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, 2008



Comprehensive Annual Financial Report

For the fiscal year ended
December 31, 2008

Prepared by the Accounting Department
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Chicago, IL 60601

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Introductory Section

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, 2007

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

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

April 10, 2009

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, 2008. 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 & 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 union. 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, 2008, total Plan membership, including active, inactive, disabled and retired members is 8,779. Plan Net Assets decreased by $594 million. Additions to Plan Assets were a negative $473 million largely due to investment losses of $502 million. For 2008, benefit expenses of nearly $114 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 $92 million to $259 million during the year, resulting in a change in the funding ratio from 95 to 86.8 percent. 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 low level of risk. The strategic asset allocation among investment types and manager styles is reviewed annually by the trustees and investment consultant

Global stock markets faced historic challenges as continuing problems in the financial markets erupted in the year's final months. As of December 31, 2008, the fair value of invested assets, excluding securities lending collateral, was $1,211,928,723 which compares to $1,822,553,294 as of December 31, 2007. For the year ending December 31, 2008, the Plan's total investment return on the fair value of assets was an unprecedented -29.2%. Total investment return for the Plan over the last three and five years was -5.3% and 0.4%, respectively. As a result of the crumbling financial markets of 2008, the ten year return is only 2.0%. 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 actuarial cost method. 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.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was adopted in 2007. It establishes standards of accounting and financial reporting for the employer's long term financial obligation of other postemployment benefits earned by employees. Based on the Actuarial Value of Assets, the unfunded liability as of December 31, 2008 was a deficit of $258,960,825 (including a GASB 43 unfunded liability of $42,063,816) compared to a deficit of $91,995,570 the previous year. The funding ratio as of December 31, 2008 is 86.8% compared to 95.0% in 2007.

Major Initiatives

Throughout much of 2008, the Plan's staff focused on a document imaging process to capture and store electronic images of the contents within a participant's file. The imaging process provides preservation in the event of unforeseen loss or damage to paper files. In addition, by having electronic images of a file, multiple staff members can view the same file simultaneously as well as respond more quickly to inquiries. All images are accessible at the desktop computers reducing time consuming physical searches. The imaging process also greatly reduces the amount of office space required to house thousands of paper files.

Last year, the physical space plan of our disaster recovery site was implemented along with the shared local area network, wide area network and the terminal services environment. This year, an internet interface data storage solution was implemented which facilitates data transfers over long distances, enables location-independent retrieval and offers scalable storage capacity that is able to grow as circumstances change. In addition, a Virtual Server Environment (VSE) was created which allows a computer system to no longer be hardware dependent. The VSE enables quick migration to the disaster recovery site in cases of either main hardware or software failure. It also utilizes hardware more efficiently thereby extending the useful life of equipment and reducing energy consumption.

Significant progress was made on the Plan's participant database system. The calculation portion of the contributions modules, specifically the Special Payments, was completed. Because participants have the option to pay variable amounts on installment plans, automating the calculation of this module was quite complex. Staff invested a significant amount of time testing the accuracy and ability of the system. The disability payment module was also enhanced with the capability of performing retroactive calculations. The ongoing development and integration of the database system into the Fund's workflow continues to increase the efficiency of the organization.

An Asset Liability Modeling study was completed in 2008. Commissioned by the Board of Trustees, the Plan's actuary and investment consultant partnered together with the goal of creating a new mix of investments for the purpose of improving the Plan's risk to return ratio. New targets within different asset categories were approved by the Board. The resulting breakdown 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, 2007. 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 2007 and 2008 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 every summer and winter informing members of any relevant administrative, legislative or retirement topics. We will send a summary of the annual report to members and annuitants. Authorized agents will also receive the annual report in June in addition to it being available upon request at our office.

Outlook for 2009
During the first quarter of 2009, government intervention in the financial system and the U.S. economy has continued unabated as the Treasury continued its efforts to unfreeze the credit markets, shore up the U.S. banking system and put a floor under the U.S. economy in the face of continued deterioration globally. The recession, illiquid markets, credit crisis, and increasing unemployment continue to be factors which hurt the markets. The U.S. stock market had a very volatile quarter as the crisis in confidence that hurt stocks so badly in 2008 led to a further slide in stock prices in January and February. However, by the end of March, the S&P Index rallied with the financial sector being a major beneficiary. Despite the strong late March run-up, the absolute return for the first quarter was negative. It is unclear whether the rally is sustainable. Future economic news will likely remain weak.

International stock markets have remained weak and uncertain into 2009, but the mix of performances has begun to reflect hopes of recovery. All major regions contributed to a decline with the exception of emerging markets which significantly outperformed their developed counterparts. Stimulus measures by governments and central banks show no signs of abating, although it may take some time to take effect.

There were encouraging signs of improvement in the fixed income market during the first quarter however, conditions overall remain challenging. General liquidity improved marginally as cash migrated to the bond market from low-yielding money markets in search of more attractive opportunities, but returns varied from sector to sector. Most non-treasury sectors outperformed as investors took advantage of compelling valuations in many high quality sectors. The best performing portfolio would have been overweight in high yield, emerging markets, and TIPs. Liquidity in the fixed income markets is likely to remain materially reduced from what we've experienced over the last 25 years.

Economically speaking, a number of programs have been introduced or modified in a way that indicates that the Treasury and the Federal Reserve are committed to protect and restore the viability of the essential markets, products and businesses that have formed the financial backbone of the U.S. economy. At the end of March, the Fed unexpectedly announced plans to significantly expand its balance sheet by purchasing agency notes, mortgage backed securities and longer-term treasuries. This move should lower long-term interest rates and stimulate home purchasing and business investment. The low level of interest rates coupled with the potential benefits in the form of added stimulus spending may lessen the severity of the recession, but an extended recession is expected. The Plan continues to monitor its investment program and strategy to ensure a favorable risk and return profile over the long term.

Benefit payments and refund expense are expected to remain steady in 2009, while administrative expenses may rise slightly. This increase is due to expenses incurred for the creation of a website and the continued process of scanning historical participant files.

With a funding ratio of 86.8%, we are well funded and quite capable of meeting our annual obligations. According to the Public Pension Fund Survey conducted by the National Association of State Retirement Administrators (NASRA), the median funding level of a public pension fund in 2007 was 84.3%. A funding ratio of 80% or higher is considered by many actuaries as a benchmark of a healthy pension plan. As a consequence of the Plan's funding ratio falling below 100%, the City has begun making employer contributions again.

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 serve as a reliable guide for informed decision-making and also as a record of the Plan's achievement.

The Board and staff of the Plan are dedicated to preserving the retirement system and are doing so with honesty, dedication, and integrity. At the same time we are accountable 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,

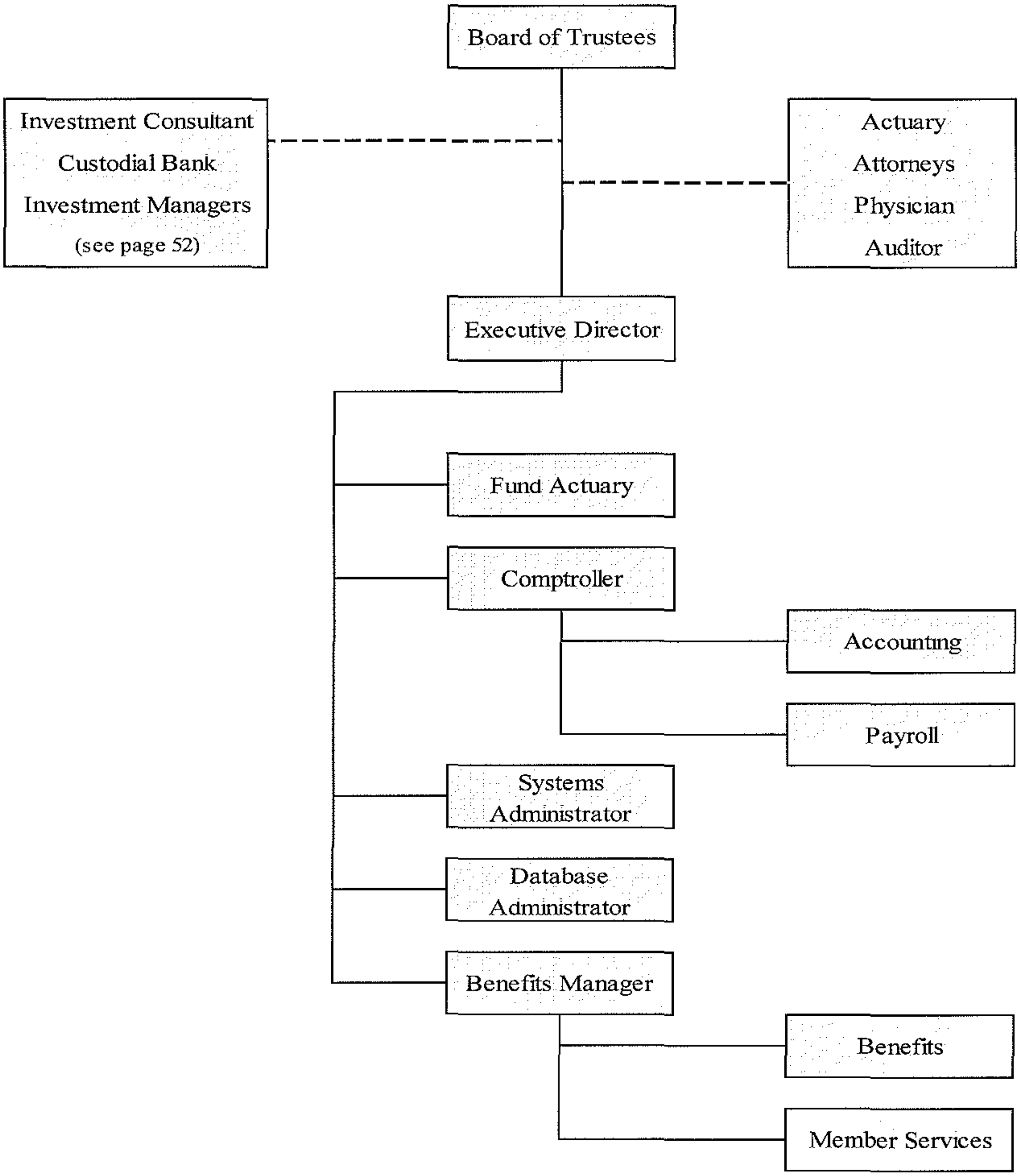
James Capasso, Jr.

James Capasso, Jr.
Executive Director

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

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

Administrative Organization



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, 2008 and 2007, 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, 2008 and 2007, 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 pages 45 and 46 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 has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken 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 40 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Calibre CPA Group PLLC

Chicago, Illinois
April 10, 2009

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 2-6), 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 2008, the consulting actuary reports the Plan's actuarial liability was $1.957 billion and the actuarial value of assets was $1.698 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. As of December 31, 2008, the Plan's funded ratio was 86.8% which decreased from the December 31, 2007 funded ratio of 95%. A funded ratio of 80% or higher is considered by actuaries as a benchmark of a healthy pension plan.

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. <u>Basic Financial Statements:</u> 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. <u>Notes to the Financial Statements:</u> 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. <u>Required Supplemental Information:</u> 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. <u>Additional Information:</u> 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
Financial institutions around the globe faced extraordinary market conditions in 2008. Turmoil in the credit markets as well as a collapse in consumer confidence lead to the worst financial crisis since 1931. Negative economic data was plentiful. As the jobless rate grew to its highest level in 16 years and the number of foreclosures soared, consumer confidence reached an all time low. Although the US government took steps to stabilize the credit markets, it was not enough to bolster the economy.

As reported by the Plan's investment consultant, the total investment return based upon fair value was -29.2% in 2008 versus 8% in 2007. U.S. Equity returns of -39.3% trailed its benchmark of the S&P by 2.3% and International Equity returns of -46.7% lagged the MS EAFE Net by 3.3%. The financial, materials, and info technology sectors allocations contributed greatly to the negative return as these sectors lost more than 40% of their total value during 2008. In addition, Bond managers fell far short of their benchmark as the composite yielded a -5.0% return as compared to the Lehman Aggregate of 5.2 % for the year. This dismal performance in the fixed income category and large deviation from the benchmark was primarily due to the fact that low quality instruments of durations longer than 10 years rebounded and produced strong returns. Managers holding higher quality and shorter duration instruments did not benefit from this development. Although real estate outperformed its benchmark by 9.3%, its overall return was negative at -.7%. Because commercial real estate performance tends to lag behind other macroeconomic trends, the full weight of the downturn had yet to impact the sector. Therefore due to lag time, real estate produced a comparatively insignificant decline. Venture capital and real estate asset classes have a nominal impact on overall Plan performance because they represent a small percentage of the portfolio (Venture 3.3% and Real Estate 3.5%).

Rates of Return for Fiscal 2008					
Asset Category	1 Year Return	5 Year Return	Index Name	1 Year Return	5 Year Return
Cash and short-term	2.8	3.3	30 Day T-Bills	1.3	3.0
Fixed income	-5.0	2.0	BC Aggregate	5.2	4.7
U.S. equities	-39.3	-1.0	S&P 500	-37.0	-2.2
International equities	-46.7	-0.1	MS EAFE Net	-43.4	1.7
Venture capital	-10.8	14.0	Venture Capital	N/A	N/A
Real estate	-0.7	12.6	NCREIF Open End	-10.0	10.3
Total Plan	-29.2	0.4	Allocation Index*	-23.6	0.9

*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, 2008 amounted to $1.189 billion, which was a decrease of $594 million (-33.3%) from $1.783 billion at December 31, 2007. This contrasts greatly with the increase of $43 million (2.5%) in net assets that occurred between December 31, 2006 and December 31, 2007.

Condensed Comparative Statements of Plan Net Assets

	December 31,			Percentage Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Receivables	$ 22,679,888	$ 22,135,605	$ 6,989,426	2.5%	216.7%
Investments, at Fair Value	1,211,928,723	1,822,553,294	1,806,468,026	-33.5%	0.9%
Invested Security Lending Cash Collateral	145,705,526	200,893,526	257,139,049	-27.5%	-21.9%
Property and Equipment	3,446,441	3,957,079	4,089,286	-12.9%	-3.2%
Total Assets	1,383,760,578	2,049,539,504	2,074,685,787	-32.5%	-1.2%
Liabilities	195,180,089	266,721,966	335,025,123	-26.8%	-20.4%
Total Plan Net Assets	$ 1,188,580,489	$ 1,782,817,538	$ 1,739,660,664	-33.3%	2.5%

Assets
Total assets decreased in 2008 by $666 million or -32.5% and decreased by $25 million or -1.2% in 2007. The 2008 decrease is attributable to steep declines in the financial markets during the fourth quarter. The 2007 decrease is largely attributed to decreased Invested Security Lending Cash Collateral. Because fewer securities were out on loan on December 31, 2007 than on December 31, 2006, the amount of collateral securing such loans was less than the previous year.

As of December 31, 2008, total receivables, remained relatively constant from the previous year and increased by a mere $0.5 million. In 2007, total receivables increased by approximately $15 million from the end of 2006. The 2007 dramatic increase in receivables was the result of a year end accrual of an employer contribution. A provision in Illinois State Law mandates that the City of Chicago (employer) is not required to make a contribution for years in which the Plan's funded ratio exceeds 100%. In 2007, after seven years of not contributing, the City resumed making contributions to the Plan.

During 2008, investments at fair value decreased dramatically by $610 million (-33.5%). During the two prior years, investments at fair value had increased modestly by $16 million in 2007 and $71 million in 2006. Securities lending is an investment program that generates additional income for the Plan. For accounting purposes, the required collateral associated with this type of lending investment is categorized as both an asset and liability. The amount of securities on loan in any given year is based upon market demand which fluctuates greatly from year to year.

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 2008, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (74.7%); unsettled net investment trades at year end (18.5%); and accrued professional and investment management fees payable (6.8%). In 2007, the Plan's liabilities consisted of the liability for the cash collateral associated with securities lending (75.3%); unsettled net investment trades at year end (23.3%); and accrued professional and investment management fees payable (1.4%). Because of the corresponding accounting entry, the rise or fall of the Liabilities account 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,			Percentage Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
Additions					
Contributions	$ 36,998,863	$ 33,872,389	$ 18,897,712	9.2%	79.2%
Total investment income	(510,462,568)	125,204,334	174,535,356	-507.7%	-28.3%
Total Additions	(473,463,705)	159,076,723	193,433,068	-397.6%	-17.8%
Deductions					
Benefits and refunds	117,146,951	112,567,428	110,002,850	4.1%	2.3%
Administrative expense	3,626,393	3,352,421	2,830,920	8.2%	18.4%
Total Deductions	120,773,344	115,919,849	112,833,770	4.2%	2.7%
Net increase in net assets	(594,237,049)	43,156,874	80,599,298	-1476.9%	-46.5%
Net assets held in trust for pension benefits					
Beginning of year	1,782,817,538	1,739,660,664	1,659,061,366	2.5%	4.9%
Ending of year	$ 1,188,580,489	$ 1,782,817,538	$ 1,739,660,664	-33.3%	2.5%

Additions
The additions of member and employer contributions and investment income are the funding sources for benefit payments. In 2008, contributions increased by $3.1 million or 9.2%. In 2007, because the Plan had previously fallen below 100% funded, the City resumed making employer contributions; thereby, approximately doubling the amount of contributions from 2006.

The growing recession of the nation's economy was reflected in the Plan's 2008 investment returns. In contrast to the investment gains on the sale of assets in 2007 and 2006 of $91 million and $109 million, respectively, an investment loss on asset sales occurred during 2008. The investment loss amounted to $83 million; however, the greatest negative impact on investment income originated from unrealized investment losses. In 2006, the Plan posted $26 million as an unrealized gain. As the economy slowed in 2007, the unrealized loss on investments was $4 million. As a result of the steep market declines during 2008, the unrealized losses on investments ballooned to $450 million. In addition, losses in security lending of $8 million also contributed negatively to investment income.

Deductions

The expenses paid by the Plan include annuity and disability benefit payments, contribution refunds and administrative expenses. The 4.1% increase in benefits and refunds payments was the result of a retroactive salary increase which caused the recalculation of participant benefits. Benefit payments were relatively unchanged between the years of 2006 and 2007. The December 2008 annuity roll saw an increase of only 2 employee annuitants as compared to December, 2007 and 18 fewer spouse annuitants. There were 39 fewer employee annuitants on the December, 2007 roll as compared to December, 2006 and 19 fewer spouse annuitants. Although there continues to be fewer recipients of benefit checks, the expense continues to increase. The reason is two fold; first the Plan provides a compounded cost of living increase to qualified employee annuitants each January, and secondly, due to active employee raises granted by the city, the average annuity granted to new retirees continues to be greater than the average of the on-going annuitants.

During 2008, administrative expenses increased by an 8.2%, as compared to the 18.4% increase during 2007. The increase is primarily due to acquisition of a document management system. The Plan embarked on an electronic imaging solution to eliminate the cumbersome paper filing system and to aid in the recovery of documents should an emergency occur. Additional resources were expended to further develop the disaster recovery site to achieve the goal of being able to establish full operations at a satellite office within 36 hour of an emergency.

Three factors explain the 18.4% increase during 2007. First was the adoption in 2007 of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans.* GASB 45 requires reporting benefits other than pensions (OPEB) that many plans provide as part of an employee's compensation package. Additional information on the Plan's OPEB costs is located in the Notes to the Financial Statements (see page 35). The second factor was the purchase of Fiduciary Liability Insurance by the Board of Trustees. The insurance policy protects against legal liability arising from the administration of the Plan or its assets and also covers the cost of defending claims. The third component is the cost of an Asset Liability Modeling study which was commissioned by the Board and performed by the Plan's actuary and investment consultant. The study's purpose is to define an optimal investment strategy that maximizes investment returns, controls risk, and ultimately increases the Plan's funded ratio.

Factors impacting 2009

The 2009 financial markets will be the most challenging investment environment in decades. This is especially true for institutional investors who cannot simply withdraw like individual investors and remain on the sidelines awaiting economic recovery. A few of the major challenges confronting investors are: frozen credit markets, declining consumer spending, rising unemployment, growing foreclosures, and entire industries facing bankruptcy. In order to respond to changing circumstances, the Board of Trustees will be focusing on the recently completed Asset Liability Modeling study. They will be looking into modifying investment strategies and rebalancing asset allocations.

In early 2008, Mayor Richard M. Daley established a committee to propose ways to improve the financial strength of the city's nine pension funds. This selected group of business, labor and city leaders was commissioned to conduct an analysis of the pension funds and make recommendations on how to reach and maintain higher funding levels. These recommendations are expected in the later half of 2009.

Request for Information

Questions about any information provided in this report should be addressed to:

Laborers' Annuity and Benefit Fund of Chicago
Attn: Executive Director
221 N LaSalle St Ste 748
Chicago IL 60601

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

Statements of Plan Net Assets

December 31, 2008 and 2007

	2008	2007
Assets		
Receivables		
Employer	$ 17,509,960	$ 15,460,000
Plan member	771,079	1,384,731
Interest and dividends	4,391,249	5,290,874
Other receivables	7,600	-
Total receivables	22,679,888	22,135,605
Investments - at fair value		
Cash and short-term investments	69,449,431	76,097,351
Equities	575,505,150	973,775,044
Equities loaned to third parties	94,194,925	117,021,416
Total equities	669,700,075	1,090,796,460
Fixed income	341,568,373	478,362,854
Fixed income loaned to third parties	48,625,902	95,075,761
Total fixed income	390,194,275	573,438,615
Venture capital	39,931,972	43,227,235
Real estate	42,652,970	38,993,633
Subtotal	1,211,928,723	1,822,553,294
Securities lending cash collateral	145,705,526	200,893,526
Total investments - fair value	1,357,634,249	2,023,446,820
Property and equipment - at cost, net of accumulated depreciation (2008 - $2,864,073 ; 2007 - $2,219,147)	3,446,441	3,957,079
Total assets	1,383,760,578	2,049,539,504
Liabilities and Net Assets		
Liabilities		
Due to brokers - net	36,192,755	62,229,757
Refunds, professional fees payable and other liabilities	13,281,808	3,598,683
Securities lending cash collateral	145,705,526	200,893,526
Total liabilities	195,180,089	266,721,966
Net assets held in trust for pension benefits	$ 1,188,580,489	$ 1,782,817,538

See accompanying notes to financial statements.

(A schedule of funding progress is presented on pages 40 and 41).

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

Statements of Changes in Plan Net Assets

Years Ended December 31, 2008 and 2007

	2008	2007
Additions		
Contributions		
Employer	$ 17,580,428	$ 15,458,982
Plan member	19,418,435	18,413,407
Total contributions	36,998,863	33,872,389
Investment income		
Net appreciation (depreciation) in fair value of investments	(533,441,274)	87,862,711
Interest	24,534,674	32,424,736
Dividends	12,512,157	11,628,158
Venture capital income - net	844,241	1,576,462
Real estate operating income - net	1,099,800	789,456
	(494,450,402)	134,281,523
Less investment expenses	(7,390,419)	(8,067,835)
Investment income - net	(501,840,821)	126,213,688
Securities lending		
Income	(7,009,905)	11,465,401
Expenses		
Borrower rebates	(3,767,278)	(12,811,224)
Management fees	2,155,436	336,469
Total securities lending expenses	(1,611,842)	(12,474,755)
Securities lending income - net	(8,621,747)	(1,009,354)
Total additions	(473,463,705)	159,076,723
Deductions		
Benefits	113,652,844	108,806,307
Refunds	3,494,107	3,761,121
Administrative and litigation expenses	3,626,393	3,352,421
Total deductions	120,773,344	115,919,849
Net increase (decrease)	(594,237,049)	43,156,874
Net assets held in trust for pension benefits		
Beginning of year	1,782,817,538	1,739,660,664
End of year	$ 1,188,580,489	$ 1,782,817,538

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.

New Accounting Pronouncements - GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted during the year ended December 31, 2007. It establishes standards of accounting and financial reporting for the employer's long term financial obligation of other post employment benefits earned by employees.

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. Pooled funds are carried at fair value as estimated by the applicable investment managers. Alternative investments, which include real estate and venture capital investments, 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 venture capital 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.

Unsettled trades as of the end of the year are recorded net as due to broker. At December 31, 2008 and 2007, $43,534,503 and $70,903,272, respectively, were due to broker, and $7,341,748 and $8,673,515, respectively, were due from broker for unsettled trades.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2008 and 2007 was \$216,744,211 and \$192,847,482, 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.

The Plan 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% per year of service, multiplied by the final average salary (highest average annual salary for any four 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 1/4 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. 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% of the current annuity beginning the January 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.

At December 31, 2008 and 2007, plan members consisted of the following:

	2008	2007
Retirees and beneficiaries currently receiving benefits	3,991	4,005
Inactive plan members entitled to benefits (or a refund of contributions) but not yet receiving them	1,463	1,760
Active plan members (including plan members receiving disability benefits)		
Vested	2,289	2,117
Non-vested	1,036	1,021
Total plan members	8,779	8,903

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.

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, 2008 and 2007, is as follows:

	2008	2007
Cash and short-term investments	$ 69,449,431	$ 76,097,351
Equities		
U.S. equities	427,572,876	703,375,703
U.S. equity funds	112,627,760	214,526,741
Foreign equities	129,499,439	172,894,016
Total equities	669,700,075	1,090,796,460
Fixed income		
U.S. Government obligations and municipal bonds	208,246,607	317,507,991
U.S. Corporate bonds	169,464,728	236,922,100
Foreign fixed income securities	12,482,940	19,008,524
Total fixed income	390,194,275	573,438,615
Venture capital	39,931,972	43,227,235
Real estate	42,652,970	38,993,633
Total investments at fair value	$ 1,211,928,723	$ 1,822,553,294

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.

Given the extreme illiquidity in the market in the last quarter of 2008, our custody bank felt it prudent to make a change to the short term collective pool. Slightly over half of the Plan's short term investments were removed from the collective pool and placed in a separate account, in effect separating illiquid investments from liquid investments. While the market value of these investments is currently below cost, the Plan fully expects these securities to attain par value at maturity date. In early 2009, the Plan did receive the expected par value on the securities that had reached maturity date.

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, 2008 and 2007, 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.

	2008	2007
Amount exposed to custodial credit risk -		
Investments in foreign currency	$ 127,761	$ 155,841

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.

NOTE 3. INVESTMENTS (CONTINUED)

Concentration of Credit Risk (continued)

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, 2008 and 2007.

Quality Rating	2008	2007
Aaa	$ 128,962,508	$ 215,667,073
Aa	13,094,187	22,897,954
A	26,547,865	30,736,252
Baa	38,595,655	46,461,108
Ba	4,580,928	6,516,473
B	1,704,149	5,759,507
Caa	1,667,169	890,940
Ca	116,763	-
C	997,644	-
Not rated or unavailable	52,245,168	54,642,090
Total credit risk debt - securities	268,512,036	383,571,397
U S Governmental guaranteed	121,682,239	189,867,218
Total fixed income	$ 390,194,275	$ 573,438,615

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.

At December 31, 2008, the following table shows the investments by investment type and maturity (expressed in thousands).

NOTE 3. INVESTMENTS (CONTINUED)

Interest Rate Risk (continued)

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10+ Years	Unknown
Asset backed securities	$ 20,816	$ -	$ 11,024	$ 73	$ 9,719	$ -
Commercial mortgage backed	21,495	-	7	-	21,488	-
Corporate bonds	118,189	6,721	34,384	24,181	22,311	30,592
Government agencies	28,069	6,575	8,036	4,795	4,785	3,878
Government bonds	57,039	1,873	26,378	14,759	14,029	-
Government mortage backed	118,122	30	479	2,197	94,470	20,946
Government fixed income	171	-	171	-	-	-
Indes linked gov't bonds	6,746	-	1,273	2,084	3,389	-
Municipal bonds	231	150	-	-	81	-
Non-government backed CMO's	18,834	-	91	422	18,321	-
Other fixed income	482	-	-	-	-	482
Total fixed income	$ 390,194	$ 15,349	$ 81,843	$ 48,511	$ 188,593	$ 55,898

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, 2008 and 2007, is presented in the following table.

NOTE 3. INVESTMENTS (CONTINUED)

Foreign Currency Risk (continued)

Currency	2008	2007
Australian dollar	$ 4,358,313	$ 1,441,868
Brazalian dollar	762,161	-
Canadian dollar	2,589,740	745,478
Swiss franc	8,615,041	14,264,929
Danish krone	2,353,429	1,338,508
Euro	28,951,501	43,038,446
British pound sterling	23,385,295	31,252,792
Hong Kong dollar	6,513,078	4,803,595
Indonesian rupiah	193,865	-
Japanese yen	21,760,487	29,254,875
South Korean won	1,556,508	-
Mexican peso	1,692,070	-
Malaysian ringgit	523,409	-
Norwegian krone	1,197,577	1,042,662
Polish zloty	96,794	-
Swedish krona	2,865,183	1,278,314
Singapore dollar	2,903,994	-
South African rand	1,112,560	-
United States dollar	18,068,434	44,432,549
Subtotal foreign equities	129,499,439	172,894,016
Japanese yen	-	3,568,883
United States dollar	12,482,940	15,439,641
Subtotal foreign fixed income securities	12,482,940	19,008,524
Total foreign securities	$ 141,982,379	$ 191,902,540

Investment Results

During 2008 and 2007, net realized gains (losses) on investments sold, reflecting the difference between the proceeds received and cost value of securities sold, were $(82,875,031) and $91,745,340, respectively. These amounts are included in the net appreciation (depreciation) 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 (depreciation) 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 (depreciation) in Plan assets being reported in both the current and the previous year(s).

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 80% of the net revenue derived from the securities lending activities, and the bank receives the remainder of the net revenue.

The Plan is not restricted as to the type of securities it may loan but the Plan currently has a loan limit in place for $199,753,810.65. 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 64 days in 2008 and 122 days in 2007; 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 45 days as of December 31, 2008 and an average weighted maturity of 44 days as of December 31, 2007. 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.

In accordance with Statement of Financial Accounting Standard No. 140, the Plan has segregated securities on loan to third parties from other investments on the Statement of Plan Net Assets and has also reported the cash collateral held for securities on loan, and a corresponding liability to return the collateral.

At December 31, 2008 and 2007, 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, 2008 and 2007, the fair value of securities loaned was $142,820,827 and $212,097,177, respectively. At December 31, 2008 and 2007, the securities loaned were collateralized as follows:

	2008	2007
Collateralized by cash	$ 145,705,526	$ 200,893,526
Collateralized by other than cash	11,434	16,447,391
Total	$ 145,716,960	$ 217,340,917

During 2008 and 2007, 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.

NOTE 4. SECURITIES LENDING (CONTINUED)

On September 15, 2008, Lehman Brothers International Europe (LBIE) and on September 18, 2008, Lehman Brothers Inc. (LBI) were called into default on obligations under the terms of one or more of the Securities Borrowing Agreements. The Plan was compensated for any security that was not returned from loan in accordance with the contractual obligations.

Due to the volatile financial markets of late 2008, the securities lending program has produced significant negative income unlike any year in the history of securities lending. While the Plan has reported a corresponding liability in 2008, the custodial bank has agreed 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, 2008 and 2007, the Plan held securities in three of its investment management companies with a fair value of $2,495,025 and $25,950,217, respectively.

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, 2008 and 2007, the Plan contracted to acquire securities on a when-issued basis with total principal amounts of $34,095,000 and $68,045,000 and fair values of $34,893,011 and $67,815,604, respectively.

NOTE 8. COMMITTED CASH

The Plan has entered into investment arrangements for real estate and venture capital. As of December 31, 2008 and 2007, the Plan had $40,414,991 and $45,651,507, 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, 2008 (2009 Tax Levy) and as of December 31, 2007 (2008 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 $ 216,744,211 for 3,325 active members for the 2009 tax levy and $192,847,482 for 3,138 active members for the 2008 tax levy is computed as follows:

NOTE 9. SUMMARY OF EMPLOYER FUNDING POLICIES (CONTINUED)

	2009 Tax Levy	2008 Tax Levy
Normal cost	$ 33,594,167	$ 29,956,187
30 year level dollar amortization of unfunded liability (surplus)	20,310,424	6,593,265
Interest adjustment for semimonthly payment	2,127,678	1,424,335
Total minimum contribution	56,032,269	37,973,787
Less estimated plan member contributions	(18,833,220)	(16,756,798)
Annual required contribution (ARC) to be financed by tax levy	$ 37,199,049 *	$ 21,216,989 *
Required tax levy multiple for the Plan	2.12	1.19

*Value for 2009 and 2008 ARC includes GASB No. 43 ARC of $3,681,620 and $3,564,966, 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. Net assets held in trust for pension benefits as of December 31, 2008 and 2007, were comprised of the following Plan surplus (deficit) balances:

	2008	2007
Prior Service Fund	$ 1,130,362,969	$ 1,051,231,482
City Contribution Fund	243,058,098	236,335,030
Salary Deduction Fund	242,988,982	236,263,389
Annuity Payment Fund and Reserve	340,908,222	325,807,055
Supplementary Payment Reserve	69,562	69,562
Fund Reserve - (deficit)	(768,807,344)	(66,888,980)
Total net assets held in trust for pension benefits	$ 1,188,580,489	$ 1,782,817,538

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.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

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.

During the years ended December 31, 2008 and 2007, the Plan's actuary has determined that an increase in actuarial reserves of $107,681,315 for 2008 and an increase in actuarial reserves of $40,470,375 for 2007 are required. The excess or shortage of revenue over expenses for the years ended December 31, 2008 and 2007, have been applied to the actuarial reserves as noted above, which has resulted in an increase in the Plan deficit of $166,965,255 for the year ended December 31, 2008 and a decrease of $53,182,493 for the year ended December 31, 2007.

NOTE 10. RESERVES FOR ACTUARIAL LIABILITIES (CONTINUED)

As reported by the actuary, the changes in the Plan surplus (deficit) during the years ended December 31, 2008 and 2007, consisted of the following:

	2008	2007
Fund surplus (deficit) at the beginning of the year	$ (91,995,570)	$ (145,178,063)
Gains (losses) during the year attributable to:		
Salaries under assumed rate	(12,298,504)	17,040,232
Investment yield over/under 8.0% assumed	(112,839,821)	45,794,443
Annual required contributions from levy and employee contributions	(1,261,981)	(8,305,636)
Miscellaneous actuarial experience	(10,719,816)	(530,616)
Gain (loss) from data corrections	(3,650,332)	(815,930)
Gain (loss) from active member definition change	(26,194,801)	-
Net gain / (loss)	(166,965,255)	53,182,493
Fund deficit at the end of the year	$ (258,960,825)	$ (91,995,570)

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)

Some of the more significant actuarial assumptions used in the valuations for 2008 and 2007, were as follows:

The actuarial method used in the valuation was the Entry Age Normal Actuarial Cost Method.

Life expectancy of participants: 1994 Group Annuity Mortality sex distinct Tables set forward two years

Disability: Disability cost valued as a term cost of 1.50 percent of payroll

Retirement age assumptions (based on actual past experience): All retire by age 70

Investment rate of return (net of expenses): 8% compounded annually

Salary increase: 4.5% compounded annually, plus a service based increase in the first five years

A Schedule of Funding Progress is located in the Required Supplementary Information on page 40. This schedule provides information about progress made in accumulating sufficient assets to pay benefits when due.

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

	2008	2007
Employer contribution	$ 17,891,000	$ 15,460,000
Less allowance for uncollectibe accounts	(381,040)	-
Total	$ 17,509,960	$ 15,460,000

NOTE 12. LEASE AGREEMENTS

The Plan leases its office and storage facilities under extended noncancelable agreements in effect through February 28, 2011. The lease currently requires monthly payments of $19,723. Monthly lease payments are subject to an escalation clause for increases in real estate taxes and maintenance charges. Rental expense for the years ended December 31, 2008 and 2007, was $237,902 and $240,848, respectively. Future minimum rental payments required under noncancelable operating leases are as follows:

Year ending December 31,	
2009	$ 236,676
2010	236,676
2011	39,446
Total	$ 512,798

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 noncancelable 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, 2008 and 2007 was $33,473 and $27,438, respectively. The Plan's share of future minimum rental payments, required under noncancelable operating leases, are as follows:

Year ending December 31,	
2009	$ 9,449
2010	9,735
2011	10,030
2012	10,335
2013	10,648
2014 through 2016	30,004
Total	$ 80,201

NOTE 14. RISKS OF LOSS

In order to protect itself against liabilities and losses, the Plan purchases multi-peril, fidelity bond, fiduciary liability, and health insurance. The cost of the health insurance is borne by both the Plan and employees established on the basis of coverage provided.

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

NOTE 15. PROPERTY AND EQUIPMENT

Property and equipment detail for the years ended December 31, 2008 and 2007, is as follows:

	2008	2007
Office equipment	$ 308,672	$ 218,559
Custom software package	6,001,842	5,957,667
	6,310,514	6,176,226
Accumulated depreciation	(2,864,073)	(2,219,147)
Property and equipment - net	$ 3,446,441	$ 3,957,079

Depreciation expense for the years ended December 31, 2008 and 2007, was $644,925 and $617,564, respectively.

Note 16. Other Post Employment Benefit Plan – City Retirees

Plan Description - Effective January 1, 1988, the Plan and the City of Chicago agreed for a ten year period to share in the cost of providing health care coverage to the annuitants or their surviving spouses who elect to participate in the City of Chicago's Annuitant Medical Benefits Program. This single employer 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.

In this report, the Plan, in accordance with GASB No. 43, *Financial Reporting for Postemployment 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%
12/31/2007	3,567,685	2,202,835	62
12/31/2008	3,564,966	2,347,624	66

There was no ARC prior to 2006

At December 31, 2008, the number of annuitants or surviving spouses whose cost to participate in the Program was subsidized, totaled 2,779; at December 31, 2007, the total was 2,755.

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, 2008, is as follows:

Actuarial accrued liability (AAL)	$ 42,063,816
Net Plan Actuarial Assets	-
Unfunded actuarial accrued liability (UAAL)	$ 42,063,816
Funded ratio	0.0%
Covered payroll	$ 216,744,211
UAAL as a % of covered payroll	19.4%

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 41, 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, 2008 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, 2008 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 2008, the Plan contributed $36,972 to the plan. Plan members receiving benefits contributed $9,645 in 2008 or 26.3% of the total premiums for the year, through their required contributions of between $72 and $398 per month based on coverage. The premium rates paid by the retirees are the same rates as those paid by City of Chicago retirees.

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:

	2008	2007
Annual required contribution	$ 245,497	$ 229,900
Interest on net OPEB obligation	9,214	-
Adjustment to ARC	(12,029)	-
Annual OPEB expense	242,682	229,900
Contributions made	(36,972)	(25,146)
Increase in net OPEB obligation	205,710	204,754
Net OPEB obligation - beg. of year	204,754	-
Net OPEB obligation - end of year	$ 410,464	$ 204,754

In 2008, the Plan contributed 15.1% of the annual required OPEB contribution to the plan.

Actuarial Valuation Information

Fiscal Years Ended	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)
12/31/2006	$0	$ 1,874,900	$ 1,874,900	$0	$ 1,220,500	153.6%
12/31/2007	0	2,047,840	2,047,840	0	1,275,423	160.6

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 41, 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, 2006 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 10% per year graded down to 5% per year (ultimate trend in 1% 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 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, 2006 was 30 years.

Note 18. Subsequent Events

As a result of the financial markets suffering further challenges in the first quarter of 2009, market value of invested assets at March 31, 2009, incurred an additional decline of approximately 11% from values reported on the financial statements as of December 31, 2008.

Subsequent to year end, final reporting was received on some of the alternative investments that was not available at the close of the year. A portion of the Plan's investments in real estate and venture capital reflect an additional reduction in fair value in the aggregate amount of approximately $6.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008

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

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2003	$1,679,796	$ 1,628,563	$ (51,233)	103.15%	$205,692	(24.91)%
2004	1,649,959	1,674,615	24,656	98.53	171,477	14.38
2005 [1]	1,635,595	1,742,300	106,705	93.88	182,809	58.37
2006 [2]	1,664,058	1,767,682	103,624	94.14	193,176	53.64
2007 [2]	1,757,711	1,808,295	50,584	97.20	192,847	26.23
2008 [2]	1,698,427	1,915,324	216,897	88.68	216,744	100.07

[1] OPEB liabilities are discounted at a rate of 4.50% beginning in 2005.

[2] OPEB liabilities are excluded beginning in 2006.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution [1]	Required Statutory Basis [2]	Actual Contribution [3]	Percentage of ARC Contributed
2003	$ -	$ 18,653	$ 367	N/A
2004	8,513	18,788	203	2.38%
2005	12,774	18,212	40	0.32
2006	17,600	16,506	106	0.60
2007	21,726	14,841	15,459	71.15
2008	21,217	17,175	17,580	82.86

[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 beginning in 1991.

Note: The City of Chicago did not levy a tax for the Plan for payments in 2000, 2001, 2002, 2003, 2004, 2005, or 2006.

SCHEDULE OF FUNDING PROGRESS OF OPEB LIABILITIES FOR GASB 43
(dollar amounts in thousands)

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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

SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES FOR GASB 43
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2006	$ 3,543	0.0%
2007	3,568	61.7
2008	3,565	65.9

SCHEDULE OF FUNDING PROGRESS OF OPEB LIABILITIES FOR GASB 45
(dollar amounts in thousands)

Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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%
2007	-	2,048	2,048	0.00	1,275	160.60

SCHEDULE OF EMPLOYER CONTRIBUTIONS OF OPEB LIABILITIES FOR GASB 45
(dollar amounts in thousands)

Year Ended December 31,	Annual Required Contribution	Percentage of ARC Contributed
2006	$ 230	10.9%
2007	245	15.1

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008

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

Postretirement 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 FOR GASB 43 & 45

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: 10% per year graded down to 5% per year ultimate trend in 1% 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 and Litigation Expenses

Years Ended December 31, 2008 and 2007

	2008	2007
Administrative expense		
Salaries:		
Employees	$ 1,330,490	$ 1,256,372
Payroll taxes	19,762	18,479
Group health insurance	295,034	267,690
Life insurance	4,566	4,584
Transit Program	210	213
Services:		
Actuarial consulting	6,500	40,000
Actuarial valuation	59,011	55,149
Check production	92,831	89,275
Legal expense	68,776	63,732
Medical expense	36,168	35,112
Auditing	36,000	33,500
Consulting	16,700	16,700
Conference, membership and education	10,055	8,674
Election expense	940	513
Printing and technical services	43,965	56,728
Computer equipment and service	36,642	8,207
Office supplies and equipment	24,438	28,786
Postage	21,263	18,516
Insurance premiums	159,806	165,000
Rent and electricity	247,020	252,259
Department of Insurance compliance fee	8,000	8,000
Telecommunications	1,674	8,291
Disaster recovery site	33,473	27,438
Document Imaging	149,256	-
Miscellaneous	7,741	5,866
Total administrative expense	2,710,321	2,469,084
OPEB expense for staff retirees	242,682	229,900
Depreciation expense	644,925	617,563
Litigation expense		
Legal expense	23,844	28,710
Actuarial and data processing	4,621	7,164
Total litigation expense	28,465	35,874
Total administrative and litigation expenses	$ 3,626,393	$ 3,352,421

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

SCHEDULES OF INVESTMENT EXPENSES AND PROFESSIONAL SERVICES

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008		2007	
INVESTMENT EXPENSES:	Assets under management*	Fees	Assets under management	Fees
Balanced	$ 8,687,390	$ 182,820	$ 254,139,543	$ 673,752
Equity	669,700,075	3,535,976	984,586,357	3,868,827
Bonds	381,506,885	930,962	425,509,175	958,573
Real Estate	42,652,970	854,397	38,993,633	820,758
Venture Capital	39,931,972	1,343,530	43,227,235	1,259,203
Subtotal	1,142,479,292	6,847,685	1,746,455,943	7,581,113
Custodial Management	69,449,431	231,558	76,097,351	339,597
Investment/Custodial Management	$ 1,211,928,723	7,079,243	$ 1,822,553,294	7,920,710
Investment Consultant Fee		208,500		147,125
Other Investment Service Fees:				
Contract Negotiation Service		102,676		-
Total Fees		$ 7,390,419		$ 8,067,835

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

PROFESSIONAL SERVICES	2008	2007
Actuarial valuation	$ 59,011	$ 55,149
Actuarial consultation	6,500	40,000
Auditing	36,000	33,500
Benefit check production	92,831	89,275
Document scanning	138,035	-
Legal / Legislative	85,476	80,432
Medical	36,168	35,112
Total professional services	$ 454,021	$ 333,468

Investment Section

The Northern Trust Company
50 South LaSalle 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, 2008 through December 31, 2008.

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 December 21, 1995 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 very 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 mid 2008 and resulted in slight changes in our asset classes so as to enhance both the diversification and performance of the assets. Our target asset allocations adopted by the Board of Trustees in May 2008 are shown below.

Asset Category	**Target**	**Actuals at 12/31/08**
US Bonds	16.0 %	32.2 %
US Equities	50.0	44.6
International	13.0	10.7
Emerging Markets	5.0	0.0
Real Estate	4.0	3.5
Venture Capital	8.0	3.3
Hedge Funds	4.0	0.0
Cash & Short Term	0.0	5.7
Total	100.0 %	100.0 %

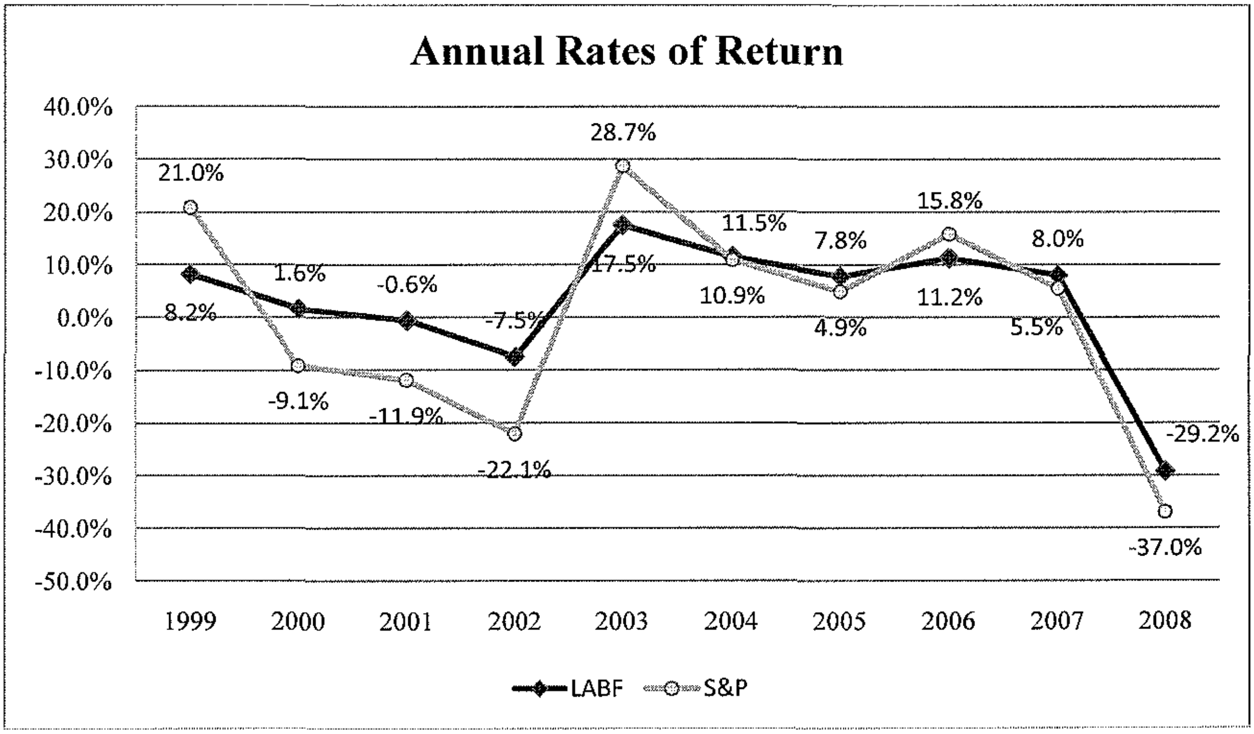
Asset allocation remains very defensive with equity commitment below the long term target. The Plan is rebalancing to increase the equity portion in order to achieve the target long-term returns. The considerable cash & short term investment balance includes monies held for benefit payments and committed real estate and venture capital 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, Becker, Burke Associates 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 Becker, Burke Associates.

INVESTMENT RESULTS

Over the course of the year, investors witnessed extremes that ran in both directions. Extreme increases in stock price volatility, credit spreads of all types, mortgage delinquencies, and unemployment were accompanied by extreme declines in stock prices, auto sales, home prices, U.S. Treasury rates, consumer confidence, and bullish sentiment. By the end of 2008, the worst financial crisis since the Depression had disrupted securities markets and generated losses for investors around the globe. The overall portfolio of the Plan returned -29.2% in 2008, an incredibly disappointing return compared to its solid 2007 performance of 8.0%. For the year, the U.S. equity market fared better than their international and emerging counterparts. In general, large cap stocks outpaced small caps, and growth stocks slightly outperformed value stocks. In terms of the major economic sectors, not one of the ten sectors posted positive returns. Both the S&P Index and the Russell 1000 Index delivered dismal returns at -37.0% and -37.6%, respectively. Our own equity portfolio lagged the benchmark with a return of -39.3%.

The Plan's fixed income returns notably trailed the benchmark due to events which severely impacted the market prices of mortgage backed securities and non-government bonds. Wary investors shunned riskier assets, including corporate and securitized debt, in favor of the safety of U.S. Treasuries. Credit spreads for investment grade, high-yield, and other credits widened to record levels. The Barclays Capital U.S. Aggregate Index posted a solid return of 5.2% outpacing the Plan's fixed income return of -5.0%.

Volatility was not confined to the U.S. markets as the international stock market plummeted posting the worst annual return in its 39 year history. Part of the terrible performance was the anticipation of a worsening economic environment. The fallout from the collapsed western housing market, restrictions of credit, the decline in consumer spending and its effects on global trade are yet to be fully felt. Our international portfolio returned -46.7%, modestly below the EAFE index return of -43.4%. The following graph depicts our Plan returns for the last ten years compared with the S & P Index.



Schedule of Investment Results

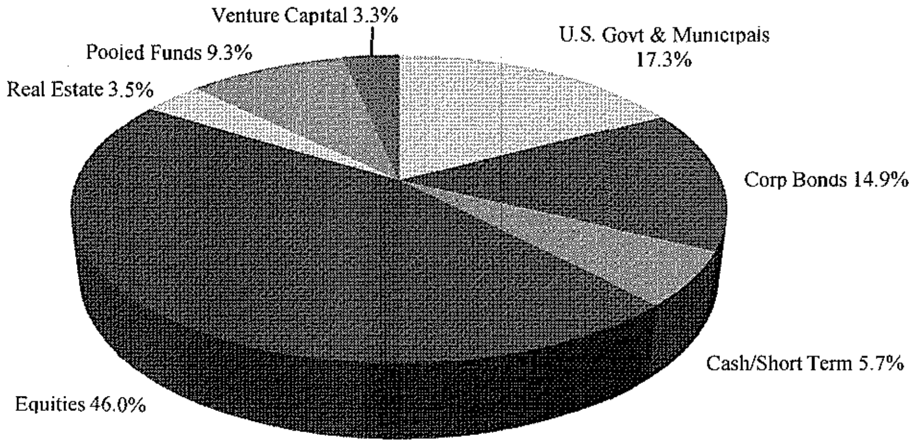
(Annualized percentage for periods ending December 31,)

	2008	2007	2006	2005	2004	3 Yr	5 Yr
Cash & Short Term Investments							
LABF	2.8	4.4	4.9	3.1	1.3	4.0	3.3
30 day T-Bills	1.3	4.5	4.8	3.0	1.3	3.5	3.0
Bonds							
LABF	-5.0	4.1	4.4	2.2	4.6	1.1	2.0
Lehman Bros Aggregate	5.2	7.0	4.3	2.4	4.3	5.5	4.7
US Equities							
LABF	-39.3	8.9	13.6	9.1	15.8	-9.1	-1.0
S & P 500	-37.0	5.5	15.8	4.9	10.9	-8.4	-2.2
International Equities							
LABF	-46.7	10.2	25.5	11.6	21.2	-9.7	-0.1
EAFE Index	-43.4	11.2	26.3	13.5	20.2	-7.4	1.7
Real Estate							
LABF	-0.7	13.6	12.4	33.1	7.1	8.2	12.6
NCREIF Open End	-10.0	16.0	16.3	19.0	13.3	6.7	10.3
Venture Capital							
LABF	-10.8	32.6	11.0	29.3	14.5	9.2	14.0
Bench	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Combined Investments	-29.2	8.0	11.2	7.8	11.5	-5.3	0.4

Returns are provided by Becker, Burke Associates.

These investment results are calculated and presented using standard performance evaluation methods in a manner consistent with the investment industry in general and public pension funds in particular. Rates of return were determined using a time-weighted return calculation.

Asset Allocation at December 31, 2008



INVESTMENT SUMMARY

Type of Investment	12/31/2008 Fair Value	12/31/2008 % of Total	12/31/2007 Fair Value	12/31/2007 % of Total
U.S. Government Obligations and Municipal Bonds	$210,207,653	17.3%	$321,911,059	17.6%
Corporate Bonds	179,986,622	14.9%	251,527,556	13.8%
Total Bonds	390,194,275	32.2%	573,438,615	31.4%
Equities	557,072,315	46.0%	876,269,719	48.1%
Pooled Funds	112,627,760	9.3%	214,526,741	11.8%
Total Equities	669,700,075	55.3%	1,090,796,460	59.9%
Real Estate	42,652,970	3.5%	38,993,633	2.1%
Venture Capital	39,931,972	3.3%	43,227,235	2.4%
Total Real Estate & Venture	82,584,942	6.8%	82,220,868	4.5%
Short term Investments	69,449,431	5.7%	76,097,351	4.2%
Total Portfolio	$1,211,928,723	100.0%	$1,822,553,294	100.0%

Top 10 Domestic Equity Holdings

December 31, 2008

Shares	Stock	Fair Value
95,793	Exxon Mobil Corp	$7,647,155
132,518	Walmart Stores Inc.	7,428,959
101,059	McDonalds Corp	6,284,859
91,538	Johnson & Johnson	5,476,719
184,749	AT&T Inc	5,265,347
66,446	Chevron Corp	4,915,011
132,834	Hewlett Packard Co	4,820,546
75,036	Procter & Gamble Co	4,638,726
78,000	Amgen Inc	4,504,500
98,052	ADR Teva Pharmaceutical	4,174,074

A complete listing of portfolio holdings is available upon request.

Top 10 Domestic Bond Holdings

December 31, 2008

Par	Bond	Fair Value
14,250,000	FNMA Single Family Mtg 5.0% 30 Yr	$14,548,367
6,425,000	US Treas Bonds 6.25% due 8/15/2023	8,763,096
7,360,000	FNMA 15 Yr Pass-throughs 5.0%	7,553,200
4,842,000	US Treas Nts 4.0% due 8/15/2018	5,591,377
4,824,000	US Treas Nts 3.375% due 11/30/2012	5,257,784
4,519,763	FHLMC Pool 5.50% due 4/01/2038	4,631,284
3,834,000	US Treas Nts 3.375% due 7/31/2012	4,187,748
4,000,000	FHLMC 30 Yr Gold 5.5%	4,081,248
3,321,000	US Treas Nts 4.25% due 11/15/2017	3,868,706
3,583,647	FNMA Pool 5.5% due 2/01/2038	3,677,324

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 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, 2008 are the following:

Balanced Managers
- UBS Global Asset Mgmt

Equity Managers
- Alliance Capital
- Ariel Capital
- Chase Investment Counsel
- Columbia Partners
- Harris Investment
- Holland Capital
- Intech
- Keeley Asset Mgmt
- MFS Investment
- The Northern Trust
- Zacks Investment Mgmt

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

Short Term Managers
- The Northern Trust

Bond Managers
- AFL-CIO Housing Trust
- Alliance Capital
- Dearborn Partners
- Neuberger Berman Fxd Income
- Taplin Canida & Habacht
- Western Asset
- Williams Capital

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

Venture Capital Managers
- Hopewell Ventures
- Mesirow Financial
- Midwest Mezzanine Partners
- SB Partners

BROKER COMMISSIONS FOR 2008

Name	Number of Shares Traded	Total Commissions
Investment Technology Group	5,346,743	$93,193
Citigroup Global Markets	5,953,410	71,755
Cabrera Capital Markets	2,216,373	69,740
Northern Trust	113,168,617	61,441
Lynch Jones & Ryan	1,637,333	56,694
Melvin Securities	1,560,620	52,878
Goldman Sachs & Company	6,381,335	45,911
Loop Capital Markets	1,355,844	37,064
G-Trade Services	2,703,400	32,707
Jefferies & Company	759,680	30,121
All Other	37,563,320	596,381
Total	178,646,675	$1,147,885

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. In 2008, negative earnings resulted due to the fact that impaired securities in the collateral pool caused the reinvestment rates (earnings of lenders) to be lower than the rates paid to borrowers of securities. The Securities Lending Summary table below outlines the net loss from securities lending activity, the securities on loan as of December 31, 2008, and the amount of collateral for these securities.

Securities Lending Summary
(Net of Borrower Rebates)
as of December 31, 2008

Equity Income Loss	($5,581,190)
Fixed Income Loss	(5,195,992)
Custodial Fee	2,155,436
Net Securities Lending Loss	($8,621,746)
Total Collateral Market Value	$145,716,960
Total Market Value of Securities on Loan	$142,820,827
Total Collateralized Percentage	102.0%

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, 2008, the Plan recaptured $74,845 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, 2008

Broker	Amount
Cabrera Capital Markets	$9,203
Lynch Jones & Ryan	51,980
Russell Securities	13,662
Total	$74,845

ASSET ALLOCATION
Last Five Years

	Fair Value as a Percent of Portfolio				
	2008	2007	2006	2005	2004
Bonds:					
Gov't Oblig./Muni.Bonds	17.3%	17.6%	17.0%	16.7%	18.6%
Corporate Bonds	14.9%	13.8%	13.8%	14.3%	11.2%
Equities:					
US Equities	44.6%	50.4%	49.3%	48.6%	49.6%
Int'l Equities	10.7%	9.5%	7.5%	6.7%	6.6%
Real Estate	3.5%	2.1%	1.9%	2.1%	2.9%
Venture Capital	3.3%	2.4%	2.5%	2.2%	2.4%
Cash/Short-Term Investments	5.7%	4.2%	8.0%	9.4%	8.7%
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
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Chicago, IL 60602-5111

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www.gabrielroeder.com

April 8, 2009

The Retirement Board of the
Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
221 North LaSalle Street, Suite 748
Chicago, Illinois 60601

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, 2008. 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 selected by the actuary and 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.

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. They 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 2.12 is needed to adequately finance the Fund; also, it should be noted that there is again a non-zero Annual Required Contribution (ARC).

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 Academy of Actuaries to render the actuarial opinion herein.

Gabriel, Roeder, Smith & Company

Michael R. Kivi, F.S.A., E.A., M.A.A.A. Senior Consultant	Dana Woolfrey, A.S.A., M.A.A.A. Senior Analyst	Paul Wood Senior Analyst

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:	2008	2007
Life expectancy of participants	1994 Group Annuity Mortality sex distinct Tables set forward 2 years	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	8% compounded annually *(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 are based on an experience study using census information for the period from December 31, 1998 to December 31, 2003. Adopted 2004.

- 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. Adopted 2004.

- Investment Return - **2008:** 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 - **2008**: 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 are married.

- Post Retirement Benefit Increases - 3% per year compounded for employee annuitants beginning either three years after retirement or age 60, whichever occurs first. The employee must have received a pension for at least one year before he is granted his first increase. 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.

- 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 market value is used. The actuarial value is determined by adjusting the market 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 as of June 30, 2013 will continue for life for all employee annuitants (and their future surviving spouse). The amount the Fund will pay for health insurance from July 1, 2003 until June 30, 2008 is $85.00 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits and $55.00 if qualified. The amount the Fund will pay for health insurance from July 1, 2008 until June 30, 2013 is $95 per month for each annuitant (employees and surviving spouses) not qualified to receive Medicare benefits, and $65 if qualified. It is assumed that all annuitants age 65 or over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future surviving spouses of retirees are assumed to be eligible for Medicare. All employees upon their retirement and their surviving spouses upon employee's death are assumed to receive the health care supplement.

- 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

	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 TERMINATION

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		% Change in Average	Average
Year	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	Annual Benefit	Annual Benefit
Employee Annuities								
2003	150	$6,731,957	139	$2,773,616	2,472	$63,224,248	6.2%	$25,576
2004*	525	23,029,473	161	3,507,001	2,836	82,746,720	14.1%	29,177
2005	55	3,997,885	154	3,287,338	2,737	83,457,267	4.5%	30,492
2006	79	4,971,772	133	3,475,111	2,683	84,953,928	3.8%	31,664
2007	95	6,301,188	134	3,363,972	2,644	87,891,144	5.0%	33,242
2008	120	7,756,776	118	2,939,436	2,646	92,708,484	5.4%	35,037
Spouse Annuities								
2003	59	$807,971	86	$847,204	1,395	$14,573,819	1.7%	$10,447
2004	68	1,030,666	84	849,453	1,379	14,755,032	2.4%	10,700
2005	84	1,108,608	96	950,157	1,367	14,913,483	2.0%	10,910
2006	69	1,052,875	101	962,926	1,335	15,003,432	3.0%	11,239
2007	68	1,007,856	87	846,660	1,316	15,164,628	2.5%	11,523
2008	64	972,408	82	855,072	1,298	15,281,964	2.2%	11,773
Child's Annuities								
2003	11	$39,480	9	$27,480	67	$181,440	7.1%	$2,708
2004	4	11,280	9	21,840	62	170,880	-5.8%	2,756
2005	6	16,200	16	35,760	52	151,320	-11.5%	2,910
2006	12	33,120	12	41,400	52	143,040	-5.5%	2,751
2007	4	10,560	11	30,480	45	123,120	-13.9%	2,736
2008	13	34,320	11	29,400	47	128,040	4.0%	2,724

* New annuitants taking Early Retirement Incentive option: 452 employees in 2004

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	# of Members	Annual Payroll	Annual Average Pay	% Increase in Average pay
2003	3,719	$205,691,917	$55,308	2.1%
2004	3,135	171,476,937	54,698	-1.1%
2005	3,141	182,809,397	58,201	6.4%
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%

ACTUARIAL RESERVE LIABILITIES
For Year Ended December 31, 2008

Accrued Liabilities for Active Participants	$827,467,662
Reserves For:	
Service Retirement Pension	911,239,387
Future Widows of Current Retirees	87,787,021
Surviving Spouse Pension	105,931,646
Health Insurance Supplement	24,530,475
Children Annuitants	431,642
Total Accrued Liabilities	1,957,387,833
Unfunded Actuarial Liabilities	258,960,825
Actuarial Net Assets	$1,698,427,008

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	Retirees and Beneficiaries c	Active and Inactive Member Employer Portion	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
2003 a	$246,529,315	$721,917,308	$660,116,410	$1,679,796,167	100 %	100 %	100 %
2004 a,b	213,524,642	1,055,408,468	405,681,541	1,649,959,130	100	100	94
2005 b	224,180,889	1,023,899,580	494,220,019	1,635,595,437	100	100	78
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

a = change in benefits
b = change in actuarial assumptions
c = before 2005, inactive vested member liability was included with the retirees and beneficiaries

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 are compared with obligations in order of priority: (1) active member contributions on deposit, (2) the present value of future benefits to present retired lives; (3) the employer financed portion for present active 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.

Analysis of Financial Experience

Reconciliation of Unfunded Actuarial Accrued Liability
(Gain/Loss Analysis)

Actuarial Gains or (Losses):	2008	2007	2006	2005
Fund surplus (loss) at the beginning of the year	($91,995,570)	($145,178,063)	($106,705,051)	($24,655,521)
Gains (losses) during the year attributable to:				
Increases in salaries under assumed rate	(12,298,504)	17,040,232	(810,157)	(14,848,509)
Investment yield over (under) 8.0% assumed	(112,839,821)	45,794,443	(4,763,777)	(46,497,745)
Employer cost in excess of contributions	(1,261,981)	(8,305,636)	(19,287,480)	(11,781,133)
Miscellaneous actuarial experience	(10,719,816)	(530,616)	(13,458,675)	(12,543,768)
Data Corrections & Unexpected Service Changes	(3,650,332)	(815,930)	(152,924)	0
Change in Active Member Definition*	(26,194,801)	0	0	0
Change in Methodology	0	0	0	(5,593,808)
Change in actuarial assumptions:				
Retirement Rates	0	0	0	9,215,433
Net gain (losses)	(166,965,255)	53,182,493	(38,473,012)	(82,049,530)
Fund surplus (loss) at the end of the year	($258,960,825)	($91,995,570)	($145,178,063)	($106,705,051)

* 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.

PLAN SUMMARY

Participants Defined

Any person employed by the City of Chicago or the Board of Education in a position classified as labor service of the employer, or any person employed by the retirement board of any of the annuity and benefit funds which are in operation for employees of the City of Chicago.

Service Defined

For all purposes except minimum formula annuity and ordinary disability credit, service in four months in any calendar year constitutes one year of service credit.

For minimum formula annuity purposes, one half-year of credit is given for one complete month of service. A full year of credit is given for one complete month of service plus service in at least 5 other months. For ordinary disability credit, the exact number of days, months and years is used.

Types of Retirement Annuities

Money Purchase Formula: The maximum amount for a money purchase formula annuity is 60% of highest salary. This formula is used in cases where an employee is age 55 or more and has 10 or more years of service. If the employee is age 55 to 60 with service of fewer than 20 years, the annuity is based on all employee deductions plus 1/10th of the employer contributions for each year over 10 years. In the case of withdrawal before age 55 and application after age 55, the annuity is based on the employee deductions plus 1/10th of the employer contributions for each year over 10, with interest to date of application or to age 55, whichever is later. The age factor for age 55 is used.

The annuity is based on all employee deductions and employer contributions in cases where the employee is: (A) age 55 to 60 with 20 years or more of service; (B) age 60 or over; (C) resigning at the time of disability credit expiration.

Minimum Annuity Formula: The maximum for this type of annuity is 80% of final average salary.

A. 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 2.4% for each year of service of the final average salary during the 4 highest consecutive years within the last 10 years of service prior to retirement. If the employee withdraws before age 60 with less than 20 years of service, he or she can begin to receive an unreduced 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% for each month the employee is younger than age 60 unless he or she has at least 25 years of service.

B. 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.

Reversionary Annuity: An employee may elect to reduce his or her annuity by an amount up to $400 to provide a reversionary annuity for a spouse, parent, child, brother, or sister, which would begin upon the employee's death. Such an election must be made before the employee's retirement and must have been in effect for one year prior to the employee's death. The one-year requirement is waived if the reversionary annuitant is the employee's spouse. The death of the employee before retirement voids this election. The reversionary annuity for a spouse when added to the spouse's annuity cannot exceed 100% of the employee's reduced annuity. If the employee resigns after June 30, 1983, the 3% automatic annual increase in 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.

Reciprocal Annuity: Under reciprocal retirement, an employee can receive an annuity based on combined service credits in two or more governmental units in Illinois to whose pension funds he or she has contributed.

Automatic Increase In Annuity: The monthly annuity is increased by 3% 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% 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

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 amount of the spouse's annuity is fixed, based on a joint life factor and employee deductions and credit for employer contributions made for spouses' annuity purposes. (If the employee is a female, these are deductions have accumulated since October 1974)

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

For 3% annuities fixed on or after August 1, 1983, the "Combined Annuity Mortality Table" is used; however, widow/widower single life annuities and reversionary annuities are computed using the best factor (the factor producing the highest annuity), not depending upon the gender of the annuitant.

Spouses' Minimum Annuity Formula: If an employee 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 the annuity the employee was entitled to receive at the time of death in service. This annuity must be discounted .25% for each month that the spouse is under age 55 (or age 50 if the employee has 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 the spouse's 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 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 one-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 benefit of the employee is equal to 2.4% for each year of service of the highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of death, up to a maximum of 80% 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 employee retires with at least 10 years of service or dies in service with at least 5 years of service.

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 born or *in esse*, or legally adopted before the employee's withdrawal from service. The annuity is $220 per month if the spouse of the deceased employee is alive and $250 per month if the spouse is deceased.

Family Maximum: For a non-duty related death, the family maximum is 60% of final monthly salary. For duty related death, the maximum is 70% 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, has a right to receive a duty disability benefit in the amount of 75% of his or her salary at the date of injury, plus $10 a month for each unmarried child under the age of 18. Child's duty disability benefit is limited to 15% 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 the injury occurs, the duty disability benefit is 50% of salary at the date of the injury. Disablement because of heart attacks, strokes, or any disablement due to heart disease is not considered to be 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 benefits.

A duty disability benefit is payable up to age 65 if the disability begins before age 60. For an employee who begins disability on or after age 60, the disability will continue for 5 years. A duty disability which continues for more than 5 years and which started before the employee attained age 60, will be increased by 10% on January 1st of the sixth year.

The City contributes the employee's portion of salary deductions for annuity purposes for the duty disability benefit. Such amounts contributed by the City after December 31, 1983 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 the performance of an act of duty and is 50% of salary as of the last day worked. The first payment is made one month after disablement occurs provided the employee is not in receipt of salary. Disability is limited to a maximum of 25% of the employee's total service or 5 years, whichever occurs first.

The Fund contributes salary deductions for annuity purposes for the ordinary disability benefit. Such amounts contributed by the Fund after December 31, 2000, while the employee is receiving ordinary disability benefits, are not refundable to the employee and will be used for annuity purposes only.

Group Health Hospital and Surgical Insurance Premiums

For annuitants enrolled in the City or Board of Education health care plans, the pension fund may provide supplementary payments up to a maximum of $85 per month for non-Medicare eligible annuitants (employees, widows, or children without regard to age or years of service) and up to $55 per month for Medicare eligible annuitants until June 30, 2008. Thereafter, the pension fund shall provide payments in the amount of $95 per month for non-Medicare eligible annuitants and $65 per month for Medicare eligible annuitants from July 1, 2008 through June 30, 2013.

Refunds

To Employee: An employee who withdraws before age 55, or before age 60 with less than 10 years of service, is entitled to a refund of all salary deductions for retirement annuity and spouse annuity accumulated with interest to the date of withdrawal. The employee may choose to receive a refund in lieu of an annuity, if the amount of the annuity would be less than $800 per month. Annuity deductions for a spouse's annuity are refundable if the employee is not currently married at the time of withdrawal.

To Spouse: A surviving spouse may choose to receive a refund in lieu of an annuity if the annuity would amount to less than $800 per month.

Remaining Amounts: Amounts contributed by an employee that have not yet been paid out as annuity, (excluding the 0.5% deduction for annuity increases), are refundable to the employee's estate, with interest to the date of retirement or death, if the employee died in service.

Deductions and Contributions

	Employee Deductions	**Employer Contributions**
Employee	6.5%	6.0%
Spouse	1.5	2.0
Annuity Increase	0.5	0.0
Total	8.5%	8.0%

The City contribution is derived from a property tax levied annually and is limited to a sum that is equal to the total amount of employee contributions made two years previously, multiplied by 1.0 for the years 1999 and following.

Tax Shelter of Employee Salary Deductions

Beginning January 1, 1982, salary deductions from employees in the fund 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. Beginning September 1, 1981, the Board of Education employee contributions were paid by the employer. 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 2008 session:

- There were no changes in 2008

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
- 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 Amounts by Type at December 31, 2008[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 2008[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 & 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
1999	$15,895,882	$14,406,579	8.44	$119,574,308	149,876,769
2000	17,011,363	625,233	0.39	27,260,089	44,896,685
2001	20,017,224	659,946	0.36	(19,125,166)	1,552,004
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)

SCHEDULE OF DEDUCTIONS BY TYPE

Year	Benefits	Refunds	Administrative Expenses	Total	**CHANGES IN PLAN NET ASSETS**
1999	$78,124,099	$2,034,249	$1,559,078	$81,717,426	$68,159,343
2000	75,186,874	3,121,175	1,669,793	79,977,842	(35,081,157)
2001	75,503,260	2,354,116	1,806,263	79,663,639	(78,111,635)
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)

SCHEDULE OF BENEFIT EXPENSES BY TYPE

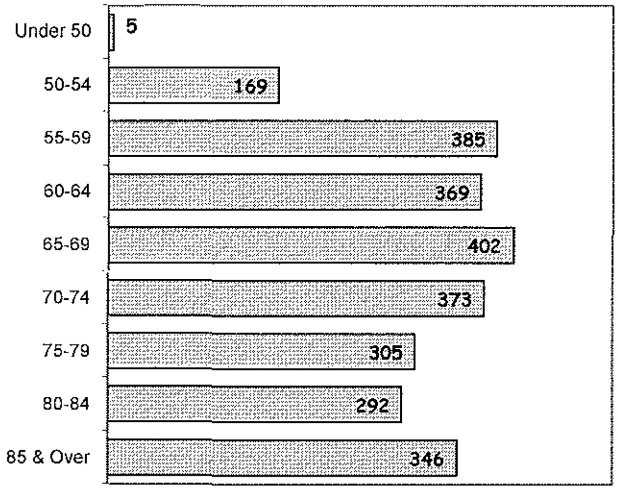
Year	Employee Annuities*	Spouse/Child Annuities	Ordinary Disabilities	Duty Disabilities	Total
1999	$61,296,023	$14,883,638	$924,626	$1,019,811	$78,124,099
2000	58,526,663	14,279,197	1,208,604	1,172,410	75,186,874
2001	58,031,741	14,358,135	1,501,106	1,612,278	75,503,260
2002	60,022,226	14,600,309	1,990,089	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

* Includes retiree healthcare

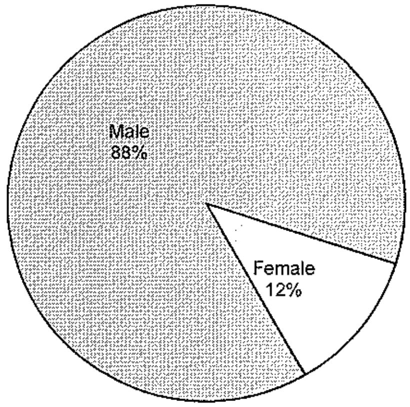
NUMBER AND GENDER OF ANNUITANTS

Employee Annuitants

By Age

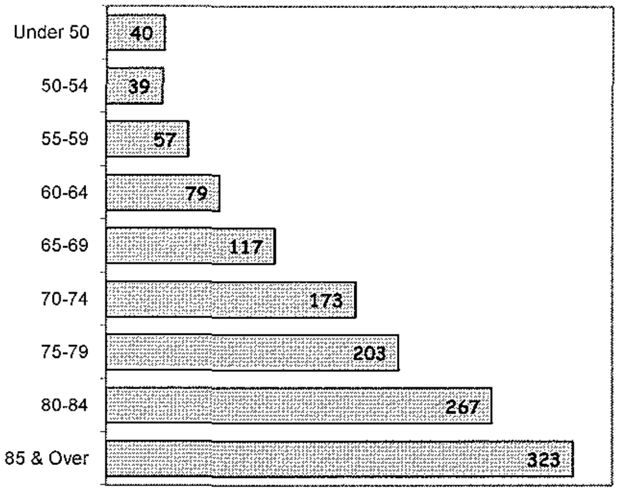


By Gender

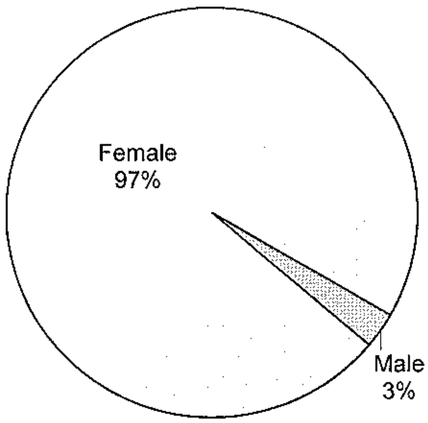


Spouse Annuitants

By Age

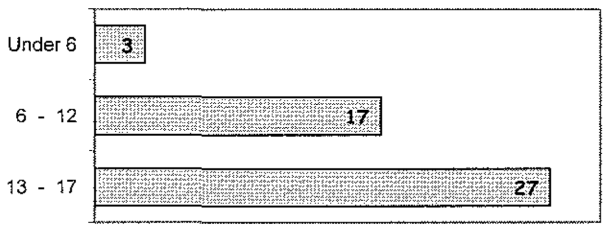


By Gender

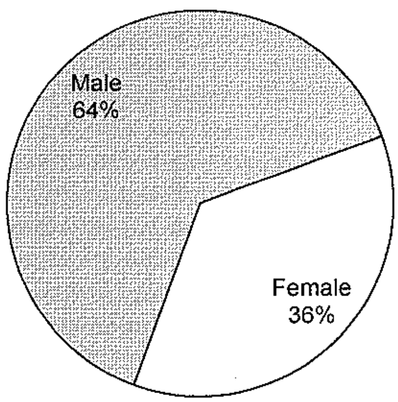


Child Annuitants

By Age



By Gender



RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

	Retirees & Beneficiaries			Actives Receiving Benefits		
At Year End:	Employee Annuities	Spouse Annuities	Child Annuities	Ordinary Disabilities	Duty Disabilities	Total
1999	2,687	1,397	76	38	82	4,280
2000	2,569	1,406	67	57	100	4,199
2001	2,481	1,405	59	46	108	4,099
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

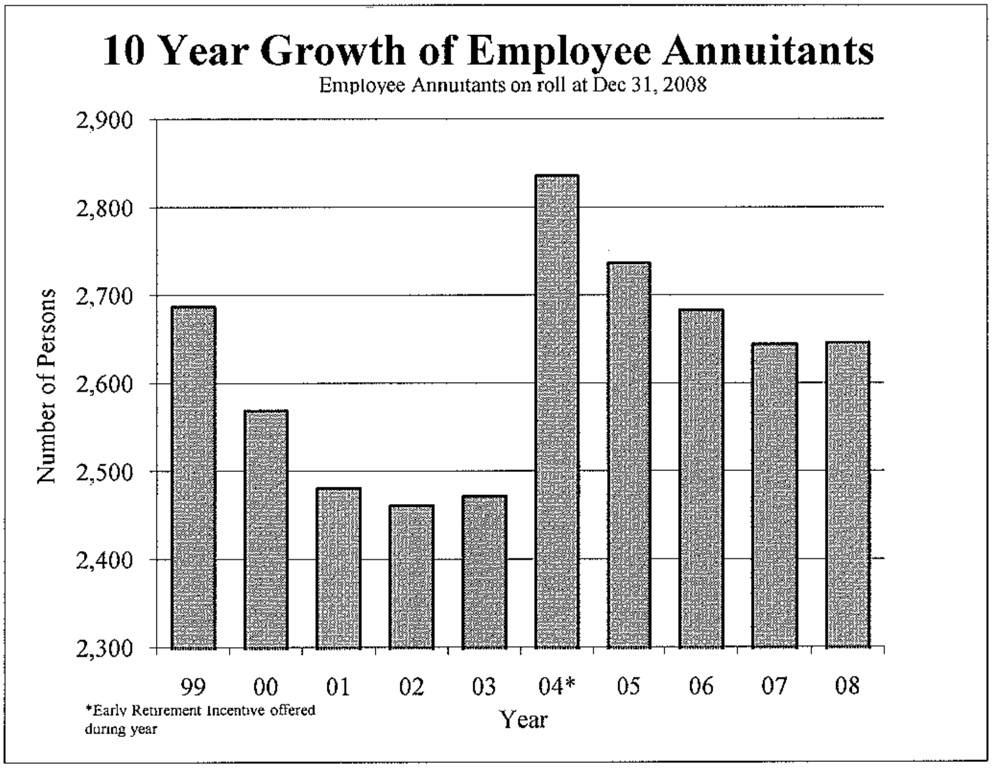
CHANGES IN ANNUITANTS AND BENEFICIARIES

Benefit	Number at Start of 2008	Increases	Decreases	Number at End of 2008
Employee Annuitants	2,644	120	118	2,646
Spouse Annuitants	1,316	64	82	1,298
Child Annuitants	45	13	11	47
Ordinary Disabilities	58	112	109	61
Duty Disabilities	118	307	280	145
Total	4,181	616	600	4,197

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
1999	$21,157	3.1%	$18,366	-40.5%	72.8	61.9	18.3
2000	21,872	3.4	20,938	14.0	73.3	61.1	20.0
2001	22,750	4.0	24,126	15.2	73.6	61.2	20.8
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

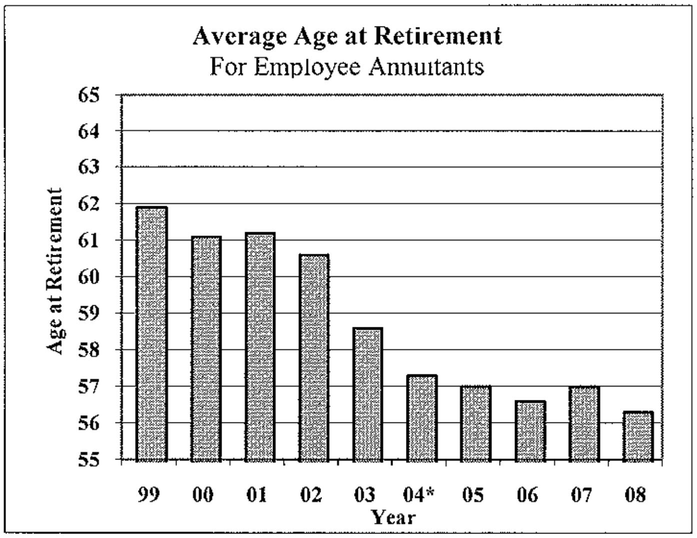
* Early Retirement Incentive Program

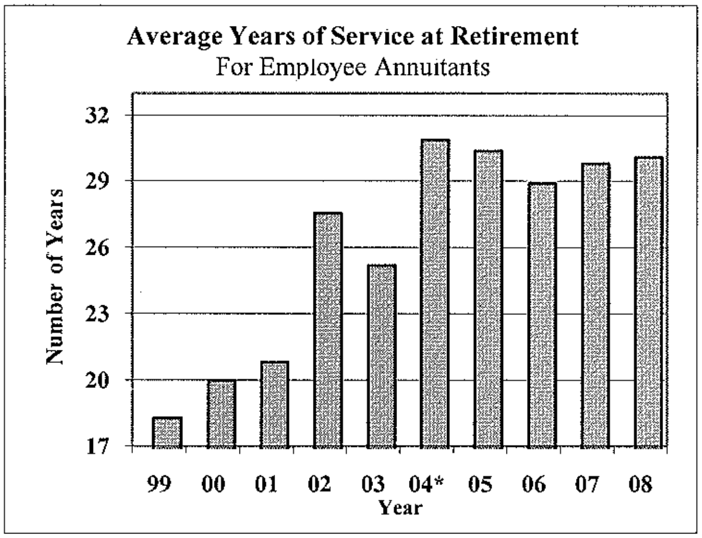


Analysis of Initial Retirement Benefits for Employees*

	Years of Credited Service								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
2003									
Avg Monthly Annuity	$ 405	$ 357	$1,079	$ 1,412	$ 2,135	$ 2,879	$ 3,606	$ 4,011	$2,850
Avg Monthly FAS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of Retirees	9	5	6	7	17	31	51	24	150
2004									
Avg Monthly Annuity	$ 283	$ 860	$0	$ 1,802	$ 2,172	$ 3,111	$ 3,808	$ 4,164	$3,397
Avg Monthly FAS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of Retirees	9	8	-	20	37	100	324	27	525
2005									
Avg Monthly Annuity	$ 96	$ 1,001	$ 1,224	$ 972	$ 2,254	$ 3,471	$ 3,974	$ 3,409	$3,264
Avg Monthly FAS	$ 2,666	$ 4,511	$ 4,539	$ 4,118	$ 4,808	$ 5,143	$ 5,218	$ 4,269	$4,887
Number of Retirees	1	2	2	3	3	10	26	8	55
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

* Monthly data prior to 2003 is unavailable





*Early Retirement Incentive offered during the year

Schedule of Monthly Benefit
by Type
at December 31, 2008

Amount of Monthly Benefit	Employee Annuitant	Spouse Annuitant	Child Annuitant	Total
$1 - 250	46	16	47	109
251 - 500	37	4	-	41
501 - 750	19	12	-	31
751 - 1,000	48	929	-	977
1,001 - 1,250	306	115	-	421
1,251 - 1,500	98	91	-	189
1,501 - 1,750	97	64	-	161
1,751 - 2,000	116	30	-	146
2,001 - 2,250	110	15	-	125
2,251 - 2,500	125	8	-	133
2,501 - 2,750	108	4	-	112
2,751 - 3,000	161	2	-	163
3,001 - 3,250	177	2	-	179
3,251 - 3,500	235	1	-	236
3,501 - 3,750	223	2	-	225
3,751 - 4,000	208	-	-	208
4,001 - 4,250	152	2	-	154
4,251 - 4,500	85	1	-	86
4,501 - 4,750	77	-	-	77
4,751 - 5,000	59	-	-	59
Over $5,000	159	-	-	159
Totals	2,646	1,298	47	3,991

HISTORY OF NEW ANNUITIES GRANTED

Male Employees

	2008	2007[1]	2006	2005[1]	2004*	2003	2002	2001	2000	1999
Number retired	117	90	78	51	505	145	149	49	52	42
Average Age	56.1	56 8	56.6	56.6	57 3	58 6	60 5	61 2	60.4	61 9
Average Length of Service	30.3	30.1	28 9	30 3	31 1	27	27 7	20.6	20 6	19
Average Annual Final Salary	$70,000	$67,250	$63,800	$60,828	$53,378	$60,516	$58,159	$46,126	$42,844	$43,477
Total Annual Annuity	$5,284,872	$3,824,304	$2,961,828	$2,073,032	$20,871,228	$5,060,484	$4,802,907	$1,231,590	$1,132,243	$785,274
Average Annual Annuity	$45,170	$42,492	$37,972	$40,648	$41,329	$34,900	$32,234	$25,134	$21,774	$18,697
Total actuarial liability	$73,140,350	$53,384,184	$40,009,917	$28,251,758	$281,030,404	$66,126,137	$60,832,155	$14,602,006	$13,749,715	n/a
Average actuarial liability	$625,131	$593,158	$512,948	$553,956	$556,496	$456,042	$408,269	$298,000	$264,418	n/a
Total contributed by EE	$9,653,770	$6,954,680	$5,548,293	$3,840,240	$46,273,925	$9,702,986	$9,312,597	$3,444,582	$2,638,123	n/a
Expected Future Lifetime (years)	23.73	23.10	23 25	23 24	22.69	19 02	17 45	17.45	18 23	16.69
Payback Period (years)	1.83	1 82	1 87	1 85	2 22	1 92	1 94	2 01	2 04	2 11
Replacement Ratio	64.5%	63.2%	59.5%	66.8%	77.4%	57.7%	55.4%	54.5%	50.8%	43.0%

* Early Retirement Incentive offered during the year

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

HISTORY OF NEW ANNUITIES GRANTED

Female Employees

	2008	2007	2006	2005	2004*	2003	2002	2001	2000	1999
Number retired	3	4	1	3	15	5	3	4	4	2
Average Age	65.2	60.8	59.3	63.8	60.1	60.6	65	60.7	63.3	62.3
Average Length of Service	22.2	24.5	28	32.3	21.9	13.3	20.7	23.8	11.8	10
Average Annual Final Salary	$46,745	$66,176	$62,962	$31,903	$43,782	$45,347	$33,205	$26,287	$35,798	$23,928
Total Annual Annuity	$54,588	$145,704	$41,352	$38,622	$357,600	$69,661	$40,550	$47,096	$40,306	$22,848
Average Annual Annuity	$18,196	$36,426	$41,352	$12,874	$23,840	$13,932	$13,517	$11,774	$10,076	$11,424
Total actuarial liability	$558,684	$1,975,124	$582,267	$461,446	$4,875,554	$880,560	$499,684	$553,130	$451,750	n/a
Average actuarial liability	$186,228	$493,781	$582,267	$153,815	$325,037	$176,112	$166,561	$138,283	$112,938	n/a
Total contributed by EE	$75,948	$246,235	$69,508	$83,554	$853,199	$146,561	$75,584	$107,217	$117,960	n/a
Expected Future Lifetime (years)	20.49	23.31	24.74	20.97	24.00	22.15	18.76	22.15	20.43	21.29
Payback Period (years)	1.39	1.69	1.68	2.16	2.39	2.10	1.86	1.18	2.05	2.87
Replacement Ratio	38.9%	55.0%	65.7%	40.4%	54.5%	30.7%	40.7%	44.8%	28.1%	47.7%

* Early Retirement Incentive offered during the year

ANNUITANTS CLASSIFIED BY AGE

AS OF DECEMBER 31, 2008

Retirement Annuities

	MALES			FEMALES		
Age	Count	Annual Payments	Average Annual Payments	Count	Annual Payments	Average Annual Payments
Under 50	4	$34,836	$8,709	1	$1,488	$1,488
50 - 54	167	8,011,380	47,972	2	4,128	2,064
55 - 59	379	16,480,536	43,484	6	165,384	27,564
60 - 64	361	14,863,416	41,173	8	266,652	33,332
65 - 69	384	14,936,616	38,897	18	388,740	21,597
70 - 74	352	12,489,000	35,480	21	506,316	24,110
75 - 79	263	8,732,340	33,203	42	846,228	20,148
80 - 84	238	7,249,668	30,461	54	945,960	17,518
85 & Over	187	4,515,024	24,145	159	2,270,772	14,282
Total	2,335	$87,312,816	$37,393	311	$5,395,668	$17,349
		Average Age is 69			Average Age is 83	

Spouse Annuities (not including compensation)

	MALES			FEMALES		
Age	Count	Annual Payments	Average Annual Payments	Count	Annual Payments	Average Annual Payments
Under 30	-	-	-	1	$1,200	$1,200
30 - 34	-	-	-	2	19,200	9,600
35 - 39	-	-	-	-	-	-
40 - 44	1	1,200	1,200	12	145,296	12,108
45 - 49	3	28,284	9,428	21	234,168	11,151
50 - 54	1	9,600	-	38	494,712	13,019
55 - 59	1	9,600	9,600	56	849,252	15,165
60 - 64	1	10,068	10,068	78	970,608	12,444
65 - 69	1	9,600	9,600	116	1,551,384	13,374
70 - 74	1	9,600	9,600	172	2,263,080	13,157
75 - 79	3	28,800	9,600	200	2,426,664	12,133
80 - 84	13	114,336	8,795	254	2,884,944	11,358
85 & Over	12	115,200	9,600	311	3,105,168	9,984
Total	37	$336,288	$9,089	1,261	$14,945,676	$11,852
		Average Age is 78			Average Age is 76	

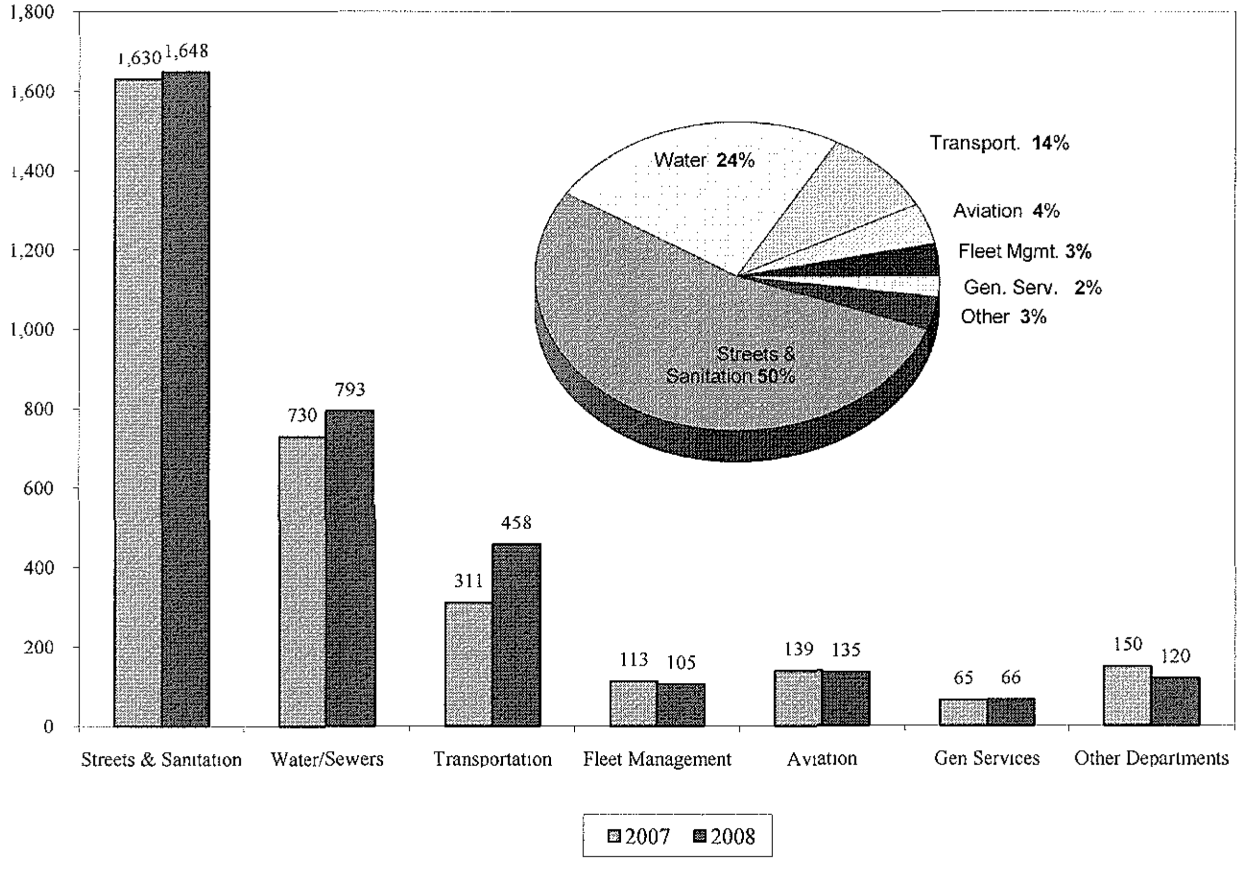
ACTIVE MEMBERS
AS OF DECEMBER 31, 2008

Years of Service	Males	Females	Total
Under 1	11	10	21
1 - 4	213	96	309
5 - 9	563	143	706
10 - 14	649	152	801
15 - 19	477	76	553
20 - 24	251	55	306
25 - 29	364	5	369
30 - 34	225	-	225
35 & Up	33	2	35
Total	2,786	539	3,325

INACTIVE MEMBERS
AS OF DECEMBER 31, 2008

Years of Service	Males	Females	Total
Under 1	797	72	869
1 - 4	341	53	394
5 - 9	83	11	94
10 - 14	32	6	38
15 - 19	26	4	30
20 - 24	23	-	23
25 - 29	14	-	14
30 - 34	1	-	1
35 & Up	-	-	-
Total	1,317	146	1,463

Number of Active Members by Department
As of December 31, 2008



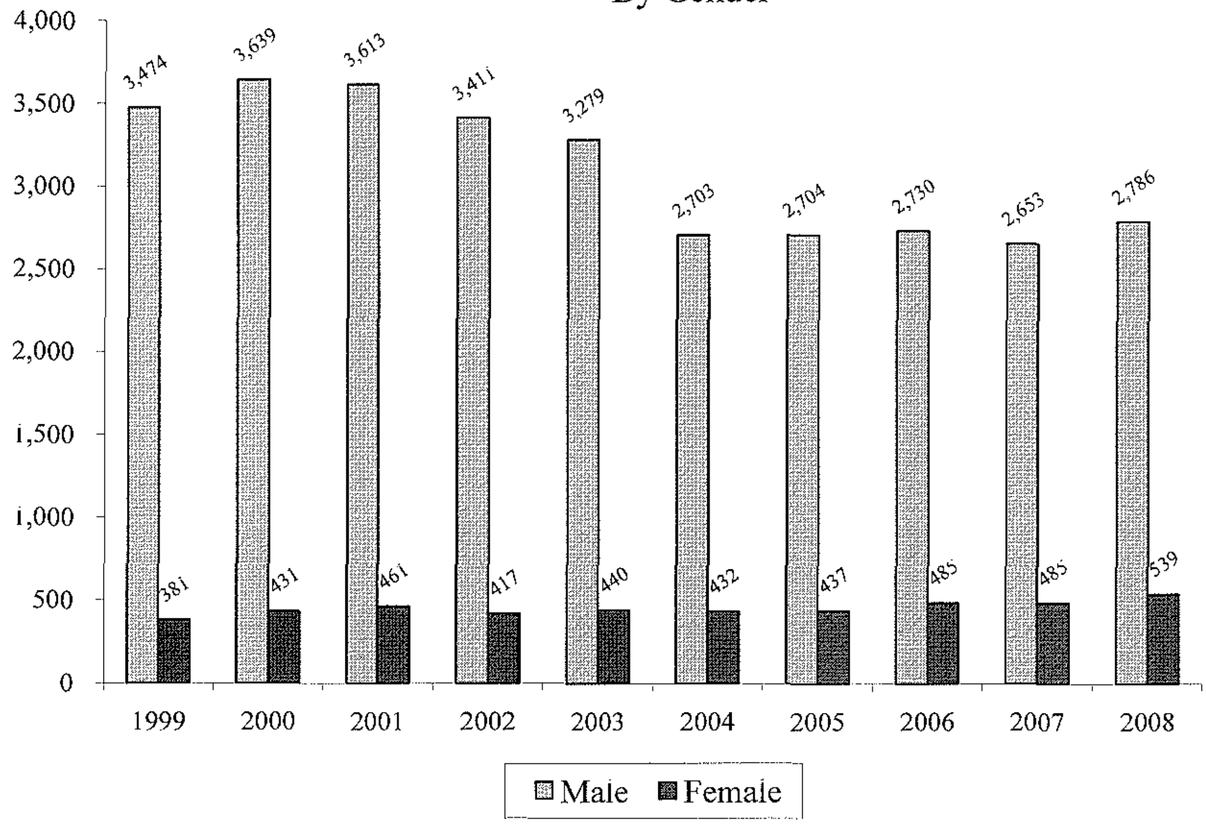
HISTORY OF ACTIVE MEMBERS BY AGE

as of December 31, 2008

Age	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Under 20	0	1	3	0	0	0	0	4	6	7
20 - 24	36	20	31	13	19	45	70	108	137	153
25 - 29	138	133	159	149	186	214	242	287	277	237
30 - 34	285	266	295	298	300	329	368	409	416	381
35 - 39	395	406	413	422	413	460	467	497	572	567
40 - 44	509	465	505	559	607	653	701	770	789	787
45 - 49	693	707	749	747	775	832	816	811	747	703
50 - 54	681	626	593	520	443	598	584	583	554	493
55 - 59	324	299	264	241	227	333	326	322	307	288
60 - 64	167	138	128	126	110	174	173	190	172	152
65 - 70	66	51	54	47	41	59	58	65	62	56
Over 70	31	26	21	19	14	22	23	28	31	31
	3,325	3,138	3,215	3,141	3,135	3,719	3,828	4,074	4,070	3,855

HISTORY OF ACTIVE MEMBERS

By Gender



MEMBERS RECEIVING DISABILITY BENEFITS
AS OF DECEMBER 31, 2008

	Duty Disability					
	Males		Females		Totals	
Years of Service	Count	Annual Payments	Count	Annual Payments	Count	Annual Payments
Under 1	-	$ -	-	$ -	-	$ -
1 - 4	4	147,778	1	27,066	5	174,844
5 - 9	35	1,589,884	7	285,044	42	1,874,928
10 - 14	32	1,495,135	10	433,243	42	1,928,378
15 - 19	23	1,107,600	2	85,441	25	1,193,041
20 & Over	30	1,413,578	1	37,035	31	1,450,613
Total	124	$ 5,753,975	21	$ 867,829	145	$ 6,621,804

	Ordinary Disability					
	Males		Females		Totals	
Years of Service	Count	Annual Payments	Count	Annual Payments	Count	Annual Payments
Under 1	-	$ -	-	$ -	-	$ -
1 - 4	3	55,453	2	66,217	5	121,670
5 - 9	9	252,160	4	110,947	13	363,107
10 - 14	7	217,662	6	177,591	13	395,253
15 - 19	9	288,497	5	162,850	14	451,347
20 & Over	14	436,166	2	60,767	16	496,933
Total	42	$ 1,249,938	19	$ 578,372	61	$ 1,828,310

NUMBER OF REFUND PAYMENTS MADE DURING 2008

	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	-	1	-	-	-	-	1
20 to 24	-	-	1	-	-	1	2
25 to 29	2	1	3	1	1	2	10
30 to 34	-	2	2	-	-	3	7
35 to 39	1	4	1	1	1	4	12
40 to 44	4	3	-	-	-	5	12
45 to 49	6	-	-	-	1	4	11
50 to 54	1	2	-	-	-	4	7
55 to 59	-	-	1	-	-	1	2
60 & Over	4	-	1	-	-	-	5
Totals	18	13	9	2	3	24	69