COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 2014

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

A COMPONENT UNIT OF THE
METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO
CHICAGO, ILLINOIS

PREPARED BY THE MANAGEMENT AND STAFF OF THE METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

SUSAN A. BOUTIN, EXECUTIVE DIRECTOR ESTABLISHED JULY 7, 1931

FORMERLY THE SANITARY DISTRICT EMPLOYEES' AND TRUSTEES' ANNUITY AND BENEFIT FUND

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Water Reclamation District Retirement Fund

Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

RETIREMENT FUND OFFICE
SUITE 330
SUSAN A. BOUTIN, EXECUTIVE DIRECTOR

111 EAST ERIE STREET
CHICAGO, ILLINOIS 60611-2898
TELEPHONE 312-751-3222
FAX 312-751-5699

May 16, 2015

Board of Trustees of the
Metropolitan Water Reclamation
District Retirement Fund
111 E. Erie Street
Chicago, Illinois 60611

Dear Trustees:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Water Reclamation District Retirement Fund (Fund) for the year ending December 31, 2014. State law requires that all governmental units publish within six months of the close of each fiscal year, financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by a licensed public accountant.

Responsibility for the completeness and accuracy of the information presented in this report rests with the management of the Fund. Management has established and maintained a system of internal accounting controls designed to safeguard Fund assets and ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed financial statements, supporting schedules and statistical tables are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the Fund.

In accordance with the Illinois Pension Code, the Fund's basic financial statements for the fiscal year ended December 31, 2014 have been subject to an audit by independent accountants selected by the Board of Trustees. The unqualified opinion of Legacy Professionals, LLP has been included in the Financial Section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Fund's MD&A can be found in the Financial Section, following the independent auditor's report.

FUND PROFILE

The Fund is the administrator of a single-employer defined benefit public employee retirement system established by the State of Illinois to provide retirement, death and disability benefits for covered employees of the Metropolitan Water Reclamation District of Greater Chicago (District). The Fund is considered a component unit of the District and as such, is included in the District's financial statements as a pension trust fund.

The Fund was established in 1931 by the State of Illinois legislature and is administered in accordance with Chapter 40, Act 5, Articles 1, 13, and 20 of the Illinois Compiled Statutes.

For the past 83 years the primary goal of the Fund has been to provide continuity of benefits to the members while preserving the fiscal integrity and financial stability of the Fund. As of December 31, 2014 the Fund serves 1,873 active members, 2,343 benefit recipients, and 115 inactive members.

The plan description is provided within the notes to the financial statements in the Financial Section and within the Actuarial Section of this report.

FINANCIAL CONDITION

Financial Position

Net Position increased in 2014 by $39.2 million. For a full understanding of the Fund's financial results, the reader is urged to review the Financial Section of this report which contains the auditor's opinion, management's discussion and analysis, the financial statements, required supplementary information, and other supplementary information.

Objective and Sources of Funding

The Fund's funding objective is to meet all obligations to present and future members and retirees, through three sources - earnings on the Fund's investment portfolio, and contributions from the employer (i.e. the District) and employees.

The Fund's investment portfolio typically provides the largest portion of total additions in any given year, in the form of investment returns. In 2014, the invested assets of the Fund earned a rate of return of 6.7% net of fees, compared to the 2013 rate of return of 21.7%, and slightly less than the Policy Index return of 8.2%. The ten year rate of return on the Fund's investments is 6.4%, slightly less than the Policy Index return of 6.6% for the same period.

Employer contributions typically provide a much smaller portion of total additions than investment returns. In the more distant past, the amount of the employer contributions in a given year was limited by state statute, and accordingly, did not necessarily meet the annual actuarial requirements of the Fund. With the passage of PA 97-0894 in 2012, the Fund has received increased contributions from the District that more closely approximate the actuarial requirement, as well as increased contributions from Tier I employees as described below.

Employee contributions typically provide the smallest percentage of total additions. The required percentage withheld from employee's salaries is set by state statute, which through the last pay period in 2012 was 9%. In accordance with PA 97-0894, contributions from Tier I employees increased 1% in 2013, an additional 1% in 2014, and will be increased to 12% in 2015. Contributions from Tier II employees remain at a constant 9% of salaries.

Funding Status

An important measure of the long-term financial stability of a pension fund is the funded ratio which is the ratio of the actuarial value of assets to the actuarial accrued liability. The greater the funded ratio, the greater assurance is given to participants that the Fund will meet its obligations to pay their pension future benefits. The Fund engages an independent actuary to perform an annual actuarial valuation of the plan. The December 31, 2014 valuation reports the actuarial value of assets (AVA) at $1.263 billion, the actuarial accrued liability (AAL) at $2.296 billion, and the unfunded AAL at $1.033 billion, resulting in a funded ratio of 55.0%.

The funded ratio is a measure at one point in time, but is best viewed in the context of its historical trend to assess the Fund's progress in relation to its long-term objective. For a more complete understanding of the Fund's funding status, the reader is encouraged to review the Actuarial Section of this report which contains a summary of valuation results, schedules that analyze funding, and details about the data used in the valuation. Ten year trend information is available in both the Actuarial and Statistical sections of this CAFR.

Investments

At year end, the Fund's 21 investment management firms were managing 24 separate mandates that comprised the Fund's $1.281 billion investment portfolio. The Board employs an investment consultant to aid in the selection of investment managers, to monitor and evaluate the investment management firms' performance, and to assist in the development of investment policy. Our goal is to maximize the long-term total return of the Fund's investments though a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

The Investment Section of this CAFR contains details regarding the Fund's investment policy, performance, diversification, investment expenses and a summary of the investment activities that took place in 2014. Also included are the Master Custodian's report and the Investment Consultant's report.

MAJOR ACTIVITIES AND HIGHLIGHTS

- For the third consecutive year the District authorized a special contribution to the Fund to improve funding; $12.0 million was received by the Fund in March.
- In June 2014 the Fund's tax levy request for 2015 was submitted to the District in the gross amount of $70,772,000. The request was computed using the new multiplier that was increased from 2.19 to 4.19 times employee contributions two years prior, due to legislation passed in 2012.
- The RFP process that had begun in December 2013 in search of a new Investment Consultant was completed in April with the hiring of Marquette Associates. Marquette began a 5-year term as investment consultant as of June 1st.
- During the year the Fund rebalanced the portfolio by reallocating funds from equities to fixed income. In addition, subsequent to the hiring of Marquette Associates, the Fund began considering implementation of their recommendations which included reducing the Fund's U.S. exposure in both equities and fixed income by introducing global mandates to the portfolio. Details regarding the Fund's 2014 investment activities can be found in the Investment Section of this CAFR.

- To prepare for the year-end financial and actuarial reporting season, the Fund's actuary formally met with Fund staff, and staff of the District's Finance and Treasury Departments in June to discuss the impact of implementing GASB Statements 67 and 68 on both the Fund's and the District's financial statements.
- During the year the Fund staff assisted the District's Treasury Department in drafting a Funding Policy. This policy took into account several projections prepared by the Fund's consulting actuary, and clearly states the commitment of the District to bring the plan back to a fully-funded status by the year 2050.
- Assumptions used in the actuarial valuation were modified as a result of the experience analysis performed by the Fund's actuary in September 2014. Among other assumption changes, the actuarial rate of return assumption was reduced from 7.75% to 7.5%; these changes were incorporated in the results of the December 31, 2014 actuarial valuation.
- Five proposals were received in response to an RFP for auditing services that was posted in June 2014, resulting in the retention of Legacy Professionals as the Fund's auditor for a term of one year, with optional annual renewals for four additional years.
- The Fund continued planning for disaster recovery/business continuity and infrastructure upgrades during the year. Subsequent to the June posting of an RFP for an IT consultant to help formulate a strategy to align business and information needs, PCM-G was hired in September, with implementation of the hardware/software recommendations to take place in early 2015.
- Board changes during the year included the following:
  - Trustees approved the December 2013 recommendation by the MWRD Board of Commissioners, and Mr. Harold Downs began his three-year term as Retiree Appointee Trustee in February 2014.
  - In December 2013, the Board elected officers for 2014, retaining Joseph F. Kennedy as President, Robert T. Regan as Vice President and appointing Hon. Mariyana Spyropoulos as Secretary.
  - Mr. Robert T. Regan was unopposed in the October elections and was duly selected for a four-year term beginning December 1, 2014.
- Benefit staff activity in 2014 included the processing of over 70 retirement applications, 30 surviving spouse applications and the processing of over 770 annuity estimate requests.
- Member communications in 2014 included:
  - New employee orientation provided to 109 new hires of the District throughout the year
  - April mailing of over 1,800 Contribution Statements to all active members, listing cumulative contributions as of the prior calendar year-end
  - May and November issues of Vested Interest, the Fund's newsletter
  - In October and December three days of plant-site individual retirement counseling sessions were presented by the Fund's benefits staff to approximately 80 individual employees at the Stickney and Calumet plants.
  - A mid-year mailing to all annuitants announcing open enrollment for health insurance

- Trustees and staff participated in several training sessions this year, including:
    - Annual Reciprocal Conference
    - Annual Employee Benefits Conference, International Foundation of Employee Benefit Plans
    - Roundtable for Consultants and Institutional Investors, sponsored by Institutional Investor
    - Midwest Institutional Investors Forum, sponsored by U.S. Markets
    - Fixed Income Summit, sponsored by Pension & Investments
    - Emerging Manager Summit, sponsored by Opal Financial Group
    - 2014 Annual Conference, sponsored by National Conference of Public Employee Retirement Systems
    - 2014 Investment Seminar, sponsored by Wellington Management Co.
    - 2014 Investment Symposium, and in-house training on fixed income diversification and passive vs. active investing sponsored by Fund's Investment Consultant Marquette Associates

AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to our Fund for its CAFR for the fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for only one year. The Metropolitan Water Reclamation District Retirement Fund has received a certificate of achievement for the last 21 years. We believe our current report continues to conform to the Certificate of Achievement program requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2014.

ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the Fund staff under the direction of the Board of Trustees. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets of the Fund.

Respectfully submitted,

Susan A. Boutin

Susan A. Boutin
Executive Director

BOARD OF TRUSTEES
12/31/14

Joseph F. Kennedy, President
Mr. Kennedy began his employment at the Metropolitan Water Reclamation District of Greater Chicago (District) in 1988. He currently works in the District's Engineering Department as a Managing Civil Engineer. He was appointed to the MWRD Retirement Fund Board of Trustees in 1999, was elected to the Board later that same year, and was re-elected in 2002, 2005, 2008 and in 2012 for a four year term ending November 30, 2016.

Robert T. Regan, Vice President
Mr. Regan began his District employment in 1991. He currently works in the District's Maintenance & Operations Department as a Principal Mechanical Engineer at the Stickney Water Reclamation Plant. He was elected by the employees to serve a three-year term on the MWRD Retirement Fund Board of Trustees in 2004, re-elected in 2007, 2010 and in 2014 for a four year term ending in November 2018.

Honorable Mariyana T. Spyropoulos, Secretary
Ms. Spyropoulos was appointed to the MWRD Retirement Fund Board of Trustees upon expiration of the term served by the Hon. Cynthia M. Santos, starting in January 2013 for a three year term ending in January 2016.

Stephen J. Carmody, Trustee
Mr. Carmody began his District employment in 1989. He currently works in the District's Maintenance & Operations Department as Engineer of Treatment Plant Operations I at the Stickney Water Reclamation Plant. He was elected in November 2008, and was re-elected in 2011 for a four-year term ending November 2015.

John P. Dalton, Jr., Trustee
Mr. Dalton began his District employment in 1993. He currently works in the District's Maintenance & Operations Department as an Assistant Master Mechanic at the Stickney Water Reclamation Plant. He was appointed to the MWRD Retirement Fund Board of Trustees in 2005, elected to serve a three-year term on the Board in 2006, and re-elected in 2009 and 2013 for four year terms ending in November 2017.

Harold G. Downs, Trustee
Mr. Harold G. Downs began his long tenure at the District in 1970 as Assistant Treasurer and served as Treasurer from 1982 to the end of 2010. He was appointed to the MWRD Retirement Fund Board as Retiree Trustee upon expiration of the term served by Joseph W. Rose, starting in February 2014 for a three year term ending in January 2017.

Honorable Barbara J. McGowan, Trustee
Mrs. McGowan was appointed to the MWRD Retirement Fund Board of Trustees in December 2007, and re-appointed in 2009, 2012 and 2015 for a three year term ending in January 2018.

EXECUTIVE STAFF AND ADVISORS
12/31/14

EXECUTIVE STAFF
Susan A. Boutin, Executive Director

ADVISORS
- Legal Counsel: Jacobs, Burns, Orlove, and Hernandez, Chicago, IL
- Investment Consultant: Marquette Associates, Chicago, IL
- Consulting Actuary: Foster & Foster, Oakbrook Terrace , IL
- Auditor: Legacy Professionals, LLP, Chicago, IL
- Master Custodian: The Bank of New York Mellon Co., New York, NY

INVESTMENT MANAGERS
1. Alliance Bernstein, LP, New York, NY
2. Ariel Investments, Chicago, IL
3. Decatur Capital Management Inc., Decatur, GA
4. Fiduciary Management Associates LLC, Chicago, IL
5. Geneva Capital Management Ltd, Milwaukee, WI
6. Herndon Capital Management LLC, Atlanta, GA
7. Hexavest Inc., Montreal, Canada
8. Holland Capital Management, Chicago, IL
9. LSV Asset Management, Chicago, IL
10. Neuberger Berman, New York, NY
11. O'Shaughnessy Asset Management, Stamford, CT
12. PNC Capital Advisors, Cleveland, OH
13. Pioneer Investments, Boston, MA
14. Profit Investment Management, Silver Spring, MD
15. State Street Global Advisors, Boston, MA
16. Systematic Financial Management, Teaneck, NJ
17. UBS Global Asset Management, Chicago, IL
18. Vontobel Asset Management Inc., New York, NY
19. WCM Advisors, Laguna Beach, CA
20. Wasatch Advisors, Salt Lake City, UT
21. Wellington Management Co., Boston, MA

ORGANIZATIONAL CHART

December 31, 2014

BOARD OF TRUSTEES
Joseph F. Kennedy (President)
Robert T. Regan (Vice President)
Hon. Mariyana T. Spyropoulos (Secretary)
Stephen J. Carmody (Trustee)
John P. Dalton, Jr. (Trustee)
Harold G. Downs (Retiree Trustee)
Hon. Barbara J. McGowan (Trustee)

INVESTMENT CONSULTANT

INDEPENDENT AUDITOR

EXECUTIVE DIRECTOR
Susan A. Boutin

INVESTMENT MANAGERS

CUSTODIAN

LEGAL COUNSEL

CONSULTING ACTUARY

ACCOUNTING/FINANCE
ACCOUNTANT/ ANALYST
Vrinda A. Kulkarni, C.P.A.

OFFICE SERVICES
OFFICE SERVICES ASSISTANT
Debra A. Kozlowski

FINANCE
FINANCIAL ANALYST
George P. Kirie

INFORMATION TECHNOLOGY
PROGRAMMER ANALYST
Vitaliy Bunimovich

BENEFITS
OPERATIONS MANAGER
Mary T. Wilson

BENEFITS
BENEFITS MANAGER
Ksenija Hrvojevic

ASSISTANT BENEFITS ANALYSTS
Jean M. Sivils
Jessica M. Taylor
and
Valerie M. Crouch

——— Full and direct authority and responsibility.
- - - - - Appointment by the Board of Trustees, direction and coordination by the Executive Director.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

The Board of Trustees of the Retirement Fund is composed of seven members. Two Trustees are appointed by the District Board of Commissioners, one is recommended by the District Board of Commissioners and approved by the Retirement Fund Board, and four are District employees elected by the active members of the Fund. Appointed members serve for terms of three years, and elected members serve for terms of four years on a rotating basis so that each year, one seat on the Board is up for election and another is up for an appointment.

Annually, the Board of Trustees elects a President, a Vice President, and a Secretary. Among its duties, the Board authorizes payments of benefits, supervises collections, directs investment of the assets of the Fund in a manner prescribed by State statute and Fund policies, makes rules and regulations for the proper conduct of the affairs of the Fund, appoints employees and consultants and submits a detailed report of the affairs of the Fund to the State of Illinois Department of Insurance and to the District. The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff.

RESPONSIBILITIES OF THE STAFF

The Executive Director and the Fund staff are responsible for the administration and payment of benefits to the members of the Fund, active and retired under the direction of the Board of Trustees.

Staff responsibilities include computation of annuity benefits, certification of reciprocal service credit, refunds of spouse contributions at the time of retirement to unmarried employees, contribution refunds to qualified participants and insurance enrollment and claim administration. In the event of a death of a participant, the staff calculates survivor benefits (spouse and child) or a refund to estate, if applicable. All calculations are verified internally before they are presented to the Trustees for approval. The staff is responsible for distribution of benefit payments and the associated withholding for taxes, insurance, credit union deductions and year-end tax reporting (IRS Form 1099-R).

At the request of District employees at any stage of their career, Fund staff prepares retirement estimates and provides individual retirement counseling. Estimate calculations include applicable refund repayment and leave of absence payment estimates to qualified individuals to enhance their retirement benefits. In addition, periodic pre-retirement seminars are jointly presented by Fund and District staff at various locations throughout the District.

The Fund staff is also responsible for the administration of ordinary and duty disability benefits to disabled employees, which includes verification of the disability, calculation and payment of the benefits. The benefit staff also maintains a record of all employee contributions and the associated interest.

The Executive Director is responsible for coordinating efforts with the Fund’s various consultants. In conjunction with our investment consultant, the Fund coordinates asset allocation studies, investment manager searches, asset transitions, development and maintenance of the Fund’s investment policy and investment monitoring. With the guidance of the Fund’s actuary and attorney, the Fund reviews and makes recommendations regarding legislative initiatives. The staff also consults with attorneys regarding various issues including statutory interpretations, determinations from the Internal Revenue Service, and potential legal actions due to realized investment losses.

Fund staff is responsible for the general accounting that serves as the basis for the annual financial statements. Financial statements with supporting schedules are prepared in a cooperative effort between staff and auditors. The Fund’s external auditor also reviews and makes recommendations regarding accounting practices. The annual audit includes limited sampling and testing for compliance with statutory and administrative policy.

The Fund’s proprietary benefit management software provides reporting of additions and changes made to the member data during each processing cycle. Similarly, the actuary annually performs year-to-year comparisons of data in order to identify any anomalies. Every four to five years, our actuary performs an experience analysis to review the recent experience of the Fund and to recommend actuarial assumptions for use in the annual valuation.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Report on the Financial Statements

We have audited the statement of fiduciary net position of the Metropolitan Water Reclamation District Retirement Fund (the Fund), a component unit of the Metropolitan Water Reclamation District of Greater Chicago (the District), as of December 31, 2014, the related statement of changes in fiduciary net position for the year then ended and the notes to the financial statements. The Fund's financial statements include partial prior-year information for 2013. Such information does not include various notes to the basic financial statements and the management's discussion and analysis for 2013, which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended December 31, 2013, from which such partial information was derived.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

311 South Wacker Drive | Suite 4000 | Chicago, IL 60606 | 312-368-0500 | 312-368-0746 Fax | www.legacycpas.com

Auditors' Responsibility (continued)

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial status of Metropolitan Water Reclamation District Retirement Fund as of December 31, 2014 and the changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The Metropolitan Water Reclamation District Retirement Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans.* Statement No. 67 resulted in modification of certain disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 6f and the schedules of changes in the District's net pension liability and related ratios, district contributions, investment returns and notes to those schedules on pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (continued)

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metropolitan Water Reclamation District Retirement Fund's basic financial statements. The accompanying schedules of investment returns, administrative expenses, investment expenses, payments to consultants and postemployment healthcare disclosure on pages 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2015 on our consideration of the Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting and compliance.

Legacy Professionals LLP

Chicago, Illinois

April 21, 2015

LEGACY
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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Metropolitan Water Reclamation District Retirement Fund, which comprise the statement of fiduciary net position as of December 31, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Metropolitan Water Reclamation District Retirement Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Water Reclamation District Retirement Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Legacy Professionals LLP

Chicago, Illinois

April 21, 2015

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

(A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Metropolitan Water Reclamation District Retirement Fund (Fund) presents this narrative overview of the financial statements and financial performance of the Fund for the years ended December 31, 2014 and 2013. The Management’s Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal, the financial statements and their accompanying notes, required supplementary information, and other supplementary information.

UNDERSTANDING THE FUND’S FINANCIAL STATEMENTS

The Fund prepares its financial statements on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Fiduciary Net Position provides information about the nature and amount of investments available to satisfy the pension benefit obligations of the plan. The Statement of Changes in Fiduciary Net Position accounts for all additions to and deductions from the net position held in trust for pension benefits. This statement measures the Fund’s success over the past year in increasing the fiduciary net position available for pension benefits.

While the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position provide important financial information, significant actuarial factors also need to be considered in order to determine the financial health of the Fund. Two primary factors are the funded status and the actuarially determined contribution requirement, both of which are calculated by the Fund’s actuary.

The Fund’s funded status is the ratio of the actuarial value of assets to the actuarial liability, and is calculated using the 5-year smoothed market-related value method. The smoothing prevents extreme volatility in the actuarial value of assets due to short-term fluctuations in the investment markets. Another important calculation by our actuary is an actuarially based contribution requirement which combines the employer’s normal cost with an amount for amortizing the unfunded liability over a prescribed period of 30 or more years. This can be compared to the actual contribution from the employer to determine the adequacy of employer contributions to fund the liabilities of the plan.

This report contains the following three components:

1. Basic Financial Statements which are the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the Notes to the Financial Statements which contain information that is integral to the financial statements

2. Required Supplementary Information which presents important actuarial information

3. Other Supplementary Information which gives details of administrative, investment, and payments to consultants, as well as disclosure regarding post employment healthcare

FINANCIAL HIGHLIGHTS

- The Fund's investment portfolio returned 6.7% and 21.7% (net of fees) for the calendar years 2014 and 2013, respectively. The Fund's Policy Index returned 8.2% and 19.6% for the same years.

- Contributions and investment income exceeded payments for benefits and administrative expenses in 2014, resulting in an increase in the Fund's net position available for benefits of $39.2 million or 3.0% to $1.34 billion at December 31, 2014, from the prior year end.

- The Fund's funded ratio, which is computed as the actuarial value of assets divided by the actuarial accrued liability, was 55.0% as of December 31, 2014, up from 54.1% in 2013. The recent upward trend in this ratio started in 2013 as a result of good investment returns, special contributions from the District and legislation resulting in increased employer contributions.

FIDUCIARY NET POSITION

A summary of net position for the plan at December 31, 2014 and 2013 is shown in the following table and discussion. These financial statements reflect the resources available to pay future benefits to retirees and beneficiaries at the close of the reported years. Details of fiduciary net position at December 31, 2014 and 2013 are found on page 30.

Condensed Statement of Fiduciary Net Position

	12/31/14	12/31/13	$ Change	% Change
ASSETS:				
Cash	$ 274,732	$ 122,902	$ 151,830	123.5%
Receivables	76,152,767	73,487,897	2,664,870	3.6%
Forward foreign exhange contracts	28,088,531	32,768,498	(4,679,967)	-14.3%
Investments	1,281,356,457	1,246,898,339	34,458,118	2.8%
Securities lending collateral	51,053,444	38,966,402	12,087,042	31.0%
Total assets	1,436,925,931	1,392,244,038	44,681,893	3.2%
LIABILITIES:				
Securities lending collateral	51,053,444	38,966,402	12,087,042	31.0%
Forward foreign exhange contracts	28,088,531	32,768,498	(4,679,967)	-14.3%
Other	19,988,336	21,895,311	(1,906,975)	-8.7%
Total liabilities	99,130,311	93,630,211	5,500,100	5.9%
NET POSITION	$ 1,337,795,620	$ 1,298,613,827	$ 39,181,793	3.0%

Fiduciary Net Position

During 2014, net position of the plan increased $39.2 million or 3.0% from net position at December 31, 2013. This was the combined result of a $44.7 million increase in total assets offset by an increase in total liabilities of $5.5 million from 2013 year end balances.

The increase in total assets was due primarily to the $34.5 million increase in investments, resulting from positive investment returns in 2014.

The increase in total liabilities of $5.5 million from 2013 is the combined effect of changes in the liabilities for forward exchange contracts, for pending securities purchases, and for securities lending collateral. These amounts vary from year to year depending on the amount of security transactions traded but not settled and on the amount of securities out on loan at year-end.

Fiduciary net position at December 31, 2014 was $1.34 billion, representing the amount available at year end to satisfy future pension benefit obligations.

CHANGES IN FIDUCIARY NET POSITION

A summary of changes in fiduciary net position for the plan for the fiscal years ended December 31, 2014 and 2013 follows. This summary reflects changes in the sources (additions) and uses (deductions) of funds during these years; the net increase or decrease is the change in net position available for benefits since the end of the previous fiscal year. Details of changes in fiduciary net position during 2014 and 2013 can be found on page 31.

Condensed Statement of Changes in Fiduciary Net Position

	2014	2013	$ Change	% Change
ADDITIONS:				
Employer contributions	$ 73,906,168	$ 92,944,381	$ (19,038,213)	-20.5%
Employee contributions	18,974,954	16,890,798	2,084,156	12.3%
Total contributions	92,881,122	109,835,179	(16,954,057)	-15.4%
Net investment income	81,165,375	225,550,319	(144,384,944)	-64.0%
Securities lending income	435,191	545,284	(110,093)	-20.2%
Total investment income	81,600,566	226,095,603	(144,495,037)	-63.9%
Other	4,460	6,833	(2,373)	-34.7%
Total additions	174,486,148	335,937,615	(161,451,467)	-48.1%
DEDUCTIONS:				
Retirement annuities	132,913,502	127,205,981	5,707,521	4.5%
Refunds	984,346	1,128,922	(144,576)	-12.8%
Administrative expense	1,406,507	1,391,487	15,020	1.1%
Total deductions	135,304,355	129,726,390	5,577,965	4.3%
INCREASE IN NET POSITION	39,181,793	206,211,225	(167,029,432)	-81.0%
Beginning net position	1,298,613,827	1,092,402,602	206,211,225	18.9%
Ending net position	$ 1,337,795,620	$ 1,298,613,827	$ 39,181,793	3.0%

Additions

Additions to fiduciary net position are accumulated through contributions by the employer and employees, and returns on the investment portfolio. Historically the investment portfolio has been the largest contributor to the Fund, but in 2014 total contributions exceeded investment income due to low market returns.

Total contributions for 2014 were $92.9 million, a decrease of $17.0 million or 15.4% from 2013. This decrease was the combined effect of decreased employer contributions, and a small increase in employee contributions. The employer contribution, which decreased by $19.0 million or 20.5% from the prior year, is collected from an annual tax levy based upon a multiple of employee contributions two years prior, and for the last three years has included a special contribution. The special contribution, which was granted by the District in order to increase their contribution in the years before the tax multiple was statutorily increased from 2.19 to 4.19, was $30.0 million in 2013 and $12.0 million in 2014. The District contribution is currently calculated as the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior.

Employee contributions were $19.0 million in 2014, an increase of $2.1 million or 12.3% from 2013. In general, total employee contributions vary with changes in employer payroll and plan modifications. The increase from the prior year was the combined effect of an increase in covered payroll and of an increase in the employee contribution rate from 10% in 2013 to 11% in 2014 due to the legislation that took effect in 2013.

Total investment income in 2014 was lower than the prior year by $144.4 million, reflecting total returns of 6.7%, compared to 21.7% in 2013. Lower returns in both the U.S. and non-U.S. equity markets were offset by higher returns in the fixed income markets in 2014. Investment income is a combination of interest and dividend income, realized gains (losses) on investment sales, and unrealized gains (losses) on investments held at year end. Investment income is shown net of investment expenses which consist of fees charged by the Fund's investment managers, investment consultant, and custodian.

Interest and dividend income in 2014 increased $3.6 million or 18.1% from 2013 due to additional allocations to active fixed income. In 2014, sales of investments resulted in net realized gains of $120.4 million. Unrealized losses on investments totaled $56.8 million in 2014. Investment expenses were $5.9 million, an increase of 8.0% over the prior year, due primarily to the increase in market values of investments in 2014.

The Fund has participated in the securities lending program offered by the Bank of New York Mellon, the Fund's custodian bank, since 2007. The Fund also participates in the securities lending program offered by State Street Global Advisors (SSGA) with regards to their pooled index fund. For the year ended December 31, 2014, securities lending activities generated net income of $435,191, a decrease of 20.2% from 2013. The reduction was due to a lesser demand for securities by borrowers resulting from narrowing of spreads during the year.

Deductions

Deductions from fiduciary net position are payments made by the Fund for benefits (to retirees, survivors, and disabled employees), refunds and administrative expenses. Total deductions in 2014 were $135.3 million compared to $129.7 million in 2013, an increase of $5.6 million, or 4.3%. The increase in benefits is primarily attributable to the 3% cost of living increase granted to annuitants each year. In general, annuity benefits also increase as deceased annuitants who had lower benefits are removed from the annuitant payroll, and new retirees with higher benefits are added.

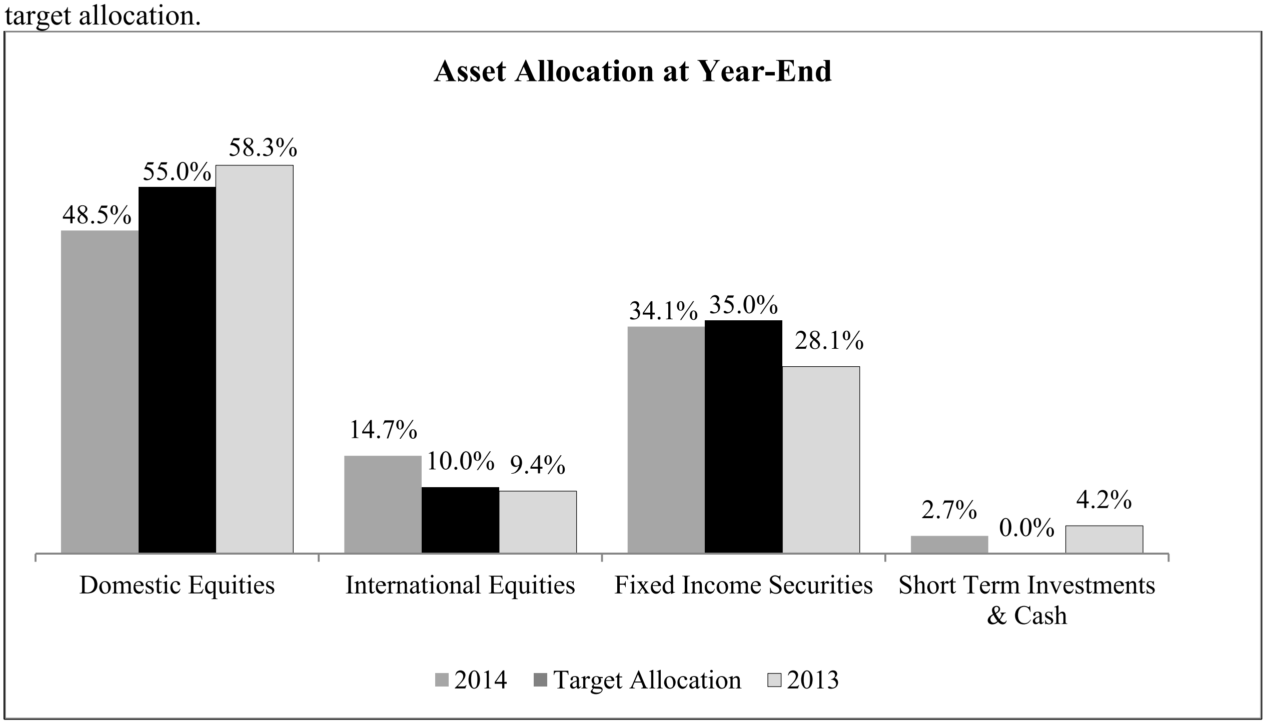
RETURN ON INVESTMENTS AND ASSET ALLOCATION

The Fund's rate of return on investments in 2014 was 6.7%, net of fees, versus 8.2% return on its Policy Index. The rate of return on investments in 2013 was 21.7%, net of fees, versus 19.6%return on the Policy Index.

The current Policy Index is composed of 55% domestic equities (25% S&P 500 Index, 20% Russell MidCap Index, 10% Russell 2000 Index), 10% international equities (MSCI EAFE Index) and 35% domestic fixed income (Barclays Aggregate Index).

During 2014, the Fund reduced the equity overweights resulting from the high equity markets, with additional allocations to the active fixed income managers. With the completion of an asset allocation study by the Fund's new investment consultant, the Fund began considering the recommendations, and will continue to do so over the next year. The primary focus is to reduce the U.S. exposure in bonds and equities by adding global allocations, and considering passive equity management as a way to decrease fees and earn market-like returns.

The following chart compares the actual asset allocations as of December 31, 2014 and 2013 with the target allocation.



CURRENT ASSET BALANCES AND OUTLOOK

As of March 20, 2015, the Fund's invested assets had a fair market value of $1.3 billion, a slight increase from the December 31, 2014 balance. The Fund manages risk by holding a diversified portfolio so that the impact of positive and negative market swings in the various sectors of the portfolio offset each other. With continual review of our target asset allocation and intermittent rebalancing, the Fund expects to achieve investment returns that outperform its policy index and actuarial assumed rate of return in the long run.

CONTACT INFORMATION

This financial report is intended to provide our members and other interested parties with a general overview of the Metropolitan Water Reclamation District Retirement Fund's finances. Questions concerning this report or requests for additional information should be directed to the Fund at 111 East Erie Street, Suite 330, Chicago, Illinois 60611, by phone at (312) 751-3222, or by email at sue.boutin@mwrd.org.

Metropolitan Water Reclamation District Retirement Fund
Statement of Fiduciary Net Position
December 31, 2014
(with comparative amounts for prior year)

	2014	2013
Assets		
Cash	$ 274,732	$ 122,902
Receivables		
Employer contributions - taxes (net of allowance for uncollectible amounts of ($3,494,543 in 2014 & $5,382,970 in 2013)	61,654,025	62,983,975
Securities sold	9,929,266	8,011,771
Forward foreign currency exchange contracts	28,088,531	32,768,498
Accrued interest and dividends	4,529,446	2,440,064
Accounts receivables	40,030	52,087
Total receivables	104,241,298	106,256,395
Investments - at fair value		
Fixed income	252,271,238	161,405,724
Pooled funds - fixed income - short-term	34,620,768	51,788,805
Pooled funds - fixed income - long-term	186,015,905	189,818,715
Common stocks	808,448,546	843,885,095
	1,281,356,457	1,246,898,339
Securities lending collateral	51,053,444	38,966,402
Total investments	1,332,409,901	1,285,864,741
Total assets	1,436,925,931	1,392,244,038
Liabilities and Net Position		
Liabilities		
Accounts payable	1,646,236	1,539,694
Securities purchased	18,342,100	20,355,617
Forward foreign currency exchange contracts	28,088,531	32,768,498
Securities lending collateral	51,053,444	38,966,402
Total liabilities	99,130,311	93,630,211
Net position restricted for pension benefits	$ 1,337,795,620	$ 1,298,613,827

See accompanying notes to financial statements

Metropolitan Water Reclamation District Retirement Fund
Statements of Changes in Fiduciary Net Position
Year Ended December 31, 2014
(with comparative amounts for prior year)

	2014	2013
Additions		
Employer contributions	$ 73,906,168	$ 92,944,381
Employee contributions	18,974,954	16,890,798
Total contributions	92,881,122	109,835,179
Investment income		
Net appreciation in fair value of investments	63,589,719	211,132,376
Interest	8,935,932	7,046,983
Dividend income	14,539,290	12,826,171
Total investment income	87,064,941	231,015,530
Less investment expenses	(5,899,566)	(5,465,211)
Net investment income	81,165,375	225,550,319
Securities lending income		
Earnings	64,302	89,443
Broker rebates	505,896	630,124
Less bank fees	(135,007)	(174,283)
Net securities lending income	435,191	545,284
Other	4,460	6,833
Total additions	174,486,148	335,937,615
Deductions		
Annuities and benefits		
Employee annuitants	111,351,904	106,623,945
Surviving spouse annuitants	20,443,693	19,431,705
Child annuitants	157,500	114,000
Ordinary disability benefits	820,626	821,914
Duty disability benefits	139,779	214,417
Total annuities and benefits	132,913,502	127,205,981
Refunds of employee contributions	984,346	1,128,922
Administrative expense	1,406,507	1,391,487
Total deductions	135,304,355	129,726,390
Net increase	39,181,793	206,211,225
Net position restricted for pension benefits		
Beginning of year	1,298,613,827	1,092,402,602
End of year	$ 1,337,795,620	$ 1,298,613,827

See accompanying notes to financial statements

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Water Reclamation District Retirement Fund (the Fund) is administered in accordance with Chapter 40 of the Illinois Compiled Statutes Act 5, Article 13.

Reporting Entity - As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units. Component units are legally separate organizations for which:

- The primary government is financially accountable or
- The nature and significance of the organization's relationship with the primary government is such that exclusion would cause the primary government's financial statements to be misleading or incomplete.

A primary government is financially accountable for a legally separate organization if:

1) The primary government officials appoint a voting majority of the component unit's board and either

    a) Has the ability to impose its will on the component unit's board or

    a) There exists the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.

or

2) The organization is fiscally dependent on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set charges, or issue bonded debt without approval by the primary government.

Based upon these criteria, since the Fund cannot levy its own taxes, the Fund is considered a component unit of the Metropolitan Water Reclamation District of Greater Chicago (the District) and, as such, is included in the District's financial statements as a pension trust fund. The Fund has no component units.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Fund member (employee) contributions are recognized as additions in the period in which the contributions are due. Benefits and administrative expenditures are recognized when due and payable in accordance with the terms of the Plan.

New Accounting Pronouncement - In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. For defined benefit plans, the Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employer and non-employer contributing entities for benefits provided through the pension plan. Statement No. 67 also enhances footnote disclosures and required supplementary information for pension funds. The Statement is effective for financial statements with periods beginning after June 15, 2013. The adoption of this guidance did have a material impact on the Fund’s financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement is effective for the Fund’s fiscal year ending December 31, 2014. The adoption of this guidance did not have a material impact on the Fund’s financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state and local government grantor that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not the government will be required to make a payment on the guarantee. This Statement is effective for the Fund’s fiscal year ending December 31, 2014. The adoption of this guidance did not have a material impact on the Fund’s financial statements.

Investments - The Fund reports investments at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset or paid to transfer that liability (exit price) in an orderly transaction between market participants at the measurement date.

Common stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of period presented.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)
Most U.S. government and government agency obligations, corporate bonds and notes and municipal bonds are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that include inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The fair value of the common collective trust is based on the net asset value per share by reference to the underlying investments, which consist of fixed income securities. Units held in the common collective trust are valued at the unit value as reported by the investment manager as of the last business day of period presented.

Pooled funds, which include commingled equity and fixed income funds, represent investments with various investment managers. The fair values of these investments are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Units held in the commingled funds are valued at the unit value as reported by the investment managers as of the last business day of period presented.

Investments in the pooled funds - fixed income - short-term investments are valued at cost which approximates their fair value, except for foreign currency which is traded in active markets on national and international exchanges and is valued at closing on the last business day of each period presented.

Securities lending collateral held for securities on loan is valued at estimated fair value as determined by the custodian.

Purchases and sales of the investments are reflected on a trade-date basis and are recorded net of commissions paid to brokerage firms. Investment management fees are recorded as a reduction of investment income.

Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Estimates - The preparation of the 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.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.
Subsequent Events - In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 21, 2015, the date the financial statements were available to be issued.

NOTE 2. FUND DESCRIPTION

The Metropolitan Water Reclamation District Retirement Fund is a single employer defined benefit plan, established by the Illinois State Legislature in 1931 to provide retirement annuities, death and disability benefits for certain employees of the Metropolitan Water Reclamation District of Greater Chicago as well as Fund employees. The Fund is administered in accordance with 40 ILCS 5 of the Illinois Compiled Statutes.

The Board of Trustees is composed of a seven member board, which consists of four member-elected employee Trustees, and three appointed Trustees, one of which is a retiree. State law authorizes the Board to make investments, pay benefits, hire staff and consultants and perform all necessary functions to carry out the provisions of the Illinois Compiled Statutes. The provisions of the Fund, including the defined benefits and the employer and employee contribution levels are established by those statutes and may be amended or terminated only by the Illinois State Legislature.

Membership

At December 31, 2014, the Fund's membership consisted of:

Active employees	1,873
Retirees and beneficiaries currently receiving benefits	
Retirees	1,729
Surviving spouses	593
Children	21
Total retirees and beneficiaries	2,343
Inactive employees entitled to benefits or a refund of contributions	115
Total membership	4,331

The Fund's active membership includes District employees, District Commissioners, and Retirement Fund staff and is referred to as "employees" in the financial statements and notes.

Funding

Funding to meet the annuity and benefit obligations of the Fund is expected to come from employee contributions, employer contributions (the taxes levied by the District) and income earned on the Fund's investments.

Tier I employees are required to contribute 11% of their salary to the Fund in 2014 and 12% will be required in 2015 and years thereafter. Tier II employees are required to contribute 9% in 2014 and years thereafter. Contributions are collected as a payroll withholding. Employees made contributions of $18,974,954 for the year ended December 31, 2014.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Funding (continued)

The District levies taxes per state statutes (40 ILCS 5), which dictate that the District shall annually levy a tax upon all the taxable real property within the District at a rate which, when extended, will produce a sum that

(i) will be sufficient to meet the Fund's actuarially determined contribution requirement, but

(ii) shall not exceed an amount equal to the total employee contributions 2 years prior to the year for which the tax is levied, multiplied by 4.19 (the tax multiple). The actuarially determined contribution requirement is equal to the employer's normal cost plus the annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll. The funding goal is to attain a funded ratio of at least 90% by the year 2050, with the funded ratio being the ratio of the actuarial value of assets to the total actuarial liability.

Per the statutes, the tax shall be levied and collected in the same manner as the general taxes of the District.

The tax rate is based on an actuarially determined rate recommended by an independent actuary subject to the statute noted above. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the plan participants during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2014, the District's contribution was 41.95% of covered payroll.

Retirement Eligibility and Benefits

The following describe and reflect plan provisions as described in Article 13 of the Illinois Pension Code.

Normal Retirement

An employee whose duties include service of 120 days or more per year and has at least 5 years of service at age 60 is eligible to receive an undiscounted retirement benefit (if hired before January 1, 2011). An employee with at least 10 years of service at age 67 is eligible to receive an undiscounted retirement benefit (if hired on or after January 1, 2011).

The normal retirement benefit is 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Early Retirement

An employee hired before January 1, 2011 who attains age 55 (50 if hired on or before June 13, 1997) with at least 10 years of service is entitled to receive a minimum retirement benefit. An employee hired on or after January 1, 2011 who attains age 62 with at least 10 years of service is entitled to receive a minimum retirement benefit.

If the employee retires prior to the attainment of age 60, the normal retirement benefit computed shall be reduced by .5% for each full month the member is less than age 60 or service is less than 30 years whichever is less (if hired before January 1, 2011). If hired on or after January 1, 2011, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. There is no discount if the participant has 30 years of service.

Alternate Provision for Commissioners

Any participant Commissioner may elect to establish alternate credits for an alternative annuity. An additional contribution of 3% of salary is required for participation. In lieu of the normal retirement benefits any Commissioner who has elected to participate, has attained age 55 and has 6 years of service is eligible for an enhanced benefit formula.

Surviving Spouse Annuity

Upon an employee's death an annuity will be payable to his/her eligible surviving spouse. If an employee was hired before June 13, 1997, a spouse is immediately eligible for a surviving spouse annuity if married on the date of an employee's death, or if married on the employee's date of retirement and remained married until retiree's death. Dissolution of a marriage after retirement shall not divest the spouse of entitlement if the marriage was in effect for at least 10 years on the date of retirement.

If an employee was hired on or after June 13, 1997, a spouse is eligible for a surviving spouse annuity after 3 years of member's service, with the same conditions for marriage as described above for members hired prior to June 13, 1997.

If an employee was hired before January 1, 2011, the surviving spouse annuity is equal to 60% of the employee's retirement benefit at the time of death, plus 1% for each year of total service, to a maximum of 85%. If hired on or after January 1, 2011, an eligible surviving spouse will be entitled to an annuity equal to 66 2/3% of the employee's retirement benefit at time of death.

Under certain conditions, an age discount applies to the surviving spouse annuity if the employee was hired after January 1, 1992 for employees in service before January 1, 2011.

Children's Annuity

Unmarried children less than age 18 (23 if full-time student) of a member that dies in service or of a former member that dies with at least 10 years of service, are eligible for an monthly annuity of $500 per month for each child (if one parent is living) and $1,000 per month for each child (if neither parent is living) to a maximum total benefit of $5,000 per month.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Refunds

Upon withdrawal from service an employee hired before January 1, 2011 under age 55 (50 if hired on or before June 13, 1997), or age 55 (50 if hired on or before June 13, 1997) and less than age 60 with less than 20 years of service, or age 60 or over with less than 5 years of service, is eligible for a refund of accumulated employee contributions without interest upon request.

An employee hired on or after January 1, 2011 is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal.

Upon receipt of a refund, the member forfeits rights to benefits from the Fund. Refund repayment provisions may apply in certain cases.

Disability Benefits

Duty Disability
An employee incurring injury or illness arising out of employment with the District and compensable under the Workers Compensation Act or the Occupational Disease Act may apply for duty disability benefits administered by the Fund. Duty disability benefits are 75% of the salary earned on the date of disability, less the amount paid by Worker's Compensation. The benefit is 50% of salary if disability resulted from a physical defect or disease that existed at the time injury was sustained. Benefits are payable during the period of disablement, but not beyond attainment of age 65. If the disability occurs at age 60 or older, benefits are payable for a maximum of 5 years.

Ordinary Disability
An employee who becomes disabled due to any cause other than illness or injury incurred in the performance of duty may apply for ordinary disability benefits administered by the Fund. Ordinary disability benefits provide 50% of employee's earnable salary at the date of disability, for a maximum period of the lesser of 25% of the employee's actual service prior to disablement or 5 years.

NOTE 3. PENSION LIABILITY OF THE DISTRICT

Net Pension Liability

The components of the net pension liability of the District as of December 31, 2014, were as follows:

Total pension liability	$ 2,285,095,580
Fund fiduciary net position	(1,337,795,620)
District's net pension liability	$ 947,299,960
Fund fiduciary net position as a percentage of the total pension liability	58.54%

See the Schedule of Changes in the District's Net Pension Liability and Related Ratios on page 29 of the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation as of December 31, 2014, using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial methods and assumptions:

Actuarial valuation date	12/31/14
Cost method	Entry age normal
Inflation	2.5%
Salary increases	Varies by service
Investment rate of return	7.50%

Healthy lives mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA).

Disabled lives mortality rates were based on RP-2000 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted by Foster & Foster, Inc. dated September 23, 2014.

NOTE 3. PENSION LIABILITY OF THE DISTRICT (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments (i.e. the actuarial assumed investment rate of return of 7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.2%
International equity	5.2%
Bonds	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.50% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	Decrease (6.5%)	Rate (7.5%)	Increase (8.5%)
District's net pension liability	$ 1,217,729,913	$ 947,299,960	$ 720,078,909

NOTE 3. PENSION LIABILITY OF THE DISTRICT (CONTINUED)

Assumption Changes

Effective December 31, 2014 the following assumption changes were made to better reflect anticipated experience:

- The investment return assumption was updated from 7.75% to 7.50%.
- Mortality rates were updated from the UP-1994 sex distinct table, rated down 2 years for male members and rated down 1 year for female members to the RP-2000 Combined Healthy Mortality Table, with Generational mortality improvements (Scale AA) for healthy lives and to RP-2000 Disabled Retiree Mortality Table for disabled lives.
- Retirement rates were updated.
- Withdrawal rates were updated.
- The salary increase assumption was updated from a flat 5.00% to a table of rates based on service.
- Disability rates were updated.

NOTE 4. CASH DEPOSITS

As of December 31, 2014, the Fund's book balance of cash is $274,732 and is held at the Amalgamated Bank of Chicago. Cash deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name. The Fund does not have a formal policy relating to custodial risk for deposits. The Fund had no uninsured, uncollateralized cash at December 31, 2014.

NOTE 5. INVESTMENT SUMMARY

Authorization

The Illinois Statutes prescribe the "prudent person rule" as the Fund's investment authority, effective August 31, 2007. This rule requires the Fund to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent person" framework, the Board of Trustees adopts investment guidelines for the Fund's investment managers which are included within their respective Investment Management Agreements. By statute, all investments are held in the name of the Metropolitan Water Reclamation District Retirement Fund.

Investment Policy

The Board's adopted asset allocation policy is 55% domestic equities, 10% international equities and 35% fixed income (since December 31, 2007). The composition of the policy index is 25% S&P 500 Index, 20% Russell Mid Cap Index, 10% Russell 2000 Index, 10% MSCI EAFE Index and 35% Barclays Aggregate Index.

Custodian

The Fund's actively managed investments are registered in electronic book entry form and held in Trust Accounts custodied by The Bank of New York Mellon, the Fund's agent. The Fund's pooled investments are held in trust and custodied by State Street Global Advisors (SSGA).

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk

Generally accepted accounting principles specify the disclosure requirements for deposits that are not covered by depository insurance and investment securities that are uninsured and are not registered in the name of the government or a trust agent.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

As of December 31, 2014, the Fund had minimal exposure to custodial credit risk since all investments were insured, registered, and/or held in the Fund's name.

Concentration of Investment Risk

Investments that represent 5% or more of the Fund's net position restricted for pension benefits are identified below:

Investment Type	Fair Value
Pooled funds - fixed income - long term	
U.S. Aggregate Bond Index SL Fund - State Street	$ 186,015,905

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One strategy to manage exposure to interest rate risk is to purchase a combination of short-term and long-term investments, while considering cash flow needs of the Fund. The Fund does not maintain an investment policy relative to interest rate risk. However, the Board of Trustees recognizes that its investments are subject to short-term volatility and their goal is to maximize total return within prudent risk parameters.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk (continued)

The following table categorizes the Fund's interest bearing investments and presents the fair value and segmented time distribution of debt securities held by the Fund as of December 31, 2014:

		Investment Maturities (in Years)			
Type of Investment	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Fixed income					
U.S. Government and government agency obligations	$ 94,065,670	$ 15,996,497	$ 7,089,719	$ 3,228,460	$ 67,750,994
Municipal bonds	4,167,001	231,135	-	-	3,935,866
Corporate bonds and notes	139,179,624	2,329,986	38,396,820	38,519,961	59,932,857
Common collective trust - fixed income	14,858,943	742,947	8,766,776	4,903,451	445,769
Fixed income	252,271,238	19,300,565	54,253,315	46,651,872	132,065,486
Pooled funds - fixed income					
Long-term investments	186,015,905	-	-	186,015,905	-
Short-term investments	34,620,768	34,620,768	-	-	-
Total	$ 472,907,911	$ 53,921,333	$ 54,253,315	$ 232,667,777	$ 132,065,486

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is defined as the risk that the issuer of a debt security will not pay its par value upon maturity. The Illinois Statutes prescribe the “prudent person rule” as the Fund’s investment authority and within the “prudent person” framework, the Board of Trustees adopts investment guidelines that considers credit risk for the Fund’s investment managers which are included within their respective investment Management Agreements.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk (continued)

The following table presents a summarization of the Fund's credit quality ratings of the holdings within the investments at December 31, 2014:

Type of Investment	Credit Rating	Fair Value	Percentage
Fixed income			
U.S. Government and			
government agency obligations	Aaa	$ 94,065,670	19.9 %
Municipal bonds	A1-A3	395,983	0.1
	Aa1-Aa3	1,854,333	0.4
	Aaa	1,341,701	0.3
	Not Rated	574,984	0.1
		4,167,001	0.9
Corporate bonds and notes	A1-A3	17,776,192	3.7
	Aa1-Aa3	8,358,423	1.8
	Aaa	10,296,740	2.2
	B1-B3	17,436,167	3.7
	Ba1-Ba3	22,179,128	4.7
	Baa1 - Baa3	43,784,322	9.3
	C	349,875	0.1
	Caa1 - Caa3	2,912,159	0.6
	Not Rated	16,086,618	3.4
		139,179,624	29.5
Common collective trust - fixed income	B1	14,858,943	3.1
Fixed income		252,271,238	
Pooled funds - fixed income			
Long-term investments	A	21,689,455	4.6
	Aa	8,110,293	1.7
	Aaa	133,578,021	28.2
	Baa	22,619,534	4.8
	Below Baa	18,602	0.0
		186,015,905	39.3
Pooled funds - fixed income			
Short-term investments	Not Rated	34,620,768	7.3
Total		$ 472,907,911	100.0 %

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments held by the Fund are in equities, fixed income and foreign cash. The Fund's exposure to foreign currency risk at December 31, 2014 was as follows:

Type of Investment	Fair Value	Percentage
Equities:		
Australian Dollar	$ 10,644,703	6.5%
Canadian Dollar	8,223,863	5.0
Swiss Franc	17,143,867	10.5
Danish Krone	3,382,242	2.1
Euro	37,138,912	22.7
Pound Sterling	36,642,697	22.4
Hong Kong Dollar	7,323,874	4.5
Israeli Shekel	486,956	0.3
Japanese Yen	33,148,572	20.3
Norwegian Krone	2,922,374	1.8
New Zealand Dollar	1,238,519	0.8
Swedish Krona	3,741,850	2.3
Singapore Dollar	1,544,133	0.8
	$ 163,582,562	100.0%

Type of Investment	Fair Value	Percentage
Fixed Income:		
Brazil Real	$ 107,135	1.6%
Euro	740,787	11.1
Pound Sterling	356,971	5.3
Indonesian Rupiah	504,372	7.5
Indian Rupee	862,296	12.9
Mexican New Peso	719,080	10.7
Norwegian Krone	2,291,837	34.2
New Zealand Dollar	347,493	5.2
Polish Zloty	82,613	1.2
Romanian Leu	627,207	9.4
Russian Rubel	57,521	0.9
	$ 6,697,312	100.0%

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	Fair Value	Percentage
Foreign Cash:		
Australian Dollar	$ 852,037	26.4%
Canadian Dollar	17,065	0.5
Swiss Franc	17,802	0.6
Danish Krone	16,624	0.5
Euro	103,319	3.2
Pound Sterling	42,077	1.3
Hong Kong Dollar	84,869	2.6
Indonesian Rupiah	13,087	0.4
Israeli Shekel	348,524	10.8
Indian Rupee	60,696	1.9
Japanese Yen	189,682	5.9
Mexican New Peso	24,078	0.7
Norwegian Krone	936,396	29.1
New Zealand Dollar	-	0.0
Romanian Leu	6,932	0.2
Swedish Krona	466,199	14.5
Singapore Dollar	11,987	0.4
New Turkish Lira	30,814	1.0
	$ 3,222,188	100.0%

NOTE 6. DERIVATIVES

The Fund uses forward foreign currency exchange contracts to manage portfolio risk and to facilitate international portfolio trading.

A derivative security is a financial contract whose value is based on, or “derived” from, a traditional security, an asset, or a market index. Derivative instruments include forward contracts as part of the Fund’s portfolio.

NOTE 6. DERIVATIVES (CONTINUED)

Derivative transactions involve, to varying degrees, credit risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

Forward contracts are used to hedge against fluctuations in foreign currency-denominated assets used primarily in portfolio trade settlements. These contracts are a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

The deferred outflows of resources and deferred inflows of resources of the hedging derivatives are immaterial and not included in these financial statements.

At December 31, 2014, the Plan's investments included the following forward foreign currency exchange contract balances:

Forward Foreign Currency Exchange Contract receivables	$ 28,088,531
Forward Foreign Currency Exchange Contract payables	$ 28,088,531

NOTE 7. SECURITIES LENDING

The Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, requires collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and for international securities, collateral worth at least 105%. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan.

All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 2 days.

The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities without borrower default; as such, the collateral security or non-cash collateral is not reported in the financial statements.

NOTE 7. SECURITIES LENDING (CONTINUED)

Although the Fund's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Fund if borrowers fail to return the securities or fail to pay the Fund for income distributions by the issuers of securities while the securities are on loan.

A summary of securities loaned at fair value as of December 31, 2014 is as follows:

Fair value of securities loaned for cash collateral	$ 49,508,049
Fair value of securities loaned for non-cash collateral	10,244,821
Total fair value of securities loaned	$ 59,752,870
Fair value of cash collateral from borrowers	$ 51,053,444
Fair value of non-cash collateral from borrowers	10,455,514
Total fair value of collateral	$ 61,508,958

The value of the cash collateral held and a corresponding liability to return the collateral have been reported on the accompanying statement of fiduciary net position.

The Fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their commingled index funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund.

NOTE 8. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employer whose employees are provided with defined contribution pensions. Statement No. 68 is effective for the Fund's fiscal year ending December 31, 2015.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. This standard requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 71 is effective for the Fund's fiscal year ending December 31, 2015.

In March 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

The Fund's management has not yet determined the effect, if any; these Statements will have on the Fund's financial statements.

NOTE 9. PRIOR YEAR REVISION

The securities lending collateral asset and liability as previously reported in the December 31, 2013 financial statements incorrectly included non-cash collateral of $6,692,795. Accordingly, the asset and related liability for securities lending collateral at December 31, 2013 have been revised from $45,659,197 as previously reported to the correct amount of $38,966,402. This revision is reflected in the "with comparative amounts for prior year" column in the December 31, 2014 statement of fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Changes in the District's Net Pension Liability and Related Ratios
- Schedule of District Contributions and Related Notes
- Schedule of Investment Returns

Metropolitan Water Reclamation District Retirement Fund
Required Supplementary Information
Schedule of Changes in the District's Net Pension Liability and Related Ratios
December 31, 2014

Total Pension liability	
Service cost	$ 31,602,226
Interest	163,338,376
Changes in benefit terms	-
Differences between expected and actual experience	10,861,109
Changes of assumptions*	-
Benefit payments, including refunds of Member contributions	(133,897,848)
Net change in total pension liability	71,903,863
Total pension liability	
Beginning of year	2,213,191,717
End of year	$ 2,285,095,580
Fund fiduciary net position	
Contributions - employer	$ 73,906,168
Contributions - participant	18,974,954
Net investment income	81,600,566
Benefit payments, including refunds of participant contributions	(133,897,848)
Administrative expense	(1,406,507)
Other	4,460
Net change in fund fiduciary net position	39,181,793
Fund fiduciary net position	
Beginning of year	1,298,613,827
End of year	$ 1,337,795,620
District's net pension liability	$ 947,299,960
Fund fiduciary net position as a percentage of the total pension liability	58.54%
Covered-employee payroll	$ 176,183,941
Employer’s net pension liability as a percentage of covered - employee payroll	537.68%

* No value is shown in the changes of assumptions because both the beginning and ending total pension liability are based upon the actuarial assumptions adopted in the December 31, 2014 valuation. Those assumptions are listed in Note 3 of these financial statements.

Metropolitan Water Reclamation District Retirement Fund

Schedule of District Contributions and Related Notes

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially Determined Contribution (ADC)	$ 43,164,572	$ 47,368,878	$ 47,090,445	$ 49,758,238	$ 54,790,175	$ 61,872,925	$ 69,393,171	$ 74,828,844	$ 68,414,142	$ 64,477,662
Contributions in Relation to the ADC	26,174,492	34,476,332	27,947,096	33,406,819	32,153,874	29,917,793	37,379,137	65,097,835	92,944,381	73,906,168
Contribution deficiency (excess)	$ 16,990,080	$ 12,892,546	$ 19,143,349	$ 16,351,419	$ 22,636,301	$ 31,955,132	$ 32,014,034	$ 9,731,009	$(24,530,239)	$ (9,428,506)
Covered employee payroll	$149,246,356	$152,767,396	$158,831,772	$167,865,254	$176,915,399	$174,485,734	$164,275,424	$163,816,934	$169,375,857	$176,183,941
Contributions as a percentage of covered-employee payroll	17.54%	22.57%	17.60%	19.90%	18.17%	17.15%	22.75%	39.74%	54.87%	41.95%

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution (ADC) is calculated as of December 31 prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay. Prior to 2013, 30 year open amortization. From the 2013 ADC calculation, closed amortization to 2050.
Remaining amortization period	37 years remaining amortization as of 1/1/14.
Asset valuation method	Assets are valued with an adjustment to expected assets to uniformly spread actuarial investment gains and losses (measured by the difference in actual market value investment return and expected market value investment return) over a five year period.
Investment rate of return	7.75%
Inflation	2.50%
Salary increases	5.00%
Payroll growth	3.70%
Termination rates	Termination rates are based on the most recent experience analysis and vary by age and service of member.
Mortality rates	Mortality rates are based on the 1983 Group Annuity Table (+0M, +2F) through the 2006 ADC calculation. Mortality rates are based on the UP-1994 (-1M, +1F) from the 2007 ADC calculation through the 2010 ADC calculation. Mortality rates are based on the UP-1994 (-2M, -1F) as of the 2011 ADC calculation.
Retirement rates	Retirement rates are based on the most recent experience analysis and vary by age of member. Rates were reduced by 30% as of the 2007 ADC calculation,, and by 20% as of 2011 ADC calculation to reflect actual experience.
Disability rates	A separate disability rate assumption was added as of the 2013 ADC calculation.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

YEAR ENDED DECEMBER 31, 2014

	2014
Annual money-weighted rate of return, net of investment expense	6.67%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial information and disclosures that are not required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Schedule of Payments to Consultants
- Postemployment Healthcare Disclosure

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 2014
(with comparative amounts for prior year)

	2014	2013
Administrative expenses		
Regular employees	$ 928,312	$ 921,934
Employee benefits	144,640	147,340
Other personnel costs	19,308	-
Professional services		
Actuarial	69,700	47,260
Legal and lobbyist	35,027	47,215
Audit and state regulatory fees	34,500	38,500
Public stenographer	11,244	9,020
Medical	8,978	7,684
Investigation	623	1,030
Printing and publication	2,817	3,166
Postage	8,971	15,073
Office supplies and furniture	3,848	4,156
Travel	1,967	413
Tuition reimbursement	2,697	9,435
Maintenance and repair	-	1,077
Payments to consultants	102,202	114,927
Membership dues, conference fees, subscriptions and publications	11,066	5,145
Computer hardware and software	5,770	6,408
Miscellaneous	14,837	11,704
Total administrative expenses	$ 1,406,507	$ 1,391,487

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION

Schedule of Investments Expenses
Year ended December 31, 2014
(With Comparative Amounts For Prior Year)

	2014	2013
Investment manager fees	$ 5,462,012	$ 5,046,860
Custodian fees	267,554	248,351
Investment consulting fees	170,000	170,000
Investment expenses	$ 5,899,566	$ 5,465,211

Schedule of Payments to Consultants
Year Ended December 31, 2014
(with comparative amounts for prior year)

Firm / Individual	Services	2014	2013
Novitas (formerly JC Consulting Group, Inc.)	Benefit system maintenance and development	$ 69,600	$ 87,500
Elizabeth Cataudella	Benefits consultant	31,174	27,427
Best Case Technologies	Website consultant	1,428	-
Total payments to consultants		$ 102,202	$ 114,927

POSTEMPLOYMENT HEALTHCARE

The Fund does not provide any health insurance supplement. Employee and survivor annuitants may elect coverage under the insurance programs offered through the Metropolitan Water Reclamation District of Greater Chicago (District), the former employer of our employee annuitants. The District offers these programs to retirees on a year-by-year basis. Retirees are not guaranteed coverage under the District's insurance programs. The Fund withholds the prescribed annuitant portion of the monthly medical premium and forwards it in total to the District, who subsidizes the medical coverage. The District provides full disclosure in its Comprehensive Annual Financial Report.

INVESTMENT SECTION

Custodian Report

Investment Consultant Report

Investment Preface:
- Authority
- Responsibility
- Policy & Objectives
- Allocation
- Management
- Performance

Investment Analytics:

- Investment Assets
  - Summary at Market Value
  - Asset Allocation (graph)
  - Schedule of Investment Returns
  - Historical Investment Returns (with graph)
  - Historical Asset Allocation
  - Fixed Income & Equity Diversification
  - Top 40 Common Stock Holdings
  - Manager by Type and Assets Managed
- Investment Related Expenses
  - Investment Manager Compensation
  - Custodial Fees
  - Investment Consultant Fees
  - Domestic Brokerage Commissions
  - International Brokerage Commissions

BNY MELLON
ASSET SERVICING

April 29, 2015

To the Board of Trustees of the Metropolitan Water Reclamation District Retirement Fund:

The Bank of New York Mellon as custodian of the assets of the Metropolitan Water Reclamation District Retirement Fund (Fund) held by it in a custodial account has provided annual accounting statements to the Fund which represents The Bank of New York Mellon's record of investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the custody accounts for the period of January 1, 2014 through December 31, 2014.

In addition to the custody of assets in the custody accounts, and pursuant to the Master Global Custody Agreement among the Board of Trustees and the Bank of New York Mellon dated December 8, 2006 and the securities lending contract dated June 27, 2007, The Bank of New York Mellon provides the following services:

- Maintain safe custody of the assets owned by MWRD Retirement Fund.
- Settle trades in accordance with manager instructions.
- Collect dividends and registered interest payments.
- Provide proxy processing and corporate action services
- Sweep cash balances of manager accounts in end of day sweep vehicle.
- Provide MWRD with monthly and annual audited investment accounting statements.
- Provide periodic reports summarizing the investment activity of the Fund's assets.
- Administer a securities lending program for MWRD Retirement Fund's assets and invest cash collateral received from such loans.

Sincerely,

Michael D. Skirtich
Vice President
(412) 234-6527

500 Grant Street, One Mellon Center, Room 1315, Pittsburgh, PA 15258
T 412 234 4100 www.bnymellon.com

MarquetteAssociates

To the Metropolitan Water Reclamation District Retirement Fund (MWRDRF) Board of Trustees:

Marquette Associates ("Marquette) is the independent investment consultant for the MWRDRF. Marquette is responsible for the implementation of the Retirement Fund's asset allocation, trustee education, the selection and monitoring of investment managers as well as investment performance analysis. Marquette follows the CFA ® Institute's Performance Presentation Standards for calculating and reporting performance returns.

In 2014, the MWRDRF's total portfolio returned 7.1% gross of fees and 6.7% net of fees. The assumed actuarial rate of return for the Retirement Fund was 7.5% and the MWRDRF's Policy index was comprised of the following indices: Barclays Aggregate (35%), S&P 500 (25%), Russell MidCap (20%), Russell 2000 (10%), MSCI EAFE (10%). For the one-year period ending December 31, 2014, the portfolio benchmark returned 8.2%.

2014 was a year of surprises for fixed income investors. The 10-year Treasury yield started the year at 3% with a projected rise to 3.5%, but declined to 2.2% by year-end. Reasons for the drop included the conclusion of quantitative easing, geopolitical events like Russia's annexation of Ukraine, Argentina's bond default and the drop in oil prices. Collectively, these events triggered a flight to quality and positive returns for U.S. Treasuries. The MWRDRF ended 2014 with a 34.4% allocation to fixed income; net of fees, the fixed income composite returned 5.2% versus the benchmark (Barclays Aggregate) which returned 6%.

U.S. equities saw strong returns in 2014, however there were noticeable differences among styles and sizes. The S&P 500 generated a double digit return (13.7%) with several new index highs along the way; the Russell 1000 Value index also turned in one of the best returns in 2014, up 13%. Small cap value, on the other hand, saw a modest 4% gain for the year. The MWRDRF portfolio ended the year with a 50.3% allocation to U.S equities; net of fees, the U.S equities composite returned 9.4% versus the benchmark (Wilshire 5000) which returned 12.7%.

It was a challenging year for non-U.S. equities with developed stocks down 4.5% and emerging markets (EM) down 1.8%. A strong U.S. Dollar in the second half of the year led to currency losses that significantly contributed to the underperformance. The MWRDRF ended 2014 with a 15.2% allocation to non-U.S equities; net of fees, the non-U.S equity composite returned -0.3% versus the benchmark (MSCI ACWI ex-US) which returned -3.9%.

In order to assess the Fund's expected probability of achieving the assumed actuarial rate of return over the long-term while minimizing expected risk, Marquette presented an asset allocation study to MWRDRF Staff and the Board of Trustees during the third quarter of 2014. The recent addition of non-U.S Small Cap equity to the MWRDRF portfolio along with the approved allocation to Global Fixed Income highlights the fact that the MWRDRF Staff, the Board of Trustees and Marquette are in the process of implementing the recommendations from this asset allocation study.

The MWRDRF portfolio represents a highly liquid and transparent program and the addition of these new asset classes is expected to be additive to returns while having a dampening effect on expected risk through additional diversification.

Sincerely,

Kweku Obed, CFA, CAIA
Senior Vice President

180 North LaSalle Street, Ste 3500, Chicago, IL 60601 PHONE 312-527-5500 FAX 312-527-9064 WEB marquetteassociates.com
CHICAGO | BALTIMORE | ST. LOUIS

INVESTMENT PREFACE

INVESTMENT AUTHORITY

The Metropolitan Water Reclamation District Retirement Fund's (Fund) investment authority is established by and subject to the provisions of the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 13.

The Retirement Fund Board of Trustees invests the Fund's reserves according to the Prudent Person Rule. This rule requires a Trustee, who is a fiduciary by way of title, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

INVESTMENT RESPONSIBILITY

The duties of the Board include the appointment and review of investment managers as fiduciaries to manage the investment assets of the Fund. The investment managers are granted discretionary authority to manage stated assets and vote all proxies for the Board. The investment managers must discharge their duties with respect to the Fund solely in the interest of the Fund's contributors and beneficiaries.

INVESTMENT POLICY & OBJECTIVES

The Fund's asset allocation strategy is based on a combination of long-term investment return expectations and the Fund's expected cash requirements for payments of benefits and expenses. The investment objective of the total portfolio is to maximize the rate of return within a prudent level of risk.

Based on a review of the Fund's asset allocation and performance objectives in 2007, the Fund's investment policy and objective was modified. The Fund is expected to exceed the actuarial target return over a complete market cycle of approximately 5 years. The actuarial target was reduced as of the December 31, 2014 valuation, from 7.75% to 7.50%. The Fund is expected to exceed the policy index, on average, over rolling four quarter periods. The current policy index is:

25% S&P 500 Index
20% Russell Mid Cap Index
10% Russell 2000 Index
10% MSCI EAFE Index
35% Barclay's U.S. Aggregate Index

Individual goals are established for each investment manager and incorporated into the contracts with those managers. The Board hires and reviews investment managers based on an evaluation of their investment philosophy, long-term performance and ability to complement existing portfolio styles. Investment managers must adhere to their stated investment philosophy and strive to attain their performance goals. The formal investment policy is reviewed annually.

INVESTMENT ALLOCATION

The investment policy of the Fund establishes asset allocation targets and ranges for each asset class to achieve risk and return objectives. Fund staff, in collaboration with the Fund's investment consultant, monitors the investment allocation on a monthly basis. Formal rebalancing is recommended by the consultant when variances approach 5% over or under the targets. In addition, strategic withdrawals for payment of benefits are used to fine-tune the allocations.

As of December 31, 2014 and 2013, the Fund's asset allocation percentages, at market value, are listed below.

Asset Class	2014 Actual Asset Allocation	Target Allocation	2013 Actual Asset Allocation
Domestic Equity	48.5%	55.0%	58.3%
International Equity	14.7%	10.0%	9.4%
Domestic Fixed Income	34.1%	35.0%	28.1%
Short Term and Cash	2.7%	0.0%	4.2%
Total	100.0%	100.0%	100.0%

INVESTMENT MANAGEMENT

Highlights of the Fund's 2014 investment and monitoring activities are as follows:

- Due to the large overweight in equities at the end of 2013, the Board began the year with actions to rebalance the portfolio by increasing the allocation to fixed income.
- In March, the Fund received a $12.0 million special contribution of interest income from the District Corporate Fund. These funds, along with approximately $51.1 million taken from overweights in equities, and $8.8 million from the SSgA bond index portfolio, or a total of $71.9 million were used to increase the allocations to the core plus fixed income portfolios of Neuberger Berman and Pioneer.
- The RFP process that began in December 2013 in search of a new Investment Consultant was completed in April with the hiring of Marquette Associates, for a 5-year term commencing June 1st.
- Marquette completed their Asset Allocation Study and presented conclusions and recommendations in October. Key recommendations included:
  - Mitigate concentration risk presented by the Funds U.S. exposure in bonds and equities by adopting a more global framework
  - Condense multiple equity styles which over the long-term can lead to sub-optimal performance
  - Utilize passive management in the equities portfolio to reduce fees
  - Further diversify the fixed income portfolio to better mitigate interest rate risk

INVESTMENT MANAGEMENT, CONT.

- Throughout the last quarter of the year, Trustees received training on fixed income diversification and active vs. passive management presented by Marquette Associates.
- In October, the Board of Trustees terminated Opus Capital Management, a small-cap value manager, and allocated approximately $42.6 million evenly to two of the three existing small-cap portfolios, Wasatch Advisors and WCM Investment Management.
- In November, the Board of Trustees approved the posting of an RFP for two global fixed income managers to manage approximately $50.0 million each, with anticipated selection in early 2015.
- Also in November the Trustees hired LSV Asset Management to manage approximately $76.7 million in an international small cap portfolio. Funding took place in December with $6.7M from Wellington mid cap growth, $20.0 million from Wellington mid cap value, $20.0 million from Systematic mid cap value and $30.0 million from PNC large cap growth portfolios.
- As a result of PA 98-1022 which was signed into law on August 22, 2014 with an effective date of January 1, 2015, the Fund's Investment Advisor Procurement Policy and Investment Management Agreements were modified to comply with the additional required disclosures.
- In 2014 the Fund exceeded its minority (MWDBE) broker/dealer commissions goals of 30% for domestic equity trades, 10% for international equity trades and 20% of par for fixed income trades, achieving actual minority commissions of 53%, 15% and 44% of par, respectively.

INVESTMENT PERFORMANCE

Marquette Associates evaluates investment manager performance as well as overall performance on a monthly and quarterly basis and presents their reports to the Trustees at the monthly Board meetings. Investment returns are calculated based on a time-weighted rate of return based on market values and in compliance with industry accepted reporting standards. Rates of returns are reported both gross and net of investment fees. The Fund's investment managers report performance in compliance with Global Investment Performance Standards. This reporting requirement is also included in the managers' contractual agreements with the Fund.

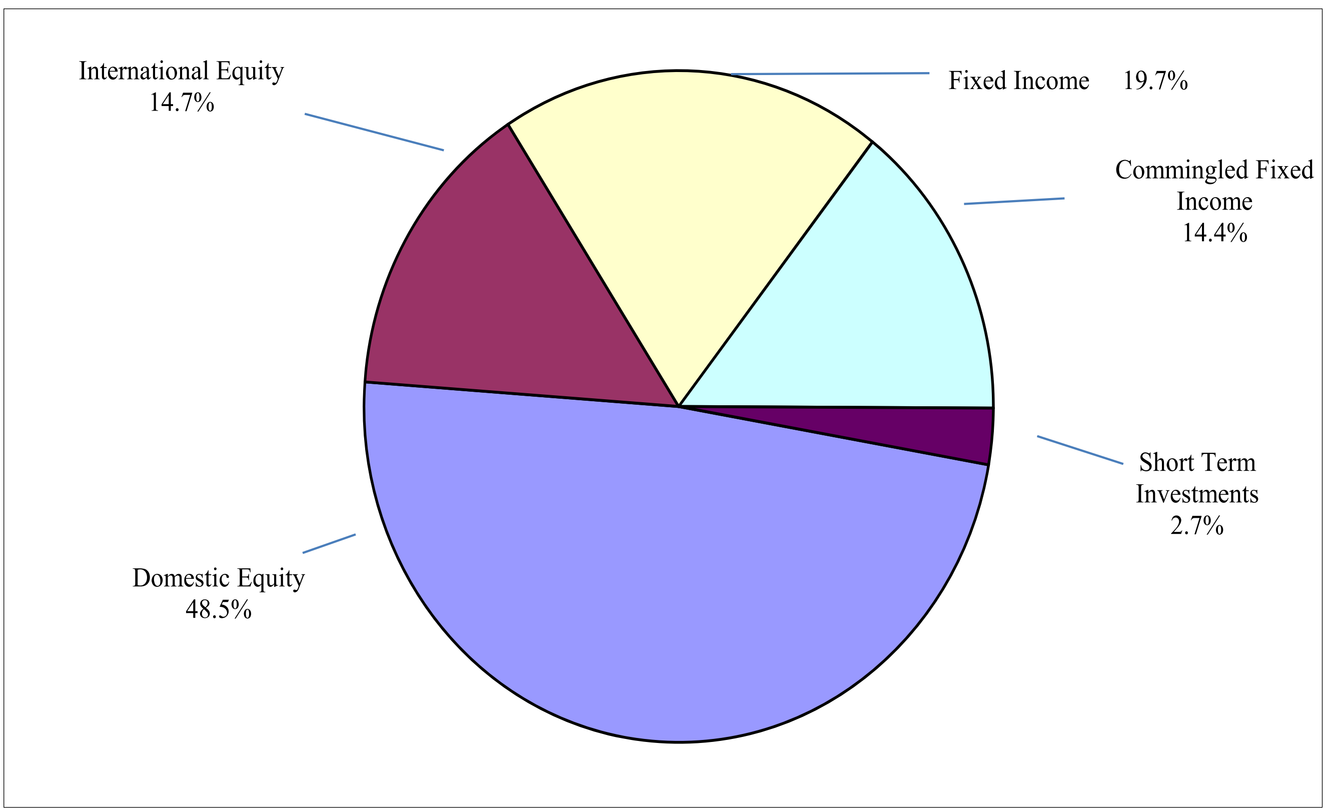
The market value rate of return on invested assets for the year ending December 31, 2014 was 6.7% net of fees, compared to the Fund's Policy Index return of 8.2%. The Fund's performance over the long term against the Policy Index, the various component indices, and the actuarial rate of return assumption is an important indicator of how well the Fund is accomplishing its investment objectives. Data for trend analysis is presented in tables later in this section entitled *Schedule of Investment Returns* and *History of Investment Returns*.

INVESTMENT ASSETS

Summary at Market Value
December 31, 2014 and 2013

	December 31, 2014		December 31, 2013	
Fixed Income Investments				
Fixed Income-Bonds & Notes	$252,271,238	19.7 %	$161,405,724	12.9 %
Index/Commingled Funds	186,015,905	14.4	189,818,715	15.2
	438,287,143	34.1	351,224,439	28.1
Equity Investments				
Domestic Equity	620,023,586	48.5	726,492,808	58.3
International Equity	188,424,960	14.7	117,392,287	9.4
	808,448,546	63.2	843,885,095	67.7
Short Term Investments	34,620,768	2.7	51,788,805	4.2
Total at Market Value	$1,281,356,457	100.0 %	$1,246,898,339	100.0 %

Asset Allocation at Market Value
December 31, 2014



SCHEDULE OF INVESTMENT RETURNS

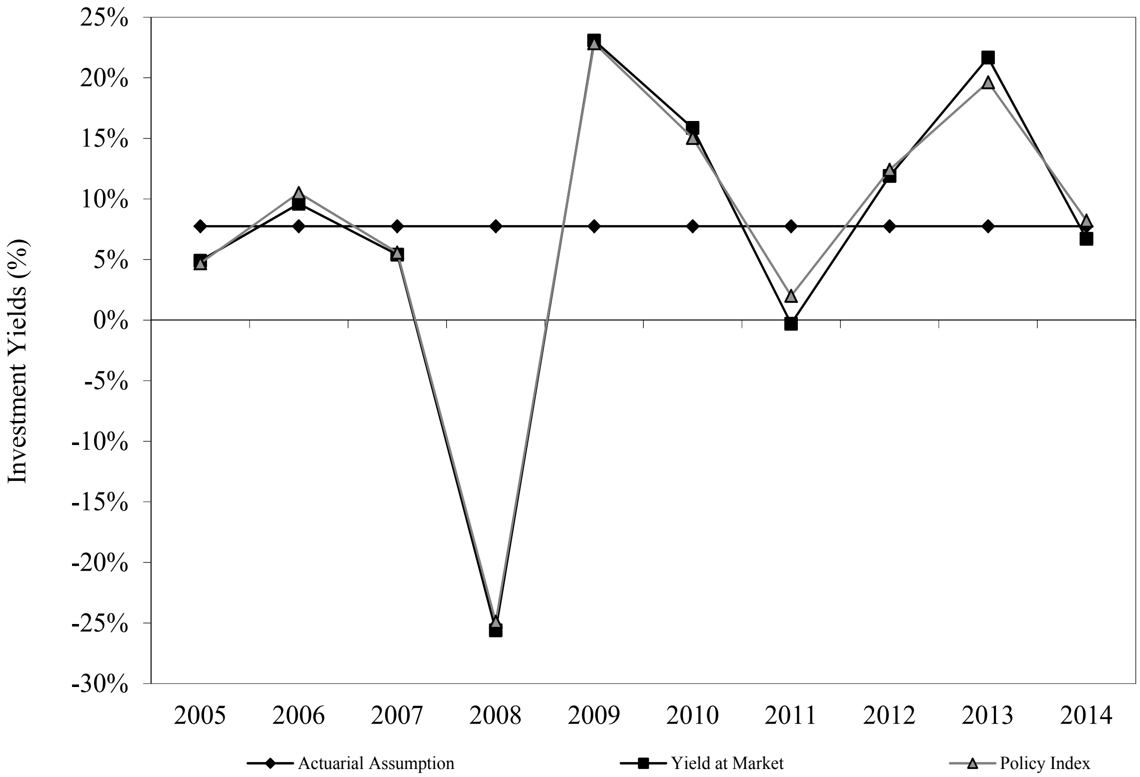
	Year ending 12/31/14[1,2]	3-Year Annualized	5-Year Annualized	10-Year Annualized
Fund's Total Portfolio	**6.7 %**	**13.3 %**	**10.9 %**	**6.4 %**
Policy Index	8.2	13.3	11.2	6.6
Fund's Domestic Equity Composite	**9.4**	**20.1**	**14.8**	**7.0**
DJ Wilshire 5000 - Composite index	12.7	20.5	15.7	8.1
Policy Index Components:				
S&P 500 - Large cap index	13.7	20.4	15.5	7.7
Russell Mid Cap - Mid cap index	13.2	21.4	17.2	9.6
Russell 2000 - Small cap index	4.9	19.2	15.6	7.8
Fund's International Equities	**(0.3)**	**9.7**	**7.3**	**-**
Policy Index Component:				
MSCI EAFE	(4.5)	11.6	5.8	-
Fund's Fixed Income	**5.2**	**3.2**	**4.7**	**4.6**
Policy Index Component:				
Barclay's U.S. Aggregate	6.0	2.7	4.4	4.7

1. The Fund's Policy Index is composed of 25% S&P 500, 20% Russell Mid Cap, 10% Russell 2000, 10% MSCI EAFE and 35% Barclay's U.S. Aggregate Index.

2. Investment returns are reported net of investment fees. The calculation is based on a time-weighted rate of return at market and is in compliance with industry accepted reporting standards. Quarterly reports of the Fund's Investment Consultant can be obtained upon request.

HISTORY OF INVESTMENT RETURNS AT MARKET VALUE
Years ending December 31

Year	Invested Assets	Actuarial Assumption	Yield at Market[1]	Fund's Policy Index[2]
2005	$ 1,136,790,610	7.75%	4.9%	4.7%
2006	1,192,992,050	7.75%	9.6%	10.5%
2007	1,195,418,217	7.75%	5.4%	5.6%
2008	850,451,228	7.75%	-25.6%	-24.9%
2009	982,263,533	7.75%	23.1%	22.9%
2010	1,060,891,508	7.75%	15.9%	15.0%
2011	979,087,210	7.75%	-0.3%	2.0%
2012	1,064,586,807	7.75%	11.9%	12.4%
2013	1,246,898,339	7.75%	21.7%	19.6%
2014	1,281,356,457	7.75%	6.7%	8.2%
5 year annualized return		7.75%	10.9%	11.2%
10 year annualized return		7.75%	6.4%	6.6%



1 Investment returns are reported net of investment fees.

2 The Fund's Policy Index , in effect since 12/07, is detailed on the previous page. Prior to that, from 12/98 through 11/07, the Fund's Custom Benchmark consisted of : 45% Wilshire 5000 and 55% LBA.

HISTORICAL ASSET ALLOCATION AT MARKET VALUE
Last Ten Years

	Market Value as a Percent of Portfolio[1]									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Equities										
Active Domestic Equities	33.1	35.6	38.6	42.0	48.9	60.9	55.0	53.0	58.3	48.5
Commingled Equities	23.9	20.8	14.4	5.9	10.3	1.9	-	-	-	-
Active International Equities	-	2.1	2.3	4.1	4.5	5.2	10.4	9.4	9.4	14.7
	57.0	58.5	55.3	52.0	63.7	68.0	65.4	62.4	67.7	63.2
Fixed Income										
Active Fixed Income	9.3	8.4	11.9	4.5	-	-	-	15.7	12.9	19.7
Commingled Fixed Income	31.9	32.0	31.6	41.7	34.3	30.0	32.9	19.2	15.2	14.4
	41.2	40.4	43.5	46.2	34.3	30.0	32.9	34.9	28.1	34.1
Short Term Investments	1.8	1.1	1.2	1.8	2.0	2.0	1.7	2.7	4.2	2.7
Total Portfolio	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Allocation percentages as of December 31st.

FIXED INCOME DIVERSIFICATION
as of December 31, 2014

Bond and Note Classification	Market Value (MV)	MV as a % of Total Fixed Income
Treasuries & Government	$ 62,058,725	14.2 %
Corporate	84,258,593	19.2
Mortgage-Backed	81,231,339	18.5
Asset-Backed	9,586,307	2.2
Foreign	11,099,934	2.5
Municipals	4,036,340	1.0
Total Bonds & Notes	252,271,238	57.6
Index/Commingled Fixed	186,015,905	42.4
Total Fixed Income[1]	$ 438,287,143	100.0 %

EQUITY DIVERSIFICATION
as of December 31, 2014

Stock Classification	Market Value (MV)	MV as a % of Total Equity
Consumer Discretionary	$ 94,863,609	11.7 %
Consumer Staples	35,341,344	4.4
Energy	44,641,698	5.5
Financials	109,744,175	13.6
Health Care	78,122,972	9.7
Industrials	83,703,184	10.4
Information Technology	112,224,270	13.9
Materials	22,320,849	2.8
Telecommunication Services	8,680,330	1.0
Utilities	9,920,377	1.2
Unclassified	20,460,778	2.5
Total Common Stock - Domestic	620,023,586	76.7
International Equity	188,424,960	23.3
Total Equity[1]	$ 808,448,546	100.0 %

[1] Fixed Income and Equity totals on this schedule represent invested assets and thus do not include STI and cash and are in agreement with the Financial Statements.

TOP 40 COMMON STOCK HOLDINGS [1]
as of December 31, 2014

Company Name	Industry	Shares	Market Value
Apple Inc.	Computers	72,953	$8,052,552
Philip Morris International Inc.	Agriculture	67,422	5,491,522
British American Tobacco PLC	Tobacco - UK	75,070	4,096,851
Roche Holding AG	Pharmaceuticals	14,178	3,851,097
Nestle SA	Food Processing	49,366	3,624,264
JP Morgan Chase & Co.	Banks	57,300	3,585,834
Exxon Mobil Corp.	Oil & Gas	36,963	3,417,229
Pfizer Inc.	Pharmaceuticals	105,565	3,288,350
Yum! Brands Inc.	Retail	42,861	3,122,424
Unilever NV	Cosmetics/Personal Care	78,305	3,092,737
The Priceline Group Inc.	Internet	2,697	3,075,146
Wells Fargo & Co.	Banks	55,268	3,029,792
Citigroup Inc.	Banks	54,650	2,957,112
Cisco Systems Inc.	Telecommunications	98,944	2,752,127
Marathon Petroleum Corp.	Oil & Gas	30,401	2,743,994
Saia Inc.	Transportation	48,749	2,698,745
Western Union Co.	Commercial Services	148,021	2,651,056
Snap-On Inc.	Hand/Machine Tools	19,385	2,650,705
Western Digital Corp.	Computers	23,534	2,605,214
Reckitt Benckiser Group PLC	Nondurable Household Products	31,938	2,594,545
Northrop Grumman Corp.	Aerospace/Defense	17,553	2,587,137
Chevron Corp.	Oil & Gas	22,400	2,512,832
Stanley Black & Decker Inc.	Hand/Machine Tools	25,766	2,475,597
EOG Resources Inc.	Oil & Gas	26,880	2,474,842
Amazon.Com Inc.	Internet	7,901	2,452,075
Harley-Davidson Inc.	Leisure Time	36,828	2,427,333
Monster Beverage Corp.	Beverages	22,285	2,414,580
Skyworks Solutions Inc.	Semiconductors	33,196	2,413,681
Aflac Inc.	Insurance	39,272	2,399,126
Boeing Co.	Aerospace/Defense	18,155	2,359,787
Zimmer Holdings Inc.	Health Care	20,570	2,333,049
Kroger Co.	Food Processing	36,275	2,329,218
CF Industries Holdings Inc.	Chemicals	8,488	2,313,320
First American Financial Corp.	Insurance	68,200	2,311,980
Bristow Group Inc.	Oil & Gas Services	35,000	2,302,650
AT&T Inc.	Telecommunications	67,755	2,275,890
Seagate Technology PLC	Computers	34,052	2,264,458
Viacom Inc.	Media	29,642	2,230,561
Anthem Inc.	Health Care Services	17,745	2,230,014
CVS Health Corp.	Retail	22,799	2,195,772

[1] A complete list of the Fund's portfolio holdings is available for review in the Fund's Administrative Office.

MANAGER BY TYPE AND ASSETS MANAGED

Assets Under Management at Market Value

	December 31, 2014		December 31, 2013	
	Market Value	% of Total	Market Value	% of Total
Fixed Income Managers				
State Street Global Advisors	$ 186,015,919	14.5 %	$ 189,818,729	15.2 %
Neuberger Berman	138,981,424	10.8	98,537,315	7.9
Pioneer Investments	126,533,192	9.9	87,139,376	7.0
Subtotal	451,530,535	35.2	375,495,420	30.1
Equity Managers				
Alliance Bernstein LP.	44,101,665	3.4	44,146,569	3.5
Ariel Investments	47,000,861	3.7	46,083,352	3.7
Decatur Capital Management, Inc.	15,413,943	1.2	18,025,919	1.4
Fiduciary Management Associates, LLC.	14,329,769	1.1	15,783,396	1.3
Geneva Capital Management Ltd.	12,510,311	1.0	17,522,838	1.4
Herndon Capital Management	42,270,444	3.3	46,265,088	3.7
Hexavest Inc.	58,859,217	4.6	64,316,404	5.2
Holland Capital Management	14,428,706	1.1	17,701,286	1.4
LSV Asset Management	150,994,199	11.8	72,283,753	5.8
Opus Capital Management	-	-	44,456,078	3.6
O'Shaughnessy Asset Management, LLC.	33,381,597	2.6	37,252,567	3.0
PNC Capital Advisors, LLC.[2]	25,040,564	2.0	57,320,547	4.6
Profit Investment Management	12,458,584	1.0	15,526,773	1.1
Systematic Financial Management	25,579,082	2.0	49,382,814	4.0
UBS Global Asset Management	87,968,783	6.9	90,165,828	7.2
Vontobel Asset Management	60,363,899	4.7	57,909,127	4.6
WCM Investment Management	50,724,307	4.0	33,463,801	2.7
Wasatch Advisors	56,430,341	4.4	33,029,206	2.6
Wellington Management Co.	76,087,213	5.9	109,519,733	8.8
Subtotal	827,943,485	64.7	870,155,079	69.9
Cash in Transition Accounts	55,136	-	442	-
Assets Under Management (AUM)[1]	1,279,529,156	99.8	1,245,650,941	99.9
The Illinois Funds [2]	1,827,298	0.1	1,247,397	0.1
Total Investments	$ 1,281,356,454	99.9 %	$ 1,246,898,339	100.0 %

1 AUM on this schedule includes any short-term investments and cash held in the managers' accounts at year end and thus vary from totals on the Financial Statements.

2 The Illinois Funds are periodically used to invest working capital funds.

INVESTMENT MANAGER COMPENSATION

Investment Managers:[1]	2014	2013
Alliance Bernstein LP.	$ 133,268	$ 131,463
Ariel Investments	213,108	214,705
Decatur Capital Management, Inc.	88,091	94,908
Fiduciary Management Associates, LLC.	107,226	95,864
Geneva Capital Management Ltd.	87,455	99,638
Graham & Dodd Fund, LLC.	-	61,950
Herndon Capital Management, LLC.	209,251	202,096
Hexavest Inc.	350,041	349,040
Holland Capital Management	71,180	77,855
LSV Asset Management	412,301	341,821
Neuberger Berman	328,680	232,814
NorthPointe Capital	-	23,419
Opus Capital Management	201,827	250,084
O'Shaughnessy Asset Management, LLC.	174,422	72,905
PNC Capital Advisors, LLC.	250,721	233,614
Pioneer Investments	341,678	240,276
Profit Investment Management	111,135	99,365
State Street Global Advisors	38,567	39,191
Systematic Financial Management	252,641	257,835
UBS Global Asset Management	454,776	439,588
Vontobel Asset Management	384,721	359,363
WCM Investment Management	247,974	224,149
Wasatch Advisors	286,324	235,745
Wellington Management Co.	716,623	669,172
Total	$ 5,462,012	$ 5,046,860

CUSTODIAL FEES [2]

Institution	2014	2013
Bank of New York Mellon Co.	$ 267,554	$ 248,351

INVESTMENT CONSULTANT FEES

Consulting Firm	2014	2013
Gray & Co.	$ 70,833	$ 170,000
Marquette Associates	99,167	-
Total	$ 170,000	$ 170,000
Total Investment Expenses	$ 5,899,566	$ 5,465,211

[1] Investment manager compensation is reflected in the financial statements along with other direct investment expenses as an offset to investment income and is so described within the notes to the financial statements.

[2] Custodial fees do not include management fees related to the Fund's commingled assets custodied by State Street.

SCHEDULE OF 2014 DOMESTIC BROKERAGE COMMISSIONS

Broker	Commissions[1]	% of Total
Loop Capital Markets[2]	197,475	29.8 %
Instinet Corp.	34,067	5.1
C L King & Associates[2]	22,817	3.4
Cabrera Capital Markets[2]	22,359	3.4
Investment Technology Group	20,880	3.1
Williams Capital Group[2]	20,747	3.1
Drexel Hamilton[2]	19,442	2.9
Credit Suisse	16,756	2.5
J P Morgan Securities Inc.	16,372	2.5
Morgan Stanley & Co Inc.	15,418	2.3
Merrill Lynch Pierce Fenner Smith Inc.	14,728	2.2
Liquidnet Inc.	14,282	2.2
Weeden & Co.	12,501	1.9
Goldman Sachs & Co.	11,949	1.8
Cantor Fitzgerald & Co.	11,156	1.7
Podesta & Co.[2]	11,151	1.7
Cheevers & Co. Inc.[2]	11,099	1.7
BNY Convergex	10,543	1.6
Wedbush Morgan Securities Inc.	10,507	1.6
Telsey Advisory Group[2]	8,625	1.3
Barclays Capital	8,399	1.3
FBR Capital Markets & Co.	7,831	1.2
Academy Securities[2]	7,012	1.1
Stifel Nicolaus	6,935	1.0
Deutsche Bank Securities Inc.	6,665	1.0
Blaylock & Co Inc.[2]	6,591	1.0
M Ramsey King Securities Inc.[2]	6,478	1.0
Jefferies & Co Inc.	6,420	1.0
Subtotal	559,206	84.4
All others[3]	103,986	15.6
Total Domestic Brokerage Commissions	$ 663,192	100.0 %

[1] Investment brokerage commissions are accounted for as an additional cost to a security when the security is purchased, and as a reduction to the cash amount received when the security is sold.

[2] Directed brokerage for stock trades executed by Minority/Women/Disabled/Veteran – Owned Business Enterprises.

[3] Brokerage firms that each received less than 1.0% of the total commissions.

SCHEDULE OF 2014 INTERNATIONAL BROKERAGE COMMISSIONS

Broker	Commissions[1]	% of Total
Cabrera Capital Markets[2]	18,519	12.1 %
Merrill Lynch	11,389	7.4
Morgan Stanley & Co	10,439	6.7
Barclays Capital	9,535	6.3
Credit Suisse	8,491	5.6
Banque Pictet And Cie	8,397	5.5
Goldman Sachs & Co.	7,749	5.1
Deutsche Bank Securities	7,111	4.7
Merrill Lynch Pierce Fenner Smith	5,637	3.7
UBS Equities	5,214	3.4
J P Morgan Securities	4,959	3.3
Loop Capital Markets[2]	4,847	3.2
SG Securities	4,422	2.9
Macquarie	3,452	2.3
Mizuho Securities USA Inc	3,006	2.0
Royal Bank of Canada	2,756	1.8
Royal Trust Corp of Canada	2,705	1.8
Pictet	2,693	1.8
Jefferies & Co.	2,562	1.7
Oddo Et Cie	2,520	1.7
Merrill Lynch Pierce Fenner	2,104	1.4
IXIS Securities	2,041	1.3
Keefe Bruyette & Wood LTD	1,939	1.3
Canaccord	1,937	1.3
Fidelity Clearing	1,526	1.0
ITG Corp	1,522	1.0
Subtotal	137,472	90.3
All others[3]	14,813	9.7
Total International Brokerage Commissions	$ 152,285	100.0 %

1 Investment brokerage commissions are accounted for as an additional cost to a security when the security is purchased, and as a reduction to the cash amount received when the security is sold.

2 Directed brokerage for stock trades executed by Minority/Women/Disabled/Veteran - Owned Business Enterprises.

3 Brokerage firms that each received less than 1.0% of the total commissions.

ACTUARIAL SECTION

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

April 21, 2015

Board of Trustees
Metropolitan Water Reclamation District Retirement Fund
111 E. Erie St.
Chicago, IL 60611

ACTUARIAL CERTIFICATION

We have completed the December 31, 2014 actuarial valuation for the Metropolitan Water Reclamation District Retirement Fund. The valuation was performed to determine whether assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The funding objective of the fund is to attain a funded ratio of at least 90% by the year 2050. However, an additional contribution requirement has been determined based on achieving a funding level of 100%. Employer contributions come from a property tax levied by the District equal to an amount that will be sufficient to meet the Fund's actuarially determined contribution requirement, but shall not exceed an amount equal to the total employee contributions 2 years prior multiplied by 4.19.

We estimate that a tax multiple of 3.71 is required to cover the full actuarially determined contribution requirement for the year 2015.

Illinois Public Act 97-0894 provided for changes to member contribution requirements and the required tax levy multiplier. The expected member contributions in 2015 reflect a 1% increase over those expected in 2014 for Tier 1 members.

The actuarial assumptions used in the December 31, 2014 have been updated based on an experience analysis performed by Foster & Foster for the fund over the period December 31, 2008 through December 31, 2013.

The entry age normal actuarial cost method was used for both the December 31, 2014 valuation and the December 31, 2013 valuation.

The asset values used in the valuation were provided in the December 31, 2014 audited financial statements for the Fund. A 5-year smoothed market value of assets was used to determine the actuarial value of assets.

One Oakbrook Terrace, Suite 720 Oakbrook Terrace, IL 60181 · (630) 620-0200 · Fax (239) 481-0634 · www.foster-foster.com

The valuation reflects membership data provided by the administrative staff of the Fund.

The trend data schedules presented in the financial section of the Comprehensive Annual Financial Report (CAFR) were prepared by the staff of the Fund based on information contained in the historical actuarial reports. All exhibits, tables, schedules and appendices included in the accompanying actuarial section were prepared by us based on information provided by the Fund.

In our opinion, the assumptions and method used to determine the annual required contribution, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In our opinion, the following valuation results fairly present the financial condition of the Metropolitan Water Reclamation District Retirement Fund as of December 31, 2014.

Respectfully submitted,

Jason L. Franken

Jason L. Franken, FSA, EA, MAAA

Enrollment Number: 14-06888
Foster & Foster, Inc.

One Oakbrook Terrace, Suite 720 Oakbrook Terrace, IL 60181 · (630) 620-0200 · Fax (239) 481-0634 · www.foster-foster.com

ACTUARIAL PREFACE

PENSION FINANCING

The approaches used to finance pensions can be divided into two basic categories. Under Pay-As-You-Go Financing the benefits called for by the plan would be paid out directly by the employer as they become due. Most public retirement plans including the MWRD Retirement Fund use Actuarial Funding, a form of Advance Funding, which is designed to set aside money during an employee's working career so that sufficient funds are accumulated at the time of retirement to pay the employee's future pension. This method builds up a pool of assets which will generate investment income, thereby reducing the contribution requirements to meet the pension costs.

ACTUAL FUNDING

The Fund is financed by employee contributions, employer contributions (i.e. the MWRD tax levy) and investment earnings; investment earnings and employer funding are the primary determinants of the Fund's financial status.

Until the 2012 tax levy, employer contributions were set at 2.19 times employee contributions made in the calendar year two years prior. As of the 2013 tax levy, employer contributions were increased to the lesser of the amount resulting from using a 4.19 multiple, or the actuarially determined contribution requirement.

Prior to 2013, employee contributions were 9% of salary for all employees. Contributions increased for Tier I employees to 10% of salary in 2013, to 11% in 2014 and to 12% in 2015. Contributions for Tier II employees did not change and remain at 9% of salary.

ACTUARIAL FUNDING

The Fund's actuary performs an annual actuarial valuation which includes the determination of the Actuarial Accrued Liability, the Actuarial Value of Assets and what is known as the Actuarially Determined Contribution Requirement. Actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee turnover, mortality, and retirement rates) in performing these valuations. The actuarial valuation process is generally as follows:

1. Based on the demographic data and actuarial assumptions described above, the amount and timing of benefits payable in the future are estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the turnover, retirement age, and earnings progression for active members, and mortality for all participants.

2. The actuary then calculates the actuarial present value of these future benefits. This is the amount necessary to be invested at the valuation interest rate, at the valuation date, to provide benefit payments as they come due. Each year's estimated benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.

3. The final step is to apply a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of normal cost and accrued benefit cost.

One of the most important actuarial assumptions is the assumed rate of return on investments. The Fund's current assumed rate is 7.5% as of the 12/31/14 valuation, and is believed to be appropriate based on the actuary's annual review of capital market assumptions and other factors which are part of the annual valuation. Based on common actuarial practice this return has been determined reasonable and achievable through asset allocation, on average, over the long-term.

The Fund uses the entry age normal actuarial cost method with costs allocated on the basis of earnings, one of several accepted actuarial cost methods. Under this cost method, the Actuarial Present Value of the projected pension of each member included in the valuation is assumed to be funded by annual installments, equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The normal cost for the member for the current year is equal to the portion of the value so determined, assigned to this year. The normal cost for the plan for the year is the sum of the normal costs of all active members. The normal cost for the year beginning January 1, 2015 was determined to be $33.0 million or 18.7% of payroll; 11.7% of payroll is expected from employee contributions. The remaining 7.0% of payroll is the employer's portion of the normal cost.

Accrued benefit cost or the Actuarial Accrued Liability (AAL), is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date (i.e. for past service). This value changes as the member's salary and years of service change, and as some members leave and are replaced by new members. Future normal cost is the portion of the present value of benefits assigned to future years of service (i.e. for future service) and is assumed to be funded annually.

To the extent that current assets plus future normal costs (assumed to be funded annually) do not support members' expected future benefits, an Unfunded Actuarial Accrued Liability (UAAL) develops. The UAAL is generally amortized over a fixed period of time (e.g. 30 years) from the date incurred. Actuarial funding of plan benefits would require annual District (employer) contributions which at least cover the employer's normal cost, plus an amortization of the UAAL. In the past the District has funded the plan according to statute as described above, which until the 2013 tax levy often resulted in actual contributions falling short of the actuarial requirement. Recent legislation however has changed the computation of the tax levy, resulting in higher District contributions that more closely approximate the actuarial funding requirement. The legislation which increased both the employer and employee contribution requirements is expected to eliminate the UAAL by the year 2050.

The information following this Preface is from the December 31, 2014 actuarial valuation performed by Foster & Foster, which was based upon:

a) Membership data - provided by Fund staff

b) Assets of the Fund - audited financial statements provided by Fund staff

c) Actuarial Method – entry age actuarial cost method

d) Actuarial Assumptions – summarized in this section

COMPARATIVE SUMMARY

Additions		2014		2013
Gross investment income[1]	$	87,069,401	$	231,022,363
Securities lending income		435,191		545,284
Employer contributions		73,906,168		92,944,381
Employee contributions		18,974,954		16,890,798
Total income		180,385,714		341,402,826
Outgoing				
Refunds, benefits, expense[2]		141,203,921		135,191,601
Excess of Income Over Outgoing	$	39,181,793	$	206,211,225

Number of Members	12/31/2014	12/31/2013
Active Members	1,873	1,858
Inactive Members	115	123
Members Receiving Annuity Benefits		
Retirees	1,729	1,704
Spouses	593	605
Children	21	20
Total Members	4,331	4,310
Members Receiving Disability Benefits	32	35
Active Member Payroll[3]	$176,183,941	$169,375,857
Average Salary	94,065	91,160
Present Value of Future Benefits	$2,581,506,885	$2,489,069,874

Actuarial Funding - Going Concern				
Total Actuarial Liability	$	2,296,438,698	$	2,194,911,693
Actuarial Value of Assets[4]		1,263,287,068		1,188,503,716
Unfunded Actuarial Liability		1,033,151,630		1,006,407,977
Funded Ratio		55.0%		54.1%

Actual Employer Contribution		2014		2013
Employer's Actuarially Determined Contribution Requirement[5]	$	64,477,662	$	74,774,148
Less: Actual Employer Contribution		73,906,168		92,944,381
Actual excess	$	(9,428,506)	$	(18,170,233)

Expected Employer Contribution		Year Beg 1/1/2015		Year Beg 1/1/2014
Requirement[5]	$	62,603,576	$	64,477,662
\` Less: Expected Employer Contribution (tax receipts)		70,772,000		61,654,000
Less: Expected Employer Special Contribution		-		12,000,000
Expected excess	$	(8,168,424)	$	(9,176,338)

1 Includes Other Income
2 Includes Investment Expenses
3 Active Member Payroll is annualized based on actual payroll paid to active members in payperiod 26
4 Actuarial asset values are calculated using a five-year smoothed market value
5 Closed period amortization of the unfunded liability until 2050 with a funding goal of 100%

SUMMARY OF VALUATION RESULTS AS OF DECEMBER 31, 2014

Actuarial Liabilities for Active Members	
Retirement	$ 703,522,632
Termination	8,600,513
Death	24,318,849
Disability	7,022,315
Total	743,464,309
Actuarial Liabilities for Members Receiving Benefits	
Retirement Annuities	1,363,755,209
Survivor Annuities/Children	177,571,483
Total	1,541,326,692
Actuarial Liability for Inactive Members	11,647,697
Total Actuarial Liability	$ 2,296,438,698
Actuarial Value of Assets	1,263,287,068
Unfunded Actuarial Liability	$ 1,033,151,630
Funded Ratio	55.0%

CHANGES IN UNFUNDED ACCRUED ACTUARIAL LIABILITY
YEAR ENDED DECEMBER 31, 2014

1. Unfunded actuarial accrued liability (UAAL) as of 12/31/13			$ 1,006,407,977
2. Employer normal cost developed as of 12/31/13	$14,552,288		
3. Expected interest on 1 and 2	79,124,421		
4. Less: Actual employer contribution for the year	(73,906,168)		
5. Less: Expected interest on 4	(2,810,428)		
6. Net increase in UAAL due to employer contribution being less than normal cost plus interest on unfunded liability (lines 2 +3+4+5)		$16,960,113	
7. Change in UAAL due to actuarial (gain)/loss and assumption/method changes, by component:			
Decrease in UAAL due to investment return higher than assumed	(26,867,032)		
Decrease in UAAL due to salary increases lower than assumed	(5,667,229)		
Increase in UAAL due to decrement experience	6,858,948		
Increase in UAAL due to inactive mortality experience	748,975		
Increase in UAAL due to other changes	2,214,909		
Increase in UAAL due to change in assumptions	32,494,969		
Net increase in UAAL due to actuarial experience		9,783,540	
8. Total net increase in UAAL in 2014			26,743,653
9. Unfunded actuarial accrued liability as of 12/31/14 (lines 1+8).			$ 1,033,151,630

ACTUARIAL ASSUMPTIONS AND METHODS

Below is a summary of the actuarial assumptions for the December 31, 2014 valuation. An experience study was performed in September 2014 based on data for the period December 31, 2008 through December 31, 2013. The assumptions below are based on the experience study and were recommended by Foster & Foster Actuaries, and adopted by the Board of Trustees effective December 31, 2014.

Interest Rate	7.50%
Salary Increases	See Table 1
Cost-of-Living Adjustment - Annuitants	
Members Hired On Or After January 1, 2011	1.25%
Members Hired Before January 1, 2011	3.00%
Payroll Growth	3.70%
Retirement Rates	See Table 2
Mortality Rates – Healthy Lives	RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA).
Mortality Rates – Disabled Lives	RP-2000 Disabled Retiree Mortality Table
Termination Rates	See Table 3
Disability Rates	See Table 4
Load for Reciprocal Benefits	1.5% of active member costs and liabilities.
Percent Married	76%
Spousal Age Difference	Spouse of male member assumed to be 4 years younger than member; Spouse of female member assumed to be 4 years older than member.

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Asset Valuation Method	5-year Smoothing Method
Actuarial Cost Method	Entry Age Normal, with costs allocated on basis of earnings. Actuarial gains and losses are reflected in the unfunded actuarial liability.
Actuarially Determined Contribution Requirement	Section 13-503. Employer's normal cost plus the annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll. The funding goal is to attain a funded ratio of at least 100% by the year 2050.
Source of Data	Data and audited financial information is provided by the Plan.
Valuation Date	December 31, 2014

Changes in Funding Assumptions/Methods since the prior valuation:

Method Changes
- None

Assumption Changes
Effective December 31, 2014 the following assumption changes were made to better reflect anticipated experience:
- The investment return assumption was updated from 7.75% to 7.50%.
- Mortality rates were updated from the UP-1994 sex distinct table, rated down 2 years for male members and rated down 1 year for female members to the RP-2000 Combined Healthy Mortality Table, with Generational mortality improvements (Scale AA) for healthy lives and to RP-2000 Disabled Retiree Mortality Table for disabled lives.
- Retirement rates were updated.
- Termination rates were updated.
- The salary increase assumption was updated from a flat 5.00% to a table of rates based on service.
- Disability rates were updated.

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Table 1 – Salary Increase Rates

Service	Salary Increase Rate
0	7.00%
1	6.25%
2	5.75%
3	5.50%
4	5.25%
5	5.00%
6	4.75%
7	4.50%
8	4.50%
9+	4.25%

Table 2 – Retirement Rates

Age	Retirement Rate
50 - 59	6%
60 - 64	13%
65	15%
66 - 67	19%
68 - 69	20%
70 - 74	25%
75	100%

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Table 3 – Termination Rates

Service	Male Rate	Female Rate
0	4.000%	5.733%
1	3.480%	4.973%
2	3.089%	5.064%
3	2.604%	4.759%
4	2.245%	4.518%
5	1.780%	4.490%
6	1.561%	4.193%
7	1.500%	3.945%
8	1.500%	3.646%
9	1.500%	2.342%
10	1.502%	2.054%
11	1.391%	1.946%
12	1.343%	1.898%
13	1.244%	1.859%
14	1.189%	1.772%
15	1.111%	1.772%
16	0.985%	1.772%
17+	0.500%	1.772%

Table 4 – Disability Rates

Sample rates are as follows:

Age	Disability Rates
20	0.002%
25	0.003%
30	0.006%
35	0.014%
40	0.033%
45	0.065%
50	0.120%
55	0.225%
60	0.490%
65	0.000%

PLAN PROVISIONS

The following describe and reflect plan provisions in effect for the 2014 fiscal year as described in Article 13 of the Illinois Pension Code. The provisions below reflect changes including in Public Act 96-0889 and Public Act 96-1490, which created the second "tier" of benefits for members hired on or after January 1, 2011 and provided clarifying changes.

Eligibility	All employees of the District whose duties indicate service during the calendar year for a minimum of 120 days are eligible.
Normal Retirement Eligibility	Hired before January 1, 2011: Age 60 and 5 years of service Hired on or after January 1, 2011: Age 67 and 10 years of service
Normal Retirement Benefit	The annual benefit payable immediately is equal to the sum of: (a)2.2% of Average Final Salary for each year of service up to 20 years. (b)2.4% of Average Final Salary for each year of service in excess of 20 years The benefit shall not exceed 80% of Average Final Salary.
Early Retirement Eligibility	Hired before January 1, 2011: Age 55 (50 if hired before June 13, 1997) and 10 years of service Hired on or after January 1, 2011: Age 62 and 10 years of service
Early Retirement Benefit	Normal Retirement Benefit reduced as follows: Hired before January 1, 2011: If member retires before reaching age 60 with less than 30 years of service, 0.5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less. Hired on or after January 1, 2011: 0.5% per month the member is less than age 67

PLAN PROVISIONS, CONTINUED

Deferred Retirement Eligibility	Tier 1: Age 55 (50 if hired before June 13, 1997) and 5 years of service. Tier 2: 10 years of service
Deferred Retirement Benefit	The annual benefit payable at the following ages: Hired before January 1, 2011: Age 62, if withdraw on or after age 55 (50 if hired before June 13, 1997) with at least 5 years of service and less than 10 years Age 55 (50 if hired before June 13, 1997), if withdraw with 10 years of service Hired on or after January 1, 2011: Age 62, if withdraw with 10 years of service The annual benefit amount equals the Normal Retirement Benefit reduced with Early Retirement Reductions.
Minimum Retirement Annuity	10 years of service: $500 per month plus $25 per month for each year of service in excess of 10 years, not to exceed $750 with 20 years of service Less than 10 years of service or retirement before age 60: $250 per month
Duty Disability Eligibility	Member incurs injury or sickness due to employment with the District and is compensable under the Workers' Compensation Act or the Occupational Disease Act.
Duty Disability Benefit	75% of salary earned on the date of disability, less the amount paid by Workers' Compensation Benefit is 50% of salary if disability resulted from physical defect or disease that existed at the time injury was sustained. Benefits are payable during period of disablement, but not beyond attainment of age 65. If disability occurs at age 60 or older, benefits are payable for a maximum of 5 years.

PLAN PROVISIONS, CONTINUED

Ordinary Disability Eligibility	Member becomes disabled due to any cause other than injury or illness incurred in the performance of duty.
Ordinary Disability Benefit	50% of earnable salary at the date of disability Member may receive ordinary disability benefits for a maximum period of the lesser of 25% of member's actual service prior to disablement or 5 years.
Surviving Spouse Annuity Eligibility	Hired before June 13, 1997: Immediately eligible if married to member on date of member's death while in service or married to member on member's date of termination from service and remained married until member's death. Dissolution of marriage after retirement shall not divest the member's spouse of entitlement if marriage was in effect for at least 10 years on the date of retirement. Hired on or after June 13, 1997: Eligible after 3 years of service. Conditions for marriage described for members hired prior to June 13, 1997 apply.
Surviving Spouse Benefit	Hired before January 1, 2011: Retirement annuity earned at the time of death multiplied by a factor of 60% plus 1% for each year of member's total service, to a maximum of 85%. If hired after January 1, 1992, annuity is reduced by 0.25% for each full month spouse is younger than member to maximum reduction of 60%. Discount is reduced by 10% for each year marriage is in effect. Hired on or after January 1, 2011: 66 2/3% of retirement annuity earned at the time of death.

PLAN PROVISIONS, CONTINUED

Minimum Surviving Spouse Annuity	Member with 10 years of service: greater of (a) $500 per month plus $25 per month for each year of service in excess of 10, not to exceed $750 per month, or (b) 50% of the retirement annuity of member at time of death. Member with less than 10 years of service: $250 per month.
Children's Annuity Eligibility	Member parent dies in service or deceased parent was former member with at least 10 years of service. Child is unmarried and less than age 18 (23, if full-time student).
Children's Annuity Benefit	$500 per month for each child if have living parent and $1,000 per month for each child if neither parent is living to a maximum of $5,000 per month.
Cost-of-Living Adjustments	Hired before January 1, 2011: Retirement annuity is increased on the anniversary of retirement by 3% of the monthly annuity payable at the time of increase. Spouse annuity is increased on the earlier of the anniversary of the member's death or retirement (whichever occurs first) by 3% of the monthly annuity payable at the time of increase. Hired on or after January 1, 2011: increase percentage is the lesser of 3% or ½ the increase in CPI-U during the previous calendar year. Increase is based on the originally granted retirement or spouse's annuity.

PLAN PROVISIONS, CONTINUED

Member Contributions – retiree annuity

Pay period:	Contribution percentage:
Before January 1, 2013	7.5%
During calendar year 2013	8.5%
During calendar year 2014	9.5%
During calendar year 2015 and until fund is 90% funded	10.0%
After fund is 90% funded	7.5%

Members hired on or after January 1, 2011 have member contributions of 7.5% of pay.

Member Contributions – spouse annuity

Pay period:	Contribution percentage:
Before January 1, 2015	1.5%
During calendar year 2015 and until fund is 90% funded	2.0%
After fund is 90% funded	1.5%

Members hired on or after January 1, 2011 contribute 1.5% of pay.

Refund to Member upon Termination

Hired before January 1, 2011: Eligible for refund of all member contributions without interest if under age 55 (50 if hired before June 13, 1997); if age 60 with less than 20 years of service; or if 60 with less than 5 years of service. Upon receipt of refund, member forfeits rights to benefits from the Fund.
Hired on or after January 1, 2011: Eligible for refund of all member contributions without interest if under age 62; or if have less than 10 years of service on termination. Upon receipt of refund, member forfeits rights to benefits from the Fund.

Refund for Surviving Spouse's Annuity

Members unmarried at the time of retirement will receive a refund of contributions for spouse annuity with interest at 3% per year, compounded annually.

PLAN PROVISIONS, CONTINUED

Refund of Remaining Amounts	If upon death the total amount contributed by the member with 3% interest per year has not been paid to the member, the spouse or designated beneficiaries or estate receives a refund of the excess amount.
Required Tax Levy	Lesser of actuarially determined contribution and 4.19 multiplied by total member contributions for the two years prior.
Average Final Salary	Hired before January 1, 2011: Highest average annual salary for any 52 consecutive bi-weekly pay periods within the last 10 years of service immediately preceding the date of retirement. Hired on or after January 1, 2011: Highest average annual salary for 96 consecutive months of service within last 120 months of service, limited to $106,800 (automatically increased by lesser of 3% or ½ the increase in CPI-U during the previous calendar year)
Pensionable Salary	Salary paid to a fund member for service to the District or to the Fund, including salary paid for vacation and sick leave and any amounts deferred under a deferred compensation plan established under the Code, but excluding the following: payment for unused vacation or sick leave, overtime pay, termination pay and any compensation in the form of benefits other than salary.
Pension Service	Any employment, excluding overtime or extra service for which salary is received.

Changes in Plan Provisions since the Prior Valuation

- None

HISTORY OF CHANGE IN UNFUNDED LIABILITY
(Actuarial Funding - Going Concern, Entry Age Normal Method)

Year	Salary Scale	Investment Returns[1]	Employer Contribution[2]	Legislative Amendments
2005	$ (4,928,422)	$ 33,019,546	$ 25,174,375	$ -
2006	(2,688,379)	8,915,823	22,368,681	-
2007	4,364,583	(9,436,863)	29,263,081	-
2008	1,116,908	86,292,325	26,926,611	-
2009	2,554,058	67,692,897	35,218,424	-
2010	(20,417,059)	49,969,954	46,822,864	-
2011	(25,334,699)	71,034,993	49,402,422	-
2012	(23,145,806)	58,584,984	31,300,739	-
2013	(6,368,436)	(48,963,802)	3,395,524	-
2014	(5,667,229)	(26,867,032)	16,960,113	-
	$ (80,514,481)	$ 290,242,825	$ 286,832,834	$ -

Year	Changes in Actuarial Assumptions	(see assumption reference key 3)	All Other Miscellaneous Experience	Total Increase (Decrease) in Unfunded Liability
2005	$ -		$ 12,490,274	$ 65,755,773
2006	(4,785,773)	(m, r, p, s, n)	8,949,341	32,759,693
2007	-		(1,007,539)	23,183,262
2008	(22,899,666)	(rb)	10,718,411	102,154,589
2009	-		15,455,286	120,920,665
2010	39,769,482	(m, r, t)	7,577,298	123,722,539
2011	-		23,734,658	118,837,374
2012	7,171,009	(d)	(18,064,759)	55,846,167
2013			(1,423,368)	(53,360,082)
2014	32,494,969	(i, m, r, s , t, d)	9,822,832	26,743,653
	$ 51,750,021		$ 68,252,434	$ 616,563,633

[1] Represents investment income deficiency (excess) over expected returns.

[2] Represents employer contributions deficiency (excess) from normal cost plus interest.

[3] Key to changes in assumptions:

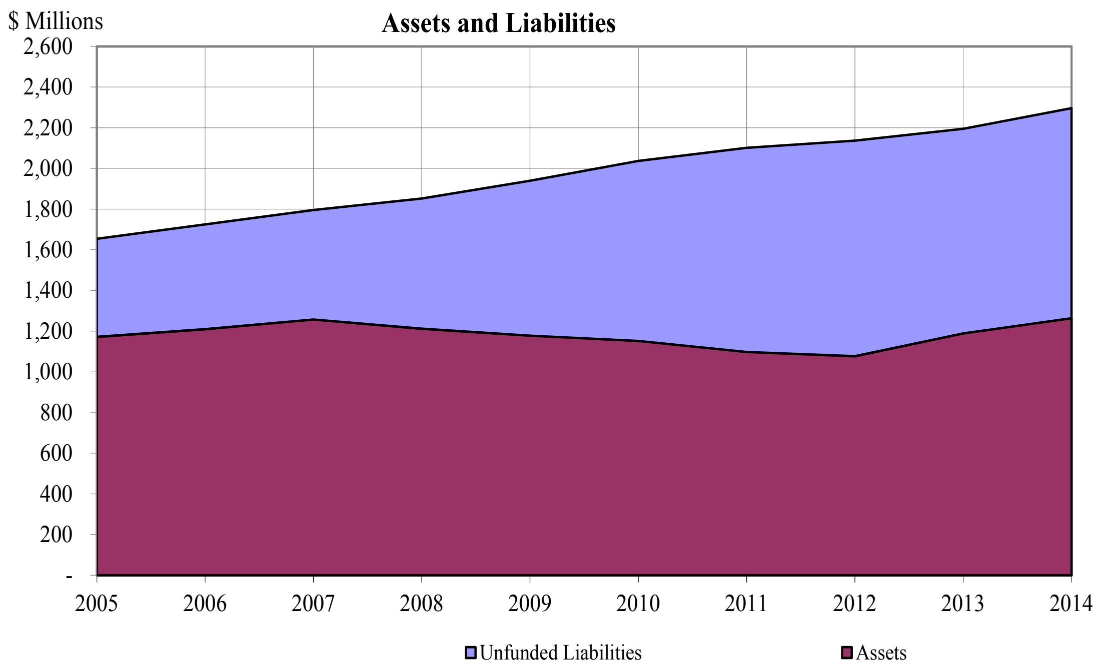
i = interest rate
d=disability assumption
r = retirement rates
s = salary
m = mortality
rb = reciprocal benefits
p = pension for survivors
t = termination rates
n = % not married

The table above illustrates that over the last 10 years, the unfunded liability has increased by $616.6 million. Of this increase, $290.2 million has been due to investment returns being lower than assumed and $286.8 million has been due to insufficient employer contributions. The increases in the unfunded liability were partially offset by a $80.5 million reduction for overall salary increases being less than assumed over the last ten years. During the year 2014 the total increase of the unfunded liability was $26.7 million; this followed 2013 in which the unfunded liability was reduced by $53.4 million, the first reduction since the year 2000.

ACTUARIAL ACCRUED AND UNFUNDED LIABILITIES
(Actuarial Funding - Going Concern, Entry Age Normal Method)

Year End	Total Actuarial Accrued Liability (AAL)	Actuarial Value of Assets [1]	Funded Ratio	Unfunded AAL (UAAL)	Active Member Payroll[3]	UAAL as a % of Payroll
2005	$1,654,188,382	$1,171,844,612	70.8%	$482,343,770	$149,246,356	323.2%
2006 [2]	1,724,705,199	1,209,601,736	70.1%	515,103,463	152,767,396	337.2%
2007	1,795,176,667	1,256,889,942	70.0%	538,286,725	158,831,772	338.9%
2008 [2]	1,852,279,634	1,211,838,320	65.4%	640,441,314	167,865,254	381.5%
2009	1,939,172,047	1,177,810,068	60.7%	761,361,979	176,915,399	430.4%
2010 [2]	2,036,679,763	1,151,595,245	56.5%	885,084,518	174,485,734	507.3%
2011	2,101,319,098	1,097,397,206	52.2%	1,003,921,892	164,275,424	611.1%
2012 [2]	2,136,508,223	1,076,740,164	50.4%	1,059,768,059	163,816,934	646.9%
2013	2,194,911,693	1,188,503,716	54.1%	1,006,407,977	169,375,857	594.2%
2014 [2]	2,296,438,698	1,263,287,068	55.0%	1,033,151,630	176,183,941	586.4%

[1] Assets are stated at a 5-year smoothed market value.
[2] Change in actuarial assumptions.
[3] Payroll is annualized based on actual payroll paid to active members in pay period 26.



The table and graph above illustrate the growth of the unfunded liability over the last ten years. The unfunded AAL (UAAL) as a percentage of active member payroll, the last column of the table above, provides a helpful index which shows the smaller the ratio, the stronger the Fund. Observation of the trend of this index will give an indication of whether the Fund is becoming financially stronger or weaker.

ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST

The prioritized solvency test is another means of checking a system's progress under its funding program. It shows the percentage of future benefit promises that are covered by the current Actuarial Value of Assets. In a short-term solvency test the plan's present assets (cash and investments) are compared with actuarial accrued liabilities classified into the following categories:

1. liability for active member contributions on deposit;
2. liability for future benefits to present retired lives; and
3. liability for the employer financed portion of service already rendered by active members.

If a system has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (i.e. the present value of liability 1) and the liabilities for future benefits to present retired lives (i.e. the present value of liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for the employer financed portion of benefits for present active members (i.e. the present value of liability 3) will normally be partially covered by the remainder of present assets. In addition, if a system has been using a level cost financing, the funded portion of the present value of liability 3 will increase over time. The Fund has not received employer contributions according to level cost financing, but rather has been financed in accordance with Illinois statutes.

	Aggregate Accrued Liabilities for				Portion (%) of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date 12/31	Active & Inactive Member Contributions	Retirees and Beneficiaries	Active & Inactive Members (ER financed portion)	Actuarial Asset Values[a]			
2005	$170,744,447	$988,212,377	$495,231,558	$1,171,844,612	100	100	3
2006[b]	176,844,639	1,075,659,908	472,200,652	1,209,601,736	100	96	-
2007	181,077,729	1,139,967,612	474,131,326	1,256,889,942	100	94	-
2008[b]	190,017,921	1,176,701,786	485,559,927	1,211,838,320	100	87	-
2009	202,119,201	1,200,102,267	536,950,579	1,177,810,068	100	81	-
2010[b]	206,933,701	1,313,366,530	516,379,532	1,151,595,245	100	72	-
2011	199,015,897	1,433,294,765	469,008,436	1,097,397,206	100	63	-
2012[b]	213,323,414	1,431,829,221	491,355,588	1,076,740,164	100	60	-
2013	223,354,127	1,463,856,177	507,701,389	1,188,503,716	100	66	-
2014[b]	231,430,077	1,541,326,692	422,154,924	1,263,287,068	100	67	-

[a] Assets are at a 5-year smoothed market value. Investment income in excess or shortfall of the assumed 7.75% rate on fair value is smoothed over a 5-year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.

[b] Change in actuarial assumptions.

HISTORY OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM BENEFIT PAYROLL

Employee Annuitants (Male and Female)

	Added to Payroll		Removed from Payroll		Year-End Payroll		Average	Increase
Year	No.	Annuity Benefits	No. [1]	Annuity Benefits	No.	Annuity Benefits [2]	Annuity Benefits	to Avg Benefits
2005	75	$6,198,085	58	$1,550,675	1,537	$71,618,152	$46,596	5.8 %
2006	82	6,591,661	46	1,558,184	1,573	76,651,629	48,730	4.6
2007	93	7,256,123	66	2,365,702	1,600	81,542,050	50,964	4.6
2008	63	5,558,865	58	2,202,686	1,605	84,898,229	52,896	3.8
2009	47	4,893,827	56	1,954,139	1,596	87,837,917	55,036	4.0
2010	72	6,730,274	65	2,721,715	1,603	91,846,476	57,297	4.1
2011	146	12,073,715	66	2,827,418	1,683	101,092,773	60,067	4.8
2012	60	6,027,239	62	3,098,526	1,681	104,021,486	61,881	3.0
2013	75	6,497,171	52	2,345,133	1,704	108,173,524	63,482	2.6
2014	80	7,583,277	55	2,677,032	1,729	113,079,769	65,402	3.0

Surviving Spouse Annuitants (Male and Female)

	Added to Payroll		Removed from Payroll		Year-End Payroll		Average	Increase
Year	No.	Annuity Benefits	No. [1]	Annuity Benefits	No.	Annuity Benefits [2]	Annuity Benefits	to Avg Benefits
2005	32	$1,140,791	51	$701,298	658	$12,571,678	$19,106	6.6 %
2006	28	1,087,341	27	330,415	659	13,328,604	20,225	5.9
2007	35	1,471,837	40	508,665	654	14,291,776	21,853	8.0
2008	34	1,619,387	41	783,014	647	15,128,149	23,382	7.0
2009	29	1,469,060	38	534,504	638	16,062,705	25,177	7.7
2010	28	1,433,075	34	602,769	632	16,893,011	26,729	6.2
2011	34	1,528,506	38	460,244	628	17,961,273	28,601	7.0
2012	38	1,969,114	47	858,542	619	19,071,845	30,811	7.7
2013	29	1,718,098	43	1,021,552	605	19,768,391	32,675	6.1
2014	28	1,846,441	40	931,782	593	20,683,050	34,879	6.7

[1] Includes 3% annual Cost of Living Adjustments (COLAs) for employee annuitants and for surviving spouse annuitants.

[2] End of year payroll represents twelve times the December 31st payable annuities through 2007, after which it represents twelve times the December 1st paid annuities.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Year End	Members in Service	% Change	Annual Payroll[1]	% Change	Average Salary	% Change	Actuarial Salary % Increase	CPI Chicago[2]
2005	2,025	(1.3) %	149,246,356	2.0 %	73,702	3.3 %	5.5 %	3.0 %
2006	1,995	(1.5)	152,767,396	2.4	76,575	3.9	5.5	2.1
2007	2,002	0.4	158,831,772	4.0	79,337	3.6	5.0	3.3
2008	2,052	2.5	167,865,254	5.7	81,806	3.1	5.0	3.8
2009	2,082	1.5	176,915,399	5.4	84,974	3.9	5.0	(1.2)
2010	2,024	(2.8)	174,485,734	(1.4)	86,208	1.5	5.0	1.4
2011	1,888	(6.7)	164,275,424	(5.9)	87,010	0.9	5.0	2.7
2012	1,856	(1.7)	163,816,934	(0.3)	88,263	1.4	5.0	1.5
2013	1,858	0.1	169,375,857	3.4	91,160	3.3	5.0	1.1
2014	1,873	0.8	176,183,941	4.0	94,065	3.2	5.0	1.7
10 year average change:		(0.9) %		1.9 %		2.8 %		1.9 %

[1] Payroll is annualized based on actual payroll paid to active members in pay period 26.

[2] Represents average annual change in Consumer Price Index (CPI-U All Urban Consumers for Chicago-Gary-Kenosha) per the U.S. Bureau of Labor Statistics.

HISTORY OF RECOMMENDED EMPLOYER MULTIPLES AND TAXES LEVIED

Year of Tax Levy	Statutory Requirement[2]	Statutory Actuarial Multiple[3]	Maximum Statutory Multiple[4]	Recommended Employer Multiple[5]	Total Gross Tax Levy
2005	2.19	N/A	N/A	3.64	$29,837,000
2006[1]	2.19	N/A	N/A	3.76	31,701,000
2007	2.19	N/A	N/A	3.40	30,312,000
2008[1]	2.19	N/A	N/A	3.48	31,314,000
2009	2.19	N/A	N/A	3.68	32,640,000
2010[1]	2.19	N/A	N/A	4.19	32,307,000
2011	2.19	N/A	N/A	4.42	34,362,000
2012[1]	2.19	N/A	N/A	2.82[6]	34,761,000
2013	4.19	4.55	4.19	2.98[6]	62,984,000
2014[1]	4.19	4.38	4.19	3.94[6]	61,654,000
2015	3.82	3.82	4.19	3.82	70,772,000

[1] Change in actuarial assumptions.

[2] As of the 2013 tax levy, per PA 97-0894 the statutory requirement is the lesser of the Statutory Actuarial Multiple or the Maximum Statutory Multiple. Prior to that the statutory requirement was 2.19.

[3] As of the 2013 tax levy, a Statutory Actuarial Multiple is calculated based on an amortization of the UAAL for the period until the year 2050, which for 2013 is 38 years, for 2014 is 37 years, and for 2015 is 36 years..

[4] As of the 2013 tax levy, the tax levy is subject to a maximum statutory multiple of 4.19.

[5] Through the 2012 tax levy the Recommended Employer Multiple represents the multiple needed to fully fund the GASB ARC which is calculated by amortizing the UAAL over 30 years.

[6] In 2012, 2013 and 2014 the Fund received special contributions of $30.0 million, $30.0 million and $12.0 million, respectively, from the District. These contributions effectively reduced the tax multiple needed to fully fund the ARC from 4.71 to 2.82 in 2012, from 4.97 to 2.98 in 2013, and from 4.75 to 3.94 in 2014.

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STATISTICAL SECTION

Membership Information:

- Participant Statistics
- Employee Age and Service Distribution (with graph)

Annuitant and Beneficiary Information:

- Schedule of Annuitants by Type of Benefit
- History of Beneficiaries by Type of Benefit
- History of Annuity Payments
- Annuitants Classified by Age and Gender (with graph)
- History of Average Annuities at Retirement
- Schedule of Average Benefit Payments at Retirement

Financial Information (last ten years):

- Additions by Source and Deductions by Type
- Employee and Employer Contributions
- Benefit Expenses by Type
- Comparative Statement of Changes in Fiduciary Net Position

PARTICIPANT STATISTICS
Year 2014

Changes in Active Participants	Number at Beginning of Year	Additions	Decreases	Number at Year End
Male	1,355	85	71	1,369
Female	503	27	26	504
Total Active	1,858	112	97	1,873
Changes in Annuitants and Beneficiaries				
Employee Annuitants	1,704	80	55	1,729
Spouse Annuitants	605	28	40	593
Child Annuities	20	5	4	21
Total Annuitants	2,329	113	99	2,343
Percentage of Active Participants to Annuitants and Beneficiaries	79.8%			79.9%

The above schedule provides details about the changes in the number and gender of active participants, as well as the changes in the number and type of annuitants for the year. A percentage of active participants to annuitants less than 100% indicates that there are more retirees/payees than working members of the Fund.

EMPLOYEE AGE AND SERVICE DISTRIBUTION
NUMBER OF MEMBERS & AVERAGE SALARIES - BY AGE AND SERVICE GROUPING
Male and Female Combined

12/31/14

AGE	YEARS OF SERVICE									
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	Total
< 25	2	7								9
	$54,787	$64,383								$62,250
25-29	3	23	15							41
	44,734	60,259	77,296							65,356
30-34	7	31	69	12						119
	64,283	77,347	85,074	$101,471						83,491
35-39	6	27	70	41	17					161
	65,958	80,701	86,441	97,170	$96,790					88,540
40-44	10	34	61	47	57	10	1			220
	65,743	79,868	85,777	98,441	102,301	$125,160	$108,108			92,832
45-49	4	32	57	46	63	61	29			292
	85,120	80,354	84,604	88,965	101,568	104,125	101,381			94,237
50-54	7	24	50	58	72	84	79	6	1	381
	67,457	83,608	85,154	95,164	100,872	109,732	109,654	$104,277	$93,584	100,048
55-59	3	22	49	55	60	56	92	8	1	346
	81,383	92,374	81,979	89,536	103,281	101,896	111,895	115,400	81,494	99,480
60-64	1	7	34	30	37	42	39	4	4	198
	41,725	77,892	80,185	93,690	96,838	98,184	103,122	94,500	132,602	94,752
65-69	2	1	7	17	28	13	11	1	1	81
	56,343	81,045	77,233	87,398	96,137	93,158	88,485	117,832	108,108	90,399
70 +	1		1	6	7	3	5		2	25
	$69,997		92,248	88,154	75,238	109,552	99,313		74,610	87,691
Total Number	46	208	413	312	341	269	256	19	9	1,873
Average Salary	$65,830	$78,679	$84,187	$93,558	$100,107	$104,797	$107,410	$107,616	$106,979	$94,065

The above table provides detail about the number of active members categorized in 5-year bands of age and years of service. The above chart illustrates that the largest age segment of active members is 50-54 years of age with average salary of $100,048. By years of service, the largest segment of active members has 5-9 years of service with an average salary of $84,187.

SCHEDULE OF ANNUITANTS BY TYPE OF BENEFIT
as of December 31, 2014

Amount of Monthly Benefit	Number of Beneficiaries	Type of Benefit * Retirees 1	2	Survivors 3	4	5	Children 6
$1 - $500	101	39	2	27	10	3	20
501 - 1,000	120	41	3	46	29		1
1,001 - 2,000	242	101		96	45		
2,001 - 3,000	254	154		74	26		
3,001 - 4,000	296	216		63	17		
4,001 - 5,000	343	274		64	5		
5,001 - 6,000	305	265		29	11		
6,001 - 7,000	235	218		15	2		
7,001 - 8,000	147	137		10	0		
8,001 - 9,000	103	93		6	4		
9,001 - 10,000	68	63		4	1		
over - 10,000	129	123		6	0		
Totals	2,343	1,724	5	440	150	3	21

* Type of Benefit

1. Normal Retirement for Age and Service
2. Disability Annuity
3. Survivor Benefit - Normal
4. Survivor Benefit - Death in Service
5. Survivor Benefit – Fixed Term Annuity
6. Children

The above schedule provides detail about the number, amount, and type of monthly benefits paid by the Fund in the current year.

HISTORY OF BENEFICIARIES BY TYPE OF BENEFIT
at Year End

Year	Employee Annuitants [1]	Spouse Annuitants [1,2]	Child Annuitants	Total Annuitants	Ordinary Disability	Duty Disability
2004	1,520	677	9	2,206	28	21
2005	1,537	658	20	2,215	32	32
2006	1,573	659	16	2,248	35	31
2007	1,600	654	22	2,276	29	33
2008	1,605	647	20	2,272	19	28
2009	1,596	638	18	2,252	17	23
2010	1,603	632	13	2,248	20	23
2011	1,683	628	17	2,328	18	22
2012	1,681	619	17	2,317	20	23
2013	1,704	605	20	2,329	18	17
2014	1,729	593	21	2,343	16	16

[1] Includes reciprocal annuitants.

The above schedule provides historical perspective about the number and types of beneficiaries paid by the Fund in the last pay period of the year.

HISTORY OF ANNUITY PAYMENTS
at Year End

	Employee Annuitants (Male and Female)		Spouse Annuitants (Male and Female)	
Year	Number of Annuitants	Annuity Payments [1]	Number of Annuitants	Annuity Payments [1]
2005	1,537	$ 71,618,152	658	$ 12,571,678
2006	1,573	76,651,629	659	13,328,604
2007	1,600	81,542,050	654	14,291,776
2008	1,605	84,898,229	647	15,128,149
2009	1,596	87,837,917	638	16,062,705
2010	1,603	91,846,476	632	16,893,011
2011	1,683	101,092,773	628	17,961,273
2012	1,681	104,021,486	619	19,071,845
2013	1,704	108,173,524	605	19,768,391
2014	1,729	113,079,769	593	20,683,050

[1] Payments are annualized, computed as twelve times the December 1st annuity payment.

The above schedule provides historical perspective about the number, type, and annual amount of annuity payments made by the Fund.

ANNUITANTS CLASSIFIED BY AGE AND GENDER
as of December 31, 2014

Retirement Annuities

Age	Number of Males	Annual Payments [1]	Average Annual Payments	Number of Females	Annual Payments [1]	Average Annual Payments
under 45	-	$ -	$ -	-	$ -	$ -
45 - 49	1	5,481	5,481	-	-	-
50 - 54	30	1,919,865	63,996	11	620,907	-
55 - 59	76	5,439,688	71,575	27	1,776,109	65,782
60 - 64	180	12,938,459	71,880	59	3,093,937	52,440
65 - 69	324	25,510,258	78,735	93	5,264,192	56,604
70 - 74	286	20,039,710	70,069	66	2,835,094	42,956
75 - 79	195	13,044,447	66,895	48	1,952,864	40,685
80 - 84	154	9,906,707	64,329	33	1,431,579	43,381
85 - 89	81	4,901,734	60,515	17	548,328	32,255
90 & up	43	1,730,323	40,240	5	120,087	24,017
Total	1,370	$ 95,436,672	$ 69,662	359	$ 17,643,097	$ 49,145
Average Age	72.2			70.4		

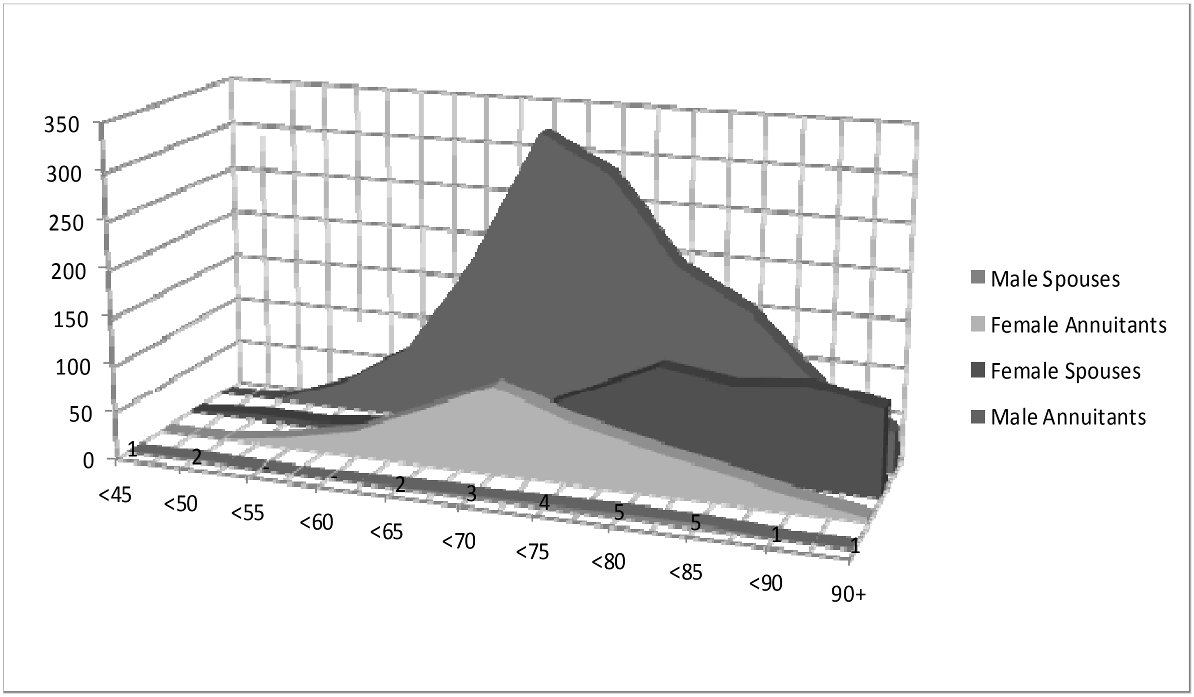
Spouse Annuities

Age	Number of Males	Annual Payments [1]	Average Annual Payments	Number of Females	Annual Payments [1]	Average Annual Payments
under 45	-	$ -	$ -	2	$ 61,289	$ 30,645
45 - 49	2	12,435	6,218	6	211,031	35,172
50 - 54	-	-	-	5	132,421	26,484
55 - 59	-	-	-	12	591,177	49,265
60 - 64	2	26,413	13,207	29	1,137,565	39,226
65 - 69	3	145,196	48,399	37	1,771,192	47,870
70 - 74	4	95,112	23,778	74	2,787,785	37,673
75 - 79	5	143,479	28,696	110	4,673,611	42,487
80 - 84	5	144,581	28,916	98	3,994,918	40,764
85 - 89	1	17,221	-	106	2,848,974	26,877
90 & up	1	14,328	14,328	91	1,874,322	20,597
Total	23	$ 598,765	$ 26,033	570	$ 20,084,285	$ 35,236
Average Age	72.4			79.8		

[1] Payments are annualized, computed as twelve times the December 1st annuity payment.

The above schedules provide detail about the age, gender and average annual amounts paid to annuitants by the Fund in the current year. The age and gender information above is graphically represented on the following page.

ANNUITANTS BY AGE AND GENDER
(Reflects the data on the previous page)



HISTORY OF AVERAGE ANNUITIES AT RETIREMENT

Retirement Year	Number of Retirees[1]	Average Retirement Age[2]	Average Years of MWRDGC Service[2]	Average Monthly Annuity[2]
2005	75	59.2	24.94	4,690
2006	82	60.0	25.31	4,437
2007	93	59.7	25.13	4,574
2008	63	60.8	21.99	4,133
2009	47	59.2	23.16	4,154
2010	72	61.4	25.49	4,946
2011	146	62.7	27.35	5,285
2012	60	61.7	21.48	4,264
2013	75	60.7	21.07	3,836
2014	80	61.7	23.28	4,661

[1]Data from Actuary
[2]Data calculated by Fund staff

The above schedule provides summary information about the changes in the number, age, service and monthly pension benefit of the Fund's retirees from year to year.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS AT RETIREMENT[1]

	Years of Credited Service							
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
Period 1/1/05 to 12/31/05								
Average Pension	-	$911	$1,551	$2,459	$3,667	$5,665	$6,874	$4,690
Average Final Average Salary	-	$5,161	$5,525	$5,490	$5,511	$7,386	$8,655	$6,967
Number of Retired Members	-	5	6	10	9	24	21	75
Period 1/1/06 to 12/31/06								
Average Pension	-	$1,548	$2,167	$2,764	$4,114	$5,728	$5,697	$4,437
Average Final Average Salary	-	$9,521	$5,766	$5,560	$6,702	$7,699	$7,179	$6,773
Number of Retired Members	-	1	8	20	9	23	22	83
Period 1/1/07 to 12/31/07								
Average Pension	$643	$1,181	$2,303	$2,955	$4,594	$5,267	$5,793	$4,574
Average Final Average Salary	$4,989	$7,666	$6,579	$5,913	$7,276	$7,006	$7,311	$6,890
Number of Retired Members	1	1	7	16	15	30	23	93
Period 1/1/08 to 12/31/08								
Average Pension	$322	$753	$1,518	$3,715	$4,282	$6,166	$6,122	$4,133
Average Final Average Salary	$6,382	$5,521	$5,570	$7,646	$6,896	$8,113	$7,652	$7,097
Number of Retired Members	3	4	9	9	13	13	12	63
Period 1/1/09 to 12/31/09								
Average Pension	$374	$978	$2,002	$2,693	$4,245	$5,957	$5,678	$4,154
Average Final Average Salary	$5,000	$5,772	$6,453	$5,827	$7,400	$7,915	$7,242	$6,972
Number of Retired Members	2	6	2	6	8	14	9	47
Period 1/1/10 to 12/31/10								
Average Pension	-	$789	$1,703	$2,995	$3,704	$5,650	$7,822	$4,946
Average Final Average Salary	-	$5,124	$5,671	$6,793	$6,718	$7,941	$9,883	$7,780
Number of Retired Members	-	2	11	7	16	12	24	72
Period 1/1/11 to 12/31/11								
Average Pension	$618	$1,124	$2,612	$3,490	$4,524	$5,406	$6,945	$5,285
Average Final Average Salary	$6,879	$5,475	$7,786	$7,288	$7,394	$7,367	$8,774	$7,898
Number of Retired Members	2	3	10	14	32	28	57	146
Period 1/1/12 to 12/31/12								
Average Pension	$632	$1,040	$2,090	$3,238	$5,511	$5,984	$5,531	$4,264
Average Final Average Salary	$7,169	$6,670	$7,403	$7,671	$9,437	$8,466	$7,017	$8,006
Number of Retired Members	4	4	6	10	14	12	10	60
Period 1/1/13 to 12/31/13								
Average Pension	$273	$2,077	$2,210	$2,863	$3,586	$6,208	$5,255	$3,836
Average Final Average Salary	$6,130	$9,343	$7,585	$7,024	$6,782	$8,698	$6,677	$7,513
Number of Retired Members	3	3	13	12	19	19	6	75
Period 1/1/14 to 12/31/14								
Average Pension	$500	$868	$1,784	$3,018	$4,560	$6,287	$6,493	$4,661
Average Final Average Salary	$8,176	$5,588	$6,145	$7,522	$7,882	$8,332	$8,262	$7,788
Number of Retired Members	2	2	9	11	19	29	8	80

[1]Average Monthly Benefit amount is rounded to the nearest dollar and does not include Survivor Annuities.
Years of Credited Service does not include reciprocal service. Calculated by Fund staff.

ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE
Last Ten Years
(in Thousands of Dollars)

ADDITIONS BY SOURCE

Year Ending December 31	Employee Contributions	Employer Contributions	as a % of Covered Payroll	Investment Income [1]	Total Additions
2005	$14,468	$26,175	17.5	$53,781	$94,424
2006	14,955	34,476	22.5	106,515	155,946
2007	15,627	27,947	17.6	62,671	106,246
2008	14,778	33,407	19.9	(299,142)	(250,957)
2009	15,690	32,154	18.2	194,076	241,920
2010	15,872	29,918	17.1	142,915	188,705
2011	15,032	37,379	22.8	(1,376)	51,035
2012	14,714	65,098	39.7	116,325	196,137
2013	16,891	92,944	54.9	226,102	335,937
2014	18,975	73,906	41.9	81,605	174,486

DEDUCTIONS BY TYPE

Year Ending December 31	Benefits	Refunds	Administrative Expenses	Total Deductions	Change in Net Assets
2005	$83,293	$1,288	$1,298	$85,879	$8,545
2006	89,079	1,411	1,472	91,962	63,984
2007	94,846	1,164	1,465	97,475	8,771
2008	100,069	965	1,280	102,314	(353,271)
2009	103,404	1,175	1,319	105,898	136,022
2010	108,219	1,380	1,277	110,876	77,829
2011	118,102	2,711	1,399	122,212	(71,177)
2012	122,714	1,195	1,297	125,206	70,931
2013	127,206	1,129	1,391	129,726	206,211
2014	132,913	984	1,407	135,304	39,182

[1] Investment Income is net of investment expenses, and includes miscellaneous income and securities lending income.

The schedules above provide historical financial information and detail about the types of contributions received by the Fund.

EMPLOYEE AND EMPLOYER CONTRIBUTIONS
Last Ten Years
(in Thousands of Dollars)

EMPLOYEE CONTRIBUTIONS

Year	Regular Contributions[1]	Optional Plan Contributions[2]	Early Retirement Contributions (ERC)	Prior Service Payments[3]	Commissioners' Alternative Plan[4]	Total
2005	$13,148	$1,154	-	$155	$11	$14,468
2006	13,412	1,209	$13	288	33	14,955
2007	13,803	1,281	-	528	16	15,628
2008	14,519	49	-	194	16	14,778
2009	15,413	-	-	261	16	15,690
2010	15,581	-	-	276	15	15,872
2011	14,733	-	-	286	13	15,032
2012	14,377	-	-	326	11	14,714
2013	16,422	-	-	454	15	16,891
2014	18,575	-	-	385	15	18,975

EMPLOYER CONTRIBUTIONS

Year	Regular Contributions[5,6]	Special Contributions	Early Retirement Contributions (ERC)	Total
2005	$26,175	-	-	$26,175
2006	34,438	-	$38	34,476
2007	27,947	-	-	27,947
2008	33,407	-	-	33,407
2009	32,154	-	-	32,154
2010	29,918	-	-	29,918
2011	37,379	-	-	37,379
2012	35,098	$30,000	-	65,098
2013	62,944	30,000	-	92,944
2014	61,906	12,000	-	73,906

[1] Includes employee contributions towards employee and surviving spouse annuities, and cost of living increases.
[2] Optional Plan Contributions were an enhanced benefit plan that expired in 2007.
[3] Prior Service Payments include leave of absence, refund repayment and military service.
[4] Contributions by elected Commissioners to an enhanced benefit plan.
[5] Tax levy based on two years prior employee contributions per Statutes.
[6] Includes Commissioner transfer of employer contributions.

The schedules above provide historical financial information and detail about the types of contributions received by the Fund.

BENEFIT EXPENSES BY TYPE (in Thousands of Dollars)

Year	Employee Annuities	Spouse Annuities	Child Annuities	Ordinary Disabilities	Duty Disabilities	Total Benefits
2005	$69,740	$12,302	$80	$992	$179	$83,293
2006	74,887	12,905	105	988	194	89,079
2007	79,417	13,961	126	1,100	242	94,846
2008	83,948	14,934	123	846	218	100,069
2009	86,582	15,690	120	745	268	103,405
2010	90,447	16,613	104	813	242	108,219
2011	99,601	17,523	112	650	216	118,102
2012	103,043	18,675	114	678	204	122,714
2013	106,624	19,432	114	822	214	127,206
2014	111,352	20,444	157	821	140	132,914

PERCENT OF TOTAL BENEFITS

Year	Employee Annuities	Spouse Annuities	Child Annuities	Ordinary Disabilities	Duty Disabilities
2005	83.73 %	14.77 %	0.10 %	1.19 %	0.21 %
2006	84.07	14.49	0.12	1.11	0.22
2007	83.73	14.72	0.13	1.16	0.26
2008	83.89	14.92	0.12	0.85	0.22
2009	83.73	15.17	0.12	0.72	0.26
2010	83.58	15.35	0.10	0.75	0.22
2011	84.33	14.84	0.09	0.55	0.18
2012	83.97	15.22	0.09	0.55	0.17
2013	83.82	15.28	0.09	0.65	0.17
2014	83.78	15.38	0.12	0.62	0.10

PERCENT CHANGE FROM YEAR TO YEAR

Year	Employee Annuities	Spouse Annuities	Child Annuities	Ordinary Disabilities	Duty Disabilities	Total Benefits
2005	6.97 %	3.20 %	86.05 %[1]	22.47 %	26.06 %	6.63 %
2006	7.38	4.90	31.25	-0.40	8.38	6.95
2007	6.05	8.18	20.00	11.34	24.74	6.47
2008	5.71	6.97	-2.38	-23.09	-9.92	5.51
2009	3.14	5.06	-2.44	-11.94	22.94	3.33
2010	4.46	5.88	-13.33	9.13	-9.70	4.66
2011	10.12	5.48	7.69	-20.05	-10.74	9.13
2012	3.46	6.57	1.79	4.31	-5.56	3.91
2013	3.48	4.05	0.00	21.24	4.90	3.66
2014	4.43	5.21	37.72	-0.12	-34.58	4.49

[1] Beginning 2005, Child Annuities include children age 18-23 who are enrolled as a full time student.

The schedules above provide historical information about the types of benefits, the relative dollar amounts, as well as the total and relative growth or decline in the amount of benefits paid by the Fund.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION[1]
Last 10 Years

Additions:	2014	2013	2012	2011	2010
Employer contributions	$ 73,906,168	$ 92,944,381	$ 65,097,835	$ 37,379,137	$ 29,917,793
Employee contributions	18,974,954	16,890,798	14,714,496	15,031,961	15,872,560
Total contributions	92,881,122	109,835,179	79,812,331	52,411,098	45,790,353
Investment income					
Net appreciation (depreciation) in fair value of investments	63,589,719	211,132,376	103,332,085	(9,430,774)	136,082,191
Interest on fixed income investments	8,933,924	7,044,688	3,064,231	-	-
Interest on short-term investments	2,008	2,295	10,218	7,754	24,608
Dividend income	14,539,290	12,836,171	13,885,983	12,102,449	10,162,335
Total investment income (loss)	87,064,941	231,015,530	120,292,517	2,679,429	146,269,134
Less investment expenses	5,899,566	5,465,211	4,755,254	4,389,141	3,607,447
Investment income (loss) net of expenses	81,165,375	225,550,319	115,537,263	(1,709,712)	142,661,687
Security lending activities					
Securities lending income	64,302	89,443	131,240	93,329	90,389
Broker rebates	505,896	630,124	851,467	275,018	181,683
Bank fees	(135,007)	(174,283)	(233,885)	(77,124)	(53,512)
Net income from securities lending	435,191	545,284	748,822	291,223	218,560
Other	4,460	6,833	40,046	42,126	34,214
Total additions	174,486,148	335,937,615	196,138,462	51,034,735	188,704,814
Deductions:					
Annuities and benefits					
Employee annuitants	111,351,904	106,623,945	103,043,445	99,600,881	90,446,956
Surviving spouse annuitants	20,443,693	19,431,705	18,674,499	17,523,246	16,613,378
Child annuitants	157,500	114,000	114,000	112,012	103,505
Ordinary disability benefits	820,626	821,914	677,523	650,220	813,505
Duty disability benefits	139,779	214,417	204,441	216,010	241,842
Total annuities and benefits	132,913,502	127,205,981	122,713,908	118,102,369	108,219,186
Refunds of employee contributions	984,346	1,128,922	1,195,737	2,711,115	1,380,310
Administrative expenses	1,406,507	1,391,487	1,296,826	1,398,695	1,276,511
Total deductions	135,304,355	129,726,390	125,206,471	122,212,179	110,876,007
Net increase (decrease)	**39,181,793**	**206,211,225**	**70,931,991**	**(71,177,444)**	**77,828,807**
Net position held in trust for pension benefits					
Beginning of year	1,298,613,827	1,092,402,602	1,021,470,611	1,309,897,221	1,232,068,414
End of year	$ 1,337,795,620	$ 1,298,613,827	$ 1,092,402,602	$ 1,238,719,777	$ 1,309,897,221

[1] Prior to 2012 the financial statement that showed additions and deductions was entitled "Statement of Changes in Plan Net Assets".

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (Continued)
Last 10 Years

Additions:	2009	2008	2007	2006	2005
Employer contributions	$ 32,153,874	$ 33,406,819	$ 27,947,096	$ 34,476,332	$ 26,174,492
Employee contributions	15,690,322	14,778,404	15,627,673	14,955,252	14,468,188
Total contributions	47,844,196	48,185,223	43,574,769	49,431,584	40,642,680
Investment income					
Net appreciation (depreciation) in fair value of investments	187,518,451	(311,205,254)	51,318,416	95,848,706	43,439,028
Interest on fixed income investments	1,208,618	4,106,340	5,398,891	5,702,537	6,215,281
Interest on short-term investments	77,596	670,923	821,893	1,126,657	713,626
Dividend income	7,839,846	9,191,366	7,486,606	6,008,651	5,491,961
Total investment income (loss)	196,644,511	(297,236,625)	65,025,806	108,686,551	55,859,896
Less investment expenses	2,576,926	2,507,486	2,563,022	2,175,003	2,083,143
Investment income (loss) net of expenses	194,067,585	(299,744,111)	62,462,784	106,511,548	53,776,753
Security lending activities					
Securities lending income	-	3,691,075	1,860,212	-	-
Broker rebates	-	(2,912,737)	(1,654,778)	-	-
Bank fees	-	(194,845)	(51,377)	-	-
Net income from securities lending	-	583,493	154,057		
Other	8,379	18,089	54,884	2,609	4,526
Total additions	241,920,160	(250,957,306)	106,246,494	155,945,741	94,423,959
Deductions:					
Annuities and benefits					
Employee annuitants	86,581,378	83,948,187	79,416,735	74,886,513	69,740,703
Surviving spouse annuitants	15,689,413	14,934,213	13,960,889	12,905,070	12,301,743
Child annuitants	120,290	122,652	126,256	104,833	79,801
Ordinary disability benefits	745,363	846,201	1,099,784	988,331	992,020
Duty disability benefits	268,086	217,496	242,357	194,342	178,802
Total annuities and benefits	103,404,530	100,068,749	94,846,021	89,079,089	83,293,069
Refunds of employee contributions	1,174,864	964,846	1,164,218	1,410,954	1,287,679
Administrative expenses	1,318,710	1,280,321	1,464,635	1,471,957	1,298,604
Total deductions	105,898,104	102,313,916	97,474,874	91,962,000	85,879,352
Net increase (decrease)	**136,022,056**	**(353,271,222)**	**8,771,620**	**63,983,741**	**8,544,607**
Net position held in trust for pension benefits					
Beginning of year	878,797,192	1,232,068,414	1,223,296,794	1,159,313,053	1,150,768,446
End of year	$ 1,014,819,248	$ 878,797,192	$ 1,232,068,414	$ 1,223,296,794	$ 1,159,313,053

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LEGISLATIVE CHANGES SECTION

Legislative Changes

1979 Session

PA 81-0634	Disability benefits payable for alcoholism if the employee participates in a rehabilitation program.
PA 81-0679	Reciprocal Act: changes proportionate pension credits under the "alternate" formula.
PA 81-1187	Under IRS Code Section 414(h), employer may pick up the employee contributions for all compensation earned after December 31, 1980, by a reduction in the cash salary or an offset to a future salary increase or by a combination of both.

1980 Session

PA 81-1536	Reversed all changes made by PA 81-1187 and put the pick up section as a new paragraph. They are treated as employee contributions for all purposes, including refunds; and determination of the tax levy.

1981 Spring Session

PA 82-0690	Effective January 1, 1982, signed November 12, 1981.
	Post-retirement increases from 2% to 3% for new retirements only.
	Maximum spouse benefit from $500 to $600.
	Disability benefits payable to age 70 in some cases.
	Increase in employee pensions of $25 per month.
	Increase in spouse pension of $25 per month or up to $250.
	Children's annuities to $100 and $140.
	Reduction in spouse age discount.
	Increase in tax multiple to 2.34 in 1984 and after.
PA 82-0308	Authorizes investments in conventional mortgage pass-through securities.
PA 82-0256	Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months; $100 per day penalty if late.

1982 Spring Session

PA 82-0960	Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant.
PA 82-0768	Clarifies compulsory retirement age to 70 rather than 67.

1983 Spring Session

PA 83-0827	Effective January 1, 1984, signed September 24, 1983.
	2% benefit accrual formula.
	Maximum spouse benefit from $600 to $800.
	No reduction for spouse age difference.
	Eliminates 30 day wait for refund.
	Interest rate on refund repayments from 6% to 8%.
	Eliminates second doctor's report for duty disability under certain conditions.
PA 83-0861	Minimum reporting and actuarial information for 1984.
PA 83-0869	10% prudent person investment category.
PA 83-0970	Delegation of investment authority restrictions.

1984 Session No legislative changes

1985 Spring Session

PA 84-0733 Signed September 21, 1985.

Early Retirement Contribution (ERC) Plan: Elimination of age discount factor with one-time employee and employer contribution for those who retire after July 1, 1985 and before June 30, 1995.

Post-retirement annuity increases to begin upon the first anniversary of retirement for those who retire on or after July 1, 1985.

$800 maximum on surviving spouse benefit removed.

Remarriage will terminate spouse annuity only for remarriage before July 1, 1985.

Optional term annuity if life annuity less than $200.

1986 Spring Session

PA 84-1472 Changes the requirement from 10 years to 5 years for allowance after withdrawal while disabled.

Optional Plan of 3% contributions for 1% additional benefit per year of service. Provisions for payment of past service with interest. Provisions expire July 1, 1992. Such plan if elected by a member, would require a 3% of salary contribution (with interest for past service) and would produce an additional 1% per year of service benefit and would increase the employee annuity, post-retirement increase and spouse annuity. Additional optional benefits may not be established for more than 10 years of service. Membership in this plan is optional and as such, it is possible to delay election to just prior to retirement. The effective date of this optional plan is July 31, 1987 the date upon which approval was received from the Internal Revenue Service.

1987 Spring Session

PA 85-0964 Eligibility for retirement at age 50 instead of age 55.

No discount for age less than 60 with 30 or more years of service.

Accrual rate of 2.15% per year of service instead of 2%.

80% maximum benefit for future retirees instead of 75%.

Annuity based on 2 year final average salary instead of 4 year final average salary.

Ad hoc increases for present retiree, widow(er)'s and children.

Increase in employee contribution to 9%.

Decrease in the multiple to 2.19.

An alternative benefit for District Commissioners effective upon IRS approval (which was approved June 22, 1988).

1988 Session No legislative changes.

1989 Session

PA 86-0273 Signed August 24, 1989.

Average salary 104 consecutive weeks instead of 24 months.

Accrual rate of 2.2% of average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20.

Increase for surviving spouse of 3% of the amount of annuity on the date of employee's retirement or death in service.

Alternative annuity for commissioners age 60 with 6 years of service.

Widow(er)'s allowance of 60% plus 1% for each year of service of employee's annuity at the date of employee's death.

Ad hoc increases for widow(er)'s.

1990 Session

PA 86-0957 Amends Chapter 120, Paragraph 671 of the Revenue Act to provide for a separate listing on the tax bill of the dollar amount of tax due from the person assessed which is allocable to a tax levied under the Illinois Pension Code, or any other tax levied by a municipality or township for public pension or retirement purposes. Effective January 1, 1990.

PA 86-1488 Clarifies the date of 3% increase for surviving spouse.

Allows any City officer to transfer his MWRD service to the Municipal Fund.

1991 Session

PA 87-0794 Article 13 rewritten to preserve existing benefits, signed November 20, 1991.

Average salary 52 consecutive pay periods instead of 104 consecutive weeks.

Retirement annuity with 5 years service and age 60 instead of 10 years.

Early Retirement Contribution (ERC) Plan extended to June 30, 1997.

Age discount .5% for each full month employee is less than age 60 or each full month employee's service is less than 30 years, whichever is less.

Optional Plan extended to July 1, 1997.

Surviving spouse of employee who withdraws from service not eligible for annuity unless employee had 10 years of service.

Dissolution of marriage after retirement shall not divest spouse of an annuity if they had been married 10 years on the date of retirement.

For employee with Reciprocal service who retires on or after July 1, 1985 and dies after January 1, 1991 with 15 years in MWRD and service prior to September 5, 1975 spouse annuity shall be calculated as a percentage of total annuity minus amount payable by other fund as of date of death.

Surviving spouse annuity shall be discounted .25% for each full month the spouse is younger than the employee, with maximum 60%. The discount shall be reduced 10% for each full year the marriage was in effect as of the date of withdrawal or death in service.

Child annuity $250 with one parent alive or $350 when neither is alive.

1992 Session

PA 87-1265 Beginning January 1, 1993, all employee annuity increases are 3% compounded.

Beginning January 1, 1993, all non-term employee annuitants retiring at age 60 or older with at least 10 years of service get a $500 minimum annuity.

Beginning January 1, 1993, all non-term, non-Reciprocal, non-Disability (Annuity) employees who qualify for an annuity will get a $250 minimum annuity.

Employee may now purchase up to 15 years of optional service (previously 10 years).

Beginning January 1, 1993 all surviving spouse annuities are increased annually by 3% compounded if the employee had at least 10 years of service.

Starting January 1, 1993 all surviving spouse annuitants of non-term employee annuitants who retired at age 60 or older with at least 10 years of MWRD service get a $500 minimum annuity.

1992 Session (continued)

Starting January 1, 1993 all surviving spouses of non-term, non-Reciprocal, non-Disability (Annuity) employee annuitants get a $250 minimum annuity.

Alternative annuity for commissioners at age 55 (previously 60).

"No spouse" refunds include 3% interest (previously without interest).

Signed January 25, 1993.

1993 Session No legislative changes

1994 Session No legislative changes

1995 Session No legislative changes

1996 Session No legislative changes

1997 Session

PA 90-0012 Approved June 13, 1997.

Allows equity investments to be up to 50% of total investments.

Excludes future Civil Service Board members from participation in the retirement fund.

Raises eligibility for retirement for new entrants from age 50 to 55.

Extends the Early Retirement Contribution (ERC) Plan to December 31, 2002 for employees with at least 10 years of MWRD service and raises the age of eligibility for new employees to age 55.

Extends the Optional Plan to December 31, 2002 for employees in service on or before June 30, 1997, limits annual contributions, and allows contributions within 30 days of withdrawal. Any employees entering service after June 30, 1997, are not eligible to participate in this Plan.

Clarifies that a disability annuity is not payable if the employee is able to work.

For all employees hired after June 13, 1997, the early retirement discount requires at least 10 years of District service to be eligible to make the early retirement contribution even if they have 30 years total, including reciprocal service.

Bases calculation of contribution to eliminate the early retirement discount on the highest salary used in the benefit calculation and clarifies that the contribution will be based on a portion of years.

1997 Session, continued

PA 90-0012, continued

Clarifies that 3% annual compounded cost of living increases apply to employees and spouses whose annuities began under predecessor provisions of the statutes and provides annual cost of living increases to a small group of employees who retired before July, 1985 with at least 10 years of service who previously did not receive these increases.

Requires that new employees have at least 3 years of service before a surviving spouse benefit is payable, if employee dies in service or 10 years of service if employee withdraws before age 55; minimum service is required for a non-duty related death (no minimum service is required for a duty related death).

Subjects the minimum surviving spouse annuities to the discount for age differential and requires the marriage to have been in continuous effect for 10 years to eliminate the discount for the age differential.

Provides a child's annuity to children of former employees with at least 10 years of service and to children of retired annuitants. Increases the minimum service requirement of new employees from 2 to 3 years before a child's annuity would be payable.

Clarifies that the determination of the amount of a child's annuity is dependent on the life status of the child's parent and not the employee's surviving spouse.

Removes the age limitation for eligibility for duty and ordinary disability benefits and provides that disability for new employees will not be paid for the first 3 days of the disability payment period unless the disability continues for at least 11 more days.

Eliminates benefits for children of employees receiving duty disability benefit.

Allows payment of disability for up to 5 years if disability occurs at age 60 or later.

Clarifies that calculation of the benefit under the alternative annuity plan be based on the final average salary as a commissioner instead of salary at the time of termination of service.

Requires that new employees return to work for at least one year before becoming eligible to make contributions for a period of leave of absence.

Clarifies that a year of service credit for purposes other than an annuity is to be based on 26 pay periods in 12 consecutive months.

1998 Session No legislative changes

1999 Session No legislative changes

2000 Session

PA 91-0887 Signed July 6, 2000

Allows the Fund's Trustees to approve use of the actuarial table recommended by the actuarial consultant for purpose of calculating a reversionary annuity.

In cases where a Workers' Compensation claim is in dispute, clarifies that duty disability benefits are paid only for the period of disability determined by the Illinois Industrial Commission or acknowledged by the employer.

Ordinary and duty disability benefits are terminated if the employee does not provide the Fund with access to medical and/or employment records, or refuses to follow medical advice and treatment to enable the employee to return to work.

No interest is used when calculating retroactive duty disability benefits.

Allows lump-sum payments for optional credit on past service by commissioners electing the Alternative provision.

Refund repayments are calculated using a compound interest rate equal to 8% or the actuarial investment return assumption used in the most recent Annual Actuarial Statement, whichever is greater.

2001 Session

PA 92-0053 Signed July 12, 2001

Provides automatic annual increases of retirement annuities to commence on the first day of the month in which the first anniversary of the date of retirement occurs.

Provides a minimum retirement annuity equal to $500 per month for an employee with at least 10 years of District service, plus $25 per month for each year of service in excess of 10 years, to a maximum of $750 per month.

Provides a minimum surviving spouse annuity equal to the greater of:

a) $500 per month for the surviving spouse of an employee with at least 10 years of District service, plus $25 per month for each year of service in excess of 10 years, to a maximum of $750 per month; or
b) 50% of retirement annuity to of the deceased spouse at the time of death.

Provides an increase in a child's annuity to $500 per month for 1 child and $350 per month for each additional child if one parent is living. If neither parent is living, provides an increase in a child's annuity to $1,000 per month for one child and $500 for each additional child. In either case, the maximum benefit is $2,500 per month for all children of the employee, to be divided equally among the children.

Allows equity investments to be up 65% of total investments.

2002 Spring Session

PA 92-0599 Signed June 28, 2002

Provides for early retirement without discount for any employee who retires on or after January 1, 2003 but on or before December 31, 2007 if the employee is at least age 50 but less than age 60 and has at least 10 years of service credit exclusive of any reciprocal service and the sum of his years of creditable service and his age equals at least 80.

Provides for a revised Optional plan of additional benefits and contributions for the period from January 1, 2003 to December 31, 2007. The rate of contributions is 4% of pensionable earnings. The additional benefit is 1% per year of Optional contributions. Participation is limited to employees with at least 10 years of creditable service with this Fund. The maximum additional benefit that may be accumulated under this plan,

2002 Spring Session, continued

PA 92-0599, continued

including any additional benefit accumulated under a prior optional benefit plan, is 12%. Participation requires an irrevocable written election. Payment for service prior to the irrevocable election is limited to the same calendar year. The cost of payment to establish Optional credit before the election is 4% of the salary for the applicable period of service, plus interest from the date of service to the date of payment at the higher of 8% per year or the actuarial investment return assumption. The tax levy for Optional contributions is equal to the amount of Optional contributions.

2003 Spring Session

PA 93-0334 Signed July 24, 2003

Provides for active employees having at least ten years of MWRD service credit and meeting other requirements to purchase up to 2 years of active military credit toward their retirement annuity. The employees' contributions are to be calculated based upon the starting salary and are to include the employer's normal cost at the time of payment, plus regular interest of 3% per year compounded annually.

2004 Session

No legislative changes

2005 Session

PA 94-0621 Signed August 18, 2005

For all new entrants, requires that disability annuitants have a minimum of five years of service exclusive of disability service to qualify for a benefit.

Provides for the minimum annuity as detailed in HB 478 for all employee and surviving annuitants regardless of whether an age discount applied to the employee's annuity calculation.

Clarifies surviving spouse annuity eligibility for the spouse of an employee who withdraws from service prior to the attainment of the minimum retirement age yet who has enough service to qualify for a future annuity. Changes make reference to a minimum retirement age, which varies dependent on start date, rather than a fixed age. Changes also provide for surviving spouse annuity eligibility for the spouse of a withdrawn employee who was eligible for an annuity at age 62 but died prior to annuity application.

Provides for calculation method for the surviving spouse annuity of a vested employee who separated from service before minimum retirement age and had not yet begun to receive an annuity.

Grants child annuities to children of deceased employees and former annuitants if the child is over age 18 but under age 23 and is a full time student.

Eliminates the three-day wait (for employees hired after June 13, 1997) for duty disability benefits that did not continue 11 additional days.

Provides ordinary disability benefits for employees hired after June 13, 1997 beginning the 31st day after the last day work provided all sick leave is exhausted.

Allows commissioner alternative contributions to be made pre-tax, pending IRS approval.

Provides an annuity for the surviving spouse of a commissioner who elects the commissioner's alternative plan from a fixed 66 2/3% of the commissioner's annuity at death to the greater of 66 2/3% or 60% plus 1% per year of service up to a maximum of 85% of the annuity earned by the commissioner on the date of death. The number

2005 Session, continued

PA 94-0621, continued

of years used to calculate the commissioner's annuity would also be used to calculate the annuity for the surviving spouse.

Changes refund eligibility to allow for a refund of contributions for a separated employee who was hired on or after June 13, 1997 who is between ages 50 and 55 with over 20 years of service.

Clarifies that interest paid on a refund to estate should be calculated through the date of withdrawal.

Allows for refunds to be repaid within 90 days of withdrawal.

Empowers the Board to assess and collect interest on amounts due the Fund using the current actuarial interest rate assumption.

2006 Session No legislative changes

2007 Session Signed August 17, 2007

PA 95-0279 Modifies child annuity eligibility requirements for adopted children. Removes the stipulation that proceedings to adopt the child must have begun at least one year prior to death.

PA 95-0521 Signed August 28, 2007
Requires the retirement system or pension fund to divest its assets with an Illinois finance entity if the entity does not annually certify that it complies with the requirements of the High Risk Home Loan Act.

PA 95-0586 Signed August 31, 2007
Effective January 1, 2008, the annuity effective date for employee and spouse annuities is the first of the month following retirement. Employee and spouse annuities are payable for the full month if the annuitant was alive on the first day of the month.

The $10.00 per child monthly duty disability benefit was placed back into legislation for employees who were in service before June 13, 1997. This provision was inadvertently eliminated from the language at the time of the 1991 re-draft of 40 ILCS 5/13.

The contribution definition was revised to clarify that the 7 ½ % contribution for the employee's and child's annuity consisted of a 7% contribution for the retirement annuity and ½ % for the annual retiree cost of living increase.

The method of calculation of refunds after death was amended to clarify that the ½% allocated for the retiree cost of living was not included in a refund payable upon death. Further, to whom payment of a refund after death should be distributed was clarified. Payment is first made to a spouse, then to beneficiary as designated by the employee, and if there is no beneficiary form, then to the late employee's children in equal parts. If there is no spouse, then payment is made to the designated beneficiary.

If there is no spouse or designated beneficiary, then payment is made to any children of the deceased employee. If there is no spouse, designated beneficiary, or child then distribution is made to the heirs in accordance with the laws of descent and distribution in the State of Illinois.

2007 Session, continued

PA 95-0586, continued

The Retirement Fund Board of Trustees was granted authority to invest the Fund's reserves according to the Prudent-Person Rule. This rule requires a fiduciary (trustee) to discharge his/her duties with the care, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

2008 Session

PA 95-0891 Signed August 22, 2008.

Amends the MWRDGC statutes, 70 ILCS 2605/5.9, to allow the MWRDGC to transfer interest income to the Retirement Fund.

PA 95-0923 Signed August 26, 2008.

Adds two additional Trustees to the Retirement Fund Board, one appointed retiree and one elected active employee. The appointed retiree is recommended by the Board of Commissioners and approved by the Board Trustees of the Fund. Each of the three appointed trustees now serves a term of three years and each of the four elected active employees will now serve a term of four years. The term of one appointed and one elected trustee expires each year.

2009 Session

PA 96-0006 Signed April 3, 2009.

Expands the Illinois Governmental Ethics Act (5 ILCS 420/4A-101) to require that pension board members annually file a statement of economic interest.

Expands the definition of "fiduciary" (40 ILCS 5/1-101.2) to include any person who, with respect to a pension fund or retirement system, "renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement system, or has any authority or responsibility to do so." It also provides an expanded definition of "consultant" (40 ILCS 5/1-101.5)

Sets out specific goals, targets, and reporting requirements for the utilization of emerging investment managers by pension funds. Provides a definition of "emerging manager" as "a qualified investment advisor that manages an investment portfolio of at least $10 million but less than $10 billion and is a 'minority owned business,' 'female owned business,' or 'business owned by a person with a disability' as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

Imposes conflict-of-interest prohibitions that involve an investment transaction with an investment adviser when the pension board member, employee, consultant, or their spouse: (1) has a direct interest in the income gains, or profits of the investment advisor; or (2) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, or consultant (40 ILCS 5/1-110)

Makes several changes regarding the use of investment advisers and investment services (40 ILCS 5/1-113.14).

Requires that every retirement system and pension fund governed by the Illinois Pension Code is subject to the Illinois Open Meetings Act (40 ILCS 5/1-113.16). All retirement systems and pension funds, must maintain an official website, updated at least quarterly with information concerning the investment of funds.

2009 Session, continued

PA 96-0006, continued

Requires all board members to attend at least 8 hours of training per year on the topics of ethics, fiduciary duty and investments. Each pension board must annually certify that its members received the required training. The certification must be sent to the Division of Insurance of the Department of Financial and Professional Regulation (40 ILCS 5/1-113.18).

Expands the gift ban provisions to all of the pension systems (40 ILCS 5/1-125) and enumerates the number of allowable exemptions.

PA 96-0251 Signed August 11, 2009.

Technical clarification regarding the effective date of a reversionary annuity. The benefit wold begin on the first of the month following the death of the annuitant and would be payable for the full month if the reversionary annuitant was alive on the day of the month.

Increased child annuity benefits to an unmarried child under the age of 18 years (under the age of 23 years in the case of a full-time student) to $500 per month for each child, up to a maximum of $5,000 for all children of the employee if one parent is alive. The child's annuity shall be $1,000 for each child, up to a maximum of $5,000 if neither parent is alive. The effective date of the child's annuity benefit shall be the first of the month following the death of the employee or annuitant. The benefit would be payable for the full month if the annuitant was less than age 18 (or 23 if a full-time student) on the first of the month.

2010 Session

PA 96-0889 Signed April 14, 2010.

The provisions apply to a person who first becomes an employee and a participant of any retirement system in Illinois, other than a retirement system established under Article 2,3,4,5,6,or 18 of the Illinois Compiled Statutes, on or after January 1, 2011.

The major changes from the existing benefit structure are as follows:

- Normal retirement age to receive full benefits is increased to 67.
- The age to receive a reduced (early retirement) benefit is increased to 62.
- The reduction for early retirement is one-half of one percent for each month a member's age is under 67.
- Increases in the number of months used to calculate the final average salary to the highest 96 months over the last 120 months of service.
- Caps the final rate of earnings at $106,800 in 2011, which will increase annually by three percent or one-half of the increase of the Consumer Price Index.
- Changes the surviving spouse pension to sixty-six and two-thirds percent of the pension of the deceased member.
- Limits the annual pension increase for retirees to three percent or one-half of the increase in the Consumer Price Index, whichever is lower based on the original amount of the pension.
- Modifies the date the retiree cost of living increase would be paid to the first of the month following the attainment of age 67 or the first anniversary of the commencement of the annuity, whichever is later.

2010 Session, continued

PA 96-1490 Signed December 30, 2010.
This bill made technical changes to the two-tier system implemented by Public Act 96-0889.

2011 Session

PA 96-1513 Signed February 1, 2011
Effective June 1, 2011, two persons of either the same or opposite gender may enter into a legal relationship referred to as a civil union. Parties to the civil union have the same obligations, responsibilities, protections and benefits afforded by Illinois law to a married couple.

PA 97-0504 Signed August 23, 2011
Effective January 1, 2012, elected or appointed members of a public body subject to the Open Meetings Act must complete the electronic training on the Illinois Attorney General website once during their term of election or appointment as follows:

- Any person who is an elected or appointed member of a public body on January 1, 2012, must complete the electronic training between January 1, 2012 and January 1, 2013.
- Any person who becomes an elected or appointment member of a public body after January 1, 2012, must complete the electronic training no later than the 90th day after taking the oath of office or if not required to take the oath of office, after otherwise assuming responsibilities as a member of the public body.

Elected or appointed members need not complete the electronic training on an annual basis thereafter unless they are also designated to receive training on compliance with the Open Meetings Act.

PA 97-0609 Signed August 26, 2011
The provisions apply to a person who first becomes an employee and a participant of any retirement system in Illinois on or after January 1, 2012, and is receiving a retirement annuity and accepts on a contractual basis a position to provide services to a governmental agency from which he or she retired, then that person's annuity shall be suspended during the during the contractual service.

PA 97-0318 Signed August 12, 2011
The provisions of the Open Meetings Act are herby expanded to allow closed meetings between internal or external auditors and governmental audit committees, finance committees and their equivalents when the discussion involves internal control weakness, identification of potential fraud risk areas, known or suspected frauds and fraud interviews conducted in accordance with generally accepted auditing standards.

2012 Session

PA 97-0651 Signed January 5, 2012
Expands the duties of fiduciaries to include the responsibility to report a reasonable suspicion of a false statement or other fraud to the Board of Trustees or the State's Attorney of the jurisdiction where the fraudulent activity occurred.

2012 Session, continued

PA 97-0894 Signed August 3, 2012
Effective with the 2013 fiscal year, increases the maximum tax levy from 2.19 multiplied by the employee contributions two years prior to the lesser of 4.19 multiplied by the employee contributions two years prior or the actuarially determined contribution requirement. Increases employee retirement contributions for Tier 1 employees by 1% per year for three years, starting with the first pay period paid in 2013. Resulting contribution rates for Tier 1 members are 10% in 2013, 11% in 2014, and 12% in 2015. The Tier 1 employee contribution rate will revert to 9% the first pay period paid on or after the date when the funded ratio of the Fund is determined to have reached the 90% funding goal.

2013 Session

PA 98-0433 Signed August 16, 2013
Creates an exception to the current RFP requirements for investment services. The competitive bid process will not be required for contracts for follow-on funds with the same fund sponsor through closed-end funds.

PA 98-0597 Signed November 20, 2013
Effective June 1, 2014, makes changes permitting same-sex marriage in the State of Illinois. Provides for reciprocity, recognizing same-sex marriages solemnized in other states and countries in which same-sex marriage is legal. Allows for voluntary conversion of civil unions to marriages.

2014 Session

PA 98-1022 Signed August 22, 2014
Effective February 1, 2015, the Boards of the Illinois retirement systems shall establish goals for utilization of investment managers that meet the definition of minority owned business, female owned business, and disabled person owned business. The systems will set a goal for each category.

Furthermore, beginning January 1, 2015, no contract for investment or consulting services or commitment to a private market fund shall be awarded by a retirement system unless such entity first discloses the following:

1) The number and percentage of its senior staff who are minority, female, or disabled.
2) The number of contracts for services that the applying entity has with a minority owned business, female owned business, or business owned by a person with a disability.
3) The number of contracts for services that the applying entity has with businesses other than a minority owned business, female owned business, business owned by a person with a disability, if more than 50% of the services under that contract are performed by a minority person, a female, or a person with a disability.

2014 Session, continued

Provides that a retirement system must consider such information (within the bounds of financial and fiduciary prudence) before awarding a contract for investment services, consulting services, or commitment to a private market firm. The Act also provides that if an investment firm meeting the system's criteria responds to an RFP for investment services and meets the definition of a minority owned business, then that firm shall be allowed to present to the Board before a final decision is made for that RFP.