Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Financial Statements

December 31, 2008

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Financial Statements with Additional Information

December 31, 2008 and 2007

Contents

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of plan net assets of Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (the Plan) as of December 31, 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 Forest Preserve District Employees' 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 18 through 20 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 21 through 23 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 21 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 18 and 19) 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 Forest Preserve District Employees' 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 Forest Preserve District Employees' Annuity and Benefit Fund of Cook County's **total assets** were $153,328,127 at December 31, 2008 compared to $214,531,344 at December 31, 2007. **Total liabilities** were $8,008,580 in 2008 compared to $14,370,987 in 2007. **Net assets** decreased by $54,840,810 or 27.4% at December 31, 2008 to $145,319,547 from $200,160,357 at December 31, 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 24.1% versus 2007's return of 5.1%.

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 82.5 % (pension benefits - 92.4%, retiree health insurance plan - 0.0%). This ratio is less than the 86.7% (pension benefits - 98.9%, retiree heath 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 $196,277,679, and the actuarial liability was $212,373,326. The actuarial liability increased by $6,981,068 or 3.4% in 2008, from $205,392,258 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 $36,004,405. The actuarial liability decreased by $4,601,406 or 11.3% in 2008, from $40,605,811 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 $196,277,679 and the actuarial liability was $237,927,630. The actuarial liability increased by $3,807,436, or 1.6% in 2008, from $234,120,194 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 $(42,134,836) compared to an increase of $15,514,364 in 2007.

Member contributions increased by 6.7% to $ 2,119,208 in 2008 from $1,986,605 in 2007.

Employer contributions decreased by 38.4% to $2,023,448 in 2008 from $3,287,040 in 2007. Employer contributions are calculated using a statutorily set multiplier (currently 1.30) times member contributions collected two years prior.

Net investment income (loss) totaled $(46,541,793) for the year ended December 31, 2008 compared to $9,927,390 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 33.7% to $165,679 in 2008 compared to $250,014 in 2007.

Changes in Plan Net Assets (continued)

Revenues - Additions to Plan Net Assets (continued)

Net securities lending income increased by103.1% to $136,837 in 2008 from $67,378 in 2007.

Medicare Part D Subsidies decreased by 64.8% to $69,439 in 2008 from $197,442 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.

Expenses - Deductions from Plan Net Assets

Expenses increased by 1.0% to $12,705,974 in 2008 from $12,584,310 in 2007.

Retirement annuity payments increased by 1.8% to $10,323,165 in 2008 from $10,143,730 in 2007. There were 498 participants paid during 2008 compared to 496 participants paid during 2007. The increase in retirement annuity payments was mainly due to the 3% annual compounded cost of living increase.

Disability payments increased by 20.2% to $227,996 in 2008 from $189,742 in 2007. This increase due to increase in disability beneficiaries and increase in salaries that are used in calculating disability payments.

Group hospital premiums increased by 4.8% to $ 1,608,240 in 2008 from $1,535,245 in 2007. This increase was due to the increased cost of health insurance.

Refunds of member contributions, including rollover distributions, increased by 11.6% to $518,400 in 2008 from $464,666 in 2007.

Employee transfers to (from) Cook County 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.

Cost to administer the Plan increased by 22.8% to $147,607 in 2008 from $120,253 in 2007. This was primarily attributable to increases in bank fees and allocated administrative expenses.

Contact Information

This financial report is designed to provide the employer, plan participants and others with a general overview of the Plan's finances and show accountability for money it receives. Questions concerning any data provided in the report or requests for additional information should be addressed to:

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Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Statements of Plan Net Assets

December 31, 2008 and 2007

	2008	2007
Assets		
Cash	$ 1,053,712	$ 1,191,286
Receivables		
Employer - tax levy less allowance for loss and cost of $311,733 in 2008 and $232,116 in 2007	2,168,409	3,543,904
Plan member	9,354	9,294
Other receivable	1,714	-
Accrued investment income	372,070	580,526
Total receivables	2,551,547	4,133,724
Investments	143,201,806	196,364,242
Collateral held for securities on loan	6,521,062	12,842,092
Total assets	153,328,127	214,531,344
Liabilities		
Health insurance payable	137,657	116,439
Accounts payable - other	54,952	57,395
Due to County Employees' and Officers' Annuity and Benefit Fund of Cook County	1,195,879	1,355,061
Securities lending collateral	6,521,062	12,842,092
Securities lending payable	99,030	-
Total liabilities	8,008,580	14,370,987
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 17)	$ 145,319,547	$ 200,160,357

See accompanying notes to financial statements.

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Combining Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

Years Ended December 31, 2008 and 2007

	2008			2007		
	Total	Pension	Postemployment Healthcare	Total	Pension	Postemployment Healthcare
Additions						
Contributions						
Employer - tax levy	$ 2,023,448	$ 523,928	$ 1,499,520	$ 3,287,040	$ 1,995,300	$ 1,291,740
Plan member contributions						
Salary deductions	2,069,046	2,069,046	-	1,824,647	1,824,647	-
Refund repayments	16,313	16,313	-	116,614	116,614	-
Former and military service payments	577	577	-	8,696	8,696	-
Deductions in lieu of disability	33,272	33,272	-	36,648	36,648	-
Total plan member contributions	2,119,208	2,119,208	-	1,986,605	1,986,605	-
Investment income (loss)						
Net appreciation (depreciation) in fair value of investments	(49,843,804)	(49,843,804)	-	5,458,466	5,458,466	-
Dividends	1,924,214	1,924,214	-	1,642,714	1,642,714	-
Interest	1,541,243	1,541,243	-	3,074,142	3,074,142	-
Commission recapture	2,233	2,233	-	2,082	2,082	-
	(46,376,114)	(46,376,114)	-	10,177,404	10,177,404	-
Less investment expense	(165,679)	(165,679)	-	(250,014)	(250,014)	-
Net investment income (loss)	(46,541,793)	(46,541,793)	-	9,927,390	9,927,390	-
Securities lending						
Income	374,275	374,275	-	2,449,700	2,449,700	-
Expenses						
Borrower rebates	(210,384)	(210,384)	-	(2,362,441)	(2,362,441)	-
Management fees	(27,054)	(27,054)	-	(19,881)	(19,881)	-
Net securities lending income	136,837	136,837	-	67,378	67,378	-
Medicare Part D subsidy	69,439	-	69,439	197,442	-	197,442
Miscellaneous	18,744	18,744	-	2,446	2,446	-
Prescription plan rebates	39,281	-	39,281	46,063	-	46,063
Total additions	(42,134,836)	(43,743,076)	1,608,240	15,514,364	13,979,119	1,535,245
Deductions						
Benefits						
Annuities						
Employee	8,955,164	8,955,164	-	8,847,306	8,847,306	-
Spouse and children	1,368,001	1,368,001	-	1,296,424	1,296,424	-
Disability benefits						
Ordinary	207,396	207,396	-	162,190	162,190	-
Duty	20,600	20,600	-	27,552	27,552	-
Group hospital benefits	1,608,240	-	1,608,240	1,535,245	-	1,535,245
Total benefits	12,159,401	10,551,161	1,608,240	11,868,717	10,333,472	1,535,245
Refunds	518,400	518,400	-	464,666	464,666	-
Employee transfers to (from) Cook County	(119,434)	(119,434)	-	130,674	130,674	-
Administrative expenses	147,607	147,607	-	120,253	120,253	-
Total deductions	12,705,974	11,097,734	1,608,240	12,584,310	11,049,065	1,535,245
Net increase (decrease)	(54,840,810)	(54,840,810)	-	2,930,054	2,930,054	-
Net assets held in trust for pension benefits						
Beginning of year	200,160,357	200,160,357	-	197,230,303	197,230,303	-
End of year	$ 145,319,547	$ 145,319,547	$ -	$ 200,160,357	$ 200,160,357	$ -

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Method of Accounting - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized 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. Demand notes are carried at cost which approximates fair value. Where less than an entire holding is sold, average value is used to determine realized gain or loss.

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

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

NOTE 2. PLAN DESCRIPTION

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

The Statutes authorize a Board of Trustees (Retirement Board) of nine members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, four are 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 Forest Preserve District Board of Cook County a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Insurance, as well as another detailed annual report, the form and content of which is specified by the Department of Insurance.

Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest (3% or 4% depending on when the employee became a participant). The Forest Preserve District's total contribution is the amount of contributions made by the employees to the Plan in the calendar year two years prior to the year for which annual applicable tax is levied, multiplied by 1.30. The source of funds for the Forest Preserve District's contributions has been designated by State Statute as the Forest Preserve District's annual property tax levy. The Forest Preserve District's payroll for employees covered by the Plan for the years ended December 31, 2008 and 2007 was $23,474,621and $21,078,316 respectively.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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

At December 31, 2008 and 2007, participants consisted of the following:

	2008	2007
Retirees and beneficiaries currently receiving benefits:		
Employees	347	349
Spouse	142	141
Children	9	6
Disability	8	7
	506	503
Current employees:		
Vested	250	252
Nonvested	192	166
	442	418
Total	948	921

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 82.5% funded on an actuarial basis. The actuarial accrued liability for benefits was $237,927,630, and the actuarial value of assets was $196,277,679, resulting in an unfunded actuarial accrued liability (UAAL) of $41,649,951. The covered payroll (annual payroll of active employees covered by the Plan) was $23,474,621, and the ratio of the UAAL to the covered payroll was 177.4%.

NOTE 3. FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

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.

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% 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

NOTE 4. SUMMARY OF EMPLOYER FUNDING POLICIES

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

The combined actuarial valuations of the pension and retiree health insurance benefits of the Plan as of December 31, 2008 and as of December 31, 2007 indicate the annual required contribution by the Forest Preserve District to be $7,273,214 and $6,094,316 for 2008 and 2007, respectively. The annual required contribution is based on an annual projected payroll of $23,474,621 for 442 active members for the year ended December 31, 2008 and $21,078,316 for 418 active members for the year ended December 31, 2007 and is computed as follows.

	2008	2007
Normal cost	$ 5,878,215	$ 5,356,280
30-year level dollar amortization of the unfunded liability	3,390,342	2,529,693
	9,268,557	7,885,973
Less estimated plan member contributions	(1,995,343)	(1,791,657)
Actuarially determined contribution requirement for subsequent fiscal year	7,273,214	6,094,316
Expected net employer contribution from tax levy after 2.7% loss	(2,512,857)	(2,138,669)
Expected employer contribution short-fall of actuarially determined contribution requirement	$ 4,760,357	$ 3,955,647
Required tax levy multiple	3.76	3.70
Present authorized multiple	1.30	1.30

A Schedule of Funding Progress is located in the Required Supplementary Information on page 18. 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	$ 5,133,766	$ 22,829,232
Securities on loan	1,432,715	136,509
U.S. Government and Government Agency obligations:		
Securities not on loan	10,041,737	12,201,518
Securities on loan	3,485,320	9,897,238
Equities:		
Securities not on loan	69,756,060	79,160,361
Securities on loan	1,426,749	2,499,208
Equity mutual funds:		
NTGI U.S. Marketcap Equity Index	-	10,791,227
NTGI QM Collective Daily S&P Fund	-	24,813,690
Others	3,032,440	3,755,598
Fixed income mutual fund:		
NTGI Daily Aggregate Bond Index Fund	41,233,827	26,931,335
Demand notes:		
EB Temporary Investment Fund	7,650,673	4,088,275
Others	29,788	-
Net unsettled investment trades	(21,269)	(739,949)
	143,201,806	196,364,242
Collateral held for securities on loan	6,521,062	12,842,092
Total investments and collateral held for securities on loan	$ 149,722,868	$ 209,206,334

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, Standard & Poor's and/or Finch:

Type of Investment	Rating	2008	2007
Corporate bonds	Aaa/AAA	$ 123,126	$ 8,257,063
	Aa/AA	1,403,472	4,478,116
	A/A	3,757,356	4,070,663
	Baa/BBB	938,505	4,713,690
	Ba/BB	-	344,151
	B/B	-	517,120
	Caa/CCC	344,022	170,090
	Not Rated	-	414,848
		$ 6,566,481	$ 22,965,741
U.S. Government and Government Agency obligations	Aaa/AAA	$ 13,527,057	$ 21,828,368
	Aa/AA	-	270,388
		$ 13,527,057	$ 22,098,756
Fixed income mutual fund	Not Rated	$ 41,233,827	$ 26,931,335
Demand notes	Aa/AA	$ 190	$ -
	Not Rated	7,680,271	4,088,275
		$ 7,680,461	$ 4,088,275

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 the total fixed income portfolio to fall within plus or minus 50% of the duration for each manager's fixed income performance benchmark (*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	$ 344,024	$ 1,332,009
	1 - 5 years	4,087,244	8,004,706
	6 - 10 years	2,135,213	4,186,131
	Over 10 years	-	9,442,895
		6,566,481	22,965,741
U.S. Government and Government Agency obligations	Less than 1 year	-	459,085
	1 - 5 years	9,216,730	10,004,196
	6 - 10 years	3,243,307	4,974,407
	Over 10 years	1,067,020	6,661,068
		13,527,057	22,098,756
Total		$ 20,093,538	$ 45,064,497

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. 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
Equities:		
British pound	$ 3,901,958	$ 3,762,215
Canadian dollar	243,039	-
European euro	4,853,637	5,621,893
Japanese yen	1,944,307	1,753,332
Norwegian krone	94,556	227,009
Singapore dollar	495,874	696,586
Swedish krona	-	220,324
Swiss franc	1,959,847	1,377,026
U.S. dollar	57,689,591	68,001,184
Total equities	$ 71,182,809	$ 81,659,569

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 ($10,350,123) and $10,406,444 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. SECURITIES LENDING

State Statutes and the investment policy 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 $10 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 seventy-six days for 2008 and thirty-six 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.

As of December 31, 2008 and 2007, the fair value (carrying amount) of loaned securities was $6,344,784 and $12,532,955 respectively. As of December 31, 2008 and 2007, the fair value (carrying amount) of collateral received by the Plan was $6,521,062 and $12,842,092 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 indemnification to the Plan if borrowers fail to return the securities 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 $99,030 at December 31, 2008.

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

NOTE 7. 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.

Plan Description

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County administers a Postemployment Group Health Benefit Plan (PGHBP), a single-employer defined benefit postemployment healthcare 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 employees and spouse annuitants, respectively. The remaining premium cost is borne by the annuitant.

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

At December 31, 2008 and 2007, the number of annuitants and surviving spouses whose cost to participate in the program was subsidized, totaled 279 and 291, 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 8. 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 and various investment managers with a total market value of approximately $6,200,000 and $6,700,000 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Schedule of Funding Progress

Year Ended 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		$ 170,114,265	$ 218,727,197	$ 48,612,932	77.77%	$ 17,348,472	280.21%
2004	(1)	$ 186,560,109	$ 245,321,025	$ 58,760,916	76.05%	$ 16,635,794	353.22%
2005		$ 189,066,378	$ 217,588,298	$ 28,521,920	86.89%	$ 18,077,621	157.77%
2006	(2)	$ 193,511,049	$ 196,983,226	$ 3,472,177	98.24%	$ 19,172,756	18.11%
2007	(2)	$ 203,043,217	$ 205,392,258	$ 2,349,041	98.86%	$ 21,078,316	11.14%
2008	(2)	$ 196,277,679	$ 212,373,326	$ 16,095,647	92.42%	$ 23,474,621	68.57%
Post Employment Group Health Benefit Plan							
2006		$ -	$ 39,448,815	$ 39,448,815	0.00%	$ 19,172,756	205.75%
2007		$ -	$ 40,605,811	$ 40,605,811	0.00%	$ 21,078,316	192.64%
2008		$ -	$ 36,004,405	$ 36,004,405	0.00%	$ 23,474,621	153.38%
Changes in Actuarial Assumptions							
2006	(3)	$ -	$ (9,851,148)	$ (9,851,148)	0.00%		
2007	(4)	$ -	$ (11,877,875)	$ (11,877,875)	0.00%		
2008	(4)	$ -	$ (10,450,101)	$ (10,450,101)	0.00%		
Combined							
2003		$ 170,114,265	$ 218,727,197	$ 48,612,932	77.77%	$ 17,348,472	280.21%
2004		$ 186,560,109	$ 245,321,025	$ 58,760,916	76.05%	$ 16,635,794	353.22%
2005		$ 189,066,378	$ 217,588,298	$ 28,521,920	86.89%	$ 18,077,621	157.77%
2006		$ 193,511,049	$ 226,580,893	$ 33,069,844	85.40%	$ 19,172,756	172.48%
2007		$ 203,043,217	$ 234,120,194	$ 31,076,977	86.73%	$ 21,078,316	147.44%
2008		$ 196,277,679	$ 237,927,630	$ 41,649,951	82.49%	$ 23,474,621	177.43%

(1) = Change in actuarial assumptions.

(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.

Forest Preserve District of Employees' 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 Contributions (c)	Percent of ARC Contributed (c/a)
Pension Benefits					
2003		$ 7,725,882	$ 3,888,720	$ 3,436,122	44.48%
2004		$ 9,326,465	$ 4,039,896	$ 3,890,142	41.71%
2005		$ 7,466,836	$ 2,846,034	$ 3,224,743	43.19%
2006	(3)	$ 2,691,753	$ 2,577,485	$ 1,532,343	56.93%
2007	(3)	$ 2,809,494	$ 3,329,502	$ 1,995,300	71.02%
2008	(3)	$ 3,329,502	$ 2,138,669	$ 523,928	15.74%
Post Employment Group Health Benefit Plan					
2006		$ 3,747,117	$ -	$ 1,187,670	31.70%
2007		$ 3,729,144	$ -	$ 1,291,740	34.64%
2008		$ 3,785,850	$ -	$ 1,499,520	39.61%
Changes in Actuarial Assumptions					
2006	(4)	$ (1,063,504)	$ -		
2007	(5)	$ (611,216)	$ -		
2008	(5)	$ (1,021,036)	$ -		
Combined					
2003		$ 7,725,882	$ 3,888,720	$ 3,436,122	44.48%
2004		$ 9,326,465	$ 4,039,896	$ 3,890,142	41.71%
2005		$ 7,466,836	$ 2,846,034	$ 3,224,743	43.19%
2006		$ 5,375,366	$ 2,577,485	$ 2,720,013	50.60%
2007		$ 5,927,422	$ 3,329,502	$ 3,287,040	55.45%
2008		$ 6,094,316	$ 2,138,669	$ 2,023,448	33.20%

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

(2) = Tax levy after 2.7% overall loss beginning in 2004.
Tax levy after 1.8% overall loss for 2003 and prior.

(3) = Pension benefits only. The information for 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.

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Required Supplementary Information

Notes to Schedule of Funding Progress and Schedule of Employer Contributions

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

Valuation date	December 31, 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

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Schedules of Administrative Expenses

Years Ended December 31, 2008 and 2007

	2008	2007
Administrative expenditures allocated from County Employees' and Officers' Annuity and Benefit Fund of Cook County	$ 68,971	$ 57,154
Audit fees	15,875	14,500
Bank fees	46,808	33,520
Conference expense	3,000	1,500
Investment custodian fees	4,953	5,579
Regulatory filing fees	8,000	8,000
Total	$ 147,607	$ 120,253

Forest Preserve District Employees' 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	$ 2,313,067	$ 3,432,694	$ 26,692,476	$ 7,598	$ 32,445,835
2004	$ 2,020,255	$ 3,890,142	$ 15,490,826	$ 17,712	$ 21,418,935
2005	$ 2,627,465	$ 3,224,743	$ 8,107,038	$ 4,760	$ 13,964,006
2006	$ 1,690,781	$ 2,720,013	$ 18,117,244	$ 175,844	$ 22,703,882
2007	$ 1,986,605	$ 3,287,040	$ 9,994,768	$ 245,951	$ 15,514,364
2008	$ 2,119,208	$ 2,023,448	$ (46,404,956)	$ 127,464	$(42,134,836)

Deductions By Type

Year Ended December 31,	Benefits	Refunds	Employee Transfers to (from) Cook County	Administrative Expenses	Total Deductions
2003	$ 10,437,503	$ 2,672,454	$ -	$ 156,129	$ 13,266,086
2004	$ 11,361,642	$ 1,305,039	$ 507,604	$ 136,235	$ 13,310,520
2005	$ 11,108,689	$ 730,332	$ 186,159	$ 113,138	$ 12,138,318
2006	$ 11,465,912	$ 346,117	$ 345,410	$ 108,566	$ 12,266,005
2007	$ 11,868,717	$ 464,666	$ 130,674	$ 120,253	$ 12,584,310
2008	$ 12,159,401	$ 518,400	$ (119,434)	$ 147,607	$ 12,705,974

1 - Includes deductions in lieu of disability.

2 - Includes net tax levy.

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

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

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Schedule of Taxes Receivable

December 31, 2008

Levy Year	Gross Levy	Uncollected Balance	Reserve for Loss and Costs	Net Uncollected Balance
2007	$ 3,416,000	$ 282,142	$ 252,394	$ 29,748
2008	$ 2,198,000	2,198,000	59,339	2,138,661
Total		$ 2,480,142	$ 311,733	$ 2,168,409

Note:

Uncollected taxes for the years 2006 and prior are fully reserved.
2007 tax levy includes net Illinois Replacement Tax of $341,942.
2008 tax levy includes net Illinois Replacement Tax of $220,020.