

Celebrating 75 Years



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

"BUSIEST CORNER IN THE WORLD," CHICAGO 1935.

2009 | POPULAR REPORT

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As of December 31, 2009

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Columbia Partners Investment Mgmt

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Intech

The John Buck Company

Keeley Asset Management Corp

Mesirow Financial Inc

MFS Investment Management

Midwest Mezzanine Funds

Neuberger Investment Mgmt

The Northern Trust Company

Robeco Investments

Russell Investment Group

SB Partners LP

Shamrock Hostmark Hotel Fund LP

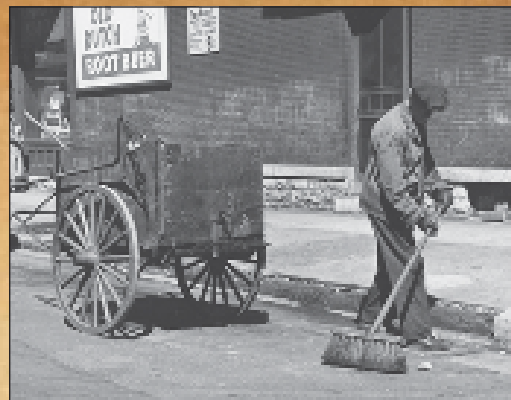
Thomas White International Ltd

Vontobel Asset Management

Western Asset Management Co

Williams Capital Management LLC

Zacks Investment Management



CITY OF CHICAGO STREET CLEANER

IN THE BEGINNING

It was a bright sunny morning in Chicago on Wednesday, July 24th 1935. The mercury would climb to 109 degrees that day as the recently created LABF held its first board meeting at City Hall. The sunshine foreshadowed the bright future that lay ahead for our fledgling pension fund.

At this historic meeting, Deputy City Commissioner of Public Works John P. Wilson was named President of the Fund's Board of Trustees. The Fund participants at that time elected Street Bureau laborers, Frank Lodato and James Burke to serve as trustees. City Treasurer Gustave Brand and City Comptroller Robert Upham also began serving on the Board.

The initial employer contribution by the City to launch the Fund was \$132,000 which is the equivalent of \$2.1 million in 2010 dollars. Employee contributions also began as active participants contributed 5% of their wages each pay day. The retirement benefit began at \$10 per month after ten years of service, or 50% of pay after twenty years of service.

On that hot July day in 1935, the genesis of City laborers' financial security came to pass. Even though more than seven decades have come and gone, LABF remains focused on the founding principle of our members' financial security. ■

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STATE AND WASHINGTON STREETS, CHICAGO / COURTESY OF CHICAGOPOSTCARDMUSEUM.ORG

75 YEARS, A LIFETIME OF SERVICE TO YOU

Welcome to the Laborers' Annuity and Benefit Fund (LABF) 2009 Popular Report. This publication describes the financial health of your pension fund as of December 31, 2009. The Report summarizes the detailed financial and membership information contained in LABF's 2009 Comprehensive Annual Financial Report (CAFR).

In 2010, the Laborers' Annuity and Benefit Fund celebrates its 75th anniversary. On July 1, 1935, LABF was established to provide benefits to City of Chicago and Board of Education employees classified as laborer service and employees of City retirement boards. Seventy-five years later, despite many financial and technological changes, our mission to provide benefits and assist our members endures.

LABF was created during the turmoil of the Great Depression. Today, economic adversity is also a fact of life; however, it is important to remember that nothing is permanent except for change. In order to successfully adapt to changing financial conditions, the Fund's Board of Trustees exercises informed leadership to optimize investment returns while minimizing risk. We are proud of the past decades of service to our members and optimistic about what the future holds. The Fund's founders would be pleased to know, that even in these most challenging of economic times, LABF is a sound institution.

The future will certainly present many new challenges; however, our commitment to our participants will always remain the foundation for all our efforts. We acknowledge and honor the stewardship of all past and present members of the LABF Board of Trustees. Their prudent guidance has made the Laborers' Annuity and Benefit Fund the secure organization that it is today and will continue to be in the future. ■

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FINANCIAL STABILITY

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

As of December 31, 2009, LABF's funded ratio was 79.4%, which decreased from the December 31, 2008 funded ratio of 86.8%. 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.

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

ACTUARIAL VALUE, MARKET VALUE, & ACTUARIAL LIABILITY

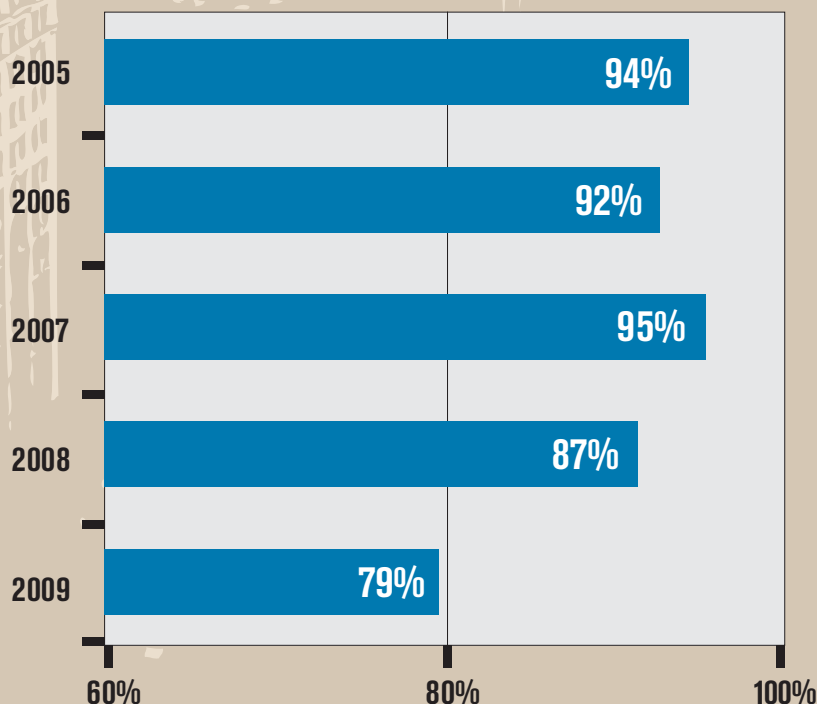
As of December 31, 2009

ACTUARIAL VALUE OF PLAN NET ASSETS	\$1.601 BILLION
MARKET VALUE OF PLAN NET ASSETS	\$1.333 BILLION
ACTUARIAL LIABILITY (BENEFIT PROMISES)	\$2.017 BILLION

On an Actuarial Basis, LABF Assets fund 79.4% of the Actuarial Liability.

ACTUARIAL FUNDING STATUS

As of December 31,



CONDENSED STATEMENTS OF PLAN NET ASSETS

YEARS ENDED DECEMBER 31, (IN THOUSANDS)

	2009	2008	DOLLAR CHANGE
RECEIVABLES	\$25,212	\$22,680	\$2,532
INVESTMENTS AT MARKET VALUE	1,332,378	1,211,929	120,449
SECURITIES LENDING COLLATERAL	169,346	145,705	23,641
PROPERTY AND EQUIPMENT	2,833	3,446	(613)
TOTAL ASSETS	1,529,769	1,383,760	146,009
TOTAL LIABILITIES	196,840	195,180	1,660
TOTAL PLAN NET ASSETS	\$1,332,929	\$1,188,580	\$144,349

CONDENSED STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, (IN THOUSANDS)

ADDITIONS	2009	2008	DOLLAR CHANGE
EMPLOYER CONTRIBUTIONS	\$17,190	\$17,580	\$(390)
MEMBER CONTRIBUTIONS	17,538	19,418	(1,880)
NET INVESTMENT GAIN	237,102	(510,463)	747,565
TOTAL ADDITIONS	271,830	(473,465)	745,295
DEDUCTIONS			
BENEFITS	120,998	113,653	7,345
REFUNDS	2,818	3,494	(676)
ADMINISTRATIVE EXPENSES	3,665	3,626	39
TOTAL DEDUCTIONS	127,481	120,773	6,708
NET INCREASE			
IN PLAN NET ASSETS	144,349	(594,238)	738,587
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
BEGINNING OF YEAR	1,188,580	1,782,818	(594,238)
END OF YEAR	\$1,332,929	\$1,188,580	\$144,349

PLAN INCOME

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

During 2009, economists made the pronouncement that the U.S. recession officially ended. As the recovery began, the upward trend in the financial markets impacted LABF in a positive manner. LABF investment portfolio rebounded from the effects of the economic downturn by earning a 21% rate of return net of fees. While a full economic recovery is expected to take con-

siderable time as job growth lags and unemployment persists, there appears to be light at the end of the tunnel. Because of LABF's conservative investment philosophy and prudent strategy, LABF remains in a solid financial position to withstand economic adversity.

As Henry Ford said, "Obstacles are those frightful things you see when you take your eyes off your goal." These words exemplify the idea that, while short-term economic conditions are disconcerting, the long-term goal of our members' financial security is much more important. The time horizon of the LABF investment portfolio is measured in decades, not weeks or months. While many people are overly concerned with the present, LABF keeps its eyes on the goal of providing financial stability during both good times and bad times for the benefit of our members. ■

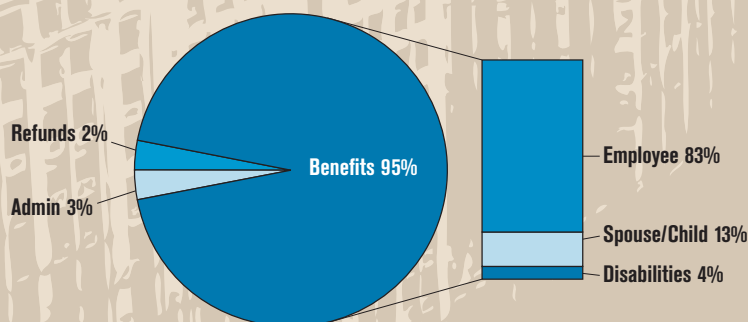
PLAN EXPENSE

The Fund's most significant expense is benefit payments. Benefits, which include the subsidized cost of annuitant group health care, comprise 95% of the Fund's total expenses. The remaining 5% of expenses are refunds of contributions (2%) and the administrative cost of operating the fund (3%). For a detailed analysis of the financial information, the reader is encouraged to review the Comprehensive Annual Financial Report which contains the auditor's report, management's discussion and analysis, the financial statements, and other supplemental information. This report is available at the LABF office or on our website at www.labfchicago.org. ■



THE CHICAGO STOCK EXCHANGE

2009 EXPENSE BY TYPE



PLAN INVESTMENTS

LABF's investment goal is to achieve the highest long-term total rate of return by diversifying our investment portfolio at an appropriate level of risk. The Board of Trustees and staff work with 32 professional investment management firms compiling 44 different investment portfolios. These firms make investment decisions under the "prudent person" rule that is authorized by the Illinois Pension Code and the Fund's investment policy guidelines. An investment consultant is employed to assist in the development of an investment policy, perform asset allocation studies, and aid in the selection of investment management firms. The consultant also monitors and evaluates each investment management firm's individual performance as well as the Fund's performance as a whole.

Because a prudent investor never puts all their eggs in one basket, the Board, its consultant, and staff routinely review LABF's asset allocation. In addition, Asset Liability Modeling Studies are periodically conducted in order to achieve the best investment diversification. Through diversification of investment type (bonds, stocks, real estate, private equity, hedge funds, etc.), region (domestic, international) and management style (growth, value, small, medium, or large capitalization, etc.) the goal of improving expected long term returns while maintaining an acceptable level of risk is enhanced. ■

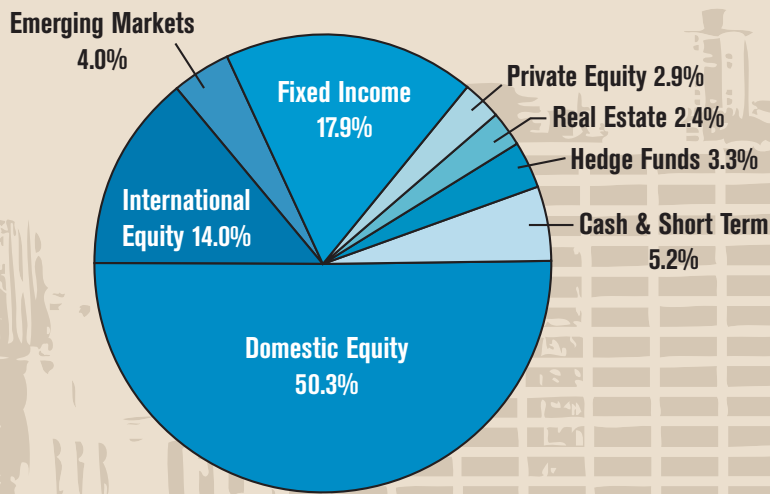
ASSET ALLOCATION

As of December 31, 2009

ASSET CATEGORY	TARGET %	ACTUAL %
DOMESTIC EQUITY	50.0	50.3
INTERNATIONAL EQUITY	13.0	14.0
EMERGING MARKETS	5.0	4.0
FIXED INCOME	16.0	17.9
PRIVATE EQUITY	8.0	2.9
REAL ESTATE	4.0	2.4
HEDGE FUNDS	4.0	3.3
CASH & SHORT TERM	0.0	5.2
TOTAL	100.0	100.0

PORTFOLIO ALLOCATION

AS OF DECEMBER 31, 2009



CHICAGO CITY COUNCIL CHAMBERS



LA SALLE STREET, CHICAGO

INVESTMENT PORTFOLIO SUMMARY

AS OF DECEMBER 31, (IN THOUSANDS)

	2009		2008	
	MARKET VALUE	% OF TOTAL MARKET VALUE	MARKET VALUE	% OF TOTAL MARKET VALUE
DOMESTIC EQUITY (STOCKS)	\$669,203	50.3%	\$540,202	44.6%
INTERNATIONAL EQUITY (STOCKS)	187,159	14.0	129,499	10.7
EMERGING MARKETS (STOCKS)	53,274	4.0	0	0.0
FIXED INCOME (BONDS)	238,812	17.9	390,194	32.2
PRIVATE EQUITY	38,702	2.9	39,932	3.3
REAL ESTATE	32,110	2.4	42,653	3.5
HEDGE FUNDS	43,354	3.3	0	0.0
CASH AND SHORT-TERM	69,764	5.2	69,449	5.7
TOTAL PORTFOLIO	\$1,332,378	100.0%	\$1,211,929	100.0%

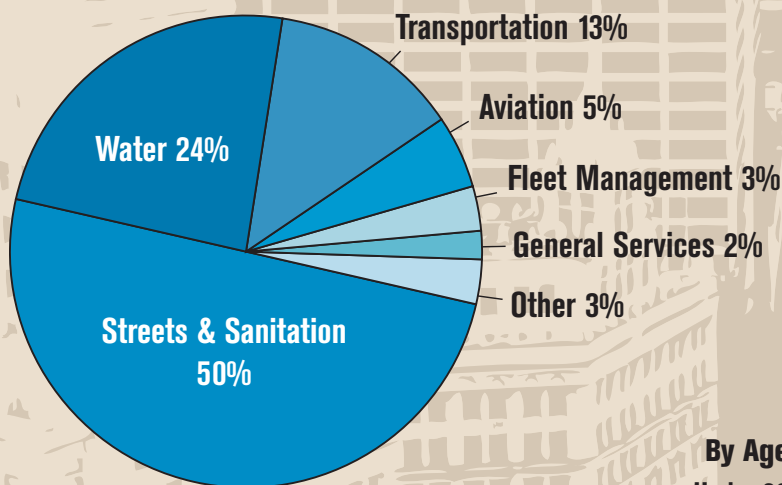
ACTIVE EMPLOYEE MEMBERS

City employees, who participate in the Laborers' Annuity and Benefit Fund by contributing 8.5% of their salary toward their future pension, are referred to as active employees. As of December 31, 2009, there were a total of 3,124 active and 1,460 inactive employees.

LABF active employees work in many city departments: half of actives work in the Department of Streets and Sanitation and approximately one-quarter work in the Department of Water Management. The Department of Transportation represents thirteen percent while the Departments of Aviation, Fleet Management, and General Services combined employ one-tenth of active LABF employees. Overall, our members are employed by 23 departments across the City of Chicago. ■

ACTIVE EMPLOYEES BY DEPARTMENT

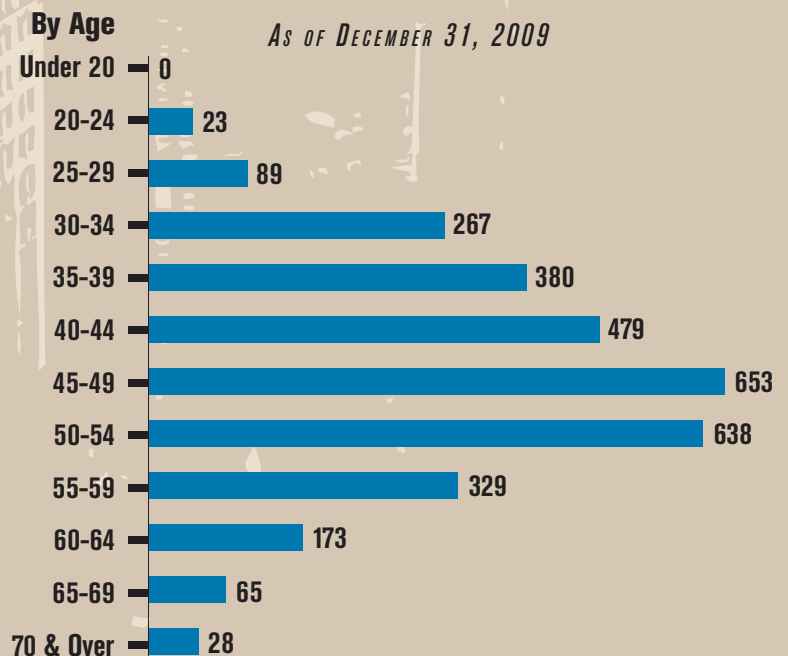
As of December 31, 2009



CITY OF CHICAGO STREET-SWEEPER DURING A HOT SUMMER DAY

ACTIVE MEMBERS

As of December 31, 2009

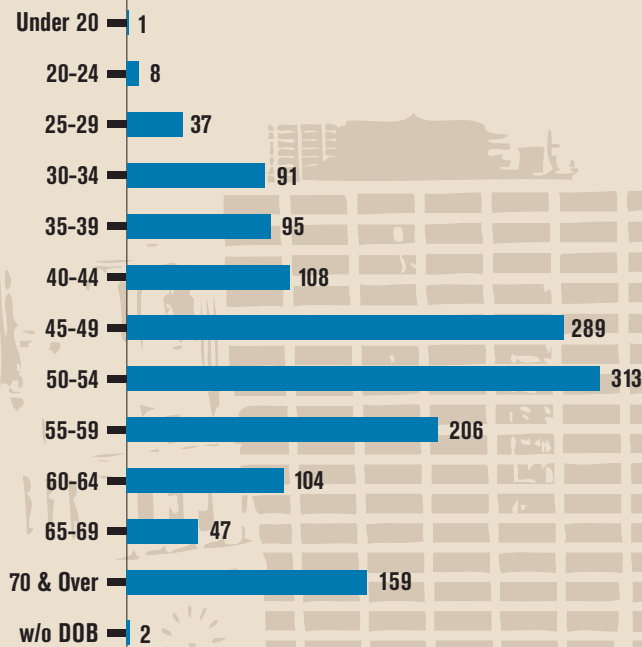


CITY OF CHICAGO STREET-CLEANER

INACTIVE MEMBERS

As of December 31, 2009

By Age



NUMBER OF REFUND PAYMENTS DURING 2009

YEARS OF SERVICE

AGE	UNDER 1	1-3	3-5	5+	TOTALS
UNDER 20	1	-	-	-	1
20 - 29	1	1	1	3	6
30 - 39	2	2	2	5	11
40 - 49	2	2	1	7	12
50 - 59	1	5	-	3	9
60 & OVER	-	-	-	-	-
TOTALS	7	10	4	18	39



68TH STREET WATER INTAKE CRIB LABORERS

DISABILITY BENEFITS

YEAR ENDED DECEMBER 31, 2009

DURATION	DUTY CLAIMS	ORDINARY CLAIMS
< 30 DAYS	87	17
1 - 3 MONTHS	119	63
4 - 6 MONTHS	83	36
7 - 9 MONTHS	41	24
> 9 MONTHS	154	27
TOTAL	484	167



PARKING ON CLARK STREET

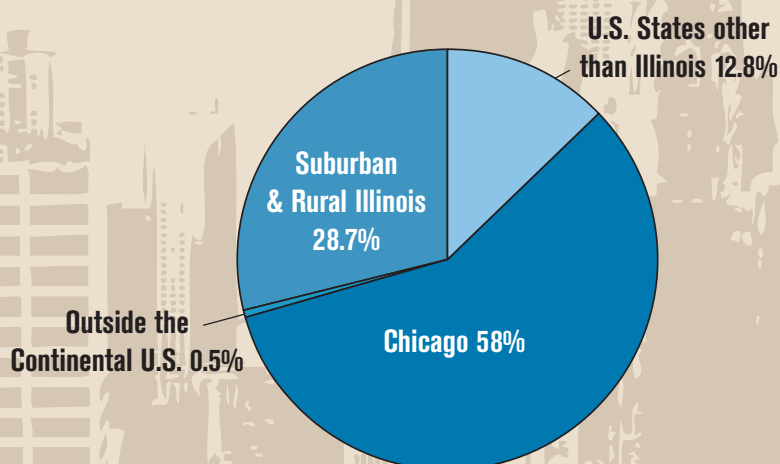
ANNUITANT MEMBERS

Retired City employees, surviving spouses, and surviving minor children who receive benefits are referred to as annuitants. On December 31, 2009, a total of 3,996 annuitants received benefit payments from the Laborers' Annuity and Benefit Fund. Two-thirds of the total annuitants are retired employees, while the remaining one-third is composed mostly of spouse annuitants. The current child annuitants comprise only 1% of the annuitant population.

Did you ever wonder where your co-workers retired? As of December 31, 2009, 58% of annuitants still reside within the City of Chicago; whereas, 29% live in suburban and rural Illinois. Only 13% of annuitants reside outside the State of Illinois. The three most popular destinations for relocating are Florida, Indiana, and Arizona. These three states combined account for 5% of the annuitant population. There are annuitants receiving benefits in 39 of the 50 United States and in six foreign countries. ■

ANNUITANT POPULATION CLASSIFIED BY LOCATION

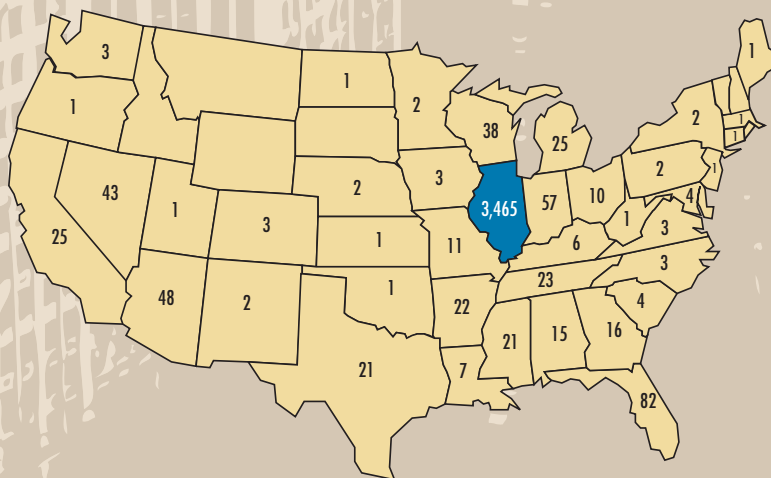
As of December 31, 2009



ANNUITANTS CLASSIFIED BY AGE

As of December 31, 2009

AGE GROUP	NUMBER OF EMPLOYEE ANNUITANTS	% OF TOTAL	NUMBER OF SPOUSE ANNUITANTS	% OF TOTAL
UNDER 50	6	0.2%	32	2.5%
50-54	185	6.9%	43	3.4%
55-59	406	15.1%	60	4.7%
60-64	399	14.9%	73	5.8%
65-69	395	14.7%	106	8.3%
70-74	375	14.0%	187	14.7%
75-79	298	11.1%	178	14.0%
80-84	285	10.6%	251	19.7%
85 & OVER	334	12.5%	342	26.9%
TOTAL	2,683	100.0%	1,272	100.0%



2009 NEW RETIREES

During the year, 166 employees retired and became new employee annuitants. This total increased by 46 individuals from the previous year. The average age of a new retiree is 58 years old. The average length of service is 29.2 years. The average annual annuity to be received is \$44,581. This group's pension payments, on average, will provide them with 63.8% of the amount of the salary they earned while working. According to actuarial estimates, retirees of 2009 can expect to live an additional 22.5 years and collect back all their salary contributions within the first 1.9 years of their lifetime annuity. ■

NEW ANNUITIES GRANTED

	MALE EMPLOYEES		FEMALE EMPLOYEES	
	2009	2008	2009	2008
NUMBER RETIRED	156	117	10	3
AVERAGE AGE	57.5	56.1	61.6	65.2
AVERAGE LENGTH OF SERVICE	29.7	30.3	22.1	22.2
AVERAGE ANNUAL FINAL SALARY	\$70,563	\$70,000	\$56,156	\$46,745
AVERAGE ANNUAL ANNUITY	\$45,641	\$45,170	\$28,048	\$18,196
EXPECTED FUTURE LIFETIME	22.52	23.73	22.74	20.49
PAYBACK PERIOD (YEARS)	1.87	1.83	1.94	1.39
REPLACEMENT RATIO	64.7%	64.5%	50.0%	38.9%



STATE AND MADISON, "BUSIEST CORNER IN THE WORLD"
COURTESY OF CHICAGOPOSTCARDMUSEUM.ORG

A FINAL THOUGHT

LABF is the steward of our member's benefits. Our understanding of this responsibility is the foundation for all our activities. Through prudent stewardship, the Fund progresses through the current economic turbulence and toward the future economic recovery. As architect Frank Lloyd Wright once stated, "The price of success is dedication, hard work, and an unrelenting devotion to the things you want to see happen." It is in this manner, that LABF will provide enduring financial security for another 75 years and beyond. ■



2009 | POPULAR REPORT



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

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