

***"The declines in the markets were historic." "How did this happen?"  
"We entered uncharted territory."***

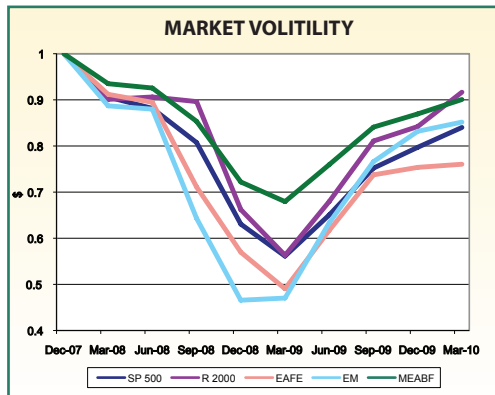
John K. Gibson, Fund President, 2008 Annual Report

President Gibson had a difficult task last year as he informed our members of the historic challenges faced by investors during 2008. As he passed over the President's gavel, one of my goals was to finish the year by reporting a market summary that looked very different than the previous year. I am happy to state that, even though 2009 got off to a very shaky start, I have reached that goal.

EQUITY MARKETS		
	2009	2008
<b>Standard &amp; Poor's 500</b> – Domestic Equity Index (Large Companies)	26.5%	-37.0%
<b>Russell 2000</b> – Domestic Equity Index (Small Companies)	27.2%	-33.8%
<b>MSCI EAFE</b> – International Index (Developed Countries)	32.5%	-43.1%
<b>MSCI Emerging Markets</b> – International Index (Developing Countries)	78.5%	-53.2%

As the financial crisis of 2008 steamrolled into 2009, governments quickly realized that we were all facing a crippling financial environment that, left unattended, would lead to outcomes that would be severe and longstanding. Action needed to be swift and substantial. Massive monetary infusions were put in place to regenerate gridlocked capital markets. With this support, investors began to believe that governments were not going to turn a blind eye to the Great Recession. Fear and despair began to ease and investors began to realize that amazing buying opportunities were available as many high quality companies with strong market shares were trading at fractions of their annual highs. The trajectory of the fall and rebound in the investment markets during this two-year time period has been historic.

Through these amazing times, immense pressure was put on investors to abandon long-term investment strategies. This panic intensified the volatility in the markets. Through this time, your Retirement Board stuck to its principles and continued to position the portfolio consistent with achieving its long-term goals.



## Municipal Employees' Annuity & Benefit Fund of Chicago

Your Fund continuously seeks ways to better serve you. We are presently engaged in two important projects that will streamline our operations and improve our records management capabilities. We are upgrading our computerized Pension Benefit Administration System (PBS) and we are imaging all of our paper records. Both projects are moving along toward completion within target dates. We are also reviewing our telephone system to make sure that it is not only cost efficient, but that it provides us with the necessary tools to serve you in a more friendly and timely fashion. Our website [www.meabf.org](http://www.meabf.org) is an excellent source for various Fund information. We strongly encourage you to visit our website as we look for your feedback on ways to improve it.

On behalf of the Retirement Board and Fund staff, I am pleased to have this opportunity to recognize Trustee Peter Brejnak as a loyal servant to the members of this Fund for thirteen years and to the people of Chicago for over 39 years, who began his hard earned retirement in 2010. Pete was Chief Engineer of the Jardine Water Purification Plant, the world's largest water treatment facility. He became a trustee on the Retirement Board in 1997. During his tenure he devoted himself to the members' needs and always made himself available for their questions and comments. He continually worked to ensure that Fund assets were invested prudently and consistent with long-term goals. Pete's experience and dedication will be missed. We congratulate Pete for a job well done, thank his wife and family for their continued support, and wish him a long, happy and healthy life with them in retirement. Timothy Guest, a 19 year employee of the City of Chicago, has accepted the appointment to fill Pete's vacancy. We welcome Tim to the Board and look forward to working with him.

While we finished 2009 on a high note, achieving a return of approximately 20%, we continue to be very concerned regarding the growing gap between the actual contributions provided by law and the Actuarial Required Contribution (ARC) necessary to ensure the ongoing solvency of the Fund. For 2009, the actual contribution by the employee and the employer covered only 35.8% of the ARC. At the earliest opportunity, we look forward to assisting the employer and the employee contributors as well as the Illinois legislature in whatever ways we can to find appropriate solutions to this critical funding issue.

Our many thanks go out to the Mayor, City Council, and other City officials, and the Governor and members of the Illinois General Assembly for their continued support of the Fund and its members.

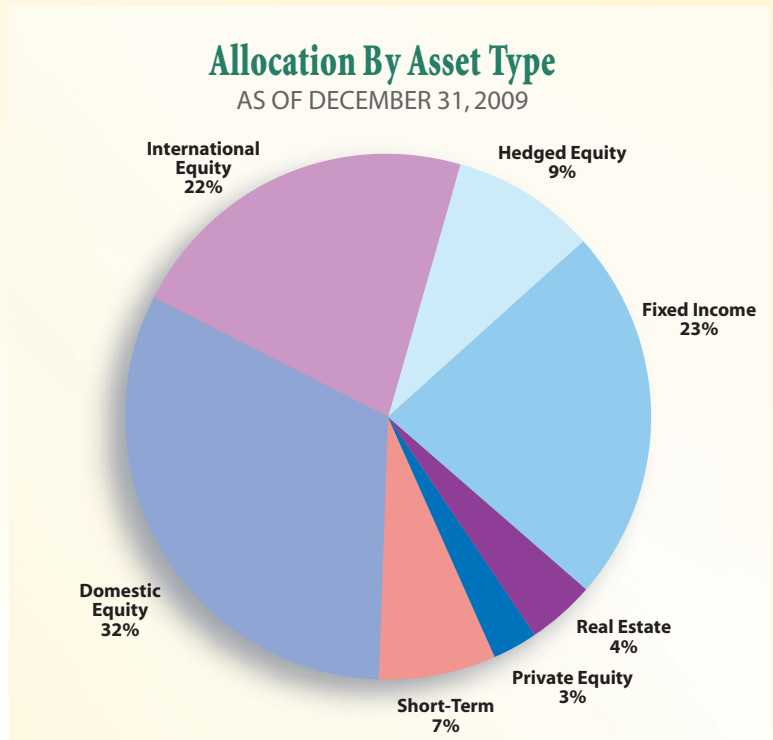
*Joseph M. Malatesta*

Board President



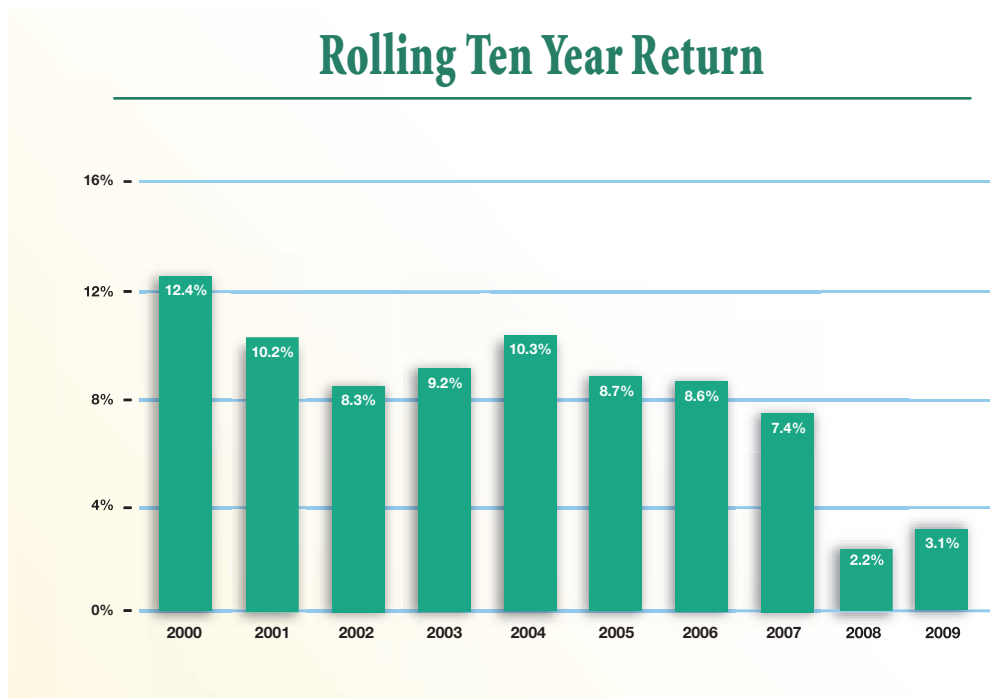
## Asset Allocation

In August of 2008 the Retirement Board adopted a new target allocation mix. By year-end 2009 we had reduced our exposure to domestic equity from 51% to 32% and increased our international equity exposure from 13% to 22%. Fixed income exposure decreased to 23% from 29% as the value of equity related holdings grew at a quicker rate than fixed income holdings. Real estate and private equity are targeted for larger allocations to be made over the next few years. Short-term exposure was larger than normal, as transitions and liquidity needs required a larger cash reserve at year-end.



## Rolling Ten Year Return

Institutional investors, like your Fund, are investors with long-term goals and objectives. As such, one must put little emphasis on short-term market volatility and focus more on long-term average annual returns. Most institutional investors use an assumed annual rate of return of 8% when evaluating performance goals over time. We have consistently exceeded this goal until the most recent market challenges arrived in 2007. Due to the severity of these declines we believe ten-year returns will be negatively impacted for a period of time. As we go forward though, we believe the Fund's target allocation mix will be able to capitalize on market momentum and reduce the risk of large losses during market declines.



## Condensed Statement of Plan Net Assets

As of December 31, 2009

	2009	2008
Cash and cash equivalents	\$1,626,601	\$1,622,524
Receivables:		
Operating liability	172,706,887	167,702,988
Investment liability	65,549,346	62,611,807
Investments, at fair value	5,042,453,811	4,673,548,118
Securities lending collateral	660,716,314	543,248,530
Property and equipment, net of accumulated depreciation	1,422,398	2,636,126
<b>Total Assets</b>	<b>5,944,475,357</b>	<b>5,451,370,093</b>
Operating liabilities	7,403,901	6,002,446
Investment liabilities	110,130,648	115,131,467
Securities lending collateral	660,716,314	590,622,425
<b>Total Liabilities</b>	<b>778,250,863</b>	<b>711,756,338</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$5,166,224,494</b>	<b>\$4,739,613,755</b>

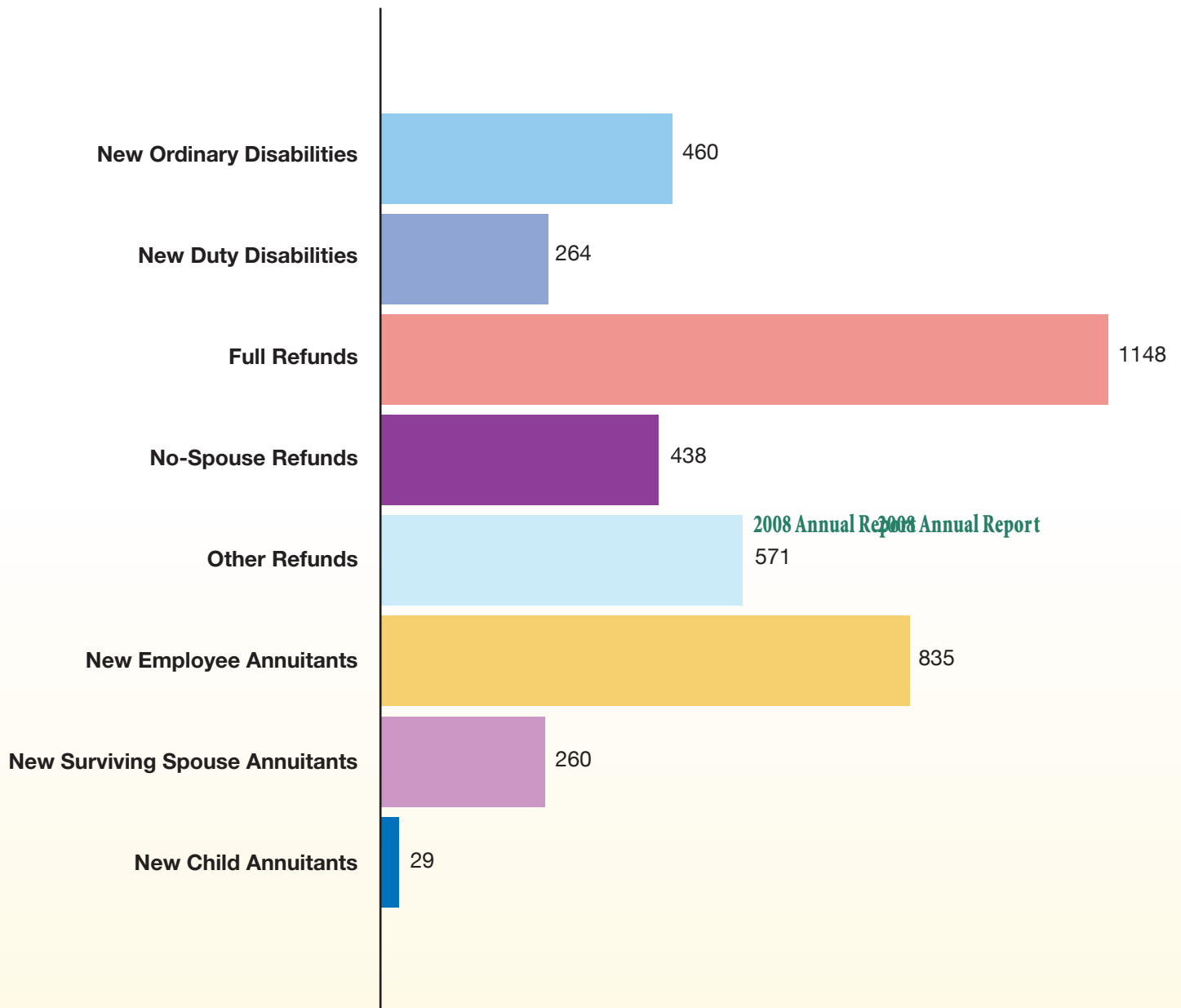
## Condensed Statement of Changes in Plan Net Assets

Year Ended December 31, 2009

	2009	2008
Contributions:		
Employer	\$157,697,608	\$155,832,612
Employee	130,980,605	137,748,907
Net Investment Income	778,562,620	(1,947,575,935)
<b>Total Additions</b>	<b>1,067,240,833</b>	<b>(1,653,994,416)</b>
Benefit Payments	604,769,811	582,664,073
Refunds	28,094,365	25,501,985
Administrative	7,765,918	7,749,714
<b>Total Deductions</b>	<b>640,630,094</b>	<b>615,915,772</b>
<b>Net Increase</b>	<b>426,610,739</b>	<b>(2,269,910,188)</b>
<b>Net Assets Held in Trust for Pension Benefits - Beginning of the Year</b>	<b>4,739,613,755</b>	<b>7,009,523,943</b>
<b>End of Year</b>	<b>\$5,166,224,494</b>	<b>\$4,739,613,755</b>

# General Statistics ~ 2009

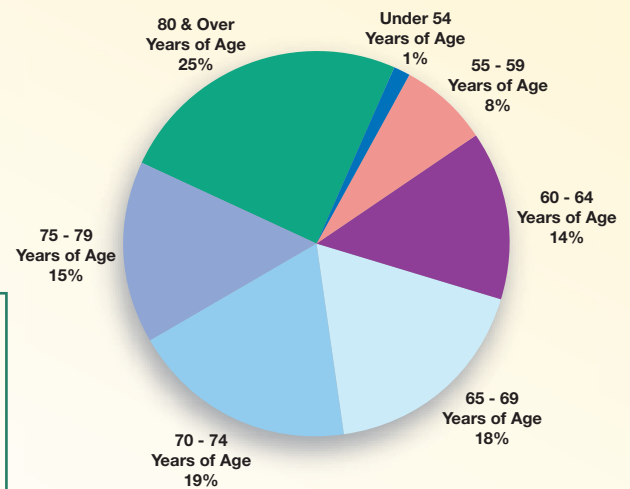
The general statistics for 2009 reflects the volume of work our staff handled during the year. The activity displayed represents typical averages that the Fund encounters on a yearly basis.



## Members Living Longer

As of year-end, 18,245 Fund members were receiving a retirement benefit, an increase of 78 members from last year. 4,364 surviving spouses were receiving a widow's benefit at year-end, 13 less than last year. As seen in the graph, approximately 25% of our employee annuitants were 80 years of age or older at year-end. Approximately 40% were 75 years of age or older. For surviving spouses, almost 50% were 80 years of age or older and approximately 65% were 75 years of age or older

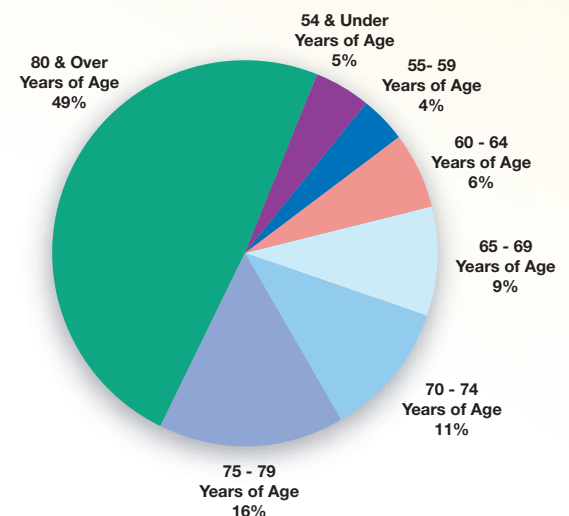
## Employee Annuitants



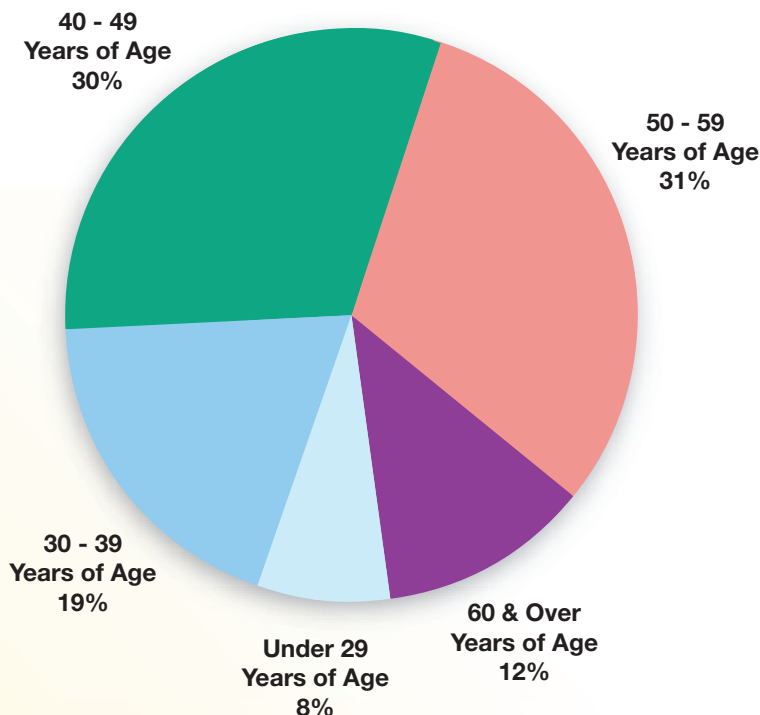
## Employee Members ~ Age & Gender

At year-end there were 31,586 active members of the Fund, down 977 members from last year. Over the last three years, active membership has dropped by approximately 3,300 members, or 9.5%. Our active membership continues to be predominately female, 60%, and 61% are in their forties or fifties.

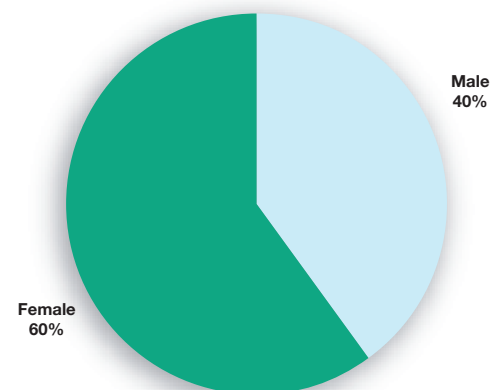
## Surviving Spouses



## Active Members



## Active Members ~ Gender





OUR MISSION IS TO PROVIDE BENEFITS FOR OUR MEMBERS.  
OUR GOALS ARE TO PROVIDE EXCELLENT SERVICE AND PRESERVE  
THE FISCAL INTEGRITY AND FINANCIAL STABILITY OF THE FUND.



**Joseph M. Malatesta**  
*President  
Elected Trustee*



**Steve Lux**  
*Vice-President  
Ex-Officio Member  
City Comptroller*



**Stephanie D. Neely**  
*Treasurer  
Ex-Officio Member  
City Treasurer*



**Peter Brejnak**  
*Recording Secretary  
Elected Trustee  
(Retired July 2010)*



**John K. Gibson**  
*Elected Trustee*

*Not pictured:*  
**Timothy G. Guest**  
*(Appointed July 2010)*

# 2009 Annual Report

Municipal Employees' Annuity & Benefit Fund of Chicago

[www.MEABF.org](http://www.MEABF.org)

