LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
A COMPONENT UNIT OF THE CITY OF CHICAGO

FINANCIAL STATEMENTS

DECEMBER 31, 2015

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2015 AND 2014

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CALIBRE
CPA GROUP
Chicago, IL

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago

We have audited the accompanying financial statements of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan), a component unit of the City of Chicago, which comprise the statements of fiduciary net position as of December 31, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the fiduciary net position of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago at December 31, 2015 and 2014, and the changes in fiduciary net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, Schedules of Changes in Net Pension Liability and Related Ratios Multiyear, Schedule of the Net Pension Liability Multiyear, Schedule of Contributions Multiyear, Schedule of Investment Returns Multiyear, Schedules of Funding Progress, Schedules of Employer Contributions, and Notes to the Schedules on pages 41 through 51 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago's basic financial statements. The supplementary information such as the Schedules of Invested Assets, Schedules of Administrative Expenses, Investment Expenses and Professional Services and Schedules of Investment Expense on pages 52 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in relation to the basic financial statements as a whole.

Calibre CPA Group, PLLC

Chicago, IL
May 9, 2016

LABORERS' AND RETIREMENT BOARD EMPLOYEES
ANNUITY AND BENEFIT FUND OF CHICAGO

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis is prepared by the management staff of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) for the purpose of providing an overview of the Plan's financial activities for the years ended December 31, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the Plan's financial statements and actuarial report.

Funding Policy Change

Illinois Public Act 98-0641, approved and effective June 9, 2014, provided changes to the Plan's funding policy and new benefit provisions for current, inactive, and retired members. These changes decreased the 2014 actuarial liability by $318 million. On July 24, 2015, Public Act 98-0641 was ruled unconstitutional and void in its entirety by the Illinois circuit court and on March 24, 2016 the Illinois Supreme Court affirmed the circuit court's decision. The actuarial valuation for 2015 does not reflect provisions of Public Act 98-0641 and therefore reflects a significant increase in liabilities as compared to the 2014 actuarial valuation and financial statements.

Financial Highlights

- The net position for the Plan at December 31, 2015 was $1.2 billion, a $149 million decrease from the Plan's net position at December 31, 2014. The net position for the Plan at December 31, 2014 was $1.4 billion, a $70 million decrease from the Plan's net position at December 31, 2013. The net position is restricted for future benefit obligations. The decrease is largely attributable to a statutorily-defined funding mechanism which provides for inadequate contributions to the Plan and therefore required the Plan to liquidate $130 million of investment assets in both 2015 and 2014 to satisfy its financial obligations.

- The investment portfolio recorded a loss of $22.3 million for fiscal year 2015 and a gain of $53.4 million for 2014. During 2015, the Plan's portfolio generated a rate of return, net of fees, of -1.5%, compared to 3.3% for 2014.

- Based on the actuarial valuations as of December 31, 2015 and 2014, the overall funded ratio for the Plan is 53.0% and 64.3%, respectively. For accounting purposes pursuant to GASB 67 and 68, which uses a Single Discount Rate and shorter amortization periods to measure the total pension liability, the funded ratio of the Plan is 33.4% for 2015 and 64.2% for 2014.

- Contribution revenue for 2015 totaled $31.4 million, representing an increase of 1.7% from 2014. The 2014 contribution revenue of $30.9 million represents an increase of 1.3% from 2013.

Financial Highlights (continued)

- Total benefits and refunds paid in 2015 were $154.7 million reflecting an increase of 3.1% over 2014 benefits and refunds paid of $150 million. The 2014 benefits reflect an increase of 2% from 2013. The growth is primarily due to a 3% automatic annual increase given to eligible annuitants and higher disability expenses in 2015.

- Administrative and OPEB expense in 2015 and 2014 remained relatively flat at $3.8 million.

Overview of the Financial Statements of the Plan

This discussion and analysis is intended to serve as an introduction to the Plan's financial reporting which is comprised of the following components.

1. Basic Financial Statements: The two basic financial statements are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position reports the balance of net assets restricted for payment of future pension benefits as of the fiscal year end, with comparative values reported as of the previous fiscal year end. The Statement of Changes in Fiduciary Net Position reports the net increase/(decrease) in net position for the fiscal year, with comparative values reported for the previous fiscal year. This increase/(decrease), when added to the previous year's net position, supports the total net position as reported in the Statement of Fiduciary Net Position.

2. Notes to the Financial Statements: Notes to the Financial Statements provide additional valuable information that assists the reader to better understand the Plan's financial position. The notes are an integral part of basic financial statements.

3. Required Supplementary Information: The required supplementary information consists of the Schedule of Changes in Net Pension Liability and Related Ratios Multiyear, Schedule of the Net Pension Liability Multiyear, Schedule of Contributions Multiyear, and Schedule of Investment Returns Multiyear. Also included are Schedules of Funding Progress, Schedules of Employer Contributions and related notes. These schedules and related notes emphasize the long-term nature of pension funds and show the Plan's progress in accumulating sufficient assets to pay benefits when due. These schedules present actuarial trend information for Other Postemployment Benefits (OPEB) that are associated with the Plan. The Plan participates in two different OPEB initiatives. First, the Plan provides a subsidy to annuitants who have chosen to participate in their former employer's postemployment group health care plan. Secondly, the Plan as an employer, offers its retirees and their eligible dependents a postemployment group health care plan.

4. Supplementary Information: Schedules of Invested Assets, Schedules of Administrative Expense, Schedules of Investment Expense, and Schedules of Professional Services comprise the supplementary information.

Financial Analysis

The Laborers' Fund provides retirement benefits as well as survivor and disability benefits to qualifying City of Chicago and Board Education employees whose job titles are defined as labor service under the provisions of the municipal personnel ordinance. Persons who are employed by certain annuity and benefit funds of the City of Chicago are also covered by the Plan. The benefits are funded by member and employer contributions and proceeds from investments. The summarized comparison shown on the next page indicates that the Net Position Restricted for Pension Benefits at December 31, 2015 amounted to $1.2 billion, which was a decrease of $149 million or 10.8% from $1.4 billion at December 31, 2014. This decline compares to a decrease of $70 million, or 4.8%, in net assets that occurred between December 31, 2013 and December 31, 2014.

Assets

An increase or decrease in invested assets is dependent upon both the performance of the Plan's investment portfolio as well as the need to liquidate from the portfolio to pay benefits and other operating expenses in a given year. Total assets decreased in 2015 by $141 million or 9.7% compared to a $202 million decrease in assets in 2014 from the prior year level. For 2015, a negative investment return and the need to liquidate assets to augment inadequate statutorily-defined contributions contributed to the drop in assets. For 2014, moderate performance returns, lower securities lending collateral levels and the need to liquidate assets contributed to a reduction in assets.

As of December 31, 2015, receivables were down 25% mainly due to higher unsettled purchases than sales of investment securities at year end. In 2014, total receivables were 23% higher than the previous year again due to unsettled trades at year end. The Plan's property and equipment is primarily comprised of a custom developed software program which will be fully depreciated by the end of 2016. This program integrates the administrative functions of contribution accounting, benefit calculation and benefit payments.

Assets (continued)

CONDENSED COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

	December 31,			Net Change	
	2015	2014	2013	2014 to 2015	2013 to 2014
Receivables	$ 16,972,182	$ 22,553,541	$ 18,327,108	$ (5,581,359)	$ 4,226,433
Investments, at fair value	1,231,659,831	1,371,106,277	1,461,629,497	(139,446,446)	(90,523,220)
Invested securities lending cash collateral	69,646,634	65,235,365	180,924,383	4,411,269	(115,689,018)
Property and equipment	178,186	416,509	508,350	(238,323)	(91,841)
Total assets	1,318,456,833	1,459,311,692	1,661,389,338	(140,854,859)	(202,077,646)
Deferred outflows:					
Accumulated decrease in fair value of hedging derivatives	-	-	92,340	-	(92,340)
Liabilities	79,733,409	70,432,068	203,809,070	9,301,341	(133,377,002)
Deferred inflows:					
Accumulated increase in fair value of hedging derivatives	66,179	786,734	-	(720,555)	786,734
Net position - restricted for pension benefits	$ 1,238,657,245	$ 1,388,092,890	$ 1,457,672,608	$ (149,435,645)	$ (69,579,718)

Liabilities

In 2015, the Plan’s liabilities consisted of the securities lending cash collateral liability, amounts due to brokers for unsettled net trades, professional fees payable and other liabilities. In 2014, the Plan’s liabilities were 65% lower than in 2013 due to lower values of securities lending cash collateral liability and unsettled trades at year end. Because of the corresponding accounting entries, the rise or fall of liabilities over the past few years primarily rests with the activity in the securities lending program and unsettled trades at year end.

Deferred Outflows and Inflows

Derivative instruments are used by the Plan to manage specific risks and to make investments. Examples include forward and futures contracts. The net fair value of derivatives used for hedging activities are reported as either deferred outflows or deferred inflows of resources. Deferred inflows of $66 thousand for 2015 represent the net fair value of foreign currency forward contracts outstanding at December 31, 2015. For the year ended December 31, 2014, the Plan reported $787 thousand in deferred inflows as compared to the prior year’s deferred outflows of $92 thousand. The outflow or inflow fluctuates depending on the net fair value of forward contracts at year end.

Deferred Outflows and Inflows (continued)

CONDENSED COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Year Ended December 31,			Net Change	
	2015	2014	2013	2014 to 2015	2013 to 2014
ADDITIONS					
Total contributions	$ 31,410,790	$ 30,879,597	$ 30,493,439	$ 531,193	$ 386,158
Total investment income (loss)	(22,318,476)	53,393,517	207,344,105	(75,711,993)	(153,950,588)
Total additions	9,092,314	84,273,114	237,837,544	(75,180,800)	(153,564,430)
DEDUCTIONS					
Benefits and refunds	154,683,613	150,017,662	147,108,345	4,665,951	2,909,317
Admin & OPEB expense	3,844,346	3,835,170	4,133,637	9,176	(298,467)
Total deductions	158,527,959	153,852,832	151,241,982	4,675,127	2,610,850
NET INCREASE (DECREASE)	(149,435,645)	(69,579,718)	86,595,562	(79,855,927)	(156,175,280)
NET POSITION - RESTRICTED FOR PENSION BENEFITS					
Beginning of year	1,388,092,890	1,457,672,608	1,371,077,046	(69,579,718)	86,595,562
Ending of year	$ 1,238,657,245	$ 1,388,092,890	$ 1,457,672,608	$ (149,435,645)	$ (69,579,718)

Additions

Member contributions, employer contributions, and investment proceeds are the funding sources for benefit payments. In the years of 2015, 2014 and 2013, both member and employer contributions remained steady while activity in the financial markets was more volatile.

The 2015 investment return of -1.5% equates to an investment loss of $22 million. Prior years' experience showed more favorable investment returns which equated to investment gains of $53 million and $207 million in 2014 and 2013, respectively. Dividend and interest income fluctuated minimally between the three years.

Deductions

Deductions from the Plan consist primarily of annuity and disability benefit payments, contribution refunds, and administrative expenses (including office staff OPEB). Benefit and refund expense increased 3.1% in 2015 as compared to 2.0% in 2014 and 3.4% in 2013. In 2015, automatic annual increase in annuities for employee annuitants, larger amounts of contribution refunds, and higher disability claims constitute the majority of the increase.

Total administrative and OPEB expenses remained relatively flat in 2015 as compared to 2014 where they decreased by 7.2% from the prior year. The decrease in 2014 resulted from lower litigation expense compared to the prior year and lower depreciation expense due to most capital assets being fully depreciated. For 2015, higher fiduciary liability insurance premiums, IT consulting expenses, and future healthcare obligations were factors which mitigated the savings experienced in legal and other administrative expenses.

Deductions (continued)

Overall, Net Position – Restricted for Pension Benefits decreased by approximately $149 million, or 10.8%, in 2015 as compared to 2014 which lost approximately $70 million from the prior year. As shown in the table on page 7, the growing disparity between contributions and total deductions, has the greatest impact on the Net Position at year end.

Investment Performance

For a variety of reasons, 2015 was a challenging year for investors. Though there were spurts of volatility in the financial markets throughout the early part of the year, general optimism remained that U.S. growth would continue and that central banks around the world would take necessary action to stimulate economic activity. However, volatility increased significantly later in the year. Beginning in June, Chinese markets, which started the year strong, began to deteriorate based on the notion that slowing growth would negatively impact asset values and that China's government and central bank would not be able to effectively navigate the changing economic landscape. Fears then set in that slowing growth in China, along with the possibility of a U.S. Fed rate hike, would have a ripple effect on growth throughout the emerging markets and resulted in significant amounts of capital flowing from emerging markets into developed markets. Finally, oil prices, which began to recover in early 2015, plummeted in the 3rd quarter of the year which further stimulated volatility. These dynamics had dramatic effects on a variety of asset classes, including currencies, throughout the year and proved to be a challenge for many institutional investors.

The Plan's investment portfolio experienced a slight loss in 2015. As reported by the Plan's investment consultant, the total investment return based upon fair value, net of fees, was -1.5% in 2015 compared to 3.3% in 2014. In absolute terms, private equity and real estate were the primary contributors to performance while fixed income, domestic and international equities, global asset allocation, and hedge funds were detractors.

Investment Performance (continued)

The following table provides additional details regarding performance by asset class over the one-year and five-year periods.

Rates of Return for Fiscal 2015*					
Asset Category	1 Yr Return %	5 Yrs Return %	Index Name	1 Yr Return %	5 Yrs Return %
Fixed income	-2.0	2.6	eA All Global Fixed Inc Net Median	-2.9	2.8
Domestic equities	-4.4	10.2	Russell 3000	0.5	12.2
International equities	-1.9	2.6	eA ACWI ex US All Cap Equity Net Median	-0.3	3.9
Global equities	0.0	n/a	MSCI ACWI	-2.4	6.1
Global asset allocation	-3.1	n/a	60%MSCI ACWI Net / 40% BC Aggregate	-1.0	5.2
Private equity	8.0	8.2	Cambridge Assoc. Global All PE	6.8	12.9
Real estate	11.5	7.7	NCREIF ODCE	15.0	13.7
Hedge funds	-0.8	3.1	HFRI FOF	-0.2	2.1
Total plan	-1.5	6.0	Allocation Index**	-1.4	6.3

* Net of fees returns.
** The Allocation Index is an asset class-weighted benchmark designed to take into account the percentage of an asset class in a portfolio and the relationship to its corresponding benchmark.

Actuarial Valuation

Each year, the Plan commissions an actuary to assess the financial strength of the Plan. The actuary compares the value of future benefits to the value of the Plan's assets. As prescribed by accounting standards, the actuary uses a valuation method different than fair value to determine the value of the Plan's assets. It differs in that the actuarial value of assets spreads investment gains and losses over a five-year period in an attempt to smooth out market volatility. For fiscal year 2015, the consulting actuary reports the Plan's actuarial liability was $2.5 billion and the actuarial value of assets was $1.3 billion. For 2014, the Plan's actuarial liability was $2.1 billion and the actuarial value of assets was $1.4 billion.

The ratio of the assets to actuarial liabilities is termed the funded ratio and represents the percentage of assets available to pay the future benefits. The funded ratio, measured using the Actuarial Value of Assets, which reflects smoothing of the investment gains and losses over a five year period, decreased from 64.3% in 2014 to 53.0% in 2015. This significant drop of 11.3% in the funded ratio is largely attributable to the changes in the provisions of the Fund associated with the repealing of Illinois Public Act 98-0641, recognition of investment losses in 2011, 2014, and 2015, and contributions less than the Normal Cost plus interest on the Unfunded Actuarial Accrued Liability.

Future Outlook

The funded ratio is projected to continue to decline as the Plan experiences a growing operating cash flow deficit. With the reversal of Public Act 98-0641 and the lack of a sufficient funding policy, the Plan faces significant financial challenges. The Plan has appealed to legislators and other stakeholders for their assistance and support in developing a viable legislative solution, putting the Plan on a path toward long-term solvency.

Request for Information

Questions about any information provided in this report should be addressed to:
Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago
Attn: Executive Director
321 N Clark St Ste 1300
Chicago IL 60654-4739

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Statements of Fiduciary Net Position

December 31, 2015 and 2014

	2015	2014
Assets		
Receivables		
Employer	$ 14,624,677	$ 14,689,166
Plan member	764,166	651,659
Due from broker - net	-	5,366,415
Interest and dividends	1,508,496	1,843,650
Other receivables	74,843	2,651
Total receivables	16,972,182	22,553,541
Investments - at fair value		
Cash and short-term investments	42,960,083	49,892,805
Equities	663,261,420	739,791,534
Fixed income	222,185,829	250,010,117
Private equity	33,411,063	42,071,147
Real estate	45,786,624	45,735,296
Hedge funds	106,767,167	102,078,308
Global asset allocation funds	117,221,466	140,740,336
Subtotal	1,231,593,652	1,370,319,543
Forward currency contracts - net	66,179	786,734
Securities lending cash collateral	69,646,634	65,235,365
Total investments - fair value	1,301,306,465	1,436,341,642
Property and equipment	178,186	416,509
Total assets	1,318,456,833	1,459,311,692
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Due to broker - net	4,685,095	-
Refunds, professional fees payable and other liabilities	3,008,449	3,047,520
OPEB liability	2,393,231	2,149,183
Securities lending cash collateral	69,646,634	65,235,365
Total liabilities	79,733,409	70,432,068
Deferred inflows		
Accumulated increase in fair value of hedging derivatives	66,179	786,734
Net position - restricted for pension benefits	$ 1,238,657,245	$ 1,388,092,890

See accompanying notes to financial statements.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2015 and 2014

	2015	2014
Additions		
Contributions		
Employer	$ 14,566,544	$ 14,520,515
Plan member	16,844,246	16,359,082
Total contributions	31,410,790	30,879,597
Investment income		
Net appreciation (depreciation) in fair value of investments	(34,248,125)	40,042,434
Interest	5,397,240	5,618,937
Dividends	10,780,752	12,380,534
Private equity income - net	537,004	281,305
Real estate operating income - net	1,912,543	632,251
Hedge funds income - net	564,835	1,877,621
Global asset allocation fund income - net	2,285,626	2,402,938
	(12,770,125)	63,236,020
Less investment expenses	(9,980,397)	(10,304,870)
Investment income (loss) - net	(22,750,522)	52,931,150
Securities lending		
Income	231,702	138,031
Lender (borrower) rebates	276,587	405,816
Management fees	(76,243)	(81,480)
Securities lending income - net	432,046	462,367
Total additions	9,092,314	84,273,114
Deductions		
Benefits	152,167,262	147,945,968
Refunds	2,516,351	2,071,694
Administrative and OPEB expenses	3,844,346	3,835,170
Total deductions	158,527,959	153,852,832
Net change in net position	(149,435,645)	(69,579,718)
Net position - restricted for pension benefits		
Beginning of year	1,388,092,890	1,457,672,608
End of year	$ 1,238,657,245	$ 1,388,092,890

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) is administered in accordance with Chapter 40, Act 5, Articles 1 and 11 of the Illinois Compiled Statutes (the Statutes). The costs of administering the Plan are financed by employer contributions in conformance with state statutes.

Method of Accounting - The financial statements reflect an accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer, the City of Chicago, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which generally represents reported market value as of the last business day of the year. Quoted market prices, when available, have been used to value investments. For equities, fair value is determined by using the closing price listed on the national securities exchanges as of December 31. Fair value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. Cash and short-term investments are valued at cost which approximates fair value. Global asset allocation funds and alternative investments, which include real estate, private equity investments and hedge funds, are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as cash flow analysis, recent sales prices of investments, comparison of comparable companies' earnings multiples, withdrawal restrictions, annual audits, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The reported values of real estate and private equity are current values unless that information was unavailable in which case the reported value will lag one quarter behind the date of these financial statements. The difference between the current value and the lag has been evaluated and determined not to be material.

Unsettled trades as of the end of the year are recorded net. At December 31, 2015 and 2014, $12,193,683 and $7,657,085, respectively, were due to broker and $7,508,589 and $13,023,500, respectively, were due from broker for unsettled trades.

Property and Equipment - Property and equipment are carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by using the straight line method over an estimated useful life of five years, except for the custom software package development which is depreciated over 10 years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Expenses - Administrative expenses are budgeted and approved by the Plan's Board of Trustees (the Board). Funding for these expenses is included in the employer contributions as mandated in Chapter 40, Act 5, Article 11 of the Statutes.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the presentation for the current year. These reclassifications did not change the total net position - restricted for pension benefits or the changes in fiduciary net position from the totals previously reported.

Estimates - The preparation of financial statements in conformity with U.S. 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.

New Accounting Pronouncements - GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, was established to improve the usefulness of pension information included in the general purpose external financial reports of governmental pension plans for making decisions and assessing accountability. The Plan adopted GASB Statement No. 67 for its December 31, 2014 financial statements. The implementations resulted in the elimination of certain actuarial disclosures related to the Plan's funding status as a whole, and the addition of disclosures related to the Plan's net pension liability and changes thereof, and the money weighted rate of return on Plan investments.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was established to set standards for measuring and recognizing liabilities, deferred outflows of resources, and expenses related to pensions. This statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. The Plan assisted the employer in its implementation of the statement for the year ended December 31, 2015.

NOTE 2. PLAN DESCRIPTION

The Plan was established in 1935 and is governed by legislation contained in the Statutes, particularly Chapter 40, Act 5, Article 11 (the Article) which specifically and exclusively refers to the Plan. The Plan can be amended only by the Illinois Legislature. The Plan is a single-employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement and disability benefits for employees of the City of Chicago (City) who are employed in a title recognized by the city as labor service and for the dependents of such employees.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

The Statutes authorize a Board of Trustees of eight members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, two are to be elected by the employee members of the Plan, one is to be elected by the retired members of the Plan, one is to be appointed by the local labor union and two are to be appointed by the Department of Human Resources (formerly the Department of Personnel). The two ex officio members are the City Comptroller or someone chosen from the Comptroller's office and the City Treasurer or someone chosen from the Treasurer's office. All members of the Board of Trustees 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 City Council of the City of Chicago 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 Financial and Professional Regulation's (IDFPR) Division of Insurance, as well as another detailed annual report, the form and content of which is specified by the IDFPR's Division of Insurance.

Any employee of the City of Chicago or the Board of Education of the City employed under the provisions of the municipal personnel ordinance as labor service or any person employed by a retirement board of any annuity and benefit fund in the City is covered by the Plan. For the years ended December 31, 2015 and 2014, 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. The City of Chicago, for its employer's portion, is required by the Statutes to contribute an amount equal to 8% of each individual employee's salary as well as the remaining amounts necessary to finance the requirements of the Plan. For the years ended December 31, 2015 and 2014, the City's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Plan in the calendar year two years prior to the current year, multiplied by 1.00. The source of funds for the City's contribution has been designated by the Statutes and is derived from the City's annual property tax levy, or from any source legally available for this purpose, including but not limited to, the proceeds of city borrowings. The Plan is considered by the City to be a component unit of the City of Chicago and is included in the City's financial statements as a pension trust fund.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

At December 31, 2015 and 2014, plan members consisted of the following:

	2015	2014
Retirees and beneficiaries currently receiving benefits	3,846	3,902
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,455	1,449
Active plan members (including plan members receiving disability benefits)		
Vested	2,081	2,051
Non-vested	735	786
Total plan members	8,117	8,188

The Plan provides retirement benefits as well as death and disability benefits. In 2010, legislation (Public Act 96-0889) was approved which in effect established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Plan uses a tier concept to distinguish these groups:

Tier 1 – Employees who first became members prior to January 1, 2011
Tier 2 – Employees who first became members on or after January 1, 2011

Retirement Benefits:

Tier 1: Employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per year of service, multiplied by the final average salary. Final average salary is calculated using salary from the highest four consecutive years within the last 10 years of service preceding retirement. If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60, unless the employee is 50 or over with at least 30 year of service or 55 or over with at least 25 years of service. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRS) §401(a)(17) and §415 limitations. There is a 10 year deferred vested benefit payable at age 60. Employees who retire at age 60 or over with at least 10 years of service are entitled to a minimum of $850 per month.

Tier 2: Employees with at least 10 years of service are entitled to receive an unreduced annuity benefit at age 67 or a reduced annuity benefit at age 62 with at least 10 years of service. The annuity shall be reduced by ½ percent for each month that the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service preceding retirement. Pensionable salary is limited to $111,572 in 2015 and $110,631 in 2014, increased each year by the lesser of 3% or ½ of the annual increase in the Consumer Price Index-Urban (CPI-U), but not less than zero.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Post Retirement Increases:

Tier 1: Employee annuitants are eligible to receive an increase of 3% of the current annuity beginning the January of the year of the first payment date following the earlier of 1) the later of the third anniversary of retirement and age 53 and 2) the later of the first anniversary of retirement and age 60, and each year thereafter.

Tier 2: Employee annuitants are eligible to receive an increase based on the original annuity equal to the lesser of 3% or ½ of the annual unadjusted percentage increase in the CPI-U (but not less than zero) beginning the January of the first payment date following the later of 1) age 67 and 2) the second anniversary of retirement.

Spousal Annuity:

Tier 1: The eligible surviving spouse is entitled to a spousal annuity equal to 50% of the pension the member had earned at the date of death.

Tier 2: The surviving spouse is entitled to a spousal annuity equal to 66⅔% of the pension the member had earned at the date of death.

Automatic increase in Spousal Annuity:

Tier 1: There is no increase in annuity for spousal annuities.

Tier 2: The spousal annuity increase is either ½ the rate of the CPI-U or 3%, whichever is lower, and is applied to the original spousal annuity amount. If the CPI-U decreases or is zero, no increase is paid. The spouse is eligible for an increase on January 1st occurring on or after the commencement of the member's annuity or occurring after the first anniversary of the commencement of the spousal annuity.

Child's Annuity:

Under Tier 1 and Tier 2, annuities are provided for unmarried children of a deceased member who are under the age of 18, if the child was born, or *in esse*, or legally adopted. The child's annuity is $220 a month when there is an eligible surviving spouse or $250 a month when there is no eligible surviving spouse.

Duty Disability:

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of an injury incurred in the performance of any act of duty, is entitled to receive a duty disability benefit in the amount equal to 75% of annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act.

Ordinary Disability:

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of any cause other than an injury incurred in the performance of an act of duty, is entitled to receive an ordinary disability benefit in the amount equal to 50% of annual salary as of the last day worked. An employee can receive ordinary disability for a period equal to ¼ of his service credits up to a maximum of 5 years.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Refunds:

Tier 1: A member may take a refund if he withdraws from service and is under the age of 55 (with any length of service) or withdraws between the ages of 55 and 60 with less than 10 years of service.

Tier 2: A member may take a refund if he withdraws from service before the age of 62 (with any length of service) or withdraws with less than 10 years of service regardless of age.

NOTE 3. INVESTMENTS

Investment Policies, Asset Allocation and Money Weighted Rate of Return

Investments are governed by Articles 5/1 and 5/11, Chapter 40, of the Statutes. The prudent person rule, which establishes a standard of care for all fiduciaries, is an important aspect of the Statutes. The prudent person rule states that fiduciaries must discharge their duties with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. 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 Statutes.

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocations as of December 31, 2015.

Asset Class	Target
U.S. equity	22.0%
Non U.S. equity	13.0%
Global equity	14.0%
Fixed income	16.0%
Private markets	11.0%
Real estate	6.0%
Hedge funds	8.0%
Global asset allocation (GAA)	8.0%
Risk parity	2.0%
	100.0%

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS (CONTINUED)

Investment Risk Factors
eThere are many factors that can affect the value of investments. Some, such as custodial credit
There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risk and risk associated with changes in interest rates.

Investment Summary

All of the Plan's financial instruments are consistent with the permissible investments outlined in the Statutes. The following table presents the composition of investments, by investment type, as of December 31, 2015 and 2014. Individual investments that represent 5% or more of the Plan's net position restricted for pension benefits are separately identified.

	2015	2014
Cash and short-term investments	$ 42,960,083	$ 49,892,805
Equities		
U.S. equities	365,956,063	398,210,561
Foreign equities	219,264,259	258,931,550
Foreign equity funds	78,041,098	82,649,423
Total equities	663,261,420	739,791,534
Fixed income		
U.S. Government obligations and municipal bonds	37,735,429	37,559,218
U.S. corporate bonds	31,786,504	36,645,951
Foreign fixed income	24,288,978	29,399,709
Fixed income funds	128,374,917	146,405,239
Total fixed income	222,185,828	250,010,117
Private equity	33,411,064	42,071,147
Real estate	45,786,624	45,735,296
Hedge funds	106,767,167	102,078,308
Global asset allocation funds		
Wellington CTF Opportunistic Investment Fund	77,309,846	86,137,716
Other	39,911,620	54,602,620
Total global asset allocation funds	117,221,466	140,740,336
Subtotal	1,231,593,652	1,370,319,543
Forward currency contracts	66,179	786,734
Securities lending cash collateral	69,646,634	65,235,365
Total investments at fair value	$ 1,301,306,465	$ 1,436,341,642

NOTE 3. INVESTMENTS (CONTINUED)

Short-term investments include commercial paper or notes having maturity of less than 90 days or pooled short-term investment funds managed by the Northern Trust. Under the terms of the investment agreement for these funds, the Northern Trust may invest in a variety of short-term investment securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Plan's deposits may not be returned to it. The Plan does not have a formal deposit policy for custodial credit risk. As of December 31, 2015 and 2014, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Plan's name.

	2015	2014
Amount exposed to custodial credit-risk		
Investment in foreign currency	$ 1,269,337	$ 2,714,926

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to pay interest or principal in a timely manner, or that negative perception of the issuer's ability to make payments will cause a decline in the security's price. U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

The investment portfolio of the Plan is managed by professional investment management firms. These firms are required to maintain diversified portfolios. The Plan does not have a formal policy on concentration of credit risk. Each investment manager complies with risk management guidelines individually assigned to them as part of their Investment Management Agreement.

A bond's credit quality is a standard used by the investment community to assess the issuer's ability to make interest payments and to ultimately make principal payments. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investor Service (Moody's) or Standard and Poor's (S&P). In the rating agency's opinion, the lower the rating, the greater the chance that the bond issuer will default, or fail to meet its payment obligations. The following table presents the credit risk profile, based on Moody's Investor Service for fixed income securities held by the Plan as of December 31, 2015 and 2014.

NOTE 3. INVESTMENTS (CONTINUED)

Credit Risk (continued)

Quality Rating	2015	2014
Aaa	$ 23,773,916	$ 23,857,254
Aa	4,195,721	4,649,603
A	7,659,752	5,436,106
Baa	21,024,625	26,914,235
Ba	5,978,731	6,226,268
B	4,063,663	6,917,862
Caa	2,314,400	3,360,661
Ca	-	255,700
C	246,364	-
Not rated or unavailable	4,500,737	5,552,607
Total credit risk debt - securities	73,757,909	83,170,296
Guaranteed by U.S. government	20,053,003	20,434,583
Funds - corporate bond - not rated	48,920,678	53,092,108
Funds - other fixed income - not rated	79,454,239	93,313,130
Total fixed income	$ 222,185,829	$ 250,010,117

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. However, the investment managers have diversified the portfolio to reduce the impact of losses in an individual investment and typically align the portfolio's duration with that of the benchmark.

NOTE 3. INVESTMENTS (CONTINUED)

Interest Rate Risk (continued)

At December 31, 2015 and 2014, the following table shows the investments by investment type and maturity.

December 31, 2015						
Investment Type	Fair Value	1 Year or Less	1+ to 6 Years	6+ to 10 Years	10 + Years	Variable
Asset backed securities	$ 10,273,863	$ -	$ 631,491	$ 124,458	$ 9,517,914	$ -
Commercial mortgage backed	2,238,768	-	-	-	2,238,768	-
Corporate bonds	25,041,295	609,778	7,575,248	8,247,524	8,608,745	-
Funds - corporate bonds	48,920,678	-	-	-	-	48,920,678
Funds - other fixed income	79,454,239	-	-	-	-	79,454,239
Government agencies	1,461,537	-	123,071	476,529	861,937	-
Government bonds	23,613,842	-	3,324,538	4,869,499	15,419,805	-
Gov't mortgage backed	19,457,981	-	289,303	-	9,032,050	10,136,628
Gov't issued commercial mortgage backed	168,666	-	168,666	-	-	-
Index linked gov't bonds	7,189,948	-	-	1,154,959	6,034,989	-
Municipal bonds	1,009,127	-	-	143,332	865,795	-
Non-government backed CMO's	3,355,885	-	507,297	-	2,848,588	-
Total fixed income	$222,185,829	$ 609,778	$ 12,619,614	$ 15,016,301	$ 55,428,591	$138,511,545

December 31, 2014						
Investment Type	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	10 + Years	Variable
Asset backed securities	$ 12,123,978	$ -	$ 1,037,834	$ -	$ 11,086,144	$ -
Commercial mortgage backed	3,749,885	-	-	-	3,749,885	-
Corporate bonds	28,737,940	295,665	8,242,301	10,571,029	9,628,945	-
Funds - corporate bonds	53,092,108	-	-	-	-	53,092,108
Funds - other fixed income	93,313,130	-	-	-	-	93,313,130
Government agencies	2,250,118	-	1,117,317	303,088	829,713	-
Government bonds	24,889,650	-	3,176,707	9,075,877	12,637,066	-
Gov't mortgage backed	20,362,788	-	278,310	278,628	10,162,596	9,643,254
Gov't issued commercial mortgage backed	308,041	-	308,041	-	-	-
Index linked gov't bonds	5,976,515	-	-	-	5,976,515	-
Municipal bonds	1,062,478	-	-	160,406	902,072	-
Non-government backed CMO's	4,143,486	-	603,825	237,274	3,302,387	-
Total fixed income	$250,010,117	$ 295,665	$ 14,764,335	$ 20,626,302	$ 58,275,323	$156,048,492

NOTE 3. INVESTMENTS (CONTINUED)

Investment Results

During 2015 and 2014, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were $38,898,727 and $118,303,689, respectively. These amounts are included in the net appreciation (depreciation) in fair value of investments as reported on the Statement of Changes in Fiduciary Net Position. The calculation of realized gains and losses is independent of the calculation of net appreciation in the fair value of the Plan's investments. Investments purchased in a previous year and sold in the current year results in their realized gains and losses being reported in the current year and their net appreciation in Plan assets being reported in both the current and the previous year(s).

Note 3. Investments (continued)

Foreign Currency Risk

The international portfolio is constructed on the principles of diversification, quality, growth and value. Risk of loss arises from changes in currency exchange rates. While not having a formal investment policy governing foreign currency risk, the Plan does manage its exposure to fair value loss by requiring the international securities managers to maintain diversified portfolios to limit foreign currency and security risk. The Plan's exposure to foreign currency risk as of December 31, 2015 and 2014, is presented in the following table.

	2015	%	2014	%
Australian dollar	$ 3,794,002	2.1%	$ 2,100,692	1.0%
Brazilian dollar	1,633,190	0.9	5,390,148	2.6
Canadian dollar	3,085,260	1.7	5,651,807	2.7
Swiss franc	6,165,653	3.3	9,633,111	4.6
Columbian peso	-	-	316,223	0.2
Danish krone	6,426,178	3.5	5,675,834	2.7
Euro	46,335,039	25.3	44,605,065	21.4
British pound sterling	30,810,930	16.7	31,533,529	15.1
Hong Kong dollar	18,283,907	9.9	22,504,510	10.8
Indonesian rupiah	2,956,554	1.6	3,736,248	1.8
New Israeli shekel	973,335	0.5	471,179	0.2
Japanese yen	32,010,993	17.4	31,105,082	14.9
South Korean won	7,398,568	4.0	6,377,748	3.1
Mexican peso	1,586,675	0.9	2,619,972	1.3
Malaysian ringgit	543,567	0.3	2,069,557	1.0
Norwegian krone	4,587,388	2.5	5,936,470	2.8
New Zealand dollar	(2,731,748)	- 1.5	(1,318,125)	- 0.6
Philippine peso	-	-	499,699	0.2
Polish zloty	1,504	-	2,874	-
Swedish krona	9,799,525	5.3	13,642,076	6.5
Singapore dollar	1,011,724	0.5	2,708,753	1.3
Thai baht	1,455,318	0.8	3,075,661	1.5
Turkish lira	763,260	0.4	3,010,327	1.4
South African rand	7,188,288	3.9	7,361,368	3.5
Total	$184,079,110	100.0%	$208,709,808	100.0%

NOTE 3. INVESTMENTS (CONTINUED)

Derivatives

The Plan's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends on the value of an underlying, such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. The Plan's managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake.

During the year, the Plan's derivative investments included foreign currency forward contracts and financial futures. Foreign currency forward contracts are used to hedge against the currency risk in the Plan's foreign stock and fixed income security portfolios. Financial futures are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

The following table summarizes the derivatives held within the Plan's investment portfolio as of December 31, 2015 and 2014:

	2015		2014	
Derivative Type	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedging derivative instruments				
Foreign currency forward contracts purchased	$ -	$ 58,492,409	$ -	$208,013,989
Foreign currency forward contracts sold	-	(58,426,230)	-	(207,227,255)
Total hedging derivative instruments	-	66,179	-	786,734
Investment derivative instruments				
Futures				
Fixed income	(15,957,296)	-	(9,357,559)	-
Cash and cash equivalent	6,294,671	-	7,216,443	-
Total investment derivative instruments	(9,662,625)	-	(2,141,116)	-
Total	$ (9,662,625)	$ 66,179	$ (2,141,116)	$ 786,734

NOTE 3. INVESTMENTS (CONTINUED)

Foreign currency forward contracts are agreements to buy or sell a specific amount of a specific currency at a specified delivery or maturity date for an agreed upon price. The gain or loss on forward contracts is recognized as deferred inflows/outflows on the Statements of Fiduciary Net Position until the contract is closed or is sold at which time a gain or loss is recognized in the Statements of Changes in Fiduciary Net Position. The counterparties to the foreign currency forward contracts are banks which are rated A, or above, by rating agencies. The fair value of forward contracts outstanding at December 31, 2015 and 2014 is as follows:

Currency	2015 Fair Value	2014 Fair Value
Foreign currency exchange purchases:		
Australian dollar	$ 1,097,421	$ 7,187,815
Canadian dollar	1,578,289	10,271,973
Swiss franc	652,469	9,069,365
Euro	1,132,628	16,366,507
British pound sterling	2,775,504	8,612,574
New Israeli shekel	20,799	-
Japanese yen	2,138,909	6,920,397
Norwegian krone	3,661,694	10,761,318
New Zealand dollar	969,312	10,014,510
Swedish krona	2,826,835	8,621,717
United States dollar	41,293,411	120,167,698
South African rand	345,138	20,115
Total purchases	$ 58,492,409	$ 208,013,989
Foreign currency exchange sales:		
Australian dollar	$ (1,284,884)	$ (10,964,895)
Canadian dollar	(2,162,383)	(11,306,623)
Swiss franc	(6,337,525)	(13,888,834)
Danish krone	-	(1,087)
Euro	(9,193,762)	(30,929,295)
British pound sterling	(5,873,999)	(12,410,691)
Japanese yen	(3,326,697)	(6,273,322)
Mexican peso	(1,320,311)	(1,027,480)
Norwegian krone	(494,383)	(7,445,247)
New Zealand dollar	(8,557,840)	(15,102,670)
Polish zloty	(173,187)	(198,826)
Swedish krona	(1,384,906)	(6,529,045)
Singapore dollar	(1,568)	-
Thai baht	(3,121)	-
United States dollar	(17,295,850)	(90,225,941)
South African rand	(1,015,814)	(923,299)
Total sales	$ (58,426,230)	$ (207,227,255)

NOTE 3. INVESTMENTS (CONTINUED)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on organized exchanges. As the market value of the underlying assets vary from the original contract price, a gain or loss is recognized in the Statements of Changes in Fiduciary Net Position and is settled through the clearinghouse.

Rights and warrants allow the Plan's investment managers to replicate any underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years. These investments are reported within the equities classification.

The following table summarizes the changes in fair value, which were recognized as income in the Plan's Statements of Changes in Fiduciary Net Position for the year ended December 31, 2015 and 2014:

Derivative Type	2015 Changes in Fair Value	2014 Changes in Fair Value
Foreign currency forward contracts	$ 3,114,237	$ 3,517,877
Futures	226,813	(921,968)
Rights/Warrants	285,646	613,372
Total	$ 3,626,696	$ 3,209,281

NOTE 4. SECURITIES LENDING

The Statutes and the Board permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. In the prior year ended December 31, 2014, the Plan terminated its securities lending agreement with its custodian, Northern Trust, and entered into a securities lending agreement with Deutsche Bank. Deutsche Bank, acting as lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and Non-U.S. sovereign debt securities equal to 102% of the fair value of domestic securities and foreign securities that are denominated in the same currency as the collateral provided plus accrued interest and 105% of the fair value of foreign securities that are not denominated in the same currency as the collateral provided plus accrued interest.

The Plan receives 85% of the net revenue derived from the securities lending activities, and the lending agent receives the remainder of the net revenue.

The Plan is currently not restricted as to the type of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults.

NOTE 4. SECURITIES LENDING (CONTINUED)

The average term of securities loaned was 78 days at December 31, 2015 and 76 days at December 31, 2014; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity of 14 days as of December 31, 2015 and an average weighted maturity of 18 days as of December 31, 2014. Cash collateral may also be invested in term loans, in which the investments (term loans) match the term of the securities loaned. These loans can be terminated on demand by either the lender or the borrower.

At December 31, 2015 and 2014, the Plan had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Plan. At December 31, 2015 and 2014, the fair value of securities loaned was as follows:

	2015	2014
Equities	$ 65,858,512	$ 61,283,141
Fixed income	1,926,108	2,200,167
Total	$ 67,784,620	$ 63,483,308

At December 31, 2015 and 2014, the securities loaned were collateralized as follows:

	2015	2014
Collateralized by cash	$ 69,646,634	$ 65,235,365
Collateralized by other than cash	-	-
Total	$ 69,646,634	$ 65,235,365

During 2015 and 2014, there were no losses due to default of a borrower or the lending agent. The contract with the Plan requires the lending agent to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

NOTE 5. MORTGAGE BACKED SECURITIES

The Plan invests in mortgage-backed securities, representing interests in pools of mortgage loans, as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies, such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

The financial instruments are carried at fair value and are included in investments on the Statements of Fiduciary Net Position. The gain or (loss) on financial instruments is recognized and recorded on the Statements of Changes in Fiduciary Net Position as part of investment income.

NOTE 6. COMMITTED CASH

The Plan has entered into investment arrangements for hedge funds, real estate and private equity. As of December 31, 2015 and 2014, the Plan had approximately $25,500,000 and $18,700,000, in outstanding capital commitments, respectively.

NOTE 7. DEFERRED COMPENSATION PLAN

The Plan offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The deferred compensation plan, which is funded through employee contributions, is available to all Plan employees and permits them to defer a portion of their salary until future years. The deferred compensation plan is managed by a third party administrator and participation by employees is optional. The assets of the deferred compensation plan are placed in trust with the third party for the exclusive benefit of the participants and their beneficiaries and are not considered assets of the Plan.

NOTE 8. SUMMARY OF EMPLOYER FUNDING POLICIES

The City shall levy a tax annually which, when added to the amounts deducted from the salaries of the employees or otherwise contributed by them, will be sufficient for the requirements of the Plan. The tax will produce an amount that does not exceed the amount of 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 1.00.

When the balance of the prior service reserve equals its liabilities (including in addition to all other liabilities, the present value of all annuities, present or prospective, according to applicable mortality tables and rates of interest), the City shall cease to contribute the amounts to provide prior service annuities and other annuities and benefits.

NOTE 8. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

The current actuarial studies of the Plan as of December 31, 2015 (2016 Tax Levy) and as of December 31, 2014 (2015 Tax Levy) indicated that a minimum annual contribution was required by the City to maintain the Plan on a minimum valuation basis. The recommended minimum annual contribution based on an annual payroll of $204,772,903 for 2,816 active members for the 2016 tax levy and $202,673,014 for 2,837 active members for the 2015 tax levy is computed as follows:

	2016 Tax Levy	2015 Tax Levy
Normal cost	$ 38,515,828	$ 35,766,317
30 year level dollar amortization of unfunded liability (surplus)	93,425,980	61,393,354
Interest adjustment for semimonthly payment	5,002,731	3,672,236
Total minimum contribution	136,944,539	100,831,907
Less estimated plan member contributions	(17,729,050)	(18,579,434)
Annual required contribution (ARC) to be financed by tax levy*	$ 119,215,489	$ 82,252,473
Required tax levy multiple for Plan	7.94	5.48

* Value for 2016 and 2015 ARC includes GASB No. 43 ARC of $2,182,389 and $2,401,638, respectively.

NOTE 9. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan at December 31, 2015, were as follows:

Total pension liability	$ 3,712,615,936
Plan fiduciary net position	1,238,657,245
Net pension liability	$ 2,473,958,691
Plan fiduciary net position as a percentage of total pension liability	33.36%

NOTE 9. NET PENSION LIABILITY OF THE PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 percent per year, plus a service-based increase in the first 15 years
Investment rate of return	7.5 percent, net of investment expense, including inflation

Post-retirement mortality rates were based on the RP2000 Combined Healthy mortality table, sex distinct, set forward one year for males and setback 2 years for females. No adjustment is made for post-disabled mortality. The mortality table used is a static table and provides an estimated margin of 18 percent for future mortality improvements. Pre-retirement mortality rate is 80 percent of post-retirement mortality.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2004 - December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Finally, the arithmetic portfolio expected return is converted into a geometric expected return by using assumed asset class standard deviations and correlations. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset class	Long-term Expected Real Rate of Return
Domestic equity	5.9%
Non U.S. equity	7.9
Global equity	6.5
Fixed income	2.6
Hedge funds	3.8
Private markets	6.9
Global asset allocation	4.7
Real estate	4.4
Risk parity	5.0

NOTE 9. NET PENSION LIABILITY OF THE PLAN (CONTINUED)

Single Discount Rate

A Single Discount Rate of 4.04% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.50% and a municipal bond rate of 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments only through the year 2027. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2027, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 4.04%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of Net Pension Liability
to the Single Discount Rate Assumption

	1% Decrease 3.04%	Current Single Discount Rate Assumption 4.04%	1% Increase 5.04%
Plan's net pension liability	$3,017,415,600	$2,473,958,691	$2,028,466,970

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation. Market value of net assets held in trust for pension benefits as of December 31, 2015 and 2014, were comprised of the following Plan surplus (deficit) balances:

	2015	2014
Prior Service Fund	$ 1,481,482,144	$ 1,163,741,374
City Contribution Fund	259,686,979	251,990,000
Salary Deduction Fund	259,619,161	251,923,933
Annuity Payment Fund and Reserve	447,688,730	443,979,250
Supplementary Payment Service	69,562	69,562
Fund Reserve - (deficit)	(1,209,889,331)	(723,611,229)
Net Position - Restricted for Pension Benefits	$ 1,238,657,245	$ 1,388,092,890

The Prior Service Fund is a reserve account for the accumulation of City contributions to provide for: 1) employee and spouse annuities that are based on service performed before the Plan's effective date of July 1, 1935, and 2) any excess in minimum annuity formula requirements over the amounts required for age and service annuities and for spouse annuities.

The City Contribution Fund is used to accumulate amounts contributed by the City to provide for annuities based on age and service of each employee and spouse. An individual account is to be kept for each employee and spouse until the employee retires, at which time the individual account balances are transferred to the Annuity Payment Fund.

The Salary Deduction Fund is similarly used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts are kept until the employee retires or withdraws from service before qualifying for an annuity. At retirement, account balances are transferred to the Annuity Payment Fund. In case an eligible employee elects to take a refund of contributions instead of an annuity, the contribution refund is charged to this reserve fund.

The Annuity Payment Fund receives the amounts transferred from the individual accounts in the City Contribution Fund and the Salary Deduction Fund when an employee retires and qualifies for an annuity. All age and service annuity payments are charged to this fund.

The Supplementary Payment Reserve was established in 1969 to fund postretirement benefit increases for future and current annuitants who elected to pay into the Plan the amount necessary to receive the postretirement benefits.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

The Fund Reserve represents the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A surplus indicates that present assets and future contributions exceed the expected requirements for future pension payments, while a deficit indicates that additional assets will be needed to provide for future benefits.

NOTE 11. EMPLOYER (TAXES) RECEIVABLE (PAYABLE) - NET

	2015	2014
Employer contributions	$ 16,042,852	$ 16,194,344
Less allowance for uncollectible accounts	(1,418,175)	(1,505,178)
Total	$ 14,624,677	$ 14,689,166

NOTE 12. LEASE AGREEMENTS

The Plan leases its office facilities under a fifteen year non-cancelable agreement in effect through February 28, 2026. The base rent has an abatement provision of 17 months. The Plan is amortizing the abated rent over the period covered by the agreement. Real estate taxes and maintenance charges are additional costs to the base rent and are subject to annual escalation. Rent expense, net of rent abatements, for the years ended December 31, 2015 and 2014 was $276,434 and $243,836, respectively. Future minimum rental payments required under non-cancelable leases are as follows:

Year ending December 31,	
2016	$ 315,554
2017	384,818
2018	389,808
2019	394,797
2020	399,787
2021 through 2026	2,144,705
Total	$ 4,029,469

NOTE 13. INSURANCE COVERAGE

The Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plan has minimized the risk of loss through private insurance carriers for commercial, business owners, and automobile policies. The deductible for this insurance coverage ranges from $250 to $500 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The Plan has not had any insurance claims filed or paid in the past five fiscal years.

The Plan has elected to self-insure against the risk of loss due to a breach in workmen's compensation claims. There have been no claims or settlements in the last five years.

NOTE 14. PROPERTY AND EQUIPMENT

Property and equipment detail for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Office equipment	$ 264,131	$ 347,657
Custom software package	6,457,788	6,457,788
	6,721,919	6,805,445
Accumulated depreciation	(6,543,733)	(6,388,936)
Property and equipment - net	$ 178,186	$ 416,509

Depreciation expense for the years ended December 31, 2015 and 2014 was $238,323 and $230,727, respectively.

NOTE 15. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES

Plan Description - The Plan and the City of Chicago agreed to share in the cost of the Settlement Health Care Plan, a single employer defined benefit plan for city retirees administered by the City of Chicago. This agreement is in effect beginning July 1, 2008 and until such time as the city no longer provides a health care plan for such annuitants or December 31, 2016, whichever comes first. This plan provides medical and prescription drug benefits to eligible retirees, spouses, and dependent children.

Funding Policy - The Plan's contribution requirement is established by the state legislature and may be amended. From July 1, 2008 through June 30, 2016, the amount of Plan paid health care premiums is $95 per month for non-Medicare recipients and $65 per month for Medicare recipients. The remaining cost to participate in the program is borne by the City of Chicago and the annuitant.

NOTE 15. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES (CONTINUED)

Funding Policy (continued)

In this report, the Plan, in accordance with GASB No. 43, *Financial Reporting for Post-employment Benefit Plans other than Pensions*, includes disclosures of a separate annual required contribution (ARC) for Other Postemployment Benefits (OPEB) beginning with the Plan's 2010 fiscal year. It also requires that the investment return assumption (or "discount rate") used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

Annual Required Contribution - The Plan's annual required contribution, employer contribution, and the percentage of annual required contribution contributed to the Plan since Fiscal Year End 2010, are as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Percentage of ARC Contributed
12/31/2010	$ 3,609,337	$ 2,586,866	71.7%
12/31/2011	3,542,982	2,579,905	72.8
12/31/2012	3,070,025	2,561,930	83.4
12/31/2013	3,090,718	2,517,588	81.5
12/31/2014	2,519,877	2,359,700	93.6
12/31/2015	2,401,638	2,154,073	89.7

At December 31, 2015, the number of annuitants or surviving spouses whose cost to participate in the program was subsidized, totaled 2,341; at December 31, 2014, the total was 2,550.

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2015, is as follows:

Actuarial accrued liability (AAL)	$ 2,133,080
Net plan actuarial assets	-
Unfunded actuarial accrued liability (UAAL)	$ 2,133,080
Funded ratio	0.0%
Covered payroll	$ 204,772,903
UAAL as a % of covered payroll	1.0%

NOTE 15. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES (CONTINUED)

Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 48, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used in the actuarial valuation was the entry age normal actuarial cost method. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 0% due to the fact that the OPEB is a fixed dollar subsidy and trend is not applicable. The assumptions include projected salary increases of 3.75% and an inflation rate of 3.0% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. For both December 31, 2015 and December 31, 2014, the amortization method is level dollar on a three year closed period.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER

Plan Description - The Plan, as an employer, administers a single-employer postemployment healthcare plan ("Retiree Health Plan"). The Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through the Plan's group health insurance plan, which covers both active and retired members. Currently, 7 retirees are in the plan and 21 active employees could be eligible at retirement.

Funding Policy - The contributions requirements of plan members and the Plan are established by the Plan's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements. For 2015 and 2014, the Plan contributed $70,513 and $47,114, respectively, to the Plan. Plan members receiving benefits contributed $27,372 in 2015 or 28.0% of the total premiums for the year, through their required contributions of between $110 and $1,080 per month based on coverage. In 2014 Plan members contributed $13,184 or 22.8% of the total premiums for the year through their required contributions of between $95 and $291 per month.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation - The Plan's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Plan's annual OPEB cost, the amount actually contributed to the plan, and changes in the Plan's net OPEB obligation to the Retiree Health Plan:

	2015	2014
Annual required contribution	$ 351,656	$ 331,298
Interest on net OPEB obligation	96,713	85,095
Adjustment to ARC	(126,260)	(111,092)
Annual OPEB expense	322,109	305,301
Contributions made	(78,061)	(47,114)
Increase in net OPEB obligation	244,048	258,187
Net OPEB obligation - beginning of year	2,149,183	1,890,996
Net OPEB obligation - end of year	$ 2,393,231	$ 2,149,183

In 2015 and 2014, the Plan contributed 22.2% and 14.2%, respectively, of the annual required OPEB contribution to the plan.

Actuarial Valuation Information

Actuarial Valuation Date *	Value of Plan Net Assets (a)	Accrued Liability (AAL) (b)	Actuarial Liability (UAL) (c)	Funded Ratio (a/b)	Covered Annual Payroll (d)	Percentage of Covered Payroll (c/d)
12/31/2012	$ -	$ 3,318,127	$ 3,318,127	$ -	$ 1,536,127	216.01%

* For a plan the size of the LABF as Employer plan, GASB allows a valuation report to be used for up to 3 years if there are not significant changes in plan design, premiums/claims, or demographics that would materially change the results. The next actuarial valuation will be performed as of December 31, 2015 which will be completed in 2016.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 49, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate for medical of 1.64% for first year, then 7.5% per year graded down to 5% per year (ultimate trend in 0.5% increments) and a rate for dental of 4% for first year, then 4.5% per year (ultimate trend in 0.5% increments). The assumption includes projected wage inflation of 3.75% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. The amortization method is level dollar on an open basis and the remaining amortization period at December 31, 2012 was 30 years.

NOTE 17. CONTINGENCIES

On October 9, 2012, a civil action was filed in the Circuit Court of Cook County, Illinois, *Carmichael, et al. v. Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, et al*., Case No. 12 CH 37712, wherein the plaintiffs allege that recent amendments to the Illinois Pension Code violate the U.S. and Illinois Constitution. The defendants include the Plan and the Plan's Board of Trustees, along with two other public employee pension funds and their respective boards.

In the event the pertinent portion of P.A. 97-0651 is held to be unconstitutional by an unappealable final court order, the Plan would be required to pay the annuities in effect prior to the passage of P.A. 97-0651. This outcome would have no material actuarial impact since higher annuities were actually used and it is a relatively small group of affected members. Plaintiffs do not make a prayer for monetary relief, but seek attorney's fees. The Plan is defending this lawsuit. The outcome of the lawsuit is uncertain.

NOTE 17. CONTINGENCIES (CONTINUED)

In July 2013, a group of plaintiffs purporting to represent retirees in four Chicago public pension funds filed a civil action, *Underwood v. City of Chicago et al*., seeking class certification and an order requiring the City of Chicago and the defendant pension funds to continue subsidizing retiree health insurance premiums past the June 30, 2013 statutory expiration date. The City removed the case to federal court. The City's motion to dismiss was granted, but on appeal, the Seventh Circuit Court of Appeals vacated the district court's order and remanded the case with instructions for the district court to remand the case to the Circuit Court of Cook County. On April 9, 2015, the Plaintiffs moved to reinstate the Underwood complaint in the Circuit Court of Cook County, and their motion was granted. All defendants, including the Plan, moved to dismiss the Complaint. On December 3, 2015, the Court granted in part and denied in part the Plan's motion to dismiss, leaving only a claim for lifetime retiree health insurance benefits for employees working for the City between August 1985 and August 1989, based on an amendment to Article 11 of the Illinois Pension Code effective August 23, 1985. The Plaintiffs filed a Third Amended Complaint on January 13, 2016. All defendants have again moved to dismiss. The Court set a briefing schedule and will issue a written ruling. The Plan continues to defend this lawsuit. The outcome is uncertain.

NOTE 18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 9, 2016, which is the date the financial statements were available to be issued. This review and evaluation revealed no other new material event or transactions which would require additional adjustment to or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Required Supplementary Information

December 31, 2015 and 2014

Schedules of Changes in Net Pension Liability and Related Ratios Multiyear

	2015	2014
Total pension liability		
Service cost including pension plan administrative expense	$ 38,388,765	$ 38,523,054
Interest on the total pension liability	153,811,897	174,071,491
Benefit changes	384,032,638	(324,166,854)
Difference between expected and actual experience	(46,084,758)	-
Assumption changes	1,175,935,546	28,201,429
Benefit payments	(150,013,189)	(145,586,268)
Refunds	(2,516,351)	(2,071,694)
Pension plan administrative expense	(3,844,346)	(3,835,170)
Net change in total pension liability	1,549,710,202	(234,864,012)
Total pension liability - beginning	2,162,905,734	2,397,769,745
Total pension liability - ending (a)	$ 3,712,615,936	$ 2,162,905,734
Plan fiduciary net position		
Employer contributions	$ 12,412,471	$ 12,160,815
Employee contributions	16,844,246	16,359,082
Pension plan net investment income	(22,318,476)	53,393,517
Benefit payments	(150,013,189)	(145,586,268)
Refunds	(2,516,351)	(2,071,694)
Pension plan administrative expense	(3,844,346)	(3,835,170)
Other	-	-
Net change in plan fiduciary net position	(149,435,645)	(69,579,718)
Plan fiduciary net position - beginning	1,388,092,890	1,457,672,608
Plan fiduciary net position - ending (b)	$ 1,238,657,245	$ 1,388,092,890
Net pension liability - ending (a) - (b)	2,473,958,691	774,812,844
Plan fiduciary net position as a percentage of total pension liability	33.36 %	64.18 %
Covered employee payroll	$ 204,772,903	$ 202,673,014
Net pension liability as a percentage of covered employee payroll	1,208.15 %	382.30 %

10 fiscal years will be built prospectively.

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

ADDITIONAL NOTES TO SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS MULTIYEAR

Beginning of year total pension liability for fiscal year 2015 uses a Single Discount Rate of 7.24% and the benefit provisions and funding policy in effect as of the December 31, 2014, funding valuation. The Single Discount Rate of 7.24% was based on a long-term expected rate of return on pension plan investments of 7.50% used in the December 31, 2014, funding valuation for the years 2015 through 2063 and a long-term municipal bond rate as of December 31, 2014, of 3.56% for subsequent years.

End of year total pension liability for fiscal year 2015 uses a Single Discount Rate of 4.04% and the benefit provisions and funding policy in effect as of the December 31, 2015, funding valuation. The Single Discount Rate of 4.04% was based on a long-term expected rate of return on pension plan investments of 7.50% used in the December 31, 2015, funding valuation for the years 2016 through 2027 and a long-term municipal bond rate as of December 30, 2015, of 3.57% for subsequent years.

The increase in the total pension liability for fiscal year 2015 due to benefit changes is a result of the change in provisions to those in effect prior to Public Act 98-0641, due to the court's ruling Public Act 98-0641 unconstitutional and void in its entirety. This change was measured at the end of the year using a Single Discount Rate of 7.24%.

The increase in the total pension liability for fiscal year 2015 due to assumption changes and methods includes both the impact of reverting back to the funding policy in place prior to Public Act 98-0641, and the change in the long-term municipal bond rate from 3.56% as of December 31, 2014, to 3.57% as of December 30, 2015. Changes in assumptions, methods, plan provisions, and statutory funding policy led to the change in the Single Discount Rate from 7.24% to 4.04% based on the long-term expected rate of return on pension plan investments of 7.50% used in the December 31, 2015, funding valuation and the long-term municipal bond rate of 3.56% as of December 31, 2014, and 3.57% as of December 31, 2015, respectively. This change was measured at the end of the year using the benefit provisions in effect as of the December 31, 2015, funding valuation.

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR

FY Ending December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll*	Net Pension Liability as a % of Covered Payroll
2014	$2,162,905,734	$1,388,092,890	$ 774,812,844	64.18%	$202,673,014	382.30%
2015	3,712,615,936	1,238,657,245	2,473,958,691	33.36%	204,772,903	1208.15%

** Covered payroll shown is the amount in force as of the valuation date and likely differs from actual payroll paid during the fiscal year.*

10 fiscal years will be built prospectively.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Required Supplementary Information

December 31, 2015

Schedule of Contributions Multiyear

Last 10 Fiscal Years

FY Ending December 31,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll**	Actual Contribution as a % of Covered Payroll	Statutory Contribution***	Statutory Contribution Deficiency/(Excess)
2006	$ 21,142,739	$ 106,270	$ 21,036,469	$193,176,272	0.06%	$ 17,193,400	$ 17,087,130
2007	21,725,805	13,256,147	8,469,658	192,847,482	6.87%	13,256,165	18
2008	17,652,023	15,232,804	2,419,219	216,744,211	7.03%	15,543,376	310,572
2009	33,517,429	14,626,771	18,890,658	208,626,493	7.01%	14,982,660	355,889
2010	46,664,704	15,351,944	31,312,760	199,863,410	7.68%	15,652,734	300,790
2011	57,258,593	12,778,697	44,479,896	195,238,332	6.55%	13,055,795	277,098
2012	77,566,394	11,852,905	65,713,489	198,789,741	5.96%	12,336,770	483,865
2013	106,199,410	11,583,051	94,616,359	200,351,820	5.78%	12,098,712	515,661
2014	106,018,725	12,160,815	93,857,910	202,673,014	6.00%	12,714,800	553,985
2015	79,850,835	12,412,471	67,438,364	204,772,903	6.06%	12,857,827	445,356

** The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using level dollar payments and a 30 year open amortization period.*

*** Covered payroll shown is the amount in force as of the valuation date and likely differs from actual payroll paid during the fiscal year.*

**** Excludes amounts paid for health insurance supplement beginning in 2006.*

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

NOTES TO SCHEDULE OF CONTRIBUTIONS MULTIYEAR

Valuation date:	December 31, 2015
Notes:	Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date:

Actuarial Cost Method	Entry Age Normal
Amortization Method	The statutory contributions are based on a multiple of member contributions from the second prior year. The statutory contribution multiple is 1.00.
Remaining Amortization Period	Not Applicable. An amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution.
Asset Valuation Method	5 year smoothed market
Inflation	3.00 percent
Salary Increases	Salary increase rates based on age-related productivity and merit rates plus inflation.
Post retirement Benefit Increases	Post retirement benefit increases are equal to 3.00 percent, compounded annually, for Tier 1 members. Post retirement increases for Tier 2 members are equal to the lesser of 3.00 percent or one-half the annual unadjusted percentage increase (but no less than zero) in the consumer price index-u for the 12 months ending with the September preceding the date of the increase, simple.

NOTES TO SCHEDULE OF CONTRIBUTIONS MULTIYEAR (CONTINUED)

Investment Rate of Return	7.50 percent as of the December 31, 2015 valuation.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2012, valuation pursuant to an experience study of the period January 1, 2004, through December 31, 2011.
Mortality	RP2000 Combined Healthy mortality table, sex distinct, set forward one year for males and setback two years for females. No adjustment is made for post-disabled mortality.

Other Information:

Notes	Benefit changes based on the provisions in effect prior to Public Act 98-0641 were recognized in the Total Pension Liability as of December 31, 2015.

Method and Assumptions Used for Accounting Purposes as of the Valuation Date:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market
Discount Rate:	7.24 percent as of the December 31, 2014 valuation 4.04 percent as of the December 31, 2015 valuation

Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago

Required Supplementary Information

December 31, 2015

Schedule of Investment Returns Multiyear

	2015	2014
Annual money-weighted rate of return, net of investment expense	-1.5%	3.2%

10 fiscal years will be built prospectively.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Required Supplementary Information

December 31, 2015

Schedule of Funding Progress of OPEB Liabilities for City Retirees
(dollar amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2010	$ -	$ 41,361	$ 41,361	0.00%	$ 199,863	20.69%
2011	-	38,328	38,328	0.00	195,238	19.63
2012	-	38,653	38,653	0.00	198,790	19.44
2013	-	7,074	7,074	0.00	200,352	3.53
2014	-	4,593	4,593	0.00	202,673	2.27
2015	-	2,133	2,133	0.00	204,773	1.04

Schedule of Employer Contributions of OPEB Liabilities for City Retirees
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2010	$ 3,609	71.67%
2011	3,543	72.82
2012	3,070	83.45
2013	3,091	81.46
2014	2,520	93.64
2015	2,402	89.69

LABORERS' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

SCHEDULE OF FUNDING PROGRESS OF OPEB LIABILITIES FOR LABF AS EMPLOYER
(dollar amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006	$ -	$ 1,875	$ 1,875	0.00%	$ 1,221	153.62%
2009	-	3,362	3,362	0.00	1,581	231.58
2012 [1]	-	3,318	3,318	0.00	1,536	216.01

SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES FOR LABF AS EMPLOYER
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2010	$ 380	13.64%
2011	405	12.81
2012	432	9.80
2013	288	12.41
2014	331	14.22
2015	352	22.20

[1] The next actuarial valuation will be as of December 31, 2015 and will be completed in 2016.

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES

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

Amortization method	City Retirees - Level Dollar; Closed Employees - Level Dollar; Open
Amortization period	City Retirees - 3 years Employees - 30 Years
Actuarial cost method	Entry Age Normal
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions:	
OPEB investment rate of return[1]	4.5%
Projected base salary increases[1]	3.75% per year, plus a service based increase in the first fifteen years

Service	Additional Increase	Total Increase
1	6.25%	10.00%
2	4.75	8.50
3	3.75	7.50
4	3.25	7.00
5	2.25	6.00
6	1.25	5.00
7 - 15	0.25	4.00
16 - 30+	0.00	3.75

[1] includes inflation at 3% per year

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES (CONTINUED)

Healthcare cost trend rate	City Retirees - 0.0% (Trend not applicable – Fixed dollar subsidy) Employees: Medical: 1.64% for first year (based on actual premium increase) then 7.5% per year graded down to 5% per year; ultimate trend in 0.5% increments Employees: Dental: 4% for first year (based on actual premium increase) then 4.5% per year ultimate trend

SUPPLEMENTARY INFORMATION

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULES OF INVESTED ASSETS
COST AND FAIR VALUE
(In Thousands)

	2015				2014			
	Cost Value		Fair Value		Cost Value		Fair Value	
Cash and short-term investments	$ 42,960	3.8%	$ 42,960	3.5%	$ 49,893	4.2%	$ 49,893	3.6%
U.S. equities	322,922	28.7%	365,956	29.7%	306,488	25.7%	398,211	29.1%
Foreign equities	198,964	17.7%	219,264	17.8%	241,343	20.3%	258,932	18.9%
Foreign equity funds	71,484	6.4%	78,041	6.3%	73,894	6.2%	82,649	6.0%
U.S. Government obligations and municipal bonds	38,085	3.4%	37,735	3.1%	37,300	3.1%	37,559	2.7%
U.S. corporate bonds	32,402	2.9%	31,787	2.6%	36,982	3.1%	36,646	2.7%
Foreign fixed income securities	26,296	2.3%	24,289	2.0%	28,322	2.4%	29,400	2.1%
Fixed income funds	133,249	11.8%	128,375	10.4%	145,408	12.2%	146,405	10.7%
Private equity	25,630	2.3%	33,411	2.7%	28,856	2.4%	42,071	3.1%
Real estate	35,869	3.2%	45,787	3.7%	34,933	2.9%	45,735	3.3%
Hedge funds	89,570	8.0%	106,767	8.7%	83,351	7.0%	102,078	7.5%
Global Asset Allocation	107,315	9.5%	117,222	9.5%	124,259	10.5%	140,741	10.3%
Invested assets at cost/fair value	$ 1,124,746	100.0%	$ 1,231,594	100.0%	$ 1,191,030	100.0%	$ 1,370,320	100.0%

LABORERS' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULES OF ADMINISTRATIVE EXPENSES, INVESTMENT EXPENSES AND PROFESSIONAL SERVICES

YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULES OF ADMINISTRATIVE EXPENSES

	2015	2014
Personnel services	$ 1,935,307	$ 1,893,415
Professional services	653,052	677,048
OPEB expense	322,109	305,301
Depreciation	238,323	230,727
Litigation expense	5,658	3,506
Occupancy and utilities	325,391	317,962
Fiduciary liability insurance premiums	164,719	131,013
Document retention	4,944	37,355
Supplies and equipment	59,570	77,055
Printing and technical services	37,231	54,942
Disaster recovery site	35,549	29,241
Telecommunications and internet	22,778	21,313
Postage	14,345	16,568
Miscellaneous	25,370	39,724
Total	$ 3,844,346	$ 3,835,170

SCHEDULES OF INVESTMENT EXPENSES

	2015	2014
Investment manager fees	$ 9,418,088	$ 9,778,113
Custodial management fees	240,642	209,284
Investment consultant fee	321,667	317,473
Total	$ 9,980,397	$ 10,304,870

SCHEDULES OF PROFESSIONAL SERVICES

	2015	2014
Actuarial valuation	$ 68,000	$ 61,450
Actuarial consultation	5,000	-
Auditing	39,955	37,000
Benefit check production	98,601	90,963
Custom software development	209,282	87,280
IT consultant	66,820	-
Legal services	108,646	344,399
Legislative consultant	16,800	16,800
Medical consultant	39,948	39,156
Total	$ 653,052	$ 677,048

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Schedules of Investment Expense

Years Ended December 31, 2015 and 2014

	2015	2014
AFL-CIO Housing Investment Trust	$ 95,973	$91,396
Apex Capital Management	14,312	-
Ariel Investments	565,837	664,001
ASB Capital Management	197,019	173,056
Baillie Gifford	388,211	427,231
Baird / Dearborn Partners	76,500	75,645
Balestra Capital	-	166,463
Baring Asset Management	-	6,017
BMO Harris Investment	388,720	366,231
CAPRI/Capital Advisors	6,891	83,563
Columbia Partners	168,178	205,816
Dorchester Capital Partners	-	163,533
Entrust Capital	493,287	498,643
Fiera Capital	242,855	194,258
Hexavest	203,277	181,266
Holland Capital	319,266	296,951
Hopewell Ventures	69,975	80,706
John Buck Company	201,432	129,517
Keeley Asset Management	264,551	316,738
Lighthouse Partners	211,576	108,731
LM Capital	49,276	47,666
Neuberger Berman	322,994	285,465
Mesirow Financial Private Equity	302,256	333,180
Mesirow Financial Real Estate	331,611	150,000
Midwest Mezzanine Funds	54,192	82,115
Morgan Stanley	42,389	-
Newport Capital	45,455	27,273
The Northern Trust MWBE Fund	-	346,921
Pantheon Ventures	375,000	300,000
PIMCO	474,332	531,346
Pluscios Management	96,215	88,150
Progress Investment Management	639,937	192,650
Rhumbline Advisers	-	3,660
Rock Creek Group	182,717	153,098
Stenham Advisers	84,823	86,072
Thomas White Int'l	335,518	464,342
UBS Global Asset Management	125,184	178,188
Vontobel Asset Management	391,356	404,286
Wasatch Advisors	274,564	269,532
Wellington Management Company	753,887	961,401
Western Asset Management	291,340	311,063
William Blair & Company	337,182	331,941
Total investment management fees	9,418,088	9,778,113
NEPC LLC	321,667	317,473
Northern Trust	240,642	209,284
Total investment expense	$ 9,980,397	$ 10,304,870