



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

December 16, 2015

The Honorable Bruce Rauner
Governor, State of Illinois
207 State House
Springfield, IL 62706

Dear Governor Rauner:

On behalf of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (LABF or Fund), I am pleased to provide the annual report on diversity policies as required by the Illinois Pension Code, 40 ILCS 5/1-109.1(8).

Enclosed are the following policies adopted by the Fund's Board of Trustees in compliance with the Law:

1. Amended MWDBE Investment Manager Utilization Policy;
2. Policy Regarding Racial, Ethnic, and Gender Diversity for Fiduciaries, Consultants, and Senior Staff;
3. Policy Regarding Businesses Owned by Minorities, Females, and Persons with Disabilities for Administrative Contracts and Service Agreements; and
4. Brokerage Policy.

The Fund has taken important and appropriate steps to provide opportunities for emerging investment managers. Please see Appendix A which lists the names and addresses of the current emerging investment managers employed by the Fund. As of September 30, 2015, these firms manage 22.1% of total Fund assets, comprised as follows:

By Ownership Classification

Minority-owned: 18.7%

Female-owned: 3.3%

Disabled/Veteran-owned: 0.1%

By Asset Class

Equities: 31.8%

Fixed Income: 7.1%

Alternatives: 6.7%

In 2014, LABF funded a new investment with Progress Investment Management for a Manager of Emerging Managers Program. As of September 30, 2015, six (6) MWDBE firms manage assets of LABF under the program. They are listed below:

ARGA Investments
Ativo Capital
Blackcrane Capital, LLC
Brown Capital
Glovista Investments, LLC
Strategic Global Advisors, LLC

The Fund has and will continue to act to increase the use of emerging investment managers within the bounds of fiduciary and financial prudence. The Amended MWDBE Investment Manager Utilization Policy is referenced whenever the Fund commences an investment manager search. The Fund strongly encourages emerging investment managers to meet with the Fund's investment consultant and to include their company's profile in the consultant's database for future investment manager searches.

Regarding minority broker-dealers, LABF continues to stress to its investment managers the importance of trading with minority broker-dealers. The enclosed Brokerage Policy, subject to best price and execution, encourages investments managers to utilize minority brokerage firms for a certain percentage of the trades executed on behalf of LABF and to submit a progress report to the Fund on a quarterly basis. If an investment manager fails to comply with the Brokerage Policy, the manager may be called before the Fund's Board of Trustees for questioning and be placed on "watch" status if compliance efforts are deemed insufficient.

We look forward to continuing to build on the Fund's current progress.

Sincerely,



Michael Walsh, CFA
Executive Director & CIO

Enclosures

cc: Speaker Michael Madigan, Speaker of the House of Representatives
Senator John J. Cullerton, President of the Senate

Appendix A

EMERGING INVESTMENT MANAGERS AND ADDRESSES

Ariel Investments

200 E Randolph Dr, Ste 2900
Chicago, IL 60601

Capri Capital Partners

875 N Michigan Ave, Ste 3430
Chicago, IL 60611

Holland Capital Management

303 W Madison St., Ste 700
Chicago, IL 60606

LM Capital Group

750 B Street, Ste 3010
San Diego, CA 92101

Newport Capital Partners

350 N LaSalle St., Ste 700
Chicago, IL 60654

Pluscios Management

1603 Orrington Ave, Ste 750
Evanston, IL 60201

Progress Investment Management

33 New Montgomery St, 19th Flr
San Francisco, CA 94105

POLICIES

Amended MWDBE Investment Manager Utilization Policy, Effective February 1, 2015

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is committed to providing opportunities for minority owned business entities, female owned business entities and business entities owned by a person with a disability as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(4)), the LABF Board of Trustees has adopted the following minimum goals for the utilization of Emerging Investment Managers.

Goals for the Utilization of Emerging Investment Managers:

By Ownership:

<u>Investment Manager Classification</u>	<u>As a Percentage of Total Assets</u>
Minority Owned Business Entity	13% to 15%
Woman Owned Business Entity	2% to 4%
Disabled Owned Business Entity	Best Efforts

By Asset Class:

<u>Asset Class</u>	<u>As a Percentage of Total Assets</u>
Equity	18% to 20%
Fixed Income	7% to 9%
Alternatives	11% to 16%

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(9)), the LABF Board of Trustees has also adopted the following policy setting minimum goals for its utilization of Minority Investment Managers.

Goals for the Utilization of Minority Investment Managers by Classification:

<u>Investment Manager Classification</u>	<u>As a Percentage of Total Assets</u>
Minority Owned Business Entity	15% to 23%
Woman Owned Business Entity	2% to 5%
Disabled Owned Business Entity	Best Efforts

These goals will be reviewed annually.

Original Date: 11/17/2009
Reviewed Date: 04/15/2011
Reviewed Date: 03/20/2012
Reviewed Date: 04/16/2013
Reviewed Date: 04/15/2014
Revised Date: 01/15/2015
Reviewed Date: 04/14/2015

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

**Policy Regarding Racial, Ethnic, and Gender Diversity
For Fiduciaries, Consultants, and Senior Staff**

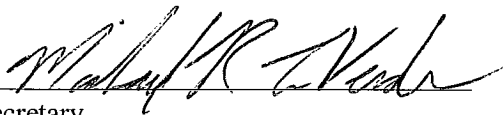
WHEREAS, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago ("LABF") recognize the competitive advantage diversity brings to the business environment and remain dedicated to creating an inclusive business environment by increasing the diversity of LABF's fiduciaries and professional management; and

WHEREAS, in the procurement of consulting services for consultants,¹ who act as fiduciaries² on behalf of LABF, the Retirement Board will continue to require the inclusion of qualified service providers who are minority owned businesses, female owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575/1 et seq.; and

WHEREAS, the General Assembly of Illinois amended the Illinois Pension Code, 40 ILCS 5/1-109.1(5), to require entities subject to the Pension Code, including LABF, to adopt a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, consultants and senior staff and annually review the established goals.

NOW THEREFORE, BE IT RESOLVED THAT, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago approve this policy to expend all reasonable and prudent efforts to use and retain fiduciaries, consultants, and senior staff that are diverse based on race, ethnicity, and gender. This policy shall be reviewed annually.

I HEREBY CERTIFY that this is a true copy of a Policy duly adopted by the Retirement Board of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago, at a meeting held on April 15, 2014. The Policy was originally adopted at a meeting held on November 17, 2009, and subsequently reviewed and renewed at a meetings held on April 15, 2011, March 20, 2012, April 16, 2013, April 15, 2014 and April 14, 2015.



Secretary

The Retirement Board

¹ "Consultant" is defined at 40 ILCS 5/1-101.5 (2009).

² "Fiduciary" is defined at 40 ILCS 5/1-101.2 (2009).

Original Date: 11/17/2009
Reviewed Date: 04/15/2011
Reviewed Date: 03/20/2012
Reviewed Date: 04/16/2013
Reviewed Date: 04/15/2014
Reviewed Date: 04/14/2015

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

**Policy Regarding Businesses Owned by
Minorities, Females, and Persons with Disabilities
for Administrative Contracts and Service Agreements**

WHEREAS, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago ("LABF") recognize a commitment to the success of businesses owned by minorities, females, and persons with a disability and acknowledge the competitive advantage diversity brings to the business environment; and

WHEREAS, the trustees of LABF are dedicated to promoting opportunities to award administrative contracts and service agreements executed on behalf of LABF to businesses owned by minorities, females, and persons with disabilities; and

WHEREAS, while recognizing this initiative, the trustees acknowledge their fiduciary responsibilities to LABF regarding best price and execution for all contracts for the purchase of services entered into on behalf of LABF; and

WHEREAS, the Executive Director shall report to the Retirement Board annually on all contracts let for contractual services; and

WHEREAS, the General Assembly of Illinois amended the Illinois Pension Code, 40 ILCS 5/1-109.1(6), to require entities subject to the Pension Code, including LABF, to adopt a policy that sets forth goals for utilization of businesses owned by minorities, females, and persons with disabilities, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575/1 et seq., for all contracts and services and annually review the established goals.

NOW THEREFORE, BE IT RESOLVED THAT, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago approve this policy to include the utilization of qualified businesses owned by minorities, females, and persons with disabilities in any search for administrative contracts and service agreements that may be conducted by the Fund. Within the bounds of fiduciary and financial prudence, it shall be the goal of LABF to expend between 15% and 20% of its spending on administrative contracts and service agreements from businesses owned by minorities, females, and persons with disabilities.

This policy shall be reviewed annually and reported to the Governor and the General Assembly as required by the Pension Code.

I HEREBY CERTIFY that this is a true copy of a Policy duly adopted by the Retirement Board of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago, at a meeting held on April 14, 2015. The Policy was originally adopted at a meeting held on November 17, 2009, and subsequently reviewed and renewed at meetings held on April 15, 2011, March 20, 2012, April 16, 2013, April 15, 2014 and April 14, 2015.



Secretary

The Retirement Board

Original Date: 11/17/2009
Reviewed Date: 04/15/2011
Reviewed Date: 03/20/2012
Reviewed Date: 04/16/2013
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Reviewed Date: 04/14/2015

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

RESOLUTION

Brokerage Policy

WHEREAS, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago (LABF) recognize a commitment to the success of minority owned businesses, female owned businesses, and businesses owned by a person with a disability, and to promoting opportunities to such businesses in the City of Chicago and within the State of Illinois;

WHEREAS, while recognizing this initiative, the trustees acknowledge their fiduciary responsibilities to LABF regarding best price and execution for all brokerage business executed on behalf of LABF;

WHEREAS, in addition to this policy of best price and execution, LABF also desires to utilize whenever possible Chicago-based minority owned, female owned, and disabled owned brokerage services in the City of Chicago and the State of Illinois;

WHEREAS, we support the aims of the Equal Employment Opportunity Commission, and acknowledge the desirability of open access to competition on the part of minority owned businesses, female owned businesses, and businesses owned by a person with a disability for the opportunity to provide brokerage services to LABF;

WHEREAS, minority owned businesses, female owned businesses, and businesses owned by a person with a disability are defined as a sole proprietorship, partnership, or corporation owned, operated, and controlled by minority group members, females, or disabled persons who have at least 51% ownership. These owners must have day to day operational and managerial control, and an interest in capital and earnings commensurate with his or her percentage of ownership. In addition, the brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services.

WHEREAS, the policy of the trustees regarding brokerage business is as follows;

Subject to best execution, investment managers of separately managed accounts are expected to meet the following minimum MWDBE commission requirements:

- Domestic Equity 40%
(Large, Mid, and Small Cap Equity)
- Global Equity 30%
- International Equity 20%
- International Equity – Small Cap 10%
- Emerging Markets Equity 10%
- Fixed Income 25%

Each manager will submit a compliance report to LABF on a quarterly basis. LABF investment staff will report to the Board of Trustees of LABF annually on the utilization of MWDBE brokers. If a manager fails to comply with the above guidelines on a calendar basis, they may be asked to appear before the Retirement Board and explain why they were unable to achieve the minimum MWDBE commission goals. Failure by an investment manager to meet MWDBE brokerage goals will be considered a factor when evaluating overall performance of the investment manager.

NOW THEREFORE BE IT RESOLVED: that the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago approve a policy of offering to minority owned businesses, female owned businesses, and businesses owned by a person with a disability, opportunities to provide brokerage business throughout Chicago and the State of Illinois for the efficient and continued operation of LABF.


Secretary
The Retirement Board

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