,373,195
	390,698,039	489,254,823
Investments at fair value		
U.S. common stock and other equity	764,633,977	1,041,332,798
Collective investment funds, stock	159,441,205	285,809,608
Collective investment funds, international equities	25,893,101	26,976,684
Collective investment funds, fixed income	376,262,936	260,847,982
International equity	554,553,305	640,455,817
Bonds and notes	625,957,258	557,575,568
Short-term instruments	136,445,651	91,970,139
Infrastructure	42,980,775	38,165,359
Forward contracts and swaps	11,243,614	4,728,596
Hedge fund-of-funds	79,205,340	81,704,551
Real estate	120,609,791	94,421,845
Venture capital and private equity	197,576,112	177,116,975
	3,094,803,065	3,301,105,922
Invested securities lending cash collateral	312,160,256	295,714,545
Total assets	3,797,661,610	4,086,075,540
LIABILITIES		
Refunds and accounts payable	4,437,278	5,676,240
Trade accounts payable—due to brokers	304,394,921	344,185,437
Securities lending cash collateral	312,160,256	295,714,545
OPEB obligation	1,160,474	830,621
Total liabilities	622,152,929	646,406,843
Net assets held in trust for pension benefits	$ 3,175,508,681	$ 3,439,668,697

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

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2011 with and 2010

	2011	2010
ADDITIONS		
Contributions		
Employer	$ 183,521,526	$ 183,834,639
Plan member salary deductions	98,222,258	108,402,353
Total contributions	281,743,784	292,236,992
Investment income		
Net (depreciation) appreciation in fair value of investments	(20,412,408)	316,282,278
Interest	23,149,998	27,113,326
Dividends	36,153,795	29,784,972
Real estate income	3,298,599	5,300,838
	42,189,984	378,481,414
Investment activity expenses		
Investment management fees	(8,899,000)	(9,109,616)
Custodial fees	(186,900)	(183,525)
Investment consulting fees	(583,351)	(542,554)
Total investment activity expenses	(9,669,251)	(9,835,695)
Net income from investing activities	32,520,733	368,645,719
From securities lending activities		
Securities lending income	963,567	1,132,624
Borrower rebates	455,422	10,242
Bank fees	(283,613)	(230,530)
Net income from securities lending activities	1,135,376	912,336
Total net investment income	33,656,109	369,558,055
Miscellaneous income	104,468	20,031
Total additions	315,504,361	661,815,078
DEDUCTIONS		
Pension and disability benefits	566,457,386	534,462,320
Death benefits	1,510,800	1,782,400
Refunds of employee deductions	7,337,234	7,587,436
	575,305,420	543,832,156
Administrative expenses	3,895,731	3,924,928
OPEB expense	463,226	440,051
Total deductions	579,664,377	548,197,135
Net (decrease) increase	(264,160,016)	113,617,943
Net assets held in trust for pension benefits		
Beginning of year	3,439,668,697	3,326,050,754
End of year	$ 3,175,508,681	$ 3,439,668,697

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; limited partnerships and other types of investment vehicles as set forth in the Illinois Compiled Statutes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at fair value, which approximates cost. 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 at estimated fair value as determined by the general partner, based upon appraisals provided by the investment manager. Hedge fund, venture capital, private equity, 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 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 is able to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statements of plan net assets.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 PENSION PLAN

Plan Description and Contribution Information

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 and their widows and children. Any City employee 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, 2011 and 2010 were $1,034,403,526 and $1,048,084,301, respectively. At December 31, 2011 and 2010, the Fund membership consisted of the following:

	2011	2010
Active employees	12,236	12,737
Retirees and beneficiaries currently receiving benefits	12,663	12,380
Terminated employees entitled to benefits or a refund of contributions, but not yet receiving them	624	620
	25,523	25,737

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 10 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)*

Plan Description and Contribution Information *(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%.

Members hired after January 1, 2011 will be subject to different provisions within their defined benefit pension plan. The new provisions include a minimum retirement age of 55, a final average salary calculation based upon 96 consecutive months within the last 120 months of employment, an annual salary cap for purposes of calculating a pension benefit, and cost-of-living increases for a pension benefit that include considerations related to the consumer price index for urban consumers.

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)*

Plan Description and Contribution Information *(continued)*

The financing by which the City will fund members' pension benefits will significantly change, effective with the City of Chicago tax levy beginning in 2015. New legislation changes that funding obligation such that annually actuarially determined employer contributions will be calculated and required. Such actuarially determined contributions will be established with a funding goal of 90% by the end of 2040, based upon the actuarial value of Fund assets and application of certain required actuarial assumptions and methodologies.

The actuarial calculation utilized and reported to the City of Chicago for its tax levy beginning in 2015 requires that assets are marked-to-market at March 30, 2011, and the actuarial value of assets be based upon a five-year smoothing of investment gains and losses incurred in fiscal years ending after March 30, 2011. The actuarial value of assets as defined in the new legislation (Public Act 096-1495) will affect the actuarial valuation as of January 1, 2015, and the development of contributions for plan year end December 31, 2015. The Fund intends to adopt the statutory change in the actuarial value of assets effective for the plan year beginning January 1, 2015. Consequently, the 2011 and 2010 financial statements continue the five-year smoothing method already in place prior to this legislation without a reset of asset values at March 30, 2011.

Funded Status and Funding Progress

The funded status of the Fund as of December 31, 2011 and 2010, the most recent actuarial valuation dates, 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)
12/31/11	$ 3,444,690,362	$ 9,522,395,036	$ 6,077,704,674	36.17%	$ 1,034,403,526	587.56%
12/31/10	3,718,954,539	9,210,056,428	5,491,101,889	40.38	1,048,084,301	523.92

NOTE 2 PENSION PLAN *(continued)*

Funded Status and Funding Progress *(continued)*

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year 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	12/31/2011 and 2010
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)
General inflation rate	3.0%

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.

Premiums are established by the City, with the City paying 50% of the claims or premiums, whichever are applicable, and the remaining amount to be paid by all annuitants participating in the City's health care plans. Currently, the Fund pays 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 $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 $65 per month from July 1, 2009 through June 30, 2013 for each annuitant who is qualified to receive Medicare benefits. These supplemental payments by the Fund are included in employer contributions on the statements of changes in plan net assets. The supplemental health care benefits are not dependent upon inflation, as the benefits paid are a fixed dollar amount.

NOTE 3 HEALTH INSURANCE SUPPLEMENT *(continued)*

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

At December 31, 2011 and 2010, the number of annuitants or surviving spouses who had subsidized health insurance totaled 10,368 and 10,118, respectively. Of the 2,295 and 2,261 remaining annuitants or surviving spouses, at December 31, 2011 and 2010, respectively, substantially 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, which includes certificate of insurability or an annual exam. Additionally, of the 624 and 620 terminated employees entitled to benefits or a refund, at December 31, 2011 and 2010, respectively, approximately 123 and 178 of the terminated employees 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 2011 and 2010, the Fund received contributions of $9,591,394 and $9,354,163, respectively, from the City, and remitted contributions of insurance premiums to the City of $9,591,394 and $9,354,163, 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, 2011 or 2010.

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

The funded status of the Fund's health care plans as offered by the City as of December 31, 2011 and 2010, which are the most recent actuarial valuation dates, 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)
12/31/11	$ -	$ 165,954,869	$ 165,954,869	0.00%	$ 1,034,403,526	16.04%
12/31/10	-	164,796,449	164,796,449	0.00	1,048,084,301	15.72

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multi-year trend information regarding the actuarial values of Fund assets and the ratios to the AALs for benefits.

NOTE 3 HEALTH INSURANCE SUPPLEMENT *(continued)*

Additional information as of the latest actuarial valuation follows:

Valuation dates	12/31/2011 and 12/31/2010
Actuarial cost method	Entry age normal
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% (fixed dollar subsidy)

NOTE 4 CASH AND INVESTMENT RISK

Cash

The bank balance and carrying amount of the Fund's deposits at December 31, 2011 were $493,439 and ($1,261,343.96), respectively; and $680,800 and ($3,663) at December 31, 2010, respectively. These balances excluded $250 of petty cash. The bank balance at December 31, 2011 and 2010 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
- Diversify investments across several asset classes

The Board has indicated interest in developing a risk policy statement in parallel to the Fund's investment policy. The policy would highlight those risks managed at the Fund level and those managed by external managers. The risk policy would also state the types of risks that are monitored and how they are measured. Until such policy is developed by PABF staff and adopted by the Board, there is no formal policy relating to specific investment-related risk.

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.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Summary

The following table presents a summary of the Fund's investments by type at December 31, 2011 and 2010.

	2011	2010
U.S. Government and agency fixed income	$ 371,075,296	$ 280,131,869
U.S. corporate fixed income	254,881,962	277,443,699
U.S. common collective fixed income funds	266,262,936	260,847,982
Global common collective fixed income funds	110,000,000	-
U.S. equities	764,633,977	1,041,332,798
U.S. common collective stock funds	159,441,205	285,809,608
International equity common collective fund	25,893,101	26,976,684
Foreign equities	554,553,305	640,455,817
Pooled short-term investment funds	71,017,151	39,528,450
Infrastructure	42,980,775	38,165,359
Real estate	120,609,791	94,421,845
Venture capital	197,576,112	177,116,975
Forward contracts and swaps	11,243,614	4,728,596
Hedge fund-of-funds	79,205,340	81,704,551
Cash and cash equivalents	65,428,501	52,441,689
Total investments at fair value	$ 3,094,803,066	$ 3,301,105,922

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 MFO GMO Global Asset Allocation Fund, which amounted to $159,441,205 at December 31, 2011 and the Northern Trust Collective Daily U.S. Market Cap Equity Index Fund, which amounted to $285,809,608 at December 31, 2010.

The Fund's investments were managed by approximately 48 external investment managers in 2011 and 2010, with additional services provided by an external investment consultant. The Fund does not employ any internal investment managers, therefore its investments are not managed internally. The Fund does not have a formal policy regarding the credit risk of its external managers or investment consultant.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

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 such changes could materially affect the amounts reported in the statements of plan net assets.

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 does not have a formal policy regarding interest rate risk. The Fund attempts to mitigate its exposure to fair value loss arising from increasing interest rates by diversifying its fixed income investment strategy and by allocation to several investment managers. The Fund employed six such managers in 2011 and 2010. 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, including 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.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

At December 31, 2011, 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	$ 35,752,259	$ -	$ 18,017,079	$ 2,884,423	$ 14,850,756
Commercial mortgage-backed securities	30,262,053	-	-	257,092	30,004,961
Corporate bonds	172,368,570	3,299,204	72,208,005	52,633,404	44,227,957
Government agency securities	7,027,300	-	5,565,767	1,074,122	387,411
Government bonds	140,236,547	-	79,531,167	20,425,055	40,280,325
Government mortgage-backed securities	212,973,337	-	1,317,988	3,564,253	208,091,096
Government issued commercial mortgage-backed securities	3,488,511	-	-	3,488,511	-
Guaranteed fixed income	790,733	790,733	-	-	-
Index-linked government funds	7,349,601	560,421	1,294,361	5,494,819	-
Municipal principal bonds	7,608,318	-	155,552	1,942,872	5,509,894
Non-government-backed collateralized mortgage obligations	8,100,029	-	166,745	2,128,022	5,805,262
	$ 625,957,258	$ 4,650,358	$ 178,256,664	$ 93,892,573	$ 349,157,662

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Investment Risks *(continued)*

At December 31, 2010, 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	$ 32,578,424	$ 65,804	$ 19,264,484	$ 5,111,930	$ 8,136,206
Commercial mortgage-backed securities	37,206,916	774,204	-	221,211	36,211,501
Corporate bonds	191,479,418	6,572,238	72,928,834	64,234,070	47,744,276
Government agency securities	7,891,724	352,300	6,610,419	929,005	-
Government bonds	85,696,817	1,507,597	49,840,074	9,199,568	25,149,578
Government mortgage-backed securities	178,085,262	-	1,236,546	11,050,140	165,798,576
Government issued commercial mortgage-backed securities	1,736,490	-	-	1,736,490	-
Guaranteed fixed income	795,621	-	795,621	-	-
Index-linked government funds	6,721,576	-	1,812,517	4,909,059	-
Municipal principal bonds	5,211,889	-	-	720,789	4,491,100
Non-government-backed collateralized mortgage obligations	10,171,431	-	223,823	2,805,996	7,141,612
	$ 557,575,568	$ 9,272,143	$ 152,712,318	$ 100,918,258	$ 294,672,849

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	
	2011	**2010**
Quality Rating		
AAA	$ 42,043,466	$ 56,463,793
AA	19,942,594	14,360,688
A	66,680,101	69,473,070
BBB	85,993,665	96,777,172
BB	9,247,168	8,903,126
B	2,765,016	2,417,108
Not rated	20,716,106	23,956,102
CC through D	7,493,846	5,092,640
Total credit risk of U.S. corporate fixed income	254,881,962	277,443,699
U.S. Government and agency fixed income securities	371,075,296	280,131,869
	$ 625,957,258	$ 557,575,568

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, 2011 and 2010 deposits of $5,597,226 and $4,244,367, 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. Additionally, some of the Fund's investment managers at least partially hedge foreign currency exchange risk. The Fund's exposure to foreign currency risk is as follows:

	Fair Value	
	2011	**2010**
Currency		
Australian Dollar	$ 9,930,392	$ 9,385,547
Brazilian Real	7,198,246	8,985,936
British Pound Sterling	104,128,663	96,477,892
Canadian Dollar	26,997,593	22,440,604
Chinese Yuan Renminbi	1,904,861	-
Czech Koruna	91,170	324
Danish Krone	4,250,216	7,511,992
Euro Currency Unit	115,151,982	117,606,602
Hong Kong Dollar	39,076,595	51,072,671
Hungarian Forint	172	201
Indian Rupee	2,840,703	5,614,096
Indonesian Rupiah	5,575,641	4,201,582
Japanese Yen	62,513,696	85,348,057
Malaysian Ringgit	1,682,800	4,387,940
Mexican Peso	7,129,667	2,173,325
New Israeli Shekel	703,127	2,470,998
New Taiwan Dollar	4,274,584	-
Nigerian Naira	782	-
Norwegian Krone	3,814,658	3,036,361
Polish Zloty	1,782,972	2,768,388
Singapore Dollar	5,656,373	10,042,919
South African Rand	5,974,553	4,818,026
South Korean Won	11,744,146	15,422,037
Swedish Krona	10,459,335	13,187,507
Swiss Franc	35,246,370	42,507,285
Taiwan Dollar	-	9,908,375
Thai Baht	3,399,319	2,653,278
Turkish Lira	916,122	1,898,448
Total investments in foreign currency	$ 472,444,738	$ 523,920,391

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

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. Most of the derivative transactions executed by the Fund's investment managers are related to currency through foreign exchange contracts, the vast majority of which is for hedging purposes, and interest rates through interest rate futures and forward contracts, the purpose of which is mostly duration management. In addition to derivative transactions executed directly by the Fund's investment managers, the Fund also holds interests in collective funds, hedge funds, and private equity funds, which may engage in derivative transactions. The Fund does not directly 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.

At December 31, 2011, the Fund had interest rate futures contracts to purchase LIBOR/Euro dollars, United Kingdom Treasury securities, and U.S. Treasury securities with notional amounts of $54,609,434, $2,847,910, and $6,577,730, respectively. At December 31, 2011, the Fund also had interest rate future contracts to (sell) Australian treasury securities, Canadian treasury securities, LIBOR/Euro dollars, and U.S. Treasury securities with notional amounts of ($2,828,955), ($4,339,073), ($7,863,552), and ($26,498,150), respectively. At December 31, 2010, the Fund had interest rate futures contracts to purchase United Kingdom Treasury bonds, LIBOR/Euro dollars, and U.S. Treasury securities with notional amounts of $6,360,703, $20,915,475 and $26,700,094, respectively. At December 31, 2010, the Fund also had interest rate futures contracts to (sell) German Treasury bonds, LIBOR/Euro dollars, and U.S. Treasury securities with notional amounts of ($9,862,244), ($44,304,938) and ($60,466,462), respectively.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Derivatives *(continued)*

The fair value of futures contracts in the statements of plan net assets was zero at December 31, 2011 and 2010, as settlements are by cash daily. The Fund had net investment (losses) of ($3,841,888) and ($979,018) on futures contracts in 2011 and 2010, respectively. These losses are accounted for as net (depreciation) appreciation 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. The holder is exposed to credit risk for nonperformance and to market risk for changes in interest rates. Gains and losses on swaps are determined based on fair values and are recorded in the statements of changes in plan net assets. The notional value of credit default swaps was $38,150,729 and $31,635,000 as of December 31, 2011 and 2010, respectively. The notional value of interest rate swaps was $0 and $3,579,595, as of December 31, 2011 and 2010, respectively. The fair value of swaps outstanding at December 31, 2011 and 2010 was a net liability of $386,497 and $40,300, respectively. The unrealized gain (loss) of swaps outstanding at December 31, 2011 and 2010 was $193,201 and ($592,459), respectively. Investment (loss) from holdings and sales of interest rate and credit default swaps was ($159,145) and ($1,754,318) in 2011 and 2010, respectively. These earnings are included in net (depreciation) appreciation in the fair value of investments in the statements of changes in net assets.

Foreign exchange contracts: The Fund's external investment managers utilize foreign currency forward contracts, primarily for hedging purposes. Foreign currency forward contracts are contractual agreements to buy or sell a specific amount of a foreign currency at a certain date for an agreed price. As the fair value of the underlying foreign currency varies from the contractual agreed price, the Fund records an unrealized gain or loss. The holder is exposed to credit risk for nonperformance and to market risk for changes in interest rates. The Fund had pending foreign currency purchases and sales that included positions with various currencies primarily including Australian dollars, Brazilian real, British pound sterling, Canadian dollars, Chinese yuan renminbi, Danish krone, Euros, Hong Kong dollars, Japanese yen, Malaysian ringgit, Mexican pesos, New Israeli shekel, Norwegian krone, Polish zloty, Singapore dollars, South African rand, South Korean won, Swedish krona, Swiss francs, Thai baht, Turkish lira and U.S. dollars at December 31, 2011 and 2010. Total pending foreign currency purchases and (sales) were $94,810,186 and ($94,383,075), respectively, at December 31, 2011, and $112,794,150 and ($113,138,764), respectively, at December 31, 2010.

NOTE 4 CASH AND INVESTMENT RISK *(continued)*

Derivatives *(continued)*

Thus, the Fund had a net unrealized gain (loss) on pending foreign currency forward contracts of $427,111 and ($344,615) at December 31, 2011 and 2010, respectively. Investment income from holdings and sales of foreign currency forward contracts was $322,791 and $600,403 in 2011 and 2010, respectively.

Forward interest rate contracts: The Fund's external investment managers entered into forward contracts to purchase or sell U.S. Treasury securities during 2011 and 2010. 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.

At December 31, 2011, the Fund held forward contracts to buy U.S. Treasury notes and (sell) U.S. TIPS (Treasury Inflation Protected Securities). The fair value of these contracts was $9,570,276 and ($9,231,257), respectively. At December 31, 2010, the Fund held forward contracts to buy U.S. Treasury strips. The fair value of these contracts was $4,132,105. The unrealized (loss) on these contracts was $217,289 and ($205,932) at December 31, 2011 and 2010, respectively. Investment income from holdings and sales of interest rate forwards was $488,154 and $1,639,975 in 2011 and 2010, respectively. These earnings are included in net (depreciation) appreciation in the fair value of investments in the statements of changes in net assets.

Investment Management Fees

Investment management fees from equity and fixed income managers, including most of the collective funds, are included in investment management fees on the statements of changes in plan net assets. Investment management fees from funds of short-term investments, infrastructure, hedge, real estate, venture capital and private equity are reflected in the net investment income from such investment products. Such investment management fees are not significant to the financial statements.

NOTE 5 SECURITIES LENDING PROGRAM

State statutes and Board of Trustees policies permit the Fund to lend some of 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 108 days and 101 days, as of December 31, 2011 and 2010, respectively. Cash collateral is invested in the lending agent's Core USA Collateral Pool, which at December 31, 2011 and 2010, had a weighted-average life, as measured by interest sensitivity, of 31 days and 25 days, respectively. 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.

Loans outstanding as of December 31, 2011 and 2010 were as follows:

	2011	2010
Market value of securities loaned	$ 309,349,594	$ 289,657,158
Market value of cash collateral from borrowers	312,160,256	295,714,545
Market value of non-cash collateral from borrowers	5,306,392	1,581,537

As of December 31, 2011 and 2010, the Fund had limited credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Fund.

NOTE 6 UNFUNDED INVESTMENT COMMITMENTS

The Fund had unfunded commitments of approximately $133 million and $169 million at December 31, 2011 and 2010, respectively, in connection with real estate, infrastructure, and private equity investments.

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

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, 2011 and 2010, seven retirees were in the Staff Retiree Health Plan and 21 and 22 active employees, respectively, 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 and the coverages elected. These benefit subsidy provisions can be modified or terminated at the sole discretion of the PABF Board.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. For 2011 and 2010, PABF contributed approximately $126,431 and $120,990, respectively, to the Staff Retiree Health Plan for current premiums, with an implicit subsidy of $6,942 and $6,640, for 2011 and 2010, respectively. Members receiving benefits contributed approximately $27,000, or 21%, of the total premiums, for 2011, and approximately $23,000, or 19%, of the total premiums, for 2010.

Annual OPEB Cost and Net OPEB Obligation

PABF's annual Other Post-Employment Benefit (OPEB) expense is calculated based on the Annual Required Contribution (ARC) of the employer, 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.

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

Annual OPEB Cost and Net OPEB Obligation *(continued)*

The following table shows the components of PABF's annual OPEB cost for 2011 and 2010, the amount actually contributed to the Staff Retiree Health Plan, and changes in PABF's net OPEB obligation to the Staff Retiree Health Plan:

	2011	2010
Annual required contribution	$ 453,535	$ 434,005
Interest on net OPEB obligation	37,378	23,319
Adjustment to annual required contribution	(27,687)	(17,273)
Annual OPEB expense	463,226	440,051
Employer contributions made	(133,373)	(127,630)
Increase in net OPEB obligation	329,853	312,421
Net OPEB obligation at beginning of year	830,621	518,200
Net OPEB obligation at end of year	$ 1,160,474	$ 830,621

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Staff Retiree Health Plan, and the net OPEB obligation for 2011 and 2010 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	$ 463,226	28.8%	$ 1,160,474
12/31/2010	440,051	29.0	830,621

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

Funded Status and Funding Progress

The funded status of PABF's Staff Retiree Health Plan as of December 31, 2011, and 2010, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded 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)
12/31/11	$ -	$ 5,971,137	$ 5,971,137	0.00%	$ 1,553,756	384.3%
12/31/10	-	5,588,688	5,588,688	0.00	1,486,848	375.9

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 RSI following the notes to the financial statements, present multi-year 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), which 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 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, 2011 and 2010 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 at December 31, 2011 and 2010, an annual healthcare cost trend rate of 8.5% initially, reduced by increments of 0.5 percentage point per year to an ultimate rate of 5.0% after eight years. December 31, 2011 and 2010, the wage inflation assumption was 4.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30-year period.

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

	2011	2010
Balances at December 31	$ 1,756,616,672	$ 1,908,133,221

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.

Salary Deduction Reserve

	2011	2010
Balances at December 31	$ 1,288,178,539	$ 1,251,989,944

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.

NOTE 8 RESERVES *(continued)*

Annuity Payment Reserve

	2011	2010
Balances at December 31	$ 2,011,129,797	$ 1,834,457,008

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.

A portion of reserve balances associated with widows' annuity payments was reclassified from the Annuity Payment Reserve in Note 8 to the financial statements as of December 31, 2010 to the Prior Service Annuity Reserve to more appropriately reflect the source and nature of the account reserve balance. The amount of the reclassification was $326,938,084. The reclassification is reflected in Note 8 to the financial statements.

Prior Service Annuity Reserve

	2011	2010
Balances at December 31	$ (1,031,063,600)	$ (815,305,299)

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 $6,614,740,813 and $6,215,148,607 as of December 31, 2011 and 2010, respectively.

NOTE 8 RESERVES *(continued)*

Gift Reserve

	2011	2010
Balances at December 31	$ 13,390,856	$ 13,541,513

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

	2011	2010
Balances at December 31	$ (20,166,678)	$ (18,155,098)

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.

Automatic Increase Reserve

	2011	2010
Balances at December 31	$ (843,024,309)	$ (735,439,994)

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, 2011 and 2010, the Automatic Increase Reserve had a deficit.

NOTE 8 RESERVES *(continued)*

Supplementary Payment Reserve

	2011	2010
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 June 30, 2016. There is a renewal option for a 10-year extension on the lease, however, such option has not yet been exercised. Office rental expense amounted to $239,258 and $233,234 for the years ended December 31, 2011 and 2010, respectively.

Future minimum rental payments under the office lease at December 31, 2011 are as follows:

Year	Amount
2012	$ 244,687
2013	248,626
2014	252,562
2015	256,502
2016	107,560

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 change 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.

REQUIRED SUPPLEMENTARY INFORMATION

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Funding Progress—Pension
For the Years Ended December 31, 2011 and 2010
(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)
12/31/06	$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
12/31/10	3,718,954,539	9,210,056,428	5,491,101,889	40.38	1,048,084,301	523.92
12/31/11	3,444,690,362	9,522,395,036	6,077,704,674	36.17	1,034,403,526	587.56

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Employer Contributions—Pension
For the Years Ended December 31, 2011 and 2010

(Unaudited)

Year Ended December 31,	Contributions Annual Required	Actual Employee	Actual Employer	Percentage Contributed
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
2010	363,624,570	108,402,353	174,500,507	47.99
2011	402,751,961	98,222,258	174,034,600	43.21

(Unaudited)

Valuation date	December 31, 2011 and 2010, 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)
General inflation rate	3.0%

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Funding Progress—Health Insurance Supplement
For the Years Ended December 31, 2011 and 2010

(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)
12/31/06	$ -	$ 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
12/31/10	-	164,796,449	164,796,449	0.00	1,048,084,301	15.72
12/31/11	-	165,954,869	165,954,869	0.00	1,034,403,526	16.04

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Employer Contributions—Health Insurance Supplement
For the Years Ended December 31, 2011 and 2010
(Unaudited)

Year Ended December 31,	Contributions			Percentage Contributed
	Annual Required	Actual Employee	Actual Employer	
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
2010	10,659,006	-	9,354,163	87.76
2011	10,538,116	-	9,591,394	91.02

(Unaudited)

Valuation date	December 31, 2011 and 2010, 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
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Funding Progress—Staff Retiree Health Plan
For the Years ended December 31, 2011 and 2010
(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
12/31/10	-	5,588,688	5,588,688	0.00	1,486,848	375.9
12/31/11	-	5,971,137	5,971,137	0.00	1,553,756	384.3

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Required Supplementary Information
Schedule of Employer Contributions—Staff Retiree Health Plan
For the Years Ended December 31, 2011 and 2010
(Unaudited)

Year Ended December31,	**Contributions**			**Percentage Contributed**
	Annual Required	**Actual Employee**	**Actual Employer**	
2007	$ 261,500	$ -	$ 88,800	34.0%
2008	274,600	-	104,700	38.1
2009	290,600	-	121,000	41.6
2010	434,005	-	127,630	29.4
2011	453,535	-	133,373	29.4

Valuation date	December 31, 2011 and 2010, 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	8.5% per year, graded down to 5.0% per year, ultimate trend in 0.5% increments

OTHER SUPPLEMENTARY INFORMATION

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Schedule of Administrative Expenses
For the Years Ended December 31, 2011 and 2010

	2011	2010
Administrative expenses		
Actuary services	$ 104,774	$ 147,539
Benefits disbursement	195,618	193,951
Equipment service and rent	73,007	67,030
External auditors	63,300	54,520
Fiduciary insurance	103,989	104,564
Legal services	270,867	315,263
Medical consultant	238,718	187,073
Miscellaneous	582,563	589,491
Occupancy and utilities	247,275	240,075
Personnel salaries and benefits	1,995,711	2,004,179
Postage	7,500	7,500
Supplies	12,410	13,743
	$ 3,895,732	$ 3,924,928

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Schedule of Consulting Costs
For the Years Ended December 31, 2011 and 2010

	2011	2010
Payments to consultants		
External auditors	$ 63,300	$ 54,520
Medical consultant	238,718	187,073
Legal services	270,867	315,263
Actuary service	104,774	147,539
Investment manager fees	8,899,000	9,109,616
Master trustee fees	186,900	183,525
Consulting fees	583,351	542,554
	$ 10,346,910	$ 10,540,090

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)
Schedule of Investment Fees
For the Years Ended December 31, 2011 and 2010

	2011	2010
Investment managers		
Ariel Capital Management	$ 325,396	$ 320,177
Artisan Partners	546,648	495,093
Attucks Asset Management	37,115	42,651
Capital Guardian Trust Co.	470,515	467,486
Channing Capital	136,453	164,141
Chicago Equity Partners	299,380	313,561
Dearborn Partners LLC	193,310	181,294
Denali Advisors	115,084	103,359
European Investors	46,976	42,733
Great Lakes Advisors	506,981	516,238
Holland Capital Management	254,010	229,200
ING Clarion	64,934	56,596
Invesco Capital Management	378,678	379,564
JP Morgan Fleming Asset Management	511,839	605,289
LM Capital Group	85,551	80,810
McKinley Capital	402,104	367,077
Montag & Caldwell	541,860	732,840
Northern Trust Global Investments - Index Funds	112,960	106,849
Piedmont Investment Advisors	228,920	214,599
Taplin, Canida, & Habacht	123,876	117,495
UBS Global Asset Management	1,357,377	1,588,191
Wellington Management	600,362	330,776
Wells Capital Management	437,678	410,825
William Blair & Co.	1,120,993	1,242,772
Total investment manager fees	8,899,000	9,109,616
Investment consultants		
Elkins McSherry Inc	20,000	20,000
Ennis Knupp & Associates	-	175,100
Courtland Partners	-	54,325
NEPC LLC	451,800	187,093
The Townsend Group	5,515	-
Kolhberg & Associates	106,036	106,036
Total investment consultants fees	583,351	542,554
Master custodian		
The Northern Trust Company	186,900	183,525
Total investment fees	$ 9,669,251	$ 9,835,695