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INTRODUCTION AND PURPOSE

The Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), as Trustee of the Metropolitan Water Reclamation District Retiree Health Care Trust (the "Trust"), hereby adopts this Investment Policy Statement for the Trust. The Trust provides other post-employment medical benefits ("OPEB") to retired employees and their dependents in accordance with a Plan adopted by the District. The Trust is authorized under Illinois Statute 70 ILCS 2605/9.6d. The Plan and the benefits provided thereunder are funded in part by contributions by the District.

SCOPE

This Investment Policy applies to all financial assets of the Trust. The management of District investments and the District's Retirement Plan investments are excluded from the scope of this policy. The Board of Commissioners of the District serves as Trustee of the Trust, and is responsible for the safekeeping and investment of Trust assets. To assist the Trustee in its function, one or more Investment Advisors may be appointed.

FIDUCIARY RESPONSIBILITIES

The Trustee, and certain persons they designate to carry out their duties or responsibilities, are fiduciaries under the Trust. Each fiduciary has only those duties or responsibilities specifically assigned to him under the Trust or delegated to him by another fiduciary. The Trustee and all other fiduciaries shall discharge their duties with respect to this Trust solely in the interest of the participants and beneficiaries of the Trust. Such duties shall be discharged for the exclusive purpose of providing benefits to the Participants and Beneficiaries and defraying expenses of the Plan.

Training will be provided to the Trustee and Executive Committee on an annual basis. The training should focus on subjects that assist the Trustee in meeting its fiduciary responsibilities.

EXECUTIVE COMMITTEE

The Board of Commissioners of the Metropolitan Water Reclamation District appointed an Executive Committee, comprised of the Chairman of the Committee on Finance, the Treasurer of the District, and the Director of Finance of the District, to be responsible for certain activities with regard to the Trust, subject to approval of the Board of Commissioners. These activities include but are not limited to: recommendation of an Investment Advisor; acceptance or rejection of investment recommendations from the Investment Advisor; investment policy review; asset allocation structure; asset performance reviews; execution of investments; and other financial responsibilities.

ETHICS AND CONFLICTS OF INTEREST

The Trustee and other designated persons involved in the investment process shall not engage in personal business activities that could conflict with the proper execution of the investment program or could impair their ability to make impartial decisions. Employees and investment officials involved in the investment process shall disclose to the Trustee any material financial interest in, or personal relationship with, any financial management firm, financial institution, or brokerage that conducts business with the Trust.

INVESTMENT OBJECTIVES

The assets of the Trust shall be invested in accordance with the following objectives:

1. General Standard – Assets of the Trust shall be invested in a manner consistent with applicable fiduciary standards:
 - a. The safeguards and diversification that a prudent investor would adhere to must be present.
 - b. All transactions undertaken on behalf of the Trust must be for the sole interest of Plan Participants and their beneficiaries.
 - c. All fiduciaries shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and as defined by Illinois law.
2. Liquidity – Sufficient liquidity shall be maintained to cover benefit payment outflows. Liquidity requirements shall be determined primarily by the flow of revenues and expenditures on a cash flow basis. The Trustee shall regularly advise the Investment Advisor of its current and foreseeable cash flow needs.
3. Low Expenses - Assets of the Trust shall be invested in such a way as to minimize administrative costs, asset management fees, and brokerage costs.
 - a. No finder's fee or other compensation will be paid to any consultant or investment manager.
 - b. It is the Trust Fund's policy to encourage the use of investment managers and broker/dealers owned by minorities, women, and persons with disabilities who are capable of providing "best execution" (commission cost plus market impact) to be given an opportunity to do so.
 - c. The cost of investment management fees should be a consideration in strategy selection. In most cases, the lowest cost investment vehicle offered by an investment manager should be used. If the lowest cost investment vehicle is not utilized due to the consideration of other quantitative or qualitative evaluations, the Executive Committee must approve such selection.
4. Compliance With Statutory Standards – The assets of the OPEB Trust 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 this investment policy consistent with the standards articulated in section 2.5 of the Public Funds Investment Act (30 ILCS 235/12.5) and the Metropolitan Water Reclamation District Act (70 ILCS 2605/9.6d)
5. Return on Investment - The objective of the Executive Committee is to achieve long-term investment performance exceeding the Trust's calculated Other Post-Employment Benefits ("OPEB") actuarial investment rate of return. While expecting to meet or exceed these objectives over time, it is understood that over shorter periods of time, investment returns may not meet the target rate of OPEB funds. The investment portfolio shall be designed with the objective of achieving at least the minimum return, consistent with the annual liability of the Fund, but at the same time taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

TRUST PORTFOLIO AND ASSET ALLOCATION TARGETS

Investments shall be limited to publicly traded securities and mutual funds, adequately diversified among various market segments and sectors in both the United States as well as other developed countries and emerging markets. Initially, the Trust will invest assets exclusively in passively and actively managed mutual funds or exchange-traded funds registered under the Securities Act of 1940 because of their lower cost as compared with the use of outside investment managers. No load mutual funds will be utilized when possible. Passively managed mutual funds invest in a portfolio of securities that replicates a designated index or benchmark. Actively managed mutual funds implement investment strategies intended to provide returns that exceed those of a designated benchmark or index. If an investment strategy is later adopted that utilizes investment managers, the Trustee may appoint one or more investment managers to manage or control all or part of the assets of the Trust. Such managers must be registered as an investment advisor under the Investment Advisors Act of 1940.

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. The asset allocation targets for the Trust are as follows:

Asset Class	Fund Asset Mix		
	Minimum	Normal	Maximum
Domestic Equities	40%	45%	50%
International Equities	15%	20%	25%
Fixed Income Securities (Bonds)	30%	35%	40%
Cash/Cash Equivalents (Money Market)	0%	<1%	100%

In the review of investment options, asset allocation is a critical contributor to risk and return. Market movement, cash flows, investment performance, etc., may cause asset allocation percentages to deviate from the Trust's targets. It is the Executive Committee's responsibility, with advice from the Investment Advisor, to monitor the percentages of each asset classification. The assets shall be re-balanced periodically to approximate the specific target allocations in use at that point in time. See "REBALANCING POLICY" below.

Under normal operating circumstances (when fund is fully invested), investments in any one actively managed equity strategy should be limited to 15% and in any one actively managed fixed income strategy should be limited to 25% of the total portfolio market value. More than one investment manager should be utilized per investment class when possible. Investments in any one actively managed international investment strategy should be limited to 15% of the market value of the investment portfolio. Alternative investment strategies should be limited to 5% of the market value of the investment portfolio.

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.

Investments shall be made with judgment and care, with prudence, discretion, and intelligence exercised in the management of the Fund assets. The investment process should be disciplined and designed to avoid random decision making and reduce the risk of loss.

INVESTMENT OPTIONS

The Trustee will select and maintain a diversified investment portfolio. To ensure diversification, the Trust investments will include high-quality strategies that range in objective from capital preservation to capital appreciation, while mitigating the overall level of risk that the Trust undertakes.

To ensure proper diversification, the Trust investments should include a variety of investment alternatives, each of which: (a) is diversified; (b) has materially different risk and return characteristics; (c) enable creation of a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for the Trust; and (d) when combined with investments in the other alternatives tends to minimize, through diversification, the overall risk to the Trust's portfolio. In this regard, the Trustee agrees that it is appropriate, at a minimum, to include the following asset types/styles:

Equities	20%	15%	20%
International Equities	5%	5%	5%
Fixed Income Securities	30%	30%	30%
Real Estate	10%	10%	10%
Commodities	5%	5%	5%
Private Equity	5%	5%	5%
Other	20%	20%	20%

In the review of investment options, asset allocation is a critical consideration to risk and return. Market movement can have a significant impact on the overall performance of the portfolio. The Trustee will monitor the performance of each asset allocation. The assets will be re-balanced on a regular basis to maintain the target allocations in use at that point in time. See REBALANCING POLICY below.

Under normal operating circumstances (when not fully invested), investments in any one actively managed equity strategy should be limited to 10% and in any one actively managed fixed income strategy should be limited to 20% of the total portfolio market value. More than one investment manager should be utilized per investment class when possible. Investments in any one actively managed international investment strategy should be limited to 5% of the total value of the investment portfolio. Alternative investment strategies should be limited to 5% of the total value of the investment portfolio.

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 option provides

General Asset Class Category Descriptions	
Principal Protection (Money Market, Fixed Accounts, Illinois Funds local government pool, or Stable Value)	<ul style="list-style-type: none"> • Seek the highest level of stable income consistent with the safety of principal afforded by the portfolio's investments. • The portfolio may hold U.S. Government and Agency securities and other money market securities issued by corporations.
Bond	<ul style="list-style-type: none"> • Provides exposure to a variety of fixed income instruments. • Fund may provide exposure to U.S. or global bond markets including government, agency, corporate, mortgage-backed, Treasury inflation-protected securities (TIPS), and high-yield sectors.
Equity - Domestic and International	<ul style="list-style-type: none"> • Provides broad equity market exposure with the opportunity of capital appreciation and income through dividends. • Includes access to all market capitalizations and emerging market equities. • Funds include domestic and international large cap value, large cap growth, large cap core, mid cap value, mid cap growth, mid cap core, small cap value, small cap growth, and small cap core.
Alternative	<ul style="list-style-type: none"> • Investments not to exceed 5% of the total market value of the portfolio. • Includes real estate investment trust (REIT) funds, natural resource funds, private equity funds, or other alternative asset classes.

The Trustee has the sole discretion to establish and alter the Fund's investments as deemed appropriate to meet the above stated guidelines, unless additional approvals as set forth in the Trust Document are required.

Trustee may deem it appropriate to close or eliminate an investment strategy as a result of the review process set forth in the Investment Performance and Risk Standards Section of this Policy Statement. Before such action is taken, full consideration will be given to:

- The impact on the Trust investment program and its beneficiaries,
- Alternative options for funds invested in the closing strategy,
- The appropriate timing of such a change given administrative, communications and other investment program matters.

INVESTMENT PERFORMANCE

Investment standards are set to provide guidance in the selection and retention of investments for the Trust. The standards serve to ensure that Trust investments meet minimum performance and risk expectations. The standards are as follows:

1. Trust performance will be measured against the investment rate of return employed in the actuarial study considered by the Trustee in operating the Trust. This comparison is intended as a reference and should not be construed as a forecast of or a guarantee as to the Trust's performance relative to the actuarial discount rate of return. Additionally, over a complete market cycle, the Total Fund performance has a secondary goal of outperforming a weighted passive portfolio comprised of a mix of 35% Bloomberg Barclays U.S. Aggregate Index, 25% S&P 500 Index, 10% Russell Mid-Cap Index, 10% Russell 2000 Index, 5% MSCI ACWI Minimum Volatility Index, 15% MSCI EAFE Index.
2. Performance of investments held by the Trust will be objectively measured against appropriate market benchmarks and peers to ensure that each fund is performing in line with expectations for the pertinent asset class and style.

Each actively managed fund's performance will be measured against:

- a. A pre-established peer group that reflects the fund's asset class and style:
 - i. The peer group will consist of a broad universe of like-style investment strategies as compiled and measured by a consultant or other third party database such as Morningstar, Lipper, or other rating services.
 - ii. The evaluation will consider performance over shorter and longer time periods, e.g. quarterly as well as one-, three-, and five-year periods.
 - iii. Investment strategy performance is expected to exceed the top thirty-third percentile (33%) of peer universe groups over rolling three-year periods as measured by both:
 - (a) Investment returns; and
 - (b) Risk-adjusted returns.
- b. A pre-established market benchmark that reflects the investment strategy's asset class and style:
 - i. The evaluation will consider performance over shorter and longer time periods, e.g., quarterly as well as one-, three-, and five-year periods.
 - ii. Strategy performance is expected to exceed benchmark returns over rolling three-year periods.

Each passively managed investment strategy's performance will be measured against:

- a. A pre-established peer group of investment strategies that reflects the fund's asset class and style:
 - iii. The peer group will consist of a broad universe of like-style investment strategies as compiled and measured by a consultant or other third party database such as Morningstar, Lipper, or other rating services.
 - iv. The evaluation will consider performance over shorter and longer time periods, e.g. quarterly as well as one-, three-, and five-year periods.
- b. A pre-established market benchmark that reflects the fund's asset class and style:
 - v. The evaluation will consider performance over shorter and longer time periods, e.g., quarterly as well as one-, three-, and five-year periods.