

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

FINANCIAL STATEMENTS

DECEMBER 31, 2020



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

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 fiduciary unit of the City of Chicago, which comprise the statements of fiduciary net position as of December 31, 2020 and 2019, 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 Plan'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 Plan'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, 2020 and 2019, 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 4 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, Schedule of Changes in Total OPEB Liability for the Plan's Employer and Employer Related Ratios Multiyear, and Notes to the Schedules on pages 46 through 53 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 Expenses on pages 54 through 56 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 supplementary information is fairly stated in relation to the basic financial statements taken as a whole.

Calibre CPA Group, PLLC

Chicago, IL
May 6, 2021

**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, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the Plan's financial statements and actuarial report.

Financial Highlights

- The net position for the Plan at December 31, 2020 was \$1.27 billion, a \$82 million increase from the Plan's net position at December 31, 2019. The net position for the Plan at December 31, 2019 was \$1.19 billion, a \$93 million increase from the Plan's net position at December 31, 2018. The net position is restricted for future benefit obligations. The increase in both years is largely attributable to an appreciation in the value of invested assets.
- The investment portfolio recorded gains of \$163.1 million and \$184.0 million for fiscal years 2020 and 2019, respectively. During 2020, the Plan's portfolio generated a preliminary rate of return, net of fees, of 15.5%. The rate of return, net of fees, for 2019 was 18.0%.
- Based on the actuarial valuations as of December 31, 2020 and 2019, the overall funded ratios for the Plan were 43.0% and 42.6%, 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 was 44.4% for 2020 and 42.8% for 2019.
- Contribution revenue for 2020 totaled \$91.8 million, representing an increase of 18.5% from 2019. This increase is due to the recognition of larger employer contributions resulting from the passage of P.A. 100-0023 in 2017. This legislation provides for predetermined increases in employer contributions over a five-year period followed by actuarially determined employer contribution in subsequent years. The 2019 contribution revenue of \$77.5 million represents an increase of 18% from 2018.
- Total benefits and refunds paid in 2020 were \$169.1 million, reflecting an increase of 2.5% over the \$165.0 million of benefits and refunds paid in 2019. The 2019 benefits and refunds reflect an increase of 3.1% from 2018. The variances between years are primarily due to cost of living adjustments, fluctuations in the annuity roll each year, and the amount of refund applications in any given year.

Financial Highlights (continued)

- Administrative and OPEB expenses were \$3.6 million in 2020 compared to \$3.7 million in 2019 and \$3.9 million in 2018. Fluctuations in legal expenses, personnel costs, Other Postemployment Benefits (OPEB) expenses, system development costs, and rent expense account for the variances from year to year.

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 Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. The Statements 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 Statements 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 Statements 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 Schedules of Changes in Net Pension Liability and Related Ratios Multiyear and Additional Notes; Schedule of the Net Pension Liability Multiyear; Schedule of Contributions Multiyear and related Notes; and Schedule of Investment Returns Multiyear. Also included are Schedules of Changes in Total OPEB Liability for the Plan as Employer and Employer Related Ratios Multiyear. 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. Actuarial trend information is presented for OPEB liabilities that are associated with the Plan as employer who offers its retirees and their eligible dependents a postemployment group health care plan.
4. Supplementary Information: Schedules of Invested Assets; Schedules of Administrative Expenses, Investment Expense, and Professional Services; and Schedules of Investment Expenses comprise the supplementary information.

Financial Analysis

The summarized comparison shown below indicates that the Net Position - Restricted for Pension Benefits at December 31, 2020 amounted to \$1.27 billion, which was an increase of \$82 million, or 6.9%, from \$1.19 billion at December 31, 2019. This increase in Net Position compares to an increase of \$93 million, or 8.5%, in Net Position that occurred between December 31, 2018 and December 31, 2019.

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 any given year. Total assets increased in 2020 by \$69 million, or 5.6%, compared to an increase of \$105 million, or 9.2%, in assets in 2019 from the prior year level. For 2020, the increase was largely attributed to appreciation in the value of invested assets as well as higher receivables of employer contributions. For 2019, the increase was largely attributed to appreciation in the value of invested assets as well as higher receivables of employer contributions and securities lending invested collateral.

As of December 31, 2020, receivables were 21.8% higher than 2019 mainly due to the higher statutorily required employer contributions accrued but not yet received as determined by P.A. 100-0023. In 2019, for the same reason, total receivables were up 23.2% from 2018.

CONDENSED COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

	December 31,			Net Change	
	2020	2019	2018	2019 to 2020	2018 to 2019
Receivables	\$ 78,033,151	\$ 64,076,313	\$ 52,007,883	\$ 13,956,838	\$ 12,068,430
Investments, at fair value	1,204,953,061	1,133,895,471	1,055,790,128	71,057,590	78,105,343
Invested securities lending cash collateral	30,989,521	46,815,031	32,279,613	(15,825,510)	14,535,418
Property and equipment	-	-	-	-	-
Total assets	<u>1,313,975,733</u>	<u>1,244,786,815</u>	<u>1,140,077,624</u>	<u>69,188,918</u>	<u>104,709,191</u>
Deferred outflows:					
Accumulated decrease in fair value of hedging derivatives	<u>2,098,053</u>	<u>1,053,906</u>	<u>-</u>	<u>1,044,147</u>	<u>1,053,906</u>
Liabilities	<u>46,331,353</u>	<u>58,291,252</u>	<u>45,227,086</u>	<u>(11,959,899)</u>	<u>13,064,166</u>
Deferred inflows:					
Accumulated increase in fair value of hedging derivatives and resources related to OPEB	<u>-</u>	<u>-</u>	<u>166,687</u>	<u>-</u>	<u>(166,687)</u>
Net position - restricted for pension benefits	<u>\$ 1,269,742,433</u>	<u>\$ 1,187,549,469</u>	<u>\$ 1,094,683,851</u>	<u>\$ 82,192,964</u>	<u>\$ 92,865,618</u>

Liabilities

In 2020, the Plan's liabilities consisted primarily of the securities lending cash collateral liability, unsettled trades and professional fees payable. The Plan's liabilities in 2020 were \$12.0 million less than in 2019 due mainly to lower values of securities lending cash collateral liability. In 2019, the Plan's liabilities were \$13.1 million higher than in 2018 due mainly to higher values of securities lending cash collateral liability. The changes in liabilities over the past few years largely rests with 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 futures used for hedging activities are reported as either deferred outflows or deferred inflows of resources. Deferred outflows of \$1.6 million for 2020 represent the net fair value of foreign currency forward contracts outstanding at December 31, 2020. For the year ended December 31, 2019, the Plan reported \$845 thousand in net deferred outflows as compared to net inflows of \$37 thousand the prior year. The outflow or inflow fluctuates depending on the net fair value of derivative contracts at year end.

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan determined as of the beginning of the measurement period. For the years ended December 31, 2020 and December 31, 2019, the Plan reported \$481 thousand and \$209 thousand, respectively, in net deferred outflows of resources related to OPEB that will be recognized in future OPEB expenses. These net deferred outflows are due to assumption changes and differences between expected and actual non-investment experience. Further detail of OPEB is provided in Note 14 of the Notes to Financial Statements.

CONDENSED COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	December 31,			Net Change	
	2020	2019	2018	2019 to 2020	2018 to 2019
ADDITIONS					
Total contributions	\$ 91,808,034	\$ 77,489,219	\$ 65,680,985	\$ 14,318,815	\$ 11,808,234
Total investment income (loss)	163,057,457	184,026,828	(75,219,068)	(20,969,371)	259,245,896
Miscellaneous income	-	-	661,530	-	(661,530)
Total additions	<u>254,865,491</u>	<u>261,516,047</u>	<u>(8,876,553)</u>	<u>(6,650,556)</u>	<u>270,392,600</u>
DEDUCTIONS					
Benefits and refunds	169,056,754	164,959,258	160,060,768	4,097,496	4,898,490
Admin & OPEB expense	<u>3,615,773</u>	<u>3,691,171</u>	<u>3,933,389</u>	<u>(75,398)</u>	<u>(242,218)</u>
Total deductions	<u>172,672,527</u>	<u>168,650,429</u>	<u>163,994,157</u>	<u>4,022,098</u>	<u>4,656,272</u>
NET INCREASE (DECREASE)	82,192,964	92,865,618	(172,870,710)	(10,672,654)	265,736,328
NET POSITION - RESTRICTED FOR PENSION BENEFITS					
Beginning of year	<u>1,187,549,469</u>	<u>1,094,683,851</u>	<u>1,267,554,561</u>	<u>92,865,618</u>	<u>(172,870,710)</u>
Ending of year	<u>\$ 1,269,742,433</u>	<u>\$ 1,187,549,469</u>	<u>\$ 1,094,683,851</u>	<u>\$ 82,192,964</u>	<u>\$ 92,865,618</u>

Additions

Member contributions, employer contributions, and investment income are the funding sources for benefit payments. In 2020 and 2019, employer contributions continued to be higher than previous years due to the 2017 passage of P.A. 100-0023 which provides for predetermined increases in employer contributions over a five-year period followed by actuarially determined employer contribution in subsequent years. Employee contributions for 2020 decreased modestly from the prior year. In the three years shown on the previous page, investment income rose and fell based on the performance of the financial markets.

A preliminary investment return of 15.5% in 2020 equated to an investment gain of \$163 million. In 2019, a strong gain of 18.0% equated to an investment gain of \$184 million as compared to a decline of -6.7% in 2018 resulting in a decrease of \$75 million. Dividend and interest income decreased moderately from 2019 to 2020 while increasing modestly from 2018 to 2019.

Deductions

Deductions consist primarily of annuity and disability benefit payments, contribution refunds, and administrative expenses (including office staff OPEB). Benefit and refund expense increased 2.5% in 2020 as compared to 3.1% in 2019 and 1.9% in 2018. The automatic annual increase in annuities for employee annuitants, overall fluctuations in annuity and refund payments, and the healthcare subsidy payments contributed to the variances from year to year.

Total administrative and OPEB expenses decreased \$75 thousand in 2020 while 2019 reflected a decrease of \$242 thousand in expenses compared to 2018. For 2020, lower expenses in litigation, legal, software development and personnel offset higher fiduciary liability insurance, rent and OPEB expenses.

Overall, Net Position - Restricted for Pension Benefits increased by approximately \$82 million, or 6.9%, in 2020 as compared to the prior year. In 2019, Net Position - Restricted for Pension Benefits reflected a \$93 million increase or 8.5% from 2018. As shown in the table on page 7, investment income fluctuations and the growing levels of benefit and refund expenses have the greatest impact on the Net Position at year end.

Investment Performance

Despite uncertainty related to the pandemic in 2020, the Plan experienced impressive returns from its investment portfolio largely due to the overall strong performance throughout the broad financial markets, as evidenced by the benchmark returns in the table below. As reported by the Plan's investment consultant, the preliminary total investment return based on fair value, net of fees, was 15.5% in 2020 compared to 18.0% in 2019. In absolute terms, all asset classes positively contributed to performance except for global equity. In relative terms, fixed income, international equity, private debt, real estate and hedge funds exceeded their respective benchmarks.

Investment Performance (continued)

The following table provides preliminary performance, net of fees, by asset class for fiscal year 2020.

Preliminary Rates of Return, Net of Fees, for Fiscal Year 2020			
Asset Class	Return %	Benchmark	Return %
Fixed income	8.1	BBgBarc Global Aggregate (Hedged)	5.6
Domestic equity	19.3	Russell 3000	20.9
International equity	35.1	MSCI ACWI ex USA	10.7
Global equity	-2.7	MSCI ACWI Minimum Volatility	2.7
Private debt	6.5	Credit Suisse Leveraged Loans	2.8
Private equity	7.4	Cambridge Assoc. US Private Equity	11.0
Real estate	2.2	NCREIF Property Index	1.6
Hedge funds	12.9	HFRI Fund of Funds Composite	10.9

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 2020, the consulting actuary reports the Plan's actuarial liability was \$2.74 billion and the actuarial value of assets was \$1.18 billion. For 2019, the Plan's actuarial liability was \$2.70 billion and the actuarial value of assets was \$1.15 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, increased to 43.0% in 2020 from 42.6% in 2019. The unfunded liability increased to \$1.56 billion at December 31, 2020 from \$1.55 billion at December 31, 2019. Because the ratio of the increase in actuarial value of assets to the increase in actuarial liability is greater than the funded ratio of 2019, the Plan's funded ratio went up in 2020. If not for favorable investment experience, the increase in unfunded liability would have been even greater.

For accounting and financial reporting 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 was 44.4% for 2020 and 42.8% for 2019. The increase in the value of invested assets drove the 1.6 percentage point increase in the funding ratio from 2019 to 2020.

Future Outlook

The passage of P.A. 100-0023 in 2017 continues to be significant in that it has provided a funding policy that puts the Plan on a path toward long-term solvency. The Plan will continue to receive increasing amounts of pre-determined employer contributions next year after which the contribution level will be actuarially determined with the goal of reaching a 90% funded status by 2058.

The Board of Trustees (the Board) and staff of the Plan are dedicated to preserving the Plan and are doing so with honesty, dedication, and integrity. We strive to be responsible in our actions that are vital to the success of the Plan.

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, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
RECEIVABLES		
Employer	\$ 72,926,904	\$ 58,683,927
Plan member	2,186,994	2,277,712
Interest and dividends	2,839,585	3,033,971
Other receivables	79,668	80,703
Total receivables	78,033,151	64,076,313
INVESTMENTS - AT FAIR VALUE		
Cash and short-term investments	40,034,843	40,451,166
Equities	651,482,392	628,788,321
Fixed income	223,122,620	221,262,703
Private markets	41,694,991	33,215,323
Real estate	120,717,551	121,407,590
Hedge funds	99,566,934	88,770,368
Real Asset Infrastructure	28,333,730	-
Subtotal	1,204,953,061	1,133,895,471
Securities lending cash collateral	30,989,521	46,815,031
Total investments - fair value	1,235,942,582	1,180,710,502
PROPERTY AND EQUIPMENT - NET		
Total assets	-	-
Total assets	1,313,975,733	1,244,786,815
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of hedging derivatives and resources related to OPEB	2,098,053	1,053,906
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Due to broker - net	7,848,499	4,380,991
Derivatives - net	1,672,372	1,677,355
Refunds, professional fees payable and other liabilities	2,386,225	2,521,594
OPEB liability	3,434,736	2,896,281
Securities lending cash collateral	30,989,521	46,815,031
Total liabilities	46,331,353	58,291,252
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$1,269,742,433	\$1,187,549,469

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, 2020 AND 2019

	2020	2019
ADDITIONS		
Contributions		
Employer	\$ 73,744,129	\$ 59,346,056
Plan member	18,063,905	18,143,163
Total contributions	91,808,034	77,489,219
Investment income		
Net appreciation in fair value of investments	146,638,784	168,467,255
Interest	8,012,326	9,701,638
Dividends	8,421,309	10,337,467
Private markets income - net	1,363,418	646,919
Real estate operating income - net	3,049,069	2,403,284
Hedge funds income - net	1,920,453	122,307
Real Asset Infrastructure - net	872,373	-
	170,277,732	191,678,870
Less investment expenses	(7,355,814)	(7,977,942)
Investment income - net	162,921,918	183,700,928
Securities lending		
Income	333,546	1,085,221
Borrower rebates	(109,570)	(660,145)
Bank fees	(88,437)	(99,176)
Securities lending income - net	135,539	325,900
Total additions	254,865,491	261,516,047
DEDUCTIONS		
Benefits	165,411,906	162,118,145
Refunds	3,644,848	2,841,113
Administrative and OPEB expenses	3,615,773	3,691,171
Total deductions	172,672,527	168,650,429
NET CHANGE	82,192,964	92,865,618
NET POSITION - RESTRICTED FOR PENSION BENEFITS		
Beginning of year	1,187,549,469	1,094,683,851
End of year	\$ 1,269,742,433	\$ 1,187,549,469

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 (City), has made a formal commitment to provide the contributions. Benefits, refunds, administrative and other post-employment benefits (OPEB) expenses 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, swaps and forward currency contracts, except those reported at net asset value, 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, except those reported at net asset value, are determined principally by using quoted market prices provided by independent pricing services. Equity and fixed income funds are reported at net asset value per share. Cash and short-term investments are valued at cost which approximates fair value. Alternative investments, which include real estate, private markets (private equity and private debt investments), hedge funds, and real assets infrastructure are valued using current estimates of fair value provided by 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 markets 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, 2020 and 2019, \$8,826,240 and \$6,268,095, respectively, were due to broker and \$977,741 and \$1,887,104, respectively, were due from broker for unsettled trades.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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 to provide retirement and disability benefits for employees of the City who are employed in a title recognized by the city as labor service and for the dependents of such employees.

The Statutes authorize a Board 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. 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 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.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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 participant's individual 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 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 or the Board of Education of the City employed under the provisions of the municipal personnel ordinance as labor service or any persons employed by retirement boards of certain annuity and benefit funds of the City are covered by the Plan. Currently, covered employees are required to contribute a percentage of their salary to the Plan, 8.5% for Tier 1 and 2 members and 11.5% for Tier 3 members. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest. For the employer contribution for the years ended December 31, 2016 and prior, 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. For payment years 2018 through 2022 (tax levy years 2017 through 2021), the City shall contribute \$36,000,000, \$48,000,000, \$60,000,000, \$72,000,000, and \$84,000,000, respectively. For payment years 2023 through 2058 (tax levy years 2022 through 2057), the amount shall be equal to the projected normal cost plus an amount determined on a level percentage of applicable employee payroll basis that is sufficient to bring the total actuarial assets of the Plan up to 90% of the total actuarial liabilities of the Plan by the end of 2058. For years after 2058, the employer portion shall be equal to the amount, if any, needed to bring the total actuarial assets of the Plan up to 90% of the total actuarial liabilities of the Plan as of the end of each year. 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 fiduciary unit of the City and is included in the City's financial statements as a pension trust fund.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

At December 31, 2020 and 2019, plan members consisted of the following:

	<u>2020</u>	<u>2019</u>
Retirees and beneficiaries currently receiving benefits	3,646	3,653
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,486	1,486
Active plan members (including plan members receiving disability benefits)		
Vested	1,650	1,779
Non-vested	<u>914</u>	<u>883</u>
Total plan members	<u><u>7,696</u></u>	<u><u>7,801</u></u>

The Plan provides retirement benefits as well as survivor and disability benefits. In 2010, legislation (P.A. 96-0889) was approved which in effect established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. In 2017, legislation (P.A. 100-0023) was approved which added a third distinct class 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.
- Tier 3 – Employees who first became members on or after July 6, 2017 or any Tier 2 member who irrevocably elected to be subject to the Tier 3 benefit structure.

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 years 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.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Retirement Benefits (continued):

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 $\frac{1}{2}$ of 1% 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 \$115,929 in 2020 and \$114,952 in 2019, increased annually by the lesser of 3% or 50% of the percentage change in the Consumer Price Index-Urban (CPI-U), for the 12 months ending each preceding September, but not less than zero.

Tier 3: Employees with at least 10 years of service are entitled to receive an unreduced annuity benefit at age 65 or a reduced annuity benefit at age 60 with at least 10 years of service. The annuity shall be reduced by $\frac{1}{2}$ of 1% for each month that the employee is under age 65. 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 \$115,929 in 2020 and \$114,952 in 2019, increased annually by the lesser of 3% or 50% of the percentage change in the CPI-U, for the 12 months ending each preceding September, but not less than zero.

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 $\frac{1}{2}$ 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.

Tier 3: Employee annuitants are eligible to receive an increase based on the original annuity equal to the lesser of 3% or $\frac{1}{2}$ 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 65 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 or a minimum annuity of \$800.

Tier 2 and 3: The surviving spouse is entitled to a spousal annuity equal to $66\frac{2}{3}\%$ of the pension the member had earned at the date of death.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Automatic Increase in Spousal Annuity:

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

Tier 2 and 3: The spousal annuity increase is the lesser of 3% or 50% of the percentage change in the CPI-U for the 12 months ending each preceding September (but not less than zero) and is applied to the original spousal annuity amount. If the CPI-U decreases or is zero, no increase is paid. The annual increase in spouse annuity starts on the January 1st occurring on or after 1) the start date of the spouse annuity if the deceased member was in receipt of annuity at death, or 2) the first anniversary of the spouse annuity start date.

Child's Annuity:

Under Tiers 1, 2 and 3, 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 a surviving spouse, or \$250 a month when there is no surviving spouse.

Duty Disability:

Under Tiers 1, 2 and 3, 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 Tiers 1, 2 and 3, 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 $\frac{1}{4}$ of his service credits up to a maximum of 5 years.

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 and 3: 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

Fair Value Measurements

The Plan categorizes the fair value measurements of its investments based on the hierarchy established by the U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Equity securities and investment derivative investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors.

Fixed income securities and collateral from securities lending classified in Level 2 of the fair value hierarchy are valued using either a bid evaluation or a matrix pricing technique maintained by the various pricing vendors. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity and fixed income securities classified in Level 3 of the fair value hierarchy are securities whose stated market price is unobservable by the marketplace. Many of these securities are priced by the issuers of industry groups. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Plan's custodian bank.

NOTE 3. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used as of December 31, 2020, in valuing investments carried at fair value:

Description	December 31, 2020			
	Total	Quoted Market Prices for Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Common stock	\$ 612,502,005	\$ 612,501,129	\$ -	\$ 876
Preferred stock	1,213,601	1,213,601	-	-
Rights and Warrants	5,002	5,002	-	-
Exchange-traded fund	4,225,567	4,225,567	-	-
Other equity assets	2,922,647	2,922,647	-	-
Fixed income				
Government bonds	37,652,440	-	37,652,440	-
Government agencies	11,904,077	-	11,904,077	-
Municipal/Provincial bonds	10,798,176	-	10,798,176	-
Corporate bonds	107,172,716	-	107,172,716	-
Government mortgage backed securities	29,728,855	-	29,728,855	-
Government-issued commercial mortgage-backed	1,891,101	-	1,891,101	-
Commercial mortgage-backed	4,414,331	-	4,414,331	-
Asset backed securities	5,300,774	-	5,300,774	-
Non-government backed CMO's	1,166,636	-	1,166,636	-
Index linked government bonds	4,248,441	-	4,248,441	-
Invested securities lending collateral	30,989,521	-	30,989,521	-
Subtotal	<u>866,135,890</u>	<u>\$ 620,867,946</u>	<u>\$ 245,267,068</u>	<u>\$ 876</u>
Investments that calculate net asset value				
Equity funds	30,613,570			
Fixed income funds	8,845,073			
Hedge funds	99,566,934			
Private markets funds	41,694,991			
Real estate funds	120,717,551			
Infrastructure funds	28,333,730			
Subtotal	<u>329,771,849</u>			
Cash and short-term investments	<u>40,034,843</u>			
Subtotal	<u>1,235,942,582</u>			
Liabilities				
Derivatives - net	(1,672,372)	\$ (1,672,372)	\$ -	\$ -
Securities lending cash collateral	(30,989,521)	-	(30,989,521)	-
Subtotal	<u>(32,661,893)</u>	<u>\$ (1,672,372)</u>	<u>\$ (30,989,521)</u>	<u>\$ -</u>
Total investments at fair value - net	<u>\$ 1,203,280,689</u>			

NOTE 3. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used as of December 31, 2019, in valuing investments carried at fair value:

Description	December 31, 2019			
	Total	Quoted Market Prices for Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Common stock	\$ 578,144,726	\$ 577,907,706	\$ 200,496	\$ 36,524
Preferred stock	2,114,065	2,104,067	-	9,998
Stapled securities	354,619	354,619	-	-
Exchange-traded fund	3,810,634	3,810,634	-	-
Other equity assets	1,951,869	1,951,869	-	-
Fixed income				
Government bonds	41,534,782	-	41,534,782	-
Government agencies	8,599,225	-	8,599,225	-
Municipal/Provincial bonds	9,035,171	-	9,035,171	-
Corporate bonds	93,282,363	-	93,282,363	-
Government mortgage backed securities	36,169,004	-	36,169,004	-
Government-issued commercial mortgage-backed	1,721,083	-	1,721,083	-
Commercial mortgage-backed	5,510,653	-	5,510,653	-
Asset backed securities	5,729,485	-	5,729,485	-
Non-government backed CMO's	1,842,290	-	1,842,290	-
Index linked government bonds	9,514,544	-	8,829,298	685,246
Invested securities lending collateral	46,815,031	-	46,815,031	-
Subtotal	846,129,544	\$ 586,128,895	\$ 259,268,881	\$ 731,768
Investments that calculate net asset value				
Equity funds	42,412,408			
Fixed income funds	8,324,103			
Hedge funds	88,770,368			
Private markets funds	33,215,323			
Real estate funds	121,407,590			
Subtotal	294,129,792			
Cash and short-term investments	40,451,166			
Subtotal	1,180,710,502			
Liabilities				
Derivatives - net	(1,677,355)	\$ (1,677,355)	\$ -	\$ -
Securities lending cash collateral	(46,815,031)	-	(46,815,031)	-
Subtotal	(48,492,386)	\$ (1,677,355)	\$ (46,815,031)	\$ -
Total investments at fair value - net	\$ 1,132,218,116			

NOTE 3. INVESTMENTS (CONTINUED)

Fair Value of Investments that Calculate Net Asset Value

Authoritative guidance on fair value measurements permits the Plan to measure the fair value of an investment entity that does not have a readily determinable fair value based upon the NAV per share or its equivalent of the investment.

The following tables summarize the Plan's investments in certain entities that calculate NAV per share as fair value measurement as of December 31, 2020 and 2019:

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity funds	\$ 30,613,570	\$ -	As needed	Daily - Monthly
Fixed income funds	8,845,073	-	As needed	Daily
Hedge funds	99,566,934	402,460	As needed	30 - 95 Days or Not eligible
Private markets funds	41,694,991	35,804,176	N/A	Not eligible
Real estate funds	120,717,551	10,775,908	As needed / N/A	30 - 45 Days or Not eligible
Infrastructure funds	28,333,730	-	As needed*	45 Days
	<u>\$ 329,771,849</u>	<u>\$ 46,982,544</u>		

2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity funds	\$ 42,412,408	\$ -	As needed	Daily - Monthly
Fixed income funds	8,324,103	-	As needed	Daily
Hedge funds	88,770,368	402,460	As needed	30 - 95 Days or Not eligible
Private markets funds	33,215,323	31,717,785	N/A	Not eligible
Real estate funds	121,407,590	14,084,881	As needed / N/A	30 - 45 Days or Not eligible
	<u>\$ 294,129,792</u>	<u>\$ 46,205,126</u>		

* Hard lockup until May 31, 2023

Equity funds. Three funds as of December 31, 2020. One fund invests in Indian shares, one fund invests in emerging market equities and one fund invests in emerging market small cap equities. Four funds as of December 31, 2019. One fund invests in Indian shares, one fund invests in Central and Eastern Europe equity and equity-linked securities, one fund invests in emerging market equities and one fund invests in emerging market small cap equities.

Fixed income funds. One fund as of December 31, 2020. The fund invests in U.S. dollar-denominated high-yield bonds. Two funds as of December 31, 2019. One fund invests in U.S. dollar-denominated high-yield bonds and one fund invests in senior floating rate loans.

Hedge funds. Six funds as of December 31, 2020 and 2019. Five hedge funds invest in a select group of underlying managers that implement different alternative investment strategies and invest in a variety of markets through limited partnerships, limited liability companies, and other investment entities. One hedge fund invests in or sells short securities, typically of fixed income securities and employs a long-short credit strategy.

NOTE 3. INVESTMENTS (CONTINUED)

Private markets funds. Twelve funds as of December 31, 2020 and 2019. The private markets funds comprise limited partnership interests in equity or debt securities of privately held companies. Private markets funds are not eligible for redemption.

Real estate funds. Nine funds as of December 31, 2020. The real estate funds comprise core, value-add, and opportunistic real estate funds. Real estate funds that are closed-end funds, seven out of the nine real estate funds, are not eligible for redemption. The remaining two funds are open-ended funds with 30 days' and 45 days' notice for redemption. Ten funds as of December 31, 2019. The real estate funds comprise core, value-add, and opportunistic real estate funds. Real estate funds that are closed-end funds, eight out of the ten real estate funds, are not eligible for redemption. The remaining two funds are open-ended funds with 30 days' and 45 days' notice for redemption.

Infrastructure funds. One fund as of December 31, 2020 and none as of December 31, 2019. The infrastructure fund is a core fund with 45 days' notice for redemptions after May 31, 2023.

Investment Policies, Asset Allocation and Money Weighted Rate of Return

Investments are governed by 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.

NOTE 3. INVESTMENTS (CONTINUED)

The following was the Board's adopted asset allocation as of December 31, 2020.

<u>Asset Class</u>	<u>Target</u>
U.S. equity	25.0%
Non-U.S. equity	20.0%
Global low volatility equity	5.0%
Fixed income	20.0%
Private debt	3.0%
Private equity	4.0%
Real estate	10.0%
Private real assets	3.0%
Hedge funds	10.0%
	<u>100.0%</u>

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Risk Factors

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.

NOTE 3. INVESTMENTS (CONTINUED)

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, 2020 and 2019. There are no individual investments that represent 5% or more of the Plan's net position restricted for pension benefits.

	2020	2019
Cash and short-term investments	\$ 40,034,843	\$ 40,451,166
Equities		
U.S. equities	360,991,534	323,273,547
Foreign equities	259,877,288	263,102,366
Equity funds	30,613,570	42,412,408
Total equities	<u>651,482,392</u>	<u>628,788,321</u>
Fixed income		
U.S. Government obligations and municipal bonds	76,280,572	84,975,873
U.S. corporate bonds	55,304,720	49,293,702
Foreign fixed income	82,692,255	78,669,025
Fixed income funds	8,845,073	8,324,103
Total fixed income	<u>223,122,620</u>	<u>221,262,703</u>
Private markets	41,694,991	33,215,323
Real estate	120,717,551	121,407,590
Hedge funds	99,566,934	88,770,368
Infrastructure funds	28,333,730	-
Security lending cash collateral	30,989,521	46,815,031
Subtotal	<u>1,235,942,582</u>	<u>1,180,710,502</u>
Liabilities		
Derivatives - net	(1,672,372)	(1,677,355)
Securities lending cash collateral	(30,989,521)	(46,815,031)
Subtotal	<u>(32,661,893)</u>	<u>(48,492,386)</u>
Total investments at fair value - net	<u>\$ 1,203,280,689</u>	<u>\$ 1,132,218,116</u>

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

NOTE 3. INVESTMENTS (CONTINUED)

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, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Amount exposed to custodial credit-risk		
Investment in foreign currency	<u>\$ 3,898,009</u>	<u>\$ 1,306,488</u>

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 Investors Service (Moody's) or S & P Global Ratings (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.

NOTE 3. INVESTMENTS (CONTINUED)

The following table presents the credit risk profile, based on Moody's Investors Service for fixed income securities held by the Plan as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Quality Rating</u>		
Aaa	\$ 43,426,543	\$ 47,991,812
Aa	12,112,324	10,676,947
A	19,628,274	19,532,609
Baa	55,432,646	49,334,914
Ba	21,986,349	19,932,283
B	10,004,452	9,209,489
Caa	4,026,175	1,470,599
Ca	215,000	-
Not rated or unavailable	<u>15,710,659</u>	<u>17,538,330</u>
Total credit risk debt - securities	182,542,422	175,686,983
Guaranteed by U.S. Government	31,735,125	37,251,617
Fixed income funds - not rated	<u>8,845,073</u>	<u>8,324,103</u>
Total fixed income	<u>\$ 223,122,620</u>	<u>\$ 221,262,703</u>

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, 2020 and 2019, the following tables show the investments by investment type and maturity.

Investment Type	December 31, 2020					
	Fair Value	1 Year or Less	1+ to 6 Years	6+ to 10+ Years	10+ Years	Variable
Asset backed securities	\$ 5,300,774	\$ -	\$ 2,270,806	\$ 2,418,494	\$ 611,474	\$ -
Commercial mortgage backed	4,414,331	-	-	-	4,414,331	-
Corporate bonds	107,172,716	1,390,681	46,153,840	35,312,676	24,315,519	-
Fixed income funds	8,845,073	-	-	-	-	8,845,073
Government agencies	11,904,077	-	6,811,373	3,740,246	1,352,458	-
Government bonds	37,652,440	708,751	17,312,281	9,194,176	10,437,232	-
Government mortgage backed	29,728,855	-	77,328	3,478,123	26,173,404	-
Government issued commercial mortgage backed	1,891,101	-	880,672	798,918	211,511	-
Index linked government bonds	4,248,441	-	597,255	299,202	3,351,984	-
Municipal bonds	10,798,176	151,660	559,944	3,479,495	6,607,077	-
Non-government backed CMO's	<u>1,166,636</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>1,160,630</u>	<u>6,003</u>
Total fixed income	<u>\$ 223,122,620</u>	<u>\$ 2,251,095</u>	<u>\$ 74,663,499</u>	<u>\$ 58,721,330</u>	<u>\$ 78,635,620</u>	<u>\$ 8,851,076</u>

Investment Type	December 31, 2019					
	Fair Value	1 Year or Less	1+ to 6 Years	6+ to 10+ Years	10+ Years	Variable
Asset backed securities	\$ 5,729,485	\$ 671,019	\$ 1,636,238	\$ 841,751	\$ 2,580,477	\$ -
Commercial mortgage backed	5,510,653	-	-	-	5,510,653	-
Corporate bonds	93,282,363	783,396	45,749,477	28,209,137	18,540,353	-
Fixed income funds	8,324,103	-	-	-	-	8,324,103
Government agencies	8,599,225	812,008	3,218,408	2,285,478	2,283,331	-
Government bonds	41,534,782	601,313	17,778,235	8,869,700	14,285,534	-
Government mortgage backed	36,169,004	311	256	2,084,694	29,857,119	4,226,624
Government issued commercial mortgage backed	1,721,083	96,056	469,252	687,999	467,776	-
Index linked government bonds	9,514,544	-	5,531,342	1,491,294	2,491,908	-
Municipal bonds	9,035,171	-	366,555	3,513,429	5,155,187	-
Non-government backed CMO's	<u>1,842,290</u>	<u>6,185</u>	<u>24,867</u>	<u>-</u>	<u>1,811,238</u>	<u>-</u>
Total fixed income	<u>\$ 221,262,703</u>	<u>\$ 2,970,288</u>	<u>\$ 74,774,630</u>	<u>\$ 47,983,482</u>	<u>\$ 82,983,576</u>	<u>\$ 12,550,727</u>

Investment Results

During 2020 and 2019, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were gains of \$58,279,588 and \$38,267,190, respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statements 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, 2020 and 2019, is presented in the following table.

	2020	%	2019	%
Australian dollar	\$ 3,770,946	1.7%	\$ 8,768,187	3.9%
Brazilian real	2,594,545	1.1	3,013,051	1.3
Canadian dollar	13,275,157	5.8	9,900,200	4.4
Swiss franc	2,353,205	1.0	8,674	-
Chilean Peso	145,718	0.1	352,517	0.2
HK offshore Chinese Yuan Renminbi	2,163,465	0.9	551,870	0.2
Colombian peso	-	-	505,994	0.2
Danish krone	8,234,671	3.6	7,479,226	3.3
Euro	62,688,392	27.6	61,830,559	27.5
British pound sterling	25,390,294	11.2	21,982,973	9.8
Hong Kong dollar	35,701,838	15.7	23,891,142	10.6
Hungarian forint	-	-	412,111	0.2
Indonesian rupiah	3,245,627	1.4	3,411,604	1.5
New Israeli shekel	478,731	0.2	1,035,691	0.5
Indian rupee	451,659	0.2	-	-
Japanese yen	43,589,464	19.2	52,348,231	23.3
South Korean won	9,749,501	4.3	4,150,778	1.8
Mexican peso	2,302,784	1.0	2,360,245	1.0
Malaysian ringgit	627,080	0.3	1,131,293	0.5
Norwegian krone	3,741,576	1.6	7,733,908	3.4
New Zealand dollar	(2,832,029)	(1.2)	(2,105,368)	(0.9)
Peruvian nuevo sol	-	-	188,459	0.1
Philippine peso	-	-	237,624	0.1
Polish zloty	31,636	-	878,090	0.4
Qatari riyal	-	-	223,994	0.1
Russian ruble	80	-	95	-
Swedish krona	4,276,969	1.9	7,637,246	3.4
Singapore dollar	1,265,897	0.6	2,483,577	1.1
Thai baht	1,734,351	0.8	1,270,491	0.6
Turkish lira	-	-	507,570	0.2
Vietnamese dong	195,074	0.1	225,665	0.1
South African rand	2,092,416	0.9	2,737,015	1.2
Total	\$ 227,269,047	100.0%	\$ 225,152,712	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 investment 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, financial futures and swaps. 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. Swaps are used to hedge duration, fine tune interest rate strategy and facilitate gaining exposure to the asset class or hedging cash bond exposure in a cost efficient manner.

The following table summarizes the derivatives held within the Plan's investment portfolio as of December 31, 2020 and 2019:

Derivative Type	2020		2019	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedging derivative instruments				
Foreign currency forward contracts purchased	\$ -	\$ 133,763,058	\$ -	\$ 111,595,860
Foreign currency forward contracts sold	-	(135,379,840)	-	(112,440,788)
Total hedging derivative instruments	-	(1,616,782)	-	(844,928)
Investment derivative instruments				
Futures				
Fixed income	32,824,907	-	32,545,810	-
Cash and cash equivalent	601,601	-	742,101	-
Total futures	33,426,508	-	33,287,911	-
Swaps				
Interest rate swap	-	(55,590)	-	(10,399)
Credit swap	-	-	-	(822,028)
Total swaps	-	(55,590)	-	(832,427)
Total investment derivative instrument:	33,426,508	(55,590)	33,287,911	(832,427)
Total	\$ 33,426,508	\$ (1,672,372)	\$ 33,287,911	\$ (1,677,355)

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, 2020 and 2019 is as follows:

Currency	Fair Value	
	2020	2019
Foreign currency exchange purchases:		
Australian dollar	\$ 3,710,530	\$ 3,854,322
Canadian dollar	6,581,539	4,379,407
Swiss franc	4,686,538	846,305
Chilean peso	3	3
Euro	10,852,479	5,672,940
British pound sterling	4,305,616	1,633,828
Hong Kong dollar	14,729	-
Japanese yen	11,127,289	10,437,044
South Korea won	1,235	974,254
Mexican peso	502,682	529,815
Norwegian krone	5,171,660	8,917,124
New Zealand dollar	2,923,049	2,082,235
Polish zloty	31,376	-
Russian ruble	80	95
Swedish krona	2,363,749	3,432,688
United States dollar	81,310,787	68,647,089
South African rand	179,717	188,711
Total purchases	<u>\$ 133,763,058</u>	<u>\$ 111,595,860</u>

NOTE 3. INVESTMENTS (CONTINUED)

Currency	Fair Value	
	2020	2019
Foreign currency exchange sales:		
Australian dollar	\$ (8,363,363)	\$ (6,243,208)
Brazilian real	(72)	(93)
Canadian dollar	(3,540,034)	(6,120,577)
Swiss franc	(7,917,537)	(7,696,522)
Euro	(33,977,852)	(23,799,257)
British pound sterling	(7,298,029)	(7,300,815)
Hungarian forint	-	(27,755)
Japanese yen	(7,599,989)	(4,614,159)
South Korea won	(741,174)	(1,310,271)
Mexican peso	(504,146)	(531,359)
Norwegian krone	(2,928,049)	(3,158,296)
New Zealand dollar	(7,809,825)	(6,027,668)
Polish zloty	-	(206,580)
Swedish krona	(3,831,583)	(3,073,162)
United States dollar	(50,688,638)	(42,140,427)
South African rand	(179,549)	(190,639)
Total sales	<u>\$ (135,379,840)</u>	<u>\$ (112,440,788)</u>

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 equity's classification.

NOTE 3. INVESTMENTS (CONTINUED)

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, 2020 and 2019:

Derivative Type	Changes in Fair Value	
	2020	2019
Foreign currency forward contracts	\$ (2,369,869)	\$ 419,238
Futures	(270,004)	(1,392,621)
Rights/warrants	(669,486)	7,659
Swaps	1,181,229	(224,107)
Total	<u>\$ (2,128,130)</u>	<u>\$ (1,189,831)</u>

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. 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.

The average term of securities loaned was 73 days at December 31, 2020 and 87 days at December 31, 2019; 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 31 days as of December 31, 2020 and an average weighted maturity of 38 days as of December 31, 2019. 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, 2020 and 2019, 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, 2020 and 2019, the fair value of securities loaned was as follows:

	2020	2019
Equities	\$ 23,069,190	\$ 39,860,542
Fixed income	7,825,394	14,784,396
Total	<u>\$ 30,894,584</u>	<u>\$ 54,644,938</u>

NOTE 4. SECURITIES LENDING (CONTINUED)

At December 31, 2020 and 2019, the securities loaned were collateralized as follows:

	<u>2020</u>	<u>2019</u>
Collateralized by cash	\$ 30,989,521	\$ 46,815,031
Collateralized by other than cash	<u>585,501</u>	<u>9,142,703</u>
Total	<u>\$ 31,575,022</u>	<u>\$ 55,957,734</u>

During 2020 and 2019, 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. 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 7. SUMMARY OF EMPLOYER FUNDING POLICIES

For years prior to 2018, the City levied a tax annually which, when added to the amounts deducted from the salaries of the employees or otherwise contributed by them, was sufficient for the requirements of the Plan. The tax produced an amount that did 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 was levied, multiplied by 1.00. Beginning in payment

NOTE 7. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

year 2018, the City's required annual contribution to the Plan shall be: for 2018, \$36,000,000; for 2019, \$48,000,000; for 2020, \$60,000,000; for 2021, \$72,000,000; and for 2022, \$84,000,000. For payment years 2023 through 2058, the City's required annual contribution to the Plan shall be the amount determined by the Plan to be equal to the sum of the City's portion of projected normal cost for that fiscal year plus an amount determined on a level percentage of applicable employee payroll basis that is sufficient to bring the total actuarial assets of the Plan up to 90% of the total actuarial liabilities of the Plan by the end of 2058. For payment years after 2058, the City's required annual contribution to the Plan shall be equal to the amount, if any, needed to bring the total actuarial assets of the Plan up to 90% of the total actuarial liabilities of the Plan by the end of the year.

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.

The actuarial valuations of the Plan as of December 31, 2020 (2021 ADC) and as of December 31, 2019 (2020 ADC) 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 \$207,194,914 for 2,564 members for 2021 and \$211,607,883 for 2,662 active members for 2020 is computed as follows:

	<u>2021</u>	<u>2020</u>
Normal cost	\$ 38,916,691	\$ 40,393,086
30 year level dollar amortization of unfunded liability payable Mid-year	124,457,855	123,690,090
Interest adjustment for May 1st payment date	<u>8,795,976</u>	<u>8,827,053</u>
Total minimum contribution	172,170,522	172,910,229
Less estimated plan member contributions	<u>(16,925,185)</u>	<u>(17,116,407)</u>
Actuarially Determined Contribution (ADC)	<u>\$ 155,245,337</u>	<u>\$ 155,793,822</u>

NOTE 8. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the Plan at December 31, 2020 were as follows:

Total pension liability	\$ 2,858,334,143
Plan fiduciary net position	<u>1,269,742,433</u>
Net pension liability	<u>\$ 1,588,591,710</u>
Plan fiduciary net position as a percentage of total pension liability	44.42%

NOTE 8. NET PENSION LIABILITY OF THE PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 percent wage inflation plus service-related productivity and merit rates
Investment rate of return	7.25 percent, net of investment expense, including inflation

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as post-retirement mortality rates were based on scaling factors of 109% for males, and 108% for females of the Pub-2010 Amount-weighted-Below-median Income General Healthy Retiree Mortality Table, sex distinct, with generational mortality improvement using MP-2020 2-dimensional mortality improvement scales. This assumption provides a margin for mortality improvements.

Pre-retirement mortality rates were based on scaling factors of 111% for males, and 115% for females of the Pub-2010 Amount-weighted Below-median Income General Employee Mortality Tables, sex distinct, with generational mortality improvement using MP-2020 2-dimensional mortality improvement scales. This assumption provides a margin for mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period of January 1, 2017 through December 31, 2019.

The long-term expected rate of return on pension plan investments was determined by taking into consideration the Plan's target asset allocation along with long-term capital markets assumptions - estimated expected returns, volatilities and correlations among different asset classes - from a variety of nationally known investment consulting firms. Each set of capital markets assumptions was used to calculate an estimated geometric real rate of return for the Plan's target asset allocation, which was then converted to a nominal rate based on the Plan's inflation assumption, as well as an estimate of portfolio volatility. An average of the expected return and volatility figures across all sets of capital markets assumptions was used to calculate an aggregate distribution in order to determine an acceptable range of expected rates of return. The long-term expected rate of return on pension plan investments falls within this range.

NOTE 8. NET PENSION LIABILITY OF THE PLAN (CONTINUED)

Best estimates of geometrically determined real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020, utilizing the assumed rate of inflation of 2.25%, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	5.3%
Non-U.S. equity	5.3
Global low volatility equity	4.2
Fixed income	-1.2
Hedge funds	2.8
Private debt	7.4
Private equity	9.1
Real estate	3.4
Private real assets	4.9

Single Discount Rate

A Single Discount Rate of 6.84% 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 7.25% and a municipal bond rate of 2.00%. 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 under the statutory funding policy. 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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, 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 6.84%, 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 5.84%	Current Single Discount Rate Assumption 6.84%	1% Increase 7.84%
Plan's net pension liability	\$ 1,928,493,226	\$ 1,588,591,710	\$ 1,303,412,833

NOTE 9. 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, 2020 and 2019, were comprised of the following Plan surplus (deficit) balances:

	<u>2020</u>	<u>2019</u>
Prior Service Fund	\$ 1,638,758,464	\$ 1,618,252,099
City Contribution Fund	292,355,584	290,976,715
Salary Deduction Fund	293,138,898	291,362,121
Annuity Payment Fund and Reserve	511,133,134	501,245,938
Supplementary Payment Service	69,562	69,562
Fund Reserve - (deficit)	<u>(1,465,713,210)</u>	<u>(1,514,356,966)</u>
Net Position - Restricted for Pension Benefits	<u>\$ 1,269,742,432</u>	<u>\$ 1,187,549,469</u>

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.

The Fund Reserve represents the difference between the actuarially determined present value of all future pension payments and the value of the Plan's assets plus the present value of future contributions. A surplus indicates that 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 10. EMPLOYER (TAXES) RECEIVABLE (PAYABLE) - NET

	<u>2020</u>	<u>2019</u>
Employer contributions	\$ 73,347,343	\$ 60,599,915
Less allowance for uncollectible accounts	<u>(420,439)</u>	<u>(1,915,988)</u>
Total	<u>\$ 72,926,904</u>	<u>\$ 58,683,927</u>

NOTE 11. 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, 2020 and 2019 was \$478,241 and \$439,993, respectively. Future minimum rental payments required under non-cancelable leases are as follows:

Year ending December 31,	
2021	\$ 470,421
2022	475,411
2023	480,400
2024	485,390
2025	490,380
2026	<u>81,869</u>
	<u>\$ 2,483,871</u>

NOTE 12. INSURANCE COVERAGE

The Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; cyber breaches, 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 \$100 to \$25,000 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The Plan had no claims in 2020.

NOTE 13. PROPERTY AND EQUIPMENT

Property and equipment detail for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Office equipment	\$ 110,114	\$ 110,114
Custom software package	6,457,788	6,457,788
	6,567,902	6,567,902
Accumulated depreciation	(6,567,902)	(6,567,902)
	\$ -	\$ -

There has been no depreciation expense for years ended December 31, 2020 and 2019.

NOTE 14. OTHER POST EMPLOYMENT BENEFIT PLAN: THE PLAN AS EMPLOYER

Plan Description - The Plan, as an employer, administers a single-employer postemployment healthcare plan (OPEB Plan). The OPEB Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through the Plan's group health insurance plans, which cover both active and retired members.

Plan Membership - Membership of the OPEB Plan consisted of the following at December 31, 2020, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	20
Total plan members	29

Contributions - The contributions requirements of plan members and the Plan are established by the Plan's Board. The required contribution is based on projected pay-as-you-go financing requirements. For 2020, the Plan contributed \$52,705, for the pay-as-you-go benefits for the OPEB Plan. Plan members receiving benefits contributed \$32,658 in 2020 or 45% of the total premiums for the year, through their required contributions of between \$172 and \$608 per month based on coverage.

**NOTE 14. OTHER POST EMPLOYMENT BENEFIT PLAN: THE PLAN AS EMPLOYER
(CONTINUED)**

Actuarial Assumptions - The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date:	December 31, 2020
Fiscal Year End Date:	December 31, 2020

Methods and Assumptions Used to Measure Total OPEB Liability:

Actuarial Cost Method:	Entry Age Normal
GASB 75 Discount Rate Beginning of Year:	2.75% per year
GASB 75 Discount Rate End of Year:	2.00% per year
Wage Inflation:	3.00% per year
Retirement Age:	Experience -based table of rates that are specific to the type of eligibility condition.
Post-retirement Mortality:	The mortality rates are from the PUB-2010 Amount-weighted Below-median Income Healthy Retiree Mortality Table with two-dimensional, fully generational improvements using the MP-2020 Mortality Improvement Scale.
Health Care Trend Rates:	Pre-Medicare trend rate of 21.35%, and Post-Medicare trend rate of 4.58% for plan year beginning on January 1, 2021. Trend rates for plan years beginning on and after January 1, 2022, based on 7.00% for Pre-Medicare and 7.50% for Post-Medicare per year graded down in 0.25% increments to an ultimate trend rate of 4.25% per year.
Aging Factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death."

Discount Rate - Since the OPEB Plan does not have formal assets, the discount rate is equal to the municipal bond rate of 2.75% as of December 30, 2019, and 2.00% as of December 31, 2020, which is based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index".

**NOTE 14. OTHER POST EMPLOYMENT BENEFIT PLAN: THE PLAN AS EMPLOYER
(CONTINUED)**

Changes in the Total OPEB Liability of the Plan - The changes in the total OPEB liability of the Plan for the year ended December 31, 2020, were as follows:

Total OPEB liability	
Service cost	\$ 172,631
Interest on the total OPEB liability	81,350
Difference between expected and actual experience of the total OPEB liability	110,714
Changes of assumptions	221,715
Benefit payments	<u>(47,955)</u>
Net change in total OPEB liability	538,455
Total OPEB liability - beginning	<u>2,896,281</u>
Total OPEB liability - ending (a)	<u><u>\$ 3,434,736</u></u>

^a Total OPEB liability as of December 31, 2020, was measured based on the requirements of GASB Statement No. 75, based on census, plan provisions, methods and assumptions as of December 31, 2019. The assumptions used are based on the experience study covering the period of January 1, 2017 to December 31, 2019.

Sensitivity of Total OPEB Liability - Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the Plan's total OPEB liability, calculated using a discount rate of 2.00%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

Sensitivity of Total OPEB Liability to the Discount Rate Assumption			
	1% Decrease 1.00%	Current Discount Rate Assumption 2.00%	1% Increase 3.00%
Plan's total OPEB liability	\$ 4,049,758	\$ 3,434,736	\$ 2,942,074

**NOTE 14. OTHER POST EMPLOYMENT BENEFIT PLAN: THE PLAN AS EMPLOYER
(CONTINUED)**

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the Plan's total OPEB liability, calculated using the assumed trend rates as well as what the Plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of Total OPEB Liability
to the Healthcare Cost Trend Rate Assumption

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Plan's total OPEB liability	\$ 2,840,284	\$ 3,434,736	\$ 4,217,239

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2020, the Plan recognized OPEB expense of \$318,867. At December 31, 2020, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows to be Recognized in Future OPEB Expenses	Deferred (Inflows) to be Recognized in Future OPEB Expenses
Differences between expected and actual experience	\$ 110,201	\$ -
Assumption changes	468,463	(97,393)
Total	<u>\$ 578,664</u>	<u>\$ (97,393)</u>

**NOTE 14. OTHER POST EMPLOYMENT BENEFIT PLAN: THE PLAN AS EMPLOYER
(CONTINUED)**

Amounts reported as deferred (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
2021	\$ 76,422	\$ (16,286)	\$ 60,136
2022	76,422	(16,286)	60,136
2023	76,422	(16,286)	60,136
2024	76,422	(16,286)	60,136
2025	76,422	(16,286)	60,136
2026	76,422	(15,963)	60,459
2027	60,791	-	60,791
2028	34,136	-	34,136
2029	25,205	-	25,205
Total	<u>\$ 578,664</u>	<u>\$ (97,393)</u>	<u>\$ 481,271</u>

NOTE 15. CONTINGENCIES

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 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 again moved to dismiss. On July 21, 2016, the Circuit Court entered a written order granting in part the defendants’ motions to dismiss, other than claims by a group of employees that were hired by the City prior to August 21, 1989, who claim a right to a health care subsidy of \$25 per month under then-existing state law. Plaintiffs appealed this ruling to the First District Illinois Appellate Court. On June 29, 2017, the Appellate Court affirmed in relevant part the Circuit Court’s dismissal order, other than expanding the group that is entitled to a \$25 per month health insurance subsidy. The Illinois Supreme Court denied further review. The case was remanded to the Circuit Court to determine the mechanics of the payment of the \$25 per month subsidy. Following remand, Plaintiffs filed a Fourth Amended Complaint, which was dismissed. Plaintiffs were given leave to appeal portions of this dismissal order related to their claim that the Funds or the City of Chicago are required to provide annuitants with a health care plan (the “Pending Appeal”). Plaintiffs then filed a Fifth Amended Complaint which was withdrawn. Plaintiffs had then filed a Sixth Amended

NOTE 15. CONTINGENCIES (CONTINUED)

Complaint, which Defendants all moved to dismiss. On April 18, 2019, the Circuit Court heard oral argument on the motions to dismiss. On May 3, 2019, the Circuit Court issued a written decision dismissing the entire Sixth Amended Complaint except for the portion of Count 1 alleging a right to a health insurance subsidy. On July 16, 2019, the Circuit Court approved notices to be sent to annuitants advising them of eligibility requirements, to be paid retroactive, of \$25 per month health insurance subsidies for the time period January 1, 2017 through December 31, 2019, and for annuitants who are paying for group health insurance through reductions from their annuities to receive a monthly \$25 per month credit toward their health insurance premiums. The Plaintiffs' appeal was heard in the First District Appellate Court on June 11, 2020 and a ruling was issued on June 30, 2020 where the Court agreed the hire date for subsidy eligibility should extend to June 30, 2003 from the original April 4, 2003 date. The Appellate Court also stated the Circuit Court did not decide what obligation, if any, the Plan might still have to the retirees. The ruling was mandated back to Circuit Court where the Circuit Court ultimately found that the Plan has an obligation to "approve" a health care insurance plan for annuitants. The Plan was found to be in compliance with its obligation and Court agreed the Plan has no financial obligation other than providing for the \$25 per month credit for annuitants who have chosen to have premiums for an approved health care plan deducted from their monthly annuities. The Plan has filed a motion for summary judgment and continues to defend this lawsuit.

NOTE 16. SUBSEQUENT EVENTS

All subsequent events have been evaluated through May 6, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an 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

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS MULTIYEAR**

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost including pension plan administrative expense	\$ 39,215,797	\$ 38,522,157	\$ 40,800,911	\$ 80,231,718	\$ 82,960,086	\$ 38,388,765	\$ 38,523,054
Interest on the total pension liability	191,099,247	188,347,405	183,135,028	154,047,387	150,166,006	153,811,897	174,071,492
Benefit changes	-	-	-	150,457	-	384,032,638	(324,166,854)
Difference between expected and actual experience	(18,992,165)	(8,820,458)	15,143,356	(62,178,234)	(30,428,098)	(46,084,758)	-
Assumption changes	44,034,293	32,846,315	(11,788,138)	(1,074,754,285)	(62,905,368)	1,175,935,546	28,201,429
Benefit payments	(165,411,906)	(162,118,145)	(157,317,980)	(154,767,434)	(151,922,150)	(150,013,189)	(145,586,268)
Refunds	(3,644,848)	(2,841,113)	(2,742,788)	(2,282,455)	(2,760,872)	(2,516,351)	(2,071,694)
Pension plan administrative expense	(3,615,773)	(3,691,171)	(3,933,389)	(3,984,947)	(4,080,239)	(3,844,346)	(3,835,170)
Net change in total pension liability	<u>82,684,645</u>	<u>82,244,990</u>	<u>63,297,000</u>	<u>(1,063,537,793)</u>	<u>(18,970,635)</u>	<u>1,549,710,202</u>	<u>(234,864,011)</u>
Total pension liability - beginning	<u>2,775,649,498</u>	<u>2,693,404,508</u>	<u>2,630,107,508</u>	<u>3,693,645,301</u>	<u>3,712,615,936</u>	<u>2,162,905,734</u>	<u>2,397,769,745</u>
Total pension liability - ending (a)	<u>\$ 2,858,334,143</u>	<u>\$ 2,775,649,498</u>	<u>\$ 2,693,404,508</u>	<u>\$ 2,630,107,508</u>	<u>\$ 3,693,645,301</u>	<u>\$ 3,712,615,936</u>	<u>\$ 2,162,905,734</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 73,744,129	\$ 59,346,056	\$ 47,844,184	\$ 35,456,607	\$ 12,603,498	\$ 12,412,471	\$ 12,160,815
Member contributions	18,063,905	18,143,163	17,836,801	17,410,821	17,245,913	16,844,246	16,359,082
Pension plan net investment income	163,057,457	184,026,828	(75,219,068)	207,981,245	57,997,329	(22,318,476)	53,393,517
Benefit payments	(165,411,906)	(162,118,145)	(157,317,980)	(154,767,434)	(151,922,150)	(150,013,189)	(145,586,268)
Refunds	(3,644,848)	(2,841,113)	(2,742,788)	(2,282,455)	(2,760,872)	(2,516,351)	(2,071,694)
Pension plan administrative expense	(3,615,773)	(3,691,171)	(3,933,389)	(3,984,947)	(4,080,239)	(3,844,346)	(3,835,170)
Other	-	-	661,530	-	-	-	-
Net change in plan fiduciary net position	<u>82,192,964</u>	<u>92,865,618</u>	<u>(172,870,710)</u>	<u>99,813,837</u>	<u>(70,916,521)</u>	<u>(149,435,645)</u>	<u>(69,579,718)</u>
Plan fiduciary net position - beginning	<u>1,187,549,469</u>	<u>1,094,683,851</u>	<u>1,267,554,561</u>	<u>1,167,740,724</u>	<u>1,238,657,245</u>	<u>1,388,092,890</u>	<u>1,457,672,608</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,269,742,433</u>	<u>\$ 1,187,549,469</u>	<u>\$ 1,094,683,851</u>	<u>\$ 1,267,554,561</u>	<u>\$ 1,167,740,724</u>	<u>\$ 1,238,657,245</u>	<u>\$ 1,388,092,890</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,588,591,710</u>	<u>\$ 1,588,100,029</u>	<u>\$ 1,598,720,657</u>	<u>\$ 1,362,552,947</u>	<u>\$ 2,525,904,577</u>	<u>\$ 2,473,958,691</u>	<u>\$ 774,812,844</u>
Plan fiduciary net position as a percentage of total pension liability	44.42 %	42.78 %	40.64 %	48.19 %	31.61 %	33.36 %	64.18 %
Covered payroll	<u>\$ 207,194,914</u>	<u>\$ 211,607,883</u>	<u>\$ 211,482,201</u>	<u>\$ 208,442,487</u>	<u>\$ 208,154,918</u>	<u>\$ 204,772,903</u>	<u>\$ 202,673,014</u>
Net pension liability as a percentage of covered payroll	766.71 %	750.49 %	755.96 %	653.68 %	1,213.47 %	1,208.15 %	382.30 %

10 fiscal years will be built prospectively. Please see the following page for additional notes relating to the Schedules of Changes in Net Pension Liability and Related Ratios Multiyear.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

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

The total pension liability at the beginning of fiscal year 2020 used a Single Discount Rate of 7.00% and the benefit provisions and funding policy in effect as of the December 31, 2019 funding actuarial valuation. The Single Discount Rate of 7.00% was based on a long-term expected rate of return on pension plan investments of 7.25% for years 2020 through 2073 and a long-term municipal bond rate as of December 30, 2019, of 2.75% for subsequent years after 2073.

The total pension liability at the end of fiscal year 2020 used a Single Discount Rate of 6.84% and the benefit provisions and funding policy in effect as of the December 31, 2020, funding actuarial valuation. The Single Discount Rate of 6.84% was based on a long-term expected rate of return on pension plan investments of 7.25% for years 2021 through 2073 and a long-term municipal bond rate as of December 31, 2020, of 2.00% for subsequent years after 2073.

The change in the long-term municipal bond rate from 2.75% at December 30, 2019 to 2.00% as of December 31, 2020, caused the Single Discount Rate to decrease slightly from 7.00% at December 31, 2019 to 6.84% at December 31, 2020.

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

REQUIRED SUPPLEMENTARY INFORMATION

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	\$ 744,812,844	64.18%	\$ 202,673,014	382.30%
2015	3,712,615,936	1,238,675,245	2,473,958,691	33.36%	204,772,903	1208.15%
2016	3,693,645,301	1,167,740,724	2,525,904,577	31.61%	208,154,918	1213.47%
2017	2,630,107,508	1,267,554,561	1,362,552,947	48.19%	208,442,487	653.68%
2018	2,693,404,508	1,094,683,851	1,598,720,657	40.64%	211,482,201	755.96%
2019	2,775,649,498	1,187,549,469	1,588,100,029	42.78%	211,607,883	750.49%
2020	2,858,334,143	1,269,742,433	1,588,591,710	44.42%	207,194,914	766.71%

* Covered payroll shown is the amount in force as of the actuarial 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

**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)
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
2016	117,033,100	12,603,498	104,429,603	208,154,918	6.05%	13,179,003	575,505
2017	124,226,042	35,456,607	88,769,435	208,442,487	17.01%	36,000,000	543,393
2018	129,247,584	47,844,184	81,403,400	211,482,201	22.62%	48,000,000	155,816
2019	148,409,689	59,346,056	89,063,633	211,607,883	28.05%	60,000,000	653,944
2020	155,793,822	73,744,129	82,049,693	207,194,914	35.59%	72,000,000	(1,744,129)

* The LABF Statutory Funding Policy 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 actuarial valuation date and likely differs from actual payroll paid during the fiscal year.

*** Excludes amounts paid for health insurance supplement in fiscal years prior to December 31, 2017.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

NOTES TO SCHEDULE OF CONTRIBUTIONS MULTIYEAR

Valuation Date: December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Prior to 2017, the total City contribution is generated by a tax equal to 1.00 times the contributions by participants to the Plan two years prior to the year of the tax levy. For tax levy years 2017-2021, the statutory contributions are equal to \$36 million, \$48 million, \$60 million, \$72 million, and \$84 million, respectively. For tax levy years on and after 2022, the statutory contributions are equal to a level percentage of pay contribution determined so that the Plan attains a 90% funded ratio by the end of 2058 on an open group basis.
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	2.25% as of the December 31, 2019 actuarial valuation
Salary Increases	Salary increase rates based on service-related productivity and merit rates plus wage inflation of 3.00%.
Post Retirement Benefit Increases	Postretirement benefit increases are equal to 3.00 percent, compounded annually, for Tier 1 members. Post retirement increases for Tier 2 and Tier 3 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, using simple interest.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

NOTES TO SCHEDULE OF CONTRIBUTIONS MULTIYEAR (CONTINUED)

Investment Rate of Return	7.25% as of the December 31, 2019 actuarial valuation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2017 valuation pursuant to an experience study of the period January 1, 2012 through December 31, 2016.
Mortality	<p>Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. No adjustment is made for post-disabled mortality.</p> <p>Pre-Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.</p>

Other Information:

Notes	Demographic assumptions were updated for the actuarial valuation as of December 31, 2020.
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Method and Assumptions Used for Accounting Purposes as of the Valuation Date:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Discount Rate	7.00% as of the December 31, 2019 valuation 6.84% as of the December 31, 2020 valuation

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS MULTIYEAR

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	14.5%	17.8%	-6.4%	18.7%	5.0%	-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

**SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY FOR THE PLAN AS EMPLOYER
AND EMPLOYER RELATED RATIOS MULTIYEAR**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 172,631	\$ 138,109	\$ 152,130
Interest on the total OPEB liability	81,350	89,080	79,003
Difference between expected and actual experience	110,714	14,130	-
Assumption changes	221,715	350,813	(146,251)
Benefit payments	<u>(47,955)</u>	<u>(56,516)</u>	<u>(70,559)</u>
Net change in total OPEB liability	538,455	535,616	14,323
Total OPEB liability - beginning	2,896,281	2,360,665	2,346,342
Total OPEB liability - ending (a)	<u>\$ 3,434,736</u>	<u>\$ 2,896,281</u>	<u>\$ 2,360,665</u>
Covered-employee payroll	<u>\$ 1,772,480</u>	<u>\$ 1,756,480</u>	<u>\$ 1,670,363</u>
Total OPEB liability as a percentage of covered-employee payroll	193.78 %	164.89 %	141.33 %
Discount Rate, Beginning of Year	2.75 %	3.71 %	3.31 %
Discount Rate, End of Year	2.00 %	2.75 %	3.71 %
Long -Term Municipal Bond Rate, End of Year	2.00 %	2.75 %	3.71 %
Long -Term Municipal Bond Rate Date	December 31, 2020	December 30, 2019	December 28, 2018

(a) Total OPEB liability as of December 31, 2020 was measured based on the requirements of GASB Statement No. 75, based on census, plan provisions, methods and assumptions as of December 31, 2019. Total OPEB liability as of December 31, 2019 and December 31, 2018, was measured based on the requirements of GASB Statement No. 75, based on census, plan provisions, methods and assumptions as of December 31, 2017.

10 fiscal years will be built prospectively.

SUPPLEMENTARY INFORMATION

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

**SCHEDULES OF INVESTED ASSETS
COST AND FAIR VALUE**

DECEMBER 31, 2020 AND 2019

	2020				2019			
	Cost Value		Fair Value		Cost Value		Fair Value	
Cash and short-term investments	\$ 40,034,571	4.4%	\$ 40,034,843	3.3%	\$ 40,448,056	4.3%	\$ 40,451,166	3.6%
U.S. equities	241,397,414	26.4%	360,991,534	30.0%	243,757,418	26.2%	323,273,547	28.5%
Foreign equities	160,492,054	17.5%	259,877,288	21.5%	195,039,931	20.9%	263,102,366	23.2%
Equity funds	16,945,644	1.8%	30,613,570	2.5%	30,385,042	3.3%	42,412,408	3.7%
U.S. Government obligations and municipal bonds	72,885,330	8.0%	76,280,572	6.3%	83,060,414	8.9%	84,975,873	7.5%
U.S. corporate bonds	52,025,381	5.7%	55,304,720	4.6%	47,270,766	5.1%	49,293,702	4.3%
Foreign fixed income securities	76,501,732	8.4%	82,692,255	6.9%	76,036,477	8.2%	78,669,025	6.9%
Fixed income funds	7,873,595	0.9%	8,845,073	0.7%	8,244,263	0.9%	8,324,103	0.7%
Private markets	37,271,735	4.1%	41,694,991	3.5%	30,242,588	3.2%	33,215,323	2.9%
Real estate	101,895,203	11.2%	120,717,551	10.0%	99,375,380	10.7%	121,407,590	10.7%
Hedge funds	78,017,422	8.5%	99,566,934	8.3%	77,220,538	8.3%	88,770,368	7.8%
Infrastructure funds	<u>28,440,476</u>	<u>3.1%</u>	<u>28,333,730</u>	<u>2.4%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>
Invested assets at cost/fair value	<u>\$ 913,780,557</u>	<u>99.8%</u>	<u>\$ 1,204,953,061</u>	<u>99.9%</u>	<u>\$ 931,080,873</u>	<u>100.0%</u>	<u>\$ 1,133,895,471</u>	<u>100.0%</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

**SCHEDULES OF ADMINISTRATIVE EXPENSES,
INVESTMENT EXPENSES AND PROFESSIONAL SERVICES**

SCHEDULES OF ADMINISTRATIVE EXPENSES

	2020	2019
Personnel services	\$ 1,998,089	\$ 2,036,832
Occupancy and utilities	460,210	426,853
Professional services	439,834	481,410
OPEB expense	318,867	257,939
Insurance	224,015	193,611
Supplies and equipment	44,619	49,854
Litigation expense	42,130	154,572
Printing and technical services	20,122	27,324
Miscellaneous	19,795	16,627
Telecommunications and internet	18,349	15,878
Postage	13,175	13,992
Disaster recovery site	11,040	11,040
Document retention	5,528	5,239
Total	<u>\$ 3,615,773</u>	<u>\$ 3,691,171</u>

SCHEDULES OF INVESTMENT EXPENSES

	2020	2019
Investment management fees	\$ 6,697,866	\$ 7,143,201
Other investment expenses	207,948	382,096
Investment consultant fee	245,000	245,000
Investment custody fee	205,000	207,645
Total	<u>\$ 7,355,814</u>	<u>\$ 7,977,942</u>

SCHEDULES OF PROFESSIONAL SERVICES

	2020	2019
Actuarial valuation	\$ 64,635	\$ 70,501
Auditing	44,321	41,563
Benefit check production	93,794	92,414
Custom software development	25,113	47,512
IT consultant	-	2,000
Legal services	149,355	165,680
Legislative consultant	18,480	18,480
Medical consultant	44,136	43,260
Total	<u>\$ 439,834</u>	<u>\$ 481,410</u>

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

SCHEDULES OF INVESTMENT EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INVESTMENT MANAGEMENT FEES		
AFL-CIO Housing Investment Trust	\$ -	\$ 40,783
Ariel Investment, LLC	150,266	169,332
ASB Capital Management LLC	345,110	348,769
Attucks Asset Management, LLC	354,231	-
Ballie Gifford Oversees Ltd	487,857	444,380
Baird Advisors	77,653	73,560
Brightwood Capital Advisors, LLC	147,796	141,772
Core Capital	34,952	35,792
EntrustPermal Partners	36,517	59,060
Fairview Capital	135,375	-
Fiera Capital Inc.	173,879	174,436
Glouston Capital Partners	115,625	125,000
HarborVest Partners	22,636	-
Hopewell Partners, LLC	17,651	23,594
JP Morgan Chase Bank, N.A.	500,395	505,679
Keeley Asset Management Corp.	112,949	167,795
Lazard Asset Management	150,518	152,760
Levine Leichtman Capital Partners, LLC	174,416	165,888
Lighthouse Investment Partners, LLC	300,904	267,247
LM Capital Group, LLC.	216,682	224,443
Long Wharf Real Estate Partners LLC	256,538	253,763
Mesirow Financial Private Equity Advisors, Inc.	78,524	87,253
Mesirow Financial Investment Management, Inc.	169,552	187,813
Morgan Stanley AIP GP LP	-	38,260
Neuberger Berman Investment Advisers LLC	201,116	215,020
Nuveen Asset Management	61,400	124,293
Palladium Capital Management V, LLC	252,146	699,604
Pantheon Ventures (US) LP	177,148	196,830
Pluscios Management LLC	224,841	226,067
Progress Investment Management Company, LLC	201,653	700,462
RhumbLine Advisers Limited Partnership	27,730	24,837
Ullico Investment Advisors, Inc.	342,130	-
Vontobel Asset Management, Inc.	320,760	348,886
Wasatch Advisors Inc.	541,852	582,301
Western Asset Management Company	-	52,693
William Blair & Company, L.L.C.	287,064	284,830
Total investment management fees	6,697,866	7,143,201
OTHER INVESTMENT EXPENSES		
Northern Trust Company	207,948	382,096
INVESTMENT CONSULTANT FEE		
Marquette Associates, Inc.	245,000	245,000
INVESTMENT CUSTODY FEE		
Northern Trust Company	205,000	207,645
Total investment expenses	\$ 7,355,814	\$ 7,977,942