



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

December 19, 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 2014 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 15, 2014:

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. Attached please find Appendix A which lists the names and addresses of the current emerging investment managers utilized by the Fund. As of November 30, 2014, these firms managed 22.6% of the Fund's assets; 19.5% of assets are managed by minority-owned investment managers, 3.0% 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 November 30, 2014 was as follows:

- within the equities asset class, 31.3% was managed by emerging investment managers;
- within the fixed income asset class, 6.3% was managed by emerging investment managers; and
- within the alternative asset classes, 10.8% was managed by emerging investment managers.

In 2014, LABF funded a new investment with Progress Investment Management for a manager-of-managers program. As a result, five additional MWDBE firms began managing the assets of LABF. They are listed below:

ARGA Investments
Ativo Capital
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 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 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 be asked to come before the Fund's Board of Trustees for questioning and may 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. In 2015, the Laborers' Fund will implement the additional utilization goals associated with P.A. 98-1022 and incorporate the provisions of that legislation related to new investment contracts.

Sincerely,



Michael Walsh, CFA
Executive Director and Chief Investment Officer
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 Suite 3010
San Diego CA 92101

Newport Capital Partners

350 N LaSalle St Ste 700
Chicago IL 60654

Pluscios Management

1603 Orrington Ave Suite 750
Evanston IL 60201

Progress Investment Management

33 New Montgomery St 19th Flr
San Francisco CA 94105