MUNICIPAL EMPLOYEES' ANNUITY
& BENEFIT FUND OF CHICAGO
(A Component Unit of the
City of Chicago)

FINANCIAL REPORT

DECEMBER 31, 2007 AND 2006

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

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INDEPENDENT AUDITOR'S REPORT

The Retirement Board
Municipal Employees' Annuity & Benefit Fund
of Chicago
Chicago, Illinois

We have audited the statement of plan net assets of Municipal Employees' Annuity & Benefit Fund of Chicago (the Plan), a Component Unit of the City of Chicago, as of December 31, 2007, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the plan's 2006 financial statements and, in our report dated April 5, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Municipal Employees' Annuity & Benefit Fund of Chicago as of December 31, 2007, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative expenses, investment management compensation, and professional and consulting costs are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Plan adopted Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions,* during the year ended December 31, 2007. The Plan adopted Governmental Accounting Standards Board Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* during the year ended December 31, 2006.

Bansley and Kiener, L.L.P.
Certified Public Accountants

April 7, 2008

Management's Discussion and Analysis (Unaudited)

The management of the Municipal Employees' Annuity and Benefit Fund of Chicago ("Plan") presents this narrative overview and analysis of the Plan's overall financial position for the year ended December 31, 2007. This Management's Discussion and Analysis should be read in conjunction with the financial statements that follow.

Understanding The Plan's Financial Statements

The financial statements that include the statement of plan net assets, statement of changes in plan net assets and notes to financial statements, are prepared based on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) directives.

The statement of plan net assets reports the plan's assets at fair values and liabilities that are owed as of the statement date; and the resulting net plan assets (assets less liabilities = net plan assets) at the calendar year end held in trust to pay future benefits to retirees and beneficiaries.

The statement of changes in plan net assets shows the results of financial transactions that occurred during the calendar year. It discloses the additions to plan net assets such as contributions and net investment income, and deductions from plan net assets such as benefit payments, and administrative expenses. The resulting net increase (or decrease) in plan assets (additions less deductions = net increase (or decrease) in plan assets) reflects the change in the value of plan net assets reported in the statements of plan net assets from the prior year to the current year.

The notes to the financial statements are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the data provided in the financial statements. Disclosures include a general description of the Pension Plan and Health Insurance Plan, summary of significant accounting policies, implementation of any new accounting pronouncements, how assets values are determined, deposits and investments, reserves, and any contingencies or commitments.

The required supplementary information that follows the notes to the financial statements is required by GASB. It includes required schedule of funding progress and schedule of employer contributions as well as related disclosures. These schedules are based on the actuarial valuations and contribute to an understanding of the funding progress over the last six years.

Additional supplemental schedules include information regarding administrative expenses, professional and consulting costs and investment management fees incurred by the Plan.

Financial Highlights

- The Plan's investment portfolio returned **7.8% for 2007** calendar year, just under the 8% actuarial assumed investment rate of return, compared to 12.9% investment rate of return in 2006 and 6.9% in 2005.

- Plan net assets increased by **$168.4 million (2.5%) to slightly more than $7 billion in 2007.**

- Total additions (contributions, investment income, and other income) to plan assets were **$766.5 million in 2007.** In comparison to 2006 there was a decrease of **$298.7 million (-28.0%), which** was due primarily to a decline in net investment income. Member contributions increased slightly by **$3 million (2.3%) in 2007** while employer contributions decreased by **$8.9 million (-5.7%) in 2007**.

- Total deductions from plan net assets were **$598.1 million in 2007.** An increase of **$17.1 million (2.9%) in 2007** from 2006 total deductions occurred due to normal increases in benefit payments.

- As of the December 31, 2007 actuarial valuation, the Plan's total Unfunded Actuarial Accrued Liability (UAAL) for both pension and retiree health insurance obligations increased to **$3.3 billion in 2007** from $3.2 billion in 2006 and $2.9 billion in 2005. The increase is primarily due to contribution shortfalls and losses due to retirements, terminations and mortality. Based on composite actuarial values for both pension and retiree health insurance supplement obligations), the funded ratio as of the end of year **valuations was 67.6%** in 2007, 67.2% in 2006, 68.5% in 2005.

- The combined Annual Required Contribution (ARC) for pension and retiree health insurance supplement obligations for **2007 was $366.4 million**, 40.4% of which was contributed by the employer. ARC for 2006 was $325.9 million, 48.2% of which was contributed by the employer. ARC for 2005 was $285.3 million, 54.4% of which was contributed by the employer. 2007 marks the fourth consecutive year that employer contributions which are set by state law, fell short of the ARC.

- The number of members in the Plan increased slightly to **66,779 total members** as of December 31, 2007 from 66,457 in 2006, and 65,078 in 2005. The number of active members increased 4.4% to **34,885 active members** in 2007 from 33,429 in 2006, and 33,743 in 2005. The number of members receiving benefits decreased 0.1% to **22,789 benefit recipients** in 2007 from 22,828 in 2006, and 22,895 in 2005. The number of inactive members was 9,105 in 2007, 10,200 in 2006, and 8,440 in 2005.

Summary of Plan net assets as of December 31 ($ in millions)

	2007	2006	2005	Increase/(Decrease) FY 2007	Increase/(Decrease) FY 2006
Cash and Cash equivalents	$ 1.6	$ 1.6	$ 1.5	$ -	$ 0.1
Receivables from investments sold & accrued earnings	105.1	103.1	61.8	2.0	41.3
Receivables for contributions & others	170.9	164.5	167.5	6.4	(3.0)
Investments, at fair value	6,900.0	6,797.0	6,348.0	103.0	449.0
Invested securities lending collateral	1,037.2	922.8	745.3	114.4	177.5
Property and equipment	3.4	3.8	4.3	(0.4)	(0.5)
Total assets	8,218.2	7,992.8	7,328.4	225.4	664.4
Payables for investments purchased	163.1	222.0	219.5	(58.9)	2.5
Securities lending payable	1,037.2	922.8	745.3	114.4	177.5
Accounts payable and accrued expenses	8.4	6.9	6.7	1.5	0.2
Total liabilities	1,208.7	1,151.7	971.5	57.0	180.2
Net assets held in trust for pension benefits	**$ 7,009.5**	**$ 6,841.1**	**$ 6,356.9**	**$ 168.4**	**$ 484.2**

Summary of changes in the Plan net assets ($ in millions)

Additions:	2007	2006	2005	Increase/(Decrease) FY 2007	Increase/(Decrease) FY 2006
Members' contributions	$ 132.5	$ 129.5	$ 122.5	$ 3.0	$ 7.0
Employers' contributions:	148.1	157.0	155.1	(8.9)	1.9
Net investment income	484.8	775.8	401.2	(291.0)	374.6
Securities lending income	1.1	2.9	1.1	(1.8)	1.8
Total additions	766.5	1,065.2	679.9	(298.7)	385.3
Deductions:					
Annuity benefits	543.4	528.4	514.6	15.0	13.8
Health insurance premium supplement	8.5	8.7	8.9	(0.2)	(0.2)
Disability benefits	10.6	10.3	10.0	0.3	0.3
Refunds of contributions & rollover distributions	28.0	27.2	26.8	0.8	0.4
Administrative and OPEB expenses	7.6	6.4	5.5	1.2	0.9
Total deductions	598.1	581.0	565.8	17.1	15.2
Net increase (decrease)	**$ 168.4**	**$ 484.2**	**$ 114.1**	**$ (315.8)**	**$ 370.1**

Overall Analysis of the Financial Position

Net Plan Assets

The Plan's total assets increased by $225.4 million (2.8%) and liabilities increased by $57.0 million (4.9%) for FY 2007. At year-end total assets were valued at $8.2 billion. Receivables for contributions increased by $6.4 million (3.9%) while investment related receivables increased by $2.0 million (1.9%). The value of invested securities on loan, shown both as assets and liabilities at year-end increased by $114.4 million. Plan net assets held in trust for future benefit payments increased slightly by $168.4 million (2.5%) in FY 2007. The following table shows the allocation of invested assets at year-end:

	($ In millions)			Increase/(Decrease)	
	2007	2006	2005	FY 2007	FY 2006
Bonds	$1,718.2	$1,701.0	$1,594.2	$ 17.2	$ 106.8
Domestics equity	3,554.6	3,588.8	3,408.8	(34.2)	180.0
International equity	900.2	868.0	735.0	32.2	133.0
Real estate	330.5	288.0	263.2	42.5	24.8
Alternative investments	120.5	105.7	98.3	14.8	7.4
Short-term investments	276.0	245.5	248.5	30.5	(3.0)
Total invested assets	**$6,900.0**	**$6,797.0**	**$6,348.0**	**$ 103.0**	**$ 449.0**

Despite the fact that $353.0 million was liquidated from the investment portfolio to assist in paying monthly benefits, investments increased by $103.0 million in 2007. The largest increases in invested assets for 2007 were seen in the real estate and private equity portfolios, and were due to additional capital contributions and some valuation changes in mid to later stage funds. The Plan's domestic equity portfolio decreased by $34.2 million because performance in the domestic markets was unable to outpace the withdrawals of $255.0 million from this segment of the portfolio needed to pay monthly benefits throughout the year. Performance in the international markets, however, provided a net increase of $32.2 million in 2007, despite the withdrawal of $95.0 million to pay benefits. Fixed income also increased slightly, by $17.2 million. Funds withdrawn from the portfolio to meet monthly cash flow requirements came from rebalancing to target allocations.

Changes in Net Plan Assets

Contributions from members increased by $3.0 million (2.3%) in 2007 mainly due to permissive service credit purchases. The number of active members increased by 4.4% to 34,885 but average salary increased by only 1.58% during 2007. Contributions from the employer (net of loss provision) decreased by $8.9 million (-5.7%) in 2007. Employer contributions are statutorily set at 1.25 times employee contribution level in the second prior fiscal year.

Net investment income decreased by $291.0 million (-37.5%) in 2007. Investments did not appreciate as much in 2007 as in 2006: investment returns were 7.8% in 2007 compared to 12.9% return in 2006. The actuarial assumption for investment rate of return is 8%. Investment fees were $25.9 million in 2007, an increase of $2.9 million (12.4%) from 2006. Securities lending income was$1.1 million in 2007, a $1.8 million decrease from 2006.

Annuity benefit payments increased slightly by $15.0 million (2.8%) in 2007. All eligible employee annuitants received a scheduled 3% annual cost of living adjustment. During the year, 769 employee annuitants, 247 spouse annuitants and 38 child annuitants were added to the payroll; while754 employee annuitants, 288 spouse annuitants and 53 child annuitants were removed from the payroll.

For 2007, health insurance subsidies decreased by $0.2 million (-2.3%). The decrease is attributable to a reduction in subsidy for retirees switching to supplementary coverage when Medicare coverage begins. The plan subsidy for the Medicare supplement is $55/mo and the subsidy for full coverage is $85/mo. Disability benefit payments increased by $0.3 million (2.9%) in 2007 mainly due to a net increase in duty disability claims. During 2007, 556 ordinary disability recipients and 307 duty disability recipients were added to the payroll; while 582 ordinary disability recipients and 291 duty disability recipients were removed from the payroll.

Refunds of contributions increased by $0.8 million (2.9%) in 2007.

Administrative expenses increased by $1.2 million (18.8%) in 2007. The increase in 2007 is mainly due to increases in the following administrative costs:

- $0.7 million increase in personnel costs: $0.5 million represents additional OPEB expense that is being recognized in 2007 in accordance with GASB 45 and $0.2 million represents cost of living and scheduled step increases as well as additional part-time and temporary employees hired for an imaging project.
- $0.2 million represents insurance premiums paid for fiduciary liability insurance.
- $0.2 million increase in international custody fees primarily due to an increase in international equity values and transactions.
- $0.1 million increase in other administrative expenses.

Other Post-Employment Benefits (OPEB)

GASB Statement No. 45 Accounting and Financial Reporting by Employers for Other Post-employment Benefits (OPEB) requires retirement systems to estimate their expenses and liabilities for OPEB. The Plan implemented GASB 45 in 2007 in connection with the healthcare coverage it provides for its retired staff members, and their eligible spouse and dependents receiving annuity benefits under the Plan. The Plan and the retirees share the cost of the healthcare coverage. Retiree healthcare benefits are funded on a pay-as-you-go basis. The Plan's estimated OPEB liability for the staff retiree healthcare program was $537,400 in FY 2007. The actual employer contribution for FY 2007 was $53,810 and the accrued the accrued OPEB liability as of December 1, 2007 was 483,590.

Securities Lending

A credit crunch that began in the third quarter of 2007, triggered significant valuation declines in certain short-term investments. The Plan's master custodian provides securities lending services to the Plan and is authorized to invest collateral received, for loaned securities, in approved commingled short-term investment funds. Some of the holdings within these short-term funds were adversely affected by the credit crunch as of year-end December 31, 2007. However, the master custodian has offered to carry its client's negative balances until they are fully recouped. The Plan and the master custodian expect these short-term investments to return to their full value at maturity. As such, their values have not been diminished in the financial statements. As of December 31, 2007, the Plan's unrecognized shortfall was -$4.7 million.

Economic Factors and Rates of Return

In 2007, investor concerns over sub prime mortgages and the possibility of a recession-triggered volatility in the domestic and global financial markets. International markets fared better than domestic with the MSCI EAFE index returning 11.2% for the year. Domestically, the S&P 500 and Russell 2000 returned 5.5% and -1.6%, respectively. Because of investor concerns in 2007, all equity indexes three-year returns were negatively impacted compared to the three-year returns ending December 31, 2006. Over three years, the MSCI EAFE produced 16.8% annually, and the S&P 500 and Russell 2000 returned 8.6% and 6.8%, respectively. Fixed income investments, as represented by the Lehman Brothers U.S. Aggregate index, produced an attractive return of 7.0% in 2007. Market turmoil also triggered a flight to quality as spreads widened significantly and Treasury yields declined. While uneasiness over mortgage defaults significantly hurt the REIT sector, the general real estate market generated healthy returns for the year.

Request for Information

Additional information is available on the Plan's website at www.meabf.org, or upon request. Please direct requests to Mr. Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago, 221 N. LaSalle Street, Suite 500, Chicago, IL 60601.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2007, WITH COMPARATIVE TOTALS FOR 2006

	Pension Plan	Health Insurance Plan	Total 2007	Total 2006
Cash and cash equivalents	$ 1,604,187	$ -	$ 1,604,187	$ 1,561,759
Receivables				
Contributions from the City of Chicago, net of allowance for loss of $14,304,348 in 2007 and $15,686,130 in 2006	160,360,812	-	160,360,812	153,597,925
Member contributions	10,528,434	-	10,528,434	10,550,830
Interest and dividends	17,722,472	-	17,722,472	16,576,117
Receivables for investments sold	87,322,078	-	87,322,078	86,520,647
Miscellaneous	43,972	-	43,972	375,436
Total receivables	275,977,768	-	275,977,768	267,620,955
Investments, at fair value				
Bonds	1,718,198,492	-	1,718,198,492	1,701,045,511
Domestic and international equity	4,454,812,607	-	4,454,812,607	4,456,696,971
Real estate	330,533,414	-	330,533,414	288,026,845
Other investments	120,482,749	-	120,482,749	105,722,396
Short-term investments	275,979,001	-	275,979,001	245,515,223
Total investments	6,900,006,263	-	6,900,006,263	6,797,006,946
Invested securities lending collateral	1,037,232,545	-	1,037,232,545	922,831,534
Property and equipment, net of accumulated depreciation and amortization of $2,413,971 in 2007 and $1,656,862 in 2006	3,380,530	-	3,380,530	3,806,767
Total assets	8,218,201,293	-	8,218,201,293	7,992,827,961
LIABILITIES				
Payables for investments purchased	163,051,059	-	163,051,059	222,005,658
Accounts payable and accrued expenses	7,910,156	-	7,910,156	6,862,904
Securities lending collateral	1,037,232,545	-	1,037,232,545	922,831,534
OPEB liability	-	483,590	483,590	-
Total liabilities	1,208,193,760	483,590	1,208,677,350	1,151,700,096
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 20)	$ 7,010,007,533	$ (483,590)	$ 7,009,523,943	$ 6,841,127,865

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

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEAR ENDED DECEMBER 31, 2007, WITH COMPARATIVE TOTALS FOR 2006

	Pension Plan	Health Insurance Plan	Total 2007	Total 2006
Additions				
Contributions from the City of Chicago	$ 139,552,330	$ 8,584,720	$ 148,137,050	$ 157,062,770
Member contributions	132,442,200	-	132,442,200	129,466,090
Total contributions	271,994,530	8,584,720	280,579,250	286,528,860
Investment income				
Net appreciation in fair value of investments	339,013,557	-	339,013,557	628,262,629
Interest	79,407,999	-	79,407,999	69,542,200
Dividends	82,402,518	-	82,402,518	75,047,747
Income from real estate investments	9,935,868	-	9,935,868	11,984,948
Other income	-	-	-	14,044,318
	510,759,942	-	510,759,942	798,881,842
Less investment expenses	25,913,973	-	25,913,973	23,047,785
Net income from investing activities	484,845,969	-	484,845,969	775,834,057
Security lending activities				
Securities lending income	55,763,678	-	55,763,678	44,449,534
Borrower rebates	(53,471,114)	-	(53,471,114)	(40,642,588)
Bank fees	(1,212,382)	-	(1,212,382)	(915,052)
Net income from securities lending activities	1,080,182	-	1,080,182	2,891,894
Total additions	757,920,681	8,584,720	766,505,401	1,065,254,811
Deductions				
Benefits				
Annuity payments	543,411,793	-	543,411,793	528,426,077
Disability and death benefits	10,624,807	-	10,624,807	10,267,133
Contribution of insurance premiums	-	8,530,910	8,530,910	8,730,476
Total benefits	554,036,600	8,530,910	562,567,510	547,423,686
Refund of member contributions	20,725,016	-	20,725,016	20,615,107
Rollover distributions	7,284,496	-	7,284,496	6,579,202
Administrative expenses	6,994,901	-	6,994,901	6,397,685
OPEB expense	-	537,400	537,400	-
Total deductions	589,041,013	9,068,310	598,109,323	581,015,680
Net increase (decrease)	168,879,668	(483,590)	168,396,078	484,239,131
Net assets held in trust for pension benefits				
Beginning of year	6,841,127,865	-	6,841,127,865	6,356,888,734
End of year	$ 7,010,007,533	$ (483,590)	$ 7,009,523,943	$ 6,841,127,865

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

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan is considered a component unit fund of the City of Chicago and, as such, is included in the City of Chicago's financial statements. Accordingly, these financial statements present only Municipal Employees' Annuity & Benefit Fund of Chicago and are not intended to present fairly the financial position of the City of Chicago and the result of its operations in conformity with generally accepted accounting principles.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period when due, pursuant to formal commitments as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

The Plan is authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on dividends declared.

Investments are reported at fair value. Fair values of securities are based primarily on quotations from national security exchanges. Investments in short-term obligations are carried at cost which approximates fair value. Certain short-term obligations, such as United States Treasury Bills and discount paper, are carried at fair value. Fair values for bonds and stocks are determined by quoted market prices. Fair values of real estate and commingled real estate are based upon annual independent appraisals. Fair value of Private Equity investments are primarily based on the lesser of cost or the general partner determined fair value.

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit with the Treasurer of the City of Chicago as well as investments held by the City Treasurer on behalf of the Plan with original maturities of 90 days.

Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the straight-line methods over periods ranging from 5-8 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. A summary of property and equipment at December 31, 2007 and 2006 is as follows:

	2007	2006
Pension administration system	$4,997,988	$4,997,988
Furniture	55,052	75,601
Equipment	32,615	33,840
Computers	281,811	231,771
Leasehold improvements	135,696	124,429
	5,503,162	5,463,629
Less accumulated depreciation and amortization	2,413,971	1,656,862
	3,089,191	3,803,767
Construction in progress	291,339	-
Net property and equipment	$3,380,530	$3,806,767

Construction in progress consists of the iteration of the Pension Administration System placed in service in May 2005. This phase of the project is currently being tested and is expected to be completed by September 30, 2008. Estimated cost to complete the second iteration is approximately $1,100,000.

Administrative Expenses

Administrative expenses are budgeted and approved by the Plan's Board of Trustees. Funding for these expenses is included in the employer contributions as mandated in the Illinois State Statutes Chapter 40, Pension Article 5/8-190.

Other Postemployment Benefits

During the years ended December 31, 2007 and 2006, the Plan adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.* As a result, the Plan has addressed the accounting and disclosures related to other postemployment benefits.

Note 2 – Description of Pension and Health Insurance Plans

Pension Plan

Any employee of the City of Chicago or the Board of Education employed under the provisions of the municipal personnel ordinance or any person employed by the Municipal Employees' Annuity and Benefit Fund of Chicago (Plan) who is not participating in any other pension fund or retirement system is covered by the Plan which is a defined benefit single employer pension plan with a defined contribution minimum. Although this is a single employer plan, the defined benefits, as well as the employer and employee contribution levels, are mandated in Illinois State Statutes (Chapter 40, Pensions, Article 5/8) and may be amended only by the Illinois legislature. The City of Chicago accounts for the plan as a pension trust fund. The payroll for employees covered by the plan for the years ended December 31, 2007 and 2006 were $1,564,458,835 and $1,475,877,378, respectively.

Plan membership at December 31 is as follows:

	2007	2006
Active employees (includes members currently receiving disability benefits):		
Vested	16,117	15,689
Nonvested	18,768	17,740
	34,885	33,429
Retirees and beneficiaries currently receiving benefits	22,789	22,828
Terminated (inactive members) employees entitled to benefits or a refund of contributions	9,105	10,200
	66,779	66,457

The Plan provides retirement benefits as well as death and disability benefits. Employees age 55 or more with at least 10 years of service are entitled to receive a monthly purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. There is a 10 year deferred vested benefit payable at age 60. The original annuity is limited to 80% of the highest average annual salary. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $850 per month. The monthly annuity is increased by 3% in January of the year of the first payment date following the later of age 60 or the first anniversary of retirement, and by 3% annually thereafter; except for an employee retiring prior to age 60 the first increase will occur not later than January of the year of the first payment date following the later of (1) the third anniversary of retirement or (2) the attainment of age 53.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when an employee became a participant). The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Plan. 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 Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually.

Note 2 – Description of Pension and Health Insurance Plans (Continued)

Health Insurance Plan

In accordance with the provisions of Illinois Compiled Statutes (ILCS) Chapter 5, Article 8, Section 164.1 and Section 164.2, the Pension Plan is required to subsidize the healthcare costs of its annuitants participating in health care plans sponsored by the City of Chicago or the Board of Education. The supplemental benefit payments are remitted monthly to the City of Chicago or the insurance carrier designated by the Board of Education in the following amounts:

1. From July 1, 2003 through June 30, 2008, $85 per month for each such annuitant who is not eligible to receive Medicare benefits and $55 per month for each such annuitant who is eligible to receive Medicare benefits.

2. From July 1, 2008 through June 30, 2013, $95 per month for each such annuitant who is not eligible to receive Medicare benefits and $65 per month for each such annuitant who is eligible to receive Medicare benefits.

The payments described above shall be funded on a pay-as-you-go basis by the tax levy authorized under Section 8-173.

As of December 31, 2007, there are 9,231 (9,392 as of December 31, 2006) City annuitants enrolled in the City's health care plan and 1,958 (1,988 as of December 31, 2006) Board of Education annuitants enrolled in the Board of Education retiree health care plan receiving this subsidy benefit.

The annual required contribution represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years. The estimated City contribution represents the expected benefit payments for the health insurance supplement. In 2007 and 2006, the Pension Plan received contributions of $8,530,910 and $8,730,476 and remitted contributions of $8,530,910 and $8,730,476, respectively.

Staff Retiree Health Insurance Plan

Staff members or employees of the Municipal Employees' Annuity and Benefit Fund of Chicago are contributing members of the Plan. When the staff members of the Plan eventually retire, if eligible, pension benefits are provided under the provisions of the Illinois Compiled Statutes (ILCS) Chapter 5, Article 8. Retired staff members of the Plan are not eligible to participate in the City of Chicago group health plan nor the Board of Education group health plan; hence not eligible to receive health insurance subsidy, a post-employment benefit other than pension (OPEB) under the ILCS Chapter 5, Art. 8.

The Plan, as an employer, provides health insurance coverage for its staff members, active employees, retirees or survivors of former staff members and eligible dependents receiving an annuity. The Plan and the retiree share the total cost of the healthcare premium rate. The healthcare premium rates paid by the retirees are the same rates as those paid by the City of Chicago retirees. Retirees may elect dental and vision coverage on a self-paid basis.

Retiree healthcare benefits are funded on a pay-as-you-go basis. For the year ended December 31, 2007, the total retiree healthcare premiums remitted to the insurance carrier amounted to $78,866; 32% of which or $25,056 was contributed by the retired staff members/survivors with the remaining 68% or $53,810 contributed by the Plan.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 – Description of Pension and Health Insurance Plans (Continued)

The Pension Plan's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Pension Plan's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Pension Plan's net OPEB obligation:

Annual required contribution	$537,400
Contributions made	(53,810)
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	$483,590

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2007 is as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$537,400	10%	483,590

Note 3 – Deposits and Investments

Deposits that are held locally in the Plan's name are held by the Treasurer of the City Chicago, ex-officio Treasurer of the Plan. At December 31, 2007 and 2006, the Plan's book balances of cash are $1,604,187 and $1,561,759, respectively. The actual bank balances at December 31, 2007 and 2006 are $1,603,887 and $1,561,459, respectively. All non-investment related bank balances at year end are insured or collateralized at 110% of the principal amount.

Custodial credit risk is the risk that, in the event of a financial institution failure, the Plan will not be able to recover deposits or collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name. The Plan does not have a formal policy relating to custodial risk. As of December 31, 2007 and 2006, $4,264,361 and $2,759,826 of the Plan's deposits with its custodian Northern Trust was exposed to custodial credit risk.

Note 3 – Deposits and Investments (Continued)

Certain Plan investments are held by a bank administered trust fund. There were no investments representing 5% or more of the Plan's net assets as of December 31, 2007 and 2006.

	2007	2006
Investments At Fair Value As Determined by Quoted Price		
Bonds	$1,718,198,492	$1,701,045,511
Domestic and international equity	4,454,812,607	4,456,696,971
	6,173,011,099	6,157,742,482
Investments at Fair Value As Determined by Plan Administrator		
Real estate	330,533,414	288,026,845
Private equity	120,482,749	105,722,396
Short-term investments	275,979,001	245,515,223
	726,995,164	639,164,464
Total investments	$6,900,006,263	$6,797,006,946

Securities Lending

Under the provisions of state statutes, the Plan lends securities (both equity and fixed income) to qualified and Plan approved brokerage firms for collateral that will be returned for the same securities in the future. The Plan's custodian, the Northern Trust Co., manages the securities lending program, which includes the securities of the Plan as well as other lenders, and receives cash, U.S. Treasury securities or letters of credit as collateral. The collateral received cannot be pledged or sold by the Plan unless the borrower defaults. All securities loans can be terminated on demand by either the Plan or the borrower. At December 31, 2007 the average term of the loan was 84 days (96 days in 2006). All security loan agreements are initially collateralized at 102% of the loaned securities. Whenever adjustments are needed to reflect changes in the fair value of the securities loaned, the collateral is adjusted accordingly. Cash collateral is invested in the short-term investment pool, which at December 31, 2007 had a weighted average maturity of 45 days (70 days in 2006). As of December 31, 2007 and 2006, the Plan had loaned to borrowers securities with a fair value of $1,040,349,638 and $941,011,874, respectively. As of December 31, 2007 and 2006, the Plan received from borrower's cash collateral of $1,037,232,545 and $922,831,534, and non-cash collateral of $29,791,378 and $43,035,885, respectively. Securities lending net income for the years ended December 31, 2007 and 2006 was $1,080,182 and $2,891,894 respectively. At year end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
(A Component Unit of the City of Chicago)

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 – Deposits and Investments (Continued)

A summary of securities loaned at fair value as of December 31:

	2007	2006
Securities loaned – cash collateral		
Domestic bonds	$ 315,484,354	$343,616,592
Domestic equities	644,598,777	490,025,562
International equities	50,475,129	64,333,835
Total securities loaned – cash collateral	1,010,558,260	897,975,989
Securities loaned – non-cash collateral		
Domestic bonds	24,107,813	20,618,401
Domestic equities	4,436,530	21,207,150
International equities	1,247,035	1,210,334
Total securities loaned – non-cash collateral	29,791,378	43,035,885
Total	$1,040,349,638	$941,011,874

Note 3 – Deposits and Investments (Continued)

Foreign Currency Risk

The Plan's exposure to foreign currency risk at December 31, 2007 was as follows:

Currency	Fair Value	Percentage
Australian Dollar	$ 11,119,736	1.74%
Brazilian Real	25,964,016	4.06%
Canadian Dollar	758,902	.12%
Swiss Franc	40,047,799	6.26%
Chilean Peso	879,900	.14%
Czech Koruna	1,276,758	.20%
Danish Krone	1,179,705	.18%
Egyptian pound	2,582,423	.40%
Euro	182,134,815	28.46%
British Pound Sterling	93,508,087	14.61%
Hong Kong Dollar	34,769,678	5.43%
Hungarian Forint	14,173	.00%
Indonesian Rupiah	6,137,535	.96%
New Israeli Shekel	2,214,943	.35%
Indian Rupee	23,135,576	3.62%
Japanese Yen	105,807,796	16.53%
South Korean Won	28,457,833	4.45%
Mexican Peso	9,263,437	1.45%
Malaysian Ringgit	6,066,803	.95%
Norwegian Krone	3,212,739	.50%
Philippine Peso	1,936,396	.30%
Polish Zloty	1,778,149	.28%
Swedish Krona	5,400,466	.84%
Singapore Dollar	6,490,628	1.01%
Thai Baht	3,430,333	.54%
Turkish Lira	6,933,458	1.08%
New Taiwan Dollar	19,742,619	3.08%
South African Rand	14,435,697	2.26%
United Arab Emirates Dirham	1,305,160	.20%
Total	$639,985,560	100.00%

All foreign currency-denominated investments are in equities and foreign cash. The Plan does not have a formal policy relating to foreign currency risk.

Note 3 – Deposits and Investments (Continued)

Interest Rate Risk

As of December 31, 2007, the Plan had the following investments and maturities:

Security Type	Total Fair Value	Less than 1 year	1-6 years	6-10 years	10 or more years	Maturity Not Determined
Asset backed	$ 74,033,320	$ -	$ 27,608,840	$ -	$ 46,424,480	$ -
Commercial mortgage backed	125,829,783	-	850,731	-	124,979,052	-
Corporate bonds	300,198,472	14,700,915	152,429,148	70,121,300	57,155,638	5,791,471
Government agencies	277,181,981	2,368,218	52,238,165	56,775,787	5,600,263	160,199,548
Government bonds	208,779,283	-	70,984,313	49,776,369	88,018,601	-
Government mortgage backed	321,360,582	-	15,282	1,458,131	245,328,575	74,558,594
Index linked government bonds	18,002,608	-	8,113,350	5,337,209	4,552,049	-
Municipal/Provincial Bonds	158,910	-	-	-	158,910	-
Non-government backed CMO's	73,878,635	-	984,153	2,559,804	70,334,678	-
Other fixed income	318,774,919	-	609,140	-	-	318,165,779
Short term investment funds	225,895,145	-	-	-	-	225,895,145
Short term bills and notes	25,497,910	25,497,910	-	-	-	-
Total	$1,969,591,548	$42,567,043	$313,833,122	$186,028,600	$642,552,246	$784,610,537

The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rate risk.

MUNICIPAL EMPLOYEES' ANNUITY & BENEFIT FUND OF CHICAGO
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NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

The following table presents the Plan's ratings as of December 31, 2007:
(in thousands)

S&P Credit Rating	*Fair Value*	*Asset Backed Securities*	*Comm'l Mortgage Backed*	*Corporate Bonds*	*Gov't Agencies*	*Gov't Bonds*	*Gov't Mortgage Backed*	*Index Linked Gov't Bonds*	*Non-Gov't Backed CMO's*	*Municipal/ Provincial Bonds*	*Other Fixed Income*
TSY	$ 21,378	$ -	$ -	$ -	$ -	$ 13,265	$ -	$ 8,113	$ -	$ -	$ -
AGY	488,727	-	-	-	168,732	-	319,995	-	-	-	-
AAA	546,485	65,777	102,854	11,097	102,343	186,680	-	9,889	67,845	-	-
AA+	7,487	366	1,298	3,641	-	-	-	-	2,182	-	-
AA	22,139	489	3,396	18,095	-	-	-	-	-	159	-
AA-	41,944	-	467	36,527	4,950	-	-	-	-	-	-
A+	20,990	502	-	20,488	-	-	-	-	-	-	-
A	36,288	403	-	35,066	595	224	-	-	-	-	-
A-	32,147	1,303	-	30,735	-	109	-	-	-	-	-
BBB+	61,760	-	-	54,887	-	6,873	-	-	-	-	-
BBB	33,689	2	-	33,059	-	628	-	-	-	-	-
BBB-	24,767	540	-	24,227	-	-	-	-	-	-	-
BB+	4,623	494	-	4,129	-	-	-	-	-	-	-
BB	1,452	702	-	750	-	-	-	-	-	-	-
BB-	1,017	-	-	1,017	-	-	-	-	-	-	-
B+	1,213	-	-	801	-	-	-	-	412	-	-
B	7,065	1,367	-	5,698	-	-	-	-	-	-	-
B-	983	-	-	983	-	-	-	-	-	-	-
CCC	178	178	-	-	-	-	-	-	-	-	-
NR	363,866	1,910	17,815	18,998	563	1,000	1,366	-	3,439	-	318,775
Total	$ 1,718,198	$74,033	$125,830	$300,198	$277,183	$208,779	$321,361	$18,002	$73,878	$ 159	$ 318,775

TSY = Treasury Issue
AGY = Agency Issue
NR = Not Rated

Note 4 – Net Assets Held in Trust for Pension Benefits

The Plan has reserved a portion of Plan net assets for future obligations. Employee contributions are distributed to active employee and survivor benefit reserves based on requirements specified in Illinois State Statutes. After meeting current cash requirements for administrative expense and disability benefits, employer contributions and investment income are allocated to all reserves based on actuarially calculated requirements. Amounts are transferred between reserves annually based on actuarially calculated requirements.

	2007	2006
Net assets reserved for:		
Retirement and survivor benefits for active employees	$ 4,484,084,139	$ 4,253,340,727
Retirement and survivor benefits for retired employees	5,484,662,705	5,438,978,756
	9,968,746,844*	9,692,319,483
Unreserved net assets	(2,959,222,901)	(2,851,191,618)
Net assets held in trust for pension benefits	$ 7,009,523,943	$ 6,841,127,865

*Excludes actuarial liability for Plan health insurance supplement under 40ILCS, Chapter 5, Article 8, Section 164.1 and 164.2.

Note 5 – Office Lease

The Plan leases its administrative office and storage facilities under a fifteen-year agreement in effect through February 29, 2008 and has been extended through February 28, 2009. The lease may be canceled subject to significant cancellation penalties. The lease currently requires monthly payments of $29,167. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance expenses.

Following is a summary of estimated future lease payments under the Plan's operating lease as of December 31, 2007:

Year Ending December 31,	Amount
2008	$328,241
2009	58,333
Total	$386,574

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(PENSION PLAN)

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)
12/31/07	$6,890,462,918	$9,968,746,844	$3,078,283,926	69.1%	$1,564,458,835	196.8%
12/31/06	$6,509,145,626	$9,476,118,446	$2,966,972,820	68.7%	$1,475,877,378	201.0%
12/31/05	$6,332,378,676	$9,250,211,817	$2,917,833,141	68.5%	$1,407,323,058	207.3%
12/31/04	$6,343,076,159	$8,808,500,944	$2,465,424,785	72.0%	$1,303,127,528	189.2%
12/31/03	$6,384,098,957	$7,988,636,556	$1,604,537,599	79.9%	$1,395,513,060	115.0%
12/31/02	$6,403,982,494	$7,577,100,377	$1,173,117,883	84.5%	$1,377,909,441	85.1%

(HEALTH INSURANCE SUPPLEMENT)

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)
12/31/07	$ -	$217,868,343	$217,868,343	00.0%	$1,564,458,835	13.9%
12/31/06	$ -	$216,201,037	$216,201,037	00.0%	$1,475,877,378	14.7%

(TOTAL)

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)
12/31/07	$6,890,462,918	$10,186,615,187	$3,296,152,269	67.6%	$1,564,458,835	210.7%
12/31/06	$6,509,145,626	$ 9,692,319,483	$3,183,173,857	67.2%	$1,407,323,058	215.7%
12/31/05	$6,332,378,676	$ 9,250,211,817	$2,917,833,141	68.5%	$1,407,323,058	207.3%
12/31/04	$6,343,076,159	$ 8,808,500,944	$2,465,424,785	72.0%	$1,303,127,528	189.2%
12/31/03	$6,384,098,957	$ 7,988,636,556	$1,604,537,599	79.9%	$1,395,513,060	115.0%
12/31/02	$6,403,982,494	$ 7,577,100,377	$1,173,117,883	84.5%	$1,377,909,441	85.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(PENSION PLAN)

Year Ended December 31,	Employer Contributions: Annual Required Contribution	Percentage Contributed
2007	$343,123,106	40.7%
2006	$325,913,986	45.5%
2005	$285,291,350	54.4%
2004	$198,199,001	77.7%
2003	$158,614,805	89.5%
2002	$ 92,711,870	141.3%

Beginning in 2007, the Annual Required Contribution does not include contributions to health insurance supplement.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(HEALTH INSURANCE SUPPLEMENT)

Year Ended December 31,	Employer Contributions: Annual Required Contribution	Percentage Contributed
2007	$23,287,106	36.6%
2006	$22,642,162	38.6%

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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

Valuation date	December 31, 2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years (40 years in 2006)
Asset valuation method	Pension- 5 -year smoothed market Health Insurance Supplement – No Assets (Pay-as-you-go)
Actuarial assumptions:	
Investment rate of return	8.0%
OPEB investment rate of return	4.5%
Projected salary increases	4.5%
Inflation	3.0%
Healthcare Cost Trend Rate	0.0%
Post retirement benefit increases	3.0% per year beginning at the earlier of: 1) the later of the first of January of the year after retirement and age 60 2) the later of the first of January of the year after the second anniversary of retirement and age 53

SCHEDULE OF FUNDING PROGRESS
(STAFF RETIREE HEALTH INSURANCE PLAN)

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	$ -	$4,435,400	$4,435,400	00.0%	$2,497,700	177.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(STAFF RETIREE HEALTH INSURANCE PLAN)

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2007	$537,400	10.00 %

NOTE TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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

STAFF RETIREE HEALTH INSURANCE PLAN

Valuation date	December 31, 2006
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Amortization period	30 years
Actuarial assumptions:	
Discount Rate	4.5%
Projected Salary Increases	4.5%
Ultimate Trend	5.0%
Wage inflation	4.5%

SCHEDULE OF ADMINISTRATIVE AND OPEB EXPENSES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Administrative Salaries	$ 2,742,404	$ 2,499,128
Payroll taxes	40,568	32,463
Employee Benefits	683,193	759,612
Professional Services:		
Actuarial	161,703	147,194
Medical	45,214	43,888
Auditing	32,000	31,000
Legal	117,468	100,838
Custodial	772,057	610,459
Consulting	41,034	55,373
Investment consultants	194,500	180,000
Data Processing	365,835	499,293
Contractual	12,249	14,653
Office Supplies and Equipment	95,143	49,450
Office Equipment Maintenance	13,007	7,856
Bank service charge	-	2,972
Equipment Rental	8,522	8,027
Depreciation	811,941	785,300
Printing and Publishing	130,927	129,985
Postage	86,542	58,696
Rent and Utilities	309,088	276,905
Miscellaneous	6,335	4,947
Insurance	219,300	4,145
Telephone and Communications	57,157	50,849
Travel	26,873	22,909
Dues and Subscriptions	21,841	21,743
Total Administrative Expenses	6,994,901	6,397,685
OPEB expense	537,400	-
Total Administrative and OPEB expense	$ 7,532,301	$ 6,397,685

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Equity Managers		
ABN AMRO	$ 84,795	$ 215,847
Ariel Capital	1,450,974	1,894,174
Attucks Asset Management	17,305	10,085
Bear Stearns	585,767	751,787
Castle Ark	270,006	150,686
Clearbridge Advisors	652,069	587,472
Earnest Partners	435,269	29,623
Great Lakes Advisors	618,803	586,289
Harris Investment Mgmt.	346,419	314,781
Holland Capital	648,016	602,980
Keeley Asset Mgmt.	807,819	897,799
MacKay Shields	528,929	488,567
MEABF Emerging Manager Fund	374,658	506,471
New Amsterdam Partners	131,458	138,701
Northern Trust Quantative Adv.	181,610	176,746
NorthPointe Capital	235,656	16,815
Penn Capital	670,489	46,690
TCW	385,531	327,003
TIMCO	-	26,174
UBS AM Equity	570,098	564,283
United Investmemt Managers	136,001	-
Voyageur Asset Management	313,942	22,145
Wellington Capital	685,803	648,104
William Blair Large Cap	605,081	590,645
William Blair Small/Mid Cap	434,438	31,972
Total Equity	11,170,936	9,625,839
Bond Managers		
Alliance Bernstein	478,039	455,990
NTGI Bond Index	90,500	87,322
Frank Russell Trust	-	36,474
Lehman Brothers	281,580	272,153
Payden & Rygel	171,238	170,984
UBS AM Bonds	510,370	475,728
Total Bond	1,531,727	1,498,651
International Equity Managers		
Alliance Bernstein Emerging Markets	806,471	529,742
Alliance Bernstein International	746,776	739,577
Frank Russell Trust	-	158,957
LSV Asset Management	751,503	706,225
MFS	773,829	692,449
MacKay Shields	618,613	496,167
Mondrain	-	55,006
Walter Scott	992,645	769,627
William Blair	1,008,154	806,014
Total International Equity	5,697,991	4,953,764

SCHEDULE OF INVESTMENT MANAGEMENT COMPENSATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)

	2007	2006
Real Estate Managers		
AFL-CIO Building Trust	241,712	224,989
American Realty	193,294	179,593
Capri Capital	720,622	869,817
DV Urban	225,000	151,603
J P Morgan	802,291	663,327
John Buck Company	316,620	400,829
Prudential Asset Mgmt.	620,055	642,458
Shamrock-Hostmark Hotel Fund	60,938	-
Tishman Speyer	375,000	137,780
UBS Realty Advisors	187,500	51,523
Walton Street Partners	447,749	262,500
Total Real Estate	4,190,781	3,584,419
Private Equity Managers		
First Analysis	816,544	878,943
Hispania Partners	125,000	125,000
Hopewell Ventures	112,500	112,500
Invesco	18,945	12,808
MK Capital	100,000	100,000
Mesirow Financial	978,750	1,185,093
Midwest Mezzanine Fund	556,591	437,500
Muller & Monroe	100,000	100,000
Nogales Investors	425,000	283,312
SB Partners	89,208	149,956
Total Private Equity	3,322,538	3,385,112
Total	$ 25,913,973	$ 23,047,785

SCHEDULE OF PROFESSIONAL AND CONSULTING COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Legal Advisors	$ 117,468	$ 100,838
Medical Advisors	45,214	43,888
Investment Consultant	194,500	180,000
Consulting Actuary	161,703	147,194
Consulting	41,034	55,373
Auditor	32,000	31,000
Master Custodian	772,057	610,459
Total	$ 1,363,976	$ 1,168,752