



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

December 21, 2018

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:

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

The Fund is continuously seeking to provide opportunities for emerging investment managers. Appendix A lists the names and addresses of the emerging investment managers employed by the Fund. As of December 31, 2017, these firms managed 21.2% of total Fund assets, comprised as follows:

By Ownership Classification

Minority-owned: 15.2%

Female-owned: 5.9%

Disabled/Veteran-owned: 0.03%

By Asset Class

Equities: 17.4%

Fixed Income: 32.2%

Alternatives: 18.9%

Progress Investment Management manages LABF's Emerging Managers Program. As of December 31, 2017, seven (7) MWDBE firms manage assets of LABF under the program. They are as follows:

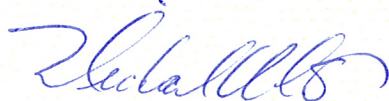
ARGA Investment Management
Ativo Capital Management
Brown Capital Management
Glovista Investments
HAV Capital
Martin Investment Management
Strategic Global Advisors

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 investment 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 & Chief Investment Officer

Enclosures

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

Appendix A

EMERGING INVESTMENT MANAGERS

As of December 31, 2017

Brightwood Capital Advisors LLC

810 7th Ave, 26 FL
New York, NY 10019

Capri Capital Partners

875 N Michigan Ave, Ste 3430
Chicago, IL 60611

LM Capital Group

750 B St, Ste 3010
San Diego, CA 92101

Long Wharf Capital LLC

One Federal Street, 26th Floor
Boston, MA 02110

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 Fl
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
Reviewed Date: 04/28/2016
Reviewed Date: 04/18/2017
Reviewed Date: 04/17/2018

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

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

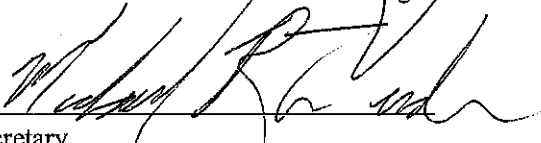
WHEREAS, the trustees of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago ("LABF") recognize the competitive advantage diversity brings to the business environment and remain dedicated to creating an inclusive business environment by increasing the diversity of LABF's fiduciaries 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 reviewed by the Retirement Board of the Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago, at a meeting held on April 17, 2018. The Policy was first adopted at a meeting held on November 17, 2009 and subsequently reviewed and revised at various meetings of the Retirement Board as noted below.


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
Reviewed Date: 04/28/2016
Reviewed Date: 04/18/2017

**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.

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Secretary

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

Brokerage Policy

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (LABF) is committed to providing opportunities for minority, women, and disabled owned (MWDBE) brokerage firms. The Board of Trustees of LABF has adopted a policy which sets forth goals for increasing the utilization of MWDBE brokerage firms.

The percentage of commissions to meet LABF's MWDBE goals cannot be achieved by using indirect methods such as step-outs. Therefore, to meet LABF's MWDBE goals, all trades must be executed directly with the MWDBE brokers. The Board of Trustees prefer that the brokers utilized have an office in Chicago or within the State of Illinois. Subject to best execution, investment managers of separately managed accounts are expected to meet the following minimum MWDBE commission requirements:

- | | |
|---|-----|
| • Domestic Equity
(Large, Mid, and Small Cap Equity) | 40% |
| • 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 Board of Trustees 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.

The MWDBE brokerage policy will be reviewed annually.

Original Date: 12/17/2002
Last revised date: 02/18/2014
Last reviewed date: 04/17/2018