# POLICEMEN'S ANNUITY AND BENEFIT FUND

## OF CHICAGO, ILLINOIS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

a component unit of the City of Chicago

for the year ended December 31, 2004

# Comprehensive Annual Financial Report

A component unit
of the City of Chicago
for the year ended
December 31, 2004

# Policemen's Annuity and Benefit Fund

*Prepared by*
**John J. Gallagher, Jr.,** Acting
Executive Director / Comptroller
**Pacifico Panaligan,** Accountant IV

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POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Component Unit Financial Report
Year Ended December 31, 2004

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Policemen's Annuity and Benefit Fund of Chicago, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

THE RETIREMENT BOARD
of the
*Policemen's Annuity and Benefit Fund*
*City of Chicago*
221 NORTH LASALLE STREET-ROOM 1626
CHICAGO, ILLINOIS 60601
*(312) 744-3891*



Address Communications to the Retirement Board

Outside Chicago: 1-800-656-6606

Retirement Board of the Policemen's
Annuity and Benefit Fund of Chicago
Chicago, Illinois

The Policemen's Annuity and Benefit Fund of Chicago hereby submits the comprehensive annual financial report (CAFR) for the Fund, year ending December 31, 2004. The Fund accepts responsibility for the accuracy of the data and the completeness and fairness of presentation, including disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Fund. All disclosures necessary to enable the reader to understand the Fund's financial activities have been included.

Any employee of the City of Chicago employed under the provisions of the municipal personnel ordinance as police service is covered by the Policemen's Annuity and Benefit Fund of Chicago. The Fund is governed under Illinois State Statutes (Chapter 40, Pension, Article 5, Illinois Compiled Statutes ) and may be amended only by the Illinois Legislature.

The Fund was established in 1921 with the mission of providing retirement benefits to the members of the Chicago Police Department and their spouses. To properly execute this mission the Fund is administered by an eight (8) member Board of Trustees. The Board is composed of four (4) elected members, with one elected from each rank of police officer, sergeant, lieutenant and above and a member from the retired members and their widows. Four members are appointed by the Mayor of Chicago. The Retirement Board then elects a Board President, a Vice-President and a Recording Secretary from its own membership.

The Retirement Board is charged with many duties including : approval of all applications for benefits and annuities, investment of Fund monies in a manner prescribed by the State Statutes and Fund policy, adoption of rules and regulations for the proper conduct of the affairs of the Fund, an annual audit conducted by a certified public accountant certifying financial results for each year and the filing of a detailed report of the affairs of the Fund to the State of Illinois Department of Insurance and the City of Chicago each year. A summary of plan provisions adopted by the Retirement Board are presented as part of this CAFR.

This report presents the financial activities of the Fund and is composed of five (5) sections:

1. The introductory section contains the table of contents, this transmittal letter, a listing of the Retirement Board members and office staff members, a listing of professional consultants, the Fund's organizational chart and a summary of plan provisions;

2. The financial section contains the report of the independent auditors, management discussion and analysis, the financial statements and accompanying notes, required supplementary information and supporting schedules of the Fund;

3. The investment section reports on activity, policy, results, allocation, fees and commissions and includes an investment summary;

4. The actuarial section contains the report of the Fund's actuary with supporting actuarial assumptions, schedules and tables;

5. The statistical section provides membership data for both active members and annuitants of the Fund as well as a history of investment yields.

Financial Information

The management of the Fund is responsible for establishing and maintaining an internal control structure designed to ensure the safety of the Fund's assets from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements that conform to generally accepted accounting principles. The internal control system is included in the auditor's review and is designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Budget Process

The Fund's budget is prepared through a process that originated in 1975. At that time, a budget for only the Fund's administrative expenses was prepared and approved. The 1990 budget was expanded to include all revenue and expense categories, including employer and employee contributions, investment income, annuity and disability benefit expenses. The 1992 budget was further developed to include a complete listing of the goals, programs and projects of the Fund. The 2005 budget process builds from recent years' strengths and includes additional charts and graphs. Policies and procedures have remained substantially consistent with those of the prior year, with the exception that the ideas for new projects were sought beginning in July. The current fiscal planning and budgeting process then formally begins in July and ends in January with the approval by the Board of Trustees.

Revenues

Revenues are needed to finance retirement benefits and are accumulated from the contributions of active police officers, the corresponding employer contributions and investment income. The following summarizes revenue collections for the years of 2004 and 2003 by source along with a percentage of total income detailed.

| Source of Revenue | 2004 | % of Revenue | 2003 | % of Revenue | % inc/(dec) Prior year |
|---|---|---|---|---|---|
| Employer Contributions | $ 135,668,860 | 23.29% | $ 140,734,767 | 16.60% | -3.59% |
| Employee Contributions | 78,800,816 | 13.53% | 79,816,332 | 9.41% | -1.27% |
| Investment Income | 367,908,110 | 63.17% | 627,291,033 | 73.98% | -41.35 |
| Other Revenue | 75,313 | .01% | 72,587 | .01% | 0.00 |
| Total Revenue | $582,453,099 | 100.00% | $847,914,719 | 100.00% | -31.31 |

Gross revenues for 2004 decreased a total of $265,461,620 million as compared to 2003. The decrease is attributable to significant appreciation in the unrealized fair value of investments for 2004 as compared to 2003 as well as an decrease in the realized gains on investments sold in the year 2004 as compared to 2003.

Expenses

The expenses paid in 2004 by the Fund include annuity payments, benefit payments and administration expense. Total Fund expenses for 2004 and 2003 are as follows:

| Type of Expense | 2004 | % of Expense | 2003 | % of Expense | % inc/(dec) Prior year |
|---|---|---|---|---|---|
| Annuities | $ 371,684,017 | 90.67% | $ 342,243,860 | 90.38% | 8.60% |
| Disability | 20,250,689 | 4.94% | 19,947,927 | 5.27% | 1.51% |
| Death Benefits | 1,837,006 | 0.45% | 1,783,627 | 0.47% | .03% |
| Refunds | 5,781,659 | 1.41% | 4,806,372 | 1.27% | .14% |
| Hospitalization | 7,747,390 | 1.89% | 6,720,792 | 1.77% | 15.27% |
| Administration | 2,626,056 | 0.64% | 3,166,146 | 0.84% | -17.06% |
| Total Expenses | $409,926,817 | 100.00% | $378,668,724 | 100.00% | 7.62% |

The expenses paid by the Fund for 2004 total $409,926,817 an increase of 7.62% when compared to a total of $378,668,724 for the year 2003. The increase in benefit payments accounted for most of the increase in expenses in 2004 over 2003.

Total revenues over expenses for 2004 produced a net increase in net assets held in trust for pension benefits of $172,526,283 and $469,245,996 for 2003. The Fund experienced a 63.23% decrease as compared to 2004. This decrease can be attributed to significantly less market value appreciation on assets as compared to 2003. Investment management expenses for 2004 were $8,139,882 (.21% of net assets held in trust at December 31, 2004, or 21 basis points), which compares favorably with other public employee pension funds. The Police Fund charges investment management cost as a reduction of investment income which is the same treatment currently used by many plans. The Fund also charges security lending fees and rebates to security lending income. Administrative expenses for 2004 were $2,626,056 (.07% of net assets held in trust at December 31, 2004), or 7 basis points.

Funding Status

In 2004 revenues of $ 582,453,099 exceeded expenses of $ 409,926,816 by $172.5 million. This increase brought the plan's net asset base to $3.87 billion. The net asset base currently funds 54.96 % on a fair value basis of the aggregate actuarial liability of $7.03 billion. For the purposes of this report the actuarial section details the GASB 25 funding ratio method used by the actuary, which is a five year market smoothing period to arrive at the actuarial value of assets. The actuarial funded ratio of 55.91% is a decrease of 5.47% from 2003. The current funding ratio of 55.91% is considered below normal levels. It should be noted that there has been no increase in recommended employer requirement (tax multiplier) since 1982 when the rate was increased from 1.97 to 2.00 times the employee contribution two years prior.

Investment Policy and Performance

The investment portfolio is a financial resource that is the leading contributor to the Plan. In 2004, the investment portfolio returned 11.0%, exceeding the actuarial assumed return of 8%. The investment portfolio is currently managed by 19 professional investment management firms. These firms make investment decisions under the prudent person rule authorized by state statutes and investment policy guidelines adopted by the Board of Trustees. The Board also employs an investment consultant to monitor investment performance, to aid in the selection of investment management firms and assist in the development of investment policy.

Plan management's uppermost goal is to optimize the total return of the Plan's investments through a policy of diversification while achieving maximum rates of return within a parameter of prudent risk as measured on the total portfolio.

The Total Fund outperformed its policy portfolio and the EK & A Public Fund Index in 2004 on a relative basis. Total absolute return was good at 11.0% compared to 10.9 % for the policy portfolio. The Fund exceeded its policy portfolio due to positive results of the largest portfolio components, domestic and foreign stocks. The Fund now ranks in the 43th percentile of the EK & A Public Fund universe over five years.

We have also compared the Fund's performance with that of the EK & A Public Fund Index. The Index represents the median return of all U.S. public funds, regardless of their individual asset allocations. Because the Fund's performance in the domestic stock sector of the market was above the average public fund and domestic bonds experienced a positive return, its performance compares favorably to the Public Fund Index during periods where the domestic stock asset class earned materially less returns than domestic bonds and real estate. For the year the Fund's 11.0 % return slightly trailed the 12.0% return of the Public Fund Index.

## Economic Condition and Outlook

As a long-term institutional investor, the Fund set forth investment guidelines and objectives and continues to abide by this policy. A major consideration of that policy is portfolio diversification.

In 1984, the Fund adopted the present guidelines and the results have been very good since then and are expected to remain so. The Funds investments are held by a third party custodial agent.

## Major Initiatives

The Fund will continue to strive for customer service excellence by improving the operational efficiencies and service delivery to the membership. With the help of automation the Fund expects to deliver all its financial and personal reports to the membership in a more reasonable time frame. Governmental obligations will be met on a timely basis. The Fund has established, and continues to expand, a web-site with the web address of *chipabf.org*.

The Investment Committee will continue to use the Investment Policy Manual that is now the comprehensive source for investment information and will also provide guidelines for current and future trustees and staff. The Fund continues with a deferred compensation investment program for the employees of the Fund, effective December 31, 1992.

## Professional Services

The Fund's actuarial services are provided by the Gabriel Roeder Smith Company and the annual audit is conducted by Hill, Taylor, L.L.C., Certified Public Accountants. A complete listing of professional consultants is detailed in the CAFR's introductory section.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports and the Fund has received the certificate 13 out of the past 14 years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Component Unit financial report, whose contents conform to program standards. Such report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Policemen's Annuity and Benefit Fund of Chicago has received a Certificate of Achievement for thirteen of the past fourteen years. The Fund did not receive the award for the year of 2002. We believe our current report will meet the Certificate of Achievement program requirements, and we are again submitting it to GFOA.

Acknowledgments

On behalf of the Board of Trustees, I wish to express appreciation to the staff and professional consultants who work so effectively to ensure the continued successful operation of the Fund.

Also, I extend my appreciation to all Fund participants for their interest and involvement in all plan activities.

Respectfully submitted,

John J. Gallagher, Jr.
Acting Executive Director

APRIL 8, 2005

## RETIREMENT BOARD MEMBERS AND OFFICE STAFF

**December 31, 2004**

# PROFESSIONAL CONSULTANTS

*ADVISORS*

**Legal Advisor**

David R. Kugler, Esquire

**Medical Advisor**

S. David Demorest, M.D.

**Investment Consultant**

Ennis, Knupp and Associates

**Consulting Actuary**

Gabriel, Roeder, Smith & Company

**Auditor**

Hill, Taylor L.L.C.

**Master Custodian**

The Northern Trust Company

**Commercial Bank**

Bank One

# *INVESTMENT MANAGERS*

Adams Street Partners
BNY Asset Management
Capital Guardian Trust Co.
Chicago Equity Partners
Dearborn Partners
Driehaus Capital Management, Inc.
Great Lakes Advisors
Harbourvest Partners, L.L.C.
Harris Investment Management
Heitman Advisory Corporation
Holland Capital Management
Invesco Capital Management
Montag & Caldwell
Northern Trust Global Investments
T. Rowe Price International, Inc.
UBS Global Asset Management, Inc.
Wellington Management Company
Wells Capital Management
Zell/Chilmark Fund, L.P.

# ORGANIZATION CHART

**RETIREMENT**
**BOARD OF TRUSTEES**
Tariq Malhance, President
Kenneth A. Hauser, Vice-President
Timothy J. Brophy, Recording Secretary
Judith Rice, Treasurer, Trustee
John M. Dineen, Trustee
Robert F. Reusche, Trustee
Eugene J. Roy, Trustee

⇑
⇑

**ACTING EXECUTIVE DIRECTOR**
John J. Gallagher, Jr.

⇑
⇑
⇑

**PROFESSIONAL CONSULTANTS**
- Legal Advisor
- Medical Advisor
- Investment Consultant
- Consulting Actuary
- Auditor
- Master Custodian
- Investment Managers

**COMPTROLLER**

⇑

**ACCOUNTANT IV**
Pacifico Panaligan

⇑
⇑
⇑
⇑
⇑

**BENEFIT CLAIMS**
Kathleen Hylton

**BENEFIT DISBURSEMENTS**
Kris Matalik

# Financial Section

Hill, Taylor LLC
Certified Public Accountants
116 South Michigan Avenue, 11th Floor
Chicago, Illinois 60603
V 312-332-4964 F 312-332-0181

Member of the
American Institute
of Certified Public Accountants

Member of the
Illinois CPA Society

## Independent Auditors' Report

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 (Fund) as of December 31, 2004 and 2003, 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 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 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, 2004 and 2003, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and we express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of funding progress and schedule of employer contributions are not a required part of the basic financial statements but are supplementary information required by GASB. The other supplementary schedules of administrative expenses and consulting costs are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Fund. The information on those schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements of the Fund and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

April 8, 2005.

Hill, Taylor LLC

# Management's Discussion and Analysis

The Management's Discussion and Analysis section of this report is intended to serve as an introduction to the Policemen's Annuity and Benefit Fund of Chicago's financial statements 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 better understanding of the data provided in the financial statements. Information contained in the note disclosures discusses the accounting policies, benefits, contributions, fund reserves and various other relevant topics.

Due to the long-term nature of the Fund, additional information is provided to supplement the information included in the financial statements. Two required supplementary schedules are provided that include historical trend information for the past six years to aid in analysis of the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

- **The Schedule of Funding Progress** contains actuarial valuations of the status of the plan in an ongoing as well as historical basis. Actuarial Liabilities in excess of Actuarial Valuation of Assets indicates that insufficient assets have been accumulated to fund future benefits of current members and retirees.

- **The Schedule of Employer Contributions** contains historical trend information regarding the value of total annual contributions the employer must pay as determined under the parameters in GASB Statement No. 25 and the related percentage the employer has contributed to meet its requirement.

- **The Notes to the Required Supplementary Information** provide background information and the actuarial method and assumptions used to aid in understanding the required supplementary schedules.

Additional schedules provided include the *Schedule of Administrative Expenses* and the *Schedule of Consulting Costs* to reflect the costs involved in managing a defined benefit pension plan. Investment expenses are also detailed to state the cost of investment as reflected in the Statements of Changes in Plan Net Assets.

**Financial Highlights**

- The Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago's net assets increased by $172.5 million to $3.9 billion, or 4.7%, in 2004 from $3.7 billion at year end 2003. The increase was mainly attributable to appreciation in the fair value of investments. The investment return for 2004 was 11.0%, primarily due to higher returns in the equity markets, both domestic and foreign, in 2004.

- The funding objective of the Plan is to meet its long-term defined pension benefit obligations. The Funding Ratio of the plan on a market value basis experienced a decrease of 1.2% to a level of 54.9% at the end of year 2004. As shown in the year 2002, the funding level can decrease due to market depreciation and/or increases in benefit expenses. The Fund uses a 5-year actuarial smoothing method in valuing its assets to determine its funded status and the required contributions necessary to fund the plan going forward. This actuarial valuation method smoothes out the short-term market volatility and provides more stable trend valuation for the long-term planning needs of the Fund.

- Revenues for the Fund were consistent with 2003 except for investment income. For 2004 the net appreciation of $323.7 million contributed to the overall increase in net assets of $172.5 million. Total contributions by the employees and employer were $214.5 million for 2004 as compared to $220.6 million for 2003.

- Expenses for the Fund continue to be dominated by the benefit payments made for annuitants and disability recipients. Benefit payments for 2004 were $399.7 million, up from $368.9 million in 2003. The Fund experienced a decrease in administrative expense in 2004 because of legal fees incurred in 2003 as part of a legal settlement of the Miller vs. Policemen's Annuity and Benefit Fund of Chicago class action suit. Death benefits and refunds of employee deductions rose slightly from the prior year and account for only 1.9% of total benefit expenses of $407.3 million in 2004 compared to $375.5 million in 2003.

- Administrative expenses for 2004 were $2.6 million, a decrease of 17.1% from 2003. The decrease is mainly attributable to non-recurring legal fees incurred as part of a legal settlement of a class action lawsuit in 2003. Essentially the expenses for the ongoing operation of the Fund were constant for 2004.

**Plan Net Assets**

A summary of the Plans Net Assets is presented below:

**Plan Net Assets**
**(in millions)**
**As of December 31, 2004 and 2003**

| | 2004 | 2003 | Change $ | Change % |
|---|---|---|---|---|
| Cash and cash equivalents | $ 68.3 | $ 30.5 | $ 37.8 | 123.9% |
| Receivables | 151.2 | 146.0 | 5.2 | 3.6 |
| Brokers – unsettled trades | 56.1 | 15.5 | 40.6 | 261.9 |
| Investments, at fair value | 3,661.3 | 3,519.6 | 141.7 | 4.0 |
| Invested securities lending collateral | 301.8 | 98.9 | 202.9 | 205.2 |
| Total assets | 4,238.7 | 3,810.5 | 428.2 | |
| Brokers – unsettled trades | 65.0 | 13.7 | 51.3 | 374.5 |
| Securities lending payable | 301.8 | 98.9 | 202.9 | 205.2 |
| Accounts payable and accrued expenses | 6.1 | 4.6 | 1.5 | 32.6 |
| Total liabilities | 372.9 | 117.2 | 255.7 | |
| Net Plan Assets | $3,865.8 | $3,693.3 | $172.5 | 4.7% |

Advancing financial markets produced a significant increase in the investments at fair value for 2004.

**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, 2004 and 2003**

| | 2004 | 2003 | Change $ | Change % |
|---|---|---|---|---|
| **Additions:** | | | | |
| Member contributions | $ 78.8 | $ 79.8 | $ (1.0) | -1.3% |
| Employer contributions | 135.7 | 140.7 | (5.0) | -3.6 |
| Net investment gains (losses) and investment income | 367.4 | 626.8 | (259.4) | -41.4 |
| Securities lending income | 0.5 | 0.5 | - | - |
| Miscellaneous income | 0.1 | 0.1 | - | - |
| Total additions | 582.5 | 847.9 | (265.4) | |

| | 2004 | 2003 | Change $ | Change % |
|---|---|---|---|---|
| **Deductions:** | | | | |
| Annuity and disability benefits | $ 401.5 | $ 370.7 | $ 30.8 | 8.3% |
| Refunds of contributions | 5.8 | 4.8 | 1.0 | 20.8 |
| Administrative expenses | 2.6 | 3.2 | (0.6) | -18.8 |
| Total deductions | 409.9 | 378.7 | 31.2 | |
| Net Increase (Decrease) | $ 172.6 | $ 469.2 | $ (296.6) | -63.2% |

**Revenues – Additions to Plan Net Assets**

- Member contributions decreased by 1.3% to $78.8 million in 2004 from $79.8 million in 2003. This slight decrease reflects a net decrease in active membership.

- Employer contributions were also consistent with prior year with a decrease of only 3.6% to $135.7 million received in 2004 from $140.7 million received in 2003. Employer contributions are mandated by a statutorily set multiplier of 2.0 times member contributions collected two years prior.

- The net gain on total investment activity of $367.4 million in 2004, after a gain of $626.8 million in 2003, was significant. However, net investment activity decreased due to less market appreciation in 2004, which produced 11.0% return for the year compared to a 21.2% gain for 2003.

**Expenses – Deductions from Plan Net Assets**

- Pension and disability benefits rose from $368.9 million to $399.7 million in 2004, an increase of 8.3% from 2003. The increases in benefits were attributable to two factors, a statutory change that improved the formula for employee annuity benefits to policemen and raised the minimum annuities to retirees and widows. Also, benefit payments increased because of the 3% automatic increase (cost of living) payable for those retired annuitants eligible to receive it.

- Death benefits increased based on the number of deceased retired and active members of the Plan, and in 2004 the Plan membership experienced slightly higher deaths in both active and retired members.

- Plan administrative expenses in 2004 were consistent with 2003 with the exception of legal fees incurred with regard to administrative review cases as well as the settled Miller vs. the Fund suit, which reached settlement in late 2003. Barring any unforeseen circumstances the Fund expects to see a minimal increase in administrative expenses for the coming year.

## Plan Membership

The following table reflects the changes in plan membership from year-end 2003 to year-end 2004.

**Changes in Plan Membership**
**As of December 31, 2004 and 2003**

| | 2004 | 2003 | Change | % |
|---|---|---|---|---|
| Retirees and beneficiaries receiving benefits | 11,808 | 11,441 | 367 | 3.2% |
| Active employees | 13,569 | 13,746 | (177) | -1.3 |
| Terminated (inactive members) employees entitled to benefits or refunds of contributions | 501 | 334 | 167 | 50.0 |
| Total | 25,878 | 25,521 | 357 | 1.4% |

## Funding Status

The actuarial value of assets, using the GASB 25 method, for the December 31, 2004 valuation was $3.9 billion and the actuarial liability was $7.0 billion. The actuarial liability increased significantly by $452.8 million in 2004, from $6.6 billion in 2003 to $7.0 billion in 2004. The assets currently fund 55.9% of this liability, a decrease from the 61.4% funded ratio in 2003. The decrease in the funded ratio resulted from a combination of increases in the actuarial liabilities and the lingering effects of poor investment returns for the years 2001 and 2002. These poor return years are still being absorbed in a five-year actuarial smoothing of assets method used to determine the actuarial value of assets. As markets continue to recover, as they did in 2004, the Fund expects a more positive trend to return to the funded ratio.

## Investment Activities

At year-end 2004, the Fund assets held for investment reached $3.7 billion, an increase of $179.5 million, achieved with a total fund return of 11.0%. Most of the increase occurred due to outstanding returns in the foreign and domestic equity markets. Domestically, the Fund managers returned 13.2% and the foreign equity class returned 15.7% for the year. Strong markets continued to rebound from a very poor 2002 and these positive returns in excess of 10% in all likelihood will not be sustained going forward. The Fund's investment asset allocation stayed within policy limits with 47.8% of assets invested in domestic equity, 17.6% invested in international equity, 3.4% invested in private equity and 31.2% invested in fixed income.

**Investment Returns**
**Years Ended December 31, 2004 and 2003**

| | 2004 | 2003 |
|---|---|---|
| Total Fund | 11.0% | 21.2% |
| Benchmark Portfolio | 10.9 | 23.1 |
| @EKA Public Fund Index | 12.0 | 22.9 |
| | | |
| Domestic Equities | 13.2% | 30.8% |
| Benchmark (Wilshire 5000) | 12.5 | 31.7 |
| | | |
| International Equities | 15.7% | 37.1% |
| Benchmark (MSCI All-Country) | 20.9 | 40.8 |
| | | |
| Fixed Income | 4.4% | 4.5% |
| Benchmark (Lehman Aggregate) | 4.3 | 4.1 |

## Effects of Economic Factors

The financial position of the plan has declined during the past three years due to major weakness in the financial markets at the start of the decade and increasing liabilities due to plan benefit improvements. The Fund participated in the market recovery in 2003 and 2004 but significant market losses sustained in 2001 and 2002 have yet to be fully absorbed.

## Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan'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.
Acting Executive Director
Policemen's Annuity and Benefit
Fund of Chicago
221 N. LaSalle
Suite 1626
Chicago, IL 60601

POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Cash | $ 250 | $ 250 |
| Receivables: | | |
| Employer tax levies, net of allowance for loss of $14,277,777 in 2004 and $13,452,379 in 2003 | 141,711,579 | 140,356,061 |
| Member contributions | 5,417,387 | 4,038,708 |
| Interest and dividends | 4,100,085 | 1,530,280 |
| Accounts receivable - due from brokers | 56,052,878 | 15,547,126 |
| | 207,281,929 | 161,472,175 |
| Investments at fair value: | | |
| Common stock | 1,004,977,402 | 538,647,803 |
| Collective investment, stock | 777,145,131 | 1,219,026,585 |
| Collective investment, fixed income | 838,693,510 | 1,067,091,453 |
| International equity | 640,243,224 | 554,425,144 |
| Bonds and notes | 278,951,509 | 35,717,380 |
| Short term instruments | 68,285,201 | 30,504,485 |
| Real estate | 48,263 | 21,984 |
| Venture capital | 121,293,245 | 104,698,636 |
| | 3,729,637,485 | 3,550,133,470 |
| Invested securities lending collateral | 301,849,456 | 98,883,996 |
| Total Assets | 4,238,769,120 | 3,810,489,891 |
| **Liabilities** | | |
| Refunds and accounts payable | 6,057,572 | 4,624,066 |
| Trade accounts payable - due to brokers | 65,052,835 | 13,698,855 |
| Securities lending collateral | 301,849,456 | 98,883,996 |
| Total Liabilities | 372,959,863 | 117,206,917 |
| **Net assets held in trust for pension benefits** (A schedule of funding progress is presented on page 21.) | $ 3,865,809,257 | $ 3,693,282,974 |

See accompanying notes to financial statements.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| **Additions** | | |
| Contributions | | |
| Employer | $ 135,668,860 | $ 140,734,767 |
| Plan member salary deductions | 78,800,816 | 79,816,332 |
| Total contributions | 214,469,676 | 220,551,099 |
| Investment income: | | |
| Net appreciation in fair value of investments | 323,697,210 | 561,287,399 |
| Interest | 29,038,580 | 47,876,797 |
| Dividends | 22,843,254 | 26,783,941 |
| Real estate | - | 66,607 |
| | 375,579,044 | 636,014,744 |
| Investment activity expenses: | | |
| Investment management fees | (7,507,995) | (8,675,342) |
| Custodial fees | (389,383) | (347,797) |
| Investment consulting fees | (242,504) | (200,686) |
| Total investment expenses | (8,139,882) | (9,223,825) |
| Net income from investing activities | 367,439,162 | 626,790,919 |
| From securities lending activities: | | |
| Securities lending income | 1,973,298 | 2,121,015 |
| Borrower rebates | (1,303,443) | (1,406,094) |
| Bank fees | (200,907) | (214,807) |
| Net income from securities lending activities | 468,948 | 500,114 |
| Total net investment income | 367,908,110 | 627,291,033 |
| Miscellaneous income | 75,313 | 72,587 |
| Total Additions | 582,453,099 | 847,914,719 |
| **Deductions** | | |
| Pension and disability benefits | 399,682,095 | 368,912,579 |
| Death benefits | 1,837,006 | 1,783,627 |
| Refunds of employee deductions | 5,781,659 | 4,806,372 |
| | 407,300,760 | 375,502,578 |
| Administrative expenses | 2,626,056 | 3,166,145 |
| Total Deductions | 409,926,816 | 378,668,723 |
| **Net Increase (Decrease)** | 172,526,283 | 469,245,996 |
| Net assets held in trust for pension benefits | | |
| Beginning of year | 3,693,282,974 | 3,224,036,978 |
| End of year | $ 3,865,809,257 | $ 3,693,282,974 |

See accompanying notes to financial statements.

1. **Plan Description:**

The Policemen's Annuity and Benefit Fund of Chicago (Fund) is the administrator of a defined benefit, single-employer pension plan with a defined contribution minimum for the purpose of providing benefits to the policemen of the City of Chicago (City), their widows and children. Any employee of the City 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 5/5) and may be amended only by the Illinois State Legislature. The Fund is governed by an 8-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, 2004 and 2003 were $874,301,958 and $887,555,791, respectively. At December 31, 2004 and 2003, the Fund membership consisted of the following:

| | 2004 | 2003 |
|---|---|---|
| Active employees | 13,569 | 13,746 |
| Retirees and beneficiaries currently receiving benefits | 11,808 | 11,441 |
| Terminated employees entitled to benefits or a refund of contributions but not yet receiving them | 501 | 334 |
| | 25,878 | 25,521 |

The Fund provides retirement benefits as well as death and disability benefits. Employees age 50 or more 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. Effective in 2003, the mandatory retirement age for a participant is 63. Employees age 50 or more 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 4 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.

The monthly annuity is increased by 3% of the original annuity at the first of the month following the later of age 55 or the first anniversary of retirement, and by 3% on each January 1st thereafter, if born before January 1, 1950.

If born after January 1, 1950, then the monthly annuity is increased by 1.5% of the original annuity at the first of the month following the later of age 60 or the first anniversary of retirement, and 1.5% on each January 1st thereafter, but not to exceed a total of 30%.

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.

2. **Summary of Significant Accounting Policies:**

(a) **Reporting Entity**

Accounting principles generally accepted in the United States of America 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 to impose specific financial burdens on the primary government. A primary government may also be financially accountable for its component units that are fiscally dependent on it.

Based on the above criteria, the Fund is considered to be a component unit of the City of Chicago. The Fund is part of the City's financial reporting entity and it is included in the City's pension trust funds' financial statements.

(b) **Basis of Accounting**

The Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized as deductions when payable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

(c) **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(d) **Investments**

The Fund is authorized by 40 ILCS 5/1-113 to invest in bonds, notes and other direct obligations of the United States Government and United States Government agencies; corporate bonds, debentures and notes; certain notes secured by mortgages, including pass through securities; common and preferred stocks; certain pooled funds and various types of investment securities. Investment made in accordance with the State Statutes shall be deemed to be prudent.

(e) **Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. 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, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are valued by appraisals. Investments that do not have an established market are reported at estimated fair value.

(f) **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.

(g) **Administrative Expenses**

Administrative expenses are budgeted and approved by the Board of Trustees of the Fund. Administrative expenses are funded by the employer contributions.

(h) **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. Securities received as collateral are reported as assets only if the Fund has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statements of plan net assets. The costs of securities lending transactions are reported as deductions in the statements of changes in plan net assets at gross amounts.

(i) **New Accounting Announcement**

In 2004, the Fund adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* This new standards revises the existing requirements regarding disclosure of custodial credit risk and established requirements for disclosures regarding interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on the plan net assets and changes in plan net assets.

3. **Cash, Investments and Securities Lending:**

(a) **Cash**

The bank balance and carrying amount of the Fund's deposits, excluding $250 of petty cash, at December 31, 2004 were $1,159,559 and $(356,053), respectively; and they were $950,619 and $(367,887) at December 31, 2003, respectively. The entire bank balance at December 31, 2004 and 2003 is on deposit with the City Treasurer and is insured or collateralized by securities held by the City Treasurer in the Fund's name.

(b) **Investments**

The Fund's investments are categorized by the level of credit risk as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, as modified by GASB Statement No. 40.

The following table presents a summary of the Fund's investments at cost and market value as of December 31, 2004 and 2003. All investments subject to categorization are insured or registered and are held by the Master Custodian, Northern Trust Bank, as an agent, in the Fund's name. Therefore, all categorized investments are in Category 1 which bears the least risk. The Fund has no investments which would be classified in Categories 2 or 3. Real estate, pooled funds and venture capital funds that do not fall within the scope of GASB Statement No. 3 are not categorized.

| | Cost | | Market | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| **Categorized –** | | | | |
| Common stock | $ 662,187,844 | $ 330,816,308 | $ 790,044,543 | $ 448,459,117 |
| International equity | 494,937,428 | 469,456,644 | 640,243,224 | 554,425,144 |
| Bonds and notes | 219,801,881 | 23,347,534 | 189,593,201 | 23,124,869 |
| | 1,376,927,153 | 823,620,486 | 1,619,880,968 | 1,026,009,130 |
| **Not Categorized –** | | | | |
| Collective investments, short-term notes | 68,285,201 | 30,504,485 | 68,285,201 | 30,504,485 |
| Collective investments, stock | 521,043,517 | 993,386,990 | 777,145,131 | 1,219,026,585 |
| Collective investments, fixed income | 780,409,670 | 1,009,641,275 | 838,693,510 | 1,067,091,453 |
| Real estate | 63,995,945 | 6,395,945 | 48,263 | 21,984 |
| Venture capital | 154,633,808 | 162,649,665 | 121,293,245 | 104,698,636 |
| Investments held by master custodian under securities loans | 169,007,101 | 23,300,552 | 304,291,167 | 102,781,197 |
| Securities received from securities lending | 301,849,456 | 98,883,996 | 301,849,456 | 98,883,996 |
| | $ 3,436,151,851 | $ 3,148,383,394 | $ 4,031,486,941 | $ 3,649,017,466 |

The Fund's investments are subject to certain types of risks, including interest rate risk, credit risk, custodial credit risk, and foreign currency risk. The following describes those risks:

*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. The Fund engages fixed-income investment managers to actively monitor the debt securities to limit the fair value losses arising from rising interest rates.

*Credit Risk* – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Fund's investment policy limits its investments in corporate bonds to those that are rated Baa or better by nationally recognized rating agencies.

*Custodial Credit Risk* – 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 investment or collateral securities that are in the possession of an outside party. The Fund's master custodian holds all investments of the Fund in the Fund's name.

*Concentration of Credit Risk* – The Fund's investment policy limits the aggregate amount that can be invested in each asset class. Domestic equity, international equity, fixed income, private equity and short-term investments are limited to 49%, 15%, 32%, 3% and 1% of the market value of the aggregate portfolio, respectively.

The Fund has no significant investments in any organization that represent 5% or more of net assets held in trust for pension benefits.

*Foreign Currency Risk* – This is the risk that changes in exchange rates will adversely affect the fair value of an investment. International equity securities purchased by the Fund meet exchange listing requirements and all foreign equities held by the Fund are denominated in U.S. dollars.

**Derivatives** –

The Fund did not invest in derivative instruments during 2004 and 2003.

(c) **Securities Lending Program**

State statutes and Board of Trustees policies permit the Fund to lend 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 of 102 percent for U.S. and international securities. Securities lent at year-end for cash collateral are presented as not categorized in the preceding schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral. At year-end, the Fund has no credit risk exposure to borrowers because the amounts the Fund owes the borrowers exceed the amounts the borrowers owe the Fund. 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 118 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 30 days. 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, 2004 and 2003 are as follows:

| | 2004 | 2003 |
|---|---|---|
| Market value of securities loaned | $ 304,291,167 | $ 102,781,197 |
| Market value of cash collateral from borrowers | 301,849,456 | 98,883,996 |
| Market value of non-cash collateral from borrowers | 11,618,285 | 7,747,237 |

4. **Contributions:**

The Fund's funding policy provides for an employer contribution which when added to the amounts contributed by the employees will be sufficient for the requirements of the Fund. This amount cannot be 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 of employer contribution multiplied by 2.00.

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 payroll.

5. **Reserves:**

The Fund maintains several reserves as required by the Illinois Pension Code and Board policy. The following are brief descriptions of the reserves.

(a) **City Contribution Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 1,966,415,626 | $ 1,749,994,721 |

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 unfunded liability as calculated by the actuary was $3,101,240,132 in 2004 and $2,541,737,660 in 2003.

(b) **Salary Deduction Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 902,064,874 | $ 890,657,436 |

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.

(c) **Annuity Payment Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 735,842,925 | $ 720,177,111 |

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.

(d) **Prior Service Annuity Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 536,233,580 | $ 556,245,712 |

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.

(e) **Gift Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 11,365,128 | $ 11,111,127 |

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.

(f) **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.

(g) **Ordinary Death Benefit Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ (7,431,982) | $ (5,866,838) |

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 has a deficit of $7,431,982 and $5,866,838 at December 31, 2004 and 2003, respectively.

(h) **Automatic Increase Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ (279,088,296) | $ (229,383,696) |

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, 2004 and 2003, the Automatic Increase Reserve has a deficit of $279,088,296 and $229,383,696, respectively.

(i) **Supplementary Payment Reserve**

| | 2004 | 2003 |
|---|---|---|
| Balances at December 31 | $ 407,402 | $ 347,401 |

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.

(j) **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.

(k) **Duty Disability Reserve**

The Duty Disability Reserve is increased by the City's contributions for duty disability benefits, child's disability benefit and compensation annuity; and decreased by the payments of these benefits.

(l) **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.

(m) **Hospitalization Fund Reserve**

The City offers group health benefits to annuitants and their eligible dependents through the City's health care plans. Premiums are set by the City with the City pays 50% of the claims or premiums, whichever are applicable, and the remaining amount to be paid by all annuitants participating in the plans. Currently, the Fund pays to 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 $75 per month before July 1, 2003, $85 per month from July 1, 2003 through June 30, 2008 and $95 per month from July 1, 2008 through June 30, 2013 for each annuitant who is not qualified to receive Medicare benefits; and up to a maximum of $45 per month before July 1, 2003, $55 per month from July 1, 2003 through June 30, 2008, and $65 per month from July 1, 2008 through June 30, 2013 for each annuitant who is qualified to receive Medicare benefits.

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.

(n) **Expense Reserve**

Amounts contributed toward the cost of administration are credited to the Expense Reserve while expenses of administration are charged to this reserve.

6. **<u>Deferred Compensation Plan</u>:**

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.

7. **<u>Lease Agreement</u>:**

The Fund leases its office facilities under a noncancellable agreement. The lease expired at the end of 2000 and was renewed for five years until 2005. Office rental expense amounted to $134,322 and $125,055 for the years ended December 31, 2004 and 2003, respectively.

8. **<u>Risk Management</u>:**

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 reduction 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.

9. **<u>Loss Contingency</u>:**

The case of Robert F. Miller v. The Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago had reached a settlement in December 2003. The settlement agreement was approved by the court in March 2004. Pursuant to the terms of the settlement agreement, the Fund accrued $585,000 in attorney fees at December 31, 2003. The Fund charged the lump sum award to annuitants of $834,200 and special damages to officers or widows of $65,000 to expenses in 2004.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEARS ENDED DECEMBER 31, 2004 AND 2003

| 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) |
|---|---|---|---|---|---|---|
| 12/31/99 | $ 3,685,681,671 | $ 5,394,872,218 | $ 1,709,190,547 | 68.32% | $ 755,303,667 | 226.29% |
| 12/31/00 | 4,019,467,561 | 5,652,030,658 | 1,632,563,097 | 71.12 | 759,343,026 | 215.00 |
| 12/31/01 | 4,183,796,025 | 5,932,510,629 | 1,748,714,604 | 70.52 | 763,352,475 | 229.08 |
| 12/31/02 | 4,124,579,960 | 6,384,845,959 | 2,260,265,999 | 64.60 | 866,531,789 | 260.84 |
| 12/31/03 | 4,039,695,590 | 6,581,433,250 | 2,541,737,660 | 61.38 | 887,555,791 | 286.37 |
| 12/31/04 | 3,933,031,342 | 7,034,271,474 | 3,101,240,132 | 55.91 | 874,301,958 | 354.71 |

See notes to required supplementary information.

## POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## YEARS ENDED DECEMBER 31, 2004 AND 2003

| Year Ended December 31 | Contributions Annual Required | Employee | Employer | Percentage Contributed |
|---|---|---|---|---|
| 1999 | $ 133,535,979 | $ 70,185,289 | $ 125,101,971 | 93.68% |
| 2000 | 125,129,864 | 71,261,412 | 139,423,739 | 111.42 |
| 2001 | 123,201,657 | 71,146,651 | 139,411,046 | 113.16 |
| 2002 | 130,237,405 | 79,238,513 | 141,935,213 | 108.98 |
| 2003 | 181,545,562 | 79,816,332 | 140,734,767 | 77.52 |
| 2004 | 203,757,534 | 78,800,816 | 135,819,486 | 66.66 |

See notes to required supplementary information.

# POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

## YEARS ENDED DECEMBER 31, 2004 AND 2003

| | |
|---|---|
| Valuation date | December 31, 2004 |
| Actuarial cost method | Entry age |
| Amortization method | Level percent open |
| Remaining amortization period | 40 years |
| Actuarial value of assets | 5-year smoothed market |
| Post-retirement increase: | |
| A retiree born before January 1, 1950 with at least 20 years of service, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later. | 3% |
| For retirees born after January 1, 1950, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%. | 1.5% |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases | 4.0% per year, plus additional percentage related to service |
| Rate of Inflation | 3.3% |

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| **Administrative Expenses:** | | |
| Personal services | $ 1,567,001 | $ 1,366,038 |
| Supplies | 8,605 | 9,493 |
| Professional services* | 8,525,349 | 10,340,982 |
| Fiduciary insurance | 98,357 | 90,464 |
| Occupancy and utilities | 139,345 | 130,969 |
| Postage | 3,000 | 8,000 |
| Equipment service and rent | 45,877 | 47,964 |
| Benefit disbursements | 181,546 | 171,757 |
| Miscellaneous | 196,859 | 224,303 |
| | $ 10,765,939 | $ 12,389,970 |

*-includes investment management fees which are charged against investment income.

See accompanying independent auditors' report.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CONSULTING COSTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| **Payment to Consultants:** | | |
| External auditors | $ 31,530 | $ 40,110 |
| Medical consultant | 84,365 | 73,903 |
| Legal services | 181,649 | 896,240 |
| Actuary service | 87,923 | 106,904 |
| Investment manager fees | 7,507,995 | 8,675,342 |
| Master trustee fees | 389,383 | 347,797 |
| Consulting fees | 242,504 | 200,686 |
| | $ 8,525,349 | $ 10,340,982 |

See accompanying independent auditors' report.

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# Investment Section

## Investment Authority

**Investments.** Since December 16, 1987, the Policemen's Annuity & Benefit Fund of Chicago has operated in accordance with Public Act 85-964, which is the Prudent-Person rule for the Police Fund's investments. The Prudent-Person rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the prevailing conditions. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.)

**Investment Policy.** In 1983, the Trustees undertook a restructuring of the Fund's investment policy to improve the Fund's investment diversification. The revised policy allows for investment in additional asset classes (e.g., international stocks and bonds, real estate and private equity investments). As a result of the policy change, the Fund was restructured. The Trustees allocated monies among the new asset classes and added several new investment managers. The Trustees also allocated monies to passive investments (index funds), which provide a low-cost means of achieving market-like returns.

**Distinction of Responsibilities.** In order to clarify the roles and responsibilities of the Trustees and the various investment professionals engaged by the Trustees, the Trustees divided the responsibilities for the Fund as follows:

> The Trustees assume the responsibility for establishing the investment policy that is to guide the investment of the Fund. The investment policy describes the degree of investment risk that the Trustees deem appropriate.
>
> Investment managers are appointed to execute the policy and invest pension assets in accordance with the policy and applicable statutes, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual investments, (2) make periodic adjustments to the proportions of equity and fixed-income investments, and (3) diversify pension assets.

**Allocation of Assets.** As of December 31, 2004, the Fund's asset allocation targets were as follows:

| **Asset Category** | **Target Allocation** |
|---|---|
| Domestic Stocks | 45% |
| International Stocks | 15% |
| Private Equity | 5% |
| Total Equity | 65% |
| Fixed Income | 35% |
| **TOTAL** | 100% |

**Diversification.** The Fund's assets are diversified in several ways to minimize the potential for large losses in individual investments. Since 1984, the Trustees have expanded the number of asset classes available for investment to six (including large- and small-capitalization stocks) and have hired multiple managers. As of December 31, 2004, the Fund retained 21 investment managers for a total of 25 different accounts. During the year, three new bond managers were hired. In addition, four new U.S. equity managers were hired. The new equity managers replaced the NTGI S&P 400 MidCap Index Fund, which was liquidated by year-end.

**Investment Objective.** The return of the Total Fund is compared with the return of a "policy portfolio" comprising 50% of the Wilshire 5000 Stock Index, 15% of the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. Index and 35% of the Lehman Brothers Aggregate Bond Index. The investment objective is to equal or exceed the policy portfolio rate of return after fees. The Total Fund's return is also compared with a universe of other public funds.

**2004 Asset Allocation.** As of December 31, 2004, the Fund's allocation to non-U.S. stocks was slightly above the allowable upper limit (17.6% of assets vs. 17%) while the allocation to fixed income was slightly below the lower limit (31.1% of assets versus 32%). The Fund was also overweighted to U.S. equity; however, the allocation was within the allowable range. Due to the strong equity markets during 2004, the market value of the Fund's invested assets increased by approximately $170 million to $3.7 billion at year-end 2004. The Fund's asset allocation as of December 31, 2004 is shown in the table on the following page.

## *Market Value & Asset Allocation*

At December 31, 2004
($ in thousands)

| | *Domestic Stock* | *International Stock* | *Private Equity* | *Fixed Income* | *Cash Equiv.* | *Real Estate* | *Total* | *% of Total* |
|---|---|---|---|---|---|---|---|---|
| ***Stock Accounts*** | | | | | | | | |
| Great Lakes Advisors | $215,903 | - | - | - | $13,781 | - | $229,684 | 6.2% |
| Montag & Caldwell | 172,516 | - | - | - | 5,519 | - | 178,035 | 4.8 |
| NT U.S. MarketCap Fund | 777,145 | - | - | - | - | - | 777,145 | 20.9 |
| UBS Global Asset Management - U.S. | 223,677 | - | - | - | - | - | 223,677 | 6.0 |
| William Blair | 92,086 | - | - | - | 2,293 | - | 94,379 | 2.5 |
| Chicago Equity Partners | 111,109 | - | - | - | 111 | - | 111,220 | 3.0 |
| BNY Asset Management | 94,559 | - | - | - | - | - | 94,559 | 2.5 |
| Harris Investments | 67,006 | - | - | - | - | - | 67,006 | 1.8 |
| Transition Account | 176 | - | - | - | - | - | 176 | 0.0 |
| Capital Guardian | - | $197,710 | - | - | 4,035 | - | 201,745 | 5.4 |
| Driehaus Capital Management | - | 71,227 | - | - | 3,591 | - | 74,818 | 2.0 |
| T. Rowe Price International | - | 167,897 | - | - | 6,451 | - | 174,348 | 4.7 |
| UBS Global Asset Management – Int'l | - | 203,389 | - | - | - | - | 203,389 | 5.5 |
| ***Fixed-Income Accounts*** | | | | | | | | |
| Dearborn (Baird) | - | - | - | $48,934 | 1,880 | - | $50,814 | 1.4 |
| Holland Capital Management | - | - | - | 37,645 | 535 | - | 38,180 | 1.0 |
| NT Aggregate Bond Index Fund | - | - | - | 447,012 | - | - | 447,012 | 12.0 |
| UBS Global Asset Management – Bond | - | - | - | 391,484 | - | - | 391,484 | 10.5 |
| Wells | - | - | - | 126,332 | 1,276 | - | 127,608 | 3.4 |
| Wellington | - | - | - | 99,924 | - | - | 99,924 | 2.7 |
| ***Real Estate Accounts*** | | | | | | | | |
| Heitman Capital Management | - | - | - | - | - | $48 | $48 | 0.0% |
| ***Private Equity*** | | | | | | | | |
| Adams Street - Venture Capital | - | - | $57,204 | - | - | - | $57,204 | 1.4% |
| Harbourvest Partners | - | - | 64,107 | - | - | - | 64,107 | 1.7 |
| Invesco Private Capital | - | - | 3,129 | - | - | - | 3,129 | 0.1 |
| Zell/Chillmark | - | - | 97 | - | - | - | 97 | 0.0 |
| Chancellor | - | - | 1,874 | - | - | - | 1,874 | 0.1 |
| ***Cash Accounts*** | | | | | | | | |
| Cash and Equivalents | - | - | - | - | $3,749 | - | $3,749 | 0.1% |
| ***Total*** | ***$1,754,177*** | ***$640,223*** | ***$126,411*** | ***$1,151,331*** | ***$43,221*** | ***$48*** | ***$3,715,411*** | ***100%*** |
| ***Percent of Total*** | ***47.2%*** | ***17.2%*** | ***3.4%*** | ***31.0%*** | ***1.2%*** | ***0.0%*** | ***100%*** | |
| ***Policy*** | ***45*** | ***15*** | ***5*** | ***35*** | ***0*** | ***0*** | ***100*** | |
| ***Percent Passively Managed*** | ***44*** | ***0*** | ***0*** | ***39*** | ***0*** | ***0*** | | |

## Summary of 2004 Investment Activity

**Investment Manager Changes.** Several changes were made to the investment manager line-up during the year. Three new bond managers were hired; Dearborn/Baird, Wells, and Wellington. Four new U.S. equity managers were also hired; William Blair (mid cap growth), Chicago Equity Partners (mid cap core), Bank of New York Asset Management (small cap growth), and Harris Investments (small cap core). The S&P 400 MidCap Index Fund managed by Northern Trust, which was originally funded as a temporary account until new managers were hired, was liquidated during the year. During 2004 the Fund's private equity investments remained below the full 5% allocation target. In early 2004, the Board of Trustees approved committing an additional $100 million to the private equity managers. These assets will be drawn down by the managers in the next few years as investment opportunities become available. The Fund's real estate investments continued to wind down – representing less than 1% of Fund assets at year end.

**Market Environment.** The year ended with a strong fourth quarter equity market rally. Many of the macroeconomic uncertainties that shadowed the markets during much of the year abated and equity markets were propelled higher both domestically and abroad. The U.S. economy expanded at a healthy 4.0% rate in 2004. Stronger-than-expected GDP growth was led by continued strength in consumer spending, strong corporate profits, and increased corporate investment.

The broad U.S. equity market rose sharply during the fourth quarter due to declining energy prices and a quick resolution to the U.S. presidential election. The DJ Wilshire 5000 Index rallied 10.2% in the fourth quarter, bringing the total return for 2004 to 12.5% with all major market sectors earning positive results. On a size and style basis, smaller-cap stocks outpaced larger-cap stocks, while value stocks outperformed growth stocks. Value stocks, and small value in particular, continued to benefit from strong gains in transportation, real estate investment trusts (REITs), and utilities. Additionally, 2004 closed the sixth consecutive year that small-cap stocks outperformed large-cap stocks. Within sectors, technology stocks surged late in the year but lagged for the one-year period. Energy was the best performing sector for the year.

Gains were even more impressive in the overseas markets as recovering economies in Japan and Europe, combined with the falling U.S. dollar, boosted returns. During the quarter, the U.S. dollar hit a decade-long low of $1.94 to the British pound and $1.35 to the Euro. Non-U.S. developed market stocks advanced over 15% in the fourth quarter, while emerging market stocks advanced over 17% for the period. For 2004, non-U.S. developed markets stocks returned over 20% while emerging markets stocks returned over 25%.

In the summer of 2004, the Federal Reserve began raising the federal funds rate from a forty-year low of 1.0 to 2.25 percent by the end of 2004. Despite the Federal Reserve's ongoing tightening efforts, the U.S. bond market was able to sustain positive performance in 2004. The Lehman Brothers Aggregate Bond Index returned 1.0% during the fourth quarter, and ended the year with a 4.3% return. Within the Index, lower-quality bonds outpaced higher-quality issues. High-yield and emerging market debt, which are not included in the Aggregate Bond Index, each advanced more than 10% for the year.

**Total Fund Performance.** For the year 2004, the Total Fund generated an 11.0% return. The Total Fund's return is compared to its policy benchmark, which earned a 10.9% return, and the 12.0% return of the average public fund. Over the five-year period, the Fund's performance has outperformed the policy portfolio and the average public fund. For the trailing ten-year period, the Fund's return of 10.2% slightly outperformed the 10.1% return of the policy portfolio.

**Asset Class Performance.** The equity components of the Fund produced strong absolute returns in accordance with the market rally during the year. The domestic stock component advanced 13.2%. The Fund further benefited from its diversification into overseas markets, as in general international stocks outperformed their U.S. counterparts. The international stock component of the Fund gained 15.7% during 2004. Each of the international managers posted one-year returns of 13% or higher. The bond component posted a positive return of 4.4% and outperformed the Bond Index.

**Longer-Term Performance.** The table on the following page details the annual returns earned by the Fund over the past five calendar years, as well as the cumulative annualized results for periods ending December 31, 2004. Also shown are the returns of the Fund's aggregate investments in each of the major asset classes, as well as those of the performance benchmarks.

***ANNUAL INVESTMENT RETURNS*[1] *(calculations were repaired using a time-weighted rate of return based on the market rate of return)***

| | 2000 | 2001 | 2002 | 2003 | 2004 | *Cumulative Annualized Returns* 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| **Total Fund** | | | | | | | | |
| Police Fund | 1.3% | -4.4% | -9.3% | 21.2% | 11.0% | 6.7% | 3.8% | 10.2% |
| Policy Portfolio[2] | -3.9 | -5.1 | -9.2 | 23.1 | 10.9 | 7.3 | 2.3 | 10.1 |
| Russell/Mellon Public Fund Index | -0.1 | -4.5 | -9.4 | 22.9 | 12.0 | 7.7 | 3.7 | 10.1 |
| Inflation | 3.4 | 1.6 | 2.4 | 1.9 | 3.3 | 2.5 | 2.5 | 2.4 |
| **Domestic Stocks** | | | | | | | | |
| Police Fund | -4.9% | -6.0% | -20.4% | 30.8% | 13.2% | 5.6% | 1.2% | 12.3% |
| Wilshire 5000 Stock Index | -10.9 | -11.0 | -20.9 | 31.7 | 12.5 | 5.4 | -1.4 | 11.9 |
| Universe Median | -6.2 | -12.2 | -22.3 | 31.6 | 12.8 | 5.5 | 0.4 | 12.1 |
| **International Stocks** | | | | | | | | |
| Police Fund | -17.6% | -20.5% | -15.6% | 37.1% | 15.7% | 10.2% | -2.6% | 5.4% |
| Performance Benchmark[3] | -15.8 | -19.7 | -14.9 | 40.8 | 20.9 | 13.1 | -0.4 | 6.0 |
| Universe Median | -15.0 | -20.8 | -15.1 | 37.0 | 19.4 | 11.9 | -0.2 | 7.5 |
| **Fixed Income** | | | | | | | | |
| Police Fund | 10.7% | 8.0% | 9.7% | 4.5% | 4.4% | 6.2% | 7.4% | 7.5% |
| Lehman Bros. Aggregate Bond Index[4] | 11.6 | 8.4 | 10.3 | 4.1 | 4.3 | 6.2 | 7.7 | 7.7 |
| Universe Median | 10.0 | 7.3 | 8.2 | 5.3 | 4.8 | 6.5 | 7.7 | 7.7 |
| **Real Estate** | | | | | | | | |
| Police Fund[5] | 5.9% | 9.9% | -1.1% | N/A | N/A | N/A | N/A | N/A |
| EnnisKnupp Real Estate Index | 12.5 | 7.1 | 2.0 | N/A | N/A | N/A | N/A | N/A |
| **Asset Allocation** | | | | | | | | |
| Domestic Stocks | 48% | 47% | 46% | 46% | 48% | | | |
| International Stocks | 13 | 13 | 13 | 13 | 18 | | | |
| Private Equity | 5 | 4 | 3 | 3 | 3 | | | |
| Fixed Income | 34 | 36 | 38 | 38 | 31 | | | |
| Real Estate | <1 | <1 | <1 | <1 | <1 | | | |

*[1]Returns are reported net of investment management fees.*

*[2]As of December 31, 2000, the performance benchmark was composed of 50% of the Wilshire 5000 Stock Index, 15% of the Morgan Stanley Capital International (MSCI) All Country World ex-US Index, and 35% of the Lehman Brothers Aggregate Bond Index.*

*[3]As of October 1, 2000, the performance benchmark is the All Country World ex- U.S. Index. Before October of 2000, the benchmark was the MSCI EAFE-Free Index. Prior to 1993, a combination of the hedged and unhedged EAFE Index to reflect prior hedged and unhedged foreign equity investments.*

*[4]Prior to September 30, 1991, the benchmark was the Salomon Brothers Broad Investment-Grade Bond Index.*

*[5] As the Real Estate investments were in the final stages of liquidation during 2003, returns are not shown.*

List of Largest Assets Held

Largest Stock Holdings (By Fair Value)
December 31, 2004

| | Shares | Stock | Market Value |
|---|---|---|---|
| 1 | 183,300 | CONOCOPHILLIPS COM | $15,915,939 |
| 2 | 396,700 | GEN ELEC CO COM | 14,479,550 |
| 3 | 226,800 | AMER EXPRESS CO | 12,784,716 |
| 4 | 155,200 | 3M CO COM | 12,737,264 |
| 5 | 247,666 | CITIGROUP INC COM | 11,932,548 |
| 6 | 121,300 | CATERPILLAR INC COM | 11,827,963 |
| 7 | 158,000 | ALTRIA GROUP INC COM | 9,653,800 |
| 8 | 127,000 | TEXTRON INC COM | 9,372,600 |
| 9 | 190,700 | BURL NORTHN SANTA FE CORP COM | 9,022,017 |
| 10 | 173,100 | TARGET CORP COM | 8,989,083 |

Largest Bond Holdings (By Fair Value)
December 31, 2004

| | Par | Bonds | Market Value |
|---|---|---|---|
| 1 | 8,953,000 | US Treas Notes 2.75% | $8,875,709 |
| 2 | 6,761,000 | US Treas Bonds 6.25% | 7,915,387 |
| 3 | 5,878,000 | FHLMC 6.625% | 5,573,608 |
| 4 | 4,600,000 | US Treas Notes 4.375% | 4,727,756 |
| 5 | 3,895,801 | FNMA 30 Yr Pass-Throughs 6% | 4,018,752 |
| 6 | 3,769,288 | FHLMC Gold 5.5% | 3,855,152 |
| 7 | 3,855,000 | US Treas Notes 2.375% | 3,816,600 |
| 8 | 2,983,000 | US Treas Bonds 7.125% | 3,806,472 |
| 9 | 3,150,000 | US Treas Bonds 6.125% | 3,678,980 |
| 10 | 3,600,000 | US Treas Notes 3% | 3,577,781 |

Policemen's Annuity and Benefit Fund of Chicago
Schedule of Investment Management Fees
Years Ended December 31, 2004 and 2003

| **Manager Fees** | 2004 | 2003 |
|---|---|---|
| BNY Asset Management | $73,741 | $-0- |
| Capital Guardian Trust Co | 735,561 | 984,421 |
| Chicago Capital Management | -0- | 236,171 |
| Chicago Equity Partners | 42,249 | -0- |
| Dearborn Partners LLC | 74,351 | -0- |
| Driehaus Capital Management | 506,277 | 388,551 |
| Great Lakes Advisors | 542,887 | 425,459 |
| Holland Capital Management | 143,528 | 139,207 |
| Invesco | 344,609 | 13,508 |
| Montag & Caldwell | 599,045 | 527,530 |
| Northern Trust Global Investments - Index Funds | 358,347 | 203,170 |
| Strong Capital Management | (194,965) | 1,789,350 |
| T. Rowe Price International | 848,205 | 787,005 |
| UBS | 3,006,346 | 3,160,970 |
| Wells Capital Management | 187,110 | -0- |
| William Blair & Co | 242,504 | -0- |
| **Investment Consultant Fees** | | |
| Ennis Knupp & Associates | 240,705 | 220,686 |
| **Custodial Fees** | | |
| The Northern Trust company | 389,383 | 347,797 |
| **Total Investment Management Fees** | 8,139,883 | 9,223,825 |

**Schedule of Commissions** **By Manager & Broker**

Year End 12/31/2004

| Manager | Total # of Trades | Total Commissions | Total Shares |
|---|---|---|---|
| William Blair | 17 | 9,269 | 242,265 |
| Harris Investments | 254 | 18,529 | 517,120 |
| Chicago Equity Partners | 90 | 16,537 | 494,400 |
| BNY Asset Management | 168 | 21,166 | 604,750 |
| Great Lakes Advisors | 17 | 9,531 | 207,801 |
| Montag & Caldwell | 199 | 123,924 | 4,508,000 |
| Driehaus Capital Management | 6,819 | 1,405,562 | 1,226,779,908 |
| Capital Guardian Trust Co. | 2,370 | 117,660 | 15,530,690 |
| T Rowe Price | 924 | 212,328 | 531,523,447 |
| Transition Account | 3,633 | 122,549 | 16,598,190 |
| | 14,491 | 2,057,054 | 1,797,006,571 |

| Brokers(inc. foreign subsidiary) | Total # of Shares | Total Commissions |
|---|---|---|
| Union Bank of Switzerland | 425,296,370 | 241,062 |
| Merrill Lynch | 438,289,627 | 197,438 |
| Deutsche Bank | 34,189,997 | 155,317 |
| Hongkong Shanghai Bkg Corp | 64,233,868 | 88,154 |
| Credit Suisse First Boston | 85,312,130 | 85,065 |
| JP Morgan Securities Inc | 11,557,842 | 83,192 |
| ABN Amro | 7,312,699 | 71,550 |
| State Street Brokerage | 7,135,658 | 71,247 |
| Gardner Rich & Co | 4,061,419 | 61,120 |
| D Kleinwort Wasserstei | 3,098,587 | 57,210 |
| Macquaire Securities | 7,264,674 | 56,059 |
| Bear Stearns | 12,213,034 | 43,606 |
| Citigroup | 2,186,725 | 43,379 |
| Morgan Stanley | 36,097,810 | 41,320 |
| Williams Capital | 4,146,324 | 35,656 |
| BNP Paribas | 9,986,795 | 31,395 |
| Credit Lyonnais | 4,239,508 | 27,396 |
| Oddo Paris | 982,101 | 26,601 |
| Cheuvreux De Virieu Paris | 325,802 | 26,577 |
| B Trade Services | 1,066,700 | 23,401 |
| Samsung Securities | 215,919 | 23,324 |
| Loop Capital | 704,700 | 22,875 |
| SBC Warburg | 1,481,697 | 21,544 |
| Scotia McLeod New York | 563,618 | 20,961 |
| Hyundai Secs | 438,125 | 20,881 |
| W Carr & Sons | 539,434 | 19,916 |
| Goldman Sachs | 4,144,715 | 19,408 |
| Schwab, Charles | 631,400 | 18,942 |
| DBS Vickers | 3,663,000 | 18,066 |
| RBC Dominion | 467,227 | 18,045 |
| KBC Financial Products | 435,495 | 18,010 |
| Enskilda | 747,124 | 17,680 |

**Schedule of Commissions (continued)**

| Year End 12/31/2004<br>Broker (inc. foreign subsidiary) | Total<br># of<br>Trades | Total<br>Commissions | Total<br>Shares |
|---|---|---|---|
| Kempen & Co | | 486,230 | 17,670 |
| Daiwa Secs | | 1,780,480 | 17,626 |
| National Financial Services | | 1,561,850 | 15,619 |
| Lehman Brothers | | 794,649 | 15,577 |
| Nomura Securities | | 1,066,964 | 13,751 |
| Instinet | | 492,060 | 12,567 |
| Neuberger Company | | 4,880,075 | 12,345 |
| Bank of Montreal | | 266,070 | 11,993 |
| Svenska Handelsbank NY | | 396,532 | 9,771 |
| Investment Technology Group | | 474,970 | 9,622 |
| Themis Trading | | 318,900 | 9,567 |
| Carnigie Oslo | | 392,672 | 9,372 |
| Vickers Ballas | | 33,081,500 | 7,646 |
| Brokers < than $7,000.00<br>in commissions | | 577,983,495 | 187,530 |
| Totals | | 1,797,006,571 | 2,057,054 |

**INVESTMENT SUMMARY**

**2004**

| TYPE | FAIR VALUE | DATE | PERCENT OF TOTAL FAIR VALUE |
|---|---|---|---|
| Fixed Income: | | | |
| Government bonds | $584,399,425 | 12/31/2004 | 15.71% |
| Corporate Bonds | 82,172,931 | 12/31/2004 | 2.21% |
| Convertible Bonds | 1,685,860 | 12/31/2004 | 0.05% |
| Total Bonds | 668,258,216 | | |
| Preferred Stock | 2,375,028 | 12/31/2004 | 0.06% |
| Pooled bond index fund | 447,011,775 | 12/31/2004 | 12.02% |
| Total Fixed Income | 1,117,645,019 | | |
| | | | |
| Common Stock: | | | |
| Domestic Equity | 1,004,977,402 | 12/31/2004 | 27.01% |
| Foreign Equity | 640,243,224 | 12/31/2004 | 17.21% |
| | | | |
| Stock index fund | 777,145,131 | 12/31/2004 | 20.89% |
| Total Equity | 2,422,365,757 | | |
| | | | |
| Real Estate | 48,263 | 12/31/2004 | 0.00% |
| Venture Capital | 121,293,245 | 12/31/2004 | 3.26% |
| Total Other | 121,341,508 | | |
| | | | |
| Commercial Paper | - | | 0.00% |
| Short term funds & cash | 58,936,971 | 12/31/2004 | 1.58% |
| | | | |
| Total Fair Value of Assets | $3,720,289,255 | | 100.00% |

# Actuarial Section

GABRIEL, ROEDER, SMITH & COMPANY
CONSULTANTS & ACTUARIES

20 North Clark Street • Suite 1100 • Chicago, IL 60602•312-456-9800 • Fax 312-456-9801

April 19, 2005

Board of Trustees
Policemen's Annuity and Benefit Fund
City of Chicago
221 North LaSalle Street, Suite 1626
Chicago, IL 60601

**Subject: Actuarial Valuation Report for the Year Ending December 31, 2004**

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Policemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2004. This valuation has been performed to measure the funding status of the Fund and determine the contribution levels for 2005. In addition, it includes disclosure information required under GASB Statement No. 25 and Statement No. 27. These actuarial valuations of the Fund are performed annually.

We have prepared the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Summary of Actuarial Valuation Methods and Assumptions
- Schedule of Active Member Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Development of Annual Required Contributions under GASB Statement No. 25
- Development of Actuarial Gains and Losses
- Summary of Basic Actuarial Values

We have also provided the following schedules for the following trend data schedules in the financial section of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

# ACTUARIAL METHODS AND ASSUMPTIONS
# AS OF DECEMBER 31, 2004

Policemen's Annuity and Benefit Fund
Page 2

This valuation is based upon:

**Data relative to the members of the Fund —** Data for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness.

**Asset Values —** The value of assets of the Fund was provided by the Fund's staff. Book values of assets are used to develop actuarial results for the state reporting basis. Actuarial value of assets are used for financial reporting under GASB Statement No. 25 and Statement No. 27.

**Actuarial Method —** The actuarial method utilized by the Fund is the Entry-Age Actuarial Cost Method. The objective of this method is to amortize the costs of Fund benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

**Actuarial Assumptions —** The actuarial assumptions have remained the same since last year. The assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be twice the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 2:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that a ratio of 5.0:1 is needed to adequately finance the Fund.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provision of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct.

Respectfully yours,

Michael R. Kivi, FSA
Senior Consultant

Alex Rivera, ASA
Senior Consultant

MK: ar

# ACTUARIAL METHODS AND ASSUMPTIONS AS OF DECEMBER 31, 2004

## ACTUARIAL ASSUMPTIONS & METHODS

### I. ACTUARIAL COST METHOD

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The Actuarial Cost Method used in this valuation for all purposes is the Entry Age Actuarial Cost Method.

Under the Entry Age Normal Actuarial Cost Method, each participant's benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total "Normal Cost" is the sum of the current year's annual installments determined for all active participants. The "Actuarial Accrued Liability" is the excess of the value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a fixed period of time (e.g. 40 years) from the date incurred. At a minimum, interest on UAAL should be funded. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL. The Minimum Actuarially Determined Contribution contains only an interest payment on the UAAL.

### II. CURRENT ACTUARIAL ASSUMPTIONS

The current actuarial assumptions were adopted and became effective December 31, 2003 and were based on an experience study for the period January 1, 1998 to December 31, 2002.

***A. Demographic Assumptions***

Mortality: 1983 Group Annuity Mortality Table.

Disabled Mortality: 1992 Railroad Retirement Board Disability Mortality Table.

Rate of Disability: Rates at which members are assumed to become disabled under the provisions of the Fund. Sample rates assumed are as follows:

| Attained Age | Rate |
|---|---|
| 22 | .0005 |
| 27 | .0096 |
| 32 | .0023 |
| 37 | .0025 |
| 42 | .0025 |
| 47 | .0045 |
| 52 | .0060 |
| 57 | .0075 |
| 62 | .0075 |

The distribution of disability types is assumed to be as follows:

| | |
|---|---|
| Duty Disability | 35% |
| Occupational Disease Disability | 35% |
| Ordinary Disability | 30% |

Rate of Retirement: Rates at which members are assumed to retire under the provisions of the Fund. The rates assumed are as follows:

| **Attained Age** | **Rate** |
|---|---|
| 49 | .040 |
| 50 | .120 |
| 51 | .120 |
| 52 | .120 |
| 53 | .120 |
| 54 | .160 |
| 55 | .160 |
| 56 | .160 |
| 57 | .160 |
| 58 | .160 |
| 59 | .160 |
| 60 | .250 |
| 61 | .250 |
| 62 | .400 |
| 63 | 1.000 |

Turnover Rates: The following sample rates exemplify the table:

| **Years of Service** | **Rate** |
|---|---|
| 0 | .040 |
| 1 | .020 |
| 5-9 | .012 |
| 10+ | .008 |

***B. Economic Assumptions***

Investment Return Rate: 8.00% per annum.

Future Salary Increases: Assumed rates of individual salary increase at 4.0% per year, plus an additional percentage based on the following service scale:

| Service | Scale |
|---|---|
| 0 | 0.1700 |
| 1 | 0.0600 |
| 2 | 0.0500 |
| 3 | 0.0500 |
| 4 | 0.0500 |
| 5-9 | 0.0000 |
| 10 | 0.0350 |
| 11-14 | 0.0000 |
| 15 | 0.0350 |
| 16-19 | 0.0000 |
| 20 | 0.0350 |
| 21-24 | 0.0000 |
| 25 | 0.0350 |
| 26-29 | 0.0000 |
| 30 | 0.0250 |
| Over 30 | 0.0000 |

Asset Value: For State reporting, bonds are at amortized value and stocks are at cost.

For GASB #25 and #27, the actuarial value of assets is smoothed by recognizing each year's difference between actual and expected investment return at the rate of 20 percent per year over a five-year period.

### *C. Other Assumptions*

Marital Status: It is assumed that 85% of members have an eligible spouse. The male spouse is assumed to be three years older than the female spouse. No assumption is made about other dependents.

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance from July 1, 2003 until June 30, 2008 is $85.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and $55.00 if qualified. After June 30, 2008, the amounts will be $95.00 and $65.00, respectively. It is assumed that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future widows of retirees are assumed to be eligible for Medicare, as well as widow annuitants that are currently receiving a health insurance supplement.

Required Ultimate Multiple: The actuarially determined contribution (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.

Loss in Tax Levy: 4% overall loss on tax levy is assumed.

# History of Average Annual Salaries

| Year End | Members in Service | Increase | Current Year Salary | Increase | Average Salary | Increase | Actuarial Assumptions | CPI Chicago |
|---|---|---|---|---|---|---|---|---|
| 1968 | $12,427 | 6.8 | $108,057,504 | 11.2 | $8,895 | 6.5 | 3.50 | 4.3 |
| 1969 | 12,595 | 1.4 | 136,846,000 | 26.6 | 10,865 | 22.1 | 3.50 | 5.4 |
| 1970 | 12,948 | 2.8 | 160,682,780 | 17.4 | 12,410 | 4.2 | 3.50 | 5.6 |
| 1971 | 13,296 | 2.7 | 178,077,405 | 10.8 | 13,393 | 7.9 | 5.00 | 3.9 |
| 1972 | 13,318 | 0.2 | 185,841,384 | 4.4 | 13,954 | 4.2 | 5.00 | 2.9 |
| 1973 | 13,692 | 2.8 | 196,404,600 | 5.7 | 14,344 | 2.8 | 5.00 | 6.2 |
| 1974 | 13,291 | (2.9) | 205,212,984 | 4.5 | 15,440 | 7.6 | 5.00 | 10.7 |
| 1975 | 13,163 | (1.0) | 226,348,320 | 10.3 | 17,196 | 11.4 | 5.00 | 7.9 |
| 1976 | 13,353 | 1.4 | 244,004,592 | 7.8 | 18,273 | 6.3 | 5.00 | 4.8 |
| 1977 | 13,446 | 0.7 | 259,475,784 | 6.3 | 19,298 | 5.6 | 5.00 | 6.4 |
| 1978 | 13,107 | (2.5) | 270,132,744 | 4.1 | 20,610 | 6.8 | 5.00 | 8.6 |
| 1979 | 12,635 | (3.6) | 277,077,160 | 2.5 | 21,924 | 6.4 | 5.00 | 12.5 |
| 1980 | 12,587 | (0.4) | 292,438,368 | 5.5 | 23,233 | 6.0 | 5.00 | 14.4 |
| 1981 | 12,465 | (1.0) | 310,153,128 | 6.1 | 24,882 | 7.1 | 5.00 | 9.6 |
| 1982 | 12,810 | 2.8 | 348,850,944 | 12.5 | 27,233 | 9.4 | 6.00 | 6.8 |
| 1983 | 12,557 | (2.0) | 381,553,344 | 9.4 | 30,386 | 11.6 | 6.00 | 4.0 |
| 1984 [1] | 12,110 | (3.6) | 379,686,648 | (2.8) | 30,610 | 0.7 | 6.00 | 3.8 |
| 1985 | 12,096 | (0.1) | 395,295,432 | 6.6 | 32,680 | 6.8 | 6.00 | 3.8 |
| 1986 | 12,578 | 4.0 | 431,883,240 | 9.3 | 34,336 | 5.1 | 6.00 | 2.0 |
| 1987 | 12,602 | 0.2 | 443,122,728 | 2.6 | 35,163 | 2.4 | 6.00 | 4.1 |
| 1988 [2] | 12,495 | (0.8) | 443,669,520 | 0.1 | 35,508 | 1.0 | 6.00 | 3.9 |
| 1989 | 12,060 | (3.5) | 437,121,504 | (1.5) | 36,246 | 2.1 | 6.00 | 5.1 |
| 1990 | 12,039 | (0.2) | 471,544,173 | 7.9 | 39,168 | 8.1 | 6.00 | 5.5 |
| 1991 | 12,513 | 3.9 | 520,015,930 | 10.3 | 41,558 | 6.1 | 6.00 | 3.0 |
| 1992 | 12,570 | 0.5 | 538,404,098 | 3.5 | 42,832 | 3.1 | 5.80 | 3.3 |
| 1993 | 12,591 | 0.2 | 561,156,282 | 4.2 | 44,568 | 4.1 | 5.80 | 2.3 |
| 1994 | 13,095 | 4.0 | 599,073,276 | 6.8 | 45,748 | 2.6 | 5.80 | 2.9 |
| 1995 | 13,437 | 2.6 | 622,413,737 | 3.9 | 46,321 | 1.3 | 5.80 | 2.2 |
| 1996 | 13,475 | 0.3 | 654,149,310 | 5.1 | 48,545 | 4.8 | 5.80 | 3.8 |
| 1997 | 13,435 | (0.3) | 675,515,532 | 3.7 | 50,280 | 3.6 | 5.80 | 1.7 |
| 1998 [3] | 13,586 | 1.1 | 736,401,756 | 9.0 | 54,203 | 7.8 | 5.50 | 1.5 |
| 1999 | 13,829 | 1.8 | 755,303,667 | 2.6 | 54,617 | 0.8 | 5.50 | 2.6 |
| 2000 | 13,858 | 0.2 | 759,343,026 | 0.5 | 54,795 | 0.3 | 5.50 | 4.0 |
| 2001 | 13,889 | 0.2 | 763,352,475 | 0.5 | 54,961 | 0.3 | 5.50 | 0.8 |
| 2002 | 13,720 | (1.2) | 866,531,789 | 13.5 | 63,158 | 14.9 | 5.50 | 2.5 |
| 2003 | 13,746 | 0.2 | 887,555,791 | 2.4 | 64,568 | 2.2 | 5.50 | 1.7 |
| 2004 | 13,569 | (1.3) | 874,301,958 | (1.5) | 64,434 | (0.2) | 5.50 [4] | 2.2 |
| **Average Increase (Decrease) for the last 5 years:** | | **(0.4)%** | | **3.1 %** | | **3.5 %** | | **2.2 %** |

1 Members in service does not include those age 63 and over who are still working.
2 Figures do not include retroactive raise.
3 Pay definition changed to include duty availability pay. Of the $874,301,958 current year salary, $32,983,251 is duty availability pay.
4 See Appendix 4 for a complete description of the current assumptions.

# SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS
# FOR FISCAL YEAR ENDING DECEMBER 31, 2004

| | Male | Female | Total |
|---|---|---|---|
| Number of Participants at Beginning of Fiscal | 10,577 | 3,169 | 13,746 |
| Increases: | | | |
| Participants Added During Year | 357 | 142 | 499 |
| Participants Returning From Inactive or Disability | 15 | 5 | 20 |
| Totals | 10,949 | 3,316 | 14,265 |
| Decreases: | | | |
| Terminations During | 588 | 108 | 696 |
| Number of Participants at End of Fiscal Year | 10,361 | 3,208 | 13,569 |
| Total Inactive Participants | | | 501 |
| Terminations: | | | |
| Withdrawal (With Refunds)[1] | 26 | 13 | 39 |
| Withdrawal (Without Refunds) | 39 | 14 | 53 |
| Ordinary Disability | 17 | 17 | 34 |
| Occupational Disease Disability | 5 | 0 | 5 |
| Duty Disability | 9 | 5 | 14 |
| Retirements | 465 | 57 | 522 |
| Deaths (Occupational) | 1 | 0 | 1 |
| Deaths (Non-occupational) | 26 | 2 | 28 |
| **Totals** | **588** | **108** | **696** |

[1] This total differs from the total of 69 shown in Exhibit D due to the fact that only 39 of the refunds were paid to participants who were considered to be active as of December 31, 2003.

# SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES FOR FISCAL YEAR ENDING DECEMBER 31, 2004

| | Number at Beginning of Year | Additions During Year | Terminations During Year | Number at End of Year |
|---|---|---|---|---|
| Service Retirement Annuities | 7,498 | 570 | 253 | 7,815 |
| Widow Annuities | 3,083 | 194 | 144 | 3,133 |
| Children's Annuities | 247 | 18 | 16 | 249 |
| Ordinary Disability Benefit (Non-Occupational) | 29 | 34 | 19 | 44 |
| Occupational Disease Disability Benefit | 97 | 5 | 17 | 85 |
| Duty Disability Benefit (Occupational) | 285 | 18 | 16 | 287 |
| Children's Disability Benefit | 139 | 17 | 26 | 130 |
| Widows' Compensation Annuities (Service Connected Death) | 63 | 2 | 0 | 65 |
| Totals | 11,441 | 858 | 491 | 11,808 |

SOLVENCY (TERMINATION) TEST
LAST 10 YEARS

| Year-End | Member Accumulated Contributions {1}(A) | Members Currently Receiving Benefits {2}(A) | Active/ Inactive Members/ Employers Portion {3}(A) |
|---|---|---|---|
| 1995 | $684,092,509 | $1,907,923,000 | $1,302,762,491 |
| 1996 | 717,890,959 | 2,150,952,000 | 1,442,379,041 |
| 1997 | 750,341,108 | 2,333,523,000 | 1,525,303,180 |
| 1998 | 777,205,937 | 2,690,216,494 | 1,690,773,788 |
| 1999 | 763,729,532 | 2,939,332,536 | 1,691,810,150 |
| 2000 | 796,259,404 | 3,057,310,648 | 1,798,460,606 |
| 2001 | 810,220,751 | 3,388,717,768 | 1,733,572,111 |
| 2002 | 848,864,686 | 3,837,617,823 | 1,698,363,450 |
| 2003 | 890,657,435 | 3,945,030,059 | 1,745,745,756 |
| 2004 | 902,064,874 | 4,397,109,255 | 1,735,097,345 |

| Year-End | Net Assets at Fair Value | % of Benefits Covered by Fair Value of Assets {1} | {2} | {3} |
|---|---|---|---|---|
| 1995 | $2,565,552,912 | 100% | 99.00% | 65.87% |
| 1996 | 2,599,760,692 | 100% | 90.60% | 60.30% |
| 1997 | 2,896,754,452 | 100% | 93.90% | 62.85% |
| 1998 | 3,249,729,847 | 100% | 93.72% | 63.00% |
| 1999 | 4,095,414,942 | 100% | 100.00% | 75.91% |
| 2000 | 4,033,106,519 | 100% | 100.00% | 71.36% |
| 2001 | 4,183,796,025 | 100% | 99.64% | 70.52% |
| 2002 | 4,124,579,960 | 100% | 88.01% | 64.60% |
| 2003 | 4,039,695,590 | 100% | 83.54% | 61.38% |
| 2004 | 3,933,031,342 | 100% | 83.54% | 55.91% |

(A) A test of financial soundness of a system is its ability to pay all promised benefits when due.
Column 1 represents the value of members' accumulated contributions.
Column 2 represents the amount necessary to pay participants currently receiving benefits.
Column 3 represents the employer's portion of future benefits accrued for service to date with projected salaries at retirement for active members.

# Development of Annual Required Contribution under GASB #25 for 2005

| | |
|---|---|
| (1) Normal Cost (see Table 2) | $ 159,169,141 |
| | |
| (2) Actuarial Accrued Liability (AAL) | $ 7,034,271,474 |
| | |
| (3) Unfunded AAL (UAAL) | |
| (a) Actuarial Value of Assets | $ 3,933,031,342 |
| (b) UAAL (2-3(a)) | 3,101,240,132 |
| | |
| (4) 40-Year Amortization (Level % of Pay) Payable at Beginning of Year | $ 147,445,541 |
| | |
| (5) Estimated Member Contributions | $ 80,652,559 |
| | |
| (6) Annual Required Contribution (ARC) | |
| (a) Interest Adjustment for Semimonthly Payment | 12,461,336 |
| (b) Annual Required Contribution (1 + 4 - 5 + 6(a)) | $ 238,423,459 |
| (c) Annual Required Contribution (Percent of Pay) | 27.27% |
| | |
| (7) Estimated City Contribution | $ 159,633,000 |
| | |
| (8) Deficiency/(Excess) | |
| (a) in Dollars (6(b)-7) | $ 78,790,459 |
| (b) as a Percentage of Pay | 9.01% |

# SUMMARY OF BASIC ACTUARIAL VALUES

| | | |
|---|---|---|
| **UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2004** | | |
| (1) | Actuarial Accrued Liability - 12/31/2003 | $6,581,433,250 |
| (2) | Assets at Book Value - 12/31/2003 | 3,192,648,904 |
| (3) | Unfunded Accrued Actuarial Liability - 12/31/2003 | $3,388,784,346 |
| **EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2004** | | |
| (4) | Normal Cost for 2004 | $ 153,632,154 |
| (5) | Total Contributions for 2004 | 214,544,989 |
| (6) | Interest on (3), (4), & (5) at Valuation Rate | 274,811,520 |
| (7) | Expected Unfunded Actuarial Accrued Liability - 12/31/2004 ((3)+(4)-(5)+(6)) | $3,602,683,031 |
| **DEVIATIONS FROM EXPECTED** | | |
| (8) | (Gain)/Loss on Investment Return (Book Value) | $74,199,013 |
| (9) | (Gain)/Loss from Salary Changes | (77,738,831) |
| (10) | (Gain)/Loss from Retirement | 1,237,678 |
| (11) | (Gain)/Loss from Termination | 8,730,695 |
| (12) | (Gain)/Loss from Mortality | 34,243,026 |
| (13) | (Gain)/Loss from Disability | (1,285,041) |
| (14) | (Gain)/Loss from Law Changes | 99,101,493 |
| (15) | (Gain)/Loss from Data Changes | 108,586,209 |
| (15) | (Gain)/Loss from All Other Sources[1] | 11,118,400 |
| (16) | Composite Actuarial (Gain)/Loss | $258,192,642 |
| **UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2004** | | |
| (17) | Unfunded Accrued Actuarial Liability - 12/31/2004 ((7)+(16)) | $3,860,875,673 |

[1] *Includes new entrants and valuation program changes.*

# SUMMARY OF BASIC ACTUARIAL VALUES

| | APV of Projected Benefits | Actuarial Accrued Liability (AAL) |
|---|---|---|
| (1) Values for Active Members | | |
| (a) Retirement | $3,769,048,546 | $2,555,273,481 |
| (b) Termination | 73,989,648 | 18,040,586 |
| (c) Disability | 338,815,300 | 123,944,608 |
| (d) Death | 82,275,268 | 23,481,753 |
| Total for Actives | $4,264,128,762 | $2,720,740,428 |
| (2) Values for Inactive Members | | |
| (a) Retired | 3,655,066,421 | 3,655,066,421 |
| (b) Survivor | 406,650,610 | 406,650,610 |
| (c) Disability | 224,982,065 | 224,982,065 |
| (d) Inactive (Deferred Vested) | 16,584,265 | 16,584,265 |
| (e) Children | 10,247,685 | 10,247,685 |
| Total for Inactives | 4,313,531,046 | 4,313,531,046 |
| (3) Grand Totals | $8,577,659,808 | $7,034,271,474 |
| (4) Normal Cost for Active Members | $ 159,169,141 | |
| (5) Actuarial Present Value of Future Compensation | $9,176,435,998 | |

**SUMMARY OF**
**PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS**

AS OF DECEMBER 31, 2004

| | |
|---|---|
| ***PARTICIPANTS*** | An employee in the police department of the City of Chicago appointed and sworn or designated by law as a peace officer with the title of policeman, policewoman, chief surgeon, police surgeon, police dog catcher, police kennelman, police matron and members of the police force of the police department. |
| ***SERVICE*** | In computing service rendered by a police officer, the following periods shall be counted, in addition to all periods during which he performed the duties of his position, as periods of service for annuity purposes only: All periods of (a) vacation; (b) leave of absence with pay; (c) military service; (d) disability for which the police officer receives disability benefit. The calculation of service is based on a day-to-day basis for most purposes. For the purpose of calculating benefits under the Dominant Formula, one-year of Service is credited for a year in any portion of which a police officer is compensated. |
| ***RETIREMENT*** | |
| ***Eligibility*** | Attainment of age 50 with at least 10 years of service. |
| ***Mandatory*** | Effective in plan year 2003, retirement is mandatory for a participant who has attained age 63. |
| ***Accumulation Annuity*** | At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years, the employee is entitled to an annuity based on all sums accumulated. |
| ***Formula Minimum Annuity*** | While there are several alternative formulas available with 20 or more years of service, the Dominant Formula is 50% of highest average salary (including duty availability pay) in 48 consecutive months within the last 10 years of service plus 2.5% for each year or fraction of service over 20 years, limited to 75% of average salary. |

| | |
|---|---|
| ***Mandatory Retirement Minimum Annuity*** | A police officer who is required to withdraw from service due to attainment of mandatory retirement age who has less than 20 years of service credit may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post retirement increases. |
| ***Post-Retirement Increase*** | A retiree born before January 1, 1950 with at least 20 years of service, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later. For retirees born after January 1, 1950, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%. |
| ***Minimum Annuity*** | The benefit of any retiree who retired from the service before January 1, 1986, at age 50 or over with at least 20 years of service, or due to termination of disability is not less than $1,050 per month. |
| ***Reversionary Annuity*** | A member, prior to retirement, may elect to reduce his own annuity, and provide a reversionary annuity, to begin upon the officer's death, for the officer's spouse. |

***SURVIVOR INCOME BENEFITS PAYABLE ON DEATH***

| | |
|---|---|
| ***Death in Service (Non-Duty):*** | Generally, a money purchased benefit is provided, based on total salary deductions and City contributions. However, if a policeman dies in service after December 31, 1985 with at least 1.5 years of service, the widow's annuity is the greater of (a) 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death (without dollar limit) or (b) 50% of the benefit accrued by the policeman at date of death.<br><br>The lifetime benefit is payable until death or remarriage if remarriage occurs before age 60. |
| ***Death in Service (Duty Related)*** | |
| ***Compensation Annuity*** | 75% of the member's salary attached to the civil service position that would ordinarily have been paid to such member as though in active discharge of his duties at the time of death payable until the date the policeman would have attained age 63. |

***Supplemental Annuity***

Payable for life and is equal to the difference between the money purchase annuity for the spouse and an amount equal to 75% of the annual salary (including all salary increases and longevity raises) the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.

***Death after Retirement***

If a police officer retires on or after January 1, 1986, and subsequently dies, the widow's annuity is 40% before 1988 and 50% on and after January 1, 1988 of the retired policeman's annuity at the time of death (without dollar limit).

***Maximum Annuity***

$500 a month (after discount for age difference) under both the accumulation method and the old formula method. There is no dollar limit on the 30%, 40% or 50% benefit.

***Minimum Annuity***

Any spouse is entitled to a minimum annuity of $1,000 a month.

---

***CHILDREN'S ANNUITIES***

***Eligibility***

Payable at death of the policeman to all unmarried children less than 18 years of age. Children must have been born or legally adopted with proceedings initiated at least 6 months before the date of the policeman's withdrawal or death (waived for duty death).

***Benefit***

10% of the annual maximum salary of a first class patrolman during widow (widower) life, 15% otherwise.

***Payable Until***

Age 18. If the child is disabled, benefit is payable for life or as long as such disablement exists.

***Family Maximum***

60% (non-duty death) or 100% (duty death) of the salary that would ordinarily been paid to the policeman, if he had been in the active discharge of his duties.

***Parent's Annuities***

***Eligibility***

Payable to a dependent parent at the death of a policeman who is in either active service, or receiving a disability benefit, or on leave of absence, or in receipt of an annuity granted after 20 years of service, or waiting to start receiving an annuity granted for 20 years of service. The benefit is only payable if there are no surviving spouses or children eligible for benefits.

***Benefit***

18% of the current salary attached to the rank at separation from service.

***Payable until***

Death of the dependent parent.

***DUTY DISABILITY BENEFIT***

| | |
|---|---|
| ***Eligibility*** | Disabling condition incurred in the performance of duty. |
| ***Benefit*** | 75% of salary at the time the disability is allowed plus $100.00 per month for each unmarried child less than age 18, (total amount of child's benefits shall not exceed 25% of salary). Beginning January 1, 2000, after 7 years of payment, the benefit shall not be less than 60% of the current salary attached to the rank held by the policemen at the time of disability. Payable to employee's age 63 or by operation of law, whichever is later. Salary deductions are contributed by the City. |

***OCCUPATIONAL DISEASE DISABILITY BENEFIT***

| | |
|---|---|
| ***Eligibility*** | Heart attack or any disability heart disease after 10 years of service. |
| ***Benefit*** | 65% of salary attached to the rank held by the police officer at the time of his or her removal from the police department payroll with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under the age of 18 is entitled to a benefit of $100 per month. This benefit is not terminated at age 18 if the child is then dependent by reason of physical or mental disability. |

## *ORDINARY DISABILITY BENEFIT*

| | |
|---|---|
| ***Eligibility*** | Disabling condition other than duty related. |
| ***Benefit*** | 50% of salary at the time of injury, payable for a period not more than 25% of service (excluding any previous disability time) rendered prior to injury, nor more than 5 years. Disability shall cease at age 63. Salary deductions are contributed by the City. |

## *DEATH BENEFIT*

***Eligibility***

Payable upon the death of a police officer whose death occurs while in active service; on authorized leave of absence; within 60 days of receipt of salary; while receiving duty or ordinary disability benefit; occurring within 60 days of termination of such benefit; or occurring on retirement while in receipt of annuity and separation was effective after 20 years of service. This benefit is payable to beneficiaries or, if none, to estate.

***Benefit***

***Death in Service:***

| Age at Death | Benefit |
|---|---|
| 49 and under | $12,000 |
| 50-62 | $12,000 less $400 for each year by which age at death exceeds 49. |
| 63 and Over | $6,000 |

***Death after Retirement:***

| Age at Death | Benefit |
|---|---|
| 50 and over | $6,000 |

If death results from injury incurred in performance of duty before retirement on annuity, the benefit payable is $12,000 regardless of the attained age.

## *GROUP HEALTH HOSPITAL AND SURGICAL INSURANCE PROGRAM*

The pension fund shall provide payments in the amount of $85 per month for non-Medicare eligible city annuitants and $55 per month for Medicare eligible city annuitants from July 1, 2003 through June 30, 2008. Thereafter, the pension fund shall provide payments in the amount of $95 per month for non-Medicare eligible city annuitants and $65 per month for Medicare eligible city annuitants from July 1, 2008 through June 30, 2013.

## *REFUNDS*

***Policemen***

Without regard to service and under age 50, or with less than 10 years of service and under age 57 at withdrawal: a refund of all salary deductions together with 1.5% simple interest until the date of withdrawal.

| | |
|---|---|
| ***For Spouse's Annuity*** | Upon retirement an unmarried policeman will receive a refund of contributions for spouse's annuity, accumulated at 3% (4% for those commencing membership prior to January 1, 1954) compounded annually. |
| ***Of Remaining Amounts*** | If at death of a retired policeman the total member contributions paid while active exceed the total retirement benefits paid to date of death, the difference is payable. |

***CONTRIBUTIONS***

| | | | |
|---|---|---|---|
| ***Salary Deductions*** | Employee | 7 % | |
| | Spouse | 1½% | |
| | Annuity Increase | ½% | |
| | | 9 % | |
| ***City Contributions*** | Employee | 9-5/7% | |
| | Spouse | 2 % | |
| | Annuity Increase | ½% | Unallocated |
| | | 12-3/4% | |

In addition to the above contributions, a contribution is made to support the Death Benefit. Policemen contribute $2.50 per month. City contributes a total of $224,000 for all policemen.
The City contribution is generated by a tax equal to double the contributions by the policemen to the Fund two years prior to the year of the tax levy.

| | |
|---|---|
| ***"PICK UP" OF EMPLOYEE SALARY DEDUCTIONS*** | Beginning January 1, 1982, the employee contributions were "picked up" by the employer. The W-2 salary is therefore reduced by the amount of contribution. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is received. For the purpose of benefits, refunds or contributions, these contributions will be treated as employee contributions. |

# Statistical Section

REVENUES BY SOURCE AND EXPENSES BY TYPE

| Year | Employee Contributions(1) | Employer Contributions(2) | Investment Income (3) | Total | Employer Cont. as a percent of Current Year Payroll |
|---|---|---|---|---|---|
| 1995 | $ 56,219,164 | $ 107,767,520 | $ 146,396,822 | $ 310,383,506 | 17.58% |
| 1996 | 59,356,867 | 106,355,123 | 504,381,221 | 670,093,211 | 17.99% |
| 1997 | 63,315,812 | 109,361,629 | 506,339,581 | 679,017,022 | 17.09% |
| 1998 | 69,890,008 | 118,867,416 | 467,101,444 | 655,858,868 | 16.19% |
| 1999 | 70,185,289 | 125,281,970 | 475,716,575 | 671,183,834 | 16.14% |
| 2000 | 71,261,412 | 139,481,871 | 31,299,210 | 242,042,493 | 16.58% |
| 2001 | 71,146,651 | 139,675,766 | (214,033,382) | (3,210,965) | 18.37% |
| 2002 | 79,238,513 | 141,989,025 | (335,936,484) | (114,708,946) | 18.30% |
| 2003 | 79,816,332 | 140,807,354 | 627,291,033 | 847,914,719 | 15.86% |
| 2004 | 78,800,816 | 135,744,173 | 367,908,110 | 582,453,099 | 15.29% |

| Year | Benefits | Administrative Expenses | Refunds | Total | Income Less Payouts |
|---|---|---|---|---|---|
| 1995 | $ 191,532,110 | $ 1,747,194 | $ 3,351,576 | $ 196,630,880 | $ 113,752,626 |
| 1996 | 209,898,809 | 1,764,437 | 4,257,350 | 215,920,596 | 454,172,615 |
| 1997 | 227,827,254 | 1,932,357 | 2,966,400 | 232,726,011 | 446,291,011 |
| 1998 | 251,231,727 | 1,923,882 | 4,288,642 | 257,444,251 | 398,414,617 |
| 1999 | 274,572,115 | 2,104,158 | 4,627,583 | 281,303,856 | 389,879,978 |
| 2000 | 297,506,761 | 2,201,877 | 4,642,278 | 304,350,916 | (62,308,423) |
| 2001 | 324,836,320 | 2,451,822 | 5,664,009 | 332,952,151 | (336,163,116) |
| 2002 | 350,413,759 | 2,544,860 | 5,238,860 | 358,197,479 | (472,906,425) |
| 2003 | 370,696,206 | 3,166,145 | 4,806,372 | 378,668,723 | 469,245,996 |
| 2004 | 401,519,101 | 2,626,056 | 5,781,659 | 409,926,816 | 172,526,283 |

(1) Includes deductions in lieu for disability
(2) Net tax levy and miscellaneous income
(3) Includes realized net gain or loss on sale and exchange of assets, and net of investment expense

SCHEDULE OF BENEFIT EXPENSES BY TYPE LAST 10 YEARS

| Year | Employee | Spouse | Dependent | Ordinary, Duty and Children Disability | Death | Hospitalization | Total |
|---|---|---|---|---|---|---|---|
| 1995 | 145,117,851 | 30,949,842 | 891,191 | 8,396,018 | 1,700,687 | 4,476,521 | 191,532,110 |
| 1996 | 159,091,894 | 32,949,944 | 952,883 | 10,641,024 | 1,632,150 | 4,630,914 | 209,898,809 |
| 1997 | 173,965,490 | 33,775,938 | 917,778 | 12,677,645 | 1,629,500 | 4,860,903 | 227,827,254 |
| 1998 | 194,708,964 | 34,599,872 | 908,620 | 13,989,343 | 1,833,790 | 5,191,138 | 251,231,727 |
| 1999 | 212,421,576 | 38,208,300 | 993,831 | 15,677,024 | 1,938,352 | 5,333,033 | 274,572,116 |
| 2000 | 233,114,183 | 39,163,934 | 1,177,881 | 16,711,644 | 1,818,700 | 5,520,420 | 297,506,762 |
| 2001 | 257,540,559 | 40,169,959 | 1,189,323 | 18,536,460 | 1,736,900 | 5,663,121 | 324,836,322 |
| 2002 | 278,369,295 | 42,773,551 | 1,197,537 | 20,563,408 | 1,610,800 | 5,899,168 | 350,413,759 |
| 2003 | 297,127,105 | 43,938,085 | 1,178,671 | 19,938,927 | 1,783,627 | 6,720,792 | 370,687,207 |
| 2004 | 322,926,347 | 47,527,540 | 1,230,130 | 20,250,689 | 1,837,006 | 7,747,390 | 401,519,102 |

# AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE

| Years Ended | Average Annual Benefit | Average Current Age of Retirees | Average Age at Retirement Current Year | Average Years of Service at Retirement Current Year |
|---|---|---|---|---|
| 1979 | 7,920 | 68 | 57.3 | 28.1 |
| 1980 | 8,573 | 68 | 57.6 | 28.2 |
| 1981 | 9,292 | 68 | 58.4 | 28.6 |
| 1982 | 10,020 | 68 | 59.1 | 29.2 |
| 1983 | 10,770 | 68 | 59.4 | 29.3 |
| 1984 | 11,782 | 68 | 58.6 | 29.9 |
| 1985 | 13,070 | 68 | 58.7 | 30.2 |
| 1986 | 15,033 | 67 | 57.7 | 30.0 |
| 1987 | 16,257 | 67 | 58.1 | 30.1 |
| 1988 | 17,855 | 67 | 58.8 | 30.9 |
| 1989 | 19,315 | 67 | 58.6 | 30.7 |
| 1990 | 21,120 | 68 | 58.9 | 30.2 |
| 1991 | 21,782 | 68 | 58.4 | 30.8 |
| 1992 | 23,128 | 68 | 57.7 | 30.3 |
| 1993 | 24,724 | 68 | 56.9 | 29.6 |
| 1994 | 25,636 | 68 | 55.7 | 29.5 |
| 1995 | 26,996 | 67 | 55.3 | 29.2 |
| 1996 | 28,412 | 67 | 55.5 | 29.8 |
| 1997 | 29,867 | 67 | 55.0 | 29.3 |
| 1998 | 31,682 | 66 | 54.6 | 30.0 |
| 1999 | 33,220 | 66 | 54.8 | 29.9 |
| 2000 | 34,880 | 66 | 56.3 | 31.6 |
| 2001 | 36,428 | 66 | 56.4 | 29.8 |
| 2002 | 38,199 | 66 | 55.6 | 29.4 |
| 2003 | 38,998 | 66 | 57.1 | 30.2 |
| 2004 | 41,914 | 66 | 57.5 | 30.4 |

# RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

| Years | ANNUITANTS | | | DISABILITY | | | | Widow | |
|---|---|---|---|---|---|---|---|---|---|
| | Employee | Spouse[1] | Child | Ordinary | Duty | Occup. | Child[2] | Comp. | Total |
| 1979 | 3,458 | 3,140 | 558 | 145 | 47 | | | 64 | 7,412 |
| 1980 | 3,546 | 3,154 | 511 | 163 | 57 | | | 66 | 7,497 |
| 1981 | 3,657 | 3,170 | 475 | 142 | 72 | | | 71 | 7,587 |
| 1982 | 3,666 | 3,175 | 462 | 125 | 75 | | | 70 | 7,573 |
| 1983 | 3,642 | 3,202 | 446 | 104 | 86 | | | 70 | 7,550 |
| 1984 | 3,723 | 3,152 | 435 | 87 | 113 | | | 74 | 7,584 |
| 1985 | 3,861 | 3,234 | 406 | 95 | 126 | | | 70 | 7,792 |
| 1986 | 4,212 | 3,145 | 380 | 78 | 144 | | | 69 | 8,028 |
| 1987 | 4,467 | 3,100 | 354 | 66 | 156 | | | 75 | 8,218 |
| 1988 | 4,595 | 3,184 | 350 | 63 | 167 | | | 78 | 8,437 |
| 1989 | 4,772 | 3,202 | 335 | 58 | 179 | | | 71 | 8,617 |
| 1990 | 4,936 | 3,214 | 335 | 51 | 187 | | | 66 | 8,789 |
| 1991 | 5,033 | 3,137 | 329 | 75 | 192 | | | 68 | 8,834 |
| 1992 | 5,109 | 3,129 | 310 | 83 | 204 | | | 66 | 8,901 |
| 1993 | 5,195 | 3,151 | 294 | 59 | 211 | | 160 | 66 | 9,136 |
| 1994 | 5,309 | 3,123 | 281 | 51 | 221 | | 159 | 64 | 9,208 |
| 1995 | 5,510 | 3,133 | 254 | 51 | 231 | 1 | 144 | 60 | 9,384 |
| 1996 | 5,714 | 3,120 | 252 | 67 | 256 | 12 | 158 | 59 | 9,638 |
| 1997 | 5,945 | 3,104 | 240 | 59 | 270 | 36 | 130 | 59 | 9,843 |
| 1998 | 6,241 | 3,093 | 228 | 56 | 279 | 57 | 150 | 57 | 10,161 |
| 1999 | 6,520 | 3,118 | 249 | 57 | 291 | 76 | 150 | 58 | 10,519 |
| 2000 | 6,876 | 3,107 | 267 | 48 | 274 | 87 | 149 | 59 | 10,867 |
| 2001 | 7,192 | 3,114 | 255 | 52 | 265 | 95 | 143 | 59 | 11,175 |
| 2002 | 7,392 | 3,092 | 235 | 38 | 289 | 103 | 150 | 59 | 11,358 |
| 2003 | 7,498 | 3,083 | 247 | 29 | 285 | 97 | 139 | 63 | 11,441 |
| 2004 | 7,815 | 3,133 | 249 | 44 | 287 | 85 | 130 | 65 | 11,808 |