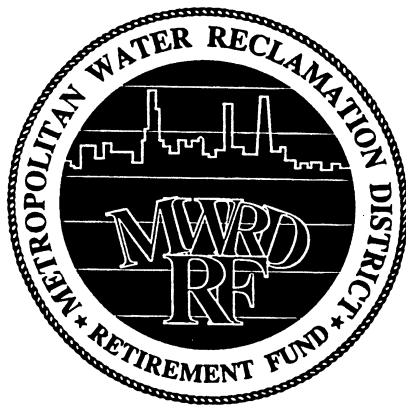

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 2010



METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

A COMPONENT UNIT OF THE
METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO
CHICAGO, ILLINOIS

PREPARED BY THE MANAGEMENT AND STAFF OF THE METROPOLITAN WATER RECLAMATION
DISTRICT RETIREMENT FUND

SUSAN A. BOUTIN, EXECUTIVE DIRECTOR

ESTABLISHED JULY 7, 1931

FORMERLY THE SANITARY DISTRICT EMPLOYEES' AND TRUSTEES' ANNUITY AND BENEFIT FUND

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	Page
● INTRODUCTORY SECTION	5
Certificate of Achievement for Excellence in Financial Reporting.....	6
Letter of Transmittal	7
Organization:	
Board of Trustees.....	13
Executive Staff and Advisors	14
Organizational Chart	15
Responsibilities of Board and Staff.....	16
● FINANCIAL SECTION	17
Independent Auditor’s Report.....	18
Report on Internal Control and Compliance	20
Management’s Discussion and Analysis	22
Basic Financial Statements:	
Statement of Plan Net Assets	29
Statement of Changes in Plan Net Assets.....	30
Notes to Financial Statements	31
Required Supplementary Information:	
Schedules of Funding Progress and Employer Contributions and Notes.....	48
Supplementary Information:	
Schedule of Administrative Expenses	50
Schedules of Investment Expenses and Payments to Consultants	51
Post Employment Healthcare	51
● INVESTMENT SECTION	53
Custodian’s Report.....	54
Investment Consultant’s Report	55
Investment Preface:	
Authority	56
Responsibility	56
Policy & Objectives.....	56
Allocation	56
Management	57
Performance.....	58
Investment Assets:	
Acquisitions and Dispositions, at Book Value	59
Summaries of Asset Allocation at Book and Market Value.....	59
Schedule of Investment Returns	60
History of Investment Yields (with graph)	61
Asset Allocation (with graph)	62
Historical Asset Allocation at Market Value	63
Fixed Income & Equity Diversification	64
Top 40 Common Stock Holdings	65
Manager by Type and Assets Managed	66
Investment Manager, Custodian and Investment Consultant Compensation	67
Domestic Brokerage Commissions	68
International Brokerage Commissions.....	69

TABLE OF CONTENTS (CONTINUED)	Page
● ACTUARIAL SECTION	71
Actuarial Certification	72
Actuarial Report:	
Preface.....	74
Comparative Summary	76
Summary of Valuation Results	77
Changes in Unfunded Actuarial Liability	78
Net Pension Obligation	79
Summary of Plan Provisions.....	80
Summary of Actuarial Assumptions and Methods	85
Analysis of Funding:	
History of Change in Unfunded Liability	87
Actuarial Accrued and Unfunded Liabilities (with graph)	88
Actuarial Accrued Liability Prioritized Solvency Test.....	89
Historical Valuation Data:	
History of Retirees and Beneficiaries	
Added to and Removed from Benefit Payroll.....	90
Schedule of Active Member Valuation (Salary) Data	91
History of Recommended Employer Multiples and Taxes Levied.....	91
● STATISTICAL SECTION	93
Membership Information:	
Participant Statistics	94
Employee Age and Service Distribution (with graph).....	95
Annuitant and Beneficiary Information:	
Schedule of Annuitants by Type of Benefit.....	96
History of Beneficiaries by Type of Benefit.....	96
History of Annuity Payments	97
Annuitants Classified by Age and Gender.....	98
Annuitants Classified by Age and Gender (graph).....	99
History of Average Annuities at Retirement	99
Schedule of Average Benefit Payments at Retirement	100
Financial Information (10 years):	
Additions by Source and Deductions by Type	101
Employee and Employer Contributions.....	102
Benefit Expenses by Type	103
Changes in Plan Net Assets	104
● LEGISLATIVE CHANGES SECTION	107

INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Letter of Transmittal

Organization

Board of Trustees

Executive Staff and Advisors

Organizational Chart

Responsibilities of Board and Staff

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Metropolitan Water Reclamation
District Retirement Fund
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

RETIREMENT FUND OFFICE
SUITE 330
SUSAN A. BOUTIN, EXECUTIVE DIRECTOR

111 EAST ERIE STREET
CHICAGO, ILLINOIS 60611-2898
TELEPHONE 312-751-3222
FAX 312-751-5699

BOARD OF TRUSTEES
JOSEPH F. KENNEDY
ROBERT T. REGAN
HON. CYNTHIA M. SANTOS
JOHN P. DALTON, JR.
HON. BARBARA J. MCGOWAN
STEPHEN J. CARMODY
JOSEPH W. ROSE

June 20, 2011

Board of Trustees of the
Metropolitan Water Reclamation
District Retirement Fund
111 E. Erie Street
Chicago, Illinois 60611

Dear Trustees:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Water Reclamation District Retirement Fund (Fund) for the year ending December 31, 2010. State law requires that all governmental units publish within six months of the close of each fiscal year, financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by a licensed public accountant.

Responsibility for the completeness and accuracy of the information presented in this report rests with the management of the Fund. Management has established and maintained a system of internal accounting controls designed to safeguard Fund assets and ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. 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 Fund.

In accordance with the Illinois Pension Code, the Fund's basic financial statements for the fiscal year ended December 31, 2010 have been subject to an audit by independent accountants selected by the Board of Trustees. The unqualified opinion of Legacy Professionals, LLP has been included in the Financial Section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of a 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 Fund's MD&A can be found in the Financial Section, following the independent auditor's report.

FUND PROFILE

The Fund is the administrator of a single-employer defined benefit public employee retirement system established by the State of Illinois to provide retirement, death and disability benefits for covered employees of the Metropolitan Water Reclamation District of Greater Chicago (District). The Fund is considered a component unit of the District and as such, is included in the District's financial statements as a pension trust fund.

The Fund was established in 1931 by the State of Illinois legislature and is administered in accordance with Chapter 40, Act 5, Articles 1, 13, and 20 of the Illinois Compiled Statutes.

For the past 79 years the primary goal of the Fund has been to provide continuity of benefits to the members while preserving the fiscal integrity and financial stability of the Fund. The Fund currently serves 2,024 active members, 2,248 benefit recipients, and 132 inactive members.

The plan description is provided within the notes to the financial statements in the Financial Section and within the Actuarial Section of this report.

FINANCIAL CONDITION**Financial Position**

The following table summarizes the financial activities and position of the Fund for 2010 and 2009:

	<u>2010</u> <u>(millions)</u>	<u>2009</u> <u>(millions)</u>	<u>\$ Change</u> <u>(millions)</u>	<u>Percent</u> <u>Change</u>
Additions	\$188.7	\$241.9	(\$53.2)	(22.0) %
Deductions	<u>110.9</u>	<u>105.9</u>	<u>5.0</u>	4.7
Net Change	77.8	136.0	(58.2)	(42.8)
Beginning Net Assets	<u>1,014.8</u>	<u>878.8</u>	<u>136.0</u>	15.5
Ending Net Assets	<u><u>\$1,092.6</u></u>	<u><u>\$1,014.8</u></u>	<u><u>\$77.8</u></u>	7.7

Additions in 2010 were less than in 2009 as a result of the slower paced recovery of the equity markets in 2010, which continued from the prior year after collapsing in the 4th quarter of 2008. The increase in Deductions was primarily due to cost of living increases in benefit payments.

For a full understanding of the Fund's financial results, the reader is urged to review the Financial Section of this report which contains the auditor's opinion, management's discussion and analysis, the financial statements, required supplementary information, and other supplementary information.

Funding Status

The Fund's funding objective is to meet all obligations to present and future members and retirees, through three sources - earnings on the Fund's investment portfolio, and future employer and employee contributions.

The Fund's investment portfolio typically provides the largest portion of total additions in any given year, in the form of investment returns. Net investment income in 2010 was 75.6% of total additions. In 2010, the invested assets of the Fund earned a rate of return of 15.9% net of fees, outperforming the Policy Index return of 15.0%, and less than the 2009 rate of return of 23.1%. The ten year rate of return on the Fund's investments is 4.4%, equivalent to the Policy Index return for the same period.

Employer contributions provide a much smaller portion of additions, 15.9% of total additions in 2010. The amount of the employer contributions in a given year is limited by state statute, and accordingly, may not necessarily meet the annual actuarial requirements of the Fund. For the year ending December 31, 2010, the employer contributions represented 48.4% of the actuarially determined Annual Required Contribution (ARC). Over the last 10 years, employer contributions as a percentage of the ARC have ranged from a high of 98.9% in 2001 to the current low.

Employee contributions typically provide the smallest percentage of total additions, 8.4% in 2010. The required percentage withheld from employee's salaries is set by state statute, currently 9% of salary. By way of several legislative changes made through the years, this rate has increased from 4.25% at the Fund's inception in 1931, to 8% in 1966 and to the current 9% in 1988.

An important measure of the long-term financial stability of a pension fund is the funded ratio which is the ratio of the actuarial value of assets to the actuarial accrued liability. The greater the funded ratio, the greater assurance is given to participants that the Fund will meet its obligations to pay their pension benefits. The Fund engages an independent actuary to perform an annual actuarial valuation of the plan. The December 31, 2010 valuation reports the actuarial value of assets (AVA) at \$1.152 billion, the actuarial accrued liability (AAL) at \$2.037 billion, and the unfunded AAL at \$885.1 million, resulting in a funded ratio of 56.5%.

The funded ratio is a measure at one point in time, but is best viewed in the context of its historical trend to assess the Fund's progress in relation to its long-term objective. During the last ten years, the funded ratio has ranged from a high of 85.9% in 2001 to the current low of 56.5%. In addition, in the last ten years, the unfunded AAL which was \$156.8 million at the end of 2000, has increased steadily by \$728.2 million or 464.3% to \$885.1 million at the end of 2010. Actual investment returns trailing the actuarial assumption rate of 7.75%, and employer contributions being less than normal cost plus interest, together account for 88% of this increase. Other factors, such as benefit changes, and changes in fund experience including lower/higher rates of retirement, account for only 12% of this increase.

For a more complete understanding of the Fund's funding status, the reader is encouraged to review the Actuarial Section of this report which contains a summary of valuation results, schedules that analyze funding, and details about the data used in the valuation. Ten year trend information is available in both the Actuarial and Statistical sections of this CAFR.

Investments

At year end, the Fund's 12 investment management firms were managing 16 separate mandates that comprised the Fund's \$1.061 billion investment portfolio. The Board employs an investment consultant to aid in the selection of investment managers, to monitor and evaluate the investment management firms' performance, and to assist in the development of investment policy. Our goal is to maximize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

The Investment Section of this CAFR contains details regarding the Fund's investment policy and performance, diversification, investment expenses and a summary of the investment activities that took place in 2010. Also included are the Master Custodian's report and the Investment Consultant's report.

MAJOR ACTIVITIES AND HIGHLIGHTS

- In 2010, the Fund continued rebalancing the investment portfolio to its target asset allocation which included two manager searches, and two transitions. A large cap growth manager search resulted in the hiring of PNC Capital Advisors, transitioned by State Street Global Advisors. An international equity manager search resulted in the hiring of Vontobel and Hexavest in 2010, transitioned by Knight Transition Management in 2011. Additional information regarding 2010 investment activities can be found in the Investment Section of this CAFR.
- The Fund continued development of its Emerging Manager Utilization Program which resulted in the commencement of emerging manager searches for large cap value and large cap growth portfolios at the end of 2010.
- Project planning began in April 2010 on the major changes to PBMS, the Fund's proprietary pension benefit management system, which will be required pursuant to the passage of PA 96-0889. This legislation modified benefits for new employees of most Illinois Public Employment Retirement Systems beginning on January 1, 2011. Software development will be implemented by JC Consulting in early 2011.
- The Fund hired a new Programmer Analyst in 2010. Information Technology initiatives in 2010 included a review of the backup process which resulted in the purchase and installation of two new servers.
- The Bank of New York Mellon, the Fund's custodian, transitioned our Fund to a new reporting platform called Workbench in June. The conversion process from the legacy platform INFORM to the new one took place over several months.
- An RFP for actuarial services posted in July resulted in four respondents; Goldstein and Associates was awarded a one-year contract for actuarial services.
- Trustee elections held in October resulted in the re-election of Robert Regan to the Board. In November, Hon. Gloria Majewski retired as District Commissioner and resigned from the Fund Board after serving as Retirement Fund Trustee since 1987. Commissioner Cynthia Santos was appointed to the Board to complete the term of Commissioner Majewski.
- In November, the Fund's actuary provided recommendations to the Board to improve funding, subsequent to which the Trustees requested several 40-year funding projections. The proposed alternatives and projections continue to be discussed with the District, as we work together to implement a solution to improve funding in the long term.
- Changes effective January 1, 2011 to the District's Separation Pay policies, including the elimination of the accumulated sick leave incentive payment for non-represented employees, resulted in 56 retirements in December 2010.
- In December, the Fund contracted with three law firms for securities monitoring services at no cost to the Fund. The firms will provide regular reports on class actions and settlements against companies of which the Fund may have held investment securities.
- Member communications in 2010 included two published issues of Vested Interest, the Fund's newsletter, and ten days of plant-site Individual Retirement Counseling sessions presented by the Fund's benefits staff.

- Trustees and staff participated in several training sessions this year, including:
 1. Investment training on the topics of Emerging Markets, Fixed Income Core Plus and Proxy Voting, presented by our investment consultant Ivory Day of Gray & Co.
 2. Ethics Training presented by our consulting attorney Joseph Burns
 3. Securities Monitoring roundtable discussion led by Joseph Burns
 4. Fiduciary Insurance training presented by Mesirow Financial
 5. Participation in the Illinois Public Employee Retirement Systems Summit and the Emerging Manager Summit
 6. IFEBP Certificate of Achievement in Public Plan Policy (CAPPP)

ECONOMIC OUTLOOK

Economists are currently predicting that the world economy can expect another strong year of growth in 2011 and that the United States can anticipate a substantial acceleration in GDP growth over the next two years. While the U.S. economy has seen positive growth since the middle of 2009, unemployment remains high since there has been insufficient growth due to a lack of capital spending. The GDP growth in 2011 is expected to increase by 3% due to the Middle East concerns about energy prices. Home prices, declining again, threaten to reduce consumer spending. Reduced government spending continues to be an issue as many states and municipalities face serious budget crises.

LEGISLATIVE CHANGES

On April 14, 2010, the Governor signed Public Act 96-0889 which created a second tier of reduced benefits for new employees who first become a participant of any retirement system on or after January 1, 2011. The law does not affect current members or members who participated in a reciprocal system prior to January 1, 2011. The major changes from the existing benefit structure include the following:

- Vesting is increased to 10 years.
- Normal retirement age to receive full benefits is increased to 67.
- The age to receive a reduced (early retirement) benefit is increased to 62.
- Increases in the number of months used to calculate the final rate of earnings to the highest 96 months over the last 120 months of service.
- Caps the final rate of earnings at \$106,800, which will increase annually by three percent or one-half of the increase of the Consumer Price Index.
- Limits the annual pension increase for retirees to three percent or one-half of the increase in the Consumer Price Index, whichever is lower based on the original amount of the pension.

Additional details about this Public Act as well as complete legislative changes from 1979 can be found in the Legislative Changes section of this CAFR.

AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to our Fund for its CAFR for the fiscal year ended December 31, 2009. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

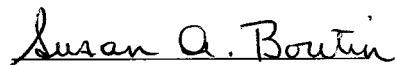
To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal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

A Certificate of Achievement is valid for only one year. The Metropolitan Water Reclamation District Retirement Fund has received a certificate of achievement for the last 17 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, 2010.

ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the Fund 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 Fund.

Respectfully submitted,



Susan A. Boutin
Executive Director

BOARD OF TRUSTEES**Joseph F. Kennedy**, President

Mr. Kennedy began his employment at the Metropolitan Water Reclamation District of Greater Chicago (District) in 1988. He currently works in the District's Engineering Department as a Supervising Civil Engineer. He was appointed to the MWRD Retirement Fund Board of Trustees in 1999, was elected to the Board later that same year, and was re-elected in 2002, 2005 and in 2008 for a four year term ending in November 2012.

Robert T. Regan, Vice President

Mr. Regan began his District employment in 1991. He currently works in the District's Maintenance & Operations Department as a Principal Mechanical Engineer at the Stickney Water Reclamation Plant. He was elected by the employees to serve a three-year term on the MWRD Retirement Fund Board of Trustees in 2004, re-elected in 2007 and in 2010 for a four year term ending in November 2014.

Hon. Cynthia M. Santos, Secretary

Mrs. Santos has served as District Commissioner since November 1996 and is currently serving as the District's Chairman of Finance. She was appointed to serve on the MWRD Retirement Fund Board of Trustees following the retirement of Hon. Gloria Alitto Majewski in December 2010 for a term ending in January 2013.

John P. Dalton, Jr., Trustee

Mr. Dalton began his District employment in 1993. He currently works in the District's Maintenance & Operations Department as an Electrical Mechanic Sub-Foreman at the Stickney Water Reclamation Plant. He was appointed to the MWRD Retirement Fund Board of Trustees in 2005, elected to serve a three-year term on the Board in 2006, and re-elected in 2009 for a four year term ending in November 2013.

Hon. Barbara J. McGowan, Trustee

Mrs. McGowan has served as a District Commissioner since 1998. She was appointed to the MWRD Retirement Fund Board of Trustees in December 2007 and re-appointed in January 2009 for a three year term ending in January 2012.

Stephen J. Carmody, Trustee

Mr. Carmody began his District employment in 1989. He currently works in the District's Maintenance & Operations Department as Engineer of Treatment Plant Operations I at the Stickney Water Reclamation Plant. He was elected in November 2008 by the employees to serve on the MWRD Retirement Fund Board of Trustees through November 2011.

Joseph W. Rose, Trustee

Prior to retirement, Mr. Rose worked as Accounting Manager for the District's Finance Department, from 1999 to 2006. He was appointed to the position of Retiree Trustee in November 2008, as recommended by the District's Board of Commissioners and approved by the MWRD Retirement Fund Board of Trustees. He served his initial term through January 2011, when he was re-appointed for a three year term ending in January 2014.

EXECUTIVE STAFF AND ADVISORS

EXECUTIVE STAFF

Susan A. Boutin, Executive Director

ADVISORS

- Legal Counsel: Jacobs, Burns, Orlove, and Hernandez, Chicago, IL
- Investment Consultant: Gray & Company, Atlanta, GA
- Consulting Actuary: Goldstein & Associates, Chicago, IL
- Auditor: Legacy Professionals, LLP, Chicago, IL
- Master Custodian: The Bank of New York Mellon Co., New York, NY

INVESTMENT MANAGERS AT 12/31/10

1. Alliance Bernstein, LP, Philadelphia, PA
2. Ariel Investments, Chicago, IL
3. Herndon Capital Management, LLC, Atlanta, GA
4. Lombardia Capital Partners, LLC., Pasadena, CA
5. Northern Trust Global Investments, Chicago, IL
6. Opus Capital Management, Cincinnati, OH
7. PNC Capital Advisors, LLC, Cleveland, OH
8. State Street Global Advisors, Boston, MA
9. Systematic Financial Management, Teaneck, NJ
10. UBS Global Asset Management, Chicago, IL
11. Wasatch Advisors, Salt Lake City, UT
12. Wellington Management Co., Boston, MA

INVESTMENT MANAGERS FUNDED 2/18/11

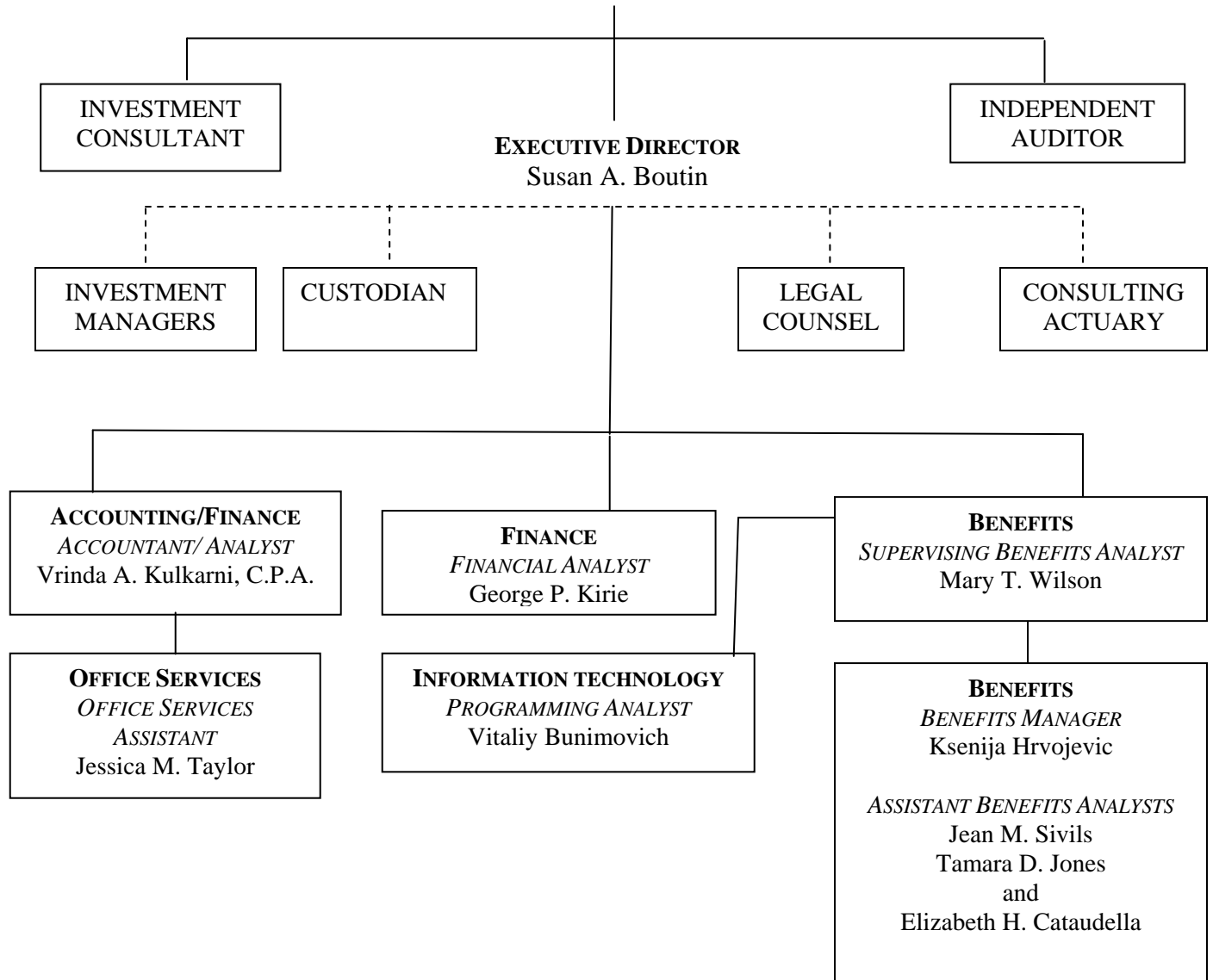
1. Hexavest Inc., Montreal, Canada
2. Vontobel Asset Management, Inc., New York, NY

ORGANIZATIONAL CHART

December 31, 2010

BOARD OF TRUSTEES

Joseph F. Kennedy (President)
 Robert T. Regan (Vice President)
 Hon. Cynthia M. Santos (Secretary)
 John P. Dalton, Jr. (Trustee)
 Hon. Barbara J. McGowan (Trustee)
 Stephen J. Carmody (Trustee)
 Joseph W. Rose (Trustee)



———— Full and direct authority and responsibility.
 - - - - - Appointment by the Board of Trustees, direction and coordination by the Executive Director.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

The Board of Trustees of the Retirement Fund is composed of seven members. Two Trustees are appointed by the District Board of Commissioners, one is recommended by the District Board of Commissioners and approved by the Retirement Fund Board, and four are District employees elected by the active members of the Fund. Effective August 2008 appointed members will serve for terms of three years, and elected members will serve for terms of four years on a rotating basis so that each year, one seat on the Board is up for election.

Annually, the Board of Trustees elects a President, a Vice President, and a Secretary. Among its duties, the Board authorizes payments of benefits, supervises collections, directs investment of the reserves of the Fund in a manner prescribed by State statute and Fund policies, makes rules and regulations for the proper conduct of the affairs of the Fund, appoints employees and consultants and submits a detailed report of the affairs of the Fund to the State of Illinois Department of Financial and Professional Regulation and to the District. The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff.

RESPONSIBILITIES OF THE STAFF

The Executive Director and the Fund staff are responsible for the administration and payment of benefits to the members of the Fund, active and retired under the direction of the Board of Trustees.

Staff responsibilities include computation of annuity benefits, certification of reciprocal service credit, refunds of spouse contributions at the time of retirement to unmarried employees, contribution refunds to qualified participants and insurance enrollment and claim administration. In the event of a death of a participant, the staff calculates survivor benefits (spouse and child) or a refund to estate, if applicable. All calculations are verified internally before they are presented to the Trustees for approval. The staff is responsible for distribution of benefit payments and the associated withholding for taxes, insurance, credit union deductions and year-end tax reporting (IRS Form 1099-R).

Prior to retirement, our staff prepares retirement estimates for inquiring employees at any stage of their career and individual retirement counseling is provided. Estimate calculations include applicable refund repayment, military service and leave of absence payment estimates to qualified individuals to enhance their retirement benefits. In a cooperative effort with the District, we periodically present pre-retirement seminars at various locations throughout the District.

The Fund staff is also responsible for the administration of ordinary and duty disability benefits to disabled employees, which includes verification of the disability, calculation and payment of the benefits. The benefit staff also maintains a record of all employee contributions and the associated interest.

The Executive Director is responsible for coordinating efforts with the Fund's various consultants. In conjunction with our investment consultant, the Fund coordinates asset allocation studies, investment manager searches, asset transitions, development and maintenance of the Fund's investment policy and investment monitoring. With the guidance of the Fund's actuary and attorney, the Fund reviews and makes recommendations regarding legislative initiatives. We consult with attorneys regarding any current legal action to which the Fund is a party and for statutory interpretations or to obtain determinations from the Internal Revenue Service.

We are responsible for the general accounting that serves as the basis for the annual financial statements. Financial statements with supporting schedules are prepared in a cooperative effort between staff and auditors. Our auditor also reviews and makes recommendations regarding accounting practices. The annual audit includes limited sampling for compliance with statutory and administrative policy.

The Fund's automated systems provide reporting of additions and changes made to the member data during each processing cycle. Similarly, the actuary annually performs comparisons relative to historical data in order to identify any anomalies. Every four to five years, our actuary performs an experience analysis to review the recent experience of the Fund and to recommend actuarial assumptions for use in the annual valuation.

FINANCIAL SECTION

Independent Auditor's Report

Report on Internal Control and Compliance

Management's Discussion and Analysis

Basic Financial Statements:

Statement of Plan Net Assets

Statement of Changes in Plan Net Assets

Notes to Financial Statements

Required Supplementary Information:

Schedule of Funding Progress

Schedule of Employer Contributions

Note to Schedule of Funding Progress and Employer Contributions

Other Supplementary Information:

Schedule of Administrative Expenses

Schedule of Investment Expenses

Schedule of Payments to Consultants

Post Employment Healthcare

**INDEPENDENT AUDITORS' REPORT**

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

We have audited the statement of plan net assets of Metropolitan Water Reclamation District Retirement Fund, a component unit of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Fund's financial statements include partial prior-year information for 2009. Such information does not include various notes to the basic financial statements for 2009, which are required to constitute 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 Fund's financial statements for the year ended December 31, 2009, from which such partial information was derived.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of Metropolitan Water Reclamation District Retirement Fund as of December 31, 2010 and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2011 on our consideration of the Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 22 through 28 and the required supplementary information consisting of the schedules of funding progress, the employer contributions and the notes to those schedules on page 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative expenses, investment expenses, payments to consultants and postemployment healthcare on pages 50 and 51, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory, investment, actuarial, statistical and legislative changes sections, as listed in the table of contents, have not been subjected to auditing procedures applied to the audit, on the basic financial statements and, accordingly, we express no opinion on them.

Legacy Professionals LLP

April 8, 2011



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

We have audited the financial statements of Metropolitan Water Reclamation District Retirement Fund as of and for the year ended December 31, 2010, and have issued our report thereon dated April 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Water Reclamation District Retirement Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Metropolitan Water Reclamation District Retirement Fund, in a separate letter dated April 8, 2011.

This report is intended solely for the information and use of the trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Legacy Professionals LLP

April 8, 2011

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

(A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Metropolitan Water Reclamation District Retirement Fund (Fund) presents this narrative overview of the financial statements and financial performance of the Fund for the years ended December 31, 2010 and 2009. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal, the financial statements and their accompanying notes, required supplementary information, and other supplementary information.

UNDERSTANDING THE FUND'S FINANCIAL STATEMENTS

The Fund prepares its financial statements on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of the Fund's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefit obligations of the plan. The Statement of Changes in Plan Net Assets accounts for all additions to and deductions from the net assets held in trust for pension benefits. This statement measures the Fund's success over the past year to increase the net assets available for pension benefits.

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and their changes at fair value, important actuarial factors also need to be considered in order to determine the financial health of the Fund. Two primary factors are the funded status and the Annual Required Contribution (ARC), both of which are calculated by the Fund's actuary.

The Fund's funded status is the ratio of the actuarial value of assets to the actuarial liability, and is calculated using the 5-year smoothed market-related value method. The smoothing prevents extreme volatility in the actuarial value of assets due to short-term fluctuations in the investment markets. Another important calculation by our actuary is the Annual Required Contribution (ARC). The ARC is a combination of the Employer's normal cost, and the amortization of the unfunded liability over 30 years; this can be compared to the actual contribution from the employer.

This report contains the following three components:

1. Basic Financial Statements, which are the Statement of Plan Net Assets, the Statement of Changes in Plan Net Assets, and the Notes to the Financial Statements which contain information that is integral to the financial statements
2. Required Supplementary Information which presents important actuarial information
3. Other Supplementary Information which gives details of administrative, investment, and consulting expenses, as well as disclosure regarding post employment healthcare

FINANCIAL HIGHLIGHTS

- The Fund's investment portfolio returned 15.9% and 23.1% (net of fees) for the calendar years 2010 and 2009, respectively. The Fund's policy index returned 15.0% and 22.9% for the same years.
- The Fund's net assets available for benefits increased \$77.8 million or 7.7% to \$1.1 billion at December 31, 2010, from \$1.0 billion at December 31, 2009, due to the continued equity markets recovery which positively impacted the fair value of investments held at year end.
- Total additions to plan net assets were \$188.7 million in 2010, comprised primarily of employer and employee contributions of \$45.8 million, and net investment income of \$142.7 million. Net investment income was the result of unrealized gains on investments held at year end in the amount of \$55.7 million, realized gains on disposed investments of \$80.4 million, and \$10.2 million from interest and dividend income, offset by investment expenses of \$3.6 million.
- Total deductions from plan net assets were \$110.9 million in 2010, an increase of \$5.0 million or 4.7% from 2009 due to normal increases in benefit payments.
- The Fund's funded ratio, which is computed as the actuarial value of assets divided by the actuarial accrued liability, was 56.5% as of December 31, 2010, down from 60.7% in 2009.
- The actuarial value of assets at December 31, 2010 decreased by \$26.2 million or 2.2% to \$1.5 billion.
- The actuarial accrued liability at December 31, 2010 increased by \$97.5 million or 5.0% to \$2.0 billion.
- The unfunded actuarial liability increased in 2010 by \$123.7 million, primarily due to the combined effect of actuarially computed investment returns lower than assumed, employer contributions less than normal cost plus interest, and changes in actuarial assumptions.
- The Annual Required Contribution (ARC) was calculated as \$61.9 million and \$54.8 million for 2010 and 2009, respectively. The actual employer contribution for 2010 and 2009 was \$29.9 million and \$32.1 million, or 48.4% and 58.7% of the ARC, respectively.
- The tax multiple used to determine the tax levy for 2010 was 2.19, as limited by state statute. It was estimated that a tax multiple of 4.19 would have been required to have employer contributions cover the full ARC for 2010. For the year 2011, it was estimated that a tax multiple of 4.42 would be required.
- Total members in the plan at year end were 4,404, a reduction of 45 members from 2009 to 2010. Active (contributing) members decreased by 58, members receiving benefits decreased by 4, and inactive members increased by 17.

PLAN NET ASSETS

Summaries of net assets for the pension trust at December 31, 2010 and 2009 are shown on the following two tables and discussions. These financial statements reflect the resources available to pay future benefits to retirees and beneficiaries at the close of the reported years. Details of plan net assets at December 31, 2010 and 2009 are found on page 29.

Condensed Statement of Plan Net Assets

	<u>12/31/10</u>	<u>12/31/09</u>	<u>\$ Change</u>	<u>% Change</u>
<u>ASSETS:</u>				
Cash	\$ 196,917	\$ 157,556	\$ 39,361	25.0%
Receivables	35,651,193	44,178,447	(8,527,254)	-19.3%
Investments	1,060,891,508	982,263,533	78,627,975	8.0%
Securities lending collateral	24,720,006	7,403,885	17,316,121	233.9%
Total assets	<u>1,121,459,624</u>	<u>1,034,003,421</u>	<u>87,456,203</u>	8.5%
<u>LIABILITIES:</u>				
Securities lending collateral	24,720,006	7,403,885	17,316,121	233.9%
Other	4,091,563	11,780,288	(7,688,725)	-65.3%
Total liabilities	<u>28,811,569</u>	<u>19,184,173</u>	<u>9,627,396</u>	50.2%
NET ASSETS	<u>\$ 1,092,648,055</u>	<u>\$ 1,014,819,248</u>	<u>\$ 77,828,807</u>	7.7%

Plan Net Assets

During 2010, net assets for the pension trust increased \$77.8 million or 7.7% from plan net assets at December 31, 2009. This was the combined result of an increase in total assets of \$87.5 million, and an increase in total liabilities of \$9.6 million from 2009.

The primary component in the increase in total assets was the \$78.6 million increase in investments from 2009. This increase was due to the continued recovery in the equity markets during 2010. The primary component of receivables is related to the employer contribution (taxes levied by the District) which were \$32.3 million at December 31, 2010, a slight decrease from \$32.6 million in 2009. The remaining portion of the \$8.5 million decrease in receivables was related to a decrease of pending securities sales.

The increase in total liabilities of \$9.6 million from 2009 resulted from a \$17.3 million increase in securities lending collateral, offset by \$7.7 million decrease in other liabilities primarily related to pending securities purchases. The increase of securities out on loan at year end, from \$7.4 million at December 31, 2009 to \$24.7 million at December 31, 2010 reflects increased securities lending activities in 2010, and reduces both components of net assets (assets and liabilities), while having no impact on net assets in total.

Plan net assets at December 31, 2010 were \$1.1 billion, representing amounts available at year end to satisfy future pension benefit obligations.

CHANGES IN PLAN NET ASSETS

A summary of changes in plan net assets for the pension trust for the fiscal years ended December 31, 2010 and 2009 is provided in the following table and discussion. These financial statements reflect changes in the sources (additions) and uses (deductions) of funds during these years. The net increase or decrease is the change in net assets available for benefits since the end of the previous fiscal year. Details of changes in plan net assets during 2010 and 2009 may be found on page 30.

Condensed Statement of Changes in Plan Net Assets

	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
<u>ADDITIONS:</u>				
Employer contributions	\$ 29,917,793	\$ 32,153,874	\$ (2,236,081)	-7.0%
Employee contributions	15,872,560	15,690,322	182,238	1.2%
Total contributions	<u>45,790,353</u>	<u>47,844,196</u>	<u>(2,053,843)</u>	-4.3%
Investment gain (loss), net of investment expense	142,661,687	194,067,585	(51,405,898)	26.5%
Securities lending income	218,560	-	218,560	-
Other	34,214	8,379	25,835	308.3%
Total additions	<u>188,704,814</u>	<u>241,920,160</u>	<u>(53,215,346)</u>	-22.0%
<u>DEDUCTIONS:</u>				
Retirement annuities	90,446,956	86,581,378	3,865,578	4.5%
Survivor annuities	16,716,883	15,809,703	907,180	5.7%
Disability benefits	1,055,347	1,013,449	41,898	4.1%
Subtotal annuities and benefits	<u>108,219,186</u>	<u>103,404,530</u>	<u>4,814,656</u>	4.7%
Refunds	1,380,310	1,174,864	205,446	17.5%
Administrative expense	1,276,511	1,318,710	(42,199)	-3.2%
Total deductions	<u>110,876,007</u>	<u>105,898,104</u>	<u>4,977,903</u>	4.7%
Increase (decrease) in plan net assets	77,828,807	136,022,056	(58,193,249)	42.8%
Beginning plan net assets	<u>1,014,819,248</u>	<u>878,797,192</u>	<u>136,022,056</u>	15.5%
Ending plan net assets	<u>\$ 1,092,648,055</u>	<u>\$ 1,014,819,248</u>	<u>\$ 77,828,807</u>	7.7%

Additions

Additions to Plan Net Assets are accumulated through contributions by the employer and employees, and returns provided by invested funds. Historically, the investment portfolio has been the largest contributor to the Fund, and in 2010 it was responsible for 75.6% of all additions.

Total contributions for 2010 were \$45.8 million, representing a decrease of \$2.1 million or 4.3% from 2009. Employer contributions were \$29.9 million, a decrease of \$2.2 million or 7% from 2009. Employer contributions are collected from an annual tax levy based upon a multiple of employee contributions two years prior. The tax multiple, limited by state statute, has been 2.19 since 1988.

Employee contributions are 9% of salary and are collected as a payroll withholding over 26 pay periods during the year. Employee contributions were \$15.9 million in 2010, a slight increase of \$182,000 or 1.2% from 2009. The District's active annual payroll in 2010 decreased by \$2.4 million or 1.4%, due to a reduction in active employees. In general, total employee contributions vary with changes in employer payroll and plan modifications.

Total investment income for the year ending December 31, 2010 amounted to \$142.7 million compared to \$194.1 million in 2009. Investment income is a combination of interest and dividend income, realized gains (losses) on disposed investments, and unrealized gains (losses) on investments held at year end. Investment income is shown net of investment expenses consisting of fees charged by each of the Fund's investment managers.

Interest and dividend income in 2010 increased \$1.1 million from income in 2009. This is the net effect of a \$2.3 million increase in dividend income corresponding to the higher amount of equity securities held in the portfolio during the year, and a \$1.2 million decrease in interest on fixed income investments due to the 2009 elimination of actively managed fixed income securities in the portfolio. In 2010, dispositions of investments resulted in net realized gains of \$80.4 million. Unrealized gains, primarily in the equity holdings at year end, totaled \$55.7 million in 2010. In comparison, dispositions of investments in 2009, resulted in \$75.0 million realized losses, and unrealized gains of \$262.5 million. Investment management fees increased 40.0% from 2009 to 2010, resulting from an increase in the overall market value of the portfolio and an increase from passive to active equity management.

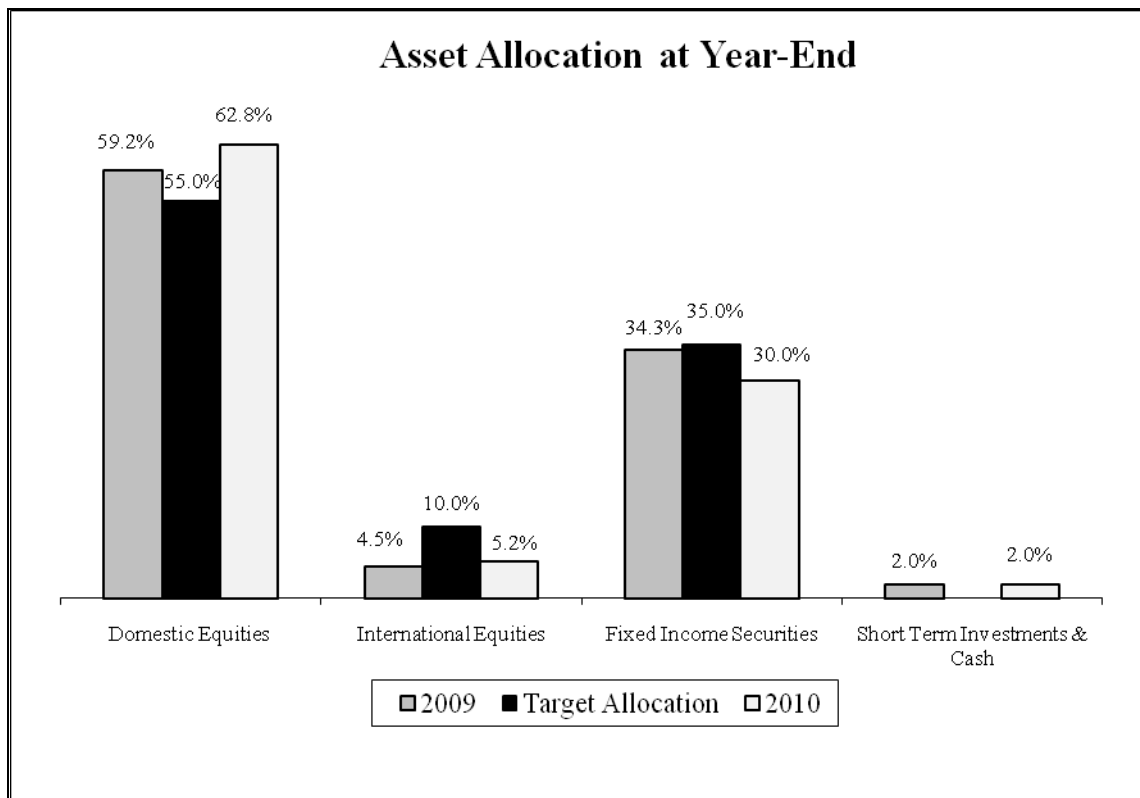
The Fund has participated in the securities lending program offered by the Bank of New York Mellon, the Fund's custodian bank, since 2007. For the year ended December 31, 2010, the Fund generated net securities lending income from the program of \$218,560. This increase over 2009 in which there was no securities lending income earned was due primarily to the \$17.3 million increase in securities out on loan over the prior year. The Fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) and Northern Trust Global Investments (NTGI) with regards to their pooled index funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund. NTGI's securities lending income is reflected in the net asset value of the index fund.

Deductions

Deductions to plan net assets are payments made by the Fund for benefits (for retirees, survivors, and disabled employees), refunds and administrative expenses. Total deductions in 2010 were \$110.9 million compared to \$105.9 million in 2009, an increase of \$5.0 million, or 4.7%. The increase in benefits is attributable primarily to the 3% cost of living increase granted to annuitants each year. In general, annuity benefits also increase as deceased annuitants who had lower benefits are removed from the annuitant payroll, and new retirees with higher benefits are added. Administrative expenses of the Fund decreased by 3.2% from the prior year.

RETURN ON INVESTMENTS AND ASSET ALLOCATION

The Fund’s rate of return on investments in 2010 was 15.9%, net of fees, versus 15.0% return on its Policy index. The rate of return on investments in 2009 was 23.1%, net of fees. The Policy index is composed of 55% domestic equities (25% 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). During 2010, the Fund continued re-balancing its portfolio to the Target Allocation adopted in late 2007. The Fund manages risk by holding a diversified portfolio so that the impact of positive/negative market swings in the various sectors of the portfolio offset each other. The following chart compares the actual asset allocations as of December 31, 2010 and 2009 with the target allocation.



ECONOMIC FACTORS IMPACTING 2011

As of the latest available data, the Fund's invested assets had a fair market value of \$1.1 billion for the period ended March 23, 2011, approximately the same as at December 31, 2010. With intermittent re-balancing to our target asset allocation, the Fund expects to achieve investment returns that outperform its policy index and actuarial assumed rate of return of 7.75% in the long run.

CONTACT INFORMATION

This financial report is intended to provide our members and other interested parties with a general overview of the Metropolitan Water Reclamation District Retirement Fund's finances. Questions concerning this report or requests for additional information should be directed to the Fund at 111 East Erie Street, Suite 330, Chicago, Illinois 60611, by phone at (312) 751-3222, or by email at sue.boutin@mwr.org.

Metropolitan Water Reclamation District Retirement Fund
Statement of Plan Net Assets

December 31, 2010

(with comparative amounts for prior year)

	<u>2010</u>	<u>2009</u>
Cash	\$ 196,917	\$ 157,556
Receivables		
Employer contributions - taxes (net of allowance for uncollectible amounts of \$7,311,844 in 2010; \$4,759,551 in 2009)	32,306,670	32,640,000
Securities sold	2,384,143	10,611,181
Accrued interest and dividends	897,638	873,405
Accounts receivables	62,742	53,861
Total receivables	<u>35,651,193</u>	<u>44,178,447</u>
Investments - at fair value		
Pooled funds - fixed income - short-term	20,525,953	19,444,932
Pooled funds - fixed income - long-term	318,373,783	336,649,244
Pooled funds - equities	20,673,137	101,629,943
Common stocks	701,318,635	524,539,414
	1,060,891,508	982,263,533
Securities lending collateral	24,720,006	7,403,885
Total investments	<u>1,085,611,514</u>	<u>989,667,418</u>
Total assets	<u>1,121,459,624</u>	<u>1,034,003,421</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	1,586,346	1,285,478
Securities purchased	2,505,217	10,494,810
Securities lending collateral	24,720,006	7,403,885
Total liabilities	<u>28,811,569</u>	<u>19,184,173</u>
Net assets held in trust for pension benefits	<u>\$ 1,092,648,055</u>	<u>\$ 1,014,819,248</u>

See accompanying notes to financial statements

Metropolitan Water Reclamation District Retirement Fund
Statements of Changes in Plan Net Assets
Year Ended December 31, 2010
(with comparative amounts for prior year)

	<u>2010</u>	<u>2009</u>
Additions		
Employer contributions	\$ 29,917,793	\$ 32,153,874
Employee contributions	<u>15,872,560</u>	<u>15,690,322</u>
Total contributions	45,790,353	47,844,196
Investment income		
Net appreciation in fair value of investments	136,082,191	187,518,451
Interest on fixed income investments	-	1,208,618
Interest on short-term investments	24,608	77,596
Dividend income	<u>10,162,335</u>	<u>7,839,846</u>
Total investment income	146,269,134	196,644,511
Less investment expenses	<u>(3,607,447)</u>	<u>(2,576,926)</u>
Investment income	<u>142,661,687</u>	<u>194,067,585</u>
Securities lending income		
Earnings	90,389	-
Broker rebates	181,683	-
Less bank fees	<u>(53,512)</u>	<u>-</u>
Net securities lending income	<u>218,560</u>	<u>-</u>
Other	<u>34,214</u>	<u>8,379</u>
Total additions	<u>188,704,814</u>	<u>241,920,160</u>
Deductions		
Annuities and benefits		
Employee annuitants	90,446,956	86,581,378
Surviving spouse annuitants	16,613,378	15,689,413
Child annuitants	103,505	120,290
Ordinary disability benefits	813,505	745,363
Duty disability benefits	<u>241,842</u>	<u>268,086</u>
Total annuities and benefits	108,219,186	103,404,530
Refunds of employee contributions	1,380,310	1,174,864
Administrative expense	<u>1,276,511</u>	<u>1,318,710</u>
Total deductions	<u>110,876,007</u>	<u>105,898,104</u>
Net increase	77,828,807	136,022,056
Net assets held in trust for pension benefits		
Beginning of year	<u>1,014,819,248</u>	<u>878,797,192</u>
End of year	<u>\$ 1,092,648,055</u>	<u>\$ 1,014,819,248</u>

See accompanying notes to financial statements

Metropolitan Water Reclamation District Retirement Fund**Notes to Financial Statements****December 31, 2010****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Metropolitan Water Reclamation District Retirement Fund is administered in accordance with Chapter 40, Act 5, Article 13 of the Illinois Compiled Statutes.

Reporting Entity - As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units. Component units are legally separate organizations for which:

- The primary government is financially accountable or
- The nature and significance of the organization's relationship with the primary government is such that exclusion would cause the primary government's financial statements to be misleading or incomplete.

A primary government is financially accountable for a legally separate organization if:

- 1) The primary government officials appoint a voting majority of the component unit's board and either
 - a) Has the ability to impose its will on the component unit's board or
 - b) There exists the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.

or

- 2) The organization is fiscally dependent on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set charges, or issue bonded debt without approval by the primary government.

Based upon these criteria, primarily that the Fund cannot levy its own taxes, the Fund is considered a component unit of the Metropolitan Water Reclamation District of Greater Chicago and, as such, is included in the Metropolitan Water Reclamation District's financial statements as a pension trust fund. The Fund has no component units.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Fund member contributions are recognized as additions in the period in which the contributions are due. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and administrative expenditures are recognized when incurred.

Investments - The Fund reports investments at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset or paid to transfer that liability (exit price) in an orderly transaction between market participants at the measurement date.

Pooled funds, which include commingled equity and fixed income funds, represent investments with various investment managers. The fair values of these investments are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Units held in the commingled funds are valued at the unit value as reported by the investment managers as of the last business day of period presented.

Common stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of period presented.

Investments in the pooled funds - short-term investments are valued at cost which approximates their fair value, except for foreign currency which is traded in active markets on national and international exchanges and is valued at closing on the last business day of each period presented.

Securities lending collateral held for securities on loan is valued at estimated fair value as determined by the custodian.

Purchases and sales of the investments are reflected on a trade-date basis and are recorded net of commissions paid to brokerage firms. Investment management fees are recorded as a reduction of investment income.

Dividend income is recorded on the ex dividend date. Interest income is recorded on the accrual basis.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events - In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 8, 2011, the date the financial statements were available to be issued.

NOTE 2. FUND DESCRIPTION

The Metropolitan Water Reclamation District Retirement Fund (Fund) is the administrator of a single employer defined benefit plan, established by the Illinois State Legislature in 1931 to provide retirement annuities, death and disability benefits for certain employees of the Metropolitan Water Reclamation District of Greater Chicago (District) as well as Fund employees. The Fund is administered in accordance with 40 ILCS 5 of the Illinois Compiled Statutes.

The Board of Trustees is composed of four member-elected employee Trustees, and three appointed Trustees, one of which is a retiree. State law authorizes the Board to make investments, pay benefits, hire staff and consultants and perform all necessary functions to carry out the provisions of the Illinois Compiled Statutes. The provisions of the Fund, including the defined benefits and the employer and employee contribution levels are established by those statutes and may be amended or terminated only by the Illinois State Legislature.

NOTE 2. FUND DESCRIPTION (CONTINUED)**Membership**

The Fund's membership includes District employees, District Commissioners, and Retirement Fund staff and is referred to as "Employees" in the financial statements and notes.

At December 31, 2010, the Fund's membership consisted of:

Active employees	
Fully vested	1,355
Non-vested	<u>669</u>
Total active employees	<u>2,024</u>
Retirees and beneficiaries currently receiving benefits	
Retirees	1,603
Surviving spouses	632
Children	<u>13</u>
Total retirees and beneficiaries	<u>2,248</u>
Inactive employees entitled to benefits or a refund of contributions	<u>132</u>
Total membership	<u><u>4,404</u></u>

Funding

Funding to meet the annuity and benefit obligations of the Fund is expected to come from employee contributions, employer contributions (the taxes levied by the District) and income earned on the Fund's investments.

Employees are required to contribute 9% of their salary to the Fund; these contributions are collected as a payroll withholding. Employees made contributions of \$15,872,560 for the year ended December 31, 2010.

NOTE 2. FUND DESCRIPTION (CONTINUED)**Funding (continued)**

The District levies taxes per state statutes (40 ILCS 5), which dictate that the District “shall annually levy a tax upon all the taxable real property within the District at a rate which, when extended, will produce a sum that

- (i) when added to the amounts deducted from the salaries of employees, interest income on investments, and other income, will be sufficient to meet the requirements of the Fund on an actuarially funded basis, but
- (ii) shall not exceed an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year 2 years prior to the year for which the tax is levied, multiplied by 2.19” (the tax multiple), with an exception for additional optional contributions made on or after January 1, 2003 towards the purchase of additional optional benefits.

Per the statutes, “the tax shall be levied and collected in the same manner as the general taxes of the District.” The tax levy for 2010 was \$32,306,670.

The actuarially determined annual contribution requirement [the Annual Required Contribution (ARC) per GASB 25 and 27] is calculated annually by the Fund’s consulting actuary. The following table shows the ARC, actual employer contributions, and an estimate of the tax multiple that would have been required in order to have the actual employer contributions sufficient to meet the ARC for the year ended December 31, 2010.

Annual Required Contribution (ARC)	\$ 61,872,925
Actual employer contributions	<u>29,917,793</u>
Deficiency	<u>\$ 31,955,132</u>
Percent contributed	48.35%
Tax multiple per state statutes	2.19
Estimated required tax multiple	4.19

NOTE 2. FUND DESCRIPTION (CONTINUED)**Retirement Benefits**

Employees age 55 (50 if hired on or before June 13, 1997) or more with at least 10 years of service are entitled to receive a minimum retirement benefit. The retirement benefit is 2.2% of the final average salary (FAS) for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of FAS. FAS equals the highest average annual earnable salary for any 52 consecutive pay periods within the last 10 years of service immediately preceding the date of retirement.

If the employee retires prior to the attainment of age 60, the benefit computed shall be reduced by .5% for each full month of service less than 30 years or age less than 60 years, whichever is less.

There is no discount if the participant has 30 years of service. Employees with at least 5 years of service at age 60 are eligible to receive an undiscounted retirement benefit.

From July 2003 to July 2013, active employees having at least 10 years of service credit and meeting other requirements may purchase up to 2 years of active military credit toward their retirement annuity. The employee contribution for military service is calculated based upon the starting salary and includes the employer's normal cost at the time of payment, plus regular interest of 3% per year compounded annually.

The Alternative Plan for District Commissioners provides an enhanced benefit formula for Commissioners age 55 or older with at least 6 years of service. An additional contribution of 3% of salary is required for participation.

Refunds

If an employee leaves covered employment under age 55 (50 if hired on or before June 13, 1997), or over age 50 (55 if hired after June 13, 1997) and less than age 60 with less than 20 years of service, or age 60 with less than 5 years of service, accumulated employee contributions are refunded upon request.

Surviving Spouse Benefits

Upon the death of a member, an annuity will be payable to his/her eligible surviving spouse. The surviving spouse benefits are equal to 60% of the employees retirement benefit at the time of death, adjusted by a factor of 1% for each year of total service, with a maximum of 85%.

NOTE 2. FUND DESCRIPTION (CONTINUED)**Disability Benefits**

Employees suffering injury or illness arising out of employment with the District may apply for duty disability benefits administered by the Fund. Duty disability benefits combined with Worker's Compensation benefits provide 75% of the salary earned on the date of disability. If an employee is disabled at age 60 or over, the maximum period of disability is five years.

Employees who become disabled due to a non-employment related injury or illness may apply for ordinary disability benefits administered by the Fund. Ordinary disability benefits provide 50% of the employee's salary earned at the date of disability, for a period of 25% of the employee's service with a maximum period of disability of five years.

NOTE 3. FUNDING STATUS AND FUNDING PROGRESS

As of December 31, 2010, the most recent actuarial valuation date, the Fund was 56.5% funded on an actuarial basis. The actuarial accrued liability for benefits was \$2,036,679,763 and the actuarial value of assets was \$1,151,595,245 resulting in an unfunded actuarial accrued liability (UAAL) of \$885,084,518. The covered payroll (annual payroll of active employees covered by the Fund) was \$174,485,734 and the ratio of the UAAL to the covered payroll was 507.25%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the Fund assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	12/31/2010
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market

NOTE 3. FUNDING STATUS AND FUNDING PROGRESS (CONTINUED)

Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increases	5.00%
Postretirement cost of living	3.00%
Assumed inflation rate	3.00%

NOTE 4. CASH DEPOSITS

As of December 31, 2010, the Fund's book balance of cash is \$196,617 held at the Amalgamated Bank of Chicago. Cash deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name. The Fund does not have a formal policy relating to custodial risk for deposits.

NOTE 5. INVESTMENT SUMMARY**Authorization**

The Illinois Statutes prescribe the "prudent person rule" as the Fund's investment authority, effective August 31, 2007. This rule requires the Fund to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent person" framework, the Board of Trustees adopts investment guidelines for the Fund's investment managers which are included within their respective Investment Management Agreements. The Investment Section contains a summary of these guidelines. By statute, all investments are held in the name of the Metropolitan Water Reclamation District Retirement Fund.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)**Investment Policy**

The Fund is expected to exceed the actuarial target return of 7.75% over a complete market cycle of approximately five years. The Fund is expected to exceed the policy index, on average, over rolling four quarter periods. The target allocation is 65% equities and 35% fixed income (since December 31, 2007). The composition of the policy index is 25% S&P 500 Index, 20% Russell Mid Cap Index, 10% Russell 2000 Index, 10% MSCI EAFE Index and 35% Barclays Aggregate Index.

Custodian

The Fund's actively managed investments are registered in electronic book entry form and held in Trust Accounts custodied by The Bank of New York Mellon, the Fund's agent. The Fund's pooled investments are held in trust and custodied by Northern Trust Global Investments (NTGI) and State Street Global Advisors (SSGA).

Investment Risk

Generally accepted accounting principles specify the disclosure requirements for deposits that are not covered by depository insurance and investment securities that are uninsured and are not registered in the name of the government or a trust agent.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

As of December 31, 2010, the Fund had minimal exposure to custodial credit risk since all investments were insured, registered, and/or held in the Fund's name.

NOTE 5. INVESTMENT SUMMARY (CONTINUED)**Investment Risk (continued)***Concentration of Investment Risk*

Investments that represent 5% or more of the Fund's net assets held in trust for pension benefits are identified below:

<u>Investment Type</u>	<u>Fair Value</u>
Pooled funds - fixed income	
NTGI-QM Collective Daily Aggregate Bond Special	
Purpose Index Fund - Northern Trust	\$ 99,298,690
U.S. Aggregate Bond Index SL Fund - State Street	\$ 219,075,093

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One strategy to manage exposure to interest rate risk is to purchase a combination of short-term and long-term investments, while considering cash flow needs of the Fund. The Fund does not maintain an investment policy relative to interest rate risk. However, the Board of Trustees recognizes that its investments are subject to short-term volatility and their goal is to maximize total return within prudent risk parameters.

The following table categorizes the Fund's interest bearing investments and presents the fair value and weighted average maturities of debt securities held by the Fund as of December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturities (Years)</u>
Pooled funds - fixed income		
Pooled funds - long-term investments	\$ 318,373,783	6.69
Pooled funds - short-term investments	20,525,953	0.10
	<u>\$ 338,899,736</u>	

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Credit Risk

Credit risk is defined as the risk that the issuer of a debt security will not pay its par value upon maturity. According to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of “investment grade” quality, that is, at the time of purchases, rated no lower than “Baa” by Moody’s and no lower than “BBB” by Standard and Poor’s. The Trustees, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. The following table presents a summarization of the Fund’s credit quality ratings of the holdings within the investments at December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Credit Rating</u>
Pooled funds - fixed income			
Not rated			
Pooled funds - short-term investments	\$ 20,525,953	6.1%	Not Rated
Standard & Poor's			
Pooled funds - long-term investments	77,949,471	22.9	AAA
Pooled funds - long-term investments	3,664,122	1.1	AA
Pooled funds - long-term investments	9,860,360	2.9	A
Pooled funds - long-term investments	<u>7,824,737</u>	<u>2.3</u>	BAA
Subtotal Standard & Poor's	<u>99,298,690</u>	<u>29.2</u>	
Moody's			
Pooled funds - long-term investments	170,769,036	50.4	Aaa
Pooled funds - long-term investments	9,902,194	2.9	Aa
Pooled funds - long-term investments	20,921,671	6.2	A
Pooled funds - long-term investments	<u>17,482,192</u>	<u>5.2</u>	Baa
Subtotal Moody's	<u>219,075,093</u>	<u>64.7</u>	
Total pooled funds - fixed income	<u>\$ 338,899,736</u>	<u>100.0 %</u>	

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments held by the Fund are in equities and foreign cash. The Fund does not maintain an investment policy relative to foreign currency risk. The Fund's exposure to foreign currency risk at December 31, 2010 was as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage</u>
Equities:		
Australian Dollar	\$ 5,833,209	10.6%
Danish Krone	2,293,544	4.2
Euro	16,894,486	30.8
Hong Kong Dollar	1,026,101	1.9
Japanese Yen	13,024,869	23.7
Norwegian Krone	688,112	1.3
Singapore Dollar	690,957	1.3
Swedish Krona	1,993,435	3.6
Swiss Franc	2,760,176	5.0
British Pound Sterling	9,667,442	17.6
	<u>\$ 54,872,331</u>	<u>100.0%</u>
Deposits:		
Australian Dollar	\$ 88,560	16.8%
Canadian Dollar	712	0.1
Danish Krone	122,852	23.4
Euro	49,380	9.4
Hong Kong Dollar	9,682	1.8
Japanese Yen	71,575	13.6
Norwegian Krone	4,772	0.9
Singapore Dollar	6,448	1.2
Swedish Krona	65	0.0
Swiss Franc	132,779	25.4
British Pound Sterling	38,948	7.4
	<u>\$ 525,773</u>	<u>100.0%</u>

NOTE 6. SECURITIES LENDING

The Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, requires collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. Securities lent at year end with cash collateral are presented as not categorized in the preceding summarization of investment market values; securities lent for securities collateral are classified according to the risk categorization of the collateral received. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan.

All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 33 days.

The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities without borrower default.

Although the Fund's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Fund if borrowers fail to return the securities or fail to pay the Fund for income distributions by the issuers of securities while the securities are on loan.

NOTE 6. SECURITIES LENDING (CONTINUED)

A summary of securities loaned at fair value as of December 31, 2010 is as follows:

Market value of securities loaned for cash collateral	\$ 24,096,075
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	<u>\$ 24,096,075</u>
 Market value of cash collateral from borrowers	 <u>\$ 24,720,006</u>

The value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying *Statement of Plan Net Assets*.

The Fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) and Northern Trust Global Investments (NTGI) with regards to their commingled index funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund. NTGI's securities lending income or loss are reflected in the net asset value of the index fund.

NOTE 7. NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

The Fund has reserved a portion of its net assets for future obligations. Employee contributions are distributed to active employee and survivor benefit reserves based on requirements specified in the Illinois State Statutes. After meeting current cash requirements for administrative expenses and disability benefits, employer contributions and investment income are allocated to all reserves based on actuarially calculated requirements. Amounts are transferred between reserves annually based on actuarially calculated requirements. At December 31, 2010, net assets held in trust for pension benefits are reserved as follows:

Retirement and survivor benefits for active employees	\$ 571,881,467
Retirement and survivor benefits for retired members	1,128,926,829
Postretirement increase	304,124,713
Payments at withdrawal and for inactive members - entry age	<u>31,746,754</u>
Actuarial accrued liability	2,036,679,763
Unreserved net assets (deficit)	<u>(944,031,708)</u>
Net assets held in trust for pension benefits	<u>\$ 1,092,648,055</u>

NOTE 8. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 59, *Financial Instrument Omnibus*, will be effective for the Fund with its year ending December 31, 2011. This statement emphasizes the applicability of U.S. Securities and Exchange Commission requirements to certain external investment pools to provide users more consistent information on qualifying pools. It also addresses the applicability of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the Fund with its year ending December 31, 2012. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public relationship. This statement also provides guidance for governments that are operators in a service concession arrangement.

NOTE 8. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED (CONTINUED)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, will be effective for the Fund with its year ending December 31, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Fund with its year ending December 31, 2012. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$1,151,595,245	\$ 2,036,679,763	\$ 885,084,518	56.5%	\$ 174,485,734	507.25%
12/31/09	1,177,810,068	1,939,172,047	761,361,979	60.7%	176,915,399	430.35%
12/31/08	1,211,838,320	1,852,279,634	640,441,314	65.4%	167,865,254	381.52%
12/31/07	1,256,889,942	1,795,176,667	538,286,725	70.0%	158,831,772	338.90%
12/31/06	1,209,601,736	1,724,705,199	515,103,463	70.1%	152,767,396	337.18%
12/31/05	1,171,844,612	1,654,188,382	482,343,770	70.8%	149,246,356	323.19%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Employer Contributions	
	Annual Required Contribution (ARC)	Percentage Contributed
12/31/10	\$ 61,872,925	48.35%
12/31/09	54,790,175	58.68%
12/31/08	49,758,238	67.14%
12/31/07	47,090,445	59.35%
12/31/06	47,368,878	72.80%
12/31/05	43,164,572	60.60%

NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2010
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	5.00%
Post retirement cost of living	3.00%
Assumed inflation rate	3.00%

OTHER SUPPLEMENTARY INFORMATION

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

- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Schedule of Payments to Consultants
- Postemployment Healthcare Disclosure

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 2010

(with comparative amounts for prior year)

	<u>2010</u>	<u>2009</u>
Administrative expenses		
Salaries and wages		
Regular employees	\$ 874,558	\$ 900,447
Employee benefits	112,186	99,222
Professional services		
Actuarial	45,000	45,000
Legal and lobbyist	37,387	44,056
Auditing	35,000	34,000
Public stenographer	8,468	11,306
Medical	8,229	8,378
Investigation	989	1,023
Printing and publication	4,376	6,861
Postage	10,667	23,737
Office supplies and furniture	3,878	5,595
Travel	381	827
Maintenance and repair	145	135
Consulting services	84,154	108,148
Membership dues, conference fees, subscriptions and publications	8,120	5,772
Computer hardware and software	24,889	12,208
Miscellaneous	18,084	11,995
Total administrative expenses	<u>\$ 1,276,511</u>	<u>\$ 1,318,710</u>

SCHEDULE OF INVESTMENT EXPENSES

Year ended December 31, 2010
(with comparative amounts for prior year)

	<u>2010</u>	<u>2009</u>
Investment managers compensation ¹	\$ 3,287,859	\$ 2,359,739
Custodian fees	139,588	39,888
Investment consulting fees	180,000	180,000
Sub-total	<u>3,607,447</u>	<u>2,579,627</u>
Less commission recapture	-	(2,701)
Net investment expenses	<u>\$ 3,607,447</u>	<u>\$ 2,576,926</u>

¹ A detailed schedule of investment managers compensation is included in the Investment Section of this CAFR.

SCHEDULE OF PAYMENTS TO CONSULTANTS

Year ended December 31, 2010
(with comparative amounts for prior year)

<u>Firm / Individual</u>	<u>Services</u>	<u>2010</u>	<u>2009</u>
JC Consulting Group, Inc.	Information system replacement	\$ 79,035	\$ 86,806
Boyer & Associates	Implementation of accounting software	5,119	-
Lakeshore Concepts	Website design	-	17,700
Friedrich Klatt & Associates	Server consulting services	-	3,285
Other	Miscellaneous	-	357
	Total consulting services expense	<u>\$ 84,154</u>	<u>\$ 108,148</u>

POSTEMPLOYMENT HEALTHCARE

The Fund does not provide any health insurance supplement. Employee and survivor annuitants may elect coverage under the insurance programs offered through the Metropolitan Water Reclamation District of Greater Chicago (District), the former employer of our employee annuitants. The District offers these programs to retirees on a year-by-year basis, and it is understood that retirees are not guaranteed coverage under the District's insurance programs. The Fund withholds the prescribed annuitant portion of the monthly medical premium and forwards them in total to the District, who subsidizes the medical coverage. The District provides full disclosure in its Comprehensive Annual Financial Report.

THIS PAGE INTENTIONALLY LEFT BLANK

INVESTMENT SECTION

Custodian Report

Investment Consultant Report

Investment Preface:

- Authority
- Responsibility
- Policy & Objectives
- Allocation
- Management
- Performance

Investment Analytics:

Investment Assets

- Acquisitions and Dispositions, at Book Value
- Summary at Book and Market Value

Schedule of Investment Returns

Historical Investment Returns (with graph)

Asset Allocation (with graph)

Historical Asset Allocation

Fixed Income & Equity Diversification

Top 40 Common Stock Holdings

Manager by Type and Assets Managed

Investment Manager Compensation

Custodial Fees

Investment Consultant Fees

Domestic Brokerage Commissions

International Brokerage Commissions



BNY MELLON
ASSET SERVICING

US Asset Servicing

May 5, 2011

To the Board of Trustees of the Metropolitan Water Reclamation District Retirement Fund:

The Bank of New York Mellon as custodian of the assets of the Metropolitan Water Reclamation District Retirement Fund (Fund) held by it in a custodial account has provided annual accounting statements to the Fund which to the best of its knowledge, provide an accurate reflection of The Bank of New York Mellon's record of investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the custody accounts for the period of January 1, 2010 through December 31, 2010.

In addition to the custody of assets in the custody accounts, and pursuant to the Master Global Custody Agreement among the Board of Trustees and the Bank of New York Mellon dated December 8, 2006 and the securities lending contract dated June 27, 2007, The Bank of New York Mellon provides the following services:

- Maintain safe custody of the assets owned by MWRD Retirement Fund.
- Settle trades in accordance with manager instructions.
- Collect dividends and registered interest payments.
- Provide proxy processing and corporate action services
- Invest cash balances of manager accounts in end of day sweep vehicle.
- Provide MWRD with monthly and annual audited investment accounting statements.
- Provide periodic reports summarizing the investment activity of the Fund's assets.
- Administer a securities lending program for MWRD Retirement Fund's assets and invest cash collateral received from such loans.

Sincerely,

James F. Shanley
Vice President
(212) 635-8318

One Wall Street, New York, NY 10286



Gray & Company
7000 Peachtree-Dunwoody Road
Building 5
Atlanta, Georgia 30328

May 5, 2011

To the MWRD Retirement Fund Board of Trustees:

Gray & Company has been the investment consultant for the Metropolitan Water Reclamation District Retirement Fund (the Fund) since August, 2007. We are responsible for developing investment policy, risk constraints, asset allocation, investment manager selection and investment performance analysis. We are pleased to present the Fund's results for fiscal year ended December 31, 2010.

The Fund's policy asset allocation has been specifically designed to achieve the actuarial assumption return of 7.75% return over the long term. The current financial crisis began in 2007 and continues to affect all investment decisions. In 2010 the economy continued to feel the effects of the recession even though the recovery officially started in the summer of 2009. The job and housing markets are still the most seriously affected parts of the economy. The official unemployment rate stayed at about 9% while an additional 10% remained underemployed in part time or temporary jobs without benefits.

The Policy Index is composed of 25% S&P 500 Index, 20% Russell Mid Cap Index, 10% Russell 2000 Index, 10% MSCI EAFE Index and 35% Barclay's Aggregate Index. The Fund completed Large Cap Growth and International Equity manager searches and started the implementation of the Emerging Manager Utilization Program which will be completed in 2011 in accordance with the requirements of State of Illinois law PA 96-0006 enacted in April 2009.

Under-performing investment managers are subjected to a detailed performance review by the Trustees before any decisions are made. Although some managers have under-performed, it typically has been expected under-performance that is mitigated by having a diversified investment program.

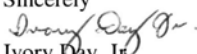
As of December 31, 2010, the market value of the fund's invested assets was \$1.053 billion which was \$31 million greater than the value at the beginning of the year. The average asset allocation was 66% equities and 34% fixed income in 2010. Total fund performance was 15.9% net of fees during the last year, while the Policy Index returned 15.0%. The equity managers returned 20.6% and the fixed income managers returned 6.4%.

The domestic equity market as represented by the DJ Wilshire 5000 Index returned 17.2% while the domestic fixed income market represented by the Barclays Aggregate Index returned 6.5%. Large company stocks represented by the S&P 500 Index returned 15.1%, midcap stocks represented by the Russell Mid Cap Index returned 25.5% and small company stocks represented by the Russell 2000 returned 26.9%.

The international equity market represented by the MSCI EAFE (Europe, Australasia and Far East) Index returned 7.8%, while the Emerging Market Index returned 18.9%.

Investment returns are calculated using a time-weighted rate of return based upon market values and in substantial compliance with CFA Institute's Global Investment Performance Standards (GIPS).

The Fund maintains an appropriately diversified investment program designed to maximize returns and minimize risk to achieve the desired investment performance results over the long term.

Sincerely

Ivory Day, Jr.
Senior Consultant



INVESTMENT PREFACE**INVESTMENT AUTHORITY**

The Metropolitan Water Reclamation District Retirement Fund's (Fund) investment authority is established by and subject to the provisions of the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 13.

The Retirement Fund Board of Trustees invests the Fund's reserves according to the Prudent Person Rule. This rule requires a Trustee, who is a fiduciary by way of title, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

INVESTMENT RESPONSIBILITY

The duties of the Board include the appointment and review of investment managers as fiduciaries to manage the investment assets of the Fund. The investment managers are granted discretionary authority to manage stated assets and vote all proxies for the Board. The investment managers must discharge their duties with respect to the Fund solely in the interest of the Fund's contributors and beneficiaries.

INVESTMENT POLICY & OBJECTIVES

The Fund's asset allocation strategy is based on long-term investment expectations balanced by annual benefit and cash expenditure requirements. The investment objective of the total portfolio is to maximize the rate of return within a prudent level of risk.

Based on Gray & Company's review of the Fund's asset allocation and performance objectives, the Fund's investment policy and objective was modified. The Fund is expected to exceed the actuarial target return of 7.75% over a complete market cycle of approximately 5 years. The Fund is expected to exceed the policy index, on average, over rolling four quarter periods. The current policy index is:

25% S&P 500 Index
20% Russell Mid Cap Index
10% Russell 2000 Index
10% MSCI EAFE Index
35% Barclay's U.S. Aggregate Index.

Individual goals are established for each investment manager and incorporated into the contracts with those managers. The Board hires and reviews investment managers based on an evaluation of their investment philosophy, long-term performance and ability to complement existing portfolio styles. Investment managers must adhere to their stated investment philosophy and strive to attain their performance goals.

INVESTMENT ALLOCATION

The investment policy of the Fund establishes asset allocation targets and ranges for each asset class to achieve risk and return objectives. During fiscal year 2010, the Fund continued implementing its new asset allocation model as recommended by Gray & Co. and approved by the Board in late 2007. This model increases the Fund's target allocation to international equities, effectively decreasing the fixed income and increasing the equities allocations in the Fund's portfolio.

As of December 31, 2010 and 2009, the Fund's asset allocation percentages, at market value, are listed below.

Asset Class	2010 Actual Asset Allocation	2009 Actual Asset Allocation	Target Allocation
Domestic Equity	62.8%	59.2%	55.0%
International Equity	5.2%	4.5%	10.0%
Domestic Fixed Income	30.0%	34.3%	35.0%
Short Term and Cash	2.0%	2.0%	0.0%
Total	100.0%	100.0%	100.0%

INVESTMENT MANAGEMENT

During 2010, the Fund continued progress toward achieving the target allocation, increasing the domestic equity allocation and decreasing fixed income by taking the following actions:

1st Quarter

- The active large cap growth manager search approved in 2009 resulted in the Board's decision to hire PNC Capital Advisors (PNC) to manage a portfolio of approximately \$55 million. Some of the decision factors considered, relative to the Russell 1000 Growth Index, were as follows: high average excess returns, low tracking error, high average information ratio, and low average excess return correlation spread,

2nd Quarter

- State Street Global Markets was hired to manage the transition of funds from State Street Global Advisor's (SSGA) Russell 1000 Growth Index to the PNC active large cap growth portfolio.
- In April, an active international equity manager search was approved to hire two firms to manage approximately \$50 million each. Funding of these portfolios will bring the international equity asset class to its target allocation of 10%.
- As a result of improved liquidity in the market, Northern Trust's Aggregate Bond Index and U.S. Market Cap Equity Index "Twice Per Month Redemption Alternative" was discontinued in June. Cash proceeds during the redemption period were used to fund benefit payments.

3rd Quarter

- Due to Wellington Management's decision to discontinue the Mid Cap Intersection Fund, the \$34 million portfolio was transitioned to the Wellington Mid Cap Opportunities Fund, which is a similar strategy with a slight growth tilt. Knight Transition Management was hired to manage the transition, which was completed in August.

4th Quarter

- The international equity manager search resulted in the hiring of Hexavest Inc. and Vontobel Asset Management Inc. to manage portfolios of \$54 million dollars each. Some of the decision factors considered in hiring the two managers, relative to the ACWI-exUS Index, were high average excess return correlation spreads, high average excess returns, and a high average information ratio. Knight Transition Management was hired to manage the transition. Funding resulted from liquidating the \$57 million SSgA International Alpha portfolio and the \$23 million Northern Trust U.S. Market Cap and the balance of \$28 million from an overweight Alliance Bernstein and Herndon Capital large cap portfolios. The transition was completed in February 2011.
- The Fund commenced work on its Emerging Manager Utilization Program, which was approved September 23, 2009. The trustees revised the program increasing the asset allocation goal from 10% to 12% and the maximum allocation to an emerging manager in this program from \$15 million to \$25 million. In November 2010, the trustees approved a search for an emerging large cap value and large cap growth managers.

INVESTMENT PERFORMANCE

Gray & Co. evaluates investment manager performance and reports to the Board on a quarterly basis on individual manager 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 and reported net of investment fees. The Fund's investment managers report performance in compliance with Global Investment Performance standards. This reporting requirement is also included in the managers' contractual agreements with the Fund.

The market value rate of return on invested assets for the year ending December 31, 2010 was 15.9% net of fees, compared to the Fund's Policy Index return of 15.0%.

Since allocations vary from year to year and manager styles differ, no comparison of the net results of a group of managers against specific indexes or theoretical asset mixes is truly valid. It is beneficial, however, to study a Fund's performance over the long term against indexes to evaluate trends. The table in this section entitled *History of Investment Returns* provides data for trend analysis, which is illustrated in the accompanying Investment Returns graph.

Investment Analytics

Investment Section

INVESTMENT ASSETS

Acquisitions and Dispositions at Book Value

Year ending December 31, 2010

	12/31/09	2010 Acquisitions	2010 Dispositions	12/31/10
Fixed Income Investments	\$298,270,799	\$75,502,300	\$97,425,755	\$276,347,344
Equity Investments	553,086,787	777,480,522	733,644,892	596,922,417
Short Term Investments	19,451,111	246,308,505	243,773,766	21,985,850
Total Investments at Book Value	<u>\$870,808,697</u>	<u>\$1,099,291,327</u>	<u>\$1,074,844,413</u>	<u>\$895,255,611</u>

Summary at Book Value

December 31, 2010 and 2009

	December 31, 2010		December 31, 2009	
Fixed Income Investments				
Index/Commingled Funds	<u>\$276,347,344</u>	30.9 %	<u>\$298,270,799</u>	34.3 %
Equity Investments				
Common Stocks	529,663,663	59.2	424,890,585	48.7
Index/Commingled Funds	18,705,664	2.1	87,336,071	10.0
International Equity	48,553,090	5.4	40,860,131	4.8
	<u>596,922,417</u>	66.7	<u>553,086,787</u>	63.5
Short Term Investments	21,985,850	2.4	19,451,111	2.2
Total Investments at Book Value	<u>\$895,255,611</u>	100.0 %	<u>\$870,808,697</u>	100.0 %

Summary at Market Value

December 31, 2010 and 2009

	December 31, 2010		December 31, 2009	
Fixed Income Investments				
Index/Commingled Funds	<u>\$318,373,783</u>	30.0 %	<u>\$336,649,244</u>	34.3 %
Equity Investments				
Common Stocks - Domestic	646,446,304	60.9	480,447,216	48.9
Index/Commingled Funds	20,673,137	1.9	101,629,943	10.3
International Equity	54,872,331	5.2	44,092,198	4.5
	<u>721,991,772</u>	68.0	<u>626,169,357</u>	63.7
Short Term Investments	20,525,953	2.0	19,444,932	2.0
Total Investments at Market Value	<u>\$1,060,891,508</u>	100.0 %	<u>\$982,263,533</u>	100.0 %

SCHEDULE OF INVESTMENT RETURNS

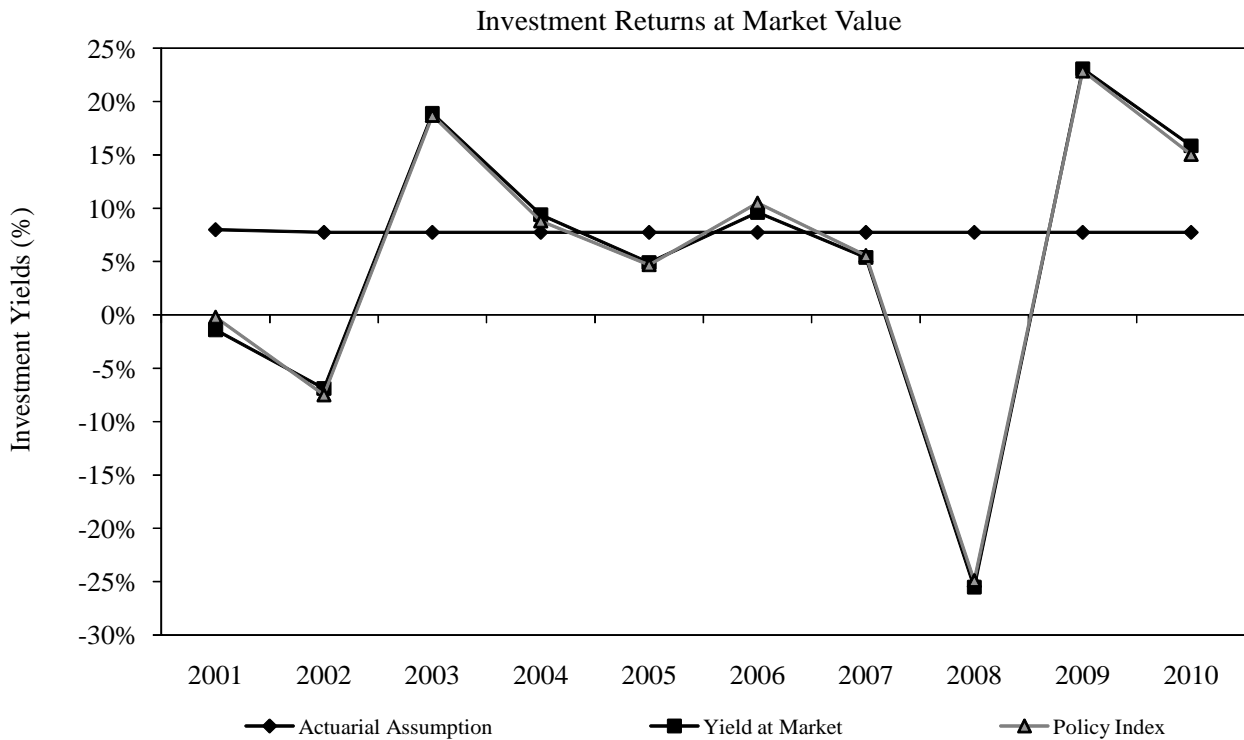
	Year ending 12/31/10 ^{1,2}	3-Year Annualized	5-Year Annualized	10-Year Annualized
Fund's Total Portfolio	15.9 %	2.0 %	4.2 %	4.4 %
Fund's Policy Index	15.0	2.0	4.4	4.4
Fund's Equity Composite	20.1	(2.2)	2.3	2.4
DJ Wilshire 5000 - Composite index	17.2	(1.9)	2.9	2.5
Policy Index Components:				
S&P 500 - Large cap index	15.1	(2.9)	2.3	1.4
Russell Mid Cap - Mid cap index	25.5	1.1	4.7	6.5
Russell 2000 - Small cap index	26.9	2.2	4.5	6.3
Fund's International Equities	7.6	(8.3)	-	-
Policy Index Component:				
MSCI EAFE	7.8	(7.0)	-	-
Fund's Fixed Income	6.4	5.0	5.3	5.6
Policy Index Component:				
Barclay's U.S. Aggregate	6.5	5.9	5.8	5.8

^{1.} The Fund's Policy Index is composed of 25% S&P 500, 20% Russell Mid Cap, 10% Russell 2000, 10% MSCI EAFE and 35% Barclay's U.S. Aggregate Index.

^{2.} Investment returns are reported net of investment fees. The calculation is based on a time-weighted rate of return at market and is in compliance with industry accepted reporting standards. Quarterly reports of the Fund's Investment Consultant can be obtained upon request.

HISTORY OF INVESTMENT RETURNS AT MARKET VALUE
Years ending December 31

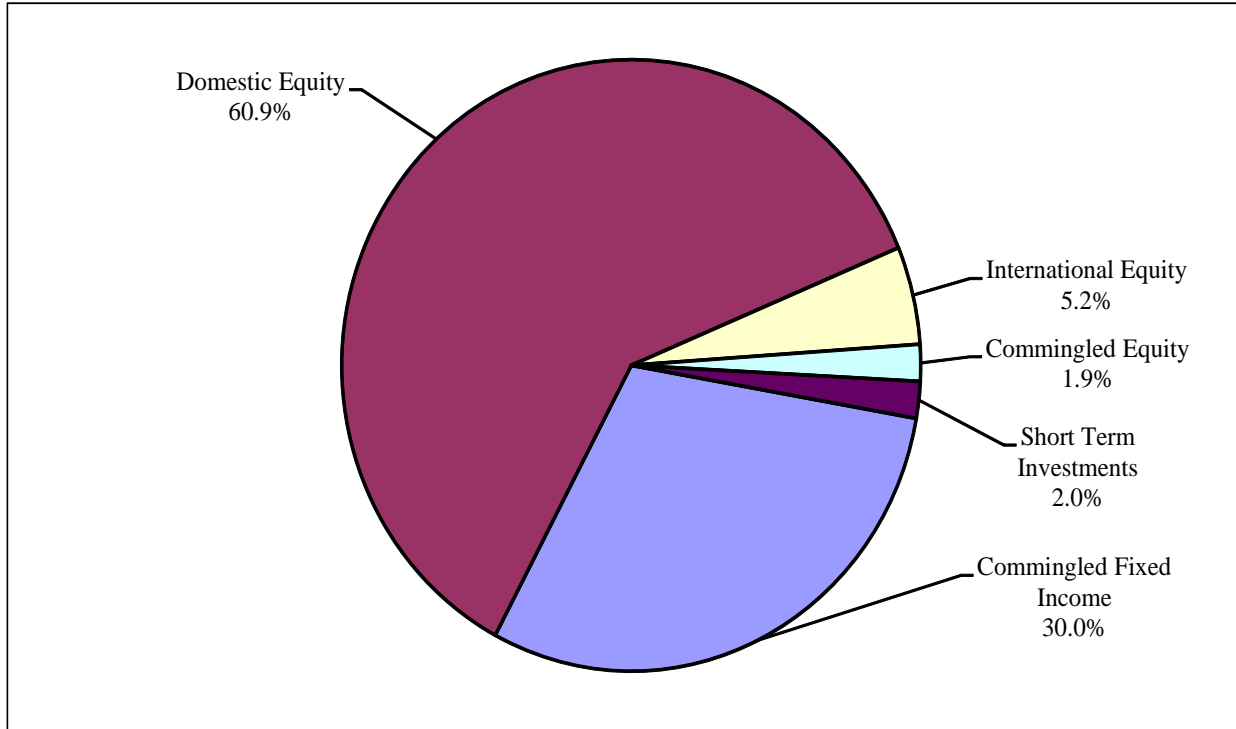
<u>Year</u>	<u>Invested Assets</u>	<u>Actuarial Assumption</u>	<u>Yield at Market²</u>	<u>Fund's Policy Index¹</u>
2001	\$ 1,014,983,960	8.00%	-1.4%	-0.2%
2002	922,177,366	7.75%	-6.9%	-7.5%
2003	1,058,520,788	7.75%	18.9%	18.7%
2004	1,117,540,968	7.75%	9.4%	8.8%
2005	1,136,790,610	7.75%	4.9%	4.7%
2006	1,192,992,050	7.75%	9.6%	10.5%
2007	1,195,418,217	7.75%	5.4%	5.6%
2008	850,451,228	7.75%	-25.5%	-24.9%
2009	982,263,533	7.75%	23.1%	22.9%
2010	1,060,891,508	7.75%	15.9%	15.0%
5 year annualized return		7.75%	4.2%	4.4%
10 year annualized return		7.75%	4.4%	4.4%



¹ The Fund's Policy Index, in effect since 12/07, is detailed on the previous page. Prior to 12/07 the Fund's Custom Benchmark has consisted of:
 30% S&P 500 and 70% USG IT prior to 12/95;
 35% S&P 500 and 65% LBA from 1/96 through 9/97;
 45% S&P 500 and 55% LBA from 9/97 through 11/98; and
 45% Wilshire 5000 and 55% LBA from 12/98 through 11/07.

² Investment returns are reported net of investment fees, except for 2008.

**Asset Allocation at Market Value
as of December 31, 2010**



ASSET ALLOCATION

	December 31, 2010		December 31, 2009	
Commingled Fixed Income	\$318,373,783	30.0 %	\$336,649,244	34.3 %
Domestic Equity	646,446,303	60.9	480,447,216	48.9
International Equity	54,872,332	5.2	44,092,198	4.5
Commingled Equity	20,673,137	1.9	101,629,943	10.3
Short Term Investments	20,525,953	2.0	19,444,932	2.0
Total	\$1,060,891,508	100.0 %	\$982,263,533	100.0 %

HISTORICAL ASSET ALLOCATION AT MARKET VALUE**Last Ten Years**

	Market Value as a Percent of Portfolio¹									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Equities										
Active Domestic Equities	36.0	32.0	33.8	34.7	33.1	35.6	38.6	42.0	48.9	60.9
Commingled Equities	15.0	17.5	23.3	23.0	23.9	20.8	14.4	5.9	10.3	1.9
Active International Equities	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>2.1</u>	<u>2.3</u>	<u>4.1</u>	<u>4.5</u>	<u>5.2</u>
	<u>51.0</u>	<u>49.5</u>	<u>57.1</u>	<u>57.7</u>	<u>57.0</u>	<u>58.5</u>	<u>55.3</u>	<u>52.0</u>	<u>63.7</u>	<u>68.0</u>
Fixed Income										
Active Fixed Income	12.0	12.5	11.5	11.1	9.3	8.4	11.9	4.5	0.0	0.0
Commingled Fixed Income	<u>35.5</u>	<u>36.8</u>	<u>30.4</u>	<u>30.1</u>	<u>31.9</u>	<u>32.0</u>	<u>31.6</u>	<u>41.7</u>	<u>34.3</u>	<u>30.0</u>
	<u>47.5</u>	<u>49.3</u>	<u>41.9</u>	<u>41.2</u>	<u>41.2</u>	<u>40.4</u>	<u>43.5</u>	<u>46.2</u>	<u>34.3</u>	<u>30.0</u>
Short Term Investments	<u>1.5</u>	<u>1.2</u>	<u>1.0</u>	<u>1.1</u>	<u>1.8</u>	<u>1.1</u>	<u>1.2</u>	<u>1.8</u>	<u>2.0</u>	<u>2.0</u>
Total Portfolio	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

¹Allocation percentages as of December 31.

Investment Analytics

Investment Section

FIXED INCOME DIVERSIFICATION¹

as of December 31, 2010

<u>Bond and Note Classification</u>	<u>Cost</u>	<u>Market Value (MV)</u>	<u>MV as a % of Total Fixed Income</u>
Index/Commingled Fixed	\$276,347,344	\$319,277,036	100.3 %
Other Fixed Income ²	-	(903,253)	(0.3)
Total Fixed Income	<u>\$276,347,344</u>	<u>\$318,373,783</u>	<u>100.0 %</u>

EQUITY DIVERSIFICATION¹

as of December 31, 2010

<u>Stock Classification</u>	<u>Cost</u>	<u>Market Value (MV)</u>	<u>MV as a % of Total Equity</u>
Consumer Discretionary	\$111,748,480	\$136,273,401	18.8 %
Consumer Staples	11,916,111	14,264,498	2.0
Energy	45,743,901	58,872,381	8.2
Financials	85,210,408	96,757,607	13.4
Health Care	55,201,288	65,891,009	9.1
Industrials	96,955,128	121,799,945	16.9
Information Technology	56,671,109	76,088,821	10.5
Materials	22,423,365	28,947,673	4.0
Real Estate Investment Trusts	8,246,349	8,720,259	1.2
Technology	551,435	587,643	0.1
Telecommunication Services	15,981,917	18,091,388	2.5
Utilities	19,014,172	20,151,679	2.8
Total Common Stock - Domestic	<u>\$529,663,663</u>	<u>\$646,446,304</u>	<u>89.5</u>
International Equity	48,553,090	54,872,331	7.6
Index/Commingled Equity	<u>18,705,664</u>	<u>20,673,137</u>	<u>2.9</u>
Total Equity	<u>\$596,922,417</u>	<u>\$721,991,772</u>	<u>100.0 %</u>

¹ A complete list of the Fund's portfolio holdings is available for review in the Fund's Administrative Office

² Other Fixed Income contra-asset of (\$903,253) represents the FMV of the allocated portion of an unrealized loss on an insolvent security within the securities lending collateral pool. The Fund's custodian allocated a portion of the unrealized loss to each investor in the securities lending program and has agreed to reimburse the Fund up to 80% of the loss.

TOP 40 COMMON STOCK HOLDINGS ¹
as of December 31, 2010

<u>Company Name</u>	<u>Industry</u>	<u>Shares</u>	<u>Market Value</u>
Exxon Mobil Corp	Oil & Gas	117,742	\$8,609,295
Apple Inc.	Computers	19,374	6,249,277
Viacom Inc.	Media	128,775	5,100,778
Well Fargo & Co.	Banks	156,663	4,854,986
JPMorgan Chase & Co.	Banks	105,042	4,455,882
AFLAC Inc.	Insurance	77,363	4,365,594
Microsoft Corp.	Software	149,747	4,179,439
Goldman Sachs Group Inc.	Banks	22,690	3,815,550
Pepsico Inc.	Beverages	58,226	3,803,905
International Business Machines	Computers	25,432	3,732,400
Procter & Gamble Co.	Consumer Non-Durables	57,300	3,686,109
Johnson & Johnson	Health Care	57,582	3,561,447
Ultra Petroleum Corp.	Oil & Gas	72,740	3,474,790
Amazon Inc.	Internet	19,240	3,463,200
Cummins Inc.	Machiner-Diversified	31,462	3,461,135
Unitedhealth Group	Health Care	95,689	3,455,330
Carnival Corp.	Leisure	74,600	3,439,806
AT&T Inc.	Telecommunications	112,100	3,293,498
NETAPP Inc.	Computers	58,645	3,223,129
US Bancorp	Financial Services	118,811	3,204,333
Illinois Tool Works Inc.	Manufacturer	58,476	3,122,618
St. Jude Medical Inc.	Health Care	72,478	3,098,435
Johnson Controls Inc.	Capital Goods	80,300	3,067,460
Time Warner Inc.	Media	95,233	3,063,646
Bank of New York Mellon	Banks	100,900	3,047,180
Dover Corp	Manufacturer	51,950	3,036,478
National Oilwell Varco Inc.	Oil & Gas	41,995	2,824,164
Oil States International Inc.	Energy	43,925	2,815,153
Steel Dynamics Inc.	Steel	153,100	2,801,730
Ameriprise Financial Inc.	Financial Services	48,095	2,767,867
Kroger Co.	Consumer Non-Durables	116,935	2,614,667
Corning Inc.	Telecommunications	135,056	2,609,282
Joy Global Inc.	Machinery-Const. Mining	29,410	2,551,318
Atwood Oceanics Inc.	Energy	66,729	2,493,663
Google Inc.	Internet	4,180	2,482,795
Interdigital Inc.	Technology	58,200	2,423,448
Interpublic Group Inc.	Advertising	226,670	2,407,235
Comcast Corp.	Media	109,100	2,396,927
Celanese Corp.	Chemicals	58,220	2,396,917
JDA Software Group Inc.	Technology	85,250	2,387,000

¹ A complete list of the Fund's portfolio holdings is available for review in the Fund's Administrative Office.

MANAGER BY TYPE AND ASSETS MANAGED**Assets Under Management at Market Value**

	December 31, 2010		December 31, 2009	
	Market Value ¹	% of Total	Market Value ¹	% of Total
Fixed Income Managers				
Northern Trust Global Investments	\$ 99,307,035	9.4 %	\$ 165,024,821	16.8 %
State Street Global Advisors	220,431,179	20.8	172,585,401	17.6
Subtotal	319,738,214	30.2	337,610,222	34.4
Equity Managers				
Alliance Bernstein LP.	61,404,354	5.8	48,675,644	5.0
Ariel Investments	30,866,916	2.9	25,402,239	2.6
Herndon Capital Management	59,977,017	5.7	49,682,706	5.1
Earnest Partners, LLC. ²	-	0.0	6,630	0.0
Lombardia Capital Partners, LLC.	24,057,817	2.3	21,856,428	2.2
Northern Trust Global Investments	20,673,137	1.9	43,276,371	4.4
Opus Capital Management	68,081,783	6.4	54,174,981	5.5
PNC Capital Advisors, LLC. ²	60,228,912	5.7	-	0.0
State Street Global Advisors	55,408,617	5.2	136,940,307	13.8
Systematic Financial Management	57,091,079	5.4	45,735,721	4.7
UBS Global Asset Management	126,917,804	12.0	108,587,926	11.1
Wasatch Advisors	38,324,156	3.6	30,571,104	3.1
Wellington Management Co.	129,724,139	12.1	70,191,501	7.1
Subtotal	732,755,731	69.0	635,101,558	64.6
	-			
Assets Under Management ¹	1,052,493,945	99.2	972,711,780	99.0
BNY Mellon Capital Support ³	(903,253)	-0.1	(942,780)	-0.1
The Illinois Funds ⁴	9,300,816	0.9	10,494,533	1.1
Total Investments	<u>\$ 1,060,891,508</u>	<u>100.0 %</u>	<u>\$ 982,263,533</u>	<u>100.0 %</u>

¹ Assets under management includes any short-term investments (STI) in the manager's accounts at year end. The total STI of \$11,225,137 and \$8,950,399 at December 31, 2010 and 2009 respectively, are reported separately as part of "pooled-funds-fixed income-short term" on the face of the Financial Statements.

² Earnest Partners was terminated in 2008 and completely liquidated in 2009; PNC Capital was hired in 2010.

³ Represents the FMV of the allocated portion of an unrealized loss on an insolvent security within the securities lending collateral pool. The Fund's custodian allocated a portion of the unrealized loss to each investor in the securities lending program and has agreed to reimburse the Fund up to 80% of the loss.

⁴ The Illinois Funds are periodically used to invest working capital funds. This balance is reported combined with STI held at BNY Mellon on the face of the Financial Statements as noted above in note 1.

INVESTMENT MANAGER COMPENSATION

<u>Investment Managers:</u> ¹	<u>2010</u>	<u>2009</u>
Alliance Bernstein LP.	\$ 146,707	\$ 135,740
Ariel Investments	127,738	91,038
Herndon Capital Management, LLC.	257,783	169,819
Chicago Asset Management Co. LLC.	-	14,165
Earnest Partners LLC	-	8,472
Lombardia Capital Partners, LLC.	76,786	65,664
Northern Trust Global Investments	33,940	46,365
Opus Capital Management	320,813	206,654
PNC Capital Advisors, LLC.	172,916	-
State Street Global Advisors	435,014	289,249
Systematic Financial Management	278,708	225,227
UBS Global Asset Management	532,287	477,273
Wasatch Advisors	304,431	235,094
Wellington Management Co.	600,736	394,979
Total	<u>\$ 3,287,859</u>	<u>\$ 2,359,739</u>

CUSTODIAL FEES²

<u>Institution</u>	<u>2010</u>	<u>2009</u>
Bank of New York Mellon Co.	\$ 139,588	\$ 39,888

INVESTMENT CONSULTANT FEES

<u>Consulting Firm</u>	<u>2010</u>	<u>2009</u>
Gray & Co.	\$ 180,000	\$ 180,000

¹ Investment manager compensation is reflected in the financial statements along with other direct investment expenses as an offset to investment income and is so described within the footnotes to the financial statements.

² Custodial fees do not include management fees related to the Fund's commingled assets custodied by State Street and Northern Trust.

SCHEDULE OF 2010 DOMESTIC BROKERAGE COMMISSIONS

<u>Broker</u>	<u>Commissions¹</u>	<u>% of Total</u>
Loop Capital Markets LLC, Dallas ²	\$ 96,445	11.0 %
Cabrera Capital Markets, Chicago ²	57,768	6.6
Merrill Lynch Pierce Fenner Smith Inc New York	45,921	5.2
Credit Suisse, New York	40,120	4.6
Investment Technology Group, New York	30,154	3.4
Gardner Rich & Company, Chicago ²	29,332	3.3
Liquidnet Inc, Brooklyn	29,041	3.3
M R Beal & Company, Jersey City ²	28,090	3.2
Morgan Stanley & Co Inc, New York	24,608	2.8
Goldman Sachs & Co, New York	23,790	2.7
Barclays Capital Le, Jersey City	23,044	2.6
Citigroup Gbl Markets Inc, New York	19,833	2.3
State Street Brokerage Services, Boston	17,329	2.0
J P Morgan Securities Inc, Brooklyn	16,537	1.9
Williams Capital Group LP, Jersey City ²	16,272	1.9
M Ramsey King Securities Inc, Brooklyn ²	14,536	1.7
Jefferies & Co Inc, New York	14,402	1.6
Deutsche Bank Securites Inc, New York	12,898	1.5
Bernstein Sanford C & Co, New York	12,843	1.5
Stifel Nicolaus	12,650	1.4
Merrill Lynch Pierce Fenner, Wilmington	12,325	1.4
Credit Agricole Cheuvreux, Courbevoie	12,151	1.4
King CL & Associates, Albany ²	11,892	1.4
Raymond James & Assoc Inc, St Petersburg	11,567	1.3
UBS Securities LLC, Stamford	11,106	1.3
UBS Equities, London	10,737	1.2
Weeden & Co, New York	10,716	1.2
Guzman & Co. ²	10,682	1.2
Pershing LLC, Jersey City	10,310	1.2
Instinet Corp, New York	9,654	1.1
Piper Jaffray & Co, Minneapolis	8,894	1.0
Pacific American Secs LLC, San Diego	8,486	1.0
Subtotal	<u>694,133</u>	<u>79.2</u>
All others ³	<u>181,691</u>	<u>20.8</u>
Total Domestic Brokerage Commissions	<u>\$ 875,824</u>	<u>100.0 %</u>

¹ Investment brokerage commissions are accounted for as an additional cost to a security when the security is purchased, and as a reduction to the cash amount received when the security is sold.

² Directed brokerage for stock trades executed by Minority/Women-Owned Business Enterprises.

³ Brokerage firms that each received less than 1.0% of the total commissions.

SCHEDULE OF 2010 INTERNATIONAL BROKERAGE COMMISSIONS

<u>Broker</u>	<u>Commissions¹</u>	<u>% of Total</u>
Merrill Lynch Pierce Fenner, Wilmington	\$ 12,325	17.0 %
Credit Agricole Cheuvreux, Courbevoie	12,151	16.8
Ubs Equities, London	10,737	14.8
Morgan Stanley & Co Inc, New York	5,947	8.2
Credit Suisse, New York	5,620	7.8
Societe Generale London Branch	5,094	7.0
Credit Agricole Cheuvreux Nordc,Stockhol	2,788	3.8
Credit Suisse Australia Eq, Melbourne	1,809	2.5
Cabrera Capital Markets, Chicago	1,666	2.3
Pershing Securities Ltd, London	1,655	2.3
Citigroup Global Markets Australia PTY, Sydney	952	1.3
Deutsche Bank Securities Inc, New York	801	1.1
Investment Technology Group Ltd, Dublin	714	1.0
Subtotal	<u>62,259</u>	<u>86.1</u>
All others ²	<u>10,165</u>	<u>13.9</u>
Total International Brokerage Commissions	<u><u>\$ 72,424</u></u>	<u><u>100.0 %</u></u>

1 Investment brokerage commissions are accounted for as an additional cost to a security when the security is purchased, and as a reduction to the cash amount received when the security is sold. Commissions stated in USD.

2 Brokerage firms that each received less than 1.0% of the total commissions.

THIS PAGE INTENTIONALLY LEFT BLANK

ACTUARIAL SECTION

Actuarial Certification

Actuarial Report:

Preface

Comparative Summary

Summary of Valuation Results

Changes in Unfunded Actuarial Liability

Net Pension Obligation

Summary of Plan Provisions

Summary of Actuarial Assumptions and Methods

Analysis of Funding:

History of Change in Unfunded Liability with Analysis

Actuarial Accrued and Unfunded Liabilities (with graph)

Actuarial Accrued Liability Prioritized Solvency Test

Historical Valuation Data:

History of Retirees and Beneficiaries

Added to and Removed from Benefit Payroll

Schedule of Active Member Valuation (Salary) Data

History of Recommended Employer Multiples and Taxes Levied

GOLDSTEIN & ASSOCIATES
*Actuaries and Consultants*29 SOUTH LaSALLE STREET SUITE 735
CHICAGO, ILLINOIS 60603
PHONE (312) 726-5877 FAX (312) 726-4323

April 28, 2011

Board of Trustees
Metropolitan Water Reclamation
District Retirement Fund
111 E. Erie Street
Chicago, Illinois 60611**ACTUARIAL CERTIFICATION**

We have completed the annual actuarial valuation of the Metropolitan Water Reclamation District Retirement Fund as of December 31, 2010. The purpose of the valuation was to determine the financial condition and funding requirements of the Fund.

There have been no changes in the benefit provisions of the fund during the period between the date of the last actuarial valuation and the date of the current valuation.

Based on an experience analysis of the fund over the four-year period 2006-2009, we have made the following changes in assumptions for the December 31, 2010 actuarial valuation: (1) the mortality assumption for males was changed from the UP-1994 Mortality Table for Males, rated down 1 year, to the UP-1994 Table for Males, rated down 2 years, and the mortality assumption for females was changed from the UP-1994 Mortality Table for Females, rated up 1 year, to the UP-1994 Mortality Table for Females, rated down 1 year; (2) the assumed rates of termination were reduced by 30%, and (3) the assumed rates of retirement were reduced by approximately 20%. The other actuarial assumptions used for the December 31, 2010 valuation are the same as the assumptions used for the December 31, 2009 valuation.

The funding policy of the Fund is to have contributions sufficient to amortize the unfunded liability over a 30-year period. Employer contributions come from a property tax levied by the District equal to the total amount of contributions made by employees in the calendar year 2 years prior to the year of the levy, multiplied by 2.19. The 2.19 is known as the tax multiple.

For the year beginning January 1, 2011 the net employer contribution to the fund is expected to cover 49.5% of the actuarially determined contribution requirement. We have estimated that a tax multiple of 4.42 would have been required to have employer contributions cover the full actuarially determined contribution requirement for the year 2011.

The entry age normal actuarial cost method was used for the December 31, 2010 actuarial valuation. This is the same actuarial cost method that was used for the December 31, 2009 valuation.

GOLDSTEIN & ASSOCIATES*Actuaries and Consultants*

The asset values used for the valuation were based on the asset information contained in the audited financial statements for the Fund for the year ending December 31, 2010. For purposes of the actuarial valuation, a 5-year smoothed market value of assets was used to determine the actuarial value of assets.

The valuation has been based on the membership data, which was supplied by the administrative staff of the Fund. We have made additional tests to ensure its accuracy.

The trend data schedules presented in the financial section of the Comprehensive Annual Financial Report (CAFR) were prepared by the staff of the Fund based on information contained in our actuarial reports. All exhibits, tables, schedules, and appendices included in the accompanying actuarial section were prepared by us based on information provided by the Fund.

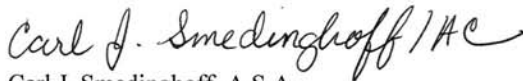
The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 25.

In our opinion, the following valuation results fairly present the financial condition of the Metropolitan Water Reclamation District Retirement Fund as of December 31, 2010.

Respectfully submitted,



Sandor Goldstein, F.S.A.
Consulting Actuary



Carl J. Smedinghoff, A.S.A.
Associate Actuary

ACTUARIAL PREFACE

PENSION FINANCING

The approaches used to finance pensions can be divided into two basic categories. Under Pay-As-You-Go Financing the benefits called for by the plan would be paid out directly by the employer as they become due. Most public retirement plans use Actuarial Funding, a form of Advance Funding, which is designed to set aside sufficient money during an employee's working career so that this money will accumulate over time to the funds needed at the time of retirement to pay the employee's future pension. This method builds up a pool of assets which will generate investment income, thereby reducing the contribution requirements to meet the pension costs. The MWRD Retirement Fund (Fund) is financed using a form of Advance Funding that has in the past built up a pool of assets, but due to statutory limitations and other factors, employer contributions in recent years do not meet the full actuarial funding requirements.

ACTUAL FUNDING

The Fund is financed by employee contributions, employer contributions (MWRD tax levy) and investment earnings. Employee contributions are established by state statute at 9% of pay. Investment earnings and employer funding are the primary determinants of the Fund's financial status. Employer contributions are also determined by state statute. These are currently set at a multiple (2.19) of employee contributions in the calendar year two years prior.

ACTUARIAL FUNDING

The Fund's actuary performs an annual actuarial valuation which includes the determination of the Actuarial Accrued Liability, the Actuarial Value of Assets and what is known as the actuarially determined contribution requirement. Actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee turnover, mortality, and retirement rates) in performing these valuations. The actuarial valuation process is generally as follows:

1. Based on the demographic data and actuarial assumptions described above, the amount and timing of benefits payable in the future is estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the turnover, retirement age, and earnings progression for active members, and mortality for all participants.
2. The actuary then calculates the actuarial present value of these future benefits. This is the amount necessary to be invested at the valuation interest rate, at the valuation date, to provide benefit payments as they come due. Each year's estimated benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.
3. The final step is to apply a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of normal cost and accrued benefit cost.

ACTUARIAL PREFACE, continued**ACTUARIAL FUNDING, CONTINUED**

One of the most important actuarial assumptions is the assumed rate of return on investments. The Fund's current assumed rate is 7.75%, and is believed to be appropriate based on the actuary's annual review of capital market assumptions and other factors which are part of the annual valuation. Based on common actuarial practice this return has been determined reasonable to expect to be achieved through asset allocation, on average, over the long-term.

The Fund uses the entry age normal actuarial cost method with costs allocated on the basis of earnings, one of several accepted actuarial cost methods. Under this cost method, the Actuarial Present Value of the projected pension 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. The normal cost for 2010 was determined to be \$35.9 million or 20.3% of payroll; 9.0% of payroll is paid by employee contributions. The remaining 11.30% of payroll is the employer's portion of the normal cost.

Accrued benefit cost, or the Actuarial Accrued Liability (AAL), is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date (i.e. for past service). This value changes as the member's salary and years of service change, and as some members leave and are replaced by new members. Future normal cost is the portion of the present value of benefits assigned to future years of service (i.e. for future service) and is assumed to be funded annually.

To the extent that current assets plus future normal costs (assumed to be funded annually) do not support members' expected future benefits, an Unfunded Actuarial Accrued Liability (UAAL) develops. The UAAL is generally amortized over a fixed period of time (e.g. 30 years) from the date incurred. Actuarial funding of plan benefits would require annual District (employer) contributions which at least cover the employer's normal cost (11.3% of payroll) plus an amortization of the UAAL. The District has not funded the plan on this basis, rather in the last ten years actual contributions of a lesser amount have been made according to statute as described above.

The information following this Preface is from the December 31, 2010 actuarial valuation performed by Goldstein and Associates, which was based upon:

- a) Membership data - provided by Fund Staff
- b) Assets of the Fund - audited financial statements provided by Fund Staff
- c) Actuarial Method – entry age actuarial cost method
- d) Actuarial Assumptions – summarized in this section

COMPARATIVE SUMMARY

	<u>2010</u>	<u>2009</u>
Income		
Gross investment income ¹	\$ 146,303,348	\$ 196,652,890
Securities lending income	218,560	-
Employer contributions	29,917,793	32,153,874
Employee contributions	15,872,560	15,690,322
Total income	<u>192,312,261</u>	<u>244,497,086</u>
Outgoing		
Refunds, benefits, expense ²	<u>114,483,454</u>	<u>108,475,030</u>
Excess (deficiency) of Income Over Outgoing	<u>\$77,828,807</u>	<u>\$136,022,056</u>
Number of Members ³		
Active Members	2,024	2,082
Inactive Members	132	115
Members Receiving Annuity Benefits		
Retirees	1,603	1,596
Spouses	632	638
Children	13	18
Total Members	<u>4,404</u>	<u>4,449</u>
Members Receiving Disability Benefits ³	43	40
Actuarial Funding - Going Concern		
Accrued Actuarial Liability	\$ 2,036,679,763	\$ 1,939,172,047
Actuarial Value of Assets ⁴	1,151,595,245	1,177,810,068
Unfunded Actuarial Liability	885,084,518	761,361,979
Funded Ratio	56.5%	60.7%
Employer's Actuarially Determined Contribution Requirement ⁵	\$ 61,872,925	\$ 54,790,175
Actual Employer Contribution	<u>29,917,793</u>	<u>32,153,874</u>
Actual Employer Contribution Deficiency	<u>\$ 31,955,132</u>	<u>\$ 22,636,301</u>
Employer's Actuarially Determined Contribution Requirement for the following year ⁵	\$ 69,393,171	\$ 61,872,925
Expected Employer Contribution for the following year	<u>34,362,000</u>	<u>32,307,000</u>
Expected Employer Contribution Deficiency for the following year	<u>35,031,171</u>	<u>29,565,925</u>
Estimated Required Employer Multiple ⁵	4.42	4.19
Miscellaneous		
Active Member Payroll ⁶	\$174,485,734	\$176,915,399
Average Salary	86,208	84,974
Present Value of Future Benefits	\$2,360,914,802	\$2,233,400,172

¹ Includes Other Income

² Includes Investment Expenses

³ Membership data as of pay period 26

⁴ Actuarial asset values are calculated using a five-year smoothed market value

⁵ 30 year amortization of unfunded liability

⁶ Active Member Payroll is annualized based on actual payroll paid to active members in payperiod 26

SUMMARY OF VALUATION RESULTS AS OF DECEMBER 31, 2010

Actuarial Liabilities for Active Members

Basic Retirement Annuity	\$ 424,938,209
Automatic Increase in Retirement Annuity	119,685,012
Additional Benefits under Optional Plan	38,105,949
Post-retirement Survivor's Annuity	84,053,023
Pre-retirement Survivor's Annuity	24,784,286
Withdrawal Benefit	<u>7,710,267</u>
Total	699,276,746

Actuarial Liabilities for Members Receiving Benefits

Retirement Annuities	763,980,943
Automatic Increase in Retirement Annuities	184,439,701
Survivor Annuities to Survivors of Current Retirees	204,104,045
Survivor Annuities to Current Survivors	<u>160,841,841</u>
Total	1,313,366,530

Actuarial Liability for Inactive Members

	<u>24,036,487</u>
--	-------------------

Total Actuarial Liability

	<u><u>\$ 2,036,679,763</u></u>
--	--------------------------------

Actuarial Value of Assets

	<u>1,151,595,245</u>
--	----------------------

Unfunded Actuarial Liability

	<u><u>\$ 885,084,518</u></u>
--	------------------------------

Funded Ratio

	56.5%
--	-------

**CHANGES IN UNFUNDED ACTUARIAL LIABILITY
OVER THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2010**

1. Unfunded actuarial liability as of 1/1/10		\$ 761,361,979
2. Employer contribution requirement of normal cost plus interest on unfunded liability for period 1/1/10 to 12/31/10	\$ 76,740,657	
3. Actual employer contribution for the year	<u>29,917,793</u>	
4. Increase in unfunded liability due to employer contribution being less than normal cost plus interest on unfunded liability (line 2 - line 3)		\$ 46,822,864
5. Increase in unfunded liability due to investment return lower than assumed		49,969,954
6. Decrease in unfunded liability due to salary increases lower than assumed		(20,417,059)
7. Increase in unfunded liability due to change in assumptions		39,769,482
8. Increase in unfunded liability due to other sources		7,577,298
9. Net increase in unfunded liability for the year (lines 4+5+6+7+8).		<u>123,722,539</u>
10. Unfunded actuarial liability as of 12/31/10 (lines 1+9).		<u><u>\$ 885,084,518</u></u>

NET PENSION OBLIGATION

The Net Pension Obligation (NPO), a liability of the District, is the cumulative difference between the annual pension cost and the employer’s contribution from the first fiscal year after December 31, 1986 through the current year. The NPO is reported in the financial statements of the District in the government-wide Statement of Net Assets. As of December 31, 2010 the NPO is calculated as follows:

Net Pension Obligation as of December 31, 2010

1. Net Pension Obligation as of December 31, 2009		\$ 41,888,577
2. Annual Required Contribution for 2010	\$ 61,872,925	
3. Interest on Net Pension Obligation	3,246,365	
4. Adjustment to Annual Required Contribution	<u>(2,304,494)</u>	
5. Annual Pension Cost (2+3+4)	\$ 62,814,796	
6. Total Employer Contribution	<u>29,917,793</u>	
7. Increase in Net Pension Obligation (5-6)		<u>32,897,003</u>
8. Net Pension Obligation as of December 31, 2010 (1+7)		<u><u>\$ 74,785,580</u></u>

SUMMARY OF PLAN PROVISIONS

PARTICIPANT

(1) Person employed by the District (2) any Commissioner who elects to participate within 90 days after becoming a Commissioner and (3) any employee of the Retirement Fund, whose duties indicate service during a calendar year for a minimum of 120 days. Civil Service Board members hired since June 13, 1997 are excluded from participation.

RETIREMENT ANNUITY

Retirement Annuity Eligibility. Employees who withdraw from service after 30 years of service, or attainment of age 60 with at least 5 years of service, are eligible for full retirement benefits. Employees who withdraws from service at age 55 (50 if hired before June 13, 1997) or after with at least 10 years of service are entitled to receive a minimum retirement benefit. An employee who withdraws from service at age 55 (50 if hired before June 13, 1997) or after with 5 but less than 10 years of service is eligible for a minimum retirement annuity upon attainment of age 62.

Employees who withdraw from service prior to age 55 (50 if hired before June 13, 1997) with at least 10 years of service are eligible for a minimum retirement annuity upon attainment of age 55.

An employee who has at least 5 years of service (exclusive of service for periods of ordinary disability and duty disability if the employee entered service on or after August 18, 2005) and who has received an ordinary disability benefit for the maximum period of time and continues to be disabled and withdraws from service is eligible for a retirement annuity. The regular age and service requirements for eligibility are waived for such an employee, but age discount factors are applicable.

Retirement Annuity Amount. An employee who withdraws on or after November 19, 1991 and who has met the requirements for a retirement annuity is entitled to an annuity equal to 2.2% of final average salary (FAS) for each of the first 20 years of service, and 2.4% of final average salary for each year of service in excess of 20. The annuity shall not exceed 80% of FAS. FAS equals the highest average annual earnable salary for any 52 consecutive pay periods within the last 10 years of service immediately preceding the date of retirement.

If an employee withdraws from service prior to the attainment of age 60, the benefit computed shall be reduced by .5% for each full month of service less than 30 years or age less than 60 years, whichever is less.

Automatic Increase in Retirement Annuity. Annual increases shall be calculated at 3% of the monthly annuity payable at the time of the increase, except for a term annuity. The retirement annuity shall be increased on the first day of the month in which the first anniversary of the date of retirement occurs, and on the same date each year thereafter.

Minimum Retirement Annuity. For an annuitant with at least 10 years of service, the minimum retirement annuity shall be \$500 per month plus \$25 per month for each year of service in excess of 10 years, to a maximum of \$750. The maximum annuity is \$250 per month for annuitants with less than 10 years of service.

Reversionary Annuity. An employee, prior to retirement, may elect a lesser amount of annuity and provide a reversionary annuity for a wife, husband, parents, children, brothers or sisters by filing a written designation with the board. An employee shall not reduce his annuity by more than 25% nor elect to provide a reversionary annuity of less than \$100 per month. No reversionary annuity shall be paid if the employee dies before the expiration of 730 days from the date his written designation was filed with the board.

Money Purchase. Employees who first entered service before January 1, 1992, would be eligible with the following ages and service: age 60 or more with 5 years service; age 50 or more with 10 years of service; for employees under age 50 with 10 or more years of service, annuity is payable upon attainment of age 50 and proper application. Annuity is based on Money Purchase, that is the sums accumulated from salary deductions plus District contributions, combined to purchase an annuity.

SURVIVOR'S ANNUITY

Surviving Spouse Annuity Eligibility. A surviving spouse of an employee or retiree is eligible for an annuity for life provided that the employee was in service for more than 36 months if the employee entered service on or after July 13, 1997. There is no service requirement for eligibility for a spouse annuity if the employee entered service prior to July 13, 1997. A dissolution of marriage after retirement shall not divest the retiree's former spouse of the entitlement if the marriage had been in effect at least 10 years on the date of retirement.

Surviving Spouse Annuity Amount. The amount of the surviving spouse's annuity is an amount determined by multiplication of the employee's annuity earned benefit by a factor equal to 60% plus 1% for each year of total service up to a maximum of 85%.

For employees hired on or after January 1, 1992, the surviving spouse's annuities are discounted by .25% for each full month that the spouse is younger than the employee, to a maximum discount of 60%. The discount is reduced by 10% for each full year the marriage has been in effect.

If the employee's death is duty related, the minimum surviving spouse annuity is equal to 50% of the employee's earnable monthly salary on the date of death.

Automatic Increase in Surviving Spouse Annuity. On each anniversary of the employee date of retirement or date of death, whichever occurs first, the widow(er)'s or surviving spouse allowance or annuity shall be increased by a fixed amount equal to 3% of the annuity as calculated on the date of retirement. Beginning January 1, 1993, annual increases shall be calculated at the rate of 3% of monthly annuity payable at the time of increase.

Minimum Surviving Spouse Annuity. Beginning August 1, 2001, the minimum monthly surviving spouse annuity shall be the greater of:

- a) \$500 per month for the surviving spouse of an employee with at least 10 years of District service, plus \$25 per month for each year of service in excess of 10 years, to a maximum of \$750 per month; or
- b) 50% of retirement annuity of the deceased spouse at the time of death.

The minimum annuity shall be \$250 per month for the surviving spouse of an employee with less than 10 years of District service other than for a term or reciprocal annuity.

Surviving Spouse Money Purchase. This annuity is based on the amount of accumulated credits for spouse's annuity purposes at the time the annuity is computed, which is then used to purchase an annuity based on the period of service, salary, and age of spouse.

If the annuity provided by Money Purchase gives a greater annuity than the spouse's annuity based on average final salary, the spouse is entitled to the greater amount. The Money Purchase annuity applies to spouses of employees who entered service prior to 1992.

Child's Annuity. A child's annuity is provided for each unmarried child under the age of 18 (under the age of 23 years in the case of a full-time student) whose employee parent dies while in service or whose deceased parent is an annuitant or former employee with at least 10 years of service. The amount of the annuity is:

- a) \$500 per month for each child if one parent is living; or
- b) If neither parent is living, \$1,000 per month for each child

In either case, the maximum benefit is \$5,000 per month for all children of the employee, to be divided equally among the children.

Family Maximum for Duty & Non-Duty Death Benefits.

85% of annuity earned, plus annuity for children.

DUTY DISABILITY

Duty Disability is payable, if an injury or sickness arises out of employment, at the rate of 75% of the salary earned on date of disability less the amount paid by Workers' Compensation. Duty Disability benefits are payable during the period of disability but not beyond attainment of age 65, unless the employee became disabled at age 60 or later, in which case the benefits may be extended for a period of not more than 5 years after disablement.

ORDINARY DISABILITY

Ordinary Disability is payable, if an employee is injured or sick not as a result of the performance of assigned duties, at the rate of 50% of the employee's earnable salary at date of disability. Ordinary Disability benefits are limited to 25% of employee's actual service prior to the date of disability up to a maximum of 5 years where the employee has 20 or more years of service. Benefits are not payable beyond attainment of age 65, unless the employee became disabled at age 60 or later, in which case the benefits may be extended for a period of not more than 5 years after disablement.

For employees hired after June 13, 1997, there is no benefit for the first three days of disability that would otherwise be payable under this section, unless the disability continues for at least 11 additional days; however, an employee who has used sick leave for at least 31 consecutive calendar days may be paid benefits for the first three days upon exhaustion of all sick all.

REFUNDS

To Employee. Upon separation from service, if the employee is under age 50 (age 55 if hired after June 13, 1997), or is between ages 50 (age 55 if hired after June 13, 1997) and 60 with less than 20 years service, or is age 60 or over with less than 5 years of service and upon application for such refund, the employee would be entitled to all amounts contributed from salary, without interest. Upon receipt of such refund, the employee forfeits all rights in the Fund.

To Employee for Spouse Annuity Contributions. Beginning January 1, 1993, if an employee is unmarried at the time of retirement, all amounts contributed for spouse's annuity would be refunded with interest.

To Spouse. If an annuity is temporary rather than for life, the spouse may elect a refund in lieu of an annuity.

Forfeiture of Rights. An employee or surviving spouse who receives a refund forfeits the right to receive an annuity or any other benefit payable by this Fund except that if the refund is to a surviving spouse, any child or children of the employee shall not be deprived of the right to receive a child's annuity as provided above, and the payment of a child's annuity shall not reduce the amount refundable to the surviving spouse.

Remaining Amounts. In the event the employee dies in service without a spouse, a refund of the total sums contributed by employee, together with applicable interest, would be paid first to a spouse, then to beneficiary as designated by the employee, and if there is no beneficiary form, then to the late employee's children in equal parts. If there is no spouse, then payment is made to the designated beneficiary.

If there is no spouse or designated beneficiary, then payment is made to any children of the deceased employee. If there is no spouse, designated beneficiary, or child then distribution is made to the heirs in accordance with the laws of descent and distribution in the State of Illinois.

DEDUCTIONS AND CONTRIBUTIONS

The District levies a tax annually, equal to the total amount of contributions made by employees in the calendar year 2 years prior to the year of levy, multiplied by 2.08 in 1982, 2.21 in 1983 and 2.34 in 1984 to 1987 and 2.19 in 1988 and each year thereafter.

Each employee is required to contribute 9% of pensionable salary towards these future annuity benefits:

<u>Deductions</u>	<u>Designated for</u>
7.0%	Employee Annuity
1.5	Surviving Spouse Annuity
<u>+ 0.5</u>	<u>Annual Annuity Increases</u>
9.0%	Total Pension Contribution

TAX SHELTER OF EMPLOYEE SALARY DEDUCTIONS

Beginning January 1, 1982, the required 9% employee salary deductions were designated, for income tax purposes, to be made by the employer. Beginning with the July 3, 2003 payroll and through the end of 2007, the optional 4% employee salary deductions were also designated, for income tax purposes, to be made by the employer. The W-2 salary is therefore reduced by the amount of those designated contributions. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is granted. For the purposes of benefits, refunds, or financing, these contributions are treated as employee contributions.

ALTERNATIVE PLAN OF CONTRIBUTIONS AND BENEFITS FOR COMMISSIONERS

Alternative Plan of Additional Benefits and Contributions for District Commissioners allows an additional contribution of 3% of salary. Alternative benefits are payable if the Commissioner is age 55 with at least 6 years of service. Annuities would be computed on the following basis:

1. 3% of average final salary for each of the first 8 years of service credit under the Alternative Plan;
2. 4% of average final salary for each of the next 4 years of service credit under the Alternative Plan; and
3. 5% of average final salary for each additional year thereafter subject to a maximum of 80% of average final salary.

ALTERNATIVE ANNUITY FOR SURVIVORS OF COMMISSIONERS

Annuity is equal to the greater of $66\frac{2}{3}\%$, or 60% plus 1% for each year of the Commissioner's total service, to a maximum of 85% of the amount of retirement annuity earned by the Commissioner on the date of death.

A more detailed description of plan provisions can be obtained from the Fund Administration's office. Complete provisions are set forth in the Illinois Compiled Statutes, Chapter 40, Act 5, Article 13.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for the December 31, 2010 actuarial valuation and methods are summarized below. The assumptions for mortality, retirement rates, salary progression and percent married were approved by the Board in October 2010 and adopted as of December 31, 2010 based upon the most recent experience analysis of the fund for the 4-year period 2006 through 2009. The assumptions for salary progression and percent married were approved by the Board in October 2006 and adopted as of December 31, 2006 based upon the previous experience analysis of the fund for the 4-year period 2003 through 2005. The assumption for loading for reciprocal benefits was adopted December 31, 2008. The assumption was reduced from 8.0% to 7.75% as of December 31, 2003. The other actuarial assumptions were adopted as of December 31, 1998.

MORTALITY RATES

The UP-1994 Mortality Table for males, rated down two years, for male participants. The UP-1994 Mortality Tables for Females, rated down one year, for female participants.

TERMINATION RATES

Termination rates based on the recent experience of the fund were used. The following is a sample of the utilized termination rates:

<u>Attained Age</u>	<u>Age at Entrance</u>					
	<u>27</u>	<u>Male</u>		<u>27</u>	<u>Female</u>	
	<u>32</u>	<u>37</u>		<u>32</u>	<u>37</u>	
27	.054			.058		
32	.032	.043		.031	.040	
37	.017	.022	.039	.016	.025	.029
42	.008	.012	.020	.008	.015	.020
47	.002	.007	.011	.003	.008	.011

RETIREMENT RATES

Rates of retirement for each age from 50 to 70 are based on the recent experience of the fund. The following are samples of the utilized rates of retirement:

<u>Attained Age</u>	<u>Rate of Retirement</u> <u>per 1,000 members</u>
50	45
55	73
60	120
65	120
70	1,000

SALARY PROGRESSION

5.0% per year, compounded annually.

INTEREST RATE

7.75% per year compounded annually.

LOADING FOR RECIPROCAL BENEFITS

1.5% of costs and liabilities of active members.

MARITAL STATUS

76% of the participants were assumed to be married.

SPOUSE'S AGE

The spouse of a male employee was assumed to be 4 years younger than the employee. The spouse of a female employee was assumed to be 4 years older than the age of the employee.

ACTUARIAL METHODS**ACTUARIAL COST METHOD**

The actuarial cost method is the procedure by which the total present value of pension plan benefits is allocated to past service and future service. The entry age actuarial cost method was used, with costs allocated on the basis of earnings. Under this cost method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percent of the individual's earnings between entry age and assumed exit age. Actuarial gains and losses (differences between expected experience and actual experience) are recognized immediately in the unfunded actuarial liability.

ACTUARIAL VALUE OF ASSETS

The actuarial value of assets was determined by using the market related method of smoothing unexpected gains or losses from investment return over a period of 5 years. This method was adopted as of December 31, 1997.

HISTORY OF CHANGE IN UNFUNDED LIABILITY
(Actuarial Funding - Going Concern, Entry Age Normal Method)

Year	Salary Scale	Investment Returns ¹	Employer Contribution ²	Legislative Amendments	
2001	\$ 7,892,855	\$ 21,245,033	\$ (983,275)	\$ 3,792,000	HB 0478
2002	2,081,007	85,694,715	1,786,449	10,975,935	HB 5168
2003	(133,857)	44,862,868	15,811,892	-	
2004	(5,428,416)	37,743,856	16,459,733	-	
2005	(4,928,422)	33,019,546	25,174,375	-	
2006	(2,688,379)	8,915,823	22,368,681	-	
2007	4,364,583	(9,436,863)	29,263,081	-	
2008	1,116,908	86,292,325	26,926,611	-	
2009	2,554,058	67,692,897	35,218,424	-	
2010	(20,417,059)	49,969,954	46,822,864	-	
	<u>\$ (15,586,722)</u>	<u>\$ 426,000,154</u>	<u>\$ 218,848,835</u>	<u>\$ 14,767,935</u>	

Year	Changes in Actuarial Assumptions	(see assumption reference key 3)	All Other Miscellaneous Experience	Total Increase in Unfunded Liability
2001	-		\$ 1,609,079	\$ 33,555,692
2002	41,662,715	(i)	1,433,096	143,633,917
2003	(38,915,444)	(m)	15,690,765	37,316,224
2004	-		(3,535,229)	45,239,944
2005	-		12,490,274	65,755,773
2006	(4,785,773)	(m, r, p, s, n)	8,949,341	32,759,693
2007	-		(1,007,539)	23,183,262
2008	(22,899,666)	(rb)	10,718,411	102,154,589
2009	-		15,455,286	120,920,665
2010	39,769,482	(m, r, t)	7,577,298	123,722,539
	<u>\$ 14,831,314</u>		<u>\$ 69,380,782</u>	<u>\$ 728,242,298</u>

¹ Represents investment income deficiency (excess) over expected returns.

² Represents employer contributions deficiency (excess) from normal cost plus interest.

³ Key to changes in assumptions:

i = interest rate assumption
 m = mortality
 n = not married
 p = pension for survivors

r = retirement rates
 s = salary
 rb = reciprocal benefits
 t = termination rates

The table above illustrates that over the last 10 years, the unfunded liability has increased by \$728.2 million. The most significant component of this increase, \$426.0 million, has been due to investment returns being lower than assumed. Other components of this increase were \$218.8 million due to insufficient employer contributions, \$69.4 million in miscellaneous experience (optional retirement, retirement in general, mortality, reciprocal, death, withdrawal), \$14.8 million for changes in actuarial assumptions, and \$14.8 million due to legislative changes. These increases in the unfunded liability were partially offset by a \$15.6 million decrease for overall salary increases less than assumed.

ACTUARIAL ACCRUED AND UNFUNDED LIABILITIES
 (Actuarial Funding - Going Concern, Entry Age Normal Method)

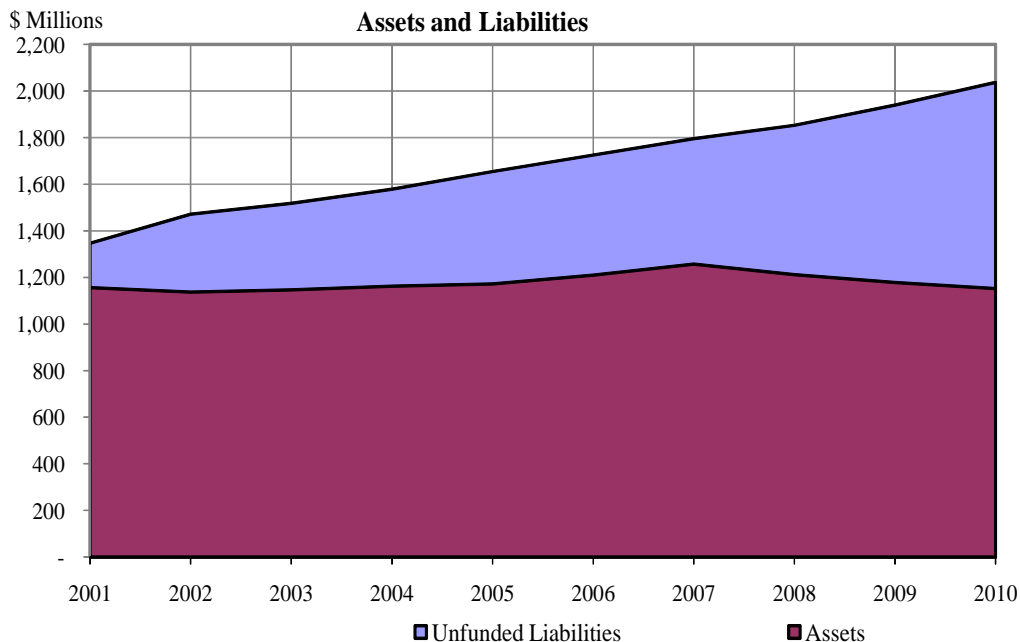
Year End	Total Actuarial Accrued Liability (AAL)	Actuarial Value of Assets ¹	Funded Ratio	Unfunded AAL (UAAL)	Active Member Payroll ⁴	UAAL as a % of Payroll
2001 ³	\$1,346,223,065	\$1,155,825,153	85.9%	\$190,397,912	\$136,382,287	139.6%
2002 ^{2,3}	1,470,938,987	1,136,907,158	77.3%	334,031,829	137,679,573	242.6%
2003 ²	1,517,868,687	1,146,520,634	75.5%	371,348,053	142,593,596	260.4%
2004	1,578,366,508	1,161,778,511	73.6%	416,587,997	146,360,302	284.6%
2005	1,654,188,382	1,171,844,612	70.8%	482,343,770	149,246,356	323.2%
2006	1,724,705,199	1,209,601,736	70.1%	515,103,463	152,767,396	337.2%
2007	1,795,176,667	1,256,889,942	70.0%	538,286,725	158,831,772	338.9%
2008	1,852,279,634	1,211,838,320	65.4%	640,441,314	167,865,254	381.5%
2009	1,939,172,047	1,177,810,068	60.7%	761,361,979	176,915,399	430.4%
2010 ²	2,036,679,763	1,151,595,245	56.5%	885,084,518	174,485,734	507.3%

¹ Assets are at a 5-year smoothed market value.

² Change in actuarial assumptions.

³ Change in benefits.

⁴ Payroll is annualized based on actual payroll paid to active members in pay period 26.



The table and graph above illustrate the growth of the unfunded liability over the last ten years. The unfunded AAL (UAAL) as a percentage of active member payroll, the last column of the table above, provides a helpful index which shows the smaller the ratio, the stronger the Fund. Observation of the trend of this index will give an indication of whether the Fund is becoming financially stronger or weaker.

ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST

The prioritized solvency test is another means of checking a system’s progress under its funding program. It shows the percentage of future benefit promises that are covered by the current Actuarial Value of Assets. In a short-term solvency test the plan’s present assets (cash and investments) are compared with actuarial accrued liabilities classified into the following categories:

1. liability for active member contributions on deposit;
2. liability for future benefits to present retired lives; and
3. liability for the employer financed portion of service already rendered by active members.

If a system has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (i.e the present value of liability 1) and the liabilities for future benefits to present retired lives (i.e. the present value of liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for the employer financed portion of benefits for present active members (i.e the present value of liability 3) will normally be partially covered by the remainder of present assets. In addition, if a system has been using a level cost financing, the funded portion of the present value of liability 3 will increase over time. The Fund has not received employer contributions according to level cost financing, but rather has been financed according to statutes.

Valuation Date 12/31	Aggregate Accrued Liabilities for			Actuarial Asset Values ^a	Portion (%) of Accrued Liabilities Covered by Assets		
	(1) Active & Inactive Member Contributions	(2) Retirees and Beneficiaries	(3) Active & Inactive Members (ER financed portion) ^a		(1)	(2)	(3)
2001 ^b	\$146,917,082	\$760,159,510	\$439,146,473	\$1,155,825,153	100	100	57
2002 ^{b,c}	151,994,419	849,968,869	468,975,699	1,136,907,158	100	100	29
2003 ^c	157,910,357	886,174,665	473,783,665	1,146,520,634	100	100	22
2004	163,674,928	929,904,220	484,787,360	1,161,778,511	100	100	14
2005	170,744,447	988,212,377	495,231,558	1,171,844,612	100	100	3
2006 ^c	176,844,639	1,075,659,908	472,200,652	1,209,601,736	100	96	-
2007	181,077,729	1,139,967,612	474,131,326	1,256,889,942	100	94	-
2008 ^c	190,017,921	1,176,701,786	485,559,927	1,211,838,320	100	87	-
2009	202,119,201	1,200,102,267	536,950,579	1,177,810,068	100	81	-
2010 ^c	206,933,701	1,313,366,530	516,379,532	1,151,595,245	100	72	-

^a Assets are at a 5-year smoothed market value. Investment income in excess or shortfall of the assumed 7.75% rate on fair value is smoothed over a 5-year period with 20% of a year’s excess or shortfall being recognized each year beginning with the current year.

^b Change in benefits.

^c Change in actuarial assumptions.

HISTORY OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM BENEFIT PAYROLL

Employee Annuitants (Male and Female)

Year	Added to Payroll		Removed from Payroll		Year-End Payroll		Average Annuity Benefits	Increase to Avg Benefits
	No.	Annuity Benefits ^{1,2}	No.	Annuity Benefits	No.	Annuity Benefits ³		
2001	62	\$4,760,736 ⁴	64	\$1,702,318	1,452	\$53,494,244	\$36,842	6.2
2002	103	6,849,206	66	1,773,760	1,489	58,569,690	39,335	6.8
2003	82	6,076,460	76	1,908,130	1,495	62,738,020	41,965	6.7
2004	76	5,740,322	51	1,507,600	1,520	66,970,742	44,060	5.0
2005	75	6,198,085	58	1,550,675	1,537	71,618,152	46,596	5.8
2006	82	6,591,661	46	1,558,184	1,573	76,651,629	48,730	4.6
2007	93	7,256,123	66	2,365,702	1,600	81,542,050	50,964	4.6
2008	63	5,558,865	58	2,202,686	1,605	84,898,229	52,896	3.8
2009	47	4,893,827	56	1,954,139	1,596	87,837,917	55,036	8.0
2010	72	6,730,274	65	2,721,715	1,603	91,846,476	57,297	4.1

Surviving Spouse Annuitants (Male and Female)

Year	Added to Payroll		Removed from Payroll		Year-End Payroll		Average Annuity Benefits	Increase to Avg Benefits
	No.	Annuity Benefits ¹	No.	Annuity Benefits	No.	Annuity Benefits ³		
2001	48	\$1,854,401 ⁵	50	\$430,642	689	\$9,801,589	\$14,226	17.3
2002	41	1,266,454	51	591,335	679	10,476,708	15,430	8.5
2003	46	1,533,787	34	353,554	691	11,656,941	16,870	9.3
2004	27	968,530	41	493,286	677	12,132,185	17,921	6.2
2005	32	1,140,791	51	701,298	658	12,571,678	19,106	6.6
2006	28	1,087,341	27	330,415	659	13,328,604	20,225	5.9
2007	35	1,471,837	40	508,665	654	14,291,776	21,853	8.0
2008	34	1,619,387	41	783,014	647	15,128,149	23,382	7.0
2009	29	1,469,060	38	534,504	638	16,062,705	25,177	7.7
2010	28	1,433,075	34	602,769	632	16,893,011	26,729	6.2

¹ Includes 3% annual Cost of Living Adjustments (COLAs) for employee annuitants and (since 1993) for surviving spouse annuitants.

² Beginning in 2001, benefit includes COLA's for reciprocal retirees eligible for alternative formula.

³ End of year payroll represents twelve times the December 31st payable annuities, until 2008 when it represents twelve times the December 1st paid annuities.

⁴ Includes increase in minimum retiree annuities.

⁵ Includes minimum spouse annuity increase to \$500-\$750 range, or 50% of annuitant's benefit at time of death.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Year End</u>	<u>Members in Service</u>	<u>% Change</u>	<u>Annual Payroll¹</u>	<u>% Change</u>	<u>Average Salary</u>	<u>% Change</u>	<u>Actuarial Salary % Increase</u>	<u>CPI Chicago²</u>
2001	2,137	2.5 %	136,382,287	7.4 %	63,820	4.8 %	5.5 %	2.6 %
2002	2,067	(3.3)	137,679,573	1.0	66,608	4.4	5.5	1.6
2003	2,060	(0.3)	142,593,596	3.6	69,220	3.9	5.5	1.8
2004	2,051	(0.4)	146,360,302	2.6	71,360	3.1	5.5	2.2
2005	2,025	(1.3)	149,246,356	2.0	73,702	3.3	5.5	3.0
2006	1,995	(1.5)	152,767,396	2.4	76,575	3.9	5.5	2.1
2007	2,002	0.4	158,831,772	4.0	79,337	3.6	5.0	3.3
2008	2,052	2.5	167,865,254	5.7	81,806	3.1	5.0	3.8
2009	2,082	1.5	176,915,399	5.4	84,974	3.9	5.0	(1.2)
2010	2,024	(2.8)	174,485,734	(1.4)	86,208	1.5	5.0	1.4
10 year average change:		(0.3) %		3.3 %		3.5 %	5.3 %	2.1 %

¹ Payroll is annualized based on actual payroll paid to active members in pay period 26

² Represents average annual change in Consumer Price Index for Chicago per the U.S. Bureau of Labor Statistics, CPI-U for all urban consumers

HISTORY OF RECOMMENDED EMPLOYER MULTIPLES AND TAXES LEVIED

<u>Year of Tax Levy</u>	<u>Statutory Multiple</u>	<u>Recommended Employer Multiple³</u>	<u>Total Gross Tax Levy</u>
2001 ¹	2.19	2.68	\$31,182,000
2002	2.19	2.92	31,388,000
2003 ²	2.19	2.89	31,821,000
2004	2.19	3.64	35,715,000
2005	2.19	3.76	29,837,000
2006	2.19	3.40	31,701,000
2007	2.19	4.40	30,312,000
2008	2.19	3.48	31,314,000
2009	2.19	3.68	32,640,000
2010	2.19	4.19	32,307,000
2011 ¹	2.19	4.42	34,362,000

¹ Change in actuarial assumptions.

² Change in benefits.

³ The Recommended Employer Multiple for a given year is calculated by the Fund's actuary and reported in the prior year's Actuarial Valuation Report. It represents the multiple needed to fund normal cost; e.g. for the year beginning 1/1/11 the recommended multiple (4.42) was approximately double the statutory multiple (2.19) which determines the actual funding for the year.

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

Membership Information:

Participant Statistics

Employee Age and Service Distribution (with graph)

Annuitant and Beneficiary Information:

History of Beneficiaries by Type of Benefit

Schedule of Annuitants by Type of Benefit

History of Annuity Payments

Annuitants Classified by Age and Gender (with graph)

History of Average Annuities at Retirement

Schedule of Average Benefit Payments at Retirement

Financial Information (last ten years):

Additions by Source and Deductions by Type

Employee and Employer Contributions

Benefit Expenses by Type

Comparative Statement of Changes in Plan Net Assets

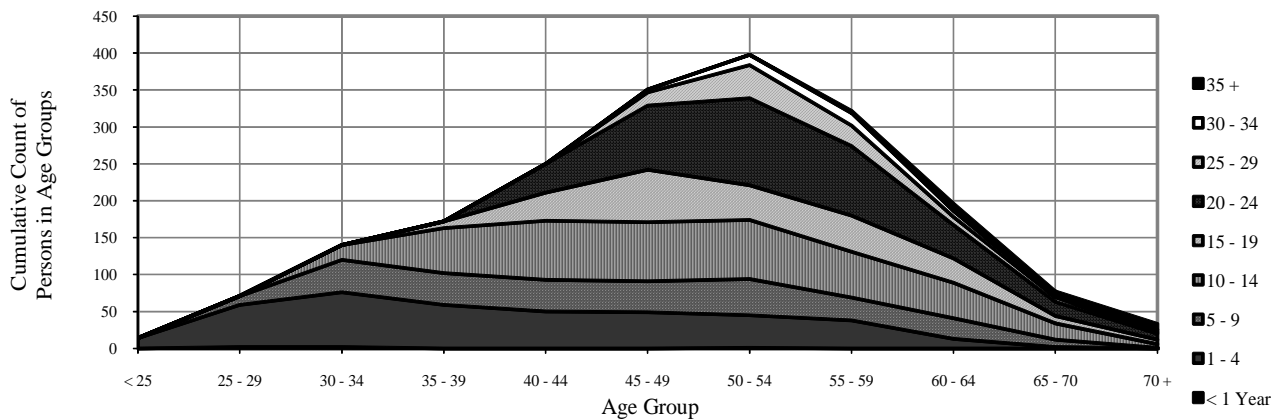
PARTICIPANT STATISTICS

Year 2010

Changes in Active Participants	Number at Beginning of Year	Additions	Decreases	Number at Year End
Male	1,513	35	80	1,468
Female	569	19	32	556
Total	2,082	54	112	2,024
Changes in Annuitants and Beneficiaries				
Employee Annuitants	1,596	72	65	1,603
Spouse Annuitants	638	28	34	632
Child Annuities	18	5	10	13
Total	2,252	105	109	2,248
Percentage of Active Participants to Annuitants and Beneficiaries	92.45%			90.04%

The above schedule provides details about the changes in the number and gender of active participants, as well as the changes in the number and type of annuitants for the year. A percentage of active participants to annuitants less than 100% indicates that there are more retirees/payees than working members of the Fund.

**EMPLOYEE AGE AND SERVICE DISTRIBUTION
2010 AVERAGE SALARIES BY AGE AND SERVICE GROUPING**



**Distribution of the Number of Active Members and their Average Salaries
(Male and Female Combined)**

AGE	YEARS OF SERVICE									Total
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	
< 25		14								14
		\$54,406								\$54,406
25-29	2	57	12							71
	\$60,648	\$66,616	\$74,805							\$67,832
30-34	2	74	44	20						140
	\$55,822	\$70,020	\$80,125	\$82,300						\$74,747
35-39		59	43	61	9					172
		\$72,126	\$84,416	\$90,666	\$116,720					\$84,107
40-44		50	43	80	38	39				250
		\$69,206	\$75,639	\$88,284	\$90,457	\$97,142				\$84,006
45-49		49	42	80	71	87	18	4		351
		\$73,240	\$81,207	\$86,092	\$100,378	\$96,447	\$106,817	\$85,509		\$90,226
50-54	1	44	49	80	47	118	45	14		398
	\$68,177	\$68,358	\$77,481	\$89,655	\$91,796	\$102,004	\$101,587	\$93,086		\$91,132
55-59		38	31	62	49	94	28	17	3	322
		\$68,134	\$81,023	\$85,849	\$90,096	\$94,870	\$98,469	\$90,051	\$111,287	\$88,130
60-64		13	28	48	33	45	11	8	10	196
		\$68,471	\$77,962	\$86,952	\$83,525	\$87,597	\$81,718	\$114,171	\$96,273	\$85,306
65-69		2	10	22	10	19	6	3	5	77
		\$64,856	\$80,829	\$81,637	\$93,531	\$93,505	\$79,581	\$74,459	\$119,721	\$87,602
70 +			1	5	6	8	2	3	8	33
			\$51,584	\$72,947	\$88,498	\$94,366	\$62,244	\$66,328	\$145,888	\$96,752
Total										
Number	5	400	303	458	263	410	110	49	26	2,024
Average Salary	\$60,223	\$69,154	\$79,430	\$87,241	\$93,408	\$96,603	\$97,747	\$92,078	\$117,781	\$86,208

The above table provides detail about the number of active members categorized in 5-year bands of age and years of service. The above chart illustrates that by age, the largest segment of active members is 50-54 years of age, with 20-24 years of service, and average salary of \$102,004. By years of service, the largest segment of active members has 10-14 years of service with average salary in this band of \$87,241.

**SCHEDULE OF ANNUITANTS BY TYPE OF BENEFIT
as of December 31, 2010**

Amount of Monthly Benefit	Number of Beneficiaries	Type of Benefit *					
		Retirees		Survivors			Children
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
\$1 - \$500	116	47	2	37	18	1	11
501 - 1,000	200	48	4	92	54	0	2
1,001 - 2,000	281	123	0	113	45	0	0
2,001 - 3,000	277	171	0	82	24	0	0
3,001 - 4,000	324	254	0	54	16	0	0
4,001 - 5,000	363	310	0	43	10	0	0
5,001 - 6,000	232	216	0	13	3	0	0
6,001 - 7,000	169	159	0	9	1	0	0
7,001 - 8,000	112	102	0	7	3	0	0
8,001 - 9,000	64	60	0	3	1	0	0
9,001 - 10,000	25	25	0	0	0	0	0
over - 10,000	85	82	0	3	0	0	0
Totals	2,248	1,597	6	456	175	1	13

* Type of Benefit

- | | |
|--|--|
| 1. Normal Retirement for Age and Service | 4. Survivor Benefit - Death in Service |
| 2. Disability Annuity | 5. Survivor Benefit – Fixed Term Annuity |
| 3. Survivor Benefit - Normal | 6. Children |

The above schedule provides detail about the number, amount, and type of monthly benefits paid by the Fund in the current year.

**HISTORY OF BENEFICIARIES BY TYPE OF BENEFIT
at Year End**

Year	Employee Annuitants ¹	Spouse Annuitants ^{1,2}	Child Annuitants	Total Annuitants	Ordinary Disability	Duty Disability
2001	1,452	689	9	2,150	32	19
2002	1,489	679	7	2,175	22	20
2003	1,495	691	7	2,193	31	20
2004	1,520	677	9	2,206	28	21
2005	1,537	658	20	2,215	32	32
2006	1,573	659	16	2,248	35	31
2007	1,600	654	22	2,276	29	33
2008	1,605	647	20	2,272	19	28
2009	1,596	638	18	2,252	17	23
2010	1,603	632	13	2,248	20	23

¹ Includes reciprocal annuitants.

² Includes reversionary annuitants.

The above schedule provides historical perspective about the number and types of beneficiaries paid by the Fund in the last pay period of the year.

**HISTORY OF ANNUITY PAYMENTS
at Year End**

Year	Employee Annuitants (Male and Female)		Spouse Annuitants (Male and Female)	
	Number of Annuitants	Annuity Payments ¹	Number of Annuitants	Annuity Payments ¹
2001	1,452	\$ 53,494,244	689	\$ 9,801,589
2002	1,489	58,569,690	679	10,476,708
2003	1,495	62,738,020	691	11,656,941
2004	1,520	66,970,742	677	12,132,185
2005	1,537	71,618,152	658	12,571,678
2006	1,573	76,651,629	659	13,328,604
2007	1,600	81,542,050	654	14,291,776
2008	1,605	84,898,229	647	15,128,149
2009	1,596	87,837,917	638	16,062,705
2010	1,603	91,846,476	632	16,893,011

¹ Payments are annualized, computed as twelve times the December 1st annuity payment.

The above schedule provides historical perspective about the number, type, and annual amount of annuity payments made by the Fund.

**ANNUITANTS CLASSIFIED BY AGE AND GENDER
as of December 31, 2010**

Retirement Annuities

Age	Number of Males	Annual Payments	Average Annual Payments	Number of Females	Annual Payments	Average Annual Payments
under 45	1	\$ 3,979	\$ 3,979	0	\$ -	\$ -
45 - 49	0	-	-	1	6,726	6,726
50 - 54	32	1,886,043	58,939	5	330,402	66,080
55 - 59	83	5,884,325	70,895	19	1,231,602	64,821
60 - 64	253	18,843,359	74,480	77	3,725,096	48,378
65 - 69	270	17,199,865	63,703	56	2,431,285	43,416
70 - 74	207	12,385,105	59,831	54	1,784,220	33,041
75 - 79	198	10,916,457	55,134	44	1,675,587	38,082
80 - 84	144	7,762,212	53,904	21	687,131	32,721
85 - 89	80	3,408,449	42,606	10	262,423	26,242
90 & up	42	1,328,369	31,628	6	93,841	15,640
Total	1,310	\$ 79,618,163	# \$ 60,777	293	\$ 12,228,313	\$ 41,735
Average Age	71.0			69.5		

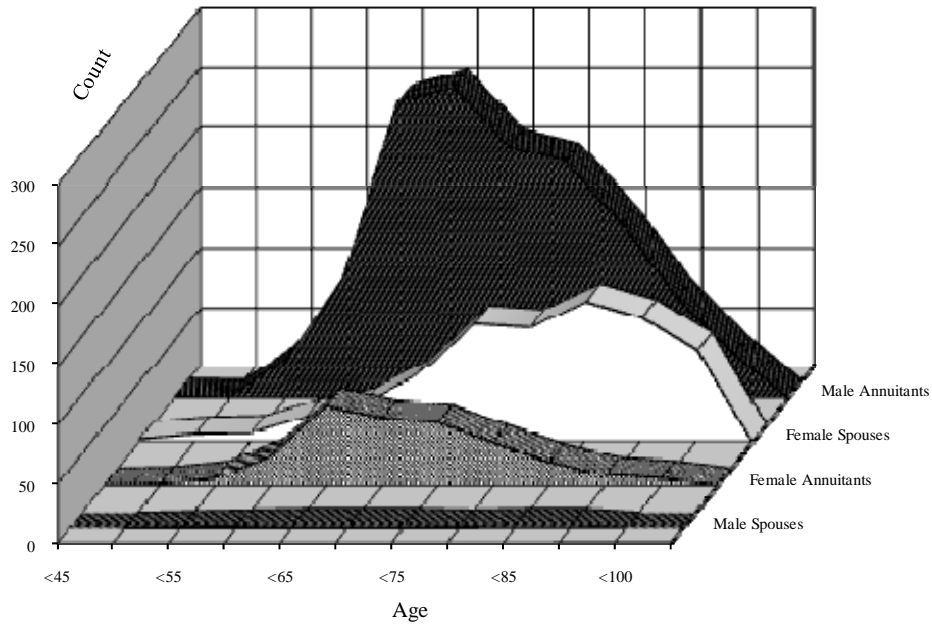
Spouse Annuities

Age	Number of Males	Annual Payments	Average Annual Payments	Number of Females	Annual Payments	Average Annual Payments
under 45	1	\$ 18,373	\$ 18,373	1	\$ 28,980	\$ 28,980
45 - 49	0	-	-	3	33,772	11,257
50 - 54	1	29,566	29,566	8	238,285	29,786
55 - 59	2	23,468	11,734	19	887,250	46,697
60 - 64	3	112,188	37,396	34	1,170,380	34,423
65 - 69	3	80,950	26,983	62	2,188,378	35,296
70 - 74	4	113,490	28,373	76	2,542,761	33,457
75 - 79	2	44,765	22,383	103	3,387,526	32,889
80 - 84	2	32,398	16,199	120	3,019,068	25,159
85 - 89	3	49,616	16,539	107	1,769,753	16,540
90 & up	-	-	-	78	1,122,044	14,385
Total	21	\$ 504,814	\$ 24,039	611	\$ 16,388,197	\$ 26,822
Average Age	70.3			78.2		

The above schedules provide detail about the age, gender and average annual amounts paid to annuitants by the Fund in the current year. The age and gender information above is graphically represented on the following page.

ANNUITANTS BY AGE AND GENDER

(Reflects the information on the previous page)



HISTORY OF AVERAGE ANNUITIES AT RETIREMENT

<u>Retirement Year</u>	<u>Number of Retirees</u>	<u>Average Retirement Age</u>	<u>Average Years of MWRDGC Service</u>	<u>Average Monthly Annuity</u>
2001	62	59.5	25.49	4,256
2002	103	58.3	24.15	4,276
2003	82	57.9	26.82	4,452
2004	76	58.8	23.41	4,256
2005	75	59.2	24.94	4,690
2006	83	60.0	25.31	4,411
2007	93	59.7	25.13	4,506
2008	63	60.8	21.99	4,207
2009	47	59.2	23.16	4,353
2010	72	61.4	25.49	4,959

The above schedule provides summary information about the changes in the number, age, service and monthly pension benefit of the Fund’s retirees from year to year.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS AT RETIREMENT¹

	Years of Credited Service							Total
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 1/1/01 to 12/31/01								
Average Pension	-	-	\$1,784	\$3,307	\$3,158	\$4,815	\$5,689	\$4,256
Average Final Average Salary	-	-	\$4,779	\$5,171	\$5,199	\$6,284	\$7,137	\$6,046
Number of Retired Members	-	-	8	3	12	23	16	62
Period 1/1/02 to 12/31/02								
Average Pension	\$218	\$91	\$1,816	\$2,624	\$3,418	\$5,032	\$5,929	\$4,191
Average Final Average Salary	\$4,058	\$2,200	\$5,039	\$5,099	\$5,680	\$6,704	\$7,426	\$6,255
Number of Retired Members	3	1	14	10	15	31	29	103
Period 1/1/03 to 12/31/03								
Average Pension	\$162	\$485	\$2,008	\$2,711	\$3,452	\$4,749	\$5,942	\$4,456
Average Final Average Salary	\$4,819	\$4,134	\$5,297	\$5,432	\$5,351	\$6,026	\$7,459	\$6,235
Number of Retired Members	1	1	4	9	13	28	26	82
Period 1/1/04 to 12/31/04								
Average Pension	\$268	\$857	\$2,322	\$2,079	\$3,491	\$5,505	\$6,342	\$4,231
Average Final Average Salary	\$5,715	\$5,853	\$5,610	\$4,879	\$5,692	\$7,353	\$7,967	\$6,807
Number of Retired Members	8	5	7	2	10	23	21	76
Period 1/1/05 to 12/31/05								
Average Pension	-	\$911	\$1,551	\$2,459	\$3,667	\$5,665	\$6,874	\$4,690
Average Final Average Salary	-	\$5,161	\$5,525	\$5,490	\$5,511	\$7,386	\$8,655	\$6,967
Number of Retired Members	-	5	6	10	9	24	21	75
Period 1/1/06 to 12/31/06								
Average Pension	-	\$1,548	\$2,167	\$2,764	\$4,114	\$5,728	\$5,697	\$4,437
Average Final Average Salary	-	\$9,521	\$5,766	\$5,560	\$6,702	\$7,699	\$7,179	\$6,773
Number of Retired Members	-	1	8	20	9	23	22	83
Period 1/1/07 to 12/31/07								
Average Pension	\$643	\$1,181	\$2,303	\$2,955	\$4,594	\$5,267	\$5,793	\$4,574
Average Final Average Salary	\$4,989	\$7,666	\$6,579	\$5,913	\$7,276	\$7,006	\$7,311	\$6,890
Number of Retired Members	1	1	7	16	15	30	23	93
Period 1/1/08 to 12/31/08								
Average Pension	\$322	\$753	\$1,518	\$3,715	\$4,282	\$6,166	\$6,122	\$4,133
Average Final Average Salary	\$6,382	\$5,521	\$5,570	\$7,646	\$6,896	\$8,113	\$7,652	\$7,097
Number of Retired Members	3	4	9	9	13	13	12	63
Period 1/1/09 to 12/31/09								
Average Pension	\$374	\$978	\$2,002	\$2,693	\$4,245	\$5,957	\$5,678	\$4,154
Average Final Average Salary	\$5,000	\$5,772	\$6,453	\$5,827	\$7,400	\$7,915	\$7,242	\$6,972
Number of Retired Members	2	6	2	6	8	14	9	47
Period 1/1/10 to 12/31/10								
Average Pension	-	\$789	\$1,703	\$2,995	\$3,704	\$5,650	\$7,822	\$4,946
Average Final Average Salary	-	\$5,124	\$5,671	\$6,793	\$6,718	\$7,941	\$9,883	\$7,780
Number of Retired Members	-	2	11	7	16	12	24	72

¹Average Monthly Benefit amount is rounded to the nearest dollar and does not include Survivor Annuities.
Years of Credited Service does not include Reciprocal Service.

The above schedule provides historical perspective and detail about average initial pensions for retirees categorized by years of service.

ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE

Last Ten Years

(in Thousands of Dollars)

ADDITIONS BY SOURCE

Year Ending December 31	Employee Contributions	Employer Contributions	as a % of Covered Payroll	Investment Income ^{1,2,3}	Total Additions
2001	\$14,986	\$28,250	20.6	(\$15,326)	\$27,910
2002	16,308	28,663	20.8	(69,627)	(24,656)
2003	14,230	28,779	20.2	171,023	214,032
2004	15,151	30,982	21.2	96,906	143,039
2005	14,468	26,175	17.5	53,781	94,424
2006	14,955	34,476	22.5	106,515	155,946
2007	15,627	27,947	17.6	62,671	106,246
2008	14,778	33,407	19.9	(299,142)	(250,957)
2009	15,690	32,154	18.2	194,076	241,920
2010	15,872	29,918	16.9	142,915	188,705

DEDUCTIONS BY TYPE

Year Ending December 31	Benefits	Refunds	Administrative Expenses	Total Deductions	CHANGE IN NET ASSETS
2001	\$62,542	\$702	\$1,141	\$64,385	(\$36,475)
2002	67,574	952	1,166	69,692	(94,348)
2003	73,231	1,042	1,149	75,422	138,610
2004	78,113	1,321	1,243	80,677	62,362
2005	83,293	1,288	1,298	85,879	8,545
2006	89,079	1,411	1,472	91,962	63,984
2007	94,846	1,164	1,465	97,475	8,771
2008	100,069	965	1,280	102,314	(353,271)
2009	103,404	1,175	1,319	105,898	136,022
2010	108,219	1,380	1,277	110,876	77,829

¹ Net of investment expenses.

² Includes miscellaneous income.

³ Includes securities lending income.

The schedules above provide historical detail about additions and deductions, and perspective about the Fund's progress in accumulating assets to pay benefits when due.

EMPLOYEE AND EMPLOYER CONTRIBUTIONS**Last Ten Years****(in Thousands of Dollars)****EMPLOYEE CONTRIBUTIONS**

Year	Regular Contributions ¹	Optional Contributions	Early Retirement Contributions (ERC)	Prior Service Payments ²	Alternative Plan ³	Totals ⁴
2001	\$12,051	\$2,713	\$177	\$36	\$9	\$14,986
2002	12,451	3,216	456	177	8	16,308
2003	12,620	1,167	129	298	16	14,230
2004	13,358	1,243	-	539	11	15,151
2005	13,148	1,154	-	155	11	14,468
2006	13,412	1,209	13	288	33	14,955
2007	13,803	1,281	-	528	16	15,628
2008	14,519	49	-	194	16	14,778
2009	15,413	-	-	261	16	15,690
2010	15,581	-	-	276	15	15,872

EMPLOYER CONTRIBUTIONS

Year	Regular Contributions ⁵	Early Retirement Contributions (ERC)	Totals	ARC ⁶	Deficiency ⁷
2001	\$27,257	\$993	\$28,250	28,553	(303)
2002	26,627	2,036	28,663	33,415	(4,752)
2003	28,187	592	28,779	38,039	(9,260)
2004	30,982	-	30,982	40,146	(9,164)
2005	26,175	-	26,175	43,165	(16,990)
2006	34,438	38	34,476	47,369	(12,893)
2007	27,947	-	27,947	47,090	(19,143)
2008	33,407	-	33,407	49,758	(16,351)
2009	32,154	-	32,154	54,790	(22,636)
2010	29,918	-	29,918	61,873	(31,955)

¹ Include Employee contributions towards employee and surviving spouse annuities, and cost of living increases.² Prior Service Payments include Leave of Absence, Refund Repayment and Military Service.³ Contributions to the elected Commissioners' Alternative Plan.⁴ Tax levy based on two years prior employee contributions.⁵ Includes Commissioner transfer of employer contributions.⁶ Annual Required Contribution calculated by actuary as necessary for actuarial funding.⁷ Represents amount by which actual statutory employer contributions fall short of the ARC.

The schedules above provide historical financial information and detail about the types of contributions received by the Fund.

BENEFIT EXPENSES BY TYPE (in Thousands of Dollars)

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u>	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>	<u>Total Benefits</u>
2001	\$52,613	\$9,044	\$44	\$714	\$127	\$62,542
2002	58,570	10,477	48	630	143	69,868
2003	61,194	11,164	46	722	106	73,232
2004	65,198	11,920	43	810	142	78,113
2005	69,740	12,302	80	992	179	83,293
2006	74,887	12,905	105	988	194	89,079
2007	79,417	13,961	126	1,100	242	94,846
2008	83,948	14,934	123	846	218	100,069
2009	86,582	15,690	120	745	268	103,405
2010	90,447	16,613	104	813	242	108,219

PERCENT OF TOTAL BENEFITS

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u>	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>
2001	84.12 %	14.46 %	0.07 %	1.14 %	0.21 %
2002	83.83	15.00	0.07	0.90	0.20
2003	83.56	15.24	0.06	0.99	0.15
2004	83.47	15.26	0.06	1.04	0.17
2005	83.73	14.77	0.10	1.19	0.21
2006	84.07	14.49	0.12	1.11	0.21
2007	83.73	14.72	0.13	1.16	0.26
2008	83.89	14.92	0.12	0.85	0.22
2009	83.73	15.17	0.12	0.72	0.26
2010	83.58	15.35	0.10	0.75	0.22

PERCENT CHANGE FROM YEAR TO YEAR

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u>	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>	<u>Total Benefits</u>
2001	6.30 %	10.43 %	-6.38 %	-6.79 %	-25.73 %	6.61 %
2002	11.32	15.84	9.09	-11.76	12.60	11.71
2003	4.48	6.56	-4.17	14.60	-25.87	4.81
2004	6.54	6.77	-6.52	12.19	33.96	6.67
2005	6.97	3.20	86.05 ¹	22.47	26.06	6.63
2006	7.38	4.90	31.25	-0.40	8.38	6.95
2007	6.05	8.18	20.00	11.34	24.74	6.47
2008	5.71	6.97	-2.38	-23.09	-9.92	5.51
2009	3.14	5.06	-2.44	-11.94	22.94	3.33
2010	4.46	5.88	-13.33	9.13	-9.70	4.66

¹ Beginning 2005, Child Annuities include children age 18-23 who are enrolled as a full time student.

The schedules above provide historical information about the types of benefits, the relative dollar amounts, as well as the total and relative growth or decline in the amount of benefits paid by the Fund.

Financial Information

Statistical Section

STATEMENT OF CHANGES IN PLAN NET ASSETS

Last 10 Years

Additions:	2010	2009	2008	2007	2006
Employer contributions	\$29,917,793	\$32,153,874	\$33,406,819	\$27,947,096	\$34,476,332
Employee contributions	15,872,560	15,690,322	14,778,404	15,627,673	14,955,252
Total contributions	45,790,353	47,844,196	48,185,223	43,574,769	49,431,584
Investment income					
Net appreciation (depreciation) in					
fair value of investments	136,082,191	187,518,451	(311,205,254)	51,318,416	95,848,706
Interest on fixed income investments	-	1,208,618	4,106,340	5,398,891	5,702,537
Interest on short-term investments	24,608	77,596	670,923	821,893	1,126,657
Dividend income	10,162,335	7,839,846	9,191,366	7,486,606	6,008,651
Total investment income (loss)	146,269,134	196,644,511	(297,236,625)	65,025,806	108,686,551
Less investment expenses	3,607,447	2,576,926	2,507,486	2,563,022	2,175,003
Investment income (loss) net of expenses	142,661,687	194,067,585	(299,744,111)	62,462,784	106,511,548
Security lending activities					
Securities lending income	90,389	-	3,691,075	1,860,212	-
Borrower rebates	181,683	-	(2,912,737)	(1,654,778)	-
Bank fees	(53,512)	-	(194,845)	(51,377)	-
Net income from securities lending	218,560	-	583,493	154,057	-
Other	34,214	8,379	18,089	54,884	2,609
Total additions	188,704,814	241,920,160	(250,957,306)	106,246,494	155,945,741
Deductions:					
Annuities and benefits					
Employee annuitants	90,446,956	86,581,378	83,948,187	79,416,735	74,886,513
Surviving spouse annuitants	16,613,378	15,689,413	14,934,213	13,960,889	12,905,070
Child annuitants	103,505	120,290	122,652	126,256	104,833
Ordinary disability benefits	813,505	745,363	846,201	1,099,784	988,331
Duty disability benefits	241,842	268,086	217,496	242,357	194,342
Total annuities and benefits	108,219,186	103,404,530	100,068,749	94,846,021	89,079,089
Refunds of employee contributions	1,380,310	1,174,864	964,846	1,164,218	1,410,954
Administrative expenses	1,276,511	1,318,710	1,280,321	1,464,635	1,471,957
Total deductions	110,876,007	105,898,104	102,313,916	97,474,874	91,962,000
Net increase (decrease)	77,828,807	136,022,056	(353,271,222)	8,771,620	63,983,741
Net assets held in trust for pension benefits					
Beginning of year	1,014,819,248	878,797,192	1,232,068,414	1,223,296,794	1,159,313,053
End of year	\$1,092,648,055	\$1,014,819,248	\$878,797,192	\$1,232,068,414	\$1,223,296,794

Financial Information

Statistical Section

STATEMENT OF CHANGES IN PLAN NET ASSETS (Continued)

Last 10 Years

<u>Additions:</u>	2005	2004	2003	2002	2001
Employer contributions	\$26,174,492	\$30,982,232	\$28,778,648	\$28,662,510	\$28,249,866
Employee contributions	14,468,188	15,150,846	14,230,224	16,308,414	14,986,546
Total contributions	<u>40,642,680</u>	<u>46,133,078</u>	<u>43,008,872</u>	<u>44,970,924</u>	<u>43,236,412</u>
Investment income					
Net appreciation (depreciation) in fair value of investments	43,439,028	85,939,679	152,818,124	(94,520,176)	(43,681,605)
Interest on fixed income investments	6,215,281	7,161,800	13,251,196	18,805,575	23,144,345
Interest on short-term investments	713,626	195,788	152,189	380,345	711,549
Dividend income	5,491,961	5,598,181	6,526,899	7,241,984	6,202,878
Total investment income (loss)	<u>55,859,896</u>	<u>98,895,448</u>	<u>172,748,408</u>	<u>(68,092,272)</u>	<u>(13,622,833)</u>
Less investment expenses	2,083,143	1,993,289	1,736,233	1,535,679	1,592,038
Investment income (loss) net of expenses	<u>53,776,753</u>	<u>96,902,159</u>	<u>171,012,175</u>	<u>(69,627,951)</u>	<u>(15,214,871)</u>
Security lending activities					
Securities lending income	-	-	-	-	-
Borrower rebates	-	-	-	-	-
Bank fees	-	-	-	-	-
Net income from securities lending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other	4,526	3,945	11,202	1,226	(111,451)
Total additions	<u>94,423,959</u>	<u>143,039,182</u>	<u>214,032,249</u>	<u>(24,655,801)</u>	<u>27,910,090</u>
<u>Deductions:</u>					
Annuities and benefits					
Employee annuitants	69,740,703	65,198,315	61,193,860	56,544,358	52,612,736
Surviving spouse annuitants	12,301,743	11,919,713	11,164,164	10,208,710	9,044,363
Child annuitants	79,801	43,338	45,503	47,907	44,228
Ordinary disability benefits	992,020	810,171	721,878	629,764	714,313
Duty disability benefits	178,802	141,722	105,822	143,514	126,516
Total annuities and benefits	<u>83,293,069</u>	<u>78,113,259</u>	<u>73,231,227</u>	<u>67,574,253</u>	<u>62,542,156</u>
Refunds of employee contributions	1,287,679	1,320,740	1,041,560	951,614	701,766
Administrative expenses	1,298,604	1,243,182	1,149,105	1,165,816	1,141,258
Total deductions	<u>85,879,352</u>	<u>80,677,181</u>	<u>75,421,892</u>	<u>69,691,683</u>	<u>64,385,180</u>
Net increase (decrease)	<u>8,544,607</u>	<u>62,362,001</u>	<u>138,610,357</u>	<u>(94,347,484)</u>	<u>(36,475,090)</u>
Net assets held in trust for pension benefits					
Beginning of year	<u>1,150,768,446</u>	<u>1,088,406,445</u>	<u>949,796,088</u>	<u>1,044,143,572</u>	<u>1,080,618,662</u>
End of year	<u>\$1,159,313,053</u>	<u>\$1,150,768,446</u>	<u>\$1,088,406,445</u>	<u>\$949,796,088</u>	<u>\$1,044,143,572</u>

THIS PAGE INTENTIONALLY LEFT BLANK

LEGISLATIVE CHANGES SECTION

Legislative Changes

1979 Session

- PA 81-0634 Disability benefits payable for alcoholism if the employee participates in a rehabilitation program.
- PA 81-0679 Reciprocal Act: changes proportionate pension credits under the "alternate" formula.
- PA 81-1187 Under IRS Code Section 414(h), employer may pick up the employee contributions for all compensation earned after December 31, 1980, by a reduction in the cash salary or an offset to a future salary increase or by a combination of both.

1980 Session

- PA 81-1536 Reversed all changes made by PA 81-1187 and put the pick up section as a new paragraph. They are treated as employee contributions for all purposes, including refunds; and determination of the tax levy.

1981 Spring Session

- PA 82-0690 Effective January 1, 1982, signed November 12, 1981.
Post-retirement increases from 2% to 3% for new retirements only.
Maximum spouse benefit from \$500 to \$600.
Disability benefits payable to age 70 in some cases.
Increase in employee pensions of \$25 per month.
Increase in spouse pension of \$25 per month or up to \$250.
Children's annuities to \$100 and \$140.
Reduction in spouse age discount.
Increase in tax multiple to 2.34 in 1984 and after.
- PA 82-0308 Authorizes investments in conventional mortgage pass-through securities.
- PA 82-0256 Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months; \$100 per day penalty if late.

1982 Spring Session

- PA 82-0960 Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant.
- PA 82-0768 Clarifies compulsory retirement age to 70 rather than 67.

1983 Spring Session

- PA 83-0827 Effective January 1, 1984, signed September 24, 1983.
2% benefit accrual formula.
Maximum spouse benefit from \$600 to \$800.
No reduction for spouse age difference.
Eliminates 30 day wait for refund.
Interest rate on refund repayments from 6% to 8%.
Eliminates second doctor's report for duty disability under certain conditions.
- PA 83-0861 Minimum reporting and actuarial information for 1984.
- PA 83-0869 10% prudent person investment category.
- PA 83-0970 Delegation of investment authority restrictions.

1984 Session No legislative changes

1985 Spring Session

PA 84-0733 Signed September 21, 1985.

Early Retirement Contribution (ERC) Plan: Elimination of age discount factor with one-time employee and employer contribution for those who retire after July 1, 1985 and before June 30, 1995.

Post-retirement annuity increases to begin upon the first anniversary of retirement for those who retire on or after July 1, 1985.

\$800 maximum on surviving spouse benefit removed.

Remarriage will terminate spouse annuity only for remarriage before July 1, 1985.

Optional term annuity if life annuity less than \$200.

1986 Spring Session

PA 84-1472 Changes the requirement from 10 years to 5 years for allowance after withdrawal while disabled.

Optional Plan of 3% contributions for 1% additional benefit per year of service. Provisions for payment of past service with interest. Provisions expire July 1, 1992. Such plan if elected by a member, would require a 3% of salary contribution (with interest for past service) and would produce an additional 1% per year of service benefit and would increase the employee annuity, post-retirement increase and spouse annuity. Additional optional benefits may not be established for more than 10 years of service. Membership in this plan is optional and as such, it is possible to delay election to just prior to retirement. The effective date of this optional plan is July 31, 1987 the date upon which approval was received from the Internal Revenue Service.

1987 Spring Session

PA 85-0964 Eligibility for retirement at age 50 instead of age 55.

No discount for age less than 60 with 30 or more years of service.

Accrual rate of 2.15% per year of service instead of 2%.

80% maximum benefit for future retirees instead of 75%.

Annuity based on 2 year final average salary instead of 4 year final average salary.

Ad hoc increases for present retiree, widow(er)'s and children.

Increase in employee contribution to 9%.

Decrease in the multiple to 2.19.

An alternative benefit for District Commissioners effective upon IRS approval (which was approved June 22, 1988).

1988 Session No legislative changes.

1989 Session

PA 86-0273 Signed August 24, 1989.

Average salary 104 consecutive weeks instead of 24 months.

Accrual rate of 2.2% of average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20.

Increase for surviving spouse of 3% of the amount of annuity on the date of employee's retirement or death in service.

Alternative annuity for commissioners age 60 with 6 years of service.

Widow(er)'s allowance of 60% plus 1% for each year of service of employee's annuity at the date of employee's death.

Ad hoc increases for widow(er)'s.

1990 Session

PA 86-0957 Amends Chapter 120, Paragraph 671 of the Revenue Act to provide for a separate listing on the tax bill of the dollar amount of tax due from the person assessed which is allocable to a tax levied under the Illinois Pension Code, or any other tax levied by a municipality or township for public pension or retirement purposes. Effective January 1, 1990.

PA 86-1488 Clarifies the date of 3% increase for surviving spouse.

Allows any City officer to transfer his MWRD service to the Municipal Fund.

1991 Session

PA 87-0794 Article 13 rewritten to preserve existing benefits, signed November 20, 1991.

Average salary 52 consecutive pay periods instead of 104 consecutive weeks.

Retirement annuity with 5 years service and age 60 instead of 10 years.

Early Retirement Contribution (ERC) Plan extended to June 30, 1997.

Age discount .5% for each full month employee is less than age 60 or each full month employee's service is less than 30 years, whichever is less.

Optional Plan extended to July 1, 1997.

Surviving spouse of employee who withdraws from service not eligible for annuity unless employee had 10 years of service.

Dissolution of marriage after retirement shall not divest spouse of an annuity if they had been married 10 years on the date of retirement.

For employee with Reciprocal service who retires on or after July 1, 1985 and dies after January 1, 1991 with 15 years in MWRD and service prior to September 5, 1975 spouse annuity shall be calculated as a percentage of total annuity minus amount payable by other fund as of date of death.

Surviving spouse annuity shall be discounted .25% for each full month the spouse is younger than the employee, with maximum 60%. The discount shall be reduced 10% for each full year the marriage was in effect as of the date of withdrawal or death in service.

Child annuity \$250 with one parent alive or \$350 when neither is alive.

1992 Session

PA 87-1265 Beginning January 1, 1993, all employee annuity increases are 3% compounded.
Beginning January 1, 1993, all non-term employee annuitants retiring at age 60 or older with at least 10 years of service get a \$500 minimum annuity.
Beginning January 1, 1993, all non-term, non-Reciprocal, non-Disability (Annuity) employees who qualify for an annuity will get a \$250 minimum annuity.
Employee may now purchase up to 15 years of optional service (previously 10 years).
Beginning January 1, 1993 all surviving spouse annuities are increased annually by 3% compounded if the employee had at least 10 years of service.
Starting January 1, 1993 all surviving spouse annuitants of non-term employee annuitants who retired at age 60 or older with at least 10 years of MWRD service get a \$500 minimum annuity.

1992 Session (continued)

Starting January 1, 1993 all surviving spouses of non-term, non-Reciprocal, non-Disability (Annuity) employee annuitants get a \$250 minimum annuity.
Alternative annuity for commissioners at age 55 (previously 60).
"No spouse" refunds include 3% interest (previously without interest).
Signed January 25, 1993.

1993 Session No legislative changes

1994 Session No legislative changes

1995 Session No legislative changes

1996 Session No legislative changes

1997 Session

PA 90-0012 Approved June 13, 1997.
Allows equity investments to be up to 50% of total investments.
Excludes future Civil Service Board members from participation in the retirement fund.
Raises eligibility for retirement for new entrants from age 50 to 55.
Extends the Early Retirement Contribution (ERC) Plan to December 31, 2002 for employees with at least 10 years of MWRD service and raises the age of eligibility for new employees to age 55.
Extends the Optional Plan to December 31, 2002 for employees in service on or before June 30, 1997, limits annual contributions, and allows contributions within 30 days of withdrawal. Any employees entering service after June 30, 1997, are not eligible to participate in this Plan.
Clarifies that a disability annuity is not payable if the employee is able to work.
For all employees hired after June 13, 1997, the early retirement discount requires at least 10 years of District service to be eligible to make the early retirement contribution even if they have 30 years total, including reciprocal service.
Bases calculation of contribution to eliminate the early retirement discount on the highest salary used in the benefit calculation and clarifies that the contribution will be based on a portion of years.

Legislative Changes Section

1997 Session (continued)

Clarifies that 3% annual compounded cost of living increases apply to employees and spouses whose annuities began under predecessor provisions of the statutes and provides annual cost of living increases to a small group of employees who retired before July, 1985 with at least 10 years of service who previously did not receive these increases.

Requires that new employees have at least 3 years of service before a surviving spouse benefit is payable, if employee dies in service or 10 years of service if employee withdraws before age 55; minimum service is required for a non-duty related death (no minimum service is required for a duty related death).

Subjects the minimum surviving spouse annuities to the discount for age differential and requires the marriage to have been in continuous effect for 10 years to eliminate the discount for the age differential.

Provides a child's annuity to children of former employees with at least 10 years of service and to children of retired annuitants. Increases the minimum service requirement of new employees from 2 to 3 years before a child's annuity would be payable.

Clarifies that the determination of the amount of a child's annuity is dependent on the life status of the child's parent and not the employee's surviving spouse.

Removes the age limitation for eligibility for duty and ordinary disability benefits and provides that disability for new employees will not be paid for the first 3 days of the disability payment period unless the disability continues for at least 11 more days.

Eliminates benefits for children of employees receiving duty disability benefit.

Allows payment of disability for up to 5 years if disability occurs at age 60 or later.

Clarifies that calculation of the benefit under the alternative annuity plan be based on the final average salary as a commissioner instead of salary at the time of termination of service.

Requires that new employees return to work for at least one year before becoming eligible to make contributions for a period of leave of absence.

Clarifies that a year of service credit for purposes other than an annuity is to be based on 26 pay periods in 12 consecutive months.

1998 Session No legislative changes

1999 Session No legislative changes

2000 Session

PA 91-0887 Signed July 6, 2000

Allows the Fund's Trustees to approve use of the actuarial table recommended by the actuarial consultant for purpose of calculating a reversionary annuity.

In cases where a Workers' Compensation claim is in dispute, clarifies that duty disability benefits are paid only for the period of disability determined by the Illinois Industrial Commission or acknowledged by the employer.

Ordinary and duty disability benefits are terminated if the employee does not provide the Fund with access to medical and/or employment records, or refuses to follow medical advice and treatment to enable the employee to return to work.

No interest is used when calculating retroactive duty disability benefits.

Allows lump-sum payments for optional credit on past service by commissioners electing the Alternative provision.

Refund repayments are calculated using a compound interest rate equal to 8% or the actuarial investment return assumption used in the most recent Annual Actuarial Statement, whichever is greater.

2001 Session

PA 92-0053 Signed July 12, 2001

Provides automatic annual increases of retirement annuities to commence on the first day of the month in which the first anniversary of the date of retirement occurs.

Provides a minimum retirement annuity equal to \$500 per month for an employee with at least 10 years of District service, plus \$25 per month for each year of service in excess of 10 years, to a maximum of \$750 per month.

Provides a minimum surviving spouse annuity equal to the greater of:

- a) \$500 per month for the surviving spouse of an employee with at least 10 years of District service, plus \$25 per month for each year of service in excess of 10 years, to a maximum of \$750 per month; or
- b) 50% of retirement annuity to of the deceased spouse at the time of death.

Provides an increase in a child's annuity to \$500 per month for 1 child and \$350 per month for each additional child if one parent is living. If neither parent is living, provides an increase in a child's annuity to \$1,000 per month for one child and \$500 for each additional child. In either case, the maximum benefit is \$2,500 per month for all children of the employee, to be divided equally among the children.

Allows equity investments to be up 65% of total investments.

2002 Spring Session

PA 92-0599 Signed June 28, 2002

Provides for early retirement without discount for any employee who retires on or after January 1, 2003 but on or before December 31, 2007 if the employee is at least age 50 but less than age 60 and has at least 10 years of service credit exclusive of any reciprocal service and the sum of his years of creditable service and his age equals at least 80.

Provides for a revised Optional plan of additional benefits and contributions for the period from January 1, 2003 to December 31, 2007. The rate of contributions is 4% of pensionable earnings. The additional benefit is 1% per year of Optional contributions. Participation is limited to employees with at least 10 years of creditable service with this Fund. The maximum additional benefit that may be accumulated under this plan,

2002 Spring Session

PA 92-0599, continued

including any additional benefit accumulated under a prior optional benefit plan, is 12%. Participation requires an irrevocable written election. Payment for service prior to the irrevocable election is limited to the same calendar year. The cost of payment to establish Optional credit before the election is 4% of the salary for the applicable period of service, plus interest from the date of service to the date of payment at the higher of 8% per year or the actuarial investment return assumption. The tax levy for Optional contributions is equal to the amount of Optional contributions.

2003 Spring Session

PA 93-0334 Signed July 24, 2003

Provides for active employees having at least ten years of MWRD service credit and meeting other requirements to purchase up to 2 years of active military credit toward their retirement annuity. The employees' contributions are to be calculated based upon the starting salary and are to include the employer's normal cost at the time of payment, plus regular interest of 3% per year compounded annually.

2004 Session No legislative changes

2005 Session

PA 94-0621 Signed August 18, 2005

For all new entrants, requires that disability annuitants have a minimum of five years of service exclusive of disability service to qualify for a benefit.

Provides for the minimum annuity as detailed in HB 478 for all employee and surviving annuitants regardless of whether an age discount applied to the employee's annuity calculation.

Clarifies surviving spouse annuity eligibility for the spouse of an employee who withdraws from service prior to the attainment of the minimum retirement age yet who has enough service to qualify for a future annuity. Changes make reference to a minimum retirement age, which varies dependent on start date, rather than a fixed age. Changes also provide for surviving spouse annuity eligibility for the spouse of a withdrawn employee who was eligible for an annuity at age 62 but died prior to annuity application.

Provides for calculation method for the surviving spouse annuity of a vested employee who separated from service before minimum retirement age and had not yet begun to receive an annuity.

Grants child annuities to children of deceased employees and former annuitants if the child is over age 18 but under age 23 and is a full time student.

Eliminates the three-day wait (for employees hired after June 13, 1997) for duty disability benefits that did not continue 11 additional days.

Provides ordinary disability benefits for employees hired after June 13, 1997 beginning the 31st day after the last day work provided all sick leave is exhausted.

Allows commissioner alternative contributions to be made pre-tax, pending IRS approval.

Provides an annuity for the surviving spouse of a commissioner who elects the commissioner's alternative plan from a fixed 66 2/3% of the commissioner's annuity at death to the greater of 66 2/3% or 60% plus 1% per year of service up to a maximum of 85% of the annuity earned by the commissioner on the date of death. The number

Legislative Changes Section

of years used to calculate the commissioner's annuity would also be used to calculate the annuity for the surviving spouse.

Changes refund eligibility to allow for a refund of contributions for a separated employee who was hired on or after June 13, 1997 who is between ages 50 and 55 with over 20 years of service.

Clarifies that interest paid on a refund to estate should be calculated through the date of withdrawal.

Allows for refunds to be repaid within 90 days of withdrawal.

Empowers the Board to assess and collect interest on amounts due the Fund using the current actuarial interest rate assumption.

2006 Session No legislative changes

2007 Session Signed August 17, 2007

PA 95-0279 Modifies child annuity eligibility requirements for adopted children. Removes the stipulation that proceedings to adopt the child must have begun at least one year prior to death.

PA 95-0521 Signed August 28, 2007

Requires the retirement system or pension fund to divest its assets with an Illinois finance entity if the entity does not annually certify that it complies with the requirements of the High Risk Home Loan Act.

PA 95-0586 Signed August 31, 2007

Effective January 1, 2008, the annuity effective date for employee and spouse annuities is the first of the month following retirement. Employee and spouse annuities are payable for the full month if the annuitant was alive on the first day of the month.

The \$10.00 per child monthly duty disability benefit was placed back into legislation for employees who were in service before June 13, 1997. This provision was inadvertently eliminated from the language at the time of the 1991 re-draft of 40 ILCS 5/13.

The contribution definition was revised to clarify that the 7 ½ % contribution for the employee's and child's annuity consisted of a 7% contribution for the retirement annuity and ½ % for the annual retiree cost of living increase.

The method of calculation of refunds after death was amended to clarify that the ½% allocated for the retiree cost of living was not included in a refund payable upon death. Further, to whom payment of a refund after death should be distributed was clarified. Payment is first made to a spouse, then to beneficiary as designated by the employee, and if there is no beneficiary form, then to the late employee's children in equal parts. If there is no spouse, then payment is made to the designated beneficiary.

If there is no spouse or designated beneficiary, then payment is made to any children of the deceased employee. If there is no spouse, designated beneficiary, or child then distribution is made to the heirs in accordance with the laws of descent and distribution in the State of Illinois.

The Retirement Fund Board of Trustees was granted authority to invest the Fund's reserves according to the Prudent-Person Rule. This rule requires a fiduciary (trustee) to discharge his/her duties with the care, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

2008 Session

- PA 95-0891 Signed August 22, 2008.
Amends the MWRDGC statutes, 70 ILCS 2605/5.9, to allow the MWRDGC to transfer interest income to the Retirement Fund.
- PA 95-0923 Signed August 26, 2008.
Adds two additional Trustees to the Retirement Fund Board, one appointed retiree and one elected active employee. The appointed retiree is recommended by the Board of Commissioners and approved by the Board Trustees of the Fund. Each of the three appointed trustees now serves a term of three years and each of the four elected active employees will now serve a term of four years. The term of one appointed and one elected trustee expires each year.

2009 Session

- PA 96-0006 Signed April 3, 2009.
Expands the Illinois Governmental Ethics Act (5 ILCS 420/4A-101) to require that pension board members annually file a statement of economic interest.
Expands the definition of “fiduciary” (40 ILCS 5/1-101.2) to include any person who, with respect to a pension fund or retirement system, “renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement system, or has any authority or responsibility to do so.” It also provides an expanded definition of “consultant” (40 ILCS 5/1-101.5)
Sets out specific goals, targets, and reporting requirements for the utilization of emerging investment managers by pension funds. Provides a definition of “emerging manager” as “a qualified investment advisor that manages an investment portfolio of at least \$10 million but less than \$10 billion and is a ‘minority owned business,’ ‘female owned business,’ or ‘business owned by a person with a disability’ as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.”
Imposes conflict-of-interest prohibitions that involve an investment transaction with an investment adviser when the pension board member, employee, consultant, or their spouse: (1) has a direct interest in the income gains, or profits of the investment advisor; or (2) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, or consultant (40 ILCS 5/1-110)

Makes several changes regarding the use of investment advisers and investment services (40 ILCS 5/1-113.14).
Requires that every retirement system and pension fund governed by the Illinois Pension Code is subject to the Illinois Open Meetings Act (40 ILCS 5/1-113.16). All retirement systems and pension funds, must maintain an official website, updated at least quarterly with information concerning the investment of funds.
Requires all board members to attend at least 8 hours of training per year on the topics of ethics, fiduciary duty and investments. Each pension board must annually certify that its members received the required training. The certification must be sent to the Division of Insurance of the Department of Financial and Professional Regulation (40 ILCS 5/1-113.18).
Expands the gift ban provisions to all of the pension systems (40 ILCS 5/1-125) and enumerates the number of allowable exemptions.

2009 Session, continued

PA 96-0251 Signed August 11, 2009.

Technical clarification regarding the effective date of a reversionary annuity. The benefit would begin on the first of the month following the death of the annuitant and would be payable for the full month if the reversionary annuitant was alive on the day of the month.

Increased child annuity benefits to an unmarried child under the age of 18 years (under the age of 23 years in the case of a full-time student) to \$500 per month for each child, up to a maximum of \$5,000 for all children of the employee if one parent is alive. The child's annuity shall be \$1,000 for each child, up to a maximum of \$5,000 if neither parent is alive. The effective date of the child's annuity benefit shall be the first of the month following the death of the employee or annuitant. The benefit would be payable for the full month if the annuitant was less than age 18 (or 23 if a full-time student) on the first of the month.

2010 Session

PA 96-0889 Signed April 14, 2010.

The provisions apply to a person who first becomes an employee and a participant of any retirement system in Illinois on or after January 1, 2011.

The major changes from the existing benefit structure are as follows:

- Vesting is increased to 10 years.
- Normal retirement age to receive full benefits is increased to 67.
- The age to receive a reduced (early retirement) benefit is increased to 62.
- The reduction for early retirement is one-half of one percent for each month a member's age is under 67.
- Increases in the number of months used to calculate the final rate of earnings to the highest 96 months over the last 120 months of service.
- Caps the final rate of earnings at \$106,800, which will increase annually by three percent or one-half of the increase of the Consumer Price Index.
- Changes the surviving spouse pension to sixty-six and two-thirds percent of the pension of the deceased member.
- Limits the annual pension increase for retirees to three percent or one-half of the increase in the Consumer Price Index, whichever is lower based on the original amount of the pension.
- Modifies the date the retiree cost of living increase would be paid to the first of the month following the attainment of age 67 or the first anniversary of the commencement of the annuity, whichever is later.

PA 96-1490 Signed December 30, 2010.

This bill made technical changes to the two-tier system implemented by Public Act 96-0889.

THIS PAGE INTENTIONALLY LEFT BLANK
