
METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

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



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

PREPARED BY THE ADMINISTRATIVE STAFF OF THE MWRDRF

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Letter of Transmittal

Organization

Board of Trustees

Executive Staff, Advisors, and Investment Managers

Organizational Chart

Responsibilities of Board and Staff



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Metropolitan Water Reclamation
District Retirement Fund
Illinois**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO



METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

Jim Mohler
Executive Director

Board of Trustees
Bonnie T. Kennedy
President
John R. Markovich
Vice President
Hon. Mariyana Spyropoulos
Secretary
John P. Dalton, Jr.
Robert C. Quezada
Hon. Kari K. Steele

June 30, 2024

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

Dear Trustees:

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the Metropolitan Water Reclamation District Retirement Fund (Fund) for the year ending December 31, 2023. This ACFR provides a comprehensive overview of the Fund's activities and operations for the year. The management of the Fund is responsible for the completeness and accuracy of the information presented in this report. In accordance with the Illinois Pension Code, the Fund's financial statements for the fiscal year ended December 31, 2023, have been subject to an audit by independent auditors selected by the Board of Trustees. The unmodified opinion of Legacy Professionals, LLP has been included in the Financial Section of this report.

Management has established and maintained a system of internal accounting controls designed to safeguard Fund assets and ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed financial statements, supporting schedules and statistical tables are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the Fund.

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

FUND PROFILE

The Fund was established in 1931 by the State of Illinois legislature and is administered in accordance with Articles 1, 13, and 20 of the Illinois Pension Code (40 ILCS Act 5).

The Fund is led by a Board of Trustees, that administers a single employer defined benefit public employee retirement fund sponsored by the Metropolitan Water Reclamation District of Greater Chicago (MWRD or District) to provide retirement, survivor, and disability benefits for certain employees of the District, Fund employees, and qualified beneficiaries. The Fund is a pension trust fund of the District and as such, is included in their financial statements.

At the direction of the Board of Trustees (Board), the mission of the Fund is to provide earned benefits to the Fund membership with excellent customer service and to preserve the fiscal integrity and financial stability of the Fund.

As of December 31, 2023, the Fund serves a total of 4,384 members; 1,771 active members, 2,485 benefit recipients, and 128 inactive members. A further description of the Fund membership and other demographic information is provided within the notes to the financial statements in the Financial Section and within the Actuarial Section of this report.

FINANCIAL CONDITION**Financial Position**

In 2023, the Net Position of the Fund increased by \$108.9 million, reflecting positive returns on Fund assets that exceeded the necessary liquidation of Fund assets to pay required benefits. For a more detailed analysis of the Fund's financial position, please refer to the Financial and Investment Sections of this report.

Objective and Sources of Funding

The objective of the Fund is to administer the benefits codified within the Illinois Pension Code (Code) to present and future members. Benefits earned are funded by contributions from the employer (the District), employees, and earnings on Fund assets.

Earnings on Fund assets typically provide the largest portion of total additions in any given year. In 2023, the invested assets of the Fund earned a rate of return of 13.0% net of fees, compared to the 2022 rate of return of -14.4%. The ten-year annualized rate of return on the Fund's investments is 6.0% net of fees, which falls below the actuarially assumed rate of return of 7.00%.

Employer contributions have grown steadily since 2012 due to the passage of PA 97-0894 and the establishment of a funding policy by the District Board of Commissioners in 2014. Since then, the Fund has received employer contributions that have met or exceeded the annual determined contribution required by the Code.

Employee contributions are withheld from employee's salaries in accordance with the Code. Since 2015, Tier I employees have contributed 12% of salary, which will continue until the Fund reaches 90% funded. Contributions from Tier II employees, hired after December 31, 2010, are set at 9% of salary, with a pensionable salary capped at \$123,489 in 2023.

Funding Status

An important measure of the long-term financial stability of a pension fund is its funded ratio which compares the actuarial value of assets to the actuarial accrued liability. The greater the funded ratio, the greater assurance is given to participants that the Fund shall be able to pay pension benefits in the future. The Fund engages an independent actuary to perform an annual actuarial valuation of the Fund. The December 31, 2023, valuation report stated the actuarial value of assets (AVA) at \$1.659 billion, the actuarial accrued liability (AAL) at \$2.990 billion, leaving an unfunded AAL of \$1.331 billion and resulting in a funded ratio of 55.5%.

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

Investments

The Board utilizes an investment consulting firm who assists with investment manager searches, manager selection and oversight, performance reporting, attribution analysis, and the development of an investment policy that establishes a prudent level of risk to attempt to achieve an assumed rate of return. Invested assets are diversified to reduce the effect of non-systematic risk on returns.

At year end, the Board utilized 17 investment management firms to manage 21 separate mandates that totaled \$1.457 billion in investment assets at fair value.

The Investment Section of this ACFR contains details regarding the Fund's investment policy, performance, diversification, investment expenses and a summary of the investment activities that took place in 2023. Also included are the Custodian's report and the Investment Consultant's report.

MAJOR ACTIVITIES AND HIGHLIGHTS

- Changes to the Retirement Board in 2023 by appointment or election:
 - In January 2023 the MWRD BOC re-appointed John P. Dalton Jr. as the Retiree Trustee for a three-year term beginning January 31, 2023.
 - The Honorable Commissioner Kimberly DuBuclet stepped down from the Board as an Appointed Trustee after providing four years of selfless service to the Fund membership.
 - The Honorable President Kari K. Steele join the Board as an Appointed Trustee for the remaining term of Trustee DuBuclet expiring on January 31, 2024.
 - Vice President Bonnie T. Kennedy was elected to a four-year term as an Elected Trustee beginning December 1, 2023.

- Retirement Fund benefits-related activity:
 - Changed disability medical exam providers resulting in a rate reduction of 63%.
 - 31,300 benefit payments were paid to retirees and beneficiaries totaling \$189.8 million; over 99% were paid via electronic funds transfer.

- 66 new retirees and 32 new spouse/child annuitants were added to the annuity payroll; 61 retirees and 30 spouse/child annuitants were removed from payroll due to death or termination of annuity.
- A total of 498 annuity estimates were prepared for 270 active members.
- \$925,200 of ordinary and duty disability benefits were processed for 63 and 37 individuals, respectively.
- Retirement Fund investment activity:
 - The Fund received a \$30.0 million special contribution from the District in March, which was invested in two State Street Index funds.
 - \$70.0 million total funding of two new Developed International Large Cap managers took place in February 2023.
 - Redemptions from a Core Real Estate manager continued in 2023, with a total of \$1.4M received. Those funds, along with other liquidations from the investment portfolio totaled \$93.0 M which was used to pay required benefits and administrative expenses during the year.
- Retirement Fund capital projects
 - Work continued in 2023 on Project Ascent - the development of a new Pension Administration System by Levi, Ray & Shoup (LRS.)
 - Completed the requirements gathering phases for the first two PensionGold software deliverables.
 - Software deliverable one was released in June 2023. Staff completed software training and User Acceptance Testing (UAT) in the summer. UAT criteria was met, thereby completing the first phase of implementation.
 - LRS rolled out Page Center X, the imaging system linked to the pension system. Full implementation is anticipated in 2025.
 - Staff continued working with Provaliant, the provider of project oversight services, and MBS, the provider of data management and transformation services.
- Retirement Fund IT-related activity:
 - Launched and completed migration of shared documents to SharePoint.
 - Adopted the Azure Virtual Desktop environment for all users.
 - Decommissioned all on-premises servers, completing the migration to all cloud storage and computing.
 - Engaged with Genuity, an IT services company, to provide IT Help Desk and support services.
 - Ended dependence on the MWRD (plan sponsor) for networking services.

MAJOR ACTIVITIES AND HIGHLIGHTS, continued

- Retirement Fund administrative activity:
 - Implemented a new logo in February and updated all forms and letters.
 - In June 2023, the Board submitted the 2024 funding resolution to the District Board of Commissioners (BOC) in the amount of \$88,734,000 to be funded by the District in accordance with their funding policy adopted on October 2, 2014.
 - An Experience Study was conducted by Foster & Foster and presented to the Board in August; as a result, various new actuarial assumptions were approved.
 - To prepare for the October Trustee Election, staff reviewed and updated the Rules of Elections for Board approval at the July Board meeting, began monitoring voting eligibility of members in August, prepared Election Packets for pickup by prospective candidates in early September. Since a petition was returned for only one candidate, no election was held.
 - Responses were prepared and sent to fulfill 25 commercial and non-commercial FOIA requests.
- Member communications in 2023:
 - Fund staff continued to serve members by phone, email, and regular mail, and in-person with expanded office hours of 8:00-4:30.
 - Staff provided a summary of Fund benefits to the 129 new hires of the District via the Fund's Benefit Brochure which was mailed to the new members; staff participated in three District new employee orientations which were held virtually.
 - In late January, IRS Form 1099-R was prepared and mailed to approximately 2,800 recipients of benefits and refunds in 2022.
 - Issues of Vested Interest, the Fund's newsletter, were prepared and distributed by email or regular mail to all members in June and September, and periodic updates were posted on the Fund's website.

MAJOR ACTIVITIES AND HIGHLIGHTS, continued

- Trustees participated in several training sessions during 2023; many conferences were held in a virtual format. Training attended by Trustees included sessions sponsored by:
 - International Foundation of Employee Benefit Plans
 - National Conference on Public Employee Retirement Systems
 - Pensions & Investments
 - Investment service providers such as Marquette Associates, Ariel Investments, and Dimensional Fund Advisors

AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to our Fund for its annual comprehensive financial report for the fiscal year ended December 31, 2022. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. The Metropolitan Water Reclamation District Retirement Fund has received a Certificate of Achievement for the last 30 years.

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

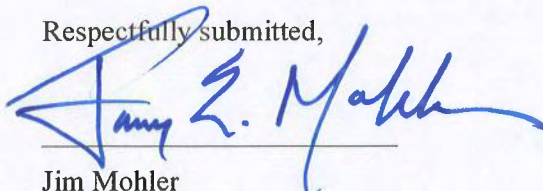
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets of the Fund.

The preparation of this report reflects the combined efforts of the Fund staff under the leadership of the Board of Trustees. We thank the Fund staff for their commitment to serving the membership and thank all who participated in the preparation of this report.

Respectfully submitted,



Jim Mohler
Executive Director



Vrinda Kulkarni, C.P.A.
Accounting Supervisor

**BOARD OF TRUSTEES
AS OF: 12/31/23**

Kevin Young*, Employee Trustee, President
Senior Applications Administrator
Term ending: November 2024

Bonnie T. Kennedy*, Employee Trustee, Vice President
Principal Attorney
Term ending: November 2027

Honorable Mariyana T. Spyropoulos, Appointed Trustee, Secretary
Commissioner, Metropolitan Water Reclamation District
Term ending: January 2025

John P. Dalton, Jr., Retiree Trustee
Term ending: January 2026

John Markovich*, Employee Trustee
Supervising Budget & Management Analyst
Term ending: November 2025

Robert Quezada, Employee Trustee
Budget & Management Analyst
Term ending: November 2026

Honorable Kari K. Steele, Appointed Trustee
President, Metropolitan Water Reclamation District
Term ending: January 2024

*Kevin Young retired from MWRD service and from the Board in April 2024, at which time Bonnie Kennedy was appointed as President and John Markovich was appointed as Vice-President.

**EXECUTIVE STAFF, ADVISORS, AND INVESTMENT MANAGERS
AS OF: 12/31/23****EXECUTIVE STAFF**

Jim Mohler, Executive Director

Mary T. Murphy, Operations Manager

ADVISORS

- Legal Counsel: Jacobs, Burns, Orlove, and Hernandez, Chicago, IL
- Investment Consultant: Marquette Associates, Chicago, IL
- Consulting Actuary: Foster & Foster, Naperville, IL
- Independent Auditor: Legacy Professionals, LLP, Chicago, IL
- Custodian: The Bank of New York Mellon Co., New York, NY
- Banking Services: Amalgamated Bank of Chicago, Chicago, IL

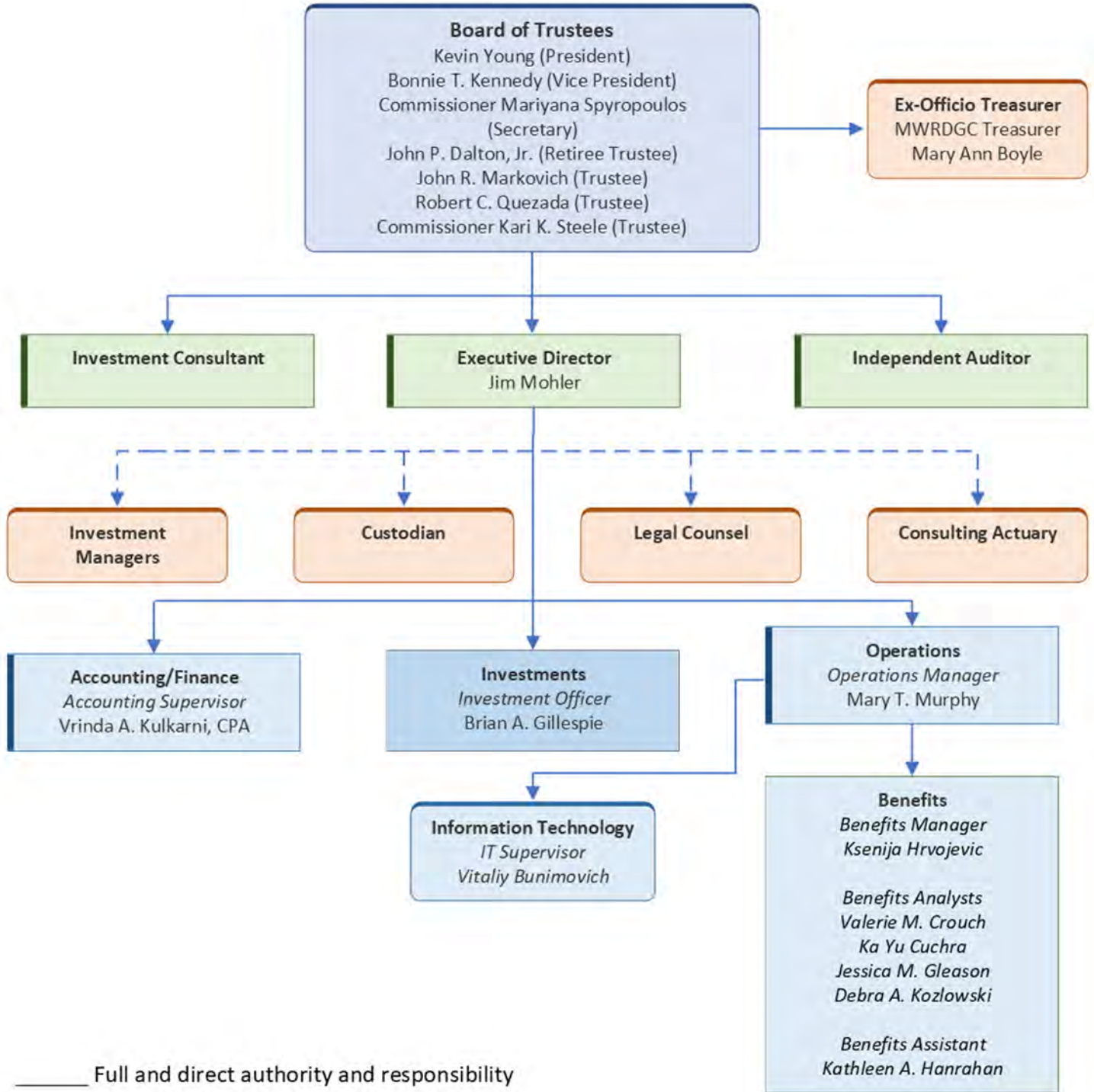
INVESTMENT MANAGERS

1. Ariel Investments, Chicago, IL
2. Aristotle Capital Management, Los Angeles, CA
3. Brightwood Capital Advisors, New York, NY
4. DWS RREEF, Chicago, IL
5. Driehaus Capital Management, Chicago, IL
6. Dimensional Fund Advisors, Austin, TX
7. EARNEST Partners, Atlanta, GA
8. Garcia Hamilton & Associates, Houston, TX
9. Kayne Anderson Rudnick Investment Management, Los Angeles, CA
10. MFS Investment Management, Boston, MA
11. Mesirow Financial, Chicago, IL
12. Neuberger Berman, New York, NY
13. Northern Trust Asset Management, Chicago, IL
14. Ramirez Asset Management, New York, NY
15. State Street Global Advisors, Boston, MA
16. UBS Realty Investors, Chicago, IL
17. Wasatch Advisors, Salt Lake City, UT

Assets under management and fees paid to investment professionals can be found in the Investment Section of this ACFR, on pages 69 - 72.

Organizational Chart

As of December 31, 2023



_____ Full and direct authority and responsibility

----- Appointment by the Board of Trustees, direction and coordination by the Executive Director

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

The Board of Trustees of the Retirement Fund (Board) is composed of seven members. Three Trustees are appointed by the District Board of Commissioners (BOC), one of which must be a retired member approved by the Board, and four are employee members elected by the employee members of the Fund. Appointed members serve for terms of three years, and elected members serve for terms of four years on a rotating basis so that each year, one seat on the Board is up for election and another is up for appointment.

In accordance with the Illinois Pension Code, the Board has the powers and duties to collect all contributions due to the Fund, to direct the prudent investment of Fund assets, to authorize or suspend payment of any benefits, to make rules and regulations for the proper conduct of the affairs of the Fund, and to appoint employees and consultants. The Board approves an annual budget which is prepared by Fund staff and submits an annual report of the affairs of the Fund to the District and the State of Illinois Department of Insurance.

RESPONSIBILITIES OF THE STAFF

The Board of Trustees appoints an Executive Director who is responsible for all administrative functions, supervision of staff, and for the administration and payment of benefits to the members of the Fund under the direction of the Board. The Executive Director also works closely with the Investment Consultant and Investment Officer to develop and maintain the Fund's investment policy and bring recommendations to the Board for their consideration. The Executive Director oversees the work of the Consulting Actuary who brings recommendations to the Board for the actuarial assumptions used in the annual valuation, based on an experience analysis performed at least every five years. In addition, the Executive Director works with outside legal counsel to review contracts with service providers and solicits advice on various issues including statutory interpretations, determinations from the Internal Revenue Service, and potential legal actions.

The Operations Manager supports the Executive Director in the day-to-day running of the Fund, proposes and manages technology initiatives with the IT Supervisor, manages administrative projects, and assists the Benefits Manager in the oversight of the Benefits department.

The Benefits Manager supervises a staff of five that are responsible for the production of the monthly annuity payroll, computation of annuity and disability benefits, refunds of contributions, and payments to designated beneficiaries in accordance with the Illinois Pension Code. Throughout the year benefits staff prepare retirement estimates, participate in pre-retirement seminars, and distribute bi-annual newsletters to the Fund membership.

The Investment Officer provides monthly investment performance updates to the Board, assists with investment manager searches, asset transitions, investment monitoring, and asset allocation studies, and confirms the accuracy of all investment expenses. The Investment Officer is responsible for the Fund's cash management to ensure there is proper liquidity to pay monthly benefit payments.

The Accounting Supervisor is responsible for the general accounting that serves as the basis for the annual financial statements and works closely with the Independent Auditor to complete the annual audit. The Accounting Supervisor also coordinates staff in the preparation of the ACFR, is responsible for the processing of monthly payments of administrative expenses, coordinates the Fund's Records Retention/Storage activities, and serves as the Fund's designated FOIA Officer.

The IT Supervisor is responsible for the data processing that produces benefits payments and records employee contributions in the Fund's proprietary benefit management software, maintaining the pension database, maintaining software and hardware, and implementing various technology initiatives under the direction of the Operations Manager.

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

Schedule of Investment Returns

Supplementary Information:

Schedule of Administrative Expenses

Schedule of Investment Expenses

Schedule of Payments to Consultants

Postemployment Healthcare Disclosure



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, 2023 and 2022, 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, 2023 and 2022, 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.

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 8, 2024

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, 2023 and 2022. 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 13.0% and -14.4% (net of fees) for the calendar years 2023 and 2022, respectively on a time-weighted basis.
- Income from contributions and investment income exceeded payments for benefits and administrative expenses in 2023, resulting in an increase in the Fund's net position restricted for benefits of \$109 million to \$1.547 billion at December 31, 2023, from the prior year end of \$1.438 billion.
- The Fund's funding ratio, using the actuarial value of assets, was 55.5% as of December 31, 2023, down from 57.8% on December 31, 2022. This was mainly due to actuarial assumption changes and the smoothing of prior year losses. Funding ratios will vary annually depending on the volatility of the investment markets and actuarial assumption changes, 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 the Fund's 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, 2023 and 2022 are found on the Statement of Fiduciary Net Position.

Condensed Statement of Fiduciary Net Position

	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>	<u>\$ Change</u>	<u>% Change</u>
<u>ASSETS:</u>					
Cash	\$ 273,872	\$ 356,312	\$ 321,562	\$ (82,440)	-23.1%
Employer contributions receivable	86,440,000	103,535,986	88,754,000	(17,095,986)	-16.5%
Due from broker	2,117,986	1,048,145	1,071,091	1,069,841	102.1%
Other receivables	4,506,810	4,043,515	3,496,154	463,295	11.5%
Investments	1,457,351,659	1,335,858,090	1,645,660,326	121,493,569	9.1%
Securities lending collateral	11,405,635	8,840,111	11,615,269	2,565,524	29.0%
Total assets	<u>1,562,095,962</u>	<u>1,453,682,159</u>	<u>1,750,918,402</u>	<u>108,413,803</u>	7.5%
<u>LIABILITIES:</u>					
Accounts payable	1,092,197	1,023,194	1,230,587	69,003	6.7%
Due to broker	3,018,247	6,162,658	13,892,598	(3,144,411)	-51.0%
Securities lending collateral	<u>11,405,635</u>	<u>8,840,111</u>	<u>11,615,269</u>	<u>2,565,524</u>	29.0%
Total liabilities	<u>15,516,079</u>	<u>16,025,963</u>	<u>26,738,454</u>	<u>(509,884)</u>	-3.2%

During 2023, the net position of the Fund increased by \$109 million or 7.6% from net position at December 31, 2022. This increase was primarily due to the increase in investment values, resulting from positive investment returns in 2023.

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 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, 2023 was \$1.547 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, 2023 and 2022 can be found on the Statement of Changes in Fiduciary Net Position.

Condensed Statement of Changes in Fiduciary Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
<u>ADDITIONS:</u>					
Employer contributions	\$ 117,373,061	\$ 118,458,646	\$ 88,803,958	\$ (1,085,585)	-0.9%
Employee contributions	<u>21,664,982</u>	<u>21,177,644</u>	<u>20,630,052</u>	<u>487,338</u>	2.3%
Total contributions	<u>139,038,043</u>	<u>139,636,290</u>	<u>109,434,010</u>	<u>(598,247)</u>	-0.4%
Net investment income (loss)	169,865,923	(232,527,125)	220,681,056	402,393,048	173.1%
Net securities lending income	<u>101,047</u>	<u>78,011</u>	<u>95,791</u>	<u>23,036</u>	29.5%
Total investment income (loss)	<u>169,966,970</u>	<u>(232,449,114)</u>	<u>220,776,847</u>	<u>402,416,084</u>	173.1%
Other	<u>2,260</u>	<u>7,361</u>	<u>5,213</u>	<u>(5,101)</u>	-69.3%
Total additions	<u>309,007,273</u>	<u>(92,805,463)</u>	<u>330,216,070</u>	<u>401,812,736</u>	433.0%
<u>DEDUCTIONS:</u>					
Retirement annuities	195,246,638	189,344,284	182,857,341	5,902,354	3.1%
Refunds	1,882,834	2,239,202	2,281,407	(356,368)	-15.9%
Administrative expense	<u>2,954,114</u>	<u>2,134,803</u>	<u>1,788,002</u>	<u>819,311</u>	38.4%
Total deductions	<u>200,083,586</u>	<u>193,718,289</u>	<u>186,926,750</u>	<u>6,365,297</u>	3.3%
INCREASE (DECREASE)					
IN NET POSITION	108,923,687	(286,523,752)	143,289,320	395,447,439	138.0%
Beginning net position	<u>1,437,656,196</u>	<u>1,724,179,948</u>	<u>1,580,890,628</u>	<u>(286,523,752)</u>	-16.6%
Ending net position	<u>\$ 1,546,579,883</u>	<u>\$ 1,437,656,196</u>	<u>\$ 1,724,179,948</u>	<u>\$ 108,923,687</u>	7.6%

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 2023 were \$139 million, a slight decrease of approximately \$600,000 or -0.4% from 2022. Decreased employer contributions were offset by increased employee contributions. 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. The Fund received a special contribution of \$30 million from the District in both 2023 and 2022.

Employee contributions were \$21.7 million in 2023, an increase of approximately \$487,000 or 2.3% from 2022. In general, total employee contributions vary with changes in employer payroll.

Net investment income in 2023 was higher than the prior year by approximately \$402 million, reflecting total returns of 13.0% compared to -14.4% in 2022. Positive returns were experienced in the U.S. and non-U.S. equity and bond markets in 2023.

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, 2023, securities lending activities generated net income of approximately \$101,000 which is an increase of 29.5% from 2022.

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 2023 were approximately \$200.1 million compared to approximately \$193.7 million in 2022, an increase of approximately \$6.4 million, or 3.3%. 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 may have had lower benefits, are removed from the annuitant payroll, and new retirees with higher benefits are added. Even though administrative expense makes up only 1.5% of total deductions, they will be elevated over the next couple years as the Fund contracts to build a new Pension Administration System.

RETURN ON INVESTMENTS AND ASSET ALLOCATION

The Fund's rate of return on investments in 2023 was 13.0% net of fees, higher than the return of 11.6% on the Policy Index. The rate of return on investments in 2022 was -14.4% net of fees, compared to the return of -14.0% on the Policy Index. The Fund's target allocations at December 31, 2023 are listed below:

- 38% domestic equities
- 17% international equities
- 5% global equities
- 25% fixed income
- 10% core open-end real estate
- 5% private credit

CURRENT ASSET BALANCES AND OUTLOOK

As of April 30, 2024, the Fund's net invested assets had a fair value of \$1.549 billion a slight increase from the December 31, 2023 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, 2023

(with comparative amounts for prior year)

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 273,872	\$ 356,312
Receivables		
Employer contributions	86,440,000	103,535,986
Due from broker	2,117,986	1,048,145
Accrued interest and dividends	4,404,455	3,956,275
Accounts receivables	102,355	87,240
Total receivables	<u>93,064,796</u>	<u>108,627,646</u>
Investments - at fair value		
Equities	433,830,987	319,090,022
U.S. Government and government agency obligations	121,104,041	110,559,112
Corporate and foreign government obligations	100,815,382	100,660,934
Mutual and exchange traded funds	52,927,158	66,876,172
Pooled funds - equity	418,371,880	428,979,989
Pooled funds - fixed income	159,867,462	129,372,379
Real estate funds	120,729,899	144,436,429
Limited partnership	15,281,715	-
Short-term investment fund	34,423,135	35,883,053
	<u>1,457,351,659</u>	<u>1,335,858,090</u>
Securities lending collateral	11,405,635	8,840,111
Total investments	<u>1,468,757,294</u>	<u>1,344,698,201</u>
Total assets	<u>1,562,095,962</u>	<u>1,453,682,159</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	1,092,197	1,023,194
Due to broker	3,018,247	6,162,658
Securities lending collateral	11,405,635	8,840,111
Total liabilities	<u>15,516,079</u>	<u>16,025,963</u>
Net position restricted for pension benefits	<u>\$ 1,546,579,883</u>	<u>\$ 1,437,656,196</u>

Metropolitan Water Reclamation District Retirement Fund

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2023
(with comparative amounts for prior year)

	<u>2023</u>	<u>2022</u>
Additions		
Employer contributions	\$ 117,373,061	\$ 118,458,646
Employee contributions	<u>21,664,982</u>	<u>21,177,644</u>
Total contributions	<u>139,038,043</u>	<u>139,636,290</u>
Investment income (loss)		
Net appreciation (depreciation)		
in fair value of investments	150,326,862	(249,827,311)
Interest	9,823,665	8,293,541
Dividend income	<u>14,299,080</u>	<u>13,457,956</u>
Total investment income (loss)	174,449,607	(228,075,814)
Less investment expenses	<u>(4,583,684)</u>	<u>(4,451,311)</u>
Net investment income (loss)	<u>169,865,923</u>	<u>(232,527,125)</u>
Securities lending income		
Earnings	714,108	226,331
Less broker rebates	(586,842)	(128,061)
Less bank fees	<u>(26,219)</u>	<u>(20,259)</u>
Net securities lending income	<u>101,047</u>	<u>78,011</u>
Other		
Total additions	<u>309,007,273</u>	<u>(92,805,463)</u>
Deductions		
Annuities and benefits		
Employee annuitants	161,617,849	157,310,009
Surviving spouse annuitants	32,593,089	30,830,269
Child annuitants	110,500	112,000
Ordinary disability benefits	840,126	1,029,590
Duty disability benefits	<u>85,074</u>	<u>62,416</u>
Total annuities and benefits	195,246,638	189,344,284
Refunds of employee contributions	1,882,834	2,239,202
Administrative expenses	<u>2,954,114</u>	<u>2,134,803</u>
Total deductions	<u>200,083,586</u>	<u>193,718,289</u>
Net increase (decrease)	108,923,687	(286,523,752)
Net position restricted for pension benefits		
Beginning of year	<u>1,437,656,196</u>	<u>1,724,179,948</u>
End of year	<u>\$ 1,546,579,883</u>	<u>\$ 1,437,656,196</u>

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2023 AND 2022

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 8, 2024, 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, 2023 and 2022, the Fund's membership consisted of:

	<u>2023</u>	<u>2022</u>
Active employees	<u>1,771</u>	<u>1,747</u>
Retirees and beneficiaries currently receiving benefits		
Retirees	1,920	1,915
Surviving spouses	549	547
Children	<u>16</u>	<u>18</u>
Total retirees and beneficiaries	<u>2,485</u>	<u>2,480</u>
Inactive employees entitled to benefits or a refund of contributions	<u>128</u>	<u>131</u>
Total members	<u>4,384</u>	<u>4,358</u>

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 100%. 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 \$21,664,982 and \$21,177,644 for the years ended December 31, 2023 and 2022 respectively.

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 100% 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, 2023 and 2022, the District's contribution was 57.43% and 60.53% 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Total pension liability	\$ 2,979,019,166	\$ 2,799,299,112
Fund fiduciary net position	<u>1,546,579,883</u>	<u>1,437,656,196</u>
District's net pension liability	<u>\$ 1,432,439,283</u>	<u>\$ 1,361,642,916</u>
Fund fiduciary net position as a percentage		
of the total pension liability	<u>51.92%</u>	<u>51.36%</u>

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, 2023 and 2022 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2023 and 2022
Actuarial cost method	Entry age normal
Asset valuation method	Five Year Smoothing Method

Actuarial assumptions:

Inflation	2.5%
Salary increases	Varies by service
Investment rate of return	2023 - 7.00%
	2022 - 7.25%
Postretirement annuity increases	Tier 1 participants - 3.00%
	Tier 2 participants - 1.25%

Mortality Rates 2023 - Active lives - PubG-2010 (amount-weighted) Employee mortality, unadjusted, projected to 2023 with MP-2021. Inactive lives - PubG-2010 (amount-weighted) Healthy Retiree mortality, adjusted by a factor of 1.067 for male retirees and 1.061 for female retirees, projected to 2023 with MP-2021. Beneficiaries - PubG-2010 (amount-weighted) Survivor mortality, adjusted by a factor of 0.973 for male beneficiaries and adjusted by a factor of 1.075 for female beneficiaries, projected to 2023 with MP-2021. Disabled lives - PubS-2010 Disabled mortality, unadjusted with no mortality improvements.

2022 - 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, 2023 valuation were based on the results of an actuarial experience study conducted by Foster & Foster, Inc. for the period of December 31, 2017 through December 31, 2022 and were adopted effective December 31, 2023. The actuarial assumptions used in the December 31, 2022 valuation 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.

NOTE 3. PENSION LIABILITY OF THE DISTRICT (CONTINUED)

Discount Rate

A discount rate of 7.00% was used to measure the total pension liability at December 31, 2023. 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 7.00% was applied to all periods of projected benefit payments to determine the total pension liability.

A discount rate of 7.25% was used to measure the total pension liability at December 31, 2022. 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.

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, 2023 and 2022. 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District’s net pension liability - December 31, 2023	<u>\$ 1,762,105,712</u>	<u>\$ 1,432,439,283</u>	<u>\$ 1,153,875,508</u>
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District’s net pension liability - December 31, 2022	<u>\$ 1,669,297,106</u>	<u>\$ 1,361,642,916</u>	<u>\$ 1,101,793,669</u>

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONSCustodial 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, 2023, the Fund had approximately \$66,000 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, 17% international equities, 5% global equities, 25% fixed income, 10% core open-end real estate and 5% private credit.

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 7.00%) 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, 2023, as reported by the Fund's investment consultant, are summarized in the following table:

NOTE 5. INVESTMENTS (CONTINUED)**Long-Term Expected Rate of Return (continued)**

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	38.0%	5.10%
International equity	17.0%	5.20%
Global equity	5.0%	4.90%
Fixed income	25.0%	2.50%
Real estate	10.0%	3.90%
Private credit	<u>5.0%</u>	7.10%
Total investments	<u>100.0%</u>	

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on Fund investments, net of Fund investment expense, was 12.6% and -14.5% for the years ended December 31, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022.

NOTE 5. INVESTMENTS (CONTINUED)

Investment Risk (continued)

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.

The following table presents a summarization of the Fund's debt investments as of December 31, 2023 and 2022, using the segmented time distribution method:

Type of Investment	Maturity	2023		2022	
		Fair Value	Percentage	Fair Value	Percentage
U.S. Government and government agency obligations	< 1 year	\$ -	0.0%	\$ 1,071,524	1.0%
	1 - 5 years	10,510,855	8.7%	20,218,448	18.3%
	5 - 10 years	22,340,261	18.4%	5,839,185	5.3%
	Over 10 years	88,252,925	72.9%	83,429,955	75.4%
		<u>\$ 121,104,041</u>	<u>100.0%</u>	<u>\$ 110,559,112</u>	<u>100.0%</u>
Corporate and foreign government obligations	< 1 year	\$ 816,665	0.8%	\$ 815,787	0.8%
	1 - 5 years	22,824,255	22.7%	19,229,556	19.1%
	5 - 10 years	29,777,745	29.5%	33,716,982	33.5%
	Over 10 years	47,396,717	47.0%	46,898,609	46.6%
		<u>\$ 100,815,382</u>	<u>100.0%</u>	<u>\$ 100,660,934</u>	<u>100.0%</u>
Pooled funds - fixed income	5-10 years	<u>\$ 159,867,462</u>	<u>100.0%</u>	<u>\$ 129,372,379</u>	<u>100.0%</u>
Short-term investment fund	< 1 year	<u>\$ 34,423,135</u>	<u>100.0%</u>	<u>\$ 35,883,053</u>	<u>100.0%</u>

NOTE 5. INVESTMENTS (CONTINUED)

Investment Risk (continued)

Credit Risks

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, 2023 and 2022:

<u>Type of Investment</u>	<u>Rating</u>	<u>2023</u>		<u>2022</u>	
		<u>Fair Value</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Government and government agency obligations	AA	\$ 121,104,041	100.0%	\$ 107,714,309	97.4%
	Not Rated	-	0.0%	2,844,803	2.6%
		<u>\$ 121,104,041</u>	<u>100.0%</u>	<u>\$ 110,559,112</u>	<u>100.0%</u>
Corporate and foreign government obligations	AAA	\$ 7,071,420	7.0%	\$ 7,692,669	7.6%
	AA	17,199,194	17.1%	18,461,476	18.3%
	A	22,829,387	22.6%	20,662,059	20.6%
	BBB	30,454,607	30.2%	35,247,441	35.0%
	BB	4,527,465	4.5%	2,355,056	2.4%
	B	2,313,121	2.3%	2,154,825	2.1%
	CCC	536,734	0.5%	-	0.0%
	Not Rated	15,883,454	15.8%	14,087,408	14.0%
		<u>\$ 100,815,382</u>	<u>100.0%</u>	<u>\$ 100,660,934</u>	<u>100.0%</u>
Pooled funds - fixed income	AAA	\$ -	0.0%	\$ 129,372,379	100.0%
	AA	159,867,462	100.0%	-	0.0%
		<u>\$ 159,867,462</u>	<u>100.0%</u>	<u>\$ 129,372,379</u>	<u>100.0%</u>
Short-term investment fund	Not Rated	<u>\$ 34,423,135</u>	<u>100.0%</u>	<u>\$ 35,883,053</u>	<u>100.0%</u>

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 and foreign cash. The Fund's exposure to foreign currency risk as of December 31, 2023 and 2022 is as follows:

Type of Investment	2023		2022	
	Fair Value	Percentage	Fair Value	Percentage
Equities				
Australian dollar	\$ 2,613,449	0.6%	\$ 747,089	0.2%
Brazilian real	1,068,260	0.2%	1,497,940	0.5%
British pound sterling	24,699,062	5.7%	15,470,979	4.8%
Canadian dollar	12,875,267	3.0%	8,462,821	2.7%
Danish krone	365,583	0.1%	1,913,233	0.6%
European euro	43,578,077	10.0%	20,532,883	6.4%
Hong Kong dollar	4,780,406	1.1%	4,214,364	1.3%
Indonesian rupiah	1,160,434	0.3%	1,105,694	0.3%
Israeli shekel	470,772	0.1%	644,640	0.2%
Japanese yen	30,695,669	7.1%	17,828,753	5.6%
Malaysian ringgit	1,561,876	0.3%	1,384,427	0.4%
Mexican peso	2,893,294	0.7%	1,071,483	0.3%
New Taiwan dollar	5,130,180	1.2%	1,078,193	0.3%
New Zealand dollar	19,586	0.1%	16,079	0.1%
Norwegian krone	4,336,907	1.0%	1,803,001	0.6%
Philippines peso	1,185,822	0.3%	120,173	0.1%
Polish zloty	1,823,856	0.4%	1,500,236	0.5%
Singapore dollar	5,362,439	1.2%	3,276,021	1.0%
South Korean won	4,121,085	0.9%	2,433,110	0.8%
Swedish krona	4,396,052	1.0%	2,612,795	0.8%
Swiss franc	7,473,672	1.7%	4,611,483	1.4%
Thailand baht	849,569	0.2%	626,072	0.2%
U.S. dollar	272,369,670	62.8%	226,138,553	70.9%
Total equities	<u>\$ 433,830,987</u>	<u>100.0%</u>	<u>\$ 319,090,022</u>	<u>100.0%</u>

NOTE 5. INVESTMENTS (CONTINUED)**Investment Risk (continued)***Foreign Currency Risk (continued)*

<u>Type of Investment</u>	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
Short-term investment fund				
Australian dollar	\$ 125,712	0.4%	\$ 134,629	0.4%
Brazilian real	33,975	0.1%	259	0.0%
British pound sterling	109,062	0.3%	135,827	0.4%
Canadian dollar	23,869	0.1%	33,819	0.1%
Danish krone	189,866	0.6%	60,836	0.2%
European euro	177,906	0.5%	160,581	0.4%
Hong Kong dollar	69,827	0.2%	70,086	0.2%
Israeli shekel	22,472	0.1%	19,550	0.1%
Japanese yen	518,076	1.5%	609,661	1.7%
New Zealand dollar	166,651	0.5%	165,727	0.5%
Norwegian krone	247,677	0.7%	253,176	0.7%
Philippines peso	2,392	0.0%	-	0.0%
Singapore dollar	73,393	0.2%	74,447	0.2%
Swedish krona	253,807	0.7%	249,520	0.7%
Swiss franc	10,464	0.1%	23,691	0.1%
U.S. dollar	<u>32,397,986</u>	<u>94.0%</u>	<u>33,891,244</u>	<u>94.3%</u>
Total short-term investment fund	<u>\$ 34,423,135</u>	<u>100.0%</u>	<u>\$ 35,883,053</u>	<u>100.0%</u>

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. At December 31, 2023 and 2022, the Fund contracted to acquire securities on a when-issued basis with a total principal amount of approximately \$0 and \$2,845,000 respectively.

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:

Basis of Fair Value Measurement

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, 2023 and 2022. 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, 2023 and 2022.

	Total	Fair Value Measurements at 12/31/23 Using		
		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	\$ 433,830,987	\$ 433,830,987	\$ -	\$ -
U.S. Government and government agency obligations	121,104,041	50,619,130	70,484,911	-
Corporate and foreign government obligations	100,815,382	-	100,815,382	-
Mutual and exchange traded funds	52,927,158	52,927,158	-	-
Total investments by fair value level	708,677,568	<u>\$ 537,377,275</u>	<u>\$ 171,300,293</u>	<u>\$ -</u>
Investments measured at net asset value	748,674,091			
Total investments at fair value	<u>\$ 1,457,351,659</u>			
		Fair Value Measurements at 12/31/22 Using		
		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	<u>\$ 432,537,544</u>	<u>\$ 164,648,696</u>	<u>\$ -</u>
Investments measured at net asset value	738,671,850			
Total investments at fair value	<u>\$ 1,335,858,090</u>			

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 Commitments	Redemption Frequency (If Eligible)	Redemption Notice Period
	12/31/2023	12/31/2022			
Investments measured at net asset value:					
Pooled funds - equity (1)					
Earnest Partners China Fund	\$ 3,827,912	\$ -	\$ -	Daily	N/A
SSGA S&P 500 Flagship Fund	222,152,221	197,305,005	-	Daily	N/A
SSGA S&P 400 Midcap Index Fund	58,990,846	53,567,514	-	Daily	N/A
SSGA MSCI ACWI Fund	55,225,398	118,829,116	-	Daily	N/A
SSGA Russell 1000 Growth Index Fund	78,175,503	59,278,354	-	Daily	N/A
Pooled funds - fixed income (2)					
SSGA U.S. Aggregate Bond Index	159,867,462	129,372,379	-	Daily	N/A
Real estate funds (3)					
Trumbull Property Fund	43,168,304	52,770,670	-	Quarterly	60 days
RREEF America REIT II	77,561,595	91,665,759	-	Quarterly	45 days
Limited Partnership (4)					
Brightwood Capital Fund V, LP	15,281,715	-	21,000,000	Closed-end	N/A
Short-term investment fund (5)					
BNY Mellon EB Temporary Investment Fund	34,423,135	35,883,053	-	Daily	N/A
Total investments measured at net asset value	<u>\$ 748,674,091</u>	<u>\$ 738,671,850</u>			

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 fair value of the investment in the fund has been determined using the NAV per share of the investment.
- (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) Limited partnership - The investment objective of the Brightwood Capital Fund V, LP is to achieve long-term capital appreciation, preserve capital, and achieve a consistent pattern of returns through investments in loans, notes and other debt instruments, total return swaps and other derivative instruments, participation interests, warrants, equity securities including common stock, preferred stock, direct equity investments, and structured equity products. The limited partnership investment is closed-end where the partnership interest is generally illiquid and cannot be redeemed. It is expected that the liquidation of the limited partnership interest will generally coincide with the terms of the partnership agreement. The expiration date is April 30, 2028, but may be extended for an additional one-year period as set forth in the terms of the partnership agreement. The fair value of the investment in the fund has been determined using the NAV per share of the investment.
- (5) 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.

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, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Forward Foreign Currency Exchange Contract receivables	<u>\$ 123,097</u>	<u>\$ 5,831</u>
Forward Foreign Currency Exchange Contract payables	<u>\$ 123,290</u>	<u>\$ 5,851</u>

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 100 days for 2023 and 133 days for 2022; 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 2 days for year ended December 31, 2023 and 3 days for year ended December 31, 2022.

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, 2023 and 2022, there were no losses due to default of a borrower or the lending agent.

NOTE 9. SECURITIES LENDING (CONTINUED)

A summary of securities loaned at fair value as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Securities loaned - backed by cash collateral		
Equities	\$ 7,126,556	\$ 7,194,631
U.S. Government and government agency obligations	1,439,884	186,408
Corporate obligations	<u>2,504,953</u>	<u>1,094,310</u>
Total securities loaned - backed by cash collateral	<u>11,071,393</u>	<u>8,475,349</u>
Securities loaned - backed by non-cash collateral		
Equities	8,192,150	7,230,930
Corporate obligations	<u>147,500</u>	<u>1,667,622</u>
Total securities loaned - backed by non-cash collateral	<u>8,339,650</u>	<u>8,898,552</u>
Total	<u>\$ 19,411,043</u>	<u>\$ 17,373,901</u>

As of December 31, 2023, the fair value (carrying amount) of loaned securities was \$19,411,043. The fair value (carrying amount) of cash collateral received by the Fund was \$11,405,635 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 \$8,739,785.

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.

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 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.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for the Fund's fiscal year ending December 31, 2025.

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

Required Supplementary Information

Financial Section

Metropolitan Water Reclamation District Retirement Fund
Required Supplementary Information
Schedule of Changes in the District's Net Pension Liability and Related Ratios
 Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension liability										
Service cost	\$ 31,559,071	\$ 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	198,091,275	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	29,540,215	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	117,658,965	-	-	-	-	35,593,015	-	-	-	-
Benefit payments, including refunds of employee contributions	(197,129,472)	(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	179,720,054	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	2,799,299,112	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	2,213,191,717
End of year	<u>\$ 2,979,019,166</u>	<u>\$ 2,799,299,112</u>	<u>\$ 2,744,359,352</u>	<u>\$ 2,701,962,060</u>	<u>\$ 2,653,769,022</u>	<u>\$ 2,588,389,303</u>	<u>\$ 2,486,868,107</u>	<u>\$ 2,432,163,441</u>	<u>\$ 2,359,766,327</u>	<u>\$ 2,285,095,580</u>
Change in fiduciary net position										
Contributions - employer	\$ 117,373,061	\$ 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	21,664,982	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)	169,966,970	(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	(197,129,472)	(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	(2,954,114)	(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	2,260	7,361	5,213	2,738	3,058	15,415	3,100	107,175	28,817	4,460
Net change in fiduciary net position	108,923,687	(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	1,437,656,196	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	1,298,613,827
End of year	<u>\$ 1,546,579,883</u>	<u>\$ 1,437,656,196</u>	<u>\$ 1,724,179,948</u>	<u>\$ 1,580,890,628</u>	<u>\$ 1,506,834,278</u>	<u>\$ 1,343,994,268</u>	<u>\$ 1,501,793,976</u>	<u>\$ 1,352,598,383</u>	<u>\$ 1,286,653,498</u>	<u>\$ 1,337,795,620</u>
District's net pension liability	<u>\$ 1,432,439,283</u>	<u>\$ 1,361,642,916</u>	<u>\$ 1,020,179,404</u>	<u>\$ 1,121,071,432</u>	<u>\$ 1,146,934,744</u>	<u>\$ 1,244,395,035</u>	<u>\$ 985,074,131</u>	<u>\$ 1,079,565,058</u>	<u>\$ 1,073,112,829</u>	<u>\$ 947,299,960</u>
Fund fiduciary net position as a percentage of the total pension liability	51.92%	51.36%	62.83%	58.51%	56.78%	51.92%	60.39%	55.61%	54.52%	58.54%
Covered payroll	<u>\$ 204,388,113</u>	<u>\$ 195,713,509</u>	<u>\$ 187,213,026</u>	<u>\$ 188,072,970</u>	<u>\$ 189,961,010</u>	<u>\$ 187,849,708</u>	<u>\$ 184,385,188</u>	<u>\$ 182,640,163</u>	<u>\$ 177,792,309</u>	<u>\$ 176,183,941</u>
Employer's net pension liability as a percentage of covered payroll	<u>700.84%</u>	<u>695.73%</u>	<u>544.93%</u>	<u>596.08%</u>	<u>603.77%</u>	<u>662.44%</u>	<u>534.25%</u>	<u>591.09%</u>	<u>603.58%</u>	<u>537.68%</u>

Metropolitan Water Reclamation District Retirement Fund

Required Supplementary Information

Schedule of District Contributions and Related Note

Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution (ADC)	\$ 81,128,393	\$ 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
Contributions in Relation to the ADC	117,373,061	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
Contribution deficiency (excess)	<u>\$ (36,244,668)</u>	<u>\$ (41,778,147)</u>	<u>\$ (11,962,614)</u>	<u>\$ (30,459,777)</u>	<u>\$ (13,166,477)</u>	<u>\$ (22,178,756)</u>	<u>\$ (24,130,312)</u>	<u>\$ (15,663,647)</u>	<u>\$ (8,437,785)</u>	<u>\$ (9,428,506)</u>
Covered payroll	<u>\$ 204,388,113</u>	<u>\$ 195,713,509</u>	<u>\$ 187,213,026</u>	<u>\$ 188,072,970</u>	<u>\$ 189,961,010</u>	<u>\$ 187,849,708</u>	<u>\$ 184,385,188</u>	<u>\$ 182,640,163</u>	<u>\$ 177,792,309</u>	<u>\$ 176,183,941</u>
Contributions as a percentage of covered payroll	<u>57.43%</u>	<u>60.53%</u>	<u>47.43%</u>	<u>57.35%</u>	<u>46.03%</u>	<u>46.40%</u>	<u>48.73%</u>	<u>43.94%</u>	<u>39.96%</u>	<u>41.95%</u>

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	28 years remaining amortization as of 1/1/23.
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	3.00% 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 TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>12.63%</u>	<u>-14.53%</u>	<u>15.10%</u>	<u>8.67%</u>	<u>18.25%</u>	<u>-7.44%</u>	<u>15.62%</u>	<u>9.43%</u>	<u>-0.15%</u>	<u>6.67%</u>

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)

	<u>2022</u>	<u>2021</u>
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	<u>20,948</u>	<u>29,161</u>
Total administrative expenses	<u>\$ 2,134,803</u>	<u>\$ 1,788,002</u>

**METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND
SUPPLEMENTARY INFORMATION**

Schedule of Investment Expenses

Year ended December 31, 2023
(with comparative amounts for prior year)

	<u>2023</u>	<u>2022</u>
Investment manager fees	\$ 4,129,845	\$ 4,041,249
Custodian fees	273,839	230,062
Investment consulting fees	<u>180,000</u>	<u>180,000</u>
Investment expenses	<u>\$ 4,583,684</u>	<u>\$ 4,451,311</u>

Schedule of Payments to Consultants

Year Ended December 31, 2023
(with comparative amounts for prior year)

<u>Firm / Individual</u>	<u>Services</u>	<u>2023</u>	<u>2022</u>
Consulting - New Pension Administration System			
Provaliant	Procurement and RFP development	\$ 108,900	\$ 60,970
Levi, Ray & Shoup, Inc.	Development	609,469	152,367
Managed Business Solutions LLC	Data management	<u>164,791</u>	<u>82,673</u>
Total consulting - New Pension Administration System		<u>883,160</u>	<u>296,010</u>
Consulting - other			
Konica Minolta	Security audit	25,200	-
Novitas Business & Technology	Maintenance - existing PAS	7,393	4,463
Genuity	Cloud migration and security	-	18,737
MXO Tech	Microsoft 365 consulting	23,232	8,650
NTIVA	Systems Admin consulting	5,850	-
Crestwood Associates LLC	Microsoft Dynamics consulting	494	823
HR Boost	Human resources consulting	<u>1,188</u>	<u>1,188</u>
Total consulting - other		<u>63,357</u>	<u>33,861</u>
Total payments to consultants		<u>\$ 946,517</u>	<u>\$ 329,871</u>

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.

INVESTMENT SECTION

Custodian Report

Investment Consultant Report

Investment Preface:

- Authority
- Responsibility
- Policy & Objectives
- Allocation
- Management
- Performance

Investment Portfolio Analytics:

Assets

- Portfolio Asset Allocation and Historic Asset Allocation (graph)

- Portfolio Performance

- Investment Returns (10 years)

- Equity Diversification

- Top 10 Holdings - Equities

- Fixed Income Diversification

- Top 10 Holdings – Fixed Income

- Top 10 Holdings – Real Estate

- Assets Under Management – By Asset Type and Manager

Expenses

- Investment Manager Compensation

- Custodial Fees

- Investment Consultant Fees

- U.S. Brokerage Commissions

- Non-U.S. Brokerage Commissions



BNY MELLON

April 26, 2024

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

The Bank of New York Mellon as custodian of the assets of the Metropolitan Water Reclamation District Retirement Fund (fund) held by it in a custodial account has provided annual accounting statements to the fund which represents The Bank of New York Mellon's record of investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the custody accounts for the period of January 1, 2023 through December 31, 2023.

In addition to the custody of assets in the custody accounts, and pursuant to the Master Custody Agreement among the Board of Trustees and The Bank of New York Mellon dated May 2, 2017 and the securities lending contract dated June 27, 2007 the Bank of New York Mellon provides the following services:

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

Sincerely,

A handwritten signature in black ink that reads "Jon Bangor".

Jon Bangor
Relationship Manager
412-234-8544

BNY Mellon Center, 500 Grant Street Suite 151-4040, Pittsburgh, PA 15258
bnymellon.com



May 10, 2024

Board of Trustees
Metropolitan Water Reclamation District Retirement Fund
100 East Erie Street
Chicago, IL 60611

To the Board of Trustees:

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

As of January 2024, the assumed actuarial rate for the MWRDRF was reduced from 7.25% to 7.00%. In 2023, the MWRDRF returned +13.0% net of fees. Over the same period, the Policy Index returned +11.6%.

Inflation remained a top focus for markets and the Federal Reserve in 2023, with a strong job market pushing unemployment to near multi-decade lows. Strong wage growth trends also abated from what was seen in the immediate post-COVID era. During the first quarter of 2023, the U.S. experienced bank failures, to a magnitude not seen since the Great Financial Crisis. Though Silicon Valley Bank (SVB) and Signature Bank were the second and third largest bank failures in U.S. history, combined they represented less than 2% of assets in the portfolio, meaning that the direct impact to the MWRDRF was minimal.

The Aggregate Index returned +5.5% in 2023 as bank loans returned +13.0%, high yield returned +13.4%, and emerging markets debt returned +11.1%. At the end of 2023, the MWRDRF had approximately 26.4% allocated to Fixed Income. The composite returned +6.1% versus the benchmark which returned +5.5%.

Value stocks lagged their Growth counterparts through the first half of 2023, with narrow market leadership that, generally speaking, hurt performance for active managers. Large-Cap equity performance had been dominated by the ‘Magnificent Seven’. All major domestic equity indices notched positive returns in December, as small-cap equities rallied to close the year. The Magnificent Seven dominated headlines in the first half of 2023, but relative performance of this group was subdued to close the year.

The MWRDRF ended 2023 with approximately 39.3% allocated to domestic equities. The domestic equity composite returned +25.1% versus the benchmark which returned +23.0%.

Emerging markets concluded the year with a return of +9.8%, while their developed markets’ counterparts, as measured by the MSCI EAFE Index returned +18.2%. MSCI EAFE in Local Currency terms returned +16.2%.

To conclude 2023, the MWRDRF had approximately 23.7% allocated to international equities, with 5.1% allocated to Global Low Volatility and the remaining allocated to non-US equities. The non-US equity composite returned +16.1% versus the benchmark which returned +15.6%. The Global Low Volatility composite returned +14.8% with the benchmark returning +7.7%.

Valuation write-downs, particularly in the office sector, has driven negative real estate performance for four consecutive quarters. Going forward, industrial, and apartment/rental housing allocations are likely to continue



to rise while retail and office will likely decline. The Retirement Fund ended 2023 with approximately 8.3% allocated to open-end real estate. The real estate composite returned -15.5% versus the benchmark which returned -12.7%.

Private Credit was introduced to the Retirement Fund during the fourth quarter with the first manager calling capital in October. The Retirement Fund ended the year with an allocation of 1.0% to Private Credit.

To begin 2024, rate-sensitive Fixed Income indices lagged in January as long-dated rates increased; indices with less duration sensitivity mostly finished positive. Growth-oriented equities led the market in January as large-cap stocks reasserted dominance to begin 2024. Global equity markets pulled back in January after a strong end to 2023, with flat-to-negative performance across indices. The Fund returned -0.4% in January, protecting on the downside, and outperforming the Policy Index by 20 basis points.

The Retirement Fund's diversification, liquidity and transparency are expected to continue to be helpful to the portfolio as it traverses through market volatility, with the objective of protecting on the downside and capturing subsequent market rebounds.

Sincerely,

A handwritten signature in black ink, appearing to read "Kweku Obed".

Kweku Obed, CFA, CAIA

INVESTMENT PREFACE

INVESTMENT AUTHORITY

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

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

INVESTMENT RESPONSIBILITY

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

INVESTMENT POLICY & OBJECTIVES

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

The Fund is expected to meet or exceed the actuarial return assumption on average over 5-year rolling quarterly periods. For the 2023 actuarial valuation, the actuarial return assumption was 7.0%. The Fund's policy index since August 2023 is as follows:

16%	S&P 500 Index	Domestic Large Cap Core
4%	Russell 1000 Growth Index	Domestic Large Cap Growth
4%	S&P 400 Index	Domestic Mid Cap Core
5%	Russell 2500 Value Index	Domestic SMID Cap Value
9%	Russell 2000 Value Index	Domestic Small Cap Value
9%	MSCI ACWI ex-US Index	International Large Cap Core
5%	S&P Developed Small Cap ex-U.S.	International Small Cap Core
5%	MSCI ACWI Minimum Volatility Index	Global Large Cap Core
3%	MSCI Emerging Markets Index	Emerging Markets Core
25%	Bloomberg Barclays US Aggregate Index	Domestic Fixed Income
10%	NFI-ODCE Index	Domestic Real Estate
5%	Burgiss US Private Debt Index	Private Credit

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

INVESTMENT ALLOCATION

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

INVESTMENT MANAGEMENT

The Fund's stated investment objective is to maximize the rate of return within a prudent level of risk. During 2023, the Board of Trustees and investment staff, with the assistance of the Fund's investment consultant, Marquette Associates, undertook the following investment activities related to the Fund's stated investment objective:

- In July and October the Fund received partial redemptions from the UBS Trumbull Property Fund; total redeemed during the year was \$1.4 million.
- Funding of the two new Developed International Large Cap managers Aristotle and EARNEST Partners in the total amount of \$70 million occurred in February 2023, subject to the target asset allocation.
- The Fund received a \$30.0 million special contribution from the District in March, which was invested in SSgA Index Funds
- Following an RFP process begun in January, a new Private Credit manager Brightwood Capital, was hired and partially funded in the amount of \$15.3 million in October, subject to the target asset allocation.
- Investment withdrawals for benefit payments during the year totaled \$93.0 million.

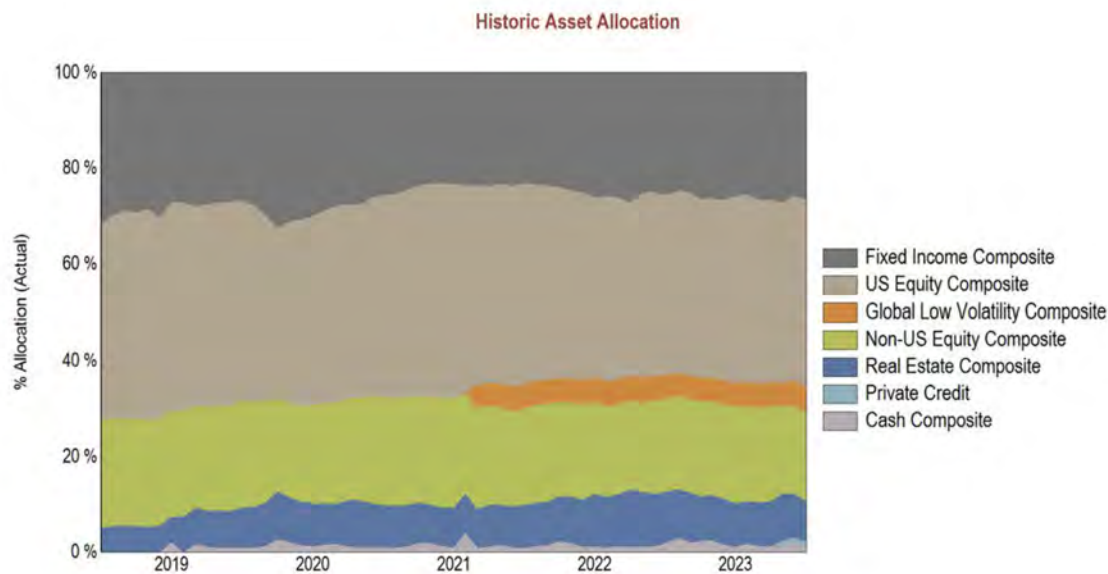
INVESTMENT PERFORMANCE

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

The time weighted rate of return on invested assets for the year ending December 31, 2023 was 13.0% net of fees. The Fund's performance over the long term against the actuarial rate of return assumption, the various component indices, and the Policy Index is an important indicator of how well the Fund is accomplishing its investment objectives. The schedules included in this section are from Marquette Associates Q4 2023 performance report, or prepared by Fund staff; some trend analysis is included as well.

PORTFOLIO ASSET ALLOCATION
By Manager
Type

	December 31, 2023			December 31, 2022		
	<u>Fair Value</u>	<u>Actual</u>	<u>Policy</u>	<u>Fair Value</u>	<u>Actual</u>	<u>Policy</u>
Fixed Income	\$385,257,345	26.4 %	25.0 %	\$341,082,982	25.6 %	27.0 %
U.S. Equity	573,848,581	39.2	38.0	496,721,035	37.3	38.0
Non-U.S. Equity	270,899,087	18.6	17.0	259,185,878	19.4	20.0
Global Equity	73,701,337	5.1	5.0	66,943,456	5.0	5.0
Real Assets	120,823,953	8.3	10.0	144,550,890	10.8	10.0
Privat Credit	14,734,126	1.0	5.0	-	-	-
Cash	<u>19,965,660</u>	<u>1.4</u>	<u>-</u>	<u>25,327,642</u>	<u>1.9</u>	<u>-</u>
Total Investments	<u><u>\$1,459,230,089</u></u>	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>	<u><u>\$1,333,811,883</u></u>	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>



Note: Investment balances in the Investment Section of this report refer to balances per Marquette’s Q4 2023 Performance Book, unless otherwise noted.

PORTFOLIO PERFORMANCE

	Year ending 12/31/23	3-Year Annualized	5-Year Annualized	10-Year Annualized
Total Fund Composite ^{1,2}	13.0%	3.7%	7.6%	6.0%
<i>Policy Index</i>	11.6%	3.1%	7.4%	6.1%
<i>Actuarial Rate 7.0%</i>	7.0%	7.0%	7.0%	7.0%
Fixed Income Composite	6.1%	-3.1%	1.4%	1.9%
<i>Bloomberg US Aggregate TR</i>	5.5%	-3.3%	1.1%	1.8%
US Equity Composite	25.1%	9.4%	13.4%	9.4%
<i>US Equity Custom Benchmark</i>	23.0%	8.7%	13.3%	9.7%
Large Cap Core Composite	26.3%	9.9%	16.8%	12.0%
<i>S&P 500</i>	26.3%	10.0%	15.7%	12.0%
Large Cap Growth Composite	42.7%	--	--	--
<i>Russell 1000 Growth</i>	42.7%	8.9%	19.5%	14.9%
Mid Cap Composite	16.5%	8.1%	11.9%	7.9%
<i>S&P 400 MidCap</i>	16.4%	8.1%	12.6%	9.3%
Smid Cap Composite	17.1%	--	--	--
<i>Russell 2500 Value</i>	16.0%	8.8%	10.8%	7.4%
Small Cap Composite	23.0%	10.3%	12.6%	8.3%
<i>Small Cap Benchmark</i>	14.6%	7.9%	10.0%	7.4%
Global Low Volatility Composite	14.8%	--	--	--
<i>MSCI ACWI Minimum Volatility Index</i>	7.7%	3.3%	6.5%	6.9%
<i>MSCI World</i>	23.8%	7.3%	12.8%	8.6%
Non-US Equity Composite	16.1%	1.6%	6.2%	4.9%
<i>MSCI ACWI ex USA</i>	15.6%	1.5%	7.1%	3.8%
Real Estate Composite	-15.5%	2.6%	1.4%	--
<i>NFI-ODCE</i>	-12.7%	4.0%	3.3%	6.3%

¹ See current Policy Index on p.59. Policy index has been modified over time based on changes to the Fund's asset allocation.

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

**INVESTMENT
RETURNS
Last Ten Years**

December 31 st	Investment Assets ¹	Actuarial Assumption	Portfolio Return ²	Policy Index ³
2014	\$1,281,356,457	7.50%	6.7%	8.2%
2015	1,221,831,791	7.50%	-0.2%	-1.8%
2016	1,271,792,170	7.50%	9.5%	8.5%
2017	1,383,772,856	7.50%	15.6%	15.7%
2018	1,242,672,493	7.50%	-7.5%	-6.9%
2019	1,422,895,959	7.25%	18.3%	18.8%
2020	1,498,905,113	7.25%	9.2%	10.0%
2021	1,645,660,326	7.25%	15.2%	14.2%
2022	1,335,858,090	7.25%	-14.4%	-14.0%
2023	1,457,351,659	7.00%	13.0%	11.6%



¹ Investment Assets balances shown in this table are from the audited Financial Statements.

² Time weighted investment returns are reported net of investment fees.

³ See current Policy Index in Investment Preface. Policy index has been modified over time based on changes to the Fund’s asset allocation.

EQUITY DIVERSIFICATION
as of December 31, 2023

	US Equity		Non-US Equity		Global Equity	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
Communication Services	\$40,743,249	7.1	\$15,170,349	5.6	\$6,190,912	8.4
Consumer Discretionary	83,208,044	14.5	31,966,092	11.8	6,633,120	9.0
Consumer Staples	22,953,943	4.0	17,337,542	6.4	7,075,328	9.6
Energy	20,658,549	3.6	11,919,560	4.4	1,621,429	2.2
Financials	94,111,167	16.4	41,989,358	15.5	11,276,305	15.3
Healthcare	62,549,495	10.9	20,046,532	7.4	10,760,395	14.6
Industrials	68,861,830	12.0	47,407,340	17.5	7,664,939	10.4
Information Technology	117,638,959	20.5	40,905,762	15.1	14,298,059	19.4
Materials	20,084,700	3.5	18,150,239	6.7	1,916,235	2.6
Real Estate	24,101,640	4.2	3,521,688	1.3	1,474,027	2.0
Utilities	9,181,577	1.6	3,250,789	1.2	4,200,976	5.7
Unclassified	9,755,426	1.7	19,233,835	7.1	589,611	0.8
	<u>\$573,848,581</u>	<u>100.0</u>	<u>\$270,899,087</u>	<u>100.0</u>	<u>\$73,701,337</u>	<u>100.0</u>

Note: Fair Value per sector on this schedule is approximate and is calculated based on the Industry Sector distribution percentages applied to the asset class balance at 12/31/23, provided by Marquette Associates.

TOP 10 HOLDINGS - EQUITIES
as of December 31, 2023

US EQUITY - Company Name	Industry	Portfolio Weight %
APPLE INC	Information Technology	4.3
MICROSOFT CORP	Information Technology	4.3
ALPHABET INC	Telecommunication Services	2.3
AMAZON.COM INC	Consumer Discretionary	2.1
NVIDIA CORPORATION	Information Technology	1.8
META PLATFORMS INC	Telecommunication Services	1.2
TESLA INC	Consumer Discretionary	1.1
BROADCOM INC	Information Technology	0.7
ELI LILLY AND CO	Health Care	0.7
UNITED HEALTH GROUP INCORPORATED	Health Care	0.7

NON-US EQUITY - Company Name	Industry	Portfolio Weight %
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	Information Technology	1.4
SAMSUNG ELECTRONICS CO LTD	Information Technology	1.3
SAFRAN SA	Industrials	0.8
BALTIC CLASSIFIEDS ORD GBP1	Telecommunication Services	0.8
TENCENT HOLDINGS LTD	Telecommunication Services	0.7
LEONARDO SPA	Industrials	0.7
CAE INC.	Industrials	0.7
GRUPPO MUTUIONLINE SPA	Financials	0.6
CORPORACION MOCTEZUMA SAB DE CV CMOCTEZ	Industrials	0.6
ALTEN	Information Technology	0.6

GLOBAL EQUITY - Company Name	Industry	Portfolio Weight %
MICROSOFT CORP	Information Technology	3.0
APPLE INC	Information Technology	2.3
JOHNSON & JOHNSON	Health Care	2.0
ALPHABET INC	Telecommunication Services	1.8
MCKESSON CORP	Health Care	1.8
ROCHE HOLDING AG	Health Care	1.7
MERCK & CO INC	Health Care	1.6
DBS GROUP HOLDINGS LTD	Financials	1.5
KDDI CORP	Telecommunication Services	1.5
MCDONALD'S CORP	Consumer Discretionary	1.3

FIXED INCOME DIVERSIFICATION
as of December 31, 2023

Sector	Fair Value	% of Total
U.S Treasuries/Agency	\$ 122,126,578	31.7
Corporate	92,847,020	24.1
Mortgage-Backed	125,593,894	32.6
Asset-Backed	11,172,463	2.9
Foreign	9,246,176	2.4
Municipals	22,344,926	5.8
Other	1,926,287	0.5
Total Fixed Income	\$ 385,257,345	100.0

Note: Fair Value per sector on this schedule is approximate and is calculated based on the Industry Sector distribution percentages applied to the asset class balance at 12/31/23, provided by Marquette Associates.

TOP 10 HOLDINGS - FIXED INCOME
as of December 31, 2023

Security Name	Portfolio Weight %
UST 0% NTS 15/02/32 USDB-2032	1.80
UST 0% NTS 15/05/25 USDAN-2025	1.10
UST 0% NTS 15/02/33 USDB-2033	1.10
UST BDS USD	1.10
UST 2.375% SNR 15/05/27 USD1000	0.90
UST 3.125% SNR 15/11/28 USD1000	0.80
UST 3.75% SNR 15/08/2041 USD100	0.80
UST 2.5% SNR 15/02/2045 USD100	0.70
UST 4.125% NTS 31/08/30 USD1000	0.60
UST 2.375% NTS 15/05/29 USD1000	0.60

TOP 10 HOLDINGS - REAL ESTATE
as of December 31, 2023

UBS TRUMBULL PROPERTY FUND

Property	Type	Location	% of Fund NAV
Liberty Green-Liberty Luxe	Apartment	New York, NY	3.4
Hayward Industrial	Industrial	Hayward, City	2.7
555 17th Street	Office	Denver, CO	2.0
20 Cambridge Side	Office	Cambridge, MA	1.9
Alina	Apartment	Los Angeles, CA	1.9
Meridian Business Campus	Industrial	Weston, FL	1.8
O-I Glass Facility	Industrial	Vernon, CA	1.7
Muze at Met Square	Apartment	Miami, FL	1.7
Amazon Highland Cross	Industrial	Rutherford, NJ	1.5
Globe Center	Industrial	Morrisville, NC	1.5

DWS RREEF AMERICA II

Company Name	Type	Location	% of Fund NAV
Riverfront	Office	Cambridge,MA	4.2
Fullerton Crossroads	Industrial	Fullerton,CA	3.7
NJ Ports I	Industrial	Jersey City,NJ	2.7
Manhattan Village	Retail	Manhattan Beach,CA	2.6
Gateway Commerce Center	Industrial	Columbia,MD	2.0
Harris Business Center	Industrial	City of Commerce, CA	1.9
Stadium Plaza Business Park	Industrial	Anaheim, CA	1.8
Alvarado	Industrial	Union City, CA	1.8
Sharon Green	Apartment	Menlo Park,CA	1.5
Applegate	Industrial	Cranbury, NJ	1.5

Investment Portfolio Analytics

Investment Section

ASSETS UNDER MANAGEMENT

By Asset Type and Manager

	December 31, 2023		December 31, 2022	
	Fair Value	% of Total	Fair Value	% of Total
<u>Fixed Income Managers</u>				
Neuberger Berman	\$ 99,379,468	6.8	\$ 92,806,292	7.0
Ramirez Asset Management	71,548,441	4.9	67,150,172	5.0
State Street Global Advisors	159,867,461	11.0	129,372,378	9.7
Garcia Hamilton & Associates	54,461,975	3.7	51,754,140	3.9
Total Fixed Income	385,257,345	26.4	341,082,982	25.6
<u>Equity Managers</u>				
U.S. Equity				
Ariel Investments	76,720,701	5.3	65,226,490	4.9
Mesirow Financial Management	60,079,461	4.1	53,020,907	4.0
State Street Global Advisors S&P500	222,152,221	15.2	197,305,005	14.8
State Street Global Advisors S&P400	58,990,846	4.0	53,567,514	4.0
State Street Global Advisors Russell1KG	78,175,503	5.4	59,278,354	4.4
Wasatch Advisors	77,729,849	5.3	68,322,765	5.1
Subtotal	573,848,581	39.3	496,721,035	37.2
Non-U.S. Equity				
Aristotle Capital Management	27,354,343	1.9	-	0.0
Dimensional Fund Advisors	52,927,158	3.6	66,876,172	5.0
Driehaus Capital Management	42,184,738	2.9	37,254,475	2.8
EARNEST Partners	50,303,454	3.4	-	0.0
Kayne Anderson Rudnick	42,110,928	2.9	35,355,349	2.7
LSV Asset Management	793,068	0.0	870,766	0.0
State Street Global Advisors MSCI-ACWI	55,225,398	3.9	118,829,116	8.9
Subtotal	270,899,087	18.6	259,185,878	19.4
Global Equity				
MFS Investment Management	36,631,948	2.5	34,723,256	2.6
Northern Trust Asset Management	37,069,389	2.5	32,220,200	2.4
Subtotal	73,701,337	5.0	66,943,456	5.0
Total Equities	918,449,005	62.9	822,850,369	61.6
<u>Real Estate Managers</u>				
DWS RREEF America II	77,561,595	5.3	91,665,759	6.9
UBS Trumbull Property Fund	43,262,358	3.0	52,885,131	4.0
Total Real Estate	120,823,953	8.3	144,550,890	10.9
<u>Private Credit Manager</u>				
Brightwood Capital	14,734,126	1.0	52,885,131	4.0
Total Private Credit	14,734,126	1.0	52,885,131	4.0
Cash	19,965,661	1.4	25,327,642	1.9
Total Investments	\$ 1,459,230,090	100.0	\$ 1,333,811,883	100.0

INVESTMENT MANAGER COMPENSATION

<u>Investment Managers:</u> ¹	<u>2023</u>	<u>2022</u>
Ariel Investments	\$ 317,848	\$ 351,410
Aristotle Capital Management	113,781	-
DWS RREEF	793,520	876,984
Driehaus Capital Management	313,144	199,860
EARNEST Partners	231,159	-
Garcia Hamilton & Associates	101,353	108,705
Kayne Anderson Rudnick Investment Management	307,454	192,914
LSV Asset Management	-	196,088
MFS Investment Management	108,367	113,397
Mesirow Financial Management	325,553	341,038
Neuberger Berman	240,161	248,111
Northern Trust Asset Management	93,122	97,759
Ramirez Asset Management	127,107	126,907
State Street Global Advisors	131,689	169,672
UBS Realty Investors	398,327	476,361
Wasatch Advisors	527,260	542,043
Total	<u>\$ 4,129,845</u>	<u>\$ 4,041,249</u>

CUSTODIAL FEES²

<u>Institution</u>		
Bank of New York Mellon Co.	\$ 270,339	\$ 230,062
KPMG	3,500	-
	<u>\$ 273,839</u>	<u>\$ 230,062</u>

INVESTMENT CONSULTANT FEES

<u>Consulting Firm</u>		
Marquette Associates	\$ 180,000	\$ 180,000
Total Investment Expenses	<u>\$ 4,583,684</u>	<u>\$ 4,451,311</u>

¹ For financial statement reporting purposes, investment manager compensation is reflected in the financial statements along with other direct investment expenses as an offset to investment income and is so described within the notes to the financial statements.

² Custodial fees paid to BNYM do not include management fees related to the Fund's commingled assets custodied by State Street and Dimensional Fund Advisors.

Note: Pro rata management fees and other expenses estimated at \$264,000 for the Dimensional Fund Advisors (DFA) mutual fund allocation are not recorded in the Financial Statements in accordance with GAAP; they are recorded by DFA as a reduction of NAV.

U.S. BROKERAGE COMMISSIONS**Year Ended December 31, 2023**

<u>Broker Name</u>	<u>Commissions¹</u>	<u>% of Total</u>
Loop Capital Markets LLC ²	\$ 19,535	13.1
Robert W Baird & Co. Incorporated	18,942	12.7
Drexel Hamilton LLC ²	18,152	12.2
Penserra Securities LLC ²	15,364	10.3
CastleOak Securities LP ²	9,418	6.3
Jeffries & Co Inc	8,799	5.9
Raymond James & Associates Inc	7,707	5.2
Bank of America/ Merrill Lynch	5,925	4.0
Virtu Americas LLC	5,596	3.8
Stifel, Nicolaus & Company, Incorporated	4,426	3.0
BTIG LLC	3,604	2.4
Goldman Sachs & Co. LLC	3,584	2.4
Liquidnet Inc	3,458	2.3
Siebert Williams Shank & Co LLC ²	3,062	2.1
Piper Sandler Companies	2,667	1.8
Wolfe Research LLC	1,944	1.3
Jones Trading Inc	1,842	1.2
Cabrera Capital Markets LLC ²	1,695	1.1
Academy Securities Inc. ²	1,675	1.1
KeyBanc Capital Markets Inc	1,590	1.1
Keefe Bruyette & Woods Inc	1,423	1.0
Subtotal	140,411	94.3
All Others ³	8,683	5.7
Total	<u>\$ 149,094</u>	<u>100.0</u>

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

² Brokerage for stock trades executed by Minority/Women/Disabled/Veteran – Owned Business Enterprises.

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

NON-U.S. BROKERAGE COMMISSIONS**Year Ended December 31, 2023**

<u>Broker Name</u>	<u>Commissions¹</u>	<u>% of Total</u>
Cabrera Capital Markets LLC ²	\$ 19,615	15.6
Loop Capital Markets LLC ²	13,785	11.0
Berenberg Bank	11,484	9.1
Morgan Stanley & Co LLC	7,915	6.3
Liquidnet	7,896	6.3
CastleOak Securities LP ²	4,799	3.8
Oppenheimer & Co	4,455	3.5
Goldman Sachs & Co LLC	4,308	3.4
J.P. Morgan Securities LLC	3,199	2.5
RBC Capital Markets LLC	3,011	2.4
Kepler Capital Markets Inc	2,966	2.4
UBS Securities LLC	2,950	2.3
Jeffries & Co Inc	2,940	2.3
North South Capital LLC ²	2,757	2.2
Daiwa Capital Markets Inc	2,574	2.0
Barclays Capital Inc	2,394	1.9
Macquarie Capital Markets LTD	2,072	1.6
Jones Trading Institutional Services LLC	1,901	1.5
Sanford C Bernstein & Co LLC	1,608	1.3
DNB Markets Inc	1,518	1.2
Cowen and Co LLC	1,409	1.1
Merrill Lynch	1,353	1.1
Citigroup	1,226	1.0
Subtotal	108,135	85.8
All Others ³	17,541	14.2
Total	<u>\$ 125,675</u>	<u>100.0</u>

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

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

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

ACTUARIAL SECTION

Actuarial Certification

Actuarial Report:

Preface

Summary of Valuation Results

Actuarial Liability and Funded Ratio

Employer's Normal Cost

Actuarially Determined Contribution

Unfunded Actuarial Liability

Participant Data

Actuarial Assumptions and Methods

Plan Provisions

Analysis of Funding:

Schedule of Funding Progress (with graph)

Solvency Test

History of Change in Unfunded Liability

Historical Valuation Data:

History of Active Member Valuation Data

History of Employer Contributions

History of Employee Annuitants and Survivor Annuitants Added to and Removed from Payroll



April 18, 2024

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

Dear Board:

We are pleased to present to the Board this report of the December 31, 2023 actuarial valuation of the Metropolitan Water Reclamation District Retirement Fund.

The valuation was performed as of December 31, 2023 to determine the current funding status and to develop the appropriate funding requirements for the applicable plan year. Successive valuations will be performed every year.

Included are the related results for GASB Statements No. 67 and No. 68. The total pension liability, net pension liability, and certain sensitivity information shown in the GASB results are based on an actuarial valuation performed as of the valuation date. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Use of the results for other purposes may not be applicable and produce significantly different results.

Data Sources

In preparing this report, we have relied on personnel, plan design and asset information supplied by the Fund. The actuarial value of assets was determined based on audited financial statements supplied by Legacy Professionals LLP, the auditor for the Fund. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated fund experience. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

Experience

The experience of the Fund over the last year is outlined in this report. Overall, the Fund experienced an actuarial loss of \$50,641,806 which consists of a \$20,303,079 loss on the Fund's actuarial value of assets and a \$30,338,727 loss on the Fund's actuarial accrued liability. Based on the actuarial value of assets, the Fund earned 6.00% compared to the assumed 7.00% return. The primary sources of liability loss were more retirements than expected, fewer deaths than expected, and higher salary increases than expected.

Changes Since Prior Report

The valuation reflects the following assumption changes based on a December 18, 2023 experience study:

- Decreased the assumed investment return from 7.25% to 7.00%.
- Updated the retirement rate, withdrawal rate and salary increase rate assumptions.
- Updated mortality rate assumption to the currently available public tables.
- Updated the payroll growth assumption from 3.00% to 2.75%.
- Updated the assumed spousal age difference from 4 years to 3 years.

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Contribution Amounts

The statutory funding objective of the Fund is to attain a funded ratio of 100% by the year 2050. District contributions equal an amount that will be sufficient to meet the Fund's actuarially determined contribution requirement but shall not exceed an amount equal to the total employee contributions 2 years prior multiplied by 4.19.

Based on the results of this valuation, the actuarially determined contribution applicable for the fiscal year ending December 31, 2024 is \$94,431,232. This contribution is based on a 100% funding target. Based on the pension code, the maximum employer contribution (based on the 4.19 multiplier) is \$88,734,000.

We estimate that a multiplier of 4.46 is required to cover the full actuarially determined contribution requirement for the year 2024.

Illinois Public Act 97-0894 (effective 8/3/2012) provided for changes to member contribution requirements and the required multiplier. The expected member contributions reflect the same rates as the prior year valuation.

Schedules for Annual Financial Report

The report includes information and trend data schedules for use in the Annual Financial Report. The following information and exhibits are included in the body of the report and Supplementary Tables section:

- Recommended Employer Multiple
- Present Value of Future Benefits
- Membership Note Data
- Participant Statistics
- History of Change in Unfunded Accrued Liability
- History of Annuitants and Surviving Spouses Added/Dropped from Rolls
- Summary of Annuitants and Surviving Spouses by Age
- History of Average Annuities at Retirement
- Breakdown of Aggregate Accrued Liabilities

Actuarial Certification

The valuations have been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Article 13, Illinois Pension Code, as well as applicable federal laws and regulations. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

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

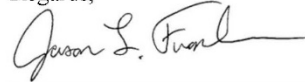
In our opinion, the following valuation results fairly present the financial condition of the Metropolitan Water Reclamation District Retirement Fund as of December 31, 2023.

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Metropolitan Water Reclamation District, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Metropolitan Water Reclamation District Retirement Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

We look forward to discussing the results with you.

Regards,



Jason L. Franken, FSA, EA, MAAA

Enrollment Number: 23-06888
Foster & Foster, Inc.

ACTUARIAL PREFACE

PENSION FINANCING

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

ACTUAL FUNDING

The Fund is financed by employee contributions, employer contributions and investment earnings; investment earnings and employer funding are the primary determinants of the Fund's financial status.

Through fiscal year 2013, statutory employer contributions were capped at 2.19 times employee contributions made in the calendar year two years prior. Beginning in 2013, employer contributions were increased to the lesser of the amount resulting from using a 4.19 multiple, or the actuarially determined contribution requirement to be 90% funded by 2050.

Prior to 2013, employee contributions were 9% of salary for all employees. Contributions for Tier 1 employees, members prior to January 1, 2011, increased to 10% of salary in 2013, to 11% in 2014 and to 12% in 2015; the Tier 1 contribution rate remains at 12% until the Fund achieves 90% funded. Contributions for Tier 2 employees, members after January 1, 2011, are 9% of salary.

ACTUARIAL FUNDING

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

1. Based on the demographic data and actuarial assumptions described above, the amount and timing of benefits payable in the future are estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the turnover, retirement age, and earnings progression for active members, and mortality for all participants.
2. The actuary then calculates the actuarial present value of these future benefits. This is the amount necessary to be invested at the valuation interest rate, at the valuation date, to provide benefit payments as they come due. Each year's estimated benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.
3. The final step is to apply a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of normal cost and accrued benefit cost.

An experience study was conducted in 2023 to review the actuarial experience during the years 2018-2022. All actuarial assumptions were reviewed for appropriateness going forward. One of the most important actuarial assumptions is the assumed investment rate of return, which was reduced to 7.0% from 7.25%. Other assumptions either were changed or left constant.

The Fund uses the entry age normal actuarial cost method with costs allocated on the basis of earnings, one of several accepted actuarial cost methods. Under this cost method, the Actuarial Present Value of the projected pension of each member included in the valuation is assumed to be funded by annual installments, equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The normal cost for the member for the current year is equal to the portion of the value so determined, assigned to this year. The normal cost for the plan for the year is the sum of the normal costs of all active members. The normal cost for the year beginning January 1, 2024 was determined to be \$34.0 million or 16.63% of payroll, 10.76% of payroll is expected from employee contributions, and 5.87% of payroll is the employer's portion. Employers share of normal cost is adjusted by 1.45% of payroll for administrative expenses, making the employer's portion 7.32% of payroll.

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

To the extent that current assets plus future normal costs (assumed to be funded annually) do not support members expected future benefits, an Unfunded Actuarial Accrued Liability (UAAL) develops. The UAAL is generally amortized over a fixed period (e.g. 30 years) from the date incurred. Actuarial funding of plan benefits would require annual District (employer) contributions which at least cover the employer's normal cost, plus an amortization of the UAAL. In the past the District funded the plan according to statute as described above, which until the 2013 employer contribution resulted in actual contributions that often fell short of the actuarial requirement. Legislation passed in 2012 changed the computation of the employer contribution, resulting in higher District contributions that more closely approximated the actuarial funding requirement, and required higher employee contributions, with the goal of achieving 90% funded by the year 2050. The Fund statutes were amended in 2022 to reflect a funding goal of 100% by 2050.

The information following this Preface is from the December 31, 2023, actuarial valuation performed by Foster & Foster, which was based upon:

- a) Membership data - provided by Fund staff
- b) Assets of the Fund - audited financial statements
- c) Actuarial Method – entry age actuarial cost method, approved by the Board
- d) Actuarial Assumptions – summarized in this section, approved by the Board

SUMMARY OF VALUATION RESULTS

	December 31, 2023	December 31, 2022
Total Actuarial Liability	\$ 2,989,813,526	\$ 2,811,600,986
Actuarial Value of Assets	<u>1,658,670,756</u>	<u>1,624,081,682</u>
Unfunded Actuarial Liability	\$ 1,331,142,770	\$ 1,187,519,304
Funded Ratio	55.5%	57.8%
Fair Value of Assets	\$ 1,546,579,883	\$ 1,437,656,196
Unfunded Liability (FVA basis)	\$ 1,443,233,643	\$ 1,373,944,790
Funded Ratio (FVA basis)	51.7%	51.1%
Employer Normal Cost as % of Payroll:		
Tier 1 Benefits	7.41%	6.07%
Tier 2 Benefits	3.69%	2.91%
Administrative Expenses	1.45%	1.09%
Total Employer Normal Cost	7.32%	5.97%
Applicable Fiscal Year ¹	2024	2023
Actuarially Determined Contribution	\$ 94,431,232	\$ 81,128,393
Contribution Requirement For Fiscal Year ²	\$ 88,734,000	\$ 81,128,393
Expected Employer Contribution for Fiscal Year	\$ 88,734,000	\$ 86,440,000

¹ The contribution requirements are levied in the applicable fiscal year and deposited into the Fund during the following fiscal year.

² See details of calculation on page 82.

Source: Foster & Foster

ACTUARIAL LIABILITY AND FUNDED RATIO

Below are details regarding the actuarial liability and funded ratio as of December 31, 2023.

1.	Present Value of Future Benefits	\$	3,267,871,790
2.	Active Members		
	Retirement	\$	690,376,170
	Termination		18,017,525
	Death		11,361,934
	Disability		<u>6,742,129</u>
	Total Actuarial Liability	\$	726,497,758
3.	Members Receiving Benefits		
	Retirement Annuities	\$	1,972,230,694
	Survivor Annuities/Children		<u>273,649,780</u>
	Total Actuarial Liability	\$	2,245,880,474
4.	Actuarial Liability - Inactive Members	\$	17,435,294
5.	Total Actuarial Liability (2. + 3. + 4.)	\$	2,989,813,526
6.	Actuarial Value of Assets	\$	1,658,670,756
7.	Unfunded Actuarial Liability	\$	1,331,142,770
8.	Funded Ratio		55.5%

Source: Foster & Foster

EMPLOYER’S NORMAL COST

Below is a summary of the employer’s share of the normal cost for the year beginning January 1, 2024.

Normal Cost	Tier 1		Tier 2		Total	
	Normal Cost	Percent of Total Payroll	Normal Cost	Percent of Total Payroll	Normal Cost	Percent of Total Payroll
Retirement	\$ 21,173,645	17.67%	\$ 7,886,873	9.32%	\$ 29,060,518	14.22%
Termination	920,488	0.77%	1,676,132	1.98%	2,596,620	1.27%
Death	835,445	0.70%	735,820	0.87%	1,571,265	0.77%
Disability	324,407	0.27%	433,424	0.51%	757,831	0.37%
Total Normal Cost	\$ 23,253,985	19.41%	\$ 10,732,249	12.69%	\$ 33,986,234	16.63%
Expected Member Contributions	\$ 14,377,153	12.00%	\$ 7,612,065	9.00%	\$ 21,989,218	10.76%
Employer's Share of Normal Cost	\$ 8,876,832	7.41%	\$ 3,120,184	3.69%	\$ 11,997,016	5.87%
Expected Administrative Expenses					\$ 2,954,114	1.45%
Employer's Share of Normal Cost, adjusted for expected administrative expenses					\$ 14,951,130	7.32%
Pensionable Payroll	\$ 119,809,609		\$ 84,578,504		\$ 204,388,113	

Source: Foster & Foster

ACTUARIALLY DETERMINED CONTRIBUTION

The actuarially determined contribution requirement based on the provisions applicable for fiscal years 2013 and later, according to section 13-503 of Article 13 of the Illinois Pension Code, is below.

	New Assumptions	Prior Assumptions
1. Employer's Share of Normal Cost	\$ 14,951,130	\$ 12,529,347
2. Amortization Payment (annual amount to amortize 100% of the unfunded liability by 2050)		
Actuarial Liability	\$ 2,989,813,526	\$ 2,873,907,282
Actuarial Assets	\$ 1,658,670,756	\$ 1,658,670,756
Unfunded Accrued Liability	\$ 1,331,142,770	\$ 1,215,236,526
Amortization Period	27 years	27 years
Amortization Payment	\$ 79,480,102	\$72,485,494
3. Actuarially Determined Contribution for Year Beginning January 1, 2024	\$ 94,431,232	\$ 85,014,841
as a percentage of pensionable payroll	46.20%	41.59%
4. District's Funding Policy (4.19 x Total Member Contributions for two years prior)	\$ 88,734,000	\$ 88,734,000
as a percentage of pensionable payroll	43.41%	43.41%
5. Statutory Employer Contribution (lesser of 3 and 4)	\$ 88,734,000	\$ 85,014,841

Source: Foster & Foster

UNFUNDED ACTUARIAL LIABILITY

1. Unfunded Actuarial Accrued Liability (UAAL) as of December 31, 2022	\$ 1,187,519,304
2. Employer Normal Cost, Developed as of December 31, 2022	11,686,397
3. Expected Interest (7.25%) on 1. and 2.	86,942,413
4. Employer Contributions	117,373,061
5. Expected Interest (7.25%, mid-year) on 4.	4,180,331
6. Expected UAAL as of December 31, 2023 (1)+(2)+(3)-(4)-(5)	1,164,594,722
7. Change in UAAL Due to Actuarial (Gain)/Loss, by component	
Increase in UAAL due to AVA investment return lower than assumed	20,303,079
Increase in UAAL due to salary increases higher than assumed	7,445,891
Increase in UAAL due to decrement experience	7,657,174
Increase in UAAL due to inactive mortality experience	8,963,678
Increase in UAAL due to other changes	<u>6,271,984</u>
Net increase in UAAL due to actuarial experience	50,641,806
8. Change in UAAL Due to Assumption Changes	115,906,242
9. Unfunded Actuarial Accrued Liability as of December 31, 2023	\$ 1,331,142,770

Source: Foster & Foster

PARTICIPANT DATA

Participant Information	December 31, 2023	December 31, 2022	Change
Number Active Members - Total	1,771	1,747	1.4%
Number Active Members - Fully Vested	962	954	0.8%
Number Receiving Benefits			
Retirement Annuities	1,920	1,915	0.3%
Surviving Spouse Annuities	549	547	0.4%
Children's Annuities	16	18	-11.1%
Number Inactive Members - Total	128	131	-2.3%
Number Inactive Members - Vested	40	35	14.3%
Total Members	4,384	4,358	0.6%
Total Pensionable Salary	\$ 204,388,113	\$ 195,713,509	4.4%
Active Statistics – Tier 1			
Number	916	979	-6.4%
Average Age	54.41	54.03	0.7%
Average Service	18.99	18.51	2.6%
Pensionable Salary	\$ 119,809,609	\$ 122,028,694	-1.8%
Average Pensionable Salary	\$ 130,797	\$ 124,646	4.9%
Active Statistics – Tier 2			
Number	855	768	11.3%
Average Age	44.56	44.12	1.0%
Average Service	5.61	5.30	5.7%
Total Salary	\$ 86,985,083	\$ 74,960,877	16.0%
Average Salary	\$ 101,737	\$ 97,605	4.2%
Pensionable Salary	\$ 84,578,504	\$ 73,684,815	14.8%
Average Pensionable Salary	\$ 98,922	\$ 95,944	3.1%
Annual Benefit Payments for Members Receiving Benefits			
Retirement Annuities	\$ 163,259,896	\$ 158,591,403	2.9%
Surviving Spouse Annuities	\$ 32,985,637	\$ 31,277,760	5.5%
Children's Annuities	\$ 96,000	\$ 108,000	-11.1%

Source: Foster & Foster

ACTUARIAL ASSUMPTIONS AND METHODS

Below is a summary of the actuarial assumptions for the December 31, 2023 valuation. An experience study was performed December 18, 2023 based on data for the period December 31, 2017 through December 31, 2022. The assumptions below are based on the experience study and were recommended by Foster & Foster Actuaries, and adopted by the Board of Trustees effective December 31, 2023.

Interest Rate 7.00%

Mortality Rate

Active Lives:

PubG.-2010 (amount-weighted) Employee mortality, unadjusted, projected to 2023 with MP-2021.

Inactive Lives:

PubG.-2010 (amount-weighted) Healthy Retiree mortality, adjusted by a factor of 1.067 for male retirees and 1.061 for female retirees, projected to 2023 with MP-2021.

Beneficiaries:

PubG.-2010 (amount-weighted) Survivor mortality, adjusted by a factor of 0.973 for male beneficiaries and adjusted by a factor of 1.075 for female beneficiaries, projected to 2023 with MP-2021.

Disabled Lives:

PubS.-2010 Disabled mortality, unadjusted with no mortality improvements.

The mortality assumptions sufficiently accommodate anticipated future mortality improvements.

Annual Increase - Annuitants

Hired On Or After January 1, 2011 1.25%

Hired Before January 1, 2011 3.00%

Inflation 2.50%

Salary Increases See Table 1

Retirement Rates See Table 2

Termination Rates See Table 3

Disability Rates See Table 4

Load for Reciprocal Benefits 1.5% of active member costs and liabilities.

Percent Married 76%

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Spousal Age Difference	Spouse of male member assumed to be 3 years younger than member; Spouse of female member assumed to be 3 years older than member.
Actuarial Cost Method	Entry Age Normal, with costs allocated on basis of earnings. Actuarial gains and losses are reflected in the unfunded actuarial liability.
Actuarially Determined Contribution Requirement	Section 13-503. Employer's normal cost plus the annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll. The target funded ratio is 100% by the year 2050.
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.
Payroll Growth	2.75%
Assumed Administrative Expenses	Administrative expenses paid from the trust during the prior year.
Source of Data	Data and audited financial information is provided by the Fund.
Valuation Date	December 31, 2023.

Changes in Funding Assumptions/Methods Since the Prior Valuation

The valuation reflects the following changes since the prior valuation:

- Decreased the assumed investment return from 7.25% to 7.00%.
- Updated the retirement rate, withdrawal rate and salary increase rate assumptions.
- Updated mortality rate assumption to the currently available public tables.
- Updated the payroll growth assumption from 3.00% to 2.75%.
- Updated the assumed spousal age difference from 4 years to 3 years.

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Table 1 – Salary Increase Rates

Service	Salary Increase Rate
0	7.50%
1	6.00%
2	5.75%
3	5.00%
4	4.50%
5	5.00%
6	4.50%
7	4.00%
8	4.50%
9	5.00%
10 - 14	3.50%
15	5.00%
16 - 18	3.50%
19	5.00%
20+	3.50%

Table 2 – Retirement Rates

Age	Retirement Rate
50 - 56	10%
57 - 59	11%
60	16%
61	13%
62	17%
63 - 64	10%
65 - 67	20%
68 - 69	25%
70 - 71	20%
72	33%
73	20%
74	40%
75	100%

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Table 3 – Termination Rates

Service	Male Rate	Female Rate
0	6.00%	8.00%
1	4.00%	7.00%
2	2.50%	6.00%
3	2.25%	4.70%
4	2.00%	3.40%
5	1.90%	3.00%
6	1.80%	2.90%
7	1.75%	2.80%
8	1.65%	2.70%
9	1.60%	2.60%
10	1.55%	2.50%
11	1.45%	2.40%
12	1.35%	2.30%
13	1.10%	2.20%
14	1.10%	2.10%
15	1.05%	2.00%
16 – 23	1.00%	2.00%
24+	0.50%	2.00%

Table 4 – Disability Rates (Sample Rates)

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

PLAN PROVISIONS

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

Eligibility	All employees of the District whose duties indicate service during the calendar year for a minimum of 120 days are eligible.
Normal Retirement Eligibility	Hired before January 1, 2011: Age 60 and 5 years of service Hired on or after January 1, 2011: Age 67 and 10 years of service
Normal Retirement Benefit	The annual benefit payable immediately is equal to the sum of: <ul style="list-style-type: none"> (a) 2.2% of Average Final Salary for each year of service up to 20 years. (b) 2.4% of Average Final Salary for each year of service in excess of 20 years <p>The benefit shall not exceed 80% of Average Final Salary.</p>
Early Retirement Eligibility	Hired before January 1, 2011: Age 55 (50 if hired before June 13, 1997) and 10 years of service Hired on or after January 1, 2011: Age 62 and 10 years of service
Early Retirement Benefit	Normal Retirement Benefit reduced as follows: Hired before January 1, 2011: If member retires before reaching age 60 with less than 30 years of service, 0.5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less. Hired on or after January 1, 2011: 0.5% per month the member is less than age 67
Deferred Retirement Eligibility	Tier 1: Age 55 (50 if hired before June 13, 1997) and 5 years of service. Tier 2: 10 years of service

Deferred Retirement Benefit

The annual benefit payable at the following ages:

Hired before January 1, 2011:

Age 62, if withdraw on or after age 55 (50 if hired before June 13, 1997) with at least 5 years of service and less than 10 years

Age 55 (50 if hired before June 13, 1997), if withdraw with 10 years of service

Hired on or after January 1, 2011: Age 62, if withdraw with 10 years of service

The annual benefit amount equals the Normal Retirement Benefit reduced with Early Retirement Reductions.

Minimum Retirement Annuity

10 years of service: \$500 per month plus \$25 per month for each year of service in excess of 10 years, not to exceed \$750 with 20 years of service

Less than 10 years of service or retirement before age 60: \$250 per month

Duty Disability Eligibility

Member incurs injury or sickness due to employment with the District and is compensable under the Workers' Compensation Act or the Occupational Disease Act.

Duty Disability Benefit

75% of salary earned on the date of disability, less the amount paid by Workers' Compensation

Benefit is 50% of salary if disability resulted from physical defect or disease that existed at the time injury was sustained.

Benefits are payable during period of disablement, but not beyond attainment of age 65. If disability occurs at age 60 or older, benefits are payable for a maximum of 5 years.

Ordinary Disability Eligibility

Member becomes disabled due to any cause other than injury or illness incurred in the performance of duty.

Ordinary Disability Benefit

50% of earnable salary at the date of disability

Member may receive ordinary disability benefits for a maximum period of the lesser of 25% of member's actual service prior to disablement or 5 years.

Surviving Spouse Annuity Eligibility

Hired before June 13, 1997: Immediately eligible if married to member on date of member's death while in service or married to member on member's date of termination from service and remained married until member's death. Dissolution of marriage after retirement shall not divest the member's spouse of entitlement if marriage was in effect for at least 10 years on the date of retirement.

Hired on or after June 13, 1997: Eligible after 3 years of service. Conditions for marriage described for members hired prior to June 13, 1997 apply.

Surviving Spouse Benefit

Hired before January 1, 2011: Retirement annuity earned at the time of death multiplied by a factor of 60% plus 1% for each year of member's total service, to a maximum of 85%. If hired after January 1, 1992, annuity is reduced by 0.25% for each full month spouse is younger than member to maximum reduction of 60%. Discount is reduced by 10% for each year marriage is in effect.

Hired on or after January 1, 2011: 66 2/3% of retirement annuity earned at the time of death.

Minimum Surviving Spouse Annuity

Member with 10 years of service: greater of (a) \$500 per month plus \$25 per month for each year of service in excess of 10, not to exceed \$750 per month, or (b) 50% of the retirement annuity of member at time of death.

Member with less than 10 years of service: \$250 per month.

Children's Annuity Eligibility

Member parent dies in service or deceased parent was former member with at least 10 years of service. Child is unmarried and less than age 18 (23, if full-time student).

Children's Annuity Benefit

\$500 per month for each child if have living parent and \$1,000 per month for each child if neither parent is living to a maximum of \$5,000 per month.

Annual Increase

Hired before January 1, 2011: Retirement annuity is increased on the anniversary of retirement by 3% of the monthly annuity payable at the time of increase.

Spouse annuity is increased on the earlier of the anniversary of the member's death or retirement (whichever occurs first) by 3% of the monthly annuity payable at the time of increase.

Hired on or after January 1, 2011: increase percentage is the lesser of 3% or ½ the increase in CPI-U during the previous calendar year. Increase is based on the originally granted retirement or spouse's annuity.

Member Contributions – retiree annuity

<u>Pay period:</u>	<u>Contribution % Annuity:</u>	<u>Contribution % Annual Inc.:</u>
Before January 1, 2013	7.0%	0.5%
During calendar year 2013	7.5%	1.0%
During calendar year 2014	8.0%	1.5%
During calendar year 2015 and until fund is 90% funded	8.5%	1.5%
After fund is 90% funded	7.0%	0.5%

Members hired on or after January 1, 2011 have member contributions of 7.5% (7.0% of pay for the annuity and 0.5% of pay for annual increases).

Member Contributions – spouse annuity

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

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

Refund to Member upon Termination	<p>Hired before January 1, 2011: Eligible for refund of all member contributions without interest if under age 55 (50 if hired before June 13, 1997); if age 60 with less than 20 years of service; or if 60 with less than 5 years of service. Upon receipt of refund, member forfeits rights to benefits from the Fund.</p> <p>Hired on or after January 1, 2011: Eligible for refund of all member contributions without interest if under age 62; or if have less than 10 years of service on termination. Upon receipt of refund, member forfeits rights to benefits from the Fund.</p>
Refund for Surviving Spouse's Annuity	Members unmarried at the time of retirement will receive a refund of contributions for spouse annuity with interest at 3% per year, compounded annually.
Refund of Remaining Amounts	If upon death the total amount contributed by the member with 3% interest per year has not been paid to the member, the spouse or designated beneficiaries or estate receives a refund of the excess amount.
Required Contribution – Illinois Pension Code	Lesser of actuarially determined contribution and 4.19 multiplied by total member contributions for the two years prior.
District's Funding Policy	Effective August 27, 2014, the District implemented a policy of contributing an amount equal to 4.19 multiplied by total member contributions for the two years prior until the Fund reaches a funded ratio of 100%.
Pension Service	Any employment, excluding overtime or extra service for which salary is received.
Average Final Salary	<p>Hired before January 1, 2011: Highest average annual salary for any 52 consecutive bi-weekly pay periods within the last 10 years of service immediately preceding the date of retirement.</p> <p>Hired on or after January 1, 2011: Highest average annual salary for 96 consecutive months of service within last 120 months of service, limited to \$106,800 (automatically increased by lesser of 3% or ½ the increase in CPI-U during the previous calendar year).</p>

Pensionable Salary

Salary paid to a Fund member for service to the District or to the Fund, including salary paid for vacation and sick leave and any amounts deferred under a deferred compensation plan established under the Code, but excluding the following: payment for unused vacation or sick leave, overtime pay, termination pay and any compensation in the form of benefits other than salary.

Salary for members hired on or after January 1, 2011 is subject to the salary limitations established in the Illinois Pension Code. The statutory salary limitation is \$119,892.41 for calendar 2022 and \$123,489.18 for calendar 2023.

Changes in Fund Provisions Since the Prior Valuation

- None

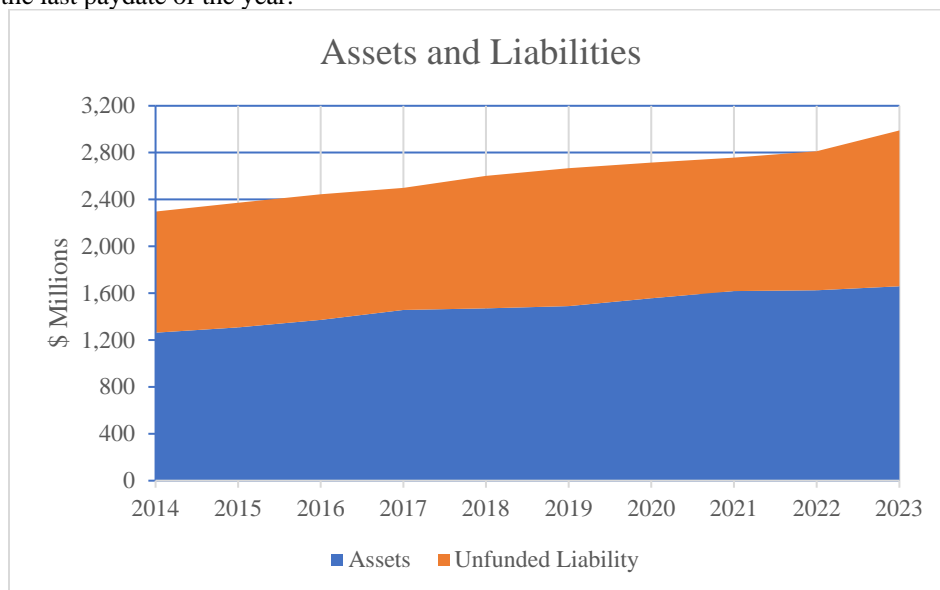
SCHEDULE OF FUNDING PROGRESS
(Actuarial Funding - Going Concern, Entry Age Normal Method)

Year End	Total Actuarial Accrued Liability (AAL)	Actuarial Value of Assets ¹	Funded Ratio	Unfunded AAL (UAAL)	Active Pensionable Payroll ³	UAAL as a % of Payroll
2014 ²	\$2,296,438,698	\$1,263,287,068	55.0%	\$1,033,151,630	\$176,183,941	586.4%
2015	2,371,031,195	1,307,982,039	55.2%	1,063,049,156	177,507,159	598.9%
2016	2,443,291,644	1,372,361,950	56.2%	1,070,929,694	182,640,163	586.4%
2017	2,497,890,179	1,456,195,876	58.3%	1,041,694,303	184,385,188	565.0%
2018 ²	2,601,163,632	1,470,308,639	56.5%	1,130,854,993	187,849,708	602.0%
2019	2,666,221,630	1,489,266,144	55.9%	1,176,955,486	189,961,010	619.6%
2020	2,714,192,284	1,556,056,167	57.3%	1,158,136,117	188,072,970	615.8%
2021	2,756,489,008	1,617,809,696	58.7%	1,138,679,312	187,213,026	608.2%
2022	2,811,600,986	1,624,081,682	57.8%	1,187,519,304	195,713,509	606.8%
2023 ²	2,989,813,526	1,658,670,756	55.5%	1,331,142,770	195,713,509	680.1%

¹ Assets are stated using 5-year smoothing Actuarial Asset Method.

² Change in actuarial assumptions.

³ Pensionable payroll is annualized based on actual payroll paid to active members on the last paydate of the year.



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

SOLVENCY TEST

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

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

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

Solvency Test

Year Ended	Actuarial Accrued Liabilities				Portion of Liabilities Covered by Assets		
	(1)	(2)	(3)	Actuarial Value of Assets	(1)	(2)	(3)
	Active and Inactive Member Contributions	Retirees and Survivors	Active and Inactive Members (ER Financed)		Active and Inactive Member Contributions	Retirees and Survivors	Active and Inactive Members (ER Financed)
12/31/2014	231,430,077	1,541,326,692	422,154,924	1,263,287,068	100%	67%	0%
12/31/2015	236,967,954	1,616,195,435	517,867,805	1,307,982,039	100%	66%	0%
12/31/2016	244,239,334	1,676,732,070	522,320,240	1,372,361,950	100%	67%	0%
12/31/2017	247,730,731	1,745,598,298	504,561,150	1,456,195,876	100%	69%	0%
12/31/2018	251,845,144	1,843,563,888	505,754,600	1,470,308,639	100%	66%	0%
12/31/2019	251,719,321	1,929,940,867	484,561,442	1,489,266,144	100%	64%	0%
12/31/2020	249,921,777	2,013,763,878	450,506,629	1,556,056,167	100%	65%	0%
12/31/2021	249,356,777	2,082,783,118	424,349,113	1,617,809,696	100%	66%	0%
12/31/2022	254,312,023	2,123,926,285	433,362,678	1,624,081,682	100%	64%	0%
12/31/2023	262,012,341	2,245,880,474	481,920,711	1,658,670,756	100%	62%	0%

Source: Foster & Foster

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

Year	Salary Scale	Returns ¹	Contribution ²	Amendments
2014	(5,667,229)	(26,867,032)	16,960,113	-
2015	(3,201,181)	3,056,008	17,070,881	-
2016	(844,096)	(15,960,567)	9,554,045	-
2017	(11,576,111)	(27,925,002)	154,718	-
2018	(7,369,068)	40,260,410	540,397	-
2019	(4,517,433)	23,071,682	4,872,323	-
2020	(6,558,614)	(10,483,804)	(13,370,672)	-
2021	(7,730,245)	(29,048,737)	4,365,008	-
2022	9,908,277	54,659,203	(27,975,842)	-
2023	7,445,891	20,303,079	(22,924,582)	-
	<u>\$ (30,109,809)</u>	<u>\$ 31,065,240</u>	<u>\$ (10,753,611)</u>	<u>\$ -</u>

Year	Changes in Actuarial Assumptions	(see assumption reference key 3)	All Other Miscellaneous Experience	Total Increase (Decrease) in Unfunded Liability
2014	32,494,969	(i, m, r, s, t, d)	9,822,832	26,743,653
2015	-		12,971,818	29,897,526
2016	-		15,131,156	7,880,538
2017	-		10,111,004	(29,235,391)
2018	37,438,859	(i, m, r, s, t)	18,290,092	89,160,690
2019	-		22,673,921	46,100,493
2020	-		11,593,721	(18,819,369)
2021	-		12,957,169	(19,456,805)
2022	-		12,248,354	48,839,992
2023	<u>115,906,242.00</u>	(i, m, r, s, t)	<u>22,892,836</u>	<u>143,623,466</u>
	<u>\$ 185,840,070</u>		<u>\$ 148,692,903</u>	<u>\$ 324,734,793</u>

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

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

³ Key to changes in assumptions:

i = interest rate

d=disability assumption

r = retirement rates

s = salary

m = mortality

t = termination rates

The table above illustrates that over the last ten years, the unfunded liability has increased by \$324.7 million. This reflects large increases of \$185.8 million due to changes in actuarial assumptions and \$148.7 million due to miscellaneous actuarial experience, and a smaller increase due to investment returns being less than assumed. These increases in the unfunded liability were partially offset by reductions in the UAAL due to overall salary increases that were less than assumed and employer contributions that were more than expected.

During the year 2023 the unfunded liability increased by \$143.6 million; components of this change are shown above.

HISTORY OF ACTIVE MEMBER VALUATION DATA

Actuarial Valuation Date	Active Members	Percent Increase	Annual Payroll	Percent Increase	Annual Pensionable Payroll	Percent Increase	Average Pensionable Payroll	Percent Increase	CPI Chicago ¹
12/31/2014	1,873	0.8%	176,183,941	4.0%	176,183,941	4.0%	94,065	3.2%	1.7%
12/31/2015	1,846	-1.4%	177,792,308	0.9%	177,507,159	0.8%	96,158	2.2%	-0.3%
12/31/2016	1,843	-0.2%	182,980,055	2.9%	182,640,163	2.9%	99,099	3.1%	0.7%
12/31/2017	1,835	-0.4%	184,807,353	1.0%	184,385,188	1.0%	100,482	1.4%	1.9%
12/31/2018	1,832	-0.2%	188,156,185	1.8%	187,849,708	1.9%	102,538	2.0%	1.8%
12/31/2019	1,817	-0.8%	190,294,933	1.1%	189,961,010	1.1%	104,547	2.0%	1.5%
12/31/2020	1,769	-2.6%	188,542,849	-0.9%	188,072,970	-1.0%	106,316	1.7%	1.1%
12/31/2021	1,737	-1.8%	187,813,712	-0.4%	187,213,026	-0.5%	107,780	1.4%	4.2%
12/31/2022	1,747	0.6%	196,989,572	4.9%	195,713,509	4.5%	112,028	3.9%	7.6%
12/31/2023	1,771	1.4%	206,794,692	5.0%	204,388,113	4.4%	115,408	3.0%	3.3%
5-year Average Increase/ (Decrease)		-0.7%		1.9%		1.7%		2.4%	3.5%

¹ Average annual increase in CPI-U, All items in Chicago-Naperville-Elgin, IL-IN-WI, all.

HISTORY OF EMPLOYER CONTRIBUTIONS

Contribution Year Ended	Actuarially Determined Contribution for Fiscal Year End	District's Funding Policy	Employer Contribution	% of Actuarially Determined Contribution Contributed	Estimated Multiplier Necessary to Match ADC
12/31/2014	69,924,438	61,654,000	73,906,168	105.69%	4.75
12/31/2015	62,603,576	70,772,000	71,041,361	113.48%	3.71
12/31/2016	64,596,066	79,505,000	80,259,713	124.25%	3.40
12/31/2017	65,727,912	89,604,000	89,858,224	136.71%	3.07
12/31/2018	64,988,583	87,281,000	87,167,339	134.13%	3.12
12/31/2019	74,279,999	87,319,000	87,446,476	117.73%	3.56
12/31/2020	77,392,414	88,127,000	107,852,191	139.36%	3.68
12/31/2021	76,841,344	88,754,000	88,803,958	115.57%	3.63
12/31/2022	76,680,499	87,915,000	118,458,646	154.48%	3.65
12/31/2023	81,128,393	86,440,000	117,373,061	144.68%	3.93

In 2014, 2020, 2022 and 2023 the Fund received special contributions from the District, in addition to the employer contribution based upon the District's Funding Policy. Reader may also refer to another 10-year schedule of actuarially determined and actual contributions included in the Required Supplementary Information of the financial statements in the Financial Section of this report.

**HISTORY OF EMPLOYEE ANNUITANTS AND SURVIVOR ANNUITANTS
ADDED TO AND REMOVED FROM BENEFIT PAYROLL**

Employee Annuitants								
Year	Added		Removed		Annual Payroll		Average Annuity Benefits	Increase to Avg Benefits
	Number	Annual Benefits ¹	Number	Annual Benefits	Number	Annual Benefits		
2014	80	7,583,277	55	2,677,032	1,729	113,079,769	65,402	3.0%
2015	101	9,640,885	70	3,828,434	1,760	118,892,219	67,552	3.3%
2016	87	8,688,540	68	4,089,312	1,779	123,491,448	69,416	2.8%
2017	98	14,254,728	68	3,780,260	1,809	129,366,688	71,513	3.0%
2018	99	6,049,960	60	3,769,202	1,848	135,435,622	73,288	2.5%
2019	94	10,830,012	59	3,941,499	1,883	142,324,135	75,584	3.1%
2020	104	11,484,248	70	4,271,335	1,917	149,537,047	78,006	3.2%
2021	92	11,244,741	91	6,383,515	1,918	154,398,273	80,500	3.2%
2022	80	9,903,727	83	5,710,596	1,915	158,591,403	82,815	2.9%
2023	66	9,383,408	61	4,714,916	1,920	163,259,896	85,031	2.7%

Survivor Annuitants								
Year	Added		Removed		Annual Payroll		Average Annuity Benefits	Increase to Avg Benefits
	Number	Annual Benefits ¹	Number	Annual Benefits	Number	Annual Benefits		
2014	28	1,846,441	40	931,782	593	20,683,050	34,879	6.7%
2015	34	2,313,674	47	1,160,738	580	21,835,988	37,648	7.9%
2016	42	3,096,415	32	1,162,089	590	23,770,312	40,289	7.0%
2017	25	1,991,463	39	1,146,717	576	24,615,058	42,734	6.1%
2018	30	1,798,261	35	1,046,607	571	25,965,116	45,473	6.4%
2019	28	2,408,555	38	1,246,555	561	27,127,117	48,355	6.3%
2020	34	2,659,591	49	2,064,444	546	27,722,263	50,773	5.0%
2021	44	3,536,201	47	1,573,739	543	29,684,725	54,668	7.7%
2022	37	3,396,312	33	1,803,277	547	31,277,760	57,181	4.6%
2023	32	3,217,746	30	1,509,868	549	32,985,637	60,083	5.1%

¹ Annual benefits added to the payroll include annuity amounts for new annuitants during the year and annual increases for existing annuitants

Source: Foster & Foster

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STATISTICAL SECTION

Membership Information:

Changes in Participant Counts

Employee Age and Service Distribution

Annuitant and Beneficiary Information:

Distribution of Annuitants by Annual Benefits

History of Annuitants by Type of Benefit

History of Annuity Payments

Distribution of Retirement Annuities by Age and Gender

Distribution of Surviving Spouse Annuities by Age and Gender

Annuitants by Age and Gender (graph)

History of Average Annuities at Retirement

Schedule of Average Benefit Payments at Retirement

Financial Information (10 years):

Additions by Source and Deductions by Type

Employee and Employer Contributions

Benefit Expenses by Type

Refunds by Type

Statement of Changes in Fiduciary Net Position

CHANGES IN PARTICIPANT COUNTS

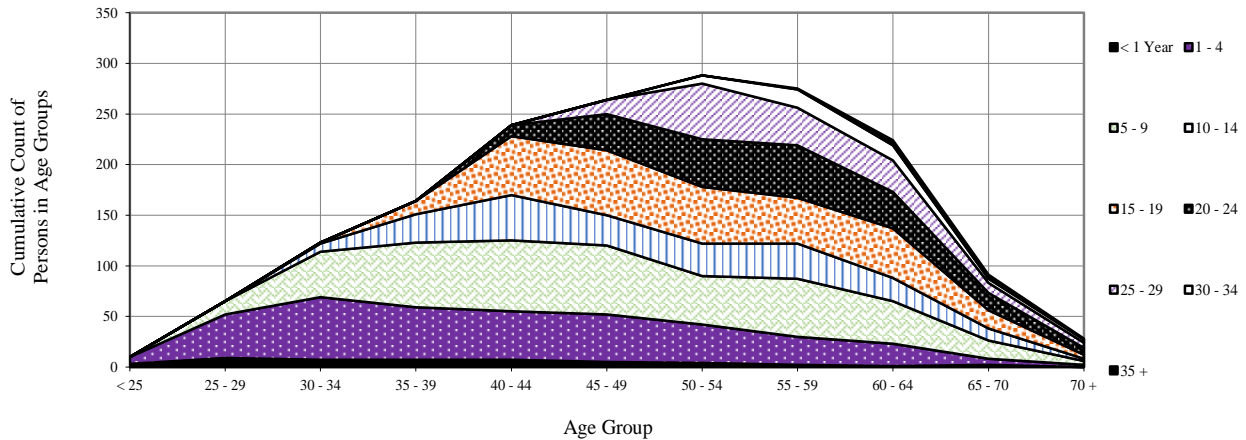
YEAR 2023

Changes in Active Participants	Number at Beginning of Year	Additions	Decreases	Number at Year End
Tier 1				
Male	700	10	52	658
Female	279	3	24	258
Total Active	979	13	76	916
Tier 2				
Male	578	79	21	636
Female	190	42	13	219
Total Active	768	121	34	855
Total Active				
Male	1,278	89	73	1,294
Female	469	45	37	477
Total Active	1,747	134	110	1,771
Changes in Annuitants and Beneficiaries				
Employee Annuitants				
Male	1,439	49	52	1,436
Female	476	17	9	484
Total Employee Annuitants	1,915	66	61	1,920
Spouse Annuitants				
Male	27	2	1	28
Female	520	30	29	521
Total Spouse Annuitants	547	32	30	549
Child Annuities				
Total Annuitants	18	5	7	16
Total Annuitants	2,480	103	98	2,485
Percentage of Active Participants to Annuitants and Beneficiaries				
	70.4%			71.3%

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

EMPLOYEE AGE AND SERVICE DISTRIBUTION
ACTIVE MEMBER COUNT & PENSIONABLE SALARIES - BY AGE AND SERVICE
Male and Female Combined

12/31/23



AGE	YEARS OF SERVICE									Total
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	
< 25	3	7								10
	\$92,400	\$67,377								\$74,884
25-29	9	43	13							65
	\$70,525	\$84,718	\$95,441							\$84,897
30-34	7	62	45	8	1					123
	\$75,213	\$88,098	\$98,852	\$115,229	\$100,506					\$93,164
35-39	7	52	64	28	13					164
	\$82,113	\$96,619	\$102,879	\$111,991	\$141,549					\$104,629
40-44	7	48	70	45	58	11				239
	\$109,972	\$92,101	\$107,185	\$118,888	\$137,205	\$159,527				\$116,135
45-49	5	47	68	30	64	36	14			264
	\$98,989	\$96,920	\$108,934	\$110,913	\$134,909	\$144,192	\$161,289			\$120,713
50-54	4	38	48	32	56	47	55	8		288
	\$78,573	\$101,270	\$113,784	\$114,378	\$125,271	\$144,653	\$145,777	\$185,953		\$127,096
55-59	2	28	57	35	45	52	37	18	1	275
	\$87,490	\$92,929	\$107,141	\$114,239	\$115,730	\$128,542	\$144,868	\$138,905	\$78,250	\$118,957
60-64	1	22	42	23	49	36	31	15	5	224
	\$115,939	\$81,123	\$103,091	\$115,699	\$116,326	\$145,567	\$140,439	\$121,109	\$140,089	\$119,208
65-69	2	6	18	12	18	17	10	4	4	91
	\$90,969	\$89,590	\$111,818	\$111,173	\$109,840	\$122,391	\$128,515	\$114,142	\$158,146	\$115,365
70 +		2	4	2	4	7	5	3	1	28
		\$88,598	\$95,675	\$96,127	\$124,249	\$113,609	\$138,809	\$173,490	\$101,795	\$120,026
Total										
Number	47	355	429	215	308	206	152	48	11	1,771
Average Salary	\$86,492	\$91,624	\$106,009	\$114,329	\$126,396	\$138,568	\$144,531	\$141,283	\$137,551	\$115,408

The above table provides detail about the number of active members categorized in 5-year bands of age and years of service. The above chart illustrates that the largest age segments of active members is 50-54 and 55-59 years of age with average pensionable salary of \$127,096 and \$118,957 respectively. By years of service, the largest segment of active members has 5 - 9 years of service with an average pensionable salary of \$106,009.

DISTRIBUTION OF ANNUITANTS BY ANNUAL BENEFIT

<u>Annual Benefit</u>	<u>Retirees</u>	<u>Survivors</u>	<u>Children</u>	<u>Total</u>
Under \$20K	121	87	16	224
\$20K - \$30K	95	46	0	141
\$30K - \$40K	95	52	0	147
\$40K - \$50K	133	53	0	186
\$50K - \$60K	148	52	0	200
\$60K - \$70K	173	58	0	231
\$70K - \$80K	204	55	0	259
\$80K - \$90K	178	38	0	216
\$90K - \$100K	162	33	0	195
\$100K - \$110K	146	21	0	167
\$110K - \$120K	111	15	0	126
\$120K - \$130K	66	8	0	74
\$130K - \$140K	72	11	0	83
\$140K - \$150K	55	7	0	62
Over \$150K	161	13	0	174
Total	1,920	549	16	2,485

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

**HISTORY OF ANNUITANTS BY TYPE OF BENEFIT
at Year End**

<u>Year</u>	<u>Employee Annuitants</u> ¹	<u>Spouse Annuitants</u> ²	<u>Child Annuitants</u>	<u>Total Annuitants</u>	<u>Ordinary Disability</u>	<u>Duty Disability</u>
2014	1,729	593	21	2,343	16	16
2015	1,760	580	19	2,359	16	14
2016	1,779	590	25	2,394	12	11
2017	1,809	576	23	2,408	23	7
2018	1,848	571	24	2,443	19	13
2019	1,883	561	21	2,465	13	7
2020	1,917	546	20	2,483	14	6
2021	1,918	543	21	2,482	21	6
2022	1,915	547	18	2,480	24	4
2023	1,920	549	16	2,485	20	13

¹ Includes reciprocal annuitants

² Includes reversionary annuitants

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

**HISTORY OF ANNUITY PAYMENTS
at Year End**

Year	Employee Annuitants (Male and Female)		Spouse Annuitants (Male and Female)	
	Number of Annuitants	Annuity Payments ¹	Number of Annuitants	Annuity Payments ¹
2014	1,729	\$ 113,079,769	593	\$ 20,683,050
2015	1,760	118,892,219	580	21,835,988
2016	1,779	123,491,448	590	23,770,312
2017	1,809	129,366,689	576	24,615,058
2018	1,848	135,435,625	571	25,965,116
2019	1,883	142,324,135	561	27,127,167
2020	1,917	149,537,047	546	27,722,263
2021	1,918	154,398,273	543	29,684,725
2022	1,915	158,591,403	547	31,277,760
2023	1,920	163,259,896	549	32,958,637

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

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

Distribution of Retirement Annuities by Age and Gender

	Male			Female			Total		
	Count	Total Annuities	Average Annuities	Count	Total Annuities	Average Annuities	Count	Total Annuities	Average Annuities
x < 45	0	0	0	0	0	0	0	0	0
45 <= x < 50	0	0	0	1	12,787	12,787	1	12,787	12,787
50 <= x < 55	8	708,418	88,552	4	367,471	91,868	12	1,075,889	89,657
55 <= x < 60	74	7,139,771	96,483	26	1,873,324	72,051	100	9,013,095	90,131
60 <= x < 65	178	15,494,547	87,048	90	7,757,008	86,189	268	23,251,555	86,760
65 <= x < 70	286	23,317,527	81,530	88	6,444,444	73,232	374	29,761,971	79,577
70 <= x < 75	261	22,864,320	87,603	101	6,388,509	63,253	362	29,252,829	80,809
75 <= x < 80	288	28,426,340	98,703	91	6,310,060	69,341	379	34,736,400	91,653
80 <= x < 85	182	17,303,239	95,073	44	2,606,057	59,229	226	19,909,295	88,094
85 <= x < 90	104	9,402,543	90,409	24	1,330,484	55,437	128	10,733,028	83,852
90 <= x	55	4,775,731	86,831	15	737,315	49,154	70	5,513,046	78,758
Total	1,436	129,432,436	90,134	484	33,827,459	69,891	1,920	163,259,896	85,031

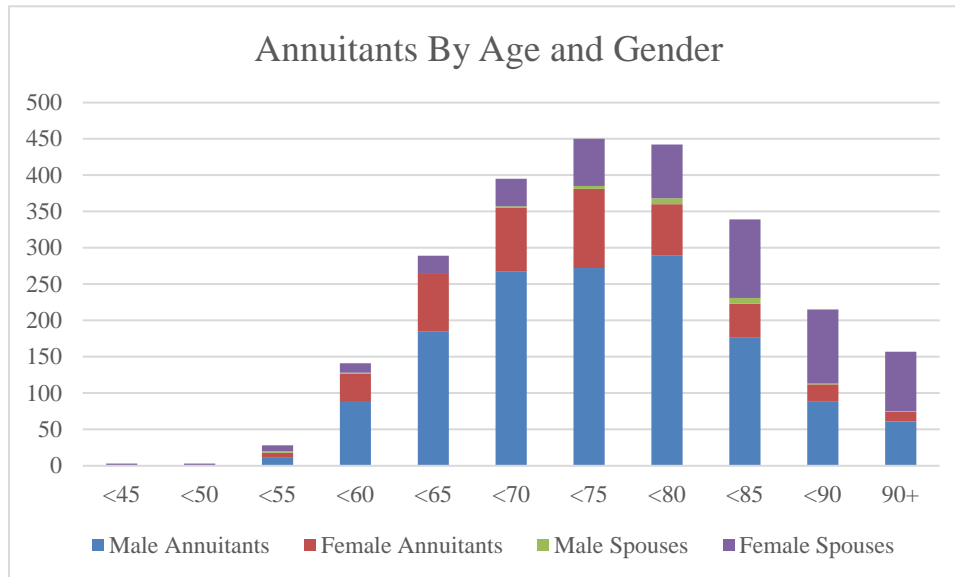
Distribution of Surviving Spouse Annuities by Age and Gender

	Male			Female			Total		
	Count	Total Annuities	Average Annuities	Count	Total Annuities	Average Annuities	Count	Total Annuities	Average Annuities
x < 45	0	0	0	2	77,752	38,876	2	77,752	38,876
45 <= x < 50	0	0	0	1	8,641	8,641	1	8,641	8,641
50 <= x < 55	0	0	0	6	314,811	52,469	6	314,811	52,469
55 <= x < 60	2	16,224	8,112	17	829,581	48,799	19	845,805	44,516
60 <= x < 65	1	4,501	4,501	25	1,268,446	50,738	26	1,272,948	48,960
65 <= x < 70	2	193,585	96,792	41	2,499,802	60,971	43	2,693,387	62,637
70 <= x < 75	3	144,535	48,178	61	4,085,946	66,983	64	4,230,480	66,101
75 <= x < 80	8	434,671	54,334	80	5,669,420	70,868	88	6,104,091	69,365
80 <= x < 85	9	335,046	37,227	97	6,219,294	64,116	106	6,554,340	61,833
85 <= x < 90	2	72,169	36,084	108	6,822,772	63,174	110	6,894,940	62,681
90 <= x	1	71,503	71,503	83	3,916,939	47,192	84	3,988,442	47,481
Total	28	1,272,234	45,437	521	31,713,404	60,870	549	32,985,637	60,083

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

ANNUITANTS BY AGE AND GENDER

(Reflects the data on the previous page)



HISTORY OF AVERAGE ANNUITIES AT RETIREMENT

Year of Retirement	Number of New Employee Annuitants	Average Annual Benefit at Retirement	Average Age at Retirement	Average Service at Retirement
2014	80	55,123	61.7	n/a
2015	101	56,673	61.3	n/a
2016	87	57,656	62.6	n/a
2017	98	59,842	59.6	n/a
2018	99	61,111	60.5	n/a
2019	94	73,717	60.9	24.2
2020	104	70,592	61.1	24.0
2021	92	75,529	63.1	24.3
2022	80	67,548	62.7	24.1
2023	66	72,135	64.4	22.9

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

SCHEDULE OF AVERAGE BENEFIT PAYMENTS AT RETIREMENT ¹								
	Years of Credited Service							Total
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 1/1/14 to 12/31/14								
Average Pension	\$500	\$868	\$1,784	\$3,018	\$4,560	\$6,287	\$6,493	\$4,661
Average Final Average Salary	\$8,176	\$5,588	\$6,145	\$7,522	\$7,882	\$8,332	\$8,262	\$7,788
Number of Retired Members	2	2	9	11	19	29	8	80
Period 1/1/15 to 12/31/15								
Average Pension	\$406	\$1,090	\$2,339	\$2,949	\$4,806	\$6,321	\$7,541	\$5,139
Average Final Average Salary	\$7,361	\$6,460	\$8,489	\$7,986	\$8,184	\$8,738	\$9,664	\$8,560
Number of Retired Members	2	4	10	14	11	46	14	101
Period 1/1/16 to 12/31/16								
Average Pension	-	\$1,542	\$1,841	\$2,800	\$5,034	\$6,524	\$7,112	\$4,889
Average Final Average Salary	-	\$7,889	\$7,263	\$7,308	\$8,800	\$9,030	\$9,316	\$8,499
Number of Retired Members	-	8	8	13	15	33	10	87
Period 1/1/17 to 12/31/17								
Average Pension	\$150	\$1,623	\$1,925	\$2,930	\$3,967	\$7,014	\$7,694	\$5,333
Average Final Average Salary	\$6,249	\$8,142	\$7,544	\$7,487	\$7,563	\$9,671	\$9,952	\$8,739
Number of Retired Members	2	1	8	13	19	46	9	98
Period 1/1/18 to 12/31/18								
Average Pension	\$0	\$1,336	\$1,951	\$3,145	\$4,422	\$6,635	\$6,831	\$5,087
Average Final Average Salary	\$0	\$7,215	\$7,696	\$8,347	\$8,750	\$9,130	\$8,911	\$8,636
Number of Retired Members	-	4	16	9	14	29	27	99
Period 1/1/19 to 12/31/19								
Average Pension	\$452	\$1,069	\$1,643	\$3,166	\$5,678	\$7,310	\$8,240	\$6,129
Average Final Average Salary	\$7,927	\$6,577	\$6,572	\$8,723	\$10,956	\$10,256	\$10,447	\$9,772
Number of Retired Members	3	2	7	13	11	22	36	94
Period 1/1/20 to 12/31/20								
Average Pension	\$534	\$977	\$2,315	\$3,353	\$4,280	\$7,989	\$8,666	\$5,989
Average Final Average Salary	\$9,741	\$7,051	\$8,584	\$8,841	\$8,677	\$10,603	\$10,949	\$9,811
Number of Retired Members	2	2	10	16	17	35	22	104
Period 1/1/21 to 12/31/21								
Average Pension	\$160	\$1,550	\$2,292	\$3,672	\$5,244	\$8,946	\$7,977	\$6,308
Average Final Average Salary	\$8,234	\$8,219	\$7,706	\$8,823	\$9,894	\$11,719	\$10,330	\$10,150
Number of Retired Members	2	6	5	6	25	24	24	92
Period 1/1/22 to 12/31/22								
Average Pension	-	\$1,120	\$2,409	\$3,250	\$4,632	\$7,218	\$8,560	\$5,627
Average Final Average Salary	-	\$7,516	\$7,748	\$9,382	\$9,233	\$9,876	\$10,887	\$9,615
Number of Retired Members	-	4	6	14	17	20	19	80
Period 1/1/23 to 12/31/23								
Average Pension	\$593	\$1,008	\$2,063	\$3,623	\$5,889	\$8,880	\$8,206	\$6,027
Average Final Average Salary	\$12,409	\$7,931	\$8,291	\$9,272	\$11,247	\$12,621	\$10,462	\$10,756
Number of Retired Members	3	2	6	11	13	16	15	66

¹Average Monthly Benefit amount is rounded to the nearest dollar and does not include Survivor Annuities.

Years of Credited Service does not include reciprocal service. Calculated by Fund staff.

The above schedule provides historical perspective and detail about average initial pensions and average Final Average Salary for retirees, categorized by years of service.

ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE

Last Ten Years

(in Thousands of Dollars)

ADDITIONS BY SOURCE

Year Ending December 31	Employee Contributions	Employer Contributions	Investment Income ¹	Total Additions
2014	\$18,975	\$73,906	\$81,605	\$174,486
2015	21,385	71,041	(1,399)	91,027
2016	20,831	80,260	113,693	214,784
2017	20,840	89,858	194,825	305,523
2018	21,033	87,167	(102,991)	5,209
2019	21,182	87,446	225,163	333,791
2020	20,982	107,852	124,102	252,936
2021	20,630	88,804	220,782	330,216
2022	21,177	118,459	(232,442)	(92,806)
2023	21,665	117,373	169,969	309,007

DEDUCTIONS BY TYPE

Year Ending December 31	Benefits	Refunds	Administrative Expenses	Total Deductions
2014	\$132,913	\$984	\$1,407	\$135,304
2015	139,161	1,348	1,660	142,169
2016	145,325	2,011	1,503	148,839
2017	152,153	2,560	1,614	156,327
2018	159,561	1,762	1,685	163,008
2019	167,481	1,828	1,642	170,951
2020	174,996	2,291	1,593	178,880
2021	182,857	2,282	1,788	186,927
2022	189,344	2,239	2,135	193,718
2023	195,247	1,883	2,954	200,084

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

The schedules above provide historical detail about additions and deductions.

Last Ten Years

(in Thousands of Dollars)

EMPLOYEE CONTRIBUTIONS

<u>Year</u>	<u>Tier1 Contributions¹</u>	<u>Tier 2 Contributions¹</u>	<u>Prior Service Payments²</u>	<u>Commissioners' Alternative Plan³</u>	<u>Total</u>
2014	\$17,557	\$1,018	\$385	\$15	\$18,975
2015	19,692	1,623	54	16	21,385
2016	18,571	2,197	13	50	20,831
2017	17,986	2,838	1	15	20,840
2018	17,465	3,484	70	14	21,033
2019	16,894	4,245	24	19	21,182
2020	16,059	4,878	25	19	20,981
2021	15,111	5,492	11	16	20,630
2022	14,780	6,301	84	13	21,178
2023	14,473	7,155	21	16	21,665

EMPLOYER CONTRIBUTIONS

<u>Year</u>	<u>Regular Contributions⁴</u>	<u>Special Contributions⁵</u>	<u>Total</u>
2014	\$61,906	\$12,000	\$73,906
2015	71,041	-	71,041
2016	80,260	-	80,260
2017	89,858	-	89,858
2018	87,167	-	87,167
2019	87,446	-	87,446
2020	87,852	20,000	107,852
2021	88,804	-	88,804
2022	88,459	30,000	118,459
2023	87,373	30,000	117,373

¹ Includes employee contributions towards employee and surviving spouse annuities, and annual statutory increases.

² Prior Service Payments include leave of absence and refund repayment.

³ Contributions by elected Commissioners to an alternative benefit plan.

⁴ Employer contributions based on two years prior employee contributions; since 2014 employer contributions are based on the MWRD Funding Policy.

⁵ Special contributions from the MWRD.

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

BENEFIT EXPENSES BY TYPE (in Thousands of Dollars)

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u> ¹	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>	<u>Total Benefits</u>
2014	\$111,352	\$20,444	\$157	\$821	\$140	\$132,914
2015	116,885	21,279	116	722	159	139,161
2016	121,730	22,920	153	412	110	145,325
2017	127,099	24,203	142	632	77	152,153
2018	133,184	25,264	143	856	114	159,561
2019	139,788	26,741	137	747	67	167,481
2020	146,762	27,322	122	706	84	174,996
2021	152,683	29,215	126	764	69	182,857
2022	157,310	30,830	112	1,030	62	189,344
2023	161,618	32,593	111	840	85	195,247

PERCENT OF TOTAL BENEFITS

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u> ¹	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>
2014	83.78 %	15.38 %	0.12 %	0.62 %	0.11 %
2015	83.99	15.29	0.08	0.52	0.11
2016	83.76	15.77	0.11	0.28	0.08
2017	83.53	15.91	0.09	0.42	0.05
2018	83.47	15.83	0.09	0.54	0.07
2019	83.46	15.97	0.08	0.45	0.04
2020	83.87	15.61	0.07	0.40	0.05
2021	83.50	15.98	0.07	0.42	0.04
2022	83.08	16.28	0.06	0.54	0.03
2023	82.78	16.69	0.06	0.43	0.04

PERCENT CHANGE FROM YEAR TO YEAR

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u> ¹	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>	<u>Total Benefits</u>
2014	4.43	5.21	37.72	-0.12	-34.58	4.49 %
2015	4.97	4.08	-26.11	-12.06	13.57	4.70
2016	4.15	7.71	31.90	-42.94	-30.82	4.43
2017	4.41	5.60	-7.19	53.40	-30.00	4.70
2018	4.79	4.38	0.70	35.44	48.05	4.87
2019	4.96	5.85	-4.20	-12.73	-41.23	4.96
2020	4.99	2.17	-10.95	-5.49	25.37	4.49
2021	4.03	6.93	3.28	8.22	-17.86	4.49
2022	3.03	5.53	-11.11	34.82	-10.14	3.55
2023	2.74	5.72	-0.89	-18.45	37.10	3.12

¹ Child Annuities include children aged 18-23 who are enrolled as full-time students.

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

REFUNDS BY TYPE (in Thousands of Dollars)

Year Ending December 31	Inherited Rollovers	Refund Commissioners Alternative	Refunds Regular Contribution	Refunds to Estate	Refund No Surviving Spouse	Refund Excess Optional Contributions	Total
2015	-	\$6	\$281	\$163	\$759	\$140	\$1,349
2016	\$127	-	430	718	678	59	2,011
2017	439	-	512	320	1,208	81	2,560
2018	-	-	564	38	1,063	98	1,762
2019	413	13	207	306	744	146	1,828
2020	444	2	315	316	1,116	97	2,291
2021	600	6	367	419	795	95	2,281
2022	358	-	675	64	1,068	74	2,239
2023	44	35	722	91	947	43	1,883

Note: Schedule was created in 2019 and backfilled for prior years' data; it will contain 10 years of data in 2024.

The schedule above provides historical financial information and detail about the types of refunds paid to members by the Fund.

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Last 10 Years

<u>Additions:</u>	2023	2022	2021	2020	2019
Employer contributions	\$ 117,373,061	\$ 118,458,646	\$ 88,803,958	\$ 107,852,191	\$ 87,446,476
Employee contributions	21,664,982	21,177,644	20,630,052	20,982,056	21,182,425
Total contributions	139,038,043	139,636,290	109,434,010	128,834,247	108,628,901
Investment income					
Net appreciation (depreciation) in fair value of investments	150,326,862	(249,827,311)	204,279,993	106,380,332	204,118,604
Interest on fixed income investments	9,823,665	8,293,541	7,068,363	7,767,240	7,587,473
Interest on short-term investments	-	-	-	-	78,543
Dividend income	14,299,080	13,457,956	14,384,727	14,424,224	18,275,337
Total investment income (loss)	174,449,607	(228,075,814)	225,733,083	128,571,796	230,059,957
Less investment expenses	(4,583,684)	(4,451,311)	(5,052,027)	(4,671,521)	(5,155,389)
Investment income (loss) net of expenses	169,865,923	(232,527,125)	220,681,056	123,900,275	224,904,568
Security lending activities					
Securities lending income	714,108	226,331	78,207	192,572	431,648
Broker rebates	(586,842)	(128,061)	41,870	55,683	(104,883)
Bank fees	(26,219)	(20,259)	(24,286)	(49,071)	(72,453)
Net income from securities lending	101,047	78,011	95,791	199,184	254,312
Other	2,260	7,361	5,213	2,738	3,058
Total additions	309,007,273	(92,805,463)	330,216,070	252,936,444	333,790,839
<u>Deductions:</u>					
Annuities and benefits					
Employee annuitants	161,617,849	157,310,009	152,683,226	146,762,252	139,787,569
Surviving spouse annuitants	32,593,089	30,830,269	29,215,385	27,322,271	26,741,289
Child annuitants	110,500	112,000	126,000	121,500	137,000
Ordinary disability benefits	840,126	1,029,590	763,703	706,057	747,456
Duty disability benefits	85,074	62,416	69,027	84,373	67,422
Total annuities and benefits	195,246,638	189,344,284	182,857,341	174,996,453	167,480,736
Refunds of employee contributions	1,882,834	2,239,202	2,281,407	2,290,858	1,827,884
Administrative expenses	2,954,114	2,134,803	1,788,002	1,592,783	1,642,209
Total deductions	200,083,586	193,718,289	186,926,750	178,880,094	170,950,829
Net increase (decrease)	108,923,687	(286,523,752)	143,289,320	74,056,350	162,840,010
Net position held in trust for pension benefits					
Beginning of year	1,437,656,196	1,724,179,948	1,580,890,628	1,506,834,278	1,343,994,268
End of year	\$ 1,546,579,883	\$ 1,437,656,196	\$ 1,724,179,948	\$ 1,580,890,628	\$ 1,506,834,278

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (Continued)

Last 10 Years

Additions:	2018	2017	2016	2015	2014
Employer contributions	\$ 87,167,339	\$ 89,858,224	\$ 80,259,713	\$ 71,041,361	\$ 73,906,168
Employee contributions	21,032,601	20,839,829	20,830,779	21,385,212	18,974,954
Total contributions	108,199,940	110,698,053	101,090,492	92,426,573	92,881,122
Investment income					
Net appreciation (depreciation) in fair value of investments	(122,365,473)	177,341,970	92,762,607	(20,894,824)	63,589,719
Interest on fixed income investment	8,269,739	7,679,730	11,347,002	10,369,440	8,933,924
Interest on short-term investments	48,251	20,697	23,036	2,589	2,008
Dividend income	15,758,513	14,054,030	13,633,175	14,072,578	14,539,290
Total investment income (loss)	(98,288,970)	199,096,427	117,765,820	3,549,783	87,064,941
Less investment expenses	(5,024,180)	(4,620,753)	(4,613,683)	(5,542,836)	(5,899,566)
Investment income (loss) net of expenses	(103,313,150)	194,475,674	113,152,137	(1,993,053)	81,165,375
Security lending activities					
Securities lending income	555,840	448,326	265,142	98,280	64,302
Broker rebates	(164,155)	(13,332)	294,951	645,265	505,896
Bank fees	(84,597)	(89,209)	(126,358)	(178,331)	(135,007)
Net income from securities lending	307,088	345,785	433,735	565,214	435,191
Other	15,415	3,100	107,175	28,817	4,460
Total additions	5,209,293	305,522,612	214,783,539	91,027,551	174,486,148
Deductions:					
Annuities and benefits					
Employee annuitants	133,184,182	127,098,834	121,729,901	116,884,577	111,351,904
Surviving spouse annuitants	25,264,246	24,203,400	22,919,525	21,279,363	20,443,693
Child annuitants	143,000	142,000	153,500	116,000	157,500
Ordinary disability benefits	856,301	631,401	412,706	721,720	820,626
Duty disability benefits	113,318	77,279	109,753	159,251	139,779
Total annuities and benefits	159,561,047	152,152,914	145,325,385	139,160,911	132,913,502
Refunds of employee contributions	1,762,475	2,560,129	2,010,630	1,348,845	984,346
Administrative expenses	1,685,479	1,613,976	1,502,639	1,659,917	1,406,507
Total deductions	163,009,001	156,327,019	148,838,654	142,169,673	135,304,355
Net increase (decrease)	(157,799,708)	149,195,593	65,944,885	(51,142,122)	39,181,793
Net position held in trust for pension benefits					
Beginning of year	1,501,793,976	1,352,598,383	1,286,653,498	1,337,795,620	1,298,613,827
End of year	\$ 1,343,994,268	\$ 1,501,793,976	\$ 1,352,598,383	\$ 1,286,653,498	\$ 1,337,795,620

Note: beginning in 2020, "Interest on short-term investments" is combined with "Interest on fixed income investments."

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LEGISLATIVE CHANGES SECTION

Legislative Changes – Ten Years

2014 Session

PA 98-1022 Signed August 22, 2014

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

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

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

Legislative Changes Section

2014 Session, continued

PA 98-1022, continued

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

2015 Session

PA 99-0008 Signed July 9, 2015

Effective July 1, 2015, provides that if the employer fails to transmit required contributions to the pension fund, the fund may certify to the State Comptroller the amount due, and the Comptroller must, beginning in 2016, deduct and remit to the fund the certified amounts from payments of State funds to the employer.

PA 99-0462 Signed August 25, 2015

Effective January 1, 2016, adds an aspirational goal for Illinois pension funds to use emerging investment managers for not less than 20% of the total funds under management. It shall also be the goal that not less than 20% of investment managers be minorities, females, and persons with disabilities. It establishes a goal to use businesses owned by minorities, females, and persons with disabilities for not less than 20% of contracts awarded for information technology services, accounting services, insurance brokers, architectural and engineering services and legal services.

2016 Session

PA 99-0683 Signed July 29, 2016

Requires Illinois pension funds, except downstate police and fire funds, to develop and implement a process to identify deceased annuitants. The process must be implemented no later than June 30, 2017. The process requires the fund to check for any deceased annuitants at least once per month. Accepted methods to identify deceased annuitants include, but are not limited to, the use of a third-party entity that specializes in the identification of deceased persons, the use of data provided by the Social Security Administration, or the use of data provided by the Department of Public Health's Office of Vital Records. Amends the Vital Records Act to require the Department of Public Health to provide death match services to Illinois pension funds at no cost.

2017 Session

PA 100-0244 Signed August 22, 2017

Provides an opportunity for annuitants in same-sex marriages or unions recognized in Illinois a) between June 1, 2011 and June 30, 2016 under the Illinois Religious Freedom Protection and Civil Union Act of 2011, or b) between February 26, 2014 and June 30, 2016 under the Illinois Marriage and Dissolution of Marriage Act of 2014, who retired prior to June 1, 2011 and received a refund of surviving spouse contributions, to repay the no-spouse refund with interest and establish eligibility for a surviving spouse annuity.

Legislative Changes Section

2017 Session, continued

PA 100-0244, continued

The annuitant must make an irrevocable election between January 22, 2018, and January 21, 2019. Repayment of the no-spouse refund includes interest at the actuarially assumed rate of return, compounded from the date of the refund to the date of payment. Payment may be made in full or in installments. All payments must be made in full within 24 months of the election.

PA 100-0334 Signed August 25, 2017

Expands the felony forfeiture language to include the forfeiture of surviving spouse benefits that would have been payable to the surviving spouse of a person entering service on or after August 25, 2017, who was convicted of any felony relating to and arising out of service as an employee.

PA 100-0542 Signed November 8, 2017

No later than January 1, 2018, and each January thereafter, requires a consultant to annually disclose to the board of the retirement system, board of the pension fund, or the investment board that retains the consultant certain information concerning searches for investment services from minority owned businesses, female owned businesses, and businesses owned by persons with a disability. Requires a consultant to disclose any compensation or economic opportunity received in the last 24 months from investment advisors retained by the board of a retirement system, board of a pension fund, or investment board. Requires consideration of these disclosures before awarding a contract for consulting services.

2018 Session

PA 100-0902 Signed August 17, 2018

Amends Article 1 to state that each retirement system, pension fund, or investment board shall make its best efforts to ensure that the racial and ethnic makeup of its senior administrative staff represents the racial and ethnic makeup of its membership.

2019 Session

PA 101-0339 Signed August 9, 2019

Amends Section 5/13-208. Provides that "average final salary" means the highest average monthly (instead of annual) salary as calculated by accumulating the salary for the highest 520 consecutive paid days of service (instead of 52 consecutive pay periods) within the last 10 years of service immediately preceding the date of retirement and dividing by 24 (instead of 2). Provides that if the employee is paid for any portion of a workday, the fraction of the day worked and the salary for that fraction of the day shall be counted in accordance with the Fund's administrative rules.

PA 101-0473 Signed August 23, 2019

Amends Section 5/1-113.6 and creates 5/1-113.17. The Illinois Sustainable Investing Act. Provides that any public agency or governmental unit shall develop, publish, and implement sustainable investment policies applicable to the management of all public funds under its control. Provides that the sustainable investment policy may be incorporated in existing investment policies developed, published, and implemented by a public agency or governmental unit. Provides that the sustainable investment policy shall include material, relevant, and decision-useful sustainability factors to be applied by the public agency or governmental unit in evaluating investment decisions. Provides that a public agency shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership in order to maximize

Legislative Changes Section

2019 Session, continued

PA 101-0473, continued

anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. Specifies sustainability factors, and the ways in which such factors may be analyzed. Amends the Deposit of State Moneys Act, the Public Funds Investment Act, and the Illinois Pension Code to make changes concerning investment policy and the Illinois Sustainable Investing Act. Provides findings and purpose provisions.

PA 101-0546 Signed August 23, 2019

Creates 765 ILCS 1026/15-1505. Requires a retirement system, pension fund, or investment board under the Illinois Pension Code report to the Illinois Treasurers' Office annually property presumed abandoned. No retirement system, pension fund, or investment board under the Illinois Pension Code shall pay or deliver any annuity, pension, or benefit fund held in a fiduciary capacity to the Illinois Treasurers' Office.

PA 101-0620 Signed December 20, 2019

Adds Section 167 to Article 1. Prohibits the disclosure of certain personal information regarding participants and members except where required by the Freedom of Information Act.

2020 Session No legislative changes

2021 Session

PA 102-0097 Signed July 9, 2021

Created 40 ILCS 5/1-113.24. Provides an exception to 5/1-113.14 for investment services with an emerging investment manager provided through a qualified manager of emerging managers service provider.

PA 102-0210 Signed July 30, 2021

Revises 40 ILCS 5/13-310. Provides that payments of an ordinary disability benefit shall be made at least monthly instead of intervals of not more than 30 days.

PA 102-0603 Signed August 27, 2021

Provides that no individual who is a board member of a pension fund, investment board, or retirement system may be employed by that pension fund, investment board, or retirement system at any time during his or her service and for a period of 12 months after he or she ceases to be a board member.

2022 Session

PA 102-0699

Revises 40 ILCS 5/1-110.16. Makes changes to the makeup of the Illinois Investment Policy Board regarding the members appointed by the Governor. States that the Governor shall designate the Chairperson of the Board.

PA 102-0707

Revises 40 ILCS 5/13-503. Changes the funding goal from 90% to 100% by 2050. Allows for revenue derived from the amount taxed for employer contributions to the Fund be retained by the District and used to pay principal and interest on pension obligations bonds issued by the District. The retention shall not decrease the amount of the employer contributions required in any given year under 40 ILCS 5/13-503.

Legislative Changes Section

2023 Session

PA 103-0523 Created 40 ILCS 5/13-209.5, a definition of “Licensed health care professional.” Replaces references to “licensed and practicing physician,” or “physician” with “Licensed health care professional.” Also provides that licensed health care professionals (rather than just physicians) may make disability determinations under sections 309, 310, and 314.

Revises ILCS 5/13-706, concerning the Board of the Fund's powers to waive the requirement of legal guardianship of certain persons. Expands the definition of those who may potentially act on a member's behalf.

PA 103-0552 Created 40 ILCS 5/1-167 which prohibits a retirement fund or system from disclosing certain member personal information.