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

Financial Statements

December 31, 2008

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

Financial Statements with Additional Information

December 31, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 22 through 24 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 25 through 27 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 2008 and 2007, 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 2006, 2005, 2004, and 2003 (which are not presented herein), and we expressed unqualified opinions on those financial statements. In our opinion, the information on page 26 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. Our reports for 2006, 2005, 2004, and 2003 on the required supplementary information (pages 22 and 23) 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

May 22, 2009

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, 2008 and performance for the year ended December 31, 2008. 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 decrease in net assets. This net decrease 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 $6,571,718,518 at December 31, 2008 compared to $8,800,581,911 at December 31, 2007. **Total liabilities** were $502,438,446 at December 31, 2008 compared to $730,872,202 at December 31, 2007. **Net assets** decreased by $(2,000,429,637) or 24.8 % in 2008 to $6,069,280,072 from $8,069,709,709 in 2007. The decrease in net assets was primarily due to the decrease in the fair value of the investments.

The **rate of return** of the Plan's investment portfolio for 2008 was a negative 24.5% versus 2007's return of 6.3%.

Financial Highlights (continued)

The **funding objective** of the Plan is to meet long-term defined pension benefit obligations. As of December 31, 2008, the date of the most recent actuarial valuation, the Plan is actuarially funded at 72.6% (pension benefits - 79.6%, retiree health insurance plan - 0.0%). This ratio is less than the 77.3% (pension benefits - 85.9%, retiree health insurance plan - 0.0%) funded ratio as of December 31, 2007.

The actuarial value of assets for the December 31, 2008 valuation for pension benefits was $8,036,074,797 and the actuarial liability was $10,097,027,865. The actuarial liability increased by $710,740,068 or 7.6% in 2008, from $9,386,287,797 in 2007.

The actuarial value of assets for the December 31, 2008 valuation for the retiree health insurance plan was $0, and the actuarial liability was $1,448,828,756. The actuarial liability decreased by $105,294,740 or (6.8%) in 2008, from $1,554,123,496 in 2007.

Based on a combined actuarial valuation of the pension and retiree health insurance plan benefits, the actuarial value of assets for the December 31, 2008 valuation was $8,036,074,797 and the actuarial liability was $11,073,181,349. The actuarial liability increased by $649,451,449 or 6.2% in 2008, from $10,423,729,900 in 2007. 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 2008 were a decrease of $(1,543,673,915) compared to an increase of $868,685,564 in 2007.

Member contributions increased by .6% to $123,776,705 in 2008 from $123,047,516 in 2007.

Employer contributions decreased by 28.8% to $183,916,221 in 2008 from $258,141,230 in 2007. Employer contributions are calculated using a statutorily set multiplier (currently 1.54) times member contributions collected two years prior.

Net investment income (loss) totaled $(1,864,988,592) for the year ended December 31, 2008 compared to $474,758,212 for the year ended December 31, 2007. 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, decreased by 19.2% to $9,687,877 in 2008 compared to $11,994,986 in 2007.

Changes in Plan Net Assets (continued)

Revenues - Additions to Plan Net Assets (continued)

Net securities lending income increased by 139.0% to $6,540,365 in 2008 from $2,736,054 in 2007.

Medicare Part D Subsidies decreased by 63.7% to $1,723,861 in 2008 from $4,751,673 in 2007. The decrease is due to the 2007 estimate being higher than the actual subsidy received. That amount was adjusted for in the current year.

Employee transfers (to) from Forest Preserve resulted from Forest Preserve District employees transferring employment to (from) Cook County. The accrued pension benefit obligation transferred (to) from the Forest Preserve Fund to (from) the Cook County Fund was $(119,434) in 2008 compared to $130,674 in 2007.

Expenses - Deductions from Plan Net Assets

Expenses decreased by .9% to $465,755,722 in 2008 from $469,762,918 in 2007.

Retirement annuity payments increased by 7.33% to $373,738,148 in 2008 from $348,370,232 in 2007. There were 14,427 participants paid during 2008 compared to 14,148 participants paid during 2007. 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 1.5% to $13,234,974 in 2008 from $13,038,555 in 2007. This increase was mainly due to increased salaries that are used in calculating the disability payments.

Group hospital premiums increased by 8.6% to $40,480,343 in 2008 from $37,280,444 in 2007. This increase was due to the increased cost of health insurance.

Refunds of member contributions, including rollover distributions, decreased by 62.9% to $24,724,102 in 2008 from $66,623,357 in 2007. This decrease was attributed to the Alternative Retirement Cancellation Payment legislation enacted and available to participants during 2007.

Cost to administer the Plan increased by 2.8% to $4,578,155 in 2008 from $4,450,330 in 2007. This was primarily attributable to increases in legal fees and salaries, which was reduced by decreases in investment custodian fees and rent 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:

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

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

Statements of Plan Net Assets

December 31, 2008 and 2007

	2008	2007
Assets		
Cash	$ 14,458,423	$ 32,750,758
Receivables		
Employer - tax levy less allowance for loss and cost of $10,480,930 in 2008 and $15,539,385 in 2007	281,272,864	267,071,590
Plan member	312,685	302,726
Accrued investment income	17,412,752	19,551,566
Due from Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	1,195,879	1,355,061
Due from Cook County	7,580,426	5,744,393
Medicare Part D subsidy receivable	6,811,834	4,949,115
Other	328,450	514,395
Total receivables	314,914,890	299,488,846
Investments	5,753,761,674	7,743,993,752
Collateral held for securities on loan	488,583,531	724,348,555
Total assets	6,571,718,518	8,800,581,911
Liabilities		
Health insurance payable	3,830,346	3,028,163
Accounts payable	3,009,072	3,495,484
Securities lending collateral	488,583,531	724,348,555
Securities lending payable	7,015,497	-
Total liabilities	502,438,446	730,872,202
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 21)	$ 6,069,280,072	$ 8,069,709,709

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, 2008 and 2007

	2008 Total	2008 Pension	2008 Postemployment Healthcare	2007 Total	2007 Pension	2007 Postemployment Healthcare
Additions						
Contributions						
Employer - tax levy	$ 183,916,221	$ 146,134,911	$ 37,781,310	$ 258,141,230	$ 226,721,014	$ 31,420,216
Plan member contributions						
Salary deductions	118,871,826	118,871,826	-	116,822,511	116,822,511	-
Refund repayments	1,989,937	1,989,937	-	3,061,741	3,061,741	-
Former service payments	364,833	364,833	-	611,360	611,360	-
Optional payments and deductions	72,654	72,654	-	106,003	106,003	-
Miscellaneous - military service, sick time and alternative costs	214,748	214,748	-	320,949	320,949	-
Deductions in lieu of disability	2,262,707	2,262,707	-	2,124,952	2,124,952	-
Total plan member contributions	123,776,705	123,776,705	-	123,047,516	123,047,516	-
Investment income (loss)						
Net appreciation (depreciation) in fair value of investments	(2,013,140,963)	(2,013,140,963)	-	321,131,696	321,131,696	-
Dividends	84,083,885	84,083,885	-	72,493,125	72,493,125	-
Interest	70,876,750	70,876,750	-	91,530,840	91,530,840	-
Limited partnership income	2,803,462	2,803,462	-	1,492,829	1,492,829	-
Commission recapture	76,151	76,151	-	104,708	104,708	-
	(1,855,300,715)	(1,855,300,715)	-	486,753,198	486,753,198	-
Less investment management expense	(9,687,877)	(9,687,877)	-	(11,994,986)	(11,994,986)	-
Net investment income (loss)	(1,864,988,592)	(1,864,988,592)	-	474,758,212	474,758,212	-
Securities lending						
Income	19,948,984	19,948,984	-	70,162,545	70,162,545	-
Expenses						
Borrower rebates	(12,090,243)	(12,090,243)	-	(66,579,796)	(66,579,796)	-
Management fees	(1,318,376)	(1,318,376)	-	(846,695)	(846,695)	-
Net securities lending income	6,540,365	6,540,365	-	2,736,054	2,736,054	-
Other						
Federal subsidized programs	4,092,449	4,092,449	-	3,393,321	3,393,321	-
Medicare Part D Subsidy	1,723,861	-	1,723,861	4,751,673	-	4,751,673
Prescription plan rebates	975,172	-	975,172	1,108,555	-	1,108,555
Employee transfers (to) from Forest Preserve	(119,434)	(119,434)	-	130,674	130,674	-
Miscellaneous	409,338	409,338	-	618,329	618,329	-
Total other additions	7,081,386	4,382,353	2,699,033	10,002,552	4,142,324	5,860,228
Total additions	(1,543,673,915)	(1,584,154,258)	40,480,343	868,685,564	831,405,120	37,280,444

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, 2008 AND 2007

	2008			2007		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
DEDUCTIONS						
Benefits						
Annuities						
Employee	$ 347,922,288	$ 347,922,288	$ -	$ 324,724,997	$ 324,724,997	$ -
Spouse and children	25,815,860	25,815,860	-	23,645,235	23,645,235	-
Disability benefits						
Ordinary	12,706,676	12,706,676	-	12,597,843	12,597,843	-
Duty	528,298	528,298	-	440,712	440,712	-
Group hospital benefits	40,480,343	-	40,480,343	37,280,444	-	37,280,444
Total benefits	427,453,465	386,973,122	40,480,343	398,689,231	361,408,787	37,280,444
Refunds	24,724,102	24,724,102	-	66,623,357	66,623,357	-
Net administrative expenses	4,578,155	4,578,155	-	4,450,330	4,450,330	-
Total deductions	456,755,722	416,275,379	40,480,343	469,762,918	432,482,474	37,280,444
NET INCREASE (DECREASE)	(2,000,429,637)	(2,000,429,637)	-	398,922,646	398,922,646	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
Beginning of year	8,069,709,709	8,069,709,709	-	7,670,787,063	7,670,787,063	-
End of year	$ 6,069,280,072	$ 6,069,280,072	$ -	$ 8,069,709,709	$ 8,069,709,709	$ -

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 in the levy year. 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.

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% (9% for County Police) 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 Statute as the County's annual property tax levy. The County's payroll for employees covered by the Plan for 2008 and 2007 was $1,463,372,408 and $1,370,844,734 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, 2008 and 2007, participants consisted of the following:

	2008	2007
Retirees and beneficiaries currently receiving benefits:		
Employee	11,967	11,719
Spouse	2,325	2,299
Children	135	130
Disability	318	321
	14,745	14,469
Current employees:		
Vested	13,801	13,160
Nonvested	9,635	10,296
	23,436	23,456
Total	38,181	37,925

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

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2008, the most recent actuarial valuation date, the Plan was 72.6% funded on an actuarial basis. The actuarial accrued liability for benefits was $11,073,181,349, and the actuarial value of assets was $8,036,074,797, resulting in an unfunded actuarial accrued liability (UAAL) of $3,037,106,552. The covered payroll (annual payroll of active employees covered by the Plan) was $1,463,372,408, and the ratio of the UAAL to the covered payroll was 207.5%.

The Schedule of Funding Progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2008
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market value

Actuarial assumptions:

Investment return rate	7.5% compounded annually
Projected salary increases	
Inflation rate	3.0% per year
Merit increases	2.0% per year
Total	5.0% per year
Postretirement benefit increase	3.0 percent compounded per year
Mortality rates	1983 Group Annuity Mortality Table, Male and Female, rated up two years
Termination rates	Based on recent experience of the Plan
Retirement rates	Rates of retirement for each age from 50 to 75 based on recent experience of the Plan. All employees are assumed to retire by age 75
Medical trend rate	8.0% in the first year, decreasing by .5% per year until an ultimate rate of 5.0% is reached

During 2007, there were no losses due to default of a borrower or the lending agent.

NOTE 4. 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.

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2008 and December 31, 2007 indicate the annual required contribution to be \$468,181,943 and \$406,625,773 for 2008 and 2007 respectively. The annual required contribution based on an annual projected payroll of \$1,463,372,408 for 23,436 active members in 2008 and \$1,370,844,734 for 23,456 active members in 2007 is computed as follows:

	2008	2007
Normal cost	$ 345,537,269	$ 330,895,370
30-year level dollar amortization of the unfunded liability	247,223,087	192,419,432
	592,760,356	523,314,802
Less estimated plan member contributions	(124,578,413)	(116,689,029)
Actuarially determined contribution requirement for subsequent fiscal year	468,181,943	406,625,773
Expected net employer contribution from tax levy after 3.0% loss	(183,808,380)	(180,817,908)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 284,373,563	$ 225,807,865
Required tax levy multiple	3.92	3.46
Present authorized multiple	1.54	1.54

A Schedule of Funding Progress is located in the Required Supplementary Information on page 22. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 5. 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, 2008 and 2007. Investments that represent 5% or more of the Plan's net assets held in trust for benefit purposes are separately identified.

Investments	2008	2007
Corporate bonds:		
Securities not on loan	$ 404,029,184	$ 526,199,594
Securities on loan	28,424,074	7,731,480
U.S. Government and Government Agency obligations:		
Securities not on loan	706,259,110	531,144,969
Securities on loan	201,020,020	364,787,680
Equities:		
Securities not on loan	2,779,132,575	3,518,766,023
Securities on loan	243,734,765	331,692,032
Equity mutual funds	24,098,280	1,088,475,195
Fixed income mutual fund:		
NTGI Daily Aggregate Bond Index Fund	1,089,900,570	1,040,298,065
Limited partnerships	156,161,392	231,322,968
Demand notes	145,275,775	159,290,440
Net unsettled investment trades	(24,274,071)	(55,714,694)
	5,753,761,674	7,743,993,752
Collateral held for securities on loan	488,583,531	724,348,555
Total investments and collateral held for securities on loan	$ 6,242,345,205	$ 8,468,342,307

NOTE 5. 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, 2008 and 2007.

NOTE 5. 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. For the year ended December 31, 2008, the Plan's investment policy set the average credit quality for each manager's total fixed income portfolio (Corporate and U.S. Government holdings) of not less than A- by two out of three credit agencies (Moody's Investor Service, Standard & Poors and/or Finch). For the year ended December 31, 2007, the Plan's investment policy had set the average credit quality for each manager's 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 Plan's credit quality ratings of investments at December 31, 2008 and 2007 as valued by Moody's Investors Service and/or Standard & Poor's and/or Finch:

Type of Investment	Rating	2008	2007
Corporate bonds	Aaa/AAA	$ 50,387,892	$ 170,507,660
	Aa/AA	80,492,380	99,315,440
	A/A	189,396,008	105,300,988
	Baa/BBB	103,326,288	133,747,041
	Ba/BB	4,972,916	5,541,776
	B/B	1,016,436	7,931,109
	Caa/CCC	1,807,136	1,441,771
	Ca/CC	658,685	-
	CC	193,750	-
	DD	10	-
	Not Rated	201,757	10,145,289
		$ 432,453,258	$ 533,931,074
U.S. Government and Government Agency obligations	Aaa/AAA	$ 904,033,131	$ 890,225,644
	Aa/AA	-	5,707,005
	A/A	3,245,999	-
		$ 907,279,130	$ 895,932,649
Fixed income mutual fund	Not Rated	$ 1,089,900,570	$ 1,040,298,065
Demand notes	Aaa/AAA	$ 4,300	$ -
	Not Rated	145,271,475	159,290,440
		$ 145,275,775	$ 159,290,440

NOTE 5. 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. For the year ended December 31, 2008, the Plan's investment policy set the duration for each manager's total fixed income portfolio to fall within plus or minus 30% of the duration for the fixed income performance benchmark (*Barclays Capital Aggregate Fixed Income,* which was 3.67 years at December 31, 2008). For the year ended December 31, 2007, the Plan's investment policy had set the duration for each manager's total fixed income portfolio to fall within plus or minus 50% of the duration for the fixed income performance (*Lehman Aggregate Fixed Income Index,* which was 4.6 years at December 31, 2007). The following table presents a summarization of the Plan's debt investments at December 31, 2008 and 2007, using the segmented time distribution method:

Type of Investment	Maturity	2008	2007
Corporate bonds	Less than 1 year	$ 16,520,547	$ 29,882,839
	1 - 5 years	206,386,691	196,842,616
	6 - 10 years	129,359,327	110,699,981
	Over 10 years	80,186,693	196,505,638
		$ 432,453,258	$ 533,931,074
U.S. Government and Government Agency obligations	Less than 1 year	$ 6,363,685	$ 21,847,843
	1 - 5 years	316,467,417	241,166,584
	6 - 10 years	178,897,071	204,471,768
	Over 10 years	405,550,957	428,446,454
		$ 907,279,130	$ 895,932,649

NOTE 5. 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. For the year ended December 31, 2008, the Plan's investment policy limited the amount of investments in foreign equities to 20% of total Plan assets and foreign fixed income obligations to 2.5% of the total Plan assets. For the year ended December 31, 2007, the Plan's investment policy limited 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, 2008 and 2007 is as follows:

Type of Investment	Fair Value (USD) 2008	Fair Value (USD) 2007
Corporate bonds:		
Australian dollar	$ -	$ 679,004
European euro	-	513,977
U.S. dollar	432,453,258	532,738,093
Total corporate bonds	$ 432,453,258	$ 533,931,074
Limited partnerships:		
Israeli shekel	$ 4,776,630	$ 5,241,301
U.S. dollar	151,384,762	226,081,667
Total limited partnerships	$ 156,161,392	$ 231,322,968

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value (USD) 2008	Fair Value (USD) 2007
Equities:		
Australian dollar	$ 10,427,104	$ 25,382,546
Brazil real	5,816,633	-
British pound	93,569,991	171,439,225
Canadian dollar	23,890,575	23,028,430
Czech koruna	349,558	-
Danish krone	10,626,025	16,161,759
Egyptian pound	62,906	-
European euro	153,969,135	314,189,867
Hong Kong dollar	23,600,520	30,862,808
Hungarian fornit	241,268	-
Indonesian rupan	539,443	-
Israeli shekel	1,173,466	3,328,281
Japanese yen	87,630,975	137,364,541
Malaysian ringgit	1,544,713	-
Mexican peso	3,877,318	2,558,871
Norwegian krone	1,527,940	12,758,191
Polish zloty	948,982	-
Russian rubel	-	2,060,888
Singapore dollar	4,731,331	16,898,795
South African rand	2,906,575	-
South Korean won	5,106,938	-
Swedish krona	7,593,525	16,019,263
Swiss franc	51,419,760	59,266,557
Taiwan dollar	4,241,231	-
Thailand baht	530,962	-
U.S. dollar	2,526,540,466	3,019,138,033
Total equities	$ 3,022,867,340	$ 3,850,458,055

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

For the years ended December 31, 2008 and 2007, net realized gain (loss) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, was $(329,892,010) and $445,624,397 respectively. These amounts are included in the net appreciation (depreciation) 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 6. 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 takes place. As of December 31, 2008 and 2007, the Plan contracted to acquire securities on a when-issued basis with a total principal amount of $10,000,000 and $26,770,000 respectively.

NOTE 7. SECURITIES LENDING

State Statutes and the investment policy 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.

As of November 10, 2008, the Plan has a limit as to the amount of securities on loan of $750 million. Prior to November 10, 2008, the Plan was not limited as to the amount of securities on 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 eighty-three days for 2008 and thirty-three days for 2007; however, any loan may be terminated on demand by either the Plan or the borrower. As of November 10, 2008, cash collateral was invested in a separately managed portfolio, which had an average weighted maturity at December 31, 2008 of 224 days. Prior to November 10, 2008, cash collateral was invested in a short-term investment pool which had an average weighted maturity at December 31, 2007 of 338 days.

NOTE 7. SECURITIES LENDING (CONTINUED)

As of December 31, 2008 and 2007, the fair value (carrying amount) of loaned securities was \$473,178,859 and \$704,211,192 respectively. As of December 31, 2008 and 2007, the fair value (carrying amount) of collateral received by the Plan was \$488,583,531 and \$724,348,555 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.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

During 2008, a security within the collateral pool became insolvent resulting in an insufficiency in the collateral pool. To prevent any one investor from incurring an additional loss should another investor exit the securities lending program, the Plan's custodian allocated a portion of the insolvent security to each investor in the collateral pool. As a result of the allocation, the Plan incurred an unrealized investment loss and corresponding securities lending payable in the amount of \$7,015,497 at December 31, 2008.

During 2007, there were no losses due to default of a borrower or the lending agent.

NOTE 8. COMMITMENTS

The Plan has agreed with independent parties to purchase shares of various limited partnerships. As of December 31, 2008, the Plan has commitments of approximately \$22,400,000 outstanding which are due on demand.

NOTE 9. POSTEMPLOYMENT GROUP HEALTH BENEFIT 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.

The Plan's employees are also participants in the Postemployment Group Health Benefit Plan. The Plan had 27 and 24 employees at December 31, 2008 and 2007, respectively. During both of the years ended December 31, 2008 and 2007, the Plan paid healthcare premiums for 8 retired Plan employees. For active and retired Plan employees, the actuarially determined liability under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* is included in the total actuarial liability and related GASB Statement No. 43 disclosure.

Plan Description

The County Employees' and Officers' Annuity and Benefit Fund of Cook County administers a Postemployment Group Health Benefit Plan (PGHBP), which is a single-employer defined benefit postemployment health plan. PGHBP provides a healthcare premium subsidy to annuitants who elect to participate in PGHBP. 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 employee and spouse annuitants, respectively. The remaining premium cost is borne by the annuitant.

PGHBP 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, 2008 and 2007, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 7,300 and 7,216 respectively.

Summary of Significant Accounting Policies

Method of Accounting - PGHBP'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 subsidy an additional retirement benefit, with no contribution rate or asset allocation associated with it. The cost for postemployment group health benefits is approximately equal to the premium subsidy. Actual costs may differ based on claims experience. Healthcare premium subsidies are recognized when due and payable.

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

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

NOTE 10. RELATED PARTY TRANSACTIONS

As of December 31, 2008 and 2007, 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 $261,500,000 and $316,500,000 respectively.

NOTE 11. 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 $193,248 and $311,819 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,	
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
	$ 5,476,708

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							
2003		$ 5,929,201,142	$ 8,780,969,704	$ 2,851,768,562	67.52%	$ 1,307,079,312	218.18%
2004	(1)	$ 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	(2)	$ 7,462,683,122	$ 8,826,581,465	$ 1,363,898,343	84.55%	$ 1,412,878,627	96.53%
2007	(2)	$ 8,059,879,804	$ 9,386,287,797	$ 1,326,407,993	85.87%	$ 1,370,844,734	96.76%
2008	(2)	$ 8,036,074,797	$ 10,097,027,865	$ 2,060,953,068	79.59%	$ 1,463,372,408	140.84%
Post Employment Group Health Benefit Plan							
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%
2008		$ -	$ 1,448,828,756	$ 1,448,828,756	0.00%	$ 1,463,372,408	99.01%
Changes in Actuarial Assumptions							
2006	(3)	$ -	$ (428,825,258)	$ (428,825,258)	0.00%		
2007	(4)	$ -	$ (516,681,393)	$ (516,681,393)	0.00%		
2008	(4)	$ -	$ (472,675,272)	$ (472,675,272)	0.00%		
Combined							
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%
2008		$ 8,036,074,797	$ 11,073,181,349	$ 3,037,106,552	72.57%	$ 1,463,372,408	207.54%

(1) = Change in actuarial assumption.

(2) = Pension benefits only. The information for 2005 and prior includes the retiree health insurance plan.

(3) = 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%).

(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 - 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					
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	(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%
2008	(3)	$ 283,892,734	$ 180,817,908	$ 150,227,360	52.92%
Post Employment Group Health Benefit Plan					
2006		$ 166,070,688	$ -	$ 26,818,379	16.15%
2007		$ 169,154,664	$ -	$ 31,420,216	18.57%
2008		$ 169,823,905	$ -	$ 37,781,310	22.25%
Changes in Actuarial Assumptions					
2006	(4)	$ (49,953,395)	$ -		
2007	(5)	$ (35,123,851)	$ -		
2008	(5)	$ (47,090,866)	$ -		
Combined					
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%
2008		$ 406,625,773	$ 180,817,908	$ 188,008,670	46.24%

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

(2) = Tax levy after 3.0% overall loss.

(3) = Pension benefits only. The information for 2005 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, 2008
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	
2010	8.0%
2011	7.5%
2012	7.0%
2013	6.5%
2014	6.0%
2015	5.5%
2016 and later	5.0%
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, 2008 and 2007

	2008	2007
Actuarial service	$ 146,800	$ 155,024
Audit	49,125	46,538
Bank charges	113,707	100,611
Consulting fees	371,681	398,017
Document imaging	9,620	144,363
Election expense	115,837	80,760
Health benefit open enrollment meeting	2,715	-
Health insurance premiums - staff	424,797	247,481
Insurance - fidelity, fiduciary and liability	81,313	58,443
Investment consulting fees	312,614	268,540
Investment custodian fees	97,109	584,142
Legal	410,062	138,373
Membership and conference	12,155	3,474
New office expense	86,324	132,267
Office expense	134,671	120,566
Postage	147,600	107,739
Printing and stationery	46,553	21,737
Recovery site expense	34,721	35,816
Regulatory filing fees	8,000	8,000
Rent	193,248	311,819
Salaries	1,816,058	1,524,747
Travel	8,062	1,973
Training and tuition	8,830	9,500
Utilities	15,524	7,554
Total	4,647,126	4,507,484
Less portion allocated to Forest Preserve District Employees' Annuity and Benefit Fund of Cook County	(68,971)	(57,154)
Net administrative expenses	$ 4,578,155	$ 4,450,330

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
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	$ 123,047,516	$ 221,186,219	$ 749,245,001	$ 9,256,991	$ 1,102,735,727
2007	$ 123,047,516	$ 258,141,230	$ 477,494,266	$ 10,002,552	$ 868,685,564
2008	$ 123,776,705	$ 183,916,221	$ (1,858,448,227)	$ 7,081,386	$ (1,543,673,915)

Deductions By Type

Year Ended December 31,	Benefits (5)	Refunds	Net Administrative Expenses	Total Deductions
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
2008	$ 427,453,465	$ 24,724,102	$ 4,578,155	$ 456,755,722

1 - Includes deductions in lieu of disability.

2 - Net tax levy

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, 2008

Levy Year	Gross Levy	Uncollected Balance	Reserve for Loss and Costs	Net Uncollected Balance
2007	$ 264,846,000	$ 108,890,087	$ 4,890,087	$ 104,000,000
2008	$ 183,124,000	182,863,707	5,590,843	177,272,864
		$ 291,753,794	$ 10,480,930	$ 281,272,864

Note:

Uncollected taxes for years 2006 and prior are fully reserved.
2007 tax levy includes net Illinois Replacement Tax of $26,511,085.
2008 tax levy includes net Illinois Replacement Tax of $18,330,712.