

BOARD OF TRUSTEES

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BONNIE T. KENNEDY
HON. MARIYANA SPYROPOULOS
JOHN P. DALTON, JR.
HON. KIMBERLY DU BUCLET
JOHN R. MARKOVICH
ROBERT C. QUEZADA



VESTED INTEREST

**VOLUME 31, ISSUE 1
MAY 2023**

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VESTED INTEREST

is published for
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served by the

**MWRD
Retirement Fund**
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www.mwrdrf.org

Editors:
Retirement Fund Staff

Welcome, Trustee Quezada!



On October 18, 2022, Police Officer Robert C. Quezada won a three-way race for an Elective Trustee position. Trustee Quezada took the Oath of Office at the December 21, 2022, Board of Trustees meeting. His term runs to November 30, 2026.

Trustee Quezada has served as an MWRD Police Officer since December of 2009. Trustee Quezada earned a Bachelor's degree in Finance from University of Illinois Chicago in 2009 and founded a coffee house in Portage Park in 2012. In the off hours, Trustee Quezada enjoys playing golf, getting involved in community improvement efforts, exploring neighborhoods of Chicago, and traveling to visit family. Robert is married to Kerrin and has a two-year-old daughter, Sofia O'Shea. Robert and Kerrin love taking Sofia to playgrounds and getting to know all the neighborhood children.

We look forward to Trustee Quezada's contribution to the Retirement Board. Please join us as we welcome him to the Board.



Additional Board of Trustee Changes

On November 30, 2022, former Trustee Carmen Scalise concluded his term of service to Retirement Fund. We thank Trustee Scalise for his service to the Fund.

At its January 19, 2023, meeting, the MWRD Board of Commissioners re-appointed John P. Dalton, Jr. as Retiree Trustee to the Retirement Board. John served as an elective trustee from 2005 through his retirement in April 2022. John was first appointed retiree trustee in May 2022. We thank John for his continued service to the Retirement Fund.

Introducing Kathleen Hanrahan

On November 28, 2022, Kathleen Hanrahan joined the Retirement Fund as Benefits Assistant. When you dial the Fund's general number, hers is the chipper voice that greets you.

Kathleen previously worked at the Lemont Police Department. She continues to volunteer for special events for the Lemont Police as well as the Illinois State Police. She enjoys spending time exploring new trails with her dog, Scout. She loves to travel, and her favorite destination is the beach. Kathleen is mother to a 16-year-old daughter, Liv.



Join us as we welcome Kathleen to the Retirement Fund.

Investment Update

The Fund's investment portfolio value as of December 31, 2022, was \$1.33 billion, returning a -14.4% for the year. The Fund's performance in 2022 ranked outside the top half (58%) compared to all Public DB Plans as reported by Investment Metrics, a global leading provider of portfolio analytics. For the ten-year period ending December 31, 2022, the Fund's annualized net return was 6.8%. The table below shows cumulative performance for the Fund as of 12/31/22.



Invested Assets as of 12/31/2022

Fund performance	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (net of fees)	-14.4%	2.5%	3.4%	6.8%
Actuarial Rate	7.25%	7.25%	7.25%	7.25%

With the exception of Real Estate, all asset classes the Fund invests in faced a challenging environment in 2022.

In Equities, the year started off strong with the S&P 500 hitting an all-time high in January. But, during the summer, the S&P 500 had entered its 13th bear market (valuation declines of 20% or more from recent highs) since WWII. By the end of the year, stocks had their worst year, as measured by the S&P 500, since 2008.

Bond valuations also declined during the year as inflation reached a four-decade high. In the first part of the year, the Federal Reserve raised its policy rate for the first time since 2018 to fight inflation. Later in the year, they became more aggressive and hiked by +0.50% for the first time since 2000. Overall, 2022 was the worst year on record for bonds. Years where both stocks and aggregate bonds decline are rare. One study showed 2022 was the worst combined total return for both stocks and bonds dating back to 1872.

Thankfully, 2023 has started much better with the Fund returning 4.2% in the first three months of the year. Fund investment portfolio value as of March 31, 2023, was \$1.43 billion. Volatility has increased in the markets with concerns of a possible recession along with sustained high inflation.

The Retirement Board issued a Request For Proposal (RFP) in January 2023 for a new Private Credit mandate. The size of the mandate is expected to represent 3%-5% of Fund assets. The introduction of this asset class is to further diversify the portfolio while adding more net return potential than aggregate bonds. The review of submitted RFP responses is ongoing. Interviewing of finalists and potential funding of the mandate is expected to conclude during the summer. Additional updates related to the RFP will be included in future newsletters.

Please review our website periodically for further information about the Fund's investment portfolio.



RETIREES (Since September 2022)

Join us as we congratulate our new retirees!

Abdussalam, Tasneem	Hai, Parvez	Kappel, John	McGowan, Barbara	Shah, Kamlesh
Aldworth, James	Haizel, Anthony	Kelly, Kevin	Moritz, Daniel	Smith, Roger
Berthold, Michael	Harris, Everett	Kim, Yong	Okoli, Edmund	Spiess, Robert
Chavez, J. Trinidad	Hart, Nikkida*	Kirschinger, Johann	Patel, Bipinbhai	Starks, Larry
Connolly, Patrick	Heidenreich, Kaye	Kramer, Diane	Patel, Rajnikant	Taylor, Lawrence
Conway, Margaret	Highland, David	Lee, Geraldine	Poulos, John	Venkat, Sainath
Costello, Joseph	Islam, Siddikul	Lee, Kevin	Prentiss-Humphries, Alicia	Wu, Dongmei
Enda, Kenneth*	Janicki, Edward	Lewis, LaVerne	Rogowski, Ronald	Xiao, Jun
Eyinle, Augustine	Jegerski, Paul	Liao, Anna	Sanders, Beverly	
Fox, Scott	Jeske, Thomas	Malec, James	Shaffer, Marque	

* Retirement from a reciprocal fund



DECEASED EMPLOYEES AND RETIREES (since September 2022)

We thank them for their service and extend condolences to their families.

Bertucci, James	Hubbard, Joyce	Martinez, Gilbert	Pappone, Patsy	Sierzega, Donald
Boyd, Sharon*	Inorio, Patrick*	Mazzocco, Sr., Lawrence	Parker, Donald	Simboli, Thomas
Casey, Robert D.	James, Carrie	McBride, John	Patel, Babubhai	Skrbec, Jr., John
Cavanaugh, Paul	Juliano, Frederick	McMath, Darryl	Pettis, Mary	Smith, Dale
D'Andrea, Paul	Kachinski, Leonard	Minciotti, Guido	Ranlett, Charles	Staniak, Witold
Davis, Walter T.	Kaplan, Maria	Mingmongkol, Chanawee*	Repetto, Joseph	Switalski, Richard
Domzalski, Frank	Kelleher, Timothy	Mitchell, Kenneth	Runquist, Richard	Taylor, Michael
Donnelly, Paul	Kirk, Michael	Monteleone, John	Ryan, Michael	Topor, John
Dorris, Dorothy	Knes, Robert	Montgomery, John	Sedlak, Roy	Turkowski, Stanley
Drew Sheehan, Nancy	Kovacevich, Anthony	Navarrete, Edward	Sepsey, Griffin	Wesolowski, Antoni
Durst, Robert	Landise, John	O'Connell, Timothy	Shaw, Gregory	Wydra, Joseph
Harrop, Russell	Lufrano, Alexander	Pallotto, Sheila	Sheils, Thomas	Zubinas, Jonas
Horst, Thomas*				* Death in service

New Look; Same Commitment

“Life can only be understood backwards; but it must be lived forwards.” (Soren Kierkegaard)

The Retirement Fund is a somewhat paradoxical institution. We depend on the past to bring us through the future. The Fund has maintained its commitment to members for 92 years by doing many of the same things for the duration. Employee and employer contributions are collected and invested; earned retirement benefits are paid. The principles remain, but the tools change.

As we progress through the 21st century, the Fund is adopting new technologies to serve our members more efficiently. In our last newsletter, we announced Project Ascent, a pension administration system software project. As an ancillary project, the Fund intends to develop a new website in 2024. In anticipation of the website development, the Fund has adopted a new look. At its February 22, 2023, meeting, the Retirement Board of Trustees adopted the Fund's new logo portrayed to the right.

In addition to the new logo, the Fund has also adopted a new banner for the newsletter. You may have noticed it on the front of the newsletter.

Although the Fund has adopted a new look, and its operations will be changing over the next 18 – 24 months, rest assured, our commitment to our membership remains the same.



Thinking About Retirement?

Spring is a busy retirement season at the MWRD. As employees watch some coworkers clock out for their last day, it prompts many to start thinking about their big day. The best way to start planning as you get closer to eligibility is to request an estimated benefit for target retirement date(s). Contact the Retirement Fund at (312)751-3222 to request a retirement estimate.

If your retirement date is imminent, you will need more detailed information. You may wish to start by visiting our website. On the left-side navigation, click “Contemplating Retirement?” <https://www.mwrdrf.org/contemplating-retirement/> This page covers the most frequently asked questions about retirement. If you need more information or have any questions, call the Retirement Fund for benefit counseling. Retirement is a big decision. You don't have to make it alone. We are here to help.

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Benefits Analyst	Ka Yu Cuchra	<u>x3225</u>	<u>CuchraK@mwrdrf.org</u>
Benefits Analyst	Debra Kozlowski	<u>x3227</u>	<u>KozlowskiD@mwrdrf.org</u>
Benefits Analyst	Jessica Taylor	<u>x3224</u>	<u>TaylorJ@mwrdrf.org</u>
Benefits Assistant	Kathleen Hanrahan	<u>x3222</u>	<u>HanrahanK@mwrdrf.org</u>

INVESTMENTS & ACCOUNTING

Investment Officer	Brian Gillespie	<u>x3226</u>	<u>GillespieB@mwrdrf.org</u>
Accounting Supervisor	Vrinda Kulkarni	<u>x3036</u>	<u>KulkarniV@mwrdrf.org</u>

INFORMATION TECHNOLOGY

IT Supervisor	Vitaliy Bunimovich	<u>x3284</u>	<u>BunimovichV@mwrdrf.org</u>
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EXECUTIVE

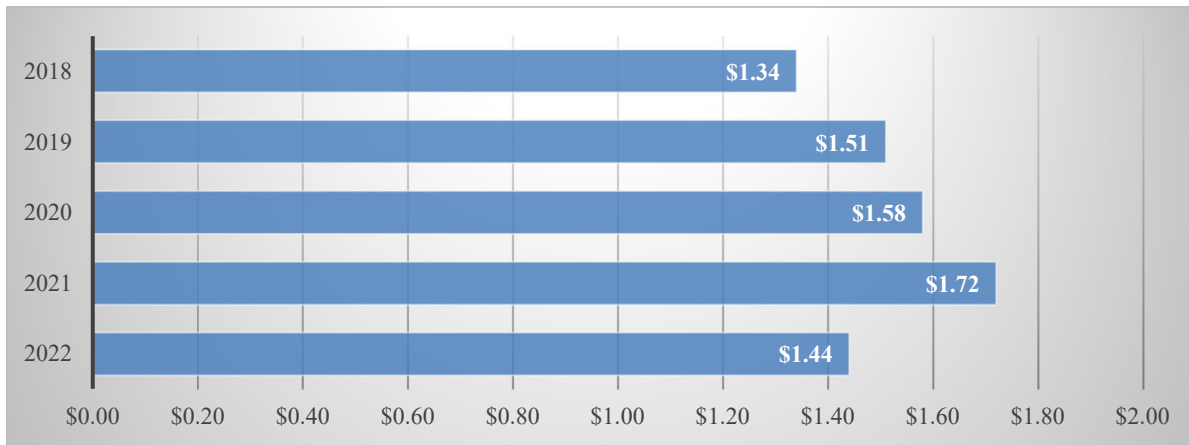
Operations Manager	Mary Murphy	<u>x3220</u>	<u>MurphyM1@mwrdrf.org</u>
Executive Director	Jim Mohler	<u>x3230</u>	<u>MohlerJ@mwrdrf.org</u>

Contact us by...

- Phone** From District locations dial 1 + the underlined phone extension, above.
From non-District locations, dial (312) 751 + the underlined phone extension above.
- E-mail** Contact us via our e-mail addresses, shown above. Provide a phone number where you can be contacted on weekdays between 8:00 a.m. and 4:30 p.m. (Central time).
- U.S. mail** Refer to our mailing address above.

FIDUCIARY NET POSITION

The Fund's fiduciary net position – total assets minus liabilities – was \$1.44 billion as of December 31, 2022. That was a decrease of \$286.5 million, or -16.6%, from 2021, mainly due to negative investment returns in 2022. Investment returns vary from year to year; over the last five years, the Fund's fiduciary net position has averaged \$1.52 billion, and over the last 10 years it has increased by \$345 million.



The above graph is shown in Billions.

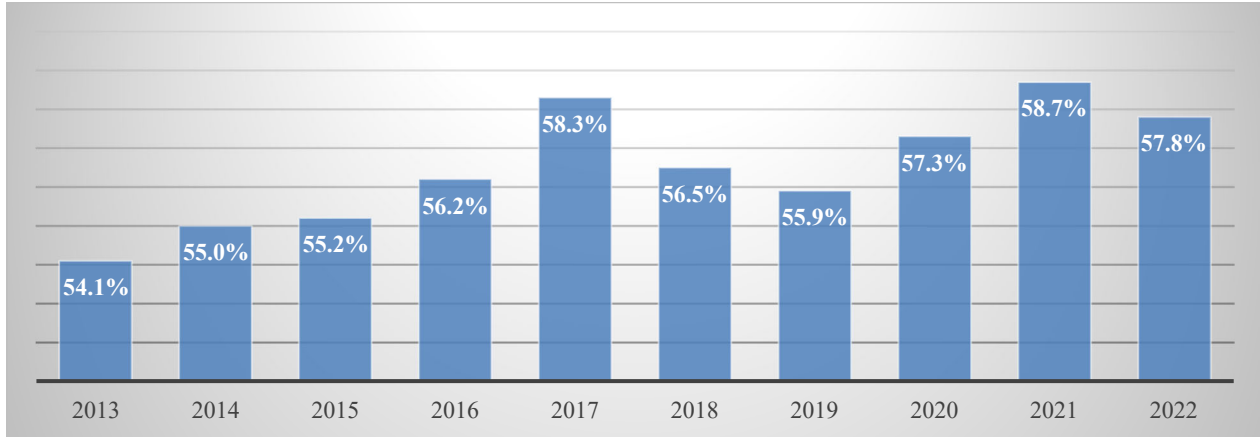
CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

This schedule shows the results of operations for the last two years; it is a condensed version of the audited financial statements which are available for review on the Fund website, mwrdrf.org.

	<u>2022</u>	<u>2021</u>
<u>ADDITIONS:</u>		
Employer contributions	\$ 118,458,646	\$ 88,803,958
Employee contributions	21,177,644	20,630,052
Total contributions	<u>139,636,290</u>	<u>109,434,010</u>
Net investment income (loss)	<u>(232,449,114)</u>	<u>220,776,847</u>
Other	<u>7,361</u>	<u>5,213</u>
Total additions	<u>(92,805,463)</u>	<u>330,216,070</u>
<u>DEDUCTIONS:</u>		
Annuity & disability benefits	189,344,284	182,857,341
Refunds	2,239,202	2,281,407
Administrative expense	<u>2,134,803</u>	<u>1,788,002</u>
Total deductions	<u>193,718,289</u>	<u>186,926,750</u>
INCREASE (DECREASE)		
IN NET POSITION	(286,523,752)	143,289,320
Beginning net position	<u>1,724,179,948</u>	<u>1,580,890,628</u>
Ending net position	<u>\$ 1,437,656,196</u>	<u>\$ 1,724,179,948</u>

FUNDING STATUS

The Fund's funding status is a key indicator of its financial health. It reflects the percentage of projected future benefits for which the Fund has assets to pay. An upward trend in this ratio started in 2013 as a result of solid investment returns, special contributions from the MWRD (the Plan Sponsor), and legislation changes that resulted in increased employee and employer contributions. The MWRD has adopted a funding policy with the goal to be fully funded by the year 2050.



FUND MEMBERSHIP STATISTICS

Fund membership data is used by the Fund actuary in preparing the annual actuarial valuation report. Shown below are selected membership statistics as of December 31, 2022.

Active Members		
Average Pensionable Salary	\$112,028	
Average Years of Service		
Tier 1	18.5	
Tier 2	5.3	
Average Age		
Tier 1	54.0	
Tier 2	44.1	
	<u>Count</u>	<u>%</u>
Tier 1	979	56%
Tier 2	768	44%
Total	1,747	
Male	1,278	73%
Female	469	27%
Total	1,747	

New Retirees in 2022	
Number of New Retirees	80
Average Years of Service at Time of Retirement	24.1
Average Age at Retirement	62.7
Average Annual Pension at Retirement	\$67,548

Annuitants					
Employee Annuitants			Spouse Annuitants		
Average Annual Pension	\$82,815		Average Annual Pension	\$57,181	
Average Age	72.7		Average Age	79.7	
	<u>Count</u>	<u>%</u>		<u>Count</u>	<u>%</u>
Male	1,439	75%	Male	27	5%
Female	476	25%	Female	520	95%
Total	1,915		Total	547	