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Award for Excellence in
Financial Reporting
Newsletter

VESTED INTEREST

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MWRD

Retirement Fund

111 E. Erie Street
Chicago, IL 60611
(312) 751-3222

Editors:

Retirement Fund Staff

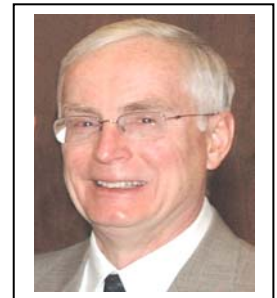
Retirement Board Welcomes New Trustees

Effective August 26, 2008, Public Act 95-0923 added two new trustees to the Retirement Board. One of the trustees is an elected employee and the other is an appointed retiree recommended by the MWRDGC Board of Commissioners and approved by the Fund's Board of Trustees. Please join us in welcoming our new trustees, Stephen J. Carmody and Joseph W. Rose.



Stephen J. Carmody was elected to serve a three-year term on the Fund's Board of Trustees beginning November 19, 2008 and ending November 30, 2011. Mr. Carmody began his District career in 1989 as an Electric Instrument and Testing Mechanic and is currently an ETPO I Maintenance Manager for Maintenance & Operations at Stickney WRP. His oath of office was administered at the November 19, 2008 Retirement Fund Board of Trustees meeting.

At the November 19, 2008 Retirement Fund Board of Trustees meeting, the Trustees approved the recommendation made by the MWRDGC Board of Commissioners to appoint retiree **Joseph W. Rose** as Trustee to serve on the Board for a term of office from November 19, 2008 through January 31, 2011. Prior to retirement, Mr. Rose served as Accounting Manager for the MWRDGC Finance Department from 1999 to 2006. His strong financial background will be beneficial to our Fund.



The Board of Trustees would like to thank the five other employees, Jonathan Grabowy, Michael Tom, Phaedra Alexander-Bullock, Ronald M. Hill and Ed Staudacher for expressing their interest to serve as an employee elected Trustee, as well as the retirees who submitted their letter of interest for the retiree appointed Trustee position.

The American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). The Internal Revenue Service released new federal withholding tax tables to correspond with new, lower, tax rates that resulted from the passage of ARRA. Because these tables are based on the Making Work Pay Credit, we are uncertain if they apply to retirement income.

The Fund will not automatically update your federal withholding for the new tables. Our computer database does not store the retiree tax status and number of allowances (e.g. Married, 0 allowances). If you complete a new W4P form to update your federal withholding tax, we will withhold according to the new tables. Be aware that these new tables could possibly result in under withholding taxes. You may wish to consult your tax advisor before making any adjustment to federal withholding.

You may access the W4P form on the District's Web site, www.mwrdd.org. Click on "Pension Board," then click on Retirement Fund Forms. If you do not have web access, you may call our office at (312) 751-3222 to request a new W4P form to change your federal withholding

Social Security Government Pension Offset

In our last newsletter we informed you of the Windfall Elimination Provision (WEP) which may reduce your Social Security benefit. In this edition, we will explain to you the Government Pension Offset (GPO) which may also affect the Social Security benefit to which you may be entitled under your spouse's work record.

If you qualify for Social Security benefits under your spouse's work record, you are entitled to the greater of 1) the benefit under your own earnings record or 2) 50% of the benefit under your spouse's earnings record. On the surface, this would seem like a good way to get a bigger Social Security benefit than your benefit after reduction for the WEP.

Unfortunately, it doesn't work that way. The GPO reduces the benefit payable to you under your spouse's work record. The GPO applies to the spousal benefits of a retiree receiving a government pension. The offset is 2/3rds of the amount of your government pension.

Assume a retiree gets a \$3,000 MWRD Pension. His Social Security benefit with the Windfall Elimination Provision (WEP) reduction is \$400. The spouse's Social Security benefit is \$1,200.

The retiree can take either his WEP benefit (\$400) or half of the spouse's Social Security benefit minus the GPO.

WEP	vs.	Government Pension Offset	GPO
		Half of \$1,200 Spouse Benefit	\$600
		<u>- 2/3 of \$3,000 MWRD Pension</u>	<u>-2,000</u>
\$400	>	nothing	(\$1,400)

In this case, it is more beneficial for the retiree to take the benefit under his own record. The Fund's staff is not experts regarding Social Security benefits. All questions pertaining to any Social Security benefit payable under your own or your spouse's work record should be addressed to the Social Security Administration at 1-800-772-1213.

Health Insurance Update

Effective January 1, 2009, there were modifications made to health insurance coverage. Changes were made to the prescription drug plan and to the PPO medical plan.

- 1. Prescription Drug Program Changes.** Co-payments increased for retail and mail order prescriptions. These changes will affect both HMO and PPO members.

Rx Category	Local Pharmacy Rx		Prime's Mail Order		Annual Mail Order Savings
	Monthly	Annual	3-Month	Annual	
Generic	\$ 9	\$108	\$ 18	\$ 72	\$ 36
Formulary Brand Name	25	300	50	200	100
Non-Formulary Brand Name	45	540	90	360	180

- 2. Medical Plan Changes.** The following changes were made to the Blue Cross Blue Shield PPO Plan:
 - The annual deductible has increased to \$250 per individual with a maximum of \$750 per family. However, the PPO Plan annual maximum out-of-pocket limit remained unchanged at \$1,500 per individual, and \$4,000 per family.
 - The PPO Plan now includes a Wellness Benefit.
 - The Wellness Benefit will be covered at 100% of the eligible charge, and the annual deductible will not apply.
 - The maximum annual benefit for wellness benefits will be \$600 per covered individual.
 - Covered Services under the Wellness Benefit include: routine physical checkups, immunizations, lab work, x-rays, hearing screenings, bone density test, sleep study, EKG, ovarian cancer lab/x-ray and colorectal lab/x-ray.
 - Annual pap smears, mammograms, PSA and DRE, will continue to be covered, but now the related office visits will also be covered at 100% of the eligible charge.
 - Flu shots and shingle shots are covered under the Wellness Benefit and not under the Prescription Benefit. Members who have their pharmacist administer their flu and shingle shots should tell their pharmacist to process the claim under the Medical Plan. If the pharmacist is not able to bill the medical plan, then the member should pay for the shot and submit a claim to Blue Cross Blue Shield for reimbursement. Please call the Retirement Fund office for reimbursement claim forms.

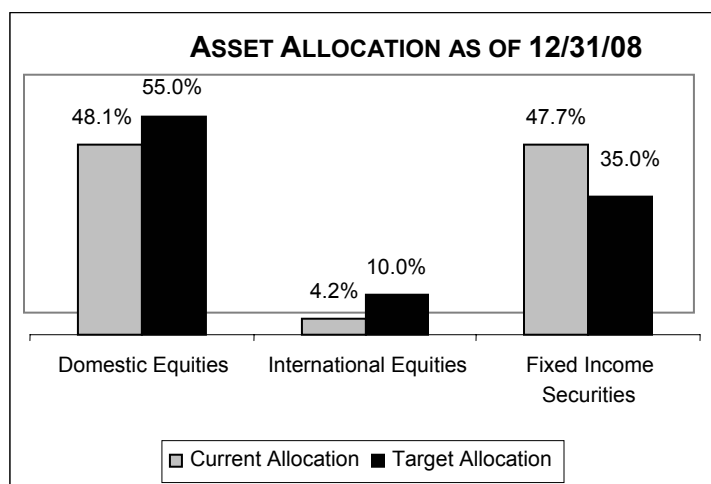
INVESTED ASSET REVIEW



Economic events in 2008 were unprecedented. Not only did U.S markets decline sharply, international markets suffered significant losses as well. The sources attributing to the decline of the financial markets resulted from subprime mortgage problems to the housing bubble which led to the exposure of financial institutions to toxic assets, which led to the freezing of the credit markets. The Federal Government intervened by nationalizing the mortgage agencies, bailing out financial institutions, injecting liquidity into the markets, providing credit to distressed companies, lowering the Federal Funds rate to near zero, crafting an economic stimulus package, and implementing other unconventional financial tools with the hope to stimulate the economy.

As of December 31, 2008, the Fund's invested assets totaled \$850 million compared to \$1.195 billion at December 31, 2007. The Fund's one year rate of return was -25.5%, compared to -24.9% for our policy benchmark, which is composed of 55% domestic equities (35% S&P 500 index, 20% Russell mid cap index, 10% Russell 2000 small cap index), 10% International (MSCI EAFE index) and 35% domestic fixed income (Barclays Aggregate Bond Index).

Although investment returns in 2008 were disappointing, the Fund maintains a long-term perspective and hopes to achieve investment returns that outperform our policy index in the long-run. We manage our risk by keeping a diversified portfolio so that the impact of positive/negative market swings in the various sectors of our portfolio balance each other out. Our target asset allocation compared to our actual allocation as of 12/31/08 is illustrated below.



TOP TEN STOCK HOLDINGS AS OF 12/31/08

Stock Description	# Shares	\$MM
1. General Electric Co.	314,362	\$5.1
2. J P Morgan Chase & Co.	149,318	4.7
3. Aflac Inc.	100,592	4.6
4. Wells Fargo & Co.	146,235	4.4
5. AT & T Inc.	134,027	3.8
6. Exxon Mobil Corp.	46,234	3.7
7. Illinois Tool Works Inc.	100,212	3.5
8. Exelon Corp.	61,310	3.4
9. Apache Corp.	45,450	3.4
10. Alliance Data Systems	68,887	3.2

Transitions



RETIREEES (since October, 2008)

Alvi, Nisar A.	Dvoracek, Gary A.	Kopp, George	Petracek, Gary D.	Taylor, Aaron
Carr, Thomas J.	Fields, Carolyn M.	Macellaio Sr., James F.*	Randle, Johnny	Vallos, Danny
Carroll, Philip A.	Heitz, Laurie K.	Pappalardo, Judith	Russell, Michael F.	
DiCristofano, William F.	Keys, Gloria	Pecko, Janet	Sam, Kai	
Dieringer Jr., Charles*	Kirksey, Ollice L.	Pierce, James	Simmons, Deborah A.	

*Retired from Reciprocal Fund

DECEASED RETIREEES (from October, 2008 to March, 2009)

Alexander, Joseph P.	Gilbert, Randall C.	Lazouskas, William*	Mestousis, Peter J.	Swies, John E.
Alter, Joanne	Griffin, Sidney*	Levgard, Brian C.	Mickle, Dwight M.	Thomas, Clifton L.
Angion, Paul*	Heard Sr., James N.	Lotta, Alan*	Nelson Sr., Donald G.	Todd, Eugene A.
Cabala, Edward J.	Janton, Ted	Lobbins, James W.	Petrella, Jesse J.	Verderame, Jerry
Campeggia, Frank T.	Kaba, Shigeru	Maher, Thomas I.	Riley, John D.	Wojcik, Edward
Chillman, Stephen J.	Kay, Edward J.	Mansch, Arnold	Senderak, John J.	
Cremin, James E.	Laino, Robert M.	Marcinkiewicz, Richard*	Sturino, Ernest	

*Death in Service



The Government Financial Officers Association of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to our Fund for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2007. This national award recognizes excellence in the preparation of state and local government financial reports. Our CAFR has received this award for the last 15 years.

The Fund's staff is in the process of preparing its 2008 CAFR.

MWRD Retirement Fund Staff Directory

(312) 751-XXXX

Executive Director.....	Sue Boutin.....	x 3230	.....	sue.boutin@mwrdd.org
Supervising Benefits Analyst	Mary Wilson.....	x 3220	.....	mary.wilson@mwrdd.org
Accountant/Analyst	Vrinda Kulkarni.....	x 3036	.....	vrinda.kulkarni@mwrdd.org
Financial Analyst.....	George Kirie	x 3226	.....	george.kirie@mwrdd.org
Programmer Analyst.....	Janice Janowiak.....	x 3228	.....	janice.janowiak@mwrdd.org
Benefits Manager, Retirements.....	Ksenija ('Senya') Hrvojevic..	x 3229	..	ksenija.hrvojevic@mwrdd.org
Ordinary Disabilities, Estimates.....	Tammy Jones.....	x 6641	.....	tamara.jones@mwrdd.org
Estimates, QILDRO	Jean Sivils	x 3227	.....	jean.sivils@mwrdd.org
Duty Disabilities, Refunds, Estimates.....	Elizabeth Yourell	x 3224	..	elizabeth.yourell@mwrdd.org
Annuitant Insurance Claims Advice.....	Laurie Heitz	x 3225	.....	laurie.heitz@mwrdd.org
Death Notifications, E-Mail List, Insurance Enrollment.....	Yolanda Hughes	x 3222	...	yolanda.hughes@mwrdd.org

CONTACT US BY...

- phone** From District locations, dial 1 + the underlined phone extension, above.
- e-mail** Contact us via the District's Outlook system, or at our internet e-mail addresses, shown above. Provide a phone number where you can be contacted on weekdays between 8:45 a.m. and 4:30 p.m. (Central time).
- U.S. mail** using the address below. **Fax** (312) 751-5699

MWRD RETIREMENT FUND
111 East Erie Street, Suite 330
Chicago, IL 60611-2898

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