

2008 POPULAR REPORT



PROTECTING YOUR RETIREMENT NEST EGG

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

Laborers' A & B Fund

BOARD OF TRUSTEES

PRESIDENT

Carmen Iacullo
Retired Member

SECRETARY

Charles V. LoVerde III
Union-Appointed Member

TREASURER

Stephanie Neely
City Treasurer
Ex-Officio Member

TRUSTEES

Steven J. Lux
City Comptroller
Ex-Officio Member

Paul A. Volpe
City Chief Financial Officer
Appointed Member

Kenneth Cannata
Elected Member

Richard McDonough
Elected Member

OFFICERS

James Capasso, Jr.
Executive Director

Aileen Mazur Pecora
Comptroller

INVESTMENT MANAGERS

AFL-CIO Housing Investment Trust
Alliance Bernstein
Ariel Capital Management LLC
Baring Asset Management
Baillie Gifford Overseas Ltd
Capri Capital Partners
Chase Investment Counsel Corp
Columbia Partners Investment Mgmt
Dearborn Partners LLC
DV Realty Advisors LLC
Harris Investment Management Inc
Holland Capital Management LP
Hopewell Ventures
Intech
The John Buck Company
Keeley Asset Management Corp
Mesirow Financial Inc
MFS Investment Management
Midwest Mezzanine Funds
Neuberger Investment Mgmt
The Northern Trust Company
Russell Investment Group
SB Partners LP
Shamrock Hostmark Hotel Fund LP
Taplin, Canida & Habacht
Thomas White International Ltd
UBS Global Asset Management
Western Asset Management Co
Williams Capital Management LLC
Zacks Investment Management



Table of CONTENTS

Financial Stability	2
Plan Income	3
Plan Expense	4
Plan Investments	4
Active Employee Members	6
Annuitant Members	8
2008 New Retirees	9
Final Thought	9



Protecting Your Retirement Nest Egg



PROTECTING YOUR FINANCIAL NEST EGG

Welcome to the Laborers' Annuity and Benefit Fund (LABF) 2008 Popular Report. This document provides a general description of the financial health of your pension fund and an explanation of LABF's investments as of December 31, 2008. The Report summarizes the financial and membership information contained in LABF's 2008 Comprehensive Annual Financial Report (CAFR).

In today's harsh economic climate, many Americans have had their financial nest eggs broken, scrambled, and consumed by declining markets. In contrast, LABF members' retirement nest egg continues to be safe and sound. With the focus and ferocity of an eagle protecting her nest, the Board of Trustees carefully tends the assets that have been entrusted to the Fund.

While economic adversity is a fact of life, it is important to remember that nothing is permanent except for change. The Trustees are committed to responding positively to the current challenges, in order to participate in future market opportunities that occur during a recovery. As always, LABF continues to ensure that the Fund remains a financially robust organization.

We strive to fulfill our mission of providing financial security to members. With an eagle eye, the Board of Trustees exercises informed leadership by optimizing investment returns while minimizing risk; thereby, successfully adapting to changing financial conditions. LABF's dedicated staff works as a team to provide exceptional service to our members. All work efficiently and effectively to continually create value for our members.

ACTUARIAL VALUE, MARKET VALUE & ACTUARIAL LIABILITY

As of December 31, 2008

Actuarial value of plan net assets	\$ 1.698 Billion
Market value of plan net assets	\$ 1.189 Billion
Actuarial liability (benefit promises)	\$ 1.957 Billion

On an actuarial basis, LABF assets fund 86.8% of the actuarial liability.

FINANCIAL STABILITY

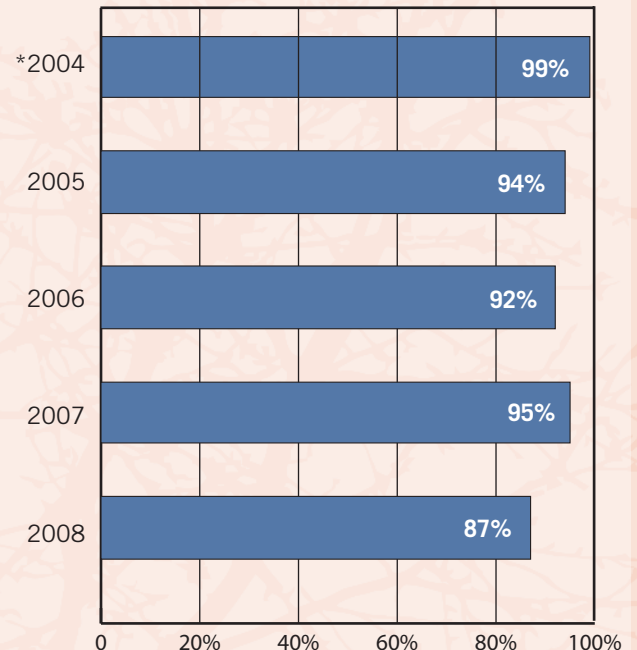
LABF continues to be a fiscally sound organization which provides retirement, survivor, and disability benefits. The best measure of any fund's financial health is its funded ratio. This ratio is the difference between the plan's actuarial liability and the value of its net assets. The actuarial liability is the total dollar value of "benefit promises" to all members. LABF promises that when you reach a certain age you will be paid a monthly annuity for life which is based upon age, years of service, and salary. As your salary and/or service increases, so does the dollar value of our promise. If you have an eligible surviving spouse, he or she also has a promise of a monthly lifetime benefit.

As of December 31, 2008, LABF's funded ratio was 86.8%, which decreased from the December 31, 2007 funded ratio of 95%. A funded ratio of 80% or higher is considered by many actuaries as a benchmark of a healthy pension plan. In order to put the LABF's funded ratio into perspective, it is useful to compare it to an average. According to the Public Pension Fund Survey conducted by the National Association of State Retirement Administrators (NASRA), the median funding level of a public pension fund in 2007 was 84.3%. Recently, the Boston College Center for Retirement Research reported that the average funded ratio has declined to approximately 80%. Therefore, the LABF funded ratio continues to be above average.

A successful retirement requires teamwork on the part of the Fund and you the member. LABF actively invests your salary contribution and the City's employer contribution on your behalf. While a City pension will help pay the ordinary day to day expenses, you will encounter unanticipated expenses. For this reason, you should accumulate savings and create alternative sources of income in order to compliment your future annuity payments. Alternative sources of retirement income include: Social Security, 457 or 401K plans, stocks and bonds, or interest bearing Certificates of Deposit (CD's). To create the most prosperous retirement that is filled with increased flexibility and choice, you should consistently accumulate savings now in the years before retirement. An individual's post-retirement standard of living depends upon how well he/she plans today. When the Fund and the member work toward this common goal, the teamwork enables hatching a prosperous financial future.

ACTUARIAL FUNDING STATUS

As of December 31,



* Early Retirement Incentive
Values include both pension and OPEB
(other post employee benefits)



Protecting Your Retirement Nest Egg



PLAN INCOME

As the Condensed Statement of Changes in Plan Net Assets shows, the Fund receives income from three sources: City employer contributions, employee salary contributions, and investment income. The employer and employee contribution rates are specified by law in the Illinois Pension Code. These rates change only through legislative modification. In contrast, investment income varies due to advances and declines in the financial markets.

The financial crisis of 2008 was unlike any prior market decline, in that all asset classes were affected. This situation had negative repercussions on the plan income; however, because of LABF's conservative investment philosophy and prudent strategy, LABF avoided the damage that beset other organizations. LABF remains in a solid position that enables it to focus on the long-term.

American humorist Will Rogers once said, "I am not as concerned about the return on my money, as I am about the return of my money." These words exemplify the idea that, while earning a negative short-term investment return may be disconcerting, the long-term safety and security of the investments themselves are of much more importance.

CONDENSED STATEMENTS OF PLAN NET ASSETS

Years ended December 31,
(in thousands)

	2008	2007	Dollar Change
Receivables	\$22,680	\$22,136	\$544
Investments at market value	1,211,929	1,822,553	(610,624)
Securities lending collateral	145,705	200,894	(55,189)
Property and equipment	3,446	3,957	(511)
Total Assets	1,383,760	2,049,540	(665,780)
Total Liabilities	195,180	266,722	(71,542)
Total Plan Net Assets	\$1,188,580	\$1,782,818	(594,238)

CONDENSED STATEMENTS OF CHANGES IN PLAN NET ASSETS

Years ended December 31,
(in thousands)

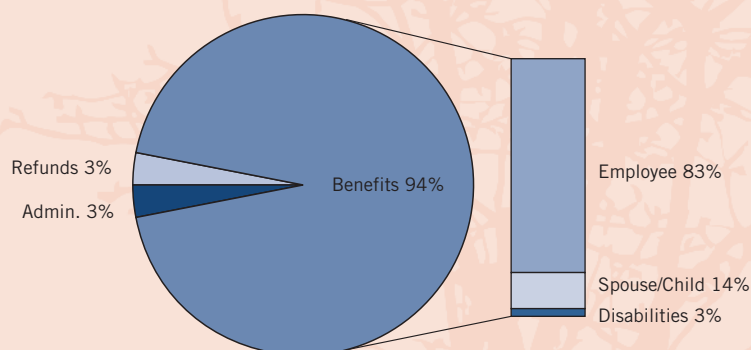
	2008	2007	Dollar Change
Additions			
Employer contributions	\$17,580	\$15,459	\$2,121
Member contributions	19,418	18,413	1,005
Net investment gain	(510,463)	125,204	(635,667)
Total additions	(473,465)	159,076	(632,541)
Deductions			
Benefits	113,653	108,806	4,847
Refunds	3,494	3,761	(267)
Administrative expenses	3,626	3,352	274
Total deductions	120,773	115,919	4,854
Net increase in Plan Net Assets	(594,238)	43,157	(637,395)
Net assets held in trust for pension benefits			
Beginning of year	1,782,818	1,739,661	43,157
End of year	\$1,188,580	\$1,782,818	\$(594,238)

Laborers' A & B Fund

PLAN EXPENSE

The Fund's most significant expense is benefit payments. Benefits, which include the subsidized cost of annuitant group health care premiums, comprise 94% of the Fund's total expenses. The remaining 6% of expenses are refunds of contributions (3%) and the administrative cost of operating the fund (3%). For a detailed analysis of the financial information, the reader is encouraged to review the Comprehensive Annual Financial Report which contains the auditor's report, management's discussion and analysis, the financial statements, and other supplemental information. This report is available at the LABF office.

2008 EXPENSE BY TYPE



PLAN INVESTMENTS

LABF's investment goal is to achieve the highest long-term total rate of return by diversifying our investment portfolio at an appropriate level of risk. The Board of Trustees and staff work with 30 professional investment management firms compiling 44 different investment portfolios. These firms make investment decisions under the "prudent person" rule that is authorized by the Illinois Pension Code and the Fund's investment policy guidelines. An investment consultant is employed to assist in the development of an investment policy, perform asset allocation studies, and aid in the selection of investment management firms. The consultant also monitors and evaluates each investment management firm's individual performance as well as the Fund's performance as a whole.

Because a prudent investor never puts all their eggs in one basket, the Board, its consultant, and staff review LABF's asset allocation annually. An Asset Liability Modeling Study was recently completed which examined asset allocation issues in order to achieve the best investment diversification. Through diversification of investment type (bonds, stocks, real estate, private equity, venture capital, etc.), region (domestic, international) and management style (growth, value, small, medium, or large capitalization, etc.) the goal of improving expected long term returns while maintaining an acceptable level of risk is enhanced.

ASSET ALLOCATION

Year ended December 31, 2008

Asset Category	Target %	Actual %
Cash & Short Term	0.0	5.7
U.S. Bonds	16.0	32.2
U.S. Equity	50.0	44.6
International Equity	13.0	10.7
Real Estate	4.0	3.5
Venture Capital & Private Equity	8.0	3.3
Emerging Markets	5.0	0.0
Hedge Funds	4.0	0.0
Total	100.0	100.0

Protecting Your Retirement Nest Egg

INVESTMENT PORTFOLIO SUMMARY

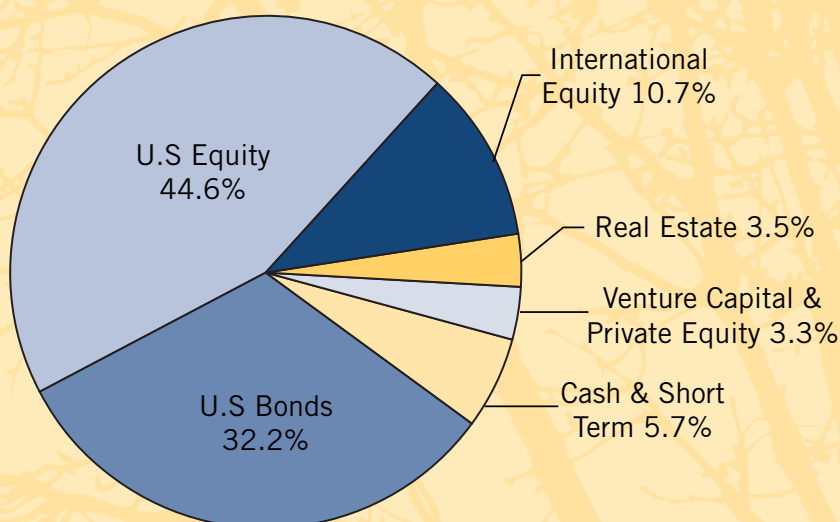
As of December 31,

(in thousands)

	2008		2007	
	Market Value	% of Total Market Value	Market Value	% of Total Market Value
Fixed Income (Bonds)	\$390,194	32.2%	\$573,439	31.5%
Domestic Equity (Stocks)	540,202	44.6	917,902	50.4
International Equity (Stocks)	129,499	10.7	172,894	9.5
Cash and Short-Term	69,449	5.7	76,097	4.1
Private Equity / Venture Capital	39,932	3.3	43,227	2.4
Real Estate	42,653	3.5	38,994	2.1
Total Portfolio	\$1,211,929	100.0%	\$1,822,553	100.0%

PORTFOLIO ALLOCATION

As of December 31, 2008



LARGEST EQUITY HOLDINGS

As of December 31, 2008

LARGEST BOND HOLDINGS

As of December 31, 2008

Shares	Stocks	Market Value	Par	Bonds	Market Value
95,793	EXXON MOBIL CORP	\$7,647,155	14,250,000	FNMA Single Family Mtg 5% 30 Yr	\$14,548,367
132,518	WAL-MART STORES INC	7,428,959	6,425,000	US Treas Bonds 6.25% due 8/15/2023	8,763,096
101,059	MC DONALDS CORP	6,284,859	7,360,000	FNMA 15 Yr Pass-throughs 5%	7,553,200
91,538	JOHNSON & JOHNSON	5,476,719	4,842,000	US Treas Notes 4.0% due 8/15/2018	5,591,377
184,749	AT&T INC	5,265,347	4,824,000	US Treas Notes 3.375% due 11/30/2012	5,257,784

Laborers' A & B Fund

ACTIVE EMPLOYEE MEMBERS

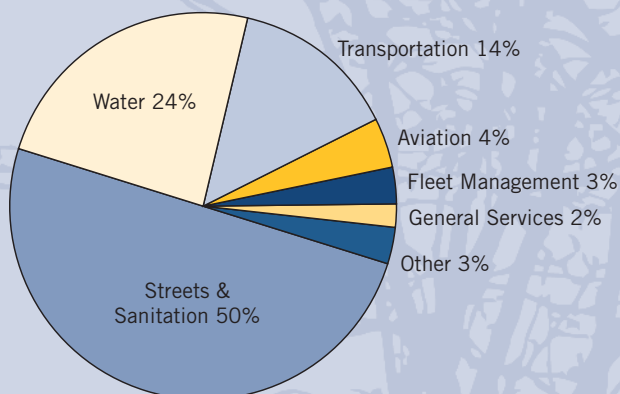
City employees, who participate in the Laborers' Annuity and Benefit Fund by contributing 8.5% of their salary toward their future pension, are referred to as active employees. As of December 31, 2008, there were a total of 3,325 active and 1,463 inactive employees.

LABF active employees work in many city departments: half of actives work in the Department of Streets and Sanita-

tion and approximately one-quarter work in the Department of Water Management. The Department of Transportation represents fourteen percent while the Departments of Aviation, Fleet Management, and General Services combined employ one-tenth of active LABF employees. Overall, our members are employed by 25 departments across the City of Chicago.

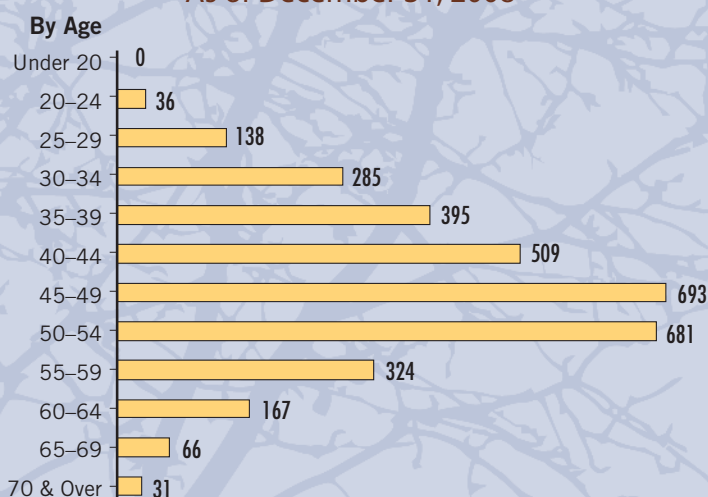
ACTIVE EMPLOYEES BY DEPARTMENT

As of December 31, 2008



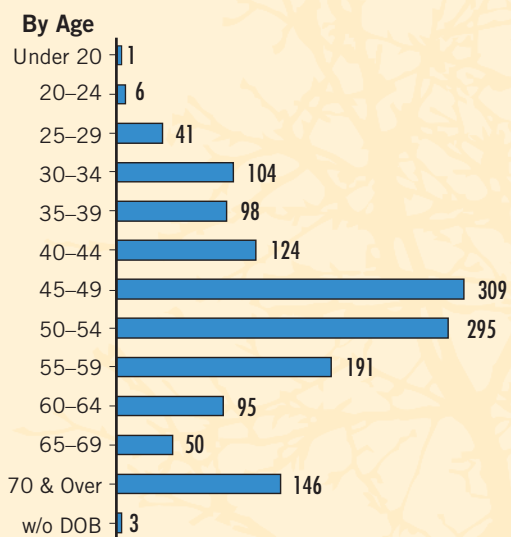
ACTIVE MEMBERS

As of December 31, 2008



Protecting Your Retirement Nest Egg

INACTIVE MEMBERS As of December 31, 2008



DISABILITY BENEFITS Year Ending December 31, 2008

Duration	Duty Claims	Ordinary Claims
< 30 days	113	17
1 – 3 months	110	59
4 – 6 months	117	56
7 – 9 months	54	31
> 9 months	80	17
Total	474	180

NUMBER OF REFUND PAYMENTS DURING 2008

Years of Service

Age	Under 1	1 – 3	3 – 5	5 +	Totals
Under 20	–	1	–	–	1
20 – 29	2	5	2	3	12
30 – 39	1	9	2	7	19
40 – 49	10	3	1	9	23
50 – 59	1	3	–	5	9
60+	4	1	–	–	5
Totals	18	22	5	24	69

Laborers' A & B Fund

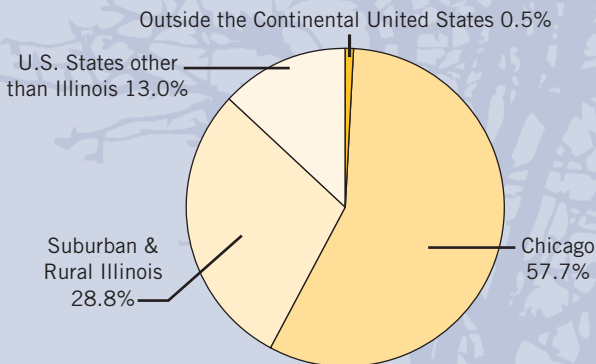
ANNUITANT MEMBERS

Retired City employees, surviving spouses, and surviving minor children who receive benefits are referred to as annuitants. On December 31, 2008, a total of 3,991 annuitants received benefit payments from the Laborers' Annuity and Benefit Fund. This total decreased by 14 annuitants from the prior year. While two employee annuitants and two child annuitants were added, 18 spouse annuitants were subtracted from the total. Two-thirds of the total annuitants are retired employees, while the remaining one-third is composed mostly of spouse annuitants. The current 47 child annuitants comprise only 1% of the annuitant population.

Did you ever wonder where your co-workers retired? As of December 31, 2008, 58% of annuitants still reside within the City of Chicago; whereas, 29% live in suburban and rural Illinois. Only 13% of annuitants reside outside the State of Illinois. The three most popular destinations for relocating are Florida, Indiana, and Arizona. These three states combined account for 5% of the annuitant population. There are annuitants receiving benefits in 37 of the 50 United States and in six foreign countries.

Eighteen Annuitants reside outside the continental U.S. in Puerto Rico, Ireland, Italy, Poland, Canada, Greece, & Costa Rica.

ANNUITANT POPULATION CLASSIFIED BY LOCATION
As of December 31, 2008



ANNUITANTS CLASSIFIED BY AGE

As of December 31, 2008

Age Group	Number of Employee Annuitants	% of total	Number of Spouse Annuitants	% of total
Under 50	5	0.2%	40	3.1%
50-54	169	6.4%	39	3.0%
55-59	385	14.6%	57	4.4%
60-64	369	13.9%	79	6.1%
65-69	402	15.2%	117	9.0%
70-74	373	14.1%	173	13.3%
75-79	305	11.5%	203	15.6%
80-84	292	11.0%	267	20.6%
85 & Over	346	13.1%	323	24.9%
TOTAL	2,646	100.0%	1,298	100.0%



Protecting Your Retirement Nest Egg

2008 NEW RETIREES

During the year, 120 employees retired and became new employee annuitants. This total increased by 26 individuals from the previous year. The average age of a new retiree is 56 years old. The average length of service is 30.1 years. The average annual annuity to be received is \$44,496. This group's pension payments, on average, will provide them with 63.9% of the amount of the salary they earned while working. According to actuarial estimates, retirees of 2008 can expect to live an additional 23.6 years and collect back all their salary contributions within the first 1.8 years of their lifetime annuity. This is truly an outstanding return on your investment.

NEW ANNUITIES GRANTED				
As of December 31,				
	Male Employees		Female Employees	
	2008	2007	2008	2007
Number Retired	117	90	3	4
Average Age	56.1	56.8	65.2	60.8
Average Length of Service	30.3	30.1	22.2	24.5
Average Annual Final Salary	\$70,000	\$67,250	\$46,745	\$66,176
Average Annual Annuity	\$45,170	\$42,492	\$18,196	\$36,426
Expected Future Lifetime	23.73	23.10	20.49	23.31
Payback Period (years)	1.83	1.82	1.39	1.69
Replacement Ratio	64.5%	63.2%	38.9%	55.0%

A FINAL THOUGHT

Just as an eagle nurtures its nest egg, LABF is the steward of our member's benefits. Our understanding of this responsibility is the foundation for all our activities. Through prudent stewardship, the Fund strives to rise above current economic turbulence. By progressing forward and capturing the financial updraft of a future economic recovery, LABF will be strengthened. Through perseverance and dedication to our members, LABF will continue to provide enduring financial security.



PROTECTING YOUR RETIREMENT NEST EGG

2008 POPULAR REPORT



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

221 NORTH LA SALLE ST SUITE 748
CHICAGO IL 60601-1301



Presorted
First Class
U.S. Postage
PAID
Chicago, IL
Permit #5052