LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
A COMPONENT UNIT OF THE CITY OF CHICAGO

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2013 AND 2012

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the Plan), which comprise the statements of plan net position as of December 31, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the plan net position of Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago at December 31, 2013 and 2012, and the changes in plan net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress and the Schedule of Employer Contributions, and Notes to the Schedules on pages 31 through 35 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago's basic financial statements. The supplementary information such as the Schedules of Invested Assets Cost and Fair Value and Performance Summary - Fair Value Returns are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 36 and 37 has not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Previously Audited Information

We have also previously audited the basic financial statements for the years ended December 31, 2011, 2010, 2009 and 2008 (which are not presented therein). Our reports on the required supplementary information, pages 31 and 32, and the supplementary information on page 37 stated that we applied limited procedures, which consisted principally of inquiries of management regarding methods of measurements and presentation of the supplementary information, but did not audit the information and expressed no opinion on it.

Calibre CPA Group, PLLC

Chicago, Illinois
April 14, 2014

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

Statements of Plan Net Position

December 31, 2013 and 2012

	2013	2012
Assets		
Receivables		
Employer	$ 14,386,681	$ 14,905,875
Plan member	1,820,575	597,791
Interest and dividends	2,100,844	2,131,351
Other receivables	19,008	15,149
Total receivables	18,327,108	17,650,166
Investments - at fair value		
Cash and short-term investments	38,385,421	41,872,378
Equities	810,420,216	755,217,549
Fixed income	253,277,809	270,591,752
Private equity	50,949,228	45,730,173
Real estate	44,320,319	39,159,549
Hedge funds	125,176,506	85,299,187
Global asset allocation funds	139,099,998	129,596,815
Subtotal	1,461,629,497	1,367,467,403
Securities lending cash collateral	180,924,383	169,286,689
Total investments - fair value	1,642,553,880	1,536,754,092
Property and Equipment	508,350	1,179,777
Total assets	1,661,389,338	1,555,584,035
Deferred Outflows		
Accumulated decrease in fair value of hedging derivatives	92,340	300,510
Liabilities and Net Position		
Liabilities		
Due to brokers - net	17,640,460	9,818,051
Forward currency contracts	92,340	300,510
Refunds, professional fees payable and other liabilities	3,260,891	3,741,865
OPEB liability	1,890,996	1,660,384
Securities lending cash collateral	180,924,383	169,286,689
Total liabilities	203,809,070	184,807,499
Net position - restricted for pension benefits	$ 1,457,672,608	$ 1,371,077,046

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Position

Years Ended December 31, 2013 and 2012

	2013	2012
Additions		
Contributions		
Employer	$ 14,100,639	$ 14,414,835
Plan member	16,392,800	16,559,017
Total contributions	30,493,439	30,973,852
Investment income		
Net appreciation in fair value of investments	191,114,881	154,082,774
Interest	6,986,564	7,027,021
Dividends	13,313,992	16,176,098
Private equity income - net	731,305	521,720
Real estate operating income - net	1,334,896	1,612,467
Hedge fund income - net	1,590,532	919,775
Global asset allocation fund income - net	2,012,912	1,177,765
	217,085,082	181,517,620
Less investment expenses	(10,365,891)	(8,908,746)
Investment income - net	206,719,191	172,608,874
Securities lending		
Income	453,663	415,897
Lender (borrower) rebates	281,205	585,191
Management fees	(109,954)	(149,886)
Securities lending income - net	624,914	851,202
Total additions	237,837,544	204,433,928
Deductions		
Benefits	144,229,138	139,620,042
Refunds	2,879,207	2,594,960
Administrative and OPEB expenses	4,133,637	4,745,519
Total deductions	151,241,982	146,960,521
Net increase	86,595,562	57,473,407
Net position - restricted for pension benefits		
Beginning of year	1,371,077,046	1,313,603,639
End of year	$ 1,457,672,608	$ 1,371,077,046

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 cost which approximates fair value. Global asset allocation funds and 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, 2013 and 2012, $20,516,960 and $12,542,137, respectively, were due to broker and $2,876,500 and $2,724,086, 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.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the presentation for the current year. These reclassifications did not change the total net position - restricted for pension benefits or the changes in net position from the totals previously reported.

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.

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.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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, 2013 and 2012 was $200,351,820 and $198,789,741, 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.

At December 31, 2013 and 2012, plan members consisted of the following:

	2013	2012
Retirees and beneficiaries currently receiving benefits	3,954	3,976
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,432	1,408
Active plan members (including plan members receiving disability benefits)		
Vested	2,162	2,226
Non-Vested	682	639
Total plan members	8,230	8,249

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

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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 $109,971 in 2013, increased each year by the lesser of 3% or ½ of the annual increase in the Consumer Price Index-Urban (CPI-U), but not less than zero.

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.

NOTE 2. PLAN DESCRIPTION (CONTINUED)

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. 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.

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

NOTE 3. INVESTMENTS (CONTINUED)

Investment Policies (continued)

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.

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, 2013 and 2012, is as follows:

	2013	2012
Cash and short-term investments	$ 38,385,421	$ 41,872,378
Equities		
U.S. equities	532,790,096	487,211,408
Foreign equities	248,983,120	233,874,252
Foreign equity funds	28,647,000	34,131,889
Total equities	810,420,216	755,217,549
Fixed income		
U.S. government obligations and municipal bond:	42,363,328	56,074,530
U.S. corporate bonds	180,972,889	175,092,698
Foreign fixed income	29,941,592	39,424,524
Total fixed income	253,277,809	270,591,752
Private equity	50,949,228	45,730,173
Real estate	44,320,319	39,159,549
Hedge funds	125,176,506	85,299,187
Global asset allocation funds	139,099,998	129,596,815
Subtotal	1,461,629,497	1,367,467,403
Securities lending cash collateral	180,924,383	169,286,689
Total investments at fair value	$ 1,642,553,880	$ 1,536,754,092

NOTE 3. INVESTMENTS (CONTINUED)

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.

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, 2013 and 2012, 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.

	2013	2012
Amount exposed to custodial credit-risk		
Investment in foreign currency	$ 992,670	$ 308,028

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, 2013 and 2012.

NOTE 3. INVESTMENTS (CONTINUED)

Concentration of Credit Risk (continued)

Quality Rating	2013	2012
Aaa	$ 26,564,549	$ 48,061,735
Aa	4,734,931	9,005,731
A	3,865,431	11,146,546
Baa	23,311,083	24,891,110
Ba	5,129,400	3,902,151
B	2,530,710	2,386,464
Caa	3,295,082	3,421,542
Ca	980,392	1,049,461
C	4	319
Not rated or unavailable	4,376,932	5,622,955
Total credit risk debt - securities	74,788,514	109,488,014
Explicitly guaranteed by U.S. government:		
Government mortgage backed securities [1]	1,215,594	2,071,516
Implicitly guaranteed by U.S. government:		
Government agencies [2]	-	521,444
Government mortgage backed securities [2]	26,581,168	27,234,728
Corporate bond pooled fund - not rated	53,246,481	57,658,367
Global bond pooled fund - not rated	97,446,052	73,617,683
Total fixed income	$ 253,277,809	$ 270,591,752

1 Bonds issued by Government National Mortgage Association explicitly guaranteed by the U.S. government and currently a rating is not provided by the nationally recognized statistical rating organization.

2 Bonds issued by Federal National Mortgage Association and Federal Home Loan Mortgage Corp implicitly guaranteed by the U.S. government and currently a rating is not provided by the nationally recognized statistical rating organization.

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, 2013, the following table shows the investments by investment type and maturity (expressed in thousands).

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6 ±10 Years	10 + Years	Variable
Asset backed securities	$ 5,226,782	$ 32,465	$ 400,037	$ 117,464	$ 4,676,816	$ -
Commercial mortgage backed	4,274,390	-	-	422,471	3,851,919	-
Corporate bonds	27,165,345	279,812	8,765,100	11,820,905	6,299,528	-
Funds - corporate bonds	53,246,481	-	-	-	-	53,246,481
Funds - other fixed income	97,446,052	-	-	-	-	97,446,052
Government agencies	2,102,714	-	1,402,827	-	699,887	-
Government bonds	22,615,683	-	5,524,790	7,252,758	9,838,135	-
Gov't mortgage backed	28,162,165	309	103,396	727,463	9,712,225	17,618,772
Index linked gov't bonds	8,035,038	-	-	2,452,032	5,583,006	-
Municipal bonds	1,001,016	-	-	174,758	826,258	-
Non-government backed CMO's	4,002,143	-	473,243	707,698	2,821,202	-
Total fixed income	$ 253,277,809	$ 312,586	$ 16,669,393	$ 23,675,549	$ 44,308,976	$ 168,311,305

Investment Results

During 2013 and 2012, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were $88,871,626 and $96,554,007, respectively. These amounts are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Plan Net Position. 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 the 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, 2013 and 2012, is presented in the following table.

Currency	2013	%	2012	%
Australian dollar	$ 5,652,201	2.7%	$ 7,164,955	3.8%
Brazilian dollar	5,166,803	2.5	5,448,947	2.9
Canadian dollar	4,182,098	2.0	4,413,316	2.3
Swiss franc	9,119,219	4.3	9,682,669	5.1
Columbian peso	591,362	0.3	725,581	0.4
Danish krone	3,416,380	1.6	2,661,848	1.4
Euro	42,860,048	20.4	37,322,281	19.7
British pound sterling	37,257,294	17.8	34,337,445	18.1
Hong Kong dollar	24,271,105	11.6	18,602,570	9.8
Indonesian rupiah	1,823,246	0.9	1,743,145	0.9
New Israeli shekel	-	0.0	982,449	0.5
Japanese yen	33,237,072	15.9	23,207,923	12.3
South Korean won	5,603,881	2.7	6,725,740	3.6
Mexican peso	4,003,845	1.9	4,746,164	2.5
Malaysian ringgit	2,822,538	1.3	3,410,118	1.8
Norwegian krone	5,466,023	2.6	713,954	0.4
New Zealand dollar	291,401	0.1	(324,367)	-0.2
Philippine peso	824,374	0.4	400,807	0.2
Swedish krona	8,338,821	4.0	7,357,609	3.9
Singapore dollar	3,631,721	1.7	5,621,130	3.0
Thai baht	2,304,527	1.1	2,743,011	1.4
Turkish lira	1,965,843	0.9	2,099,910	1.1
South African rand	6,837,909	3.3	9,585,455	5.1
Total	$ 209,667,711	100.0%	$ 189,372,660	100.0%

NOTE 3. INVESTMENTS (CONTINUED)

Derivatives

The Plan's investment managers may enter into derivative transactions as permitted by their guidelines. A derivative financial instrument is an investment whose payoff depends on the value of an underlying, such as bond or stock prices, a market index, or commodity prices. Derivative financial instruments involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. The Plan's managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake.

During the year, the Plan's derivative investments included foreign currency forward contracts and financial futures. Foreign currency forward contracts are used to hedge against the currency risk in the Plan's foreign stock and fixed income security portfolios. Financial futures are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

The following table summarizes the derivatives held within the Plan's investment portfolio as of December 31, 2013 and 2012:

	2013		2012	
Derivative Type	Notional Amount	Fair Value	Notional Amount	Fair Value
Hedging derivative instruments				
Foreign currency contracts purchased	$ -	$ 250,314,412	$ -	$ 240,998,104
Foreign currency contracts sold	-	(250,406,752)	-	(241,298,614)
Total hedging derivative instruments	-	(92,340)	-	(300,510)
Investment derivative instruments				
Futures				
Long fixed income	4,379,415	-	7,148,930	-
Short fixed income	(32,479,835)	-	(10,601,051)	-
Long cash equivalents	24,537,793	-	1,893,360	-
Total investment derivative instruments	(3,562,627)	-	(1,558,761)	-
Total	$ (3,562,627)	$ (92,340)	$ (1,558,761)	$ (300,510)

NOTE 3. INVESTMENTS (CONTINUED)

Foreign currency forward contracts are agreements to buy or sell a specific amount of a specific currency at a specified delivery or maturity date for an agreed upon price. The gain or loss on forward contracts is recognized as deferred inflows/outflows on the Statements of Net Position until the contract is closed or is sold at which time a gain or loss is recognized in the Statements of Changes in Net Position. The counterparties to the foreign currency forward contracts are banks which are rated A or above by rating agencies.

The fair value of forward contracts outstanding at December 31, 2013 and 2012 is as follows:

Currency	2013 Fair Value	2012 Fair Value
Foreign currency exchange purchases:		
Australian dollar	$ 7,806,811	$ 8,766,534
Canadian dollar	9,901,013	16,144,538
Swiss franc	19,120,900	12,421,345
Euro	14,435,727	8,262,866
British pound sterling	10,970,715	9,412,419
Japanese yen	9,597,029	10,696,075
Norwegian krone	18,530,671	11,423,413
New Zealand dollar	11,441,409	15,193,994
Swedish krona	9,774,291	13,212,695
Turkish lira	-	3,233
Thai baht	13,575	-
United States dollar	138,722,271	135,460,992
Total purchases	$ 250,314,412	$ 240,998,104
Foreign currency exchange sales:		
Australian dollar	$ (9,699,069)	$ (12,199,960)
Canadian dollar	(12,292,209)	(21,727,630)
Swiss franc	(22,427,386)	(12,871,018)
Euro	(26,900,030)	(20,127,203)
British pound sterling	(13,304,591)	(11,644,594)
Japanese yen	(8,565,545)	(8,319,547)
Norwegian krone	(16,974,418)	(13,057,072)
New Zealand dollar	(15,452,105)	(19,213,599)
Swedish krona	(13,127,038)	(17,234,274)
Singapore dollar	-	(60,799)
United States dollar	(111,664,361)	(104,842,918)
Total sales	$ (250,406,752)	$ (241,298,614)

NOTE 3. INVESTMENTS (CONTINUED)

Financial futures are similar to forward contracts, except futures contracts are standardized and traded on organized exchanges. As the market value of the underlying assets vary from the original contract price, a gain or loss is recognized in the Statements of Changes in Net Position and is settled through the clearinghouse.

Rights and warrants allow the Plan's investment managers to replicate any 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 following table summarizes the changes in fair value, which were recognized as income in the Plan's Statements of Changes in Plan Net Position for the year ended December 31, 2013 and 2012:

Derivative Type	2013 Changes in Fair Value	2012 Changes in Fair Value
Foreign currency contracts	$ (586,991)	$ (12,492)
Futures	649,031	(6,615)
Rights/Warrants	56,712	46,271
Total	$ 118,752	$ 27,164

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.

The Plan receives 85% of the net revenue derived from the securities lending activities, and the bank receives the remainder 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.

NOTE 4. SECURITIES LENDING (CONTINUED)

The average term of securities loaned was 83 days for 2013 and 59 days for 2012; 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 44 days as of December 31, 2013 and an average weighted maturity of 81 days as of December 31, 2012. 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, 2013 and 2012, 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, 2013 and 2012, the fair value of securities loaned was as follows:

	2013	2012
Equities	$ 171,317,566	$ 155,870,470
Fixed income	16,220,821	13,032,798
Total	$ 187,538,387	$ 168,903,268

At December 31, 2013 and 2012, the securities loaned were collateralized as follows:

	2013	2012
Collateralized by cash	$ 180,924,383	$ 169,286,689
Collateralized by other than cash	11,364,934	1,575,450
Total	$ 192,289,317	$ 170,862,139

During 2013 and 2012, 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 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 Position. The gain or (loss) on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Position as part of investment income.

NOTE 6. RELATED PARTY TRANSACTIONS

At December 31, 2013, the Plan held securities of two of its investment managers, its custodial bank and its insurance provider with a fair value of $4,147,182. At December 31, 2012, the Plan held securities of its custodial bank and its insurance provider with a fair value of $2,360,878.

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, 2013 and 2012, the Plan contracted to acquire securities on a when-issued basis with total principal amounts of $17,235,000 and $10,165,000 and fair values of $17,618,772 and $10,810,350, respectively.

NOTE 8. COMMITTED CASH

The Plan has entered into investment arrangements for real estate and private equity. As of December 31, 2013 and 2012, the Plan had $23,490,153 and $37,640,822, 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.

NOTE 9. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

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.

The current actuarial studies of the Plan as of December 31, 2013 (2014 Tax Levy) and as of December 31, 2012 (2013 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 $200,351,820 for 2,844 active members for the 2014 tax levy and $198,789,741 for 2,865 active members for the 2013 tax levy is computed as follows:

Currency	2014 Tax Levy	2013 Tax Levy
Normal cost	$ 37,764,124	$ 39,263,431
30 year level dollar amortization of unfunded liability (surplus)	83,529,325	82,631,736
Interest adjustment for semimonthly payment	4,591,430	4,605,994
Total minimum contribution	125,884,879	126,501,161
Less estimated plan member contributions	(17,346,277)	(17,211,033)
Annual required contribution (ARC) to be financed by tax levy*	$ 108,538,602	$ 109,290,128
Required tax levy multiple for Plan	7.20	7.48

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, 2013 and 2012, were comprised of the following Plan surplus (deficit) balances:

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

	2013	2012
Prior Service Fund	$ 1,607,197,385	$ 1,464,473,839
City Contribution Fund	246,304,320	240,992,543
Salary Deduction Fund	246,239,629	240,925,654
Annuity Payment Fund and Reserve	436,101,539	428,381,033
Supplementary Payment Service	69,562	69,562
Fund Reserve - (deficit)	(1,078,239,827)	(1,003,765,585)
Total net assets held in trust for pension benefits	$ 1,457,672,608	$ 1,371,077,046

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.

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.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

During the years ended December 31, 2013 and 2012, the Plan's actuary has determined that an increase in actuarial reserves of $161,069,804 and $183,660,869, respectively, is required. The excess or shortage of revenue over expenses for the years ended December 31, 2013 and 2012, have been applied to the actuarial reserves as noted above, which has resulted in a decrease in the Plan deficit of $22,616,437 for the year ended December 31, 2013 and an increase in the deficit of $290,161,621 for the year ended December 31, 2012.

As reported by the actuary, the changes in the Plan surplus (deficit) during the years ended December 31, 2013 and 2012, consisted of the following:

	2013	2012
Fund deficit at the beginning of the year	$(1,058,929,034)	$ (768,767,413)
Gains (losses) during the year attributable to:		
Salaries under assumed rate	12,859,999	11,246,150
Investment yield over/under 8.0 assumed	64,848,168	(99,757,018)
Annual required contributions from levy and employer contributions	(90,011,595)	(63,344,488)
Miscellaneous actuarial experience	4,749,315	(7,410,741)
Gain (loss) from data corrections	(182,938)	(505,176)
Change in assumptions	-	(130,390,348)
Plan amendments	30,353,488	-
Net gain (loss)	22,616,437	(290,161,621)
Fund deficit at the end of the year	$(1,036,312,597)	$(1,058,929,034)

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.

The funded status, which excludes the liability for the health insurance supplement of the Plan as of December 31, 2013, 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)
2013	$1,354,261	$ 2,383,499	$1,029,239	56.82%	$200,352	513.72%

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

The actuarial cost method used in the valuation was the Entry Age Normal Actuarial Cost Method. 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. Disability cost was valued as a term cost of 2.5% of payroll. Retirement rates use predominantly service-based rates with higher rates at older ages, and 100% retirement at the earlier of 40 years of service or age 80. The investment rate of return (net of expenses) was 7.5%, compounded annually and includes a 3% inflation assumption. The salary increase assumptions reflect 3.75% wage inflation plus a service-based component for merit, longevity, and promotion, ranging from 0.25% to 6.25% based on years of service.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) on page 31 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

	2013	2012
Employer contributions	$ 16,044,445	$ 16,433,380
Less allowance for uncollectible accounts	(1,657,764)	(1,527,505)
Total	$ 14,386,681	$ 14,905,875

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, 2013 and 2012 was $243,836 and $334,197, respectively. Future minimum rental payments required under non-cancelable leases are as follows:

Year ending December 31,	
2014	$ 260,574
2015	264,317
2016	301,262
2017	367,668
2018	372,658
2019 through 2026	2,816,377
Total	$ 4,382,856

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, 2013 and 2012 was $28,407 and $29,625, respectively. The Plan's share of future minimum rental payments, required under non-cancelable operating leases, are as follows:

Year ending December 31,	
2014	$ 12,032
2015	12,363
2016	8,441
Total	$ 32,836

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, 2013 and 2012, is as follows:

	2013	2012
Office equipment	$ 356,187	$ 346,887
Custom software package	6,318,902	6,318,902
	6,675,089	6,665,789
Accumulated depreciation	(6,166,739)	(5,486,012)
Property and equipment - net	$ 508,350	$ 1,179,777

Depreciation expense for the years ended December 31, 2013 and 2012 was $680,726 and $697,025, 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 beginning July 1, 2008 and until such time as the city no longer provides a health care plan for such annuitants or December 31, 2016, whichever comes first. 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. From July 1, 2008 through June 30, 2016, the amount of Fund paid health care premiums is $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.

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 2008 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 2008, are as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Percentage of ARC Contributed
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
12/31/2012	3,070,025	2,561,930	83.4
12/31/2013	3,090,718	2,517,588	81.5

At December 31, 2013, the number of annuitants or surviving spouses whose cost to participate in the program was subsidized, totaled 2,713; at December 31, 2012, the total was 2,781.

NOTE 16. OTHER POST EMPLOYMENT BENEFIT PLAN - CITY RETIREES (CONTINUED)

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2013, is as follows:

Actuarial accrued liability (AAL)	$	7,073,697
Net Plan Actuarial Assets		-
Unfunded actuarial accrued liability (UAAL)	$	7,073,697
Funded ratio		0.0%
Covered payroll	$	200,351,820
UAAL as a % of covered payroll		3.5%

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 32, 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.

The actuarial cost method used in the actuarial valuation was the entry age normal actuarial cost method. 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 assumptions include projected salary increases of 3.75% and 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. For December 31, 2013, the amortization method is level dollar on a three year closed period. For December 31, 2012, the amortization method is level dollar on an open basis and the remaining amortization period 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"). 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, 6 retirees are in the plan and 19 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 2013 and 2012, the Plan contributed $35,693 and $42,476, respectively, to the Plan. Plan members receiving benefits contributed $11,816 in 2013 or 24.9% of the total premiums for the year, through their required contributions of between $90 and $281 per month based on coverage. In 2012 Plan members contributed $11,405 or 28.2% of the total premiums for the year through their required contributions of between $86 and $435 per month.

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

	2013	2012
Annual required contribution	$ 287,519	$ 432,132
Interest on net OPEB obligation	68,364	57,980
Adjustment to ARC	(89,578)	(75,693)
Annual OPEB expense	266,305	414,419
Contributions made	(35,693)	(42,476)
Increase in net OPEB obligation	230,612	371,943
Net OPEB obligation - beginning of year	1,660,384	1,288,441
Net OPEB obligation - end of year	$ 1,890,996	$ 1,660,384

In 2013 and 2012, the Plan contributed 12.4% and 9.8%, 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)
12/31/2012	$ -	$2,847,992	$2,847,992	$ -	$1,427,088	199.57%

* 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, 2015 which will be completed in 2016.

NOTE 17. OTHER POST EMPLOYMENT BENEFIT PLAN: LABF AS EMPLOYER (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 32, 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, 2012 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 1.64% for first year, then 7.5% per year graded down to 5% per year (ultimate trend in 0.5% increments) and a rate for dental of 4% for first year, then 4.5% per year (ultimate trend in 0.5% increments). The assumption includes projected wage inflation of 3.75% 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, 2012 was 30 years.

NOTE 18. CONTINGENCIES

Lawsuit Regarding Public Act 97-0651

On October 9, 2012, a civil action was commenced in the Circuit Court of Cook County, Illinois, *Carmichael, et al. v. Laborers' Retirement Board Employees' Annuity and Benefit Fund of Chicago, et al.*, Case No. 12 CH 37712, wherein the plaintiffs allege that recent amendments to the Illinois Pension Code violate the U.S. and Illinois Constitution. The recent amendments, enacted in Public Act 97-0651 and effective January 5, 2012, apply to the service and salary calculations for members who take a leave of absence from the City of Chicago to work for a local labor organization. The amendments also provide that the new rules represent a clarification of existing law, meaning that certain annuitants may have been overpaid. The Plaintiffs include eight individuals and four unions. Three of the participants are Plan members. The defendants include the Plan and the Plan's Board of Trustees, along with two other public employee pension funds and their respective boards.

NOTE 18. CONTINGENCIES (CONTINUED)

In the event the pertinent portion of P.A. 97-0651 is held to be unconstitutional by an unappealable final court order, the Plan would be required to pay the annuities in effect prior to the passage of P.A. 97-0651. This outcome would have no material actuarial impact since higher annuities were actually used and it is a relatively small group of affected members. Plaintiffs do not make a prayer for monetary relief, but seek attorney's fees. It is premature to determine the likelihood of success on the merits of the plaintiff's complaint.

Other Pending Litigation
The Plan is also involved in legal proceedings arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material effect on the financial position of the Plan.

NOTE 19. PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

GASB Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* seek to improve the financial reporting by governmental pension plans. Statement No. 67 addresses financial reporting for separately issued financial reports. GASB Statement No. 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. Statement No. 67 becomes effective for the Plan's fiscal year ended December 31, 2014 while Statement No. 68 is effective for the Plan's fiscal year ended December 31, 2015.

The Plan is currently evaluating the impact on adopting the above Statements.

NOTE 20. SUBSEQUENT EVENTS

On April 10, 2014, the Illinois General Assembly sent to the governor, for his signature, a long awaited pension bill. With this bill the General Assembly attempts to address the financial condition of the two non-uniform public pension funds (of which the Plan is one) serving City of Chicago employees. Their bill proposes a combined approach of benefit modification and additional city funding to insure long term solvency of the pension funds. Once signed, these changes would go into effect on January 1, 2015. The governor's signature is still pending.

Subsequent events have been evaluated through April 14, 2014, which is the date the financial statements were available to be issued. This review and evaluation revealed no other new material event or transactions which would require additional adjustment to or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

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)
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
2012	1,315,914	2,336,189	1,020,276	56.33	198,790	513.24
2013	1,354,261	2,383,499	1,029,239	56.82	200,352	513.72

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
2008	$ 17,652	$ 14,894	$ 15,233	86.30%
2009	33,517	14,366	14,627	86.30
2010	46,665	15,003	15,352	43.64
2011	57,259	12,478	12,779	32.89
2012	77,566	11,808	11,853	15.28
2013	106,199	11,552	11,583	10.90

[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.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

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)
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
2012	-	38,653	38,653	0.00	198,790	19.44
2013	-	7,074	7,074	0.00	200,352	3.53

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
2008	$ 3,565	65.85%
2009	3,682	69.62
2010	3,609	71.67
2011	3,543	72.82
2012	3,070	83.45
2013	3,091	81.46

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	-	3,362	3,362	0.00	1,581	231.58
2012[2]	-	2,848	2,848	0.00	1,427	199.57

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
2008	245	15.06%
2009	262	14.42
2010	380	13.64
2011	405	12.81
2012	432	9.80
2013	288	12.41

[2] The next actuarial valuation will be as of December 31, 2015 and completed in 2016.

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

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]	7.5%
Projected base salary increases[1]	3.75% per year, plus a service based increase in the first fifteen years

Service	Additional Increase	Total Increase
1	6.25%	10.00%
2	4.75	8.50
3	3.75	7.50
4	3.25	7.00
5	2.25	6.00
6	1.25	5.00
7 - 15	0.25	4.00
16 - 30+	0.00	3.75

[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	City Retirees - Level Dollar; Closed Employees – Level Dollar; Open
Amortization period	City Retirees – 3 years Employees - 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]	3.75% per year, plus a service based increase in the first fifteen years

Service	Additional Increase	Total Increase
1	6.25%	10.00%
2	4.75	8.50
3	3.75	7.50
4	3.25	7.00
5	2.25	6.00
6	1.25	5.00
7 - 15	0.25	4.00
16 - 30+	0.00	3.75

[1] includes inflation at 3% per year

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

NOTES TO SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES (CONTINUED)

Healthcare cost trend rate	City Retirees - 0.0% (Trend not applicable – Fixed dollar subsidy) Employees: Medical: 1.64% for first year (based on actual premium increase) then 7.5% per year graded down to 5% per year; ultimate trend in 0.5% increments Dental: 4% for first year (based on actual premium increase) then 4.5 % per year ultimate trend

SUPPLEMENTAL INFORMATION

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

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

	2013				2012			
	Cost Value		Fair Value		Cost Value		Fair Value	
Cash and short-term investments	$ 38,385	3.2%	$ 38,385	2.6%	$ 41,872	3.5%	$ 41,872	3.1%
U.S. equities	376,795	31.3%	532,790	36.5%	405,737	33.5%	487,211	35.6%
Foreign equities	197,394	16.4%	248,983	17.0%	195,374	16.1%	233,874	17.1%
Foreign equity funds	27,000	2.3%	28,647	2.0%	29,717	2.4%	34,132	2.5%
U.S. government obligations and municipal bonds	43,553	3.6%	42,363	2.9%	54,363	4.5%	56,074	4.1%
U.S. corporate bonds	180,107	15.0%	180,973	12.4%	164,432	13.6%	175,093	12.8%
Foreign fixed income securities	30,427	2.5%	29,942	2.0%	39,165	3.2%	39,425	2.9%
Private equity	42,490	3.5%	50,949	3.5%	44,681	3.7%	45,730	3.3%
Real estate	37,528	3.1%	44,320	3.0%	36,355	3.0%	39,160	2.9%
Hedge funds	107,084	8.9%	125,177	8.6%	78,423	6.5%	85,299	6.2%
Global Asset Allocation	122,388	10.2%	139,100	9.5%	120,883	10.0%	129,597	9.5%
Invested assets at cost/fair value	$ 1,203,151	100.0%	$ 1,461,629	100.0%	$ 1,211,002	100.0%	$ 1,367,467	100.0%

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

Performance Summary
Fair Value Returns

Annualized Percent for Periods Presented

	2013	2012	2011	2010	2009	3-Yr.	5-Yr.
Combined Portfolio							
LABF	16.4 %	14.6 %	-0.3 %	15.5 %	21.5 %	9.9 %	13.4 %
Cash and short-term investments							
LABF	0.2	0.2	0.1	0.3	2.9	0.2	0.3
91 Day T- Bills	0.0	0.1	0.1	0.1	0.2	0.1	0.1
Fixed income							
LABF	-2.0	8.6	5.8	9.1	12.1	4.0	6.7
BC Aggregate	-2.0	4.2	7.8	6.5	5.9	3.3	4.4
Domestic equities							
LABF	36.2	17.6	0.6	18.9	29.2	17.2	19.9
S&P 500	32.4	16.0	2.1	15.1	26.5	16.2	17.9
International developed equities							
LABF	19.5	17.1	-9.5	15.2	40.1	8.1	15.3
MSCI EAFE Net	22.8	17.3	-12.1	7.8	31.8	8.2	12.4
Emerging markets equities[1]							
LABF	-1.8	21.2	-10.1	28.2	-	2.3	n/a
MSCI EMF Net	-2.6	18.2	-18.4	18.9		-2.1	14.8
Global Asset Allocation[2]							
LABF	7.3	-	-	-	-	n/a	n/a
60% MSCI ACWI Net / 40% BC Agg	12.3					7.4	11.0
Private equity							
LABF	4.1	3.4	1.5	14.5	-10.4	5.0	5.3
Cambridge Associates Venture Capital 1 Qtr Lag	15.4	7.5	20.9	8.1	-13.1	14.4	7.3
Real estate							
LABF	7.7	4.6	8.9	3.9	-36.6	5.9	-4.9
NCREIF ODCE	14.0	10.9	16.0	16.4	-29.7	13.6	3.7
Hedge funds[3]							
LABF	11.3	5.0	-3.2	10.0	-	4.2	n/a
HFRI FOF	8.7	4.7	-5.6	5.7		2.4	4.8

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

Private Equity and Real Estate returns lag by one quarter.

[1]Asset class start date was 09/01/09. No annual return until 2010.

[2]Asset class start date was 05/01/12. No annual return until 2013.

[3]Asset class start date was 07/01/09. No annual return until 2010.