



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

January 14, 2014

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

Dear Governor Quinn:

On behalf of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (LABF or Fund), I am pleased to provide the 2013 annual report on diversity policies as required by the Illinois Pension Code, 40 ILCS 5/1-109.1(8).

Enclosed are the four policies adopted by the Fund's Board of Trustees, reviewed and renewed by the Board on April 16, 2013:

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 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 December 31, 2013, these names manage 23.6% of the Fund's assets; 19.8% of assets are managed by minority-owned investment managers, 3.7% of assets are managed by female-owned emerging investment managers, and 1% of assets are managed by disabled veteran emerging investment managers.

The management of assets in specific asset classes by emerging investment managers as of December 31, 2013 is as follows:

- within the asset class of equities, 33.8% is managed by emerging investment managers;
- within the asset class of bonds, 7.5% is managed by emerging investment managers; and
- within the asset class of alternatives, 18.0% is managed by emerging investment managers.

An additional 4.7% of the Fund's assets are with Rhumblin Advisers, whose status is not "emerging" as defined in the statutes, but Rhumblin retains a female ownership structure. Appendix B, attached, lists the address.

In 2013, the fund made the following new investments which were the first MWDBE firms in the Alternatives asset class:

- \$10,000,000 with Pluscios, a woman-owned investment management company.
- \$16,000,000 with Rock Creek, a woman-owned investment management company.

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 enclosed Policy Regarding Emerging Investment Managers is implemented whenever the Fund commences an investment manager search. The Fund strongly encourages 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, directs investment 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. This policy was revised in April, November, and December 2013.

In April, the Board approved increasing the brokerage goal for the international equity sector from 15% to 20%. In November, the Board approved lowering the brokerage goal for the emerging market equity sector from 20% to 10%. For this decision, the Board relied on the advice of its investment consultant NEPC LLC in determining that a goal of 20% was ambitious given the limited number of minority brokers-dealers in this area of the market at this time. In December 2013, the Board created an additional category for its Brokerage Policy by establishing a new goal of 30% applicable to our global equity investments.

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.

Sincerely,

A handwritten signature in cursive script that reads "Maura J. Murrphy".

Maura J. Murrphy, CFA
Executive Director

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	
Affinity Investment Advisors* 18111 Von Karman Ave Ste 550 Irvine CA 92612	Holland Capital Management 303 W Madison St. Ste 700 Chicago IL 60606
AH Lisanti* 608 Fifth Ave Ste 301 New York NY 10020	LM Capital Group 750 B Street Suite 3010 San Diego, CA 92101
Ariel Investments 200 E Randolph Dr Ste 2900 Chicago IL 60601	Lombardia Capital Partners, LLC* 55 S Lake Ave Ste 750 Pasadena CA 91101
Campbell Newman* 12080 N Corporate Pkwy Ste 130 Maquon WI 53092	Mar Vista Investment Partners* 11150 Santa Monica Blvd Ste 320 Los Angeles CA 90025
CAPRI/ Capital Partners 875 N Michigan Ave Ste 3430 Chicago IL 60611	Pluscios Management 1603 Orrington Ave Suite 750 Evanston, IL 60201
DV Urban Realty Partners I, LP c/o Chicago Urban LLC 120 N LaSalle St Ste 1750 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	Rock Creek Group 1133 Connecticut Ave NW Washington, DC 20036

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

Appendix B

Minority Investment Manager and Address

Rhumblin Advisers
30 Rowes Wharf Ste 420
Boston MA 02110