County Employees' and Officers' Annuity and Benefit Fund of Cook County

Financial Statements

December 31, 2007

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Financial Statements with Additional Information

December 31, 2007 and 2006

Contents

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
County Employees' and Officers' Annuity
and Benefit Fund of Cook County

We have audited the accompanying statements of plan net assets of County Employees' and Officers' 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 County Employees' and Officers' 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 3c, 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 20 through 22 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.

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Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 23 through 25 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 24 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 20 and 21) 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

This section presents management's discussion and analysis of the County Employees' and Officers' 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 County Employees' and Officers' Annuity and Benefit Fund of Cook County's **total assets** were $8,800,581,911 in 2007 compared to $9,092,888,241 in 2006. **Total liabilities** were $730,872,202 in 2007 compared to $1,422,101,178 in 2006. **Net assets** increased by $398,922,646 or 5.20% in 2007 to $8,069,709,709 from $7,670,787,063 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 6.3% versus 2006's return of 11.4%.

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 77.3% (pension benefits 85.9%, retiree health insurance plan - 0.0%). This ratio is higher than the 75.4% (pension benefits - 84.6%, 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 $8,059,879,804 and the actuarial liability was $9,386,287,797. The actuarial liability increased by $559,706,332 or 6.3% in 2007, from $8,826,581,465 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 $1,554,123,496. The actuarial liability increased by $47,301,529 or 3.1% in 2007, from $1,506,821,967 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 $8,059,879,804 and the actuarial liability was $10,423,729,900. The actuarial liability increased by $519,151,726, or 5.2% in 2007, from $9,904,578,174 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 $868,685,564 compared to $1,101,360,984 in 2006.

Member contributions increased by 1.1% to $123,047,516 in 2007 from $121,672,773 in 2006.

Employer contributions increased by 16.7% to $258,141,230 in 2007 from $221,186,219 in 2006. Employer contributions are calculated using a statutorily set multiplier (currently 1.54) times member contributions collected two years prior.

Net investment income totaled $474,758,212 for the year ended December 31, 2007 compared to $747,619,968 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 11.8% to $11,994,986 in 2007 compared to $10,730,106 in 2006.

Changes in Plan Net Assets (continued)

Revenues - Additions to Plan Net Assets (continued)

Net securities lending income increased by 68.4% to $2,736,054 in 2007 from $1,625,033 in 2006.

Medicare Part D Subsidies increased by 63.1% to $4,751,673 in 2007 from $2,913,709 in 2006. This was primarily due to increased utilization of Medicare Part D eligible drugs as well as increased costs.

Employee transfers from Forest Preserve 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.

Expenses - Deductions from Plan Net Assets

Expenses increased by 19.1% to $ 469,762,918 in 2007 from $394,528,677 in 2006.

Retirement annuity payments increased by 7.8% to $348,370,232 in 2007 from $323,262,588 in 2006. There were 14,285 participants paid during 2007 compared to 13,836 participants paid during 2006. The increase in retirement annuity payments was mainly due to the 3% annual compounded cost of living increase and an increase in the number of retirees.

Disability payments increased by 11.2% to $13,038,555 in 2007 from $11,722,480 in 2006. This increase was mainly due to increased salaries that the disability payments are calculated against.

Group hospital premiums increased by 21.7% to $37,280,444 in 2007 from $30,642,245 in 2006. This increase was due to the increased cost of health insurance as well as an increase in the number of retirees participating in the plan.

Refunds of member contributions, including rollover distributions, increased by 167.4% to $66,623,357 in 2007 from $24,922,209 in 2006. This increase was attributed to the Alternative Retirement Cancellation Payment legislation that was enacted during 2007.

Cost to administer the Plan increased by 11.8% to $4,450,330 in 2007 from $3,979,155 in 2006. This was primarily attributable to increases in automation related consulting fees and document imaging, as well as investment custodian fees and new office expense.

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:

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County Employees' and Officers' Annuity
and Benefit Fund of Cook County
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County Employees' and Officers' Annuity and Benefit Fund of Cook County

Statements of Plan Net Assets

December 31, 2007 and 2006

	2007	2006
Assets		
Cash	$ 32,750,758	$ 30,473,262
Receivables		
Employer - tax levy less allowance for loss and cost of $15,539,385 in 2007 and $13,980,580 in 2006	267,071,590	214,959,429
Plan member	302,726	286,986
Accrued investment income	19,551,566	21,502,886
Due from Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	1,355,061	1,445,302
Due from Cook County	5,744,393	6,042,927
Medicare Part D subsidy receivable	4,949,115	456,850
Other	514,395	154,654
Total receivables	299,488,846	244,849,034
Investments	7,743,993,752	7,401,966,347
Collateral held for securities on loan	724,348,555	1,415,599,598
Total assets	8,800,581,911	9,092,888,241
Liabilities		
Health insurance payable	3,028,163	2,946,271
Accounts payable	3,495,484	3,264,499
Due to Cook County	-	290,810
Securities lending collateral	724,348,555	1,415,599,598
Total liabilities	730,872,202	1,422,101,178
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 20)	$ 8,069,709,709	$ 7,670,787,063

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' 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	$ 258,141,230	$ 226,721,014	$ 31,420,216	$ 221,186,219	$ 194,367,840	$ 26,818,379
Plan member contributions						
Salary deductions	116,822,511	116,822,511	-	116,594,898	116,594,898	-
Refund repayments	3,061,741	3,061,741	-	2,316,250	2,316,250	-
Former service payments	611,360	611,360	-	333,714	333,714	-
Optional payments and deductions	106,003	106,003	-	70,253	70,253	-
Miscellaneous - military service, sick time and alternative costs	320,949	320,949	-	438,769	438,769	-
Deductions in lieu of disability	2,124,952	2,124,952	-	1,918,889	1,918,889	-
Total plan member contributions	123,047,516	123,047,516	-	121,672,773	121,672,773	-
Investment income						
Net appreciation in fair value of investments	321,131,696	321,131,696	-	598,260,850	598,260,850	-
Dividends	72,493,125	72,493,125	-	60,121,259	60,121,259	-
Interest	91,530,840	91,530,840	-	95,678,166	95,678,166	-
Limited partnership income	1,492,829	1,492,829	-	4,103,265	4,103,265	-
Commission recapture	104,708	104,708	-	186,534	186,534	-
	486,753,198	486,753,198	-	758,350,074	758,350,074	-
Less investment expense	(11,994,986)	(11,994,986)	-	(10,730,106)	(10,730,106)	-
Net investment income	474,758,212	474,758,212	-	747,619,968	747,619,968	-
Securities lending						
Income	70,162,545	70,162,545	-	62,698,408	62,698,408	-
Expenses						
Borrower rebates	(66,579,796)	(66,579,796)	-	(60,535,583)	(60,535,583)	-
Management fees	(846,695)	(846,695)	-	(537,792)	(537,792)	-
Net securities lending income	2,736,054	2,736,054	-	1,625,033	1,625,033	-
Other						
Federal subsidized programs	3,393,321	3,393,321	-	4,252,144	4,252,144	-
Medicare Part D Subsidy	4,751,673	-	4,751,673	2,913,709	-	2,913,709
Prescription plan rebates	1,108,555	-	1,108,555	910,157	-	910,157
Employee transfers from Forest Preserve	130,674	130,674	-	345,410	345,410	-
Miscellaneous	618,329	618,329	-	835,571	835,571	-
Total other additions	10,002,552	4,142,324	5,860,228	9,256,991	5,433,125	3,823,866
Total additions	868,685,564	831,405,120	37,280,444	1,101,360,984	1,070,718,739	30,642,245

See accompanying notes to financial statements.

COUNTY EMPLOYEES' AND OFFICERS' 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
DEDUCTIONS						
Benefits						
Annuities						
Employee	$ 324,724,997	$ 324,724,997	$ -	$ 301,803,116	$ 301,803,116	$ -
Spouse and children	23,645,235	23,645,235	-	21,459,472	21,459,472	-
Disability benefits						
Ordinary	12,597,843	12,597,843	-	11,183,117	11,183,117	-
Duty	440,712	440,712	-	539,363	539,363	-
Group hospital benefits	37,280,444	-	37,280,444	30,642,245	-	30,642,245
Total benefits	398,689,231	361,408,787	37,280,444	365,627,313	334,985,068	30,642,245
Refunds	66,623,357	66,623,357	-	24,922,209	24,922,209	-
Net administrative expenses	4,450,330	4,450,330	-	3,979,155	3,979,155	-
Total deductions	469,762,918	432,482,474	37,280,444	394,528,677	363,886,432	30,642,245
NET INCREASE	398,922,646	398,922,646	-	706,832,307	706,832,307	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
Beginning of year	7,670,787,063	7,670,787,063	-	6,963,954,756	6,963,954,756	-
End of year	$ 8,069,709,709	$ 8,069,709,709	$ -	$ 7,670,787,063	$ 7,670,787,063	$ -

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes (formerly Chapter 108-1/2, Article 9 of the Illinois Revised Statutes).

Method of Accounting - The financial statements are presented 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, Cook County, 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. Limited partnerships are carried at fair value as estimated by each partnership's general partner. Demand notes are carried at cost which approximates fair value. Where less than an entire investment 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. These expenses are allocated between the County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County on a pro rata basis as applicable.

Estimates - The preparation of the 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 reclassifications have been made to prior year amounts to conform to the current year presentation.

NOTE 2. PLAN DESCRIPTION

The County Employees' and Officers' Annuity and Benefit Fund of Cook County was established on January 1, 1926, and is governed by legislation contained in Illinois Compiled Statutes, particularly Chapter 40, Article 5/9. The Plan can be amended only by the Illinois Legislature. The County Employees' and Officers' 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 Cook County (County) and the dependents of such employees. The Plan is considered to be a component unit of Cook County, Illinois and is included in the County'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 elected by the employee members of the Plan and three are 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 County 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 County'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 1.54. The source of funds for the County's contributions has been designated by State Statutes as the County's annual property tax levy. The County's payroll for employees covered by the Plan for 2007 and 2006 was $1,370,844,734 and $1,412,878,627 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The County Employees' and Officers' Annuity and Benefit Fund of Cook County 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 ages 50 and 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:

	2007	2006
Retirees and beneficiaries currently receiving benefits:		
Employee	11,719	11,416
Spouse	2,299	2,294
Children	130	126
Disability	321	337
Subtotal	14,469	14,173
Current employees:		
Vested	13,160	14,013
Nonvested	10,296	11,542
Subtotal	23,456	25,555
Total	37,925	39,728

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 County tax levy which is currently limited when extended to an amount not to exceed an amount equal to the total contributions by the employees of the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.54.

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 December 31, 2006 indicate the annual required contribution to be $406,625,773 and $421,092,345 for 2007 and 2006 respectively. The annual required contribution based on an annual projected payroll of $1,370,844,734 for 23,456 active members in 2007 and $1,412,878,627 for 25,555 active members in 2006 is computed as follows:

	2007	2006
Normal cost	$ 330,895,370	$ 342,584,576
30-year level dollar amortization of the unfunded liability	192,419,432	198,772,359
	523,314,802	541,356,935
Less estimated plan member contributions	(116,689,029)	(120,264,590)
Actuarially determined contribution requirement for subsequent fiscal year	406,625,773	421,092,345
Expected net employer contribution from tax levy after 3.5% loss	(180,817,908)	(258,899,040)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 225,807,865	$ 162,193,305
Required tax levy multiple	3.46	2.50
Present authorized multiple	1.54	1.54

A Schedule of Funding Progress is located in the Required Supplementary Information on page 20. 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.

Investments	2007	2006
Corporate bonds:		
Not on securities loan	$ 526,199,594	$ 579,621,799
On securities loan	7,731,480	58,656,427
U.S. and Foreign Government obligations:		
Not on securities loan	531,144,969	610,877,845
On securities loan	364,787,680	395,205,866
Equities:		
Not on securities loan	3,518,766,023	2,964,330,255
On securities loan	331,692,032	936,621,820
Equity mutual funds	1,088,475,195	665,099,796
Fixed income mutual funds:		
NTGI Daily Aggregate Bond Index Fund	1,040,298,065	708,426,904
Others	-	2,969,064
Limited partnerships	231,322,968	248,995,609
Demand notes	159,290,440	254,543,535
Net unsettled investment trades	(55,714,694)	(23,382,573)
	7,743,993,752	7,401,966,347
Collateral held for securities on loan	724,348,555	1,415,599,598
Total investments and collateral held for securities on loan	$ 8,468,342,307	$ 8,817,565,945

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.

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 the 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:

Type of Investment	Rating	2007	2006
Corporate bonds	Aaa/AAA	$ 170,507,660	$ 193,992,266
	Aa/AA	99,315,440	101,413,336
	A/A	105,300,988	206,499,192
	Baa/BBB	133,747,041	117,572,028
	Ba/BB	5,541,776	4,137,021
	B/B	7,931,109	6,729,329
	Caa/CCC	1,441,771	623,617
	Not Rated	10,145,289	7,311,437
		$ 533,931,074	$ 638,278,226
U.S. Government and Government Agency obligations	Aaa/AAA	$ 890,225,644	$ 996,395,398
	Aa/AA	5,707,005	5,511,855
	A/A	-	796,883
	Baa/BBB	-	3,379,575
		$ 895,932,649	$ 1,006,083,711
Fixed income mutual funds	Not Rated	$ 1,040,298,065	$ 711,395,968
Demand notes	Not Rated	$ 159,290,440	$ 254,543,535

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:

Corporate bonds	Less than 1 year	$ 29,882,839	$ 27,333,031
	1 - 5 years	196,842,616	293,936,573
	6 - 10 years	110,699,981	108,223,787
	Over 10 years	196,505,638	208,784,835
		$ 533,931,074	$ 638,278,226
U.S. and Foreign Government obligations	Less than 1 year	$ 21,847,843	$ 71,420,489
	1 - 5 years	241,166,584	258,826,653
	6 - 10 years	204,471,768	199,429,315
	Over 10 years	428,446,454	476,407,254
		$ 895,932,649	$ 1,006,083,711

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:

Type of Investment	Fair Value (USD) 2007	Fair Value (USD) 2006
Corporate bonds:		
Australian dollar	$ 679,004	$ -
European euro	513,977	-
U.S. dollar	532,738,093	638,278,226
Total corporate bonds	$ 533,931,074	$ 638,278,226
Limited partnerships:*		
Israeli shekel	$ 5,241,301	$ 4,831,026
U.S. dollar	226,081,667	244,164,583
Total limited partnership	$ 231,322,968	$ 248,995,609

* Foreign currency risk disclosure in limited partnerships is limited to direct holdings in a foreign limited partnership. Information is not available regarding the plan's share of a foreign investment held by a domestic limited partnership.

NOTE 4. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2007	Fair Value (USD) 2006
Equities:		
Australian dollar	$ 25,382,546	$ 19,004,521
British pound	171,439,225	124,747,336
Canadian dollar	23,028,430	15,100,265
Chinese yuan	-	1,360,884
Danish krone	16,161,759	6,344,688
European euro	314,189,867	189,359,673
Hong Kong dollar	30,862,808	15,247,827
Israeli shekel	3,328,281	1,270,273
Japanese yen	137,364,541	112,176,586
Mexican peso	2,558,871	(2,035,688)
New Zealand dollar	-	92
Norwegian krone	12,758,191	7,195,751
Russian rubel	2,060,888	-
Singapore dollar	16,898,795	4,938,632
South African rand	-	376
Swedish krona	16,019,263	14,872,758
Swiss franc	59,266,557	29,184,337
Taiwan dollar	-	5
Thailand baht	-	1,061,053
U.S. dollar	3,019,138,033	3,381,682,565
Net unsettled investment trades	-	(20,559,859)
Total equities	$ 3,850,458,055	$ 3,900,952,075

During 2007 and 2006, net realized gain on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $445,624,397 and $378,531,442, 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. WHEN-ISSUED TRANSACTIONS

The Plan may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment take place. As of December 31, 2007 and 2006, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $26,770,000 and $22,095,000 respectively.

NOTE 6. 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 four 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 $704,211,192 and $1,390,484,113 respectively. As of December 31, 2007 and 2006, the fair value (carrying amount) of collateral received by the Plan was $ 724,348,555 and $1,415,599,598 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 it 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 7. COMMITMENTS

The Plan has agreed with independent parties to purchase shares of various limited partnerships. As of December 31, 2007, the Plan has commitments of approximately $27,200,000 outstanding which are due on demand.

NOTE 8. 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 County Employees' and Officers' 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 5/9 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 7,459 and 7,132 respectively.

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 9. RELATED PARTY TRANSACTIONS

As of December 31, 2007 and 2006, the Plan has investments consisting of stocks, bonds or ownership equity of its investment custodian, real estate investment consultant and various investment managers or limited partnerships with a total market value of approximately $316,500,000 and $418,090,000 respectively.

NOTE 10. LEASE AGREEMENTS

The Plan leases its office facility under a fifteen year lease arrangement in effect through June 1, 2022. The lease calls for annual adjustments on the anniversary date of the commencement of the lease. Rent expense under this lease, net of rent abatements, for the last two years was $311,819 and $364,614 respectively.

The following is a schedule by year of the future minimum rental payments required under the noncancelable lease terms of this operating lease:

Year ending December 31,	
2008	$ 340,184
2009	348,689
2010	357,406
2011	366,341
2012	375,500
2013	384,888
2014	394,510
2015	404,372
2016	414,482
2017	424,844
2018	435,465
2019	446,352
2020	457,510
2021	468,948
2022	197,401
	$ 5,816,892

REQUIRED SUPPLEMENTARY INFORMATION

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Funding Progress

Year Ended December 31,		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Pension Benefits							
2002	(1)	$ 5,861,233,506	$ 7,846,307,991	$ 1,985,074,485	74.70%	$ 1,330,456,896	149.20%
2003		$ 5,929,201,142	$ 8,780,969,704	$ 2,851,768,562	67.52%	$ 1,307,079,312	218.18%
2004	(2)	$ 6,700,845,111	$ 9,450,784,086	$ 2,749,938,975	70.90%	$ 1,371,540,481	200.50%
2005	(3)	$ 7,027,508,138	$ 8,340,404,845	$ 1,312,896,707	84.26%	$ 1,387,459,142	94.63%
2006	(3)	$ 7,462,683,122	$ 8,826,581,465	$ 1,363,898,343	84.55%	$ 1,412,878,627	96.53%
2007	(3)	$ 8,059,879,804	$ 9,386,287,797	$ 1,326,407,993	85.87%	$ 1,370,844,734	96.76%
Retiree Health Insurance Plan							
2005		$ -	$ 1,460,682,921	$ 1,460,682,921	0.00%	$ 1,387,459,142	105.28%
2006		$ -	$ 1,506,821,967	$ 1,506,821,967	0.00%	$ 1,412,878,627	106.65%
2007		$ -	$ 1,554,123,496	$ 1,554,123,496	0.00%	$ 1,370,844,734	113.37%
Changes in Actuarial Assumptions							
2005	(4)	$ -	$ (531,143,633)	$ (531,143,633)	0.00%		
2006	(4)	$ -	$ (428,825,258)	$ (428,825,258)	0.00%		
2007	(5)	$ -	$ (516,681,393)	$ (516,681,393)	0.00%		
Combined							
2002		$ 5,861,233,506	$ 7,846,307,991	$ 1,985,074,485	74.70%	$ 1,330,456,896	149.20%
2003		$ 5,929,201,142	$ 8,780,969,704	$ 2,851,768,562	67.52%	$ 1,307,079,312	218.18%
2004		$ 6,700,845,111	$ 9,450,784,086	$ 2,749,938,975	70.90%	$ 1,371,540,481	200.50%
2005		$ 7,027,508,138	$ 9,269,944,133	$ 2,242,435,995	75.81%	$ 1,387,459,142	161.62%
2006		$ 7,462,683,122	$ 9,904,578,174	$ 2,441,895,052	75.35%	$ 1,412,878,627	172.83%
2007		$ 8,059,879,804	$ 10,423,729,900	$ 2,363,850,096	77.32%	$ 1,370,844,734	172.44%

(1) = Change in benefits.

(2) = Change in actuarial assumption.

(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.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Employer Contributions

Year Ended December 31,		Annual Required Contribution (1) (ARC) (a)	Required Statutory Basis (2) (b)	Employer Contribution (c)	Percent of ARC Contributed (c/a)
Pension Benefits					
2002		$ 253,942,375	$ 174,214,910	$ 178,410,973	70.26%
2003		$ 364,658,305	$ 182,112,650	$ 185,608,032	50.90%
2004		$ 457,427,014	$ 212,515,195	$ 201,957,937	44.15%
2005	(3)	$ 321,669,394	$ 201,830,715	$ 190,596,330	59.25%
2006	(3)	$ 282,223,686	$ 215,455,550	$ 198,619,984	70.38%
2007	(3)	$ 287,061,532	$ 258,899,040	$ 230,114,335	80.16%
Retiree Health Insurance Plan					
2005		$ 107,301,732	$ -	$ 27,696,148	25.81%
2006		$ 166,070,688	$ -	$ 26,818,379	16.15%
2007		$ 174,767,784	$ -	$ 31,420,216	17.98%
Changes in Actuarial Assumptions					
2005		$ -	$ -		
2006	(4)	$ (49,953,395)	$ -		
2007	(5)	$ (40,736,971)	$ -		
Combined					
2002		$ 253,942,375	$ 174,214,910	$ 178,410,973	70.26%
2003		$ 364,658,305	$ 182,112,650	$ 185,608,032	50.90%
2004		$ 457,427,014	$ 212,515,195	$ 201,957,937	44.15%
2005		$ 428,971,126	$ 201,830,715	$ 218,292,478	50.89%
2006		$ 398,340,979	$ 215,455,550	$ 225,438,363	56.59%
2007		$ 421,092,345	$ 258,899,040	$ 261,534,551	62.11%

(1) = 30 Year level dollar amortization beginning in 2005.
40 Year level dollar amortization for 2004 and prior.

(2) = Tax levy after 3.5% overall loss beginning in 2004.
Tax levy after 3.0% 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.

County Employees' and Officers' 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

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedules of Net Administrative Expenses

Years Ended December 31, 2007 and 2006

	2007	2006
Actuarial service	$ 155,024	$ 122,986
Audit	46,538	74,500
Bank charges	100,611	102,492
Consulting fees	398,017	284,349
Document imaging	144,363	-
Election expense	80,760	110,770
Health insurance premiums - staff	247,481	273,138
Insurance - fidelity, fiduciary and liability	58,443	58,495
Investment consulting fees	268,540	271,664
Investment custodian fees	584,142	417,767
Legal	138,373	103,776
Membership and conference	3,474	4,040
New office expense	132,267	-
Office expense	128,566	126,377
Postage	107,739	143,336
Printing and stationery	21,737	35,693
Recovery site expense	35,816	91,259
Rent	311,819	364,614
Salaries	1,524,747	1,429,672
Travel	1,973	5,626
Training and tuition	9,500	-
Utilities	7,554	7,682
Total	4,507,484	4,028,236
Less portion allocated to Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	(57,154)	(49,081)
Net administrative expenses	$ 4,450,330	$ 3,979,155

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Additions By Source

Year Ended December 31,	Plan Member Contributions (1)	Employer Contributions (2)	Net Investment and Net Securities Lending Income (Loss) (3)	Other (4)	Total Additions
2002	$ 147,031,109	$ 174,999,464	$ (382,116,211)	$ 3,744,422	$ (56,341,216)
2003	$ 140,073,582	$ 181,041,973	$ 883,619,351	$ 4,566,060	$ 1,209,300,966
2004	$ 148,991,804	$ 198,117,042	$ 571,265,643	$ 6,162,602	$ 924,537,091
2005	$ 174,213,741	$ 214,849,442	$ 324,731,939	$ 6,977,513	$ 720,772,635
2006	$ 121,672,773	$ 221,186,219	$ 749,245,001	$ 9,256,991	$ 1,101,360,984
2007	$ 123,047,516	$ 258,141,230	$ 477,494,266	$ 10,002,552	$ 868,685,564

Deductions By Type

Year Ended December 31,	Benefits (5)	Refunds	Net Administrative Expenses	Total Deductions
2002	$ 225,242,236	$ 20,254,536	$ 6,394,921	$ 251,891,693
2003	$ 315,816,457	$ 44,209,953	$ 7,255,667	$ 367,282,077
2004	$ 344,638,409	$ 18,049,094	$ 6,780,941	$ 369,468,444
2005	$ 348,318,767	$ 23,041,743	$ 4,398,437	$ 375,758,947
2006	$ 365,627,313	$ 24,922,209	$ 3,979,155	$ 394,528,677
2007	$ 398,689,231	$ 66,623,357	$ 4,450,330	$ 469,762,918

1 - Includes deductions in lieu of disability.

2 - Net tax levy plus other additions.

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

4 - Includes federal subsidized programs, Medicare Part D, prescription plan rebates and miscellaneous income. 2006 is the first year for Medicare Part D and prescription plan rebates.

5 - Includes transfers (from) reciprocating funds.

County Employees' and Officers' Annuity and Benefit Fund of Cook County

Schedule of Taxes Receivable

December 31, 2007

Levy Year	Gross Levy	Uncollected Balance	Reserve for Loss and Costs	Net Uncollected Balance
2006	$ 223,270,000	$ 20,929,457	$ 7,612,197	$ 13,317,260
2007	$ 264,846,000	261,681,518	7,927,188	253,754,330
		$ 282,610,975	$ 15,539,385	$ 267,071,590

Note:

Uncollected taxes for years 2005 and prior are fully reserved.

2006 tax levy includes net Illinois Replacement Tax of $22,349,327.

2007 tax levy includes net Illinois Replacement Tax of $26,511,085.