
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDING
DECEMBER 31, 2013**



METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

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

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

SUSAN A. BOUTIN, EXECUTIVE DIRECTOR

ESTABLISHED JULY 7, 1931

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

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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

Responsibilities of Board and Staff



Government Finance Officers Association


**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, 2012



Executive Director/CEO

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

RETIREMENT FUND OFFICE
SUITE 330
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BOARD OF TRUSTEES
JOSEPH F. KENNEDY
ROBERT T. REGAN
HON. MARIYANA T. SPYROPOULOS
STEPHEN J. CARMODY
JOHN P. DALTON, JR.
HAROLD G. DOWNS
HON. BARBARA J. MCGOWAN

May 16, 2014

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

Dear Trustees:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Water Reclamation District Retirement Fund (Fund) for the year ending December 31, 2013. State law requires that all governmental units publish within six months of the close of each fiscal year, financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by a licensed public accountant.

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

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed financial statements, supporting schedules and statistical tables are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the Fund.

In accordance with the Illinois Pension Code, the Fund's basic financial statements for the fiscal year ended December 31, 2013 have been subject to an audit by independent accountants selected by the Board of Trustees. The unqualified opinion of Legacy Professionals, LLP has been included in the Financial Section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Fund's MD&A can be found in the Financial Section, following the independent auditor's report.

FUND PROFILE

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

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

For the past 82 years the primary goal of the Fund has been to provide continuity of benefits to the members while preserving the fiscal integrity and financial stability of the Fund. As of December 31, 2013 the Fund serves 1,858 active members, 2,329 benefit recipients, and 123 inactive members.

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

FINANCIAL CONDITION**Financial Position**

Net Position increased in 2013 by \$206.2 million. For a full understanding of the Fund's financial results, the reader is urged to review the Financial Section of this report which contains the auditor's opinion, management's discussion and analysis, the financial statements, required supplementary information, and other supplementary information.

Objective and Sources of Funding

The Fund's funding objective is to meet all obligations to present and future members and retirees, through three sources - earnings on the Fund's investment portfolio, and contributions from the employer (i.e. the District) and employees.

The Fund's investment portfolio typically provides the largest portion of total additions in any given year, in the form of investment returns. In 2013, the invested assets of the Fund earned a rate of return of 21.7% net of fees, compared to the 2012 rate of return of 11.9%, and exceeding the Policy Index return of 19.6%. The ten year rate of return on the Fund's investments is 6.7%, slightly less than the Policy Index return of 6.8% for the same period.

Employer contributions typically provide a much smaller portion of total additions than investment returns. In the more distant past, the amount of the employer contributions in a given year was limited by state statute, and accordingly, did not necessarily meet the annual actuarial requirements of the Fund. With the passage of PA 97-0894 in 2012, the Fund has received increased contributions from the District, as well as from Tier I employees as described below.

Employee contributions typically provide the smallest percentage of total additions. The required percentage withheld from employee's salaries is set by state statute, which through the last pay period in 2012 was 9%. In accordance with PA 97-0894, contributions from Tier I employees increased 1% in 2013, and will be increased by an additional 1% per year in each of the next two years, to 12% in 2015. Contributions from Tier II employees remain at 9% of salaries.

Funding Status

An important measure of the long-term financial stability of a pension fund is the funded ratio which is the ratio of the actuarial value of assets to the actuarial accrued liability. The greater the funded ratio,

the greater assurance is given to participants that the Fund will meet its obligations to pay their pension benefits. The Fund engages an independent actuary to perform an annual actuarial valuation of the plan. The December 31, 2013 valuation reports the actuarial value of assets (AVA) at \$1.189 billion, the actuarial accrued liability (AAL) at \$2.195 billion, and the unfunded AAL at \$1.006 billion, resulting in a funded ratio of 54.1%.

The funded ratio is a measure at one point in time, but is best viewed in the context of its historical trend to assess the Fund's progress in relation to its long-term objective. For a more complete understanding of the Fund's funding status, the reader is encouraged to review the Actuarial Section of this report which contains a summary of valuation results, schedules that analyze funding, and details about the data used in the valuation. Ten year trend information is available in both the Actuarial and Statistical sections of this CAFR.

Investments

At year end, the Fund's 22 investment management firms were managing 24 separate mandates that comprised the Fund's \$1.247 billion investment portfolio. The Board employs an investment consultant to aid in the selection of investment managers, to monitor and evaluate the investment management firms' performance, and to assist in the development of investment policy. Our goal is to maximize the long-term total return of the Fund's investments through a policy of diversification within a parameter of prudent risk as measured on the total portfolio.

The Investment Section of this CAFR contains details regarding the Fund's investment policy, performance, diversification, investment expenses and a summary of the investment activities that took place in 2013. Also included are the Master Custodian's report and the Investment Consultant's report.

MAJOR ACTIVITIES AND HIGHLIGHTS

- For the second consecutive year the District authorized a special contribution to the Fund in the amount of \$30.0 million to improve funding; the funds were received in March.
- Due to a legislative change, the multiple used to compute the 2013 tax levy was increased from 2.19 to 4.19 times employee contributions two years prior, resulting in a tax levy of \$62,984,000. In June 2013 the tax levy for 2014 was submitted in the gross amount of \$61,654,000.
- During the year the Fund terminated two emerging large cap value managers due to Investment Policy constraints, and posted two RFP's to fill the mandates. One emerging large cap value manager was hired in April, with another expected to be hired in 2014. Additional detailed information regarding the Fund's 2013 investment activities can be found in the Investment Section of this CAFR.
- Board activity during the year included the following:
 - In January, the Board elected officers, retaining Joseph F. Kennedy as President, Robert T. Regan as Vice President and appointing Joseph W. Rose as Secretary.
 - Mr. John Dalton was unopposed in the October elections and was duly elected for a four-year term beginning December 1, 2013.
- The Fund received a favorable determination letter from the IRS in 2013, which preserves the "qualified" status of the plan and protects the deferred taxation status for our members; this status ensures the tax deferred status for member contributions.

- Member communications in 2013 included:
 - June and October published issues of Vested Interest, the Fund’s newsletter
 - Six days of plant-site individual retirement counseling sessions presented by the Fund’s benefits staff to approximately 140 individual employees
 - Three “Lunch & Learn” sessions during Save for Retirement week in October presented by Fund staff and staff of the District’s Deferred Compensation vendor ICMARC, at three separate locations to approximately 30 Tier II employees
 - A mid-year mailing to all annuitants to describe annuitant health insurance changes that went into effect on July 1 with a 2% reduction in the cost of premiums
 - A year-end mass mailing to all annuitants to announce the District’s change to a new vendor for prescription drug benefits, Envision RX, effective January 1, 2014
- Trustees and staff participated in several training sessions this year, including:
 - Reciprocal Conference
 - The Changing Landscape for Fixed Income, sponsored by Neuberger Berman
 - Fixed Income Summit, sponsored by Pension & Investments
 - Emerging Manager Summit, sponsored by Opal Financial Group
 - U.S. Pensions Summit
 - Midwest Public Funds Summit , sponsored by Information Management Network
 - 2013 Investment Seminar, sponsored by Wellington
 - Roundtable for Consultants and Institutional Investors, sponsored by Institutional Investor
 - Annual Employee Benefits Conference, International Foundation of Employee Benefit Plans
 - Training presented by staff of Fund’s Investment Consultant Gray & Co.; topics of benchmarks, investments (for new Trustees), and real estate
 - Review of GASB 67 & 68, by the Fund’s consulting actuary firm, Foster & Foster
 - Freedom of Information Act and Open Meetings Act online training, on the Illinois Attorney General website

AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to our Fund for its CAFR for the fiscal year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

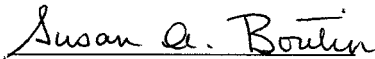
To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal 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 20 years. We believe our current report continues to conform to the Certificate of Achievement program requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2013.

ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the Fund staff under the direction of the Board of Trustees. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets of the Fund.

Respectfully submitted,



Susan A. Boutin
Executive Director

BOARD OF TRUSTEES

12/31/13

Joseph F. Kennedy, President

Mr. Kennedy began his employment at the Metropolitan Water Reclamation District of Greater Chicago (District) in 1988. He currently works in the District's Engineering Department as a Managing Civil Engineer. He was appointed to the MWRD Retirement Fund Board of Trustees in 1999, was elected to the Board later that same year, and was re-elected in 2002, 2005, 2008 and in 2012 for a four year term ending November 30, 2016.

Robert T. Regan, Vice President

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

Joseph W. Rose, Secretary

Prior to retirement, Mr. Rose worked as Accounting Manager for the District's Finance Department, from 1999 to 2006. He was appointed to the position of Retiree Trustee in November 2008, as recommended by the District's Board of Commissioners and approved by the MWRD Retirement Fund Board of Trustees. He served his initial term through January 2011, when he was re-appointed for a three year term ending in January 2014.¹

Stephen J. Carmody, Trustee

Mr. Carmody began his District employment in 1989. He currently works in the District's Maintenance & Operations Department as Engineer of Treatment Plant Operations I at the Stickney Water Reclamation Plant. He was elected in November 2008, and was re-elected in November 2011 for a four-year term ending November 2015.

John P. Dalton, Jr., Trustee

Mr. Dalton began his District employment in 1993. He currently works in the District's Maintenance & Operations Department as an Assistant Master Mechanic at the Stickney Water Reclamation Plant. He was appointed to the MWRD Retirement Fund Board of Trustees in 2005, elected to serve a three-year term on the Board in 2006, and re-elected in 2009 and 2013 for four year terms ending in November 2017.

Hon. Barbara J. McGowan, Trustee

Mrs. McGowan has served as a District Commissioner since 1998. She was appointed to the MWRD Retirement Fund Board of Trustees in December 2007, and re-appointed in January 2009 and January 2012 for a three year term ending in January 2015.

Hon. Mariyana T. Spyropoulos, Trustee

Ms. Spyropoulos was appointed to the MWRD Retirement Fund Board of Trustees in January 2013 for a three year term ending in January 2016, upon expiration of the term served by the Hon. Cynthia M. Santos.

¹ Mr. Harold G. Downs, former Treasurer of the District, was appointed to the MWRD Retirement Fund Board of Trustees in February 2014 for a three year term ending in January 2017, upon expiration of the term served by Trustee Joseph W. Rose.

**EXECUTIVE STAFF AND ADVISORS
12/31/13****EXECUTIVE STAFF**

Susan A. Boutin, Executive Director

ADVISORS

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

INVESTMENT MANAGERS

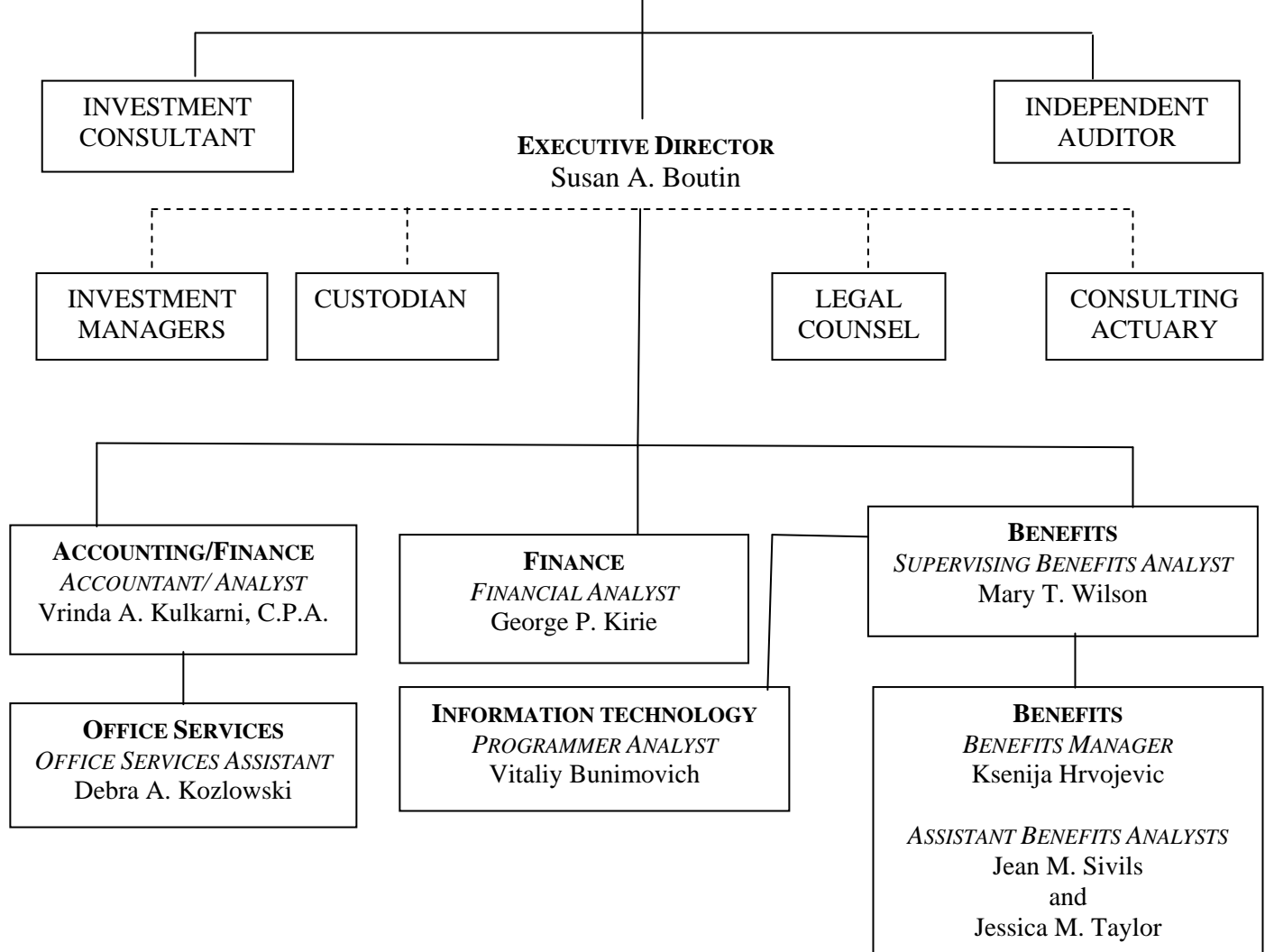
1. Alliance Bernstein, LP, New York, NY
2. Ariel Investments, Chicago, IL
3. Decatur Capital Management Inc., Decatur, GA
4. Fiduciary Management Associates LLC, Chicago, IL
5. Geneva Capital Management Ltd, Milwaukee, WI
6. Herndon Capital Management LLC, Atlanta, GA
7. Hexavest Inc., Montreal, Canada
8. Holland Capital Management, Chicago, IL
9. LSV Asset Management, Chicago, IL
10. Neuberger Berman, New York, NY
11. Opus Capital Management, Cincinnati, OH
12. O'Shaughnessy Asset Management, Stamford, CT
13. PNC Capital Advisors, Cleveland, OH
14. Pioneer Investments, Boston, MA
15. Profit Investment Management, Silver Spring, MD
16. State Street Global Advisors, Boston, MA
17. Systematic Financial Management, Teaneck, NJ
18. UBS Global Asset Management, Chicago, IL
19. Vontobel Asset Management Inc., New York, NY
20. WCM Advisors, Laguna Beach, CA
21. Wasatch Advisors, Salt Lake City, UT
22. Wellington Management Co., Boston, MA

ORGANIZATIONAL CHART

December 31, 2013

BOARD OF TRUSTEES

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



———— Full and direct authority and responsibility.

----- Appointment by the Board of Trustees, direction and coordination by the Executive Director.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES

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

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

RESPONSIBILITIES OF THE STAFF

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

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

At the request of District employees at any stage of their career, Fund staff prepares retirement estimates and provides individual retirement counseling. Estimate calculations include applicable refund repayment and leave of absence payment estimates to qualified individuals to enhance their retirement benefits. In addition, periodic pre-retirement seminars are jointly presented by Fund and District staff at various locations throughout the District.

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

The Executive Director is responsible for coordinating efforts with the Fund's various consultants. In conjunction with our investment consultant, the Fund coordinates asset allocation studies, investment manager searches, asset transitions, development and maintenance of the Fund's investment policy and investment monitoring. With the guidance of the Fund's actuary and attorney, the Fund reviews and makes recommendations regarding legislative initiatives. The staff also consults with attorneys regarding various issues including statutory interpretations, determinations from the Internal Revenue Service, and potential legal actions due to realized investment losses.

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

The Fund's proprietary benefit management software provides reporting of additions and changes made to the member data during each processing cycle. Similarly, the actuary annually performs year-to-year comparisons of data in order to identify any anomalies. Every four to five years, our actuary performs an experience analysis to review the recent experience of the Fund and to recommend actuarial assumptions for use in the annual valuation.

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FINANCIAL SECTION

Independent Auditor's Report

Report on Internal Control and Compliance

Management's Discussion and Analysis

Basic Financial Statements:

Statement of Fiduciary Net Position

Statement of Changes in Fiduciary Net Position

Notes to Financial Statements

Required Supplementary Information:

Schedule of Funding Progress

Schedule of Employer Contributions

Note to Schedule of Funding Progress and Employer Contributions

Other Supplementary Information:

Schedule of Administrative Expenses

Schedule of Investment Expenses

Schedule of Payments to Consultants

Postemployment Healthcare Disclosure

**INDEPENDENT AUDITORS' REPORT**

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Report on the Financial Statements

We have audited the statement of fiduciary net position of Metropolitan Water Reclamation District Retirement Fund (the Fund), a component unit of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2013, the related statement of changes in fiduciary net position for the year then ended and the notes to the financial statements. The Fund's financial statements include partial prior-year information for 2012. Such information does not include various notes to the basic financial statements and the management's discussion and analysis for 2012, which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended December 31, 2012, from which such partial information was derived.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Metropolitan Water Reclamation District Retirement Fund as of December 31, 2013 and the changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 6f and the schedules of funding progress, the employer contributions and the notes to those schedules on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (continued)***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metropolitan Water Reclamation District Retirement Fund's basic financial statements. The accompanying schedules of administrative expenses, investment expenses, payments to consultants and postemployment healthcare disclosure on pages 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014 on our consideration of the Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting and compliance.

Legacy Professional LLP

Chicago, Illinois

April 11, 2014

LEGACY
PROFESSIONALS LLP
Certified Public Accountants

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

To the Trustees
Metropolitan Water Reclamation
District Retirement Fund

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Metropolitan Water Reclamation District Retirement Fund, which comprise the statement of fiduciary net position as of December 31, 2013, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Water Reclamation District Retirement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Water Reclamation District Retirement Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Water Reclamation District Retirement Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Legacy Professionals LLP

Chicago, Illinois

April 11, 2014

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Metropolitan Water Reclamation District Retirement Fund (Fund) presents this narrative overview of the financial statements and financial performance of the Fund for the years ended December 31, 2013 and 2012. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal, the financial statements and their accompanying notes, required supplementary information, and other supplementary information.

UNDERSTANDING THE FUND'S FINANCIAL STATEMENTS

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

While the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position provide important financial information, significant actuarial factors also need to be considered in order to determine the financial health of the Fund. Two primary factors are the funded status and the Annual Required Contribution, both of which are calculated by the Fund's actuary.

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

This report contains the following three components:

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

FINANCIAL HIGHLIGHTS

- The Fund's investment portfolio returned 21.7% and 11.9% (net of fees) for the calendar years 2013 and 2012, respectively. The Fund's policy index returned 19.6% and 12.4% for the same years.
- The Fund's net position available for benefits increased \$206.2 million or 18.9% to \$1.3 billion at December 31, 2013, from \$1.09 billion at December 31, 2012, the net result of positive investment returns and contributions, offset by benefit payments during the year.
- Total additions to fiduciary net position were \$335.9 million in 2013, resulting primarily from net investment gains of \$225.5 million and employer and employee contributions of \$109.8 million.
- Total deductions from fiduciary net position were \$129.7 million in 2013, an increase of \$4.5 million or 3.6% from 2012 due primarily to the annual 3% cost of living increase in retiree and surviving spouse annuities.
- The Fund's funded ratio, which is computed as the actuarial value of assets divided by the actuarial accrued liability, was 54.1% as of December 31, 2013, up from 50.4% in 2012.
- The actuarial value of assets at December 31, 2013 increased by \$111.8 million or 10.4% to \$1.19 billion.
- The actuarial accrued liability at December 31, 2013 increased by \$58.4 million or 2.7% to \$2.19 billion.
- The unfunded actuarial liability increased in 2013 by \$53.4 million, primarily due to the combined effect of actuarially computed investment returns lower than assumed, and employer contributions less than normal cost plus interest on the unfunded liability.
- Total members in the plan at year end were 4,310, an increase of 19 members from 2012. Active (contributing) members increased by 2, members receiving benefits increased by 12, and inactive members decreased by 5.

FIDUCIARY NET POSITION

A summary of net position for the plan at December 31, 2013 and 2012 is shown in the following table and discussion. These financial statements reflect the resources available to pay future benefits to retirees and beneficiaries at the close of the reported years. Details of fiduciary net position at December 31, 2013 and 2012 are found on page 30.

	Condensed Statement of Fiduciary Net Position			
	12/31/13	12/31/12	\$ Change	% Change
<u>ASSETS:</u>				
Cash	\$ 122,902	\$ 124,471	\$ (1,569)	-1.3%
Receivables	73,487,897	42,263,061	31,224,836	73.9%
Forward foreign exchange contracts	32,768,498	20,076,747	12,691,751	63.2%
Investments	1,246,898,339	1,064,586,807	182,311,532	17.1%
Securities lending collateral	45,659,197	49,637,240	(3,978,043)	-8.0%
Total assets	1,398,936,833	1,176,688,326	222,248,507	18.9%
<u>LIABILITIES:</u>				
Securities lending collateral	45,659,197	49,637,240	(3,978,043)	-8.0%
Forward foreign exchange contracts	32,768,498	20,076,747	12,691,751	63.2%
Other	21,895,311	14,571,737	7,323,574	50.3%
Total liabilities	100,323,006	84,285,724	16,037,282	105.5%
NET POSITION	\$ 1,298,613,827	\$ 1,092,402,602	\$ 206,211,225	18.9%

Fiduciary Net Position

During 2013, net position of the plan increased \$206.2 million or 18.9% from net position at December 31, 2012. This was the combined result of a \$222.2 million increase in total assets offset by an increase in total liabilities of \$16.0 million from 2012.

The increase in total assets was due primarily to the \$182.3 million increase in investments from 2012, resulting from positive returns in the equity markets during 2013.

The increase in total liabilities of \$16.0 million from 2012 is the combined effect of the \$12.7 million increase in the liability from forward exchange contracts, and the \$7.3 million increases in payables related to pending securities purchases and by a decrease of \$4.0 million in securities lending collateral. These amounts vary from year to year depending on the amount of security transactions traded but not settled, , and on the amount of securities lent, at year-end.

Fiduciary net position at December 31, 2013 was \$1.3 billion, representing the amount available at year end to satisfy future pension benefit obligations.

CHANGES IN FIDUCIARY NET POSITION

A summary of changes in fiduciary net position for the pension trust for the fiscal years ended December 31, 2013 and 2012 is provided in the following table and discussion. These financial statements reflect changes in the sources (additions) and uses (deductions) of funds during these years. The net increase or decrease is the change in net position available for benefits since the end of the previous fiscal year. Details of changes in fiduciary net position during 2013 and 2012 can be found on page 31.

Condensed Statement of Changes in Fiduciary Net Position

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
<u>ADDITIONS:</u>				
Employer contributions	\$ 92,944,381	\$ 65,097,835	\$ 27,846,546	42.8%
Employee contributions	16,890,798	14,714,496	2,176,302	14.8%
Total contributions	<u>109,835,179</u>	<u>79,812,331</u>	<u>\$ 30,022,848</u>	37.6%
Investment gain (loss), net of investment expense	225,550,319	115,537,263	110,013,056	95.2%
Securities lending income	545,284	748,822	(203,538)	-27.2%
Total investment income	<u>226,095,603</u>	<u>116,286,085</u>	<u>109,809,518</u>	94.4%
Other	6,833	40,046	(33,213)	-82.9%
Total additions	<u>335,937,615</u>	<u>196,138,462</u>	<u>139,799,153</u>	71.3%
<u>DEDUCTIONS:</u>				
Retirement annuities	106,623,945	103,043,445	3,580,500	3.5%
Survivor annuities	19,545,705	18,788,499	757,206	4.0%
Disability benefits	1,036,331	881,964	154,367	17.5%
Total annuities and benefits	<u>127,205,981</u>	<u>122,713,908</u>	<u>4,492,073</u>	3.7%
Refunds	1,128,922	1,195,737	(66,815)	-5.6%
Administrative expense	1,391,487	1,296,826	94,661	7.3%
Total other deductions	<u>2,520,409</u>	<u>2,492,563</u>	<u>27,846</u>	1.1%
Total deductions	<u>129,726,390</u>	<u>125,206,471</u>	<u>4,519,919</u>	3.6%
INCREASE IN NET POSITION	206,211,225	70,931,991	135,279,234	190.7%
Beginning net position	<u>1,092,402,602</u>	<u>1,021,470,611</u>	<u>70,931,991</u>	6.9%
Ending net position	<u>\$ 1,298,613,827</u>	<u>\$ 1,092,402,602</u>	<u>\$ 206,211,225</u>	18.9%

Additions

Additions to fiduciary net position are accumulated through contributions by the employer and employees, and returns on invested assets. Historically the investment portfolio has been the largest contributor to the Fund, as was the case in 2013.

Total contributions for 2013 were \$109.8 million, an increase of \$30.0 million or 37.6% from 2012. This increase was due to increased employer contributions resulting from legislative changes passed in 2012. The employer contribution is collected from an annual tax levy based upon a multiple of employee contributions two years prior. The tax multiple, which is limited by state statute was increased in 2013 from 2.19 to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior.

Employee contributions were \$16.9 million in 2013, an increase of \$2.2 million or 14.8% from 2012. The contribution rate had been 9% of salary for all employees, collected as a payroll withholding over 26 pay periods during the year, until 2013. The new legislation mentioned above increased contributions for employees in service before January 1, 2011 to 10% in 2013, 11% in 2014, and 12% in 2015. In general, total employee contributions vary with changes in employer payroll and plan modifications.

Total investment income for the year ending December 31, 2013 resulted in a gain of \$225.5 million compared to \$115.5 million in 2012. Investment income is a combination of interest and dividend income, realized gains (losses) on investment sales, and unrealized gains (losses) on investments held at year end. Investment income is shown net of investment expenses consisting of fees charged by the Fund's investment managers, investment consultant, and custodian.

Interest and dividend income in 2013 increased \$2.9 million or 17.2% from 2012 due to additional allocations to active fixed income. In 2013, sales of investments resulted in net realized gains of \$97.2 million. Unrealized gains on investments totaled \$113.9 million in 2013. Investment management fees were \$5.5 million, an increase of 14.9% over the prior year, due primarily to the rise of the Fund's asset values in 2013.

The Fund has participated in the securities lending program offered by the Bank of New York Mellon, the Fund's custodian bank, since 2007. The Fund also participates in the securities lending program offered by State Street Global Advisors (SSGA) with regards to their pooled index fund. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund. For the year ended December 31, 2013, the Fund generated net securities lending income from the programs of \$545,284, a decrease of 27.2% from 2012. The reduction was due to a lesser demand for securities by borrowers resulting from narrowing of spreads during the year.

Deductions

Deductions from fiduciary net position are payments made by the Fund for benefits (to retirees, survivors, and disabled employees), refunds and administrative expenses. Total deductions in 2013 were \$129.7 million compared to \$125.2 million in 2012, an increase of \$4.5 million, or 3.6%. The increase in benefits is primarily attributable to the 3% cost of living increase granted to annuitants each year. In general, annuity benefits also increase as deceased annuitants who had lower benefits are removed from the annuitant payroll, and new retirees with higher benefits are added.

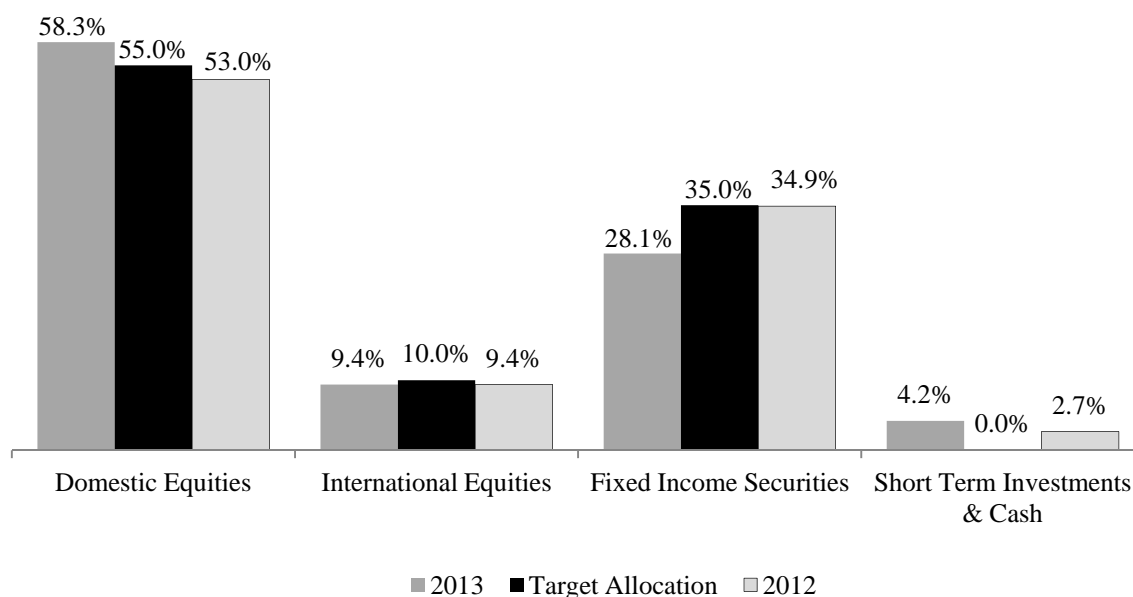
RETURN ON INVESTMENTS AND ASSET ALLOCATION

The Fund's rate of return on investments in 2013 was 21.7%, net of fees, versus 19.6% return on its Policy index. The rate of return on investments in 2012 was 11.9%, net of fees, versus 12.4% return on the Policy index.

The Policy index is composed of 55% domestic equities (25% S&P 500 index, 20% Russell mid cap index, 10% Russell 2000 index), 10% international equities (MSCI EAFE index) and 35% domestic fixed income (Barclays Aggregate Bond index).

During 2013, the Fund continued re-balancing its portfolio to the Target Allocation, with additional allocations to active fixed income managers. The Fund manages risk by holding a diversified portfolio so that the impact of positive and negative market swings in the various sectors of the portfolio offset each other. The following chart compares the actual asset allocation as of December 31, 2013 and 2012 with the target allocation.

Asset Allocation at Year-End



CURRENT ASSET BALANCE S AND OUTLOOK

As of March 12, 2014, the Fund's invested assets had a fair market value of \$1.25 billion, a slight increase from the December 31, 2013 balance, and in line with the Fund's target allocations. With intermittent re-balancing to our target asset allocation, the Fund expects to achieve investment returns that outperform its policy index and actuarial assumed rate of return of 7.75% in the long run.

CONTACT INFORMATION

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

Metropolitan Water Reclamation District Retirement Fund
Statement of Fiduciary Net Position

December 31, 2013

(with comparative amounts for prior year)

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 122,902	\$ 124,471
Receivables		
Employer contributions - taxes (net of allowance for uncollectible amounts of \$5,382,970 in 2013 & \$4,402,201 in 2012)	62,983,975	34,760,964
Securities sold	8,011,771	5,264,082
Forward foreign currency exchange contracts	32,768,498	20,076,747
Accrued interest and dividends	2,440,064	2,188,889
Accounts receivables	52,087	49,126
Total receivables	<u>106,256,395</u>	<u>62,339,808</u>
Investments - at fair value		
Corporate bonds and notes	161,405,724	167,026,540
Pooled funds - fixed income - short-term	51,788,805	29,535,352
Pooled funds - fixed income - long-term	189,818,715	204,127,431
Common stocks	843,885,095	663,897,484
	1,246,898,339	1,064,586,807
Securities lending collateral	45,659,197	49,637,240
Total investments	<u>1,292,557,536</u>	<u>1,114,224,047</u>
Total assets	<u>1,398,936,833</u>	<u>1,176,688,326</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	1,539,694	1,353,894
Securities purchased	20,355,617	13,217,843
Forward foreign currency exchange contracts	32,768,498	20,076,747
Securities lending collateral	45,659,197	49,637,240
Total liabilities	<u>100,323,006</u>	<u>84,285,724</u>
Net position held in trust for pension benefits	<u>\$ 1,298,613,827</u>	<u>\$ 1,092,402,602</u>

See accompanying notes to financial statements

Metropolitan Water Reclamation District Retirement Fund
Statements of Changes in Fiduciary Net Position

Year Ended December 31, 2013

(with comparative amounts for prior year)

	<u>2013</u>	<u>2012</u>
Additions		
Employer contributions	\$ 92,944,381	\$ 65,097,835
Employee contributions	<u>16,890,798</u>	<u>14,714,496</u>
Total contributions	109,835,179	79,812,331
Investment income		
Net appreciation		
in fair value of investments	211,132,376	103,332,085
Interest	7,046,983	3,074,449
Dividend income	<u>12,836,171</u>	<u>13,885,983</u>
Total investment income	231,015,530	120,292,517
Less investment expenses	<u>(5,465,211)</u>	<u>(4,755,254)</u>
Investment income	<u>225,550,319</u>	<u>115,537,263</u>
Securities lending income		
Earnings	89,443	131,240
Broker rebates	630,124	851,467
Less bank fees	<u>(174,283)</u>	<u>(233,885)</u>
Net securities lending income	<u>545,284</u>	<u>748,822</u>
Other	<u>6,833</u>	<u>40,046</u>
Total additions	<u>335,937,615</u>	<u>196,138,462</u>
Deductions		
Annuities and benefits		
Employee annuitants	106,623,945	103,043,445
Surviving spouse annuitants	19,431,705	18,674,499
Child annuitants	114,000	114,000
Ordinary disability benefits	821,914	677,523
Duty disability benefits	<u>214,417</u>	<u>204,441</u>
Total annuities and benefits	127,205,981	122,713,908
Refunds of employee contributions	1,128,922	1,195,737
Administrative expense	<u>1,391,487</u>	<u>1,296,826</u>
Total deductions	<u>129,726,390</u>	<u>125,206,471</u>
Net increase	206,211,225	70,931,991
Net position held in trust for pension benefits		
Beginning of year	<u>1,092,402,602</u>	<u>1,021,470,611</u>
End of year	<u>\$ 1,298,613,827</u>	<u>\$ 1,092,402,602</u>

See accompanying notes to financial statements

Metropolitan Water Reclamation District Retirement Fund**Notes to Financial Statements****December 31, 2013****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

- 1) The primary government officials appoint a voting majority of the component unit's board and either
 - a) Has the ability to impose its will on the component unit's board or
 - b) There exists the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.
- or
- 2) The organization is fiscally dependent on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set charges, or issue bonded debt without approval by the primary government.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New Accounting Pronouncement – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provides accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resource, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement was effective for financial statements with periods beginning after December 15, 2012. The adoption of this guidance did not have a material impact on the Fund's financial statements.

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

Most corporate bonds and notes are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities.

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Investments, continued**

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

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

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

Subsequent Events - In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through April 11, 2014, the date the financial statements were available to be issued.

NOTE 2. FUND DESCRIPTION

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

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

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

At December 31, 2013, the Fund's membership consisted of:

Active employees	<u>1,858</u>
Retirees and beneficiaries currently receiving benefits	
Retirees	1,704
Surviving spouses	605
Children	<u>20</u>
Total retirees and beneficiaries	<u>2,329</u>
Inactive employees entitled to benefits or a refund of contributions	<u>123</u>
Total membership	<u><u>4,310</u></u>

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

Funding

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

Tier I employees are required to contribute 10% of their salary to the Fund in 2013, 11% will be required in 2014 and 12% will be required in 2015 and years thereafter. Tier II employees are required to contribute 9% in 2013 and years thereafter. Contributions are collected as a payroll withholding. Employees made contributions of \$16,890,798 for the year ended December 31, 2013.

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

The District levies taxes levied per state statutes (40 ILCS 5 and PA 97-0894), which dictate that the District “shall annually levy a tax upon all the taxable real property within the District at a rate which, when extended, will produce a sum that

- (i) when added to the amounts deducted from the salaries of employees, interest income on investments, and other income, will be sufficient to meet the requirements of the Fund on an actuarially funded basis, but
- (ii) shall not exceed an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year 2 years prior to the year for which the tax is levied, multiplied by 4.19 (the tax multiple).

Per the statutes, “the tax shall be levied and collected in the same manner as the general taxes of the District.” The tax levy for 2013 was \$62,984,000

The actuarially determined annual required contribution (ARC) is calculated annually by the Fund’s consulting actuary. The following table shows the ARC, actual employer contributions, and an estimate of the tax multiple that would have been required in order to have the actual employer contributions sufficient to meet the ARC for the year ended December 31, 2013.

Actual employer contributions	\$ 92,944,381
Annual Required Contribution (ARC)	<u>74,774,148</u>
Surplus	<u><u>\$ (18,170,233)</u></u>
Percent contributed	124.3%
Tax multiple per state statutes	4.19
Estimated required tax multiple	2.98

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

The following describe and reflect plan provisions as described in Article 13 of the Illinois Pension Code.

Normal Retirement

An employee whose duties include service of 120 days or more per year and has at least 5 years of service at age 60 is eligible to receive an undiscounted retirement benefit (if hired before January 1, 2011). An employee with at least 10 years of service at age 67 is eligible to receive an undiscounted retirement benefit (if hired on or after January 1, 2011).

The normal retirement benefit is 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary.

Early Retirement

An employee hired before January 1, 2011 who attains age 55 (50 if hired on or before June 13, 1997) with at least 10 years of service is entitled to receive a minimum retirement benefit. An employee hired on or after January 1, 2011 who attains age 62 with at least 10 years of service is entitled to receive a minimum retirement benefit.

If the employee retires prior to the attainment of age 60, the normal retirement benefit computed shall be reduced by .5% for each full month the member is less than age 60 or service is less than 30 years whichever is less (if hired before January 1, 2011). If hired on or after January 1, 2011, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. There is no discount if the participant has 30 years of service.

Alternate Provision for Commissioners

Any participant Commissioner may elect to establish alternate credits for an alternative annuity. An additional contribution of 3% of salary is required for participation. In lieu of the normal retirement benefits any Commissioner who has elected to participate, has attained age 55 and has 6 years of service is eligible for an enhanced benefit formula.

Surviving Spouse Annuity

Upon an employee's death an annuity will be payable to his/her eligible surviving spouse. If an employee was hired before June 13, 1997, a spouse is immediately eligible for a surviving spouse annuity if married on the date of an employee's death, or if married on the employee's date of retirement and remained married until retiree's death. Dissolution of a marriage after retirement shall not divest the spouse of entitlement if the marriage was in effect for at least 10 years on the date of retirement.

If an employee was hired on or after June 13, 1997, a spouse is eligible for a surviving spouse annuity after 3 years of member's service, with the same conditions for marriage as described above for members hired prior to June 13, 1997.

NOTE 2. FUND DESCRIPTION (CONTINUED)***Surviving Spouse Annuity (continued)***

If an employee was hired before January 1, 2011, the surviving spouse annuity is equal to 60% of the employee's retirement benefit at the time of death, plus 1% for each year of total service, to a maximum of 85%. If hired on or after January 1, 2011, an eligible surviving spouse will be entitled to an annuity equal to 66 2/3% of the employee's retirement benefit at time of death.

Under certain conditions, an age discount applies to the surviving spouse annuity if the employee was hired after January 1, 1992.

Children's Annuity

Unmarried children less than age 18 (23 if full-time student) of a member that dies in service or of a former member that dies with at least 10 years of service, are eligible for an monthly annuity of \$500 per month for each child (if one parent is living) and \$1,000 per month for each child (if neither parent is living) to a maximum total benefit of \$5,000 per month.

Refunds

Upon withdrawal from service an employee hired before January 1, 2011 under age 55 (50 if hired on or before June 13, 1997), or age 55 (50 if hired on or before June 13, 1997) and less than age 60 with less than 20 years of service, or age 60 or over with less than 5 years of service, is eligible for a refund of accumulated employee contributions without interest upon request.

An employee hired on or after January 1, 2011 is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal.

Upon receipt of a refund, the member forfeits rights to benefits from the Fund. Refund repayment provisions may apply in certain cases.

Disability Benefits***Duty Disability***

An employee incurring injury or illness arising out of employment with the District and compensable under the Workers Compensation Act or the Occupational Disease Act may apply for duty disability benefits administered by the Fund. Duty disability benefits are 75% of the salary earned on the date of disability, less the amount paid by Worker's Compensation. The benefit is 50% of salary if disability resulted from a physical defect or disease that existed at the time injury was sustained. Benefits are payable during the period of disablement, but not beyond attainment of age 65. If the disability occurs at age 60 or older, benefits are payable for a maximum of 5 years.

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

An employee who becomes disabled due to any cause other than illness or injury incurred in the performance of duty may apply for ordinary disability benefits administered by the Fund. Ordinary disability benefits provide 50% of employee's earnable salary at the date of disability, for a maximum period of the lesser of 25% of the employee's actual service prior to disablement or 5 years.

NOTE 3. FUNDING STATUS AND FUNDING PROGRESS

As of December 31, 2013, the most recent actuarial valuation date, the Fund was 54.1% funded on an actuarial basis. The actuarial accrued liability for benefits was \$2,194,911,693 and the actuarial value of assets was \$1,188,503,716 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,006,407,977. The covered payroll (annual payroll of active employees covered by the Fund) was \$169,375,857 and the ratio of the UAAL to the covered payroll was 594.19%.

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

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

Valuation date	12/31/2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market

Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increases	5.00%
Postretirement cost of living	
Members hired on or after 1/1/11	1.25%
Members hired before 1/1/11	3.00%
Payroll growth	3.70%

NOTE 4. CASH DEPOSITS

As of December 31, 2013, the Fund's book balance of cash is \$122,902 held at the Amalgamated Bank of Chicago. Cash deposits are exposed to custodial credit risk if they are not covered by deposit insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Fund's name. The Fund does not have a formal policy relating to custodial risk for deposits. The Fund had no uninsured, uncollateralized cash at December 31, 2013.

NOTE 5. INVESTMENT SUMMARY**Authorization**

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

Investment Policy

The Fund is expected to exceed the actuarial target return of 7.75% over a complete market cycle of approximately five years. The Fund is expected to exceed the policy index, on average, over rolling four quarter periods. The target allocation is 55% domestic equities 10% international equities, and 35% fixed income. The composition of the policy index is 25% S&P 500 index, 20% Russell Mid Cap index, 10% Russell 2000 index, 10% MSCI EAFE index and 35% Barclays Aggregate index.

Custodian

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

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

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

Custodial Credit Risk

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

As of December 31, 2013, the Fund had minimal exposure to custodial credit risk since all investments were insured, registered, and/or held in the Fund's name.

Concentration of Investment Risk

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

<u>Investment Type</u>	<u>Fair Value</u>
Pooled funds - fixed income- long term	
U.S. Aggregate Bond Index SL Fund - State Street	<u>\$ 189,818,715</u>

Interest Rate Risk

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

NOTE 5. INVESTMENT SUMMARY (CONTINUED)

Investment Risk (continued)

Interest Rate Risk (continued)

The following table categorizes the Fund's interest bearing investments and presents the fair value and weighted average maturities of debt securities held by the Fund as of December 31, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturities (Years)</u>
Pooled funds - fixed income		
Pooled funds - long-term investments	\$ 189,818,715	7.54
Pooled funds - short-term investments	51,788,805	0.11
	<u>\$ 241,607,520</u>	

Credit Risk

Credit risk is defined as the risk that the issuer of a debt security will not pay its par value upon maturity. According to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of "investment grade" quality, that is, at the time of purchases, rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard and Poor's. The Trustees, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. The following table presents a summarization of the Fund's credit quality ratings of the fixed income holdings within the investments at December 31, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Credit Rating</u>
Pooled funds - fixed income			
Moody's			
Pooled funds - long-term investments	\$ 137,751,441	57.0%	Aaa
Pooled funds - long-term investments	8,921,480	3.7	Aa
Pooled funds - long-term investments	20,937,004	8.7	A
Pooled funds - long-term investments	22,208,790	9.2	Baa
Subtotal Moody's	<u>189,818,715</u>	<u>78.6</u>	
Not rated			
Pooled funds - short-term investments	<u>51,788,805</u>	<u>21.4</u>	Not Rated
Total pooled funds - fixed income	<u>\$ 241,607,520</u>	<u>100.0 %</u>	

NOTE 5. INVESTMENT SUMMARY (CONTINUED)**Investment Risk (continued)***Foreign Currency Risk*

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments held by the Fund are in equities, fixed income and foreign cash. The Fund's exposure to foreign currency risk at December 31, 2013 was as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage</u>
Equities:		
Australian Dollar	\$ 4,549,459	4.8 %
Canadian Dollar	7,727,076	8.2
Swiss Franc	15,588,690	16.5
Danish Krone	2,472,073	2.6
Euro	21,334,672	22.6
Pound Sterling	26,167,107	27.7
Hong Kong Dollar	3,191,362	3.4
Israeli Shekel	303,153	0.3
Japanese Yen	10,436,812	11.0
Norwegian Krone	680,419	0.7
Swedish Krona	1,896,753	2.0
Singapore Dollar	190,797	0.2
	<u>\$ 94,538,373</u>	<u>100.0 %</u>
Fixed Income:		
Australian Dollar	\$ 191,117	3.2 %
Brazil Real	232,599	3.9
Euro	458,962	7.7
Pound Sterling	351,229	5.9
Ghanaian Cedi	83,954	1.4
Indonesian Rupiah	464,493	7.8
Mexican New Peso	792,630	13.3
Malaysian Ringgit	173,289	2.9
Nigerian Naira	194,276	3.3
Norwegian Krone	1,287,764	21.5
New Zealand Dollar	155,158	2.6
Phillipines Peso	450,615	7.5
Polish Zloty	99,499	1.7
Romanian Leu	428,279	7.2
Russian Rubel	336,002	5.6
New Turkish Lira	275,895	4.5
	<u>\$ 5,975,761</u>	<u>100.0 %</u>

NOTE 5. INVESTMENT SUMMARY (CONTINUED)**Investment Risk (continued)***Foreign Currency Risk (continued)*

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage</u>
Foreign Cash:		
Australian Dollar	\$ 57,171	2.2 %
Canadian Dollar	111,805	4.2
Swiss Franc	189,679	7.2
Danish Krone	23,912	0.9
Euro	393,047	14.9
British Pound Sterling	407,674	15.5
Ghanaian Cedi	8,135	0.3
Hong Kong Dollar	61,881	2.4
Indonesian Rupiah	15,325	0.6
Israeli Shekel	2,187	0.1
Japanese Yen	216,931	8.2
Mexican New Peso	23,114	0.9
Malaysian Ringgit	6,261	0.2
Nigerian Naira	143,371	5.4
Norwegian Krone	594,028	22.6
Phillipines Peso	9,531	0.4
Polish Zloty	599	0.0
Romanian Leu	19,194	0.7
Russian Rubel	13,430	0.5
Swedish Krona	180,916	6.9
Singapore Dollar	154,928	5.9
	<u>\$ 2,633,119</u>	<u>100.0 %</u>

NOTE 6. DERIVATIVES

The Fund uses forward foreign currency exchange contracts to manage portfolio risk and to facilitate international portfolio trading.

A derivative security is a financial contract whose value is based on, or “derived” from, a traditional security, an asset, or a market index. Derivative instruments include forward contracts as part of the Fund's portfolio.

Derivative transactions involve, to varying degrees, credit risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

NOTE 6. DERIVATIVES (CONTINUED)

Forward contracts are used to hedge against fluctuations in foreign currency-denominated assets used primarily in portfolio trade settlements. These contracts are a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

The deferred outflows of resources and deferred inflows of resources of the hedging derivatives is immaterial and not included in these financial statements.

At December 31, 2013, the Plan's investments included the following forward foreign currency exchange contract balances:

Forward Foreign Currency Exchange Contract receivables	<u>\$ 32,768,498</u>
Forward Foreign Currency Exchange Contract payables	<u>\$ 32,768,498</u>

NOTE 7. SECURITIES LENDING

The Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, requires collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and for international securities, collateral worth at least 105%. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan.

All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 2 days.

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

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

NOTE 7. SECURITIES LENDING (CONTINUED)

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

A summary of securities loaned at fair value as of December 31, 2013 is as follows:

Fair value of securities loaned for cash collateral	\$ 44,557,356
Fair value of securities loaned for non-cash collateral	-
Total fair value of securities loaned	<u>\$ 44,557,356</u>
 Fair value of cash collateral from borrowers	 <u>\$ 45,659,197</u>

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

The Fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their commingled index funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund.

NOTE 8. NET POSITION HELD IN TRUST FOR PENSION BENEFITS

The Fund has reserved a portion of its net assets for future obligations. Employee contributions are distributed to active employee and survivor benefit reserves based on requirements specified in the Illinois State Statutes. After meeting current cash requirements for administrative expenses and disability benefits, employer contributions and investment income are allocated to all reserves based on actuarially calculated requirements. Amounts are transferred between reserves annually based on actuarially calculated requirements. At December 31, 2013, net position held in trust for pension benefits are reserved as follows:

Retirement and survivor benefits for active employees	\$ 711,817,934
Retirement and survivor benefits for retired members	1,463,856,177
Payments at withdrawal and for inactive members - entry age	<u>19,237,582</u>
Actuarial accrued liability	2,194,911,693
Unreserved net position (deficit)	<u>(896,297,866)</u>
Net position held in trust for pension benefits	<u>\$ 1,298,613,827</u>

NOTE 9. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. For defined benefit plans, the Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employer and nonemployer contributing entities for benefits provided through the pension plan. Statement No. 67 also enhances footnote disclosures and required supplementary information for pension Funds. Statement No. 67 is effective for the Fund's fiscal year ending December 31, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Statement No. 68 is effective for the Fund's fiscal year ending December 31, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for the Fund's fiscal year ending December 31, 2014.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state and local government grantor that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not the government will be required to make a payment on the guarantee. Statement No. 70 is effective for the Fund's fiscal year ending December 31, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This standard requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 71 is effective for the Fund's fiscal year ending December 31, 2015.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Schedules of Funding Progress and Employer Contributions

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
12/30/13	\$ 1,188,503,716	\$ 2,194,911,693	\$ 1,006,407,977	54.1%	\$ 169,375,857	594.2%
12/31/12	1,076,740,164	2,136,508,223	1,059,768,059	50.4%	163,816,934	646.9%
12/31/11	1,097,397,206	2,101,319,098	1,003,921,892	52.2%	164,275,424	611.1%
12/31/10	1,151,595,245	2,036,679,763	885,084,518	56.5%	174,485,734	507.3%
12/31/09	1,177,810,068	1,939,172,047	761,361,979	60.7%	176,915,399	430.4%
12/31/08	1,211,838,320	1,852,279,634	640,441,314	65.4%	167,865,254	381.5%
12/31/07	1,256,889,942	1,795,176,667	538,286,725	70.0%	158,831,772	338.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
12/31/13	\$ 92,944,381	\$ 74,774,148	124.3%
12/31/12	65,097,835	74,828,844	87.0%
12/31/11	37,379,137	69,393,171	53.9%
12/31/10	29,917,793	61,872,925	48.4%
12/31/09	32,153,874	54,790,175	58.7%
12/31/08	33,406,819	49,758,238	67.1%
12/31/07	27,947,096	47,090,445	59.4%

NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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

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

Valuation date	12/31/2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years (open period)
Asset valuation method	5-year smoothed market

Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increases	5.00%
Postretirement cost of living	
Members hired on or after 1/1/11	1.25%
Members hired before 1/1/11	3.00%
Payroll growth	3.70%

OTHER SUPPLEMENTARY INFORMATION

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

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

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 2013

(with comparative amounts for prior year)

Administrative expenses	<u>2013</u>	<u>2012</u>
Salaries and wages		
Regular employees	\$ 921,934	\$ 898,188
Employee benefits	147,340	135,311
Professional services		
Actuarial	47,260	46,000
Legal and lobbyist	47,215	34,639
Audit and state regulatory fees	38,500	47,300
Public stenographer	9,020	9,174
Medical	7,684	6,894
Investigation	1,030	1,005
Printing and publication	3,166	6,052
Postage	15,073	14,333
Office supplies and furniture	4,156	3,847
Travel	413	2,143
Tuition Reimbursement	9,435	-
Maintenance and repair	1,077	150
Payments to consultants	114,927	58,795
Membership dues, conference fees, subscriptions and publications	5,145	6,456
Computer hardware and software	6,408	14,285
Miscellaneous	11,704	12,254
Total administrative expenses	<u>\$ 1,391,487</u>	<u>\$ 1,296,826</u>

SCHEDULE OF INVESTMENT EXPENSES

Year ended December 31, 2013
(with comparative amounts for prior year)

	<u>2013</u>	<u>2012</u>
Investment manager fees ¹	\$ 5,046,860	\$ 4,382,222
Custodian fees	248,351	203,032
Investment consulting fees	<u>170,000</u>	<u>170,000</u>
Net investment expenses	<u>\$ 5,465,211</u>	<u>\$ 4,755,254</u>

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

SCHEDULE OF PAYMENTS TO CONSULTANTS

Year ended December 31, 2013
(with comparative amounts for prior year)

<u>Firm / Individual</u>	<u>Services</u>	<u>2013</u>	<u>2012</u>
Novitas (formerly JC Consulting Group, Inc.)	Benefit system maintenance & development	\$ 87,500	\$ 28,257
Elizabeth Cataudella	Benefits consultant	27,427	27,663
MK Business Solutions, Inc.	Information technology consultant	<u>-</u>	<u>2,875</u>
Total payments to consultants		<u>\$ 114,927</u>	<u>\$ 58,795</u>

POSTEMPLOYMENT HEALTHCARE

The Fund does not provide any health insurance supplement. Employee and survivor annuitants may elect coverage under the insurance programs offered through the Metropolitan Water Reclamation District of Greater Chicago (District), the former employer of our employee annuitants. The District offers these programs to retirees on a year-by-year basis. 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 it 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

Custodian Report

Investment Consultant Report

Investment Preface:

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

Investment Analytics:

Investment Assets

- Summary at Market Value
- Asset Allocation (graph)
- Schedule of Investment Returns
- Historical Investment Returns (with graph)
- Historical Asset Allocation
- Fixed Income & Equity Diversification
- Top 40 Common Stock Holdings
- Manager by Type and Assets Managed

Investment Related Expenses

- Investment Manager Compensation
- Custodial Fees
- Investment Consultant Fees
- Domestic Brokerage Commissions
- International Brokerage Commissions



March 6, 2014

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

The Bank of New York Mellon as custodian of the assets of the Metropolitan Water Reclamation District Retirement Fund (Fund) held by it in a custodial account has provided annual accounting statements to the Fund which represents The Bank of New York Mellon's record of investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the custody accounts for the period of January 1, 2013 through December 31, 2013.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Skirtich".

Michael D. Skirtich
Vice President
(412) 234-6527

BNY Mellon Asset Servicing, Inc. is a subsidiary of BNY Mellon, a registered broker-dealer, member of the SIPC, and a member of the New York Stock Exchange. BNY Mellon Asset Servicing, Inc. is not a member of the SIPC.

Gray & Company
3333 Piedmont Road
Suite 1250
Atlanta, Georgia 30305

March 12, 2014

To the MWRD Retirement Fund Board of Trustees:

Gray & Company has been the investment consultant for the Metropolitan Water Reclamation District Retirement Fund (the Fund) since August, 2007. We are responsible for developing investment policy, risk constraints, asset allocation, investment manager selection and investment performance analysis. We are pleased to present the Fund's results for fiscal year ended December 31, 2013.

The Fund's policy asset allocation has been specifically designed to achieve the actuarial assumption return of 7.75% return over the long term. We have now had 5 years of a bull market following the recession and financial crises of 2007-2008. The bull market started in March 2009 and the recession ended in July 2009. The lingering impact continues to be felt in the broader economy in the weak housing markets and the combination of unemployment and underemployment. The fixed income markets continue to severely lag the stock markets which are near all-time highs.

The Policy Index is composed of 25% S&P 500 Index, 20% Russell Mid Cap Index, 10% Russell 2000 Index, 10% MSCI EAFE Index and 35% Barclay's Aggregate Index. The Fund terminated Northpointe and Graham & Dodd Large Cap Value Managers and replaced them with O'Shaughnessy Asset Management Large Cap Value.

Under-performing investment managers are subjected to a detailed performance review by the Trustees before any decisions are made. Although some managers have under-performed, it typically has been expected under-performance that is mitigated by having a diversified investment program. The managers above were terminated because of inadvertent non-compliance with the investment policy asset size constraints.

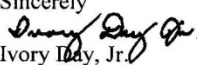
As of December 31, 2013, the market value of the fund's invested assets was \$1.236 billion which was \$179 million more than the value at the beginning of the year. The average asset allocation was 67% equities and 33% fixed income in 2013. Total fund performance was 21.7% net of fees during the last year, while the Policy Index returned 19.6%. The equity managers returned 37.6% and the fixed income managers returned -0.8%.

The domestic equity market as represented by the DJ Wilshire 5000 Index returned 33.1% while the domestic fixed income market represented by the Barclays Aggregate Index returned -2.0%. Large company stocks represented by the S&P 500 Index returned 32.4%, midcap stocks represented by the Russell Mid Cap Index returned 34.8% and small company stocks represented by the Russell 2000 returned 38.8%.

The international equity market represented by the MSCI EAFE (Europe, Australasia and Far East) Index returned 22.8%, while the Emerging Market Index returned -2.6%.

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

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

Sincerely

Ivory Day, Jr.
Senior Consultant



INVESTMENT PREFACE

INVESTMENT AUTHORITY

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

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

INVESTMENT RESPONSIBILITY

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

INVESTMENT POLICY & OBJECTIVES

The Fund's asset allocation strategy is based on a combination of long-term investment return expectations and the Fund's expected cash requirements for payments of benefits and expenses. The investment objective of the total portfolio is to maximize the rate of return within a prudent level of risk.

Based on Gray & Company's review of the Fund's asset allocation and performance objectives in 2007, the Fund's investment policy and objective was modified. The Fund is expected to exceed the actuarial target return of 7.75% over a complete market cycle of approximately 5 years. The Fund is expected to exceed the policy index, on average, over rolling four quarter periods. The current policy index is:

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

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

INVESTMENT ALLOCATION

The investment policy of the Fund establishes asset allocation targets and ranges for each asset class to achieve risk and return objectives. Fund staff, in collaboration with the Fund's investment consultant, monitors the investment allocation on a monthly basis. Formal rebalancing is recommended by the consultant when variances approach 5% over or under the targets. In addition, strategic withdrawals for payment of benefits are used to fine-tune the allocations.

As of December 31, 2013 and 2012, the Fund's asset allocation percentages, at market value, are listed below.

Asset Class	2013 Actual Asset Allocation	Target Allocation	2012 Actual Asset Allocation
Domestic Equity	58.3%	55.0%	53.0%
International Equity	9.4%	10.0%	9.4%
Domestic Fixed Income	28.1%	35.0%	34.9%
Short Term and Cash	4.2%	0.0%	2.7%
Total	100.0%	100.0%	100.0%

INVESTMENT MANAGEMENT

Highlights of the Fund's 2013 investment and monitoring activities follow:

- The Fund completed its search for an emerging large cap value manager in March 2013 and hired O'Shaughnessy Asset Management (OSAM) to manage \$14.5 million or 1.25% of the Fund's total assets in large cap value equities. Funding was provided with securities and cash from another emerging large cap value equity manager, NorthPointe Capital, who was terminated due to inadvertent non-compliance with the investment policy asset size constraints.
- In April, the Fund received a \$30.0 million special contribution of interest income from the District Corporate Fund. It was allocated in part to the underweighted managers as follows: \$10.9 million to LSV large cap value, \$5.8 million to UBS large cap core, and \$2.0 million to Vontobel international equity portfolios.
- The remaining part of the \$30.0 million special contribution was used to rebalance the fixed income portfolio in April as follows: \$5.6 million went to Neuberger Berman core plus fixed income, \$2.4 million to Pioneer core plus fixed income and \$3.3 million to SSgA bond index portfolios.
- In May, the Trustees decided to invest the India portion of Vontobel's portfolio in the Vontobel India Fund, a commingled vehicle, for a more efficient way of managing that country exposure. The amount invested was approximately \$6.5 million out of total of \$53.6 million, or 12.5%.
- In August, the Board of Trustees terminated Graham & Dodd, another emerging large cap manager, due to inadvertent non-compliance with policy constraints. A Request for Proposal (RFP) was issued to begin a search for a replacement.

- Due to a small amount in RFP responses and unsatisfactory results, the Trustees decided to transition Graham & Dodd's portfolio valued at approximately \$17.5 million, temporarily to OSAM until the Fund decides to perform another emerging manager large cap value equity search.
- The Trustees revised the Fund's Investment Policy to reflect a change in cash management duties; some duties originally performed by the District's Treasury Department are being performed by Fund staff beginning in September 2013.
- The Board made a review of the Fund's holdings and discussed the pros and cons of ESG (Environmental, Social, Governance) investing during the first quarter of the year, determining that the challenges in formulating and administering such a policy made it unfeasible at this time.
- In 2013 the Fund exceeded its minority (MWDBE) broker/dealer commissions goals of 30% for domestic equity trades, 10% for international equity trades and 20% of par for fixed income trades, achieving actual minority commissions of 46%, 16% and 27% of par, respectively.

INVESTMENT PERFORMANCE

Gray & Co. evaluates investment manager performance and reports to the Board on a quarterly basis on individual manager performance as well as overall performance. Investment returns are calculated based on a time-weighted rate of return based on market values and in compliance with industry accepted reporting standards and reported net of investment fees. The Fund's investment managers report performance in compliance with Global Investment Performance standards. This reporting requirement is also included in the managers' contractual agreements with the Fund.

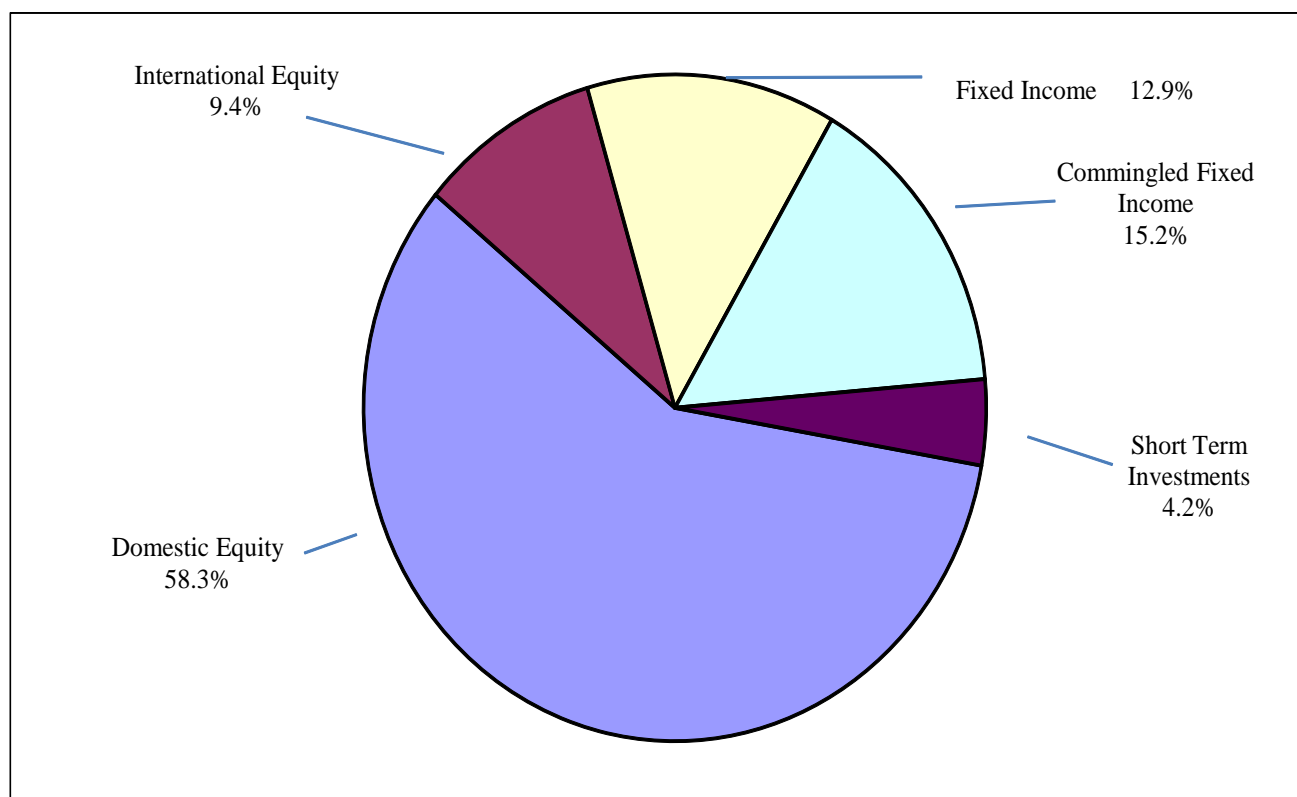
The market value rate of return on invested assets for the year ending December 31, 2013 was 21.7% net of fees, compared to the Fund's Policy Index return of 19.6%.

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 at one point in time is truly valid. It is beneficial, however, to study a Fund's performance over the long term against indexes to evaluate trends. The table and accompanying graph in this section entitled *History of Investment Returns* provides data for trend analysis.

INVESTMENT ASSETS

Summary at Market Value
December 31, 2013 and 2012

	December 31, 2013		December 31, 2012	
Fixed Income Investments				
Fixed Income-Bonds & Notes	\$161,405,724	12.9 %	\$167,026,540	15.7 %
Index/Commingled Funds	189,818,715	15.2	204,127,431	19.2
	<u>351,224,439</u>	<u>28.1</u>	<u>371,153,971</u>	<u>34.9</u>
Equity Investments				
Domestic Equity	726,492,808	58.3	563,971,224	53.0
International Equity	117,392,287	9.4	99,926,260	9.4
	<u>843,885,095</u>	<u>67.7</u>	<u>663,897,484</u>	<u>62.4</u>
Short Term Investments	51,788,805	4.2	29,535,352	2.7
Total at Market Value	<u>\$1,246,898,339</u>	<u>100.0 %</u>	<u>\$1,064,586,807</u>	<u>100.0 %</u>

Asset Allocation at Market Value
December 31, 2013

SCHEDULE OF INVESTMENT RETURNS

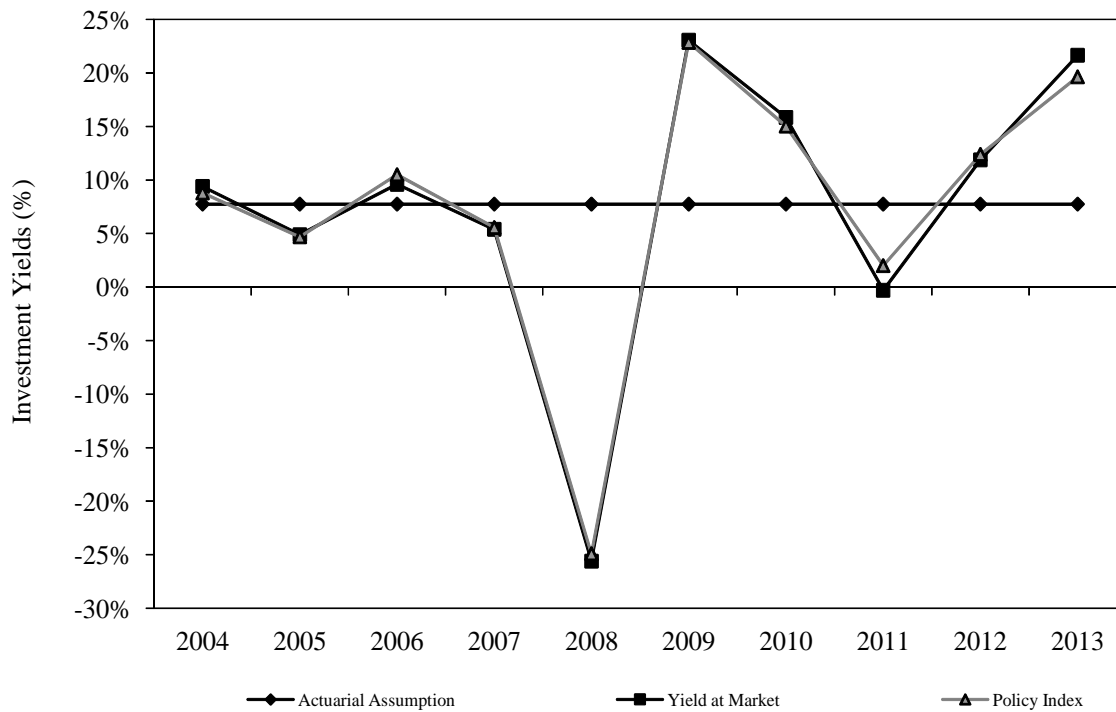
	Year ending 12/31/13 ^{1,2}	3-Year Annualized	5-Year Annualized	10-Year Annualized
Fund's Total Portfolio	21.7 %	10.7 %	14.1 %	6.7 %
Policy Index	19.6	11.1	14.2	6.8
Fund's Domestic Equity Composite	37.7	14.9	19.3	7.5
DJ Wilshire 5000 - Composite index	33.1	16.0	18.6	8.0
Policy Index Components:				
S&P 500 - Large cap index	32.4	16.2	17.9	7.4
Russell Mid Cap - Mid cap index	34.8	15.9	22.4	10.2
Russell 2000 - Small cap index	38.8	15.7	20.1	9.1
Fund's International Equities	12.2	9.9	12.3	-
Policy Index Component:				
MSCI EAFE	22.8	8.2	12.4	-
Fund's Fixed Income	(0.8)	4.0	5.0	4.5
Policy Index Component:				
Barclay's U.S. Aggregate	(2.0)	3.3	4.4	4.6

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

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

HISTORY OF INVESTMENT RETURNS AT MARKET VALUE**Years ending December 31**

Year	Invested Assets	Actuarial Assumption	Yield at Market ¹	Fund's Policy Index ²
2004	\$ 1,117,540,968	7.75%	9.4%	8.8%
2005	1,136,790,610	7.75%	4.9%	4.7%
2006	1,192,992,050	7.75%	9.6%	10.5%
2007	1,195,418,217	7.75%	5.4%	5.6%
2008	850,451,228	7.75%	-25.6%	-24.9%
2009	982,263,533	7.75%	23.1%	22.9%
2010	1,060,891,508	7.75%	15.9%	15.0%
2011	979,087,210	7.75%	-0.3%	2.0%
2012	1,064,586,807	7.75%	11.9%	12.4%
2013	1,246,898,339	7.75%	21.7%	19.6%
5 year annualized return		7.75%	14.1%	14.2%
10 year annualized return		7.75%	6.7%	6.8%



¹ Investment returns are reported net of investment fees.

² The Fund's Policy Index, in effect since 12/07, is detailed on the previous page. Prior to that, from 12/98 through 11/07, the Fund's Custom Benchmark consisted of : 45% Wilshire 5000 and 55% LBA.

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

	Market Value as a Percent of Portfolio¹									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Equities										
Active Domestic Equities	34.7	33.1	35.6	38.6	42.0	48.9	60.9	55.0	53.0	58.3
Commingled Equities	23.0	23.9	20.8	14.4	5.9	10.3	1.9	-	-	-
Active International Equities	-	-	2.1	2.3	4.1	4.5	5.2	10.4	9.4	9.4
	<u>57.7</u>	<u>57.0</u>	<u>58.5</u>	<u>55.3</u>	<u>52.0</u>	<u>63.7</u>	<u>68.0</u>	<u>65.4</u>	<u>62.4</u>	<u>67.7</u>
Fixed Income										
Active Fixed Income	11.1	9.3	8.4	11.9	4.5	-	-	-	15.7	12.9
Commingled Fixed Income	30.1	31.9	32.0	31.6	41.7	34.3	30.0	32.9	19.2	15.2
	<u>41.2</u>	<u>41.2</u>	<u>40.4</u>	<u>43.5</u>	<u>46.2</u>	<u>34.3</u>	<u>30.0</u>	<u>32.9</u>	<u>34.9</u>	<u>28.1</u>
Short Term Investments	<u>1.1</u>	<u>1.8</u>	<u>1.1</u>	<u>1.2</u>	<u>1.8</u>	<u>2.0</u>	<u>2.0</u>	<u>1.7</u>	<u>2.7</u>	<u>4.2</u>
Total Portfolio	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

¹Allocation percentages as of December 31.

FIXED INCOME DIVERSIFICATION
as of December 31, 2013

Bond and Note Classification	Market Value (MV)	MV as a % of Total Fixed Income
Treasuries & Government	\$ 21,527,816	6.1 %
Mortgage Backed	27,389,015	7.8
Corporate	56,381,595	16.1
Asset-Backed	13,255,130	3.8
Commercial Asset Backed	6,176,425	1.8
High Yield	36,675,743	10.4
Total Bonds & Notes	161,405,724	46.0
Index/Commingled Fixed	189,818,715	54.0
Total Fixed Income ¹	<u>\$ 351,224,439</u>	<u>100.0 %</u>

EQUITY DIVERSIFICATION
as of December 31, 2013

Stock Classification	Market Value (MV)	MV as a % of Total Equity
Consumer Discretionary	\$ 115,730,303	13.7 %
Consumer Staples	39,811,806	4.7
Energy	68,217,675	8.1
Financials	103,089,330	12.2
Health Care	91,465,445	10.8
Industrials	104,760,263	12.4
Information Technology	129,751,616	15.4
Materials	24,700,756	2.9
Telecommunication Services	38,504,119	4.5
Utilities	10,461,496	1.2
Total Common Stock - Domestic	726,492,808	86.1
International Equity	117,392,287	13.9
Total Equity ¹	<u>\$ 843,885,095</u>	<u>100.0 %</u>

¹ Fixed Income and Equity totals on this schedule represent invested assets and thus do not include STI and cash and are in agreement with the Financial Statements.

TOP 40 COMMON STOCK HOLDINGS ¹
as of December 31, 2013

<u>Company Name</u>	<u>Industry</u>	<u>Shares</u>	<u>Market Value</u>
Apple Inc.	Computers	16,226	\$9,103,111
Philip Morris International Inc.	Agriculture	64,813	5,647,157
Amazon.com Inc.	Internet	12,530	4,996,839
Exxon Mobil Corp.	Oil & Gas	47,773	4,834,628
St Jude Medical Inc.	Health Care	76,896	4,763,707
Wells Fargo & Co.	Banks	95,438	4,332,885
Google Inc.	Internet	3,665	4,107,402
Western Digital Corp.	Computers	48,127	4,037,855
NXP Semiconductors NV	Semiconductors	84,440	3,878,329
British American Tobacco Ord	Tobacco - UK	71,037	3,809,670
JP Morgan Chase & Co.	Banks	64,500	3,771,960
Nestle SA	Food Processing	49,363	3,624,449
Yum! Brands Inc.	Retail	44,758	3,384,152
Visa Inc.	Diversified Financial Services	14,550	3,239,994
Western Union Co.	Commercial Services	184,902	3,189,560
Citigroup Inc.	Banks	60,850	3,170,894
Manpowergroup Inc.	Commercial Services	36,834	3,162,567
Boeing Co.	Aerospace/Defense	22,806	3,112,791
Unilever NV CVA Eur.	Food Processing	74,449	3,003,234
Actavis PLC	Pharmaceuticals	17,863	3,000,984
Ameriprise Financial Inc.	Diversified Financial Services	25,708	2,957,705
Pfizer Inc.	Pharmaceuticals	92,872	2,844,669
Walt Disney Co.	Media	36,986	2,825,730
Qualcomm Inc.	Semiconductors	37,563	2,789,053
Harley-Davidson Inc.	Leisure Time	39,710	2,749,520
UBS AG.	Banks	144,053	2,740,627
Viacom Inc.	Media	30,365	2,652,079
Invesco Ltd.	Diversified Financial Services	72,740	2,647,736
Seagate Technology	Computers	46,574	2,615,596
Mylan Inc.	Pharmaceuticals	59,562	2,584,991
Aflac Inc.	Insurance	38,205	2,552,094
Chevron Corp.	Oil & Gas	20,340	2,540,669
General Motors Co.	Auto Manufacturers	61,377	2,508,478
Snap-On Inc.	Hand/Machine Tools	22,855	2,503,080
Roche Hldg Ag Genusscheine NPV	Pharmaceuticals	8,673	2,430,215
Microsoft Corp.	Software	63,386	2,371,270
Novo-Nordisk	Pharmaceuticals	12,870	2,362,864
Comcast Corp.	Media	45,356	2,356,925
Oracle Corp.	Software	60,800	2,326,208
CBS Corp.	Media	36,050	2,297,827

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

Investment Analytics

Investment Section

MANAGER BY TYPE AND ASSETS MANAGED

Assets Under Management at Market Value

	December 31, 2013		December 31, 2012	
	Market Value	% of Total	Market Value	% of Total
<u>Fixed Income Managers</u>				
State Street Global Advisors	\$ 189,818,729	15.2 %	\$ 204,127,442	19.2 %
Neuberger Berman	98,537,315	7.9	90,745,541	8.5
Pioneer Investments	87,139,376	7.0	80,360,209	7.5
Subtotal	375,495,420	30.1	375,233,192	35.2
<u>Equity Managers</u>				
Alliance Bernstein LP.	44,146,569	3.5	35,752,530	3.4
Ariel Investments	46,083,352	3.7	38,282,249	3.6
Decatur Capital Management, Inc.	18,025,919	1.4	13,527,374	1.3
Fiduciary Management Associates, LLC.	15,783,396	1.3	11,705,068	1.1
Geneva Capital Management Ltd.	17,522,838	1.4	12,065,472	1.1
Graham & Dodd Fund, LLC.	-	-	13,945,019	1.3
Herndon Capital Management	46,265,088	3.7	34,597,928	3.2
Hexavest Inc.	64,316,404	5.2	53,671,086	5.0
Holland Capital Management	17,701,286	1.4	13,331,930	1.3
LSV Asset Management	72,283,753	5.8	48,882,749	4.6
NorthPointe Capital	-	0.0	15,538,680	1.5
Opus Capital Management	44,456,078	3.6	39,459,583	3.7
O'Shaughnessy Asset Management, LLC.	37,252,567	3.0	-	0.0
PNC Capital Advisors, LLC. ²	57,320,547	4.6	44,232,380	4.2
Profit Investment Management	15,526,773	1.1	11,256,023	1.0
Systematic Financial Management	49,382,814	4.0	38,877,004	3.7
UBS Global Asset Management	90,165,828	7.2	65,104,260	6.1
Vontobel Asset Management	57,909,127	4.6	54,652,643	5.1
WCM Investment Management	33,463,801	2.7	23,876,100	2.2
Wasatch Advisors	33,029,206	2.6	29,423,843	2.8
Wellington Management Co.	109,519,733	8.8	89,965,375	8.5
Subtotal	870,155,079	69.9	688,147,298	64.7
Cash in Transition Accounts	442	-	45	-
Assets Under Management (AUM) ¹	1,245,650,941	99.9	1,063,380,535	99.9
The Illinois Funds ²	1,247,397	0.1	1,206,272	0.1
Total Investments	<u>\$ 1,246,898,339</u>	<u>100.0 %</u>	<u>\$ 1,064,586,807</u>	<u>100.0 %</u>

¹ AUM on this schedule includes any short-term investments and cash held in the managers' accounts at year end and thus vary from totals on the Financial Statements.

² The Illinois Funds are periodically used to invest working capital funds.

INVESTMENT MANAGER COMPENSATIONInvestment Managers:¹

	2013	2012
Alliance Bernstein LP.	\$ 131,463	\$ 124,546
Ariel Investments	214,705	185,833
Decatur Capital Management, Inc.	94,908	79,023
Fiduciary Management Associates, LLC.	95,864	77,504
Geneva Capital Management Ltd.	99,638	82,212
Graham & Dodd Fund, LLC.	61,950	63,296
Herndon Capital Management, LLC.	202,096	180,918
Hexavest Inc.	349,040	328,784
Holland Capital Management	77,855	65,330
LSV Asset Management	341,821	254,824
Neuberger Berman	232,814	117,510
Northern Trust Global Investments	-	12,839
NorthPointe Capital	23,419	72,272
Opus Capital Management	250,084	224,953
O'Shaughnessy Asset Management, LLC.	72,905	-
PNC Capital Advisors, LLC.	233,614	228,594
Pioneer Investments	240,276	125,557
Profit Investment Management	99,365	80,800
State Street Global Advisors	39,191	30,389
Systematic Financial Management	257,835	247,372
UBS Global Asset Management	439,588	376,011
Vontobel Asset Management	359,363	365,928
WCM Investment Management	235,745	183,622
Wasatch Advisors	224,149	248,783
Wellington Management Co.	669,172	625,322
Total	\$ 5,046,860	\$ 4,382,222

CUSTODIAL FEES²Institution

Bank of New York Mellon Co.	\$ 248,351	\$ 203,032
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INVESTMENT CONSULTANT FEESConsulting Firm

Gray & Co.	\$ 170,000	\$ 170,000
Total Investment Expenses	<u>\$ 5,465,211</u>	<u>\$ 4,755,254</u>

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

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

SCHEDULE OF 2013 DOMESTIC BROKERAGE COMMISSIONS

<u>Broker</u>	<u>Commissions¹</u>	<u>% of Total</u>
Loop Capital Markets ²	\$ 92,104	14.5 %
Cabrera Capital Markets ²	38,543	6.1
Investment Technology Group	28,537	4.5
M R Beal & Company ²	22,302	3.5
Cheevers & Co. Inc. ²	19,893	3.1
Williams Capital Group LP ²	19,051	3.0
ConvergEx	18,493	2.9
Barclays Capital	18,312	2.9
C L King & Associates ²	18,068	2.8
Morgan Stanley & Co Inc.	17,559	2.8
Liquidnet Inc.	17,241	2.7
Credit Suisse	16,020	2.5
J P Morgan Securities Inc.	15,648	2.5
Merrill Lynch Pierce Fenner Smith Inc.	14,367	2.3
Deutsche Bank Secs Inc.	14,291	2.3
Citation Group	14,090	2.2
Telsey Advisory Group LLC ²	14,072	2.2
Podesta ²	13,231	2.1
Weeden & Co.	12,783	2.0
Cantor Fitzgerald & Co., Inc.	11,301	1.8
Goldman Sachs & Co.	11,020	1.7
Academy Securities, Inc. ²	10,396	1.6
Castleoak ²	9,560	1.5
Ivy Securities Inc. ²	8,775	1.4
Instinet Corp.	8,317	1.3
Blaylock & Co., Inc. ²	8,163	1.3
FBR Capital Markets & Co.	7,647	1.2
Jefferies & Co Inc.	6,926	1.1
Stifel Nicolaus	6,869	1.1
Oppenheimer & Co., Inc.	6,829	1.1
Citigroup Global Markets Inc.	6,824	1.1
UBS Securities LLC	6,312	1.0
Subtotal	533,548	84.1
All others ³	100,678	15.9
Total Domestic Brokerage Commissions	\$ 634,226	100.0 %

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

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

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

SCHEDULE OF 2013 INTERNATIONAL BROKERAGE COMMISSIONS

<u>Broker</u>	<u>Commissions¹</u>	<u>% of Total</u>
Cabrera Capital Markets ²	\$ 22,616	12.5 %
Morgan Stanley & Co. Inc.	19,622	10.8
Deutsche Bk Secs Inc.	17,364	9.6
Credit Suisse	11,936	6.6
Banque Pictet And Cie	8,597	4.7
Sg Sec (London) Ltd.	7,553	4.2
Merrill Lynch Pierce Fenner Smith Inc.	7,457	4.1
Loop Capital Markets ²	6,106	3.4
UBS Equities	5,423	3.0
Ixis Securities	5,014	2.8
UBS Securities LLC	4,582	2.5
Mizuho Securities USA Inc.	3,883	2.1
Goldman Sachs & Co.	3,360	1.9
Macquarie Capital (Usa) Inc.	3,111	1.7
J P Morgan Securities Inc.	3,099	1.7
Sanford C Bernstein & Co.	3,096	1.7
Oddo Et Cie	2,973	1.6
UBS Warburg Asia Ltd.	2,880	1.6
Macquarie Bank Ltd.	2,545	1.4
Royal Trust Corp of Canada/Gbl Custody	2,299	1.3
Macquarie Bank Ltd.	2,229	1.2
Merrill Lynch Pierce Fenner	1,950	1.1
Subtotal	147,695	81.5
All others ³	33,652	18.5
Total International Brokerage Commissions	<u>\$ 181,347</u>	<u>100.0 %</u>

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

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

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

ACTUARIAL SECTION

Actuarial Certification

Actuarial Report:

Preface

Comparative Summary

Summary of Valuation Results

Changes in Unfunded Actuarial Liability

Net Pension Obligation

Actuarial Assumptions and Methods

Plan Provisions

Analysis of Funding:

History of Change in Unfunded Liability with Analysis

Actuarial Accrued and Unfunded Liabilities (with graph)

Actuarial Accrued Liability Prioritized Solvency Test

Historical Valuation Data:

History of Retirees and Beneficiaries

Added to and Removed from Benefit Payroll

Schedule of Active Member Valuation Data

History of Recommended Employer Multiples and Taxes Levied



April 21, 2014

Board of Trustees
Metropolitan Water Reclamation District Retirement Fund
111 E. Erie St.
Chicago, IL 60611

ACTUARIAL CERTIFICATION

We have completed the December 31, 2013 actuarial valuation for the Metropolitan Water Reclamation District Retirement Fund. The valuation was performed to determine whether assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The funding objective of the fund is to attain a funded ratio of at least 90% by the year 2050. However, an additional contribution requirement has been determined based on achieving a funding level of 100%. Employer contributions come from a property tax levied by the District equal to an amount that will be sufficient to meet the Fund's actuarially determined contribution requirement, but shall not exceed an amount equal to the total employee contributions 2 years prior multiplied by 4.19. The District has budgeted an additional \$12 million to be contributed to the fund for the year beginning January 1, 2014.

The total employer contribution to the Fund, including the additional \$12 million, is expected to cover 107.2% of the Governmental Accounting Standards Board (GASB) Statement No. 25 Annual Required Contribution. We estimate that a tax multiple of 3.94 is required to cover the full annual required contribution for the year 2014.

Illinois Public Act 97-0894 provided for changes to member contribution requirements and the required tax levy multiplier. The expected member contributions in 2014 reflect a 1% increase over those expected in 2013.

The actuarial assumptions used in the December 31, 2013 valuation are the same as those used in the December 31, 2012 valuation. The assumptions are based on an experience analysis performed by Goldstein & Associates for the fund over the four-year period 2006-2009. A new experience study will be conducted during 2014 and assumptions will be updated to reflect more recent experience.

The entry age normal actuarial cost method was used for both the December 31, 2013 valuation and the December 31, 2012 valuation.

The asset values used in the valuation were provided in the December 31, 2013 audited financial statements for the Fund. A 5-year smoothed market value of assets was used to determine the actuarial value of assets.

One Oakbrook Terrace, Suite 720 Oakbrook Terrace, IL 60181 • (630) 620-0200 • Fax (239) 481-0634 • www.foster-foster.com

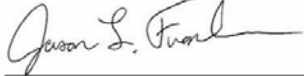
The valuation reflects membership data provided by the administrative staff of the Fund.

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 the historical 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 method used to determine the annual required contribution meet the parameters set for the disclosures presented in the financial section by 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, 2013.

Respectfully submitted,



Jason L. Franken, FSA, EA, MAAA

Enrollment Number: 14-06888
Foster & Foster, Inc.

One Oakbrook Terrace, Suite 720 Oakbrook Terrace, IL 60181 • (630) 620-0200 • Fax (239) 481-0634 • www.foster-foster.com

ACTUARIAL PREFACE

PENSION FINANCING

The approaches used to finance pensions can be divided into two basic categories. Under Pay-As-You-Go Financing the benefits called for by the plan would be paid out directly by the employer as they become due. Most public retirement plans including the MWRD Retirement Fund use Actuarial Funding, a form of Advance Funding, which is designed to set aside money during an employee's working career so that sufficient funds are accumulated at the time of retirement to pay the employee's future pension. This method builds up a pool of assets which will generate investment income, thereby reducing the contribution requirements to meet the pension costs.

ACTUAL FUNDING

The Fund is financed by employee contributions, employer contributions (MWRD tax levy) and investment earnings; investment earnings and employer funding are the primary determinants of the Fund's financial status.

Until the 2012 tax levy employer contributions were set at a 2.19 times employee contributions made in the calendar year two years prior. As of the 2013 tax levy, employer contributions were increased to the lesser of the amount resulting from using a 4.19 multiple, or the actuarially determined contribution requirement.

Employee contributions were 9% of pay for all employees until 2013. As of 2013, Tier I employees' contribution is 10% of pay, increasing to 11% and 12% in 2014 and 2015, respectively. Tier II employees' contribution requirement remains at 9%.

ACTUARIAL FUNDING

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

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

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

The Fund uses the entry age normal actuarial cost method with costs allocated on the basis of earnings, one of several accepted actuarial cost methods. Under this cost method, the Actuarial Present Value of the projected pension of each member included in the valuation is assumed to be funded by annual installments, equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The normal cost for the member for the current year is equal to the portion of the value so determined, assigned to this year. The normal cost for the plan for the year is the sum of the normal costs of all active members. The normal cost for the year beginning January 1, 2014 was determined to be \$33.0 million or 19.5% of payroll; 10.9% of payroll is expected from employee contributions. The remaining 8.6% of payroll is the employer's portion of the normal cost.

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

To the extent that current assets plus future normal costs (assumed to be funded annually) do not support members' expected future benefits, an Unfunded Actuarial Accrued Liability (UAAL) develops. The UAAL is generally amortized over a fixed period of time (e.g. 30 years) from the date incurred. Actuarial funding of plan benefits would require annual District (employer) contributions which at least cover the employer's normal cost, plus an amortization of the UAAL. In the past the District has not funded the plan on this basis, with actual contributions of a lesser amount being made according to statute as described above. Recent legislation that increased the tax levy beginning in 2013, and the receipt of Special Contributions from the District will bring employer contributions up to an actuarial funding basis.

The information following this Preface is from the December 31, 2013 actuarial valuation performed by Foster & Foster, which was based upon:

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

COMPARATIVE SUMMARY

Income	<u>2013</u>	<u>2012</u>
Gross investment income ¹	\$ 231,022,363	\$ 120,332,563
Securities lending income	545,284	748,822
Employer contributions	92,944,381	65,097,835
Employee contributions	16,890,798	14,714,496
Total income	341,402,826	200,893,716
Outgoing		
Refunds, benefits, expense ²	135,191,601	129,961,725
Excess of Income Over Outgoing	\$ 206,211,225	\$ 70,931,991
Number of Members	<u>12/31/2013</u>	<u>12/31/2012</u>
Active Members	1,858	1,856
Inactive Members	123	118
Members Receiving Annuity Benefits		
Retirees	1,704	1,681
Spouses	605	619
Children	20	17
Total Members	4,310	4,291
Members Receiving Disability Benefits	35	43
Active Member Payroll ³	\$169,375,857	\$163,816,934
Average Salary	91,160	88,263
Present Value of Future Benefits	\$2,489,069,874	\$2,432,404,368
Actuarial Funding - Going Concern		
Total Actuarial Liability	\$ 2,194,911,693	\$ 2,136,508,223
Actuarial Value of Assets ⁴	1,188,503,716	1,076,740,164
Unfunded Actuarial Liability	1,006,407,977	1,059,768,059
Funded Ratio	54.1%	50.4%
Actual Employer Contribution	<u>2013</u>	<u>2012</u>
Employer's Actuarially Determined Contribution Requirement ⁵	\$ 74,774,148	\$ 74,828,844
Less: Actual Employer Contribution	92,944,381	65,097,835
Actual (excess) shortfall	\$ (18,170,233)	\$ 9,731,009
Expected Employer Contribution	<u>Year Beg 1/1/2014</u>	<u>Year Beg 1/1/2013</u>
Employer's Actuarially Determined Contribution Requirement ⁵	\$ 69,924,438	\$ 74,774,148
Less: Expected Employer Contribution (tax receipts)	61,654,000	62,984,000
Less: Expected Employer Special Contribution	12,000,000	30,000,000
Expected (excess) shortfall	\$ (3,729,562)	\$ (18,209,852)
Recommended Employer Multiple ⁶	3.94	2.98

¹ Includes Other Income² Includes Investment Expenses³ Active Member Payroll is annualized based on actual payroll paid to active members in payperiod 26⁴ Actuarial asset values are calculated using a five-year smoothed market value⁵ per GASB 25 with a 30-year amortization of unfunded liability⁶ Recommended Employer Multiple without considering the expected special contribution is 4.97 for 2013, and 4.71 for 2012

SUMMARY OF VALUATION RESULTS AS OF DECEMBER 31, 2013

Actuarial Liabilities for Active Members

Retirement	\$ 675,283,245
Termination	1,644,801
Death	27,554,252
Disability	<u>7,335,636</u>
Total	711,817,934

Actuarial Liabilities for Members Receiving Benefits

Retirement Annuities	1,292,011,057
Survivor Annuities/Children	<u>171,845,120</u>
Total	1,463,856,177

Actuarial Liability for Inactive Members

19,237,582

Total Actuarial Liability

\$ 2,194,911,693

Actuarial Value of Assets

1,188,503,716

Unfunded Actuarial Liability

\$ 1,006,407,977

Funded Ratio

54.1%

**CHANGES IN UNFUNDED ACTUARIAL LIABILITY
OVER THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013**

1. Unfunded actuarial accrued liability as of 1/1/13		\$ 1,059,768,059
2. Employer contribution requirement of normal cost plus interest on unfunded liability for period 1/1/13 to 12/31/13	\$ 96,339,905	
3. Actual employer contribution for the year	<u>92,944,381</u>	
4. Increase in unfunded liability due to employer contribution being less than normal cost plus interest on unfunded liability (line 2 - line 3)		\$ 3,395,524
5. Decrease in unfunded liability due to investment return higher than assumed		(48,963,802)
6. Decrease in unfunded liability due to salary increases lower than assumed		(6,368,436)
7. Decrease in unfunded liability due to other sources	<u>(1,423,368)</u>	
8. Net increase in unfunded liability for the year (lines 4+5+6+7).		<u>(53,360,082)</u>
9. Unfunded actuarial accrued liability as of 12/31/13 (lines 1+8).		<u><u>\$ 1,006,407,977</u></u>

NET PENSION OBLIGATION

The Net Pension Obligation (NPO), a liability of the District, is the cumulative difference between the annual pension cost and the employer's contribution from the first fiscal year after December 31, 1986 through the current year. The NPO is reported in the financial statements of the District in the government-wide Statement of Net Position. As of December 31, 2013 the NPO is calculated as follows:

Net Pension Obligation as of December 31, 2013

1. Net Pension Obligation as of December 31, 2012		\$ 120,650,888
2. Annual Required Contribution for 2013	\$ 74,774,148	
3. Interest on Net Pension Obligation	9,350,444	
4. Adjustment to Annual Required Contribution	<u>(6,638,162)</u>	
5. Annual Pension Cost (2+3+4)	\$ 77,486,430	
6. Total Employer Contribution	<u>92,944,381</u>	
7. Increase in Net Pension Obligation (5-6)		<u>(15,457,951)</u>
8. Net Pension Obligation as of December 31, 2013 (1+7)		<u><u>\$ 105,192,937</u></u>

ACTUARIAL ASSUMPTIONS AND METHODS

Below is a summary of the actuarial assumptions for the December 31, 2013 valuation. The mortality, termination rate and retirement rate assumptions were adopted as of December 31, 2010. The assumption for loading for reciprocal benefits was adopted as of December 31, 2008. The assumptions for salary progression and percent married were adopted as of December 31, 2006. The interest rate assumption was adopted as of December 31, 2003.

Interest Rate	7.75%
Salary Increases	5.00%
Cost-of-Living Adjustment - Annuitants	
Members Hired On Or After January 1, 2011	1.25%
Members Hired Before January 1, 2011	3.00%
Payroll Growth	3.70%
Retirement Rates	See Table 1
Mortality Rates	UP-1994 Mortality Table for Males, rated down 2 years; UP-1994 Mortality Table for Females, rated down 1 year.
Withdrawal Rates	See Table 2
Disability Rates	See Table 3
Asset Method	5-year Smoothing Method
Load for Reciprocal Benefits	1.5% of active member costs and liabilities.
Percent Married	76%
Spousal Age Difference	Spouse of male member assumed to be 4 years younger than member; Spouse of female member assumed to be 4 years older than member.
Actuarial Cost Method	Entry Age Normal, with costs allocated on basis of earnings. Actuarial gains and losses are reflected in the unfunded actuarial liability.

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Actuarially Determined Contribution Requirement

Section 13-503. Employer's normal cost plus the annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll.

The funding goal is to attain a funded ratio of at least 90% by the year 2050, per the statute. However, additional contribution requirement has been determined based on achieving a funding level of 100%.

Source of Data

Data and audited financial information is provided by the Plan.

Valuation Date December 31, 2013

Changes in Funding Assumptions/Methods since the prior valuation:

Method Changes

- None

Assumption Changes

- None

Table 1 – Sample Retirement Rates

Age	Retirement Rate Tier 1	Retirement Rate Tier 2
50	4.5%	
55	7.3%	
60	12.0%	
65	12.0%	30%
≥70	100.0%	100%

ACTUARIAL ASSUMPTIONS AND METHODS, CONTINUED

Table 2 – Sample Withdrawal Rates - Male

Svc	Age at Entry								
	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
0	7.392%	5.376%	4.256%	3.920%	3.808%	3.360%	3.808%	2.240%	1.568%
1	6.776%	4.928%	3.864%	3.528%	3.416%	3.080%	3.360%	1.792%	1.232%
5	4.368%	3.248%	2.240%	2.016%	1.792%	1.904%	1.456%	0.000%	0.000%
10	2.016%	1.680%	1.232%	1.120%	0.000%	0.000%	0.000%	0.000%	0.000%
15	0.896%	0.784%	0.672%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
20	0.224%	0.224%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
25	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
29	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Table 3 – Sample Withdrawal Rates - Female

Svc	Age at Entry								
	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
0	7.392%	5.824%	4.032%	2.912%	2.240%	1.400%	1.568%	1.568%	1.344%
1	7.000%	5.264%	3.696%	2.744%	2.016%	1.344%	1.456%	1.232%	1.064%
5	5.376%	3.136%	2.464%	2.016%	1.120%	1.176%	0.952%	0.000%	0.000%
10	3.136%	1.568%	1.456%	1.120%	0.000%	0.000%	0.000%	0.000%	0.000%
15	1.568%	0.784%	0.784%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
20	0.560%	0.336%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
25	0.224%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
29	0.056%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Table 4 – Sample Disability Rates

Rates are from the Hunters Disability Rates Transactions of the Actuarial Society of America, vol XII pp. 44-71.

Age	Disability Rates
20	0.0515%
25	0.0528%
30	0.0561%
35	0.0642%
40	0.0832%
45	0.1151%
50	0.1696%
55	0.2752%
60	0.5402%
65	0.0000%

PLAN PROVISIONS

The following describe and reflect plan provisions in effect for the 2013 fiscal year as described in Article 13 of the Illinois Pension Code. The provisions below reflect changes including in Public Act 96-0889 and Public Act 96-1490, which created the second “tier” of benefits for members hired on or after January 1, 2011 and provided clarifying changes.

Eligibility	All employees of the District whose duties indicate service during the calendar year for a minimum of 120 days are eligible.
Normal Retirement Eligibility	<p>Hired before January 1, 2011: Age 60 and 5 years of service</p> <p>Hired on or after January 1, 2011: Age 67 and 10 years of service</p>
Normal Retirement Benefit	<p>The annual benefit payable immediately is equal to the sum of:</p> <p>(a) 2.2% of Average Final Salary for each year of service up to 20 years.</p> <p>(b) 2.4% of Average Final Salary for each year of service in excess of 20 years</p> <p>The benefit shall not exceed 80% of Average Final Salary.</p>
Early Retirement Eligibility	<p>Hired before January 1, 2011: Age 55 (50 if hired before June 13, 1997) and 10 years of service</p> <p>Hired on or after January 1, 2011: Age 62 and 10 years of service</p>
Early Retirement Benefit	<p>Normal Retirement Benefit reduced as follows:</p> <p>Hired before January 1, 2011: If member retires before reaching age 60 with less than 30 years of service, 0.5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less.</p> <p>Hired on or after January 1, 2011: 0.5% per month the member is less than age 67</p>
Deferred Retirement Eligibility	Age 55 (50 if hired before June 13, 1997) and 5 years of service; or 10 years of service

PLAN PROVISIONS, CONTINUED

Deferred Retirement Benefit

The annual benefit payable at the following ages:

Hired before January 1, 2011:

Age 62, if withdraw on or after age 55 (50) with at least 5 years of service and less than 10 years

Age 55 (50 if hired before June 13, 1997), if withdraw with 10 years of service

Hired on or after January 1, 2011: Age 62, if withdraw with 10 years of service

The annual benefit amount equals the Normal Retirement Benefit reduced with Early Retirement Reductions.

Minimum Retirement Annuity

10 years of service: \$500 per month plus \$25 per month for each year of service in excess of 10 years, not to exceed \$750 with 20 years of service

Less than 10 years of service or retirement before age 60: \$250 per month

Duty Disability Eligibility

Member incurs injury or sickness due to employment with the District and is compensable under the Workers' Compensation Act or the Occupational Disease Act.

Duty Disability Benefit

75% of salary earned on the date of disability, less the amount paid by Workers' Compensation

Benefit is 50% of salary if disability resulted from physical defect or disease that existed at the time injury was sustained.

Benefits are payable during period of disablement, but not beyond attainment of age 65. If disability occurs at age 60 or older, benefits are payable for a maximum of 5 years.

Ordinary Disability Eligibility

Member becomes disabled due to any cause other than injury or illness incurred in the performance of duty.

PLAN PROVISIONS, CONTINUED

Ordinary Disability Benefit	<p>50% of earnable salary at the date of disability</p> <p>Member may receive ordinary disability benefits for a maximum period of the lesser of 25% of member's actual service prior to disablement or 5 years.</p>
Surviving Spouse Annuity Eligibility	<p>Hired before June 13, 1997: Immediately eligible if married to member on date of member's death while in service or married to member on member's date of withdrawal from service and remained married until member's death. Dissolution of marriage after retirement shall not divest the member's spouse of entitlement if marriage was in effect for at least 10 years on the date of retirement.</p> <p>Hired on or after June 13, 1997: Eligible after 3 years of service. Conditions for marriage described for members hired prior to June 13, 1997 apply.</p>
Surviving Spouse Benefit	<p>Hired before January 1, 2011: Retirement annuity earned at the time of death multiplied by a factor of 60% plus 1% for each year of member's total service, to a maximum of 85%.</p> <p>Hired on or after January 1, 2011: 66 2/3% of retirement annuity earned at the time of death.</p> <p>If hired after January 1, 1992, annuity is reduced by 0.25% for each full month spouse is younger than member to maximum reduction of 60%. Discount is reduced by 10% for each year marriage is in effect.</p>
Minimum Surviving Spouse Annuity	<p>Member with 10 years of service: greater of (a) \$500 per month plus \$25 per month for each year of service in excess of 10, not to exceed \$750 per month, or (b) 50% of the retirement annuity of member at time of death.</p> <p>Member with less than 10 years of service: \$250 per month.</p>
Children's Annuity Eligibility	<p>Member parent dies in service or deceased parent was former member with at least 10 years of service. Child is unmarried and less than age 18 (23, if full-time student).</p>

PLAN PROVISIONS, CONTINUED

Children’s Annuity Benefit	\$500 per month for each child if have living parent and \$1,000 per month for each child if neither parent is living to a maximum of \$5,000 per month.													
Cost-of-Living Adjustments	<p>Hired before January 1, 2011: Retirement annuity is increased on the anniversary of retirement by 3% of the monthly annuity payable at the time of increase. Spouse annuity is increased on the earlier of the anniversary of the member’s death or retirement (whichever occurs first) by 3% of the monthly annuity payable at the time of increase.</p> <p>Hired on or after January 1, 2011: increase percentage is the lesser of 3% or ½ the increase in CPI-U during the previous calendar year. Increase is based on the originally granted retirement or spouse’s annuity.</p>													
Member Contributions – retiree annuity	<table><tr><td><u>Pay period:</u></td><td><u>Contribution percentage:</u></td></tr><tr><td>Before January 1, 2013</td><td>7.5%</td></tr><tr><td>During calendar year 2013</td><td>8.5%</td></tr><tr><td>During calendar year 2014</td><td>9.5%</td></tr><tr><td>During calendar year 2015 and until fund is 90% funded</td><td>10.0%</td></tr><tr><td>After fund is 90% funded</td><td>7.5%</td></tr></table> <p>Members hired on or after January 1, 2011 have member contributions of 7.5% of pay.</p>	<u>Pay period:</u>	<u>Contribution percentage:</u>	Before January 1, 2013	7.5%	During calendar year 2013	8.5%	During calendar year 2014	9.5%	During calendar year 2015 and until fund is 90% funded	10.0%	After fund is 90% funded	7.5%	
<u>Pay period:</u>	<u>Contribution percentage:</u>													
Before January 1, 2013	7.5%													
During calendar year 2013	8.5%													
During calendar year 2014	9.5%													
During calendar year 2015 and until fund is 90% funded	10.0%													
After fund is 90% funded	7.5%													
Member Contributions – spouse annuity	<table><tr><td><u>Pay period:</u></td><td><u>Contribution percentage:</u></td></tr><tr><td>Before January 1, 2015</td><td>1.5%</td></tr><tr><td>During calendar year 2015</td><td>2.0%</td></tr><tr><td>After fund is 90% funded</td><td>1.5%</td></tr></table> <p>Members hired on or after January 1, 2011 have member contributions of 1.5% of pay.</p>	<u>Pay period:</u>	<u>Contribution percentage:</u>	Before January 1, 2015	1.5%	During calendar year 2015	2.0%	After fund is 90% funded	1.5%					
<u>Pay period:</u>	<u>Contribution percentage:</u>													
Before January 1, 2015	1.5%													
During calendar year 2015	2.0%													
After fund is 90% funded	1.5%													
Refund to Member upon Withdrawal	<p>Hired before January 1, 2011: Eligible for refund of all member contributions without interest if under age 55 (50 if hired before June 13, 1997); if age 60 with less than 20 years of service; or if 60 with less than 5 years of service. Upon receipt of refund, member forfeits rights to benefits from the Fund.</p>													

PLAN PROVISIONS, CONTINUED

	Hired on or after January 1, 2011: Eligible for refund of all member contributions without interest if under age 62; or if have less than 10 years of service on withdrawal. Upon receipt of refund, member forfeits rights to benefits from the Fund.
Refund for Surviving Spouse's Annuity	Members unmarried at the time of retirement will receive a refund of contributions for spouse annuity with interest at 3% per year, compounded annually.
Refund of Remaining Amounts	If upon death the total amount contributed by the member with 3% interest per year has not been paid to the member, the spouse or designated beneficiaries or estate receives a refund of the excess amount.
Required Tax Levy	Lesser of actuarially determined contribution and 4.19 multiplied by total member contributions for the two years prior.
Average Final Salary	Hired before January 1, 2011: Highest average annual salary for any 52 consecutive bi-weekly pay periods within the last 10 years of service immediately preceding the date of retirement. Hired on or after January 1, 2011: Highest average annual salary for 96 consecutive months of service within last 120 months of service, limited to \$106,800 (automatically increased by lesser of 3% or ½ the increase in CPI-U during the previous calendar year)
Pensionable Salary	Salary paid to a fund member for service to the District or to the Board, including salary paid for vacation and sick leave and any amounts deferred under a deferred compensation plan established under the Code, but excluding the following: payment for unused vacation or sick leave, overtime pay, termination pay and any compensation in the form of benefits other than salary.
Pension Service	Any employment, excluding overtime or extra service for which salary is received.

PLAN PROVISIONS, CONTINUED

Changes in Plan Provisions since the prior valuation:

- For employees who became members before January 1, 2011, changes in member contribution requirements beginning pay period 1 of 2013 per Section 13-502(a-1) of Article 13 of the Illinois Pension Code.
- Applicable for fiscal years 2013 and later, updated the required tax levy multiplier from 2.19 to 4.19 per Section 13-503 of Article 13 of the Illinois Pension Code.

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

Year	Salary Scale	Investment Returns ¹	Employer Contribution ²	Legislative Amendments
2004	\$ (5,428,416)	\$ 37,743,856	\$ 16,459,733	\$ -
2005	(4,928,422)	33,019,546	25,174,375	-
2006	(2,688,379)	8,915,823	22,368,681	-
2007	4,364,583	(9,436,863)	29,263,081	-
2008	1,116,908	86,292,325	26,926,611	-
2009	2,554,058	67,692,897	35,218,424	-
2010	(20,417,059)	49,969,954	46,822,864	-
2011	(25,334,699)	71,034,993	49,402,422	-
2012	(23,145,806)	58,584,984	31,300,739	-
2013	(6,368,436)	(48,963,802)	3,395,524	-
	<u>\$ (80,275,668)</u>	<u>\$ 354,853,713</u>	<u>\$ 286,332,454</u>	<u>\$ -</u>

Year	Changes in Actuarial Assumptions	(see assumption reference key 3)	All Other Miscellaneous Experience	Total Increase (Decrease) in Unfunded Liability
2004	\$ -		\$ (3,535,229)	\$ 45,239,944
2005	-		12,490,274	65,755,773
2006	(4,785,773)	(m, r, p, s, n)	8,949,341	32,759,693
2007	-		(1,007,539)	23,183,262
2008	(22,899,666)	(rb)	10,718,411	102,154,589
2009	-		15,455,286	120,920,665
2010	39,769,482	(m, r, t)	7,577,298	123,722,539
2011	-		23,734,658	118,837,374
2012	7,171,009	(d)	(18,064,759)	55,846,167
2013	<u>\$ 19,255,052</u>		<u>\$ 54,894,373</u>	<u>\$ 635,059,924</u>

¹ Represents investment income deficiency (excess) over expected returns.² Represents employer contributions deficiency (excess) from normal cost plus interest.³ Key to changes in assumptions:

r = retirement rates

m = mortality

n = not married

p = pension for survivors

d=disability assumption

s = salary

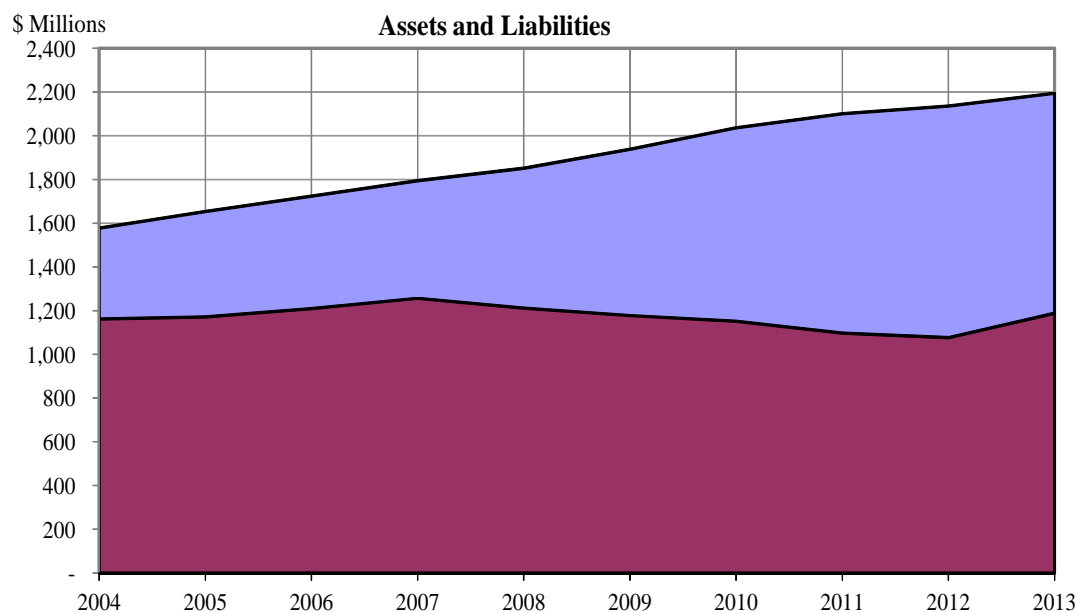
rb = reciprocal benefits

t = termination rates

The table above illustrates that over the last 10 years, the unfunded liability has increased by \$635.1 million. Of this increase, \$354.9 million has been due to investment returns being lower than assumed and \$286.3 million has been due to insufficient employer contributions. The increases in the unfunded liability were partially offset by a \$80.3 million reduction for overall salary increases being less than assumed over the last ten years. During the year 2013, the unfunded liability was reduced by \$53.4 million, the first reduction since the year 2000.

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

Year End	Total Actuarial Accrued Liability (AAL)	Actuarial Value of Assets ¹	Funded Ratio	Unfunded AAL (UAAL)	Active Member Payroll ⁴	UAAL as a % of Payroll
2004	\$1,578,366,508	\$1,161,778,511	73.6%	\$416,587,997	\$146,360,302	284.6%
2005	1,654,188,382	1,171,844,612	70.8%	482,343,770	149,246,356	323.2%
2006	1,724,705,199	1,209,601,736	70.1%	515,103,463	152,767,396	337.2%
2007	1,795,176,667	1,256,889,942	70.0%	538,286,725	158,831,772	338.9%
2008	1,852,279,634	1,211,838,320	65.4%	640,441,314	167,865,254	381.5%
2009	1,939,172,047	1,177,810,068	60.7%	761,361,979	176,915,399	430.4%
2010 ²	2,036,679,763	1,151,595,245	56.5%	885,084,518	174,485,734	507.3%
2011	2,101,319,098	1,097,397,206	52.2%	1,003,921,892	164,275,424	611.1%
2012	2,136,508,223	1,076,740,164	50.4%	1,059,768,059	163,816,934	646.9%
2013	2,194,911,693	1,188,503,716	54.1%	1,006,407,977	169,375,857	594.2%

¹ Assets are stated at a 5-year smoothed market value.² Change in actuarial assumptions.³ Change in benefits.⁴ Payroll is annualized based on actual payroll paid to active members in pay period 26.

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

ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST

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

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

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

Valuation Date 12/31	Aggregate Accrued Liabilities for						
	(1)	(2)	(3)		(1)	(2)	(3)
	Active & Inactive Member Contributions	Retirees and Beneficiaries	Active & Inactive Members (ER financed portion) ^a	Actuarial Asset Values ^a	Portion (%) of Accrued Liabilities Covered by Assets		
2004	\$163,674,928	\$929,904,220	\$484,787,360	\$1,161,778,511	100	100	14
2005	170,744,447	988,212,377	495,231,558	1,171,844,612	100	100	3
2006 ^b	176,844,639	1,075,659,908	472,200,652	1,209,601,736	100	96	-
2007	181,077,729	1,139,967,612	474,131,326	1,256,889,942	100	94	-
2008 ^b	190,017,921	1,176,701,786	485,559,927	1,211,838,320	100	87	-
2009	202,119,201	1,200,102,267	536,950,579	1,177,810,068	100	81	-
2010 ^b	206,933,701	1,313,366,530	516,379,532	1,151,595,245	100	72	-
2011	199,015,897	1,433,294,765	469,008,436	1,097,397,206	100	63	-
2012 ^b	213,323,414	1,431,829,221	491,355,588	1,076,740,164	100	60	-
2013	223,354,127	1,463,856,177	507,701,389	1,188,503,716	100	66	-

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

^b Change in 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		
2004	76	\$5,740,322	51	\$1,507,600	1,520	\$66,970,742	\$44,060	5.0 %
2005	75	6,198,085	58	1,550,675	1,537	71,618,152	46,596	5.8
2006	82	6,591,661	46	1,558,184	1,573	76,651,629	48,730	4.6
2007	93	7,256,123	66	2,365,702	1,600	81,542,050	50,964	4.6
2008	63	5,558,865	58	2,202,686	1,605	84,898,229	52,896	3.8
2009	47	4,893,827	56	1,954,139	1,596	87,837,917	55,036	4.0
2010	72	6,730,274	65	2,721,715	1,603	91,846,476	57,297	4.1
2011	146	12,073,715	66	2,827,418	1,683	101,092,773	60,067	4.8
2012	60	6,027,239	62	3,098,526	1,681	104,021,486	61,881	3.0
2013	75	6,497,171	52	2,345,133	1,704	108,173,524	63,482	2.6

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		
2004	27	\$968,530	41	\$493,286	677	\$12,132,185	\$17,921	6.2 %
2005	32	1,140,791	51	701,298	658	12,571,678	19,106	6.6
2006	28	1,087,341	27	330,415	659	13,328,604	20,225	5.9
2007	35	1,471,837	40	508,665	654	14,291,776	21,853	8.0
2008	34	1,619,387	41	783,014	647	15,128,149	23,382	7.0
2009	29	1,469,060	38	534,504	638	16,062,705	25,177	7.7
2010	28	1,433,075	34	602,769	632	16,893,011	26,729	6.2
2011	34	1,528,506	38	460,244	628	17,961,273	28,601	7.0
2012	38	1,969,114	47	858,542	619	19,071,845	30,811	7.7
2013	29	1,718,098	43	1,021,552	605	19,768,391	32,675	6.1

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 COLAs for reciprocal retirees eligible for alternative formula.

³ End of year payroll represents twelve times the December 31st payable annuities through 2007, after which it represents twelve times the December 1st paid annuities.

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
2004	2,051	(0.4) %	146,360,302	2.6 %	71,360	3.1 %	5.5 %	2.2 %
2005	2,025	(1.3)	149,246,356	2.0	73,702	3.3	5.5	3.0
2006	1,995	(1.5)	152,767,396	2.4	76,575	3.9	5.5	2.1
2007	2,002	0.4	158,831,772	4.0	79,337	3.6	5.0	3.3
2008	2,052	2.5	167,865,254	5.7	81,806	3.1	5.0	3.8
2009	2,082	1.5	176,915,399	5.4	84,974	3.9	5.0	(1.2)
2010	2,024	(2.8)	174,485,734	(1.4)	86,208	1.5	5.0	1.4
2011	1,888	(6.7)	164,275,424	(5.9)	87,010	0.9	5.0	2.7
2012	1,856	(1.7)	163,816,934	(0.3)	88,263	1.4	5.0	1.5
2013	1,858	0.1	169,375,857	3.4	91,160	3.3	5.0	1.1
10 year average change:		(1.0) %		1.8 %		2.8 %		2.0 %

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

² Represents average annual change in Consumer Price Index (CPI-U All Urban Consumers for Chicago-Gary-Kenosha) per the U.S. Bureau of Labor Statistics.

HISTORY OF RECOMMENDED EMPLOYER MULTIPLES AND TAXES LEVIED

<u>Year of Tax Levy</u>	<u>Statutory Requirement³</u>	<u>Statutory Actuarial Multiple⁴</u>	<u>Maximum Statutory Multiple⁵</u>	<u>Recommended Employer Multiple⁶</u>	<u>Total Gross Tax Levy</u>
2004	2.19	N/A	N/A	2.83	\$35,715,000
2005	2.19	N/A	N/A	3.64	29,837,000
2006 ¹	2.19	N/A	N/A	3.76	31,701,000
2007	2.19	N/A	N/A	3.40	30,312,000
2008 ¹	2.19	N/A	N/A	3.48	31,314,000
2009	2.19	N/A	N/A	3.68	32,640,000
2010 ¹	2.19	N/A	N/A	4.19	32,307,000
2011	2.19	N/A	N/A	4.42	34,362,000
2012	2.19	N/A	N/A	2.82 ⁷	34,761,000
2013 ¹	4.19	4.55	4.19	2.98 ⁷	62,984,000
2014	4.19	4.38	4.19	3.94 ⁷	61,654,000

¹ Change in actuarial assumptions.

² Change in benefits.

³ As of the 2013 tax levy, per PA 97-0894 the statutory requirement is the lesser of the Statutory Actuarial Multiple or the Maximum Statutory Multiple. Prior to that the statutory requirement was 2.19.

⁴ As of the 2013 tax levy, a Statutory Actuarial Multiple is calculated based on an amortization of the UAAL for the period until the year 2050, which for 2013 is 38 years and for 2014 is 37 years.

⁵ As of the 2013 tax levy, the tax levy is subject to a maximum statutory multiple of 4.19.

⁶ The Recommended Employer Multiple represents the multiple needed to fully fund the GASB ARC which is calculated by amortizing the UAAL over 30 years.

⁷ In 2012, 2013 and 2014 the Fund received special contributions of \$30.0 million, \$30.0 million and \$12.0 million, respectively, from the District. These contributions effectively reduced the tax multiple needed to fully fund the ARC from 4.71 to 2.82 in 2012, from 4.97 to 2.98 in 2013, and from 4.75 to 3.94 in 2014.

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STATISTICAL SECTION

Membership Information:

Participant Statistics

Employee Age and Service Distribution (with graph)

Annuitant and Beneficiary Information:

Schedule of Annuitants by Type of Benefit

History of Beneficiaries by Type of Benefit

History of Annuity Payments

Annuitants Classified by Age and Gender (with graph)

History of Average Annuities at Retirement

Schedule of Average Benefit Payments at Retirement

Financial Information (last ten years):

Additions by Source and Deductions by Type

Employee and Employer Contributions

Benefit Expenses by Type

Comparative Statement of Changes in Fiduciary Net Position

PARTICIPANT STATISTICS

Year 2013

Changes in Active Participants	Number at Beginning of Year	Additions	Decreases	Number at Year End
Male	1,348	78	71	1,355
Female	508	27	32	503
Total	1,856	105	103	1,858

Changes in Annuitants and Beneficiaries

Employee Annuitants	1,681	75	52	1,704
Spouse Annuitants	619	29	43	605
Child Annuities	17	5	2	20
Total	2,317	109	97	2,329

**Percentage of Active Participants to
Annuitants and Beneficiaries**

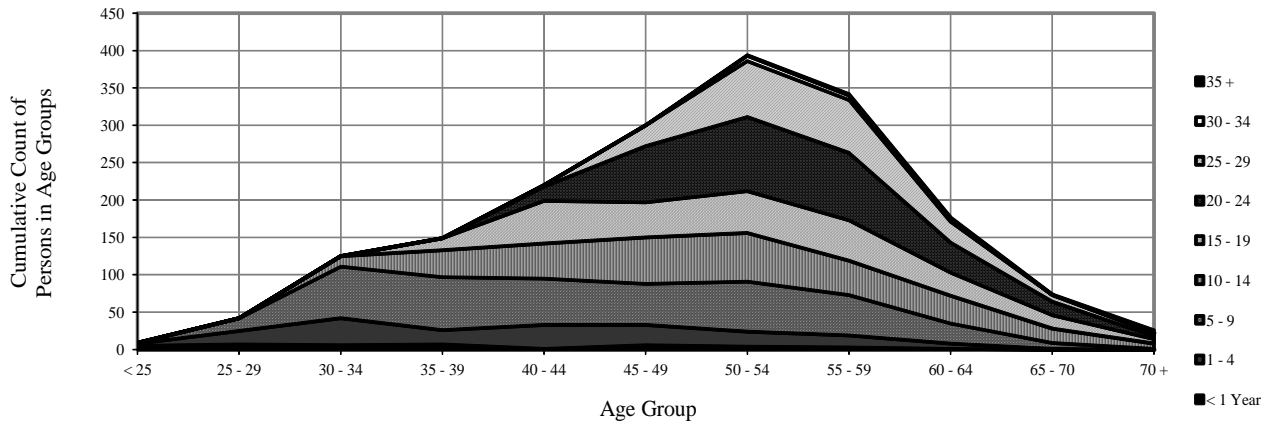
80.1%

79.8%

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

EMPLOYEE AGE AND SERVICE DISTRIBUTION
NUMBER OF MEMBERS & AVERAGE SALARIES - BY AGE AND SERVICE GROUPING
Male and Female Combined

12/31/13



AGE	YEARS OF SERVICE									Total
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	
< 25	5	3	1							9
	\$52,750	\$52,537	\$70,658							\$54,669
25-29	7	18	17							42
	44,210	61,821	80,807							66,571
30-34	6	36	69	14						125
	64,207	80,693	80,304	\$95,616						81,358
35-39	7	19	71	36	16					149
	69,392	87,215	84,916	90,902	\$100,418					87,590
40-44	1	32	62	47	57	19	2			220
	49,275	78,784	80,970	93,974	96,208	\$99,897	\$100,647			89,048
45-49	6	27	55	62	47	75	28			300
	61,571	76,670	80,341	87,937	98,978	106,126	99,706			92,379
50-54	4	20	67	65	56	99	75	7	1	394
	88,130	87,807	81,896	96,064	96,253	102,474	112,965	\$109,808	\$79,123	98,211
55-59	3	16	54	46	54	90	71	6	2	342
	72,920	79,223	77,224	88,926	98,486	99,826	102,527	101,886	131,352	94,161
60-64	1	7	27	37	31	40	28	4	2	177
	36,046	72,601	76,657	88,326	97,044	91,397	97,722	95,744	114,656	89,801
65-69		1	8	19	18	18	9		1	74
		209,955	77,994	83,291	93,652	91,187	83,426		79,123	88,831
70 +			1	7	6	4	4		4	26
			91,354	79,709	86,671	86,682	86,067		84,074	84,486
Total										
Number	40	179	432	333	285	345	217	17	10	1,858
Average										
Salary	\$61,756	\$79,137	\$80,776	\$90,760	\$97,070	\$100,379	\$104,038	\$103,703	\$98,656	\$91,160

The above table provides detail about the number of active members categorized in 5-year bands of age and years of service. The above chart illustrates that the largest age segment of active members is 50-54 years of age with average salary of \$98,211. By years of service, the largest segment of active members has 5-9 years of service with an average salary of \$80,776.

**SCHEDULE OF ANNUITANTS BY TYPE OF BENEFIT
as of December 31, 2013**

Amount of Monthly Benefit	Number of Beneficiaries	Type of Benefit *					
		Retirees		Survivors			Children
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
\$1 - \$500	105	42	2	29	12	1	19
501 - 1,000	129	39	3	55	31		1
1,001 - 2,000	258	109		102	47		
2,001 - 3,000	267	156		83	28		
3,001 - 4,000	294	218		61	15		
4,001 - 5,000	365	300		58	7		
5,001 - 6,000	287	252		27	8		
6,001 - 7,000	223	209		12	2		
7,001 - 8,000	120	112		8	0		
8,001 - 9,000	106	95		8	3		
9,001 - 10,000	58	54		3	1		
over 10,000	117	113		4	0		
Totals	2,329	1,699	5	450	154	1	20

* Type of Benefit

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

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

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

Year	Employee Annuitants ¹	Spouse Annuitants ^{1,2}	Child Annuitants	Total Annuitants	Ordinary Disability	Duty Disability
2004	1,520	677	9	2,206	28	21
2005	1,537	658	20	2,215	32	32
2006	1,573	659	16	2,248	35	31
2007	1,600	654	22	2,276	29	33
2008	1,605	647	20	2,272	19	28
2009	1,596	638	18	2,252	17	23
2010	1,603	632	13	2,248	20	23
2011	1,683	628	17	2,328	18	22
2012	1,681	619	17	2,317	20	23
2013	1,704	605	20	2,329	18	17

¹ Includes reciprocal annuitants.

² Includes reversionary annuitants.

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

**HISTORY OF ANNUITY PAYMENTS
at Year End**

Year	Employee Annuitants (Male and Female)		Spouse Annuitants (Male and Female)	
	Number of Annuitants	Annuity Payments ¹	Number of Annuitants	Annuity Payments ¹
2004	1,520	\$ 66,970,742	677	\$ 12,132,185
2005	1,537	71,618,152	658	12,571,678
2006	1,573	76,651,629	659	13,328,604
2007	1,600	81,542,050	654	14,291,776
2008	1,605	84,898,229	647	15,128,149
2009	1,596	87,837,917	638	16,062,705
2010	1,603	91,846,476	632	16,893,011
2011	1,683	101,092,773	628	17,961,273
2012	1,681	104,021,486	619	19,071,845
2013	1,704	108,173,524	605	19,768,391

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

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

ANNUITANTS CLASSIFIED BY AGE AND GENDER
as of December 31, 2013

Retirement Annuities

Age	Number of Males	Annual Payments ¹	Average Annual Payments	Number of Females	Annual Payments ¹	Average Annual Payments
under 45	-	\$ -	\$ -	-	\$ -	\$ -
45 - 49	1	4,348	4,348	1	7,349	7,349
50 - 54	29	1,882,859	64,926	11	645,576	58,689
55 - 59	81	5,598,883	69,122	24	1,599,897	66,662
60 - 64	195	14,062,924	72,118	62	3,229,137	52,083
65 - 69	321	24,466,412	76,219	92	4,906,952	53,336
70 - 74	260	17,711,196	68,120	55	2,265,233	41,186
75 - 79	194	12,218,890	62,984	54	2,064,398	38,230
80 - 84	154	9,571,979	62,156	29	1,175,742	40,543
85 - 89	78	4,519,125	57,938	16	460,935	28,808
90 & up	42	1,615,450	38,463	5	166,239	33,248
Total	1,355	\$ 91,652,066	\$ 67,640	349	\$ 16,521,458	\$ 47,339
Average Age	71.9			70.2		

Spouse Annuities

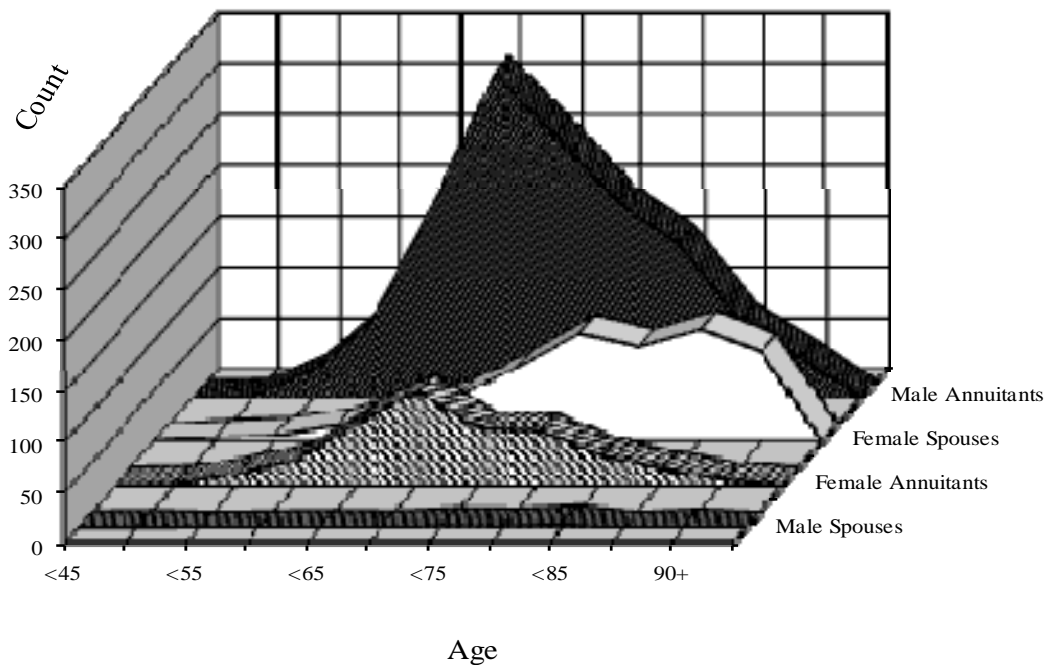
Age	Number of Males	Annual Payments ¹	Average Annual Payments	Number of Females	Annual Payments ¹	Average Annual Payments
under 45	1	\$ 20,076	\$ 20,076	-	\$ -	\$ -
45 - 49	2	12,072	6,036	4	62,518	15,630
50 - 54	-	-	-	6	178,203	29,701
55 - 59	1	13,521	13,521	15	665,430	44,362
60 - 64	2	96,468	48,234	29	1,170,348	40,357
65 - 69	1	15,015	15,015	44	1,817,861	41,315
70 - 74	4	134,776	33,694	75	2,941,861	39,225
75 - 79	3	77,694	25,898	109	4,453,814	40,861
80 - 84	6	157,090	26,182	96	3,404,324	35,462
85 - 89	-	-	-	113	2,796,684	24,749
90 & up	3	53,929	17,976	91	1,696,707	18,645
Total	23	\$ 580,641	\$ 25,245	582	\$ 19,187,750	\$ 32,969
Average Age	73.1			79.7		

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

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

ANNUITANTS BY AGE AND GENDER

(Reflects the data on the previous page)



HISTORY OF AVERAGE ANNUITIES AT RETIREMENT

Retirement <u>Year</u>	Number of <u>Retirees</u> ¹	Average <u>Retirement Age</u> ²	Average Years of <u>MWRDGC Service</u> ²	Average <u>Monthly Annuity</u> ²
2004	76	58.8	23.41	4,231
2005	75	59.2	24.94	4,690
2006	82	60.0	25.31	4,437
2007	93	59.7	25.13	4,574
2008	63	60.8	21.99	4,133
2009	47	59.2	23.16	4,154
2010	72	61.4	25.49	4,946
2011	146	62.7	27.35	5,285
2012	60	61.7	21.48	4,264
2013	75	60.7	21.07	3,836

¹Data from Actuary

²Data calculated by Fund staff

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

SCHEDULE OF AVERAGE BENEFIT PAYMENTS AT RETIREMENT¹

	Years of Credited Service							Total
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 1/1/04 to 12/31/04								
Average Pension	\$268	\$857	\$2,322	\$2,079	\$3,491	\$5,505	\$6,342	\$4,231
Average Final Average Salary	\$5,715	\$5,853	\$5,610	\$4,879	\$5,692	\$7,353	\$7,967	\$6,807
Number of Retired Members	8	5	7	2	10	23	21	76
Period 1/1/05 to 12/31/05								
Average Pension	-	\$911	\$1,551	\$2,459	\$3,667	\$5,665	\$6,874	\$4,690
Average Final Average Salary	-	\$5,161	\$5,525	\$5,490	\$5,511	\$7,386	\$8,655	\$6,967
Number of Retired Members	-	5	6	10	9	24	21	75
Period 1/1/06 to 12/31/06								
Average Pension	-	\$1,548	\$2,167	\$2,764	\$4,114	\$5,728	\$5,697	\$4,437
Average Final Average Salary	-	\$9,521	\$5,766	\$5,560	\$6,702	\$7,699	\$7,179	\$6,773
Number of Retired Members	-	1	8	20	9	23	22	83
Period 1/1/07 to 12/31/07								
Average Pension	\$643	\$1,181	\$2,303	\$2,955	\$4,594	\$5,267	\$5,793	\$4,574
Average Final Average Salary	\$4,989	\$7,666	\$6,579	\$5,913	\$7,276	\$7,006	\$7,311	\$6,890
Number of Retired Members	1	1	7	16	15	30	23	93
Period 1/1/08 to 12/31/08								
Average Pension	\$322	\$753	\$1,518	\$3,715	\$4,282	\$6,166	\$6,122	\$4,133
Average Final Average Salary	\$6,382	\$5,521	\$5,570	\$7,646	\$6,896	\$8,113	\$7,652	\$7,097
Number of Retired Members	3	4	9	9	13	13	12	63
Period 1/1/09 to 12/31/09								
Average Pension	\$374	\$978	\$2,002	\$2,693	\$4,245	\$5,957	\$5,678	\$4,154
Average Final Average Salary	\$5,000	\$5,772	\$6,453	\$5,827	\$7,400	\$7,915	\$7,242	\$6,972
Number of Retired Members	2	6	2	6	8	14	9	47
Period 1/1/10 to 12/31/10								
Average Pension	-	\$789	\$1,703	\$2,995	\$3,704	\$5,650	\$7,822	\$4,946
Average Final Average Salary	-	\$5,124	\$5,671	\$6,793	\$6,718	\$7,941	\$9,883	\$7,780
Number of Retired Members	-	2	11	7	16	12	24	72
Period 1/1/11 to 12/31/11								
Average Pension	\$618	\$1,124	\$2,612	\$3,490	\$4,524	\$5,406	\$6,945	\$5,285
Average Final Average Salary	\$6,879	\$5,475	\$7,786	\$7,288	\$7,394	\$7,367	\$8,774	\$7,898
Number of Retired Members	2	3	10	14	32	28	57	146
Period 1/1/12 to 12/31/12								
Average Pension	\$632	\$1,040	\$2,090	\$3,238	\$5,511	\$5,984	\$5,531	\$4,264
Average Final Average Salary	\$7,169	\$6,670	\$7,403	\$7,671	\$9,437	\$8,466	\$7,017	\$8,006
Number of Retired Members	4	4	6	10	14	12	10	60
Period 1/1/13 to 12/31/13								
Average Pension	\$273	\$2,077	\$2,210	\$2,863	\$3,586	\$6,208	\$5,255	\$3,836
Average Final Average Salary	\$6,130	\$9,343	\$7,585	\$7,024	\$6,782	\$8,698	\$6,677	\$7,513
Number of Retired Members	3	3	13	12	19	19	6	75

¹ 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. Calculated by Fund staff.

ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE**Last Ten Years****(in Thousands of Dollars)****ADDITIONS BY SOURCE**

Year Ending December 31	Employee Contributions	Employer Contributions	as a % of Covered Payroll	Investment Income ¹	Total Additions
2004	\$15,151	\$30,982	21.2	\$96,906	\$143,039
2005	14,468	26,175	17.5	53,781	94,424
2006	14,955	34,476	22.5	106,515	155,946
2007	15,627	27,947	17.6	62,671	106,246
2008	14,778	33,407	19.9	(299,142)	(250,957)
2009	15,690	32,154	18.2	194,076	241,920
2010	15,872	29,918	17.1	142,915	188,705
2011	15,032	37,379	22.8	(1,376)	51,035
2012	14,714	65,098	39.7	116,325	196,137
2013	16,891	92,944	54.9	226,102	335,937

DEDUCTIONS BY TYPE

Year Ending December 31	Benefits	Refunds	Administrative Expenses	Total Deductions	Change in Net Assets
2004	\$78,113	\$1,321	\$1,243	\$80,677	\$62,362
2005	83,293	1,288	1,298	85,879	8,545
2006	89,079	1,411	1,472	91,962	63,984
2007	94,846	1,164	1,465	97,475	8,771
2008	100,069	965	1,280	102,314	(353,271)
2009	103,404	1,175	1,319	105,898	136,022
2010	108,219	1,380	1,277	110,876	77,829
2011	118,102	2,711	1,399	122,212	(71,177)
2012	122,714	1,195	1,297	125,206	70,931
2013	127,206	1,129	1,391	129,726	206,211

¹ Investment Income is net of investment expenses, and includes miscellaneous income and securities lending income.

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

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

EMPLOYEE CONTRIBUTIONS

Year	Regular Contributions ¹	Optional Plan Contributions ²	Early Retirement Contributions (ERC)	Prior Service Payments ³	Commissioners' Alternative Plan ⁴	Total
2004	\$13,358	\$1,243	-	\$539	\$11	\$15,151
2005	13,148	1,154	-	155	11	14,468
2006	13,412	1,209	\$13	288	33	14,955
2007	13,803	1,281	-	528	16	15,628
2008	14,519	49	-	194	16	14,778
2009	15,413	-	-	261	16	15,690
2010	15,581	-	-	276	15	15,872
2011	14,733	-	-	286	13	15,032
2012	14,377	-	-	326	11	14,714
2013	16,422	-	-	454	15	16,891

EMPLOYER CONTRIBUTIONS

Year	Regular Contributions ^{5,6}	Special Contributions	Early Retirement Contributions (ERC)	Total	ARC ⁷	Surplus/ (Shortfall) ⁸
2004	\$30,982	-	-	\$30,982	\$40,146	(\$9,164)
2005	26,175	-	-	26,175	43,165	(\$16,990)
2006	34,438	-	\$38	34,476	47,369	(\$12,893)
2007	27,947	-	-	27,947	47,090	(\$19,143)
2008	33,407	-	-	33,407	49,758	(\$16,351)
2009	32,154	-	-	32,154	54,790	(\$22,636)
2010	29,918	-	-	29,918	61,873	(\$31,955)
2011	37,379	-	-	37,379	69,393	(\$32,014)
2012	35,098	\$30,000	-	65,098	74,829	(\$9,731)
2013	62,944	30,000	-	92,944	74,774	\$18,170

¹ Includes employee contributions towards employee and surviving spouse annuities, and cost of living increases.

² Optional Plan Contributions were an enhanced benefit plan that expired in 2007.

³ Prior Service Payments include leave of absence, refund repayment and military service.

⁴ Contributions by elected Commissioners to an enhanced benefit plan.

⁵ Tax levy based on two years prior employee contributions per Statutes.

⁶ Includes Commissioner transfer of employer contributions.

⁷ GASB 25 Annual Required Contribution (ARC) calculated by actuary as necessary for actuarial funding.

⁸ Represents amount by which actual employer contributions exceed or fall short of the ARC calculated by the actuary.

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

BENEFIT EXPENSES BY TYPE (in Thousands of Dollars)

<u>Year</u>	<u>Employee Annuities</u>	<u>Spouse Annuities</u>	<u>Child Annuities</u>	<u>Ordinary Disabilities</u>	<u>Duty Disabilities</u>	<u>Total Benefits</u>
2004	\$65,198	\$11,920	\$43	\$810	\$142	\$78,113
2005	69,740	12,302	80	992	179	83,293
2006	74,887	12,905	105	988	194	89,079
2007	79,417	13,961	126	1,100	242	94,846
2008	83,948	14,934	123	846	218	100,069
2009	86,582	15,690	120	745	268	103,405
2010	90,447	16,613	104	813	242	108,219
2011	99,601	17,523	112	650	216	118,102
2012	103,043	18,675	114	678	204	122,714
2013	106,624	19,432	114	822	214	127,206

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>
2004	83.47 %	15.26 %	0.06 %	1.04 %	0.18 %
2005	83.73	14.77	0.10	1.19	0.21
2006	84.07	14.49	0.12	1.11	0.22
2007	83.73	14.72	0.13	1.16	0.26
2008	83.89	14.92	0.12	0.85	0.22
2009	83.73	15.17	0.12	0.72	0.26
2010	83.58	15.35	0.10	0.75	0.22
2011	84.33	14.84	0.09	0.55	0.18
2012	83.97	15.22	0.09	0.55	0.17
2013	83.82	15.28	0.09	0.65	0.17

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>
2004	6.54 %	6.77 %	-6.52 %	12.19 %	33.96 %	6.67 %
2005	6.97	3.20	86.05 ¹	22.47	26.06	6.63
2006	7.38	4.90	31.25	-0.40	8.38	6.95
2007	6.05	8.18	20.00	11.34	24.74	6.47
2008	5.71	6.97	-2.38	-23.09	-9.92	5.51
2009	3.14	5.06	-2.44	-11.94	22.94	3.33
2010	4.46	5.88	-13.33	9.13	-9.70	4.66
2011	10.12	5.48	7.69	-20.05	-10.74	9.13
2012	3.46	6.57	1.79	4.31	-5.56	3.91
2013	3.48	4.05	0.00	21.24	4.90	3.66

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

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

Financial Information

Statistical Section

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION¹ Last 10 Years

Additions:	2013	2012	2011	2010	2009
Employer contributions	\$ 92,944,381	\$ 65,097,835	\$ 37,379,137	\$ 29,917,793	\$ 32,153,874
Employee contributions	16,890,798	14,714,496	15,031,961	15,872,560	15,690,322
Total contributions	109,835,179	79,812,331	52,411,098	45,790,353	47,844,196
Investment income					
Net appreciation (depreciation) in					
fair value of investments	211,132,376	103,332,085	(9,430,774)	136,082,191	187,518,451
Interest on fixed income investments	7,044,688	3,064,231	-	-	1,208,618
Interest on short-term investments	2,295	10,218	7,754	24,608	77,596
Dividend income	12,836,171	13,885,983	12,102,449	10,162,335	7,839,846
Total investment income (loss)	231,015,530	120,292,517	2,679,429	146,269,134	196,644,511
Less investment expenses	5,465,211	4,755,254	4,389,141	3,607,447	2,576,926
Investment income (loss) net of expenses	225,550,319	115,537,263	(1,709,712)	142,661,687	194,067,585
Security lending activities					
Securities lending income	89,443	131,240	93,329	90,389	-
Broker rebates	630,124	851,467	275,018	181,683	-
Bank fees	(174,283)	(233,885)	(77,124)	(53,512)	-
Net income from securities lending	545,284	748,822	291,223	218,560	-
Other	6,833	40,046	42,126	34,214	8,379
Total additions	335,937,615	196,138,462	51,034,735	188,704,814	241,920,160
Deductions:					
Annuities and benefits					
Employee annuitants	106,623,945	103,043,445	99,600,881	90,446,956	86,581,378
Surviving spouse annuitants	19,431,705	18,674,499	17,523,246	16,613,378	15,689,413
Child annuitants	114,000	114,000	112,012	103,505	120,290
Ordinary disability benefits	821,914	677,523	650,220	813,505	745,363
Duty disability benefits	214,417	204,441	216,010	241,842	268,086
Total annuities and benefits	127,205,981	122,713,908	118,102,369	108,219,186	103,404,530
Refunds of employee contributions	1,128,922	1,195,737	2,711,115	1,380,310	1,174,864
Administrative expenses	1,391,487	1,296,826	1,398,695	1,276,511	1,318,710
Total deductions	129,726,390	125,206,471	122,212,179	110,876,007	105,898,104
Net increase (decrease)	206,211,225	70,931,991	(71,177,444)	77,828,807	136,022,056
Net position held in trust for pension benefits					
Beginning of year	1,092,402,602	1,021,470,611	1,092,648,055	1,014,819,248	878,797,192
End of year	\$ 1,298,613,827	\$ 1,092,402,602	\$ 1,021,470,611	\$ 1,092,648,055	\$ 1,014,819,248

¹ Prior to 2012 the financial statement that showed additions and deductions was entitled "Statement of Changes in Plan Net Assets"

Financial Information

Statistical Section

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (Continued)

Last 10 Years

Additions:	2008	2007	2006	2005	2004
Employer contributions	\$ 33,406,819	\$ 27,947,096	\$ 34,476,332	\$ 26,174,492	\$ 30,982,232
Employee contributions	14,778,404	15,627,673	14,955,252	14,468,188	15,150,846
Total contributions	48,185,223	43,574,769	49,431,584	40,642,680	46,133,078
Investment income					
Net appreciation (depreciation) in					
fair value of investments	(311,205,254)	51,318,416	95,848,706	43,439,028	85,939,679
Interest on fixed income investments	4,106,340	5,398,891	5,702,537	6,215,281	7,161,800
Interest on short-term investments	670,923	821,893	1,126,657	713,626	195,788
Dividend income	9,191,366	7,486,606	6,008,651	5,491,961	5,598,181
Total investment income (loss)	(297,236,625)	65,025,806	108,686,551	55,859,896	98,895,448
Less investment expenses	2,507,486	2,563,022	2,175,003	2,083,143	1,993,289
Investment income (loss) net of expenses	(299,744,111)	62,462,784	106,511,548	53,776,753	96,902,159
Security lending activities					
Securities lending income	3,691,075	1,860,212	-	-	-
Broker rebates	(2,912,737)	(1,654,778)	-	-	-
Bank fees	(194,845)	(51,377)	-	-	-
Net income from securities lending	583,493	154,057			
Other	18,089	54,884	2,609	4,526	3,945
Total additions	(250,957,306)	106,246,494	155,945,741	94,423,959	143,039,182
Deductions:					
Annuities and benefits					
Employee annuitants	83,948,187	79,416,735	74,886,513	69,740,703	65,198,315
Surviving spouse annuitants	14,934,213	13,960,889	12,905,070	12,301,743	11,919,713
Child annuitants	122,652	126,256	104,833	79,801	43,338
Ordinary disability benefits	846,201	1,099,784	988,331	992,020	810,171
Duty disability benefits	217,496	242,357	194,342	178,802	141,722
Total annuities and benefits	100,068,749	94,846,021	89,079,089	83,293,069	78,113,259
Refunds of employee contributions	964,846	1,164,218	1,410,954	1,287,679	1,320,740
Administrative expenses	1,280,321	1,464,635	1,471,957	1,298,604	1,243,182
Total deductions	102,313,916	97,474,874	91,962,000	85,879,352	80,677,181
Net increase (decrease)	(353,271,222)	8,771,620	63,983,741	8,544,607	62,362,001
Net position held in trust for pension benefits					
Beginning of year	1,232,068,414	1,223,296,794	1,159,313,053	1,150,768,446	1,088,406,445
End of year	\$ 878,797,192	\$ 1,232,068,414	\$ 1,223,296,794	\$ 1,159,313,053	\$ 1,150,768,446

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LEGISLATIVE CHANGES SECTION

Legislative Changes

1979 Session

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

1980 Session

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

1981 Spring Session

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

1982 Spring Session

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

1983 Spring Session

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

1984 Session No legislative changes

1985 Spring Session

PA 84-0733 Signed September 21, 1985.

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

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

\$800 maximum on surviving spouse benefit removed.

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

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

1986 Spring Session

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

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

1987 Spring Session

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

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

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

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

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

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

Increase in employee contribution to 9%.

Decrease in the multiple to 2.19.

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

1988 Session No legislative changes.

1989 Session

PA 86-0273 Signed August 24, 1989.

Average salary 104 consecutive weeks instead of 24 months.

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

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

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

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

Ad hoc increases for widow(er)'s.

1990 Session

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

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

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

1991 Session

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

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

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

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

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

Optional Plan extended to July 1, 1997.

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

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

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

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

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

1992 Session

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

1992 Session (continued)

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

1993 Session No legislative changes

1994 Session No legislative changes

1995 Session No legislative changes

1996 Session No legislative changes

1997 Session

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

1997 Session, continued

PA 90-0012, continued

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

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

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

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

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

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

Eliminates benefits for children of employees receiving duty disability benefit.

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

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

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

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

1998 Session No legislative changes

1999 Session No legislative changes

2000 Session

PA 91-0887 Signed July 6, 2000

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

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

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

No interest is used when calculating retroactive duty disability benefits.

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

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

2001 Session

PA 92-0053 Signed July 12, 2001

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

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

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

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

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

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

2002 Spring Session

PA 92-0599 Signed June 28, 2002

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

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

2002 Spring Session, continued

PA 92-0599, continued

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

2003 Spring Session

PA 93-0334 Signed July 24, 2003

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

2004 Session No legislative changes

2005 Session

PA 94-0621 Signed August 18, 2005

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

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

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

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

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

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

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

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

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

2005 Session, continued

PA 94-0621, continued

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

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

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

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

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

2006 Session No legislative changes

2007 Session Signed August 17, 2007

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

PA 95-0521 Signed August 28, 2007

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

PA 95-0586 Signed August 31, 2007

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

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

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

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

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

2007 Session, continued

PA 95-0586, continued

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

2008 Session

PA 95-0891 Signed August 22, 2008.

Amends the MWRDGC statutes, 70 ILCS 2605/5.9, to allow the MWRDGC to transfer interest income to the Retirement Fund.

PA 95-0923 Signed August 26, 2008.

Adds two additional Trustees to the Retirement Fund Board, one appointed retiree and one elected active employee. The appointed retiree is recommended by the Board of Commissioners and approved by the Board Trustees of the Fund. Each of the three appointed trustees now serves a term of three years and each of the four elected active employees will now serve a term of four years. The term of one appointed and one elected trustee expires each year.

2009 Session

PA 96-0006 Signed April 3, 2009.

Expands the Illinois Governmental Ethics Act (5 ILCS 420/4A-101) to require that pension board members annually file a statement of economic interest.

Expands the definition of "fiduciary" (40 ILCS 5/1-101.2) to include any person who, with respect to a pension fund or retirement system, "renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement system, or has any authority or responsibility to do so." It also provides an expanded definition of "consultant" (40 ILCS 5/1-101.5)

Sets out specific goals, targets, and reporting requirements for the utilization of emerging investment managers by pension funds. Provides a definition of "emerging manager" as "a qualified investment advisor that manages an investment portfolio of at least \$10 million but less than \$10 billion and is a 'minority owned business,' 'female owned business,' or 'business owned by a person with a disability' as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

Imposes conflict-of-interest prohibitions that involve an investment transaction with an investment adviser when the pension board member, employee, consultant, or their spouse: (1) has a direct interest in the income gains, or profits of the investment advisor; or (2) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, or consultant (40 ILCS 5/1-110)

Makes several changes regarding the use of investment advisers and investment services (40 ILCS 5/1-113.14).

Requires that every retirement system and pension fund governed by the Illinois Pension Code is subject to the Illinois Open Meetings Act (40 ILCS 5/1-113.16). All retirement systems and pension funds, must maintain an official website, updated at least quarterly with information concerning the investment of funds.

2009 Session, continued

PA 96-0006, continued

Requires all board members to attend at least 8 hours of training per year on the topics of ethics, fiduciary duty and investments. Each pension board must annually certify that its members received the required training. The certification must be sent to the Division of Insurance of the Department of Financial and Professional Regulation (40 ILCS 5/1-113.18).

Expands the gift ban provisions to all of the pension systems (40 ILCS 5/1-125) and enumerates the number of allowable exemptions.

PA 96-0251 Signed August 11, 2009.

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

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

2010 Session

PA 96-0889 Signed April 14, 2010.

The provisions apply to a person who first becomes an employee and a participant of any retirement system in Illinois, other than a retirement system established under Article 2,3,4,5,6, or 18 of the Illinois Compiled Statutes, on or after January 1, 2011.

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

- Normal retirement age to receive full benefits is increased to 67.
- The age to receive a reduced (early retirement) benefit is increased to 62.
- The reduction for early retirement is one-half of one percent for each month a member's age is under 67.
- Increases in the number of months used to calculate the final average salary to the highest 96 months over the last 120 months of service.
- Caps the final rate of earnings at \$106,800 in 2011, which will increase annually by three percent or one-half of the increase of the Consumer Price Index.
- Changes the surviving spouse pension to sixty-six and two-thirds percent of the pension of the deceased member.
- Limits the annual pension increase for retirees to three percent or one-half of the increase in the Consumer Price Index, whichever is lower based on the original amount of the pension.
- Modifies the date the retiree cost of living increase would be paid to the first of the month following the attainment of age 67 or the first anniversary of the commencement of the annuity, whichever is later.

2010 Session, continued

- PA 96-1490 Signed December 30, 2010.
This bill made technical changes to the two-tier system implemented by Public Act 96-0889.

2011 Session

- PA 96-1513 Signed February 1, 2011
Effective June 1, 2011, two persons of either the same or opposite gender may enter into a legal relationship referred to as a civil union. Parties to the civil union have the same obligations, responsibilities, protections and benefits afforded by Illinois law to a married couple.
- PA 97-0504 Signed August 23, 2011
Effective January 1, 2012, elected or appointed members of a public body subject to the Open Meetings Act must complete the electronic training on the Illinois Attorney General website once during their term of election or appointment as follows:
- Any person who is an elected or appointed member of a public body on January 1, 2012, must complete the electronic training between January 1, 2012 and January 1, 2013.
 - Any person who becomes an elected or appointment member of a public body after January 1, 2012, must complete the electronic training no later than the 90th day after taking the oath of office or if not required to take the oath of office, after otherwise assuming responsibilities as a member of the public body.
- Elected or appointed members need not complete the electronic training on an annual basis thereafter unless they are also designated to receive training on compliance with the Open Meetings Act.
- PA 97-0609 Signed August 26, 2011
The provisions apply to a person who first becomes an employee and a participant of any retirement system in Illinois on or after January 1, 2012, and is receiving a retirement annuity and accepts on a contractual basis a position to provide services to a governmental agency from which he or she retired, then that person's annuity shall be suspended during the during the contractual service.
- PA 97-0318 Signed August 12, 2011
The provisions of the Open Meetings Act are hereby expanded to allow closed meetings between internal or external auditors and governmental audit committees, finance committees and their equivalents when the discussion involves internal control weakness, identification of potential fraud risk areas, known or suspected frauds and fraud interviews conducted in accordance with generally accepted auditing standards.

2012 Session

- PA 97-0651 Signed January 5, 2012
Expands the duties of fiduciaries to include the responsibility to report a reasonable suspicion of a false statement or other fraud to the Board of Trustees or the State's Attorney of the jurisdiction where the fraudulent activity occurred.

2012 Session, continued

PA 97-0894 Signed August 3, 2012

Effective with the 2013 fiscal year, increases the maximum tax levy from 2.19 multiplied by the employee contributions two years prior to the lesser of 4.19 multiplied by the employee contributions two years prior or the actuarially determined contribution requirement. Increases employee retirement contributions for Tier 1 employees by 1% per year for three years, starting with the first pay period paid in 2013. Resulting contribution rates for Tier 1 members are 10% in 2013, 11% in 2014, and 12% in 2015. The Tier 1 employee contribution rate will revert to 9% the first pay period paid on or after the date when the funded ratio of the Fund is determined to have reached the 90% funding goal.

2013 Session

PA 98-0433 Signed August 16, 2013

Creates an exception to the current RFP requirements for investment services. The competitive bid process will not be required for contracts for follow-on funds with the same fund sponsor through closed-end funds.

PA 98-0597 Signed November 20, 2013

Effective June 1, 2014, makes changes permitting same-sex marriage in the State of Illinois. Provides for reciprocity, recognizing same-sex marriages solemnized in other states and countries in which same-sex marriage is legal. Allows for voluntary conversion of civil unions to marriages.

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