FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to Financial Statements

Required Supplementary Information:

- Schedule of Changes in the District's Net Pension Liability and Related Ratios
- Schedule of District Contributions and Related Note
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Supplementary Information:

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- Schedule of Payments to Consultants
- Postemployment Healthcare Disclosure

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Opinion

We have audited the accompanying financial statements of Metropolitan Water Reclamation District Retirement Fund (the Fund), a fiduciary fund of the Metropolitan Water Reclamation District of Greater Chicago (the District), which comprise the statements of fiduciary net position and the related statements of changes in fiduciary net position as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Metropolitan Water Reclamation District Retirement Fund as of December 31, 2022 and 2021, and the changes in fiduciary net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for 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.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of changes in the District's net pension liability and related ratios, schedule of District contributions and related note, and schedule of investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Fund's basic financial statements as a whole. The schedule of administrative expenses, schedule of investment expenses, schedule of payments to consultants, and postemployment healthcare disclosure are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Legacy Professionals LLP

Westchester, Illinois

May 2, 2023

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 (the Fund) presents this narrative overview of the financial statements and financial performance of the Fund for the years ended December 31, 2022 and 2021. 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.

FINANCIAL HIGHLIGHTS

- The Fund's investment portfolio returned -14.4% and 15.2% (net of fees) for the calendar years 2022 and 2021, respectively on a time-weighted basis.

- Income from contributions and investment income was less than payments for benefits and administrative expenses in 2022, resulting in a decrease in the Fund's net position restricted for benefits of $287 million to $1.438 billion at December 31, 2022, from the prior year end of $1.724 billion.

- The Fund's funding ratio, using the actuarial value of assets, was 57.8% as of December 31, 2022, down from 58.7% on December 31, 2021. This was mainly due to challenging investment markets during the year. Funding ratios will vary annually depending on the volatility of the investment markets, but the District's commitment to properly funding the Fund should help funding levels over time.

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 Fund. 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 performance over the past year in increasing or decreasing 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.

UNDERSTANDING THE FUND'S FINANCIAL STATEMENTS (CONTINUED)

The funded ratio of the Fund is the actuarial value of assets divided by the total actuarial liability, and is calculated using the 5-year smoothed fair value related 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 the Actuarially Determined Contribution Requirement which combines the employer's normal cost with an amount needed to amortize the net pension liability by the year 2050. This can be compared to the actual contribution from the employer to determine the adequacy of employer contributions to fund the liabilities of the Fund.

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

FIDUCIARY NET POSITION

A summary of net position for the Fund 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 as of December 31, 2022 and 2021 are found on the Statement of Fiduciary Net Position.

Condensed Statement of Fiduciary Net Position

	12/31/22	12/31/21	12/31/20	$ Change	% Change
ASSETS:					
Cash	$ 356,312	$ 321,562	$ 306,082	$ 34,750	10.8%
Employer contributions receivable	103,535,986	88,754,000	88,127,000	14,781,986	16.7%
Due from broker	1,048,145	1,071,091	40,175,815	(22,946)	-2.1%
Other receivables	4,043,515	3,496,154	3,230,238	547,361	15.7%
Investments	1,335,858,090	1,645,660,326	1,498,905,113	(309,802,236)	-18.8%
Securities lending collateral	8,840,111	11,615,269	6,841,775	(2,775,158)	-23.9%
Total assets	1,453,682,159	1,750,918,402	1,637,586,023	(297,236,243)	-17.0%
LIABILITIES:					
Accounts payable	1,023,194	1,230,587	1,030,705	(207,393)	-16.9%
Due to broker	6,162,658	13,892,598	48,822,915	(7,729,940)	-55.6%
Securities lending collateral	8,840,111	11,615,269	6,841,775	(2,775,158)	-23.9%
Total liabilities	16,025,963	26,738,454	56,695,395	(10,712,491)	-40.1%
NET POSITION	$ 1,437,656,196	$ 1,724,179,948	$ 1,580,890,628	$ (286,523,752)	-16.6%

During 2022, the net position of the Fund decreased by $287 million or 16.6% from net position at December 31, 2021. This decrease was due to the decrease in investment values, resulting from negative investment returns in 2022.

Other changes in the components of assets on the statement of fiduciary net position have a corresponding change in liabilities, resulting in no effect on net position. Specifically, the amounts for assets and liabilities for forward foreign exchange contracts and securities lending collateral fluctuate 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 on December 31, 2022 was $1.438 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 Fund is 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 for the years ended December 31, 2022 and 2021 can be found on the Statement of Changes in Fiduciary Net Position.

Condensed Statement of Changes in Fiduciary Net Position

	2022	2021	2020	$ Change	% Change
ADDITIONS:					
Employer contributions	$ 118,458,646	$ 88,803,958	$ 107,852,191	$ 29,654,688	33.4%
Employee contributions	21,177,644	20,630,052	20,982,056	547,592	2.7%
Total contributions	139,636,290	109,434,010	128,834,247	30,202,280	27.6%
Net investment income (loss)	(232,527,125)	220,681,056	123,900,275	(453,208,181)	-205.4%
Net securities lending income	78,011	95,791	199,184	(17,780)	-18.6%
Total investment income (loss)	(232,449,114)	220,776,847	124,099,459	(453,225,961)	-205.3%
Other	7,361	5,213	2,738	2,148	41.2%
	(92,805,463)	330,216,070	252,936,444	(423,021,533)	-128.1%
DEDUCTIONS:					
Retirement annuities	189,344,284	182,857,341	174,996,453	6,486,943	3.5%
Refunds	2,239,202	2,281,407	2,290,858	(42,205)	-1.8%
Administrative expense	2,134,803	1,788,002	1,592,783	346,801	19.4%
Total deductions	193,718,289	186,926,750	178,880,094	6,791,539	3.6%
INCREASE (DECREASE) IN NET POSITION	(286,523,752)	143,289,320	74,056,350	(429,813,072)	-300.0%
Beginning net position	1,724,179,948	1,580,890,628	1,506,834,278	143,289,320	9.1%
Ending net position	$ 1,437,656,196	$ 1,724,179,948	$ 1,580,890,628	$ (286,523,752)	-16.6%

CHANGES IN FIDUCIARY NET POSITION (CONTINUED)

Additions

Additions to fiduciary net position are accumulated through employer and employee contributions, and portfolio investment returns.

Total contributions for 2022 were $139.6 million, an increase of approximately $30.2 million or 27.6% from 2021. The increase was primarily attributable to a $30.0 million special contribution received from the District in March 2022. Per current statutes, the District employer contributions will produce a sum that will be sufficient to meet the Fund's actuarially determined contribution requirement but shall not exceed an amount equal to employee contributions two years' prior times 4.19. In 2014, the District established a Funding Policy to contribute annually an amount that over time will increase the ratio of Fund assets to accrued liabilities to 100% by the year 2050.

Employee contributions were $21.2 million in 2022, an increase of approximately $548,000 or 2.7% from 2021. In general, total employee contributions vary with changes in employer payroll.

Net investment income in 2022 was lower than the prior year by approximately $453 million, reflecting total returns of -14.4% compared to 15.2% in 2021. Negative returns were experienced in the U.S. and non-U.S. equity and bond markets in 2022.

Investment income is a combination of unrealized gains (losses) on investments held at year end, realized gains (losses) on investment sales, and interest and dividend income earned during the year. Investment income is shown gross and net of investment expenses which consist of fees charged by the Fund's investment managers, investment consultant, and custodian.

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 funds. For the year ended December 31, 2022, securities lending activities generated net income of approximately $78,000 which is a decrease of -18.6% from 2021.

CHANGES IN FIDUCIARY NET POSITION (CONTINUED)

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 2022 were approximately $193.7 million compared to approximately $186.9 million in 2021, an increase of approximately $6.8 million, or 3.6%. The largest part of this change is due to an increase in benefit payments, primarily attributable to the 3% annual increase required by the Illinois Pension Code to qualified annuitants. In addition, annuity benefits generally increase as deceased annuitants, who had lower benefits, are removed from the annuitant payroll, and new retirees with higher benefits are added. Even though administrative expense makes up approximately 1% of total deductions, they will be elevated over the next few years as the Fund builds a new Pension Administration System.

RETURN ON INVESTMENTS AND ASSET ALLOCATION

The Fund's rate of return on investments in 2022 was -14.4% net of fees, slightly lower than the return of -14.0% on the Policy Index. The rate of return on investments in 2021 was 15.2% net of fees, compared to the return of 14.2% on the Policy Index. The Fund's target allocations at December 31, 2022 are listed below:

- 38% domestic equities
- 20% international equities
- 5% global equities
- 27% fixed income
- 10% core open-end real estate

CURRENT ASSET BALANCES AND OUTLOOK

As of April 21, 2023, the Fund's net invested assets had a fair value of $1.438 billion a slight increase from the December 31, 2022 fair value. 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 over time. With continual review the target asset allocation and intermittent rebalancing, the Fund expects to achieve investment returns that outperform the actuarial assumed rate of return over 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 Metropolitan Water Reclamation District Retirement Fund at 111 East Erie Street, Suite 330, Chicago, Illinois 60611, by phone at (312) 751-3230, or by email at mohlerj@mwrdrf.org.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

Statement of Fiduciary Net Position

December 31, 2022
(with comparative amounts for prior year)

	2022	2021
Assets		
Cash	$ 356,312	$ 321,562
Receivables		
Employer contributions	103,535,986	88,754,000
Due from broker	1,048,145	1,071,091
Accrued interest and dividends	3,956,275	3,404,524
Accounts receivables	87,240	91,630
Total receivables	108,627,646	93,321,245
Investments - at fair value		
Equities	319,090,022	425,507,625
U.S. Government and government agency obligations	110,559,112	102,415,486
Corporate and foreign government obligations	100,660,934	122,142,471
Mutual and exchange traded funds	66,876,172	89,718,116
Pooled funds - equity	428,979,989	573,794,559
Pooled funds - fixed income	129,372,379	158,608,118
Real estate funds	144,436,429	147,345,694
Short-term investment fund	35,883,053	26,128,257
	1,335,858,090	1,645,660,326
Securities lending collateral	8,840,111	11,615,269
Total investments	1,344,698,201	1,657,275,595
Total assets	1,453,682,159	1,750,918,402
Liabilities and Net Position		
Liabilities		
Accounts payable	1,023,194	1,230,587
Due to broker	6,162,658	13,892,598
Securities lending collateral	8,840,111	11,615,269
Total liabilities	16,025,963	26,738,454
Net position restricted for pension benefits	$ 1,437,656,196	$ 1,724,179,948

See accompanying notes to financial statements.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2022
(with comparative amounts for prior year)

	2022	2021
Additions		
Employer contributions	$ 118,458,646	$ 88,803,958
Employee contributions	21,177,644	20,630,052
Total contributions	139,636,290	109,434,010
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	(249,827,311)	204,279,993
Interest	8,293,541	7,068,363
Dividend income	13,457,956	14,384,727
Total investment income (loss)	(228,075,814)	225,733,083
Less investment expenses	(4,451,311)	(5,052,027)
Net investment income (loss)	(232,527,125)	220,681,056
Securities lending income		
Earnings	226,331	78,207
Less broker rebates	(128,061)	41,870
Less bank fees	(20,259)	(24,286)
Net securities lending income	78,011	95,791
Other	7,361	5,213
	(92,805,463)	330,216,070
Deductions		
Annuities and benefits		
Employee annuitants	157,310,009	152,683,226
Surviving spouse annuitants	30,830,269	29,215,385
Child annuitants	112,000	126,000
Ordinary disability benefits	1,029,590	763,703
Duty disability benefits	62,416	69,027
Total annuities and benefits	189,344,284	182,857,341
Refunds of employee contributions	2,239,202	2,281,407
Administrative expenses	2,134,803	1,788,002
Total deductions	193,718,289	186,926,750
Net increase (decrease)	(286,523,752)	143,289,320
Net position restricted for pension benefits		
Beginning of year	1,724,179,948	1,580,890,628
End of year	$ 1,437,656,196	$ 1,724,179,948

See accompanying notes to financial statements.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Metropolitan Water Reclamation District Retirement Fund (the Fund) is administered in accordance with Chapter 40 of the Illinois Compiled Statutes Act 5, Article 1, 13 and 20.

Financial Reporting Entity - Accounting principles generally accepted in the United States of America define a financial reporting entity as consisting of the primary government and its component units for which the primary government is financially accountable. Financial accountability includes appointing a voting majority of a component unit's governing board, the ability of a primary government to impose its will on the component unit, or a potential for a component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. The Fund has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the Fund's financial statements.

The Fund is considered a fiduciary fund of the Metropolitan Water Reclamation District of Greater Chicago (the District) and is included in the District's financial statements.

Method of Accounting - The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as income pursuant to legal requirements as specified in the Illinois Compiled Statutes. 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 Fund.

Investments - The Fund reports investments at fair value, which generally represents reported market value as of the last business day of the year. 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.

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.

Subsequent Events - Subsequent events have been evaluated through May 2, 2023, which is the date the financial statements were available to be issued.

NOTE 2. FUND DESCRIPTION

The Fund is a single employer defined benefit fund, established by the Illinois State Legislature in 1931 to provide retirement annuities, death and disability benefits for certain employees of the District 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, 2022 and 2021, the Fund's membership consisted of:

	2022	2021
Active employees	1,747	1,737
Retirees and beneficiaries currently receiving benefits		
Retirees	1,915	1,918
Surviving spouses	547	543
Children	18	21
Total retirees and beneficiaries	2,480	2,482
Inactive employees entitled to benefits or a refund of contributions	131	128
Total members	4,358	4,347

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

NOTE 2. FUND DESCRIPTION

Funding

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

Tier I employees (hired prior to January 1, 2011) are required to contribute 12% of their salary to the Fund since 2015; this contribution rate will remain in effect until such time as the Fund reaches a funding level of 90%. Tier II employees (hired on or after January 1, 2011) are required to contribute 9%. Contributions are collected as a payroll withholding. Employees made contributions of $21,177,644 and $20,630,052 for the years ended December 31, 2022 and 2021 respectively.

Funding (continued)

State statutes (40 ILCS 5/13-503) dictate that the District shall annually contribute 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 Fund participants during the year, with an additional amount to finance any net pension liability. For the years ended December 31, 2022 and 2021, the District's contribution was 60.53% and 47.43% of covered payroll, respectively.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Retirement Eligibility and Benefits

The following describe and reflect Fund provisions as described in Article 1 and 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.

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 0.5% 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 0.5% for each full month the member is less than age 67. There is no discount if the employee 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.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Retirement Eligibility and Benefits (continued)

Surviving Spouse Annuity

Upon an employee's death an annuity will be payable to the 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 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

Each unmarried child, until the attainment of age 18 (23 if full-time student), of a member that dies in service or of a former employee that dies with at least 10 years of service, is eligible for a monthly annuity of $500 per month (if one parent is living) and $1,000 per month (if neither parent is living) to a maximum total benefit of $5,000 per month for all children of the employee.

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.

NOTE 2. FUND DESCRIPTION (CONTINUED)

Retirement Eligibility and Benefits (continued)

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, 2022 and 2021, are as follows:

	2022	2021
Total pension liability	$ 2,799,299,112	$ 2,744,359,352
Fund fiduciary net position	1,437,656,196	1,724,179,948
District's net pension liability	$ 1,361,642,916	$ 1,020,179,404
Fund fiduciary net position as a percentage of the total pension liability	51.36%	62.83%

See the schedule of changes in the District's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

NOTE 3. PENSION LIABILITY OF THE DISTRICT (CONTINUED)

Actuarial Assumptions

The net pension liabilities were determined by an actuarial valuations performed as of December 31, 2022 and 2021, using the following actuarial methods and assumptions:

Actuarial methods and assumptions:

Actuarial valuation date	December 31, 2022 and 2021
Actuarial cost method	Entry age normal
Asset valuation method	Five Year Smoothing Method
Inflation	2.5%
Salary increases	Varies by service
Investment rate of return	7.25%
Postretirement annuity increases	Tier 1 participants - 3.00%
	Tier 2 participants - 1.25%

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

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on the results of an actuarial experience study conducted by Foster & Foster, Inc. for the period of December 31, 2012 through December 31, 2017 and were adopted effective December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both of the years ended December 31, 2022 and 2021. 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 Fund members. Therefore, the long-term expected rate of return on pension Fund investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 3. PENSION LIABILITY OF THE DISTRICT (CONTINUED)

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 at December 31, 2022 and 2021. The table below presents the pension liability of the District calculated using the current discount rate as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's net pension liability - December 31, 2022	$ 1,669,297,106	$ 1,361,642,916	$ 1,101,793,669

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's net pension liability - December 31, 2021	$ 1,323,687,955	$ 1,020,179,404	$ 764,018,343

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund does not have a formal policy for custodial credit risk. The Fund's deposits consist of monies held checking and money market accounts. The Fund places its cash with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to $250,000 per financial institution. As of December 31, 2022, the Fund had approximately $137,000 of uninsured, uncollateralized deposits with financial institutions.

NOTE 5. INVESTMENTS

Investment Policy

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. The Fund’s adopted asset allocation policy is 38% domestic equities, 20% non-US equity, 5% global equity, 27% fixed income and 10% core open-end real estate.

Long-Term Expected Rate of Return

The long-term expected rate of return on Fund investments (i.e. the actuarial assumed investment rate of return of 7.25%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Fund investment expenses and inflation) are developed for each major asset 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 geometric real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2022, as reported by the Fund’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Domestic equity	38.0%	4.90%
Non-US equity	20.0%	5.30%
Global equity	5.0%	4.80%
Fixed income	27.0%	1.50%
Real Estate Funds	10.0%	4.60%
Total investments	100.0%	

NOTE 5. INVESTMENTS (CONTINUED)

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on Fund investments, net of Fund investment expense, was -14.38% and 15.10% for the years ended December 31, 2022 and 2021 respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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. By statute, all investments are held in the name of the Metropolitan Water Reclamation District Retirement Fund.

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, 2022 and 2021, 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

No investments that represent 5% or more of the Fund’s net position restricted for pension benefits were identified for either of the years ended December 31, 2022 and 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. 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. INVESTMENTS (CONTINUED)

Investment Risk (continued)

Interest Rate Risk (continued)

The following table presents a summarization of the Fund's debt investments as of December 31, 2022 and 2021, using the segmented time distribution method:

		2022		2021	
Type of Investment	Maturity	Fair Value	Percentage	Fair Value	Percentage
U.S. Government and					
government agency	< 1 year	$ 1,071,524	1.0%	$ 18,035,794	17.6%
obligations	1 - 5 years	20,218,448	18.3%	14,354,018	14.0%
	5 - 10 years	5,839,185	5.3%	3,791,101	3.7%
	Over 10 years	83,429,955	75.4%	66,234,573	64.7%
		$ 110,559,112	100.0%	$ 102,415,486	100.0%
Corporate and foreign					
government obligations	< 1 year	$ 815,787	0.8%	$ 1,161,670	1.0%
	1 - 5 years	19,229,556	19.1%	22,218,926	18.2%
	5 - 10 years	33,716,982	33.5%	34,595,007	28.3%
	Over 10 years	46,898,609	46.6%	64,166,868	52.5%
		$ 100,660,934	100.0%	$ 122,142,471	100.0%
Pooled funds - fixed income	5-10 years	$ 129,372,379	100.0%	$ 158,608,118	100.0%
Short-term investment fund	< 1 year	$ 35,883,053	100.0%	$ 26,128,257	100.0%

NOTE 5. INVESTMENTS (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 consider credit risk for the Fund's investment managers which are included within their respective investment Management Agreements.

Quality ratings are as provided by Standard & Poor's. For the pooled funds - fixed income investments an average credit quality rating is provided by Bank of America and Bloomberg Barclays. The following table presents a summarization of the credit quality ratings of the holdings within the investments as of December 31, 2022 and 2021:

		2022		2021	
Type of Investment	Rating	Fair Value	Percentage	Fair Value	Percentage
U.S. Government and government agency obligations	AA	$ 107,714,309	97.4%	$ 93,467,354	85.8%
	Not Rated	2,844,803	2.6%	8,948,132	14.2%
		$ 110,559,112	100.0%	$ 102,415,486	100.0%
Corporate and foreign government obligations	AAA	$ 7,692,669	7.6%	$ 7,443,251	5.8%
	AA	18,461,476	18.3%	17,151,972	16.0%
	A	20,662,059	20.6%	26,257,505	22.4%
	BBB	35,247,441	35.0%	49,380,324	42.0%
	BB	2,355,056	2.4%	2,919,083	1.7%
	B	2,154,825	2.1%	1,345,490	1.0%
	CCC	-	0.0%	100,392	0.1%
	Not Rated	14,087,408	14.0%	17,544,454	11.0%
		$ 100,660,934	100.0%	$ 122,142,471	100.0%
Pooled funds - fixed income	AAA	$ 129,372,379	100.0%	$ 148,964,377	91.9%
	B+	-	0.0%	9,643,741	8.1%
		$ 129,372,379	100.0%	$ 158,608,118	100.0%
Short-term investment fund	Not Rated	$ 35,883,053	100.0%	$ 26,128,257	100.0%

NOTE 5. INVESTMENTS (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 as of December 31, 2022 and 2021 is as follows:

	2022		2021	
Type of Investment	Fair Value	Percentage	Fair Value	Percentage
Equities				
Australian dollar	$ 747,089	0.2%	$ 8,032,277	1.9%
Brazilian real	1,497,940	0.5%	-	0.0%
British pound sterling	15,470,979	4.8%	16,444,911	3.9%
Canadian dollar	8,462,821	2.7%	3,332,142	0.8%
Danish krone	1,913,233	0.6%	4,670,872	1.1%
European euro	20,532,883	6.4%	27,692,823	6.5%
Hong Kong dollar	4,214,364	1.3%	5,084,485	1.2%
Indonesian rupiah	1,105,694	0.3%	-	0.0%
Israeli shekel	644,640	0.2%	1,825,474	0.4%
Japanese yen	17,828,753	5.6%	31,766,225	7.5%
Malaysian ringgit	1,384,427	0.4%	-	0.0%
Mexican peso	1,071,483	0.3%	-	0.0%
New Taiwan dollar	1,078,193	0.3%	-	0.0%
New Zealand dollar	16,079	0.1%	844,152	0.1%
Norwegian krone	1,803,001	0.6%	1,468,027	0.4%
Philippines peso	120,173	0.1%	297,780	0.1%
Polish zloty	1,500,236	0.5%	-	0.0%
Singapore dollar	3,276,021	1.0%	2,193,809	0.5%
South Korean won	2,433,110	0.8%	277,830	0.1%
Swedish krona	2,612,795	0.8%	6,349,982	1.5%
Swiss franc	4,611,483	1.4%	7,329,856	1.7%
Thailand baht	626,072	0.2%	726,388	0.2%
U.S. dollar	226,138,553	70.9%	307,170,592	72.1%
Total equities	$ 319,090,022	100.0%	$ 425,507,625	100.0%

NOTE 5. INVESTMENTS (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	2022 Fair Value	2022 Percentage	2021 Fair Value	2021 Percentage
Short-term investment fund				
Australian dollar	$ 134,629	0.4%	$ 18,934	0.1%
Brazilian real	259	0.0%	-	0.0%
British pound sterling	135,827	0.4%	918,264	3.5%
Canadian dollar	33,819	0.1%	10,508	0.1%
Danish krone	60,836	0.2%	12,146	0.1%
European euro	160,581	0.4%	657,506	2.5%
Hong Kong dollar	70,086	0.2%	62,036	0.2%
Israeli shekel	19,550	0.1%	352,136	1.4%
Japanese yen	609,661	1.7%	85,300	0.3%
New Zealand dollar	165,727	0.5%	92,077	0.4%
Norwegian krone	253,176	0.7%	63,949	0.2%
Singapore dollar	74,447	0.2%	22,663	0.1%
Swedish krona	249,520	0.7%	166,884	0.6%
Swiss franc	23,691	0.1%	381,098	1.5%
U.S. dollar	33,891,244	94.3%	23,284,756	89.0%
Total short-term investment fund	$ 35,883,053	100.0%	$ 26,128,257	100.0%

NOTE 6. WHEN-ISSUED TRANSACTIONS

The Fund may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Fund enters into a commitment to purchase the security, the transaction is recorded at the purchase price which equals fair value. The value at delivery may be more or less than the purchase price. No interest accrues to the Fund until delivery and payment takes place. As of December 31, 2022, the Fund contracted to acquire securities on a when-issued basis with a total principal amount of approximately $2,845,000.

NOTE 7. FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

<u>Basis of Fair Value Measurement</u>

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, the Fund's investment assets at fair value as of December 31, 2022 and 2021. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. In accordance with generally accepted accounting principles, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the following tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund has the following recurring fair value measurements as of December 31, 2022 and 2021.

		Fair Value Measurements at 12/31/22 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equities	$ 319,090,022	$ 319,090,022	$ -	$ -
U.S. Government and government agency obligations	110,559,112	46,571,350	63,987,762	-
Corporate and foreign government obligations	100,660,934	-	100,660,934	-
Mutual and exchange traded funds	66,876,172	66,876,172	-	-
Total investments by fair value level	597,186,240	$ 432,537,544	$ 164,648,696	$ -
Investments measured at net asset value	738,671,850			
Total investments at fair value	$ 1,335,858,090			

		Fair Value Measurements at 12/31/21 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equities	$ 425,507,625	$ 425,507,625	$ -	$ -
U.S. Government and government agency obligations	102,415,486	49,103,908	53,311,578	-
Corporate and foreign government obligations	122,142,471	-	122,142,471	-
Mutual and exchange traded funds	89,718,116	89,718,116	-	-
Total investments by fair value level	739,783,698	$ 564,329,649	$ 175,454,049	$ -
Investments measured at net asset value	905,876,628			
Total investments at fair value	$ 1,645,660,326			

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Measurements

Equities, mutual and exchanged traded funds, and U.S. Treasury securities are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of the period presented.

Level 2 Measurements

U.S. Government and government agency obligations and corporate and foreign government obligations 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 to dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the investment manager's best estimates.

The valuation methods for investments measured at net asset value (NAV) are presented on the following table.

	Fair Value		Unfunded	Redemption Frequency	Redemption Notice
	12/31/2022	12/31/2021	Commitments	(If Eligible)	Period
Investments measured at net asset value:					
Pooled funds - equity (1)					
SSGA S&P 500 Flagship Fund	$ 197,305,005	$ 273,099,725	$ -	Daily	N/A
SSGA S&P 400 Midcap Index Fund	53,567,514	66,695,258	-	Daily	N/A
SSGA MSCI ACWI Fund	118,829,116	150,375,442	-	Daily	N/A
SSGA Russell 1000 Growth Index Fund	59,278,354	83,624,134	-	Daily	N/A
Pooled funds - fixed income (2)					
SSGA U.S. Aggregate Bond Index	129,372,379	148,964,377	-	Daily	N/A
Neuberger Berman High Income Fund	-	9,643,741	-	Monthly	N/A
Real estate funds (3)					
Trumbull Property Fund	52,770,670	62,195,564	-	Quarterly	60 days
RREEF America REIT II	91,665,759	85,150,130	-	Quarterly	45 days
Short-term investment fund (4)					
BNY Mellon EB Temporary Investment Fund	35,883,053	26,128,257	-	Daily	N/A
Total investments measured at net asset value	$ 738,671,850	$ 905,876,628			

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

(1) Pooled funds - equity - The investment objective of these investments is to track the performance of the S&P 500, S&P 400 MidCap, MSCI ACWI ex and Russell 1000 Growth USA indexes over the long term. The fair value of the investments in these funds has been determined using the NAV per share of the investments.

(2) Pooled funds - fixed income - The investment objective of the U.S. Aggregate Bond Index is to track the performance of the Barclays U.S. Aggregate Bond Index over the long term. The investment objective of the High Income Fund is to achieve an attractive total return of income and capital appreciation by investing primarily in high yield fixed income securities and bank loan interests, including secured and unsecured bank loans. The fair value of the investments in these funds has been determined using the NAV per share of the investments.

(3) Real estate funds - The Trumbull Property Fund's investment objective is to actively manage a core portfolio of primarily equity real estate investments located in the United States. The RREEF America REIT II's investment objective is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return. The fair value of the investments in these funds has been determined by periodic investment manager appraisals which determine the NAV of the investment.

(4) Short-term investment - This investment's objective is to invest in short-term investments of high quality and low risk to protect capital while achieving investment returns. The fair value of the investments in these funds has been determined using the NAV per share of the investments.

NOTE 8. DERIVATIVES

The Fund's investment managers may use 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. Derivative instruments are valued using pricing models based on the prevailing forward exchange rate of the underlying currencies taking into account the counterparties' creditworthiness.

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 costlier to settle. Due to the purpose and short-term nature of the forward currency contracts these risks are considered to be minimal.

NOTE 8. DERIVATIVES (CONTINUED)

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. Forward currency contracts are reported at fair value in due to broker and due from broker on the statement of fiduciary net position. The gain or loss on forward currency contracts is recognized and recorded on the statement of changes in fiduciary net position as part of investment income. The forward currency contracts are short term in nature, typically ranging from one month to three months.

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

As of December 31, 2022 and 2021, the Fund's assets and liabilities included the following forward foreign currency exchange contract balances which are included in due from broker and due to broker:

	2022	2021
Forward Foreign Currency Exchange Contract receivables	$ 5,831	$ 914,064
Forward Foreign Currency Exchange Contract payables	$ 5,851	$ 913,701

NOTE 9. SECURITIES LENDING

State Statutes and the Fund's Investment Policy permit the Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's custodian, requires collateral in the form of cash, U.S. Government obligations and 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 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.

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. The average term of securities loaned was 133 days for 2022 and 85 days for 2021; however, all securities loans can be terminated on demand by either the Fund or the borrower. Cash collateral is invested in the lending agent's short-term investment pool, which has a weighted average maturity of 3 days for both years ended December 31, 2022 and 2021.

NOTE 9. 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.

During both of the years ended December 31, 2022 and 2021, there were no losses due to default of a borrower or the lending agent.

A summary of securities loaned at fair value as of December 31, 2022 and 2021 is as follows:

	2022	2021
Securities loaned - backed by cash collateral		
Equities	$ 7,194,631	$ 5,370,310
U.S. Government and government agency obligations	186,408	5,376,123
Corporate obligations	1,094,310	597,392
Total securities loaned - backed by cash collateral	8,475,349	11,343,825
Securities loaned - backed by non-cash collateral		
Equities	7,230,930	7,978,459
Corporate obligations	1,667,622	215,085
Total securities loaned - backed by non-cash collateral	8,898,552	8,193,544
Total	$ 17,373,901	$ 19,537,369

As of December 31, 2022, the fair value (carrying amount) of loaned securities was $17,373,901. The fair value (carrying amount) of cash collateral received by the Fund was $8,840,111 which is included as an asset and a corresponding liability on the accompanying statement of fiduciary net position. The fair value (carrying amount) of noncash collateral received by the Fund was $9,302,812.

NOTE 9. SECURITIES LENDING (CONTINUED)

As of December 31, 2021, the fair value (carrying amount) of loaned securities was $19,537,369. The fair value (carrying amount) of cash collateral received by the Fund was $11,615,269 which is included as an asset and a corresponding liability on the accompanying statement of fiduciary net position. The fair value (carrying amount) of noncash collateral received by the Fund was $8,436,068.

The Fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their pooled 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 SSGA fixed income pooled fund.

NOTE 10. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 is effective for the Fund’s fiscal year ending December 31, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to address contracts that convey control of the right to use another party’s information technology software and provides capitalization criteria for outlays other than subscription payments. Statement No. 96 is effective for the Fund’s fiscal year ending December 31, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Certain provisions of Statement No. 99 are effective for the Fund’s fiscal years ending December 31, 2023 and 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Statement No. 100 is effective for the Fund’s fiscal year ending December 31, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for the Fund’s fiscal year ending December 31, 2024.

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

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 Note
- 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
Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension liability									
Service cost	$ 30,851,297	$ 31,574,003	$ 32,591,914	$ 33,039,382	$ 32,212,530	$ 32,370,187	$ 32,057,687	$ 32,228,341	$ 31,602,226
Interest	194,257,871	191,470,085	188,334,503	183,916,142	182,881,416	179,038,283	173,861,700	168,530,178	163,338,376
Differences between expected and actual experience	21,414,078	4,491,952	4,553,932	17,732,815	12,157,757	(1,990,761)	13,813,742	14,421,984	10,861,109
Changes of assumptions	-	-	-	-	35,593,015	-	-	-	-
Benefit payments, including refunds of employee contributions	(191,583,486)	(185,138,748)	(177,287,311)	(169,308,620)	(161,323,522)	(154,713,043)	(147,336,015)	(140,509,756)	(133,897,848)
Net change in total pension liability	54,939,760	42,397,292	48,193,038	65,379,719	101,521,196	54,704,666	72,397,114	74,670,747	71,903,863
Total pension liability									
Beginning of year	2,744,359,352	2,701,962,060	2,653,769,022	2,588,389,303	2,486,868,107	2,432,163,441	2,359,766,327	2,285,095,580	2,213,191,717
End of year	$ 2,799,299,112	$ 2,744,359,352	$ 2,701,962,060	$ 2,653,769,022	$ 2,588,389,303	$ 2,486,868,107	$ 2,432,163,441	$ 2,359,766,327	$ 2,285,095,580
Change in fiduciary net position									
Contributions - employer	$ 118,458,646	$ 88,803,958	$ 107,852,191	$ 87,446,476	$ 87,167,339	$ 89,858,224	$ 80,259,713	$ 71,041,361	$ 73,906,168
Contributions - employee	21,177,644	20,630,052	20,982,056	21,182,425	21,032,601	20,839,829	20,830,779	21,385,212	18,974,954
Net investment income (loss)	(232,449,114)	220,776,847	124,099,459	225,158,880	(103,006,062)	194,821,459	113,585,872	(1,427,839)	81,600,566
Benefit payments, including refunds of employee contributions	(191,583,486)	(185,138,748)	(177,287,311)	(169,308,620)	(161,323,522)	(154,713,043)	(147,336,015)	(140,509,756)	(133,897,848)
Administrative expense	(2,134,803)	(1,788,002)	(1,592,783)	(1,642,209)	(1,685,479)	(1,613,976)	(1,502,639)	(1,659,917)	(1,406,507)
Other	7,361	5,213	2,738	3,058	15,415	3,100	107,175	28,817	4,460
Net change in fiduciary net position	(286,523,752)	143,289,320	74,056,350	162,840,010	(157,799,708)	149,195,593	65,944,885	(51,142,122)	39,181,793
Net position restricted for pension benefits									
Beginning of year	1,724,179,948	1,580,890,628	1,506,834,278	1,343,994,268	1,501,793,976	1,352,598,383	1,286,653,498	1,337,795,620	1,298,613,827
End of year	$ 1,437,656,196	$ 1,724,179,948	$ 1,580,890,628	$ 1,506,834,278	$ 1,343,994,268	$ 1,501,793,976	$ 1,352,598,383	$ 1,286,653,498	$ 1,337,795,620
District's net pension liability	$ 1,361,642,916	$ 1,020,179,404	$ 1,121,071,432	$ 1,146,934,744	$ 1,244,395,035	$ 985,074,131	$ 1,079,565,058	$ 1,073,112,829	$ 947,299,960
Fund fiduciary net position as a percentage of the total pension liability	51.36%	62.83%	58.51%	56.78%	51.92%	60.39%	55.61%	54.52%	58.54%
Covered payroll	$ 195,713,509	$ 187,213,026	$ 188,072,970	$ 189,961,010	$ 187,849,708	$ 184,385,188	$ 182,640,163	$ 177,792,309	$ 176,183,941
Employer's net pension liability as a perecentage of covered payroll	695.73%	544.93%	596.08%	603.77%	662.44%	534.25%	591.09%	603.58%	537.68%

This schedule will show information for ten years as the additional years' information becomes available.

Metropolitan Water Reclamation District Retirement Fund

Required Supplementary Information

Schedule of District Contributions and Related Note

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution (ADC)	$ 76,680,499	$ 76,841,344	$ 77,392,414	$ 74,279,999	$ 64,988,583	$ 65,727,912	$ 64,596,066	$ 62,603,576	$ 64,477,662	$ 68,414,142
Contributions in Relation to the ADC	118,458,646	88,803,958	107,852,191	87,446,476	87,167,339	89,858,224	80,259,713	71,041,361	73,906,168	92,944,381
Contribution deficiency (excess)	$ (41,778,147)	$ (11,962,614)	$ (30,459,777)	$ (13,166,477)	$ (22,178,756)	$ (24,130,312)	$ (15,663,647)	$ (8,437,785)	$ (9,428,506)	$ (24,530,239)
Covered payroll	$ 195,713,509	$ 187,213,026	$ 188,072,970	$ 189,961,010	$ 187,849,708	$ 184,385,188	$ 182,640,163	$ 177,792,309	$ 176,183,941	$ 169,375,857
Contributions as a percentage of covered payroll	60.53%	47.43%	57.35%	46.03%	46.40%	48.73%	43.94%	39.96%	41.95%	54.87%

NOTE TO SCHEDULE:

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, one year 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, closed.
Remaining amortization period	29 years remaining amortization as of 1/1/22.
Actuarial asset method	Fair value of assets adjusted by the unrecognized investment gains and losses for each of the five years prior to the valuation date. Gains and losses are recognized at a rate of 20% per year. Actuarial assets shall not be less than 80% nor greater than 120% of fair value of assets.
Investment rate of return	7.25% per year compounded annually, net of investment related expenses.
Inflation	2.5% per year
Salary increases	Vary by service.
Payroll growth	3.0% per year
Termination rates	Termination rates vary by years of service and gender.
Retirement rates	Retirement rates are based on the most recent experience analysis and vary by age of member.
Mortality rates	Mortality rates are based on the RP-2000 Combined Healthy Mortality Table (sex-distinct) with Generational Mortality Improvements (Scale AA).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

LAST EIGHT FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-14.38%	15.10%	8.67%	18.25%	-7.44%	15.62%	9.43%	-0.15%	6.67%

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

Supplementary Information

Schedule of Administrative Expenses

Year Ended December 31, 2022
(with comparative amounts for prior year)

	2022	2021
Salaries and wages		
Regular employees	$ 1,270,224	$ 1,177,678
Employee benefits	214,136	186,913
Professional services		
Payments to consultants - (PAS)	296,010	107,408
Payments to consultants - other	33,861	32,269
Actuarial	54,950	53,923
Legal and lobbyist	56,528	51,348
Audit and state regulatory fees	41,000	41,000
Public stenographer	11,108	11,189
Medical	11,041	10,445
Investigation	2,111	3,954
Printing and publication	4,552	3,061
Postage	11,026	15,133
Office supplies and furniture	5,224	10,966
Travel	3,777	-
Maintenance and repair	2,600	451
Membership dues, conference fees, subscriptions and publications	8,185	9,037
Computer hardware and software	51,009	18,798
Insurance	36,513	25,268
Miscellaneous	20,948	29,161
Total administrative expenses	$ 2,134,803	$ 1,788,002

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

SUPPLEMENTARY INFORMATION

Schedule of Investment Expenses

Year ended December 31, 2022
(with comparative amounts for prior year)

	2022	2021
Investment manager fees	$ 4,041,249	$ 4,706,683
Custodian fees	230,062	165,344
Investment consulting fees	180,000	180,000
Investment expenses	$ 4,451,311	$ 5,052,027

Schedule of Payments to Consultants

Year Ended December 31, 2022
(with comparative amounts for prior year)

Firm / Individual	Services	2022	2021
Consulting - New Pension Administration System			
Provaliant	Procurement and RFP development	$ 60,970	$ 103,064
Levi, Ray & Shoup, Inc.	Development	152,367	-
Managed Business Solutions LLC	Data management	82,673	4,344
Total consulting - New Pension Administration System		296,010	107,408
Consulting - other			
LaSalle Consulting	IT cyber security audit	-	16,000
Novitas Business & Technology	Maintenance - existing PAS	4,463	1,706
Genuity	Cloud migration and security	18,737	-
MXO Tech	Microsoft 365 consulting	8,650	-
Cataudella, Elizabeth	Benefits consulting	-	12,545
Crestwood Associates LLC	Microsoft Dynamics consulting	823	301
HR Boost	Human resources consulting	1,188	1,717
Total consulting - other		33,861	32,269
Total payments to consultants		$ 329,871	$ 139,677

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

SUPPLEMENTARY INFORMATION

POSTEMPLOYMENT HEALTHCARE DISCLOSURE

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 (the District), the former employer of 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, which subsidizes the medical coverage. The District provides full disclosure in its Annual Comprehensive Financial Report.

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