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, 2017

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

MARY ANN BOYLE, TREASURER **TRUST ESTABLISHED DECEMBER 6, 2007**

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

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INTRODUCTORY SECTION

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Water Reclamation District

Retiree Health Care Trust

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Metropolitan Water Reclamation District
Retiree Health Care Trust

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

May 11, 2018

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, 2017. 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 auditor.

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, 2017, an aggregate of $127,400,000 has been contributed by the District to the OPEB Trust Fund. The advance funding contribution for 2017 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 $113,547,457 as of December 31, 2017, 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.

The Plan's funded ratio was 63.2% at December 31, 2017, 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 return of $25,434,000 for 2017, yielding 15.1%, compared to the Trust's Policy Index return of 11.5%. In 2016 the Trust reported a total investment return of $10,589,780, yielding 6.9%, compared to the Policy Index return of 5.7%.

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:

- Progress towards reducing large unfunded liability;
- Capture of long-term investment returns by using the Trust only as a funding vehicle;
- Reduction in future GASB No. 75 expense and cash funding requirements; and
- 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, 2016. 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.

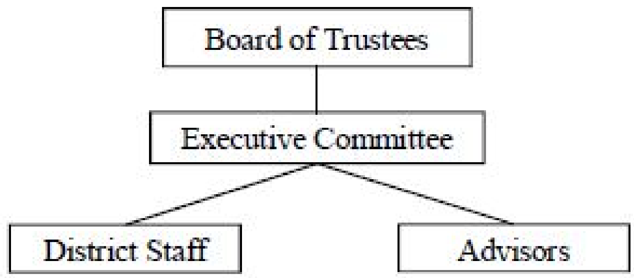
A Certificate of Achievement is valid for only one year. The Trust received a Certificate of Achievement for the last ten years. We believe our current report continues to conform to the Certificate of Achievement program requirements; we are therefore submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2017.

Respectfully submitted,

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.

Mariyana T. Spyropoulos, *President*
Barbara J. McGowan, *Vice President*
Frank Avila, *Chairman of Finance*
Timothy Bradford
Martin J. Durkan
Josina Morita
Debra Shore
Kari K. Steele
David J. Walsh

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 – Beverly K. Sanders, Director of Human Resources
Law Department – Susan T. Morakalis, 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, 2019.

Investment Advisor: Marquette Associates, Inc. See further detail in the summary schedule of investment fees on page 40.

FINANCIAL SECTION

RSM

Independent Auditor's Report

RSM US LLP

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, 2017, 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, 2017, 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.

Emphasis of Matter

The Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* GASB Statement No. 74 resulted in the modification of certain disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which such partial information was derived.

Required Supplementary Information:
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the schedule of changes in the District's net OPEB liability and related ratios, schedule of District contributions and related notes and schedule of investment returns on pages 23 through 25 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, 2017 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, 2017 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, 2017 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, 2017. 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.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the System's financial statements as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated May 12, 2017, which contained an unmodified opinion on those financial statements. The accompanying summary schedule of administrative expenses and the summary schedule of investment fees for the year ended December 31, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole for the year ended December 31, 2016.

RSM US LLP

Chicago, Illinois
May 11, 2018

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, 2017 and 2016, 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 Statements of Fiduciary 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 restricted for OPEB for retiree health care benefits are accounted for in the Statements of Changes in Fiduciary 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 OPEB Trust implemented Statement No. 74 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the fiscal year ended December 31, 2017. The new financial reporting standard modified the Trust's notes to the basic financial statements and required supplementary information as well as required the calculation of a total OPEB liability and a net OPEB liability.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position measure the value of the plan's net position and the changes to it. As of December 31, 2017, the plan net position increased to $195,199,800 from $164,844,450 at December 31, 2016.

FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

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

	December 31, 2017	December 31, 2016	Change	Percent Change
Assets				
Investments at Fair Value	$ 195,140,843	$ 164,772,053	$ 30,368,790	18.4 %
Accrued Interest Receivable	72,707	75,897	(3,190)	(4.2)%
Total Assets	195,213,550	164,847,950	30,365,600	18.4 %
Liabilities				
Accounts Payable	13,750	3,500	10,250	292.9 %
Total Liabilities	13,750	3,500	10,250	292.9 %
Net Position Restricted for OPEB	$ 195,199,800	$ 164,844,450	$ 30,355,350	18.4 %

In 2017 the increase in net position restricted for OPEB resulted from the Employer's contribution to the Trust of $5 million as well as investment earnings for the year. The Trust's time-weighted investment rate of return was 15.1% for the year, and 8.2% for the five years ended December 31, 2017.

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

	Year Ended December 31, 2017	Year Ended December 31, 2016	Change	Percent Change
Additions:				
Contributions by Employer	$ 18,430,657	$ 19,916,860	$ (1,486,203)	(7.5)%
Total Contributions	18,430,657	19,916,860	(1,486,203)	(7.5)%
Net Appreciation in Fair Value of Investments	21,208,737	6,576,376	14,632,361	222.5 %
Interest and Dividends	4,225,263	4,013,404	211,859	5.3 %
Total Investment Return	25,434,000	10,589,780	14,844,220	140.2 %
Less Investment Expenses	(41,750)	(42,000)	250	0.6 %
Net Investment Income	25,392,250	10,547,780	14,844,470	140.7 %
Total Additions	43,822,907	30,464,640	13,358,267	43.8 %
Deductions:				
Retiree Health Care Benefits	13,430,657	14,916,860	(1,486,203)	(10.0)%
Administrative Expenses	36,900	32,254	4,646	14.4 %
Total Deductions	13,467,557	14,949,114	(1,481,557)	(9.9)%
Net Increase	30,355,350	15,515,526	14,839,824	95.6 %
Net Position Restricted For OPEB				
Beginning of year	164,844,450	149,328,924	15,515,526	10.4 %
End of year	$ 195,199,800	$ 164,844,450	$ 30,355,350	18.4 %

Additions

Additions are accumulated through employer and retiree contributions, and returns are provided by invested assets. Total additions for 2017 were $43.8 million compared to $30.5 million in 2016, an increase of $13.3 million or 43.8%. Employer contributions were $18.4 million for 2017, representing a decrease of $1.5 million or 7.5%. Advance funding contributions made by the District were $5.0 million in 2017 and 2016. Through December 31, 2017, a total of 127.4 million has been contributed to the Trust. The 2017 net investment income of $25.4 million was due to the net appreciation in fair value of investments of $21.2 million and dividends earned on mutual fund investments of $4.2 million. Net investment income is a combination of interest and dividend income, and gains and losses on investments held at year-end. Overall the 15.1% investment return for 2017 reflected a 24.2% return on equity investments, 14.0% return on global balanced investments, and 5.6% return on fixed income investments, all exceeding their indices. Non-U.S. equities had a banner year in 2017, as both strong economic and earnings growth across the globe fueled index performance higher. In the domestic equities market, 2017 commenced with a continuation of the 2016 post-election rally. Also of note, were optimistic earnings forecasts. While earnings projections will typically see a fair amount of downward revisions throughout a calendar year, 2017 was somewhat of an anomaly as earnings saw ongoing support with minimal downward revisions relative to prior years. Interest rates are expected to continue to rise throughout 2017.

Deductions

The expenses paid by the Trust are retiree health care benefit payments and administrative expenses. Total deductions for 2017 were $13.5 million compared to $15.0 million in 2016, a decrease of $1.5 million or 9.9%. Benefit payments decreased 10.0% from 2016, mainly due to cost savings associated with the District's new Medicare Advantage Plan with Part D coverage, referred to as a MAPD plan, a fully insured health insurance plan administrated by a major insurance carrier. 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:

Asset Class	2017 Percent of Investments	2016 Percent of Investments	2017 Time-Weighted Investment Return	2016 Time-Weighted Investment Return
Domestic Equity	35%	36%	22.3%	12.2%
International Equity	15%	14%	29.0%	-4.0%
Domestic Fixed Income	32%	37%	5.6%	5.0%
Global Balanced	9%	10%	14.0%	13.3%
Money Market Funds	9%	3%	0.0%	0.0%
Total	100%	100%	15.1%	6.9%

The Trust's Executive Committee delayed the investment of accumulated investment earnings in fiscal year 2017 pending anticipated amendments to the Investment Policy in 2018. The proposed amendments will reduce the allocation of fixed income funds to prevent market value losses in a rapidly rising interest rate market. Per the current Investment Policy, "The Trust may maintain cash reserves in money market securities. For temporary, defensive purposes, the Trust may invest without limitation in cash reserves. A reserve position provides flexibility in meeting redemptions, expenses, and the timing of new investments, and serves as a short-term defense during periods of unusual volatility. In situations where the Trustee determines that the divestiture of an asset class is necessary to protect the valuation, safety, or liquidity of the portfolio, amounts may temporarily exceed the maximum asset mix limit."

The increase in value of the Trust's invested assets was 18.4%. The return on invested assets for 2017 using the Modified Dietz time-weighted approach was 15.1%, calculated on a quarterly compounded basis. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of $5.0 million advance funding contribution made during 2017.

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, 2017, was 63.2%, an increase from 52.1% as of December 31, 2015, the date of the previous actuarial valuation. The increase in the funded ratio was due to investment returns being greater than anticipated along with District contributions. 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 as required by accounting standards. The RSI provides a Schedule of Changes in the District's Net OPEB Liability and Related Ratios, a Schedule of District Contributions and Related Notes, and a Schedule of Investment Returns. The RSI section was substantially revised for the 2017 reporting period to comply with the Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* from the Government Accounting Standards Board (GASB). The RSI section displays changes for the Trust's Net OPEB Liability (NPL) and related ratios, contributions related to payrolls, and money-weighted investment returns for the Trust.

The Actuarial Assumptions presented were determined as part of the actuarial valuation at December 31, 2017. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2019. Please note that the actuarial information is based on assumption about future events, and therefore, the figures presented are estimates.

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.

Statements of Fiduciary Net Position
December 31, 2017
(With comparative amounts for prior year)

	2017	2016
Assets		
Investments at Fair Value		
Fixed Income Mutual Funds	$ 62,804,603	$ 61,360,265
Equity Mutual Funds	97,893,327	81,809,286
Balanced Mutual Funds	17,449,113	16,012,972
Money Market Funds	16,993,800	5,589,530
Total Investments	195,140,843	164,772,053
Accrued Interest Receivable	72,707	75,897
Total Assets	195,213,550	164,847,950
Liabilities		
Accounts Payable	13,750	3,500
Total Liabilities	13,750	3,500
Net Position Restricted for OPEB	$ 195,199,800	$ 164,844,450

See accompanying notes to the Financial Statements

Statements of Changes in Fiduciary Net Position
Year Ended December 31, 2017
(With comparative amounts for prior year)

	2017	2016
Additions:		
Contributions by Employer	$ 18,430,657	$ 19,916,860
Total Contributions	18,430,657	19,916,860
Net Appreciation in Fair Value of Investments	21,208,737	6,576,376
Interest and Dividends	4,225,263	4,013,404
Total Investment Return	25,434,000	10,589,780
Less Investment Expenses	(41,750)	(42,000)
Net Investment Income	25,392,250	10,547,780
Total Additions	43,822,907	30,464,640
Deductions:		
Retiree Health Care Benefits	13,430,657	14,916,860
Administrative Expenses	36,900	32,254
Total Deductions	13,467,557	14,949,114
Net Increase	30,355,350	15,515,526
Net Position Restricted for OPEB		
January 1	164,844,450	149,328,924
December 31	$ 195,199,800	$ 164,844,450

See accompanying notes to the Financial Statements

1. Summary of Significant Accounting Policies

a. Reporting Entity

Pursuant to 70 ILCS 2605/9.6d, the Board of Commissioners (the Board) of 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 Trust's Board is governed by the same nine-member Board of Commissioners as the District. They are elected at large for six-year terms. The terms are staggered so that three commissioners are elected every two years. The Board authorizes all policies which govern funding and plan benefits.

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 Internal Revenue Service.

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.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of changes in plan net position.

The Trust's assets are invested in fixed income, balanced and equity mutual funds traded on national securities exchanges. 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 money market funds with maturities of less than one year, reported using cost-based measures which approximate fair value.

d. Accounting Pronouncement Implementation

The Trust implemented Statement No. 74 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the fiscal year ended December 31, 2017. The new financial reporting standard modified the Trust's notes to the basic financial statements and required supplementary information as well as required the calculation of a total OPEB liability and a net OPEB liability. The adoption of this guidance did have a material impact on the Trust's notes to the financial statements.

e. 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, 2017. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2019. For the years in which a valuation is not completed, the required roll-forward will be completed from the last actuarial valuation to compute the updated OPEB liability.

f. 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, 2017.

g. 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, 2016, from which the summarized comparative information was derived.

h. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Fiduciary net position restricted for OPEB was not affected by these reclassifications.

2. Plan 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.

The Board of Trustees of the Trust 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.

a. Membership

Membership of the Trust consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

Inactive Plan Members Currently Receiving Benefits	1,505
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	438
Inactive Plan Members Entitled to But Not Receiving Benefits	41
Active Plan Members	1,835
Total Membership	3,819

b. Benefits Provided

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. Such benefits are provided through the District's self-insured healthcare plan. The benefit levels are the same as those provided to active employees. 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. Coverage for retirees and their spouses and dependents is provided for life. The Trust was established to advance fund benefits provided under the Plan. The benefit terms may only be amended by the authority of the District's Board of Commissioners. All classes of employees receive the same Plan benefits.

c. Eligibility for Insurance Coverage

Retirees and their dependents who meet the age and service requirements are eligible for medical and prescription drug benefits payable for life. Employees must have at least ten years of service with the District, and coverage does not commence until the member begins receiving payments from the District's Retirement Fund. Eligibility is based on the employee's hire date as follows: age 50 for those hired before June 13, 1997, and age 55 for those hired between June 13, 1997 and January 1, 2011, and age 63 for those hired after January 1, 2011.

d. 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 Trustee 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 $127,400,000 to the Trust as the advance funding amount to date.

The retiree contribution rates are set based on prior year claims incurred and become effective July 1st each year. The retiree contribution rate is based on the contribution rate policy established by the Board of Commissioners. This policy requires a 2.5% increase in the contribution rate on January 1st of each year until the contribution rate reaches 50.0%, projected to be in 2021. The contribution rate for 2018 will be 42.5%. In future years, contributions are assumed to increase at the same rate as premiums.

e. Retiree Health Care Benefit Costs

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

f. Administrative Costs

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

3. Investments

a. Authorization

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:

(1) To purchase and cause stocks, bonds, exchange-traded funds, 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;

(2) 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 counsel 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;

(3) 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

(4) To buy, sell, convey or transfer, invest and reinvest any part of each and every kind of investment listed above in Section (1).

b. Investment Policy

The Trust's investment policy was initially adopted on November 19, 2009, and is designed to control 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 exposure to five aggregate asset classes, including domestic equities, developed international equities, fixed income securities, global balanced portfolios, along with money market funds and cash.

c. Concentration of Credit Risk

There are no significant investments in any one issuer that represent 5% of more of the Trust's investments.

d. Annual Money-Weighted Rate of Return

For the year ended December 31, 2017 the Trust's annual money-weighted rate of return on investments, net of investment expense, was 15.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

e. 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.

At December 31, 2017, the Trust's investments in fixed income mutual funds stated at fair value with weighted average maturities are as follows:

Fund Name	Fair Value	Percentage	Weighted Average Maturities (Years)
Dodge & Cox Income Fund	$ 27,664,595	44.0%	7.5
Payden Core Bond Fund	7,608,921	12.1%	8.3
Western Asset Core Plus Inst	27,531,087	43.9%	12.7
		100.0%	

The Trust's net fair value of money market investment funds was $16,993,800 as of December 31, 2017 having a weighted-average maturity of less than one year.

f. 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, 2017, the Trust's investments in fixed income mutual funds were not individually rated by a nationally recognized statistical rating organization.

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2017:

	Fund Name		
Credit Rating (1)	Dodge & Cox Income Fund	Payden Core Bond Fund	Western Asset Core Plus Fund
AAA	57.4%	52.0%	54.9%
AA	3.7%	1.0%	2.9%
A	3.9%	8.0%	14.5%
BBB	28.1%	35.0%	11.8%
BB	5.5%	—%	7.9%
B	—%	—%	3.4%
Below B	1.4%	1.0%	3.6%
Not Rated	—%	3.0%	1.0%
Total	100.0%	100.0%	100.0%

(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 Trust's investment in a money market fund was not individually rated by a nationally recognized statistical rating organization as of December 31, 2017.

g. 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, 2017, the Trust had no investments denominated in foreign currency.

As of December 31, 2017, the Trust's investments in international equity mutual funds stated at fair value are as follows:

Fund Name	**Fair Value**
Fidelity International Index Institutional	$ 29,066,796

h. 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, 2017, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

i. Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 investments reflect quoted prices in active markets for identical assets.
- Level 2 investments reflect significant other observable inputs which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs.
- Level 3 investments are valued at significant unobservable inputs.

The carrying amount of investments and fair value hierarchy of the Trust is shown in the following schedule as of December 31, 2017:

		Fair Value Measurements Using		
Fair Value of Investments	**December 31, 2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Domestic Equity Funds	$ 68,826,531	$ 68,826,531	$ —	$ —
International Equity Funds	29,066,796	29,066,796	—	—
Domestic Fixed Income Funds	62,804,603	62,804,603	—	—
Global Balanced Funds	17,449,113	17,449,113	—	—
Money Market Funds	16,993,800	16,993,800	—	—
Total Fair Value of Investments	$ 195,140,843	$ 195,140,843	$ —	$ —

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Trust does not have Level 2 or Level 3 investments.

4. OPEB Liability of the District

a. Net OPEB Liability

The components of the net OPEB Liability of the District as of December 31, 2017, were as follows:

Total OPEB Liability	$ 308,747,257
Plan Fiduciary Net Position	(195,199,800)
District's Net OPEB Liability	$ 113,547,457
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.22%

See the Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 23 of the required supplementary information for additional information related to the funded status of the Plan.

b. Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Valuation Date	December 31, 2017
Cost Method	Entry Age Normal
Inflation	3.00%
Salary Increases	Varies by Service
Investment Rate of Return (net of investment expense, including inflation)	6.50%
Healthcare Cost Trend Rates	8.00% for fiscal year 2018, decreasing 0.75% each year to fiscal year 2022, then decreasing 0.5% to the ultimate rate of 4.5% in fiscal year 2023
Asset Valuation Method	Fair Value

For all employees, mortality rates were based on the RP-200 combined health mortality tables with fully generational mortality improvements using scale AA.

The information included in the report is based on the actuarial valuation performed as of December 31, 2017. Actuarial valuations of the total OPEB liability are required to be completed every two years for the Trust. The next valuation date is December 31, 2019. The total OPEB liability is required to be based on update procedures to roll forward amounts from the most recent actuarial valuation for fiscal year-ends when an actuarial valuation is not performed.

c. Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Broad Fixed Income	22.5%	1.1%
Core Plus Fixed Income	17.5%	1.5%
Total Fixed Income	**40.0%**	
Large-Cap Core	9.0%	5.3%
Large-Cap Value	9.0%	5.3%
Large-Cap Growth	9.0%	5.2%
Mid-Cap Core	4.0%	5.7%
Small-Cap Core	4.0%	6.2%
Total U.S. Equity	**35.0%**	
Non-U.S. Large-Cap Core	15.0%	5.4%
Total Non-U.S. Equity	**15.0%**	
Global Tactical Asset Allocation	10.0%	2.5%
Total Real Assets	**10.0%**	
Total-All Asset Classes	**100.0%**	

The Trust's long-term expected rate of return calculated using the method above was 6.50%.

d. Discount Rate

The expected rate of return used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that current District contributions will be made at the current contribution rate. The District has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The District has shown they are following the funding policy completely and will continue to do so. Therefore, the long-term expected rate of return on investments was used to discount projected benefit payments for all projected benefit payments, and the single equivalent was 6.5%.

e. Rate Sensitivity

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate and to the healthcare cost trend rate.

The table below presents the net OPEB liability of the District calculated using the discount rate of 6.5% as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	$ 156,326,537	$ 113,547,457	$ 79,182,282

The table below presents the net OPEB liability of the District calculated using the healthcare cost trend rate of 4.5% to 8.0% as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (3.5% to 7.0%) or 1 percentage point higher (5.5% to 9.0%) than the current rate:

	1% Decrease (3.5% to 7.0%)	Current Discount Rate (4.5% to 8.0%)	1% Increase (5.5% to 9.0%)
Net OPEB Liability	$ 74,829,194	$ 113,547,457	$ 161,870,445

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended December 31, 2017

Total OPEB Liability	
Service Cost	$ 5,097,776
Interest	19,260,038
Changes of Assumptions*	—
Benefit Payments	(13,430,657)
Net Change in Total OPEB Liability	10,927,157
Total OPEB Liability	
Beginning of Year	297,820,100
End of Year	$ 308,747,257
Change in Fiduciary Net Position	
Employer Trust Contribution	$ 5,000,000
Pay-As-You-Go Contributions	13,430,657
Net Investment Income	25,392,250
Benefit Payments	(13,430,657)
Administrative Expense	(36,900)
Net Change in Fiduciary Net Position	30,355,350
Net Position Restricted for OPEB	
Beginning of Year	164,844,450
End of Year	$ 195,199,800
District's Net OPEB Liability	$ 113,547,457
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.22%
Covered Employee Payroll	$ 184,807,353
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	61.44%

*No value is shown in the changes of assumptions because both the beginning and ending total OPEB liability are based upon the actuarial assumptions adopted in the December 31, 2017 valuation. Those assumptions are listed in Note 4 of these financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS AND RELATED NOTES
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarial Determined Contribution	$ 44,739,006	$ 39,847,021	$ 39,847,021	$ 27,263,684	$ 27,263,684	$ 13,211,937	$ 13,211,937	$ 12,471,893	$ 12,471,893	$ 11,506,823
Contributions in Relation to the Actuarial Determined Contributions*	35,819,281	14,591,543	15,516,965	18,020,374	35,426,215	33,834,831	33,716,523	18,316,713	19,916,860	18,430,657
Contribution Deficiency (Excess)	$ 8,919,725	$ 25,255,478	$ 24,330,056	$ 9,243,310	$ (8,162,531)	$ (20,622,894)	$ (20,504,586)	$ (5,844,820)	$ (7,444,967)	$ (6,923,834)
Covered Employee Payroll	$ 167,865,000	$ 170,392,445	$ 172,273,000	$ 162,853,163	$ 158,995,000	$ 164,005,092	$ 169,909,275	$ 176,756,776	$ 183,120,020	$ 184,807,353
Contributions as a Percentage of Covered Employee Payroll	21.34%	8.56%	9.01%	11.07%	22.28%	20.63%	19.84%	10.36%	10.88%	9.97%

*Includes pay-as-you-go benefit amounts plus the cash contribution to the Trust

NOTES TO SCHEDULE:

Valuation date:	Actuarial determined contribution rates shown above are calculated as of December 31 for the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 Years
Asset valuation method	Fair Value
Discount Rate	6.5%
Inflation Rate	3%
Health Care Cost Trend Rate	8.00% for fiscal year 2018, decreasing 0.75% each year to fiscal year 2022, then decreasing 0.5% to the ultimate rate of 4.5% in fiscal year 2023.
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 service 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.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
Year Ended December 31, 2017

Covered Employee Payroll	$ 184,807,353
Annual Money-Weighted Rate of Return, Net of Investment Expense	15.06%

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

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

SUMMARY SCHEDULE OF ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2017	Year Ended December 31, 2016
Professional services - audit fees	$ 30,600	$ 26,000
Fiduciary insurance	6,300	6,254
Total Administrative Expenses	$ 36,900	$ 32,254

SUMMARY SCHEDULE OF INVESTMENT FEES

	Year Ended December 31, 2017	Year Ended December 31, 2016
Investment consulting fees	$ 41,750	$ 42,000

INVESTMENT SECTION

INVESTMENT SECTION

INVESTMENT CONSULTANT REPORT

MarquetteAssociates

180 North LaSalle Street, Suite 3500
Chicago, IL 60601

March 14, 2018

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

To the Board of Trustees:

Marquette Associates ("Marquette") is the independent investment consultant for the Metropolitan Water Reclamation District Retiree Health Care Trust ("Trust"). Marquette is responsible for the implementation of the Trust's allocation, trustee education, the selection and monitoring of investment managers as well as investment performance analysis. Marquette follows the CFA® Institute's Performance Presentation Standards for calculating and reporting performance returns.

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:

Asset Class	Benchmark Fund Asset Mix		
	Minimum	Normal	Maximum
Domestic Equities	25%	30%	35%
Developed International Equities	12%	15%	18%
Fixed Income Securities (Bonds)	40%	45%	50%
Global Balanced Portfolio	8%	10%	13%
Money Market Funds and Cash	0%	1%	100%

INVESTMENT SECTION

Investment Portfolio Activities

Investments are made in accordance with the guidelines stated within the Trust's investment policy. In 2017, $5.0 million was contributed to the Trust along with interest, dividends and capital appreciation of $25.4 million generated by the underlying funds. Total District contributions to the Trust have aggregated to $127.4 million as of year-end 2017. Trust holdings in investments at year-end 2017 were valued at $195.2 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.

The assumed actuarial rate of return for the Trust is 6.5%. In 2017, the Trust returned 15.1% net of fees. Over the same period, the policy index returned 11.5%. At the end of 2017, the Trust's Policy index was comprised of approximate weightings in the following indices: Bloomberg Barclays U.S. Aggregate Index (45.0%), Bloomberg Barclays U.S. Treasury Inflation Notes 1-10 Year Index (10.0%), Russell 3000 Index (30.0%), and MSCI EAFE Index (15.0%).

The yield curve flattened dramatically in 2017 as the Fed remained cautious of curve inversion. The market ended 2017 by projecting three rate hikes in 2018. Temporary nominal U.S. GDP growth increases from 3.4% to 3.5% were priced into tight spread levels. The Trust ended 2017 with a 32.2% allocation to fixed income; net of fees, the fixed income composite returned 5.6% versus the benchmark (Bloomberg Barclays U.S. Aggregate Index) which returned 3.5% during the year.

In the domestic equities market, 2017 commenced with a continuation of the 2016 post-election rally. Energy was one of the worst performing sectors in 2017 with oversupply concerns continuing to weigh on the oil industry. Also of note, were optimistic earnings forecasts. Earnings projections will typically see a fair amount of downward revisions throughout a calendar year, 2017 was somewhat of an anomaly as earnings saw ongoing support with minimal downward revisions relative to prior years. As equities continued to grind higher throughout the year, major indices repeatedly hit new all-time highs. During the year, the S&P 500 and the DJIA logged 62 and 71 new closing highs, respectively. Another defining characteristic of 2017 was the low volatility environment. The VIX remained low throughout the year and hit one of its lowest levels ever in May at 9.8. Over the course of 2017, market drawdowns were minor and short-lived. With a max intra-year drawdown of 3%, 2017 experienced the smallest pullback going back to 1995. The OPEB ended the year with a 35.3% allocation to U.S equities; net of fees, the U.S equities composite returned 22.3% versus the benchmark (Russell 3000 Index) which returned 21.1%.

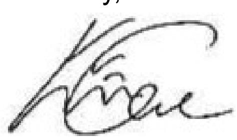
Non-U.S. equity investors' patience was finally rewarded with a banner year in 2017, as both strong economic and earnings growth across the globe fueled index performance higher. Broad benchmarks returned more than 20% including the MSCI EAFE Index (25%), MSCI EAFE Small-Cap Index (33%), and the MSCI Emerging Markets Index (37%). The developed markets sidestepped political landmines with market-friendly election outcomes in the Netherlands, France, and Germany. Emerging market returns drove a major reversal to investor sentiment, leading to the first positive inflows in the last 4 years. The dollar weakened, boosting non-U.S. equity returns for U.S.-based investors. The Trust ended 2017 with a 14.9% allocation to non-

U.S equities; net of fees, the non-U.S equity composite had a 29.0% return versus the benchmark (MSCI EAFE Index) which returned 25.0%.

2017 will also be remembered for the return of alpha generation to the GTAA or multi asset class space, as stock picking and asset allocation decisions were generally profitable during the year. In fact, market volatility remained at an all-time low with the volatility index (VIX) trading below 10 for parts of the year, well below the long-run average of 18.6. The Trust's GTAA allocation returned 14.0% in 2017 and outpaced the designated index (Bloomberg Barclays U.S. Treasury Inflation Notes 1-10 Year Index) which returned 1.9%.

The Trust continues to be highly liquid and transparent and, following the actuary's updated projections, the Board and Marquette will plan on revisiting the Trust's asset allocation in 2018.

Sincerely,



Kweku Obed, CFA, CAIA

Table 1 **MWRD Retiree Health Care Trust** **Investment Portfolio Activity**	
Beginning Balance January 1, 2017	$164.8 million
Contributions	$5.0 million
Interest & Dividends	$4.2 million
Net Capital Depreciation	$21.2 million
Ending Balance December 31, 2017	$195.2 million
Time Weighted Return	15.06%

INVESTMENT SECTION

Table 2
MWRD Retiree Health Care Trust
Time Weighted Returns of Investments
Annualized Performance ***(Net of Fees as of December 31, 2017)***

	Asset Class	Ticker	1 Year	3 Years	5 Years	Inception Return	Since
Total Fund Composite			**15.06%**	**6.73%**	**8.21%**	**8.33%**	**10-Apr**
Policy Index			***11.53%***	***5.80%***	***7.96%***	***8.10%***	***10-Apr***
Total Fixed Income Composite			**5.61%**	**3.73%**	**2.52%**	**4.24%**	**10-Apr**
BBgBarc US Aggregate TR			***3.54%***	***2.24%***	***2.10%***	***3.50%***	***10-Apr***
Payden Core Bond Fund	Int. Fixed Income	PYCBX	5.25%	3.23%	2.85%	4.16%	10-Apr
BBgBarc US Int TR			*2.27%*	*1.82%*	*1.70%*	*2.86%*	*10-Apr*
Dodge & Cox Income Fund	Int. Fixed Income	DODIX	4.36%	3.09%	3.07%	4.23%	10-Apr
BBgBarc US Int TR			*2.27%*	*1.82%*	*1.70%*	*2.86%*	*10-Apr*
Western Asset Core Plus Institutional	Core Plus Fixed Income	WACPX	7.00%	N/A	N/A	5.09%	15-Jul
BBgBarc US Aggregate TR			*3.54%*	*2.24%*	*2.10%*	*2.73%*	*15-Jul*
Total Equity Composite			**24.22%**	**9.57%**	**12.57%**	**11.16%**	**10-Apr**
Total Equity Benchmark			***22.44%***	***10.07%***	***13.06%***	***11.20%***	***10-Apr***
U.S. Equity Composite			**22.34%**	**11.33%**	**15.47%**	**13.14%**	**10-Apr**
Russell 3000			***21.13%***	***11.12%***	***15.58%***	***13.55%***	***10-Apr***
Fidelity 500 Index Institutional Class	Large-Cap Core	FXSIX	21.79%	11.38%	N/A	12.31%	14-Aug
S&P 500			*21.83%*	*11.41%*	*15.79%*	*12.34%*	*14-Aug*
LSV Value Equity Institutional	Large-Cap Value	LSVEX	18.30%	10.67%	N/A	11.26%	14-Oct
Russell 1000 Value			*13.66%*	*8.65%*	*14.04%*	*9.59%*	*14-Oct*
Fidelity Contrafund	Large-Cap Growth	FCNTX	32.26%	13.33%	16.43%	14.22%	10-Apr
Russell 1000 Growth			*30.21%*	*13.79%*	*17.33%*	*14.90%*	*10-Apr*
Fidelity Mid Cap Index Institutional	Mid-Cap Core	FSTPX	18.46%	N/A	N/A	10.55%	15-Jul
Russell MidCap			*18.52%*	*9.58%*	*14.96%*	*10.57%*	*15-Jul*
Vanguard Small Cap Index Institutional	Small-Cap Core	VSCIX	16.24%	9.84%	14.45%	13.33%	10-Apr
CRSP US Small Cap TR USD			*16.24%*	*9.81%*	*14.54%*	*13.59%*	*10-Apr*
Non-U.S. Equity Composite			**28.99%**	**5.96%**	**6.23%**	**6.49%**	**10-Apr**
MSCI EAFE			***25.03%***	***7.80%***	***7.90%***	***6.34%***	***10-Apr***
Fidelity International Index Institutional	Non-U.S. Large-Cap Core	FSPNX	N/A	N/A	N/A	4.78%	17-Sep
MSCI ACWI ex USA			*27.19%*	*7.83%*	*6.80%*	*6.95%*	*17-Sep*
GTAA Composite			**13.99%**	**5.65%**	N/A	**3.71%**	**14-Jun**
BBgBarc US TIPS 1-10 Yr TR			***1.90%***	***1.78%***	***0.09%***	***1.15%***	***14-Jun***
PIMCO All Asset Institutional Class	GTAA	PAAIX	13.99%	5.65%	N/A	3.39%	14-Jun
BBgBarc US TIPS 1-10 Yr TR			*1.90%*	*1.78%*	*0.09%*	*0.72%*	*14-Jun*
Cash Composite			**0.66%**	**0.22%**	N/A	**0.18%**	**14-May**
91 Day T-Bills			***0.92%***	***0.42%***	***0.27%***	***0.35%***	***14-May***
FIMM Government Class I	Cash & Equivalents	FIGXX	N/A	N/A	N/A	0.68%	17-Mar
91 Day T-Bills			*0.92%*	*0.42%*	*0.27%*	*0.84%*	*17-Mar*
Fidelity Governement Money Market	Cash & Equivalents	SPAXX	0.55%	0.20%	N/A	0.17%	14-May
91 Day T-Bills			*0.92%*	*0.42%*	*0.27%*	*0.35%*	*14-May*

Total Fund Policy Index: 30.0% Russell 3000/15.0% MSCI EAFE (Net)/45.0% Barclays US Aggregate /10% Barcap U.S. TIPS 1-10YR
Total Equity Composite Benchmark: 67% Russell 3000/33%MSCI EAFE

Table 3
MWRD Retiree Health Care Trust
Time Weighted Returns of Composites
Annualized Performance ***(Net of Fees as of December 31, 2017)***

	1 Year	3 Years	5 Years	Inception Return	Since
Total Fund Composite	***15.06%***	***6.73%***	***8.21%***	***8.33%***	***10-Apr***
Policy Index	*11.53%*	*5.80%*	*7.96%*	*8.10%*	*10-Apr*
Total Fixed Income Composite	***5.61%***	***3.73%***	***2.52%***	***4.24%***	***10-Apr***
BBgBarc US Aggregate TR	*3.54%*	*2.24%*	*2.10%*	*3.50%*	*10-Apr*
Total Equity Composite	***24.22%***	***9.57%***	***12.57%***	***11.16%***	***10-Apr***
Total Equity Benchmark	*22.44%*	*10.07%*	*13.06%*	*11.20%*	*10-Apr*
U.S. Equity Composite	***22.34%***	***11.33%***	***15.47%***	***13.14%***	***10-Apr***
Russell 3000	*21.13%*	*11.12%*	*15.58%*	*13.55%*	*10-Apr*
Non-U.S. Equity Composite	***28.99%***	***5.96%***	***6.23%***	***6.49%***	***10-Apr***
MSCI EAFE	*25.03%*	*7.80%*	*7.90%*	*6.34%*	*10-Apr*
GTAA Composite	***13.99%***	***5.65%***	***N/A***	***3.71%***	***14-Jun***
BBgBarc US TIPS 1-10 Yr TR	*1.90%*	*1.78%*	*0.09%*	*1.15%*	*14-Jun*
Cash Composite	***0.66%***	***0.22%***	***N/A***	***0.18%***	***14-May***
91 Day T-Bills	*0.92%*	*0.42%*	*0.27%*	*0.35%*	*14-May*

Total Fund Policy Index: 30.0% Russell 3000/15.0% MSCI EAFE (Net)/45.0% Barclays US Aggregate /10% Barcap U.S. TIPS 1-10YR
Total Equity Composite Benchmark: 67% Russell 3000/33%MSCI EAFE

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, 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 counsel 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 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.

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:

	Fund Asset Mix		
Asset Class	**Minimum**	**Normal**	**Maximum**
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%), Barclay's 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, 2017, the Trust's cumulative contributions of $127.4 million along with accumulated distributions have been invested in accordance with the Trust's strategy. All investments are in mutual funds and money market funds.

As of December 31, 2017 and 2016, the Trust's asset allocations at fair value are as follows:

Asset Class	Actual Asset Allocation 2017	Actual Asset Allocation 2016	Target Allocation 2017
Domestic Equity	35%	36%	30%
International Equity	15%	14%	15%
Domestic Fixed Income	32%	37%	44%
Global Balanced	9%	10%	10%
Money Market Funds & Cash	9%	3%	1%
Total	100%	100%	100%

The Trust's Executive Committee delayed the investment of accumulated investment earnings in fiscal year 2017 pending anticipated amendments to the Investment Policy in 2018. The proposed amendments will reduce the allocation of fixed income funds to prevent market value losses in a rapidly rising interest rate market. Per the current Investment Policy, “The Trust may maintain cash reserves in money market securities. For temporary, defensive purposes, the Trust may invest without limitation in cash reserves. A reserve position provides flexibility in meeting redemptions, expenses, and the timing of new investments, and serves as a short-term defense during periods of unusual volatility. In situations where the Trustee determines that the divestiture of an asset class is necessary to protect the valuation, safety, or liquidity of the portfolio, amounts may temporarily exceed the maximum asset mix limit.”

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, 2017, was 15.06%, compared to the Trust’s Policy Index return of 11.53%.

The investment rate of return on invested assets for the year ending December 31, 2016, was 6.90%, compared to the Trust’s Policy Index return of 5.69%.

INVESTMENT SECTION

INVESTMENT ASSETS

	December 31, 2017		December 31, 2016	
	Fair Value	**Percent**	**Fair Value**	**Percent**
Domestic Equity Funds				
Fidelity 500 Index Institutional Class	$ 17,760,194	9.1%	$ 14,890,436	9.0%
Fidelity Contrafund	17,671,173	9.1%	14,206,774	8.6%
Fidelity Mid Cap Index Institutional	7,679,492	3.9%	6,650,923	4.0%
LSV Value Equity Institutional	17,639,388	9.0%	15,927,240	9.7%
Vanguard Small Cap Index Institutional	8,076,284	4.1%	7,048,206	4.3%
Total Domestic Equity Funds	68,826,531	35.2%	58,723,579	35.6%
International Equity Funds				
Fidelity International Index Institutional	29,066,796	14.9%	—	—%
Artisan International Fund Institutional	—	—%	11,812,099	7.2%
Harbor International Institutional	—	—%	11,273,608	6.8%
Total International Equity Funds	29,066,796	14.9%	23,085,707	14.0%
Domestic Fixed Income Funds				
Dodge & Cox Income Fund	27,664,595	14.2%	27,322,809	16.6%
Payden Core Bond Fund	7,608,921	3.9%	7,459,726	4.5%
Western Asset Core Plus Institutional	27,531,087	14.1%	26,577,730	16.1%
Total Domestic Fixed Income Funds	62,804,603	32.2%	61,360,265	37.2%
Global Balanced Funds				
PIMCO All Asset Institutional Class	17,449,113	8.9%	16,012,972	9.7%
Total Global Balanced Funds	17,449,113	8.9%	16,012,972	9.7%
Money Market Funds	16,993,800	8.8%	5,589,530	3.5%
Total Investments at Fair Value	**$ 195,140,843**	**100.0%**	**$ 164,772,053**	**100.0%**

INVESTMENT SECTION

INVESTMENT ANALYTICS

Schedule of Investment Returns

	Year Ended 12/31/2017 (1)	Year Ended 12/31/2016 (2)	Three Years Ended 12/31/2017	Five Years Ended 12/31/2017
Trust's Total Portfolio	**15.06%**	**6.90%**	**6.73%**	**8.21%**
Trust's Policy Index	11.53%	5.69%	5.80%	7.96%
(30% Russell 3000 Index; 15% MSCI EAFE Index; 45% Barclays U.S. Aggregate Bond Index; 10% Barcap U.S. Index)				
Trust's Equity Composite	**24.22%**	**7.04%**	**9.57%**	**12.57%**
S&P 500 Index	21.83%	9.36%	11.41%	15.79%
Domestic Equity Composite	22.34%	12.21%	11.33%	15.47%
Russell 3000 Index	21.13%	12.74%	11.12%	15.58%
International Equity Composite	28.99%	-4.03%	5.96%	6.23%
MSCI EAFE Free Index	25.03%	1.00%	7.80%	7.90%
Global Balanced Composite	**13.99%**	**13.31%**	**5.65%**	**—%**
Barcap U.S. TIPS: 1-10 Year	1.90%	4.01%	1.78%	0.09%
Trust's Fixed Income Composite	**5.61%**	**5.03%**	**3.73%**	**2.52%**
Barclay's U.S. Aggregate Bond Index	3.54%	2.65%	2.24%	2.10%

(1) The increase in value of invested assets was 18.43% for the year ending December 31, 2017. The return on invested assets using the Modified Dietz approach was 15.06%. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the $5,000,000 advance funding contribution made during the year.

(2) The increase in value of invested assets was 10.41% for the year ending December 31, 2016. The return on invested assets using the Modified Dietz approach was 6.90%. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the $5,000,000 advance funding contribution made during the year.

History of Investment Yields at Fair Value
Years Ending December 31

Year	Invested Assets	Yield at Market	Trust's Policy Index	Notes
2017	$ 195,140,843	15.06%	11.53%	
2016	164,772,053	6.90%	5.69%	
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	

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

Summary Schedule of Investment Fees

Years Ending December 31	2017	2016
Investment Consulting Fees	$ 41,750	$ 42,000

ACTUARIAL SECTION

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, 2017. The purpose of this report is to present the December 31, 2017 actuarial valuation results for the Plan. The results are applicable for MWRD's fiscal year ending December 31, 2017. 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. 45. The District is required to adopt GASB 74 for the Fiscal Year 2017. The schedules related to the Governmental Accounting Standards Board No. 74 can be found in the Notes to the Basic Financial Statements and Required Supplementary Information.

Actuarial calculations under GASB 45 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 45 and GASB 74.

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 45/74 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 45/74.

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 Sections of the MWRD CAFR (GASB 45) and the MWRD Retiree Health Care Trust CAFR (GASB 74). These schedules include:

- Annual OPEB Cost and Net OPEB Obligation
- Supplements to the Notes to the Financial Statements:
    - Funding Status and Progress (provided, but no longer a required schedule)
    - Schedule of Sponsor Contributions
    - Schedule of Changes in the Net OPEB Liability and Related Ratios
- 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, 2017 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 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 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

May 11, 2018

ACTUARIAL SECTION

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, 2017. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2019. The total OPEB liability is required to be based on update procedures to roll forward amounts from the most recent actuarial valuation for fiscal year-ends when an actuarial valuation is not performed.

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, 2017, $127.4 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 year 2017 the District funded an excess of $8,919,725 of the Trust's Actuarial Determined Contribution amount of $11,506,823.

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.

ACTUARIAL SECTION

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 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, 2015.
- Calculations were modified to capture the impact of moving to the Medicare Advantage plan (MAPD) for post-65 eligible Medicare retirees.
- 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 2018.
- The trend rate assumption has been updated to use an initial trend rate of 8.0% in fiscal year 2018, grading down 0.75% per year until reaching an ultimate trend rate of 4.5%.
- The discount rate was decreased from 6.75% to 6.50%.

ACTUARIAL SECTION

Below are the most significant actuarial assumptions:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 Years
Asset valuation method	Fair Value
Discount Rate	6.5%
Inflation Rate	3%
Health Care Cost Trend Rate	8.00% for fiscal year 2018, decreasing 0.75% each year to fiscal year 2022, then decreasing 0.5% to the ultimate rate of 4.5% in fiscal year 2023.
Annual Payroll Growth Rate	3.6%
Disability	None assumed
Age of Spouse	Males spouses are assumed to be 3 years older than female spouses.
Coverage at	90% of future eligible service 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.

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:

	Total*
Active participants	
Eligible for post-retirement benefits	590
Not yet eligible for post-retirement benefits	1,245
Total	1,835
Retirees, Survivors, and Dependents	
Retirees and Survivors	1,943
Dependent Spouses	854
Total	2,797
Total participants	4,632
Active participant characteristics	
Average age of actives	50.0
Average age at employment	36.3
Average past service	13.7
Average age of inactive participants	72.7

*Participant data determined as of December 31, 2017.

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, 2017 through June 30, 2018:

	HMO		PPO	
All Retirees	**Without Medicare**	**With Medicare**	**Without Medicare**	**With Medicare**
Benefit Recipient:				
Pre-65	$ 3,484	$ 3,484	$ 5,314	$ 5,314
Post-65	3,484	1,556	5,314	1,556
Dependent Spouses:				
Pre-65	3,038	3,038	5,314	5,314
Post-65	3,038	1,556	5,314	1,556

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

Service	Male Rate	Female Rate
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:

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

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.

	HMO		PPO	
Age	With Medicare	Without Medicare	With Medicare	Without Medicare
40	$ 5,107	$ 5,107	$ 6,988	$ 6,988
45	6,213	6,213	8,502	8,502
50	7,558	7,558	10,345	10,345
55	9,195	9,195	12,586	12,586
60	11,188	11,188	15,313	15,313
65	—	13,611	—	18,631
70	—	15,780	—	21,599
75	—	18,293	—	25,038
80	—	20,197	—	27,644
85+	—	22,299	—	30,521

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.

Year	Trend
2017	8.00%
2018	7.25
2019	6.50
2020	5.75
2021	5.00
2022 and later	4.50

ANALYSIS OF FUNDING AND FINANCIAL EXPERIENCE

Reconciliation of the Change in Unfunded Liability

(in thousands)	
Unfunded liability as of December 31, 2015	$ 137,317
Expected unfunded liability as of December 31, 2017	$ 129,211
1. Changes in Census Data	(10,630)
2. Impact of MAPD Plan Change	(10,075)
3. Claims Costs and Premiums lower than expected	(5,588)
4. Updated Trend Rate assumption	15,434
5. Discount Rate lowered from 6.75% to 6.50%	9,275
6. Investment Return greater than expected	(14,080)
Net decrease in unfunded liability	(15,664)
Unfunded liability as of December 31, 2017	$ 113,547

1. The census data reflects changes in the census information the twenty-four month (24) period since December 31, 2015. The decrease in Unfunded Actuarial Accrued Liability (UAAL) over expected can be attributed to a small decrease in the non-vested inactive population. Additionally, while the active population headcounts stayed relatively the same, there were approximately 220 new hires during the 24-month period "replacing" those who left due to retirement, termination, etc. As a result, the average service decreased over expected, which also translates to a lower liability.

2. The MAPD plan change reduced costs for the District both explicitly and implicitly. The subsidized Medicare premium is now about 18% lower than 2 years ago. Also, the new Medicare plan does not generate an implicit rate subsidy. For current and future post-65 members electing Medicare part B, there is no implicit rate subsidy.

3. Medical claims and premiums were lower than expected across the board. Lower than expected claims decreases the net implict subsidy, but lower premiums increases the subsidy. The majority of this gain, however, is due to the lower explicit subsidy since both the district and the retiree have to pay less in premiums than we would have expected.

4. The update to the trend rate assumption did not change the trending schedule per se. Instead, the trend schedule reflects a shift of the entire schedule back two years, such that the initial year fiscal year 2018 trend is 8.0%. Had the prior schedule continued, the initial trend would have been 6.0%. The ultimate rate remains 4.5%.

5. The discount rate has been lowered from 6.75% to 6.50%, and is believed by the District to be appropriate based on the review of capital market assumptions and other factors regarding actuarial valuation.

Note: Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was as of December 31, 2017.

SOLVENCY TEST

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
12/31/2017	$ 195,200	$ 308,747	$ 113,547	63.22%
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%
12/31/2007	25,025	442,683	417,658	5.65%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Actuarial Valuation Date	12/31/2017	12/31/2015	12/31/2013	12/31/2011	12/31/2009
Members in Service	1,835	1,836	1,875	1,893	2,095
% Change	(0.05)%	(2.08)%	(0.95)%	(9.64)%	6.70%
Covered Payroll	$184,807,353	$176,756,776	$164,005,092	$162,853,163	$ 170,392,445
% Change	4.55 %	7.78 %	0.71 %	(4.42)%	7.30%
Average Salary	$ 100,712	$ 96,273	$ 87,469	$ 86,029	$ 81,333
% Change	4.61 %	10.07 %	1.67 %	5.77 %	0.60%
Payroll Growth Assumption	3.60 %	3.60 %	3.60 %	3.60 %	3.60%

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Actuarial Valuation Date	12/31/2017	12/31/2015	12/31/2013	12/31/2011	12/31/2009
Beginning of Year Balance	2,003	1,964	1,977	1,900	1,873
Number Added to Rolls	172	217	118	221	183
Benefit Cost	$ 1,164,268	$ 1,442,616	$ 831,192	$ 1,679,158	$ 1,405,440
Number Removed from Rolls	191	178	131	144	156
Benefit Cost	$ 1,292,879	$ 1,183,344	$ 922,764	$ 1,094,112	$ 1,198,080
End of Year Balance	1,984	2,003	1,964	1,977	1,900
Health Care Annual Benefit	$ 13,430,657	$ 13,316,713	$ 13,834,831	$ 15,020,374	$ 14,591,543
Average Annual Benefit	$ 6,769	$ 6,648	$ 7,044	$ 7,598	$ 7,680
Increase (Decrease) in Average Benefit	1.82%	(5.62)%	(7.29)%	(1.07)%	16.63%

STATISTICAL SECTION

STATISTICAL SECTION

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
12/31/2017	590	1,245	1,943	3,778	94%
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
12/31/2017	1,505	438	0	1,943
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, 2019.

STATISTICAL SECTION

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Last Ten Years

	Year Ended 2017	Year Ended 2016	Year Ended 2015	Year Ended 2014	Year Ended 2013
Additions:					
Contributions by Employer	$ 18,430,657	$ 19,916,860	$ 18,316,713	$ 33,716,523	$ 33,834,831
Total Contributions	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831
Net Appreciation (Depreciation) in Fair Value of Investments	21,208,737	6,576,376	(5,301,623)	2,266,999	13,146,950
Interest and Dividends	4,225,263	4,013,404	3,333,594	3,306,458	1,715,664
Total Investment Return (Loss)	25,434,000	10,589,780	(1,968,029)	5,573,457	14,862,614
Less Investment Expenses	(41,750)	(42,000)	(42,000)	(42,015)	(42,575)
Net Investment Income (Loss)	25,392,250	10,547,780	(2,010,029)	5,531,442	14,820,039
Total Additions	43,822,907	30,464,640	16,306,684	39,247,965	48,654,870
Deductions:					
Retiree Health Care Benefits	13,430,657	14,916,860	13,316,713	13,716,524	13,834,831
Administrative Expenses	36,900	32,254	35,674	40,249	38,530
Total Deductions	13,467,557	14,949,114	13,352,387	13,756,773	13,873,361
Net Increase	30,355,350	15,515,526	2,954,297	25,491,192	34,781,509
Net Position Restricted for OPEB					
January 1	164,844,450	149,328,924	146,374,627	120,883,435	86,101,926
December 31	$ 195,199,800	$ 164,844,450	$ 149,328,924	$ 146,374,627	$ 120,883,435

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION (Continued)
Last Ten Years

	Year Ended 2012	Year Ended 2011	Year Ended 2010	Year Ended 2009	Year Ended 2008
Additions:					
Contributions by Employer	$ 35,426,215	$ 18,020,374	$ 15,516,965	$ 14,591,543	$ 35,819,281
Total Contributions	35,426,215	18,020,374	15,516,965	14,591,543	35,819,281
Net Appreciation (Depreciation) in Fair Value of Investments	7,200,445	(1,465,010)	3,540,803	—	—
Interest and Dividends	1,586,602	1,383,304	797,212	158,828	801,118
Total Investment Return (Loss)	8,787,047	(81,706)	4,338,015	158,828	801,118
Less Investment Expenses	(45,337)	(45,608)	(46,109)	(45,333)	(11,333)
Net Investment Income (Loss)	8,741,710	(127,314)	4,291,906	113,495	789,785
Total Additions	44,167,925	17,893,060	19,808,871	14,705,038	36,609,066
Deductions:					
Retiree Health Care Benefits	13,026,215	15,020,374	15,516,965	14,591,543	13,819,281
Administrative Expenses	36,068	29,833	29,795	18,720	18,000
Total Deductions	13,062,283	15,050,207	15,546,760	14,610,263	13,837,281
Net Increase	31,105,642	2,842,853	4,262,111	94,775	22,771,785
Net Position Restricted for OPEB					
January 1	54,996,284	52,153,431	47,891,320	47,796,545	25,024,760
December 31	$ 86,101,926	$ 54,996,284	$ 52,153,431	$ 47,891,320	$ 47,796,545

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

Year Ended	Employer Contributions	Net Investment Income (Loss)	Total Additions
2017	$ 18,430,657	$ 25,392,250	$ 43,822,907
2016	19,916,860	10,547,780	30,464,640
2015	18,316,713	(2,010,029)	16,306,684
2014	33,716,523	5,531,442	39,247,965
2013	33,834,831	14,820,039	48,654,870
2012	35,426,215	8,741,710	44,167,925
2011	18,020,374	(127,314)	17,893,060
2010	15,516,965	4,291,906	19,808,871
2009	14,591,543	113,495	14,705,038
2008	35,819,281	789,785	36,609,066

SCHEDULE OF RETURN ON INVESTMENTS

Year Ended	Year-End Investment Balance	Annual Rate of Return	
2017	$ 195,140,843	15.06 %	
2016	164,772,053	6.90 %	
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 %	(1)
2009	47,902,573	0.29 %	
2008	47,807,878	2.28 %	

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

STATISTICAL SECTION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Benefit Payments (1)	Contribution to Trust	Total
2017	$ 13,430,657	$ 5,000,000	$ 18,430,657
2016	14,916,860	5,000,000	19,916,860
2015	13,316,713	5,000,000	18,316,713
2014	13,716,523	20,000,000	33,716,523
2013	13,834,831	20,000,000	33,834,831
2012	13,026,215	22,400,000	35,426,215
2011	15,020,374	3,000,000	18,020,374
2010	15,516,965	—	15,516,965
2009	14,591,543	—	14,591,543
2008	13,819,281	22,000,000	35,819,281

(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.

HISTORY OF BENEFIT PAYMENTS

Year Ended	Number of Retirees & Beneficiaries	Retiree Benefit Payments	Average Annual Benefit	Average Monthly Benefit
2017	1,943	$ 13,430,657	$ 6,912	$ 576
2016	1,962	14,916,860	7,603	634
2015	1,962	13,316,713	6,787	566
2014	1,964	13,716,524	6,984	582
2013	1,964	13,834,831	7,044	587
2012	1,977	13,026,215	6,589	549
2011	1,977	15,020,374	7,598	633
2010	1,900	15,516,965	8,167	681
2009	1,900	14,591,543	7,680	640
2008	1,873	13,819,281	7,378	615

STATISTICAL SECTION

SCHEDULE OF EXPENSES BY TYPE

Year Ended	Investment Advisor Fee	External Audit Fee	Fiduciary Insurance	Custodian Transaction Fees	Total Expenses
2017	$ 41,750	$ 30,600	$ 6,300	$ —	$ 78,650
2016	42,000	26,000	6,254	—	74,254
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