

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

A Component Unit of the City of Chicago
State of Illinois

Supplemental Financial Report

For the Fiscal Year Ended December 31, 2016



The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the "Fund") presents its Supplemental Financial Report for the fiscal year ended December 31, 2016. This report, the Financial Statements for the year ended December 31, 2016 and the Actuarial Valuation Report as of December 31, 2016 provide content that was formerly presented in the Comprehensive Annual Financial Report (CAFR) for fiscal years prior to 2014. The information this report contains is entirely the responsibility of the Plan and its administrative staff. The statements and disclosures contained in this year's three reports 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.

July 21, 2017

The Board of Trustees

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

321 N. Clark Street, Suite 1300

Chicago, IL 60654-4739

Dear Trustees:

Marquette Associates would like to provide a summary of the investment results for the Laborers' & Retirement Board Employees' Annuity & Benefit Fund of Chicago for the year ended December 31, 2016.

Interest rates increased over the year providing mixed returns for investment grade fixed income. High Yield bonds and Senior Secured Loans outperformed significantly as credit spreads tightened. U.S. Equities showed strong returns for the year, with the S&P 500 up 12.0% and the Russell 2000 up 21.3%. Broad International equity markets (MSCI All Country World ex-U.S.) gained 4.5% for the year. Emerging markets (MSCI Emerging Markets Index) significantly outperformed developed markets, up 11.2% for the year. Private Real Estate continued strong performance in 2016, with the NCREIF Property Index up 8.0%.

The Total Fund returned 5.3% for calendar 2016, net of fees, underperforming the Policy Benchmark's return of 7.5%. The Fund ranked in the 96th percentile in the InvestorForce Public Defined Benefit Fund over \$1 billion peer universe. The 3-year annualized return for the Fund was 2.4% versus 4.2% for the benchmark, ranking the Fund in the 91st percentile. The 5-year annualized return for the Fund was 7.2% versus 8.4% for the benchmark, ranking the Fund in the 72nd percentile.

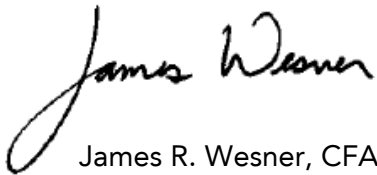
Factors contributing to 2016 performance include:

- Fixed Income – Positive returns from the asset class, outperforming the broad global fixed income market, due to significant outperformance of Emerging Market Debt.
- U.S. Equity – Strong returns in 2016, with small cap stocks significantly outperforming large cap stocks, and value significantly outperforming growth for the year. LABF's U.S. Equity Composite underperformed its benchmark, due to manager underperformance, despite the Plan's exposure to small cap equities.
- International Equity – The asset class underperformed for the year, due to manager underperformance. Emerging markets outperformed developed markets for the year, with value significantly outperforming growth.

- Global Equity – The asset class underperformed its benchmark, with mixed manager performance. U.S. and emerging markets exposure were top contributors to equity returns for the year.
- Hedge Funds – The asset class outperformed its benchmark for the year, as event driven strategies outperformed in 2016.
- Real Estate – The asset class underperformed its benchmark, as income provided steady returns and property appreciation slowed in 2016.
- Private Equity – The asset class was a positive contributor to LABF’s performance for the year, returning over 8%.

LABF continues to invest in a well-diversified portfolio of assets to provide growth opportunities for Plan assets in the years to come. The Plan implements this diversified portfolio by using a combination of active and passive management.

Sincerely,



James R. Wesner, CFA
Managing Partner

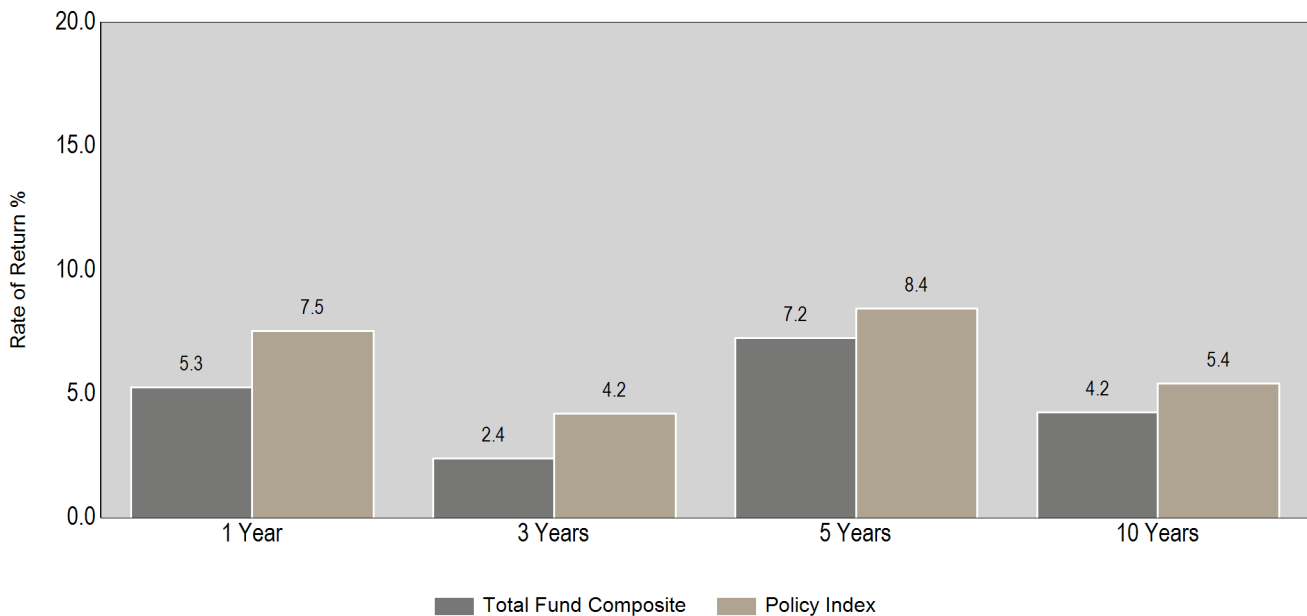


Kweku Obed, CFA, CAIA
Managing Partner

Ending December 31, 2016

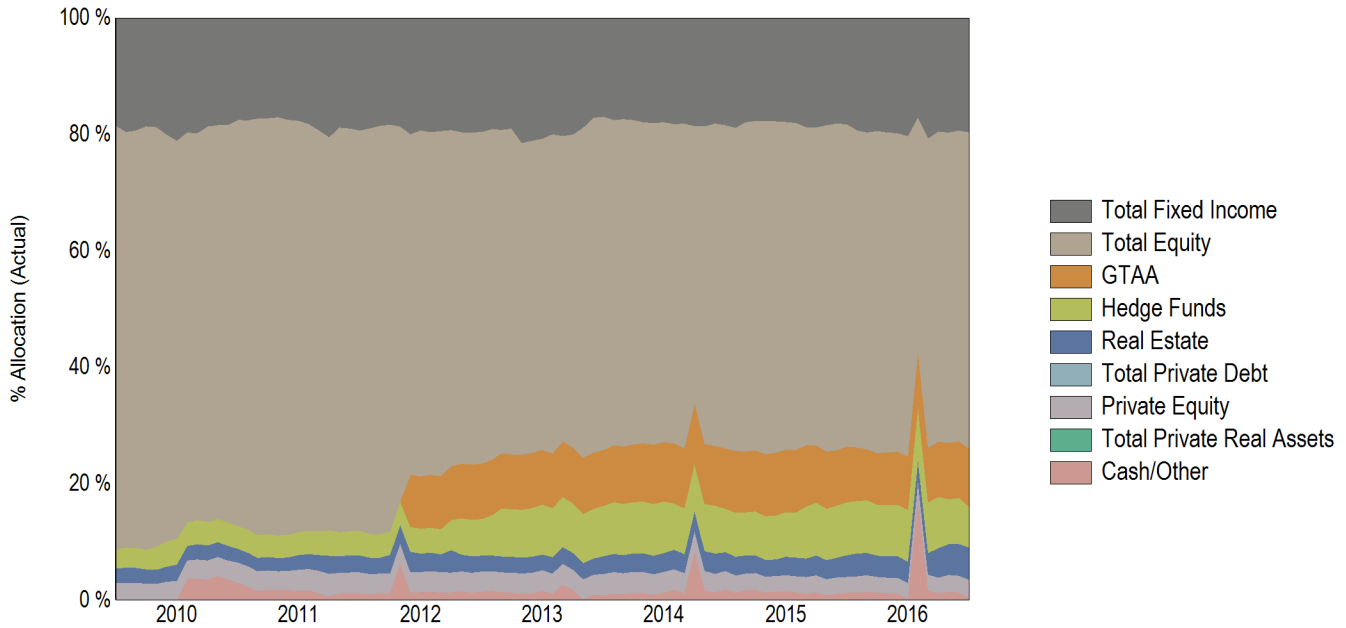
	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
Total Fund Composite	5.3	2.4	7.2	4.2	5.3	-1.3	3.3	16.2	13.8
<i>Policy Index</i>	7.5	4.2	8.4	5.4	7.5	-0.2	5.4	16.6	13.7
<i>Allocation Index</i>	8.2	4.0	8.1	4.6	8.2	-1.3	5.3	15.9	13.5
Total Fixed Income	7.2	3.2	3.0	4.4	7.2	-2.0	4.5	-2.4	8.0
<i>BBgBarc Global Aggregate TR</i>	2.1	-0.2	0.2	3.3	2.1	-3.2	0.6	-2.6	4.3
Total Equity	4.6	1.7	9.4	4.5	4.6	-2.6	3.3	27.0	17.1
<i>MSCI ACWI</i>	7.9	3.1	9.4	3.6	7.9	-2.4	4.2	22.8	16.1
Total Domestic Equity	12.1	4.6	12.7	6.4	12.1	-4.4	6.8	35.6	16.9
<i>Russell 3000</i>	12.7	8.4	14.7	7.1	12.7	0.5	12.6	33.6	16.4
Total International Equity	-2.6	-2.1	4.3	0.7	-2.6	-1.9	-1.8	12.1	17.2
<i>MSCI ACWI ex USA</i>	4.5	-1.8	5.0	1.0	4.5	-5.7	-3.9	15.3	16.8
Total Global Equity	6.0	4.4	--	--	6.0	0.0	7.3	--	--
<i>MSCI ACWI</i>	7.9	3.1	9.4	3.6	7.9	-2.4	4.2	22.8	16.1
GTAA	8.1	1.7	--	--	8.1	-3.1	0.5	6.6	--
<i>60% MSCI ACWI / 40% Barclays Aggregate</i>	5.9	3.3	6.6	4.2	5.9	-1.0	5.0	12.3	11.5
Hedge Funds	1.3	1.3	4.0	--	1.3	-0.6	3.2	11.6	5.2
<i>HFRI Fund of Funds Composite Index</i>	0.5	1.2	3.4	1.3	0.5	-0.3	3.4	9.0	4.8
Real Estate	5.4	10.5	8.4	1.9	5.4	19.3	7.4	10.0	0.6
<i>NPI</i>	8.0	11.0	10.9	6.9	8.0	13.3	11.8	11.0	10.5

Return Summary
Ending December 31, 2016



* Performance is calculated on a time-weighted basis, using the Modified Dietz method.

Historic Asset Allocation



Asset Allocation vs. Target
As Of December 31, 2016

	Current	%	Policy	%	Difference	%
Total Fixed Income	\$223,534,388	19.5%	\$183,096,265	16.0%	\$40,438,123	3.5%
Total Equity	\$622,417,232	54.4%	\$572,175,827	50.0%	\$50,241,405	4.4%
GTAA	\$113,969,017	10.0%	\$80,104,616	7.0%	\$33,864,401	3.0%
Hedge Funds	\$80,206,535	7.0%	\$91,548,132	8.0%	-\$11,341,597	-1.0%
Real Estate	\$63,342,533	5.5%	\$91,548,132	8.0%	-\$28,205,599	-2.5%
Total Private Debt	\$1,003,505	0.1%	\$34,330,550	3.0%	-\$33,327,045	-2.9%
Private Equity	\$34,337,074	3.0%	\$45,774,066	4.0%	-\$11,436,992	-1.0%
Total Private Real Assets	--	--	\$45,774,066	4.0%	--	--
Cash/Other	\$5,541,369	0.5%	\$0	0.0%	\$5,541,369	0.5%

Laborers' & Retirement Board Employees' Annuity & Benefit Fund

Market Values

Ending December 31, 2016

	Asset Class	Market Value (\$)	% of Portfolio	Policy %
Total Fund Composite		1,143,833,109	100.0	100.0
Total Fixed Income		223,534,388	19.5	16.0
Core Fixed Income		60,844,443	5.3	3.0
AFL-CIO HIT	Construction Loans	22,390,664	2.0	
Baird Advisors	Core Plus Fixed Income	18,056,244	1.6	
LM Capital Group	Core Plus Fixed Income	20,397,535	1.8	
Global Multi-Sector Fixed Income		115,081,272	10.1	9.0
WAMCO Global Multi-Sector	Global Fixed Income	35,198,264	3.1	
Neuberger Berman Fixed Income	Global Fixed Income	69,295,118	6.1	
WAMCO Macro Opportunities	Global Fixed Income	10,587,891	0.9	
Emerging Market Debt		47,608,673	4.2	4.0
LM Capital EMD	EM Fixed Income	47,608,673	4.2	
Total Equity		622,417,232	54.4	50.0
Total Domestic Equity		192,550,398	16.8	12.0
Total Large Cap Equity		73,012,733	6.4	4.0
Rhumblin S&P 500 Index	Large-Cap Core	73,012,733	6.4	
Total SMID Cap Equity		119,537,666	10.5	8.0
Keeley Investment	Smid-Cap Value	33,633,321	2.9	
Ariel	Smid-Cap Value	35,485,911	3.1	
Fiera Capital	Smid-Cap Growth	24,448,197	2.1	
Ariel Micro Cap Value	Micro-Cap Value	25,970,237	2.3	
Total International Equity		192,103,323	16.8	18.0
Total International Developed Markets Equity		119,036,603	10.4	13.0
Baillie Gifford	Non-U.S. Large-Cap Core	63,788,214	5.6	5.0
Wasatch International Small Equity	Non-U.S. Small-Cap Core	55,248,389	4.8	8.0
Total Emerging Markets Equity		73,066,720	6.4	5.0
Vontobel	Emerging Markets	46,041,912	4.0	3.0
William Blair Emerging Markets Small Cap	EM Small-Cap	27,024,807	2.4	2.0
Total Global Equity		237,763,511	20.8	20.0
Hexavest World Equity	Global Core Equity	58,280,212	5.1	5.0
Fiera Capital	Global Core Equity	59,724,997	5.2	5.0
Progress Manager of Emerging Managers		119,758,302	10.5	10.0
ARGA Investment	Global Core Equity	18,057,410	1.6	
Ativo Capital	Global Core Equity	32,386,179	2.8	
HAV Capital	Global Core Equity	11,913,190	1.0	
Martin INV Management	Global Core Equity	13,875,162	1.2	
Strategic Global	Global Core Equity	30,940,890	2.7	
Brown Capital	Non-U.S. Small-Cap Core	6,890,794	0.6	
Glovista Investments	Emerging Markets	5,694,678	0.5	

Laborers' & Retirement Board Employees' Annuity & Benefit Fund

Market Values

Ending December 31, 2016

	Asset Class	Market Value (\$)	% of Portfolio	Policy %
GTAA		113,969,017	10.0	7.0
PIMCO/SEI All Asset Fund	Global Tactical Asset Allocation	31,303,779	2.7	
Wellington Opportunistic Investment Allocation	Global Tactical Asset Allocation	82,665,238	7.2	
Hedge Funds		80,206,535	7.0	8.0
Entrust Special OP Fd II	Multi-Strat. Hedge FoF	2,323,437	0.2	
Entrust Special OP Fd III	Multi-Strat. Hedge FoF	3,097,645	0.3	
Pluscios Mgmt LLC	Multi-Strat. Hedge FoF	24,255,599	2.1	
Lighthouse Global Long/Short	Hedged Equity Hedge FoF	24,070,835	2.1	
Riverview Global Macro Fund	Global Macro Hedge Fund	25,688,494	2.2	
Real Estate		63,303,532	5.5	8.0
ASB Capital Management	Core Real Estate	37,762,153	3.3	
Capri Capital III	Value-Added Real Estate	9,114	0.0	
Capri Select Fund II	Opportunistic Real Estate	11,096	0.0	
Newport Capital	Opportunistic Real Estate	1,108,765	0.1	
JBC Opportunity III LP	Opportunistic Real Estate	194,888	0.0	
JBC Opportunity IV LP	Opportunistic Real Estate	3,568,546	0.3	
Mesirow Financial Real Estate Value Fund	Value-Added Real Estate	8,370,984	0.7	
Mesirow Financial Real Estate Value Fund II	Value-Added Real Estate	9,676,943	0.8	
Long Wharf Real Estate Fund V	Value-Added Real Estate	2,601,043	0.2	
Total Private Debt		1,003,505	0.1	3.0
Brightwood Capital Fund IV	Opportunistic Fixed Income	1,003,505	0.1	
Private Equity		34,337,074	3.0	4.0
Glouston PE Opportunities V	Secondary Private Equity FoF	3,654,266	0.3	
Hopewell Ventures	Venture Private Equity	2,051,056	0.2	
Midwest Mezz IV	Mezz. Private Equity	1,989,845	0.2	
Mesirow I	Global Divers. Private Equity FoF	1,657,164	0.1	
Mesirow II	Global Divers. Private Equity FoF	1,847,000	0.2	
Mesirow Fund IV LP	Global Divers. Private Equity FoF	3,414,754	0.3	
Mesirow IX	Private Equity Co-Investment	2,199,841	0.2	
Mesirow X	Private Equity Co-Investment	5,677,930	0.5	
Pantheon Global SEC IV	Secondary Private Equity FoF	11,845,218	1.0	
Total Private Real Assets		--	--	4.0
Cash/Other		5,541,369	0.5	0.0
Administrative Fund	Cash & Equivalents	3,497,317	0.3	
Disbursement Trust	Cash & Equivalents	1,992,216	0.2	
Cash	Cash & Equivalents	51,835	0.0	

Top 10 Equity Holdings

December 31, 2016

Shares	Security	Fair Value
274,255	Tencent Holdings Ltd	\$6,710,327
61,929	Alibaba Group Holding Ltd Sponsored ADR	5,437,985
45,514	Johnson & Johnson	5,243,668
38,595	Apple Inc	4,470,073
146,525	Taiwan SemiConductor Mfg Co	4,212,594
87,212	Unilever NV CVA Eur0.16	3,598,066
20,683	Baidu Inc Sponsored ADR	3,400,492
98,373	Inditex Eur0.03	3,364,902
51,564	Microsoft Corp	3,204,187
565,400	AIA Group Ltd	3,190,477

Top 10 Fixed Income Holdings by Issuer

December 31, 2016

Issuer	Fair Value
Government of the United States	\$28,561,792
Federal National Mortgage Association	11,294,714
Government of Japan, Cabinet Office	5,806,823
Federal Home Loan Mortgage Corp	5,301,370
Commonwealth of Australia	2,311,991
Colombia Telecomunicaciones, S.A. ESP	1,796,750
FHLMC 30-Yr Gold	1,788,389
Asian Development Bank	1,720,276
Banco Bilbao Vizcaya Argentaria, S.A.	1,708,500
Gobierno Federal de los Estados Unidos M	1,614,913

A complete listing of portfolio holdings is available upon request.

BROKER COMMISSIONS FOR 2016

Name	Total Equity Commissions
Loop Capital Markets	\$65,570
BNY ConvergEx Execution Services	62,304
Cabrera Capital Markets	30,068
Macquarie Bank Limited	23,996
BNP Paribas Securities Services	19,385
RBC Capital Markets	12,420
Stifel, Nicolaus & Company	10,661
BTIG LLC	10,631
ConvergEx Execution Services	8,622
Cantor Fitzgerald & Co/CastleOak	8,414
All Other	<u>237,377</u>
Total	<u><u>\$489,447</u></u>