

To the members of the Retirement Board and the participants of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund:

It is my pleasure to present the President's 92nd Annual Report of the Park Employees' and Retirement Board Employees' Annuity and Benefit Fund (the "Fund") for the fiscal year ended June 30, 2011.

The purpose of this report is to inform the members of the Retirement Board (the "Board") and the participants of the Fund of changes in membership, financial facts and investment results, as well as other pertinent information, such as the progress of pension amendments and Board membership.

This report is submitted prior to closing the books of accounts, receipt of the actuarial report and the completion of the annual audit of the accounting records by the Fund's Certified Public Accountants.

General. Overall contributions have increased slightly and portfolio performance returned 21.2%, outperforming the policy benchmark, which returned 19.3%. The strong performance was driven primarily by the Fund's U.S. Equity Managers who collectively returned 36.7% gross of fees.

Membership. An employee who is hired for a position that is filled six months or more during the year will automatically become a member of the Fund upon his or her entrance into Chicago Park District (the "CPD") or Fund service.

<u>During the Year</u>	<u>2011</u>	<u>2010</u>
Number of new participants	188	174
Number of service retirements	78	62
Separations from service with refund	115	133
Deaths among the participants	9	6
Deaths among retired employees	109	104

<u>At the End of the Year</u>	<u>2011</u>	<u>2010</u>
Number of participants *	2,795	2,816
Retired employees	2,096	2,125
Widows and Widowers	803	817
Children Beneficiaries	14	14

* Current contributing participants as of June 30, 2011 estimated to be 2,617.

Financial Facts. The Fund's revenue sources during the year were \$10,033,645 from employee contributions; \$10,850,508 from employer contributions and \$20,133,951 net income from investments. A year ago, the comparable amounts were \$9,755,330 from employee contributions; \$10,314,783 from employer contributions and \$6,417,509 net income from investments.

The CPD work force has stabilized which results in a consistent level of both employee and employer contributions going forward.

Benefit payments, refunds and administrative expenses for the year were \$65,016,376 compared with \$65,101,485 of a year ago.

The figures presented here are without consideration of accrued income or expense, and are unaudited.

Equity Investments. The Board has engaged several equity advisors who are responsible for managing the Fund's equities. As of June 30, 2011, the Fund's U.S. equity advisors are: (1) Ariel Capital Management, (2) Great Lakes Advisors, Inc., and (3) RBC Global Asset Management Inc. (formerly Voyageur Asset Management), while the non-U.S. equity advisor is Wellington Trust Company.

During the past year, the Board acquired stocks at a cost of \$11,297,711.18. The Board sold various stocks that cost \$17,849,842 for \$26,899,492 and realized an unadjusted net gain of \$9,049,650.

As of June 30, 2011, the Fund owned the following equity securities:

	<u>Cost</u>	<u>Fair Value</u>
Common Stock	<u>\$74,993,499</u>	<u>\$104,231,512</u>

Fixed Income Investments. The Board has engaged several fixed income advisors who are responsible for managing the Fund's fixed income securities. As of June 30, 2011, the Fund's fixed income advisors are: (1) MacKay Shields, LLP, (2) Chicago Equity Partners, LLC, (3) LM Capital Group, LLC. and 4) ULLICO - Separate Account W1.

During the past year, the Board acquired bonds and notes having a total cost of \$87,858,645. The Board sold bonds and notes for \$85,982,887 reflecting an unadjusted net gain of \$1,204,228.

As of June 30, 2011, the Fund owned the following fixed income securities:

	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total FV</u>
Government Securities			
U.S. Treasury	\$ 15,056,261	\$ 15,116,044	16.4
U.S. Agency	7,384,924	7,396,413	8.0
Gov't. Mort. Bkd.	39,221,192	40,699,024	44.1
Municipal	170,000	124,731	0.1
Foreign	<u>131,315</u>	<u>127,897</u>	<u>0.1</u>
Total Govt. Securities	<u>61,963,692</u>	<u>63,464,109</u>	<u>68.7</u>
Corporate Bonds:			
Industrial	18,466,077	18,936,852	20.6
Foreign	4,368,483	4,406,950	4.8
Non-Gov't Bkd	260,119	204,977	0.2
CMO	3,892,429	4,419,919	4.8
Asset Backed	<u>759,908</u>	<u>789,487</u>	<u>.9</u>
Total Corporate Bonds	<u>27,747,016</u>	<u>28,758,185</u>	<u>31.3</u>
Total Bonds & Notes	<u>\$ 89,710,708</u>	<u>\$ 92,222,294</u>	<u>100.0</u>

Index Fund Investments. Northern Trust Quantitative Advisors (NTQA) is the index fund manager for the Fund. As of June 30, 2011, the Fund investments in the index funds are as follows:

<u>Name</u>	<u>Units</u>	<u>Cost</u>	<u>Fair Value</u>
NTQA ACWI-Ex US	3,394	\$ 41,484,822	\$ 41,568,714
NTQA Growth Fund	2,102	21,020,454	25,995,996
NTQA U.S. Market Cap Fund	<u>2,115</u>	<u>21,584,162</u>	<u>25,501,633</u>
Total Index Funds	<u>7,611</u>	<u>\$ 84,089,438</u>	<u>\$ 93,066,343</u>

During the fiscal year the Fund sold 1,356,621 units and realized a net gain of \$884,093.

Real Estate Investments. The Fund participated in various real estate investments. As of June 30, 2011 they are as follows:

<u>Investment</u>	<u>Market Value</u>	<u>1 yr. Annualized Performance (%)</u>
UBS-Trumbull Property Fund	\$ 16,090,318	17.1
UBS-Trumbull Prop. Inc. Fund	16,543,641	19.2
Principal Financial-Enhanced	<u>15,983,779</u>	<u>19.0</u>
Total Real Estate Investments	<u>\$ 48,617,738</u>	

During the past year, the Board sold its interest in Principal Financial-U.S. Property.

Alternative Investments - Private Equity: During the year, the Fund continued its limited partnership agreements with HarbourVest Partners, Mesirow Financial Capital Partners, New York Life and Pine Bridge Investments (formerly AIG). They are summarized as follows:

	<u>Total Capital Commitment (000's)</u>	<u>Called</u>	<u>Capital Balance</u>
HarbourVest Funds:			
Mezzanine	\$ 3,500	\$ 2,733,059	\$ 2,558,167
VII Buyout	24,500	19,617,500	19,469,372
VIII Venture	<u>7,000</u>	<u>5,600,000</u>	<u>6,343,490</u>
Total HarbourVest	<u>35,000</u>	<u>27,950,559</u>	<u>28,371,029</u>
Mesirow Funds:			
Part. Fund III	7,000	5,460,000	6,210,026
Capital Partners	3,000	2,865,000	2,240,827
Part. Fund IV	<u>10,000</u>	<u>5,086,893</u>	<u>4,956,958</u>
Total Mesirow	<u>20,000</u>	<u>13,411,893</u>	<u>13,407,811</u>
New York Life	10,000	4,894,084	5,191,325
Pine Bridge	<u>10,000</u>	<u>7,042,124</u>	<u>6,328,116</u>
Totals	<u>\$ 75,000</u>	<u>\$ 53,298,660</u>	<u>\$ 53,298,281</u>

Hedge Funds: During the year, the Fund continues its limited partnership agreements with Entrust and K2.

They are summarized as follows

	<u>Cost</u>	<u>Fair Value</u>
Entrust-Select EQF	\$22,885,978	\$24,925,325
K2-Long/Short Fund	25,500,000	23,039,434
Totals	<u>\$48,385,978</u>	<u>\$47,964,759</u>

Investment Policy. The Board utilizes professional investment advisors to manage all of its assets. Investment consultants are also utilized to assist the Board in its decision-making process. The Fund conducts an annual investment policy review with its investment consultant, Marquette Associates. This year's annual investment policy review produced an increase in the Fund's Private Equity allocation from 5% to 7% and created a 3% allocation to International Small Cap Equity. Other than the aforementioned, there were no material changes to the Fund's investment policy this year.

Retirement Board Membership. The annual election for an employee representative to the Retirement Board was held on Friday, June 24, 2011. Frank C. Hodorowicz, won the election and was reelected to a full term of four years expiring on June 30, 2015 and was declared "duly elected" by the election officials and admitted to trusteeship upon the "Oath of Office". The Fund is awaiting a decision by the Chicago Park District Board of Commissioners regarding the expired term of Commission appointed Trustee Joseph M. Fratto.

Legislative Matters. The State of Illinois has passed revolutionary legislation that will dramatically impact all of the Funds covered by Chapter 40 of the Illinois State Statutes. This Legislation affects the benefits of new employees hired after December 31, 2010, who have no prior service in this or any other reciprocal Fund.

Acknowledgments. All of the statistical and financial information compiled and presented in this annual report is due to the combined efforts of the administrative staff of the Fund under the direction of the Executive Director, Dean J. Nidospial. Their efforts and services are hereby acknowledged with thanks and appreciation.

Reference. The official plan document that legally governs the operation of the Fund is found in the Illinois Compiled Statutes, Act 5 of Chapter 40, Article 12. For detailed information on the benefits of the Fund, it is suggested that you refer to the Principal Provisions or log onto the Fund's website www.chicagoparkpension.org

On behalf of the Retirement Board,



PAMELA A. MUNIZZI
President

RETIREMENT BOARD at JUNE 30, 2011

MEMBERS ELECTED BY THE EMPLOYEES

JOHN J. SHOSTACK
Term expires June 30, 2012

EDWARD L. AFFOLTER
Term expires June 30, 2013

ROBERT GERAGHTY
Term expires June 30, 2014

FRANK C. HODOROWICZ
Term expires June 30, 2015

APPOINTED BY THE COMMISSIONERS of the CHICAGO PARK DISTRICT

MELINDA M. GILDART
Term expires October 21, 2013

PAMELA A. MUNIZZI
Term expires October 21, 2013

JOSEPH M. FRATTO

OFFICERS

PAMELA A. MUNIZZI, President
JOSEPH M. FRATTO, Vice President
EDWARD L. AFFOLTER, Secretary

ADMINISTRATIVE STAFF

DEAN J. NIDOSPIAL, Executive Director
JOHN D. LORD, Deputy Executive Director
SANDOR GOLDSTEIN, Actuary

PARK EMPLOYEES' and RETIREMENT BOARD EMPLOYEES' ANNUITY and BENEFIT FUND

92nd ANNUAL REPORT of the PRESIDENT

FISCAL YEAR ENDED
JUNE 30, 2011

PARK EMPLOYEES' ANNUITY AND BENEFIT FUND

55 East Monroe Street
Suite 2720
Chicago, Illinois 60603

Telephone: (312) 553-9265
Fax: (312) 553-9114

www.chicagoparkpension.org