

# **Metropolitan Water Reclamation District Retiree Health Care Trust**

**A Component Unit of  
The Metropolitan Water Reclamation District of Greater Chicago**

**Chicago, Illinois**

**Comprehensive Annual Financial Report  
Year Ended December 31, 2015**



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**Chicago, Illinois**

## **Comprehensive Annual Financial Report Year Ended December 31, 2015**

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**PREPARED BY THE MANAGEMENT AND STAFF OF  
THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

**MARY ANN BOYLE, TREASURER**

**TRUST ESTABLISHED DECEMBER 6, 2007**

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**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

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Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

# Metropolitan Water Reclamation District Retiree Health Care Trust

100 East Erie Street  
Chicago, Illinois 60611  
(312) 751-5150

May 9, 2016

Board of Trustees  
MWRD Retiree Health Care Trust  
100 East Erie Street  
Chicago, Illinois 60611

Dear Trustees:

Submitted herewith is the Comprehensive Annual Financial Report (%CAFR+) of the Metropolitan Water Reclamation District Retiree Health Care Trust (%Trust+) for the year ended December 31, 2015. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is fully assumed by management of the Metropolitan Water Reclamation District of Greater Chicago (%the District+). 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 Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's financial activities have been included.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 immediately following the report of the independent auditors.

## INTERNAL CONTROLS

The District operates within a system of internal controls established and continually reviewed by management. This provides reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. When establishing or reviewing controls, management must consider the cost of the control and value of the benefit derived from its utilization. Management normally maintains and implements all sensitive controls and those controls whose value adequately exceeds their cost. Management believes both the District's and the Trust's internal controls, procedures, and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The Trust's annual independent audit disclosed no material weakness.

## FUND DESCRIPTION

Pursuant to 70 ILCS 2605/9.6d, the Metropolitan Water Reclamation District Retiree Health Care Plan (%Plan+) and the Trust Agreement were adopted by the Board of Commissioners (%BOC+) of the District effective December 6, 2007, to recognize the contribution made to the employer by its employees. Its purpose is to reward the employees by providing retiree health care benefits for qualifying employees and their eligible spouses and dependents. Retiree health care benefits are defined as post-retirement medical and prescription drug coverage only; no dental, life, or disability benefits are provided by the Plan. The Plan is intended to satisfy the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. The District established the Trust to fund future benefits to be provided under the Plan. The Trust is considered a component

unit of the District and as such is included in the District's financial statements as a retiree health care trust fund.

The Plan and Trust descriptions are provided within the footnotes to the Financial Statements in the Financial Section and within the Actuarial Section of this report.

### **BOARD OF TRUSTEES**

The Board of Trustees is comprised of the Board of Commissioners of the District (BOC). The Trustee of the Trust is the District. The Trustee takes, holds, invests, administers, and distributes contributions and assets paid or delivered to the Trust. All rights, title and interest in and to the assets of the Trust Fund are at all times vested exclusively in the Plan. All contributions received together with the income from the contributions are held, managed, and administered by the Trustee pursuant to the terms of the Plan without distinction between principal and income and without liability for the payment of interest.

The BOC appointed an Executive Committee, comprised of the Chairman of Finance, the Treasurer, and the Director of Finance, to be responsible for certain activities with regard to the Trust, subject to the approval of the BOC. These activities include but are not limited to: recommendation of an investment advisor; acceptance or rejection of investment recommendations from the investment advisor; and certain financial reporting responsibilities.

### **PROFESSIONAL STAFF AND SERVICES**

The District staff is responsible for providing the various services and information to the Trustee and to the members of the Trust, active and retired. This team is comprised of an Investment Advisor (Advisor) and personnel from the Treasury, Finance, Human Resources, Budget, and Law Departments of the District. The Trustee selects the Advisor for a five-year service contract via a public Request for Proposal.

Typical staff activities include the development of an Investment Policy and Asset Allocation Strategy; investment and management of Trust assets; regular reporting to the Trustee; internal and external audits of the Trust; and training of the Trustee. General accounting activities are tracked on the SAP Enterprise system.

### **FUNDING POLICY**

In 2007 the BOC adopted an initial advance funding policy meant to (i) improve the District's financial position by reducing the amount of future contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. On October 2, 2014, the advance funding policy was amended by the BOC with the following guidelines:

Target Funding Level:	100% maximum
Funding Period:	12 years
Funding Amount:	\$5 million funding in each of the twelve years 2015 through 2026, with no further advance funding contributions required after 2026.

Beginning in 2027, cash to be withdrawn from the Trust to fund claims and insurance premiums will be determined by the Trust's actuary with the target funding level to be maintained at 100 percent for all future years. There is currently no legal requirement for the District to partially or fully fund the OPEB (Other Postemployment Benefits) Trust Fund and any funding is on a voluntary basis.

## **FUNDING STATUS**

The funding for the Trust is accomplished in two parts. The District pays the retiree health care claim payments and insurance premiums from operating funds, and also contributes the advance funding amount to the Trust. Benefit payments and premiums are not paid from the advance funding contributions to the Trust. Currently, the Trust functions solely as an advance funding vehicle.

Income for the Trust is from two sources: employer contributions and investment income. Income from employer contributions is appropriated each year by the BOC. The District's BOC has discretionary authority to determine contribution amounts to be paid into the Trust. Through December 31, 2015, an aggregate of \$117,400,000 has been contributed by the District to the OPEB Trust Fund. The advance funding contribution for 2015 was \$5,000,000 in accordance with the Trust's current funding policy requirement. In succeeding fiscal years the Trust will receive the District (employer) contributions as determined by the BOC.

The Accumulated Unfunded Actuarial Accrued Liability was \$137,317,348 as of December 31, 2015, the date of the most recent actuarial valuation. The unfunded liability represents the amount by which the Accrued Liability exceeds the value of the plan assets that have been placed in a trust and dedicated to providing benefits to retirees and their beneficiaries. Future direction may be changed based on national health care policies.

For fiscal year 2015, the District funded 146.9% of the actuarially determined annual required contribution requirement. The funded ratio was 52.1% at December 31, 2015, the date of the most recent actuarial valuation.

## **INVESTMENT POLICY AND PERFORMANCE**

The assets of the Trust shall be managed by the Treasurer of the District in any manner, subject only to prudent investor standards and any requirements of federal law. The Trust shall discharge its duties in the same manner as that of a prudent person acting in a like capacity with the same resources and aims; diversify the holdings of the Trust to minimize the risk of loss and maximize the rate of return; and discharge duties solely in the interest and for the benefit of the funds managed. The Trust Investment Policy was initially adopted by the Board of Trustees on November 19, 2009 and revised on December 19, 2013.

The Trust reported a total investment loss of \$1,968,029 for 2015, yielding -1.4%, compared to the Trust's Policy Index return of 0.5%. In 2014 the Trust reported a total investment return of \$5,573,457, yielding 4.9%, compared the Policy Index return of 6.3%.

Refer to the Investment Section of this report for further information regarding investment authority and performance.

## **BENEFITS**

The establishment and funding of the Trust is expected to provide multiple benefits, including:

- É Progress towards reducing large unfunded liability;
- É Capture of long-term investment returns by using the Trust only as a funding vehicle;
- É Reduction in future GASB 45 expense and cash funding requirements; and
- É Provide funding so that the District is able to ease the financial burden of administering the Plan benefits to its current and future retirees.

## **AWARDS AND ACKNOWLEDGMENTS**

The preparation of this report reflects the combined efforts of the District staff under the direction of the Board of Trustees. 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 Trust.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its CAFR for the period ended December 31, 2014. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

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

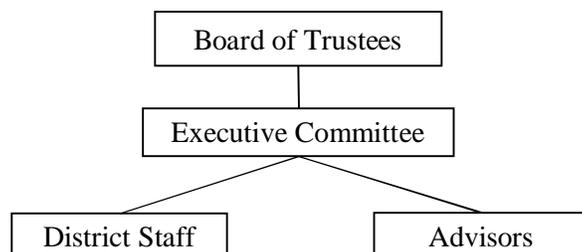
A Certificate of Achievement is valid for only one year. The Trust received a Certificate of Achievement for the last eight years. We believe our current report continues to conform to the Certificate of Achievement program requirements; we are therefore submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2015.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mary Ann Boyle".

Mary Ann Boyle, Treasurer  
Metropolitan Water Reclamation District of Greater Chicago

## ORGANIZATION CHART AND PRINCIPAL OFFICIALS



### BOARD OF TRUSTEES

The Board of Trustees is comprised of the District's Board of Commissioners.

Board of Trustees	Year First Elected	Term Expires
Mariyana T. Spyropoulos, <i>President</i>	2010	2016
Barbara J. McGowan, <i>Vice President</i>	1998	2016
Frank Avila, <i>Chairman of Finance</i>	2002	2020
Michael A. Alvarez	2010	2016
Timothy Bradford	2014	2020
Cynthia M. Santos	1996	2020
Debra Shore	2006	2018
Kari K. Steele	2012	2018
David J. Walsh	2015*	2016

### EXECUTIVE COMMITTEE

Frank Avila, Chairman of Finance  
 Mary Ann Boyle, Treasurer of the District  
 Jacqueline Torres, Clerk/Director of Finance

### DISTRICT STAFF

Treasury Department . Mary Ann Boyle, Treasurer  
 Finance Department . Jacqueline Torres, Clerk/Director of Finance  
 Department of Human Resources . Denice Korcal, Director of Human Resources  
 Law Department . Ronald Hill, General Counsel

### ADVISORS

Actuary: Foster & Foster, Inc. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2017.

Investment Advisor: Segal Advisors, Inc. d/b/a Segal Rogerscasey. See further detail in the summary schedule of investment fees on page 32.

\*Appointed by the Governor of the State of Illinois in September, 2015 to fill a vacancy.

## **FINANCIAL SECTION**



RSM US LLP

## **Independent Auditor's Report**

To the Members of the Board of Trustees of the  
Metropolitan Water Reclamation District Retiree Health Care Trust  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying Statement of Plan Net Position of the Metropolitan Water Reclamation District Retiree Health Care Trust (Trust), a component unit of the Metropolitan Water Reclamation District of Greater Chicago (District), as of and for the year ended December 31, 2015, and the related Statement of Changes in Plan Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Metropolitan Water Reclamation District Retiree Health Care Trust (Trust) as of December 31, 2015, and the changes in plan net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior-Year Comparative Information:*

The financial statements of the Trust, as of and for the year ended December 31, 2014, were audited by other auditors whose report dated May 11, 2015 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *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 8 and the schedule of funding progress, the schedule of employer contributions, the notes to the schedules of funding progress and employer contributions and the schedule of actuarial assumptions on pages 20 through 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

### *Other Information:*

Our audit for the year ended December 31, 2015 was conducted for the purpose of forming an opinion on the Trust's financial statements. The other supplementary information consisting of Summary Schedules in the financial section, and the accompanying introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information for the year ended December 31, 2015 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 supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended December 31, 2015 and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole for the year ended December 31, 2015. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Trust's basic financial statements for the year ended December 31, 2014 (not presented herein), were audited by other auditors whose report dated May 11, 2015 expressed an unmodified opinion on the basic financial statements. The report of the other auditors dated May 11, 2015, stated that the summary schedule of administrative expenses and the summary schedule of investment fees for the year ended December 31, 2014 was subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2014.

*RSM US LLP*

Chicago, Illinois  
May 9, 2016

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**

**Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2015 (With comparative amounts for prior year)**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

This section presents management's discussion and analysis of the Trust's financial performance for the years ended December 31, 2015 and 2014, and provides an introduction to the financial statements of the Trust. It is designed as required supplementary information which focuses on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal found in the Introductory Section of this report.

**Overview and Analysis of the Financial Statements**

The Financial Section of the Trust's Comprehensive Annual Financial Report consists of the following parts: the independent auditor's report; management's discussion and analysis; the financial statements, including notes to the financial statements; required supplementary information and supplementary information.

The Trust prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Statement of Plan Net Position includes all of the Trust's assets and liabilities and provides information about the nature and amount of investments available to satisfy the retiree health care benefits of the Trust. All additions to and deductions from the net position held in trust for retiree health care benefits are accounted for in the Statements of Changes in Plan Net Position. These statements measure the Trust's success in increasing the net position available for retiree health care benefits.

On August 23, 2007, the General Assembly of the State of Illinois approved the amendment to the Metropolitan Water Reclamation District Act (70 ILCS 2605/9.6d), which authorized and set forth the requirements for the establishment of the District Other Postemployment Benefit Trust (OPEB Trust), for the purpose of providing for the funding and payment of health and other fringe benefits for retired, disabled, or terminated employees of the District or for their dependents and beneficiaries. The Trust was established December 6, 2007.

The Statement of Plan Net Position and Statement of Changes in Plan Net Position measure the value of the plan's net position and the changes to it. As of December 31, 2015, the plan net position increased to \$149,328,924 from \$146,374,627 at December 31, 2014.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**

**Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2015 (With comparative amounts for prior year)**

**PLAN NET POSITION AND CHANGES IN PLAN NET POSITION**

The following table summarizes the Plan's Statements of Net Position:

<b>Condensed Statements of Plan Net Position as of December 31:</b>				<b>Percent</b>
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>Change</b>
<b>Assets</b>				
Investments at Fair Value	\$ 149,237,550	\$ 146,317,546	\$ 2,920,004	2.0%
Accrued Interest Receivable	94,874	71,081	23,793	33.5%
<b>Total Assets</b>	<b>149,332,424</b>	<b>146,388,627</b>	<b>2,943,797</b>	<b>2.0%</b>
<b>Liabilities</b>				
Accounts Payable	3,500	14,000	(10,500)	75.0%
<b>Total Liabilities</b>	<b>3,500</b>	<b>14,000</b>	<b>(10,500)</b>	<b>75.0%</b>
<b>Plan Net Position Held In Trust for OPEB</b>	<b>\$ 149,328,924</b>	<b>\$ 146,374,627</b>	<b>\$ 2,954,297</b>	<b>2.0%</b>

In 2015, the increase in plan net position resulted primarily from the Employer's contribution to the Trust of \$5 million, offset by an unrealized loss on equity investments held at year end. The Trust's time-weighted investment rate of return was -1.39% for the year, and 6.37% for the three years ended December 31, 2015.

The following table summarizes the Plan's Statements of Changes in Net Position:

<b>Condensed Statements of Changes in Plan Net Position:</b>				<b>Percent</b>
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>Change</b>
<b>Additions:</b>				
Contributions by Employer	\$ 18,316,713	\$ 33,716,523	\$ (15,399,810)	-45.7%
Contributions by Retirees	7,406,437	6,773,271	633,166	9.3%
<b>Total Contributions</b>	<b>25,723,150</b>	<b>40,489,794</b>	<b>(14,766,644)</b>	<b>-36.5%</b>
<b>Net Appreciation (Depreciation) in</b>				
Fair Value of Investments	(5,301,623)	2,266,999	(7,568,622)	-333.9%
Interest and Dividends	3,333,594	3,306,458	27,136	0.8%
<b>Total Investment Return (Loss)</b>	<b>(1,968,029)</b>	<b>5,573,457</b>	<b>(7,541,486)</b>	<b>-135.3%</b>
Less Investment Expenses	(42,000)	(42,015)	15	0.0%
<b>Net Investment Income (Loss)</b>	<b>(2,010,029)</b>	<b>5,531,442</b>	<b>(7,541,471)</b>	<b>-136.3%</b>
<b>Total Additions</b>	<b>23,713,121</b>	<b>46,021,236</b>	<b>(22,308,115)</b>	<b>-48.5%</b>
<b>Deductions:</b>				
Retiree Health Care Benefits	20,723,150	20,489,795	233,355	-1.1%
Administrative Expenses	35,674	40,249	(4,575)	11.4%
<b>Total Deductions</b>	<b>20,758,824</b>	<b>20,530,044</b>	<b>228,780</b>	<b>-1.1%</b>
<b>Net Increase in Net Position</b>	<b>2,954,297</b>	<b>25,491,192</b>	<b>(22,536,895)</b>	<b>-88.4%</b>
<b>Net Position</b>				
Beginning of year	146,374,627	120,883,435	25,491,192	21.1%
<b>End of year</b>	<b>\$ 149,328,924</b>	<b>\$ 146,374,627</b>	<b>\$ 2,954,297</b>	<b>2.0%</b>

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**

**Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2015 (With comparative amounts for prior year)**

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**Additions**

Additions are accumulated through employer and retiree contributions, and returns are provided by invested assets. Total additions for 2015 were \$23.7 million compared to \$46.0 million in 2014, a decrease of \$22.3 million or 48.5%. Employer and retiree contributions were \$25.7 million for 2015, representing a decrease of \$14.8 million or 36.5%. Advance funding contributions made by the District were \$5.0 million in 2015 compared to \$20.0 million in 2014. The contribution was lowered in 2015 to comply with the Plan's recently amended advance funding policy, as adopted in late 2014. Through December 31, 2015, a total of \$117.4 million has been contributed to the Trust. The 2015 net investment loss of \$2.0 million was due to the net unrealized depreciation in fair value of investments of \$5.3 million, offset by dividends earned on mutual fund investments of \$3.3 million. Net investment income (loss) is a combination of interest and dividend income, and gains and losses on investments held at year-end. Overall the -1.4% investment return for 2015 reflected a -1.1% return on equity investments, -8.7% return on global balanced investments, and 0.1% return on fixed income investments. The negative return on equities was mainly due to a weak performance for the international equity composite. PIMCO's All Asset Fund, representing 9.8% of total plan assets, negatively affected total composite performance as it returned -8.7% for 2015. PIMCO's underperformance was due to inflation-linked investments performing negatively in 2015, along with exposure to emerging markets. Macroeconomics and geopolitical factors played a prominent role in the 2015 market downturn. The drop in oil prices and the slowdown in China's economy were major headlines throughout the year. The Federal Reserve raised short-term interest rates by 0.25% in December, ending a seven-year period of near zero interest rates.

**Deductions**

The expenses paid by the Trust are retiree health care benefit payments and administrative expenses. Total deductions for 2015 were \$20.7 million compared to \$20.5 million in 2014, an increase of \$0.2 million or 1.1%. Benefit payments increased 1.1% from 2014, representing a normal increase due to medical cost inflation. Total administrative expenses represent the cost of fiduciary insurance for the Trustee, along with external audit fees.

**Return on Investments and Asset Allocation**

Comparative investment returns by asset allocation are as follows:

<b>Asset Class</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Percent of Investments</b>	<b>Percent of Investments</b>	<b>Time-Weighted Investment Return</b>	<b>Time-Weighted Investment Return</b>
Domestic Equity	30%	31%	0.5%	5.4%
International Equity	15%	13%	-3.9%	-4.9%
Domestic Fixed Income	45%	44%	0.1%	4.8%
Global Balanced*	10%	9%	-8.7%	-5.1%
Money Market Funds	0%	3%	0.0%	0.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>-1.4%</b>	<b>4.9%</b>

\*Partial year return is presented in 2014 for Global Balanced asset class due to mid-year funding (inception date of June 1, 2014)

The increase in value of the Trust's invested assets was 2.0%. The return on invested assets for 2015 using the Modified Dietz time-weighted approach was -1.4%, calculated on a quarterly

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**

**Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2015 (With comparative amounts for prior year)**

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compounded basis. The disparity between the percentage return on investments and the larger increase in asset value reflects the impact and timing of \$5.0 million advance funding contributions made during 2015.

**Funded Status**

The Trust's funded status is the ratio of the actuarial value of assets to the actuarial liability and is a measure of the ability to pay all future benefits from the assets held in the Trust. The Trust's funded ratio as of December 31, 2015, was 52.1%, an increase from 46.4% as of December 31, 2013, the date of the previous actuarial valuation.

The District's Annual Required Contribution (ARC) represents the employer contribution that would be needed each year to fund the retiree health care benefits over a period not exceeding 30 years. The District's ARC was calculated to be \$12.5 million and \$13.2 million for 2015 and 2014, respectively. The actual contribution for 2015 and 2014 was 146.9% and 255.2% of the ARC, respectively. Details about both of these indicators are found in the Statistical section of the CAFR.

The increase in the funded ratio was due to District contributions along with lower claims costs than anticipated. The District is well on its way to meet its goals of providing financial stability to the Plan.

**Required Supplementary Information**

To provide actuarial determined information about the Trust, this report includes schedules of historical trend information in the Required Supplementary Information (RSI) section. The RSI provides a Schedule of Funding Progress, a Schedule of Employer Contributions, and a Summary of Actuarial Assumptions. The Schedule of Funding Progress and the Schedule of Employer Contributions provide actuarial information to help the reader understand the changes in the actuarial funding and funded status of the Trust over time. Please note that the actuarial information is based on assumption about future events, and therefore, the figures presented are estimates.

The Schedule of Funding Progress provides information about the progress made to accumulate sufficient assets to pay benefits when due. It presents the funded status of the Trust by comparing the actuarial value of the assets to the actuarial accrued liability, including the ratio of the actuarial value of assets to the actuarial accrued liability (funded ratio). The funded ratio increases or decreases over time dependent upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. Actuarial liabilities in excess of assets indicate that an insufficient amount of assets have accumulated to fund future benefits of current members and retirees. The funded ratio was 52.1% at December 31, 2015, the date of the most recent actuarial valuation. The schedule presents information for the three previous actuarial valuation dates.

The Schedule of Employer Contributions presents information about the Trust's annual required contributions and the contributions actually made to display the performance of the funding of the Trust, along with the related percentages the employer has contributed to meet the requirements. The Employer contributed 146.9% of the actuarial required contribution for 2015. The Schedule of Employer Contributions presents information from the last five years.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**

**Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2015 (With comparative amounts for prior year)**

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The Actuarial Assumptions presented were determined as part of the actuarial valuation at December 31, 2015. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2017.

**Other Information**

This report also includes an Investment Section, an Actuarial Section, and a Statistical Section. The Investment Section contains the investment consultant report, a statement on investment authority and responsibility, an outline of investment policies, reports on investment objectives, allocation, performance, assets, and analytics, a schedule of investment returns, and a summary schedule of investment fees. The Actuarial Section contains the Actuarial Certification Letter, an introduction, a summary of assumptions and methods, and other actuarial information. The statistical section consists of a description of the statistical schedules, member statistics, and the change in net positions, revenues by source, schedule of return on investments, schedule of employer contributions, and schedule of expenses by type.

**CONTACT INFORMATION**

This Report is intended to provide a general overview of the Metropolitan Water Reclamation District Retiree Health Care Trust. Questions or requests for additional information should be addressed to the Trust at 100 East Erie Street, Chicago, Illinois 60611, Attn: Treasurer, or call (312) 751-5150.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Financial Statements**

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**Statements of Plan Net Position**  
**December 31, 2015**  
**(With comparative amounts for prior year)**

	<u>2015</u>	<u>2014</u>
Assets		
Investments at Fair Value		
Fixed Income Mutual Funds	\$ 67,387,160	\$ 60,132,364
Equity Mutual Funds	66,651,385	59,948,775
Balanced Mutual Funds	14,648,638	12,379,432
Money Market Funds	550,367	13,856,975
Total Investments	<u>149,237,550</u>	<u>146,317,546</u>
Accrued Interest Receivable	94,874	71,081
Total Assets	<u>149,332,424</u>	<u>146,388,627</u>
Liabilities		
Accounts Payable	<u>3,500</u>	<u>14,000</u>
Total Liabilities	<u>3,500</u>	<u>14,000</u>
Plan Net Position Held In Trust for OPEB	<u>\$ 149,328,924</u>	<u>\$ 146,374,627</u>

See accompanying notes to the Financial Statements

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Financial Statements**

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**Statements of Changes in Plan Net Position**  
**Year Ended December 31, 2015**  
**(With comparative amounts for prior year)**

	<u>2015</u>	<u>2014</u>
Additions:		
Contributions by Employer	\$ 18,316,713	\$ 33,716,523
Contributions by Retirees	7,406,437	6,773,271
Total Contributions	<u>25,723,150</u>	<u>40,489,794</u>
Net Appreciation (Depreciation) in		
Fair Value of Investments	(5,301,623)	2,266,999
Interest and Dividends	<u>3,333,594</u>	<u>3,306,458</u>
Total Investment Return (Loss)	(1,968,029)	5,573,457
Less Investment Expenses	<u>(42,000)</u>	<u>(42,015)</u>
Net Investment Income (Loss)	<u>(2,010,029)</u>	<u>5,531,442</u>
Total Additions	<u>23,713,121</u>	<u>46,021,236</u>
Deductions:		
Retiree Health Care Benefits	20,723,150	20,489,795
Administrative Expenses	<u>35,674</u>	<u>40,249</u>
Total Deductions	<u>20,758,824</u>	<u>20,530,044</u>
Net Increase in Plan Net Position	2,954,297	25,491,192
Net Position Held in Trust for OPEB		
January 1	146,374,627	120,883,435
December 31	<u>\$ 149,328,924</u>	<u>\$ 146,374,627</u>

See accompanying notes to the Financial Statements

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Year Ended December 31, 2015**

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**1. Summary of Significant Accounting Policies**

a. Reporting Entity

Pursuant to 70 ILCS 2605/9.6d, the Metropolitan Water Reclamation District of Greater Chicago (District) adopted the Plan and Trust effective December 6, 2007, to recognize the contribution made to the District by its Employees. Its purpose is to reward them by providing benefits for those employees who shall qualify hereunder and their eligible spouses and dependents.

The intention of the District is that the Plan satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the IRS.

The Metropolitan Water Reclamation District Retiree Health Care Trust (Trust) is a component unit of the District and, as such, is included in the District's financial statements. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Based on the required criteria, the Trust has no component units.

b. Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

c. Investments

The Trust is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust funds shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009, which was revised on December 19, 2013.

The Trust's assets are invested in fixed income, balanced and equity open-ended mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates.

The Trust's assets are also invested in the Illinois Funds. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2015**

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with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds share price, which is the price the investment could be sold for.

d. Management's Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The District uses an actuary to determine the actuarial accrued liability for post-retirement benefits and to determine the actuarially required contribution and annual OPEB expense. A change in the actuarial assumptions used could significantly change the amounts reported in the accompanying financial statements.

The information included in this report is based on the actuarial valuation performed as of December 31, 2015. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2017.

e. Description of Fiscal Year

The District established the Trust on December 6, 2007, and elected to follow a calendar year for financial reporting, consistent with the District. These financial statements cover the year ended December 31, 2015.

f. Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements as of and for the year ended December 31, 2014, from which the summarized comparative information was derived.

g. New Accounting Pronouncements

The following new pronouncements have been approved by the Governmental Accounting Standards Board (GASB) and are expected to have an impact on the Trust in the future. The future impact is currently being reviewed by Trust management while the full impact is not known at this time.

Issued in 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for fair value measurement and application. Statement No. 72 defines fair value, provides guidance for determining fair value measurement for financial reporting purposes and specifies required disclosures related to fair value measurements. Statement No. 72 is effective for the Trust's fiscal year ending December 31, 2016.

Issued in 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Year Ended December 31, 2015**

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Statement No. 74 addresses the financial reports of defined benefit OPEB Plans that are administered through trusts that meet specified criteria. The Statement also requires more extensive note disclosures and required supplementary information related to the measurement of OPEB liabilities. Statement No. 74 is effective for the Trust's fiscal year ending December 31, 2017.

Issued in 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 requires governments to report a liability on the financial statements for the OPEB benefits provided. The Statement also requires more extensive note disclosures and required supplementary information related to the OPEB benefit liabilities. Statement No. 75 is effective for the District's fiscal year ending December 31, 2018.

Issued in 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 identifies the hierarchy of generally accepted accounting principles (GAAP) which consist of the sources of accounting principles used to prepare financial statements of state and local government entities in conformity with GAAP and the framework for selecting those principles. Statement No. 76 reduces the hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement No. 76 is effective for the Trust's fiscal year ending December 31, 2016.

**2. Plan Description and Contribution Information**

a. Membership

Membership of the Trust consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees and survivors receiving benefits	1,962
Retiree dependent spouses receiving coverage	813
Active plan members	<u>1,836</u>
Total	<u><u>4,611</u></u>

b. Plan and Trust Description

The Metropolitan Water Reclamation District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the District's plan. Spouses and dependents of eligible retirees are also eligible for medical coverage. All full-time employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses and dependents is provided. The Trust was established to advance fund benefits provided under the Plan.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Year Ended December 31, 2015**

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c. Contributions

State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners (BOC) discretionary authority to determine contribution amounts to be paid by the District. In accordance with the legislation, the BOC may lawfully agree with the Trust to a binding level of funding for periods of time not to exceed 5 fiscal years. As of the date of this report, the BOC has not entered into any such agreements. In addition, the Trust documents permit employees of the District to contribute money to provide for such benefits. No contribution is required at this time.

Under the terms of the Plan, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. The District is required to contribute the balance of the current premium and claims costs. Contributions by the District in excess of the employer portion of current premiums and claims costs represent advance funding in accordance with the funding policy. The District has contributed \$117,400,000 to the Trust as the advance funding amount to date.

d. Retiree Health Care Benefit Costs

Benefit costs are post-retirement medical and prescription drug coverage benefit premiums and claims paid by the District.

e. Administrative Costs

Administrative costs of the Trust will be financed primarily through investment earnings; however, the Trust is not prohibited from expending contributions for administrative purposes.

**3. Funded Status and Funding Progress**

The funded status of the plan as of the December 31, 2015, actuarial valuation is as follows (amounts in thousands):

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2015	\$ 149,329	\$ 286,646	\$ 137,317	52.1%	\$ 176,757	77.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial values of plan

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Year Ended December 31, 2015**

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assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of employer contributions is included as part of the required supplementary information and presents information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Effective for the actuarial valuation as of December 31, 2015, the actuarial cost method was changed from the Projected Unit Credit method to the Entry Age Normal method to better reflect anticipated experience.

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll Open
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount Rate	6.75%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.0% Initial 4.5% Ultimate (Year 2021)
Annual Payroll Growth Rate	3.6%
Disability	None assumed

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2015**

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Age of Spouse	Male spouses are assumed to be 3 years Older than female spouses
Coverage at	90% of future eligible retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

**4. Investments**

a. Allocation Targets

The Trust's investment policy was initially adopted on November 19, 2009, and is designed to control for risk and provide guidance in establishing a prudent investment strategy that serves the long-term needs of the Trust and its beneficiaries. The investment policy was revised on December 19, 2013 to allow for asset allocation targets that are structured to provide competitive performance while minimizing the potential for losses. The current policy allows for a range of exposures to five aggregate asset classes as follows:

<b>Asset Class</b>	<b>Minimum</b>	<b>Normal</b>	<b>Maximum</b>
Domestic Equities	25.0%	30.0%	35.0%
Developed International Equities	12.0%	15.0%	18.0%
Fixed Income Securities (Bonds)	40.0%	45.0%	50.0%
Global Balanced Portfolio	7.5%	10.0%	12.5%
Money Market Funds and Cash	0.0%	1.0%	100.0%

b. Interest Rate Risk

The Trust's benefit liabilities extend many years into the future, and the Trust's policy is to maintain a long-term focus on its investment decision-making process. Fixed income investments susceptible to interest rate risk are monitored to prevent such investments from exceeding established allocation targets.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2015**

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At December 31, 2015, the Trust's investments in open-ended fixed income mutual funds stated at fair value with weighted average maturities are as follows:

<b>Fund Name</b>	<b>Fair Value</b>	<b>Percentage</b>	<b>Weighted Average Maturities (Years)</b>
Dodge & Cox Income	\$ 29,982,184	44.5%	8.3
Payden Core Bond Fund	7,473,935	11.1%	7.7
Western Asset Core Plus	29,931,041	44.4%	11.8
		<u>100.0%</u>	

The Trust's net fair value of money market investment funds was \$550,367 as of December 31, 2015 having a weighted-average maturity of less than one year.

c. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Trust's Investment Policy requires a minimum of 85% of the fixed income holdings of an actively managed fixed income mutual fund be of investment grade quality or higher at purchase; rated no lower than %Baa+by Moody's and no lower than %BBB+by Standard and Poor's. The Trustee, at its discretion, may impose a higher standard on an individual investment's circumstances or as investment objectives dictate. Fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, Canadian Government, or any agency or instrumentality thereof, or to corporate and municipal issues.

As of December 31, 2015, the Trust's investments in open-ended fixed income mutual funds were not individually rated by a nationally recognized statistical rating organization.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2015**

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2015:

<b>Credit Rating (1)</b>	<b>Fund Name</b>		
	<b>Dodge &amp; Cox Income Fund</b>	<b>Payden Core Bond Fund</b>	<b>Western Asset Core Plus Fund</b>
	<b>Percentage</b>		
AAA	45.0	51.0	45.4
AA	3.1	4.0	4.3
A	8.0	12.0	18.8
BBB	32.8	33.0	16.3
BB	8.5	-	4.9
B	2.6	-	4.5
Below B	-	-	3.8
Not Rated	-	-	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(1) Provided by Morningstar, Inc. Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The credit rating for the Illinois Funds money market investment pool was AAAM by Standard and Poor's at December 31, 2015. The Trust's investment in an additional money market fund was not individually rated by a nationally recognized statistical rating organization.

d. Foreign Currency Risk

The Trust's Investment Policy requires that it disclose any investment denominated in a foreign currency. Exposure to foreign currency risk is limited to the international investment allocation target maximum of 20% of the fair value of the investment portfolio.

As of December 31, 2015, the Trust investments in international equity open-ended mutual funds stated at fair value are as follows:

<b>Fund Name</b>	<b>Fair Value</b>
Harbor International Institutional	\$ 14,822,141
Artisan International Fund	7,454,458
	<u>\$ 22,276,599</u>

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Year Ended December 31, 2015**

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e. Custodial Credit Risk

The Trust's Investment Policy requires that all investments and investment collateral be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the Trust's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities which are in the possession of the outside party. All cash balances maintained at banks are required to be collateralized with permitted U.S. Government Securities in an amount equal to 105% (at market) of the monies on deposit. Cash awaiting reinvestment in the Trust's investment account is protected up to \$250,000 under coverage by the Securities Investor Protection Corporation (SIPC). As of December 31, 2015, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF FUNDING PROGRESS** (amounts in thousands):

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2015	\$ 149,329	\$ 286,646	\$ 137,317	52.10%	\$ 176,757	77.7%
12/31/2013	120,883	260,364	139,481	46.43%	164,005	85.0%
12/31/2011	54,996	394,676	339,680	13.93%	162,853	208.6%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS** (amounts in thousands):  
**Years ended December 31**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Contributions to Trust*</b>	<b>Percentage Contributed*</b>
2015	\$ 12,472	\$ 18,317	146.9%
2014	13,212	33,717	255.2%
2013	13,212	33,835	256.1%
2012	27,264	35,426	129.9%
2011	27,264	18,020	66.1%

Note: The Trust was established in 2007.

\*The percentage contributed represents all contributions made by the employer (District) in relation to the Annual Required Contribution (ARC). Amounts contributed include both direct contributions to the Trust, and benefit payments made by the District.

**Notes to Schedules of Funding Progress and Employer Contributions**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. An actuarial valuation is required to be performed biennially for the Trust. Additional information as of the most recent actuarial valuation is detailed on the following page.

See accompanying independent auditors report.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF ACTUARIAL ASSUMPTIONS:**

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll Open
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount Rate	6.75%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.0% Initial 4.5% Ultimate (Year 2021)
Annual Payroll Growth Rate	3.6%
Disability	None assumed
Age of Spouse	Male spouses are assumed to be 3 years Older than female spouses
Coverage at	90% of future eligible retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

See accompanying independent auditors report.

**SUPPLEMENTARY INFORMATION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**SUPPLEMENTARY INFORMATION**

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**SUMMARY SCHEDULE OF ADMINISTRATIVE EXPENSES**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
Professional services - audit fees	\$ 29,600	\$ 28,300
Fiduciary insurance	6,074	11,949
Total Administrative Expenses	<u>\$ 35,674</u>	<u>\$ 40,249</u>

**SUMMARY SCHEDULE OF INVESTMENT FEES**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
Investment consulting fees	\$ 42,000	\$ 42,000
Custodian transaction fees	-	15
Net Investment Expenses	<u>\$ 42,000</u>	<u>\$ 42,015</u>

## **INVESTMENT SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**INVESTMENT CONSULTANT REPORT**

Segal Rogerscasey  
116 Huntington Ave, 8<sup>th</sup> Floor  
Boston, MA 02116

February 26, 2016

Board of Trustees,  
Metropolitan Water Reclamation District Retiree Health Care Trust  
100 East Erie Street  
Chicago, IL 60611-2829

To the Board of Trustees:

Segal Rogerscasey was hired as the investment consultant for the Metropolitan Water Reclamation District Retiree Health Care Trust during the third quarter of 2012. We are currently assisting the Trust in review of the investment policy, recommending changes to the Trust's asset allocation investment strategy and investment manager selections, and providing quarterly investment performance reviews and analysis.

Investment Policy

The Trust's investment policy was initially adopted on November 19, 2009 and revised on December 19, 2013 to allow for new asset allocation targets structured to provide competitive performance while minimizing the potential for losses. The revised policy allows for a range of exposures to five aggregated asset classes as follows:

<b>Asset Class</b>	<b>Benchmark Fund Asset Mix</b>		
	<b>Minimum</b>	<b>Normal</b>	<b>Maximum</b>
<b>Domestic Equities</b>	25%	30%	35%
<b>Developed International Equities</b>	12%	15%	18%
<b>Fixed Income Securities (Bonds)</b>	40%	45%	50%
<b>Global Balanced Portfolio</b>	7.5%	10%	12.5%
<b>Money Market Funds and Cash</b>	0%	1%	100%

Investment Portfolio Activities

Investments are made in accordance with the guidelines stated within the Trust's investment policy. In 2015, \$5.0 million was contributed to the Trust along with interest and dividends of \$3.3 million, offset by \$5.4 million loss in capital depreciation generated by the underlying funds. Total District contributions to the Trust have aggregated to \$117.4 million as of year-end 2015. Trust holdings in investments at year-end 2015 were valued at \$149.2 million. Investments of the Trust are stated at fair value at the last reported sales price on the last business day for the fiscal year of the Trust.

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At year-end 2015, Trust investments are allocated approximately 45% to equities, 45% to fixed income investments, 10% to Global Tactical Allocation, and 0% to Cash. The 45% allocation to equities is divided among seven equity mutual funds that cover a broad range of equity style categories including domestic and international, and large, mid and small capitalization equities. The 45% allocated to fixed income is divided among three fixed income managers that invest primarily in high quality domestic and international fixed income securities. The 10% allocated to Global Tactical Allocation is fully invested to the PIMCO All Asset Institutional Fund. A money market fund is used to facilitate transactions and to accumulate fund distributions pending reinvestment.

Trust assets invested in the custodial accounts totaled \$149.2 million at year-end 2015, compared with \$136.2 million at year-end 2014. As shown in the attached tables, the change in value of the account reflected a contribution of \$5.0 million and a net loss of \$2.1 million in the investment accounts during 2015. The \$2.1 million net loss reflected Capital Depreciation of \$5.4 million, offset by \$3.3 million of Interest and Dividend Income. This resulted in a 2.0% increase in the assets held by the Trust. The return on invested assets for 2015 using the Modified Dietz approach was -1.39%, calculated on a quarterly compounded basis. The Modified Dietz approach is a time-weighted rate of return methodology based on market values and is consistent with the CFA (Chartered Financial Analyst) Institute global investment performance standards (GIPS). The disparity between the percentage loss on investments and the increase in asset value reflects the impact and timing of investments made during the year.

The weak -1.39% investment loss generated by the OPEB Trust for 2015 reflected a -1.06% loss on equity investments, -8.71% loss on global balanced investments, and 0.05% return on fixed income investments. The negative return on equities was due to the international equity market as the MSCI EAFE (net) Index posted a -0.81% return for the year. The international equity composite hindered the overall equity composite return as the composite lagged the MSCI EAFE (net) Index by 309 basis points for the year. PIMCO's All Asset Fund, representing 9.82% of total plan assets, negatively affected the Total Fund's composite performance as it returned -8.71% for 2015. PIMCO's underperformance was due to inflation-linked investments performing poorly in 2015. Their exposure to emerging markets in particular was a headwind throughout the year. Macroeconomics and geopolitical factors played a prominent role in the performance of the markets. The drop in oil prices and the slowdown in China's economy were major headlines throughout the year. The Aggregate Bond Index posted a 0.55% return. The Federal Reserve raised short-term interest rates by 0.25% in December, ending a seven-year string of rates at zero.

A blended benchmark has previously been designated for evaluation of the performance of the Trust's investment account. Appropriate individual benchmarks are used for evaluation of underlying investments based on their respective investment style categories. At year-end, the blended benchmark for evaluation of the Trust account's performance is a mix of the Russell 3000 Index (30.0%), MSCI EAFE Index (15%), Barclays U.S. Aggregate Bond Index (45.0%), and Barclays U.S. Treasury Inflation Notes: 1-10 Year Index (10%). The blended benchmark returned 0.47% during 2015, calculated on a quarterly compounded basis.

Respectfully submitted,



Rafik Ghazarian, Senior Consultant  
Vice President  
Segal Rogerscasey

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<b>Beginning Balances January 1, 2015</b>	\$146.4 million
<b>Contributions</b>	\$5.0 million
<b>Interest &amp; Dividends</b>	\$3.3 million
<b>Net Capital Depreciation</b>	-\$5.4 million
<b>Ending Balance December 31, 2015</b>	<u>\$149.3 million</u>
<b>Time Weighted Return</b>	-1.39%

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Table 2								
MWRD Retiree Health Care Trust								
Time Weighted Returns of Investments - Calendar Year 2015								
	Ticker	1 Year Investment Return	1 Year Benchmark Return	3 Year Investment Return	3 Year Benchmark Return	5 Year Investment Return	5 Year Benchmark Return	Benchmark
<b><u>Equity Funds</u></b>								
Harbor International Institutional	HAINX	-3.84%	-0.81%	1.57%	5.01%	2.39%	3.60%	MSCI EAFE Free Index
Artisan International Inv	ARTIX	-3.87%	-0.81%	6.01%	5.01%	N/A	3.60%	MSCI EAFE Free Index
Fidelity Contrafund	FCNTX	6.41%	5.67%	16.06%	16.83%	12.66%	13.53%	Russell 1000 Growth Index
Spartan 500 Index	FUSVX	1.33%	1.38%	N/A	15.13%	N/A	12.57%	Standard & Poor's 500 Index
LSV Value Equity	LSVEX	-2.57%	-3.83%	N/A	13.08%	N/A	11.27%	Russell 1000 Value Index
Vanguard Small Cap Index Institutional	VSCIX	-3.62%	-3.68%	12.60%	12.60%	10.42%	10.41%	CRSP U.S. Small Cap TR Index
Spartan Mid Cap Index	FSCXX	N/A	-2.44%	N/A	14.18%	N/A	11.44%	Russell Midcap Index
<b><u>Total Equity Composite</u></b>		<b>-1.06%</b>	<b>-0.14%</b>	<b>10.78%</b>	<b>11.62%</b>	<b>8.94%</b>	<b>9.67%</b>	<b>67% Russell 3000/ 33% MSCI EAFE</b>
<b><u>Fixed Income Funds</u></b>								
Dodge & Cox Income	DODIX	-0.61%	0.55%	1.80%	1.44%	3.60%	3.25%	Barclays U.S. Aggregate Bond Index
Payden Core Bond Fund	PYCBX	0.78%	0.55%	1.77%	1.44%	3.79%	3.25%	Barclays U.S. Aggregate Bond Index
Western Asset Core Plus	WACPX	N/A	0.55%	N/A	1.44%	N/A	3.25%	Barclays U.S. Aggregate Bond Index
<b><u>Total Fixed Income Composite</u></b>		<b>0.05%</b>	<b>0.55%</b>	<b>0.51%</b>	<b>1.44%</b>	<b>3.30%</b>	<b>3.25%</b>	<b>Barclays U.S. Aggregate Bond Index</b>
<b><u>Global Balanced Fund</u></b>								
PIMCO All Asset Instl	PAAIX	-8.71%	-0.52%	-8.26% <sup>1</sup>	-2.03%	-8.26% <sup>1</sup>	-2.03%	Barcap U.S. TIPS: 1-10 YR
<b><u>Total Global Balanced Composite</u></b>		<b>-8.71%</b>	<b>-0.52%</b>	<b>-8.26%</b>	<b>-2.03%</b>	<b>-8.26%</b>	<b>-2.03%</b>	<b>Barcap U.S. TIPS: 1-10 YR</b>
<b><u>Money Market Fund</u></b>								
Fidelity Money Market Fund	SPAXX	0.00%	0.03%	N/A	0.04%	N/A	0.06%	90-Day US Treasury Bill
<b><u>Total Portfolio Time Weighted Return</u></b>		<b>-1.39%</b>	<b>0.47%</b>	<b>6.37%</b>	<b>7.56%</b>	<b>6.67%</b>	<b>7.43%</b>	<b>30.0% Russell 3000 / 15.0% MSCI EAFE (Net) / 45.0% Barclays US Aggregate / 10% Barcap U.S. TIPS 1-10YR</b>

<sup>1</sup>PIMCO All Asset, Inception: 6/1/2014

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<b>Table 3</b>							
<b>MWRD Retiree Health Care Trust</b>							
<b>Time Weighted Returns of Composites - Calendar Year 2015</b>							
	<b>1 Year Composite Return</b>	<b>1 Year Benchmark Return</b>	<b>3 Year Composite Return</b>	<b>3 Year Benchmark Return</b>	<b>5 Year Composite Return</b>	<b>5 Year Benchmark Return</b>	<b>Benchmark</b>
<b><u>Equity Composites</u></b>							
<b>International Equity Composite</b>	-3.90%	-0.81%	3.01%	5.01%	2.88%	3.60%	MSCI EAFE Free Index
<b>Total Equity Composite</b>	-1.06%	-0.14%	10.78%	11.62%	8.94%	9.67%	67% Russell 3000/ 33% MSCI EAFE
<b><u>Fixed Income Composite</u></b>							
<b>Total Fixed Income Composite</b>	0.05%	0.55%	0.51%	1.44%	3.30%	3.25%	Barclays U.S. Aggregate Bond Index
<b><u>Global Balanced Composite</u></b>							
<b>Global Balanced Composite*</b>	-8.71%	-0.52%	-8.26%	-2.03%	-8.26%	-2.03%	Barcap U.S. TIPS: 1-10 YR
<b>Total Portfolio Time Weighted Return</b>	-1.39%	0.47%	6.37%	7.56%	6.67%	7.43%	30.0% Russell 3000 / 15.0% MSCI EAFE (Net) / 45.0% Barclays US Aggregate / 10% Barcap U.S. TIPS 1-10YR

\*Global Balanced Composite, Inception: 6/1/2014

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**INVESTMENT AUTHORITY AND RESPONSIBILITY**

As authorized under State Statute 70 ILCS 2605/9.6d, the Trust's investment function is managed by the District's Treasurer, with the District as Trustee for the Trust. Per the Trust agreement, the Trustee has total discretion and authority with regard to the investment of the assets of the Trust to which it holds title. The Trustee is authorized and empowered to delegate to the District Treasurer and other individuals as deemed appropriate, the following powers, rights and duties, each of which shall be subject to the approval of the Trustee:

- (a) To purchase and cause stocks, bonds, exchange-traded funds, open-ended mutual funds, or other investments to be registered in its name as Trustee or in the name of a nominee, or to take and keep the same unregistered;
- (b) To employ such agents, advisors and legal counsel as it deems advisable or proper in connection with its duties and to pay such agents, advisors and legal counsel a reasonable fee. The Trustee shall not be liable for the acts of such agents, advisors and legal counselor for the acts done in good faith and in reliance upon the advice of such agents, advisors and legal counsel, provided it has used reasonable care in selecting such agents, advisors and legal counsel;
- (c) To exercise where applicable and appropriate any rights of ownership in any contracts of insurance in which any part of the Trust may be invested and to pay the premiums thereon; and
- (d) To buy, sell, convey or transfer, invest and reinvest any part of each and every kind of investment listed above in Section (a).

**OUTLINE OF INVESTMENT POLICIES**

In accordance with state Statute 70 ILCS 2605/9.6d, ~~to~~ to the extent participants do not direct the investment of their own account, the assets of the OPEB Trusts shall be managed by the Treasurer of the District in any manner, subject only to the prudent investor standard and any requirements of applicable federal law. The limitations of any other statute affecting the investment of District funds shall not apply to the OPEB Trust. The trustee shall adopt an investment policy consistent with the standards articulated in Section 2.5 of the Public Funds Investment Act.+ The Investment Policy for the Trust was initially approved by the Board of Trustees on November 19, 2009 and subsequently revised on December 19, 2013.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**INVESTMENT SECTION**

**INVESTMENT OBJECTIVES**

The Trust, based on its overall purpose of supporting the long-term financial ability to fund retiree healthcare expenditures, is structured to provide competitive performance while minimizing the potential for losses. Accordingly, the Trust will have a balanced overall structure in accordance with the Trust's strategy. The Trust's investment allows for asset allocation targets that are structured to provide competitive performance while minimizing the potential for losses. The asset allocation targets for the Trust are as follows:

<b>Asset Class</b>	<b>Fund Asset Mix</b>		
	<b>Minimum</b>	<b>Normal</b>	<b>Maximum</b>
Domestic Equities	25%	30%	35%
Developed International Equities	12%	15%	18%
Fixed Income Securities (Bonds)	40%	45%	50%
Global Balanced Portfolio	7.5%	10%	12.5%
Money Market Funds and Cash	0%	1%	100%

The initial investments for the Trust were held in cash and cash equivalents until the Investment Policy was approved and the initial asset allocation was completed in 2010.

A blended benchmark has been designated for evaluation of the performance of the Trust's investment account. Appropriate individual benchmarks are used for evaluation of underlying investments based on their respective investment style categories. The blended benchmark for evaluation of the Trust account's performance is a mix of the Russell 3000 Index (30.0%), MSCI EAFE Index (15%), Barclays U.S. Aggregate Bond Index (45.0%), and Barclays U.S. Treasury Inflation Notes: 1-10 Year Index (10%).

**INVESTMENT ALLOCATION**

Investment by the Trust is undertaken through investment custodial accounts. Through December 31, 2015, the Trust's cumulative contributions of \$117.4 million along with accumulated distributions have been invested in accordance with the Trust's strategy. All investments are in open-ended mutual funds and money market funds.

As of December 31, 2015 and 2014, the Trust's asset allocations at fair value are as follows:

<b>Asset Class</b>	<b>Actual Asset Allocation 2015</b>	<b>Actual Asset Allocation 2014</b>	<b>Target Allocation 2015</b>
Domestic Equity	30%	31%	30%
International Equity	15%	13%	15%
Domestic Fixed Income	45%	44%	44%
Global Balanced	10%	9%	10%
Money Market Funds & Cash	0%	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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**INVESTMENT SECTION**

**INVESTMENT PERFORMANCE**

The Investment Advisor evaluates mutual fund performance and reports to the Executive Committee individual fund performance as well as overall performance. Investment returns are calculated based on a time-weighted rate of return based upon market values and in compliance with industry-accepted reporting standards. Exchange-traded mutual funds report return net of investment fees.

The investment rate of return on invested assets for the year ending December 31, 2015, was -1.39%, compared to the Trust's Policy Index return of 0.47%.

The investment rate of return on invested assets for the year ending December 31, 2014, was 4.87%, compared to the Trust's Policy Index return of 6.34%.

**INVESTMENT ASSETS**

	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Fair Value</b>	<b>Percent</b>	<b>Fair Value</b>	<b>Percent</b>
<b>Domestic Equity Funds</b>				
Fidelity Contrafund	\$ 11,183,121	7.5%	\$ 10,056,104	6.9%
Vanguard Small Cap Index Institutional	5,554,816	3.7%	10,172,273	7.0%
LSV Value Equity Institutional	10,908,802	7.3%	10,641,568	7.3%
Spartan 500 Index Advantage Class	11,153,725	7.5%	10,713,885	7.3%
Spartan Mid Cap Index	5,574,322	3.7%	-	0.0%
Total Domestic Equity Funds	44,374,786	29.7%	41,583,830	28.5%
<b>International Equity Funds</b>				
Artisan International Investor Class	7,454,458	5.0%	6,468,946	4.4%
Harbor International Institutional	14,822,141	9.9%	11,895,999	8.1%
Total International Equity Funds	22,276,599	14.9%	18,364,945	12.5%
<b>Domestic Fixed Income Funds</b>				
Dodge & Cox Income	29,982,184	20.1%	26,999,544	18.5%
Payden Core Bond	7,473,935	5.0%	3,376,208	2.3%
Western Asset Core Plus	29,931,041	20.2%	-	0.0%
PIMCO Total Return Institutional	-	0.0%	29,756,612	20.3%
Total Domestic Fixed Income Funds	67,387,160	45.3%	60,132,364	41.1%
<b>Global Balanced Funds</b>				
PIMCO All Asset Institutional	14,648,638	9.8%	12,379,432	8.5%
Total Global Balanced Funds	14,648,638	9.8%	12,379,432	8.5%
<b>Money Market Funds</b>				
Illinois Funds Investment Pool	40,765	0.0%	10,128,297	6.9%
Other Money Market Funds	509,602	0.3%	3,728,678	2.5%
Total Money Market Funds	550,367	0.3%	13,856,975	9.4%
<b>Total Investments at Fair Value</b>	<b>\$ 149,237,550</b>	<b>100.0%</b>	<b>\$ 146,317,546</b>	<b>100.0%</b>

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**INVESTMENT SECTION**

**INVESTMENT ANALYTICS**

**Schedule of Investment Returns**

	Year Ended 12/31/2015 (1)	Year Ended 12/31/2014 (2)	Three Years Ended 12/31/2015	Five Years Ended 12/31/2015
<b>Trust's Total Portfolio</b>	<b>-1.39%</b>	<b>4.87%</b>	<b>6.37%</b>	<b>6.67%</b>
<i>Trust's Policy Index</i> <i>(30% Russell 3000 Index; 15% MSCI EAFE Index;</i> <i>45% Barclays U.S. Aggregate Bond Index; 10%</i> <i>Barcap U.S. Index)</i>	0.47%	6.34%	7.56%	7.43%
<b>Trust's Equity Composite</b>	<b>-1.06%</b>	<b>5.44%</b>	<b>10.78%</b>	<b>8.94%</b>
<i>S&amp;P 500 Index</i>	1.38%	13.69%	15.13%	12.57%
<i>Domestic Equity Composite</i>	0.50%	12.44%	14.35%	11.45%
<i>Russell 3000 Index</i>	0.48%	13.69%	14.74%	12.18%
<i>International Equity Composite</i>	-3.90%	-4.89%	3.01%	2.88%
<i>MSCI EAFE Free Index</i>	-0.81%	-4.90%	5.01%	3.60%
<b>Global Balanced Composite</b>	<b>-8.71%</b>	<b>-5.12%*</b>	<b>-8.26%*</b>	<b>-8.26%*</b>
<i>Barcap U.S. TIPS: 1-10 Year</i>	-0.52%	-2.69%*	-2.03%*	-2.03%*
<b>Trust's Fixed Income Composite</b>	<b>0.05%</b>	<b>4.79%</b>	<b>0.51%</b>	<b>3.30%</b>
<i>Barclay's U.S. Aggregate Bond Index</i>	0.55%	5.97%	1.44%	3.25%

\* Partial Year Returns are presented for the Global Balanced Composite due to Mid-Year Funding (Inception Date: June 1, 2014)

- (1) The increase in value of invested assets was 1.98% for the year ending December 31, 2015. The return on invested assets using the Modified Dietz approach was -1.39%. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the \$5 million advance funding contribution made during the year.
- (2) The increase in value of invested assets was 21.09% for the year ending December 31, 2014. The return on invested assets using the Modified Dietz approach was 4.87%. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the \$20 million advance funding contribution made during the year.

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**INVESTMENT SECTION**

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**History of Investment Yields at Fair Value**

Years Ending December 31

<b>Year</b>	<b>Invested Assets</b>	<b>Yield at Market</b>	<b>Trust's Policy Index</b>	<b>Notes</b>
2015	\$ 149,237,550	-1.39%	0.47%	
2014	146,317,546	4.87%	6.34%	
2013	120,681,050	16.29%	16.47%	
2012	83,849,674	14.63%	11.26%	
2011	53,605,063	0.18%	4.90%	
2010	50,960,000	7.47%	7.88%	(1)
2009	47,902,573	0.29%	N/A	
2008	47,807,878	2.28%	N/A	
2007	25,024,760	4.52%	N/A	(2)

(1) Reflects the portfolio performance from date of investment (March 29, 2010) through December 31, 2010.

(2) Represents the 26-day period ended December 31, 2007 (year of inception).

**Summary Schedule of Investment Fees**

<b>Years Ending December 31</b>	<b>2015</b>	<b>2014</b>
Investment Consulting Fees	\$42,000	\$42,000
Custodian Transaction Fees	-	15
Total Investment Expenses	<u>\$42,000</u>	<u>\$42,015</u>

## **ACTUARIAL SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**ACTUARIAL CERTIFICATION**

Metropolitan Water Reclamation District of Chicago (MWRD) retained Foster & Foster Consulting Actuaries Inc. to perform an actuarial valuation of its Retiree Health Care Benefit Plan (the Plan) as of December 31, 2015. The purpose of this report is to present the December 31, 2015 actuarial valuation results for the Plan. The results are applicable for MWRD's fiscal year ending December 31, 2015. Successive valuations will be performed every two years. This valuation was performed to determine annual expenses associated with providing OPEB benefits, the current funded status of the Plan, and to provide all necessary schedules required to comply with the Governmental Accounting Standards Board No. 43.

Actuarial calculations under GASB 43 are for purposes of fulfilling MWRD's financial accounting requirements. The calculations contained herein have been made on a basis consistent with our understanding of GASB 43.

The valuation has 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 all applicable federal laws and regulations. GASB 43 requires that each significant assumption reflect the client's best estimate of the Plan's future experience solely with respect to that assumption. In our opinion, the assumptions and methods used in this valuation, as adopted by the District, represent reasonable expectations of anticipated plan experience under GASB 43.

This report shows detailed summaries of the financial results of the valuation and membership data used in preparing this valuation. The actuaries prepared supporting schedules that are included in the Actuarial and Statistical Sections of the MWRD Comprehensive Annual Financial Report (CAFR). The actuary prepared the trend data schedules to be included in the Financial Section of the MWRD CAFR. These schedules include:

- Supplements to the Notes to the Financial Statements:
  - Annual OPEB Cost and Net OPEB Obligation
  - Funding Status and Progress
  - Schedule of Employer Contributions
- Reconciliation of Change in Unfunded Liability
- Summary of Membership Data
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

In conducting the valuation, we have relied on personnel information, plan design information, and unaudited plan assets and benefit payments supplied by the District, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. The census data and plan asset information was collected as of December 31 2015 for active members, retirees, survivors and dependents. 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.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report an analysis of the potential range of such future measurements has not been performed. This report was prepared for the internal use of Metropolitan Water Reclamation District in connection with our actuarial valuation of the Plan for the purpose noted above and not for reliance by any other person. Foster & Foster Consulting Actuaries, Inc. disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

This report does not purport to comply with any other purposes not stated herein. Significantly different results from what is presented in this report may be needed for other purposes.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law.

The undersigned actuaries are familiar with the immediate and long-term aspects of OPEB valuations, are members of the Society of Actuaries and the American Academy of Actuaries and meet the %Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States+related to postretirement medical and life insurance plans. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

Respectfully submitted,

Foster & Foster, Inc.

By:   
Jason L. Franken, FSA, EA, MAAA

By:   
Aimee M. Strickland, FSA, EA, MAAA

By:   
Matt Plachta, ASA, MAAA

April 20, 2016

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**INTRODUCTION**

Biennially, the Trust's actuary will prepare a valuation of the liabilities and reserves of the Trust in order to make a determination of the amount of contributions required from the District. These results are then communicated to the District's Board of Commissioners (BOC). The BOC, in turn, has the duty of determining the employer contribution amount it intends to pay to the Trust the following fiscal year.

The information included in this report is based on the actuarial valuation performed December 31, 2015. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2017.

The Board of Commissioners of the District has discretionary authority to determine contribution amounts to be paid into the OPEB Trust Fund. In 2007 the District adopted an initial OPEB advance funding policy meant to (i) improve the District's financial position by reducing the amount of future employer contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. The funding policy was amended on October 2, 2014 to change the target funding level from 50% to 100%; remaining advance funding period from 50 years to 12 years; and, advance funding amount of \$5 million to be contributed in each of the twelve years 2015 through 2026. No further advance funding contributions are expected after 2026. Beginning in 2027, cash is expected to be withdrawn from the Trust to fund claims and insurance premiums will be actuarially determined with a target funding level to be maintained at 100 percent for all future years. Through December 31, 2015, \$117.4 million has been contributed by the District to the OPEB Trust Fund. There is currently no legal requirement for the District to partially or fully fund the Trust and any funding is on a voluntary basis.

Although voluntary in nature, the District intends to accumulate resources sufficient to ease the burden of administering the District's postemployment health care plan. For fiscal years 2015 and 2014, the District funded 146.9% and 255.2%, respectively, of the actuarially determined employer contribution requirement.

**SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND DATA**

The Trust was established in 2007 and the first actuarial valuation was performed as of January 1, 2007. The actuarial assumptions were recommended by the actuary and have been adopted by the Executive Committee of the OPEB Trust. The actuarial cost method used for this valuation is the Entry Age Normal method. Under this cost method, the actuarial present value of the projected benefits 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.

Each year the unfunded actuarial accrued liability is expected to be equal to the sum of the unfunded actuarial accrued liability and normal cost from the prior year, plus interest, less the accumulated value of employer contributions made. The extent to which this expected value differs from the actual value of the unfunded actuarial accrued liability reflects the actuarial experience for the plan year. If the expected value exceeds the actual value, an actuarial gain has occurred. Conversely, if the actual value exceeds the expected value then an actuarial loss has occurred. The unfunded actuarial accrued liability is further modified only for changes in plan provisions, actuarial assumptions or methods. Actuarial gains or losses or changes in the

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unfunded actuarial liability due to changes in plan provisions, actuarial assumptions or methods are amortized over time. Actuarial gains (losses) will decrease (increase) future costs.

Dates of adoption: The initial cost method and all other actuarial assumptions were adopted January 1, 2007. The mortality table used for post-retirement mortality was the Unisex Pension 1994 Mortality Table+(set back one year for males and set forward one year for females). Effective December 31, 2015 the actuarial cost method was changed from the Projected Unit Credit method to the Entry Age Normal method to better reflect anticipated experience.

The following outlines the changes since the prior valuation:

- The census data reflects changes in status for the two-year period since December 31, 2013.
- The annual per capita claims costs have been updated to reflect recent claims experience, along with changes to the health plan for retirees.
- The premium rates have been updated to use the rates effective for 2016.
- The trend rate assumption has been updated.
- The retirement and termination rates have been updated to bring them in line with the assumption used for the District's pension plan.
- The active plan election assumptions have been updated to reflect the current enrollments in each of the PPO and HMO plans.
- The investment return assumption has been lowered from 7.00% to 6.75%.
- The funding method has been changed from Projected Unit Credit to Entry Age Normal (level percentage of pay). A salary scale has been added to mirror the District's pension plan rates.
- The eligibility requirements for retirement have been updated to bring them in line with the District's pension plan requirements.
- A termination benefit was added for actives who have earned 10 years of service, but are not eligible to immediately retire. Additionally, 41 terminated vested participants were identified as having terminated prior to the valuation date, with at least 10 years of service.

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Below are the most significant actuarial assumptions:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll Open
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount Rate	6.75%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.0% Initial 4.5% Ultimate (Year 2021)
Annual Payroll Growth Rate	3.6%
Disability	None assumed
Age of Spouse	Male spouses are assumed to be 3 years Older than female spouses
Coverage at	90% of future eligible retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

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Summary of Participant Information

All employees of the District, with at least 10 years of service, are eligible to receive post-retirement medical benefits. The participant data detailed in the following table and used in the actuarial valuations includes all employees that are eligible or may become eligible to receive post-retirement benefits and currently elect medical coverage.

The following table is based on eligibility for post-retirement medical benefits:

	<u>Total*</u>
Active participants	
Eligible for postretirement benefits	555
Not yet eligible for postretirement benefits	<u>1,281</u>
Total	1,836
Retirees, Survivors, and Dependents	
Retirees and Survivors	1,962
Dependent Spouses	<u>813</u>
Total	<u>2,775</u>
Total participants	<u><u>4,611</u></u>
Active participant characteristics	
Average age of actives	50.2
Average age at employment	36.1
Average past service	14.2
Average age of inactive participants	72.8

\*Participant data determined as of December 31, 2015.

Retirees and their dependents that fulfill the eligibility requirements can receive post-retirement medical and prescription drug coverage. Retirees and their dependents are eligible at the earlier of: (a) age 55 and 10 years of service, or (b) age + service greater than or equal to 80. Benefits commence at retirement, provided the eligibility requirements are fulfilled and the coverage is lifetime for retirees and their spouses.

Retiree Annual Contributions:

The following annual retiree contribution rates are effective July 1, 2015 through June 30, 2016:

	<u>HMO</u>		<u>PPO</u>	
	<u>Without Medicare</u>	<u>With Medicare</u>	<u>Without Medicare</u>	<u>With Medicare</u>
<b>All Retirees</b>				
Benefit Recipient:				
Pre-65	\$ 2,974	\$ 2,974	\$ 4,508	\$ 4,508
Post-65	2,974	2,504	4,508	2,161
Dependent Spouses:				
Pre-65	2,600	2,600	4,508	4,508
Post-65	2,600	2,505	4,508	2,163

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Withdrawal Rates

Employees are assumed to terminate based on age, entry age, and gender. The following tables summarize these rates:

<b>Service</b>	<b>Male Rate</b>	<b>Female Rate</b>
0	4.000 %	5.733 %
1	3.480	4.973
2	3.089	5.064
3	2.604	4.759
4	2.245	4.518
5	1.780	4.490
6	1.561	4.193
7	1.500	3.945
8	1.500	3.646
9	1.500	2.342
10	1.502	2.054
11	1.391	1.946
12	1.343	1.898
13	1.244	1.859
14	1.189	1.772
15	1.111	1.772
16	0.985	1.772
17+	0.500	1.772

Retirement Rates

Employees are assumed to retire according to the following illustrative schedule:

<b>Age</b>	<b>Retirement Rate</b>
50-59	6 %
60-64	13
65	15
66-67	19
68-69	20
70-74	25
75	100

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Annual Per Capita Claims

The claims tables for the 2015 valuation have been developed by calculating the weighted average of the 2015 premium rates based on the current enrollment data. These weighed average rates are subsequently expanded to an age-based table using the actuary's proprietary cost curve. The following table summarizes the assumed per capita claims (medical and prescription drugs) at illustrative ages.

<u>Age</u>	<u>HMO</u>		<u>PPO</u>	
	<u>With Medicare</u>	<u>Without Medicare</u>	<u>With Medicare</u>	<u>Without Medicare</u>
40	\$ 3,942	\$ 3,942	\$ 6,707	\$ 6,707
45	4,796	4,796	8,160	8,160
50	5,834	5,834	9,927	9,927
55	7,097	7,097	12,078	12,078
60	8,634	8,634	14,693	14,693
65	4,333	10,503	3,038	17,877
70	5,023	12,176	3,523	20,724
75	5,824	14,115	4,085	24,025
80	6,430	15,585	4,510	26,526
85	7,099	17,207	4,980	29,287
90	7,099	17,207	4,980	29,287
95	7,099	17,207	4,980	29,287

Annual Medical Trend Assumptions

Trend rates are used to project current medical claim costs into the future. The derived medical trend rates illustrated below are based on a general per capita gross national product (GNP) growth assumption of 5% and capping the medical component of the GNP at approximately 20% of total GNP.

<u>Year</u>	<u>Trend</u>
2016	8.00 %
2017	7.25
2018	6.50
2019	5.75
2020	5.00
2021 and later	4.50

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**ANALYSIS OF FUNDING AND FINANCIAL EXPERIENCE**

Reconciliation of the Change in Unfunded Liability

(in thousands)

Unfunded liability as of December 31, 2013	<u>\$139,481</u>
Expected unfunded liability as of December 31, 2015	<u>\$115,000</u>
Increase due to changes in census data <sup>1</sup>	34,905
Decrease due to net claims lower than expected <sup>2</sup>	(19,625)
Increase due to updated trend rate assumption	1,907
Decrease due to retirement and termination rates updated to use pension plan assumptions	(11,988)
Increase due to active plan election assumption updated based on enrollment data <sup>3</sup>	1,616
Increase due to investment return lower than expected	16,334
Increase due to discount rate being lowered by 25 basis points (from 7.00% to 6.75%)	9,418
Decrease due to change from projected unit credit to entry age method	(1,550)
Updates to active retirement eligibility definition <sup>4</sup>	(351)
Addition of terminated vested benefit for actives <sup>5</sup>	3,256
Addition of terminated vested benefit for 41 inactives <sup>5</sup>	3,722
Update salary scale assumption (for EAN cost method) <sup>6</sup>	<u>(15,327)</u>
Net decrease in unfunded liability	<u>22,317</u>
Unfunded liability as of December 31, 2015	<u>\$137,317</u>

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<sup>1</sup>The census data reflects changes in census for the two-year period from 12/31/2013 to 12/31/2015. The increase in the Unfunded Liability due to census changes is primarily a result of updated retiree flags for Medicare vs. Non-Medicare status. As of 12/31/2013, there were 374 retirees with an "unknown" status, 171 with "No Medicare", and 1,419 retirees with "Medicare". The retirees with "unknown" status were assumed to elect Medicare 93% of the time. As of 12/31/2015, only 10 retirees have "unknown" status; and 430 now are "No Medicare" status and 1,522 have "Medicare" status.

<sup>2</sup>The per capita claims assumptions were updated to reflect recent claims experience, updated premium rates, and updates to the plan design. Approximately \$4.8 million of the decrease is attributable to the changes in the plan design.

<sup>3</sup>The active plan election assumptions have been updated based on current enrollment data. Previously, 78.6% and 21.4% of active employees were assumed to elect PPO and HMO, respectively. The current assumption has been updated to assume 62.4% will elect PPO and 37.6% will elect HMO at retirement.

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Reconciliation of the Change in Unfunded Liability (continued)

<sup>4</sup>The retirement eligibility definition was updated based on discussions with District personnel to match the pension plan definitions.

<sup>5</sup>According to plan policy, the plan provides that an active employee, with at least 10 years of service, can terminate and still be eligible for health benefits when they commence their pension benefit at retirement. As such, the OPEB cost of actives who terminate with a "vested" health benefit have been reflected. Additionally, 41 inactive employees have been included who are considered "terminated vested" and eligible for a future health benefit.

<sup>6</sup>The salary scale assumption was updated to bring it in line with the assumption used for the District's pension plan.

Note: Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was as of December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation

The Net OPEB Obligation is the cumulative difference between the annual OPEB cost and the employer's contributions. The Net OPEB Obligation recorded on the District's financial statement as of December 31, 2015, is calculated as follows (amounts in thousands):

Annual Required Contribution for 2015	\$ 12,472
Interest on Net OPEB Obligation	2,053
Adjustment to Annual Required Contribution	<u>(1,616)</u>
Annual OPEB Cost	12,909
Contributions Made	<u>(18,317)</u>
Decrease in Net OPEB Obligation	(5,408)
Net OPEB Obligation Beginning of Year	<u>30,409</u>
Net OPEB Obligation End of Year	<u><u>\$ 25,001</u></u>

Solvency Test

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>
12/31/2015	\$ 149,329	\$ 286,646	\$ 137,317	52.10%
12/31/2013	120,883	260,364	139,481	46.43%
12/31/2011	54,996	394,676	339,680	13.93%
12/31/2009	47,891	526,476	478,585	9.10%
1/1/2007	25,025	442,683	417,658	5.65%

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**HISTORICAL VALUATION DATA**

Schedule of Active Member Valuation Data

Actuarial Valuation Date	<b>12/31/2015</b>	<b>12/31/2013</b>	<b>12/31/2011</b>	<b>12/31/2009</b>	<b>1/1/2007</b>
Members in Service	1,836	1,875	1,893	2,095	1,964
% Change	-2.10%	-1.00%	-9.60%	6.70%	-
Covered Payroll	\$176,756,776	\$164,005,092	\$162,853,163	\$170,392,445	\$158,831,772
% Change	7.80%	0.70%	-4.40%	7.30%	-
Average Salary	\$ 96,273	\$ 87,469	\$ 86,029	\$ 81,333	\$ 80,872
% Change	10.10%	1.67%	5.80%	0.60%	-
Payroll Growth Assumption	3.60%	3.60%	3.60%	3.60%	-

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Actuarial Valuation Date	<b>12/31/2015</b>	<b>12/31/2013</b>	<b>12/31/2011</b>	<b>12/31/2009</b>	<b>1/1/2007</b>
Beginning of Year Balance	1,964	1,977	1,900	1,873	1,850
Number Added to Rolls	176	118	221	183	150
Benefit Cost	\$ 1,858,912	\$ 1,204,780	\$ 2,302,378	\$ 1,810,968	\$ 1,294,050
Number Removed from Rolls	178	131	144	156	127
Benefit Cost	\$ 1,880,036	\$ 1,337,510	\$ 1,500,192	\$ 1,543,776	\$ 1,095,629
End of Year Balance	1,962	1,964	1,977	1,900	1,873
Health Care Annual Benefit	\$ 20,723,150	\$ 20,052,657	\$ 20,596,842	\$ 18,802,036	\$ 16,159,127
Average Annual Benefit	\$ 10,562	\$ 10,210	\$ 10,418	\$ 9,896	\$ 8,627
Increase (Decrease) in Average Benefit	3.50%	-2.00%	5.30%	14.70%	-

## **STATISTICAL SECTION**

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**DESCRIPTION OF THE STATISTICAL SCHEDULES**

This part of the Trust's CAFR presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and the required supplementary information indicate about the Trust's overall financial health.

Demographics Information

Schedules contain Participant information to assist the readers of the financial statements in understanding the demographics of the Plan participants.

Financial Trends

These schedules contain trend information to assist the readers in understanding how the Trust's financial position, investment performance, revenues, and expenses have changed over time.

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant years.

**MEMBERSHIP STATISTICS**

All employees of the District are eligible to receive post employment health care benefits. The same benefit is available to all participants. The participant data detailed in the following table includes all employees that are eligible or may become eligible to receive benefits and currently elect medical coverage.

**Active Members**

Actuarial Valuation Date	Eligible	Not Yet Eligible	Retirees and Beneficiaries	Total	% Active to Retirees
12/31/2015	555	1,281	1,962	3,798	94%
12/31/2013	528	1,347	1,964	3,839	95%
12/31/2011	479	1,414	1,977	3,870	96%
12/31/2009	493	1,602	1,900	3,995	110%
1/1/2007	685	1,279	1,873	3,837	105%

**Retirees and Beneficiaries**

Actuarial Valuation Date	Employee	Surviving Spouse	Child	Total
12/31/2015	1,504	458	0	1,962
12/31/2013	1,480	484	0	1,964
12/31/2011	1,471	506	0	1,977
12/31/2009	1,382	518	0	1,900
1/1/2007	1,346	526	1	1,873

Note: An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2017.

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**STATISTICAL SECTION**

**STATEMENTS OF CHANGES IN PLAN NET POSITION**  
**Last Nine Years**

	Year Ended 2015	Year Ended 2014	Year Ended 2013	Year Ended 2012	Year Ended 2011
Additions:					
Contributions by Employer	\$ 18,316,713	\$ 33,716,523	\$ 33,834,831	\$ 35,426,215	\$ 18,020,374
Contributions by Retirees	7,406,437	6,773,271	6,217,826	5,821,019	5,576,468
Total Contributions	<u>25,723,150</u>	<u>40,489,794</u>	<u>40,052,657</u>	<u>41,247,234</u>	<u>23,596,842</u>
Net Appreciation (Depreciation) in Fair Value of Investments	(5,301,623)	2,266,999	13,146,950	7,200,445	(1,465,010)
Interest and Dividends	3,333,594	3,306,458	1,715,664	1,586,602	1,383,304
Total Investment Return	<u>(1,968,029)</u>	<u>5,573,457</u>	<u>14,862,614</u>	<u>8,787,047</u>	<u>(81,706)</u>
Less Investment Expenses	(42,000)	(42,015)	(42,575)	(45,337)	(45,608)
Net Investment Income (Loss)	<u>(2,010,029)</u>	<u>5,531,442</u>	<u>14,820,039</u>	<u>8,741,710</u>	<u>(127,314)</u>
Total Additions	<u>23,713,121</u>	<u>46,021,236</u>	<u>54,872,696</u>	<u>49,988,944</u>	<u>23,469,528</u>
Deductions:					
Retiree Health Care Benefits	20,723,150	20,489,795	20,052,657	18,847,234	20,596,842
Administrative Expenses	35,674	40,249	38,530	36,068	29,833
Total Deductions	<u>20,758,824</u>	<u>20,530,044</u>	<u>20,091,187</u>	<u>18,883,302</u>	<u>20,626,675</u>
Net Increase in Plan Net Position	2,954,297	25,491,192	34,781,509	31,105,642	2,842,853
Net Position Held in Trust for OPEB					
January 1	146,374,627	120,883,435	86,101,926	54,996,284	52,153,431
December 31	<u>\$149,328,924</u>	<u>\$146,374,627</u>	<u>\$120,883,435</u>	<u>\$ 86,101,926</u>	<u>\$ 54,996,284</u>

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**STATISTICAL SECTION**

**STATEMENTS OF CHANGES IN PLAN NET POSITION (Continued)**  
**Last Nine Years**

	Year Ended 2010	Year Ended 2009	Year Ended 2008	Year Ended 2007 (1)
Additions:				
Contributions by Employer	\$ 15,516,965	\$ 14,591,543	\$ 35,819,281	\$ 37,333,865
Contributions by Retirees	4,596,887	4,210,493	3,727,752	3,825,262
Total Contributions	<u>20,113,852</u>	<u>18,802,036</u>	<u>39,547,033</u>	<u>41,159,127</u>
Net Appreciation (Depreciation) in Fair Value of Investments	3,540,803	-	-	-
Interest and Dividends	797,212	158,828	801,118	24,760
Total Investment Return	<u>4,338,015</u>	<u>158,828</u>	<u>801,118</u>	<u>24,760</u>
Less Investment Expenses	(46,109)	(45,333)	(11,333)	-
Net Investment Income (Loss)	<u>4,291,906</u>	<u>113,495</u>	<u>789,785</u>	<u>24,760</u>
Total Additions	<u>24,405,758</u>	<u>18,915,531</u>	<u>40,336,818</u>	<u>41,183,887</u>
Deductions:				
Retiree Health Care Benefits	20,113,852	18,802,036	17,547,033	16,159,127
Administrative Expenses	29,795	18,720	18,000	-
Total Deductions	<u>20,143,647</u>	<u>18,820,756</u>	<u>17,565,033</u>	<u>16,159,127</u>
Net Increase in Plan Net Position	4,262,111	94,775	22,771,785	25,024,760
Net Position Held in Trust for OPEB				
January 1	47,891,320	47,796,545	25,024,760	-
December 31	<u>\$ 52,153,431</u>	<u>\$ 47,891,320</u>	<u>\$ 47,796,545</u>	<u>\$ 25,024,760</u>

(1) Represents the 26-day period ended December 31, 2007 (year of inception)

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**SCHEDULE OF REVENUES BY SOURCE**

<b>Year Ended</b>	<b>Employer Contributions</b>	<b>Retiree Contributions</b>	<b>Net Investment Income (Loss)</b>	<b>Total Additions</b>
2015	\$ 18,316,713	\$ 7,406,437	\$ (2,010,029)	\$ 23,713,121
2014	33,716,523	6,773,271	5,531,441	46,021,235
2013	33,834,831	6,217,826	14,820,039	54,872,696
2012	35,426,215	5,821,019	8,741,710	49,988,944
2011	18,020,374	5,576,468	(127,314)	23,469,528
2010	15,516,965	4,596,887	4,291,906	24,405,758
2009	14,591,543	4,210,493	113,495	18,915,531
2008	35,819,281	3,727,752	789,785	40,336,818
2007	37,333,865	3,825,262	24,760	41,183,887

**SCHEDULE OF RETURN ON INVESTMENTS**

<b>Year Ended</b>	<b>Year-End Investment Balance</b>	<b>Annual Rate of Return</b>
2015	\$149,237,550	-1.39%
2014	146,317,546	4.87%
2013	120,681,050	16.29%
2012	83,849,674	14.63%
2011	53,605,063	0.18%
2010	50,960,000	7.47%
2009	47,902,573	0.29%
2008	47,807,878	2.28%
2007	25,024,760	4.52%

(1) Reflects the portfolio performance from date of investment (March 29, 2010) through December 31, 2010.

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Actual</b>			
		<b>Benefit Payments</b>	<b>Retiree Contributions (1)</b>	<b>Contribution to Trust</b>	<b>Total</b>
2015	\$ 12,471,893	\$ 20,723,150	\$ (7,406,437)	\$ 5,000,000	\$ 18,316,713
2014	13,211,937	20,489,794	(6,773,271)	20,000,000	33,716,523
2013	13,211,937	20,052,657	(6,217,826)	20,000,000	33,834,831
2012	27,263,684	18,847,234	(5,821,019)	22,400,000	35,426,215
2011	27,263,684	20,596,842	(5,576,468)	3,000,000	18,020,374
2010	39,847,021	20,113,852	(4,596,887)	-	15,516,965
2009	39,847,021	18,802,036	(4,210,493)	-	14,591,543
2008	44,739,006	17,547,033	(3,727,752)	22,000,000	35,819,281
2007	44,739,006	16,159,127	(3,825,262)	25,000,000	37,333,865

(1) Net benefit payments are paid directly by the District. Amounts are not paid through the Trust. The Plan pays a single benefit level and type: post-retirement medical and prescription drug coverage. No dental, life, disability, or child coverage is provided by the Plan.

**Percentage of Annual Required Contribution (ARC) Contributed by Employer:**

<b>Year Ended</b>	<b>Percent Contributed</b>
2015	146.9%
2014	255.2%
2013	256.1%
2012	129.9%
2011	66.1%
2010	38.9%
2009	36.6%
2008	80.1%
2007	83.4%

**HISTORY OF BENEFIT PAYMENTS**

<b>Year Ended</b>	<b>Number of Retirees &amp; Beneficiaries</b>	<b>Retiree Benefit Payments</b>	<b>Average Annual Benefit</b>	<b>Average Monthly Benefit</b>
2015	1,962	\$ 20,723,150	\$ 10,562	\$ 880
2014	1,964	20,489,794	10,433	869
2013	1,964	20,052,657	10,210	851
2012	1,977	18,847,234	9,533	794
2011	1,977	20,596,842	10,418	868
2010	1,900	20,113,852	10,586	882
2009	1,900	18,802,036	9,896	825
2008	1,873	17,547,033	9,368	781
2007	1,873	16,159,127	8,627	719

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**STATISTICAL SECTION**

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**SCHEDULE OF EXPENSES BY TYPE**

<u>Year Ended</u>	<u>Investment Advisor Fee</u>	<u>External Audit Fee</u>	<u>Fiduciary Insurance</u>	<u>Custodian Transaction Fees</u>	<u>Total Expenses</u>
2015	\$ 42,000	\$ 29,600	\$ 6,074	\$ -	\$ 77,674
2014	42,000	28,300	11,949	15	82,264
2013	42,000	27,200	11,330	575	81,105
2012	44,222	26,100	9,968	1,115	81,405
2011	45,333	21,000	8,833	275	75,441
2010	45,333	19,815	9,980	776	75,904
2009	45,333	18,720	-	-	64,053
2008	11,333	18,000	-	-	29,333
2007 (1)	-	-	-	-	-

(1) No expenses were incurred in the period December 6-31, 2007.