Metropolitan Water Reclamation District Retirement Fund

Financial Statements

December 31, 2024

Metropolitan Water Reclamation District Retirement Fund

Financial Statements with Supplementary Information

December 31, 2024 and 2023

Contents

LEGACY
PROFESSIONALS LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Opinion

We have audited the accompanying financial statements of Metropolitan Water Reclamation District Retirement Fund (the Fund), a fiduciary fund of the Metropolitan Water Reclamation District of Greater Chicago (the District), which comprise the statements of fiduciary net position and the related statements of changes in fiduciary net position as of and for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, and the changes in fiduciary net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 on pages 4 through 4e and the schedules of changes in the District's net pension liability and related ratios, of District contributions and related note, and of investment returns on pages 28 through 30 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 supplementary information on pages 31 through 33 is 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 9, 2025

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, 2024 and 2023. 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 10.20% and 12.98% (net of fees) for the calendar years 2024 and 2023, respectively on a time-weighted basis.

- Income from contributions and investment income exceeded payments for benefits and administrative expenses in 2024, resulting in an increase in the Fund's net position restricted for benefits of $97.4 million to $1.644 billion at December 31, 2024, from the prior year end of $1.547 billion.

- The funded ratio, using the actuarial value of assets, was 56.0% as of December 31, 2024, up from 55.5% as of December 31, 2023. The increase in the funded ratio was due to favorable Fund experience and contributions in excess of the actuarially determined amounts. There were no changes in actuarial assumptions or methods from the prior year actuarial valuation. Funded ratios will vary annually depending on the volatility of the investment markets and actuarial assumption changes. However, the District's commitment to proper funding will help increase the funded ratio 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 (GASB). 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.

Understanding the Fund's Financial Statements (continued)

While the statement of fiduciary net position and statement of changes in fiduciary net position provide important financial information, significant actuarial factors also need to be considered in order to determine the financial health of the Fund. Two primary factors are the funded status and the actuarially determined contribution requirement, both of which are calculated by the Fund's actuary.

The 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 as a level percent of payroll. This can be compared to the actual contribution from the employer to determine the adequacy of employer contributions to the Fund's liabilities.

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, 2024 and 2023 are found on page 5.

Condensed Statement of Fiduciary Net Position

	12/31/24	12/31/23	12/31/22	$ Change	% Change
Assets					
Cash	$ 158,945	$ 273,872	$ 356,312	$ (114,927)	-42.0%
Contributions receivable	88,734,000	86,440,000	103,535,986	2,294,000	2.7%
Due from broker	2,805,998	2,117,986	1,048,145	688,012	32.5%
Other receivables	3,884,647	4,506,810	4,043,515	(622,163)	-13.8%
Investments	1,553,247,387	1,457,351,659	1,335,858,090	95,895,728	6.6%
Securities lending collateral	15,939,302	11,405,635	8,840,111	4,533,667	39.7%
Total assets	1,664,770,279	1,562,095,962	1,453,682,159	102,674,317	6.6%
Liabilities					
Accounts payable	1,205,312	1,092,197	1,023,194	113,115	10.4%
Due to broker	3,615,227	3,018,247	6,162,658	596,980	19.8%
Securities lending collateral	15,939,302	11,405,635	8,840,111	4,533,667	39.7%
Total liabilities	20,759,841	15,516,079	16,025,963	5,243,762	33.8%
Net position	$ 1,644,010,438	$ 1,546,579,883	$ 1,437,656,196	$ 97,430,555	6.3%

During 2024, the net position of the Fund increased by $97.4 million or 6.3% from net position at December 31, 2023. This increase was primarily due to the increase in investment values, resulting from positive investment returns in 2024.

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 on loan at year-end.

Fiduciary net position on December 31, 2024 was $1.644 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, 2024 and 2023 can be found on page 6.

Condensed Statement of Fiduciary Net Position

	12/31/24	12/31/23	12/31/22	$ Change	% Change
Additions					
Employer contributions	$ 131,981,743	$ 117,373,061	$ 118,458,646	$ 14,608,682	12.4%
Employee contributions	22,484,686	21,664,982	21,177,644	819,704	3.8%
Total contributions	154,466,429	139,038,043	139,636,290	15,428,386	11.1%
Net investment income (loss)	147,162,018	169,865,923	(232,527,125)	(22,703,905)	-13.4%
Net securities lending income	156,360	101,047	78,011	55,313	54.7%
Other	1,179	2,260	7,361	(1,081)	-47.8%
Total additions	301,785,986	309,007,273	(92,805,463)	(7,221,287)	2.3%
Deductions					
Annuities and benefits	199,893,594	195,246,638	189,344,284	4,646,956	2.4%
Refunds of contributions	1,806,004	1,882,834	2,239,202	(76,830)	-4.1%
Administrative expenses	2,655,833	2,954,114	2,134,803	(298,281)	-10.1%
Total deductions	204,355,431	200,083,586	193,718,289	4,271,845	2.1%
Net increase (decrease)	97,430,555	108,923,687	(286,523,752)	(11,493,132)	10.6%
Net position					
Beginning of year	1,546,579,883	1,437,656,196	1,724,179,948	108,923,687	7.6%
End of year	$ 1,644,010,438	$ 1,546,579,883	$ 1,437,656,196	$ 97,430,555	6.3%

Additions

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

Changes in Fiduciary Net Position (continued)

Additions (continued)

Total contributions for 2024 were $154.4 million, an increase of approximately $15.4 million or 11.1% from 2023 primarily due to special contributions received from the District. Per current statutes, the District's employer contributions are to 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 (the multiplier). 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 special contributions from the District in the amounts of $42.7 million, $30 million and $30 million for the years ended December 31, 2024, 2023 and 2022 respectively.

Employee contributions were $22.5 million in 2024, an increase of approximately $820,000 or 3.8% from 2023. In general, total employee contributions vary with changes in employer payroll.

Net investment income in 2024 was lower than the prior year by approximately $22.7 million, reflecting total returns of 10.20% compared to 12.98% in 2023. Positive returns were experienced in the U.S. and non-U.S. equity and bond markets in 2024.

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, 2024, securities lending activities generated net income of approximately $156,000 which is an increase of 54.7% from 2023.

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 2024 were approximately $204.4 million compared to approximately $200.1 million in 2023, an increase of approximately $4.3 million, or 2.1%. The largest part of this change is due to an increase in benefit payments 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 1.3% of total deductions, they are expected to be elevated beginning in 2023 through 2025 as the Fund continues its Pension Administration System (PAS) project.

Return on Investments and Asset Allocation

The Fund's rate of return on investments in 2024 was 10.19% net of fees, higher than the return of 9.1% on the Policy Index. The rate of return on investments in 2023 was 12.63% net of fees, compared to the return of 11.6% on the Policy Index. The Fund's target allocations are listed as follows:

- 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, 2025, the Fund's net invested assets had a fair value of $1.568 billion a slight increase from the December 31, 2024 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

Statements of Fiduciary Net Position

December 31, 2024 and 2023

	2024	2023
Assets		
Cash	$ 158,945	$ 273,872
Receivables		
Employer contributions	88,734,000	86,440,000
Due from broker	2,805,998	2,117,986
Accrued interest and dividends	3,781,127	4,404,455
Accounts receivables	103,520	102,355
Total receivables	95,424,645	93,064,796
Investments - at fair value		
Equities	452,829,974	433,830,987
U.S. Government and government agency obligations	125,409,928	121,104,041
Corporate and foreign government obligations	100,001,942	100,815,382
Mutual and exchange traded funds	45,670,811	52,927,158
Pooled funds - equity	457,956,673	418,371,880
Pooled funds - fixed income	163,536,256	159,867,462
Real estate funds	116,344,521	120,729,899
Limited partnerships - private credit	61,804,070	15,281,715
Short-term investment fund	29,693,212	34,423,135
	1,553,247,387	1,457,351,659
Securities lending collateral	15,939,302	11,405,635
Total investments	1,569,186,689	1,468,757,294
Total assets	1,664,770,279	1,562,095,962
Liabilities and Net Position		
Liabilities		
Accounts payable	1,205,312	1,092,197
Due to broker	3,615,227	3,018,247
Securities lending collateral	15,939,302	11,405,635
Total liabilities	20,759,841	15,516,079
Net position restricted for pension benefits	$ 1,644,010,438	$ 1,546,579,883

See accompanying notes to financial statements.

Metropolitan Water Reclamation District Retirement Fund

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2024 and 2023

	2024	2023
Additions		
Employer contributions	$ 131,981,743	$ 117,373,061
Employee contributions	22,484,686	21,664,982
Total contributions	154,466,429	139,038,043
Investment income		
Net appreciation		
in fair value of investments	127,823,336	150,326,862
Interest	9,467,475	9,823,665
Dividend income	14,819,643	14,299,080
Total investment income	152,110,454	174,449,607
Less investment expenses	(4,948,436)	(4,583,684)
Net investment income	147,162,018	169,865,923
Securities lending income		
Earnings	705,000	714,108
Less broker rebates	(501,815)	(586,842)
Less bank fees	(46,825)	(26,219)
Net securities lending income	156,360	101,047
Other	1,179	2,260
Total additions	301,785,986	309,007,273
Deductions		
Annuities and benefits		
Employee annuitants	165,223,328	161,617,849
Surviving spouse annuitants	33,346,759	32,593,089
Child annuitants	104,000	110,500
Ordinary disability benefits	1,112,195	840,126
Duty disability benefits	107,312	85,074
Total annuities and benefits	199,893,594	195,246,638
Refunds of employee contributions	1,806,004	1,882,834
Administrative expenses	2,655,833	2,954,114
Total deductions	204,355,431	200,083,586
Net increase	97,430,555	108,923,687
Net position restricted for pension benefits		
Beginning of year	1,546,579,883	1,437,656,196
End of year	$ 1,644,010,438	$ 1,546,579,883

See accompanying notes to financial statements.

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 9, 2025, 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, 2024 and 2023, the Fund's membership consisted of:

	2024	2023
Active employees	1,799	1,771
Retirees and beneficiaries currently receiving benefits		
Retirees	1,897	1,920
Surviving spouses	538	549
Children	19	16
Total retirees and beneficiaries	2,454	2,485
Inactive employees entitled to benefits or a refund of contributions	152	128
Total members	4,405	4,384

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 $22,484,686 and $21,664,982 for the years ended December 31, 2024 and 2023 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, 2024 and 2023, the District's contribution was 61.45% and 57.43% of covered payroll, respectively.

Note 2. Fund Description (continued)

Retirement Eligibility and Benefits

The following describe and reflect Fund provisions as described in Article 1 and 13 of the Illinois Pension Code.

Normal Retirement

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

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

Early Retirement

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

If the employee retires prior to the attainment of age 60, the normal retirement benefit computed shall be reduced by 0.5% for each full month the member is less than age 60 or service is less than 30 years whichever is less (if hired before January 1, 2011). If hired on or after January 1, 2011, the normal retirement benefit is reduced by 0.5% for each full month the member is less than age 67. There is no discount if the employee has 30 years of service.

Alternate Provision for Commissioners

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

Note 2. Fund Description (continued)

Retirement Eligibility and Benefits (continued)

Surviving Spouse Annuity

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

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

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

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

Children's Annuity

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

Refunds

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

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

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

Note 2. Fund Description (continued)

Retirement Eligibility and Benefits (continued)

Disability Benefits

Duty Disability

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

Ordinary Disability

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

Note 3. Pension Liability of the District

Net Pension Liability

The components of the net pension liability of the District as of December 31, 2024 and 2023, are as follows:

	2024	2023
Total pension liability	$ 3,010,988,172	$ 2,979,019,166
Fund fiduciary net position	1,644,010,438	1,546,579,883
District's net pension liability	$ 1,366,977,734	$ 1,432,439,283
Fund fiduciary net position as a percentage of the total pension liability	54.60%	51.92%

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, 2024 and 2023 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2024 and 2023
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	7.00%
Postretirement annuity increases	Tier 1 participants - 3.00%
	Tier 2 participants - 1.25%

Mortality Rates	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 actuarial assumptions used in the December 31, 2024 and 2023 valuations 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.

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, 2024 and 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.

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, 2024 and 2023. 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, 2024	$ 1,697,016,462	$ 1,366,977,734	$ 1,087,755,669

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability - December 31, 2023	$ 1,762,105,712	$ 1,432,439,283	$ 1,153,875,508

Note 4. Deposits with Financial Institutions

Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund does not have a formal policy for custodial credit risk. The Fund's deposits consist of monies held checking and money market accounts. The Fund places its cash with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to $250,000 per financial institution. As of December 31, 2024 and 2023, the Fund had approximately $0 and $66,000 of uninsured, uncollateralized deposits with financial institutions, respectively.

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, 2024, 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)

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Domestic equity	38.0%	5.00%
International equity	17.0%	5.10%
Global equity	5.0%	4.80%
Fixed income	25.0%	2.60%
Real estate	10.0%	3.90%
Private credit	5.0%	7.10%
Total investments	100.0%	

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on Fund investments, net of Fund investment expense, was 10.19% and 12.63% for the years ended December 31, 2024 and 2023 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. The current economic environment has increased the degree of uncertainty

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, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023, using the segmented time distribution method:

		2024		2023	
Type of Investment	Maturity	Fair Value	Percentage	Fair Value	Percentage
U.S. Government and					
government agency	< 1 year	$ 642,941	0.5%	$ -	0.0%
obligations	1 - 5 years	14,284,853	11.4%	10,510,855	8.7%
	5 - 10 years	28,324,042	22.6%	22,340,261	18.4%
	Over 10 years	82,158,092	65.5%	88,252,925	72.9%
		$ 125,409,928	100.0%	$ 121,104,041	100.0%
Corporate and foreign					
government obligations	< 1 year	$ 1,698,384	1.7%	$ 816,665	0.8%
	1 - 5 years	21,396,159	21.4%	22,824,255	22.7%
	5 - 10 years	22,704,380	22.7%	29,777,745	29.5%
	Over 10 years	54,203,019	54.2%	47,396,717	47.0%
		$ 100,001,942	100.0%	$ 100,815,382	100.0%
Pooled funds - fixed income	5-10 years	$ 163,536,256	100.0%	$ 159,867,462	100.0%
Short-term investment fund	< 1 year	$ 29,693,212	100.0%	$ 34,423,135	100.0%

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, 2024 and 2023:

		2024		2023	
Type of Investment	Rating	Fair Value	Percentage	Fair Value	Percentage
U.S. Government and government agency obligations	AA	$ 125,409,928	100.0%	$ 121,104,041	100.0%
Corporate and foreign government obligations	AAA	$ 5,530,868	5.5%	$ 7,071,420	7.0%
	AA	16,058,283	16.1%	17,199,194	17.1%
	A	19,662,283	19.7%	22,829,387	22.6%
	BBB	34,811,783	34.8%	30,454,607	30.2%
	BB	4,236,645	4.2%	4,527,465	4.5%
	B	1,270,875	1.3%	2,313,121	2.3%
	CCC	-	0.0%	536,734	0.5%
	Not Rated	18,431,205	18.4%	15,883,454	15.8%
		$ 100,001,942	100.0%	$ 100,815,382	100.0%
Pooled funds - fixed income	AA	$ 163,536,256	100.0%	$ 159,867,462	100.0%
Short-term investment fund	Not Rated	$ 29,693,212	100.0%	$ 34,423,135	100.0%

Note 5. Investments (continued)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments held by the Fund are in equities and foreign cash. The Fund's exposure to foreign currency risk as of December 31, 2024 and 2023 is as follows:

	2024		2023	
Type of Investment	Fair Value	Percentage	Fair Value	Percentage
Equities				
Australian dollar	$ 2,175,049	0.5%	$ 2,613,449	0.6%
Brazilian real	2,627,059	0.6%	1,068,260	0.2%
British pound sterling	29,004,840	6.4%	24,699,062	5.7%
Canadian dollar	13,208,565	2.9%	12,875,267	3.0%
Danish krone	1,024,088	0.2%	365,583	0.1%
European euro	43,717,656	9.7%	43,578,077	10.0%
Hong Kong dollar	6,456,806	1.4%	4,780,406	1.1%
Indonesian rupiah	966,094	0.2%	1,160,434	0.3%
Israeli shekel	280,380	0.1%	470,772	0.1%
Japanese yen	28,662,868	6.3%	30,695,669	7.1%
Malaysian ringgit	1,121,446	0.2%	1,561,876	0.3%
Mexican peso	1,849,851	0.4%	2,893,294	0.7%
New Taiwan dollar	6,678,235	1.5%	5,130,180	1.2%
New Zealand dollar	-	0.0%	19,586	0.1%
Norwegian krone	3,469,822	0.8%	4,336,907	1.0%
Philippines peso	1,180,758	0.3%	1,185,822	0.3%
Polish zloty	1,553,926	0.3%	1,823,856	0.4%
Singapore dollar	7,036,389	1.6%	5,362,439	1.2%
South African rand	674,810	0.1%	-	0.0%
South Korean won	4,434,611	1.0%	4,121,085	0.9%
Swedish krona	1,410,229	0.3%	4,396,052	1.0%
Swiss franc	8,740,831	1.9%	7,473,672	1.7%
Thailand baht	1,311,242	0.3%	849,569	0.2%
U.S. dollar	285,244,419	63.0%	272,369,670	62.8%
Total equities	$ 452,829,974	100.0%	$ 433,830,987	100.0%

Note 5. Investments (continued)

Investment Risk (continued)

Foreign Currency Risk (continued)

Type of Investment	2024 Fair Value	2024 Percentage	2023 Fair Value	2023 Percentage
Short-term investment fund				
Australian dollar	$ 118,224	0.4%	$ 125,712	0.4%
Brazilian real	8,956	0.0%	33,975	0.1%
British pound sterling	121,727	0.4%	109,062	0.3%
Canadian dollar	24,936	0.1%	23,869	0.1%
Danish krone	61,201	0.2%	189,866	0.6%
European euro	159,800	0.5%	177,906	0.5%
Hong Kong dollar	87,344	0.3%	69,827	0.2%
Israeli shekel	21,910	0.1%	22,472	0.1%
Japanese yen	432,500	1.5%	518,076	1.5%
New Zealand dollar	149,870	0.5%	166,651	0.5%
Norwegian krone	219,596	0.7%	247,677	0.7%
Philippines peso	1,684	0.0%	2,392	0.0%
Singapore dollar	87,770	0.3%	73,393	0.2%
Swedish krona	230,555	0.8%	253,807	0.7%
Swiss franc	13,828	0.1%	10,464	0.1%
U.S. dollar	27,953,311	94.1%	32,397,986	94.0%
Total short-term investment fund	$ 29,693,212	100.0%	$ 34,423,135	100.0%

Note 6. 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

Note 6. Fair Value Measurements (continued)

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, 2024 and 2023. 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.

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, 2024 and 2023.

		Fair Value Measurements at 12/31/24 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equities	$ 452,829,974	$ 452,829,974	$ -	$ -
U.S. Government and government agency obligations	125,409,928	58,219,966	67,189,962	-
Corporate and foreign government obligations	100,001,942	-	100,001,942	-
Mutual and exchange traded funds	45,670,811	45,670,811	-	-
Total investments by fair value level	723,912,655	$ 556,720,751	$ 167,191,904	$ -
Investments measured at net asset value	829,334,732			
Total investments at fair value	$ 1,553,247,387			

Note 6. Fair Value Measurements (continued)

		Fair Value Measurements at 12/31/23 Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equities	$ 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	$ 537,377,275	$ 171,300,293	$ -
Investments measured at net asset value	748,674,091			
Total investments at fair value	$ 1,457,351,659			

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.

Note 6. Fair Value Measurements (continued)

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

	Fair Value 12/31/2024	Fair Value 12/31/2023	Unfunded Commitments	Redemption Frequency (If Eligible)	Redemption Notice Period
Investments measured at net asset value:					
Pooled funds - equity (1)					
Earnest Partners China Fund	$ 4,118,748	$ 3,827,912	$ -	Daily	N/A
SSGA S&P 500 Flagship Fund	241,199,022	222,152,221	-	Daily	N/A
SSGA S&P 400 Midcap Index Fund	67,200,621	58,990,846	-	Daily	N/A
SSGA MSCI ACWI Fund	61,611,493	55,225,398	-	Daily	N/A
SSGA Russell 1000 Growth Index Fund	83,826,789	78,175,503	-	Daily	N/A
Pooled funds - fixed income (2)					
SSGA U.S. Aggregate Bond Index	163,536,256	159,867,462	-	Daily	N/A
Real estate funds (3)					
Trumbull Property Fund	39,090,832	43,168,304	-	Quarterly	60 days
RREEF America REIT II	77,253,689	77,561,595	-	Quarterly	45 days
Limited Partnership (4)					
Brightwood Capital Fund V, LP	26,063,569	15,281,715	10,500,000	Closed-end	N/A
Partners Group Private Credit Strategy B	35,740,501	-	-	Discretionary	N/A
Short-term investment fund (5)					
BNY Mellon EB Temporary Investment Fund	29,693,212	34,423,135	-	Daily	N/A
Total investments measured at net asset value	$ 829,334,732	$ 748,674,091			

(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.

Note 6. Fair Value Measurements (continued)

(4) Limited partnerships - 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. The investment objective of the Partners Group Private Credit Strategy Fund is to generate attractive risk-adjusted returns and current income by investing in a diversified portfolio of primarily senior secured loans. An investment in the Fund is not a liquid investment. No investors will have the right to require the Fund to repurchase its investment. The Fund from time to time may offer to repurchase an investment at the net asset value on the repurchase date. Units are offered for purchase as of the first business day of each calendar month, except that Units may be offered more or less frequently as determined by the Adviser. The Adviser may also suspend or terminate offerings of Units at any time. 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 7. 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.

Note 7. Derivatives (continued)

Derivative transactions involve, to varying degrees, credit risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become 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, 2024 and 2023, 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:

	2024	2023
Forward Foreign Currency Exchange Contract receivables	$ 96,808	$ 123,097
Forward Foreign Currency Exchange Contract payables	$ 97,058	$ 123,290

Note 8. 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.

Note 8. Securities Lending (continued)

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 80 days for 2024 and 100 days for 2023; 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, 2024 and 2 days for year ended December 31, 2023.

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, 2024 and 2023, there were no losses due to default of a borrower or the lending agent.

A summary of securities loaned at fair value as of December 31, 2024 and 2023 is as follows:

	2024	2023
Securities loaned - backed by cash collateral		
Equities	$ 12,485,627	$ 7,126,556
U.S. Government and government agency obligations	1,411,829	1,439,884
Corporate obligations	1,589,156	2,504,953
Total securities loaned - backed by cash collateral	15,486,612	11,071,393
Securities loaned - backed by non-cash collateral		
Equities	21,223,646	8,192,150
Corporate obligations	426,268	147,500
Total securities loaned - backed by non-cash collateral	21,649,914	8,339,650
Total	$ 37,136,526	$ 19,411,043

Note 8. Securities Lending (continued)

As of December 31, 2024, the fair value (carrying amount) of loaned securities was $37,136,526. The fair value (carrying amount) of cash collateral received by the Fund was $15,939,302 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 $23,589,786.

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.

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 9. Pronouncements Issued but Not Yet Adopted

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.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement No. 103 is effective for the Fund's fiscal year ending December 31, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for the Fund's fiscal year ending December 31, 2026.

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

Required Supplementary Information

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

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

Metropolitan Water Reclamation District Retirement Fund

Required Supplementary Information

Schedule of Changes in the District's Net Pension Liability and Related Ratios

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension liability										
Service cost	$ 34,667,165	$ 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
Interest	203,898,557	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
Differences between expected and actual experience	(4,897,118)	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
Changes of assumptions	-	117,658,965	-	-	-	-	35,593,015	-	-	-
Benefit payments, including refunds of employee contributions	(201,699,598)	(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)
Net change in total pension liability	31,969,006	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
Total pension liability										
Beginning of year	2,979,019,166	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
End of year	$ 3,010,988,172	$ 2,979,019,166	$ 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
Change in fiduciary net position										
Contributions - employer	$ 131,981,743	$ 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
Contributions - employee	22,484,686	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
Net investment income (loss)	147,318,378	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)
Benefit payments, including refunds of employee contributions	(201,699,598)	(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)
Administrative expense	(2,655,833)	(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)
Other	1,179	2,260	7,361	5,213	2,738	3,058	15,415	3,100	107,175	28,817
Net change in fiduciary net position	97,430,555	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)
Net position restricted for pension benefits										
Beginning of year	1,546,579,883	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
End of year	$ 1,644,010,438	$ 1,546,579,883	$ 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
District's net pension liability	$ 1,366,977,734	$ 1,432,439,283	$ 1,361,642,916	$ 1,020,179,404	$ 1,121,071,432	$ 1,146,934,744	$ 1,244,395,035	$ 985,074,131	$ 1,079,565,058	$ 1,073,112,829
Fund fiduciary net position as a percentage of the total pension liability	54.60%	51.92%	51.36%	62.83%	58.51%	56.78%	51.92%	60.39%	55.61%	54.52%
Covered payroll	$ 214,796,059	$ 204,388,113	$ 195,713,509	$ 187,213,026	$ 188,072,970	$ 189,961,010	$ 187,849,708	$ 184,385,188	$ 182,640,163	$ 177,792,309
Employer's net pension liability as a perecentage of covered payroll	636.41%	700.84%	695.73%	544.93%	596.08%	603.77%	662.44%	534.25%	591.09%	603.58%

See Independent Auditors' Report.

Metropolitan Water Reclamation District Retirement Fund

Required Supplementary Information

Schedule of District Contributions and Related Note

Last Ten Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	$ 88,734,000	$ 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
Contributions in Relation to the ADC	131,981,743	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
Contribution deficiency (excess)	$ (43,247,743)	$ (36,244,668)	$ (41,778,147)	$ (11,962,614)	$ (30,459,777)	$ (13,166,477)	$ (22,178,756)	$ (24,130,312)	$ (15,663,647)	$ (8,437,785)
Covered payroll	$ 214,796,059	$ 204,388,113	$ 195,713,509	$ 187,213,026	$ 188,072,970	$ 189,961,010	$ 187,849,708	$ 184,385,188	$ 182,640,163	$ 177,792,309
Contributions as a percentage of covered payroll	61.45%	57.43%	60.53%	47.43%	57.35%	46.03%	46.40%	48.73%	43.94%	39.96%

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	27 years remaining amortization as of 1/1/24.
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	7.00% per year compounded annually, net of investment related expenses.
Inflation	2.5% per year
Salary increases	Vary by service.
Payroll growth	2.75% 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	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.

See Independent Auditors' Report.

Metropolitan Water Reclamation District Retirement Fund

Required Supplementary Information

Schedule of Investment Returns

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	10.19%	12.63%	-14.53%	15.10%	8.67%	18.25%	-7.44%	15.62%	9.43%	-0.15%

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

Schedules of Administrative Expenses

Years Ended December 31, 2024 and 2023

	2024	2023
Salaries and wages		
Regular employees	$ 1,395,283	$ 1,376,592
Employee benefits	220,237	241,597
Professional services		
Payments to consultants - (PAS)	640,761	883,160
Payments to consultants - other	9,139	63,357
Actuarial	50,650	65,300
Legal and lobbyist	66,205	53,009
Audit and state regulatory fees	42,000	42,000
Public stenographer	10,637	8,868
Medical	10,870	10,725
Investigation	2,075	2,072
Printing and publication	1,939	3,551
Postage	6,556	10,081
Office supplies and furniture	4,001	5,171
Travel	7,511	8,877
Maintenance and repair	729	1,630
Membership dues, conference fees, subscriptions and publications	8,193	10,886
Computer hardware and software	131,202	123,998
Insurance	24,054	23,458
Miscellaneous	23,791	19,782
Total administrative expenses	$ 2,655,833	$ 2,954,114

Metropolitan Water Reclamation District Retirement Fund

Supplementary Information

Years ended December 31, 2024 and 2023

Schedule of Investment Expenses

	2024	2023
Investment manager fees	$ 4,498,835	$ 4,129,845
Custodian fees	269,601	273,839
Investment consulting fees	180,000	180,000
Investment expenses	$ 4,948,436	$ 4,583,684

Schedule of Payments to Consultants

Firm / Individual	Services	2024	2023
Consulting - New Pension Administration System			
Provaliant	Procurement and RFP development	$ 108,000	$ 108,900
Levi, Ray & Shoup, Inc.	Development	457,102	609,469
Managed Business Solutions LLC	Data management	75,659	164,791
Total consulting - New Pension Administration System		640,761	883,160
Consulting - other			
Konica Minolta	Security audit	-	25,200
Novitas Business & Technology	Maintenance - existing PAS	-	7,393
Genuity	Cloud migration and security	7,920	-
MXO Tech	Microsoft 365 consulting	-	23,232
NTIVA	Systems Admin consulting	-	5,850
Crestwood Associates LLC	Microsoft Dynamics consulting	-	494
HR Boost	Human resources consulting	1,219	1,188
Total consulting - other		9,139	63,357
Total payments to consultants		$ 649,900	$ 946,517

Metropolitan Water Reclamation District Retirement Fund

Supplementary Information

Postemployment Healthcare Disclosure

The Fund does not provide any health insurance supplement. Employee and survivor annuitants who meet the requirements 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.