



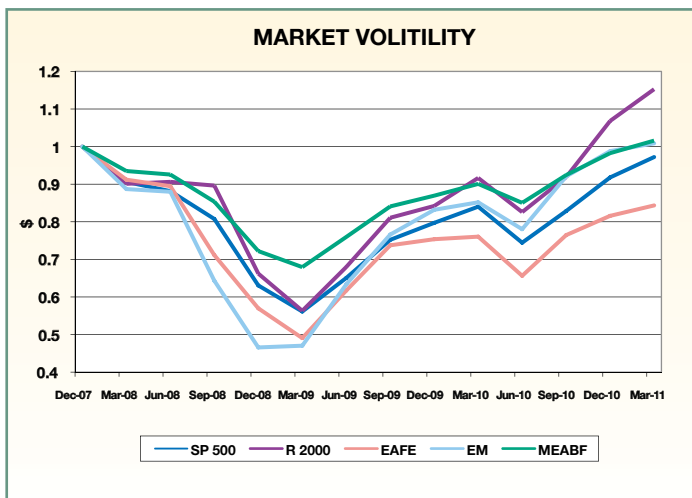
# 2010 Annual Report



## Municipal Employees' Annuity & Benefit Fund of Chicago

### “Are we there yet?”

No it's not my kids from the backseat, it's investors. Have we rebounded from the effects of the Great Recession? The ride that the markets have taken us on over the last three years would make even the strongest stomach queasy. In the fourth quarter of 2007 most equity indices were at record highs. By the first quarter of 2009, those indices had lost half of their value or more. What was a disciplined long-term investor to do?



You do exactly what your Retirement Board did; stay true to your process and allocate your investment exposure to achieve your goals and objectives over time. Knee jerk reaction based on euphoria during market upswings or panic during downturns is not consistent with our process. If you review the Fund's portfolio over the last twenty years, you will see that a long-term return goal of the Fund (8% annual return over ten years) has been achieved approximately 80% of the time. So, "Are we there yet?", as reflected by the graph above, most markets and your Fund have rebounded from their declines.

Great news, but why hasn't the value of Fund assets grown back to 2007 levels? Well, unfortunately, contributions received from employees and the employer are insufficient to cover benefit payouts. These operating capital requirements are a double edge sword because they magnify losses during a market downturn and hamper asset growth during a market upswing. Presently, 7% to 8% of the investment portfolio must be liquidated annually to supplement the payment of benefits. Strong investment returns or not, these shortfalls will continue to impede asset growth, which will continue to reduce our funding level. We once again report to the employee and employer contributors, as well as the Illinois legislature, the need to improve annual funding to ensure the long-term solvency of the Fund.

If you haven't received one of our previous correspondences, please update your records to reflect our recent move. As of February 28, 2011, our offices are located at 321 N. Clark, 7th floor, just north of the Chicago River. Our telephone number and e-mail addresses remain the same. We also encourage you to visit our website, [www.MEABF.org](http://www.MEABF.org), regularly. Even though we have had our website in place for a few years, we believe it is in its infancy. To help it grow, we encourage you to review it and give us your feedback on ways it can better serve your needs.

Please take the time to review our report as we provide additional investment information, summarize important legislative items, outline administrative accomplishments, and display the composition of the Fund membership.

Our many thanks to our members and officials, new and old, of the City of Chicago and the State of Illinois for their much needed support.

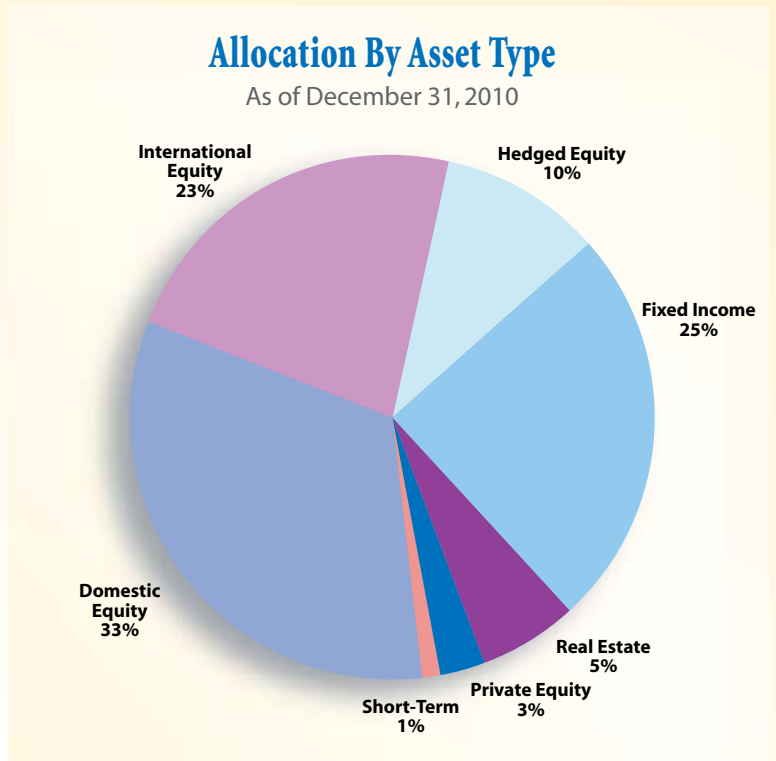
*Timothy G. Guest*

Board President



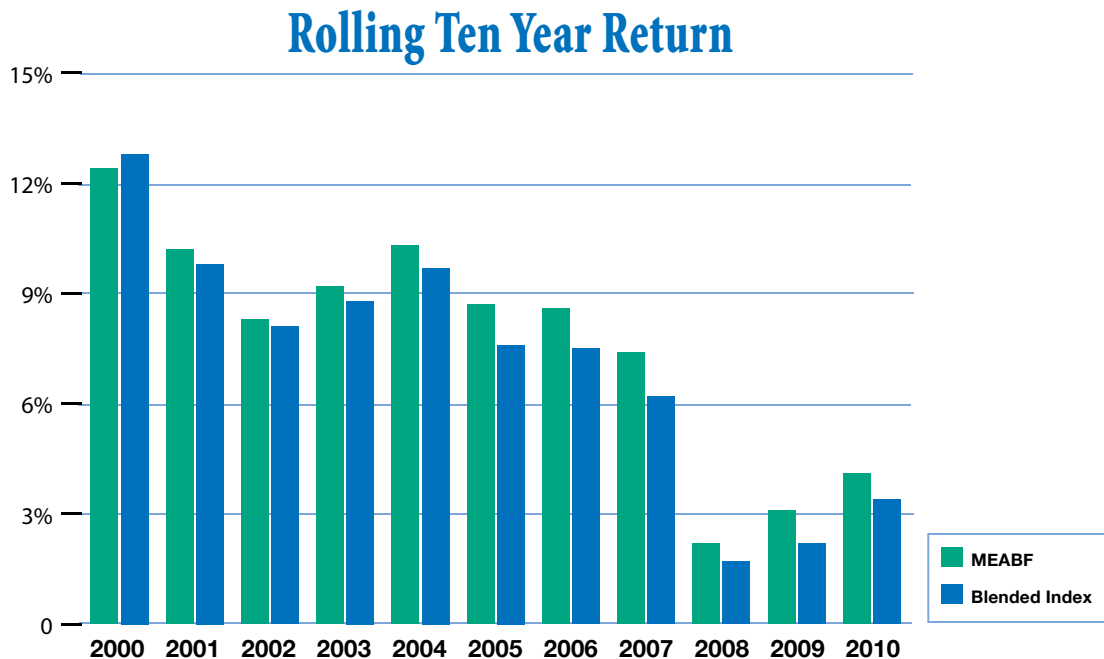
# Asset Allocation

The Board adopted a new target allocation mix in August of 2008. The mix was focused on gaining a more global market footprint, reducing our exposure to downside equity risk, and increasing our diversification in our fixed income allocation. Results have been positive so far as the Fund returned 13.7% in 2010, ranking in the 24th percentile against our peers, and 16.6% annually over the last two years, ranking in the 34th percentile. Maintaining a long-term plan to achieve investment goals and objectives is imperative for long-term investors, especially during times of market volatility.



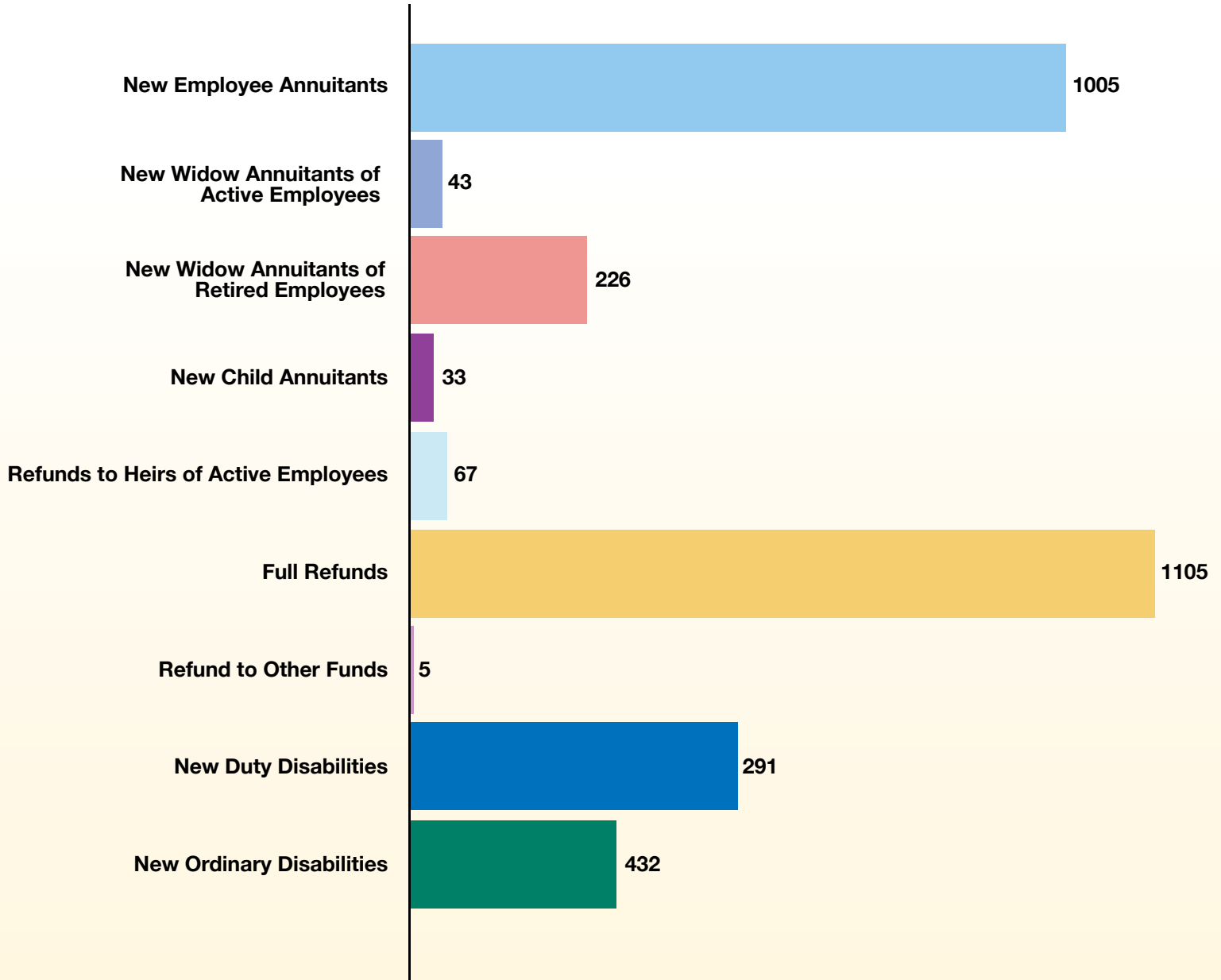
# Rolling Ten Year Return

Our goals and objectives are based on a long-term perspective. We cannot attempt to position the portfolio to capitalize on short-term volatility and risk damage to our ability to achieve long-term goals. Institutional investors like your Fund must be evaluated over long-term periods, such as ten years. The graph below reflects the rolling ten-year returns of the Fund for the last ten years in comparison to a blended index of domestic stocks, international stocks, and fixed income. As you can see, the effects of two recessions, over the last decade, has pulled down our results over the last couple of years. However, we are pleased to see the trend moving upward from the 2008 low and hope to see its momentum continue.



# General Statistics ~ 2010

The general statistics for 2010 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.



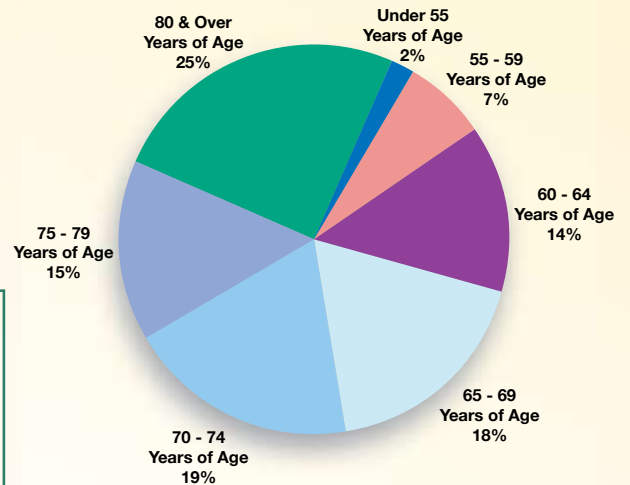
## Members Living Longer

As of year-end, 18,438 Fund members were receiving a retirement benefit, an increase of 193 members from last year. 4,346 surviving spouses were receiving a widow benefit at year-end, 18 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. 40% were 75 years of age or older. For surviving spouses, approximately 50% were 80 years of age or older and 65% were 75 years of age or older.

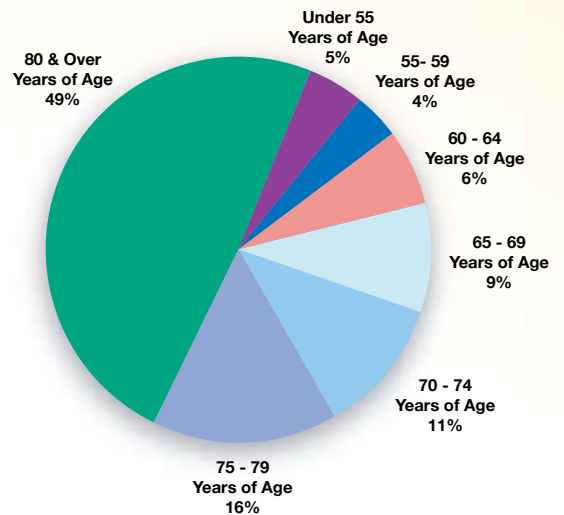
## Employee Members ~ Age & Gender

At year-end there were 30,726 active members of the Fund, down 860 members from last year. Over the last ten years, active membership has dropped by approximately 5,400 members, or 15%. This reduction, reviewed by gender, has been one sided. While female membership has slightly increased, male membership has been reduced by over 30%. As such, females have gone from 50% of the membership to 60%. Over 60% of active members are in their forties or fifties.

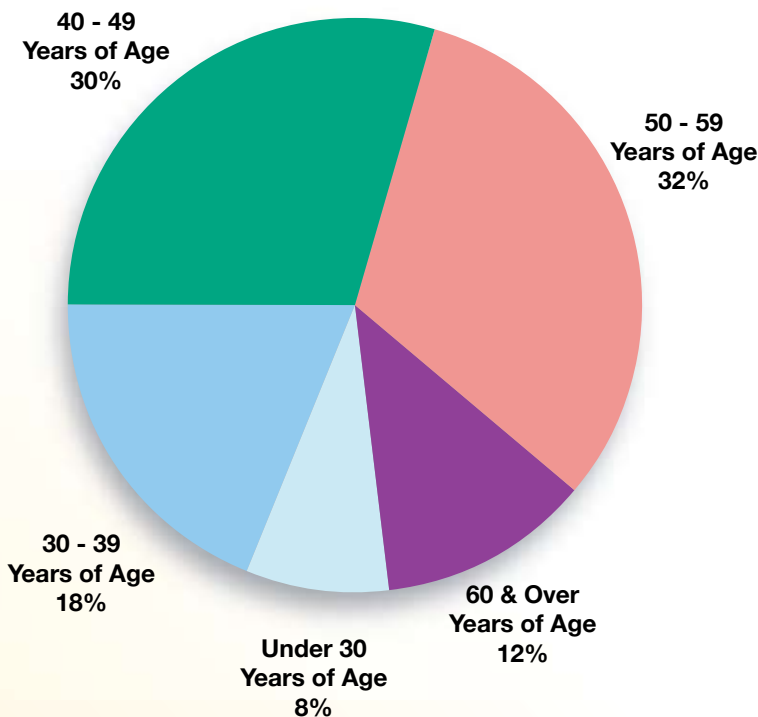
## Employee Annuitants



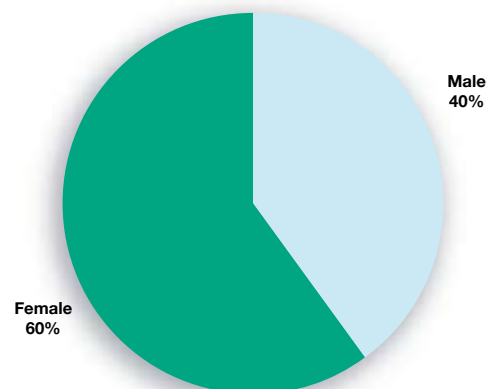
## Surviving Spouses



## Active Members



## Active Members ~ Gender



## Condensed Statement of Plan Net Assets

As of December 31, 2010

	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$1,627,516	\$1,626,601
Receivables:		
Member/Employer contributions	189,204,312	172,706,887
Investment receivables	41,850,266	65,549,346
Investments, at fair value	5,292,175,950	5,042,453,811
Securities lending collateral	638,411,775	660,716,314
Property and equipment, net of accumulated depreciation	1,628,050	1,422,398
<b>Total Assets</b>	<b>6,164,897,869</b>	<b>5,944,475,357</b>
Accounts payable and accrued expenses	8,442,101	7,403,901
Investment liabilities	82,450,571	110,130,648
Securities lending collateral	638,411,775	660,716,314
<b>Total Liabilities</b>	<b>729,304,447</b>	<b>778,250,863</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$5,435,593,422</b>	<b>\$5,166,224,494</b>

## Condensed Statement of Changes in Plan Net Assets

Year Ended December 31, 2010

	<b>2010</b>	<b>2009</b>
Contributions:		
Employer	\$164,302,005	\$157,697,608
Employee	133,299,542	130,980,605
Net Investment Income	638,593,426	778,562,620
<b>Total Additions</b>	<b>936,194,973</b>	<b>1,067,240,833</b>
Benefit Payments	630,131,395	604,769,811
Refunds	29,949,703	28,094,365
Administrative	6,744,947	7,765,918
<b>Total Deductions</b>	<b>666,826,045</b>	<b>640,630,094</b>
<b>Net Increase</b>	<b>269,368,928</b>	<b>426,610,739</b>
<b>Net Assets Held in Trust for Pension Benefits - Beginning of the Year</b>	<b>5,166,224,494</b>	<b>4,739,613,755</b>
<b>End of Year</b>	<b>\$5,435,593,422</b>	<b>\$5,166,224,494</b>



**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.



**Timothy G. Guest**  
*President*



**Amer Ahmad**  
*Vice-President*



**Stephanie D. Neely**  
*Treasurer*



**John K. Gibson**  
*Recording Secretary*


**Martin J. Durkan**  
*Trustee*  
*Not pictured*

# 2010 Annual Report

Municipal Employees' Annuity & Benefit Fund of Chicago

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



  
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