
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 2004



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

CYNTHIA S. KUETER, EXECUTIVE DIRECTOR

ESTABLISHED JULY 7, 1931

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

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◆ **INTRODUCTORY SECTION**

Certificate of Achievement for Excellence in Financial Reporting

Letter of Transmittal

Organization

Board of Trustees

Executive Staff and Advisors

Organizational Chart

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, 2003

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

RETIREMENT FUND OFFICE
SUITE 330
CYNTHIA S. KUETER, EXECUTIVE DIRECTOR
SUSAN A. BOUTIN, DEPUTY DIRECTOR

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BOARD OF TRUSTEES
JOSEPH F. KENNEDY
HON. GLORIA ALITTO MAJEWSKI
ROBERT T. REGAN
HON. HARRY "BUS" YOURELL

May 31, 2005

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 of Chicago (Fund) for the fiscal year ending December 31, 2004. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Fund. 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. All disclosures necessary to enable the reader to gain an understanding of the Fund's financial activities have been included.

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to our Fund for its CAFR for the fiscal year ended December 31, 2003. 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 11 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 fiscal year ending December 31, 2004.

This report consists of six sections:

1. An **Introductory Section** which contains this letter of transmittal and the identification of the administrative organization;
2. The **Financial Section** which contains the report of the independent public accountants, the financial statements of the Fund, and certain additional financial information;
3. The **Investment Section** which contains the report of the Fund's Investment Consultant, a summary of the Fund's investment authority, investment management approach, the current year's investment activity and performance, and selected summary tables;
4. The **Actuarial Section** which contains the report of the Actuary, a plan summary, a summary of the major actuarial assumptions, and certain additional actuarial information;
5. The **Statistical Section** which contains significant statistical data;
6. The **Legislative Changes Section** which provides a summary of legislative changes, by year.

FUND DESCRIPTION

The Fund is the administrator of a single employer defined benefit public employee retirement system established by the State of Illinois to provide pension and annuity benefits for certain 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 is administered in accordance with Chapter 40, Act 5, Articles 1 and 13 of the Illinois Compiled Statutes.

The Fund came into being in the year 1931 by virtue of an Act of the State of Illinois legislature.

The primary goal of the Fund is to provide continuity of benefits to the members while preserving the fiscal integrity and financial stability of the Fund.

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

BOARD OF TRUSTEES

The Board of Trustees of the Retirement Fund is composed of five members, two of whom are appointed to two-year terms of office by the Board of Commissioners of the District and three of whom are District employees elected by the active members of the Fund. Elected members serve for terms of three-years on a rotating basis so that each year, one seat on the Board is up for election.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

Annually, the Board of Trustees elects one of its members as President, one as Vice President, and one as Secretary. Among its duties, the Board considers all applications for annuities and benefits, directs investment of the assets 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, has an audit of the accounts of the Fund at least once a year by a certified public accountant, and annually submits a detailed report of the affairs of the Fund to the State of Illinois Department of Insurance and to the District.

The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff employees.

PROFESSIONAL STAFF AND SERVICES

The Executive Director and the Fund staff are responsible for providing the various services and information to the Board of Trustees and to the members of the Fund, active and retired.

Regular staff activities include in-house computation and certification of annuities, reciprocal annuities, reciprocal certifications, refund repayments, no-spouse refunds, leave of absence payments, minimums (refunds) to estates, and military service payments. We maintain a record of all employee contributions and the associated interest. Responsibility for disability certifications, disability benefit determination, contribution refunds, and optional pension contribution calculations also rests exclusively with the Fund staff. All calculations, benefits determination and changes are verified internally before certified benefit payments are presented to the Trustees for their approval.

The staff is responsible for distribution of monthly retirement annuities and bi-weekly disability benefits, and the associated withholding (taxes, insurance and credit union) and annual benefit statements (IRS Form 1099-R). Additionally, retirement estimates are generated for inquiring employees at any stage of their career and individual retirement counseling is provided. Exceptionally detailed counseling is provided for those planning to retire in the immediate future. In a cooperative effort with the District, we periodically present pre-retirement seminars at various locations throughout the District. 400 employees and spouses attended one of the seven seminars presented in 2004.

The Executive Director is responsible for coordinating efforts with the Fund's various consultants. Cooperative efforts with the investment consultants are made relative to coordination of asset allocation studies, investment manager searches, transitioning assets, development and maintenance of the Fund's investment policy, and investment monitoring. With our actuary and outside counsel, the Fund's administration and staff reviews and makes recommendations regarding actuarial assumptions and legislation. 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 statements. To the best of our knowledge and belief, there are adequate internal accounting controls in place that are directed and monitored by management and consultants. Financial statements with supporting schedules and statistical tables are prepared in a cooperative effort between staff and consultants. Consultants also review and make 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 data during each processing cycle. Similarly the actuary, on an annual basis performs comparisons relative to historic data in order to identify any anomalies. Every four years, the actuary performs an experience analysis to review the recent experience of the Fund and to recommend actuarial assumptions for use in the annual valuation. In 2004 we completed migration from our previous legacy system to a PC based, client-server environment. Additionally, we have implemented a document scanning and retrieval system for electronic record keeping purposes. Not only will these systems prove to be more user-friendly for use by staff, but in the event of business interruption, they will enable us to provide services to our members with minimal disruption. The lengthy process of scanning retiree and active member documents has been an opportunity for us to review our files and verify that they are complete and current.

2004 consulting services included:

- Investment managers provided services for fixed income and/or equity portfolio management. A complete listing of the investment managers can be found on pages 16 and 53.
- Standard Valuations, Inc., monitored investment management performance, provided investment advice at (and between) monthly Trustee meetings, and provided detailed quarterly reports to the Board of Trustees. Working in cooperation with Standard Valuations, was Berthel Schutter, LLC., the Fund's asset allocation specialists, who provided us with investment portfolio analysis and asset allocation analysis. These consultants aid the Fund in conforming with its formal investment policy and all investment compliance issues.
- The Bank of New York Co. provided master custodial services.
- Bansley and Kiener, L.L.P., Certified Public Accountants, conducted our Fund's annual financial audit.
- Actuarial services were provided by Goldstein & Associates, Consulting Actuaries.
- The law firm of Jacobs, Burns, Orlove, Stanton and Hernandez (JBOSH) provided legal counsel to our Fund. Joseph Burns is our Fund's principal attorney at JBOSH.
- Independent medical examiners located throughout the District's geographic area provided verification of the medical status of employees applying for disability benefits.
- JC Consulting Group, Inc. continued to provide services to replace our legacy information systems.
- Lorraine Samansky provided document imaging services.
- Eastwood – Stein (previously known as Spherion Deposition Services) provided stenographic services for transcripts of all public meetings.

Reports of the Actuary and the Auditor are provided within the Actuarial Section and the Financial Section of this report, respectively.

Each year the Fund administration provides the Trustees with a summary of the current and future major initiatives, including the budgeted and actual costs incurred. A budget that reflects the recommended projects is provided at the Trustees' regular November meeting and is typically acted upon at their December meeting.

OVERALL FINANCIAL CONDITION

The following are highlights of the Fund's financial condition as of the year ended December 31, 2004 with respect to the overall financial condition, revenues, expenses, funding of the actuarial liabilities, and investment policy and performance (see also "Management's Discussion and Analysis" pages 22 - 26).

Between December 31, 2003 and December 31, 2004 the Fund's net assets available for benefit, at fair value, increased 5.7% from \$1.088 billion to \$1.151 billion, reflecting an excess of revenues over expenses of \$62.3 million. The actuarial value of assets used in the determination of the funded ratio increased by 1.3%, from \$1.147 billion to \$1.162 billion. The net investment gain at fair value in 2004 was \$96.9 million, down from the \$171 million gain in 2003.

The long term financial stability of a pension fund may be measured by its funded ratio, which is the ratio of assets to liabilities. The Fund presents the funded ratio relative to the actuarial value of assets, based on a 5-year smoothed market value.

The funded ratio at actuarial value as of December 31, 2004 was reduced to 73.6% compared to 75.5% at year-end 2003. The decrease in the funded ratio is primarily due to a lower than expected net rate of investment earned using the required 5-year smoothed market valuation of assets. This had the impact of increasing the total actuarial liability by \$37.7 million. In addition, the actual employer contribution was \$16.5 million less than required to maintain our unfunded liability. Salary increases lower than assumed and other sources positively impacted the funded ratio by \$8.9 million. The net increase in unfunded liability for the year 2004 was \$45.2 million.

The funded ratio as determined by actuarial value of assets relative to the total actuarial liability, is in conformance with Governmental Accounting Standards Board (GASB) Statement No. 25, and will henceforth be the only such funded ratio reported by the Fund.

It is possible to determine the funded ratio relative to the book and market values by referencing the respective book and market values of assets as reported in the Investment Section of this report. The liabilities, in all cases, continued to be based on the entry-age normal cost method.

The Actuarial Accrued Liability (AAL) of the Fund increased 3.9% from \$1.518 billion to \$1.578 billion. Based on total assets at actuarial value, the unfunded liability increased to \$416.6 million, from \$371.3 million at year-end 2003.

The reader is referred to the Investment and Actuarial sections for more detailed discussions of the funded ratio and the AAL. Components of the \$45.2 million increase in unfunded liability are provided on page 66.

REVENUES

The revenues needed to finance retirement benefits are accumulated through the collection of employee contributions, employer contributions, and income from investments. These three income sources totaled a net gain of \$143 million in 2004, and a net of \$214 million in 2003.

Comparative total revenues for the years ending December 31, 2004 and 2003 are provided on the following page.

Employer contributions increased in 2004 by 7.7%, reflecting the required tax multiple contribution associated with employee contributions made two years earlier in 2002.

Employee contributions increased in 2004 by 6.5%, primarily due to employee cost-of-living, longevity salary increases and employee participation in the Plan's military service.

Comparative Revenue Totals

Years ending December 31	2004	2003
Employer contributions	\$ 30,982,232	\$ 28,778,648
Employee contributions	15,150,846	14,230,224
Subtotal contributions	46,133,078	43,008,872
Investment income (loss) net of investment expense	96,902,159	171,012,175
Miscellaneous income	3,945	11,202
Total Revenues	\$ 143,039,182	\$ 214,032,249

The decrease in total revenues is predominately due to the decrease in net investment income which consists of realized and unrealized gains for the year. The Plan's net rate of return on investments was 9.4% for 2004, compared to 18.9% for 2003. This exceeded the fair market value rate of return for the Fund's custom benchmark on a portfolio comprised of 55% Wilshire 5000 and 45% Lehman Brothers Aggregate Bonds for the years ending December 31, 2004 and 2003, which was 8.8% and 18.7%, respectively. More comparative information about the investment rates of return is provided in the Investment Section of this report.

EXPENSES

The major expense of the Fund is the payment of annuities and benefits. The total Fund expenses are summarized here:

Comparative Expense Totals

Years ending December 31	2004	2003
Retirement annuities	\$ 65,198,315	\$ 61,193,860
Survivor annuities	11,963,051	11,209,667
Disability benefits	951,893	827,700
Subtotal annuities and benefits	78,113,259	73,231,227
Refunds	1,320,740	1,041,560
Administrative expense	1,243,182	1,149,105
Total Expenses	\$ 80,677,181	\$ 75,421,892

Retirement annuity expenses increased by 6.5% in 2004, due primarily to the higher benefit amount received by new retirees versus the relatively lower benefits received by recently deceased annuitants. Annual 3% cost of living adjustments also contributed to the increased annuity expenses. The average new retiree in 2004 had 23.41 years of District service, retired at age 58.75, and was granted an average annual pension of \$51,072.

RECENT BENEFIT ENHANCEMENTS

Public Act 92-0599, signed into law on June 28, 2002 provided the following benefit options to eligible employees for the five-year period from January 1, 2003 through December 31, 2007:

Modified Optional Plan – allows active members with at least 10 years of District service towards retirement to contribute an additional 4% of salary, yielding an additional 1% of Final Average Service (FAS) to the employee's annuity at retirement for each year of service for which additional contributions are made. No contributions are allowed for prior year's service with the exception of an employee out for a period of approved disability who may pay optional contributions for that period within 90 days of his returning to work. The maximum participation will be 12 years (12%), or the amount required to allow the member to reach the maximum annuity of 80% of FAS, whichever is less. Contributions made by December 31, 2007 increase the annuity benefit to the member or the member's spouse regardless of retirement date.

Rule of 80 – allows an undiscounted annuity if at retirement, an eligible employee's age plus the number of years of District service credited towards retirement adds up to at least 80. To be eligible, the employee needs to be at least 50 years old, and have 20 years of service credit, with a minimum of 10 years of District service. The Rule of 80 requires no employee or employer contribution.

It was estimated that during the 5-year period of enactment, the modified optional contribution plan would increase our unfunded liability by \$3 million, while the Rule of 80 would increase our unfunded liability by \$3.2 million.

Public Act 93-0334, signed into law on July 24, 2003 provided a change in the Fund's military service provision for the ten-year period ending July 23, 2013.

Military Service Credit – allows 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' military service purchases 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.

FUNDING STATUS

The Fund's objective is to accumulate the resources necessary to maintain a competitive benefit plan for present and future members and retirees.

The funding policy provides for employer contributions which, when added to the employee contributions and investment income, will be sufficient for the requirements of the Fund. 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, 2004, the employer contributions represented 77.2% of the actuarially determined contribution requirement.

In general, it is important to look historically at the funded ratio to assess the Fund's progress in relation to its long-term objective. The historic funded ratio is provided in the Actuarial Section's "Actuarial Accrued and Unfunded Liabilities Table" and includes an accompanying graph. The funded ratio prior to 1997 was computed relative to the book value of assets. Since 1997, the funded ratio has been based on the actuarial value of assets. In 1998, the Trustees adopted a thirty-year amortization of the unfunded liability, which had previously been amortized over a forty-year period. During the last ten years the ratio has ranged from the current low of 73.6% to a high of 87.6%, with the average being 82.4%. The significant variables involved would include the deviation in investment

returns, changes in actuarial assumptions (such as mortality rates), benefit changes, and changes in fund experience (such as lower/higher rates of retirement).

Overall, we believe that the liability valuation is accurate, with reasonable assumptions that are generally within normal ranges for similar public employee retirement systems. We acknowledge that benefit changes over the ten-year period, as well as future benefit changes will generally tend to increase the fund's liabilities.

INVESTMENT POLICY AND PERFORMANCE

The Fund's investment policy and performance are designed to help promote the long-term funding objective when combined with the statutory employer and employee contributions.

In 2004, the Board of Trustees hired the investment management firm Ariel Capital Management, LLC, a Chicago based minority owned firm, to manage a mid-cap value portfolio. Funding to Ariel was provided from two of the Fund's indexed equity accounts.

Later in the year, the Board terminated the services of INVESCO due to performance related issues. INVESCO managed a large-cap core portfolio for the Fund.

Furthermore, the Trustees increased the goal of the Fund's broker-dealer policy in 2004 from 15% to 35% participation with minority, female or disabled-owned broker-dealers. We have met these increased goals.

Refer to the Investment Section of this report for further information regarding investment policy and performance. Fees and commissions are reported on the last pages of that section.

ECONOMIC OUTLOOK

The Fund's economic outlook remains conservatively optimistic. Our income is from three sources: employee contributions, employer contributions, and investment income. Income from employee and employer contributions is established by statute and, with no significant changes in benefits, would be expected to remain stable subject to membership and salary changes. In the long term, the assets and liabilities of the Fund are expected to grow at similar rates. Fund expenses are expected to increase in relation to inflation, new annuitant final average salaries and the compounding of post-retirement cost of living increases.

Our Fund maintains a conservative and long term outlook with regards to its investments with 57.5% of its investments in equity securities, 41.3% in fixed income securities and 1.2% in short term investments and cash as of December 31, 2004 at fair value. Additional detail regarding investments may be found in the Investment Section of this report. It is anticipated that the long-term economic growth of the country as a whole will result in the continued growth of the Fund's assets as well as future investment income within the Fund's investment income assumption.

ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the Fund staff under the direction of the Board of Trustees. Special thanks to George Kirie and Patrick Pucher for their efforts in this project. 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,

Cynthia S. Kueter
Executive Director

Susan A. Boutin
Deputy Director

BOARD OF TRUSTEES (as of May 2005)

Joseph F. Kennedy, Vice President

Mr. Kennedy began his at the Metropolitan Water Reclamation District of Greater Chicago (District) employment 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 re-elected in 2002.

Gloria Alitto Majewski, Secretary

Mrs. Majewski has served as a District Commissioner since December 1984, currently serving as the Chairman of Finance. She has been a member of the MWRD Retirement Fund Board of Trustees since January 1987.

Robert T. Regan, Trustee

Mr. Regan began his District employment in 1991. He currently works in the District’s Engineering Department as a Principal Mechanical Engineer. He was elected by the employees to serve a three-year term on the Board of Trustees beginning December 1, 2004.

Harry “Bus” Yourell, Trustee

Mr. Yourell has served as a District Commissioner since December 1988. He was appointed to the MWRD Retirement Fund Board of Trustees by the District’s Board of Commissioners in April 1996, after previously serving as a Trustee from 1989 through 1994.

Thomas K. O’Connor, President Emeritus

Mr. O’Connor worked for the District since 1978 and recently retired from his position as the District’s Chief of Maintenance and Operations on April 29, 2005. He was a member of the MWRD Retirement Fund Board of Trustees since 1988, and served as Board President since January 1991.

EXECUTIVE STAFF AND ADVISORS

EXECUTIVE STAFF (as of May 2005)

Cynthia S. Kueter, Executive Director
 Susan A. Boutin, Deputy Director

ADVISORS (as of December 31, 2004)

- Legal Counsel: Jacobs, Burns, Orlove, Stanton and Hernandez, Chicago, Illinois
- Investment Advisor/Performance Evaluator: Standard Valuations, St. Paul, Minnesota
- Asset Allocation Advisor: Berthel Schutter, LLC, St. Paul, Minnesota
- Consulting Actuary: Goldstein & Associates, Chicago, Illinois
- Auditor: Bansley and Kiener, LLP, Chicago, Illinois
- Master Custodian: The Bank of New York Co., New York, New York

INVESTMENT MANAGERS (as of December 31, 2004)

- | | |
|--|---|
| 1. American Century Inv. Management, Kansas City, MO | 6. New Amsterdam Partners, LLC, New York, NY |
| 2. Alliance Capital Management, Philadelphia, PA | 7. Northern Trust Global Investments, Inc., Chicago, IL |
| 3. Ariel Capital Management, LLC, Chicago, IL | 8. State Street Global Advisors, Boston, MA |
| 4. Chicago Asset Management Co., Chicago, IL | 9. UBS Global Asset Management, Chicago, IL |
| 5. Earnest Partners, LLC, Atlanta, GA | 10. Wasatch Advisors, Salt Lake City, UT |

ORGANIZATION CHART

(as of May 2005)

BOARD OF TRUSTEES

Joseph F. Kennedy (Vice President)
 Gloria Alitto Majewski (Secretary)
 Robert T. Regan
 Harry "Bus" Yourell

INVESTMENT CONSULTANT/
 PERFORMANCE EVALUATOR, &
 ASSET ALLOCATION SPECIALIST

INDEPENDENT
 AUDITOR

EXECUTIVE DIRECTOR
 Cynthia S. Kueter

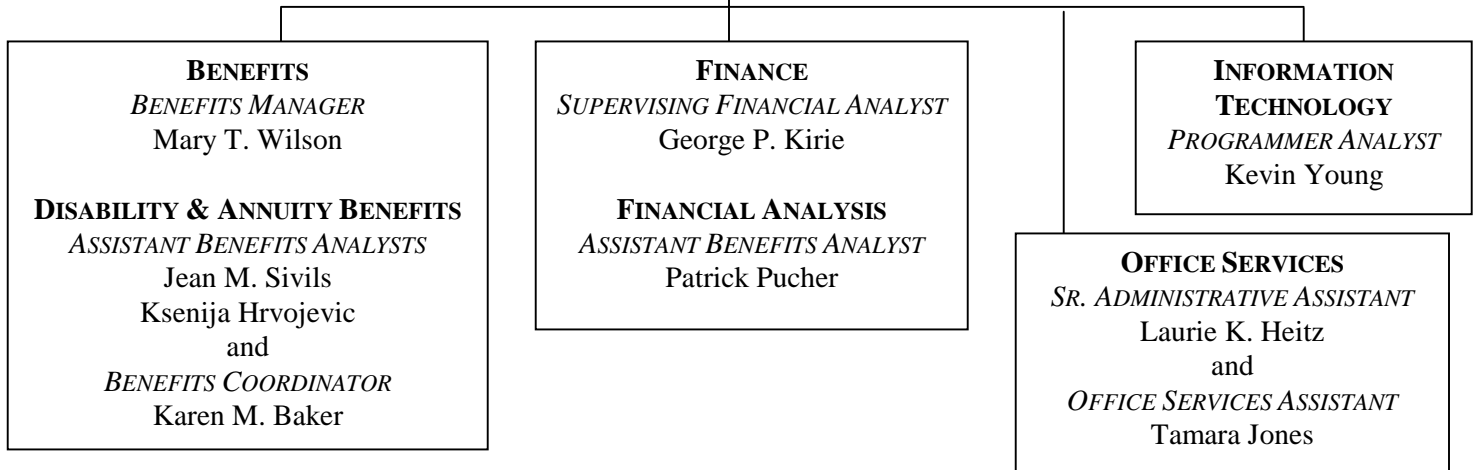
CUSTODIAN

LEGAL
 COUNSEL

CONSULTING
 ACTUARY

INVESTMENT
 MANAGERS

DEPUTY DIRECTOR
 Susan A. Boutin



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

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❖ **FINANCIAL SECTION**

Independent Auditor's Report

Management's Discussion and Analysis

General Purpose 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

Supplementary Information:

Schedule of Administrative Expenses

Schedule of Payments to Consultants

Schedule of Investment Expenses

Post Employment Healthcare

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
O'HARE PLAZA
8745 WEST HIGGINS ROAD, SUITE 200
CHICAGO, ILLINOIS 60631
AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Metropolitan Water Reclamation District
Retirement Fund
Chicago, Illinois

We have audited the statements of plan net assets of Metropolitan Water Reclamation District Retirement Fund as of December 31, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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, 2004 and 2003, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 22 thru 26 and the schedules of funding progress and employer contributions on page 35 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of administrative expenses, payments to consultants, investment expenses, and post employee healthcare on pages 36 and 37 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.

As described in Note 2, the Plan adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, during the year ended December 31, 2003.

Bansley and Kilner, L.L.P.

Certified Public Accountants

March 1, 2005

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Metropolitan Water Reclamation District Retirement Fund's (Plan) financial performance for the years ended December 31, 2004 and 2003 and offers an introduction to our financial statements. It is designed as supplementary information which focuses on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal found in the Introduction Section, the financial statements and their accompanying notes, and required supplementary information.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is comprised of the following four components:

1. Financial Statements
2. Notes to the Financial Statements
3. Required Supplementary Information
4. Other Supplementary Information

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

1. FINANCIAL STATEMENTS.

The "General Purpose Financial Statements" subsection provides the Plan's net assets held in trust for pension benefits as of December 31, 2004 and 2003, and provides the changes in plan net assets held in trust for pension benefits during those years.

Plan Net Assets

A summary of plan net assets for the pension trust at December 31, 2004, 2003 and 2002 is shown on the following page. Details of assets at year-end 2003 and 2004 are found on page 27. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries at the close of the reported years. Total assets minus liabilities equal net assets held in trust for future payments.

Condensed Statement of Plan Net Assets

at December 31, 2004 with comparative totals for 2003 and 2002

	2004	2003	2002	\$ Change from 2003 to 2004	% Change from 2003 to 2004
ASSETS:					
Cash and Receivables	\$ 34,391,459	\$ 35,876,381	\$ 52,314,753	\$ (1,484,922)	-4.1%
Investments	1,117,540,968	1,058,520,788	922,177,366	59,020,180	5.6%
Total Assets	1,151,932,427	1,094,397,169	974,492,119	57,535,258	5.3%
LIABILITIES:					
Total Liabilities	1,163,981	5,990,724	24,696,031	(4,826,743)	-80.6%
NET ASSETS:	<u>\$1,150,768,446</u>	<u>\$1,088,406,445</u>	<u>\$949,796,088</u>	<u>\$ 62,362,001</u>	5.7%

Changes in Plan Net Assets

A summary of changes in plan net assets for the pension trust for the fiscal years ending December 31, 2004, 2003 and 2002 is provided below. Details of changes during 2004 and 2003 may be found on page 28. 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.

Condensed Statement of Changes in Plan Net Assets

at December 31, 2004 with comparative totals for 2003 and 2002

	2004	2003	2002	\$ Change from 2003 to 2004	% Change from 2003 to 2004
Additions:					
Employer contributions	\$ 30,982,232	\$ 28,778,648	\$ 30,066,953	\$ 2,203,584	7.7%
Employee contributions	15,150,846	14,230,224	16,308,414	920,622	6.5%
Total contributions	46,133,078	43,008,872	46,375,367	3,124,206	7.3%
Investment gain (loss), net of investment expense	96,902,159	171,012,175	(69,627,951)	(74,110,016)	-43.3%
Other	3,945	11,202	(1,403,217)	(7,257)	-64.8%
Total additions	143,039,182	214,032,249	(24,655,801)	(70,993,067)	-33.2%
Deductions:					
Retirement annuities	65,198,315	61,193,860	56,544,358	4,004,455	6.5%
Survivor annuities	11,963,051	11,209,667	10,256,617	753,384	6.7%
Disability benefits	951,893	827,700	773,278	124,193	15.0%
Subtotal annuities and benefits	78,113,259	73,231,227	67,574,253	4,882,032	6.7%
Refunds	1,320,740	1,041,560	951,614	279,180	26.8%
Administrative expense	1,243,182	1,149,105	1,165,816	94,077	8.2%
Total deductions	80,677,181	75,421,892	69,691,683	5,255,289	7.0%
Increase (decrease) in Plan Net Assets	<u>\$ 62,362,001</u>	<u>\$ 138,610,357</u>	<u>\$ (94,347,484)</u>	<u>\$ (76,248,356)</u>	-55.0%

Additions

Additions needed to fund benefits are accumulated through contributions by the employer and employee and returns provided by invested assets. Contributions for 2004 totaled \$46.1 million, representing an increase of 7.3% or \$3.1 million from 2003. Employer contributions are based upon a multiple of employee contributions two years prior. The increase in 2004 employer contributions is primarily due to a surge of 2002 employee participation in the Early Retirement Contribution Plan and Optional Plan, both of which expired at year-end 2002. Employer contributions of \$2.19 were made in 2004 for every dollar contributed by the employee in 2002. Annual employee cost-of-living and longevity salary increases also resulted in additional employee and employer contributions. Employee participation in the Plan's new military service program also increased contributions. The new program went into effect in July 2003, and allows active employees having at least ten years of MWRD service credit to purchase up to 2 years of active military credit toward their retirement annuity.

Investment gains for the year ending 2004, amounted to \$96.9 million compared to \$171 million in 2003, a decrease of 43.3% or \$74.1 million. 2004 was another good year for the markets in general but obviously not as robust as 2003. However, 2004 and 2003 represented the only two years of investment gains since 2000. Although the economy provided gains during those periods, they were not enough to correct the net losses calculated by the actuary in the five-year smoothed market valuation of assets, as referred to on the following page. The Plan's net rate of return for the portfolio in 2004 and 2003 was 9.4% and 18.9%, respectively. The Plan's custom benchmark comprised of 55% Wilshire 5000 equity index and 45% Lehman Brothers Aggregate fixed income index returned 8.8% and 18.7%, respectively.

Deductions

The expenses paid by this Plan include benefits (for retirees, survivors, and disabled employees), refunds and administrative expenses. Expenses for 2004 totaled \$80.7 million, an increase of \$5.3 million, or 7.0% over 2003. Annuity benefits increase as long term annuitants with lower benefits die and new retirees with higher benefits are added to our payroll. Annuitants also receive a 3% cost of living increase each year.

Financial Analysis

Although the condensed statements of plan net assets and changes in plan net assets provided in this section measure the value of plan net assets and the changes to them, important actuarial factors also need to be considered in order to determine the financial health of our Plan.

- The actuarial value of assets used in the determination of the funded ratio increased by 1.3%, from \$1.146 billion at December 31, 2003 to \$1.162 billion at December 31, 2004. In 2003, the actuarial value of assets increased by 0.8% from \$1.137 billion at December 31, 2002.
- As of December 31, 2004, the aggregate actuarial liability was \$1.578 billion. The plan's actuarial liability experienced a net increase of \$60.5 million (+4.0%) in 2004, and an increase of \$46.9 million (+3.2%) in 2003.

Financial Analysis (continued)

- The Plan's net assets available for benefits, at fair value, increased 5.7% from \$1.088 billion at December 31, 2003, to \$1.151 billion at December 31, 2004. This increase resulted from a good performance in the equity market. In 2003, net assets available for benefits increased 14.6% from \$949.8 million at December 31, 2002.
- The plan's funded ratio as of December 31, 2004 was 73.6%, down slightly from 75.5% at year-end 2003, and 77.3% at year-end 2002. The consecutive decreases were mostly due to lower than expected investment income returns. For actuarial calculations, the Plan's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets.

2. NOTES TO THE FINANCIAL STATEMENTS.

Notes to the Financial Statements provide additional information that is essential for the reader's full understanding of the data provided in the financial statements. The notes, found on pages 29-34 address the following topics:

- Note 1 provides a summary of the Plan description.
- Note 2 provides a summary of significant accounting policies.
- Note 3 provides a summary of the Plan's investments.
- Note 4 provides a summary of the Plan's cash balances on deposit.
- Note 5 provides a summary of net assets available for benefits.

3. REQUIRED SUPPLEMENTARY INFORMATION.

The required supplementary information provides a Schedule of Funding Progress, a Schedule of Employer Contributions and Notes to Schedules of Funding Progress and Employer Contributions.

The Schedule of Funding Progress shows actuarial trend information for the last six years. It includes the ratio of actuarial value of assets to actuarial accrued liability (funded ratio). The funded ratio increases or decreases over time dependent upon the relationships between contributions, investment performance, benefit changes and actuarial assumption changes based upon participant information and characteristics. Actuarial liabilities in excess of assets indicates that an insufficient amount of assets have accumulated to fund future benefits of current members and retirees. Actuarial assets greater than actuarial liabilities indicate a surplus.

The Schedule of Employer Contributions shows the historical trend regarding the value of total annual contributions the employer must pay and the related percentages the employer has contributed to meet the requirements.

The Notes to Schedules of Funding Progress and Employer Contributions provide actuarial valuation criteria used to determine the data in the Schedule of Funding Progress and the Schedule of Employer Contributions. These schedules are found on page 35.

4. OTHER SUPPLEMENTARY INFORMATION.

Other supplementary information, found on pages 36-37, consists of the Schedule of Administrative Expenses, Schedule of Payments to Consultants, Schedule of Investment Expenses, comparing 2004 to 2003 payments. Information regarding Post Employment Healthcare is also included in this subsection.

CONTACT INFORMATION

This report is intended to provide a general overview of the Metropolitan Water Reclamation District Retirement Fund for its employees and other interested parties. If you have questions, requests or need information, please write to the Fund at 111 East Erie Street, Suite 330, Chicago, Illinois 60611, or call (312) 751-3222.

STATEMENT OF PLAN NET ASSETS
December 31, 2004 with comparative totals for 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 175,769	\$ 158,798
Receivables:		
Taxes (net of allowance for uncollectible amounts of \$4,308,860 in 2004; \$3,987,858 in 2003)	31,631,625	28,580,808
Securities sold	762,612	5,230,623
Accrued interest and dividends	1,741,015	1,853,857
Accounts receivables	80,438	52,295
Total cash and receivables	<u>34,391,459</u>	<u>35,876,381</u>
Investments at fair value:		
Bonds	460,021,622	443,450,809
Common and preferred stocks	644,890,913	604,332,691
Short-term investments	12,628,433	10,737,288
Total investments	<u>1,117,540,968</u>	<u>1,058,520,788</u>
Total assets	<u>1,151,932,427</u>	<u>1,094,397,169</u>
LIABILITIES		
Accounts payable	473,038	509,216
Securities purchased	690,943	5,481,508
Total liabilities	<u>1,163,981</u>	<u>5,990,724</u>
Net assets held in trust for pension benefits	<u>\$ 1,150,768,446</u>	<u>\$ 1,088,406,445</u>

A schedule of funding progress is presented on page 35.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended December 31, 2004, with comparative totals for 2003

<u>Additions:</u>	2004	2003
Employer contributions	\$ 30,982,232	\$ 28,778,648
Employee contributions	15,150,846	14,230,224
Total contributions	<u>46,133,078</u>	<u>43,008,872</u>
Investment income		
Net appreciation in fair value of investments	85,939,679	152,818,124
Interest on fixed income investments	7,161,800	13,251,196
Interest on short-term investments	195,788	152,189
Dividend income	5,598,181	6,526,899
Gross investment income	<u>98,895,448</u>	<u>172,748,408</u>
Less investment expenses	1,993,289	1,736,233
Investment gain, net of expenses	<u>96,902,159</u>	<u>171,012,175</u>
Other		
Miscellaneous income	3,945	11,202
Total additions	<u>143,039,182</u>	<u>214,032,249</u>
<u>Deductions:</u>		
Annuities and benefits		
Employee annuities	65,198,315	61,193,860
Surviving spouse annuities	11,919,713	11,164,164
Child annuities	43,338	45,503
Ordinary disability benefits	810,171	721,878
Duty disability benefits	141,722	105,822
Total annuities and benefits	<u>78,113,259</u>	<u>73,231,227</u>
Refunds of employee contributions	1,320,740	1,041,560
Administrative expense	1,243,182	1,149,105
Total deductions	<u>80,677,181</u>	<u>75,421,892</u>
Net increase	<u>62,362,001</u>	<u>138,610,357</u>
Net assets held in trust for pension benefits		
Beginning of year	1,088,406,445	949,796,088
End of year	<u>\$ 1,150,768,446</u>	<u>\$ 1,088,406,445</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Plan Description

The Metropolitan Water Reclamation District Retirement Fund (“Plan”) is the administrator of a single employer defined benefit plan, a Public Employee Retirement System (PERS), established by the State of Illinois to provide annuities and benefits for certain employees of the Metropolitan Water Reclamation District of Greater Chicago. The Plan is considered a component unit of the Metropolitan Water Reclamation District’s financial statements as a pension trust fund. The Plan is administered in accordance with Chapter 40, Act 5, Article 13 of the Illinois Compiled Statutes. The defined benefits as well as the employer and employee contribution levels of the Plan are mandated by those Illinois State Statutes and may be amended only by the Illinois legislature. The District payroll for employees covered by the Plan for the years ended December 31, 2004 and 2003 were \$146,360,302 and \$142,593,596, respectively. At December 31, 2004 and December 31, 2003, Plan membership consisted of:

	<u>2004</u>	<u>2003</u>
Active employees		
Fully vested	1,282	1,333
Non-vested	769	727
Retirees and beneficiaries currently receiving benefits	2,206	2,193
Terminated employees entitled to benefits or a refund of contributions	74	54
	<u>4,331</u>	<u>4,307</u>

The Metropolitan Water Reclamation District (MWRD) Retirement Fund provides retirement benefits as well as death and disability benefits. Employees age 50 (55 after 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 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) for each of the first 20 years of service and 2.4% for each year of service in excess of 20. The benefit shall not exceed 80% of FAS. 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 under 60. There is no discount if the participant has 30 years of service. Employees with at least 5 years of service at age 60 receive a undiscounted retirement benefit. Effective January 1, 2003 through December 31, 2007, the revised Optional Plan allows an eligible employee to contribute an additional 4% of salary on current service, resulting in an additional 1% to the retirement benefit per year of service for which optional contributions are paid. These tax deferred optional contributions may be made to a maximum of 12 years of service. Also effective January 1, 2003 through December 31, 2007 under the Rule of 80, eligible members may retire without a discount for early retirement if their combined age and service adds up to at least 80.

Note 1 - Plan Description (continued)

From July 2003 to July 2013, active employees having at least 10 years of MWRD 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 allows an additional contribution of 3% of salary if age 55 or older with at least 6 years of service providing an enhanced benefit formula.

Covered employees are required to contribute 9% of their salary to the MWRD Retirement Fund. Accumulated employee contributions are refunded upon request if an employee leaves covered employment before age 50, or between age 50 and 60 with less than 20 years of service, or after age 60 with less than 5 years of service. The District is required by state statute to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis. It is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Plan made in the calendar year 2 years prior to the year for which the annual applicable tax is levied, multiplied by 2.19. The only exception to the 2.19 tax multiple is employee contributions to the Optional Plan beginning in 2003 for which the employer contributions are made on the basis of a 1.00 tax multiple.

Note 2 - Summary of Significant Accounting Policies**Reporting Entity**

As defined by the generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Plan has no component units. The Plan 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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as additions in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Note 2 - Summary of Significant Accounting Policies (continued)**Investments**

The Plan is authorized to invest in bonds, notes and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicles as set forth in the Illinois Compiled Statutes. Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges of investments are recognized on the transaction date of such sale or exchange. Dividend income is recognized based on the dividends declared. Commissions and fees paid to investment managers are recorded as a reduction of investment income recognized by the Plan.

Investments, other than short-term investments, are recorded at fair value as determined by quoted market prices. Investments in short-term obligations, principally commercial paper, are carried at cost which approximates market value.

Deposit and Investment Risk Disclosures

During the year ended December 31, 2003, the Plan adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Invest Risk Disclosures*. As a result the plan has addressed certain deposit and investment risk disclosures.

Note 3 - Investments

Certain Plan investments are held by a bank administered trust fund. Investments that represent five percent or more of the Plan's net assets (except those issued or explicitly guaranteed by the U.S. Government) are separately identified.

	2004	2003
<i>Investments at Fair Value as Determined by Quoted Price:</i>		
Bonds		
SSGA Bond Market Index Fund	\$ 130,961,406	\$ 125,525,950
UBS SEC Mortgage Collateralized Fund	18,202,902	16,679,965
MFB NTGI-QM Collective Daily Aggregate Bond	186,995,945	179,160,530
U.S. Government and Federal Agency securities	58,420,687	55,610,176
Other	65,440,682	66,474,188
Common and preferred stock		
NTGI Collective Monthly US Marketcap Equity	146,280,670	140,974,269
MFB NTGI-QM Collective Daily S&P 500 Equity	110,463,713	
Other	388,146,530	463,358,422
	<u>1,104,912,535</u>	<u>1,047,783,500</u>
<i>Investments at Fair Value as Determined by Plan Administrator:</i>		
Short-term investments	12,628,433	10,737,288
Total investments	<u>\$ 1,117,540,968</u>	<u>\$ 1,058,520,788</u>

The Plan's investments are registered in electronic book entry form and held in a Trust Account custodied by The Bank of New York, the Plan's agent

The Plan's policy is to maintain long-term focus on its investment decision making process. Specifically, the Plan's benefit liabilities extend many years into the future, as such, the investment focus should be on long-term results. The Plan's fixed income performance objective is the Lehman Brothers Aggregate Bond Index.

As of December 31, 2004 the Plan had the following investments and maturities.

	Fair Value	Investment Maturities (in years)		
		0 to 5	6 to 10	> 10
U.S. Treasuries	\$ 75,268,709	\$ 21,568,258	\$ 22,136,688	\$ 31,563,763
U.S. Agencies	56,098,466	31,891,416	22,838,452	1,368,598
Corporate bonds and notes	136,361,454	67,051,220	52,654,287	16,655,947
Mortgage backed securities	127,743,762	2,147,123	1,513,082	124,083,557
Asset backed securities	29,564,550	5,772,796	3,093,736	20,698,018
Collateralized mortgage obligations	36,725,696		1,342,032	35,383,664
Pooled funds & mutual funds	12,628,433	12,628,433		
Totals	474,391,070	\$ 141,059,246	\$ 103,578,277	\$ 229,753,547

Investments not sensitive to interest rate risk:

Common and preferred stock	644,890,913
Subtotal investments	1,119,281,983
Less accrued interest and dividends	(1,741,015)
Total investments	\$ 1,117,540,968

Interest Rate Risk – The Plan does not maintain a policy relative to interest rate risk. The Board of Trustees recognizes that its investments are subject to short-term volatility. However, their goal is to maximize total return within prudent risk parameters.

Credit Risk - 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 reports the credit ratings for the Plan's debt securities at December 31, 2004 (included are U.S. Government obligations or obligations explicitly guaranteed by the U.S. Government which are classified under the heading U.S. Treasuries).

Disclosure of Ratings for Debt Securities (S & P / Moody's)

	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A/A</u>	<u>BBB/Baa</u>	<u>BB/Bb</u>
U.S. Treasuries	15.75%	0.12%	-	-	-
U.S. Agencies	11.47%	0.36%	-	-	-
Corporate bonds and notes	3.30%	4.33%	11.02%	9.99%	0.10%
Mortgage backed securities	26.84%	-	-	-	0.09%
Asset backed securities	6.23%	-	-	-	-
Collateralized mortgage obligations	7.00%	0.37%	0.37%	-	-
Pooled funds and mutual funds	2.66%	-	-	-	-

Custodial Credit Risk – As of December 31, 2004, securities held in this Fund's accounts at The Bank of New York were exclusively in electronic form and maintained by one or more depositories such as the Federal Reserve or Depository Trust and Clearing Company (DTCC). Securities held in depositories are registered in a nominee name of The Bank of New York. In the case of DTCC, assets in the Bank's account are held in the name of CEDE & Co. Customer identification of these assets is done at the Bank by reconciling the aggregate securities electronically reflected in each account with the total position held at the depository. This reconciliation is performed daily and any differences are researched and resolved. These assets can not be attached by the Bank's creditors.

Note 4 – Deposits

At December 31, 2004 and 2003, the Plan's book balances of cash are \$175,769 and \$158,798, respectively, at the Amalgamated Bank in Chicago. The actual bank balances are \$603,334 and \$966,965, respectively, at December 31, 2004 and 2003. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2004 and 2003, \$1,000,000 of the bank balance was collateralized with securities of the U.S Government held in the Plan's name at Amalgamated Bank in Chicago, the Plan's agent.

Note 5 - Net Assets Available for Benefits

The Plan has reserved a portion of the Plan net assets for future obligations. Employee contributions are distributed to active employee and survivor benefit reserves based on requirements specified in Illinois State Statutes. After meeting current cash requirements for administrative expense 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.

	2004	2003
Net assets reserved for:		
Retirement and survivor benefits for active employees	\$ 532,777,716	\$ 520,667,559
Retirement and survivor benefits for retired members	800,202,251	763,129,937
Post retirement increase	235,630,973	226,664,897
Payments at withdrawal and for inactive members	9,755,568	7,406,294
	<u>1,578,366,508</u>	<u>1,517,868,687</u>
Unreserved assets	(427,598,062)	(429,462,242)
	<u><u>\$ 1,150,768,446</u></u>	<u><u>\$ 1,088,406,445</u></u>

SCHEDULE OF FUNDING PROGRESS

Valuation date	Actuarial value of assets (a)	Actuarial liability (AAL) – Entry Age (b)	Unfunded actuarial liability accrued (UAAL) (b-a)	AAL funding ratio (a/b)	Annual covered payroll (c)	UAAL as a percent of annual covered payroll ((b-a)/c)
12/31/04	\$1,161,778,511	\$ 1,578,366,508	\$416,587,997	73.6%	\$ 146,360,302	284.63%
12/31/03	1,146,520,634	1,517,868,687	371,348,053	75.5%	142,593,596	260.42%
12/31/02	1,136,907,158	1,470,938,987	334,031,829	77.3%	137,679,573	242.62%
12/31/01	1,155,825,153	1,346,223,065	190,397,912	85.9%	136,382,287	139.60%
12/31/00	1,110,337,457	1,267,179,677	156,842,220	87.6%	126,929,425	123.57%
12/31/99	1,046,966,301	1,211,787,971	164,821,670	86.4%	122,536,313	134.51%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended December 31,	Annual required contribution	Percentage contribution
2004	\$ 40,146,454	77.20%
2003	38,039,355	75.70%
2002	33,414,603	85.80%
2001	28,552,646	98.55%
2000	28,905,278	94.76%
1999	28,918,530	109.87%

NOTE 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	12/31/04
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll (2002 – Level dollar)
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	5.50%
Post retirement cost of living	3.00%
Assumed inflation rate	4.00%

SCHEDULE OF ADMINISTRATIVE EXPENSES
Years ended December 31, 2004 and 2003

Expense of Administration	2004	2003
Salaries and wages:		
Regular employees	\$ 870,281	\$ 705,927
Employee benefits	102,010	77,764
Professional services:		
Actuarial	38,000	38,000
Auditing	28,850	26,350
Investigation	809	1,168
Legal	52,097	40,431
Medical	17,116	16,131
Public stenographer	11,786	9,489
Printing & publication	8,477	10,263
Postage	19,738	22,784
Office supplies	13,907	12,227
Travel	933	4,556
Maintenance & repair	1,958	280
Surety bonds	20,850	21,300
Tuition reimbursement	-	12,341
Hearing officer fee	6,512	-
Consulting services (see details, below)	38,676	114,068
Membership dues and conference fees	4,505	12,041
Computer hardware and software	6,024	18,583
Miscellaneous	653	5,402
Total Expenses	\$ 1,243,182	\$1,149,105

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years ended December 31, 2004 and 2003

<u>Firm / Individual</u>	<u>Services</u>	2004	2003
Benefit Administration Associates	Investment policy & documentation procedures	\$ -	\$ 15,952
JC Consulting Group, Inc.	Information system replacement	27,652	44,772
Lorraine Samansky	Document imaging	9,807	10,710
Mary C. O'Sullivan	Retirement estimates	-	3,099
Pen Systems, Inc.	Computer programming	1,217	39,535
Total Consulting Expenses		\$ 38,676	\$ 114,068

SCHEDULE OF INVESTMENT EXPENSES**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Investment manager compensation ¹	\$ 1,897,995	\$ 1,744,863
Custodian fees	99,090	88,812
Investment consulting fees	<u>62,320</u>	<u>60,800</u>
Sub-total	2,059,405	1,894,475
Less commission recapture	<u>(66,116)</u>	<u>(158,242)</u>
Net investment expenses	<u><u>\$ 1,993,289</u></u>	<u><u>\$ 1,736,233</u></u>

¹ A detailed schedule of investment manager compensation is included in the Investment Section.

POST EMPLOYMENT 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.

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☀ **INVESTMENT SECTION**

Investment Consultant's Report

Investment Preface:

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

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Summaries of Asset Allocation, at Book and Fair Value,
as of December 31, 2004 and 2003

10-Year History of Investment Yields at Market Value (with graph)

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Common Stock Diversification as of December 31, 2004

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Manager by Type and Percentage of Invested Assets
(December 31, 2004 and 2003)

Investment Manager Compensation for Fiscal Years 2004 & 2003

Brokerage Commissions for Fiscal Year 2004

Custodial Fees for Fiscal Year 2004

STANDARD
VALUATIONS, INC

790 CLEVELAND AVENUE SOUTH • SUITE 220 • ST. PAUL, MINNESOTA 55116

•(612) 690-5441•(612) 690-2810

MWRD Retirement Fund Trustees:

Standard Valuations, Inc., has served as the MWRD Retirement Fund's performance evaluator in addition to monitoring the activity of the Fund's investment managers since 1989. The Fund contractually retains professional investment managers to invest its assets in domestic markets within the statutorily prescribed legal list of securities and within those additional prudent guidelines established by the Trustees. More detailed information regarding the Fund's investment policy, objectives and guidelines is presented in the *Investment Preface* immediately following this letter. The Fund's investment assets are held in Trust by its custodian, the Bank of New York. Standard Valuations receives its data from the Fund's custodian, which is then used to monitor performance and to verify compliance.

I am pleased to report that during 2004, as in past years, the investment of the Fund's assets has complied with the Illinois Compiled Statutes and the Fund's guidelines. Standard Valuations has reviewed the Investment Section of the MWRD Retirement Fund 2004 Comprehensive Annual Financial Report and believes that it accurately reflects the investment activity of the Fund for the reporting year. Additionally, where historical information is presented, we believe it to be accurate. All rates of return are in compliance with the Association of Investment Management and Research Association (AIMR). Comparisons to peer group funds are proprietary to insure accuracy.

In compliance with the Illinois Compiled Statutes that govern the Fund, allowing a maximum of 65% of assets to be invested in equities, the Fund's investment allocation at market value as of December 31, 2004, was 57.7% in domestic equities, 41.2% in domestic fixed income and 1.1% in short-term investments. In 2004, the Fund's overall portfolio produced a net return of 9.4%, as compared to the median manager in the Standard Valuation's Investment Universe (SVIU) that posted 7.5% net return, with the Fund having slightly greater volatility (5.0% vs. 4.5%). It should be noted that the SVIU includes a significant number of Taft-Hartley (union) and institutional funds that are allowed a higher level of discretion in security selection and greater exposure to equities. The Fund's 4.2% fixed income performance (including cash) outperformed the corresponding SVIU at 3.6%. The Fund's 13.5% equity performance outperformed the corresponding SVIU median manager at 12.5%, with slightly higher standard deviation (8.9% vs. 8.8%). As with all of the funds for which we provide services, asset allocation is constantly being reviewed.

Thank you for the opportunity to serve you.

Sincerely,

Richard Elvin
Vice President, Standard Valuations, Inc.

May 25, 2005

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 Fund is directed by a Board of Trustees (Board), consisting of two appointed MWRD Commissioners and three elected employee members.

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. In general, the Fund expects to obtain the following performance goals from its investment managers:

1. The goal of the fixed income portfolio is to exceed the Lehman Brothers Aggregate Bond Index on an annual basis over consecutive three year periods. A minimum investment objective is to equal the rate of return of six-month Treasury Bills on an annual basis. Avoidance of loss of principal is vital in the Fixed Income Portfolio.
2. The goal of the equity investment portfolio is to exceed the annualized rate of return of the Wilshire 5000 Index by 200 basis points over a market cycle.

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 compliment existing portfolio styles. Investment managers must adhere to their stated investment philosophy and strive to attain their performance goals.

INVESTMENT ALLOCATION

The State of Illinois Compiled Statutes, Chapter 40, Act 5, (Pensions), Articles 1 and 13, describe the investment authority of the Fund. No more than 65% of the investments may be invested in domestic stocks, and no more than 10% may be invested in other investments such as alternative investments. These limitations on equity investments are relative to market value. There is no statutory limit as to the percentage of investments in bonds and fixed income instruments.

At December 31, 2004, 57.7% of the Fund's assets were invested in equity securities (at market value), 41.2% were invested in fixed income securities, and 1.1% were held in short-term investments and cash.

Although the statutes allow up to 10% (basket clause) of the Fund's assets to be invested in instruments not included in the legal list (securities of foreign corporations, real estate, venture capital, etc.), the Board has adopted the prohibited list of investments shown below, which is included in all of the Fund's investment management agreements.

Prohibited Investments - Options, futures, short sales, purchases on margin, commodities, venture capital issues, letter stock, equity securities not listed in the national securities exchange or the NASDAQ, restricted securities, insurance contracts, real estate, interest or principal only Collateralized Mortgage Obligations (CMO's), or any highly leveraged portion of a CMO or privately placed securities with the exception of commercial mortgage backed securities.

INVESTMENT MANAGEMENT

Based on the Fund's asset allocation study and manager performance reviews, the Trustees took the following action in 2004:

- In March 2004, the Board of Trustees hired the investment management services of Ariel Capital Management, LLC, a Chicago based minority owned firm, to manage a \$20 million mid-cap value portfolio. Funding to Ariel was made primarily from the Fund's S&P 400 index account and a portion from the U S marketcap index account, both of which were managed by Northern Trust Global Investments (NTGI).
- In June 2004, the Board terminated the services of INVESCO due to performance related issues. INVESCO managed a large-cap core portfolio for the Fund since April 1999, valued at \$54.4 million as of June 30, 2004. Proceeds from the liquidation of the portfolio funded Earnest Partners, LLC, \$25 million large-cap core equity mandate; \$10 million to Alliance Bernstein for investment in their large-cap core portfolio; \$14 million to NTGI for investment in their S&P 500 index; and the remaining \$5.4 million for benefit payments.
- In August 2004, the Trustees amended the Fund's broker-dealer policy goal from 15% to 35% participation with minority, female or disabled-owned broker-dealers.

On a quarterly basis, the Fund receives a complete portfolio analysis for each of the Fund's active equity managers from Berthel Schutter, the Fund's asset allocation specialist. These analyses aid in the asset allocation and investment manager performance review process. The Board reviews the Fund's asset allocation on a quarterly basis to determine if rebalancing of the overall portfolio is needed based upon each asset class targets dictated by the Fund's formal investment policy which was established in 2002.

The Fund's custodian is the Bank of New York.

INVESTMENT PERFORMANCE

Standard Valuations, Inc. 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 reported net of investment fees and in compliance with the Association of Investment Management and Research (AIMR).

The market value rate of return on invested assets (net of investment expense) for the years ending December 31, 2004 and 2003, was 9.4% and 18.9%, respectively. The Fund's custom benchmark comprised of 55% Wilshire 5000 Stock Index and 45% Lehman Brothers Aggregate Bond index returned 8.8% and 18.7%, respectively.

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 Yields* provides data for trend analysis, which is illustrated in the accompanying Investment Yield graph.

One of the important issues in relation to investment returns is whether the Fund is meeting the actuarial assumptions used to compute the Fund's liabilities. An analysis of the History of Investment Yields table shows that the Fund's market value rate of return has exceeded the actuarial assumption rate of return six out of the last ten years. The Fund's investment rate of return at market value has averaged 8.7% over the last ten years, versus the actuarial assumption of 7.75%.

INVESTMENT ASSETS

Year ending December 31, 2004

Acquisitions and Dispositions at Book Value

	as of 12/31/03	2004 Acquisitions	2004 Dispositions	as of 12/31/04
Fixed Income Investments	\$ 394,836,065	\$ 121,299,938	\$ 114,694,519	\$ 401,441,483
Equity Investments	562,105,437	260,803,353	265,136,994	557,771,796
Short Term Investments	10,737,288	191,114,811	189,223,666	12,628,433
Total Investments (Book Value)	\$ 967,678,789	\$ 573,218,102	\$ 569,055,179	\$ 971,841,712

Summary at Book Value

	December 31, 2004		December 31, 2003	
Fixed Income Investments				
Bonds and Notes	\$ 116,959,616	12.03 %	\$ 114,337,551	11.82 %
Index/Commingled Funds	282,373,939	29.06	279,239,301	28.86
Other Fixed Income	2,107,928	0.22	1,259,213	0.13
	<u>401,441,483</u>	<u>41.30</u>	<u>394,836,065</u>	<u>40.81</u>
Equity Investments				
Common Stocks	318,698,482	32.79	307,210,492	31.75
Index/Commingled Funds	239,073,314	24.60	254,894,944	26.34
	<u>557,771,796</u>	<u>57.39</u>	<u>562,105,437</u>	<u>58.09</u>
Short Term Investments	12,628,433	1.30	10,737,288	1.10
Total Investments (Book Value)	\$ 971,841,712	100.00 %	\$ 967,678,789	100.00 %

Summary at Fair Value

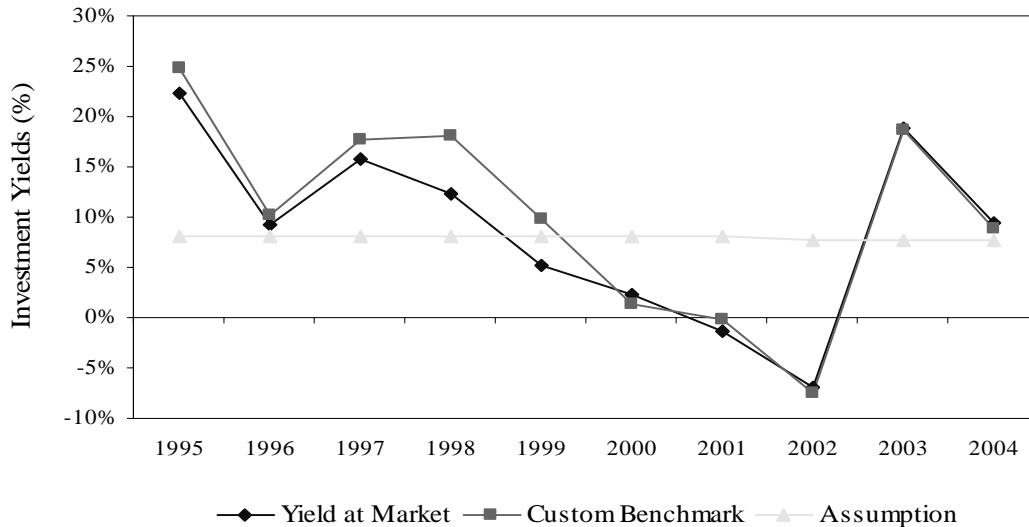
	December 31, 2004		December 31, 2003	
Fixed Income Investments				
Bonds and Notes	\$ 121,681,692	10.89 %	\$ 120,781,907	11.41 %
Index/Commingled Funds	336,160,253	30.08	321,366,444	30.36
Other Fixed Income	2,179,678	0.20	1,302,458	0.13
	<u>460,021,622</u>	<u>41.17</u>	<u>443,450,809</u>	<u>41.90</u>
Equity Investments				
Common Stocks	388,146,530	34.74	357,602,246	33.78
Index/Commingled Funds	256,744,383	22.97	246,730,445	23.31
	<u>644,890,913</u>	<u>57.71</u>	<u>604,332,691</u>	<u>57.09</u>
Short Term Investments	12,628,433	1.12	10,737,288	1.01
Total Investments (Fair Value)	\$ 1,117,540,968	100.00 %	\$ 1,058,520,788	100.00 %

HISTORY OF INVESTMENT YIELDS AT FAIR VALUE

Years ending December 31st

Year	Invested Assets	Actuarial Assumption	Yield at Market	Fund's Custom Benchmark ¹
1995	\$ 725,825,804	8.00%	22.3%	24.9%
1996	801,906,740	8.00%	9.3%	10.1%
1997	912,287,893	8.00%	15.8%	17.7%
1998	1,012,052,760	8.00%	12.3%	18.0%
1999	1,041,687,323	8.00%	5.1%	9.9%
2000	1,054,424,696	8.00%	2.4%	1.3%
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%
5 Year Average ²		7.85%	4.5%	4.2%
10 Year Average ²		7.93%	8.7%	10.2%

Investment Yields at Fair Value



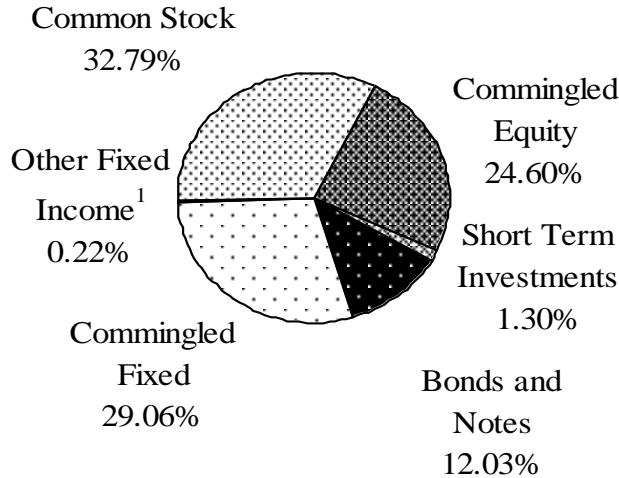
¹ The Fund's Custom Benchmark has consisted of 30% S&P 500 and 70% USG IT through 12/95; 35% S&P 500 and 65% LBA from 1/96 through 9/97; 45% S&P 500 and 55% LBA from 9/97 through 11/98; and 55% Wilshire 5000 and 45% LBA currently (since 12/98).

² The returns are net of investment fees. They are based on a time-weighted rate of return at market and comply with AIMR's Performance Presentation Standards as reported to the Fund by Standard Valuations, Inc. in their Quarterly Reports. Quarterly Reports can be obtained upon request.

SCHEDULE OF INVESTMENT RETURNS

	Year ending December 31, 2004	3-Year Annualized	5-Year Annualized
Fund's Total Portfolio	9.4%	6.6%	4.1%
Fund's Custom Benchmark	8.8%	6.1%	3.0%
Fund's Equities	13.5%	6.2%	0.0%
Wilshire 5000	12.5%	5.4%	-1.4%
S&P 500	10.9%	3.6%	-2.3%
S&P 400 MidCap	16.5%	10.5%	9.5%
Russell 2000	18.3%	11.5%	6.6%
Fund's Fixed Income	4.2%	6.1%	7.6%
Lehman Brothers Aggregate	4.3%	6.2%	7.7%

Asset Allocation at Book Value
as of December 31, 2004



INVESTMENT ASSET ALLOCATION

(at Book Value)

	December 31, 2004		December 31, 2003	
Bonds and Notes	\$ 116,959,616	12.03 %	\$ 114,337,551	11.82 %
Commingled Fixed	282,373,939	29.06	279,239,301	28.86
Other Fixed Income ¹	2,107,928	0.22	1,259,213	0.13
Common Stock	318,698,482	32.79	307,210,492	31.75
Commingled Equity	239,073,314	24.60	254,894,944	26.34
Short Term Investments	12,628,433	1.30	10,737,288	1.10
TOTAL	\$ 971,841,712	100.00 %	\$ 967,678,789	100.00 %

¹ Other Fixed Income includes private placements and miscellaneous.

HISTORICAL ASSET ALLOCATION

Investment allocations for years ending December 31st, at book value

Year	Equities	Fixed Income					Total Fixed Income	Short Term Investments (and Cash)	Total ¹
		Long Term Bonds	Inter-mediate Bonds	Short Term Bonds	Commingled Fixed Income	Total Fixed Income			
1989	27.67 %	10.95 %	28.65 %	25.77 %	0.00 %	65.37 %	6.96 %	100 %	
1990	26.83	24.63	19.52	25.29	0.00	69.44	3.73	100	
1991	29.38	24.12	19.84	22.47	0.00	66.43	4.19	100	
1992	34.24	26.93	16.13	19.77	0.00	62.83	2.93	100	
1993	35.33	21.98	15.39	19.51	2.50	59.38	5.29	100	
1994	36.62	15.58	14.66	18.09	9.51	57.84	5.54	100	
1995	36.45	17.21	14.49	16.24	9.77	57.71	5.84	100	
1996	32.72	21.86	13.86	17.83	9.41	62.96	4.32	100	
1997	42.56	18.33	10.21	13.86	11.38	53.78	3.66	100	
1998	44.74	17.73	7.58	10.66	17.27	53.24	2.02	100	
1999	49.77	9.94	3.41	5.10	30.46	48.91	1.32	100	
2000	50.41	5.68	3.59	3.62	35.35	48.24	1.35	100	
2001	53.55	4.76	3.05	3.91	33.23	44.95	1.50	100	
2002	57.56	3.98	2.82	4.21	30.28	41.29	1.15	100	
2003	58.09	5.51	2.86	3.58	28.86	40.81	1.10	100	
2004	57.39	4.89	2.75	4.61	29.06	41.31	1.30	100	

¹. Totals approximate 100% due to rounding error.

Note - The State of Illinois Revised Statutes, Chapter 40, Act 5, (Pensions), Articles 1 and 13, describe the investment authority of the Fund and is discussed in the Investment Allocation paragraph of the Preface to this Section. The Fund is in compliance with the state statutes regarding asset allocation.

FIXED INCOME DIVERSIFICATION

as of December 31, 2004

<u>Bond and Note Classification</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Total Fixed Income¹</u>
Government Issues			
U S Government Treasuries	\$ 21,832,708	\$ 24,001,664	5.2 %
U S Government Agency	34,214,266	34,419,023	7.5
State and Local Obligations	2,748,582	2,669,043	0.6
Total Government Issues	<u>58,795,556</u>	<u>61,089,729</u>	<u>13.3</u>
Corporate Bonds			
Asset Backed Securities	13,043,395	13,179,549	2.9
Finance	22,602,183	24,013,716	5.2
Industrial	13,100,472	13,625,565	3.0
Public Utilities	9,418,009	9,773,134	2.1
Total Corporate Bonds	<u>58,164,060</u>	<u>60,591,963</u>	<u>13.2</u>
Total Bonds and Notes	116,959,616	121,681,692	26.4
Index/Commingled Fixed	282,373,939	336,160,253	73.1
Other Fixed Income (Private Placements)	<u>2,107,928</u>	<u>2,179,678</u>	<u>0.5</u>
TOTAL FIXED INCOME	\$ 401,441,483	\$ 460,021,622	100.0 %

¹ at Fair Value

COMMON STOCK DIVERSIFICATION
as of December 31, 2004

Classification	Cost	Fair Value	% of Total ¹
Consumer Non-Durables			
Apparel & Shoes	\$ 834,084	\$ 1,253,335	0.2 %
Beverages	2,401,371	2,206,390	0.3
Broadcasting & Publishing	7,125,612	7,478,065	1.2
Cosmetics & Related Products	4,166,523	5,302,662	0.8
Drugs & Health Care Products	11,198,347	12,129,333	1.9
Foods	3,142,049	3,916,903	0.6
Leisure	7,560,780	8,920,410	1.4
Miscellaneous Consumer Non-Durables	78,842	81,453	0.0
Restaurants, Food Service & Lodging	5,128,423	6,527,603	1.0
Retailing	15,749,672	20,634,335	3.2
Soap & Other Household Products	554,340	636,223	0.1
Total Consumer Non-Durables	57,940,042	69,086,711	10.7
Consumer Durables			
Autos, Tires & Related Products	8,047,060	7,321,586	1.1
Consumer Appliances & Electronics	2,109,214	2,296,394	0.4
Home Furnishings	355,569	377,616	0.1
Miscellaneous Consumer Durables	58,006	62,610	0.0
Total Consumer Durables	10,569,849	10,058,205	1.6
Materials & Services			
Building	6,905,975	11,431,450	1.8
Business Products & Services	25,045,687	30,225,239	4.7
Chemicals	1,882,774	2,597,805	0.4
Diversified Companies	12,153,260	13,994,366	2.2
Containers	204,392	248,553	0.0
Hospital Supplies & Medical Services	29,255,024	35,867,080	5.6
Metals & Mining	4,099,259	4,753,615	0.7
Pulp & Paper	832,727	1,055,354	0.2
Textiles	370,420	465,375	0.1
Total Materials & Services	\$ 80,749,518	\$ 100,638,838	15.6 %

¹ at Fair Value

COMMON STOCK DIVERSIFICATION
as of December 31, 2004

(continued)

Classification	Cost	Fair Value	% of Total ¹
Capital Goods & Services			
Machinery	\$ 4,851,744	\$ 5,665,524	0.9 %
Miscellaneous Capital Goods	2,970,930	4,394,253	0.7
Office Equipment	1,718,645	2,413,729	0.4
Pollution Control	775,993	763,534	0.1
Total Capital Goods & Services	10,317,312	13,237,039	2.1
Technology			
Aerospace & Defense	5,914,664	6,918,708	1.1
Computer Equipment & Services	32,012,036	38,773,489	6.0
Electrical Equipment & Services	17,740,168	17,898,372	2.8
Special Technology	2,625,571	2,440,197	0.4
Total Technology	58,292,438	66,030,766	10.2
Energy			
Oil & Coal	15,083,860	20,452,903	3.2
Total Energy	15,083,860	20,452,903	3.2
Transportation Products & Services	4,764,304	7,238,807	1.1
Utilities			
Electric	6,674,528	8,055,257	1.2
Gas	1,693,081	2,311,702	0.4
Telecommunications	7,613,485	7,503,648	1.2
Total Utilities	15,981,093	17,870,607	2.8
Financial			
Banks & Other Financial Services	58,872,570	75,672,764	11.7
Insurance	5,133,587	6,647,185	1.0
Total Financial	64,006,156	82,319,949	12.8
Miscellaneous Common Stock	993,910	1,212,704	0.2
Total Common Stock	318,698,482	388,146,530	60.2
Index/Commingled Equity	239,073,314	256,744,383	39.8
TOTAL EQUITIES	\$ 557,771,796	\$ 644,890,913	100.0 %

¹ at Fair Value

TOP 40 COMMON STOCK HOLDINGS¹
as of December 31, 2004

<u>Asset Description</u>	<u>Sector</u>	<u>Shares</u>	<u>Market Value</u>
Microsoft Corp.	Technology	294,000	\$ 7,852,740
Johnson & Johnson	Marerials & Services	88,747	5,628,335
JPMorgan Chase & Co.	Financial	143,303	5,590,250
Wells Fargo & Co.	Financial	88,400	5,494,060
Exxon Mobil Corp.	Energy	94,810	4,859,961
Citigroup Inc.	Financial	96,388	4,643,974
Costco Wholesale Corp.	Consumer Non-Durables	91,075	4,408,941
Emerson Electric Co.	Technology	60,405	4,234,391
Pfizer Inc.	Marerials & Services	145,620	3,915,722
Masco Corp.	Marerials & Services	100,825	3,683,137
Allstate Corp.	Financial	68,600	3,547,992
Schering-Plough Corp.	Marerials & Services	160,994	3,361,555
Janus Cap Group Inc.	Financial	194,600	3,271,226
Hewlett Packard Co.	Technology	148,400	3,111,948
Forest Laboratories Inc.	Marerials & Services	67,600	3,032,536
Mattel Inc.	Consumer Non-Durables	154,900	3,019,001
Amazon Inc.	Consumer Non-Durables	67,600	2,994,004
Disney (Walt) Co .	Consumer Non-Durables	106,710	2,966,538
Juniper Networks Inc.	Technology	105,200	2,860,388
Washington Mutual Inc.	Financial	67,400	2,849,672
Network Appliance Inc.	Technology	85,500	2,840,310
International Business Machines	Technology	28,800	2,839,104
Broadcom Corp.	Technology	87,700	2,830,956
Bank America Corp.	Financial	59,338	2,788,293
General Electric Co.	Marerials & Services	76,100	2,777,650
Bear Stearns Co.	Financial	26,900	2,752,139
Nextel Communications Co.	Technology	90,800	2,724,000
McDonalds Corp.	Consumer Non-Durables	83,500	2,677,010
Burlington Northern Santa Fe Corp.	Utilities	56,000	2,649,360
3M Co.	Marerials & Services	32,192	2,641,997
Dover Corp.	Marerials & Services	62,300	2,612,862
Amgen Inc.	Capital Goods & Services	40,200	2,578,830
Cisco Systems Corp.	Technology	132,800	2,563,040
Electronic Arts	Technology	40,000	2,467,200
Agilent Technologies Inc.	Technology	101,600	2,448,560
Applera Corp Applied Biosystems Group	Consumer Non-Durables	116,700	2,440,197
Johnson Controls Inc.	Marerials & Services	37,860	2,401,838
Morgan Stanley Group Inc.	Financial	43,200	2,398,464
Ford Motor Co.	Consumer Durables	162,800	2,383,392
Heinz H J Co.	Consumer Non-Durables	59,800	2,330,627

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

MANAGER BY TYPE AND PERCENTAGE OF INVESTMENT ASSETS

Assets Under Management at Fair Value

	Year ending December 31, 2004		Year ending December 31, 2003	
	Fair Value	% of Total	Fair Value	% of Total
Balanced Managers				
Northern Trust Global Investments	\$ 443,741,666	39.7 %	\$ 425,892,755	40.2 %
Chicago Asset Management Co.	157,119,452	14.1	172,009,226	16.2
UBS Global Asset Management, Inc.	137,891,154	12.3	125,032,506	11.8
Earnest Partners, LLC.	57,533,928	5.1	25,738,840	2.4
Sub-Total	796,286,201	71.3	748,673,326	70.7
Equity Only Managers				
Alliance Capital Management	90,285,741	8.1	64,824,514	6.1
Ariel Capital Management	22,127,347	2.0	-	
INVESCO-National Asset Management	-	0.0	56,115,934	5.3
Wasatch Advisors	28,677,347	2.6	23,362,771	2.2
ING - Aeltus Investment Management	-	0.0	47,813	0.0
American Century Asset Management	14,002,286	1.3	11,349,322	1.1
New Amsterdam Partners LLC.	34,135,963	3.1	28,620,440	2.7
Sub-Total	189,228,685	16.9	184,320,795	17.4
Fixed Only Manager				
State Street Global Advisors	130,962,132	11.7	125,526,667	11.9
Short Term Fixed Income Manager				
The Illinois Funds ¹	1,063,950	0.1	-	0.0
Total Investments	\$ 1,117,540,968	100 %	\$ 1,058,520,788	100 %

INVESTMENT MANAGER COMPENSATION ²

Investment Manager	2004 Fees	2003 Fees
Northern Trust Global Investments	\$ 91,999	\$ 87,198
Chicago Asset Management Co.	424,295	400,986
UBS Global Asset Management, Inc.	409,475	396,482
Earnest Partners L.L.C	151,267	98,244
Alliance Capital Management	182,387	151,351
INVESCO-National Asset Mgmt Corp. ³	77,082	143,180
Wasatch Advisors	245,376	183,684
ING - Aeltus Investment Management	-	88,989
American Century Asset Management	99,041	75,496
New Amsterdam Partners L.L.C.	107,810	86,379
State Street Global Advisors	32,766	32,874
Ariel Capital Management ⁴	76,497	-
Total	\$ 1,897,995	\$ 1,744,863

1. The Illinois Funds are periodically used to invest Working Cash funds.
2. 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.
3. INVESCO was terminated in June 2004.
4. Ariel Capital Management was hired in April 2004.

INVESTMENT BROKERAGE COMMISSIONS¹

Year ended December 31, 2004

<u>Broker/Dealer</u>	<u>Total Commission</u>	<u>% of Total</u>
Citation Group Chase NYC ²	\$ 56,058	11.2%
Cabrera Capital Markets ²	43,654	8.8%
Correspondent Services Group / Melvin Securities ²	31,282	6.3%
Citigroup Global Markets Inc	23,114	4.6%
Morgan Stanley Co.	18,883	3.8%
Berean Capital, Inc. ²	18,235	3.7%
Credit Suisse First Boston	18,062	3.6%
Gardner Rich & Co. ²	16,790	3.4%
Goldman Sachs & Co.	13,606	2.7%
Loop Capital Markets ²	12,487	2.5%
J.P. Morgan Securities, Inc.	11,983	2.4%
Liquidnet, Inc.	11,865	2.4%
Bear Stearns & Co., Inc.	10,207	2.0%
Lehman Brothers, Inc.	9,659	1.9%
UBS Securities, LLC.	8,955	1.8%
Jefferies & Company, Inc.	6,785	1.4%
Robert W. Baird & Co., Inc.	6,763	1.4%
Lynch, Jones, & Ryan ²	6,016	1.2%
Rock Island ²	5,665	1.1%
BOE Securities, Inc ²	5,444	1.1%
All Others ³	<u>163,278</u>	<u>32.7%</u>
Total Commissions	\$ 498,791	100.0%

CUSTODIAL FEES⁴

Year Ended December 31, 2004

<u>Institution</u>	<u>Fees</u>
Bank of New York	\$ 99,090

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 at a maximum of \$0.03 per share and commission recapture.

³ Brokerage firms that each received less than 1.1% of the total commissions.

⁴ Custodial fees do not reflect management fees related to the Fund's commingled assets.

* ACTUARIAL SECTION

Actuarial Certification

Comparative Summary 2004 and 2003

Plan Summary

Summary of Actuarial Assumptions and Methods:

Summary of Valuation Results as of December 31, 2004

Analysis of Financial Experience during 2004

Reconciliation of Change in Unfunded Actuarial Liability

Historical Actuarial Data:

History of Change in Unfunded Liability

Actuarial Accrued and Unfunded Liabilities

Assets and Liabilities (graph)

Actuarial Accrued Liability Prioritized Solvency Test

History of Retirants 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

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CHICAGO, ILLINOIS 60603
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April 25, 2005

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, 2004. 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.

The same actuarial assumptions were used for the December 31, 2004 actuarial valuation as were used for the December 31, 2003 valuation. These assumptions were based on our experience analysis of the fund for the four-year period 1999 through 2002.

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. The only exception to the 2.19 tax multiple is employee contributions to the Optional Plan beginning in 2003 for which employer contributions are made on the basis of a 1.00 tax multiple. Over past years, the net amount of employer contributions to the pension fund has been 87% of the gross amount of the tax levy.

For the year beginning January 1, 2005 the net employer contribution to the fund is expected to cover 60.1% of the actuarially determined contribution requirement. We have estimated that a tax multiple of 3.64 would have been required to have employer contributions cover the full actuarially determined contribution requirement for the year 2005.

The entry age normal actuarial cost method was used for the December 31, 2004 actuarial valuation. This is the same actuarial cost method that was used for the December 31, 2003 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, 2004. For purposes of the actuarial valuation, a 5-year smoothed market value of assets was used to determine the actuarial value of assets, with the actuarial value of assets limited to a maximum of 120% of market value.

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.

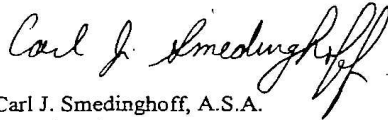
The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement No. 25.

In our opinion, the following valuation results fairly present the financial condition of the Metropolitan Water Reclamation District Retirement Fund as of December 31, 2004

Respectfully submitted,



Sandor Goldstein, F.S.A.
Consulting Actuary



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

COMPARATIVE SUMMARY

	2004	2003
Income		
Gross investment income	\$ 98,899,393	\$ 172,759,610
Employer contributions	30,982,232	28,778,648
Employee contributions	15,150,846	14,230,224
Total income	145,032,471	215,768,482
Outgo		
Refunds, Benefits, Expense ¹	82,670,470	77,158,125
Excess of Income Over Outgo	\$ 62,362,001	\$ 138,610,357
Number of Members		
Active Members	2,051	2,060
Inactive Members	74	54
Members Receiving Annuity Benefits		
Retirees	1,520	1,495
Spouses	677	691
Children	9	7
Total Members	4,331	4,307
Members Receiving Disability Benefits	49	51
Actuarial Funding - Going Concern		
Liability to Date	\$ 1,578,366,508	\$ 1,517,868,687
Assets - Actuarial Value ²	1,161,778,511	1,146,520,634
Unfunded Liability	416,587,997	371,348,053
Funded Ratio	73.6%	75.5%
Employer's Actuarial Requirement for the Following Year ³ (30-year amortization of unfunded liability)	43,164,572	40,146,454
Expected 2004 Employer Contribution Deficiency	17,206,572	n/a
Actual 2003 Employer Contribution Deficiency	n/a	9,164,222 ⁴
Required Employer Multiple (Amortization over 30-years)	3.64	2.89 ⁴
Miscellaneous		
Salary Roll	\$ 146,360,302	\$ 142,593,596
Average Salary	71,360	69,220
Present Value of Benefits	\$ 1,845,042,594	\$ 1,781,518,184

1. Includes investment expense.
2. Actuarial asset values are calculated using a five-year smoothed market value.
3. In an effort to provide more current information, 2003 was restated to reflect the employer's actuarial requirement for the following year, as opposed to the current year.
4. In 2004, the method of presenting the deficiency/excess in annual employer contribution was changed to use actual (rather than previously estimated) employer contribution for the prior year.

PLAN SUMMARY

PARTICIPANT

Person employed by the District whose duties indicate service during a calendar year for a minimum of 120 days. A Commissioner who elects to participate within 90 days after becoming a Commissioner. Civil Service Board members hired since June 13, 1997 are excluded from participation in the retirement fund.

RETIREMENT ANNUITY

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 (but under age 60) 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, combine to purchase annuity.

Formula Minimum Annuity. An employee who withdraws on or after November 19, 1991 and who has attained age 60 or over with 5 or more years of service, or who has attained age 55 (age 50 if the employee first entered service before June 13, 1997) with 10 years of service would receive an annuity equal to 2.2% of final average salary (average annual salary during the 52 consecutive pay periods within the last 10 years of service prior to retirement), for each of the first 20 years of service, and 2.4% of final average salary for each year in excess of 20. This amount is reduced .5% for each full month the employee is less than age 60 or the employee's service is less than 30 years, whichever is less.

Retirement from Disability. An employee having at least 5 years of service who has received an ordinary disability benefit on or after January 1, 1986, (or at least 10 years of service if all ordinary disability benefits were received prior to January 1, 1986) and for the maximum period of time and who continues to be disabled and withdraws from service shall be entitled to a retirement annuity. The age and service conditions prescribed for such allowance for shall be waived as to such member for qualification, but age discount factors shall apply.

Automatic Increase in Employee Annuity. Beginning January 1, 1993, annual increases shall be calculated at 3% of monthly annuity payable at the time of the increase, except for a term annuity. An employee who retires on or after July 12, 2001 shall receive the automatic increase in annuity on the first day of the month in which the first anniversary of the date of retirement occurs.

Minimum Annuity. Beginning August 1, 2001, the minimum monthly annuity shall be \$500 plus \$25 per month for each year of service in excess of 10 years, to a maximum of \$750 per month; \$250 for annuitants with less than 10 years of service or who had 10 years of service but began receiving an annuity before age 60 if the annuitant retired before August 23, 1989.

Rule of 80. A member eligible for retirement under the Rule of 80 may eliminate the early retirement reduction by retiring from the District during the five-year period 2003 through 2007. An eligible employee must be at least age 50, have more than 20 years of service with a minimum of 10 years of District service, and the sum of the years of creditable service and age equals at least 80. There is .5% discount for the lesser of each month of service under 30 years or age under 60, for retirees not eligible for the Rule of 80.

New Optional Plan of Contributions and Benefits. Effective January 1, 2003, the Optional Plan allows an eligible employee to make an irrevocable election to contribute an additional 4% of salary on current service, resulting in an additional 1% benefit per year of service for which optional contributions are paid. Optional contributions may now be made to a maximum of 12 years of service. The base retirement annuity, post-retirement increases and spouse's annuity are increased as a result of optional contributions, which are now tax-deferred. The Optional Plan is restricted to employees who have a minimum of 10-years of creditable District service. This plan is set to expire on December 31, 2007.

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.

SPOUSE'S ANNUITY

Payable until death or termination of temporary annuity.

For Death in Service (Duty Related): The minimum annuity is equal to 50% of the employee's earnable monthly salary on the date of death.

For Death in Service or After Retirement (Non-Duty): A surviving spouse of an employee 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.

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.

Formula Minimum Annuity. The surviving spouse annuity is equal to 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%.

Annuity for a surviving spouse of employees starting after November 19, 1991, shall be discounted .25% for each full month that the spouse is younger than the employee to a maximum discount of 60%. The discount shall be reduced by 10% for each full year marriage has been in effect.

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 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 who was not subject to an early retirement discount, 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.

Child's Annuity. Beginning August 1, 2001, payable upon the death of the employee or annuitant, each child (if unmarried and less than age 18) would be entitled to an annuity as follows:

- a) \$500 per month for one child and \$350 per month for each additional child if one parent is living; or
- b) If neither parent is living, \$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.

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. 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.

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.

REFUNDS

To Employee. Upon separation from service, if the employee is under age 50, or is between ages 50 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 any children, and if there are not children, to the designated beneficiary, and in the absence of both to the administrator of the employee's estate. If death occurs after the employee retires, the refund would consist of all amounts remaining in the account not paid to the employee or spouse.

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. The tax levy for Optional contributions made in 2003 through 2007 toward the Optional Plan of Contributions and Benefits require the District to levy taxes on a dollar for dollar basis.

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 66-2/3% of the employee's retirement annuity.

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, 2004 actuarial valuation were selected by the actuary based on an experience analysis of the fund for the five-year period 1999 through 2002. Based on this experience analysis, one revision was made to the actuarial assumptions that had been used for the December 31, 2002 valuation. In 2003, the Fund’s Board of Trustees adopted the actuary’s recommendation to use the 1983 Group Annuity Table for Females, rated up two years as the mortality table for female participants. The current assumptions and methods are summarized below.

MORTALITY RATES

The 1983 Group Annuity Mortality Table, for active members as well as pensioners. The table for female members and pensioners is rated up two years, beginning with the 2003 valuation.

TERMINATION RATES

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

Attained Age	Age at Entrance			Age at Entrance		
	Males			Females		
	<u>27</u>	<u>32</u>	<u>37</u>	<u>27</u>	<u>32</u>	<u>37</u>
27	.077			.083		
32	.046	.061		.045	.058	
37	.024	.032	.056	.022	.035	.042
42	.011	.018	.029	.011	.021	.029
47	.003	.010	.016	.005	.011	.016

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 proposed rates of retirement:

<u>Attained Age</u>	<u>Rates of Retirement</u>
50	.08
55	.13
60	.22
65	.30
70	1.00

SALARY PROGRESSION

5.5% per year, compounded annually.

INTEREST RATE

7.75% per year compounded annually.

LOADING FOR RECIPROCAL BENEFITS

5.0% of costs and liabilities of active members.

MARITAL STATUS

81% of the participants were assumed to be married.

SPOUSE'S AGE

The spouse of a male employee was assumed to be four 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 COST METHOD

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 between entry age and assumed exit age. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability.

ACTUARIAL VALUE OF ASSETS

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

SUMMARY OF VALUATION RESULTS AS OF DECEMBER 31, 2004

Actuarial Liabilities for Active Members

Basic Retirement Annuity	\$ 373,072,927
Automatic Increase in Retirement Annuity	105,929,004
Additional Benefits under Optional Plan	54,095,599
Post-retirement Survivor's Annuity	84,746,036
Pre-retirement Survivor's Annuity	20,863,154
Withdrawal Benefit	5,510,364
Total	<u>644,217,084</u>

Actuarial Liabilities for Members Receiving Benefits

Retirement Annuities	546,630,922
Automatic Increase in Retirement Annuities	129,701,969
Survivor Annuities to Survivors of Current Retirees	142,765,701
Survivor Annuities to Current Survivors	110,805,628
Total	<u>929,904,220</u>

Actuarial Liability for Inactive Members

4,245,204

Total Actuarial Liability

1,578,366,508

Actuarial Value of Assets

1,161,778,511

Unfunded Actuarial Liability

\$ 416,587,997

Funded Ratio

73.6%

ANALYSIS OF FINANCIAL EXPERIENCE DURING 2004

The following is a reconciliation of the change in unfunded liability during 2004. Refer to Historical Changes in Unfunded Liability on the next page for additional information.

RECONCILIATION OF CHANGE IN UNFUNDED ACTUARIAL LIABILITY OVER THE PERIOD JANUARY 1, 2004 TO DECEMBER 31, 2004

1	Unfunded actuarial liability as of 1/1/04.		\$ 371,348,053
2	Employer contribution requirement of normal cost plus interest on unfunded liability for period 1/1/04 to 12/31/04.	\$ 47,441,965	
3	Actual employer contribution for the year.	<u>(30,982,232)</u>	
4	Increase in unfunded liability due to employer contribution being less than normal cost plus interest on unfunded liability (line 2 - line3).		\$ 16,459,733
5	Increase in unfunded liability due to investment return lower than assumed.		37,743,856
6	Decrease in unfunded liability due to salary increases lower than assumed.		(5,428,416)
7	Decrease in unfunded liability due to change in the actuarial assumptions.		<u>(3,535,229)</u>
8	Net increase in unfunded liability for the year (lines 4+5+6+7).		<u>45,239,944</u>
9	Unfunded actuarial liability as of 12/31/04 (lines 1+9).		<u><u>\$ 416,587,997</u></u>

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

Year	Salary Scale	Investment	Contribution ¹	Legislative Amendments	Reference ²
1995	(2,707,904)	(9,437,073)	(4,305,007)	-	
1996	(7,008,327)	(27,343,518)	(5,921,904)	-	
1997	(13,731,804)	(16,151,195)	(12,561,073)	50,668,598	HB 0488
1998	(1,129,469)	(16,585,983)	691,790	-	
1999	3,972,152	(11,029,049)	(4,192,253)	-	
2000	12,554,759	603,469	163,111	-	
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		HB 2434
2004	(5,428,416)	37,743,856	16,459,733		
	<u>\$ (3,639,004)</u>	<u>\$ 109,603,123</u>	<u>\$ 6,949,463</u>	<u>\$ 65,436,533</u>	

Year	Changes in Actuarial Assumptions	(see assumption reference key 3)	All Other Miscellaneous Experience	Total
1995	-		16,163,451	(286,533)
1996	-		15,049,348	(25,224,401)
1997	8,296,235	(a, m, r, s, w)	31,016,723	47,537,484
1998	(3,490,937)	(m, r, w)	14,621,579	(5,893,020)
1999	-		12,776,768	1,527,618
2000	-		(21,300,789)	(7,979,450)
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
	<u>\$ 7,552,569</u>		<u>\$ 83,524,791</u>	<u>\$ 269,427,475</u>

Over the last 10 years, the unfunded liability has increased by \$269.4 million. The most significant component of increase, \$109.6 million, has been due to investment returns being lower than assumed. Increases of \$83.5 million in actuarial miscellaneous experience (optional retirement, retirement in general, mortality, reciprocal, death and withdrawal); \$65.4 million have been due to legislative changes in benefits; \$7.5 million due to changes in actuarial assumptions; \$6.9 million due to insufficient employer contributions. Overall salary increases were \$3.6 million less than assumed, which slightly decreased the unfunded liability.

¹ Includes employee and employer contributions variances.

² Legislative reference, see legislative changes in the Plan Summary Section of this report.

³ Key to changes in assumptions:

- a = asset valuation method
- i = interest rate assumption
- m = mortality
- r = retirement
- s = salary
- w = withdrawal

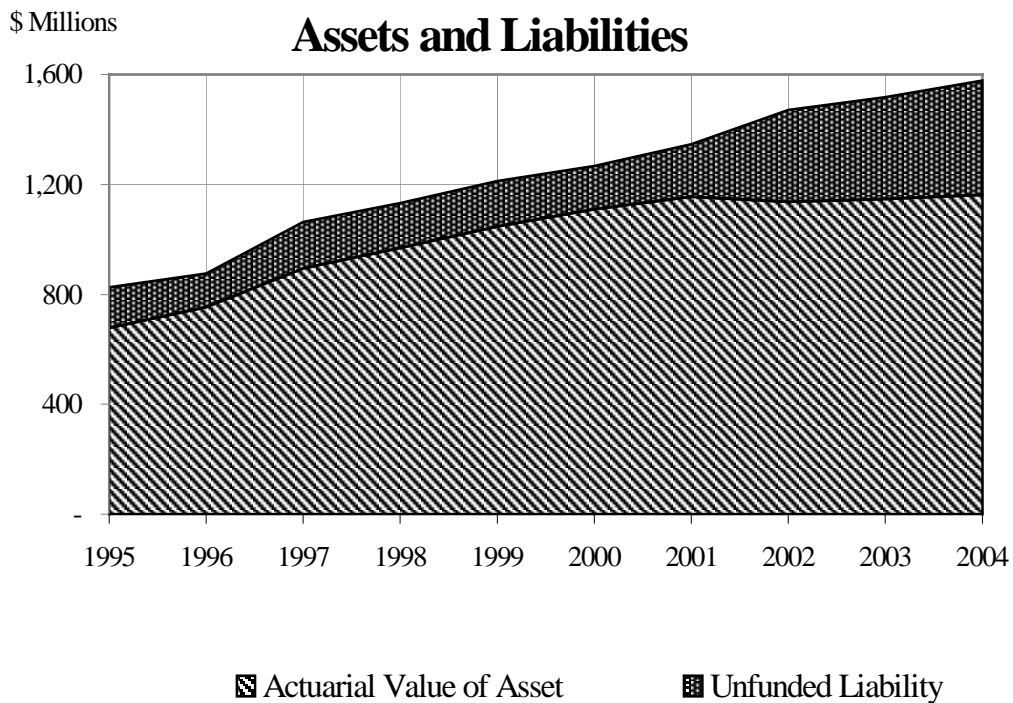
ACTUARIAL ACCRUED AND UNFUNDED LIABILITIES
(Actuarial Funding - Going Concern, Entry Age Normal Method)

Year End	Total Actuarial Liability	Actuarial Value of Assets ¹	Funded Ratio	Unfunded Actuarial Liability (UAL)	Active Member Payroll	UAL as a % of Payroll (Surplus)
1995 ³	\$ 824,719,564	\$ 677,845,575	82.2%	\$ 146,873,988	\$ 109,728,192	133.9%
1996	875,462,004	753,812,416	86.1%	121,649,587	109,385,064	111.2%
1997 ^{2,3}	1,063,733,052	894,545,980	84.1%	169,187,072	111,870,144	151.2%
1998 ²	1,132,408,470	969,114,418	85.6%	163,294,052	118,068,366	138.3%
1999	1,211,787,971	1,046,966,301	86.4%	164,821,670	122,536,313	134.5%
2000	1,267,179,677	1,110,337,457	87.6%	156,842,220	126,929,425	123.6%
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%

¹ Assets are at book value 1995 – 1996; 1997 and forward are at 5-year smoothed market value.

² Change in valuation assumptions.

³ Change in benefits.



**ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST
RESTATED TO ACTUARIAL ASSET VALUES FOR GASB NO. 25**

The prioritized solvency test is another means of checking a system’s progress under its funding program. 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. In a system that has been following the discipline of level percent of payroll financing the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the present value of credited projected benefits for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if the system has been using a level cost financing, the funded portion of present value 3 will increase over time.

Valuation Date 12/31	Aggregate Accrued Liabilities for			Actuarial Asset Values for GASB ^b	Portion (%) of Present Value Covered by Assets		
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (ER financed portion) ^a		(1)	(2)	(3)
1995 ^c	\$ 115,703,307	\$ 394,570,156	\$ 314,446,101	\$ 677,845,575	100%	100%	53%
1996	119,176,139	443,261,374	313,024,491	753,812,416	100	100	61
1997 ^{cd}	122,296,471	540,830,802	400,605,779	894,545,980	100	100	58
1998 ^d	126,612,234	612,581,611	393,214,625	969,114,418	100	100	58
1999	130,913,783	676,294,737	404,579,451	1,046,966,301	100	100	59
2000	136,896,791	712,892,554	417,390,332	1,110,337,457	100	100	62
2001 ^c	146,917,082	760,159,510	439,146,473	1,155,825,153	100	100	57
2002 ^{cd}	151,994,419	849,968,869	468,975,699	1,136,907,158	100	100	29
2003 ^d	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

^a Active Members (Employer Financed Portion) was based on credited projected value of benefits prior to 1997.

^b Assets at book value 1995-1996; 1997 forward 5-year smoothed market value.

^c Change in benefits.

^d 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		
1994	107	\$ 4,498,180	69	\$ 805,291	1,222	\$ 27,392,224	\$ 22,416	12.0
1995	106	4,405,504	51	714,048	1,277	31,083,680	24,341	8.6
1996	109	4,882,191	58	1,126,156	1,328	34,839,715	26,235	7.8
1997	127	6,063,683	56	930,178	1,399	39,973,220	28,573	8.9
1998	76	4,303,064	51	1,112,503	1,424	43,163,781	30,312	6.1
1999	96	5,928,874	72	1,491,202	1,448	47,601,453	32,874	8.5
2000	71	3,550,168	65	715,795	1,454	50,435,826	34,688	5.5
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

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		
1994	51	\$ 601,564	45	\$ 266,032	713	\$ 5,513,354	\$ 7,733	5.6
1995	37	529,714	34	191,382	716	5,851,686	8,173	5.7
1996	39	780,832	44	258,914	711	6,373,604	8,964	9.7
1997	37	771,138	43	265,428	705	6,879,314	9,758	8.9
1998	44	919,991	34	274,099	715	7,525,206	10,525	7.9
1999	41	804,595	44	323,970	712	8,005,831	11,244	6.8
2000	32	754,739	53	382,740	691	8,377,830	12,124	7.8
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

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.

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

Year End	Members in Service	% Change	Annual Payroll ¹	% Change	Average Salary	% Change	Actuarial Salary % Increase	CPI Chicago ²
1974	2,461	0.0 %	\$ 40,942,382	7.5 %	\$ 16,636	7.4 %	3.5 %	10.6 %
1975	2,479	0.7	45,420,648	10.9	18,322	10.1	3.5	8.0
1976	2,553	3.0	48,740,276	7.3	19,091	4.2	5.0	4.7
1977	2,502	(2.0)	50,651,926	3.9	20,245	6.0	5.0	6.3
1978	2,485	(0.7)	51,947,896	2.6	20,905	3.3	5.0	8.5
1979	2,574	3.6	59,262,294	14.1	23,023	10.1	5.0	12.5
1980	2,604	1.2	65,092,014	9.8	24,997	8.6	5.0	14.5
1981	2,581	(0.9)	69,882,046	7.4	27,076	8.3	5.0	9.5
1982	2,503	(3.0)	72,947,568	4.4	29,144	7.6	6.5	6.9
1983	2,447	(2.2)	74,710,224	2.4	30,531	4.8	6.5	4.0
1984	2,341	(4.3)	73,630,944	(1.4)	31,453	3.0	6.5	3.8
1985	2,294	(2.0)	73,698,576	0.1	32,127	2.1	6.5	3.8
1986	2,281	(0.6)	76,854,312	4.3	33,693	4.9	6.5	2.1
1987	2,316	1.5	80,528,592	4.8	34,771	3.2	6.5	4.1
1988	2,310	(0.3)	83,010,120	3.1	35,935	3.3	6.0	3.9
1989	2,297	(0.6)	86,038,752	3.6	37,457	4.2	6.0	5.0
1990	2,297	0.0	89,549,112	4.1	38,985	4.1	6.0	5.4
1991	2,345	2.1	96,340,824	7.6	41,084	5.4	6.0	4.0
1992	2,361	0.7	101,680,704	5.5	43,067	4.8	6.0	3.0
1993	2,390	1.2	107,316,480	5.5	44,902	4.3	6.0	3.0
1994	2,336	(2.3)	109,730,544	2.2	46,974	4.6	6.0	2.2
1995	2,218	(5.1)	109,728,192	(0.0)	49,472	5.3	6.0	3.2
1996	2,120	(4.4)	109,385,064	(0.3)	51,597	4.3	6.0	2.7
1997	2,109	(0.5)	111,870,144	2.3	53,044	2.8	5.5	2.7
1998	2,144	1.7	118,068,366	5.5	55,069	3.8	5.5	2.0
1999	2,140	(0.2)	122,536,313	3.8	57,260	4.0	5.5	2.1
2000	2,084	(2.6)	126,929,425	3.6	60,907	6.4	5.5	3.2
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	2.0
5-year avg change:		(0.8)		3.6		4.5	2000-2004	
10-year avg change:		(1.3)		3.0		4.3	2000-2004	

^{1,2} The average annual increase of MWRDGC salaries from 1974-2004, is 4.49%, compared to an average annual increase of 4.83% for the Chicago CPI (consumer price index).

History of Recommended Employer Multiples and Taxes Levied

Year of Report and Tax Levy	Statutory Multiple	Recommended Employer Multiple	Total Gross Tax Levy
1982 ^{1,2}	2.08	2.05	\$ 10,992,000
1983 ^{1,2}	2.21	2.14	12,486,000
1984	2.34	2.03	14,661,000
1985 ²	2.34	2.49	14,538,000
1986 ¹	2.34	1.70	14,481,000
1987 ¹	2.34	2.46	14,538,000
1988	2.19	2.30	13,883,000
1989 ^{1,2}	2.19	1.91	16,823,000
1990 ^{1,2}	2.19	1.89	21,523,000
1991	2.19	1.87	19,892,000
1992 ²	2.19	2.62	20,105,000
1993 ²	2.19	2.66	21,451,000
1994 ^{1,2}	2.19	2.85	23,658,000
1995 ²	2.19	2.85	25,846,000
1996	2.19	2.69	25,330,000
1997 ^{1,2,3}	2.19	2.50	26,958,700
1998 ²	2.19	2.29	28,187,800
1999	2.19	2.50	34,237,500
2000	2.19	2.30	29,092,000
2001 ²	2.19	2.68	31,182,000
2002	2.19	2.55	31,388,000
2003	2.19	2.89	32,821,000
2004	2.19	3.64	35,715,000
2005	2.19		29,837,000

¹ Change in actuarial assumptions.

² Change in benefits.

³ Change to asset valuation is in book value for 1989-1996; and in 5-year smoothed market value since 1997.

❖ **STATISTICAL SECTION**

Membership Information:

Participant Statistics 2004

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)

Schedule of Average Annuities at Retirement

History of Average Annuities at Retirement

Revenues by Source and Expenses by Type

History of Benefit Expenses by Type

Employee and Employer Contributions

PARTICIPANT STATISTICS

Year 2004

Changes in Active Participants	Number at Beginning of Year	Additions	Decreases	Number at Year End
Male	1,520	67	72	1,515
Female	540	22	26	536
Total	2,060	89	98	2,051

Changes in Annuitants and Beneficiaries

Employee Annuitants	1,495	76	51	1,520
Spouse Annuitants	691	27	41	677
Child Annuities	7	4	2	9
Total	2,193	107	94	2,206

Percentage of Active Participants to Annuitants and Beneficiaries

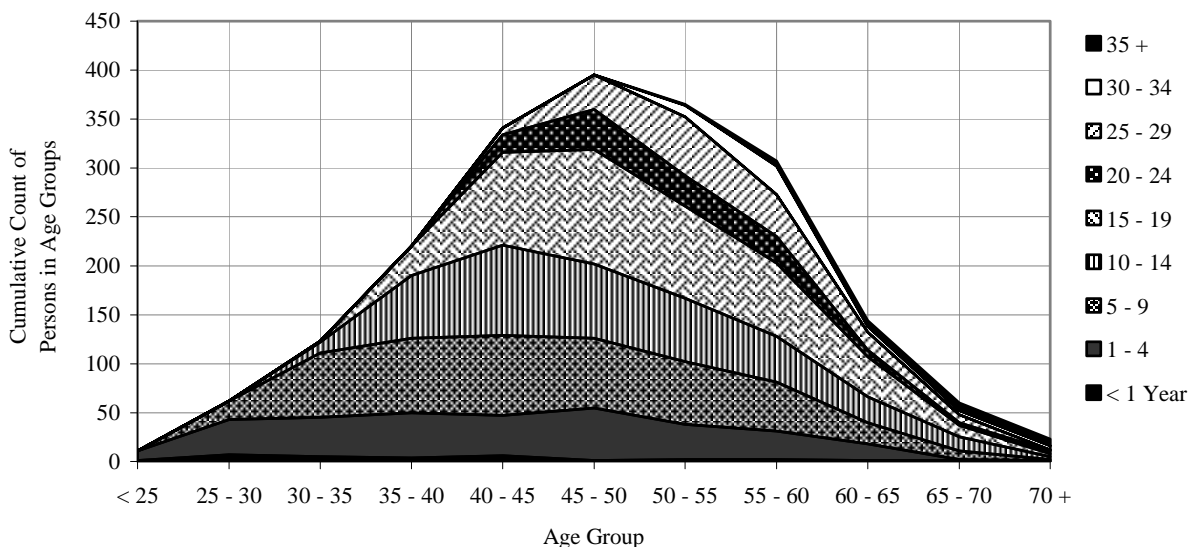
93.94%

92.97%

EMPLOYEE AGE AND SERVICE DISTRIBUTION YEAR 2004 - AVERAGE SALARIES BY AGE AND SERVICE GROUPING

(Reflects the data reported on the following page)

EMPLOYEE SERVICE BY AGE GROUP



EMPLOYEE AGE AND SERVICE DISTRIBUTION										
Year 2004 - 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									
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	Total
< 25	1	10								11
	\$51,761	\$47,306								\$47,711
25-29	7	36	19							62
	\$43,129	\$54,747	\$59,829							\$54,993
30-34	5	40	66	11	1					123
	\$54,312	\$57,285	\$66,812	\$79,637	\$76,677					\$64,433
35-39	4	46	76	64	30					220
	\$58,407	\$59,067	\$67,319	\$69,745	\$69,875					\$66,486
40-44	6	41	82	92	95	18	7			341
	\$51,684	\$63,395	\$66,349	\$74,168	\$77,103	\$76,121	\$60,960			\$71,246
45-49	1	54	71	76	117	41	35			395
	\$37,523	\$59,678	\$68,988	\$71,493	\$77,056	\$86,455	\$81,330			\$73,414
50-54	2	36	64	65	94	31	60	12	1	365
	\$37,971	\$63,159	\$66,902	\$72,769	\$74,855	\$77,465	\$85,989	\$102,230	\$78,679	\$74,696
55-59	2	29	50	47	75	27	43	29	5	307
	\$33,405	\$61,465	\$67,288	\$72,282	\$67,844	\$75,834	\$82,464	\$101,864	\$101,751	\$74,122
60-64	1	17	22	26	41	7	18	6	6	144
	\$71,843	\$60,163	\$62,177	\$70,920	\$71,750	\$77,308	\$84,498	\$96,809	\$107,720	\$73,177
65-69	1	1	9	14	12	3	8	4	8	60
	\$54,837	\$79,248	\$55,173	\$69,840	\$74,660	\$69,427	\$66,547	\$87,883	\$98,643	\$73,094
70 +		1	1	3	3	3	1	4	7	23
		\$39,791	\$74,929	\$83,611	\$53,938	\$54,697	\$50,414	\$72,429	\$86,572	\$71,200
Total Number	30	311	460	398	468	130	172	55	27	2,051
Average Salary	\$49,197	\$59,396	\$66,493	\$72,353	\$74,012	\$79,056	\$81,874	\$98,235	\$97,366	\$71,360

HISTORY OF BENEFICIARIES BY TYPE OF BENEFIT

Year	Employee Annuitants ¹	Spouse Annuitants ^{1,2}	Child Annuitants	Total Annuitants	Ordinary Disability	Duty Disability
1984	863	702	29	1,594	62	21
1985	863	700	30	1,593	60	25
1986	914	703	33	1,650	66	29
1987	917	614	25	1,556	62	27
1988	1,019	700	17	1,736	53	31
1989	1,087	689	13	1,789	38	22
1990	1,131	695	13	1,839	37	16
1991	1,142	703	10	1,855	37	20
1992	1,146	710	14	1,870	37	24
1993	1,184	713	18	1,915	41	18
1994	1,222	719	19	1,960	25	19
1995	1,277	721	16	2,014	24	19
1996	1,328	716	15	2,059	22	27
1997	1,399	710	12	2,121	20	21
1998	1,424	715	11	2,150	30	25
1999	1,448	712	11	2,171	37	22
2000	1,454	691	13	2,158	35	22
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

¹ Includes reciprocal annuitants.

² Includes reversionary annuitants.

SCHEDULE OF ANNUITANTS BY TYPE OF BENEFIT

on December 31, 2004

Amount of Monthly Benefit	Number of Beneficiaries	Type of Benefit *					
		1	2	3	4	5	6
\$ 1 - 500	160	69	48	28	5	1	9
501 - 1,000	354	75	185	93	0	1	0
1,001 - 2,000	355	198	127	30	0	0	0
2,001 - 3,000	354	272	67	15	0	0	0
3,001 - 4,000	369	320	44	5	0	0	0
4,001 - 5,000	262	246	12	4	0	0	0
5,001 - 6,000	160	137	4	1	0	0	0
6,001 - 7,000	105	98	7	0	0	0	0
7,001 - 8,000	33	32	0	1	0	0	0
over - 8,000	72	70	2	0	0	0	0
Totals	2,206	1,517	496	177	5	2	9

* Type of Benefit

1. Normal Retirement for Age and Service
2. Normal Survivor Benefit
3. Survivor Benefit - Death in Service

4. Term Annuity (Fixed Term)
5. Disability Annuity
6. Children

HISTORY OF ANNUITY PAYMENTS at Year End

Year	Employee Annuitants (Male and Female)		Spouse Annuitants (Male and Female)	
	Number of Annuitants	Annuity Payments	Number of Annuitants	Annuity Payments
1975	765	\$3,347,239	639	\$1,003,356
1976	783	3,551,485	658	1,086,749
1977	777	3,683,357	662	1,130,629
1978	783	3,969,916	665	1,186,653
1979	786	4,161,783	674	1,258,169
1980	781	4,244,415	676	1,320,918
1981	785	4,498,654	679	1,362,933
1982	791	5,125,032	681	1,564,412
1983	821	5,668,810	692	1,634,165
1984	863	6,694,604	694	1,747,811
1985	863	7,612,624	692	1,893,808
1986	914	9,017,682	695	1,997,854
1987	917	9,655,968	686	2,087,744
1988	1,019	13,141,474	692	2,703,699
1989	1,087	15,574,204	683	2,901,188
1990	1,131	18,002,003	689	3,439,873
1991	1,142	19,542,384	697	3,680,192
1992	1,146	21,165,864	704	4,022,019
1993	1,184	23,699,335	707	5,177,822
1994	1,222	27,392,224	713	5,513,353
1995	1,277	31,083,680	716	5,851,686
1996	1,328	34,839,715	711	6,373,604
1997	1,399	38,097,693	705	6,879,314
1998	1,424	41,909,295	715	7,281,225
1999	1,448	45,748,773	712	7,759,614
2000	1,454	49,492,879	691	8,190,057
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

ANNUITANTS CLASSIFIED BY AGE AND GENDER

as of December 31, 2004

Retirement Annuities

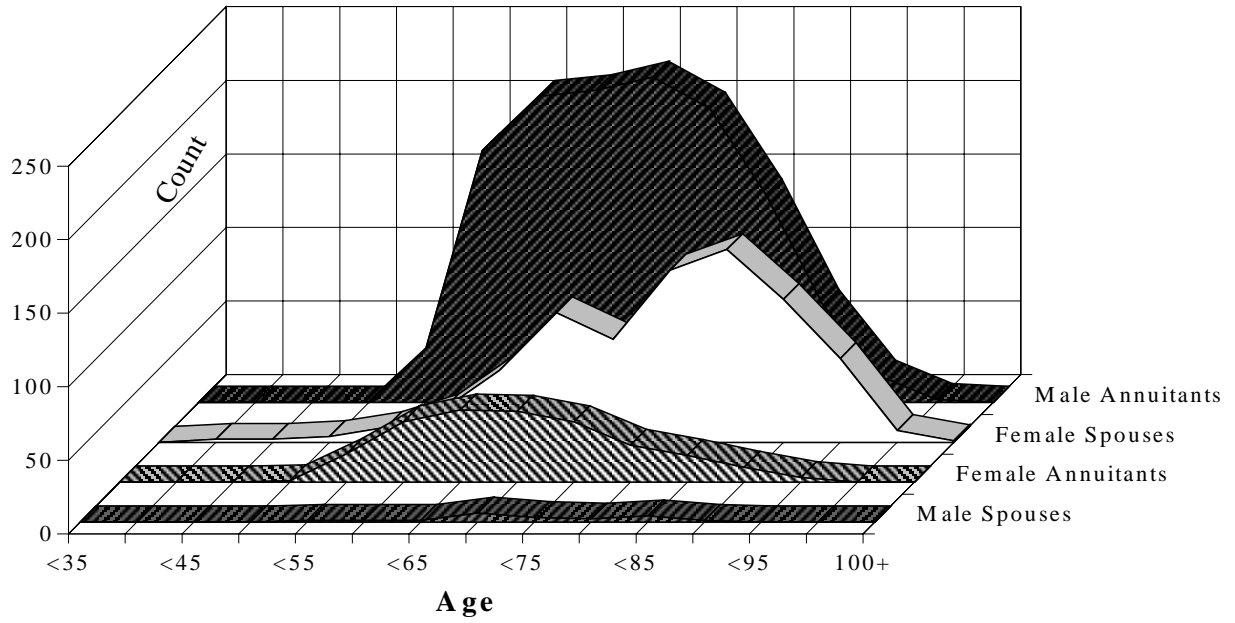
Age	Number of Males	Annual Payments	Average Annual Payments	Number of Females	Annual Payments	Average Annual Payments
45 - 49	0	\$ -	\$ -	1	\$ 7,943	\$ 7,943
50 - 54	36	1,991,390	55,316	9	509,307	56,590
55 - 59	171	11,281,643	65,975	41	1,898,326	46,301
60 - 64	208	11,526,251	55,415	49	1,632,721	33,321
65 - 69	212	10,182,136	48,029	48	1,370,387	28,550
70 - 74	221	9,861,246	44,621	41	1,219,753	29,750
75 - 79	200	8,013,558	40,068	25	640,692	25,628
80 - 84	141	4,399,724	31,204	18	370,798	20,600
85 - 89	66	1,595,547	24,175	10	127,786	12,779
90 - 94	18	259,520	14,418	3	35,301	11,767
95 - 99	2	46,713	23,357	0	-	-
100+	0	-	-	0	-	-
Total	1,275	\$ 59,157,728	\$ 46,398	245	\$ 7,813,014	\$ 31,890
Average Age	69.9			67.7		

Spouse Annuities

Age	Number of Males	Annual Payments	Average Annual Payments	Number of Females	Annual Payments	Average Annual Payments
30 - 34	0	\$ -	\$ -	0	\$ -	\$ -
35 - 39	0	-	-	2	28,185	14,093
40 - 44	0	-	-	2	55,063	27,532
45 - 49	0	-	-	4	207,633	51,908
50 - 54	1	9,291	9,291	10	212,143	21,214
55 - 59	1	11,508	11,508	22	617,765	28,080
60 - 64	1	5,088	5,088	49	1,142,217	23,311
65 - 69	6	154,509	25,752	88	2,325,240	26,423
70 - 74	3	47,861	15,954	70	1,818,411	25,977
75 - 79	2	20,823	10,412	117	2,095,197	17,908
80 - 84	4	30,217	7,554	131	1,669,371	12,743
85 - 89	1	8,820	8,820	97	1,118,496	11,531
90 - 94	0	-	-	57	477,513	8,377
95 - 99	0	-	-	8	66,704	8,338
100+	0	-	-	1	10,130	-
Total	19	\$ 288,117	\$ 15,164	658	\$ 11,844,068	\$ 18,000
Average Age	71.5			76.6		

ANNUITANTS BY AGE AND GENDER

(Reflects the information on the previous page)



Schedule of Average Annuities at Retirement *

Retirement Effective Dates	-----Years of MWRDGC Credited Service-----					
	<u>< 10</u>	<u>10 to <15</u>	<u>15 to <20</u>	<u>20 to <25</u>	<u>25 to <30</u>	<u>30 +</u>
<u>1998 through 2004</u>						
Period 1/1/98 to 12/31/98						
Average Monthly Benefit	\$921	\$1,307	\$1,669	\$3,489	\$3,995	\$4,003
Number of Active Retirees	5	5	4	13	24	26
Period 1/1/99 to 12/31/99						
Average Monthly Benefit	\$1,019	\$1,696	\$2,652	\$3,117	\$4,806	\$5,007
Number of Active Retirees	1	9	9	21	34	23
Period 1/1/00 to 12/31/00						
Average Monthly Benefit	\$944	\$1,822	\$2,517	\$2,781	\$4,978	\$4,068
Number of Active Retirees	4	7	6	20	24	10
Period 1/1/01 to 12/31/01						
Average Monthly Benefit	\$0	\$1,784	\$3,307	\$3,158	\$4,815	\$5,689
Number of Active Retirees	0	8	3	12	23	16
Period 1/1/02 to 12/31/02						
Average Monthly Benefit	\$246	\$1,816	\$2,624	\$3,590	\$5,032	\$6,014
Number of Active Retirees	5	14	10	13	31	30
Period 1/1/03 to 12/31/03						
Average Monthly Benefit	\$138	\$2,010	\$2,712	\$3,452	\$4,749	\$5,942
Number of Active Retirees	2	4	9	13	28	26
Period 1/1/04 to 12/31/04						
Average Monthly Benefit	\$527	\$2,322	\$2,066	\$3,491	\$5,505	\$6,341
Number of Active Retirees	12	7	3	10	23	21

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

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>
1995	106	62.0	24.69	2,840
1996	108	59.5	25.85	3,066
1997	127	58.2	23.90	3,382
1998	77	60.5	24.92	3,417
1999	97	58.5	24.85	3,939
2000	71	59.2	23.44	3,484
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

REVENUES BY SOURCE AND EXPENSES BY TYPE

(in Thousands of Dollars)

REVENUES BY SOURCE

Year Ending December 31	Employee Contributions	Employer Contributions	as a % of Covered Payroll	Investment Income ^{1&2}	Total
1995	\$ 12,323	\$ 23,697	21.6	\$ 133,650	\$ 169,670
1996	12,878	24,727	22.6	67,963	105,568
1997	15,634	27,198	24.2	124,820	167,652
1998	13,284	26,057	21.7	111,546	150,887
1999	14,238	32,269	25.9	50,890	97,397
2000	14,332	27,209	21.6	24,848	66,389
2001	14,986	28,141	20.6	(15,217)	27,910
2002	16,308	28,664	20.8	(69,628)	(24,656)
2003	14,230	28,779	20.2	171,023	214,032
2004	15,151	30,982	21.2	96,906	143,039

EXPENSES BY TYPE

Year Ending December 31	Benefits	Administrative Expenses	Refunds	Total
1995	\$ 36,164	\$ 966	998.0	\$ 38,128
1996	40,487	1,002	1,497	42,986
1997	45,673	1,118	1,239	48,030
1998	49,994	1,107	1,011	52,112
1999	54,802	1,115	892	56,809
2000	58,667	1,037	873	60,577
2001	62,542	1,141	702	64,385
2002	67,574	1,166	952	69,692
2003	73,231	1,149	1,042	75,422

¹ Includes miscellaneous income.² Net of investment expenses.

HISTORY OF 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>
1995	\$ 29,690	\$ 5,812	\$ 52	\$ 499	\$ 111	\$ 36,164
1996	33,540	6,208	52	545	142	40,487
1997	38,097	6,794	40	566	176	45,673
1998	41,910	7,281	35	628	140	49,994
1999	45,749	7,760	37	660	597 ¹	54,801
2000	49,493	8,190	47	766	171 ²	58,667
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 ³	11,920	43	810 ³	142	78,113

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>
1995	82.10 %	16.07 %	0.14 %	1.38 %	0.31 %
1996	82.84	15.33	0.13	1.35	0.35
1997	83.41	14.88	0.09	1.24	0.39
1998	83.83	14.56	0.07	1.26	0.28
1999	83.48	14.16	0.07	1.20	1.09 ¹
2000	84.36	13.96	0.08	1.31	0.29 ²
2001	84.12	14.46	0.07	1.14	0.20
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 ³	15.26	0.06	1.04 ³	0.19

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>
1995	14.46 %	6.64 %	-7.14 %	-15.85 %	2.78 %	12.50
1996	12.97	6.81	0.00	9.22	27.93	11.95
1997	13.59	9.44	-23.08	3.85	23.94	12.81
1998	10.01	7.17	-12.50	10.95	-20.45	9.46
1999	9.16	6.57	4.33	5.04	326.19 ¹	9.62
2000	8.18	5.55	28.69	16.14	-71.36 ²	7.05
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 ³	6.77	-6.52	12.19 ³	33.96	6.67

¹ 1999 Duty Disability expense of \$597K included a non-recurring court ordered multi-year benefit payment of \$461K.

Without this payment, Duty Disability expenses: \$136K; percentage of total 0.25%; percentage change (2.86%).

² 2000 Duty Disability expense of \$171K reflects a 25.7% increase from the adjusted 1999 expense (\$136K).³ 2004 Employee Annuities and Ordinary Disability expenses include credits for overpayments of \$49,048 and \$111,128, respectively.

EMPLOYEE AND EMPLOYER CONTRIBUTIONS

(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
1995	\$9,853	\$2,233	\$198	\$35	\$4	\$12,323
1996	9,780	2,570	410	67	51	12,878
1997	9,872	4,948	715	94	5	15,634
1998	10,303	2,812	125	36	8	13,284
1999	10,708	3,095	378	52	5	14,238
2000	11,331	2,514	392	89	6	14,332
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	0	539	11	15,151

EMPLOYER CONTRIBUTIONS

Year	Regular Contributions	Early Retirement Contributions (ERC)	Totals
1995	\$22,699	\$998	\$23,697
1996	22,264	2,463	24,727
1997	23,460	3,613	27,073
1998	24,507	1,155	25,662
1999	29,298	2,474	31,772
2000	25,584	1,806	27,390
2001	27,034	993	28,027
2002	26,627	2,036	28,663
2003	28,187	592	28,779
2004	30,982	0	30,982

¹ Regular Contributions 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

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(Unaudited)

*** LEGISLATIVE CHANGES SECTION**

Legislative Changes

1979 Session

- HB 541 Disability benefits payable for alcoholism if the employee participates in a rehabilitation program.
- HB 1023 Reciprocal Act: changes proportionate pension credits under the "alternate" formula.
- HB 2012 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

- HB 3635 Reversed all changes made by HB 2012 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

- SB 21 Actuarial Reporting Standards.
- SB 513 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.
- SB 851 Authorizes investments in conventional mortgage pass-through securities.
- SB 879 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

- SB 1147 Minimum reporting and actuarial information for 1984.
- SB 1579 Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant.
- HB 2286 Clarifies compulsory retirement age to 70 rather than 67.

1983 Spring Session

- SB 22 Delegation of investment authority restrictions.
- HB 514 10% prudent person investment category.
- HB 2176 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.

1984 Session No legislative changes

1985 Spring Session

- HB 910 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

- HB 2630 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

- HB 2715 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

- SB 95 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

- SB 136 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.
- SB 1951 Clarifies the date of 3% increase for surviving spouse.
Allows any City officer to transfer his MWRD service to the Municipal Fund.

1991 Session

- HB 971 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

- SB 1650 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

HB 488 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.

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.

1997 Session (continued)

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

HB 1583 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

HB 478 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

HB 5168 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, 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

HB 2434 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

*** Legislative Changes Section**

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