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

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2011 AND 2010

CONTENTS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

We have audited the accompanying statements of plan net assets of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Plan's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial status of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago at December 31, 2011 and 2010, and the changes in financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress and the Schedule of Employer Contributions, and Notes to the Schedules on pages 27 through 30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion or provide any assurance on it.

The additional information presented on pages 31 and 32 has not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Calibre CPA Group PLLC

Chicago, Illinois
April 17, 2012

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

Statements of Plan Net Assets

December 31, 2011 and 2010

	2011	2010
Assets		
Receivables		
Employer	$ 15,635,039	$ 19,616,491
Plan member	1,248,862	620,201
Interest and dividends	2,481,493	2,625,191
Other receivables	10,399	47,667
Total receivables	19,375,793	22,909,550
Investments - at fair value		
Cash and short-term investments	51,778,375	76,371,331
Equities	745,341,046	859,975,771
Equities loaned to third parties	135,945,792	113,523,079
Total equities	881,286,838	973,498,850
Fixed income	212,103,735	222,408,647
Fixed income loaned to third parties	28,254,856	35,561,803
Total fixed income	240,358,591	257,970,450
Private equity	46,943,283	47,068,095
Real estate	37,705,952	34,591,721
Hedge funds	54,310,119	55,804,446
Subtotal	1,312,383,158	1,445,304,893
Securities lending cash collateral	165,838,425	151,718,173
Total investments - fair value	1,478,221,583	1,597,023,066
Property and Equipment	1,751,204	2,225,275
Total assets	1,499,348,580	1,622,157,891
Liabilities and Net Assets		
Liabilities		
Due to brokers - net	14,080,326	37,483,168
Refunds, professional fees payable and other liabilities	4,537,749	4,794,189
OPEB liability	1,288,441	948,186
Securities lending cash collateral	165,838,425	151,718,173
Total liabilities	185,744,941	194,943,716
Net assets held in trust for pension benefits	$ 1,313,603,639	$ 1,427,214,175

See accompanying notes to financial statements.

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions		
Employer	$ 15,358,602	$ 17,938,810
Plan member	16,068,655	16,319,992
Total contributions	31,427,257	34,258,802
Investment income		
Net appreciation (depreciation) in fair value of investments	(24,681,491)	174,438,935
Interest	7,894,044	10,605,613
Dividends	14,658,060	11,835,279
Private equity income - net	2,052,059	1,473,332
Real estate operating income - net	1,281,213	294,536
Hedge fund income - net	1,796,010	923,693
	2,999,895	199,571,388
Less investment expenses	(8,104,755)	(7,694,236)
Investment income (loss) - net	(5,104,860)	191,877,152
Securities lending		
Income	452,275	1,710,031
Lender (borrower) rebates	250,736	(72,820)
Management fees	(108,866)	(327,349)
Securities lending income - net	594,145	1,309,862
Total additions	26,916,542	227,445,816
DEDUCTIONS		
Benefits	133,463,852	127,028,997
Refunds	3,068,902	2,267,769
Administrative and OPEB expenses	3,994,324	3,864,287
Total deductions	140,527,078	133,161,053
NET INCREASE (DECREASE)	(113,610,536)	94,284,763
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,427,214,175	1,332,929,412
End of year	$ 1,313,603,639	$ 1,427,214,175

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago is administered in accordance with Chapter 40, Act 5, Article 11 of the Illinois Compiled Statutes. The costs of administering the Plan are financed by employer contributions in conformance with state statutes.

Method of Accounting - The financial statements reflect an accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer, the City of Chicago, has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which generally represents reported market value as of the last business day of the year. Quoted market prices, when available, have been used to value investments. For equities, fair value is determined by using the closing price listed on the national securities exchanges as of December 31. Fair value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. Cash and short-term investments are valued at fair value which approximates cost. Alternative investments, which include real estate, private equity investments and hedge funds, are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as cash flow analysis, recent sales prices of investments, comparison of comparable companies' earnings multiples, withdrawal restrictions, annual audits, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The reported values of real estate and private equity are current values unless that information was unavailable in which case the reported value will lag one quarter behind the date of these financial statements. The difference between the current value and the lag has been evaluated and determined not to be material.

Unsettled trades as of the end of the year are recorded net as due to broker. At December 31, 2011 and 2010, $15,467,454 and $42,684,202, respectively, were due to broker and $1,387,128 and $5,201,034, respectively, were due from broker for unsettled trades.

Property and Equipment - Property and equipment are carried at cost. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by using the straight line method over an estimated useful life of five years, except for the custom software package development which is depreciated over 10 years.

Administrative Expenses - Administrative expenses are budgeted and approved by the Plan's Board of Trustees. Funding for these expenses is included in the employer contributions as mandated in Chapter 40, Act 5, Article 11 of the Illinois Compiled Statutes.

Subsequent Events Review - Subsequent events have been evaluated through April 17, 2012, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements - GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* was adopted during the year ended December 31, 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement has no impact on the Plan's financial statements.

GASB Statement No. 59, *Financial Instruments Omnibus*, was adopted during the year ended December 31, 2011. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement has no impact on the Plan's financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was adopted during the year ended December 31, 2010. The Statement requires that all identifiable intangible assets, such as easements, water rights, patents and computer software be classified as capital assets. The Plan shows its internally-generated computer software under Property and Equipment. This asset is capitalized over the expected useful life of ten years. Additional outlays would be capitalized if it extends the useful life of the software beyond its originally established useful life, or if it increases the functionality or efficiency of the software. Otherwise, such outlays would be considered maintenance and be expensed as incurred.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, was adopted during the year ended December 31, 2010. The Statement establishes the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement has no impact on the Plan's financial statements.

NOTE 2. PLAN DESCRIPTION

The Plan was established in 1935 and is governed by legislation contained in Illinois Compiled Statutes, particularly Chapter 40, Act 5, Article 11 which specifically and exclusively refers to the Plan. The Plan can be amended only by the Illinois Legislature. The Plan is a single-employer defined benefit pension plan with a defined contribution minimum. The Plan was created for the purpose of providing retirement and disability benefits for employees of the City of Chicago (City) who are employed in a title recognized by the city as labor service and for the dependents of such employees.

The Statutes authorize a Board of Trustees of eight members to carry out the provisions of the Article. According to the Article, two members of the Board are ex officio, two are to be elected by the employee members of the Plan, one is to be elected by the retired members of the Plan, one is to be appointed by the local labor union and two are to be appointed by the Department of Human Resources (formerly the Department of Personnel). The two ex officio members are the City Comptroller or someone chosen from the Comptroller's office and the City Treasurer or someone chosen from the Treasurer's office. All members of the Board of Trustees are fiduciaries with respect to the Plan and are statutorily mandated to discharge their duties, as such, solely in the interest of the Plan's participants and beneficiaries.

The Board has the powers and duties required in the Article to collect all contributions due to the Plan, to invest the Plan's reserves, to have an annual audit, to appoint employees, to authorize or suspend payment of any benefit and to have exclusive original jurisdiction in all matters relating to or affecting the Plan. The Board approves its own budget which is prepared by the administrative staff of the Plan. The Board is required annually to submit to the City Council of the City of Chicago a detailed report of the financial affairs and status of the reserves of the Plan. Provisions in other articles of Chapter 40 require the Board to submit its annual audit and actuarial valuation reports to the State of Illinois Department of Financial and Professional Regulation's (IDFPR) Division of Insurance, as well as another detailed annual report, the form and content of which is specified by the IDFPR's Division of Insurance.

Any employee of the City of Chicago or the Board of Education of the City employed under the provisions of the municipal personnel ordinance as labor service or any person employed by a retirement board of any annuity and benefit fund in the City is covered by the Plan. Covered employees are required to contribute 8.5% of their salary to the Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest. The City of Chicago, for its employer's portion, is required by State Statutes to contribute an amount equal to 8% of each individual employee's salary as well as the remaining amounts necessary to finance the requirements of the Plan. The City's total contribution is limited to an amount not more than the total amount of contributions made by the employees to the Plan in the calendar year two years prior to the current year, multiplied by 1.00. The source of funds for the City's contribution has been designated by State Statutes and is derived from the City's annual property tax levy, or from any source legally available for this purpose, including but not limited to, the proceeds of city borrowings. The City of Chicago payroll for employees covered by the Plan for the years ended December 31, 2011 and 2010 was $195,238,332 and $199,863,410, respectively. The Plan is considered by the City to be a component unit of the City of Chicago and is included in the City's financial statements as a pension trust fund.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

At December 31, 2011 and 2010, plan members consisted of the following:

	2011	2010
Retiree and beneficiaries currently receiving benefits	3,980	3,996
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,417	1,446
Active plan members (including plan members receiving disability benefits)		
Vested	2,304	2,412
Non-Vested	548	544
Total plan members	8,249	8,398

The Plan provides retirement benefits as well as death and disability benefits. In 2010, legislation (Public Act 96-0889) was approved which in effect established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Plan uses a tier concept to distinguish these groups:

Tier 1 – Employees who first became members prior to January 1, 2011
Tier 2 – Employees who first became members on or after January 1, 2011

Retirement Benefits:

Tier 1: Employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service. Employees age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per year of service, multiplied by the final average salary. Final average salary is calculated using salary from the highest four consecutive years within the last 10 years of service preceding retirement. If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60, unless the employee is 50 or over with at least 30 year of service or 55 or over with at least 25 years of service. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRS) §401(a)(17) and §415 limitations. There is a 10 year deferred vested benefit payable at age 60. Employees who retire at age 60 or over with at least 10 years of service are entitled to a minimum of $850 per month.

Tier 2: Employees with at least 10 years of service are entitled to receive an unreduced annuity benefit at age 67 or a reduced annuity benefit at age 62 with at least 10 years of service. The annuity shall be reduced by ½ percent for each month that the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service preceding retirement. Pensionable salary is limited to $106,800 in 2011, increased by the lesser of 3% or ½ of the annual increase in the Consumer Price Index-Urban (CPI-U), but not less than zero.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Post Retirement Increases:

Tier 1: Employee annuitants are eligible to receive an increase of 3% of the current annuity beginning the January of the year of the first payment date following the earlier of 1) the later of the third anniversary of retirement and age 53 and 2) the later of the first anniversary of retirement and age 60, and each year thereafter.

Tier 2: Employee annuitants are eligible to receive an increase based on the original annuity equal to the lesser of 3% or ½ of the annual unadjusted percentage increase in the CPI-U (but not less than zero) beginning the January of the first payment date following the later of 1) age 67 and 2) the first anniversary of retirement.

Spousal Annuity:

Tier 1: The eligible surviving spouse is entitled to a spousal annuity equal to 50% of the pension the member had earned at the date of death.

Tier 2: The surviving spouse is entitled to a spousal annuity equal to 66 2/3% of the pension the member had earned at the date of death.

Automatic increase in Spousal Annuity:

Tier 1: There is no increase in annuity for spousal annuities.

Tier 2: The spousal annuity increase is either ½ the rate of the CPI-U or 3%, whichever is lower, and is applied to the original spousal annuity amount. If the CPI-U decreases or is zero, no increase is paid. The spouse is eligible for an increase on January 1st occurring on or after the commencement of the member's annuity or occurring after the first anniversary of the commencement of the spousal annuity.

Child's Annuity:

Under Tier 1 and Tier 2, annuities are provided for unmarried children of a deceased member who are under the age of 18, if the child was born, or *in esse*, or legally adopted before the employee's withdrawal from service. The child's annuity is $220 a month when there is an eligible surviving spouse or $250 a month when there is no eligible surviving spouse.

Duty Disability:

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of an injury incurred in the performance of any act of duty, is entitled to receive a duty disability benefit in the amount equal to 75% of annual salary at the time of injury, reduced by any benefits received by the employee under the provisions of the Workers' Compensation Act.

Ordinary Disability:

Under Tier 1 and Tier 2, an employee who becomes disabled as the result of any cause other than an injury incurred in the performance of an act of duty, is entitled to receive an ordinary disability benefit in the amount equal to 50% of annual salary as of the last day worked. An employee can receive ordinary disability for a period equal to ¼ of his service credits up to a maximum of 5 years.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

Refunds:

Tier 1: A member may take a refund if he withdraws from service and is under the age of 55 (with any length of service) or withdraws between the ages of 55 and 60 with less than 10 years of service.

Tier 2: A member may take a refund if he withdraws from service before the age of 62 (with any length of service) or withdraws with less than 10 years of service regardless of age.

NOTE 3. INVESTMENTS

Investment Policies

Investments are governed by Sections 5/1 and 5/11, Chapter 40, of the Illinois Compiled Statutes. The prudent person rule, which establishes a standard of care for all fiduciaries, is an important aspect of the Statutes. The prudent person rule states that fiduciaries must discharge their duties with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time. The Plan is authorized to invest in bonds, notes, certificates of indebtedness, mortgage notes, real estate, stocks, shares, debentures, or other obligations or securities as set forth in the State Statutes.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risk and risk associated with changes in interest rates.

Derivatives

Rights and warrants allow the Plan's investment managers to replicate an underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years. These investments are reported within the equities classification. The gain or loss associated with rights and warrants is recognized in the net appreciation (depreciation) in the fair value of investments in the Plan's Statements of Changes in Plan Net Assets. At December 31, 2011 and 2010, the Plan's equities included the following rights and warrants balances:

	2011	2010
Rights and warrants	$ 8,829,107	$ 11,319,932

Investment Summary

All of the Plan's financial instruments are consistent with the permissible investments outlined in the State Statutes. The composition of investments, by investment type, as of December 31, 2011 and 2010, is as follows:

	2011	2010
Cash and short-term investments	$ 51,778,375	$ 76,371,331
Equities		
U.S. equities	523,602,287	550,319,188
U.S. equity funds	104,286,314	144,962,298
Foreign equities	224,592,994	241,978,016
Foreign equity funds	28,805,243	36,239,348
Total equities	881,286,838	973,498,850
Fixed income		
U.S. government obligations and municipal bonds	83,070,761	128,775,076
U.S. corporate bonds	150,977,891	118,744,539
Foreign fixed income securities	6,309,939	10,450,835
Total fixed income	240,358,591	257,970,450
Private equity	46,943,283	47,068,095
Real estate	37,705,952	34,591,721
Hedge funds	54,310,119	55,804,446
Subtotal	1,312,383,158	1,445,304,893
Securities lending cash collateral	165,838,425	151,718,173
Total investments at fair value	$1,478,221,583	$1,597,023,066

Short-term investments include commercial paper or notes having maturity of less than 90 days or pooled short-term investment funds managed by the Northern Trust. Under the terms of the investment agreement for these funds, the Northern Trust may invest in a variety of short-term investment securities.

NOTE 3. INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Plan's deposits may not be returned to it. The Plan does not have a formal deposit policy for custodial credit risk. As of December 31, 2011 and 2010, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Plan's name.

	2011	2010
Amount exposed to custodial credit-risk		
Investment in foreign currency	$ 254,219	$ 209,180

Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to pay interest or principal in a timely manner, or that negative perception of the issuer's ability to make payments will cause a decline in the security's price. Some fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are not considered to have credit risk.

The fixed income portfolio of the Plan is managed by professional investment management firms. These firms are required to maintain diversified portfolios. The Plan does not have a formal policy on concentration of credit risk. Each investment manager complies with risk management guidelines individually assigned to them as part of their Investment Management Agreement. There were no investments from a single issuer that exceeded 5% of the total net assets of the Plan.

A bond's credit quality is a standard used by the investment community to assess the issuer's ability to make interest payments and to ultimately make principal payments. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investor Service (Moody's) or Standard and Poor's (S&P). In the rating agency's opinion, the lower the rating, the greater the chance that the bond issuer will default, or fail to meet its payment obligations. The following table presents the credit risk profile, based on Moody's Investor Service for fixed income securities held by the Plan as of December 31, 2011 and 2010.

NOTE 3. INVESTMENTS (CONTINUED)

Concentration of Credit Risk (continued)

Quality Rating	2011	2010
Aaa	$ 43,156,843	$ 71,198,244
Aa	7,726,183	12,333,032
A	10,277,619	18,624,339
Baa	22,082,367	25,357,557
Ba	1,116,223	3,437,687
B	1,861,306	3,507,967
Caa	2,920,484	7,892,614
Ca	715,339	2,026,301
C	5,136	13,095
Not rated or unavailable	7,142,772	15,454,421
Total credit risk debt – securities	97,004,272	159,845,257
Government agencies *	1,280,346	1,621,067
Government bonds *	-	1,657,135
Government mortgage backed securities *	44,889,499	65,373,544
Corporate bond pooled fund - not rated	31,790,861	29,473,447
Global bond pooled fund - not rated	65,393,613	-
Total fixed income	$240,358,591	$257,970,450

* These investments are implicitly or explicitly guaranteed by the U.S. government and currently a rating is not provided by the nationally recognized statistical rating organization. The rating agencies normally do not rate government agency and treasury debt and therefore they have an implied AAA rating.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. However, the investment managers have diversified the portfolio to reduce the impact of losses in an individual investment and typically align the portfolio's duration with that of the benchmark.

NOTE 3. INVESTMENTS (CONTINUED)

Interest Rate Risk (continued)

At December 31, 2011, the following table shows the investments by investment type and maturity (expressed in thousands).

Investment Type	Fair Value	Less Than 1 Year	1-6 Years	6 ± 10 Years	10 + Years	Variable
Asset backed securities	$ 4,987	$ -	$ 2,306	$ 171	$ 2,510	$ -
Commercial mortgage backed	12,033	-	-	-	12,033	-
Corporate bonds	38,129	561	16,412	12,202	8,954	-
Funds - corporate bonds	31,791	-	-	-	-	31,791
Funds - other fixed income	65,394	-	-	-	-	65,394
Government agencies	13,898	-	5,657	7,665	576	-
Government bonds	16,618	-	4,716	1,795	10,106	-
Gov't mortgage backed	45,921	-	605	1,400	39,447	4,469
Index linked gov't bonds	5,991	471	4,994	526	-	-
Municipal bonds	890	-	-	-	890	-
Non-gov't backed CMO's	4,707	-	-	1,969	2,738	-
Total fixed income	$ 240,359	$ 1,032	$ 34,690	$ 25,728	$ 77,254	$ 101,654

Investment Results

During 2011 and 2010, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were $53,539,227 and $39,740,593, respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Plan Net Assets. The calculation of realized gains and losses is independent of the calculation of net appreciation in the fair value of the Plan's investments. Investments purchased in a previous year and sold in the current year results in their realized gains and losses being reported in the current year and their net appreciation in Plan assets being reported in both the current and the previous year(s).

NOTE 3. INVESTMENTS (CONTINUED)

Foreign Currency Risk

The international portfolio is constructed on the principles of diversification, quality, growth and value. Risk of loss arises from changes in currency exchange rates. While not having a formal investment policy governing foreign currency risk, the Plan does manage its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios to limit foreign currency and security risk. The Plan's exposure to foreign currency risk as of December 31, 2011 and 2010, is presented in the following table.

Currency	2011	2010
Foreign equities		
Australian dollar	$ 7,889,698	$ 9,590,511
Brazilian dollar	12,485,958	13,201,084
Canadian dollar	6,027,699	4,069,456
Swiss franc	10,699,624	11,178,644
Colombian peso	657,527	-
Danish krone	2,318,645	1,935,919
Euro	27,763,286	38,739,288
British pound sterling	34,719,561	40,333,605
Hong Kong dollar	12,273,847	15,132,515
Indonesian rupiah	2,612,836	2,059,649
New Israeli shekel	826,992	1,317,639
Japanese yen	23,048,704	24,924,474
South Korean won	6,710,644	7,276,029
Mexican peso	4,129,699	4,808,421
Malaysian ringgit	2,639,392	2,417,850
Norwegian krone	1,816,413	927,755
Pakistan rupee	-	780,295
Polish zloty	-	295,283
Swedish krona	6,242,553	8,698,080
Singapore dollar	5,371,581	5,071,832
Thai baht	724,672	416,935
Turkish lira	1,517,213	1,842,005
South African rand	7,399,123	7,741,792
United States dollar	75,522,570	75,458,301
Subtotal foreign equities	253,398,237	278,217,364
Foreign fixed income		
United States dollar	6,309,939	10,450,835
Total foreign securities	$259,708,176	$288,668,199

NOTE 4. SECURITIES LENDING

State Statutes and the Board of Trustees permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodian, acting as the lending agent, lends securities for collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit equal to 102% of the fair value of domestic securities plus accrued interest and 105% of the fair value of foreign securities plus accrued interest.

Effective March 20, 2011, the Plan receives 85% of the net revenue derived from the securities lending activities, and the bank receives the remainder of the net revenue. Prior to March 2011, the Plan received 80% of the net revenue.

The Plan is currently not restricted as to the type of securities it may loan. The Plan does not have the right to sell or pledge securities received as collateral unless the borrower defaults.

The average term of securities loaned was 86 days for 2011 and 108 days for 2010; however, any loan may be terminated on demand by either the Plan or the borrower. Cash collateral may be invested in a short-term investment pool, which had an average weighted maturity of 75 days as of December 31, 2011 and an average weighted maturity of 50 days as of December 31, 2010. Cash collateral may also be invested in term loans, in which the investments (term loans) match the term of the securities loaned. These loans can be terminated on demand by either the lender or the borrower.

At December 31, 2011 and 2010, the Plan had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts owed to the Plan. At December 31, 2011 and 2010, the fair value of securities loaned was $164,200,648 and $149,084,882, respectively. At December 31, 2011 and 2010, the securities loaned were collateralized as follows:

	2011	2010
Collateralized by cash	$165,838,425	$151,718,173
Collateralized by other than cash	2,847,625	1,200,312
Total	$168,686,050	$152,918,485

During 2011 and 2010, there were no losses due to default of a borrower or the lending agent. The contract with the Plan requires the lending agent to indemnify the Plan if borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plan for income distributions by the issuers of securities while the securities are on loan.

Due to the volatile financial markets of late 2008, the securities lending program had produced significant negative income in 2008 unlike any year in the history of securities lending. The Plan recorded a corresponding liability and the custodial bank has agreed to continue to carry forward the liability and post future securities lending earnings against the current liability.

NOTE 5. MORTGAGE-BACKED SECURITIES

The Plan invests in mortgage-backed securities, representing interests in pools of mortgage loans, as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies, such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

The financial instruments are carried at fair value and are included in investments on the Statement of Plan Net Assets. The gain or (loss) on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Assets as part of investment income.

NOTE 6. RELATED PARTY TRANSACTIONS

At December 31, 2011, the Plan held securities of its investment manager's parent company and its insurance provider with a fair value of $2,541,453. At December 31, 2010, the Plan held securities of its custodial bank and its insurance provider with a fair value of $2,838,588.

NOTE 7. WHEN-ISSUED TRANSACTIONS

The Plan may purchase securities on a when-issued basis; that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Plan enters into a commitment to purchase the security, the transaction is recorded at purchase price which equals value. The value of the security, which may vary with market fluctuations, is not reflected in the value of investments. The value at delivery may be more or less than the purchase price. No interest accrues to the Plan until delivery and payment take place. As of December 31, 2011 and 2010, the Plan contracted to acquire securities on a when-issued basis with total principal amounts of $12,665,000 and $35,125,000 and fair values of $13,410,021 and $36,720,389, respectively.

NOTE 8. COMMITTED CASH

The Plan has entered into investment arrangements for real estate and private equity. As of December 31, 2011 and 2010, the Plan had $47,621,104 and $51,787,866, in outstanding capital commitments, respectively.

NOTE 9. SUMMARY OF EMPLOYER FUNDING POLICIES

The City shall levy a tax annually which, when added to the amounts deducted from the salaries of the employees or otherwise contributed by them, will be sufficient for the requirements of the Plan. The tax will produce an amount that does not exceed the amount of contributions by the employees to the Plan made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.00 for the year 1999, and each year thereafter.

When the balance of the prior service reserve equals its liabilities (including in addition to all other liabilities, the present value of all annuities, present or prospective, according to applicable mortality tables and rates of interest), the City shall cease to contribute the amounts to provide prior service annuities and other annuities and benefits.

As a result of Public Act 093-0654, the City is not required to make a contribution for the plan year if the accrued liabilities, excluding the liabilities that arose from the early retirement incentive (ERI) of 2004, are 100 percent funded by the Actuarial Value of Assets.

The current actuarial studies of the Plan as of December 31, 2011 (2012 Tax Levy) and as of December 31, 2010 (2011 Tax Levy) indicated that a minimum annual contribution was required by the City to maintain the Plan on a minimum valuation basis. The recommended minimum annual contribution based on an annual payroll of $195,238,332 for 2,852 active members for the 2012 tax levy and $199,863,410 for 2,956 active members for the 2011 tax levy is computed as follows:

	2012 Tax Levy	2011 Tax Levy
Normal cost	$ 31,511,172	$ 31,568,760
30 year level dollar amortization of unfunded liability (surplus)	62,328,598	43,604,779
Interest adjustment for semimonthly payment	3,761,192	2,994,459
Total minimum contribution	97,600,962	78,167,998
Less estimated plan member contributions	(16,964,543)	(17,366,423)
Annual required contribution (ARC) to be financed by tax levy*	$ 80,636,419	$ 60,801,575
Required tax levy multiple for the Plan	5.41	3.89

* Value for 2012 and 2011 ARC includes GASB No. 43 ARC of $3,070,025 and $3,542,982, respectively.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES

The reserves for actuarial liabilities are based on an annual valuation submitted by the Plan's consulting actuary. The annual actuarial valuation establishes the reserves required for various statutory liabilities which arise from pension benefit schedules that are part of the current pension code legislation. Market value of net assets held in trust for pension benefits as of December 31, 2011 and 2010, were comprised of the following Plan surplus (deficit) balances:

	2011	2010
Prior Service Fund	$ 1,300,430,779	$ 1,199,921,107
City Contribution Fund	238,953,381	241,693,154
Salary Deduction Fund	238,884,403	241,623,557
Annuity Payment Fund and Reserve	412,843,637	388,078,452
Supplementary Payment Service	69,562	69,562
Fund Reserve - (deficit)	(877,578,123)	(644,171,657)
Total net assets held in trust for pension benefits	$ 1,313,603,639	$ 1,427,214,175

The Prior Service Fund is a reserve account for the accumulation of City contributions to provide for: 1) employee and spouse annuities that are based on service performed before the Plan's effective date of July 1, 1935, and 2) any excess in minimum annuity formula requirements over the amounts required for age and service annuities and for spouse annuities.

The City Contribution Fund is used to accumulate amounts contributed by the City to provide for annuities based on age and service of each employee and spouse. An individual account is to be kept for each employee and spouse until the employee retires, at which time the individual account balances are transferred to the Annuity Payment Fund.

The Salary Deduction Fund is similarly used to accumulate deductions made from employee salaries for age and service annuities for the employee and spouse. Individual accounts are kept until the employee retires or withdraws from service before qualifying for an annuity. At retirement, account balances are transferred to the Annuity Payment Fund. In case an eligible employee elects to take a refund of contributions instead of an annuity, the contribution refund is charged to this reserve fund.

The Annuity Payment Fund receives the amounts transferred from the individual accounts in the City Contribution Fund and the Salary Deduction Fund when an employee retires and qualifies for an annuity. All age and service annuity payments are charged to this fund.

The Supplementary Payment Reserve was established in 1969 to fund postretirement benefit increases for future and current annuitants who elected to pay into the Plan the amount necessary to receive the postretirement benefit.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

The Fund Reserve represents the difference between the actuarially determined present value of all future pension payments and the value of the Plan's present assets plus the present value of future contributions. A surplus indicates that present assets and future contributions exceed the expected requirements for future pension payments, while a deficit indicates that additional assets will be needed to provide for future benefits.

During the years ended December 31, 2011 and 2010, the Plan's actuary has determined that an increase in actuarial reserves of $119,795,930 and $16,597,948, respectively, is required. The excess or shortage of revenue over expenses for the years ended December 31, 2011 and 2010, have been applied to the actuarial reserves as noted above, which has resulted in increases in the Plan deficit of $226,785,093 for the year ended December 31, 2011 and $125,846,878 for the year ended December 31, 2010.

As reported by the actuary, the changes in the Plan surplus (deficit) during the years ended December 31, 2011 and 2010, consisted of the following:

	2011	2010
Fund surplus (deficit) at the beginning of the year	$ (541,982,320)	$ (416,135,443)
Gains (losses) during the year attributable to:		
Salaries under assumed rate	17,752,499	19,309,030
Investment yield over/under 8.0 assumed	(115,961,584)	(97,274,017)
Annual required contributions from levy and employer contributions	(44,792,683)	(32,836,243)
Miscellaneous actuarial experience	(18,062,145)	(14,391,903)
Gain (loss) from data corrections	(964,087)	(653,745)
Change in assumptions	(64,757,093)	-
Net loss	(226,785,093)	(125,846,878)
Fund deficit at the end of the year	$ (768,767,413)	$ (541,982,321)

The above detail denotes the change in the Plan surplus (deficit) based on assets valued using a Five Year Smoothed Average Market, a market related actuarial asset value as required by Governmental Accounting Standards Board Statement No. 25.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

The funded status of the Plan as of December 31, 2011, the most recent actuarial valuation date, is as follows (in thousands):

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
2011	$1,422,414	$ 2,152,854	$ 730,440	66.07%	$195,238	374.13%

The actuarial method used in the valuation was the Entry Age Normal Actuarial Cost Method. For 2011, participant life expectancy consists of a post retirement mortality based upon the RP2000 Combined Healthy mortality table, sex distinct, set forward one year for males and setback two years for females and a pre-retirement mortality of 80% of the post-retirement mortality. For 2010, the life expectancy of participants was the 1994 Group Annuity Mortality sex distinct tables set forward two years. Disability cost was valued as a term cost of 1.50 percent of payroll. Retirement age assumptions (based on actual past experience) were that all retire by age 70. The investment rate of return (net of expenses) was 8% compounded annually. Salary increases were 4.5% compounded annually, plus a service based increase in the first five years. Both the investment rate of return and salary increases include a 3% inflation assumption.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) on page 27 following the notes to the financial statements, presents multi-year trend information about whether the Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11. EMPLOYER (TAXES) RECEIVABLE (PAYABLE) - NET

	2011	2010
Employer contributions	$ 16,877,459	$ 20,682,653
Less allowance for uncollectible accounts	(1,242,420)	(1,066,162)
Total	$ 15,635,039	$ 19,616,491

NOTE 12. LEASE AGREEMENTS

The Plan leases its office facilities under a fifteen year non-cancelable agreement in effect through February 28, 2026. The base rent has an abatement provision of 17 months. The Plan is amortizing the abated rent over the period covered by the agreement. Real estate taxes and maintenance charges are additional costs to the base rent and are subject to annual escalation. Rent expense, net of rent abatements, for the years ended December 31, 2011 and 2010 was $147,830 and $230,194, respectively. Future minimum rental payments required under non-cancelable leases are as follows:

Year ending December 31,	
2012	$ 337,363
2013	256,557
2014	260,299
2015	264,041
2016	300,955
2017 through 2026	3,553,330
Total	$ 4,972,545

NOTE 13. DISASTER RECOVERY

The disaster recovery site establishes proactive measures to ensure the continuity of Plan operations during emergencies. Five Chicago pension funds (Laborers', Municipal, Police, Fire, and Cook County) are jointly participating in this project. The goal is to possess the capability to access the Plan's main information technology systems at a remote location within 36 hours of any emergency. Toward that goal, the five funds lease office and storage facilities under an extended non-cancelable agreement in effect through August 31, 2016. Monthly lease payments have been agreed upon for the length of the lease. Disaster recovery expense for the years ended December 31, 2011 and 2010 was $31,521 and $30,744, respectively. The Plan's share of future minimum rental payments, required under non-cancelable operating leases, are as follows:

Year ending December 31,	
2012	$ 11,556
2013	11,869
2014	12,191
2015	12,523
2016	8,547
Total	$ 56,686

NOTE 14. INSURANCE COVERAGE

The Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plan has minimized the risk of loss through private insurance carriers for commercial, business owners, and automobile policies. The deductible for this insurance coverage ranges from $250 to $500 per occurrence. There has been no significant reduction of insurance coverage from the prior year. The Plan has not had any insurance claims filed or paid in the past five fiscal years.

The Plan has elected to self-insure against the risk of loss due to a breach in workmen's compensation claims. There have been no claims or settlements in the last five years.

NOTE 15. PROPERTY AND EQUIPMENT

Property and equipment detail for the years ended December 31, 2011 and 2010, is as follows:

	2011	2010
Office equipment	$ 333,520	$ 343,513
Custom software package	6,217,952	6,059,702
	6,551,472	6,403,215
Accumulated depreciation	(4,800,268)	(4,177,940)
Property and equipment - net	$ 1,751,204	$ 2,225,275

Depreciation expense for the years ended December 31, 2011 and 2010, was $680,114 and $659,496, respectively.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES

Plan Description – The Plan and the City of Chicago agreed to share in the cost of the Settlement Health Care Plan, a single employer defined benefit plan for city retirees administered by the City of Chicago. This agreement is in effect through June 30, 2013. This plan provides medical and prescription drug benefits to eligible retirees, spouses, and dependent children.

Funding Policy - The Plan's contribution requirement is established by the state legislature and may be amended. Through June 30, 2008, the Plan was allowed, in accordance with State Statutes, to subsidize the cost of monthly group health care premiums up to $85 per month for non-Medicare recipients and $55 per month for Medicare recipients. From July 1, 2008 through June 30, 2013, the amount of Fund paid health care premiums increased to $95 per month for non-Medicare recipients and $65 per month for Medicare recipients. The remaining cost to participate in the Program is borne by the City of Chicago and the annuitant.

Funding Policy (continued)

In this report, the Plan, in accordance with GASB No. 43, *Financial Reporting for Post-employment Benefit Plans other than Pensions*, includes disclosures of a separate annual required contribution (ARC) for Other Postemployment Benefits (OPEB) beginning with the Plan's 2006 fiscal year. It also requires that the investment return assumption (or "discount rate") used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

Annual Required Contribution - The Plan's annual required contribution, employer contribution, and the percentage of annual required contribution contributed to the Plan since Fiscal Year End 2006, are as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Percentage of ARC Contributed
12/31/2006	$ 3,542,974	$ -	0.0%
12/31/2007	3,567,685	2,202,835	61.7
12/31/2008	3,564,966	2,347,624	65.9
12/31/2009	3,681,620	2,563,040	69.6
12/31/2010	3,609,337	2,586,866	71.7
12/31/2011	3,542,982	2,579,905	72.8

There was no ARC prior to 2006

At December 31, 2011, the number of annuitants or surviving spouses whose cost to participate in the program was subsidized, totaled 2,800; at December 31, 2010, the total was 2,828.

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2011, is as follows:

Actuarial accrued liability (AAL)	$ 38,327,860
Net Plan Actuarial Assets	-
Unfunded actuarial accrued liability (UAAL)	$ 38,327,860
Funded ratio	0.0%
Covered payroll	$ 195,238,332
UAAL as a % of covered payroll	19.6%

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES

Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 28, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 0% due to the fact that the OPEB is a fixed dollar subsidy and trend is not applicable. The assumption includes projected salary increases of 4.5% per year. Both assumptions include an inflation rate of 3.0% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. The amortization method is level dollar on an open basis and the remaining amortization period at December 31, 2011 was 30 years.

NOTE 17. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER

Plan Description - The Plan, as an employer, administers a single-employer postemployment healthcare plan ("Retiree Health Plan") under the provisions of Illinois Statutes. The Retiree Health Plan provides lifetime health and dental care insurance for eligible retirees and their spouses through the Plan's group health insurance plan, which covers both active and retired members. Currently, 5 retirees are in the plan and 20 active employees could be eligible at retirement.

Funding Policy - The contributions requirements of plan members and the Plan are established by the Plan's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements. For 2011 and 2010, the Plan contributed $51,896 and $51,766, respectively, to the plan. Plan members receiving benefits contributed $12,132 in 2011 or 25.0% of the total premiums for the year, through their required contributions of between $86 and $435 per month based on coverage. In 2010 Plan members contributed $12,222 or 25.7% of the total premiums for the year through their required contributions of between $62 and $441 per month.

Annual OPEB Cost and Net OPEB Obligation - The Plan's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Plan's annual OPEB cost, the amount actually contributed to the plan, and changes in the Plan's net OPEB obligation to the Retiree Health Plan:

	2011	2010
Annual required contribution	$ 405,187	$ 379,537
Interest on net OPEB obligation	42,668	28,308
Adjustment to ARC	(55,704)	(36,956)
Annual OPEB expense	392,151	370,889
Contributions made	(51,896)	(51,766)
Increase in net OPEB obligation	340,255	319,123
Net OPEB obligation - beginning of year	948,186	629,063
Net OPEB obligation - end of year	$ 1,288,441	$ 948,186

In 2011 and 2010, the Plan contributed 12.8% and 13.6%, respectively, of the annual required OPEB contribution to the plan.

Actuarial Valuation Information

Actuarial Valuation Date*	Value of Plan Net Assets (a)	Accrued Liability (AAL) (b)	Actuarial Liability (UAL) (c)	Funding Ratio (a/b)	Covered Annual Payroll (d)	Percentage of Covered Payroll (c/d)
12/31/2009	$ -	$ 3,362,259	$ 3,362,259	$ -	$ 1,513,127	222.21%

* For a plan the size of the LABF as Employer plan, GASB allows a valuation report to be used for up to 3 years if there are not significant changes in plan design, premiums/claims, or demographics that would materially change the results. The next actuarial valuation will be performed as of December 31, 2012 which will be completed in 2013.

Actuarial Valuation Information (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress on page 28, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate for medical of 9% per year graded down to 5% per year (ultimate trend in 0.5% increments) and a rate for dental of 6% per year graded down to a 4.5% per year (ultimate trend in 0.5% increments.) The assumption includes projected wage inflation of 4.5% per year. The actuarial value of assets is zero (no assets) as the OPEB is on a pay-as-you-go basis. The amortization method is level dollar on an open basis and the remaining amortization period at December 31, 2009 was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS FOR GASB 25
(dollar amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006	$1,664,058	$ 1,767,682	$ 103,624	94.14%	$ 193,176	53.64%
2007	1,757,711	1,808,295	50,584	97.20	192,847	26.23
2008	1,698,427	1,915,324	216,897	88.68	216,744	100.07
2009	1,601,352	1,975,749	374,397	81.05	208,626	179.46
2010	1,529,404	2,030,025	500,621	75.34	199,863	250.48
2011	1,422,414	2,152,854	730,440	66.07	195,238	374.13

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution [1,4]	Required Statutory Basis [2]	Actual Contribution [3]	Percentage of ARC Contributed
2006	$ 17,600	$ 16,506	$ 106	0.60 %
2007	21,726	12,624	13,256	61.01
2008	17,652	14,894	15,233	86.30
2009	33,517	14,366	14,627	43.64
2010	46,665	15,003	15,352	32.89
2011	57,259	12,478	12,779	22.32

[1] Under Normal Cost plus Level Dollar Amortization. Amortization period of 30 years beginning in 2007 and 40 years prior to 2007. Negative ARC values are set to zero, as no contribution is then required.

[2] Tax levy after 4% overall loss.

[3] Net tax levy plus miscellaneous. Includes prior year adjustments for taxes.

[4] ARC excludes amount attributed to health insurance supplement beginning 2006.

Note: The City of Chicago did not levy a tax for the Plan for payments in 2000 through 2006.

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

Required Supplementary Information

December 31, 2011

Schedule of Funding Progress of OPEB Liabilities for City Retirees

(dollar amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006	$ -	$ 41,554	$ 41,554	0.00%	$ 193,176	21.51%
2007	-	41,411	41,411	0.00	192,847	21.47
2008	-	42,064	42,064	0.00	216,744	19.41
2009	-	41,738	41,738	0.00	208,626	20.01
2010	-	41,361	41,361	0.00	199,863	20.69
2011	-	38,328	38,328	0.00	195,238	19.63

Schedule of Employer Contributions of OPEB Liabilities for City Retirees

(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2006[1]	$ 3,543	0.00 %
2007	3,568	61.74
2008	3,565	65.85
2009	3,682	69.62
2010	3,609	71.67
2011	3,543	72.82

[1] The City of Chicago did not make a contribution for 2006. The health insurance supplement benefits were financed by Plan investment income.

Schedule of Funding Progress of OPEB Liabilities for LABF as Employer

(dollar amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2006	$ -	$ 1,875	$ 1,875	0.00%	$ 1,221	153.62%
2009[2]	-	3,362	3,362	0.00	1,513	222.21

Schedule of Employer Contributions of OPEB Liabilities for LABF as Employer

(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2007	$ 230	10.94%
2008	245	15.06
2009	262	14.42
2010	380	13.64
2011	405	12.81

[2] Assuming no significant changes in the following three years, the next actuarial valuation will be as of December 31, 2012.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB 25

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations follows:

Amortization method	Level Dollar; Open
Amortization period	30 Years
Actuarial cost method	Entry Age Normal
Asset valuation method	Five Year Smoothed Average Market
Actuarial assumptions	
Investment rate of return [1]	8%
Projected base salary increases [1]	4.5% per year, plus a service based increase in the first five years

Service	Additional Increase	Total Increase
0	4.50%	9.00%
1	3.50	8.00
2	2.50	7.00
3	1.50	6.00
4	0.50	5.00
5 & over	0.00	4.50

[1] includes 3.0% inflation assumption

Post retirement benefit increase: 3.0% per year for employee annuitants beginning at the earlier of

1) the later of the 1st of January of the year after retirement and age 60
2) the later of 1st of January of the year after the second anniversary of retirement and age 53

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations follows:

Amortization method	Level Dollar; Open
Amortization period	30 Years
Actuarial cost method	Entry Age Normal
Asset valuation method	No Assets (Pay-as-you-go)
Actuarial assumptions	
OPEB investment rate of return[1]	4.5%
Projected base salary increases[1]	4.5% per year, plus a service based increase in the first five years

Service	Additional Increase	Total Increase
0	4.50%	9.00%
1	3.50	8.00
2	2.50	7.00
3	1.50	6.00
4	0.50	5.00
5 & over	0.00	4.50

[1] includes inflation at 3% per year

Healthcare cost trend rate: 0.0% (Trend not applicable – Fixed dollar subsidy)

OPEB-LABF as employer: Medical: 9% per year graded down to 5% per year; ultimate trend in 0.5% increments
Dental: 6% per year graded down to 4.5 % per year; ultimate trend in 0.5% increments

ADDITIONAL INFORMATION

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

Schedules of Invested Assets
Cost and Fair Value
(in thousands)

	2011				2010			
	Cost Value		Fair Value		Cost Value		Fair Value	
Cash and short-term investments	$ 51,772	4.3%	$ 51,778	3.9%	$ 76,370	6.0%	$ 76,371	5.3%
U.S. equities	453,325	37.4	523,602	39.9	432,423	34.1	550,319	38.1
U.S. equity funds	98,494	8.1	104,287	8.0	140,013	11.1	144,962	10.0
Foreign equities	216,033	17.8	224,593	17.1	203,261	16.0	241,978	16.7
Foreign equity funds	29,500	2.4	28,805	2.2	29,500	2.3	36,240	2.5
U.S. government obligations and municipal bonds	79,058	6.5	83,071	6.3	126,346	10.0	128,775	8.9
U.S. corporate bonds	150,993	12.4	150,978	11.5	119,586	9.4	118,745	8.2
Foreign fixed income securities	7,659	0.6	6,310	0.5	11,487	0.9	10,451	0.7
Private equity	42,909	3.6	46,943	3.6	43,481	3.4	47,068	3.3
Real estate	34,280	2.8	37,706	2.9	37,635	3.0	34,592	2.4
Hedge funds	49,653	4.1	54,310	4.1	48,245	3.8	55,804	3.9
Invested assets at cost/fair value	$ 1,213,676	100.0%	$ 1,312,383	100.0%	$ 1,268,347	100.0%	$ 1,445,305	100.0%

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

Performance Summary
Fair Value Returns

Annualized Percent for Periods Presented

	2011	2010	2009	2008	2007	3-Yr.	5-Yr.
Cash and short-term investments							
LABF	0.1 %	0.3 %	2.9 %	-4.7 %	4.2 %	1.1 %	0.6 %
90 Day T- Bills	0.1	0.1	0.2	2.1	5.0	0.1	1.5
Fixed income							
LABF	5.8	9.1	12.1	-5.0	4.1	9.1	6.0
BC Aggregate	7.8	6.5	5.9	5.2	7.0	6.8	6.5
Domestic equities							
LABF	0.6	18.9	29.2	-39.3	8.9	15.5	0.5
S&P 500	2.1	15.1	26.5	-37.0	5.5	14.1	-0.3
International developed equities							
LABF	-9.5	15.2	40.1	-46.7	10.2	13.4	-2.8
MSCI EAFE Net	-12.1	7.8	31.8	-43.4	11.2	7.6	-4.7
Emerging markets equities[1]							
LABF	-10.1	28.2	-	-	-	n/a	n/a
MSCI EMF Net	-18.4	18.9				20.1	2.4
Private equity							
LABF	1.5	14.5	-10.4	-10.8	32.6	4.3	5.9
Cambridge Associates Venture Capital 1 Qtr Lag	20.9	8.1	-13.1	-0.9	22.5	4.3	6.6
Real estate							
LABF	8.9	3.9	-36.6	-0.7	13.6	-10.6	-4.2
NCREIF ODCE	16.0	16.4	-29.7	-10.0	16.0	-1.8	-0.2
Hedge funds[2]							
LABF	-3.2	10.0	-	-	-	n/a	n/a
HFRI FOF	-5.6	5.7				3.6	-0.7
Combined							
LABF	-0.3 %	15.5 %	21.5 %	-29.2 %	8.0 %	12.0 %	1.4 %

Performance figures provided by NEPC LLC, except for Cash and Short Term Investments which was provided by Northern Trust Company.

Private Equity and Real Estate returns lag by one quarter.

[1]Asset class start date was 09/01/09. No annual return in 2009.

[2]Asset class start date was 07/01/09. No annual return in 2009.