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

A Component Unit of the City of Chicago
State of Illinois

Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2011

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

A COMPONENT UNIT OF THE CITY OF CHICAGO
STATE OF ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

PREPARED BY THE ACCOUNTING DEPARTMENT
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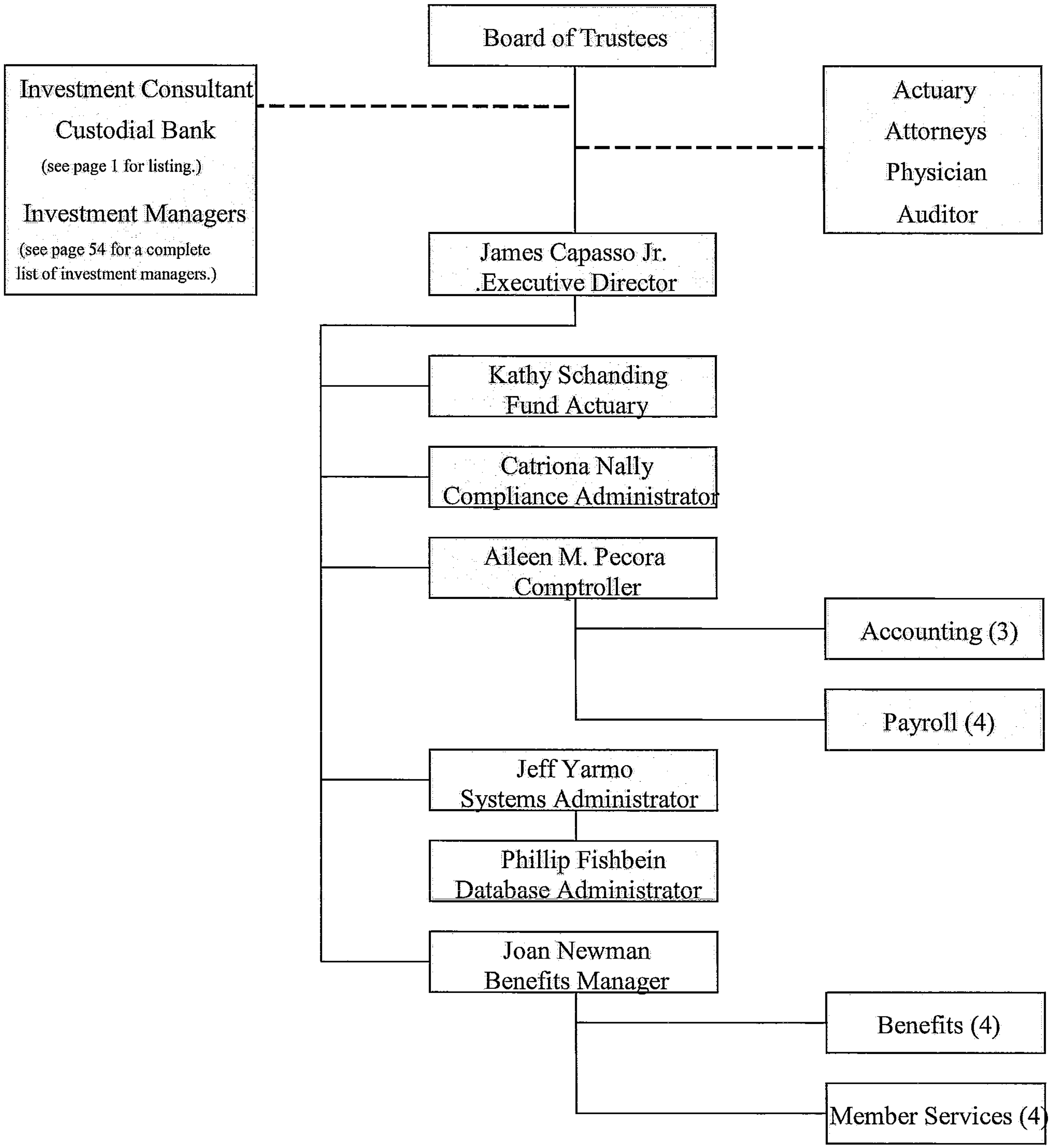
Introductory Section

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

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

Administrative Organization



Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

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

April 17, 2012

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

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) presents its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. This report and the information it contains is entirely the responsibility of the Plan and its administrative staff. The statements and disclosures contained in this report have been prepared to enable the Plan's participants, interested citizens, and responsible governmental officials to draw fair conclusions concerning the financial health and management of the Plan. To the best of our knowledge, the information provided is accurate and complete in all material respects.

Background

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan) was established in 1935 and is governed by legislation contained in Chapter 40, Act 5 of the Illinois Compiled Statutes. Article 11 of that act specifically and exclusively refers to the Plan. The Plan was created for the purpose of providing retirement and disability benefits for employees of the City of Chicago or the Board of Education who may be employed in a laboring capacity and for the dependents of such employees. The Plan is governed by an eight member Board of Trustees; three of whom are elected, two of whom are ex-officio trustees, another two of whom are appointed by the City and one who is appointed by the president of the local labor organization representing the majority of employees. All trustees serve without compensation except for necessary expenses. The Board of Trustees and the administrative staff of the Plan are fiduciaries who are legally bound to discharge their duties with respect to the retirement system solely in the interest of the participants and their beneficiaries.

A system of internal controls helps the Plan to monitor and safeguard assets and promote efficient operations. In addition, the staff prepares an operating budget which is evaluated and approved by the Board of Trustees annually. All financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). An external audit is completed annually by an independent auditor.

The sources and conditions of all contribution revenues are detailed in Article 11 as well as all benefit types, amounts, eligibility requirements, and methods of funding. 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. Reserves are set aside, as determined by the Plan's independent actuary, for the accumulation of employee and employer contributions and for the payment of all benefit obligations.

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Overview
At December 31, 2011, total Plan membership, including active, inactive, disabled and retired members is 8,249. Plan Net Assets decreased by nearly $114 million. Additions to Plan Assets were $27 million largely due to employee and employer contributions. For 2011, benefit expenses of $133 million included pensions, disability payments, and the Plan's share of the cost to provide health insurance coverage. The unfunded actuarial accrued liability based on the actuarial value of assets increased from $542 million to $769 million during the year, resulting in a reduction in the funding ratio from 73.8% to 64.9%. For a full understanding of the Plan's financial results, the reader is urged to review the Financial Section of this report that contains the management's discussion and analysis, auditor's report, the financial statements and other supplemental information. Management's discussion and analysis provides a narrative introduction, overview, and analysis of the financial statements and complements this transmittal letter.

Investments
The investment policy of the Plan is designed to insure the long-term financing of its funding requirements. The Plan's investments are managed by the Board of Trustees pursuant to Chapter 40, Section 5/1 and 5/11 of the Illinois Compiled Statutes using the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the Plan. This rule states that fiduciaries must discharge their duties solely in the interest of the plan participants and beneficiaries and with the skill, care, prudence, and diligence that a prudent person would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within a plan, the prudent person standard may enable a plan to reduce overall risk and increase returns.

The Board of Trustees, along with professional consultants, managers and staff, maintain an asset allocation program designed to provide the highest expected return while maintaining an appropriate level of risk. The strategic asset allocation among investment types and manager styles is reviewed annually by the trustees and investment consultant.

As of December 31, 2011, the fair value of invested assets, excluding securities lending collateral, was $1,312,383,158 which compares to $1,445,304,893 as of December 31, 2010. For the year ending December 31, 2011, the Plan's total investment return on the fair value of assets was virtually flat at -.3%. Total investment return for the Plan over the last three and five years was 12.0% and 1.4%, respectively. A detailed discussion of investment performance and asset allocation is provided in the Investment Section of this report.

Funding Status
The funded status in basic terms is a comparison of the Plan's liabilities to assets expressed as either unfunded liability ($) or as a ratio of assets over liabilities (%). Fund liabilities are dependent on actuarial assumptions and on actuarial cost methodology. Fund assets can be measured at market value, book value, or some variation to smooth the market fluctuations that invariably occur from year to year. The funding status for the Plan is measured using liabilities under the Entry Age Normal funding method and the Actuarial Value of Assets. The Actuarial Value of Assets is determined by annually spreading the difference between expected investment earnings and actual investment earnings over a five year period.

Based on the Actuarial Value of Assets, the unfunded liability as of December 31, 2011 was a deficit of $768,767,413 (including a GASB 43 unfunded liability of $38,327,860) compared to a deficit of $541,982,320 the previous year. The funding ratio as of December 31, 2011 is 64.9% compared to 73.8% in 2010.

Current and Future Developments
The Plan welcomed 84 new participants in 2011, as compared to 27 new participants in 2010. These new participants of 2011 represent the first members of the Tier 2 group which establishes different retirement eligibility conditions and benefit provisions from those who became members prior to January 1, 2011. The Plan has begun the necessary programming changes in the participant system which will incorporate the new tier of benefits.

Significant progress was made on the Plan's participant database system. The Qualified Illinois Domestic Relations Order (QILDRO) annuity module and the reversionary annuity module were successfully completed, tested, and put into production. The ongoing development and integration of the database system into the Fund's workflow continues to increase the efficiency of the organization.

An asset allocation study was completed in early 2011, which ensured further diversification within the Plan's investment portfolio. Multiple changes were made to existing strategies and new investment categories were introduced. The overall target allocation to equities was reduced in an attempt to protect the Plan from the volatile equity markets. The fixed income strategy was moved from Core to Core Plus which affords the manager greater latitude in finding alpha in the fixed income market. A Core Plus manager was transitioned to a Global Multi Sector strategy. Also in 2011, searches for new investment managers were initiated in the Global Tactical Asset Allocation and Real Estate categories. These searches were completed and funded in early 2012. Lastly, the Plan initiated an additional investment in the Hedge Fund space. Through continued diversification of investment type, region, and management styles, our goal is to improve the expected long term results while maintaining an acceptable level of risk. Further detail is shown in the investment section of this report.

Internal Controls and Safeguards
A set of internal and external controls is in place to provide reasonable assurance regarding the safekeeping of assets of the Plan, the reliability of financial records, and facilitation of efficient operations. Some of these controls are: 1) The accrual basis of accounting is used to record the financial transactions and activities of the Plan; 2) cash receipts are deposited timely with our custodial bank, the Northern Trust Company; 3) benefit disbursements are prepared and reviewed by the Plan's benefit specialists; 4) the Plan's financial statements are audited annually by the independent accounting firm of Calibre CPA Group PLLC (the audit report makes up the Financial Section of this report, along with required supplementary information and some additional schedules providing more detail relating to the Plan's financial activities); 5) copies of the audit report and actuarial report are submitted annually to the City Comptroller, the City Clerk, and the City Council of the City of Chicago as well as to the Division of Insurance at the Illinois Department of Financial and Professional Regulation (IDFPR); 6) the IDFPR also specifies the content of another detailed report submitted to it in accordance with Chapter 40, Act 5, Article 22, Section 503; 7) the Plan's invested assets as of year end were under the management of thirty independent professional investment managers.

GFOA Award
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago for its comprehensive annual financial report for the fiscal year ended December 31, 2010. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Reports to Membership

The Plan has issued a variety of reports covering 2010 and 2011 activity. Every spring, we mail participant statements to our active members. This statement details the participant's accumulated contributions to the Plan and beneficiary information on file. A newsletter to all membership is sent out informing members of any relevant administrative, legislative or retirement topics. In addition, the membership also receives a summary of the annual financial report. Various city and state offices will also receive the annual report in June in addition to it being available upon request at our office as well as on our website.

Outlook for 2012

Global financial markets face many risks including the European debt crisis, uneven global growth prospects and a loss of faith in policymakers to fix deep-rooted economic problems. It is clear that the direction of global markets largely rests with government actions in the U.S. and Europe which makes outcomes hard to predict and risk management challenging. Risk aversion will remain high and financial markets volatile. Even though experts see limited room for further price appreciation in fixed income, investors may still continue to direct funds toward fixed income given the volatility of the equity markets and continued turmoil in Europe.

Looking at early 2012, the first quarter proved to be a bonanza for stock investors. Investors who assumed great risk were generally rewarded this quarter. Domestic equities posted their best first quarter since 1998 as economic data released was largely positive. The U.S. employment situation showed signs of improvement. Additionally, auto and retail sales as well as pending home sales all showed signs of improvement. International equities showed solid returns in the first quarter as optimism about the global economic outlook improved and fears about the European fiscal crisis faded. Monetary policy remains accommodative in most countries while new fiscal stimulus measures are being rolled out in select countries. Treasury yields move higher in the first quarter of 2012 and the curve steepened. Top performers in the fixed income were emerging market debt, high yield bonds, commercial mortgage backed securities and investment grade corporate bonds.

With expectations of constrained growth and low inflation in 2012, the Federal Reserve is still committed to exceptionally low interest rates through late 2014. Domestic recovery will likely remain slow as investors remain somewhat cautious given a number of lingering long term concerns such as unemployment, housing, European debt crises, and high gas prices. The Plan continues to monitor its investment program and strategy to ensure a favorable risk and return profile over the long term.

Benefit payments are expected to be higher in 2012 as a result of statutory cost of living increases while refund and administrative expenses are expected to remain steady in 2012.

The public pension debate continues to be in the forefront of issues affecting the Plan. The financial viability and health of pension systems is being called into question as the baby boom generation ages, life expectancy increases, and many states and municipalities face public sector budget crises. Pension reform is one of the most important issues facing the Plan. We continue to monitor the proposals of lawmakers to put pension systems on the path toward financial stability.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Plan's administrative staff, under the supervision of the Plan's Comptroller, Aileen M. Pecora. Every effort has been made to ensure that the information it contains is accurate and complete to the best of our ability. It is intended to provide a basis for making management decisions, to determine our compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by the members and their employer.

The Board and staff of the Plan are dedicated to preserving the retirement system and are doing so with honesty, dedication, and integrity. We strive to be responsible in our actions that are vital to the success of the Plan. We are very grateful for the Board's diligence, concern, and support over many years of our efforts to improve the levels of service and benefits to our participants.

On behalf of the Board of Trustees, I would like to express my sincere appreciation to the staff and the professional consultants for their contributions made to this report and for their dedicated service toward the continued successful operations of the Plan.

Respectfully submitted,

James Capasso, Jr.
Executive Director

Financial Section

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Report of Independent Auditors

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 its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The additional information presented on page 47 is presented for purposes of additional analysis and is not a required part of the financial statements of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of

Chicago. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management's Discussion and Analysis on pages 11 through 15, and the Schedule of Funding Progress, the Schedule of Employer Contributions, and Notes to the Schedules on pages 42 through 45 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 consist 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.

Calibre CPA Group PLLC

Chicago, Illinois
April 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is prepared by the management staff of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (LABF) for the purpose of providing an overview of the Plan's financial activities for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 4-8), the financial statements, required supplementary information and additional information.

Annual Financial Review

Each year the Plan commissions an actuary to assess the financial strength of the Plan. The actuary compares the value of "benefit promises" made to its members to the value of the Plan's assets. As prescribed by accounting standards, the actuary uses a valuation method different than fair value to determine the value of the Plan's assets. It differs in that the actuarial value of assets distributes investment gains and losses over a five year period in an attempt to smooth out market volatility. For fiscal year 2011, the consulting actuary reports the Plan's actuarial liability was $2.19 billion and the actuarial value of assets was $1.42 billion.

The comparison of the assets to liabilities is termed the funded ratio and represents the percentage of assets available to pay the promised benefits. When measured using the Actuarial Value of Assets, which smoothes investment gains and losses over a five year period, the funded ratio decreased from 73.8% in 2010 to 64.9% in 2011. The funded ratio is also expected to decrease next year at which point the significant investment losses from 2008 will be fully recognized.

Overview of the Financial Statements of the Plan

This discussion and analysis is intended to serve as an introduction to the Plan's financial reporting which is comprised of the following components.

1. Basic Financial Statements: The two basic financial statements are the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. The Statements of Plan Assets report the balance of net assets held in trust for future pension benefits as of the fiscal year end, with comparative values reported as of the previous fiscal year end. The Statements of Changes in Plan Net Assets report the net increase in net assets for the fiscal year, with comparative values reported for the previous fiscal year. This increase, when added to the previous year's net assets, supports the total net assets as reported in the Statements of Plan Net Assets.

2. Notes to the Financial Statements: Notes to the Financial Statements provide additional valuable information that assists the reader to better understand the Plan's financial position. The notes are an integral part of basic financial statements.

3. Required Supplemental Information: The required supplemental information consists of the Schedule of Funding Progress, Schedule of Employer Contributions and related notes. These schedules and related notes emphasize the long-term nature of pension funds and show the Plan's progress in accumulating sufficient assets to pay benefits when due. These schedules present actuarial trend information for both the Plan and Other Postemployment Benefits (OPEB) that are associated with the Plan. The Plan participates in two different OPEB initiatives. First, the Plan, through its subsidy, and the City of Chicago share the cost of providing health care coverage to the City annuitant or their surviving spouse. Secondly, the Plan, as the employer offers to its retirees a postemployment group health care plan.

4. Additional Information: Schedules of Administrative Expenses, Investment Expenses and Professional Services are included to present the details of organizational costs incurred to operate the Plan.

Investment Performance

The markets in 2011 can simply be defined as volatile. It was a year where both domestic and international politics and policies greatly impacted the financial markets. Whether it was the Egyptian revolution, European Sovereign Debt, the devastating earthquake in Japan, or the political bickering about the growing United States debt, investors had a tough time staying ahead of changing sentiments. Investors saw stocks fall 12 percent after Standard & Poor's stripped the United States of its AAA rating only to reverse course, rising more than 10% only a month later.

As reported by the Plan's investment consultant, the total investment return based upon fair value was -0.3% in 2011 versus 15.5% in 2010. Domestic Equity returns of 0.6% lagged the benchmark of the S&P by 1.5% and International Equity returns of -9.5% surpassed the MS EAFE Net by 2.6%. Large cap stocks outperformed small and mid cap stocks for the year while growth outpaced value for the same period. Utilities and health care were the strongest performing sectors. Gains were registered for all but two sectors, financials and materials. Bond managers underperformed the benchmark with a 5.8% return as compared to the Barclays Capital Aggregate bond index of 7.8 % for the year. Although both International Developed Equities and Emerging Markets yielded negative returns, they both outperformed their respective benchmark. Private equity, real estate and hedge fund asset classes made marginal strides but have a nominal impact on overall Plan performance because they represent a small percentage of the portfolio, 3.6%, 2.8% and 4% respectively.

Rates of Return for Fiscal 2011					
Asset Category	1 Year Return	5 Year Return	Index Name	1 Year Return	5 Year Return
Cash and short-term	0.1%	0.6%	90 Day T-Bills	0.1%	1.5%
Fixed income	5.8	6.0	BC Aggregate	7.8	6.5
Domestic equities	0.6	0.5	S&P 500	2.1	-0.3
Int'l developed equities	-9.5	-2.8	MSCI EAFE Net	-12.1	-4.7
Emerging markets equities	-10.1	n/a	MSCI EMF Net	-18.4	2.4
Private equity	1.5	5.9	Cambridge Assoc.	20.9	6.6
Real estate	8.9	-4.2	NCREIF ODCE	16.0	-0.2
Hedge funds	-3.2	n/a	HFRI FOF	-5.6	-0.7
Total plan	-0.3%	1.4%	Allocation Index*	-0.7%	1.3%

*The Allocation Index is an asset class-weighted benchmark designed to take into account the percentage of an asset class in a portfolio and the relationship to its corresponding benchmark.

Financial Analysis

The Laborers' Fund provides retirement benefits as well as death and disability benefits to qualified City of Chicago employees. The benefits are funded by member and employer contributions and income from investments. The following summarized comparison indicates that the net assets held in trust for payments of benefits at December 31, 2011 amounted to $1.31 billion, which was a decrease of $114 million or 8.0% from $1.43 billion at December 31, 2010. This decrease is in contrast to the $94 million increase in net assets that occurred between December 31, 2009 and December 31, 2010.

Condensed Comparative Statements of Plan Net Assets

	December 31,			Net Change	
	2011	2010	2009	2010 to 2011	2009 to 2010
Receivables	$ 19,375,793	$ 22,909,550	$ 25,211,573	$ (3,533,757)	$ (2,302,023)
Investments, at fair value	1,312,383,158	1,445,304,893	1,332,378,165	(132,921,735)	112,926,728
Invested security lending cash collateral	165,838,425	151,718,173	169,346,248	14,120,252	(17,628,075)
Property and equipment	1,751,204	2,225,275	2,833,438	(474,071)	(608,163)
Total assets	1,499,348,580	1,622,157,891	1,529,769,424	(122,809,311)	92,388,467
Liabilities	185,744,941	194,943,716	196,840,012	(9,198,775)	(1,896,296)
Total plan net assets	$ 1,313,603,639	$ 1,427,214,175	$ 1,332,929,412	$ (113,610,536)	$ 94,284,763

Assets

An increase or decrease of invested assets is directly tied to the strength of the financial markets at the fiscal year end. Total assets decreased in 2011 by $123 million or 7.6%. Uncertainty in European markets prolonged volatility through the 2011 year end. Security lending programs also follow market conditions, for when conditions are favorable; it becomes more attractive to lend securities.

As of December 31, 2011, total receivables, decreased by $3.5 million or 15.4% from 2010 as a result of a reduction in the employer contribution and decreases in interest and miscellaneous receivables. In 2010, total receivables were 9.1% lower than the previous year mainly due to a smaller employer contribution receivable.

Please refer to the Investment Section of this report for more information on the Plan's investments.

The Plan's property and equipment is primarily comprised of a custom developed software program. This program integrates the administrative functions of contribution accounting, benefit calculation and benefit payments.

Liabilities

In 2011, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (89.3%); unsettled net investment trades at year end (7.6%); and accrued professional and investment management fees payable (3.1%). In 2010, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (77.8%); unsettled net investment trades at year end (19.2%); and accrued professional and investment management fees payable (3.0%). Because of the corresponding accounting entry, the rise or fall of Liabilities over the past few years primarily rests with the activity of the securities lending program and the cash collateral that is held at year end.

Condensed Comparative Statements of Changes in Plan Net Assets

	Year Ended December 31, 2011	2010	2009	Net Change 2010 to 2011	Net Change 2009 to 2010
Additions					
Total contributions	$ 31,427,257	$ 34,258,802	$ 34,728,108	$ (2,831,545)	$ (469,306)
Total investment income	(4,510,715)	193,187,014	237,102,597	(197,697,729)	(43,915,583)
Total additions	26,916,542	227,445,816	271,830,705	(200,529,274)	(44,384,889)
Deductions					
Benefits and refunds	136,532,754	129,296,766	123,816,866	7,235,988	5,479,900
Administrative expense	3,994,324	3,864,287	3,664,916	130,037	199,371
Total deductions	140,527,078	133,161,053	127,481,782	7,366,025	5,679,271
Net increase (decrease) in net assets	(113,610,536)	94,284,763	144,348,923	(207,895,299)	(50,064,160)
Net assets held in trust for pension benefits					
Beginning of year	1,427,214,175	1,332,929,412	1,188,580,489	94,284,763	144,348,923
Ending of year	$ 1,313,603,639	$ 1,427,214,175	$ 1,332,929,412	$ (113,610,536)	$ 94,284,763

Additions

The additions of member and employer contributions and investment income are the funding sources for benefit payments. Employer contributions represent $2.5 million of the $2.8 million decline in total contribution. Since employer contributions are a function of employee contributions from two years prior; they follow the trend of employee wages. In July 2009, due to tough economic conditions, the City of Chicago mandated two years of unpaid furlough days; thereby lowering salaries on which the employer and employee contributions are based. In fiscal year 2010, employer contributions had decreased by almost $500,000, also due to the workforce reduction and furlough days.

Investment income was negative for the year as the economy experienced slow growth. Realized gains of $54 million in 2011 were greater than those posted in each of the prior two periods. However, unrealized depreciation in market value overshadowed the realized gains. Dividend income increased by 23.9% in 2011 to $14.7 million, while interest income fell by 25.6% to $7.9 million. The decline in interest income is largely due to record low interest rates.

Deductions

The expenditures consist of annuity and disability benefit payments, contribution refunds, administrative and office staff OPEB expenses. Annuity expense increased 5.1% in 2011 as compared to 5.0% in 2010. Although the number of recipients of benefit checks increased modestly over the years (see Retiree and Beneficiaries by Type on page 75), the expense continues to increase at a greater rate. Reasons for the increased annuity expense include a compounded cost of living increase to qualified employee annuitants each January and larger annuities to newly retired members as compared to those members who have been retired for a greater length of time.

During 2011, administrative expenses increased by 3.4% from the prior year mainly due to inflation and the corresponding accounting entries to reflect our future healthcare obligations.

Factors impacting 2012

The 2012 financial markets are again expected to be a challenge. We expect sluggish global economic growth and sovereign-debt problems in the eurozone. Global economic leadership may be expected from emerging countries. The United States struggles continue domestically with unemployment, new housing starts and political issues that crop up during a Presidential election year. In order to respond to these challenges, the Board of Trustees continue to focus on the Plan's asset allocation model to ensure opportunity for higher returns while minimizing overall risk.

After passing legislation in 2010 that created a second tier of Plan benefits for participants who are new employees hired after December 31, 2010, the state legislature continues to seek ways to respond to the funding challenges of the pension plans throughout the state. The mayor of Chicago is expected to formulate pension reform legislation that will directly impact not only the active employees but also the current retirees. However, Pension Reformists are struggling with the language in the Illinois Constitution that states that public employee pensions are an "enforceable contractual relationship, the benefits of which shall not be diminished or impaired".

Request for Information

<u>Questions about any information provided in this report should be addressed to:</u>
Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago
Attn: Executive Director
321 N Clark St Ste 1300
Chicago IL 60654-4739

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3. INVESTMENTS (CONTINUED)

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 42 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.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES

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 43, 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.

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

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 43, 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.

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

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 ADMINISTRATIVE EXPENSES,
INVESTMENT EXPENSES AND PROFESSIONAL SERVICES

YEARS ENDED DECEMBER 31, 2011 AND 2010

SCHEDULE OF ADMINISTRATIVE EXPENSES

	2011	2010
Personnel services	$ 1,887,022	$ 1,803,555
Professional services	464,273	409,994
OPEB expense	392,151	370,889
Depreciation	680,114	659,496
Occupancy and utilities	257,769	238,088
Fiduciary liability insurance premiums	133,405	142,774
Document Retention	12,321	57,280
Supplies and Equipment	30,352	47,837
Printing and technical services	36,466	34,190
Disaster recovery site	31,521	30,744
Telecommunications & Internet	15,643	11,095
Postage	14,208	21,675
Miscellaneous	39,079	36,670
Total	$ 3,994,324	$ 3,864,287

SCHEDULE OF INVESTMENT EXPENSES*

	2011	2010
Investment manager fees	$ 7,748,784	$ 7,307,656
Custodial management fees	117,656	134,288
Investment consultant fee	238,315	252,292
Total	$ 8,104,755	$ 7,694,236

* A schedule of investment related fees can be found in the Investment Section

SCHEDULE OF PROFESSIONAL SERVICES

	2011	2010
Actuarial valuation	$ 62,816	$ 61,009
Actuarial consultation	34,490	5,000
Auditing	37,000	37,000
Benefit check production	118,529	72,367
Custom software development	97,737	107,788
Legal services	59,641	72,770
Legislative consultant	16,800	16,800
Medical consultant	37,260	37,260
Total	$ 464,273	$ 409,994

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Investment Section

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60603
(312) 630-6000

Northern Trust

To the Board of Trustees and the Executive Director:

The Northern Trust Company as custodian ("Master Custodian") of assets of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("Fund") held by it in a custodial account (the "Account") has provided annual Statements of Account for the Account to the Fund which provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Account for the period January 1, 2011 through December 31, 2011.

In addition to the custody of assets in the Account, pursuant to and in accordance with the terms of the Master Custody Agreement among the Board of Trustees of the Fund and The Northern Trust Company dated March 17, 2008 as amended (the "Custody Agreement"), The Northern Trust Company provided and continues to provide the following services as Master Custodian:

1. Receive and hold all amounts paid to the Account by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in the Account in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Lend Securities in the Account pursuant to a Securities Lending Agreement entered into by and between the Board of Trustees and The Northern Trust Company.
6. Invest cash balances held from time to time in the individual investment management accounts of the Account in short term-cash equivalent securities.
7. Facilitate the exercising of rights of ownership, including but not limited to, proxy voting, stock subscriptions and conversion rights as directed by the Fund or its appointed investment managers.
8. Hold securities in the Account in the name of the Fund or nominee form or other means as provided in the Custody Agreement.
9. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of securities.
10. Employ agents to the extent provided in the Custody Agreement.
11. Provide disbursement services.
12. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: Rita M. Curtin

Rita M. Curtin
Senior Vice President

INVESTMENT POLICY

The Board of Trustees of the Plan are entrusted with the responsibility of investing the Fund's assets for the sole purpose of providing benefits to the system's participants and their beneficiaries. Historically, the Fund has been guided by the parameters established by the Illinois State Statutes for various investment classes. During 1997 the "Prudent Person Rule" was adopted and signed into law. This rule states that the trustees, as 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 Trustees are responsible for establishing the investment policy that is to guide the investment of the Plan assets. The Plan invests in different types of assets and uses multiple investment managers with specific selection styles and methodologies as a method to ensure overall fund diversification. Over the long term, the investment policy has provided a favorable risk/return profile with returns around the median with risk well below average. The policy is monitored by the Trustees and the asset allocation periodically reviewed to evaluate the targets and ranges for each asset class in order to achieve overall risk and return objectives. The most recent study was completed in early 2011 and resulted in changes in the asset classes so as to enhance both the diversification and performance of the assets. The target asset allocations adopted by the Board of Trustees in March 2011 are shown below.

Asset Category	Target	Actuals at 12/31/11
Domestic Equity	31.0 %	47.9 %
Int'l Developed Equity	12.0	13.9
Emerging Markets	5.0	5.4
Fixed Income	16.0	18.3
Global Asset Allocation	10.0	0.0
Private Equity	7.0	3.6
Real Estate	5.0	2.9
Hedge Funds	8.0	4.1
Real Assets	4.0	0.0
Cash & Short Term Inv.	2.0	3.9
Total	100.0 %	100.0 %

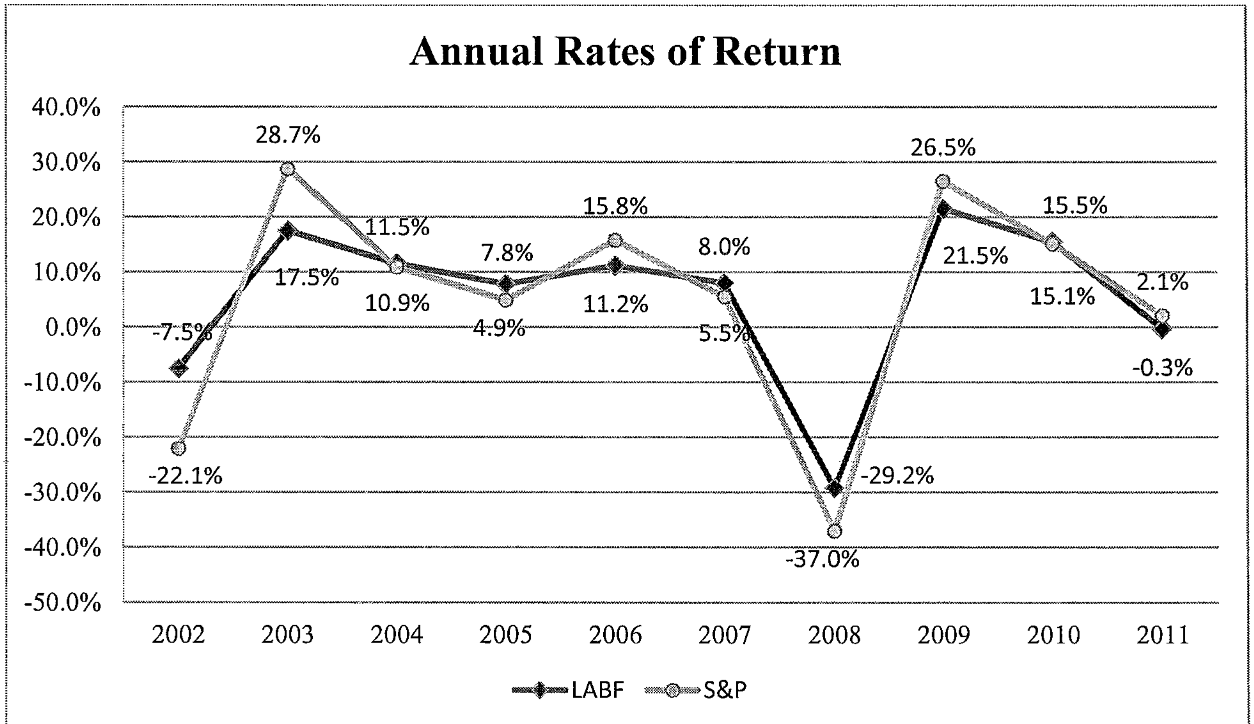
The Plan is steadily working toward reaching the targets that were established in 2011. The considerable cash and short term investment balance includes monies held for benefit payments and committed real estate and private equity investments. The Northern Trust Company, as master custodian, provides the detailed financial reports for all investment activity and transactions related to the Plan's portfolio. Using a time-weighted rate of return based on the fair value of assets, NEPC LLC calculates performance rates of return by portfolio and composite for all respective indices used in this section. The data provided in this section is reported at fair value and was prepared by the Plan's staff in collaboration with NEPC LLC.

INVESTMENT RESULTS

Global equity markets lost significant value during 2011 as Europe's sovereign debt crisis and a softening global growth outlook weighed on the demand for riskier assets. The S&P 500 Index managed to eke out a gain of 2.1% for 2011 but this gain belied the stock market's extreme volatility during the year. U.S. stocks rallied during the first quarter of 2011 but a string of mixed reports starting in the spring raised doubts about the strength of the U.S. recovery. Partisan politics drained investor confidence as lawmakers wrangled over the ballooning deficit and fiscal policy. High unemployment, the depressed housing market, and Europe's debt crisis threatened recovery. The overall 2011 return of the Plan was virtually flat at -0.3%. In general, large cap stocks outpaced small and mid caps, and growth stocks outpaced value stocks. The Plan's domestic equity returns of 0.6% lagged the benchmark return of 2.1%.

Developed international markets trailed U.S. stocks, partly because the dollar strengthened against other currencies. European stock markets tumbled amid contracting growth and fallout from the debt crisis. Developed Asian markets also fell. Emerging markets fared even worse as key countries tightened monetary policy to curb inflation. Both the international developed equity and emerging markets portfolios of the Plan outperformed on a relative basis. International developed equity for the Plan returned -9.5% as compared to the MSCI EAFE net loss of -12.1% and the Plan's emerging markets posted a loss of -10.1% against the MSCI EMF net loss of -18.4%.

U.S. bonds produced solid returns in 2011, largely due to treasuries, as weakening global growth and the European debt crisis spurred demand for less risky investments. Investment grade issues outpaced hi-yield bonds as risk aversion rose and credit spreads widened in the later half of the year. The Barclays Capital U.S. Aggregate Index posted a strong return of 7.8% for the year outpacing the Plan's fixed income return of 5.8%. The following graph depicts our Plan total returns for the last ten years compared with the S & P Index.



Schedule of Investment Results

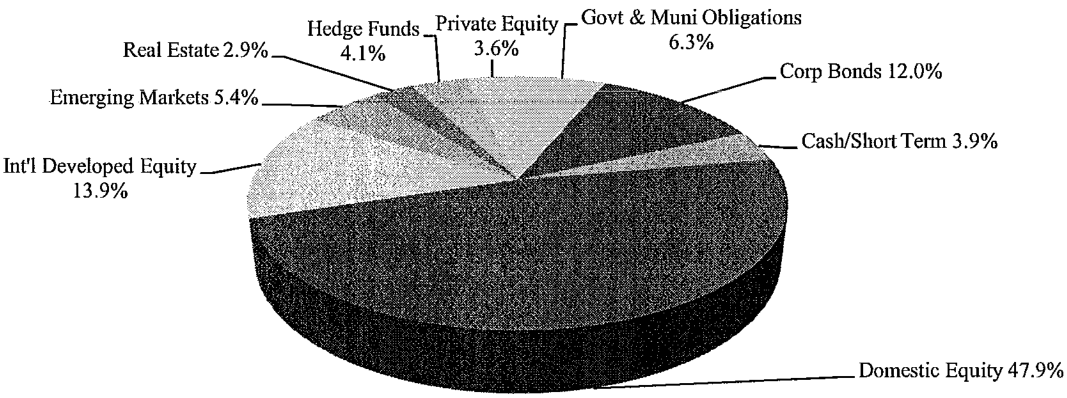
(Annualized percentage for periods ending December 31,)

	2011	2010	2009	2008	2007	3 Yr	5 Yr
Cash & 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
Domestic Equity							
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
Int'l Developed Equity							
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 Equity							
LABF	-10.1	28.2	-	-	-	n/a	n/a
MSCI EMF Net	-18.4	18.9				20.1	2.4
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
Private Equity							
LABF	1.5	14.5	-10.4	-10.8	32.6	4.3	5.9
Cambridge Assoc. Venture Cap	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							
LABF	-3.2	10.0	-	-	-	n/a	n/a
HFRI FOF	-5.6	5.7				3.6	-0.7
Combined Investments	-0.3	15.5	21.5	-29.2	8.0	12.0	1.4

Returns are provided by NEPC LLC, calculated and presented using standard performance evaluation methods in a manner consistent with the investment industry in general and public pension funds in particular. Rate of return were determined using a time-weighted return calculation.

Asset Allocation at December 31, 2011

(fair value)



INVESTMENT SUMMARY

Type of Investment	12/31/2011 Fair Value	12/31/2011 % of Total	12/31/2010 Fair Value	12/31/2010 % of Total
Short term investments	$51,778,375	3.9%	$76,371,331	5.3%
Domestic equity	627,888,601	47.9%	695,281,486	48.1%
Int'l developed equity	182,841,467	13.9%	199,880,477	13.8%
Emerging markets equity	70,556,770	5.4%	78,336,887	5.4%
Total equities	881,286,838	67.2%	973,498,850	67.3%
Government obligations and municipal bonds	83,070,761	6.3%	128,775,076	8.9%
Corporate bonds	157,287,830	12.0%	129,195,374	8.9%
Total fixed income	240,358,591	18.3%	257,970,450	17.8%
Private equity	46,943,283	3.6%	47,068,095	3.3%
Real estate	37,705,952	2.9%	34,591,721	2.4%
Hedge funds	54,310,119	4.1%	55,804,446	3.9%
Total alternatives	138,959,354	10.6%	137,464,262	9.6%
Total portfolio	$1,312,383,158	100.0%	$1,445,304,893	100.0%

Top 10 Domestic Equity Holdings

December 31, 2011

Shares	Stock	Fair Value
147,063	Exxon Mobil Corp	$12,465,048
76,590	Chevron Corp	8,149,196
17,931	Apple Inc	7,262,025
34,238	IBM	6,295,686
9,104	Google Inc	5,880,367
264,379	Pfizer Inc	5,721,160
47,005	Baidu Inc	5,474,717
198,709	Microsoft Corp	5,158,488
263,145	Cisco Systems Inc	4,757,665
84,828	Qualcomm Inc	4,640,081

A complete listing of portfolio holdings is available upon request.

Top 10 Domestic Fixed Income Holdings

December 31, 2011

Par	Fixed Income	Fair Value
4,620,000	FHLMC Gold Single Fam 30Yr 4% settles tba	$4,845,225
3,585,000	US Treas Nts Indx Lnkd 2.375% due 1/15/201	4,672,878
3,424,540	FNMA Pool #968976 5.50% due 1/01/2038	3,731,800
3,280,000	FNMA Single Fam 4.5% 30 Yrs settles tba	3,490,127
3,150,000	US Treas Nts 2.375% due 7/31/2017	3,385,513
1,825,000	US Treas Bds 6.25% due 8/15/2023	2,612,031
1,775,000	US Treas Bds 4.375% due 2/15/2038	2,294,741
1,985,000	FHLMC Gold Single Fam 4.5% 30 Yrs settles	2,103,169
1,475,000	US Treas Bds 5.25% due 11/15/2028	2,033,656
1,500,000	US Treas Bds 4.5% due 2/15/2036	1,962,891

ASSET MANAGEMENT

The Plan retains the services of many professional investment management firms who bring their particular expertise to the selection and retention of investments. The activities of each firm are reviewed by the Plan's staff, consultant and trustees to ensure compliance with guidelines provided by the Illinois statutes, our investment policy, and long term strategic plans. The firms employed by the Plan at December 31, 2011 are the following:

Domestic Equity Managers
- Ariel Investments
- Columbia Partners
- Harris Investment
- Holland Capital Mgmt
- Keeley Asset Mgmt
- Northern Trust Global Invstmts
- Rhumbline Advisers
- Zacks Investment Mgmt

Int'l Developed Equity Managers
- Baillie Gifford Overseas Ltd
- Baring Asset Mgmt
- Thomas White Int'l Ltd

Emerging Markets Managers
- Robeco Investment Mgmt
- Vontobel Asset Mgmt

Hedge Fund Managers
- Dorchester Capital Advisors
- EnTrust Capital Inc

Fixed Income Managers
- AFL-CIO Housing Trust
- Dearborn Partners
- Neuberger Berman
- Western Asset
- Williams Capital

Real Estate Managers
- Capri Capital Partners
- DV Realty Advisors
- John Buck Company
- Russell Investment Group
- Shamrock Hostmark Hotel Fd

Private Equity Managers
- Hopewell Ventures
- Mesirow Financial
- Midwest Mezzanine Funds
- Pantheon Ventures
- SB Partners

Short Term Manager
- The Northern Trust Company

BROKER COMMISSIONS FOR 2011

Name	Total Commissions
G-Trade Services	$73,398
MR Beal & Company	47,812
BNY ESI Securities	46,094
Blaylock and Company	30,457
Robert W. Baird & Co	29,584
M Ramsey King Securities	25,949
Loop Capital Markets	22,616
Goldman Sachs & Co	18,448
Instinet	16,681
All Other	389,376
Total	$700,415

SECURITIES LENDING

The Plan participates in a securities lending program with our custodian, The Northern Trust Company. The Northern Trust, 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. The income earned from this program is invested back into the Plan. The Securities Lending Summary table below outlines the 2011 net income from the Plan's securities lending activity, the securities on loan as of December 31, 2011, and the amount of collateral for these securities.

Securities Lending Summary (Net of Borrower Rebates) as of December 31, 2011

Equity Income Earned	$650,602
Fixed Income Earned	52,409
Less Custodial Fee	(108,866)
Net Securities Lending Income	$594,145
Total Collateral Market Value	$168,686,050
Total Market Value of Securities on Loan	$164,200,648
Total Collateralized Percentage	102.7%

COMMISSION RECAPTURE

The Plan also utilizes a commission recapture program. Commission recapture is a form of institutional discount brokerage that rebates back a portion of trading commissions directly to the pension fund. This helps to reduce expenses to save money for the Plan. For the year ended December 31, 2011, the Plan recaptured $47,554 in commissions. These commissions were reinvested back into the Plan. The table below details the brokers we use for this program and their respective income for the year.

Commission Recapture Program For Year Ended December 31, 2011

Broker	Amount
LJR Recapture Services	$12,590
Russell Securities	34,964
Total	$47,554

INVESTMENT EXPENSES

	2011 Assets under management*	2011 Fees	2010 Assets under management*	2010 Fees
Equity	$ 881,286,838	$ 4,245,481	$ 973,498,850	$ 4,035,014
Fixed income	240,358,591	748,705	257,970,450	720,049
Private equity	46,943,283	1,339,465	47,068,095	1,219,593
Real estate	37,705,952	768,921	34,591,721	653,960
Hedge funds	54,310,119	646,212	55,804,446	679,040
Subtotal	1,260,604,783	7,748,784	1,368,933,562	7,307,656
Custodial management	51,778,375	117,656	76,371,331	134,288
Subtotal	$ 1,312,383,158	7,866,440	$ 1,445,304,893	7,441,944
Investment consultant fee		238,315		252,292
Total fees		$ 8,104,755		$ 7,694,236

* Securities lending cash collateral is not included in assets under management

ACTUAL ASSET ALLOCATION

Last Five Years

	Fair Value as a Percent of Portfolio				
	2011	2010	2009	2008	2007
Equities:					
Domestic equity	47.9%	48.1%	50.3%	44.6%	50.4%
Int'l developed equity	13.9%	13.8%	14.0%	10.7%	9.5%
Emerging markets equity	5.4%	5.4%	4.0%	0.0%	0.0%
Fixed income:					
Gov't oblig./muni.bonds	6.3%	8.9%	8.2%	17.3%	17.7%
Corporate bonds	12.0%	8.9%	9.7%	14.9%	13.8%
Private equity	3.6%	3.3%	2.9%	3.3%	2.4%
Real estate	2.9%	2.4%	2.4%	3.5%	2.1%
Hedge funds	4.1%	3.9%	3.3%	0.0%	0.0%
Cash/short-term investments	3.9%	5.3%	5.2%	5.7%	4.1%
Total portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

Actuarial Section

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
20 North Clark Street
Suite 2400
Chicago, IL 60602-5111
312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

April 5, 2012

The Retirement Board of the
Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 1300
Chicago, Illinois 60654

Subject: Actuarial Certification

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2011. An actuarial valuation of the Fund is performed annually. The valuation has been performed to measure the funding status of the Fund. It includes disclosure information required under Governmental Accounting Standards Board (GASB) Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. The assumptions and methods used were recommended by the actuary and approved by the Board. The assumptions and methods meet the parameters set for the disclosure presented in the financial section by GASB Statement No. 25 and GASB Statement No. 43.

We have provided the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Analysis of Financial Experience

We have also provided the following schedules for the financial sections of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions

This valuation is based upon:

a. **Data Relative to the Members of the Fund** – Data utilized for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness. However, we have not audited the data.

b. **Asset Values** – The values of assets of the Fund were provided by the Fund's staff. An actuarial value of assets was used to develop actuarial results for GASB Statement No. 25 and Statement No. 27.

c. **Actuarial Method** – The actuarial method utilized by the Fund is the Entry-Age Normal Actuarial Cost Method. The objective of this method is to recognize the costs of Fund benefits over the entire career of each member as a level percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL), under this method is separately amortized. All actuarial gains and losses under this method are reflected in the UAAL.

d. **Actuarial Assumptions** – The same actuarial assumptions as last year were used for this valuation with the exception of the mortality rates and the participation assumption for future retires receiving the healthcare subsidy from the Fund. The current actuarial assumptions were first adopted for use with the December 31, 2004, valuation report. We recommend that the Fund undertake an experience study before the next valuation. The assumptions are set out in the following pages.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be 1.00 times the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 1:1 relationship. Employer contributions for the plan year cease when all actuarial accrued liabilities of the Fund, excluding any cost that arose from the most recent early retirement incentive, are fully funded. The most recent actuarial valuation of the Fund on the State reporting basis indicates that a ratio of 5.41 (rather than 1.00) is needed to adequately finance the Fund in fiscal year 2012 on an actuarially sound basis. It should be noted that the statutory employer contributions have been less than the Annual Required Contribution (ARC) for the past six years and are again expected to be less than the ARC for 2012. In order for employer contributions to be increased, the State legislature would first need to amend the statute. Under the current funding policy, if all future assumptions are realized, the funding ratio is projected to deteriorate until assets are depleted within about 20 to 25 years. The current statutory funding policy does not comply with generally accepted actuarial standards for the funding of retirement systems. We recommend that an actuarially sound funding policy be adopted as soon as possible.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provisions of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Alex Rivera

Alex Rivera, F.S.A., E.A., M.A.A.A.
Senior Consultant

Lance J. Weiss

Lance Weiss, E.A., M.A.A.A.
Senior Consultant

Actuarial Methods and Assumptions

All assumptions are agreed upon by the Fund's actuary and Board of Trustees.

- Method - The actuarial funding method used is the Entry Age Normal Actuarial Cost Method which reflects actuarial gains and losses immediately in the unfunded liability. This cost method assigns to each year of employment a constant percentage of an employee's salary, called the current service cost (sometimes referred to as normal cost), sufficient to accumulate the necessary funds to provide for the full prospective costs of the employee's projected retirement pension. The amount of pension must be estimated using various assumptions as to future compensation levels, employee turnover, mortality and pension fund earnings, since the actual pension can be known only at the time of retirement. These are called actuarial assumptions.

  The actuarial accrued liability of the fund at any point in time is the accumulated value of all current service costs that should have been paid in at that time for active employees plus the full prospective cost of pensions for all retired employees. The extent that the actual plan assets are less than the accrued liability is called the unfunded liability. The unfunded liability may be positive (actuarial accrued liability greater than the actuarial value of the assets) or negative (actuarial accrued liability less than the value of assets, or funding excess). The term unfunded actuarial liability refers to either situation. The unfunded liability can be thought of as the amount of assets that will be needed in future years to provide all future benefits payable when added to the future normal costs.

  An amount of money is required each year to amortize the unfunded liability over a period of 30 years if all assumptions are realized. This amount is called 30 year level-dollar amortization of the unfunded liability.

  The required total annual required contribution to the Fund is equal to the current service costs plus a 30 year level dollar amortization of the unfunded liability. Under the GASB No. 25 standard, a 30 year level dollar amount is provided for amortization of the unfunded liability. Adopted 1997.

ASSUMPTIONS:	2011	2010
Life expectancy of participants	RP2000 Combined Healthy Mortality Table, sex distinct, set forward 1 year for males and set back 2 years for females *(adopted 2011)*	1994 Group Annuity Mortality sex distinct Tables set forward 2 years *(adopted 2004)*
Retirement age assumptions	Rates are age & service based All retire by age 70	Rates are age & service based All retire by age 70 *(adopted 2004)*
Termination assumptions	Rates are service based	Rates are service based *(adopted 2004)*
Disability	Cost valued at a term cost of 1.5% of payroll	Cost valued at a term cost of 1.5% of payroll *(adopted 2004)*
Investment rate of return for pensions (net of expenses)	8% compounded annually (3% inflation and 5% real rate of return)	8% compounded annually (3% inflation and 5% real rate of return) *(adopted 1999)*
Investment rate of return for OPEB	4.5% per annum	4.5% per annum *(adopted 2005)*
Salary increase	4.5% compounded annually plus a service based increase in the first 5 years	4.5% compounded annually plus a service based increase in the first 5 years *(adopted 2004)*

- Rates of Retirement – Rates of retirement for Tier 1 members are based on an experience study using census information for the period from December 31, 1998 to December 31, 2003. Adopted 2004. Rates of retirement for Tier 2 members are based on retirement eligibility conditions applicable to Tier 2 members and expected retirement patterns under those eligibility conditions. Adopted 2011.

- Rates of Termination - Rates of termination are based on an experience study using census information for the period from December 31, 1998 to December 31, 2003. The rates of termination apply to both Tier 1 and Tier 2 members. Adopted 2004.

- Investment Return - **2011:** 8% per year (net of investment expense) compounded annually. This assumption contains a 3% inflation assumption and a 5% real rate of return assumption. Adopted 1999. 4.5% per year for OPEB. Adopted 2005.

- Salary Increase - **2011**: 4.5% per year plus a service based increase in the first five years as shown below.

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

- Percent Married - It is assumed that 85% of the active members have an eligible spouse.

- Post Retirement Benefit Increases:
  - Tier 1: 3% per year compounded for employee annuitants beginning either three years after retirement or age 60, whichever occurs first. Beginning January 1, 2005, the automatic increases in annuities will take effect in the January of each year in which they are to be provided.
  - Tier 2: The lesser of 3% or ½ of the annual unadjusted percentage increase in the CPI-U (but not less than zero) as measured in the preceding 12 month period ending with September preceding the increase date. This simple increase begins on the January of the first payment date following the later of 1) age 67 and 2) the first anniversary of retirement.

- Active Membership - It is assumed that the active membership will remain at the present level and that the average age of entrance into the service will be about the same in the future as it has been. The actuarial costs are based on the present group.

- Age of Spouse - The age of the female spouse is assumed four years younger than the employee while the male spouse is assumed four years older than the employee.

- Asset Value - GASB No. 25 requires a market related actuarial asset value. A five year smoothed average fair value is used. The actuarial value is determined by adjusting the fair value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) over five years at the rate of 20% per year.

- Group Health Insurance Premiums - It is assumed for valuation purposes that the health insurance supplement in effect prior to June 30, 2013, will continue for life for all employee annuitants (and their future surviving spouses). The amount of the Fund paid health insurance from July 1, 2008, until June 30, 2013, is $95.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and $65.00 if qualified. It is assumed that all annuitants age 65 and older will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future surviving spouses of retirees, age 65 and older, are assumed to be eligible for Medicare, as well as surviving spouse annuitants that are currently receiving a health insurance supplement. It is assumed that 75 percent of future retirees will elect to receive the health insurance supplement at retirement, first adopted for the valuation as of December 31, 2011.

- Required Ultimate Multiple – Is based on the actuarial requirements (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.

- Loss in Tax Levy – A 4.0 percent overall loss on tax levy is assumed.

RATES OF RETIREMENT - Tier 1 Members

	Age-and-Service-Based Rates of Retirement Years of Service														
Attained Age	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	-	-	-	-	-	-	-	-	-	-	4%	4%	4%	4%	4%
56	-	-	-	-	-	-	-	-	-	-	4	3	3	3	3
57	-	-	-	-	-	-	-	-	-	-	4	3	3	3	3
58	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3
59	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3
60	20%	13%	14%	14%	14%	14%	13%	13%	13%	12%	21	20	20	12	13
61	20	4	5	6	7	8	9	9	10	11	11	12	12	13	13
62	20	4	5	6	7	8	9	10	11	11	12	12	13	13	14
63	20	4	6	7	8	9	10	10	11	12	12	13	13	14	15
64	20	4	6	7	8	9	10	11	11	12	13	13	14	15	15
65	20	29	31	32	33	34	35	36	37	38	38	39	39	40	41
66	20	4	6	7	9	10	11	11	12	13	14	14	15	16	16
67	20	4	6	8	9	10	11	12	13	13	14	15	15	16	17
68	20	5	6	8	9	10	11	12	13	14	14	15	16	17	17
69	20	5	7	8	9	11	12	12	13	14	15	16	16	17	18
70	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

	Age-and-Service-Based Rates of Retirement Years of Service													
Attained Age	25	26	27	28	29	30	31	32	33	34	35	36	37	38
50	-	-	-	-	-	25%	25%	25%	25%	30%	29%	29%	29%	100%
51	-	-	-	-	-	25	15	15	15	30	30	30	29	100
52	-	-	-	-	-	27	17	12	22	30	30	30	30	100
53	-	-	-	-	-	28	19	14	24	30	30	30	30	100
54	-	-	-	-	-	30	20	15	25	31	30	30	30	100
55	24%	25%	25%	25%	26%	31	21	16	27	31	31	31	30	100
56	10	11	11	11	12	12	12	12	28	31	31	31	31	100
57	11	11	12	12	12	13	13	13	29	31	31	31	31	100
58	12	12	13	13	13	14	14	14	30	31	31	31	31	100
59	13	13	13	14	14	14	15	15	31	32	32	32	31	100
60	13	14	14	14	15	15	16	16	31	32	32	32	32	100
61	14	14	15	15	16	16	16	17	32	32	32	32	32	100
62	14	15	15	16	16	17	17	18	33	32	32	32	32	100
63	15	16	16	17	17	17	18	18	34	32	32	32	32	100
64	16	16	17	17	18	18	19	19	34	32	32	32	32	100
65	41	42	42	43	43	44	44	45	45	58	58	58	58	100
66	17	17	18	18	19	19	20	20	36	33	33	33	33	100
67	17	18	18	19	19	20	20	21	36	33	33	33	33	100
68	18	18	19	19	20	20	21	21	37	33	33	33	33	100
69	18	19	19	20	21	21	22	22	38	33	33	33	33	100
70	100	100	100	100	100	100	100	100	100	100	100	100	100	100

RATE OF RETIREMENT
Tier 2 Members

Age-Based Rates of Retirement	
Age	Rate
62	30.00%
63	34.00
64	38.00
65	42.00
66	46.00
67	50.00
68	75.00
69	90.00
70+	100.00

RATE OF TERMINATION
Tier 1 and Tier 2 Members

Service-Based Rates of Termination			
Service	Rate	Service	Rate
0	12.00%	16	5.00%
1	10.00	17	5.00
2	8.00	18	5.00
3	7.00	19	3.00
4	6.00	20	3.00
5	5.00	21	3.00
6	5.00	22	3.00
7	5.00	23	3.00
8	5.00	24	3.00
9	5.00	25	3.00
10	5.00	26	3.00
11	5.00	27	3.00
12	5.00	28	3.00
13	5.00	29	3.00
14	5.00	30	3.00
15	5.00	31+	0.00

ANNUITANTS ADDED TO AND REMOVED FROM ROLL

	Added to Rolls		Removed from Rolls		Rolls - End of Yr		Average	% Change in
Year	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Average Annual Benefit	Avg Annual Benefit
Employee Annuities								
2006	79	4,971,772	133	3,475,111	2,683	84,953,928	31,664	3.8%
2007	95	6,301,188	134	3,363,972	2,644	87,891,144	33,242	5.0%
2008	120	7,756,776	118	2,939,436	2,646	92,708,484	35,037	5.4%
2009	169	9,882,832	132	3,675,336	2,683	98,915,980	36,868	5.2%
2010	163	10,367,852	144	4,008,480	2,702	105,275,352	38,962	5.7%
2011	163	10,624,236	144	4,187,172	2,721	111,712,416	41,056	5.4%
Spouse Annuities								
2006 *	69	1,052,875	101	962,926	1,335	15,003,432	11,239	3.0%
2007 *	68	1,007,856	87	846,660	1,316	15,164,628	11,523	2.5%
2008 *	64	972,408	82	855,072	1,298	15,281,964	11,773	2.2%
2009	49	866,592	75	772,740	1,272	15,375,816	12,088	2.7%
2010	57	1,000,668	74	770,808	1,255	15,605,676	12,435	2.9%
2011	57	1,000,152	91	1,021,908	1,221	15,583,920	12,763	2.6%
Child Annuities								
2006	12	33,120	12	41,400	52	143,040	2,751	-5.5%
2007	4	10,560	11	30,480	45	123,120	2,736	-0.5%
2008	13	34,320	11	29,400	47	128,040	2,724	-0.4%
2009	9	23,760	15	39,960	41	111,840	2,728	0.1%
2010	4	10,968	6	15,888	39	106,920	2,742	0.5%
2011	5	13,625	6	16,985	38	103,560	2,725	-0.6%

* includes one reversionary annuitant.

SCHEDULE OF
ACTIVE MEMBER VALUATION DATA

Valuation Date	# of Members	Annual Payroll	Annual Average Pay	% Increase in Average pay
2006	3,215	$193,176,272	$60,086	3.2%
2007	3,138	192,847,482	61,456	2.3%
2008	3,325	216,744,211	65,186	6.1%
2009	3,124	208,626,493	66,782	2.5%
2010	2,956	199,863,410	67,613	1.2%
2011	2,852	195,238,332	68,457	1.3%

ACTUARIAL RESERVE LIABILITIES
For Year Ended December 31, 2011

Accrued Liabilities for Active and Inactive Participants[1]	$787,923,251
Reserves For:	
Service Retirement Pension	1,147,607,773
Future Widows of Current Retirees	113,832,525
Surviving Spouse Pension	115,338,035
Health Insurance Supplement	26,106,723
Children Annuitants	373,455
Total Accrued Liabilities	2,191,181,762
Unfunded Actuarial Liabilities	768,767,413
Actuarial Net Assets	$1,422,414,349

[1] *Accrued liabilities for active participants includes retirement liabilities for members in ordinary or duty disabled status. Liability for disability benefits is recognized as a one-year term cost of 1.5 percent of pay added to the normal cost.*

HISTORY OF FINANCIAL INFORMATION

Solvency (Termination) Test

Year	Aggregate Accrued Liabilities For: Active and Inactive Member Contributions (1)	Retirees and Beneficiaries (2)	Active and Inactive Member Employer Portion (3)	Actuarial Value of Assets	Portion (%) of Present Value Covered by Assets (1)	(2)	(3)
2006	$237,321,146	$1,046,426,600	$525,488,397	$1,664,058,080	100 %	100 %	72 %
2007	247,854,869	1,074,580,007	527,271,642	1,757,710,948	100	100	83
2008	254,588,537	1,129,920,171	572,879,125	1,698,427,008	100	100	55
2009	254,604,734	1,203,586,162	559,296,180	1,601,351,633	100	100	26
2010	254,138,112	1,281,511,698	535,736,023	1,529,403,512	100	99.5	26
2011 [1]	251,243,991	1,403,258,511	536,679,260	1,422,414,349	100	83.5	0

[1] Change in actuarial assumptions

The prioritized solvency test is another means of checking a system's progress under its funding program, based on the Actuarial Accrued Liability. In this test the plan's present assets (cash and investments) are compared with obligations in order of priority: (1) active and inactive member contributions on deposit, (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active and inactive members. In a system that has been following the discipline of financing, the obligation for active and inactive member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances.) In addition, the Actuarial Accrued Liability for present active and inactive members (present value 3) is covered by the remainder of present assets. Generally, if the system has been following a system of amortizing the Unfunded Liability, the funded portion of present value (3) will increase over time. Due to the inadequacy of the current statutory funding policy, present value 2 is no longer fully funded and Present Value 3 is completely unfunded.

ANALYSIS OF FINANCIAL EXPERIENCE

Reconciliation of Unfunded Actuarial Accrued Liability

(Gain/Loss Analysis)

Actuarial Gains or (Losses):	2011	2010	2009	2008
Fund surplus (loss) at the beginning of the year	($541,982,320)	($416,135,443)	($258,960,825)	($91,995,570)
Gains (losses) during the year attributable to:				
Increases in salaries under assumed rate	17,752,499	19,309,030	13,437,593	(12,298,504)
Investment yield over (under) 8.0% assumed	(115,961,584)	(97,274,017)	(136,557,090)	(112,839,821)
Employer cost in excess of contributions	(44,792,683)	(32,836,243)	(20,908,058)	(1,261,981)
Miscellaneous actuarial experience	(18,062,145)	(14,391,903)	(13,067,408)	(10,719,816)
Data Corrections & Unexpected Service Changes	(964,087)	(653,745)	(79,655)	(3,650,332)
Change in Active Member Definition*	0	0		(26,194,801)
Change in Methodology	0	0	0	0
Change in actuarial assumptions:	(64,757,093)			
Retirement Rates	0	0	0	0
Net gain (losses)	(226,785,093)	(125,846,878)	(157,174,618)	(166,965,255)
Fund surplus (loss) at the end of the year	($768,767,413)	($541,982,321)	($416,135,443)	($258,960,825)

* Previously, only members who were active at the end of the year were valued as active members. In 2008, all members who earned any service credit in 2008 are valued as actives. The loss is arising from the increase in active membership as well as much fewer terminations than expected.

SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

PLAN DESCRIPTION

Any employee of the City of Chicago or the Board of Education 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 Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers' Plan) which is a defined benefit single employer pension plan with a money purchase minimum. Although this is a single employer plan, the defined benefits, as well as the employer and employee contribution levels, are mandated in Illinois Compiled Statutes (Chapter 40, Pensions, Article 5/11) and may be amended only by the Illinois legislature. The City of Chicago accounts for the plan as a pension trust fund. The City of Chicago payroll for employees covered by the Laborers' Plan for the year ended December 31, 2011, was $195,238,332. At December 31, 2011, the Laborers' Plan membership consisted of:

Retiree, surviving spouse, and child annuitants currently receiving benefits	3,980
Terminated inactive employees entitled to benefits or a refund of contributions but not yet receiving them	1,417
Current employees (includes 244 disabilities)	2,852

The Laborers' Fund provides retirement benefits as well as death and disability benefits. 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 percent per year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1.00 percent for each month the employee is under age 60, unless the employee is 50 or over with at least 30 years of service or 55 or over with at least 25 years of service. The original annuity is limited to 80 percent of the highest average annual salary. Beginning January 1, 1999, 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.

The monthly annuity is increased by 3.00 percent in January of the year of the first payment date following the later of age 60 or the first anniversary of retirement, and by 3.00 percent annually thereafter; except that for an employee retiring prior to age 60 the first increase will occur no later than January of the year of the first payment date following the later of (1) the third anniversary of retirement or (2) the attainment of age 53.

Participants that first became members on or after January 1, 2011, are subject to different retirement eligibility conditions and benefit provisions as described on the following pages.

PLAN DESCRIPTION (CONT'D)

Covered employees are required to contribute 8.50 percent of their salary to the Laborers' Plan. If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with 3.00 percent interest.

The City of Chicago is required by state statutes to contribute the remaining amounts necessary to finance the requirements of the Fund. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.00 annually. The total amount of contributions by the employees for purposes of establishing the tax levy amount shall not include contributions for service credit purchases under the Early Retirement Incentive provided for in Section 11-133.3 of the Illinois Pension Code.

Participants that first became members on or after January 1, 2011, are subject to a cap on pensionable salary upon which contributions are made as described on the following pages.

DEFINITIONS

These terms are defined in Article 1A of the Illinois Pension Code *Regulation of Public Pensions.*

"Accrued liability" means the actuarial present value of future benefit payments and appropriate administrative expenses under a plan, reduced by the actuarial present value of all future normal costs (including any participant contributions) with respect to the participant included in the actuarial valuation of the plan.

"Actuarial present value" means the single amount, as of a given valuation date, that results from applying actuarial assumptions to an amount or series of amounts payable or receivable at various times.

"Actuarial value of assets" means the value assigned by the actuary to the assets of a plan for the purposes of an actuarial valuation.

"Beneficiary" means a person eligible for or receiving benefits from the pension fund.

"Credited projected benefit" means that portion of a participant's projected benefit based on an allocation taking into account service to date determined in accordance with the terms of the plan based on anticipated future compensation.

"Current value" means the fair market value when available; otherwise, the fair value as determined in good faith by a trustee, assuming an orderly liquidation at the time of the determination.

"Normal cost" means that part of the actuarial present value of all future benefit payments and appropriate administrative expenses assigned to the current year under the actuarial valuation method used by the plan (excluding any amortization of the unfunded accrued liability).

"Participant" means a participating member or deferred pensioner or annuitant of the pension fund, or a beneficiary thereof.

"Pension Fund" or "Fund" means the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago established under Article 11 of the Illinois Pension Code.

"Plan year" means the calendar year for which the records of a given plan are kept.

"Projected benefits" means benefit amounts which are expected to be paid at various future times under a particular set of actuarial assumptions, taking into account, as applicable, the effect of advancement in age and past and anticipated future compensation and service credits.

"Supplemental annual cost" means that a portion of the unfunded accrued liability is assigned to the current year under one of the following bases:

1. interest only on the unfunded accrued liability;
2. the level annual amount required to amortize the unfunded accrued liability over a period not exceeding 30 years (40 years for pension unfunded accrued liability prior to 2007);
3. the amount required for the current year to amortize the unfunded accrued liability over a period not exceeding 30 years as a level percentage of payroll (40 years for pension unfunded accrued liability prior to 2007).

"Total annual cost" means the sum of the normal cost plus the supplemental annual cost.

"Unfunded accrued liability" means the excess of the accrued liability over the actuarial value of the assets of a plan.

"Vested pension benefit" means an interest obtained by a participant or beneficiary in that part of an immediate or deferred benefit under a plan which arises from the participant's service and is not conditional upon the participant's continued service for an employer any of whose employees are covered under the plan, and which has been forfeited under the terms of the plan.

PARTICIPANTS

Any person employed by the City or the Board of Education in a position classified as labor service of the employer, any person employed by the Board, and any person employed by the Retirement Board of any other Annuity and Benefit Fund which is in operation for the employer.

SERVICE

For minimum annuity, one half-year credit is given for one complete month of service and a full year credit is given for one complete month of service plus service in at least five other months. For money purchase annuity, 700 hours of service in any calendar year constitutes one year of service credit. For Ordinary Disability credit, the exact number of days, months and years is used.

RETIREMENT ANNUITY

Money Purchase Formula

Maximum is 60 percent of highest salary. Applies in cases where an employee is age 55 or older and has a minimum of 10 years of service. If employee is age 55 to 60 with service less than 20 years, the annuity is based on all employee deductions plus 1/10th of the City contributions for each year over 10. In the case of withdrawal before age 55 and application after age 55, the annuity is based on employee deductions plus 1/10th of the City contributions for each year over 10, with interest to date of application or age 55, whichever is later. The age factor for age 55 is used.

The annuity is based on all employee deductions and City contributions in cases where the employee is (a) age 55 to 60 with 20 or more years of service; (b) age 60 or older; or (c) resigning at the time of disability credit expiration.

Participants that first became members on or after January 1, 2011, are eligible for benefits under the money purchase formula upon attainment of eligibility for retirement benefits at age 62 with 10 years of service.

Minimum Annuity Formula

Maximum is 80 percent of final average salary.

An employee age 60 or older with at least 10 years of service, or an employee age 55 or older, with at least 20 years of service, or an employee age 50 or older with at least 30 years of service, is entitled to an annuity equal to 2.40 percent, for each year of service of the final average salary during the four highest consecutive years within the last 10 years of service prior to retirement. If the employee withdraws from service before age 60 with less than 20 years of service, he can begin to receive an annuity no earlier than age 60. For an employee who is eligible to begin receiving an annuity before age 60, the annuity is discounted 0.25 percent for each month the employee is younger than age 60, unless he has at least 30 years of service and is age 50 or over, or has at least 25 years of service and is age 55 or over.

The employee will receive a minimum annuity of $850 per month if the employee withdraws from service at age 60 or older with at least 10 years of service.

Participants that first became members on or after January 1, 2011, are first eligible for an unreduced annuity benefit upon attainment of age 67 with 10 years of service. Members are first eligible to begin receiving a reduced annuity benefit upon attainment of age 62 with 10 years of service. The annuity is discounted 0.50 percent for each full month the employee is younger than age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement. Pensionable salary is limited to $106,800 in 2011, increased by the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12-month period ending with the September preceding the November 1, which is the date that the new amount will be calculated and made available to the pension funds.

Reversionary Annuity

An employee may elect to reduce his or her annuity by an amount less than or equal to $400 to provide a reversionary annuity for a spouse, parent, child, brother, or sister, to begin upon the employee's death. The election must be made before retirement and have been in effect one year prior to death. The one-year requirement is waived if the beneficiary is the employee's spouse. The death of the employee before retirement voids this election. The reversionary annuity cannot exceed 100 percent of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3.00 percent automatic annual increase in the annuity will be computed on the original, not the reduced, annuity; if the beneficiary dies before the employee annuitant, the full annuity is restored for annuities granted after June 30, 1983. The amount of the monthly reversionary annuity is determined by multiplying the amount of the monthly reduction in the employee's annuity by a factor based on the age of the employee and the difference between the ages of the employee and the reversionary annuitant at the starting date of the employee's annuity.

Automatic Increase in Annuity

An employee annuitant is entitled to receive an increase of 3.00 percent of the currently payable annuity (compound). This increase begins in 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.

Increases apply only to life annuities.

An employee annuitant that first became a member on or after January 1, 2011, that is eligible to receive an increase in annuity benefit, shall receive an annual increase equal to the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12-month period ending with the September preceding the increase. The increase is based on the amount of the originally granted benefit (simple). This increase begins on January 1 of the year of the first payment date following the later of:

1.) attainment of age 67, and
2.) the first anniversary of the annuity start date.

Spouse Annuity

The surviving spouse annuity is the greater of the annuity under the money purchase formula or the minimum annuity formula. Surviving spouses who remarry on or after September 4, 2000, will not have their annuities terminated.

Money Purchase Formula

When an employee retires, the spouse's annuity is fixed, based on employee deductions and City contributions made for spouses' annuity purposes and a joint life age factor. (If the employee is a female, these are deductions accumulated since October 1974.)

SUMMARY OF PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS AS OF DECEMBER 31, 2011 (CONT'D)

If the employee dies in service, the spouse's annuity is based on all sums accumulated to their credit.

For 3.00 percent annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" shall continue to be used; however, surviving spouse's single life annuities and reversionary annuities shall be computed using the best factor (the factor producing the highest annuity), without regard to gender.

Spouses' Minimum Annuity Formula

If the employee retires or dies in service and is at least age 55 with 20 or more years of service, or is at least age 50 with 30 or more years of service, the spouse's annuity is equal to half the amount of annuity the employee was entitled to receive at the time of retirement or death in service. This annuity must then be discounted 0.25 percent for each month the spouse is under age 55 (or age 50 if the employee had at least 25 years of service) at the time the employee retires or dies in service.

If the employee dies while receiving a retirement annuity, the spouse is eligible for an annuity of one-half of the employee's annuity at death. This annuity is discounted for his/her age under 55 at the time of the employee's death, unless the employee had at least 25 years of service and withdrew from service on or after June 27, 1997, in which case the spouse annuity would be discounted for spouse age under 50 at the time of the employee's death.

If the employee dies in service on or after January 1, 2002, with at least 10 years of service, the spouse is entitled to an annuity of half of the minimum formula annuity earned and accrued to the credit of the employee at the date of death. For the purposes of this benefit, the minimum formula annuity earned and accrued to the credit of the employee is equal to 2.40 percent for each year of service of the highest average annual salary for any four consecutive years within the last 10 years of service immediately preceding the date of death, up to a maximum of 80 percent of the highest average annual salary. This annuity is not reduced due to the age of the employee or spouse. The spouse is eligible for this annuity only if the marriage was in effect for 10 full years or more.

The spouse will receive a minimum annuity of $800 per month if the employee retires with at least 10 years of service or dies in service with at least five years of service.

For participants that first became members on or after January 1, 2011, the annuity payable to the surviving spouse is equal to 66 2/3 percent of the participant's earned retirement annuity at the date of death without a reduction due to age.

Automatic Increase in Annuity

The widow or survivor of a participant that first became a member on or after January 1, 2011, shall receive an annual increase equal to the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12-month period ending with the September preceding the date of the increase. The increase is based on the amount of the originally granted survivor's benefit (simple). This annual increase begins on January 1 following the commencement of the widow's or survivor's annuity if the deceased member died while receiving an annuity benefit and on January 1 following the first anniversary of the commencement of the annuity otherwise.

Child's Annuity

A child's annuity is provided for unmarried children of a deceased employee who are under the age of 18, if the child was conceived or born before the withdrawal from service. The annuity is $220 per month while the spouse of the deceased employee is alive and $250 per month if the spouse is deceased.

Family Maximum

Non-Duty Death: 60 percent of final monthly salary.
Duty Death: 70 percent of final monthly salary.

DISABILITIES

Duty Disability Benefits

Any employee who becomes disabled as the result of an injury incurred in the performance of any act of duty shall have a right to receive a duty disability benefit in the amount of 75 percent of salary at date of injury, plus $10 a month for each unmarried child (the issue of the employee) less than age 18. Child's duty disability benefit is limited to 15 percent of the employee's salary as of the date of injury. Duty disability benefits begin one day after the later of the last day worked or the last day paid.

If the disability has resulted from any mental disorder, physical defect or disease which existed at the time such injury was sustained, the duty disability benefit shall be 50 percent of salary at date of injury. Disablement because of heart attacks, strokes, or any disablement due to heart disease shall not be considered the result of an accident suffered in the performance of duty. However, the employee will receive service credit and the City will contribute salary deductions for annuity purposes if the employee is receiving Workers' Compensation.

A duty disability benefit is payable to age 65 if the disability benefits begin before age 60. For an employee who begins disability on or after age 60, disability will continue for five years. A duty disability benefit which continues for more than five years and which starts before the employee's age 60, will be increased by 10 percent on January 1st of the sixth year. The City contributes salary deductions for annuity purposes for the duty disability benefit. Such amounts contributed by the City after December 31, 1983, while the employee is receiving duty disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Ordinary Disability Benefit

This benefit is granted for disability incurred other than in performance of an act of duty and is 50 percent of salary as of the last day worked. The first payment shall be made one month after the disablement occurs. Disability is payable until age 65 and limited to a maximum of 25 percent of the employee's total service or five years, whichever occurs first.

For ordinary disability benefits paid on or after January 1, 2001, the Fund credits amounts equal to the amounts ordinarily contributed by an employee for annuity purposes for any period during which the employee receives ordinary disability. These amounts are used for annuity purposes but are not credited for refund purposes.

GROUP HEALTH HOSPITAL AND SURGICAL INSURANCE PREMIUMS

The pension fund shall provide payments in the amount of $95 per month for non-Medicare eligible city annuitants (defined in section 160.1 of Article 11 of the Illinois Pension Code as persons receiving an age and service annuity, a widow's annuity, a child's annuity, or a minimum annuity as a direct result of previous employment by the City of Chicago) and $65 per month for Medicare eligible city annuitants from July 1, 2008, through June 30, 2013.

The city health care plans referred to above and the pension fund's payments to the city for such plans are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

Should the Board of Education continue to sponsor a retiree health plan, the pension fund is authorized to provide payments to the Board of Education, on behalf of each eligible annuitant who chooses to participate in the Board of Education retiree health benefit plan, in the amount of $95 per month for non-Medicare eligible participants and $65 per month for Medicare eligible participants from July 1, 2008, through June 30, 2013.

The Board of Education health benefit plan referred to above and the pension fund's payments to the Board of Education for such plan are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

REFUNDS

To Employees

An employee who resigns before age 55, or before age 60 with less than 10 years of service, is entitled to all salary deductions for retirement annuity and spouse annuity accumulated with interest to date of resignation, plus the 0.50 percent deducted for annuity increase purposes without interest.

If the annuity of an employee is less than $800 a month, the employee may elect to receive a refund, as above, in lieu of an annuity.

Spouse's annuity deductions are payable to the employee if not married when he retires.

To Spouses

The spouse may choose a refund in lieu of annuity if the annuity would be less than $800 per month.

Remaining Amounts

Amounts contributed by the employee excluding 0.50 percent deductions for annuity increases, and which have not yet been paid out as annuity, are refundable to his estate with interest to his retirement or death if the employee died in service.

DEDUCTIONS AND CONTRIBUTIONS

Members are required to contribute 8.50 percent of their salary to the pension fund.

For participants that first became members on or after January 1, 2011, pensionable salary, upon which member contributions are made, is limited to $106,800 in 2011, increased by the lesser of 3 percent and one-half of the annual unadjusted percentage increase in the Consumer Price Index-U (but not less than zero) as measured in the preceding 12-month period ending with the September preceding the November 1; which is the date that the new amount will be calculated and made available to the pension funds.

The City shall annually levy a tax 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 Fund. The tax will produce an amount that does not exceed the amount of contributions by the employees to the Fund 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. The total amount of contributions by the employees shall not include contributions for service credit purchases under Section 11-133.3 for purposes of establishing the tax levy amount.

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 the 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. All liabilities attributable to the cost of the Early Retirement Incentive created by Public Act 93-0654 are to be excluded from the determination of a required City contribution.

TAX SHELTER OF EMPLOYEE SALARY DEDUCTIONS

Beginning January 1, 1982, the City employee salary deductions were designated for income tax purposes to be made by the employer. The W-2 salary is therefore reduced by the amount of contributions. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is granted. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions. Effective January 16, 2004, the Fund may allow the employee to designate any optional contribution amounts that he has elected to pay to the Fund as employer contributions for income tax purposes. The contributions shall be made by the employer through a reduction in payroll to the employee and the election to have the employer make the optional contributions is irrevocable. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions.

Beginning September 1, 1981, the Board of Education paid contributions in the amount of 7.00 percent of the employee's salary. The 1985 amendments contained a provision whereby the amount of pick-up, if any, is included in the pensionable salary for contributions and benefits. Such provision was retroactive to September 1, 1981. Beginning May 28, 2000, the remainder of contributions due for Board of Education employee salary deductions was designated for income tax purposes to be made by the employer and treated in the same manner as City employee salary deductions.

RECENT LEGISLATIVE CHANGES

The following legislation was approved in the 2011 session:

SB 1672

- Approved August 23, 2011.
- Requires all pension funds and retirement systems subject to the Code to comply with the Federal Heroes Earnings Assistance and Relief Tax Act of 2008.

SB 1831

- Approved August 26, 2011.
- Applies to those members hired on or after January 1, 2012.
  - Provides that if a new hire is receiving a retirement annuity or pension and accepts a contractual position to provide services to a governmental entity from which he or she has retired, then that person's annuity or pension will be suspended during that contractual service.
  - Makes it a Class A misdemeanor for a pensioner who is seeking contractual employment to fail to notify certain persons about his or her retirement status before accepting an employment contract.

HB 1670

- Approved August 23, 2011.
- Amends the Open Meetings Act.
  - Requires each elected or appointed member of a public body subject to this Act who is such a member on the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor
  - Requires those members to complete the training not later than one year after the effective date of the amendatory Act.
  - Requires each elected or appointed member of a public body subject to the Act who becomes such a member after the effective date of the amendatory Act to successfully complete the electronic training curriculum developed and administered by the Public Access Counselor.
  - Requires those members to complete the training not later than the 90th day after the date the

member either (i) takes the oath of office, if the member is required to take an oath of office to assume the person's duties as a member of the public body or (ii) otherwise assumes responsibilities as a member of the public body, if the member is not required to take an oath of office to assume the person's duties as a member of the governmental body.

- Requires each member who successfully completes the curriculum to file a copy of the certificate of completion with the public body.
- Provides that the failure of one or more members of a public body to complete the training required by this Section does not affect the validity of an action taken by the public body.
- Provides that an elected or appointed member of a public body subject to this Act who has successfully completed the required training and filed a copy of the certificate of completion with the public body is not required to subsequently complete that training.

Statistical Section

Statistical Section

This section of the comprehensive annual financial report contains relevant data on revenue, expenses and benefit payments. This detailed information, in conjunction with the financial statements, note to financial statements and required supplementary information is presented in order for the reader to analyze financial trends and to evaluate the economic condition of the Plan.

Financial Trends – The following schedules show trend information about the Plan's growth over the past 10 years.

- Schedule of Additions by Source
- Schedule of Deductions by Type
- History of Changes in Plan Net Assets
- Schedule of Benefit Expenses by Type
- Schedule of Refunds by Type
- Retirees and Beneficiaries by Type of Benefit[1]
- Average Employee Retirement Benefits[1]
- 10 Year Growth of Employee Annuitants
- Analysis of Initial Retirement Benefits for Employees
- Average Age at Retirement[1]
- Average Years of Service at Retirement[1]
- History of New Annuities Granted[1]
- History of Active Members Classified by Age[1]
- History of Active Members by Gender

Demographic Information – The following schedules provide information about the Plan's membership population.

- Number and Gender of Annuitants
- Changes in Annuitant and Beneficiaries[1]
- Schedule of Monthly Benefit by Type[1]
- Annuitants Classified by Age[1]
- Active Members Classified by Service[1]
- Inactive Members Classified by Service[1]
- Number of Active Members by Department
- Members Receiving Disability Benefits[1]
- Number of Refunds Payments Made During 2011[1]

Schedule information was derived from LABF internal sources unless otherwise noted.

[1]Schedules or data are provided by the consulting actuary, Gabriel, Roeder, Smith & Co.

LABORERS' ANNUITY AND BENEFIT FUND OF CHICAGO

SCHEDULE OF ADDITIONS BY SOURCE

Year	Employee Contributions	Employer Contributions	Employer Contributions as a % of Payroll	Investment Income Less Fees	Total
2002	$20,189,214	$82,865	0.04	($119,447,570)	($99,175,491)
2003	19,798,759	344,821	0.18	231,606,021	251,749,601
2004	22,591,435	197,034	0.10	171,049,929	193,838,398
2005	16,256,802	40,435	0.02	117,785,265	134,082,502
2006	18,791,442	106,270	0.06	174,535,356	193,433,068
2007	18,413,407	15,458,982	8.02	125,204,334	159,076,723
2008	19,418,435	17,580,428	8.11	(510,462,568)	(473,463,705)
2009	17,538,297	17,189,811	8.24	237,102,597	271,830,705
2010	16,319,992	17,938,810	8.98	193,187,014	227,445,816
2011	16,068,655	15,358,602	7.87	(4,510,715)	26,916,542

SCHEDULE OF DEDUCTIONS BY TYPE

Year	Benefits	Refunds	Administrative and OPEB Expenses	Total	**HISTORY OF CHANGES IN PLAN NET ASSETS**
2002	$78,260,481	$3,368,053	$1,814,283	$83,442,817	($182,618,308)
2003	82,740,302	2,826,928	1,910,350	87,477,580	164,272,021
2004	99,260,643	6,697,268	2,872,450	108,830,361	85,008,037
2005	105,164,827	4,240,024	2,985,293	112,390,144	21,692,358
2006	106,862,912	3,139,938	2,830,920	112,833,770	80,599,298
2007	108,806,307	3,761,121	3,352,421	115,919,849	43,156,874
2008	113,652,844	3,494,107	3,626,393	120,773,344	(594,237,049)
2009	120,998,446	2,818,420	3,664,916	127,481,782	144,348,923
2010	127,028,997	2,267,769	3,864,287	133,161,053	94,284,763
2011	133,463,852	3,068,902	3,994,324	140,527,078	(113,610,536)

LABORERS' ANNUITY & BENEFIT FUND OF CHICAGO

SCHEDULE OF BENEFIT EXPENSES BY TYPE

Year	Employee Annuities*	Spouse/Child Annuities	Ordinary Disabilities	Duty Disabilities	Total
2002	$60,022,226	$14,600,309	$1,990,089	$1,647,857	$78,260,481
2003	63,925,164	14,792,914	2,272,328	1,749,896	82,740,302
2004	80,932,747	14,883,844	2,044,621	1,399,431	99,260,643
2005	86,125,245	15,164,982	2,278,159	1,596,441	105,164,827
2006	87,443,420	15,136,986	1,974,345	2,308,161	106,862,912
2007	89,874,659	15,194,447	2,014,351	1,722,850	108,806,307
2008	93,905,852	15,399,578	2,271,492	2,075,922	113,652,844
2009	100,619,114	15,539,189	2,206,838	2,633,305	120,998,446
2010	106,119,018	15,713,080	2,226,536	2,970,364	127,028,997
2011	112,288,198	15,640,453	2,373,069	3,162,133	133,463,853

* Includes retiree healthcare

SCHEDULE OF REFUNDS BY TYPE

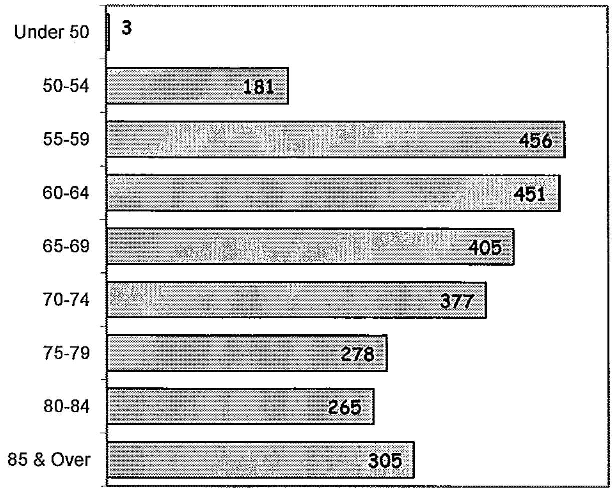
Year	Separation	Due to Death or In Lieu of Annuity	No Spouse	Errors in Deduction	Transfers to Other Funds	ERI Lump Sum Payout	Total
2002	$1,683,641	$803,887	$575,254	$59,923	$245,348	$0	$3,368,053
2003	1,378,240	400,670	643,733	14,359	389,926	0	2,826,928
2004	2,059,216	769,258	2,606,456	63,365	144,445	1,054,528	6,697,268
2005	3,551,426	272,874	348,580	47,922	19,222	0	4,240,024
2006	2,091,136	528,521	481,812	13,804	24,665	0	3,139,938
2007	2,864,337	400,482	473,674	11,266	11,362	0	3,761,121
2008	1,818,013	639,231	912,153	14,151	110,559	0	3,494,107
2009	841,784	887,609	992,571	17,438	79,018	0	2,818,420
2010	905,289	208,929	1,057,525	41,199	54,827	0	2,267,769
2011	1,181,316	645,489	1,147,077	22,440	72,580	0	3,068,902

NUMBER AND GENDER OF ANNUITANTS

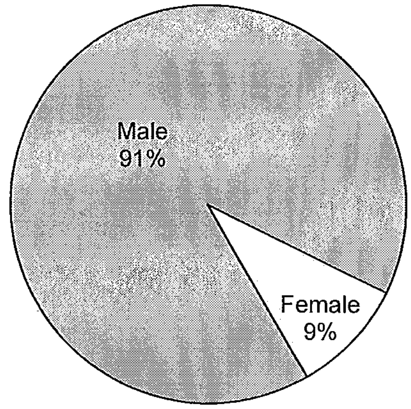
December 31, 2011

Employee Annuitants

By Age

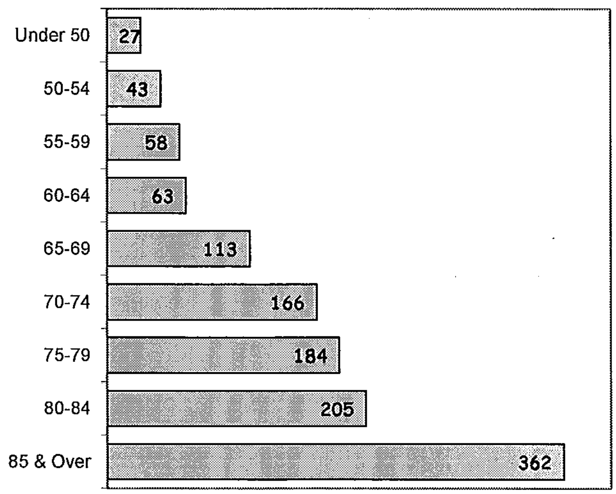


By Gender

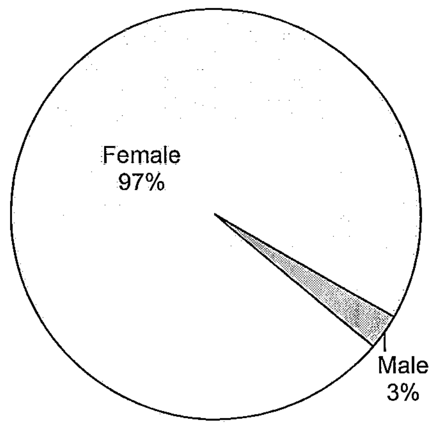


Spouse Annuitants

By Age



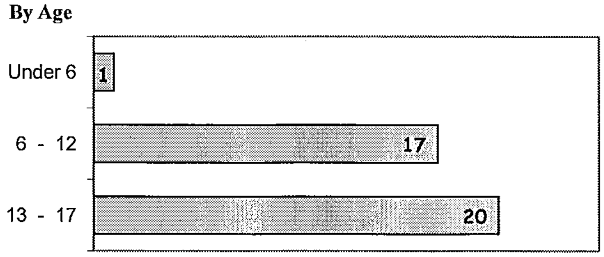
By Gender

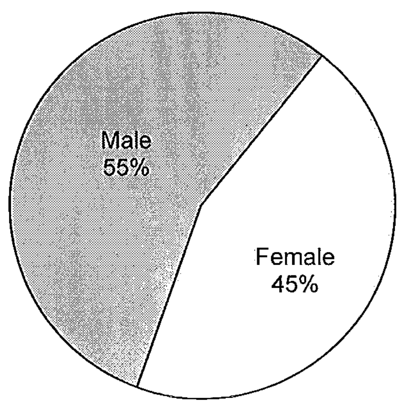


By Gender

Child Annuitants

By Age





RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

At Year End:	Retirees & Beneficiaries: Employee Annuities	Spouse Annuities	Child Annuities	Actives Receiving Benefits: Ordinary Disabilities	Duty Disabilities	Total
2002	2,461	1,422	65	59	144	4,151
2003	2,472	1,395	67	74	106	4,114
2004	2,836	1,379	62	63	92	4,432
2005	2,737	1,367	52	56	120	4,332
2006	2,683	1,335	52	42	129	4,241
2007	2,644	1,316	45	58	118	4,181
2008	2,646	1,298	47	61	145	4,197
2009	2,683	1,272	41	62	188	4,246
2010	2,702	1,255	39	44	184	4,224
2011	2,721	1,221	38	54	190	4,224

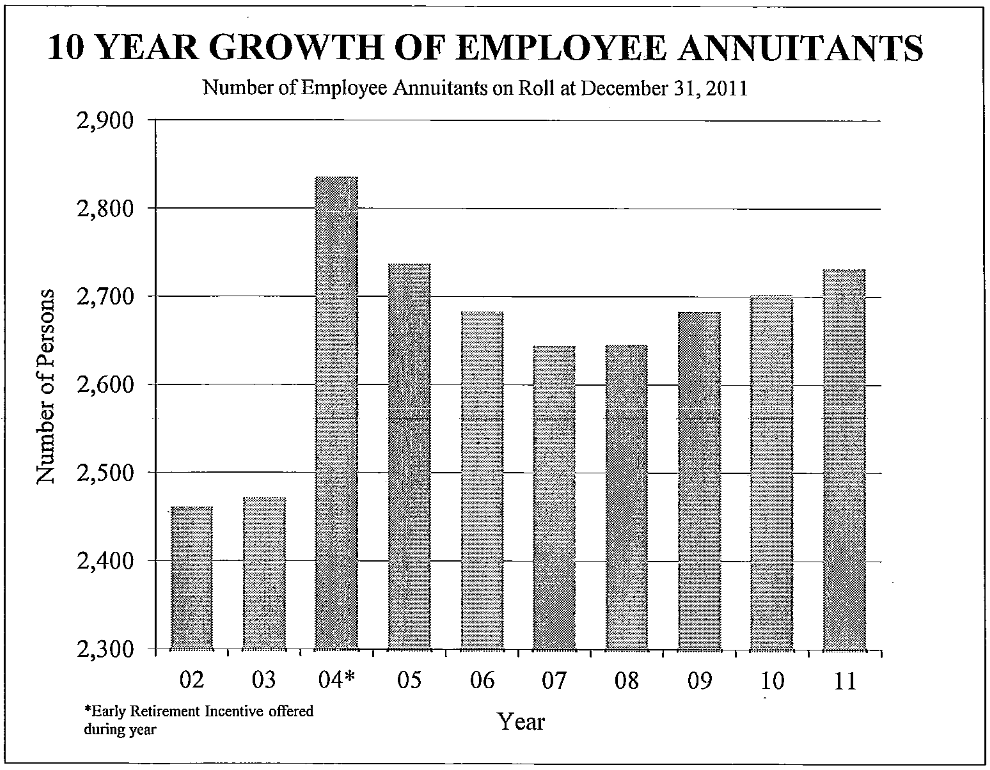
CHANGES IN ANNUITANTS AND BENEFICIARIES

Benefit	Number at Start of 2011	Increases	Decreases	Number at End of 2011
Employee Annuitants	2,702	163	144	2,721
Spouse Annuitants	1,255	57	91	1,221
Child Annuitants	39	5	6	38
Ordinary Disabilities	44	106	96	54
Duty Disabilities	184	296	290	190
Total	4,224	627	627	4,224

AVERAGE EMPLOYEE RETIREMENT BENEFITS

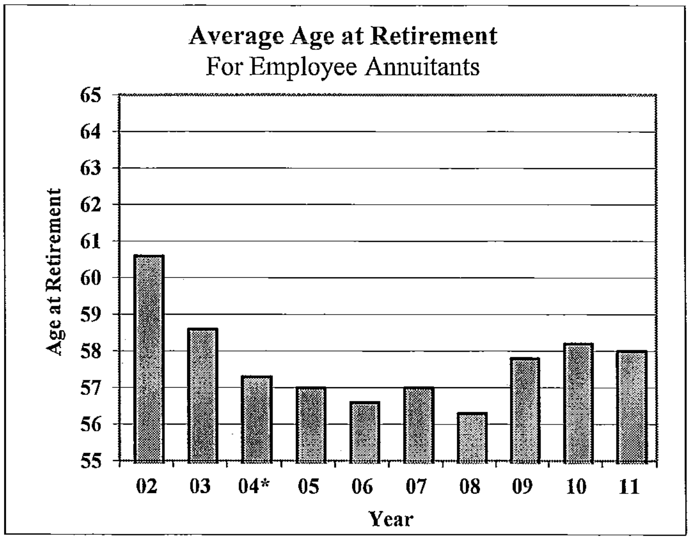
Year	Average Annual Retirement Benefit	Percent Increase	Average Annual Benefit at Retirement Current Year	Percent Increase (Decrease)	Average Current Age of Retirees	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
2002	$24,082	5.9%	$31,865	32.1%	73.3	60.6	27.6
2003	25,576	6.2	34,201	7.3	73.0	58.6	25.2
2004*	29,177	14.1	40,825	19.4	70.6	57.3	30.9
2005	30,492	4.5	39,105	(4.2)	70.8	57.0	30.4
2006	31,664	3.8	38,015	(2.8)	70.9	56.6	28.9
2007	33,242	5.0	42,234	11.1	70.9	57.0	29.8
2008	35,037	5.4	44,496	5.4	70.7	56.3	30.1
2009	36,868	5.2	44,581	0.0	70.3	57.8	29.3
2010	38,962	5.7	48,489	8.8	70.0	58.2	29.1
2011	41,056	5.4	49,135	1.3	69.6	58.0	29.5

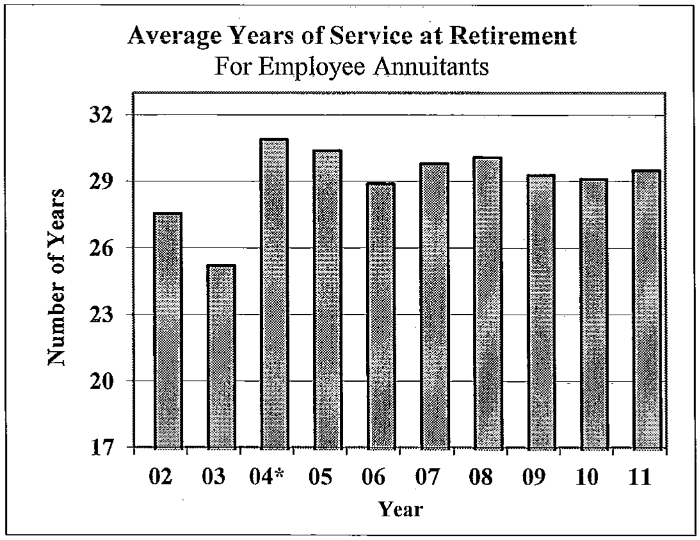
* Early Retirement Incentive Program



ANALYSIS OF INITIAL RETIREMENT BENEFITS FOR EMPLOYEES

	Years of Credited Service								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
2006									
Avg Monthly Annuity	$ 324	$ 1,607	$ 1,212	$ 1,507	$ 2,246	$ 3,482	$ 4,010	$ 4,119	$3,167
Avg Monthly FAS	$ 4,564	$ 6,925	$ 4,418	$ 4,136	$ 4,987	$ 5,261	$ 5,292	$ 5,149	$5,084
Number of Retirees	5	1	8	4	5	10	39	7	79
2007									
Avg Monthly Annuity	$ 361	$ 1,378	$ 1,480	$ 2,498	$ 2,690	$ 2,474	$ 4,180	$ 4,799	$3,515
Avg Monthly FAS	$ 5,451	$ 7,168	$ 4,921	$ 5,641	$ 5,339	$ 3,873	$ 5,520	$ 6,048	$5,444
Number of Retirees	3	2	10	2	9	5	54	10	95
2008									
Avg Monthly Annuity	$ 325	$ 975	$ 1,241	$ 1,390	$ 2,803	$ 3,283	$ 4,433	$ 4,819	$3,707
Avg Monthly FAS	$ 6,033	$ 5,700	$ 4,048	$ 2,883	$ 5,291	$ 5,146	$ 5,773	$ 6,012	$5,538
Number of Retirees	5	4	6	3	7	14	73	8	120
2009									
Avg Monthly Annuity	$ 431	$ 1,081	$ 1,366	$ 1,905	$ 2,653	$ 3,429	$ 4,384	$ 5,005	$3,707
Avg Monthly FAS	$ 5,981	$ 6,697	$ 4,922	$ 4,487	$ 5,284	$ 5,286	$ 5,718	$ 6,257	$5,553
Number of Retirees	1	3	10	16	12	26	77	24	169
2010									
Avg Monthly Annuity	$ 497	$ 794	$ 1,293	$ 1,819	$ 2,684	$ 3,995	$ 4,865	$ 5,895	$4,002
Avg Monthly FAS	$ 6,094	$ 5,592	$ 4,409	$ 5,153	$ 5,499	$ 6,089	$ 6,347	$ 7,369	$6,113
Number of Retirees	4	4	7	14	18	19	81	16	163
2011									
Avg Monthly Annuity	$ 355	$ -	$ 1,701	$ 1,941	$ 2,790	$ 3,665	$ 5,013	$ 5,411	$4,107
Avg Monthly FAS	$ 7,085	$ -	$ 5,923	$ 5,048	$ 5,397	$ 5,734	$ 6,609	$ 6,772	$6,326
Number of Retirees	8	-	12	6	13	22	86	16	163





*Early Retirement Incentive offered during the year

SCHEDULE OF MONTHLY BENEFIT BY TYPE

AT DECEMBER 31, 2011

Amount of Monthly Benefit	Employee Annuitant	Spouse Annuitant	Child Annuitant	Total
$1 - 250	40	18	38	96
251 - 500	33	5	-	38
501 - 750	27	11	-	38
751 - 1,000	40	771	-	811
1,001 - 1,250	204	123	-	327
1,251 - 1,500	72	103	-	175
1,501 - 1,750	86	69	-	155
1,751 - 2,000	82	54	-	136
2,001 - 2,250	114	26	-	140
2,251 - 2,500	88	21	-	109
2,501 - 2,750	101	9	-	110
2,751 - 3,000	83	2	-	85
3,001 - 3,250	133	3	-	136
3,251 - 3,500	158	1	-	159
3,501 - 3,750	217	2	-	219
3,751 - 4,000	208	-	-	208
4,001 - 4,250	245	2	-	247
4,251 - 4,500	198	1	-	199
4,501 - 4,750	132	-	-	132
4,751 - 5,000	94	-	-	94
Over $5,000	366	-	-	366
Totals	2,721	1,221	38	3,980

HISTORY OF NEW ANNUITIES GRANTED

Male Employees

	2011 [1]	2010 [1]	2009 [2]	2008	2007 [3]	2006	2005 [3]	2004*	2003	2002
Number retired	153	152	156	117	90	78	51	505	145	149
Average Age	57.9	58.1	57.5	56.1	56.8	56.6	56.6	57.3	58.6	60.5
Average Length of Service	29.9	29.6	29.7	30.3	30.1	28.9	30.3	31.1	27	27.7
Average Annual Final Salary	$76,749	$76,846	$70,563	$70,000	$67,250	$63,800	$60,828	$53,378	$60,516	$58,159
Total Annual Annuity	$7,621,560	$7,534,716	$7,119,948	$5,284,872	$3,824,304	$2,961,828	$2,073,032	$20,871,228	$5,060,484	$4,802,907
Average Annual Annuity	$49,814	$49,571	$45,641	$45,170	$42,492	$37,972	$40,648	$41,329	$34,900	$32,234
Total Actuarial Liability	$106,258,652	$102,774,022	$97,468,212	$73,140,350	$53,384,184	$40,009,917	$28,251,758	$281,030,404	$66,126,137	$60,832,155
Average Actuarial Liability	$694,501	$676,145	$624,796	$625,131	$593,158	$512,948	$553,956	$556,496	$456,042	$408,269
Total Contributed by EE	$15,184,803	$14,552,292	$13,335,347	$9,653,770	$6,954,680	$5,548,293	$3,840,240	$46,273,925	$9,702,986	$9,312,597
Expected Future Lifetime (years)	22.98	22.09	22.52	23.73	23.10	23.25	23.24	22.69	19.02	17.45
Payback Period (years)	1.99	1.93	1.87	1.83	1.82	1.87	1.85	2.22	1.92	1.94
Replacement Ratio	64.9%	64.5%	64.7%	64.5%	63.2%	59.5%	66.8%	77.4%	57.7%	55.4%

* Early Retirement Incentive offered during the year

[1] Does not include two employees who were no longer on annuity at the end of the year

[2] Does not include three employees who was no longer on annuity at the end of the year

[3] Does not include one employee who was no longer on annuity at the end of the year

HISTORY OF NEW ANNUITIES GRANTED

Female Employees

	2011	2010	2009	2008	2007	2006	2005	2004*	2003	2002
Number retired	8	9	10	3	4	1	3	15	5	3
Average Age	59.6	61.6	61.6	65.2	60.8	59.3	63.8	60.1	60.6	65
Average Length of Service	21.9	20.8	22.1	22.2	24.5	28	32.3	21.9	13.3	20.7
Average Annual Final Salary	$72,541	$66,217	$56,156	$46,745	$66,176	$62,962	$31,903	$43,782	$45,347	$33,205
Total Annual Annuity	$289,164	$271,968	$280,476	$54,588	$145,704	$41,352	$38,622	$357,600	$69,661	$40,550
Average Annual Annuity	$36,146	$30,219	$28,048	$18,196	$36,426	$41,352	$12,874	$23,840	$13,932	$13,517
Total Actuarial Liability	$4,157,705	$3,660,697	$3,678,207	$558,684	$1,975,124	$582,267	$461,446	$4,875,554	$880,560	$499,684
Average Actuarial Liability	$519,713	$406,744	$367,821	$186,228	$493,781	$582,267	$153,815	$325,037	$176,112	$166,561
Total Contributed by EE	$531,923	$552,673	$545,313	$75,948	$246,235	$69,508	$83,554	$853,199	$146,561	$75,584
Expected Future Lifetime (years)	26.37	22.49	22.74	20.49	23.31	24.74	20.97	24.00	22.15	18.76
Payback Period (years)	1.84	2.03	1.94	1.39	1.69	1.68	2.16	2.39	2.10	1.86
Replacement Ratio	49.8%	45.6%	50.0%	38.9%	55.0%	65.7%	40.4%	54.5%	30.7%	40.7%

* Early Retirement Incentive offered during the year

ANNUITANTS CLASSIFIED BY AGE
AS OF DECEMBER 31, 2011

Retirement Annuities

Age	MALES Count	MALES Annual Payments	MALES Average Annual Payments	FEMALES Count	FEMALES Annual Payments	FEMALES Average Annual Payments
Under 50	3	$ 17,676	$ 5,892	-	$ -	$ -
50 - 54	181	9,891,840	54,651	-	-	-
55 - 59	442	21,950,976	49,663	14	436,344	31,167
60 - 64	433	20,100,168	46,421	18	595,332	33,074
65 - 69	388	16,332,240	42,093	17	370,128	21,772
70 - 74	358	15,199,464	42,457	19	523,320	27,543
75 - 79	255	9,241,236	36,240	23	562,920	24,475
80 - 84	222	8,188,764	36,886	43	860,520	20,012
85 & Over	184	5,485,296	29,811	121	1,956,192	16,167
Total	2,466	$ 106,407,660	$ 43,150	255	$ 5,304,756	$ 20,803
	Average Age is 68			Average Age is 82		

Spouse Annuities (not including compensation)

Age	MALES Count	MALES Annual Payments	MALES Average Annual Payments	FEMALES Count	FEMALES Annual Payments	FEMALES Average Annual Payments
Under 30	-	$ -	$ -	-	$ -	$ -
30 - 34	-	-	-	1	9,600	9,600
35 - 39	-	-	-	2	19,200	9,600
40 - 44	1	14,232	14,232	3	28,800	9,600
45 - 49	1	600	600	19	243,444	12,813
50 - 54	4	37,884	9,471	39	510,408	13,087
55 - 59	3	22,536	7,512	55	887,388	16,134
60 - 64	-	-	-	63	936,948	14,872
65 - 69	1	10,068	10,068	112	1,619,292	14,458
70 - 74	2	19,200	9,600	164	2,309,076	14,080
75 - 79	-	-	-	184	2,584,080	14,044
80 - 84	5	39,108	7,822	200	2,371,188	11,856
85 & Over	17	170,484	10,028	345	3,750,384	10,871
Total	34	$ 314,112	$ 9,239	1,187	$ 15,269,808	$ 12,864
	Average Age is 77			Average Age is 77		

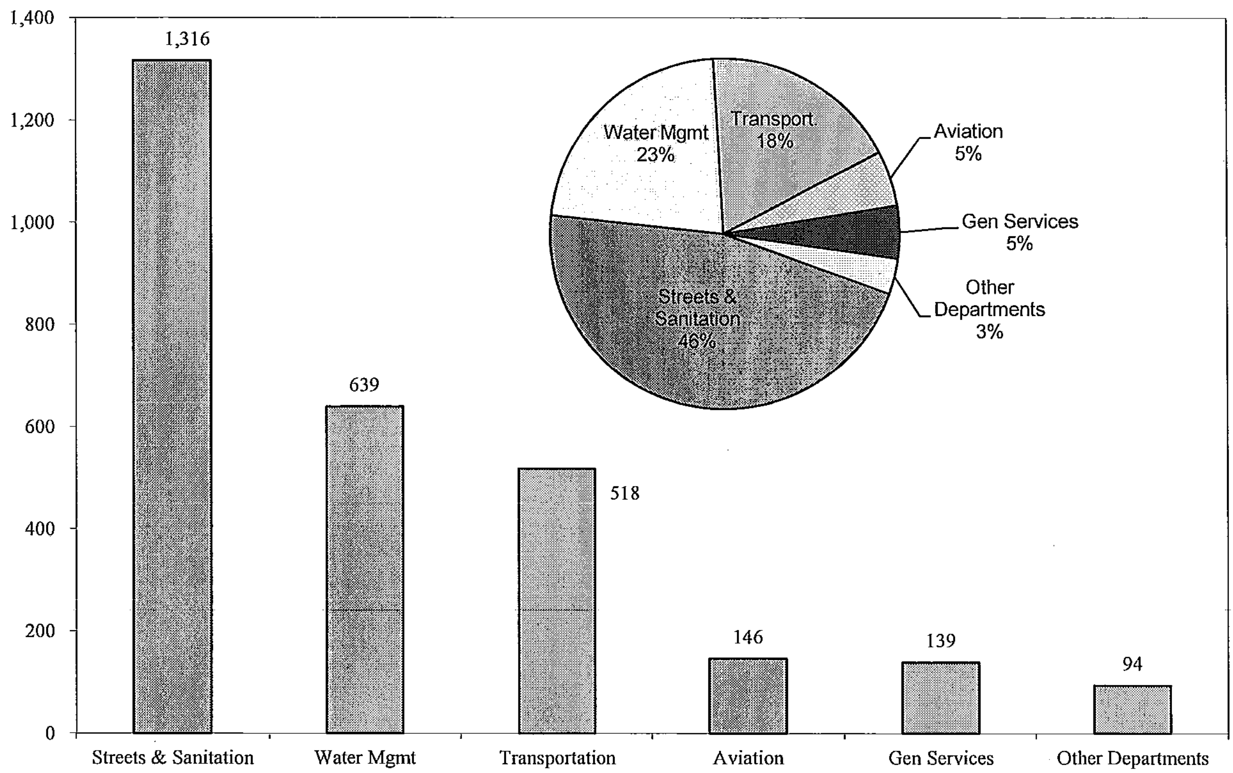
ACTIVE MEMBERS
AS OF DECEMBER 31, 2011

Years of Service	Males	Females	Total
Under 1	69	5	74
1 - 4	89	40	129
5 - 9	247	98	345
10 - 14	697	173	870
15 - 19	538	92	630
20 - 24	301	69	370
25 - 29	186	21	207
30 - 34	180	2	182
35 & Up	45	-	45
Total	2,352	500	2,852

INACTIVE MEMBERS
AS OF DECEMBER 31, 2011

Years of Service	Males	Females	Total
Under 1	787	72	859
1 - 4	321	55	376
5 - 9	66	11	77
10 - 14	36	7	43
15 - 19	26	2	28
20 - 24	17	1	18
25 - 29	14	-	14
30 - 34	1	-	1
35 & Up	-	1	1
Total	1,268	149	1,417

NUMBER OF ACTIVE MEMBERS BY DEPARTMENT
AS OF DECEMBER 31, 2011

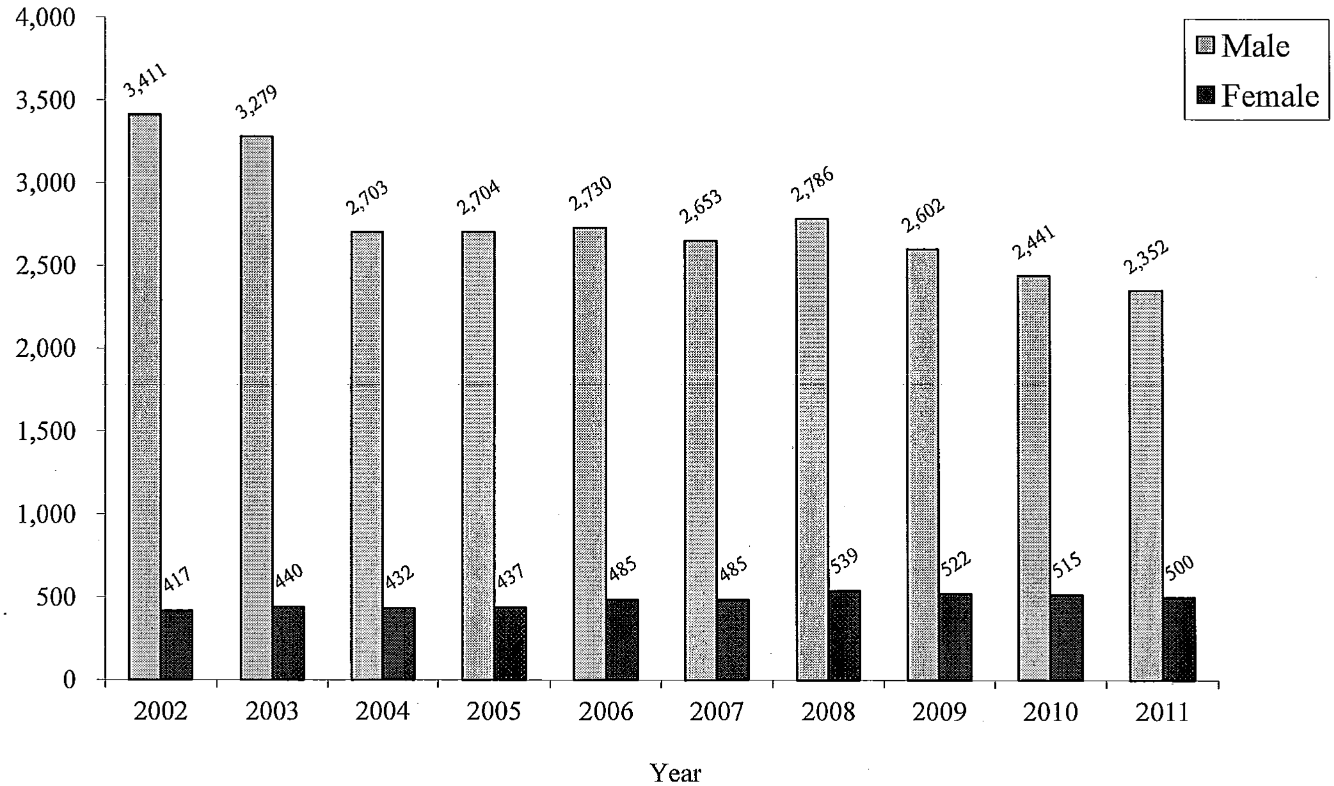


Age	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Under 20	1	0	0	0	1	3	0	0	0	0
20 - 24	15	11	23	36	20	31	13	19	45	70
25 - 29	74	73	89	138	133	159	149	186	214	242
30 - 34	214	230	267	285	266	295	298	300	329	368
35 - 39	337	347	380	395	406	413	422	413	460	467
40 - 44	451	473	479	509	465	505	559	607	653	701
45 - 49	529	597	653	693	707	749	747	775	832	816
50 - 54	600	609	638	681	626	593	520	443	598	584
55 - 59	370	351	329	324	299	264	241	227	333	326
60 - 64	174	171	173	167	138	128	126	110	174	173
65 - 69	58	67	65	66	51	54	47	41	59	58
70 & over	29	27	28	31	26	21	19	14	22	23
	2,852	2,956	3,124	3,325	3,138	3,215	3,141	3,135	3,719	3,828

HISTORY OF ACTIVE MEMBERS BY AGE
AS OF DECEMBER 31, 2011

(Year)

HISTORY OF ACTIVE MEMBERS
BY GENDER



MEMBERS RECEIVING DISABILITY BENEFITS
AS OF DECEMBER 31, 2011

	Duty Disability					
	Males		Females		Totals	
Years of Service	Count	Annual Payments*	Count	Annual Payments*	Count	Annual Payments*
Under 1	-	$ -	-	$ -	-	$ -
1 - 4	1	54,912	1	29,656	2	84,568
5 - 9	6	266,137	7	333,996	13	600,133
10 - 14	50	2,437,062	16	759,315	66	3,196,377
15 - 19	53	2,773,399	9	449,420	62	3,222,819
20 & Over	40	1,980,514	7	328,702	47	2,309,216
Total	150	$ 7,512,024	40	$ 1,901,089	190	$ 9,413,113

	Ordinary Disability					
	Males		Females		Totals	
Years of Service	Count	Annual Payments	Count	Annual Payments	Count	Annual Payments
Under 1	-	$ -	-	$ -	-	$ -
1 - 4	-	-	2	59,675	2	59,675
5 - 9	3	74,100	2	69,555	5	143,655
10 - 14	13	425,519	4	128,783	17	554,302
15 - 19	7	229,050	2	52,908	9	281,958
20 & Over	20	668,261	1	32,947	21	701,208
Total	43	$ 1,396,930	11	$ 343,868	54	$ 1,740,798

* Benefit payments are annual amounts before workers' compensation offset.

NUMBER OF REFUND PAYMENTS MADE DURING 2011

	Length of Service at Date of Refund						
Age at Date of Refund	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and Over	Total
Under 20	-	-	-	-	-	-	-
20 to 24	-	-	-	-	-	-	-
25 to 29	1	-	-	-	-	-	1
30 to 34	-	1	1	-	-	4	6
35 to 39	-	1	2	-	-	3	6
40 to 44	-	3	-	-	-	6	9
45 to 49	1	-	-	1	1	2	5
50 to 54	-	-	2	-	1	3	6
55 to 59	1	1	-	1	-	3	6
60 & Over	1	-	-	-	-	1	2
Totals	4	6	5	2	2	22	41