

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

A Component Unit of the City of Chicago  
State of Illinois

**Comprehensive Annual  
Financial Report**

**For the fiscal year ended  
December 31, 2009**



# Comprehensive Annual Financial Report

For the fiscal year ended  
December 31, 2009

Prepared by the Accounting Department  
221 N. LaSalle St. Suite 748  
Chicago, IL 60601



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# **Introductory Section**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



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

April 13, 2010

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

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) presents its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. This report and the information it contains is entirely the responsibility of the Plan and its administrative staff. The statements and disclosures contained in this report have been prepared to enable the Plan's participants, interested citizens, and responsible governmental officials to draw fair conclusions concerning the financial health and management of the Plan. To the best of our knowledge, the information provided is accurate and complete in all material respects.

**Background**

The Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago (the Plan) was established in 1935 and is governed by legislation contained in Chapter 40, Act 5 of the Illinois Compiled Statutes. Article 11 of that act specifically and exclusively refers to the Plan. The Plan was created for the purpose of providing retirement and disability benefits for employees of the City of Chicago or the Board of Education who may be employed in a laboring capacity and for the dependents of such employees. The Plan is governed by an eight member Board of Trustees; three of whom are elected, two of whom are ex-officio trustees, another two of whom are appointed by the City and one who is appointed by the union. All trustees serve without compensation except for necessary expenses. The Board of Trustees and the administrative staff of the Plan are fiduciaries who are legally bound to discharge their duties with respect to the retirement system solely in the interest of the participants and their beneficiaries.

A system of internal controls helps the Plan to monitor and safeguard assets and promote efficient operations. In addition, the staff prepares an operating budget which is evaluated and approved by the Board of Trustees annually. All financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). An external audit is completed annually by an independent auditor.

The sources and conditions of all contribution revenues are detailed in Article 11 as well as all benefit types, amounts, eligibility requirements, and methods of funding. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer, the City of Chicago, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Reserves are set aside, as determined by the Plan's independent actuary, for the accumulation of employee and employer contributions and for the payment of all benefit obligations.

## **Overview**

At December 31, 2009, total Plan membership, including active, inactive, disabled and retired members is 8,580. Plan Net Assets increased by \$144 million. Additions to Plan Assets were \$272 million largely due to appreciation of investments. For 2009, benefit expenses of nearly \$121 million included pensions, disability payments, and the Plan's share of the cost to provide health insurance coverage. The unfunded actuarial accrued liability based on the actuarial value of assets increased from \$259 million to \$416 million during the year, resulting in a change in the funding ratio from 86.8 to 79.4 percent. For a full understanding of the Plan's financial results, the reader is urged to review the Financial Section of this report that contains the management's discussion and analysis, auditor's report, the financial statements and other supplemental information. Management's discussion and analysis provides a narrative introduction, overview, and analysis of the financial statements and complements this transmittal letter.

## **Investments**

The investment policy of the Plan is designed to insure the long-term financing of its funding requirements. The Plan's investments are managed by the Board of Trustees pursuant to Chapter 40, Section 5/1 and 5/11 of the Illinois Compiled Statutes using the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the Plan. This rule states that fiduciaries must discharge their duties solely in the interest of the plan participants and beneficiaries and with the skill, care, prudence, and diligence that a prudent person would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within a plan, the prudent person standard may enable a plan to reduce overall risk and increase returns.

The Board of Trustees, along with professional consultants, managers and staff, maintain an asset allocation program designed to provide the highest expected return while maintaining an appropriate low level of risk. The strategic asset allocation among investment types and manager styles is reviewed annually by the trustees and investment consultant.

Following the historic challenges faced in 2008, the global financial markets closed 2009 with a strong finish. As of December 31, 2009, the fair value of invested assets, excluding securities lending collateral, was \$1,332,378,165 which compares to \$1,211,928,723 as of December 31, 2008. For the year ending December 31, 2009, the Plan's total investment return on the fair value of assets was a robust 21.5%. Total investment return for the Plan over the last three and five years was -2.4% and 2.2%, respectively. A detailed discussion of investment performance and asset allocation is provided in the Investment Section of this report.

## **Funding Status**

The funded status in basic terms is a comparison of the Plan's liabilities to assets expressed as either unfunded liability (\$) or as a ratio of assets over liabilities (%). Fund liabilities are dependent on actuarial assumptions and actuarial cost method. Fund assets can be measured at market value, book value, or some variation to smooth the market fluctuations that invariably occur from year to year. The funding status for the Plan is measured using liabilities under the Entry Age Normal funding method and the Actuarial Value of Assets. The Actuarial Value of Assets is determined by annually spreading the difference between expected investment earnings and actual investment earnings over a five year period.

Based on the Actuarial Value of Assets, the unfunded liability as of December 31, 2009 was a deficit of \$416,135,443 (including a GASB 43 unfunded liability of \$41,738,247) compared to a deficit of \$258,960,825 the previous year. The funding ratio as of December 31, 2009 is 79.4% compared to 86.8% in 2008.



## **Major Initiatives**

Illinois Public Act 096-0006, which became law on April 3, 2009, required that the Fund maintain a website that provides specific information to both our participants and various partners in the pension fund community. Special attention was paid to carefully complying with the "Investment Transparency" section of the Act. The website will provide customer service outreach that the Fund hopes will expand in time. Currently, participants are able to research the available benefits of the Fund, email questions to trustees and staff, as well as download a variety of forms and publications. In addition, relevant investment information such as performance, policies, and current manager searches can be found on the website. We hope to continually enhance the user experience over time and utilize this technology to provide value to our members.

Significant progress was made on the Plan's participant database system. The refund to participant module was completed and put into production. Phase One of the employee annuity module was also completed. This module is one of the most complex components of the database system. The ongoing development and integration of the database system into the Fund's workflow continues to increase the efficiency of the organization.

The Fund continued to complete its document imaging project. The imaging process provides preservation in the event of unforeseen loss or damage to paper files. In addition, by having electronic images of a file, multiple staff members can view the same file simultaneously as well as respond more quickly to inquiries. Significant progress was made in permanently preserving data integrity by creating electronic images of the contents of all participant files. More importantly, our document imaging software was integrated with our existing benefits management system in order to provide more efficient customer service. The documents and files of all Fund members are immediately scanned resulting in increased efficiency and improved customer service.

As a result of an Asset Liability Modeling study completed in 2008, the Fund initiated investments in two new asset classes in 2009. Hedge Fund of Funds and Emerging Markets were added to our portfolio. Through continued diversification of investment type, region, and management styles, our goal is to improve the expected long term results while maintaining an acceptable level of risk. Further detail is shown in the investment section of this report.

## **Internal Controls and Safeguards**

A set of internal and external controls is in place to provide reasonable assurance regarding the safekeeping of assets of the Plan, the reliability of financial records, and facilitation of efficient operations. Some of these controls are: 1) The accrual basis of accounting is used to record the financial transactions and activities of the Plan; 2) cash receipts are deposited timely with our custodial bank, the Northern Trust Company; 3) benefit disbursements are prepared and reviewed by the Plan's benefit specialists; 4) the Plan's financial statements are audited annually by the independent accounting firm of Calibre CPA Group PLLC (the audit report makes up the Financial Section of this report, along with required supplementary information and some additional schedules providing more detail relating to the Plan's financial activities); 5) copies of the audit report and actuarial report are submitted annually to the City Comptroller, the City Clerk, and the City Council of the City of Chicago as well as to the Division of Insurance at the Illinois Department of Financial and Professional Regulation (IDFPR); 6) the IDFPR also specifies the content of another detailed report submitted to it in accordance with Chapter 40, Act 5, Article 22, Section 503; 7) the Plan's invested assets as of year end were under the management of thirty-two independent professional investment managers.

### **GFOA Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Reports to Membership**

The Plan has issued a variety of reports covering 2008 and 2009 activity. Every spring, we mail participant statements to our active members. This statement details the participant's accumulated contributions to the Plan and beneficiary information on file. A newsletter to all membership is sent out every summer and winter informing members of any relevant administrative, legislative or retirement topics. We will send a summary of the annual report to members and annuitants. Authorized agents will also receive the annual report in June in addition to it being available upon request at our office as well as on our website.

### **Outlook for 2010**

Economic growth is expected to keep improving. Business spending is strong and should continue to be a key factor for a healthy economic recovery. Many economic indicators such as gross domestic product and corporate profits improved during the first quarter. Strong growth in productivity is contributing to corporate profitability and low inflation. The tightening of credit by banks raised the amount of reserves banks need to maintain. This tightening created the expectation that the beginning of the end of very accommodating monetary policy is at hand.

The first quarter of 2010 was the fourth consecutive quarter of positive returns for the equity markets. While the markets fell between mid-January and early February, the indices rose for the rest of the quarter to finish higher for the period. Small and mid cap stocks outpaced large caps while value topped growth for the quarter. International stock markets provided only marginal returns for the quarter. Because the U.S. dollar strengthened against most developed market currencies during this period, returns for U.S. investors were lower than for local currency investors.

Continuing the trend in fixed income markets in 2009, the spread sectors generally outperformed equal duration Treasuries during the first quarter. Commercial mortgage backed securities were the best performers. Both high yield and investment grade corporate bonds posted solid returns because of higher corporate profits. In contrast, treasury inflation protected securities performed relatively poorly. Treasury yields fluctuated as investors digested a host of occasionally conflicting economic data. The Fed recognized progress in the recovery and closed many of its supportive programs created during the crisis. However, credit remains tight, housing remains soft and uncertainty remains about the fiscal situations of various sovereign nations.

Based on generally improving economic data and continued strength in risky assets, the unprecedented global monetary and fiscal stimulus apparently has been successful in averting a prolonged recession and restoring confidence in financial markets. While the Federal Open Market Committee kept the Fed Funds

rate on hold during the quarter, the Federal Reserve Board took a number of actions to begin removing some of its quantitative easing programs, including the mortgage securities purchase program. A headwind that continues to impact the economy is the labor market. The unemployment rate has remained unchanged at an elevated 9.7% throughout the first quarter. Many challenges remain on the horizon that may temper the magnitude of growth we see over the next year. It is expected to be positive but about half as strong as other similar periods coming out of a recession. The Plan continues to monitor its investment program and strategy to ensure a favorable risk and return profile over the long term.

Benefit payments are expected to be higher in 2010 due to statutory cost of living increases while refund and administrative expenses are expected to remain steady in 2010.

With a funding ratio of 79.4%, we are well funded and quite capable of meeting our annual obligations. In order to put the LABF's funded ratio into perspective, it is useful to compare it to an average. The publication *Pensions and Investments* recently reported that, according to the Center for State & Local Government Excellence, "state and local government plans' average funding status was 78% in 2009, down from 84% a year earlier." Therefore, the LABF funded ratio has been and continues to be above average.

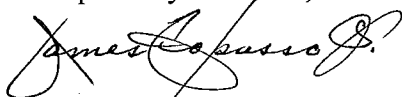
#### **Acknowledgements**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Plan's administrative staff, under the supervision of the Plan's Comptroller, Aileen M. Pecora. Every effort has been made to ensure that the information it contains is accurate and complete to the best of our ability. It is intended to provide a basis for making management decisions, to determine our compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by the members and their employer.

The Board and staff of the Plan are dedicated to preserving the retirement system 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. We are very grateful for the Board's diligence, concern, and support over many years of our efforts to improve the levels of service and benefits to our participants.

On behalf of the Board of Trustees, I would like to express my sincere appreciation to the staff and the professional consultants for their contributions made to this report and for their dedicated service toward the continued successful operations of the Plan.

Respectfully submitted,



James Capasso, Jr.  
Executive Director

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

**Board of Trustees**

Carmen Iacullo  
Annuitant Member  
**President**

Charles V. LoVerde III  
Appointed Union Member  
**Secretary**

Stephanie Neely  
City Treasurer  
**Treasurer/Ex-Officio Member**

Steven Lux  
City Comptroller  
**Ex-Officio Member**

Gene Saffold  
City Chief Financial Officer  
**Appointed Member**

Kenneth Cannata  
**Elected Member**

Nicole Hayes  
**Elected Member**

**Executive Staff**

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**Executive Director**

Aileen M. Pecora  
**Comptroller**

**Consultants**

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**Consulting Actuary**

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William A. Marovitz  
**Legal Counsel**

Terence Sullivan M.D.  
**Fund Physician**

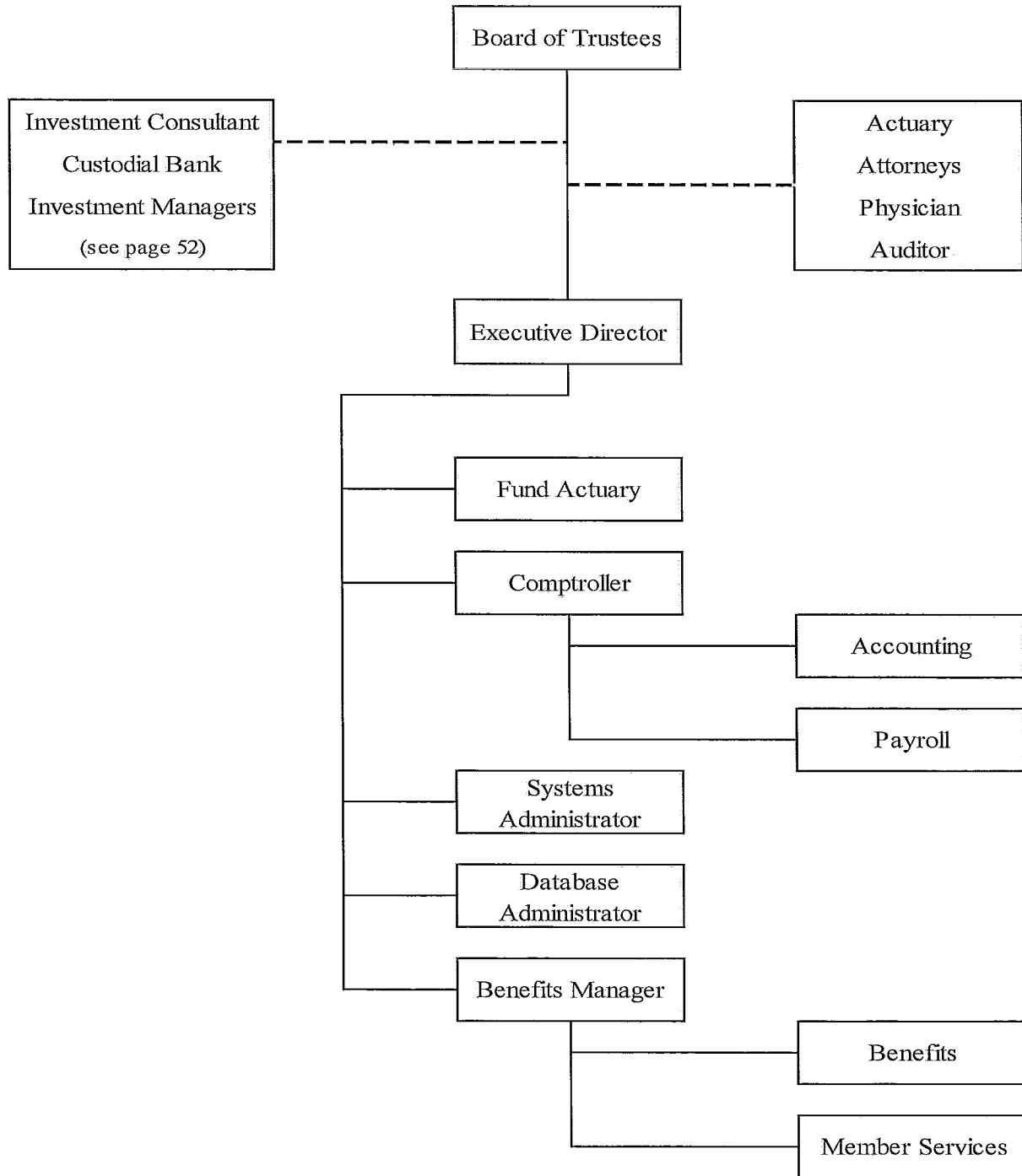
Calibre CPA Group PLLC  
**Auditor**

Becker, Burke Associates  
**Investment Consultant**

The Northern Trust Company  
**Custodial Bank**

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

## Administrative Organization



# **Financial Section**



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AND BUSINESS ADVISORS

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## Report of Independent Auditors

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

We have audited the accompanying statements of plan net assets of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Plan's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial status of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago at December 31, 2009 and 2008, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The additional information presented on pages 44 and 45 is presented for purposes of additional analysis and is not a required part of the financial statements of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of

Chicago. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management's Discussion and Analysis on pages 11 through 15, and the Schedule of Funding Progress, the Schedule of Employer Contributions, and Notes to the Schedules on pages 39 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Calibre CPA Group Puc*

Chicago, Illinois  
April 13, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is prepared by the management staff of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (LABF) for the purpose of providing an overview of the Plan's financial activities for the year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 2-6), the financial statements, required supplementary information and additional information.

### **Annual Financial Review**

Each year the Plan commissions an actuary to assess the financial strength of the Plan. The actuary compares the value of "benefit promises" made to its members 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 distributes investment gains and losses over a five year period in an attempt to smooth out market volatility. For fiscal year 2009, the consulting actuary reports the Plan's actuarial liability was \$2.017 billion and the actuarial value of assets was \$1.601 billion.

The comparison of the assets to liabilities is termed the funded ratio and represents the percentage of assets available to pay the promised benefits. When measured using the Actuarial Value of Assets, which smoothes investment gains and losses over a five year period, the funded ratio decreased from 86.8% in 2008 to 79.4% in 2009. The funded ratio is expected to decrease for the next three years at which point the significant investment losses from 2008 will be fully recognized.

### **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 Plan Net Assets and the Statements of Changes in Plan Net Assets. The Statements of Plan Assets report the balance of net assets held in trust for 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 Plan Net Assets report the net increase in net assets for the fiscal year, with comparative values reported for the previous fiscal year. This increase, when added to the previous year's net assets, supports the total net assets as reported in the Statements of Plan Net Assets.
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 Supplemental Information: The required supplemental information consists of the Schedule of Funding Progress, Schedule of Employer Contributions and related notes. These schedules and related notes emphasize the long-term nature of pension funds and show the Plan's progress in accumulating sufficient assets to pay benefits when due. These schedules present actuarial trend information for both the Plan and Other Postemployment Benefits (OPEB) that are associated with the Plan. The Plan participates in two different OPEB initiatives. First, the Plan, through its subsidy, and the City of Chicago share the cost of providing health care coverage to the City annuitant or their surviving spouse. Secondly, the Plan, as the employer offers to its retirees a postemployment group health care plan.

4. Additional Information: Schedules of Administrative Expenses, Investment Expenses and Professional Services are included to present the details of organizational costs incurred to operate the Plan.

### Investment Performance

Financial markets rebounded in 2009 following a near collapse in 2008. For three consecutive quarters, both domestic and international stock markets posted solid gains. The recession was officially declared over and investors drew confidence from increasing signs that the global economic recovery was gaining strength. Although 2009's annual performance is one of the best in recent memory, the five year returns are still well below expectations.

As reported by the Plan's investment consultant, the total investment return based upon fair value was 21.5% in 2009 versus -29.2% in 2008. U.S. Equity returns of 29.2% exceeded its benchmark of the S&P by 2.7% and International Equity returns of 40.1% surpassed the MS EAFE Net by 8.3%. Domestic large and mid cap stocks lagged smaller equities in the final quarter of the year while mid cap was the leader for the year. Information technology and health care were the strongest performing sectors. Double-digit gains were registered for nearly every sector at year end. Bond managers also rallied and posted a 12.1% return as compared to the Barclays Capital Aggregate bond index of 5.9 % for the year. Commercial mortgage-backed securities and the corporate sector were top performers. Real estate underperformed its benchmark by 6.8%, with a return of -36.6%. Venture capital and real estate asset classes have a nominal impact on overall Plan performance because they represent a small percentage of the portfolio (Venture 3.1% and Real Estate 3.0%).

Rates of Return for Fiscal 2009					
Asset Category	1 Year Return	5 Year Return	Index Name	1 Year Return	5 Year Return
Cash and short-term	-0.6%	2.9%	90 Day T-Bills	0.2%	3.0%
Fixed income	12.1	3.4	BC Aggregate	5.9	5.0
U.S. equities	29.2	1.1	S&P 500	26.5	0.4
International equities	40.1	2.9	MSCI EAFE Net	31.8	3.5
Venture capital	-10.4	8.7	Venture Capital	N/A	N/A
Real estate	-36.6	1.4	NCREIF Open End	-29.8	0.7
Total Plan	21.5%	2.2%	Allocation Index*	20.1%	2.7%

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

### Financial Analysis

The Laborers' Fund provides retirement benefits as well as death and disability benefits to qualified City of Chicago employees. The benefits are funded by member and employer contributions and income from investments. The following summarized comparison indicates that the net assets held in trust for payments of benefits at December 31, 2009 amounted to \$1.33 billion, which was an increase of \$144 million (12.1%) from \$1.18 billion at December 31, 2008. This contrasts with the decrease of \$594 million (-33.3%) in net assets that occurred between December 31, 2007 and December 31, 2008.

## Condensed Comparative Statements of Plan Net Assets

	December 31,			Net Change	
	2009	2008	2007	2008 to 2009	2007 to 2008
Receivables	\$ 25,211,573	\$ 22,679,888	\$ 22,135,605	\$ 2,531,685	\$ 544,283
Investments, at Fair Value	1,332,378,165	1,211,928,723	1,822,553,294	120,449,442	(610,624,571)
Invested Security Lending					
Cash Collateral	169,346,248	145,705,526	200,893,526	23,640,722	(55,188,000)
Property and Equipment	2,833,438	3,446,441	3,957,079	(613,003)	(510,638)
<b>Total Assets</b>	<b>1,529,769,424</b>	<b>1,383,760,578</b>	<b>2,049,539,504</b>	<b>146,008,846</b>	<b>(665,778,926)</b>
Liabilities	196,840,012	195,180,089	266,721,966	1,659,923	(71,541,877)
<b>Total Plan Net Assets</b>	<b>\$ 1,332,929,412</b>	<b>\$ 1,188,580,489</b>	<b>\$ 1,782,817,538</b>	<b>\$ 144,348,923</b>	<b>\$ (594,237,049)</b>

### Assets

Total assets increased in 2009 by \$146 million or 10.6%; a reversal from 2008's decrease of \$666 million. The increase or decrease of invested assets is directly tied to the strength of the financial markets at our fiscal year end. Security lending also follow market conditions, for when they are favorable, it becomes more attractive to lend securities.

As of December 31, 2009, total receivables, increased by more than \$2.5 million from 2008 as a result of \$4.3 million increase in the employer contribution and a decrease in accrued interest and dividends of roughly \$1.8 million. In 2008, total receivables remained relatively constant from the previous year and increased by a mere \$0.5 million.

Please refer to the Investment Section of this report for more information on the Plan's investments.

The Plan's property and equipment is primarily comprised of a custom developed software program. This program integrates the administrative functions of contribution accounting, benefit calculation and benefit payments.

### Liabilities

In 2009, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (86.0%); unsettled net investment trades at year end (10.3%); and accrued professional and investment management fees payable (3.7%). In 2008, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (74.7%); unsettled net investment trades at year end (18.5%); and accrued professional and investment management fees payable (6.8%). Because of the corresponding accounting entry, the rise or fall of the Liabilities account over the past few years primarily rests with the activity of the securities lending program and the cash collateral that is held at year end.

## Condensed Comparative Statements of Changes in Plan Net Assets

	Year Ended December 31,			Net Change	
	2009	2008	2007	2008 to 2009	2007 to 2008
<b>Additions</b>					
Contributions	\$ 34,728,108	\$ 36,998,863	\$ 33,872,389	\$ (2,270,755)	\$ 3,126,474
Total investment income	237,102,597	(510,462,568)	125,204,334	747,565,165	(635,666,902)
Total Additions	271,830,705	(473,463,705)	159,076,723	745,294,410	(632,540,428)
<b>Deductions</b>					
Benefits and refunds	123,816,866	117,146,951	112,567,428	6,669,915	4,579,523
Administrative expense	3,664,916	3,626,393	3,352,421	38,523	273,972
Total Deductions	127,481,782	120,773,344	115,919,849	6,708,438	4,853,495
Net increase in net assets	144,348,923	(594,237,049)	43,156,874	738,585,972	(637,393,923)
<b>Net assets held in trust for pension benefits</b>					
Beginning of year	1,188,580,489	1,782,817,538	1,739,660,664	(594,237,049)	43,156,874
Ending of year	\$ 1,332,929,412	\$ 1,188,580,489	\$ 1,782,817,538	\$ 144,348,923	\$ (594,237,049)

### Additions

The additions of member and employer contributions and investment income are the funding sources for benefit payments. In 2009, contributions decreased by \$2.2 million. Due to tough economic conditions, the City of Chicago instituted a freeze on hiring and mandated ten unpaid furlough days; thereby lowering salaries on which the employee contributions are based. Employer contributions are a function of employee contributions from two years prior; therefore, employer contributions follow the trend with employee wages. In fiscal year 2008, the contributions increased by \$3.1 million due to increases in employee salaries.

Investment income returned to adding value as the 2009 financial markets rallied. Although the portfolio experienced realized losses on security sales of \$67 million, this was offset by a \$278.8 million in unrealized gains. Securities lending also returned to adding value, posting a \$5.7 million gain after two years of unfavorable returns. Dividends and interest income fell by 31% in 2009, to \$26.7 million from 2008's posting of \$38.9 which fell from 2007's posting of \$46.4.

### Deductions

The expenditures paid by the Plan include annuity and disability benefit payments, contribution refunds and administrative expenses. Annuity expense increased 6.2% in 2009 as compared to 4.0% in 2008. Although the number of recipients of benefit checks increased modestly over the years (see Retiree and Beneficiaries by Type on page 74), the expense continues to increase at a greater rate. The reason is two fold; first the Plan provides a compounded cost of living increase to qualified employee annuitants each January, and secondly, due to active employee raises granted by the city, the average annuity granted to new retirees continues to be greater than the average of the on-going annuitants.

During 2009, administrative expenses increased by a modest 1%, as compared to the 8.4% increase in 2008. The Plan, sensitive to current economic conditions, implemented several initiatives to control costs. Internal staff prepared the paper participant files thereby lowering the cost of the document imaging project. Hiring an outside firm to do this work would have tripled the cost. In addition, capital improvements scheduled by the Information Technology department were deferred or a lower cost alternative was implemented.

### **Factors impacting 2010**

The 2010 financial markets will again be a challenge as the world central banks and governments try to remove themselves as the stabilizing force for the financial systems around the world. Although financial conditions are better, there still is uncertainty in the domestic economy due to the lack of job growth. Vulnerabilities of financial institutions in the European markets will have a global impact. In order to respond to these changing circumstances, the Board of Trustees continues to focus on the recently completed Asset Liability Modeling study. They will be looking into modifying investment strategies and rebalancing asset allocations.

In the spring of 2010, the state legislature, reacting to the funding challenges of the pension plans throughout the state, passed a law creating a tiered benefit plan for the municipal retirement systems. This new law creates a second tier of Plan benefits for participants who are new employees hired after December 31, 2010. Tier 2 participants will have to wait longer to retire than the current plan participants. For an unreduced benefit, a Tier 2 participant would first be eligible to retire at age 67 if they had at least ten years of service. They could retire at age 62 with the same number of years of service but they would receive a reduced benefit. The current plan allows retirement at age 50 (with 30 years of service) at age 55 (with 20 years of service) and age 60 (with 10 years of service). Tier 2 participant will also see a limit on the final average salary used to calculate their pension benefit and their annual cost of living increase after retirement will be indexed as opposed to being 3% compounded. There have been discussions that the General Assembly may work on a "trailer bill" that could include technical corrections, which may impact the current provisions of this new tier.

As part of its effort to obtain higher funding levels, the Trustees and staff of the Plan are willing to work together with the General Assembly and the Mayor of Chicago in order to monitor and manage pension issues.

### **Request for Information**

Questions about any information provided in this report should be addressed to:

Laborers' Annuity and Benefit Fund of Chicago

Attn: Executive Director

221 N LaSalle St Ste 748

Chicago IL 60601-1301

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

**STATEMENTS OF PLAN NET ASSETS**

DECEMBER 31, 2009 AND 2008

ASSETS	<u>2009</u>	<u>2008</u>
<b>RECEIVABLES</b>		
Employer	\$ 21,998,162	\$ 17,509,960
Plan member	498,990	771,079
Interest and dividends	2,595,228	4,391,249
Other receivables	119,193	7,600
Total receivables	<u>25,211,573</u>	<u>22,679,888</u>
<b>INVESTMENTS - at fair value</b>		
Cash and short-term investments	69,764,327	69,449,431
Equities	780,906,976	575,505,150
Equities loaned to third parties	128,729,335	94,194,925
Total equities	<u>909,636,311</u>	<u>669,700,075</u>
Fixed income	203,416,413	341,568,373
Fixed income loaned to third parties	35,396,055	48,625,902
Total fixed income	<u>238,812,468</u>	<u>390,194,275</u>
Venture capital	38,701,454	39,931,972
Real estate	32,109,854	42,652,970
Hedge funds	43,353,751	-
Subtotal	<u>1,332,378,165</u>	<u>1,211,928,723</u>
Securities lending cash collateral	169,346,248	145,705,526
Total investments - fair value	<u>1,501,724,413</u>	<u>1,357,634,249</u>
<b>PROPERTY AND EQUIPMENT</b>	2,833,438	3,446,441
Total assets	<u>1,529,769,424</u>	<u>1,383,760,578</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to brokers - net	20,169,319	36,192,755
Refunds, professional fees payable and other liabilities	7,324,445	13,281,808
Securities lending cash collateral	169,346,248	145,705,526
Total liabilities	<u>196,840,012</u>	<u>195,180,089</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 1,332,929,412</u>	<u>\$ 1,188,580,489</u>

See accompanying notes to financial statements.

**LABORERS' AND RETIREMENT BOARD EMPLOYEES'**  
**ANNUITY AND BENEFIT FUND OF CHICAGO**  
**STATEMENTS OF CHANGES IN PLAN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 17,189,811	\$ 17,580,428
Plan member	<u>17,538,297</u>	<u>19,418,435</u>
Total contributions	<u>34,728,108</u>	<u>36,998,863</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	211,581,778	(533,441,274)
Interest	15,140,956	24,534,674
Dividends	10,904,307	12,512,157
Venture capital income - net	619,143	844,241
Real estate operating income - net	(82,454)	1,099,800
Hedge fund income - net	<u>175,960</u>	<u>-</u>
	238,339,690	(494,450,402)
Less investment expenses	<u>(6,966,777)</u>	<u>(7,390,419)</u>
Investment income - net	<u>231,372,913</u>	<u>(501,840,821)</u>
Securities lending		
Income	<u>7,045,915</u>	<u>(7,009,905)</u>
Expenses		
Borrower rebates	116,110	(3,767,278)
Management fees	<u>(1,432,341)</u>	<u>2,155,436</u>
Total securities lending expenses	<u>(1,316,231)</u>	<u>(1,611,842)</u>
Securities lending income - net	<u>5,729,684</u>	<u>(8,621,747)</u>
Total additions	<u>271,830,705</u>	<u>(473,463,705)</u>
<b>DEDUCTIONS</b>		
Benefits	120,998,446	113,652,844
Refunds	2,818,420	3,494,107
Administrative and litigation expenses	<u>3,664,916</u>	<u>3,626,393</u>
Total deductions	<u>127,481,782</u>	<u>120,773,344</u>
NET INCREASE (DECREASE)	144,348,923	(594,237,049)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of year	<u>1,188,580,489</u>	<u>1,782,817,538</u>
End of year	<u>\$ 1,332,929,412</u>	<u>\$ 1,188,580,489</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2009 AND 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Investments** - Investments are reported at fair value which generally represents reported market value as of the last business day of the year. Quoted market prices, when available, have been used to value investments. For equities, fair value is determined by using the closing price listed on the national securities exchanges as of December 31. Fair value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. Cash and short-term investments are valued at fair value which approximates cost. Alternative investments, which include real estate, venture capital investments and hedge funds, are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as cash flow analysis, recent sales prices of investments, comparison of comparable companies' earnings multiples, withdrawal restrictions, annual audits, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The reported values of real estate and venture capital 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 as due to broker. At December 31, 2009 and 2008, \$36,151,235 and \$43,534,503, respectively, were due to broker, and \$15,981,916 and \$7,341,748, 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. Depreciation is computed by using the straight line method over an estimated useful life of five years, except for the custom software package development which is depreciated over 10 years.

**Subsequent Events Review** - Subsequent events have been evaluated through April 13, 2010, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

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

**NOTE 2. PLAN DESCRIPTION**

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

The Statutes authorize a Board of Trustees of eight members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, two are to be elected by the employee members of the Plan, one is to be elected by the retired members of the Plan, one is to be appointed by the local labor union and two are to be appointed by the Department of Human Resources (formerly the Department of Personnel). The two ex officio members are the City Comptroller or someone chosen from the Comptroller's office and the City Treasurer or someone chosen from the Treasurer's office. All members of the Board of Trustees are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the City Council of the City of Chicago a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Financial and Professional Regulation's (IDFPR) Division of Insurance, as well as another detailed annual report, the form and content of which is specified by the IDFPR's Division of Insurance.

**NOTE 2. PLAN DESCRIPTION (CONTINUED)**

Any employee of the City of Chicago or the Board of Education of the City employed under the provisions of the municipal personnel ordinance as labor service or any person employed by a retirement board of any annuity and benefit fund in the City is covered by the Plan. Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest. The City of Chicago, for its employer's portion, is required by State Statutes to contribute an amount equal to 8% of each individual employee's salary as well as the remaining amounts necessary to finance the requirements of the Plan. The City's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Plan in the calendar year two years prior to the current year, multiplied by 1.00. The source of funds for the City's contribution has been designated by State 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 City of Chicago payroll for employees covered by the Plan for the years ended December 31, 2009 and 2008 was \$208,626,493 and \$216,744,211, respectively. The Plan is considered by the City to be a component unit of the City of Chicago and is included in the City's financial statements as a pension trust fund.

The Plan provides retirement benefits as well as death and disability benefits. 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 (highest average annual salary for any four consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by 1/4 of 1% for each month the employee is under age 60, unless the employee is 50 or over with at least 30 year of service or 55 or over with at least 25 years of service. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRS) §401(a)(17) and §415 limitations. Beginning January 1, 1999, 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. The monthly annuity is increased by 3% of the current annuity beginning the January 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.

At December 31, 2009 and 2008, plan members consisted of the following:

	<u>2009</u>	<u>2008</u>
Retiree and beneficiaries currently receiving benefits	3,996	3,991
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,460	1,463
Active plan members (including plan members receiving disability benefits)		
Vested	2,392	2,289
Non-vested	732	1,036
Total plan members	<u>8,580</u>	<u>8,779</u>

### NOTE 3. INVESTMENTS

#### Investment Policies

Investments are governed by Sections 5/1 and 5/11, Chapter 40, of the Illinois Compiled 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 State Statutes.

#### 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.

#### Investment Summary

All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes. The composition of investments, by investment type, as of December 31, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Cash and short-term investments	\$ 69,764,327	\$ 69,449,431
Equities		
U.S. equities	525,791,967	427,572,876
U.S. equity funds	143,411,653	112,627,760
Foreign equities	215,432,691	129,499,439
Foreign equity funds	25,000,000	-
Total equities	<u>909,636,311</u>	<u>669,700,075</u>
Fixed income		
U.S. Government obligations and municipal bonds	109,068,435	208,246,607
U.S. Corporate bonds	121,752,445	169,464,728
Foreign fixed income securities	7,991,588	12,482,940
Total fixed income	<u>238,812,468</u>	<u>390,194,275</u>
Venture capital	<u>38,701,454</u>	<u>39,931,972</u>
Real estate	<u>32,109,854</u>	<u>42,652,970</u>
Hedge funds	<u>43,353,751</u>	-
Subtotal	<u>1,332,378,165</u>	<u>1,211,928,723</u>
Securities lending cash collateral	<u>169,346,248</u>	<u>145,705,526</u>
Total investments at fair value	<u>\$ 1,501,724,413</u>	<u>\$ 1,357,634,249</u>

### NOTE 3. INVESTMENTS (CONTINUED)

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

Given the extreme illiquidity in the market in the last quarter of 2008, our custody bank felt it prudent to make a change to the short term collective pool. Slightly over half of the Plan's short term investments were removed from the collective pool and placed in a separate account, in effect separating illiquid investments from liquid investments. While the market value of these investments is currently below cost, the Plan fully expects these securities to attain par value at maturity date. Throughout 2009, the Plan did receive the expected par value on the securities that had reached maturity date.

#### 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, 2009 and 2008, 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>2009</u>	<u>2008</u>
Amount exposed to custodial credit risk -		
Investments in foreign currency	<u>\$ 265,459</u>	<u>\$ 127,761</u>

#### Concentration of 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. Some fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are not considered to have credit risk.

The fixed income 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. There were no investments from a single issuer that exceeded 5% of the total net assets of the Plan.

### NOTE 3. INVESTMENTS (CONTINUED)

#### Concentration of Credit Risk (continued)

A bond's credit quality is a standard used by the investment community to assess the issuer's ability to make interest payments and to ultimately make principal payments. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investor Service (Moody's) or Standard and Poor's (S&P). In the rating agency's opinion, the lower the rating, the greater the chance that the bond issuer will default, or fail to meet its payment obligations. The following table presents the credit risk profile, based on Moody's Investor Service for fixed income securities held by the Plan as of December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
<u>Quality Rating</u>		
Aaa	\$ 63,143,492	\$ 128,962,508
Aa	10,541,385	13,094,187
A	20,519,441	26,547,865
Baa	26,710,547	38,595,655
Ba	3,714,975	4,580,928
B	4,430,449	1,704,149
Caa	4,824,837	1,667,169
Ca	1,274,053	116,763
C	23,846	997,644
Not rated or unavailable	43,321,395	52,245,168
Total credit risk debt - securities	178,504,420	268,512,036
U S Governmental guaranteed	60,308,048	121,682,239
Total fixed income	<u>\$ 238,812,468</u>	<u>\$ 390,194,275</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, 2009, the following table shows the investments by investment type and maturity (expressed in thousands).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10+ Years</u>	<u>Variable</u>
Asset backed securities	\$ 9,900	\$ -	\$ 3,007	\$ 160	\$ 6,733	\$ -
Commercial mortgage backed	13,070	3	473	-	12,594	-
Corporate bonds	89,738	2,297	19,992	18,359	16,745	32,345
Government agencies	17,034	-	9,861	3,043	4,130	-
Government bonds	27,701	-	7,269	9,854	10,578	-
Government mortgage backed	58,030	-	399	3,149	36,199	18,283
Index linked gov't bonds	7,418	-	207	6,350	861	-
Municipal bonds	86	-	-	-	86	-
Non-government backed CMO's	14,790	-	55	1,245	13,490	-
Other fixed income	1,045	-	-	-	-	1,045
Total fixed income	<u>\$ 238,812</u>	<u>\$ 2,300</u>	<u>\$ 41,263</u>	<u>\$ 42,160</u>	<u>\$ 101,416</u>	<u>\$ 51,673</u>

#### Investment Results

During 2009 and 2008, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were \$(67,226,457) and \$(82,875,031), respectively. These amounts are included in the net appreciation (depreciation) in fair value of investments as reported on the Statement of Changes in Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) 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 (depreciation) 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 their 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, 2009 and 2008, is presented in the following table.

<u>Currency</u>	<u>2009</u>	<u>2008</u>
Australian dollar	\$ 6,951,254	\$ 4,358,313
Brazilian dollar	9,692,186	762,161
Canadian dollar	2,409,688	2,589,740
Swiss franc	10,404,313	8,615,041
Danish krone	2,196,153	2,353,429
Euro	37,633,385	28,951,501
British pound sterling	35,099,267	23,385,295
Hong Kong dollar	12,248,397	6,513,078
Indonesian rupiah	2,120,028	193,865
New Israeli shekel	279,250	-
Japanese yen	25,819,212	21,760,487
South Korean won	4,737,881	1,556,508
Mexican peso	3,401,008	1,692,070
Malaysian ringgit	1,487,911	523,409
Norwegian krone	1,484,420	1,197,577
Polish zloty	266,695	96,794
Swedish krona	5,686,974	2,865,183
Singapore dollar	4,239,524	2,903,994
Thai baht	520,424	-
Turkish lira	458,721	-
South African rand	4,796,074	1,112,560
United States dollar	68,499,926	18,068,434
Subtotal foreign equities	<u>240,432,691</u>	<u>129,499,439</u>
United States dollar	<u>7,991,588</u>	<u>12,482,940</u>
Subtotal foreign fixed income securities	<u>7,991,588</u>	<u>12,482,940</u>
Total foreign securities	<u>\$ 248,424,279</u>	<u>\$ 141,982,379</u>

#### NOTE 4. SECURITIES LENDING

State Statutes and the Board of Trustees 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. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

The Plan receives 80% of the net revenue derived from the securities lending activities, and the bank receives the remainder of the net revenue.

The Plan is not restricted as to the type of securities it may loan but the Plan currently has a loan limit in place for \$199,753,810. 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 64 days for both 2009 and 2008; 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 65 days as of December 31, 2009 and an average weighted maturity of 45 days as of December 31, 2008. 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, 2009 and 2008, 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, 2009 and 2008, the fair value of securities loaned was \$164,125,390 and \$142,820,827, respectively. At December 31, 2009 and 2008, the securities loaned were collateralized as follows:

	<u>2009</u>	<u>2008</u>
Collateralized by cash	\$ 169,346,248	\$ 145,705,526
Collateralized by other than cash	<u>170,951</u>	<u>11,434</u>
Total	<u>\$ 169,517,199</u>	<u>\$ 145,716,960</u>

During 2009 and 2008, 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.

On September 15, 2008, Lehman Brothers International Europe (LBIE) and on September 18, 2008, Lehman Brothers Inc. (LBI) were called into default on obligations under the terms of one or more of the Securities Borrowing Agreements. The Plan was compensated for any security that was not returned from loan in accordance with the contractual obligations.



#### **NOTE 4. SECURITIES LENDING (CONTINUED)**

Due to the volatile financial markets of late 2008, the securities lending program has produced significant negative income unlike any year in the history of securities lending. The Plan recorded a corresponding liability and the custodial bank has agreed to continue to carry forward the liability and post future securities lending earnings against the current liability.

#### **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 Statement of Plan Net Assets. The gain or (loss) on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Assets as part of investment income.

#### **NOTE 6. RELATED PARTY TRANSACTIONS**

At December 31, 2009 and 2008, the Plan held securities in three of its investment management companies with a fair value of \$3,235,261 and \$2,495,025, respectively.

#### **NOTE 7. WHEN-ISSUED TRANSACTIONS**

The Plan may purchase securities on a when-issued basis; that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value of the security, which may vary with market fluctuations, is not reflected in the value of investments. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment take place. As of December 31, 2009 and 2008, the Plan contracted to acquire securities on a when-issued basis with total principal amounts of \$19,730,000 and \$34,095,000 and fair values of \$20,640,335 and \$34,893,011, respectively.

#### **NOTE 8. COMMITTED CASH**

The Plan has entered into investment arrangements for real estate and venture capital. As of December 31, 2009 and 2008, the Plan had \$31,833,312 and \$40,414,991, in outstanding capital commitments, respectively.

**NOTE 9. SUMMARY OF EMPLOYER FUNDING POLICIES**

The City shall levy a tax annually which, when added to the amounts deducted from the salaries of the employees or otherwise contributed by them, will be sufficient for the requirements of the Plan. The tax will produce an amount that does not exceed the amount of contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.00 for the year 1999, and each year thereafter.

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.

As a result of Public Act 093-0654, the City is not required to make a contribution for the plan year if the accrued liabilities, excluding the liabilities that arose from the early retirement incentive (ERI) of 2004, are 100 percent funded by the Actuarial Value of Assets.

The current actuarial studies of the Plan as of December 31, 2009 (2010 Tax Levy) and as of December 31, 2008 (2009 Tax Levy) indicated that a minimum annual contribution was required by the City to maintain the Plan on a minimum valuation basis. The recommended minimum annual contribution based on an annual payroll of \$208,626,493 for 3,124 active members for the 2010 tax levy and \$216,744,211 for 3,325 active members for the 2009 tax levy is computed as follows:

	2010 <u>Tax Levy</u>	2009 <u>Tax Levy</u>
Normal cost	\$ 32,544,629	\$ 33,594,167
30 year level dollar amortization of unfunded liability (surplus)	33,245,314	20,310,424
Interest adjustment for semimonthly payment	<u>2,611,958</u>	<u>2,127,678</u>
Total minimum contribution	68,401,901	56,032,269
Less estimated plan member contributions	<u>(18,127,860)</u>	<u>(18,833,220)</u>
Annual required contribution (ARC) to be financed by tax levy*	<u>\$ 50,274,041</u>	<u>\$ 37,199,049</u>
Required tax levy multiple for the Plan	<u>2.76</u>	<u>2.12</u>

\*Value for 2010 and 2009 ARC includes GASB No. 43 ARC of \$3,609,337 and \$3,681,620, respectively.

## NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation. Net assets held in trust for pension benefits as of December 31, 2009 and 2008, were comprised of the following Plan surplus (deficit) balances:

	<u>2009</u>	<u>2008</u>
Prior Service Fund	\$ 1,168,454,858	\$ 1,130,362,969
City Contribution Fund	242,928,611	243,058,098
Salary Deduction Fund	242,861,683	242,988,982
Annuity Payment Fund and Reserve	400,473,170	340,908,222
Supplementary Payment Reserve	69,562	69,562
Fund Reserve - (deficit)	<u>(721,858,472)</u>	<u>(768,807,344)</u>
Total net assets held in trust for pension benefits	<u>\$ 1,332,929,412</u>	<u>\$ 1,188,580,489</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 benefit.

**NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)**

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

During the years ended December 31, 2009 and 2008, the Plan's actuary has determined that an increase in actuarial reserves of \$60,099,243 for 2009 and an increase in actuarial reserves of \$107,681,315 for 2008 are required. The excess or shortage of revenue over expenses for the years ended December 31, 2009 and 2008, have been applied to the actuarial reserves as noted above, which has resulted in an increase in the Plan deficit of \$157,174,618 for the year ended December 31, 2009 and an increase of \$166,965,255 for the year ended December 31, 2008.

As reported by the actuary, the changes in the Plan surplus (deficit) during the years ended December 31, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Fund surplus (deficit) at the beginning of the year	\$ (258,960,825)	\$ (91,995,570)
Gains (losses) during the year attributable to:		
Salaries under assumed rate	13,437,593	(12,298,504)
Investment yield over/under 8.0% assumed	(136,557,090)	(112,839,821)
Annual required contributions		
from levy and employee contributions	(20,908,058)	(1,261,981)
Miscellaneous actuarial experience	(13,067,408)	(10,719,816)
Gain (loss) from data corrections	(79,655)	(3,650,332)
Gain (loss) from active member definition change	-	(26,194,801)
Net gain / (loss)	<u>(157,174,618)</u>	<u>(166,965,255)</u>
Fund deficit at the end of the year	<u>\$ (416,135,443)</u>	<u>\$ (258,960,825)</u>

The above detail denotes the change in the Plan surplus (deficit) based on assets valued using a Five Year Smoothed Average Market, a market related actuarial asset value as required by Governmental Accounting Standards Board Statement No. 25.

**NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)**

Some of the more significant actuarial assumptions used in the valuations for 2009 and 2008, were as follows:

The actuarial method used in the valuation was the Entry Age Normal Actuarial Cost Method.

Life expectancy of participants: 1994 Group Annuity Mortality sex distinct tables set forward two years

Disability: Disability cost valued as a term cost of 1.50 percent of payroll

Retirement age assumptions (based on actual past experience): All retire by age 70

Investment rate of return (net of expenses): 8% compounded annually

Salary increase: 4.5% compounded annually, plus a service based increase in the first five years

A Schedule of Funding Progress is located in the Required Supplementary Information on page 39. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

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

	<u>2009</u>	<u>2008</u>
Employer contribution	\$ 22,817,022	\$ 17,891,000
Less allowance for uncollectable accounts	<u>(818,860)</u>	<u>(381,040)</u>
Total	<u>\$ 21,998,162</u>	<u>\$ 17,509,960</u>

**NOTE 12. LEASE AGREEMENTS**

The Plan leases its office and storage facilities under extended noncancelable agreements in effect through February 28, 2011. The lease currently requires monthly payments of \$19,183. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance charges. Rental expense for the years ended December 31, 2009 and 2008, was \$218,208 and \$237,902, respectively. Future minimum rental payments required under noncancelable operating leases are as follows:

Year ending December 31,	
2010	\$ 230,196
2011	<u>38,366</u>
Total	<u>\$ 268,562</u>

**NOTE 13. DISASTER RECOVERY**

The disaster recovery site establishes proactive measures to ensure the continuity of Plan operations during emergencies. Five Chicago pension funds (Laborers', Municipal, Police, Fire, and Cook County) are jointly participating in this project. The goal is to possess the capability to access the Plan's main information technology systems at a remote location within 36 hours of any emergency. Toward that goal, the five funds lease office and storage facilities under an extended noncancelable agreement in effect through August 31, 2016. Monthly lease payments have been agreed upon for the length of the lease. Disaster recovery expense for the years ended December 31, 2009 and 2008 was \$29,709 and \$33,473, respectively. The Plan's share of future minimum rental payments, required under noncancelable operating leases, are as follows:

Year ending December 31,	
2010	\$ 9,735
2011	10,030
2012	10,335
2013	10,648
2014	10,970
2015 through 2016	<u>19,034</u>
Total	<u>\$ 70,752</u>

**NOTE 14. RISKS OF LOSS**

In order to protect itself against liabilities and losses, the Plan purchases multi-peril, fidelity bond, fiduciary liability, and health insurance. The cost of the health insurance is borne by both the Plan and employees established on the basis of coverage provided.

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

**NOTE 15. PROPERTY AND EQUIPMENT**

Property and equipment detail for the years ended December 31, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 325,779	\$ 308,672
Custom software package	<u>6,026,102</u>	<u>6,001,842</u>
	6,351,881	6,310,514
Accumulated depreciation	<u>(3,518,443)</u>	<u>(2,864,073)</u>
Property and equipment - net	<u>\$ 2,833,438</u>	<u>\$ 3,446,441</u>

Depreciation expense for the years ended December 31, 2009 and 2008, was \$654,370 and \$644,925, respectively.

## NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN – CITY RETIREES

**Plan Description** - Effective July 1, 2003, the Plan and the City of Chicago agreed for a ten year period to share in the cost of providing health care coverage to the annuitants or their surviving spouses who elect to participate in the City of Chicago’s Annuitant Medical Benefits Program. This single employer plan provides medical and prescription drug benefits to eligible retirees, spouses, and dependent children.

**Funding Policy** - The Plan’s contribution requirement is established by the state legislature and may be amended. Through June 30, 2008, the Plan was allowed, in accordance with State Statutes, to subsidize the cost of monthly group health care premiums up to \$85 per month for non-Medicare recipients and \$55 per month for Medicare recipients. From July 1, 2008 through June 30, 2013, the amount of Fund paid health care premiums increased to \$95 per month for non-Medicare recipients and \$65 per month for Medicare recipients. The remaining cost to participate in the Program is borne by the City of Chicago and the annuitant.

In this report, the Plan, in accordance with GASB No. 43, *Financial Reporting for Post-employment Benefit Plans other than Pensions*, includes disclosures of a separate annual required contribution (ARC) for Other Postemployment Benefits (OPEB) beginning with the Plan’s 2006 fiscal year. It also requires that the investment return assumption (or “discount rate”) used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

**Annual Required Contribution** - The Plan’s annual required contribution, employer contribution, and the percentage of annual required contribution contributed to the Plan since Fiscal Year End 2006, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>Percentage of ARC Contributed</u>
12/31/2006	\$ 3,542,974	\$ -	0.0%
12/31/2007	3,567,685	2,202,835	61.7
12/31/2008	3,564,966	2,347,624	65.9
12/31/2009	3,681,620	2,563,040	69.6

There was no ARC prior to 2006

At December 31, 2009, the number of annuitants or surviving spouses whose cost to participate in the Program was subsidized, totaled 2,802; at December 31, 2008, the total was 2,779.



**NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN – CITY RETIREES (CONTINUED)**

**Funded Status and Funding Progress** - The funded status of the plan as of December 31, 2009, is as follows:

Actuarial accrued liability (AAL)	\$ 41,738,247
Net Plan Actuarial Assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 41,738,247</u>
Funded ratio	0.0%
Covered payroll	\$ 208,626,493
UAAL as a % of covered payroll	20.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 39, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 0% due to the fact that the OPEB is a fixed dollar subsidy and trend is not applicable. The assumption includes projected salary increases of 4.5% per year. Both assumptions include an inflation rate of 3.0% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. The amortization method is level dollar on an open basis and the remaining amortization period at December 31, 2009 was 30 years.

**NOTE 17. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER**

**Plan Description** - The Plan, as an employer, administers a single-employer postemployment healthcare plan (“Retiree Health Plan”) under the provisions of Illinois Statutes. The Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through the Plan’s group health insurance plan, which covers both active and retired members. Currently, 5 retirees are in the plan and 20 active employees could be eligible at retirement.

**NOTE 17. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER (CONTINUED)**

**Funding Policy** - The contributions requirements of plan members and the Plan are established by the Plan's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements. For 2009, the Plan contributed \$37,770 to the plan. Plan members receiving benefits contributed \$11,550 in 2009 or 28.7% of the total premiums for the year, through their required contributions of between \$62 and \$406 per month based on coverage. The premium rates paid by the retirees are the same rates as those paid by City of Chicago retirees.

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

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 262,012	\$ 245,497
Interest on net OPEB obligation	18,471	9,214
Adjustment to ARC	<u>(24,114)</u>	<u>(12,029)</u>
Annual OPEB expense	256,369	242,682
Contributions made	<u>(37,770)</u>	<u>(36,972)</u>
Increase in net OPEB obligation	218,599	205,710
Net OPEB obligation - beg. Of year	<u>410,464</u>	<u>204,754</u>
Net OPEB obligation - end of year	<u>\$ 629,063</u>	<u>\$ 410,464</u>

In 2009, the Plan contributed 14.4% of the annual required OPEB contribution to the plan.

**Actuarial Valuation Information**

Actuarial Valuation Date*	Actuarial Value of Plan Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Liability (UAL) (c)	Funding Ratio (a/b)	Actuarial Covered Annual Payroll (d)	UAL as a Percentage of Covered Payroll (c/d)
12/31/2006	\$ -	\$ 1,874,900	\$ 1,874,900	\$ -	\$ 1,220,500	153.6%

\* For a plan the size of the LABF as Employer plan, GASB allows a valuation report to be used for up to 3 years if there are not significant changes in plan design, premiums/claims, or demographics that would materially change the results. The next actuarial valuation will be performed as of December 31, 2009 which will be completed in 2010. The current valuation is available in the Plan's office.

## **NOTE 17. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 40, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate for medical of 10% per year graded down to 5% per year (ultimate trend in 1% increments) and a rate for dental of 6% per year graded down to a 4.5% per year (ultimate trend in 0.5% increments.) The assumption includes projected salary increases of 4.5% per year. Both assumptions include an inflation rate of 3.0% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. The amortization method is level dollar on an open basis and the remaining amortization period at December 31, 2006 was 30 years.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

**SCHEDULE OF FUNDING PROGRESS FOR GASB 25**  
(dollar amounts in thousands)

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2004	\$1,649,959	\$ 1,674,615	\$ 24,656	98.53%	\$ 171,477	14.38%
2005 <sup>1</sup>	1,635,595	1,742,300	106,705	93.88	182,809	58.37
2006 <sup>2</sup>	1,664,058	1,767,682	103,624	94.14	193,176	53.64
2007 <sup>2</sup>	1,757,711	1,808,295	50,584	97.20	192,847	26.23
2008 <sup>2</sup>	1,698,427	1,915,324	216,897	88.68	216,744	100.07
2009 <sup>2</sup>	1,601,352	1,975,749	374,397	81.05	208,626	179.46

<sup>1</sup> OPEB liabilities are discounted at a rate of 4.50% beginning in 2005.

<sup>2</sup> OPEB liabilities are excluded beginning in 2006.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
(dollar amounts in thousands)

Year Ended <u>December 31,</u>	Annual Required Contribution <sup>1,4</sup>	Required Statutory Basis <sup>2</sup>	Actual Contribution <sup>3</sup>	Percentage of ARC Contributed
2004	\$ 8,513	\$ 18,788	\$ 203	2.38 %
2005	12,774	18,212	40	0.32
2006	17,600	16,506	106	0.60
2007	21,726	12,624	13,256	61.01
2008	17,652	14,894	15,233	86.30
2009	33,517	14,366	14,627	43.64

<sup>1</sup> Under Normal Cost plus Level Dollar Amortization. Amortization period of 30 years beginning in 2007 and 40 years prior to 2007. Negative ARC values are set to zero, as no contribution is then required.

<sup>2</sup> Tax levy after 4% overall loss.

<sup>3</sup> Net tax levy plus miscellaneous. Includes prior year adjustments for taxes beginning in 1991.

<sup>4</sup> ARC excludes amount attributed to health insurance supplement beginning 2006.

Note: The City of Chicago did not levy a tax for the Plan for payments in 2000 through 2006.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

**SCHEDULE OF FUNDING PROGRESS OF OPEB LIABILITIES FOR GASB 43**  
(dollar amounts in thousands)

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006	\$ -	\$ 41,554	\$ 41,554	0.00%	\$ 193,176	21.51%
2007	-	41,411	41,411	0.00	192,847	21.47
2008	-	42,064	42,064	0.00	216,744	19.41
2009	-	41,738	41,738	0.00	208,626	20.01

**SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES FOR GASB 43**  
(dollar amounts in thousands)

Year Ended <u>December 31,</u>	Annual Required Contribution	Percentage of ARC Contributed
2006	\$ 3,543	0.0%
2007	3,568	61.7
2008	3,565	65.9
2009	3,682	69.6

**SCHEDULE OF FUNDING PROGRESS OF OPEB LIABILITIES FOR GASB 45**  
(dollar amounts in thousands)

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006*	\$ -	\$ 1,875	\$ 1,875	0.00%	\$ 1,221	153.62%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES FOR GASB 45**  
(dollar amounts in thousands)

Year Ended <u>December 31,</u>	Annual Required Contribution	Percentage of ARC Contributed
2007	\$ 230	10.9%
2008	245	15.1
2009	262	14.4

\* Assuming no significant changes in the following three years, the next actuarial valuation will be as of December 31, 2009.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

**NOTES TO SCHEDULE OF FUNDING PROGRESS  
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB 25**

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

Amortization method	Level Dollar; Open
Amortization period	30 Years
Actuarial cost method	Entry Age Normal
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return <sup>1</sup>	8%
Projected base salary increases <sup>1</sup>	4.5% per year, plus a service based increase in the first five years

<u>Service</u>	<u>Additional Increase</u>	<u>Total Increase</u>
0	4.50%	9.00%
1	3.50	8.00
2	2.50	7.00
3	1.50	6.00
4	0.50	5.00
5 & over	0.00	4.50

<sup>1</sup> includes 3.0% inflation assumption

Postretirement benefit increase	3.0% per year for employee annuitants beginning at the earlier of 1) the later of the 1 <sup>st</sup> of January of the year after retirement and age 60 2) the later of 1 <sup>st</sup> of January of the year after the second anniversary of retirement and age 53
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**LABORERS' AND RETIREMENT BOARD EMPLOYEES'  
ANNUITY AND BENEFIT FUND OF CHICAGO**

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2009

**NOTES TO SCHEDULE OF FUNDING PROGRESS  
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OF OPEB LIABILITIES FOR GASB 43 & 45**

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

Amortization method	Level Dollar; Open
Amortization period	30 Years
Actuarial cost method	Entry Age Normal
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions	
OPEB investment rate of return <sup>1</sup>	4.5%
Projected base salary increases <sup>1</sup>	4.5% per year, plus a service based increase in the first five years

<u>Service</u>	<u>Additional Increase</u>	<u>Total Increase</u>
0	4.50%	9.00%
1	3.50	8.00
2	2.50	7.00
3	1.50	6.00
4	0.50	5.00
5 & over	0.00	4.50

<sup>1</sup> includes inflation at 3% per year

Healthcare cost trend rate	0.0% (Trend not applicable -- Fixed dollar subsidy)
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OPEB-LABF as employer: Medical: 10%  
per year graded down to 5% per year  
ultimate trend in 1% increments  
Dental: 6% per year graded down to 4.5 %  
per year  
ultimate trend in 0.5% increments



**ADDITIONAL INFORMATION**

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

**SCHEDULES OF ADMINISTRATIVE AND LITIGATION EXPENSES**

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<b>ADMINISTRATIVE EXPENSE</b>		
Salaries:		
Employees	\$ 1,383,712	\$ 1,330,490
Payroll taxes	21,509	19,762
Group health insurance	303,060	295,034
Life insurance	4,425	4,566
Transit Program	217	210
Services:		
Actuarial consulting	5,000	6,500
Actuarial valuation	63,940	59,011
Custom Software Development	51,324	-
Check production	94,586	92,831
Legal expense	69,589	68,776
Medical expense	37,260	36,168
Auditing	36,000	36,000
Consulting	11,200	16,700
Conference, membership and education	11,446	10,055
Election expense	522	940
Printing and technical services	61,151	43,965
Computer equipment and service	26,570	36,642
Office supplies and equipment	10,526	24,438
Postage	19,146	21,263
Insurance premiums	156,304	159,806
Rent and electricity	226,518	247,020
Department of Insurance compliance fee	8,000	8,000
Telecommunications	6,013	1,674
Disaster recovery site	29,709	33,473
Document Imaging	82,019	149,256
Miscellaneous	4,011	7,741
Total administrative expense	<u>2,723,757</u>	<u>2,710,321</u>
OPEB expense for staff retirees	256,369	242,682
Depreciation expense	<u>654,370</u>	<u>644,925</u>
<b>LITIGATION EXPENSE</b>		
Legal expense	25,890	23,844
Actuarial and data processing	4,530	4,621
Total litigation expense	<u>30,420</u>	<u>28,465</u>
Total administrative and litigation expenses	<u>\$ 3,664,916</u>	<u>\$ 3,626,393</u>

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

**SCHEDULES OF INVESTMENT EXPENSES AND PROFESSIONAL SERVICES**

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009		2008	
<b>INVESTMENT EXPENSES:</b>	Assets under management*	Fees	Assets under management	Fees
Balanced	\$ -	\$ -	\$ 8,687,390	\$ 182,820
Equity	909,636,311	3,451,835	669,700,075	3,535,976
Bonds	238,812,468	786,534	381,506,885	930,962
Hedge Funds	43,353,751	175,960		
Real Estate	32,109,854	900,599	42,652,970	854,397
Venture Capital	38,701,454	1,250,313	39,931,972	1,343,530
Subtotal	1,262,613,838	6,565,242	1,142,479,292	6,847,685
Custodial Management	69,764,327	166,535	69,449,431	231,558
Investment/Custodial Management	\$ 1,332,378,165	6,731,777	\$ 1,211,928,723	7,079,243
Investment Consultant Fee		235,000		208,500
Other Investment Service Fees:				
Contract Negotiation Service		-		102,676
Total Fees		\$ 6,966,777		\$ 7,390,419

\* Securities lending cash collateral is not included in assets under management.

<b>PROFESSIONAL SERVICES</b>	2009	2008
Actuarial valuation	\$ 63,940	\$ 59,011
Actuarial consultation	5,000	6,500
Auditing	36,000	36,000
Benefit check production	94,586	92,831
Custom software development	51,324	-
Document scanning - supplies excluded	80,666	138,035
Legal / Legislative	80,789	85,476
Medical	37,260	36,168
Total professional services	\$ 449,565	\$ 454,021

# **Investment Section**



# Northern Trust

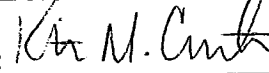
To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian (“Master Custodian”) of assets of the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (“Fund”) held by it in a custodial account (the “Account”) has provided annual Statements of Account for the Account to the Fund which provide a complete and accurate reflection of The Northern Trust Company’s record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period January 1, 2009 through December 31, 2009.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the Master Custody Agreement among the Board of Trustees of the Fund and The Northern Trust Company dated December 21, 1995 as amended (the “Custody Agreement”), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Account by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in the Account in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Lend Securities in the Account pursuant to a Securities Lending Agreement entered into by and between the Board of Trustees and The Northern Trust Company.
6. Invest cash balances held from time to time in the individual investment management accounts of the Account in short term-cash equivalent securities.
7. Facilitate the exercising of rights of ownership, including but not limited to, proxy voting, stock subscriptions and conversion rights as directed by the Fund or its appointed investment managers.
8. Hold securities in the Account in the name of the Fund or nominee form or other means as provided in the Custody Agreement.
9. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
10. Employ agents to the extent provided in the Custody Agreement.
11. Provide disbursement services.
12. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: 

Rita M. Curtin  
Senior Vice President

## INVESTMENT POLICY

The Board of Trustees of the Plan are entrusted with the responsibility of investing the Fund's assets for the sole purpose of providing benefits to the system's participants and their beneficiaries. Historically, the Fund has been guided by the parameters established by the Illinois State Statutes for various investment classes. During 1997 the "Prudent Person Rule" was adopted and signed into law. This rule states that the trustees, as 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 Trustees are responsible for establishing the investment policy that is to guide the investment of the Plan assets. The Plan invests in different types of assets and uses multiple investment managers with specific selection styles and methodologies as a method to ensure overall fund diversification. Over the long term, the investment policy has provided a favorable risk/return profile with returns around the median with risk well below average. The policy is monitored by the Trustees and the asset allocation periodically reviewed to evaluate the targets and ranges for each asset class in order to achieve overall risk and return objectives. The most recent study was completed in mid 2008 and resulted in slight changes in the asset classes so as to enhance both the diversification and performance of the assets. The target asset allocations adopted by the Board of Trustees in May 2008 are shown below.

Asset Category	Target	Actuals at 12/31/09
US Bonds	16.0 %	17.9 %
US Equities	50.0	50.3
International	13.0	14.0
Emerging Markets	5.0	4.0
Real Estate	4.0	2.4
Venture Capital	8.0	2.9
Hedge Funds	4.0	3.3
Cash & Short Term	0.0	5.2
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

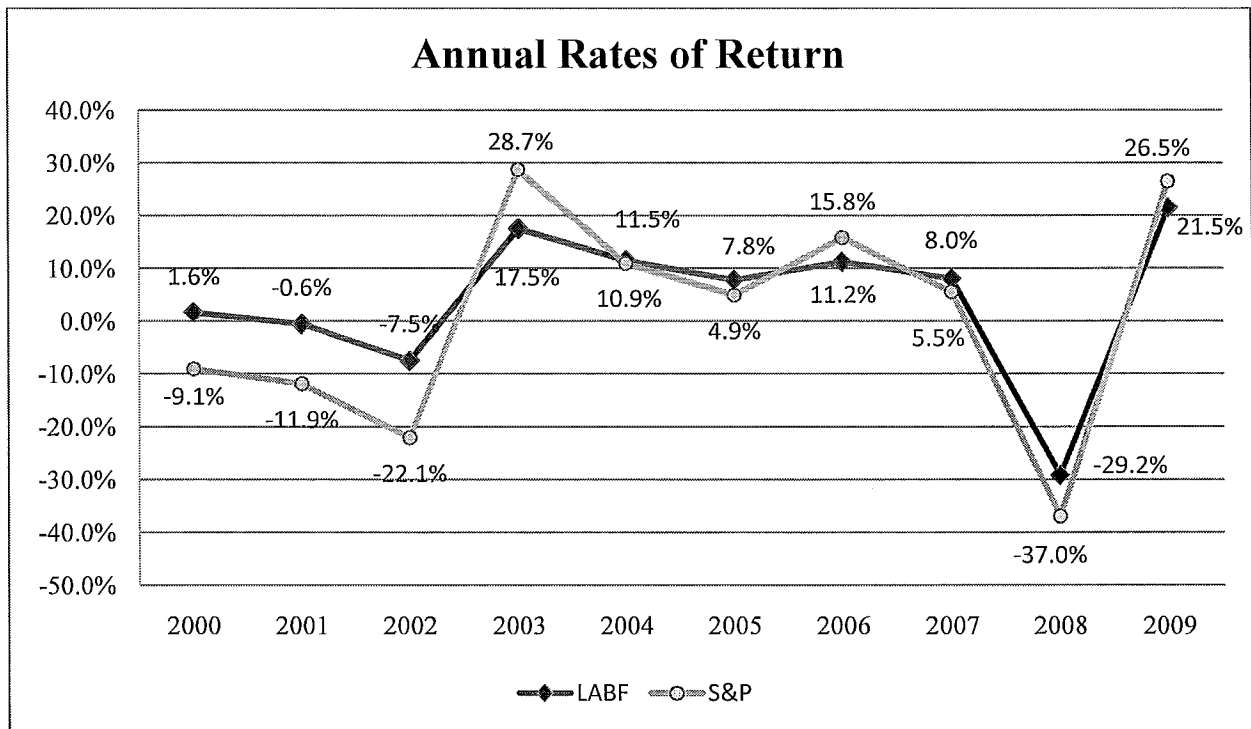
The Plan has rebalanced some asset classes in order to achieve the target long-term returns. The considerable cash and short term investment balance includes monies held for benefit payments and committed real estate and venture capital investments. The Northern Trust Company, as master custodian, provides the detailed financial reports for all investment activity and transactions related to the Plan's portfolio. Using a time-weighted rate of return based on the fair value of assets, Becker, Burke Associates calculates performance rates of return by portfolio and composite for all respective indices used in this section. The data provided in this section is reported at fair value and was prepared by the Plan's staff in collaboration with Becker, Burke Associates.

## INVESTMENT RESULTS

Themes in the first quarter of 2009 included the global economy in the midst of a recession, frozen credit markets, and financial institutions facing huge losses. However, just when things were at their bleakest, global equity markets staged a strong springtime rally as investors seemed to gain confidence in the unprecedented fiscal and monetary stimulus measures initiated by governments around the world. Stock prices continued to surge higher over the remainder of 2009 as companies reported better than expected earnings and corporate acquisition activity rebounded. The overall portfolio of the Plan returned 21.5% in 2009, a substantial gain from its incredibly disappointing 2008 results of -29.2%. For the year, both the S&P Index and the Russell 1000 Index delivered strong returns at 26.5% and 28.4%, respectively. In general, small and mid cap stocks outperformed large caps, and growth stocks outpaced value stocks. In terms of the major economic sectors, all sectors except for telecom posted significant double digit returns. Our own U.S. equity portfolio topped the benchmark with a return of 29.2%.

For international stocks, emerging markets trounced developed markets with a 78.5% return. Value stocks led growth stocks for the year. As a result of new investments within the emerging markets sector, the Plan's international equity portfolio substantially outperformed its benchmark with a 40.1% return against the MSCI EAFE net return of 31.8%.

U.S. fixed income investments generally had a good year overall. As economic conditions improved, the yield curve steepened. The weakest sectors in 2008, including high yield and commercial mortgage backed securities, posted the best returns in 2009. Unlike 2008, the best performing portfolios in 2009 were invested solely in spread sectors with no ownership of Treasuries, except for TIPS. The Barclays Capital U.S. Aggregate Index posted a solid return of 5.9%, while the Plan's fixed income portfolio fared much better with a return of 12.1%. This outperformance was notably due to a rebound in the values of mortgage backed securities and investment grade corporate bonds. The following graph depicts our Plan total returns for the last ten years compared with the S & P Index.



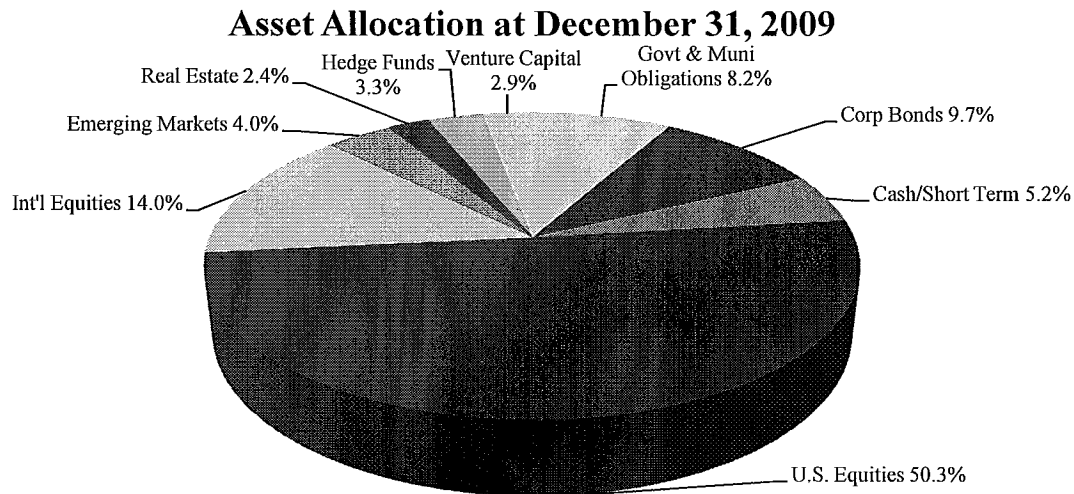
## Schedule of Investment Results

(Annualized percentage for periods ending December 31, )

	2009	2008	2007	2006	2005	3 Yr	5 Yr
<b>Cash &amp; Short Term Investments</b>							
LABF	-0.6	2.8	4.4	4.9	3.1	2.2	2.9
30 day T-Bills	0.2	1.3	4.5	4.8	3.0	2.4	3.0
<b>Bonds</b>							
LABF	12.1	-5.0	4.1	4.4	2.2	3.5	3.4
Lehman Bros Aggregate	5.9	5.2	7.0	4.3	2.4	6.1	5.0
<b>US Equities</b>							
LABF	29.2	-39.3	8.9	13.6	9.1	-5.1	1.1
S & P 500	26.5	-37.0	5.5	15.8	4.9	-5.6	0.4
<b>International Equities</b>							
LABF	40.1	-46.7	10.2	25.5	11.6	-6.3	2.9
EAFE Index	31.8	-43.4	11.2	26.3	13.5	-6.1	3.5
<b>Real Estate</b>							
LABF	-36.6	-0.7	13.6	12.4	33.1	-10.6	1.4
NCREIF Open End	-29.8	-10.0	16.0	16.3	21.4	-9.8	0.7
<b>Venture Capital</b>							
LABF	-10.4	-10.8	32.6	11.0	29.3	1.9	8.7
Bench	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Combined Investments</b>	21.5	-29.2	8.0	11.2	7.8	-2.4	2.2

Returns are provided by Becker, Burke Associates.

These investment results are calculated and presented using standard performance evaluation methods in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a time-weighted return calculation.





Type of Investment	12/31/2009		12/31/2008	
	Fair Value	% of Total	Fair Value	% of Total
Government Obligations and Municipal Bonds	\$109,269,664	8.2%	\$210,207,653	17.3%
Corporate Bonds	129,542,804	9.7%	179,986,622	14.9%
<b>Total Bonds</b>	<b>238,812,468</b>	<b>17.9%</b>	<b>390,194,275</b>	<b>32.2%</b>
U.S. Equities	669,203,620	50.3%	540,200,636	44.6%
International Equities	187,158,849	14.0%	129,499,439	10.7%
Emerging Markets	53,273,842	4.0%	-	0.0%
<b>Total Equities</b>	<b>909,636,311</b>	<b>68.3%</b>	<b>669,700,075</b>	<b>55.3%</b>
Hedge Funds	43,353,751	3.3%	-	0.0%
Real Estate	32,109,854	2.4%	42,652,970	3.5%
Venture Capital	38,701,454	2.9%	39,931,972	3.3%
<b>Total Alternatives</b>	<b>114,165,059</b>	<b>8.6%</b>	<b>82,584,942</b>	<b>6.8%</b>
Short term Investments	69,764,327	5.2%	69,449,431	5.7%
<b>Total Portfolio</b>	<b>\$1,332,378,165</b>	<b>100.0%</b>	<b>\$1,211,928,723</b>	<b>100.0%</b>

#### Top 10 Domestic Equity Holdings

December 31, 2009

Shares	Stock	Fair Value
152,653	Exxon Mobil Corp	\$10,409,401
44,965	Apple Inc	9,481,277
286,955	Microsoft Corp	8,749,247
64,774	IBM	8,478,967
13,604	Google Inc	8,434,331
191,990	JPMorgan Chase & Co	8,000,221
96,091	Chevron Corp	7,398,070
245,812	AT & T Inc	6,890,107
40,434	Goldman Sachs Group Inc	6,826,886
128,715	Hewlett Packard Co	6,630,126

#### Top 10 Domestic Bond Holdings

December 31, 2009

Par	Bond	Fair Value
8,000,000	FNMA 30 Yr Pass-thru 5.5% settles Feb	\$8,346,248
7,585,000	FNMA 30 Yr Pass-thru 5.5% settles Jan	7,939,364
5,485,000	US Treas Nts Indx Lnkd 2.38% due 1/15/2017	6,350,358
4,925,000	US Treas Bonds 6.25% due 8/15/2023	5,882,297
4,824,000	US Treas Nts 3.375% due 11/30/2012	5,066,705
3,750,000	US Treas Nts 3.375% due 11/15/2019	3,607,050
3,329,239	FHLMC Pool 5.50% due 4/01/2038	3,491,366
3,321,000	US Treas Nts 4.25% due 11/15/2017	3,480,823
2,335,534	FNMA Pool 6.0% due 9/01/2038	2,476,039
2,390,000	US Treas Sec 4.5% due 8/15/2039	2,335,852

A complete listing of portfolio holdings is available upon request.

## ASSET MANAGEMENT

The Plan retains the services of many professional investment management firms who bring their particular expertise to the selection and retention of investments. The activities of each firm are reviewed by the Plan's staff and trustees to ensure compliance with guidelines provided by the Illinois statutes, our investment policy, and long term strategic plans. The firms employed by the Plan at December 31, 2009 are the following:

<p><b>Equity Managers</b></p> <ul style="list-style-type: none"> <li>Alliance Bernstein</li> <li>Ariel Capital</li> <li>Chase Investment Counsel</li> <li>Columbia Partners</li> <li>Harris Investment</li> <li>Holland Capital</li> <li>Intech</li> <li>Keeley Asset Mgmt</li> <li>MFS Investment</li> <li>Northern Trust Global Invstmnts</li> <li>Zacks Investment Mgmt</li> </ul> <p><b>International Equity</b></p> <ul style="list-style-type: none"> <li>Baillie Gifford Overseas Ltd</li> <li>Baring Asset Mgmt</li> <li>Robeco Investment Mgmt</li> <li>Thomas White Int'l Ltd</li> <li>Vontobel Asset Mgmt</li> </ul> <p><b>Short Term Managers</b></p> <ul style="list-style-type: none"> <li>The Northern Trust</li> </ul>	<p><b>Bond Managers</b></p> <ul style="list-style-type: none"> <li>AFL-CIO Housing Trust</li> <li>Dearborn Partners</li> <li>Neuberger Berman</li> <li>Western Asset</li> <li>Williams Capital</li> </ul> <p><b>Hedge Funds</b></p> <ul style="list-style-type: none"> <li>Dorchester Capital Advisors</li> <li>Entrust Capital Inc.</li> </ul> <p><b>Real Estate Managers</b></p> <ul style="list-style-type: none"> <li>Capri Capital Partners</li> <li>DV Urban Realty Group</li> <li>John Buck Company</li> <li>Russell Investment Group</li> <li>Shamrock Hostmark Hotel Fd</li> </ul> <p><b>Venture Capital Managers</b></p> <ul style="list-style-type: none"> <li>Hopewell Ventures</li> <li>Mesirow Financial</li> <li>Midwest Mezzanine Funds</li> <li>SB Partners</li> </ul>
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## BROKER COMMISSIONS FOR 2009

Name	Total Commissions
Cabrera Capital Markets	\$102,839
Lynch Jones & Ryan	68,741
MR Beal & Co	62,721
G-Trade Services	39,097
Loop Capital Markets	36,197
BNY ESI Securities	35,679
Goldman Sachs & Co	35,306
Northern Trust Co	27,129
Instinet	22,243
All Other	410,115
<b>Total</b>	<b>\$840,115</b>

## SECURITIES LENDING

The Plan participates in a securities lending program with our custodian, The Northern Trust Company. The Northern Trust, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest. The income earned from this program is invested back into the Plan. The Securities Lending Summary table below outlines the 2009 net income from the Plan's securities lending activity, the securities on loan as of December 31, 2009, and the amount of collateral for these securities.

---

<b>Securities Lending Summary (Net of Borrower Rebates) as of December 31, 2009</b>	
Equity Income Earned	\$4,961,562
Fixed Income Earned	2,200,463
Less Custodial Fee	<u>(1,432,341)</u>
Net Securities Lending Income	\$5,729,684
Total Collateral Market Value	\$169,517,199
Total Market Value of Securities on Loan	\$164,125,389
Total Collateralized Percentage	103.3%

## COMMISSION RECAPTURE

The Plan also utilizes a commission recapture program. Commission recapture is a form of institutional discount brokerage that rebates back a portion of trading commissions directly to the pension fund. This helps to reduce expenses to save money for the Plan. For the year ended December 31, 2009, the Plan recaptured \$90,740 in commissions. These commissions were reinvested back into the Plan. The table below details the brokers we use for this program and their respective income for the year.

---

<b>Commission Recapture Program For Year Ended December 31, 2009</b>	
<b>Broker</b>	<b>Amount</b>
Cabrera Capital Markets	\$24,042
Lynch Jones & Ryan	54,229
Russell Securities	12,469
Total	\$90,740

## ASSET ALLOCATION

Last Five Years

	Fair Value as a Percent of Portfolio				
	2009	2008	2007	2006	2005
Fixed Income:					
Gov't Oblig./Muni.Bonds	8.2%	17.3%	17.7%	17.0%	16.7%
Corporate Bonds	9.7%	14.9%	13.8%	13.8%	14.3%
Equities:					
U.S. Equities	50.3%	44.6%	50.4%	49.3%	48.6%
International Equities	14.0%	10.7%	9.5%	7.5%	6.7%
Emerging Markets	4.0%	0.0%	0.0%	0.0%	0.0%
Hedge Funds	3.3%	0.0%	0.0%	0.0%	0.0%
Real Estate	2.4%	3.5%	2.1%	1.9%	2.1%
Venture Capital	2.9%	3.3%	2.4%	2.5%	2.2%
Cash/Short-Term Investments	5.2%	5.7%	4.1%	8.0%	9.4%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

# **Actuarial Section**

April 1, 2010

The Retirement Board of the  
Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago  
221 North LaSalle Street, Suite 748  
Chicago, Illinois 60601

Subject: Actuarial Certification

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2009. An actuarial valuation of the Fund is performed annually. The valuation has been performed to measure the funding status of the Fund. It includes disclosure information required under Governmental Accounting Standards Board (GASB) Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. The assumptions and methods used were selected by the actuary and approved by the Board. The assumptions and methods meet the parameters set for the disclosure presented in the financial section by GASB Statement No. 25 and GASB Statement No. 43.

We have provided the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Analysis of Financial Experience

We have also provided the following schedules for the financial sections of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions

This valuation is based upon:

- a. **Data Relative to the Members of the Fund** – Data utilized for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness.
- b. **Asset Values** – The values of assets of the Fund were provided by the Fund's staff. An actuarial value of assets was used to develop actuarial results for GASB Statement No. 25 and Statement No. 27.
- c. **Actuarial Method** – The actuarial method utilized by the Fund is the Entry-Age Normal Actuarial Cost Method. The objective of this method is to recognize the costs of Fund benefits over the entire career of each member as a level percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL), under this method is separately amortized. All actuarial gains and losses under this method are reflected in the UAAL.
- d. **Actuarial Assumptions** – The same actuarial assumptions as last year were used for this valuation. They are set out in the following pages.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be 1.00 times the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 1:1 relationship. Employer contributions for the plan year cease when all actuarial accrued liabilities of the Fund, excluding any cost that arose from the most recent early retirement incentive, are fully funded. The most recent actuarial valuation of the Fund on the State reporting basis indicates that a ratio of 2.76 is needed to adequately finance the Fund. It should be noted that the statutory employer contributions have been less than the Annual Required Contribution (ARC) for the past four years and are again expected to be less than the ARC for 2010. In order for employer contributions to be increased, the State legislature would first need to amend the statute.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provisions of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Gabriel, Roeder, Smith & Company



Michael R. Kivi, F.S.A., E.A., M.A.A.A.  
Senior Consultant



Amy Williams, A.S.A., M.A.A.A.  
Consultant

## Actuarial Methods and Assumptions

All assumptions are agreed upon by the Fund's actuary and Board of Trustees.

- Method - The actuarial funding method used is the Entry Age Normal Actuarial Cost Method which reflects actuarial gains and losses immediately in the unfunded liability. This cost method assigns to each year of employment a constant percentage of an employee's salary, called the current service cost (sometimes referred to as normal cost), sufficient to accumulate the necessary funds to provide for the full prospective costs of the employee's projected retirement pension. The amount of pension must be estimated using various assumptions as to future compensation levels, employee turnover, mortality and pension fund earnings, since the actual pension can be known only at the time of retirement. These are called actuarial assumptions.

The actuarial accrued liability of the fund at any point in time is the accumulated value of all current service costs that should have been paid in at that time for active employees plus the full prospective cost of pensions for all retired employees. The extent that the actual plan assets are less than the accrued liability is called the unfunded liability. The unfunded liability may be positive (actuarial accrued liability greater than the actuarial value of the assets) or negative (actuarial accrued liability less than the value of assets, or funding excess). The term unfunded actuarial liability refers to either situation. The unfunded liability can be thought of as the amount of assets that will be needed in future years to provide all future benefits payable when added to the future normal costs.

An amount of money is required each year to amortize the unfunded liability over a period of 30 years if all assumptions are realized. This amount is called 30 year level-dollar amortization of the unfunded liability.

The required total annual required contribution to the Fund is equal to the current service costs plus a 30 year level dollar amortization of the unfunded liability. Under the GASB No. 25 standard, a 30 year level dollar amount is provided for amortization of the unfunded liability. Adopted 1997.



<b>ASSUMPTIONS:</b>	<b>2009</b>	<b>2008</b>
Life expectancy of participants	1994 Group Annuity Mortality sex distinct Tables set forward 2 years	1994 Group Annuity Mortality sex distinct Tables set forward 2 years <i>(adopted 2004)</i>
Retirement age assumptions	Rates are age & service based All retire by age 70	Rates are age & service based All retire by age 70 <i>(adopted 2004)</i>
Termination assumptions	Rates are service based	Rates are service based <i>(adopted 2004)</i>
Disability	Cost valued at a term cost of 1.5% of payroll	Cost valued at a term cost of 1.5% of payroll <i>(adopted 2004)</i>
Investment rate of return for pensions (net of expenses)	8% compounded annually	8% compounded annually <i>(adopted 1999)</i>
Investment rate of return for OPEB	4.5% per annum	4.5% per annum <i>(adopted 2005)</i>
Salary increase	4.5% compounded annually plus a service based increase in the first 5 years	4.5% compounded annually plus a service based increase in the first 5 years <i>(adopted 2004)</i>

- Rates of Retirement - Rates of retirement are based on an experience study using census information for the period from December 31, 1998 to December 31, 2003. Adopted 2004.
- Rates of Termination - Rates of termination are based on an experience study using census information for the period from December 31, 1998 to December 31, 2003. Adopted 2004.
- Investment Return - **2009:** 8% per year (net of investment expense) compounded annually. This assumption contains a 3% inflation assumption and a 5% real rate of return assumption. Adopted 1999. 4.5% per year for OPEB. Adopted 2005.
- Salary Increase - **2009:** 4.5% per year plus a service based increase in the first five years as shown below.

<u>Service</u>	<u>Additional Increase</u>	<u>Total Increase</u>
0	4.50%	9.00%
1	3.50	8.00
2	2.50	7.00
3	1.50	6.00
4	0.50	5.00
5 & Over	0.00	4.50

- Percent Married - It is assumed that 85% of the active members are married.
  
- Post Retirement Benefit Increases - 3% per year compounded for employee annuitants beginning either three years after retirement or age 60, whichever occurs first. The employee must have received a pension for at least one year before he is granted his first increase. Beginning January 1, 2005, the automatic increases in annuities will take effect in the January of each year in which they are to be provided.
  
- Active Membership - It is assumed that the active membership will remain at the present level and that the average age of entrance into the service will be about the same in the future as it has been. The actuarial costs are based on the present group.
  
- Age of Spouse - The age of the female spouse is assumed four years younger than the employee while the male spouse is assumed four years older than the employee.
  
- Asset Value - GASB No. 25 requires a market related actuarial asset value. A five year smoothed average market value is used. The actuarial value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) over five years at the rate of 20% per year.
  
- Group Health Insurance Premiums - It is assumed for valuation purposes that the health insurance supplement in effect as of June 30, 2013 will continue for life for all employee annuitants (and their future surviving spouse). The amount the Fund will pay for health insurance from July 1, 2008 until June 30, 2013 is \$95 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and \$65 if qualified. It is assumed that all annuitants age 65 or over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future surviving spouses of retirees are assumed to be eligible for Medicare. All employees upon their retirement and their surviving spouses upon employee's death are assumed to receive the health care supplement.
  
- Required Ultimate Multiple – Is based on the actuarial requirements (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.
  
- Loss in Tax Levy – A 4.0 percent overall loss on tax levy is assumed.

**RATES OF RETIREMENT**

		Age-and-Service-Based Rates of Retirement													
		Years of Service													
Attained Age	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	-	-	-	-	-	-	-	-	-	-	4%	4%	4%	4%	4%
56	-	-	-	-	-	-	-	-	-	-	4	3	3	3	3
57	-	-	-	-	-	-	-	-	-	-	4	3	3	3	3
58	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3
59	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3
60	20%	13%	14%	14%	14%	14%	13%	13%	13%	12%	21	20	20	12	13
61	20	4	5	6	7	8	9	9	10	11	11	12	12	13	13
62	20	4	5	6	7	8	9	10	11	11	12	12	13	13	14
63	20	4	6	7	8	9	10	10	11	12	12	13	13	14	15
64	20	4	6	7	8	9	10	11	11	12	13	13	14	15	15
65	20	29	31	32	33	34	35	36	37	38	38	39	39	40	41
66	20	4	6	7	9	10	11	11	12	13	14	14	15	16	16
67	20	4	6	8	9	10	11	12	13	13	14	15	15	16	17
68	20	5	6	8	9	10	11	12	13	14	14	15	16	17	17
69	20	5	7	8	9	11	12	12	13	14	15	16	16	17	18
70	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

		Age-and-Service-Based Rates of Retirement													
		Years of Service													
Attained Age	25	26	27	28	29	30	31	32	33	34	35	36	37	38	
50	-	-	-	-	-	25%	25%	25%	25%	30%	29%	29%	29%	100%	
51	-	-	-	-	-	25	15	15	15	30	30	30	29	100	
52	-	-	-	-	-	27	17	12	22	30	30	30	30	100	
53	-	-	-	-	-	28	19	14	24	30	30	30	30	100	
54	-	-	-	-	-	30	20	15	25	31	30	30	30	100	
55	24%	25%	25%	25%	26%	31	21	16	27	31	31	31	30	100	
56	10	11	11	11	12	12	12	12	28	31	31	31	31	100	
57	11	11	12	12	12	13	13	13	29	31	31	31	31	100	
58	12	12	13	13	13	14	14	14	30	31	31	31	31	100	
59	13	13	13	14	14	14	15	15	31	32	32	32	31	100	
60	13	14	14	14	15	15	16	16	31	32	32	32	32	100	
61	14	14	15	15	16	16	16	17	32	32	32	32	32	100	
62	14	15	15	16	16	17	17	18	33	32	32	32	32	100	
63	15	16	16	17	17	17	18	18	34	32	32	32	32	100	
64	16	16	17	17	18	18	19	19	34	32	32	32	32	100	
65	41	42	42	43	43	44	44	45	45	58	58	58	58	100	
66	17	17	18	18	19	19	19	20	36	33	33	33	33	100	
67	17	18	18	19	19	20	20	21	36	33	33	33	33	100	
68	18	18	19	19	20	20	21	21	37	33	33	33	33	100	
69	18	19	19	20	21	21	22	22	38	33	33	33	33	100	
70	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

### RATE OF TERMINATION

Service-Based Rates of Termination			
Service	Rate	Service	Rate
0	12.00%	16	5.00%
1	10.00	17	5.00
2	8.00	18	5.00
3	7.00	19	3.00
4	6.00	20	3.00
5	5.00	21	3.00
6	5.00	22	3.00
7	5.00	23	3.00
8	5.00	24	3.00
9	5.00	25	3.00
10	5.00	26	3.00
11	5.00	27	3.00
12	5.00	28	3.00
13	5.00	29	3.00
14	5.00	30	3.00
15	5.00	31+	0.00

### ANNUITANTS ADDED TO AND REMOVED FROM ROLL

Year	Employee Annuities						Average Annual Benefit	% Change in Average Annual Benefit
	Added to Rolls		Removed from Rolls		Rolls - End of Yr			
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2004*	525	\$23,029,473	161	\$3,507,001	2,836	\$82,746,720	\$29,177	14.1%
2005	55	3,997,885	154	3,287,338	2,737	83,457,267	30,492	4.5%
2006	79	4,971,772	133	3,475,111	2,683	84,953,928	31,664	3.8%
2007	95	6,301,188	134	3,363,972	2,644	87,891,144	33,242	5.0%
2008	120	7,756,776	118	2,939,436	2,646	92,708,484	35,037	5.4%
2009	169	9,882,832	132	3,675,336	2,683	98,915,980	36,868	5.2%
<b>Spouse Annuities</b>								
2004	68	\$1,030,666	84	\$849,453	1,379	\$14,755,032	\$10,700	2.4%
2005	84	1,108,608	96	950,157	1,367	14,913,483	10,910	2.0%
2006	69	1,052,875	101	962,926	1,335	15,003,432	11,239	3.0%
2007	68	1,007,856	87	846,660	1,316	15,164,628	11,523	2.5%
2008	64	972,408	82	855,072	1,298	15,281,964	11,773	2.2%
2009	49	866,592	75	772,740	1,272	15,375,816	12,088	2.7%
<b>Child's Annuities</b>								
2004	4	\$11,280	9	\$21,840	62	\$170,880	\$2,756	1.8%
2005	6	16,200	16	35,760	52	151,320	2,910	5.6%
2006	12	33,120	12	41,400	52	143,040	2,751	-5.5%
2007	4	10,560	11	30,480	45	123,120	2,736	-0.5%
2008	13	34,320	11	29,400	47	128,040	2,724	-0.4%
2009	9	23,760	15	39,960	41	111,840	2,728	0.1%

\* New annuitants taking Early Retirement Incentive option: 452 employees in 2004

**SCHEDULE OF  
ACTIVE MEMBER VALUATION DATA**

Valuation Date	# of Members	Annual Payroll	Annual Average Pay	% Increase in Average pay
2004	3,135	\$171,476,937	\$54,698	-1.1%
2005	3,141	182,809,397	58,201	6.4%
2006	3,215	193,176,272	60,086	3.2%
2007	3,138	192,847,482	61,456	2.3%
2008	3,325	216,744,211	65,186	6.1%
2009	3,124	208,626,493	66,782	2.4%

**ACTUARIAL RESERVE LIABILITIES  
For Year Ended December 31, 2009**

Accrued Liabilities for Active Participants	\$813,900,914
<b>Reserves For:</b>	
Service Retirement Pension	980,030,327
Future Widows of Current Retirees	92,255,824
Surviving Spouse Pension	105,965,042
Health Insurance Supplement	24,902,520
Children Annuitants	432,449
<b>Total Accrued Liabilities</b>	<b>2,017,487,076</b>
<b>Unfunded Actuarial Liabilities</b>	<b>416,135,443</b>
<b>Actuarial Net Assets</b>	<b>\$1,601,351,633</b>

*Accrued liabilities for active participants includes retirement liabilities for members in ordinary or duty disabled status. Liability for disability benefits is recognized as a one-year term cost of 1.5 percent of pay added to the normal cost.*

## HISTORY OF FINANCIAL INFORMATION

### Solvency (Termination) Test

Year	Aggregate Accrued Liabilities For			Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active and Inactive Member Contributions	Retirees and Beneficiaries	Active and Inactive Member Employer Portion		(1)	(2)	(3)
	(1)	(2)	(3)				
2004 a,b	\$213,524,642	\$1,055,408,468	\$405,681,541	\$1,649,959,130	100	100	94 %
2005 b	224,180,889	1,023,899,580	494,220,019	1,635,595,437	100	100	78
2006	237,321,146	1,046,426,600	525,488,397	1,664,058,080	100	100	72
2007	247,854,869	1,074,580,007	527,271,642	1,757,710,948	100	100	83
2008	254,588,537	1,129,920,171	572,879,125	1,698,427,008	100	100	55
2009	254,604,734	1,203,586,162	559,296,180	1,601,351,633	100	100	26

a = change in benefits

b = change in actuarial assumptions

The prioritized solvency test is another means of checking a system's progress under its funding program, based on the Actuarial Accrued Liability. In this test the plan's present assets are compared with obligations in order of priority: (1) active and inactive member contributions on deposit, (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active and inactive members. In a system that has been following the discipline of financing, the obligation for active and inactive member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances.) In addition, the Actuarial Accrued Liability for present active and inactive members (present value 3) is covered by the remainder of present assets. Generally, if the system has been following a system of amortizing the Unfunded Liability, the funded portion of present value (3) will increase over time.

## ANALYSIS OF FINANCIAL EXPERIENCE

### Reconciliation of Unfunded Actuarial Accrued Liability (Gain/Loss Analysis)

Actuarial Gains or (Losses):	2009	2008	2007	2006
Fund surplus (loss) at the beginning of the year	(\$258,960,825)	(\$91,995,570)	(\$145,178,063)	(\$106,705,051)
Gains (losses) during the year attributable to:				
Increases in salaries under assumed rate	13,437,593	(12,298,504)	17,040,232	(810,157)
Investment yield over (under) 8.0% assumed	(136,557,090)	(112,839,821)	45,794,443	(4,763,777)
Employer cost in excess of contributions	(20,908,058)	(1,261,981)	(8,305,636)	(19,287,480)
Miscellaneous actuarial experience	(13,067,408)	(10,719,816)	(530,616)	(13,458,675)
Data Corrections & Unexpected Service Changes	(79,655)	(3,650,332)	(815,930)	(152,924)
Change in Active Member Definition*	0	(26,194,801)	0	0
Change in Methodology	0	0	0	0
Change in actuarial assumptions:				
Retirement Rates	0	0	0	0
Net gain (losses)	(157,174,618)	(166,965,255)	53,182,493	(38,473,012)
Fund surplus (loss) at the end of the year	(\$416,135,443)	(\$258,960,825)	(\$91,995,570)	(\$145,178,063)

\* Previously, only members who were active at the end of the year were valued as active members. In 2008, all members who earned any service credit in 2008 are valued as actives. The loss is arising from the increase in active membership as well as much fewer terminations than expected.

## PLAN SUMMARY

### Participants Defined

Any person employed by the City of Chicago or the Board of Education in a position classified as labor service of the employer, or any person employed by the retirement board of any of the annuity and benefit funds which are in operation for employees of the City of Chicago.

### Service Defined

For minimum formula annuity purposes, one half-year of credit is given for one complete month of service. A full year of credit is given for one complete month of service plus service in at least 5 other months. For ordinary disability credit, the exact number of days, months and years is used.

### Types of Retirement Annuities

**Money Purchase Formula:** The maximum amount for a money purchase formula annuity is 60% of highest salary. This formula is used in cases where an employee is age 55 or more and has 10 or more years of service. If the employee is age 55 to 60 with service of fewer than 20 years, the annuity is based on all employee deductions plus 1/10th of the employer contributions for each year over 10 years. In the case of withdrawal before age 55 and application after age 55, the annuity is based on the employee deductions plus 1/10th of the employer contributions for each year over 10, with interest to date of application or to age 55, whichever is later. The age factor for age 55 is used.

The annuity is based on all employee deductions and employer contributions in cases where the employee is: (A) age 55 to 60 with 20 years or more of service; (B) age 60 or over; (C) resigning at the time of disability credit expiration.

**Minimum Annuity Formula:** The maximum for this type of annuity is 80% of final average salary.

- A. An employee age 60 or older with at least 10 years of service, or an employee age 55 or older with at least 20 years of service, or an employee age 50 or older with at least 30 years of service, is entitled to an annuity equal to 2.4% for each year of service of the final average salary during the 4 highest consecutive years within the last 10 years of service prior to retirement. If the employee withdraws before age 60 with less than 20 years of service, he or she can begin to receive an unreduced annuity no earlier than age 60. For an employee who is eligible to begin receiving an annuity before age 60, the annuity is discounted 0.25% for each month the employee is younger than age 60 unless he or she has at least 25 years of service.
- B. The employee will receive a minimum annuity of \$850 per month if the employee withdraws from service at age 60 or older with at least 10 years of service.

**Reversionary Annuity:** An employee may elect to reduce his or her annuity by an amount up to \$400 to provide a reversionary annuity for a spouse, parent, child, brother, or sister, which would begin upon the employee's death. Such an election must be made before the employee's retirement and must have been in

effect for one year prior to the employee's death. The one-year requirement is waived if the reversionary annuitant is the employee's spouse. The death of the employee before retirement voids this election. The reversionary annuity for a spouse when added to the spouse's annuity cannot exceed 100% of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3% automatic annual increase in annuity will be computed on the original, not the reduced annuity. If the beneficiary dies before the employee annuitant, the full annuity is restored for annuities granted after June 30, 1983. The amount of the monthly reversionary annuity is determined by multiplying the amount of the monthly reduction in the employee's annuity by a factor based on the age of the employee and the difference between the ages of the employee and the reversionary annuitant at the starting date of the employee's annuity.

**Reciprocal Annuity:** Under reciprocal retirement, an employee can receive an annuity based on combined service credits in two or more governmental units in Illinois to whose pension funds he or she has contributed.

**Automatic Increase In Annuity:** The monthly annuity is increased by 3% in January of the year of the first payment date following the later of age 60 or the first anniversary of retirement, and by 3% annually thereafter; except that for an employee retiring prior to age 60 the first increase will occur no later than January of the year of the first payment date following the later of:

- 1) the third anniversary of retirement, or
- 2) the attainment of age 53

## Spouse Annuity

The surviving spouse annuity is the greater of the annuity under the money purchase formula or the minimum annuity formula. Surviving spouses who remarry on or after September 4, 2000 will not have their annuities terminated.

**Money Purchase Formula:** When an employee retires, the amount of the spouse's annuity is fixed, based on a joint life factor and employee deductions and credit for employer contributions made for spouses' annuity purposes. (If the employee is a female, these are deductions have accumulated since October 1974)

If the employee dies in service, the spouse's annuity is based on all sums accumulated to the employee's credit.

For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" is used; however, widow/widower single life annuities and reversionary annuities are computed using the best factor (the factor producing the highest annuity), not depending upon the gender of the annuitant.

**Spouses' Minimum Annuity Formula:** If an employee dies in service and is at least age 55 with 20 or more years of service, or is at least age 50 with 30 or more years of service, the spouse's annuity is equal to half the amount of the annuity the employee was entitled to receive at the time of death in service. This annuity must be discounted .25% for each month that the spouse is under age 55 (or age 50 if the employee has at least 25 years of service) at the time the employee retires or dies in service.

If the employee dies while receiving a retirement annuity, the spouse is eligible for an annuity of one-half of the employee's annuity at death. This annuity is discounted for the spouse's age under 55 at the time of the employee's death, unless the employee had at least 25 years of service and withdrew from service on or after June 27, 1997, in which case the spouse annuity would be discounted for spouse age under 50 at the time of death.

If the employee dies in service on or after January 1, 2002, with at least 10 years of service, the spouse is entitled to an annuity of one-half of the minimum formula annuity earned and accrued to the credit of the employee at the date of death. For the purposes of this benefit, the minimum formula annuity earned and



accrued to the benefit of the employee is equal to 2.4% for each year of service of the highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of death, up to a maximum of 80% of the highest average annual salary. This annuity is not reduced due to the age of the employee or spouse. The spouse is eligible for this annuity only if the marriage was in effect for 10 full years or more.

The spouse will receive a minimum annuity of \$800 per month if employee retires with at least 10 years of service or dies in service with at least 5 years of service.

**Child's Annuity:** A child's annuity is provided for unmarried children of a deceased employee who are under the age of 18, if the child was born or *in esse*, or legally adopted before the employee's withdrawal from service. The annuity is \$220 per month if the spouse of the deceased employee is alive and \$250 per month if the spouse is deceased.

**Family Maximum:** For a non-duty related death, the family maximum is 60% of final monthly salary. For duty related death, the maximum is 70% of final monthly salary.

## Disabilities

**Duty Disability Benefits:** Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty, has a right to receive a duty disability benefit in the amount of 75% of his or her salary at the date of injury, plus \$10 a month for each unmarried child under the age of 18. Child's duty disability benefit is limited to 15% of the employee's salary as of the date of injury. Duty disability benefits begin one day after the later of the last day worked or the last day paid.

If the disability has resulted from any mental disorder, physical defect or disease which existed at the time the injury occurs, the duty disability benefit is 50% of salary at the date of the injury. Disablement because of heart attacks, strokes, or any disablement due to heart disease is not considered to be the result of an accident suffered in the performance of duty. However, the employee will receive service credit, and the City will contribute salary deductions for annuity purposes if the employee is receiving Workers' Compensation benefits.

A duty disability benefit is payable up to age 65 if the disability begins before age 60. For an employee who begins disability on or after age 60, the disability will continue for 5 years. A duty disability which continues for more than 5 years and which started before the employee attained age 60, will be increased by 10% on January 1st of the sixth year.

The City contributes the employee's portion of salary deductions for annuity purposes for the duty disability benefit. Such amounts contributed by the City after December 31, 1983 are not refundable to the employee, and will be used for annuity purposes only.

**Ordinary Disability Benefit:** This benefit is granted for disability incurred other than in the performance of an act of duty and is 50% of salary as of the last day worked. The first payment is made one month after disablement occurs provided the employee is not in receipt of salary. Disability is limited to a maximum of 25% of the employee's total service or 5 years, whichever occurs first.

The Fund contributes salary deductions for annuity purposes for the ordinary disability benefit. Such amounts contributed by the Fund after December 31, 2000, while the employee is receiving ordinary disability benefits, are not refundable to the employee and will be used for annuity purposes only.

## Group Health Hospital and Surgical Insurance Premiums

For annuitants enrolled in the City or Board of Education health care plans, the pension fund may provide supplementary payments up to a maximum of \$85 per month for non-Medicare eligible annuitants (employees, widows, or children without regard to age or years of service) and up to \$55 per month for Medicare eligible annuitants until June 30, 2008. Thereafter, the pension fund shall provide payments in the amount of \$95 per month for non-Medicare eligible annuitants and \$65 per month for Medicare eligible annuitants from July 1, 2008 through June 30, 2013.

## Refunds

**To Employee:** An employee who withdraws before age 55, or before age 60 with less than 10 years of service, is entitled to a refund of all salary deductions for retirement annuity and spouse annuity accumulated with interest to the date of withdrawal. The employee may choose to receive a refund in lieu of an annuity, if the amount of the annuity would be less than \$800 per month. Annuity deductions for a spouse's annuity are refundable if the employee is not currently married at the time of withdrawal.

**To Spouse:** A surviving spouse may choose to receive a refund in lieu of an annuity if the annuity would amount to less than \$800 per month.

**Remaining Amounts:** Amounts contributed by an employee that have not yet been paid out as annuity, (excluding the 0.5% deduction for annuity increases), are refundable to the employee's estate, with interest to the date of retirement or death, if the employee died in service.

## Deductions and Contributions

	Employee Deductions	Employer Contributions
Employee	6.5%	6.0%
Spouse	1.5	2.0
Annuity Increase	0.5	0.0
Total	8.5%	8.0%

The City contribution is derived from a property tax levied annually and is limited to a sum that is equal to the total amount of employee contributions made two years previously, multiplied by 1.0 for the years 1999 and following.

## **Tax Shelter of Employee Salary Deductions**

Beginning January 1, 1982, salary deductions from employees in the fund were designated for income tax purposes to be made by the employer. The W-2 salary is therefore reduced by the amount of contributions. For pension purposes, the salary remains unchanged. Income tax will be paid when a refund or annuity is granted. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions. Beginning September 1, 1981, the Board of Education employee contributions were paid by the employer. The 1985 amendments contained a provision whereby the amount of pick-up, if any, is included in the pensionable salary for contributions and benefits. Such provision was retroactive to September 1, 1981. Beginning May 28, 2000, the remainder of contributions due for Board of Education employee salary deductions was designated for income tax purposes to be made by the employer and treated in the same manner as city employee salary deductions

## **RECENT LEGISLATIVE CHANGES**

The following legislation was approved in the 2009 session:

### ***SB 2520***

- Approved February 17, 2009.
- Provides that, before any action is taken by the Board on an application for a duty disability benefit or a widow's compensation or supplemental benefit, the employee or widow shall file a claim with the employer to establish that the disability or death occurred while the employee was acting within the scope of and in the course of his or her duties. Provides an offset of disability benefits for any amounts provided to the employee or surviving spouse as temporary total disability payments, permanent disability payments, a lump sum settlement award, or other payment under the Workers' Compensation Act or the Workers' Occupational Diseases Act. Makes other changes concerning disability benefits.

### ***HB 2257***

- Approved August 25, 2009.
- Provides that it is the public policy of the State to encourage pension funds to promote the economy of Illinois through the use of economic opportunity investments within the bounds of financial and fiduciary prudence. Provides that the pension funds submit a report to the Governor and General Assembly by September 1 of each year identifying the economic opportunity investments made by the Fund, the primary location of the business or project, the percentage of the Fund's assets in economic opportunity investments, and the actions the Fund has taken to increase the use of economic opportunity investments.
- Requires the Fund to instruct the investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and the total proceeds in every transaction are the most favorable under the circumstances.

*SB 364*

- Approved April 3, 2009.
- Requires Board members to file a verified written statement of economic interest annually with the office of the Clerk of Cook County.
- Requires the Board to adopt a policy that sets quantifiable utilization goals for the management of assets in specific asset classes for emerging investment managers. Goals shall be separated by minority ownership, female ownership, and person with a disability ownership.
- Requires that if at least one emerging firm(s) meets criteria of search process, at least one shall be invited to present to the Board for final consideration.
- Requires the Board to adopt a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff.
- Requires the Board to adopt a policy that sets forth goals for utilization of WMDBE firms for all contracts and services, based on the percentage of total dollar amount of all contracts let.
- Requires the Board to adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers.
- Requires an annual report to the Governor and General Assembly on the utilization of “emerging firms” as defined by Article 1 of the Pension Code.
- Requires the Board to award all contracts for investment services using a competitive process that is substantially similar to the process required for the procurement of professional services under Article 35 of the Illinois Procurement Code. Requires the Board to adopt a procurement policy which will be posted on the Fund’s website and filed with the Illinois Procurement Policy Board.
- Provides that a person may not act as a consultant or investment adviser unless that person is registered as an investment adviser or bank under the Federal Investment Advisers Act of 1940.
- Requires investment contracts between the Retirement Board and investment service providers to include certain required information.
- Provides that consultant contracts cannot exceed five years in duration; however, incumbent consultant may compete for new contract.
- Requires investment consultants or advisers to disclose all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment consultant or adviser in connection with the services provided.
- Requires that a description of every contract let for investment services be posted on the website, including name of entity awarded the contract, amount of the contract, total fees paid, and disclosure describing the factors that contributed to the selection.

- Requires the Fund to maintain a website that shall include standard investment reporting, a copy of relevant Board policies, a listing of investment consultants and managers, a notification of any requests for investment services, and the names and e-mail addresses of Board members, Fund directors, and senior staff.
- Requires Board members to attend at least eight hours of ethics training per year and requires each Board to annually certify its member's compliance and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation.
- Prohibits any Fund trustee or employee or their spouses or immediate family living with them to intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act, including educational materials and missions and travel expenses for discussing Fund business.
- Provides that any person who knowingly makes any false statement or falsifies or permits falsifying any record of the pension fund in an attempt to defraud is guilty of a Class 3 felony.
- Provides that no person or entity shall retain a person or entity to influence the outcome of an investment decision or the procurement of investment advice to a pension fund for compensation, contingent upon the decision of the Board.
- Requires approval for travel or education mission expense of a Trustee by a majority of the Board prior to the mission.

***SB 1440***

- Approved August 18, 2009.
- Provides that the Fund may, and to the extent required by federal law shall, allow an employee to roll over a refund, lump-sum benefit, or other non-periodic distribution (including the non-taxable portion) directly to any entity that is designated in writing by the person, is qualified under federal law to accept the distribution, and has agreed to accept the distribution.

# **Statistical Section**

# Statistical Section

This section of the comprehensive annual financial report contains relevant data on revenue, expenses and benefit payments. This detailed information, in conjunction with the financial statements, note to financial statements and required supplementary information is presented in order for the reader to analyze financial trends and to evaluate the economic condition of the Plan.

**Financial Trends – The following schedules show trend information about the Plan’s growth over the past 10 years.**

- Schedule of Additions by Source
- Schedule of Deductions by Type
- History of Changes in Plan Net Assets
- Schedule of Benefit Expenses by Type
- Retirees and Beneficiaries by Type of Benefit<sup>1</sup>
- Average Employee Retirement Benefits<sup>1</sup>
- 10 Year Growth of Employee Annuitants
- Analysis of Initial Retirement Benefits for Employees
- Average Age at Retirement<sup>1</sup>
- Average Years of Service at Retirement<sup>1</sup>
- History of New Annuities Granted<sup>1</sup>
- History of Active Members Classified by Age<sup>1</sup>
- History of Active Members by Gender

**Demographic Information – The following schedules provide information about the Plan’s membership population.**

- Number and Gender of Annuitants
- Changes in Annuitant and Beneficiaries<sup>1</sup>
- Schedule of Monthly Benefit Amounts by Type at December 31, 2009<sup>1</sup>
- Annuitants Classified by Age<sup>1</sup>
- Active Members Classified by Service<sup>1</sup>
- Inactive Members Classified by Service<sup>1</sup>
- Number of Active Members by Department
- Members Receiving Disability Benefits<sup>1</sup>
- Number of Refunds Payments Made During 2009<sup>1</sup>

Schedule information was derived from LABF internal sources unless otherwise noted.

<sup>1</sup>Schedules or data are provided by the consulting actuary, Gabriel, Roeder, Smith & Co.

## LABORERS' ANNUITY & BENEFIT FUND OF CHICAGO

### SCHEDULE OF ADDITIONS BY SOURCE

Year	Employee Contributions	Employer Contributions	Employer Contributions as a % of Payroll	Investment Income Less Fees	Total
2000	\$17,011,363	\$625,233	0.39	\$27,260,089	44,896,685
2001	20,017,224	659,946	0.36	(19,125,166)	1,552,004
2002	20,189,214	82,865	0.04	(119,447,570)	(99,175,491)
2003	19,798,759	344,821	0.18	231,606,021	251,749,601
2004	22,591,435	197,034	0.10	171,049,929	193,838,398
2005	16,256,802	40,435	0.02	117,785,265	134,082,502
2006	18,791,442	106,270	0.06	174,535,356	193,433,068
2007	18,413,407	15,458,982	8.02	125,204,334	159,076,723
2008	19,418,435	17,580,428	8.11	(510,462,568)	(473,463,705)
2009	17,538,297	17,189,811	8.24	237,102,597	271,830,705

### SCHEDULE OF DEDUCTIONS BY TYPE

Year	Benefits	Refunds	Administrative Expenses	Total	HISTORY OF CHANGES IN PLAN NET ASSETS
2000	\$75,186,874	\$3,121,175	\$1,669,793	\$79,977,842	(\$35,081,157)
2001	75,503,260	2,354,116	1,806,263	79,663,639	(78,111,635)
2002	78,260,481	3,368,053	1,814,283	83,442,817	(182,618,308)
2003	82,740,302	2,826,928	1,910,350	87,477,580	164,272,021
2004	99,260,643	6,697,268	2,872,450	108,830,361	85,008,037
2005	105,164,827	4,240,024	2,985,293	112,390,144	21,692,358
2006	106,862,912	3,139,938	2,830,920	112,833,770	80,599,298
2007	108,806,307	3,761,121	3,352,421	115,919,849	43,156,874
2008	113,652,844	3,494,107	3,626,393	120,773,344	(594,237,049)
2009	120,998,446	2,818,420	3,664,916	127,481,782	144,348,923

### SCHEDULE OF BENEFIT EXPENSES BY TYPE

Year	Employee Annuities*	Spouse/Child Annuities	Ordinary Disabilities	Duty Disabilities	Total
2000	\$58,526,663	\$14,279,197	\$1,208,604	\$1,172,410	\$75,186,874
2001	58,031,741	14,358,135	1,501,106	1,612,278	75,503,260
2002	60,022,226	14,600,309	1,990,089	1,647,857	78,260,481
2003	63,925,164	14,792,914	2,272,328	1,749,896	82,740,302
2004	80,932,747	14,883,844	2,044,621	1,399,431	99,260,643
2005	86,125,245	15,164,982	2,278,159	1,596,441	105,164,827
2006	87,443,420	15,136,986	1,974,345	2,308,161	106,862,912
2007	89,874,659	15,194,447	2,014,351	1,722,850	108,806,307
2008	93,905,852	15,399,578	2,271,492	2,075,922	113,652,844
2009	100,619,114	15,539,189	2,206,838	2,633,305	120,998,446

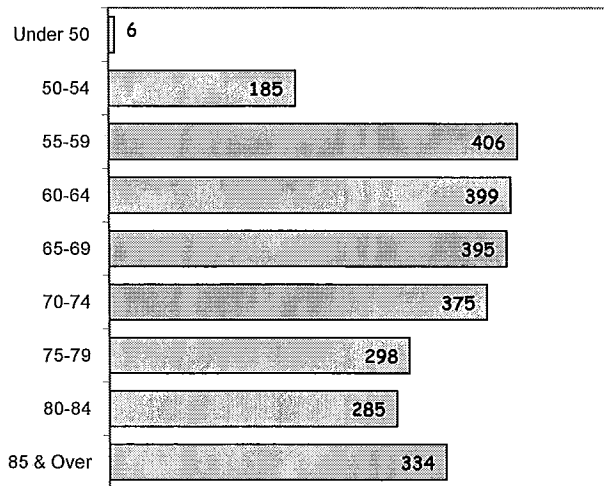
\* Includes retiree healthcare



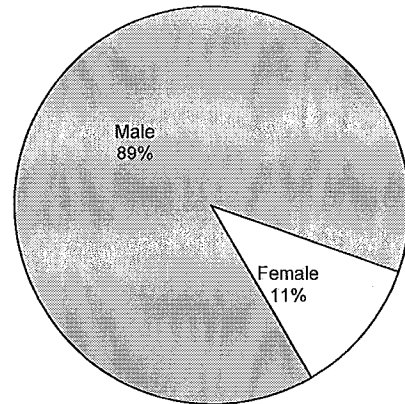
# NUMBER AND GENDER OF ANNUITANTS

## Employee Annuitants

By Age

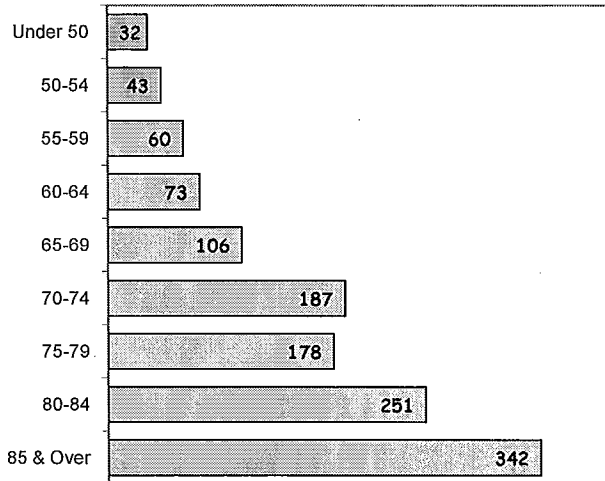


By Gender

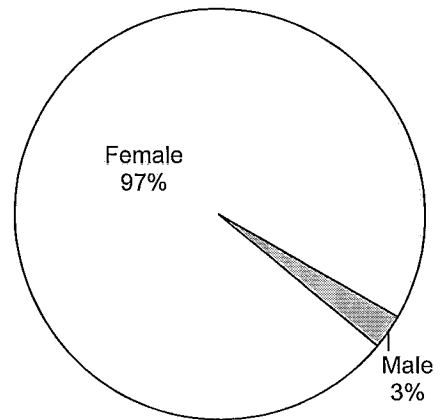


## Spouse Annuitants

By Age

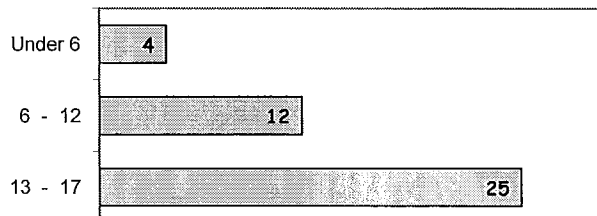


By Gender

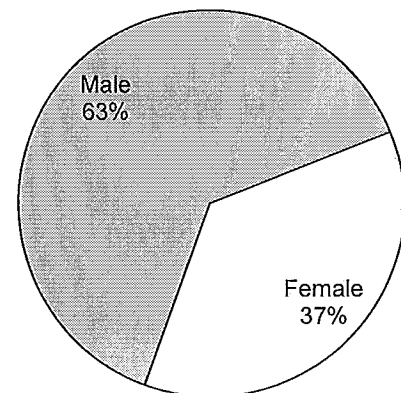


## Child Annuitants

By Age



By Gender



**RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT**

At Year End:	<u>Retirees &amp; Beneficiaries</u>			<u>Actives Receiving Benefits</u>		Total
	Employee Annuities	Spouse Annuities	Child Annuities	Ordinary Disabilities	Duty Disabilities	
2000	2,569	1,406	67	57	100	4,199
2001	2,481	1,405	59	46	108	4,099
2002	2,461	1,422	65	59	144	4,151
2003	2,472	1,395	67	74	106	4,114
2004	2,836	1,379	62	63	92	4,432
2005	2,737	1,367	52	56	120	4,332
2006	2,683	1,335	52	42	129	4,241
2007	2,644	1,316	45	58	118	4,181
2008	2,646	1,298	47	61	145	4,197
2009	2,683	1,272	41	62	188	4,246

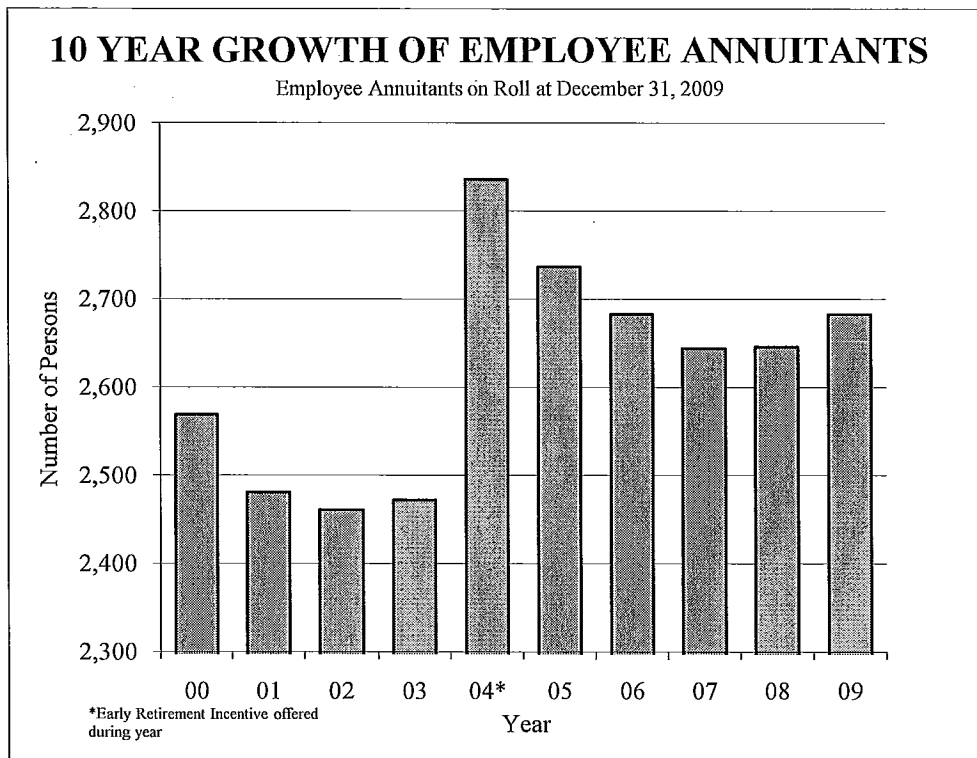
**CHANGES IN ANNUITANTS AND BENEFICIARIES**

Benefit	Number at Start of 2009	Increases	Decreases	Number at End of 2009
Employee Annuitants	2,646	169	132	2,683
Spouse Annuitants	1,298	49	75	1,272
Child Annuitants	47	9	15	41
Ordinary Disabilities	61	108	107	62
Duty Disabilities	145	316	273	188
<b>Total</b>	<b>4,197</b>	<b>651</b>	<b>602</b>	<b>4,246</b>

## AVERAGE EMPLOYEE RETIREMENT BENEFITS

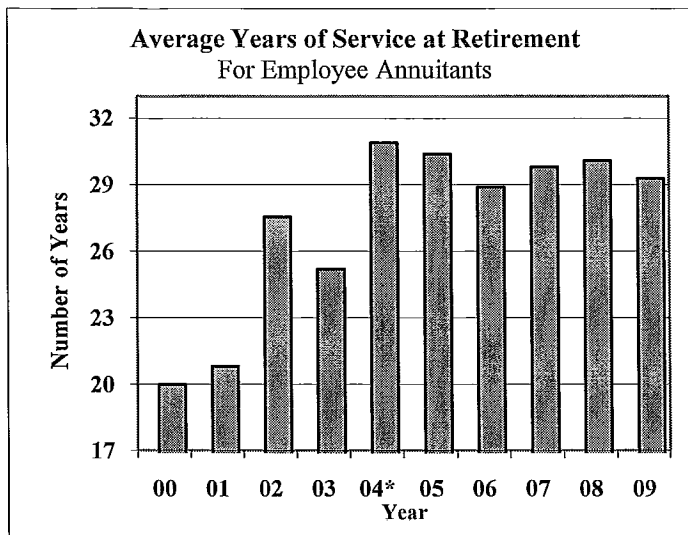
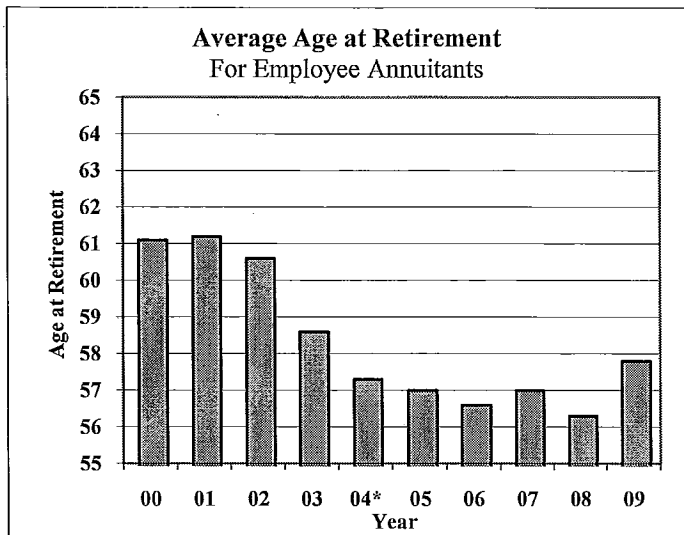
Year	Average Annual Retirement Benefit	Percent Increase	Average Annual Benefit at Retirement Current Year	Percent Increase (Decrease)	Average Current Age of Retirees	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
2000	\$21,872	3.4%	\$20,938	14.0%	73.3	61.1	20.0
2001	22,750	4.0	24,126	15.2	73.6	61.2	20.8
2002	24,082	5.9	31,865	32.1	73.3	60.6	27.6
2003	25,576	6.2	34,201	7.3	73.0	58.6	25.2
2004*	29,177	14.1	40,825	19.4	70.6	57.3	30.9
2005	30,492	4.5	39,105	(4.2)	70.8	57.0	30.4
2006	31,664	3.8	38,015	(2.8)	70.9	56.6	28.9
2007	33,242	5.0	42,234	11.1	70.9	57.0	29.8
2008	35,037	5.4	44,496	5.4	70.7	56.3	30.1
2009	36,868	5.2	44,581	0.0	70.3	57.8	29.3

\* Early Retirement Incentive Program



## ANALYSIS OF INITIAL RETIREMENT BENEFITS FOR EMPLOYEES

	Years of Credited Service								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	
<b>2004</b>									
Avg Monthly Annuity	\$ 283	\$ 860	\$0	\$ 1,802	\$ 2,172	\$ 3,111	\$ 3,808	\$ 4,164	\$3,397
Avg Monthly FAS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of Retirees	9	8	-	20	37	100	324	27	525
<b>2005</b>									
Avg Monthly Annuity	\$ 96	\$ 1,001	\$ 1,224	\$ 972	\$ 2,254	\$ 3,471	\$ 3,974	\$ 3,409	\$3,264
Avg Monthly FAS	\$ 2,666	\$ 4,511	\$ 4,539	\$ 4,118	\$ 4,808	\$ 5,143	\$ 5,218	\$ 4,269	\$4,887
Number of Retirees	1	2	2	3	3	10	26	8	55
<b>2006</b>									
Avg Monthly Annuity	\$ 324	\$ 1,607	\$ 1,212	\$ 1,507	\$ 2,246	\$ 3,482	\$ 4,010	\$ 4,119	\$3,167
Avg Monthly FAS	\$ 4,564	\$ 6,925	\$ 4,418	\$ 4,136	\$ 4,987	\$ 5,261	\$ 5,292	\$ 5,149	\$5,084
Number of Retirees	5	1	8	4	5	10	39	7	79
<b>2007</b>									
Avg Monthly Annuity	\$ 361	\$ 1,378	\$ 1,480	\$ 2,498	\$ 2,690	\$ 2,474	\$ 4,180	\$ 4,799	\$3,515
Avg Monthly FAS	\$ 5,451	\$ 7,168	\$ 4,921	\$ 5,641	\$ 5,339	\$ 3,873	\$ 5,520	\$ 6,048	\$5,444
Number of Retirees	3	2	10	2	9	5	54	10	95
<b>2008</b>									
Avg Monthly Annuity	\$ 325	\$ 975	\$ 1,241	\$ 1,390	\$ 2,803	\$ 3,283	\$ 4,433	\$ 4,819	\$3,707
Avg Monthly FAS	\$ 6,033	\$ 5,700	\$ 4,048	\$ 2,883	\$ 5,291	\$ 5,146	\$ 5,773	\$ 6,012	\$5,538
Number of Retirees	5	4	6	3	7	14	73	8	120
<b>2009</b>									
Avg Monthly Annuity	\$ 431	\$ 1,081	\$ 1,366	\$ 1,905	\$ 2,653	\$ 3,429	\$ 4,384	\$ 5,005	\$3,707
Avg Monthly FAS	\$ 5,981	\$ 6,697	\$ 4,922	\$ 4,487	\$ 5,284	\$ 5,286	\$ 5,718	\$ 6,257	\$5,553
Number of Retirees	1	3	10	16	12	26	77	24	169



\*Early Retirement Incentive offered during the year

**SCHEDULE OF MONTHLY BENEFIT  
BY TYPE  
AT DECEMBER 31, 2009**

Amount of Monthly Benefit	Employee Annuitant	Spouse Annuitant	Child Annuitant	Total
\$1 - 250	43	17	41	101
251 - 500	37	4	-	41
501 - 750	19	11	-	30
751 - 1,000	44	878	-	922
1,001 - 1,250	273	119	-	392
1,251 - 1,500	96	94	-	190
1,501 - 1,750	94	63	-	157
1,751 - 2,000	110	38	-	148
2,001 - 2,250	106	20	-	126
2,251 - 2,500	118	12	-	130
2,501 - 2,750	97	5	-	102
2,751 - 3,000	148	2	-	150
3,001 - 3,250	149	3	-	152
3,251 - 3,500	210	1	-	211
3,501 - 3,750	214	2	-	216
3,751 - 4,000	237	-	-	237
4,001 - 4,250	215	2	-	217
4,251 - 4,500	103	1	-	104
4,501 - 4,750	88	-	-	88
4,751 - 5,000	72	-	-	72
Over \$5,000	210	-	-	210
<b>Totals</b>	<b>2,683</b>	<b>1,272</b>	<b>41</b>	<b>3,996</b>

## HISTORY OF NEW ANNUITIES GRANTED

Male Employees

	2009 <sup>1</sup>	2008	2007 <sup>2</sup>	2006	2005 <sup>3</sup>	2004*	2003	2002	2001	2000
Number retired	156	117	90	78	51	505	145	149	49	52
Average Age	57.5	56.1	56.8	56.6	56.6	57.3	58.6	60.5	61.2	60.4
Average Length of Service	29.7	30.3	30.1	28.9	30.3	31.1	27	27.7	20.6	20.6
Average Annual Final Salary	\$70,563	\$70,000	\$67,250	\$63,800	\$60,828	\$53,378	\$60,516	\$58,159	\$46,126	\$42,844
Total Annual Annuity	\$7,119,948	\$5,284,872	\$3,824,304	\$2,961,828	\$2,073,032	\$20,871,228	\$5,060,484	\$4,802,907	\$1,231,590	\$1,132,243
Average Annual Annuity	\$45,641	\$45,170	\$42,492	\$37,972	\$40,648	\$41,329	\$34,900	\$32,234	\$25,134	\$21,774
Total Actuarial Liability	\$97,468,212	\$73,140,350	\$53,384,184	\$40,009,917	\$28,251,758	\$281,030,404	\$66,126,137	\$60,832,155	\$14,602,006	\$13,749,715
Average Actuarial Liability	\$624,796	\$625,131	\$593,158	\$512,948	\$553,956	\$556,496	\$456,042	\$408,269	\$298,000	\$264,418
Total Contributed by EE	\$13,335,347	\$9,653,770	\$6,954,680	\$5,548,293	\$3,840,240	\$46,273,925	\$9,702,986	\$9,312,597	\$3,444,582	\$2,638,123
Expected Future Lifetime (years)	22.52	23.73	23.10	23.25	23.24	22.69	19.02	17.45	17.45	18.23
Payback Period (years)	1.87	1.83	1.82	1.87	1.85	2.22	1.92	1.94	2.01	2.04
Replacement Ratio	64.7%	64.5%	63.2%	59.5%	66.8%	77.4%	57.7%	55.4%	54.5%	50.8%

\* Early Retirement Incentive offered during the year

<sup>1</sup> Does not include three employees who were no longer on annuity at the end of the year

<sup>2</sup> Does not include one employee who was no longer on annuity at the end of the year

<sup>3</sup> Does not include one employee who was no longer on annuity at the end of the year

**HISTORY OF NEW ANNUITIES GRANTED**  
Female Employees

	2009	2008	2007	2006	2005	2004*	2003	2002	2001	2000
Number retired	10	3	4	1	3	15	5	3	4	4
Average Age	61.6	65.2	60.8	59.3	63.8	60.1	60.6	65	60.7	63.3
Average Length of Service	22.1	22.2	24.5	28	32.3	21.9	13.3	20.7	23.8	11.8
Average Annual Final Salary	\$56,156	\$46,745	\$66,176	\$62,962	\$31,903	\$43,782	\$45,347	\$33,205	\$26,287	\$35,798
Total Annual Annuity	\$280,476	\$54,588	\$145,704	\$41,352	\$38,622	\$357,600	\$69,661	\$40,550	\$47,096	\$40,306
Average Annual Annuity	\$28,048	\$18,196	\$36,426	\$41,352	\$12,874	\$23,840	\$13,932	\$13,517	\$11,774	\$10,076
Total Actuarial Liability	\$3,678,207	\$558,684	\$1,975,124	\$582,267	\$461,446	\$4,875,554	\$880,560	\$499,684	\$553,130	\$451,750
Average Actuarial Liability	\$367,821	\$186,228	\$493,781	\$582,267	\$153,815	\$325,037	\$176,112	\$166,561	\$138,283	\$112,938
Total Contributed by EE	\$545,313	\$75,948	\$246,255	\$69,508	\$83,554	\$853,199	\$146,561	\$75,584	\$107,217	\$117,960
Expected Future Lifetime (years)	22.74	20.49	23.31	24.74	20.97	24.00	22.15	18.76	22.15	20.43
Payback Period (years)	1.94	1.39	1.69	1.68	2.16	2.39	2.10	1.86	1.18	2.05
Replacement Ratio	50.0%	38.9%	55.0%	65.7%	40.4%	54.5%	30.7%	40.7%	44.8%	28.1%

\* Early Retirement Incentive offered during the year

## ANNUITANTS CLASSIFIED BY AGE

AS OF DECEMBER 31, 2009

### Retirement Annuities

Age	MALES			FEMALES		
	Count	Annual Payments	Average Annual Payments	Count	Annual Payments	Average Annual Payments
Under 50	5	\$50,532	\$10,106	1	\$1,488	\$1,488
50 - 54	184	9,282,672	50,449	1	28,176	28,176
55 - 59	398	17,908,476	44,996	8	195,408	24,426
60 - 64	386	16,652,580	43,141	13	389,700	29,977
65 - 69	378	15,013,380	39,718	17	374,340	22,020
70 - 74	352	13,278,288	37,722	23	550,536	23,936
75 - 79	264	8,773,692	33,234	34	734,376	21,599
80 - 84	231	7,754,520	33,569	54	1,036,392	19,192
85 & Over	183	4,667,632	25,506	151	2,223,792	14,727
<b>Total</b>	<b>2,381</b>	<b>\$93,381,772</b>	<b>\$39,220</b>	<b>302</b>	<b>\$5,534,208</b>	<b>\$18,325</b>
		Average Age is 70			Average Age is 84	

### Spouse Annuities (not including compensation)

Age	MALES			FEMALES		
	Count	Annual Payments	Average Annual Payments	Count	Annual Payments	Average Annual Payments
Under 30	-	-	-	-	-	-
30 - 34	-	-	-	2	19,200	9,600
35 - 39	-	-	-	-	-	-
40 - 44	1	1,200	1,200	6	61,548	10,258
45 - 49	1	7,584	7,584	22	247,680	11,258
50 - 54	3	30,300	-	40	551,184	13,780
55 - 59	1	9,600	9,600	59	862,164	14,613
60 - 64	1	10,068	10,068	72	1,002,312	13,921
65 - 69	-	-	-	106	1,426,320	13,456
70 - 74	2	19,200	9,600	185	2,556,828	13,821
75 - 79	1	9,600	9,600	177	2,184,624	12,343
80 - 84	12	108,312	9,026	239	2,768,196	11,582
85 & Over	13	124,800	9,600	329	3,375,096	10,259
<b>Total</b>	<b>35</b>	<b>\$320,664</b>	<b>\$9,162</b>	<b>1,237</b>	<b>\$15,055,152</b>	<b>\$12,171</b>
		Average Age is 79			Average Age is 77	



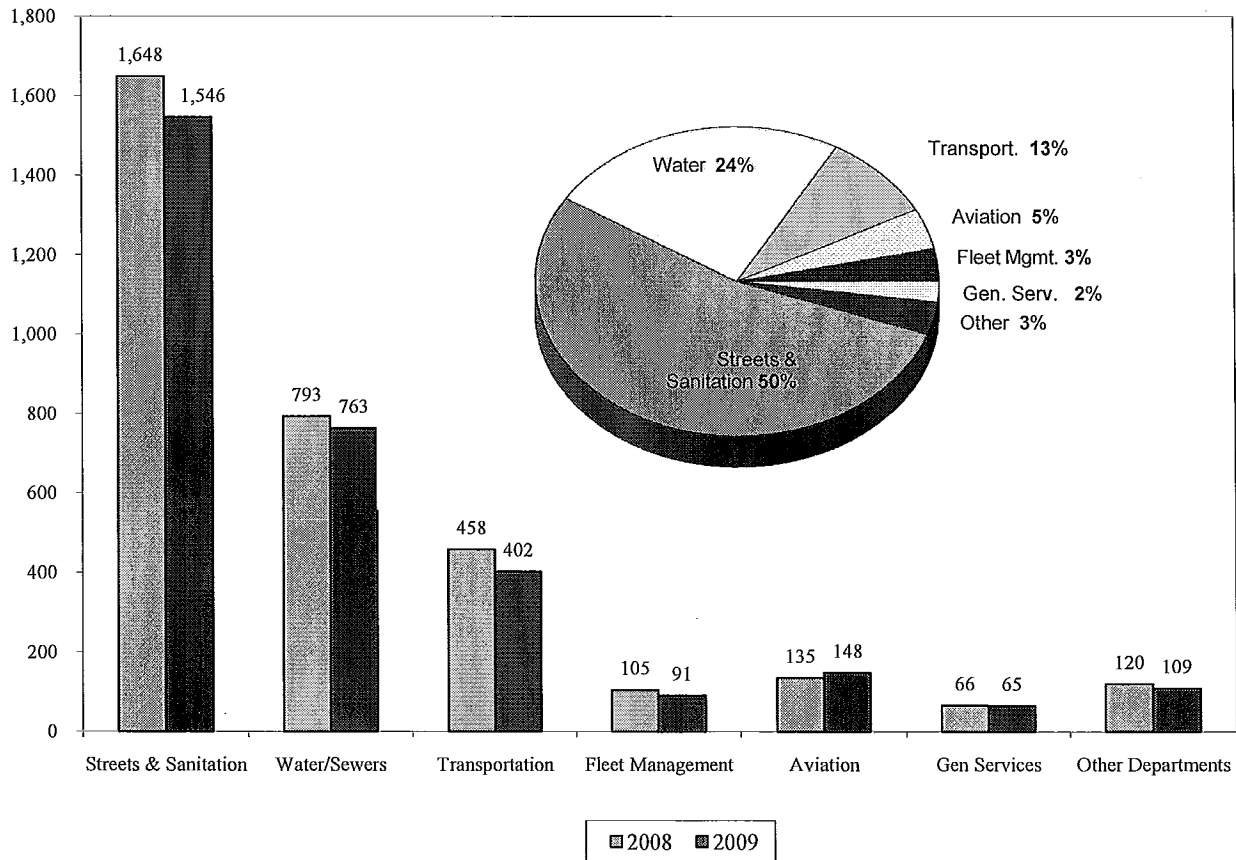
**ACTIVE MEMBERS**  
AS OF DECEMBER 31, 2009

Years of Service	Males	Females	Total
Under 1	12	6	18
1 - 4	198	100	298
5 - 9	332	84	416
10 - 14	704	179	883
15 - 19	534	80	614
20 - 24	273	62	335
25 - 29	331	9	340
30 - 34	180	1	181
35 & Up	38	1	39
<b>Total</b>	<b>2,602</b>	<b>522</b>	<b>3,124</b>

**INACTIVE MEMBERS**  
AS OF DECEMBER 31, 2009

Years of Service	Males	Females	Total
Under 1	797	72	869
1 - 4	340	53	393
5 - 9	75	13	88
10 - 14	37	5	42
15 - 19	27	4	31
20 - 24	21	1	22
25 - 29	14	-	14
30 - 34	1	-	1
35 & Up	-	-	-
<b>Total</b>	<b>1,312</b>	<b>148</b>	<b>1,460</b>

**NUMBER OF ACTIVE MEMBERS BY DEPARTMENT**  
AS OF DECEMBER 31, 2009



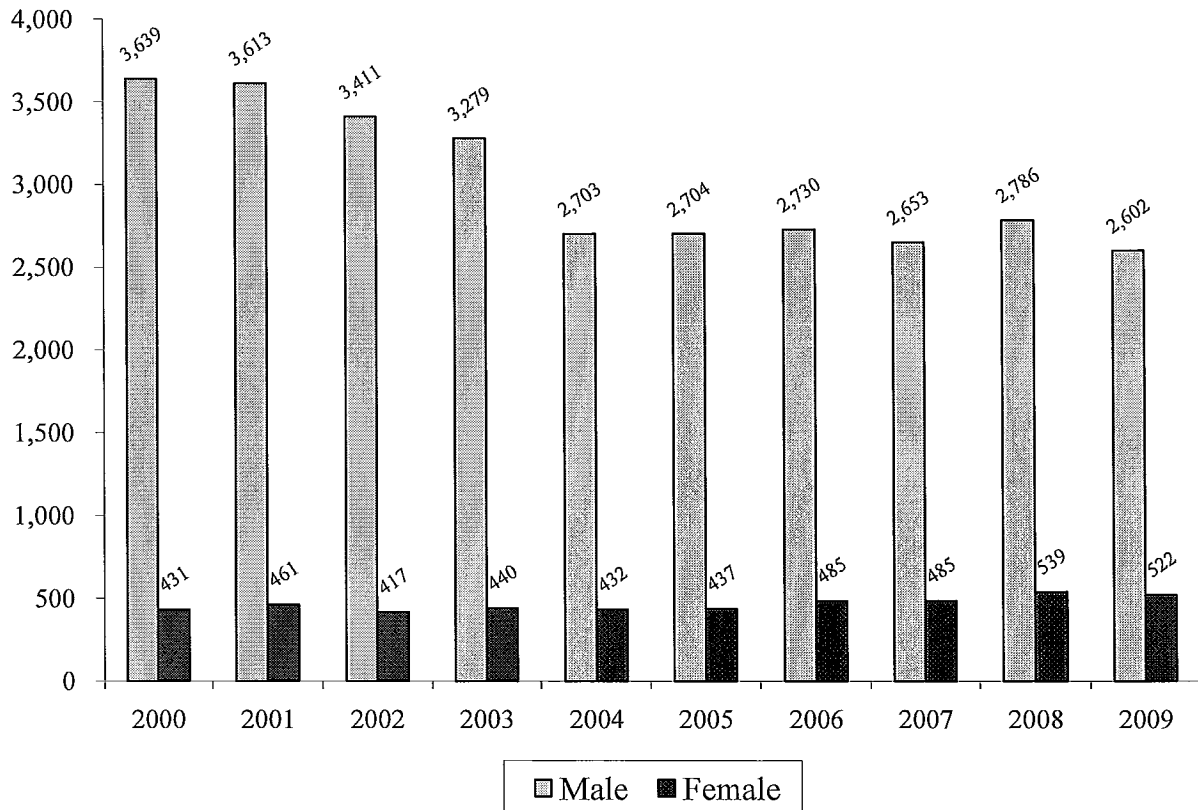
### HISTORY OF ACTIVE MEMBERS BY AGE

AS OF DECEMBER 31, 2009

Age	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Under 20	0	0	1	3	0	0	0	0	4	6
20 - 24	23	36	20	31	13	19	45	70	108	137
25 - 29	89	138	133	159	149	186	214	242	287	277
30 - 34	267	285	266	295	298	300	329	368	409	416
35 - 39	380	395	406	413	422	413	460	467	497	572
40 - 44	479	509	465	505	559	607	653	701	770	789
45 - 49	653	693	707	749	747	775	832	816	811	747
50 - 54	638	681	626	593	520	443	598	584	583	554
55 - 59	329	324	299	264	241	227	333	326	322	307
60 - 64	173	167	138	128	126	110	174	173	190	172
65 - 70	65	66	51	54	47	41	59	58	65	62
Over 70	28	31	26	21	19	14	22	23	28	31
	3,124	3,325	3,138	3,215	3,141	3,135	3,719	3,828	4,074	4,070

### HISTORY OF ACTIVE MEMBERS

BY GENDER



**MEMBERS RECEIVING DISABILITY BENEFITS**  
AS OF DECEMBER 31, 2009

Years of Service	Duty Disability					
	Males		Females		Totals	
	Count	Annual Payments*	Count	Annual Payments*	Count	Annual Payments*
Under 1	-	\$ -	-	\$ -	-	\$ -
1 - 4	5	228,368	3	127,094	8	355,462
5 - 9	23	1,097,584	6	254,000	29	1,351,584
10 - 14	54	2,585,485	19	846,740	73	3,432,225
15 - 19	33	1,634,213	8	381,078	41	2,015,291
20 & Over	33	1,551,017	4	174,222	37	1,725,239
<b>Total</b>	<b>148</b>	<b>\$ 7,096,667</b>	<b>40</b>	<b>\$ 1,783,134</b>	<b>188</b>	<b>\$ 8,879,801</b>

Years of Service	Ordinary Disability					
	Males		Females		Totals	
	Count	Annual Payments	Count	Annual Payments	Count	Annual Payments
Under 1	-	\$ -	-	\$ -	-	\$ -
1 - 4	2	46,467	4	86,736	6	133,203
5 - 9	3	79,873	3	92,717	6	172,590
10 - 14	12	369,543	5	157,967	17	527,510
15 - 19	12	375,296	2	55,157	14	430,453
20 & Over	17	573,406	2	74,696	19	648,102
<b>Total</b>	<b>46</b>	<b>\$ 1,444,585</b>	<b>16</b>	<b>\$ 467,273</b>	<b>62</b>	<b>\$ 1,911,858</b>

\* Benefit payments are annual amounts before workers' compensation offset.

NUMBER OF REFUND PAYMENTS MADE DURING 2009							
Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and Over	
Under 20	1	-	-	-	-	-	1
20 to 24	1	-	-	1	-	-	2
25 to 29	-	1	-	-	-	3	4
30 to 34	-	2	-	2	-	3	7
35 to 39	2	-	-	-	-	2	4
40 to 44	1	1	1	-	1	3	7
45 to 49	1	-	-	-	-	4	5
50 to 54	1	2	2	-	-	2	7
55 to 59	-	1	-	-	-	1	2
60 & Over	-	-	-	-	-	-	-
<b>Totals</b>	<b>7</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>18</b>	<b>39</b>