



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

RETIREMENT BOARD

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December 23, 2010

The Honorable Pat Quinn
Governor, State of Illinois
207 State House
Springfield IL 62706

Dear Governor Quinn:

I am pleased to provide the 2010 annual report to the Governor and General Assembly regarding the four policies adopted under 40 ILCS 5/109.1 and goals established within those policies on behalf of the Laborers' and Retirement Board Employees Annuity and Benefit Fund of Chicago (LABF or Fund), as required by 40 ILCS 5/109.1(8).

Attached are the four policies adopted by the Fund's Board of Trustees as required by 40 ILCS 5/109.1:

1. Policy Regarding Emerging Investment Managers;
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.

Regarding emerging investment managers, the Fund has taken and continues to take important and appropriate actions to provide increased opportunities for emerging investment managers. Appendix A, attached, lists the names and addresses of the current emerging investment managers employed by the Fund. As of November 30, 2010, these names manage 17.1% of the Fund's assets; 16.7% of assets are managed by emerging investment managers that are minority owned businesses and 0.4% of assets are managed by emerging investment managers that are female owned businesses.



The management of assets in specific asset classes by emerging investment managers is as follows:

- within the asset class of equities, 21.4% is managed by emerging investment managers;
- within the asset class of bonds, 7.1% is managed by emerging investment managers; and
- within the asset class of alternatives, 12.6% is managed by emerging investment managers.

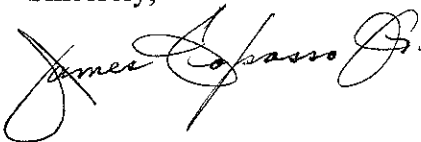
An additional 4.4% of the Fund's assets are with a minority firm (Rhumbline Advisers), whose status is not emerging due to the statutory definition of "emerging investment manager." The attached Appendix B lists the address.

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 attached Policy Regarding Emerging Investment Managers is implemented whenever the Fund commences an investment manager search. Further, as Executive Director, I regularly meet with prospective emerging investment managers and strongly encourage those 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 attached Brokerage Policy, subject to best price and execution, directs investments managers to meet certain quantifiable levels of trading with minority brokerage firms 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 come before the Fund's Board of Trustees for questioning and be placed on watch if compliance efforts are deemed insufficient. All factors are considered when determining the retention of an investment manager. LABF consistently enforces the Brokerage Policy as it falls within the Fund's overall commitment to the success of minority owned businesses, female owned businesses, and businesses owned by a person with a disability.

We look forward to continuing to build on the Fund's current progress and to meet the goals specified in the attached policies in the coming year.

Sincerely,

A handwritten signature in dark ink, appearing to read "James Capasso Jr.", with a stylized flourish at the end.

James Capasso Jr.
Executive Director

enc.

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 Capital Management Inc. 200 E Randolph Dr Ste 2900 Chicago IL 60601	Holland Capital Management One N Wacker Dr Ste 700 Chicago IL 60606
CAPRI/ Capital Partners 875 N Michigan Ave Ste 3430 Chicago IL 60611	Hoover Investment Management* 650 California St Floor 30 San Francisco CA 94108
Channing Capital Management, LLC* 10 South LaSalle St Ste 2650 Chicago IL 60603	Lombardia Capital Partners, LLC* 55 S Lake Ave Ste 750 Pasadena CA 91101
Credo Capital Management, LLC* 225 East Redwood St Baltimore MD 21202	Mar Vista Investment Partners* 11150 Santa Monica Blvd Ste 320 Los Angeles CA 90025
DV Urban Realty Partners I, LP 3619 S State St Ste 400 Chicago IL 60609	Palisades Investment Partners* 1453 Third Street Promenade Ste 310 Santa Monica CA 90401
Fortaleza Asset Management* 30 N LaSalle St Ste 152 Chicago IL 60602	Profit IRG* 8401 Colesville Rd Ste 320 Silver Spring MD 20910
Herndon Capital Management* Herndon Plaza 100 Auburn Ave NE Atlanta GA 30303	Williams Capital Management 625 N Michigan Ave Ste 1740 Chicago IL 60611

(*) Denotes a manager included in LABF's Northern Trust Manger of Managers program

Appendix B

Minority Investment Manager and Address
Rhumblin Advisers 30 Rowes Wharf Ste 420 Boston MA 02110