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In This Issue:

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MWRD Retirement Fund
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Editors:
Retirement Fund Staff

MWRD Retirement Fund Vested Interest

PROVIDING A FORUM FOR AN ACTIVE MEMBERSHIP

Medicare Advantage Plan FAQs

Medicare Advantage Plans (MAPD) are the fastest-growing form of Medicare coverage. In 2016, 35% of retired seniors have this type of coverage. Due to this market trend, the District felt it important to explore this opportunity to move to such a plan for its retirees. MAPD plan presentations were held at various District locations in February to inform the retirees about these plans and to hear retiree concerns. An excerpt of retirees' frequently asked questions and answers is listed below:

Q **Why is this change being considered?**

A After exploring this option, the District found that there is a potential for significant costs savings while maintaining the current level of benefits. These plans focus on healthier outcomes for retirees by promoting wellness, providing better coordination of care and assisting management of chronic conditions. This results in lower costs for the plan. These savings are shared with retirees through reductions in retiree premiums.

Q **When would this change be effective?**

A The earliest possible date would be January 1, 2017. Any change would need to be made at the beginning of a calendar year.

Q **I have heard the District will reduce their costs by $2.9 million by implementing this change. Is the savings a cost shift to the retiree?**

A The plan design is expected to be similar to the current PPO plan. MAPD plans have a different model of delivering services, and focus on providing better coordination of care and improved management of chronic conditions – areas that are critical to keeping retirees healthy. Savings are derived from this enhanced focus and not from shifting cost to the retirees.

Q **Will I be able to see the same physician?**

A In general we find that 95-98% of physicians already accept a Group MAPD plan. It has been the District's consultant's experience that Medicare Advantage carriers will actively recruit the 2-5% of doctors that are nonparticipating providers to accept the plan.

Q **My spouse/dependents are under ager 65. How will this impact them?**

A Your under age-65 spouse and dependents would continue to be covered under the same plan that they have today. The biggest change for you is that there would now be a separate medical election for you and your dependents. For example, if you are in the HMO today, your spouse and dependents could continue to be in the HMO until they reach age 65. Upon reaching age 65, they would also transition to the MAPD plan.

A full list of questions and answers can be found at www.mwrd.org. Additional questions can be directed to the Compensation and Benefits Section of the Human Resources Department at 312-751-5166 or by email at Compandbenefits@mwrd.org.

2015 Year in Review

Fund's Assets as of 12/31/15: $1.215B

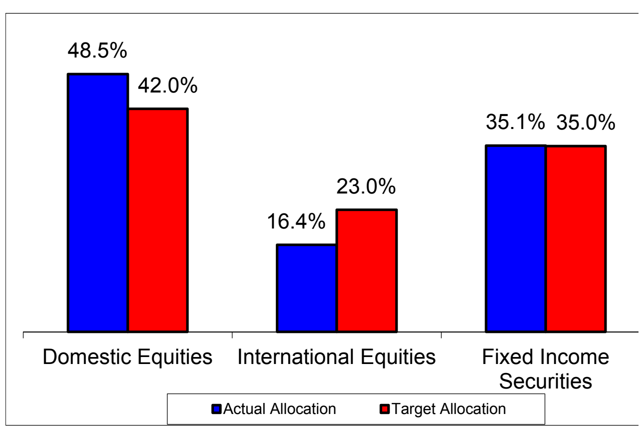
The Board of Trustees, in cooperation with the Fund's investment consultant Marquette Associates, took the following actions during 2015 to enhance the Fund's investment portfolio:

- Consolidated active large and mid cap managers and transitioned portfolios to the S&P 500 and S&P 400 index funds.
- Consolidated small cap managers and added a dedicated U.S small cap core equity manager.
- Reduced the number of investment managers from 22 to 15.
- Further diversified the portfolio by adding a global fixed income manager and a non-U.S small cap equity manager.
- Revised the Fund's asset allocation targets from 55% to 42% domestic equities; from 10% to 23% international equities and the fixed income target allocation remained at 35%.
- The above actions resulted in a reduction of the actual and expected risk of the portfolio as measured by standard deviation or volatility. Additionally, the consolidation of managers and the addition of new index allocations resulted in considerable savings in investment management fees.

Fund performance as of 12/31/15	4th Quarter	1 Yr.	2 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (net of fees)	2.4%	-0.2%	3.2%	9.0%	7.7%	5.9%
Policy Index*	2.8%	-1.8%	3.1%	8.3%	7.7%	6.0%

* The policy index is composed of the following: 21% S&P 500 Index, 10% Russell Midcap Index, 11% Russell 2000 Index, 11% MSCI ACWI ex-US Index, 6% S&P Developed ex-U.S Index, 6% MSCI Emerging Markets Index, 8.75% Barclays Global Aggregate (Hedged) Index, 26.25% Barclays Aggregate Index.

Asset Allocation as of 12/31/15



Top Ten Stock Holdings as of 12/31/15

Stock Description	# Shares	$MM
1. Nestle SA	58,015	$4.3
2. British American Tobacco	74,335	4.1
3. Roche Holding AG	14,921	4.1
4. Philip Morris International	42,955	3.8
5. Zimmer Biomet Holdings Inc.	32,400	3.3
6. AFLAC Inc.	54,700	3.3
7. Viacom Inc.	79,209	3.3
8. Stanley Black & Decker Inc.	30,081	3.2
9. Illinois Tool Works Inc.	34,221	3.2
10. Reckitt Benckiser Group PLC	33,054	3.0

Transitions

RETIREES (since October 2015)

Byerly, Steven D.
DeSalvo, James W.
Evans, Dennis A.
Feiss, Richard C.
Kovacevich, Anthony L.
Mack, Joseph T.
Mahl, Kenneth V.
Mitchell, Joell B.
Morales, John R. *
Ojha, Rajesh K. *
Pump, Gary L.
Rahman, Shafiq U.
Scannell, Stephen J.
Sepsey, Griffin N.
Shukin, Michael
Smalley, J. Michael
Smoody, John R.
Stoke, Terrence J.

* Retired from a Reciprocal Fund

DECEASED EMPLOYEES AND RETIREES (since October 2015)

Anderson, Joan G.
Baynes, Tommie
Bickhem, Donna*
Billet, George V.
Braxton, James S.
Brown, Imogene
Burris, David L.
Busiel, Daniel S.
Cartina, Anthony J.
Coffey, Harold D.
Coleman, Willis
Cooper, Kevin*
Cowan Jr., Robert*
Dzierwa, Stephen A.*
Ellis, Clifton
Eyre, William A.
Frencl, William F.
Grace, Robert D.
Harvey, Earl
Huemmer, Frank M.
Jacobson, William G.
Johnson, Jerry C.
Kapica, Anthony S.
Koza, Paul E.
Kulovitz, Edward C.
Lemaster, Edgar R.
Lepore, Michael A.
Michelotti, Wayne C.*
Morgan, Gilbert B.
Myers, Sean M.*
Paintal, Amreek S.
Piemonte, Albert S.
Prieditis, Igors J.
Rogers, Marshalyn L.*
Sosewitz, Benzion
Swets, Dennis J.
Thomas, August E.
Vadrevu,Subbarao*
Watkins, Amos E.
Weibust, Charles E.

*Death in Service

Is it Time to Change your Federal Withholding?

Annuitant federal withholding tax amounts do not get automatically updated by our computer system. Any change to federal withholding must be initiated by the annuitant. Tax time is always a good time to review your withholding. Common changes to tax liability for retirees are:

- Required Minimum Distributions at age 70-1/2*
- Change in marital status
- Mortgage is paid off
- Annual retiree increases from the MWRDRF
- No longer able to claim child dependents

* If you contributed to the District's deferred compensation plan (457), defined contribution plans with other employers, or IRAs, there may be mandatory distributions required once you reach age 70-1/2. For more information, consult www.irs.gov, the plan administrator, financial institution, or a tax professional.

If you anticipate a change to your tax liability due to any of those reasons, or if you merely need to change your federal withholding, please contact the Retirement Fund at 312-751-3222 to request a W-4P, or you may visit the Fund's website at www.mwrdrf.org and click on "forms" and then "retiree," to find the W-4P. Complete, sign and return the form to the Retirement Fund office.

What's in Box 5?

Every year at tax time, the Fund receives numerous calls asking, what is in Box 5 of the Form 1099-R? The box is labeled "Employee contributions/Designated Roth contributions or insurance premiums," but which is it? That depends on the nature of the distribution that you received from the Retirement Fund:

Disability. If you received Ordinary Disability benefits from the Retirement Fund, the amount in Box 5 represents your deductions for medical and dental insurance as well as contributions toward a flexible medical spending account, if applicable.

Refund. If you received a refund such as a no-spouse refund or a refund of excess optional contributions, the amount in Box 5 represents previously taxed contributions paid into the Fund. Optional contributions prior to July 2003 and all regular contributions prior to January 1982 have been previously taxed and will not be taxed again on distribution.

Monthly Annuity. If you received a retirement or spouse annuity, the amount in Box 5 represents a portion of the previously taxed contributions that either you or your spouse made during employment. At the time of retirement, the previously taxed contributions are totaled. The Fund determines how much of the monthly retirement annuity can be claimed as tax-free according to IRS rules at the time of retirement. Refer to the letter that was provided to the retiree at the time of retirement to determine the tax-free portion. It should be noted that the amount in Box 5 does not represent medical insurance premiums in this instance.

If you have any questions, you may wish to consult a tax professional.

Questions about Retirement?

An MWRD Retirement Fund Benefits Staff member will be available to provide counseling to active employees at the following places, dates and times:

Plant	Location	Date	Time
Stickney	OSS Building, Room S343	March 18, 2016	7:15 a.m. – 2:30 p.m.
Calumet	M & O Admin. Conference Room	April 4, 2016	7:15 a.m. – 2:30 p.m.
Egan	Laboratory Conference Room	April 14, 2016	7:15 a.m. – 2:30 p.m.

Call the Retirement Fund Office at x13222 for an appointment and/or an estimate. Walk-ins are welcome, but appointments take priority.

Where is my Form 1095 and What Do I Do with It?

This is the first year taxpayers are required to affirm that they had health coverage when filing their income tax returns. Annuitants who have HMO coverage should have received a Form 1095-B directly from Blue Cross Blue Shield. Annuitants who have PPO coverage will be sent a Form 1095-C from the District no later than March 31, 2016.

While taxpayers are required to report coverage in line 61 of the IRS Form 1040, they are not required to send the Form 1095 with their tax returns. The form could be shared with tax preparers and should be retained with other tax documents.

Additional information about Forms 1095-B and 1095-C can be found on the IRS website at https://www.irs.gov/Affordable-Care-Act

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MWRD Retirement Fund Staff Directory (312) 751-XXXX

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Insurance, Address Changes, Forms Requests	Debra Kozlowski	x3222	KozlowskiD@mwrd.org

Contact us by…

Phone From District locations, dial 1 + the underlined phone extension, above.

E-mail Contact us via the District's Outlook system, or at our internet e-mail addresses, shown above. Provide a phone number where you can be contacted on weekdays between 8:45 a.m. and 4:30 p.m. (Central time).

U.S. mail using the address below. **Fax** (312) 751-5699

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