

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

FINANCIAL STATEMENTS

DECEMBER 31, 2007

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2007 AND 2006

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Forest Preserve District
Employees' Annuity and
Benefit Fund of Cook County

We have audited the accompanying statements of plan net assets of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the Plan) as of December 31, 2007 and 2006, and the related combining statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our 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 an 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 the Plan's 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 financial status of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County as of December 31, 2007 and 2006 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 3b, and the required supplementary information consisting of the schedule of funding progress, the schedule of employer contributions and the notes to those schedules on pages 17 through 19 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion for 2007 and 2006, is fairly stated in all material respects in relation to the financial statements taken as a whole.

We also have previously audited the financial statements for the years ended 2005, 2004, 2003 and 2002 (which are not presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information on page 21 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports for 2005, 2004, 2003 and 2002 on the required supplementary information (pages 17 and 18) stated that we applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Legacy Professionals LLP

June 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section presents management's discussion and analysis of the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's (Plan) financial position at December 31, 2007 and performance for the year ended December 31, 2007. It provides an overview of the financial activities and the effects of any significant changes. This discussion and analysis are intended to be read in conjunction with the Plan's financial statements.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an economic sources focus and accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The basic financial statements are described below:

Statements of Plan Net Assets provide a snapshot of account balances and net assets held in trust for future pension benefit payments and any liabilities as of the Plan's year end.

Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets show the sources and uses of funds during the calendar year, where additions less deductions equal net increase in net assets. This net increase in net assets illustrates the change in net assets as reported in the Statements of Plan Net Assets from the prior year to the current year.

Notes to the Financial Statements provide additional information that is essential to achieving a better understanding of the data provided in the financial statements.

Required Supplementary and Additional Information Schedules provide detailed, historical trend information of assets, liabilities and employer contributions.

Financial Highlights

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's **total assets** were \$214,531,344 in 2007 compared to \$273,882,162 in 2006. **Total liabilities** were \$14,370,987 in 2007 compared to \$76,651,859 in 2006. **Net assets** increased by \$2,930,054 or 1.5% in 2007 to \$200,160,357 from \$197,230,303 in 2006. The increase in net assets was primarily due to the increase in the fair value of the investments.

The **rate of return** of the Plan's investment portfolio for 2007 was 5.1% versus 2006's return of 9.7%.

Financial Highlights (continued)

The **funding objective** of the Plan is to meet long-term defined pension benefit obligations. As of December 31, 2007, the date of the most recent actuarial valuation, the Plan is actuarially funded at 86.7% (pension benefits - 98.9%, retiree health insurance plan - 0.0%). This ratio is higher than the 85.4% (pension benefits - 98.2%, retiree health insurance plan - 0.0%) funded ratio as of December 31, 2006.

The actuarial value of assets for the December 31, 2007 valuation for pension benefits was \$203,043,217, and the actuarial liability was \$205,392,258. The actuarial liability increased by \$8,409,032 or 4.3% in 2007, from \$196,983,226 in 2006.

The actuarial value of assets for the December 31, 2007 valuation for the retiree health insurance plan was \$0, and the actuarial liability was \$40,605,811. The actuarial liability increased by \$1,156,996 or 2.9% in 2007, from \$39,448,815 in 2006.

Based on a combined actuarial valuation of the pension and retiree health insurance plan benefits, the actuarial value of assets for the December 31, 2007 valuation was \$203,043,217 and the actuarial liability was \$234,120,194. The actuarial liability increased by \$7,539,301, or 3.3% in 2007, from \$226,580,893 in 2006. Differences exist between the individual and combined reports due to a difference in the interest rate assumptions (pension benefits and combined reports - 7.5%, retiree health insurance benefits report - 4.5%).

Changes in Plan Net Assets

Revenues - Additions to Plan Net Assets

Revenues for calendar year 2007 were \$15,514,364 compared to \$22,703,882 in 2006.

Member contributions increased by 17.5% to \$1,986,605 in 2007 from \$1,690,781 in 2006.

Employer contributions increased by 20.8% to \$3,287,040 in 2007 from \$2,720,013 in 2006. Employer contributions are calculated using a statutorily set multiplier (currently 1.30) times member contributions collected two years prior.

Net investment activity totaled \$9,927,390 for the year ended December 31, 2007 compared to \$18,057,501 for the year ended December 31, 2006. The decrease in investment earnings resulted primarily from the decrease in the overall performance of the financial markets from the prior year. Investment fees, which are netted against investment income, increased by 14.8% to \$250,014 in 2007 compared to \$217,776 in 2006.

Net securities lending income increased by 12.8% to \$67,378 in 2007 from \$59,743 in 2006.

Medicare Part D Subsidies increased by 56.3% to \$197,442 in 2007 from \$126,351 in 2006. This was primarily due to increased utilization of Medicare Part D eligible drugs as well as increased costs.

Changes in Plan Net Assets (continued)

Expenses - Deductions from Plan Net Assets

Expenses increased by 2.6% to \$12,584,310 in 2007 from \$12,266,005 in 2006.

Retirement annuity payments increased by 1.9% to \$10,143,730 in 2007 from \$9,951,541 in 2006. There were 504 participants paid during 2007 compared to 503 participants paid during 2006. The increase in retirement annuity payments was mainly due to the 3% annual compounded cost of living increase.

Disability payments increased by 17.9% to \$189,742 in 2007 from \$160,882 in 2006. This increase was mainly due to increased salaries that the disability payments are calculated against.

Group hospital premiums increased by 13.4% to \$1,535,245 in 2007 from \$1,353,489 in 2006. This increase was due to the increased cost of health insurance.

Refunds of member contributions, including rollover distributions, increased by 34.3% to \$464,666 in 2007 from \$346,117 in 2006. This increase was attributed to the Alternative Retirement Cancellation Payment legislation that was enacted during 2007.

Employee transfers to Cook County resulted from Forest Preserve District employees transferring employment to Cook County. The accrued pension benefit obligation transferred from the Forest Preserve Fund to the Cook County Fund was \$130,674 in 2007 compared to \$345,410 in 2006.

Cost to administer the Plan increased by 10.8% to \$120,253 in 2007 from \$108,566 in 2006. This was primarily attributable to increases/changes in allocated administrative expenses.

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 show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

Mr. Daniel Degnan
Executive Director
Forest Preserve Employees' Annuity
and Benefit Fund of Cook County
33 North Dearborn Street
Suite 1000
Chicago, IL 60602

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CASH	\$ 1,191,286	\$ 1,178,551
RECEIVABLES		
Employer - tax levy less allowance for loss and cost of \$232,116 in 2007 and \$150,481 in 2006	3,543,904	2,821,844
Plan member	9,294	7,827
Accrued investment income	580,526	753,560
Total receivables	<u>4,133,724</u>	<u>3,583,231</u>
INVESTMENTS	<u>196,364,242</u>	<u>194,138,392</u>
COLLATERAL HELD FOR SECURITIES ON LOAN	<u>12,842,092</u>	<u>74,981,988</u>
Total assets	<u>214,531,344</u>	<u>273,882,162</u>
LIABILITIES		
HEALTH INSURANCE PAYABLE	116,439	71,154
ACCOUNTS PAYABLE - other	57,395	140,840
DUE TO FOREST PRESERVE DISTRICT	-	12,575
DUE TO COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY	1,355,061	1,445,302
SECURITIES LENDING COLLATERAL	12,842,092	74,981,988
Total liabilities	<u>14,370,987</u>	<u>76,651,859</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (a schedule of funding progress is presented on page 17)	<u>\$ 200,160,357</u>	<u>\$ 197,230,303</u>

See accompanying notes to financial statements.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

COMBINING STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			2006		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
ADDITIONS						
Contributions						
Employer - tax levy	\$ 3,287,040	\$ 1,995,300	\$ 1,291,740	\$ 2,720,013	\$ 1,532,343	\$ 1,187,670
Plan member contributions	1,824,647	1,824,647	-	1,626,720	1,626,720	-
Salary deductions	116,614	116,614	-	34,021	34,021	-
Refund repayments	8,696	8,696	-	5,560	5,560	-
Former and military service payments	36,648	36,648	-	24,480	24,480	-
Deductions in lieu of disability	1,986,605	1,986,605	-	1,690,781	1,690,781	-
Total plan member contributions	5,458,466	5,458,466	-	13,509,293	13,509,293	-
Investment income	1,642,714	1,642,714	-	1,474,161	1,474,161	-
Net appreciation in fair value of investments	3,074,142	3,074,142	-	3,287,803	3,287,803	-
Dividends	2,082	2,082	-	4,020	4,020	-
Interest	10,177,404	10,177,404	-	18,275,277	18,275,277	-
Commission recapture	(250,014)	(250,014)	-	(217,776)	(217,776)	-
Less investment expense	9,927,390	9,927,390	-	18,057,501	18,057,501	-
Net investment income	2,449,700	2,449,700	-	3,079,702	3,079,702	-
Securities lending						
Income	(2,362,441)	(2,362,441)	-	(3,001,129)	(3,001,129)	-
Expenses	(19,881)	(19,881)	-	(18,830)	(18,830)	-
Borrower rebates	67,378	67,378	-	59,743	59,743	-
Management fees	197,442	-	197,442	126,351	-	126,351
Net securities lending income	2,446	2,446	-	10,025	10,025	-
Medicare Part D subsidy	46,063	-	46,063	39,468	-	39,468
Miscellaneous	15,514,364	13,979,119	1,535,245	22,703,882	21,350,393	1,353,489
Prescription plan rebates						
Total additions	8,847,306	8,847,306	-	8,776,342	8,776,342	-
	1,296,424	1,296,424	-	1,175,199	1,175,199	-
	162,190	162,190	-	145,542	145,542	-
	27,552	27,552	-	15,340	15,340	-
	1,535,245	-	1,535,245	1,353,489	-	1,353,489
Total benefits	11,868,717	10,333,472	1,535,245	11,465,912	10,112,423	1,353,489
Group hospital benefits	464,666	464,666	-	346,117	346,117	-
Refunds	130,674	130,674	-	345,410	345,410	-
Employee transfers to Cook County	120,253	120,253	-	108,566	108,566	-
Administrative expenses	12,584,310	11,049,065	1,535,245	12,266,005	10,912,516	1,353,489
Total deductions	2,930,054	2,930,054	-	10,437,877	10,437,877	-
NET INCREASE	197,230,303	197,230,303	-	186,792,426	186,792,426	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 200,160,357	\$ 200,160,357	-	\$ 197,230,303	\$ 197,230,303	-
Beginning of year						
End of year						

See accompanying notes to financial statements.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is administered in accordance with Chapter 40, Article 5/10 of the Illinois Compiled Statutes (formerly Chapter 108-1/2, Article 10 of the Illinois Revised Statutes).

Method of Accounting - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer, Forest Preserve District of Cook County, Illinois, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value, which generally represents reported market value as of the last business day of the year. Demand notes are carried at cost which approximates fair value. Where less than an entire holding is sold, average value is used to determine realized gain or loss.

Allocated Expenses - The cost of office operations is paid initially by the County Employees' and Officers' Annuity and Benefit Fund of Cook County (County Fund). These expenses are allocated between the County Fund and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County on a pro rata basis as applicable.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain reclassification have been made to prior year amounts to conform to the current year presentation.

NOTE 2. PLAN DESCRIPTION

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County was established on July 1, 1931 and is governed by legislation contained in the Illinois Compiled Statutes, particularly Chapter 40, Article 5/10. The Plan can be amended only by the Illinois Legislature. The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement, death (spouse or children) and disability benefits for full-time employees of the Forest Preserve District of Cook County, Illinois (Forest Preserve District) and the dependents of such employees. The Plan is considered to be a component unit of Forest Preserve District of Cook County, Illinois and is included in the Forest Preserve District's financial statements as a pension trust fund.

The Statutes authorize a Board of Trustees (Retirement Board) of nine members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, four are to be elected by the employee members of the Plan and three are to be elected by the annuitants of the Plan. The two ex officio members are the Comptroller of Cook County, or someone chosen by the Comptroller, and the Treasurer of Cook County, or someone chosen by the Treasurer. All members of the Retirement Board are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget, which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the Forest Preserve District Board of Cook County a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The Forest Preserve District's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.30. The source of funds for the Forest Preserve District's contributions has been designated by State Statutes as the Forest Preserve District's annual property tax levy. The Forest Preserve District's payroll for employees covered by the Plan for the years ended December 31, 2007 and 2006 was \$21,078,316 and \$19,172,756 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The Forest Preserve District Employees' Annuity and Benefit Fund provides retirement as well as death and disability benefits. Employees age 50 or over with at least 10 years of service are entitled to receive a minimum formula annuity of 2.4% for each year of credited service to a maximum benefit of 80% of the final average monthly salary. For retirees between age 50 and age 60, the monthly retirement benefit is reduced 1/2 percent for each month the participant is under age 60. This reduction is waived for participants having 30 or more years of credited service.

At December 31, 2007 and 2006, participants consisted of the following:

	<u>2007</u>	<u>2006</u>
Retirees and beneficiaries currently receiving benefits:		
Employees	349	359
Spouse	141	140
Children	6	4
Disability	<u>7</u>	<u>6</u>
Total	<u>503</u>	<u>509</u>
Current employees:		
Vested	252	257
Nonvested	<u>166</u>	<u>137</u>
Total	<u>418</u>	<u>394</u>

Participants should refer to the summary plan description or applicable State Statutes for more complete information.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES

Employer contributions are funded primarily through a Forest Preserve District tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.30.

NOTE 3. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2007 and as of December 31, 2006 indicate the annual required contribution by the Forest Preserve District to be \$6,094,316 and \$5,927,422 for 2008 and 2007, respectively. The annual required contribution is based on an annual projected payroll of \$21,078,316 for 418 active members for the year ended December 31, 2007 and \$19,172,756 for 394 active members for the year ended December 31, 2006 and is computed as follows.

	<u>2007</u>	<u>2006</u>
Normal cost	\$ 5,356,280	\$ 4,865,192
30-year level dollar amortization of the unfunded liability	<u>2,529,693</u>	<u>2,691,914</u>
	7,885,973	7,557,106
Less estimated plan member contributions	<u>(1,791,657)</u>	<u>(1,629,684)</u>
Actuarially determined contribution requirement for subsequent fiscal year	6,094,316	5,927,422
Expected net employer contribution from tax levy after 2.7% loss	<u>(2,138,669)</u>	<u>(3,329,502)</u>
Expected employer contribution short-fall of actuarially determined contribution requirement	<u>\$ 3,955,647</u>	<u>\$ 2,597,920</u>
Required tax levy multiple	<u>3.70</u>	<u>2.31</u>
Present authorized multiple	<u>1.30</u>	<u>1.30</u>

A Schedule of Funding Progress is located in the Required Supplementary Information on page 17. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 4. INVESTMENT SUMMARY

The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the "prudent person" provisions of the State Statutes. All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes and any index-linked financial instruments are limited to those indices that replicate the permissible investments outlined in the State Statutes. The following table presents a summarization of the fair value (carrying amount) of the Plan's investments as of December 31, 2007 and 2006. Investments that represent 5% or more of the Plan's net assets held in trust for benefit purposes are separately identified.

<u>Investments</u>	<u>2007</u>	<u>2006</u>
Corporate bonds:		
Not on securities loan	\$ 22,829,232	\$ 19,514,692
On securities loan	136,509	3,072,465
U.S. Government and Government Agency obligations:		
Not on securities loan	12,201,518	15,270,564
On securities loan	9,897,238	22,363,466
Equities:		
Not on securities loan	79,160,361	55,386,787
On securities loan	2,499,208	47,454,933
Equity mutual funds:		
NTGI U.S. Marketcap Equity Index	10,791,227	10,231,144
NTGI QM Collective Daily S&P Fund	24,813,690	3,439,829 *
Others	3,755,598	3,207,091
Fixed income mutual fund:		
NTGI Daily Aggregate Bond Index Fund	26,931,335	10,187,244
Demand notes	4,088,275	4,436,742
Net unsettled investment trades	(739,949)	(426,565)
	<u>196,364,242</u>	<u>194,138,392</u>
Collateral held for securities on loan	12,842,092	74,981,988
Total investments and collateral held for securities on loan	<u>\$ 209,206,334</u>	<u>\$ 269,120,380</u>

* not a 5% investment holding

NOTE 4. INVESTMENT SUMMARY (CONTINUED)

Investment Risk

Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, specifies the disclosure requirements for deposits that are not covered by depository insurance and investment securities that are uninsured and are not registered in the name of the government or trust agent.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The Plan had no investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not held in the Plan's name as of December 31, 2007 and 2006.

NOTE 4. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has set the average credit quality for its total fixed income portfolio (corporate and U.S. Government holdings) of not less than Aa by Moody's Investor Service and/or AA by Standard & Poor's ratings. The following table presents a summarization of the credit quality ratings of investments at December 31, 2007 and 2006 as valued by Moody's Investors Service and/or Standard & Poor's:

<u>Type of Investment</u>	<u>Rating</u>	<u>2007</u>	<u>2006</u>
Corporate bonds	Aaa/AAA	\$ 8,257,063	\$ 7,115,751
	Aa/AA	4,478,116	4,249,698
	A/A	4,070,663	5,602,053
	Baa/BBB	4,713,690	4,412,999
	Ba/BB	344,151	108,540
	B/B	517,120	422,428
	Caa/CCC	170,090	-
	Not Rated	414,848	675,688
		<u>\$ 22,965,741</u>	<u>\$ 22,587,157</u>
U.S. Government and Government Agency obligations	Aaa/AAA	21,828,368	37,160,363
	Aa/AA	270,388	237,332
	A/A	-	144,593
	Baa/BBB	-	76,784
	Not Rated	-	14,958
		<u>\$ 22,098,756</u>	<u>\$ 37,634,030</u>
Fixed income mutual fund	Not Rated	<u>\$ 26,931,335</u>	<u>\$ 10,187,244</u>
Demand notes	Not Rated	<u>\$ 4,088,275</u>	<u>\$ 4,436,742</u>

NOTE 4. INVESTMENT SUMMARY (CONTINUED)**Investment Risk (continued)***Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Plan has set the duration for the total fixed income portfolio to fall within plus or minus 50% of the duration for the fixed income performance benchmark (Lehman Aggregate Fixed Income Index which was 4.6 and 4.42 years at December 31, 2007 and 2006 respectively). The following table presents a summarization of debt investments at December 31, 2007 and 2006 using the segmented time distribution method:

<u>Type of Investment</u>	<u>Maturity</u>	<u>2007</u>	<u>2006</u>
Corporate bonds	Less than 1 year	\$ 1,332,009	\$ 1,147,875
	1 - 5 years	8,004,706	8,628,743
	6 - 10 years	4,186,131	4,781,531
	Over 10 years	<u>9,442,895</u>	<u>8,029,008</u>
		<u>22,965,741</u>	<u>22,587,157</u>
U.S. Government and Government Agency obligations	Less than 1 year	459,085	4,276,501
	1 - 5 years	10,004,196	12,757,553
	6 - 10 years	4,974,407	8,206,394
	Over 10 years	<u>6,661,068</u>	<u>12,393,582</u>
		<u>22,098,756</u>	<u>37,634,030</u>
Total		<u>\$ 45,064,497</u>	<u>\$ 60,221,187</u>

NOTE 4. INVESTMENT SUMMARY (CONTINUED)**Investment Risk (continued)***Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan limits the amount of investments in foreign equities to 15% of total Plan assets and foreign fixed income obligations to 5% of total Plan assets. The Plan's exposure to foreign currency risk at December 31, 2007 and 2006 is as follows:

<u>Type of Investment</u>	Fair Value (USD) <u>2007</u>	Fair Value (USD) <u>2006</u>
Equities:		
British pound	\$ 3,762,215	\$ 2,921,222
European euro	5,621,893	5,087,889
Japanese yen	1,753,332	2,635,693
Norwegian krone	227,009	-
Singapore dollar	696,586	348,549
Swedish krona	220,324	337,432
Swiss franc	1,377,026	1,057,002
U.S. dollar	68,001,184	90,453,933
Total equities	<u>\$ 81,659,569</u>	<u>\$ 102,841,720</u>

During 2007 and 2006, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was \$10,406,444 and \$9,539,151, respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Combining Statements of Changes in Pension Plan and Postemployment Health Care Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments. Investments purchased in a previous year and sold in the current year result in their realized gains and losses being reported in the current year and their net appreciation (depreciation) in plan assets being reported in both the current year and the previous year(s).

NOTE 5. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan is not restricted as to the type or amount of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults. The average term of securities loaned was twenty-five days for 2007 and five days for 2006; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity at December 31, 2007 and 2006 of two days. Cash collateral may also be invested in term loans in which the investments (term loans) match the term of the securities loans.

As of December 31, 2007 and 2006, the fair value (carrying amount) of loaned securities was \$12,532,955 and \$72,890,864 respectively. As of December 31, 2007 and 2006, the fair value (carrying amount) of collateral received by the Plan was \$12,842,092 and \$74,981,988 respectively.

Although the Plan's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

During 2007 and 2006, there were no losses due to default of a borrower or the lending agent. The contract with the lending agent requires the lending agent to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

NOTE 6. POSTEMPLOYMENT HEALTHCARE PLAN

The Plan has adopted GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting standards for Other Postemployment Benefits (OPEB) plans.

Plan Description

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County administers the Healthcare Premium Plan (HPP), a single-employer defined benefit postemployment healthcare plan. HPP provides a healthcare premium subsidy to annuitants or their surviving spouses who elect to participate in HPP. The Plan is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. Presently, the Plan subsidizes approximately 55% and 70% of the monthly premiums for employees and spouse annuitants, respectively. The remaining cost is borne by the annuitant.

HPP is administered in accordance with Chapter 40, Article 5/10 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees.

At December 31, 2007 and 2006, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 304 for both years.

Summary of Significant Accounting Policies

Method of Accounting - HPP's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The Plan considers the premium supplement an additional retirement benefit, with no contribution rate or asset allocation associated with it. The amount of employer contributions for postemployment healthcare benefits is assumed to equal the premium supplement expensed for the period. Healthcare premium subsidies are recognized when due and payable.

Contributions - The Plan funds HPP on a "pay-as-you-go" basis.

Administrative Costs - Administrative costs associated with HPP are paid by the Plan.

NOTE 7. RELATED PARTY TRANSACTIONS

As of December 31, 2007 and 2006, the Plan has investments consisting of stocks or bonds of its investment custodian and various investment managers with a total market value of approximately \$6,700,000 and \$6,917,000 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Year Ended <u>December 31,</u>		Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a)/(c)</u>
<i>Pension Benefits</i>							
2002	(1)	\$ 172,954,688	\$ 212,045,541	\$ 39,090,853	81.56%	\$ 25,781,400	151.62%
2003		\$ 170,114,265	\$ 218,727,197	\$ 48,612,932	77.77%	\$ 17,348,472	280.21%
2004	(2)	\$ 186,560,109	\$ 245,321,025	\$ 58,760,916	76.05%	\$ 16,635,794	353.22%
2005	(3)	\$ 189,066,378	\$ 191,438,136	\$ 2,371,758	98.76%	\$ 18,077,621	13.12%
2006	(3)	\$ 193,511,049	\$ 196,983,226	\$ 3,472,177	98.24%	\$ 19,172,756	18.11%
2007	(3)	\$ 203,043,217	\$ 205,392,258	\$ 2,349,041	98.86%	\$ 21,078,316	11.14%
<i>Retiree Health Insurance Plan</i>							
2005		\$ -	\$ 43,142,620	\$ 43,142,620	0.00%	\$ 18,077,621	238.65%
2006		\$ -	\$ 39,448,815	\$ 39,448,815	0.00%	\$ 19,172,756	205.75%
2007		\$ -	\$ 40,605,811	\$ 40,605,811	0.00%	\$ 21,078,316	192.64%
<i>Changes in Actuarial Assumptions</i>							
2005	(4)	\$ -	\$ (16,992,458)	\$ (16,992,458)	0.00%		
2006	(4)	\$ -	\$ (9,851,148)	\$ (9,851,148)	0.00%		
2007	(5)	\$ -	\$ (11,877,875)	\$ (11,877,875)	0.00%		
<i>Combined</i>							
2002		\$ 172,954,688	\$ 212,045,541	\$ 39,090,853	81.56%	\$ 25,781,400	151.62%
2003		\$ 170,114,265	\$ 218,727,197	\$ 48,612,932	77.77%	\$ 17,348,472	280.21%
2004		\$ 186,560,109	\$ 245,321,025	\$ 58,760,916	76.05%	\$ 16,635,794	353.22%
2005		\$ 189,066,378	\$ 217,588,298	\$ 28,521,920	86.89%	\$ 18,077,621	157.77%
2006		\$ 193,511,049	\$ 226,580,893	\$ 33,069,844	85.40%	\$ 19,172,756	172.48%
2007		\$ 203,043,217	\$ 234,120,194	\$ 31,076,977	86.73%	\$ 21,078,316	147.44%

(1) = Change in benefits.

(2) = Change in actuarial assumptions.

(3) = Pension benefits only. The information for 2004 and prior includes the retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan
(pension benefits and combined reports - 7.5%, retiree health insurance plan - 5.0%).

(5) = Due to a change in the interest rate assumption for the retiree health insurance plan
(pension benefits and combined reports - 7.5%, retiree health insurance plan - 4.5%).

See notes to required supplementary information.

**FOREST PRESERVE DISTRICT OF EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended <u>December 31,</u>	Annual Required Contribution (1) <u>(ARC) (a)</u>	Required Statutory Basis (2) <u>(b)</u>	Employer Contributions <u>(c)</u>	Percent of ARC Contributed <u>(c/a)</u>
<i>Pension Benefits</i>				
2002	\$ 5,165,491	\$ 3,847,476	\$ 3,993,607	77.31%
2003	\$ 7,725,882	\$ 3,888,720	\$ 3,436,122	44.48%
2004	\$ 9,326,465	\$ 4,039,896	\$ 3,890,142	41.71%
2005 (3)	\$ 4,620,371	\$ 2,846,034	\$ 1,897,331	41.06%
2006 (3)	\$ 2,691,753	\$ 2,577,485	\$ 1,532,343	56.93%
2007 (3)	\$ 2,809,494	\$ 3,329,502	\$ 1,995,300	71.02%
<i>Retiree Health Insurance Plan</i>				
2005	\$ 2,846,465	\$ -	\$ 1,327,412	46.63%
2006	\$ 3,747,117	\$ -	\$ 1,187,670	31.70%
2007	\$ 3,729,144	\$ -	\$ 1,291,740	34.64%
<i>Changes in Actuarial Assumptions</i>				
2005	\$ -	\$ -		
2006 (4)	\$ (1,063,504)	\$ -		
2007 (5)	\$ (611,216)	\$ -		
<i>Combined</i>				
2002	\$ 5,165,491	\$ 3,847,476	\$ 3,993,607	77.31%
2003	\$ 7,725,882	\$ 3,888,720	\$ 3,436,122	44.48%
2004	\$ 9,326,465	\$ 4,039,896	\$ 3,890,142	41.71%
2005	\$ 7,466,836	\$ 2,846,034	\$ 3,224,743	43.19%
2006	\$ 5,375,366	\$ 2,577,485	\$ 2,720,013	50.60%
2007	\$ 5,927,422	\$ 3,329,502	\$ 3,287,040	55.45%

(1) = 30 Year level dollar amortization beginning in 2005.

40 Year level dollar amortization for 2004 and prior.

(2) = Tax levy after 2.7% overall loss beginning in 2004.

Tax levy after 1.8% overall loss for 2003 and prior.

(3) = Pension benefits only. The information for 2004 and prior includes pension benefits and retiree health insurance plan.

(4) = Due to a change in the interest rate assumption for the retiree health insurance plan (pension benefits and combined reports - 7.5%, retiree health insurance plan - 5.0%).

(5) = Due to a change in the interest rate assumption for the retiree health insurance plan (pension benefits and combined reports - 7.5%, retiree health insurance plan - 4.5%).

See notes to required supplementary information.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

Valuation date	December 31, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return	
Pension benefits	7.5% compounded annually
Retiree health insurance plan	4.5% compounded annually
Combined	7.5% compounded annually
Projected salary increases	
Pension benefits	
Inflation	3.0%
Merit and seniority	2.0%
Postretirement benefit increases	3.0% compounded per year for employee and widow(er) annuitants
Increases in postretirement health insurance costs	
2009	8.00%
2010	7.00%
2011	6.00%
2012 and later	5.00%
Mortality rates	1983 Group Annuity Mortality Table, Male and Female, rated up two years
Retirement age assumptions	Based on actual past experience assume all employees retire by age 75

ADDITIONAL INFORMATION

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Administrative expenditures allocated from County Employees' and Officers' Annuity and Benefit Fund of Cook County	\$ 57,154	\$ 49,081
Audit fees	14,500	-
Bank fees	33,520	42,775
Conference expense	1,500	1,500
Investment custodian fees	5,579	7,210
Regulatory filing fees	<u>8,000</u>	<u>8,000</u>
Total	<u>\$ 120,253</u>	<u>\$ 108,566</u>

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

ADDITIONS BY SOURCE

<u>Year Ended December 31,</u>	<u>Plan Member Contributions (1)</u>	<u>Employer Contributions (2)</u>	<u>Net Investment and Net Securities Lending Income (Loss) (3)</u>	<u>Other (4)</u>	<u>Total Additions</u>
2002	\$ 3,256,643	\$ 3,993,608	\$ (9,451,652)	\$ -	\$ (2,201,401)
2003	\$ 2,313,067	\$ 3,432,694	\$ 26,692,476	\$ 7,598	\$ 32,445,835
2004	\$ 2,020,255	\$ 3,890,142	\$ 15,490,826	\$ 17,712	\$ 21,418,935
2005	\$ 2,627,465	\$ 3,224,743	\$ 8,107,038	\$ 4,760	\$ 13,964,006
2006	\$ 1,690,781	\$ 2,720,013	\$ 18,117,244	\$ 175,844	\$ 22,703,882
2007	\$ 1,986,605	\$ 3,287,040	\$ 9,994,768	\$ 245,951	\$ 15,514,364

DEDUCTIONS BY TYPE

<u>Year Ended December 31,</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Employee Transfers to Cook County</u>	<u>Administrative Expenses</u>	<u>Total Deductions</u>
2002	\$ 7,715,412	\$ 615,562	\$ -	\$ 200,848	\$ 8,531,822
2003	\$ 10,437,503	\$ 2,672,454	\$ -	\$ 156,129	\$ 13,266,086
2004	\$ 11,361,642	\$ 1,305,039	\$ 507,604	\$ 136,235	\$ 13,310,520
2005	\$ 11,108,689	\$ 730,332	\$ 186,159	\$ 113,138	\$ 12,138,318
2006	\$ 11,465,912	\$ 346,117	\$ 345,410	\$ 108,566	\$ 12,266,005
2007	\$ 11,868,717	\$ 464,666	\$ 130,674	\$ 120,253	\$ 12,584,310

1 - Includes deductions in lieu of disability.

2 - Includes net tax levy.

3 - Includes realized net gain or loss on investments sold and starting in 2005, net securities lending.

4 - Includes Medicare Part D, prescription plan rebates and miscellaneous income.

2006 is the first year for Medicare Part D and prescription plan rebates.

**FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY
AND BENEFIT FUND OF COOK COUNTY**

SCHEDULE OF TAXES RECEIVABLE

DECEMBER 31, 2007

<u>Levy Year</u>	<u>Gross Levy</u>	<u>Uncollected Balance</u>	<u>Reserve for Loss and Costs</u>	<u>Net Uncollected Balance</u>
2006	\$ 2,649,000	\$ 360,020	\$ 139,894	\$ 220,126
2007	\$ 3,416,000	<u>3,416,000</u>	<u>92,222</u>	<u>3,323,778</u>
Total		<u>\$ 3,776,020</u>	<u>\$ 232,116</u>	<u>\$ 3,543,904</u>

Note:

2006 tax levy includes net Illinois Replacement Tax of \$265,165.

2007 tax levy includes net Illinois Replacement Tax of \$341,942.