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# Metropolitan Water Reclamation District Retiree Health Care Trust

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

Chicago, Illinois



## Annual Comprehensive Financial Report As of and for the year ended December 31, 2023

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Prepared by the Management and Staff of  
The Metropolitan Water Reclamation District of Greater Chicago

Mary Ann Boyle, Treasurer

Trust Established December 6, 2007

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

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**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

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## **INTRODUCTORY SECTION**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Metropolitan Water Reclamation District  
Retiree Health Care Trust  
Illinois**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

*Christopher P. Morill*

Executive Director/CEO

# Metropolitan Water Reclamation District Retiree Health Care Trust

100 East Erie Street  
Chicago, Illinois 60611  
(312) 751-5150

May 10, 2024

Members of the Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago  
Trustee and Fiduciary for the MWRD Retiree Health Care Trust  
100 East Erie Street  
Chicago, Illinois 60611

Dear Commissioners:

Submitted herewith is the Annual Comprehensive Financial Report of the Metropolitan Water Reclamation District Retiree Health Care Trust ("Trust") for the year ended December 31, 2023. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is fully assumed by management of the Metropolitan Water Reclamation District of Greater Chicago ("the District"). 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 Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's financial activities have been included.

The Trust's financial statements for the year ended December 31, 2023 have been subject to an audit by independent auditors approved by the District's Board of Commissioners. The unmodified opinion of Baker Tilly US, LLP has been included in the Financial Section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 MD&A can be found immediately following the report of the independent auditor.

## **INTERNAL CONTROLS**

The District operates within a system of internal controls established and continually reviewed by management. This provides reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. When establishing or reviewing controls, management must consider the cost of the control and value of the benefit derived from its utilization. Management normally maintains and implements all sensitive controls and those controls whose value

adequately exceeds their cost. Management believes both the District's and the Trust's internal controls, procedures, and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The Trust's annual independent audit disclosed no material weakness.

### **FUND DESCRIPTION**

Pursuant to 70 ILCS 2605/9.6d, the Metropolitan Water Reclamation District Retiree Health Care Plan ("Plan") and the Trust Agreement were initially adopted by the Board of Commissioners of the District effective December 6, 2007, to recognize the contribution made to the employer by its employees. Its purpose is to reward the employees by providing retiree health care benefits for qualifying employees and their eligible spouses and dependents as defined by the Plan. Retiree health care benefits are defined as post-retirement medical and prescription drug coverage only; no dental, life, or disability benefits are provided by the Plan. The Plan is intended to satisfy the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. The District established the Trust to fund future benefits to be provided under the Plan. The Trust is considered a component unit of the District and as such is included in the District's financial statements as a retiree health care trust fund.

The Plan and Trust agreements were revised on March 5, 2020 to clarify certain definitions, eligibility, election, benefit provisions, claims, appeals, legal provisions, roles and duties, accounting and reporting provisions, and the amendments and termination process.

Descriptions of the Plan and Trust agreements are provided within the footnotes to the Financial Statements in the Financial Section and within the Actuarial Section of this report.

### **BOARD OF COMMISSIONERS OF THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

The District, acting through its Board of Commissioners ("BOC"), serves as Trustee and Fiduciary for the Trust. The Trustee takes, holds, invests, administers, and distributes contributions and assets paid or delivered to the Trust. All rights, title and interest in and to the assets of the Trust Fund are at all times vested exclusively in the Plan. All contributions received together with the income from the contributions are held, managed, and administered by the Trustee pursuant to the terms of the Plan without distinction between principal and income and without liability for the payment of interest.

The BOC appointed an Executive Committee, comprised of the Chairman of Finance, the Treasurer, and the Director of Finance, to be responsible for certain activities with regard to the Trust, subject to the approval of the BOC. These activities include but are not limited to: recommendation of an investment advisor; acceptance or rejection of investment recommendations from the investment advisor; and certain financial reporting responsibilities.

## **PROFESSIONAL STAFF AND SERVICES**

The District staff is responsible for providing the various services and information to the Trustee and to the members of the Trust, active and retired. This team is comprised of an Investment Advisor (“Advisor”) and personnel from the Treasury, Finance, Human Resources, Budget, and Law Departments of the District. The Trustee selects the Advisor for a five-year service contract via a public Request for Proposal.

Typical staff activities include the development of an Investment Policy and Asset Allocation Strategy; investment and management of Trust assets; regular reporting to the Trustee; internal and external audits of the Trust; and training of the Trustee. General accounting activities are tracked on the SAP Enterprise system.

## **FUNDING POLICY**

In 2007, the BOC adopted an initial advance funding policy meant to (i) improve the District’s financial position by reducing the amount of future contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. On October 2, 2014, the advance funding policy was amended by the BOC with the following guidelines:

Target Funding Level:	100% maximum
Funding Period:	12 years
Funding Amount:	\$5 million funding in each of the twelve years 2015 through 2026, with no further advance funding contributions required after 2026.

Beginning in 2027, cash to be withdrawn from the Trust to fund claims and insurance premiums will be determined by the Trust’s actuary with the target funding level to be maintained at 100 percent for all future years. There is currently no legal requirement for the District to partially or fully fund the OPEB (“Other Postemployment Benefits”) Trust Fund and any funding is on a voluntary basis.

## **FUNDING STATUS**

The funding for the Trust is accomplished in two parts. The District pays the retiree health care claim payments and insurance premiums from operating funds, and also contributes the advance funding amount to the Trust. Benefit payments and premiums are not paid from the advance funding contributions to the Trust. Currently, the Trust functions solely as an advance funding vehicle.

Income for the Trust is from two sources: employer contributions and investment income. Income from employer contributions is appropriated each year by the BOC. The District’s BOC has discretionary authority to determine contribution amounts to be paid into the Trust. Through December 31, 2023, an aggregate of \$157,400,000 has been contributed by the District to the OPEB Trust Fund. The advance funding contribution for 2023 was \$5,000,000 in accordance with the Trust’s current funding policy requirement. In succeeding fiscal years the Trust will receive the District (employer) contributions as determined by the BOC.

The Plan's Net OPEB Liability was \$11,697,975 as of December 31, 2023, the date of the most recent actuarial valuation. The Net OPEB Liability is measured as the Total OPEB Liability, less the amount of the Plan's Fiduciary Net Position, in which plan assets have been placed in a trust and dedicated to providing benefits to retirees and their beneficiaries. Future direction may be changed based on national health care policies.

The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability was 96.39% at December 31, 2023, the date of the most recent actuarial valuation.

### **INVESTMENT POLICY AND PERFORMANCE**

The assets of the Trust shall be managed by the Treasurer of the District in any manner, subject only to prudent investor standards and any requirements of federal law. The Trust shall discharge its duties in the same manner as that of a prudent person acting in a like capacity with the same resources and aims; diversify the holdings of the Trust to minimize the risk of loss and maximize the rate of return; and discharge duties solely in the interest and for the benefit of the funds managed. The Trust's Investment Policy was initially adopted by the District's BOC on November 19, 2009, and was subsequently revised on November 15, 2018 to allow for new asset allocation targets structured to provide competitive performance while minimizing the potential for losses.

The Trust reported a total investment return \$43,505,554 for 2023, yielding 16.3%, compared to the Trust's Policy Index return of 15.5%. In 2022 the Trust reported a total investment loss of \$51,910,508, yielding -16.5%, compared to the Policy Index return of -15.6%.

Refer to the Investment Section of this report for further information regarding investment authority and performance.

### **BENEFITS**

The establishment and funding of the Trust is expected to provide multiple benefits, including:

- Progress towards reducing large unfunded liability;
- Capture of long-term investment returns by using the Trust only as a funding vehicle;
- Reduction in future GASB No. 75 expense and cash funding requirements; and
- Provide funding so that the District is able to ease the financial burden of administering the Plan benefits to its current and future retirees.

### **AWARDS AND ACKNOWLEDGMENTS**

The preparation of this report reflects the combined efforts of the District 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 Trust.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for

its Annual Comprehensive Financial Report for the period ended December 31, 2022. 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 Annual Comprehensive Financial Report whose contents meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

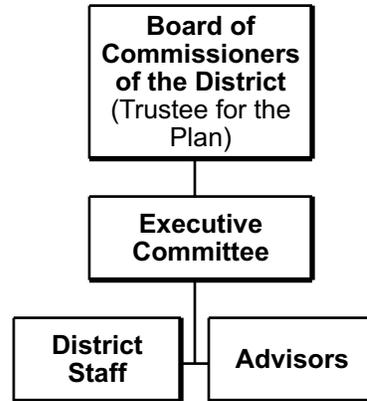
A Certificate of Achievement is valid for only one year. The Trust received a Certificate of Achievement for the last sixteen years. We believe our current report continues to conform to the Certificate of Achievement program requirements; we are therefore submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2023.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary Ann Boyle". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Mary Ann Boyle, Treasurer  
Metropolitan Water Reclamation District of Greater Chicago

**ORGANIZATION CHART AND PRINCIPAL OFFICIALS**  
as of December 31, 2023



**BOARD OF COMMISSIONERS OF THE DISTRICT**

The District, acting through its Board of Commissioners, serves as Trustee and Fiduciary for the Plan.

- Kari K. Steele, *President*
- Patricia Theresa Flynn, *Vice President*
- Marcelino Garcia, *Chairman of Finance*
- Precious Brady-Davis
- Yumeka Brown
- Cameron Davis
- Daniel Pogorzelski
- Eira L. Corral Sepúlveda
- Mariyana T. Spyropoulos

**EXECUTIVE COMMITTEE**

- Marcelino Garcia, Chairman of Finance
- Mary Ann Boyle, Treasurer of the District
- Jacqueline Torres, Clerk/Director of Finance

**DISTRICT STAFF**

- Treasury Department – Mary Ann Boyle, Treasurer
- Finance Department – Jacqueline Torres, Clerk/Director of Finance
- Department of Human Resources – Thaddeus J. Kosowski, Director of Human Resources
- Law Department – Susan T. Morakalis, General Counsel

**ADVISORS**

Actuary: Foster & Foster, Inc. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2025.

Investment Advisor: Marquette Associates, Inc. See further detail in the summary schedule of investment fees on page 41.

## **FINANCIAL SECTION**

## **Independent Auditors' Report**

To the Members of the Board of Commissioners of  
Metropolitan Water Reclamation District of Greater Chicago  
Trustee and Fiduciary for the MWRD Retiree Health Care Trust

### **Opinion**

We have audited the accompanying financial statements of the Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust), a component unit of the Metropolitan Water Reclamation District of Greater Chicago, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the OPEB Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the OPEB Trust as of December 31, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OPEB Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the OPEB Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 OPEB Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the OPEB Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary Information**

Our audit for the year ended December 31, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the OPEB Trust's basic financial statements. The supplementary information for the year ended December 31, 2023 as listed in the table of contents is presented for purposes of additional analysis and is 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 for the year ended December 31, 2023, 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2023.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the OPEB Trust as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated May 12, 2023, which contained an unmodified opinion on the respective financial statements. The supplementary information for the year ended December 31, 2022 is presented for purposes of additional analysis and is 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 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those 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 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2022.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, investment section, actuarial section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Report on Summarized Comparative Information**

We have previously audited the OPEB Trust's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Baker Tilly US, LLP*

Chicago, Illinois  
May 10, 2024

# **Metropolitan Water Reclamation District Retiree Health Care Trust**

## **A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

### **FINANCIAL SECTION**

#### **Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2023 (With comparative amounts for prior year)**

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#### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

This section presents management's discussion and analysis of the Trust's financial performance for the years ended December 31, 2023 and 2022, and provides an introduction to the financial statements of the Trust. It is designed as required supplementary information which focuses on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal found in the Introductory Section of this report.

#### **Overview and Analysis of the Financial Statements**

The Financial Section of the Trust's Annual Comprehensive Financial Report consists of the following parts: the independent auditor's report; management's discussion and analysis; the financial statements, including notes to the financial statements; required supplementary information and supplementary information.

The Trust prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Statements of Fiduciary Net Position includes all of the Trust's assets and liabilities and provides information about the nature and amount of investments available to satisfy the retiree health care benefits of the Trust. All additions to and deductions from the net position restricted for OPEB for retiree health care benefits are accounted for in the Statements of Changes in Fiduciary Net Position. These statements measure the Trust's success in increasing the net position available for retiree health care benefits.

On August 23, 2007, the General Assembly of the State of Illinois approved the amendment to the Metropolitan Water Reclamation District Act (70 ILCS 2605/9.6d), which authorized and set forth the requirements for the establishment of the District Other Postemployment Benefit Trust ("OPEB Trust"), for the purpose of providing for the funding and payment of health and other fringe benefits for retired, disabled, or terminated employees of the District or for their dependents and beneficiaries as defined by the Plan. The Trust was established December 6, 2007.

The OPEB Trust implemented Statement No. 74 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, beginning in fiscal year ended December 31, 2017. The financial reporting standard modified the Trust's notes to the basic financial statements and required supplementary information as well as required the calculation of a total OPEB liability and a net OPEB liability.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position measure the value of the plan's net position and the changes to it. As of December 31, 2023, the plan net position increased to \$312,541,296 from \$264,148,401 at December 31, 2022.

# Metropolitan Water Reclamation District Retiree Health Care Trust

## A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago

### FINANCIAL SECTION

#### Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2023 (With comparative amounts for prior year)

### FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

The following table summarizes the Plan's Statements of Fiduciary Net Position:

	December 31, 2023	December 31, 2022	Change	Percent Change
<b>Assets</b>				
Investments at Fair Value	\$ 312,391,868	\$ 264,038,504	\$ 48,353,364	18.3 %
Accrued Interest Receivable	166,428	138,024	28,404	20.6 %
<b>Total Assets</b>	<b>312,558,296</b>	<b>264,176,528</b>	<b>48,381,768</b>	<b>18.3 %</b>
<b>Liabilities</b>				
Accounts Payable	17,000	28,127	(11,127)	(39.6)%
<b>Total Liabilities</b>	<b>17,000</b>	<b>28,127</b>	<b>(11,127)</b>	<b>(39.6)%</b>
<b>Net Position Restricted for OPEB</b>	<b>\$ 312,541,296</b>	<b>\$ 264,148,401</b>	<b>\$ 48,392,895</b>	<b>18.3 %</b>

In 2023 the increase in net position restricted for OPEB resulted from the District's discretionary advance contribution to the Trust of \$5 million as well as investment earnings for the year. The Trust's time-weighted investment rate of return was 16.3% for the year, and 8.5% for the five years ended December 31, 2023.

The following table summarizes the Plan's Statements of Changes in Fiduciary Net Position:

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	Percent Change
<b>Additions:</b>				
Contributions by Employer	\$ 13,523,983	\$ 15,719,095	\$ (2,195,112)	(14.0)%
<b>Total Contributions</b>	<b>13,523,983</b>	<b>15,719,095</b>	<b>(2,195,112)</b>	<b>(14.0)%</b>
Net Appreciation (Depreciation) in Fair Value of Investments	35,853,840	(57,718,065)	93,571,905	162.1 %
Interest and Dividends	7,651,714	5,807,557	1,844,157	31.8 %
<b>Total Investment Return (Loss)</b>	<b>43,505,554</b>	<b>(51,910,508)</b>	<b>95,416,062</b>	<b>183.8 %</b>
Less Investment Expenses	(68,000)	(59,333)	(8,667)	(14.6)%
<b>Net Investment Income (Loss)</b>	<b>43,437,554</b>	<b>(51,969,841)</b>	<b>95,407,395</b>	<b>183.6 %</b>
<b>Total Additions</b>	<b>56,961,537</b>	<b>(36,250,746)</b>	<b>93,212,283</b>	<b>257.1 %</b>
<b>Deductions:</b>				
Retiree Health Care Benefits	8,523,983	10,719,095	(2,195,112)	(20.5)%
Administrative Expenses	44,659	44,904	(245)	(0.5)%
<b>Total Deductions</b>	<b>8,568,642</b>	<b>10,763,999</b>	<b>(2,195,357)</b>	<b>(20.4)%</b>
<b>Net Increase (Decrease)</b>	<b>48,392,895</b>	<b>(47,014,745)</b>	<b>95,407,640</b>	<b>(202.9)%</b>
<b>Net Position Restricted For OPEB</b>				
Beginning of year	264,148,401	311,163,146	(47,014,745)	(15.1)%
<b>End of year</b>	<b>\$ 312,541,296</b>	<b>\$ 264,148,401</b>	<b>\$ 48,392,895</b>	<b>18.3 %</b>

# Metropolitan Water Reclamation District Retiree Health Care Trust

## A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago

### FINANCIAL SECTION

#### Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2023 (With comparative amounts for prior year)

#### Additions

Additions are accumulated through employer and retiree contributions, and returns are provided by invested assets. Total additions for 2023 were \$57.0 million compared to negative \$36.3 million in 2022, an increase of \$93.3 or 257.1%. Employer contributions were \$13.5 million for 2023, representing a decrease of \$2.2 million or (14.0)%. Advance funding contributions made by the District were \$5.0 million in 2023 and 2022. Through December 31, 2023, a total of \$157.4 million has been contributed to the Trust. The 2023 net investment income of \$43.4 million was mainly due to the net appreciation in fair value of investments of \$35.9 million and dividends earned on investments of \$7.7 million. Net investment income is a combination of interest and dividend income, and gains and losses on investments held at year-end. Overall the 16.3% investment return for 2023 was mainly due to the 21.7% return on equity investments, while fixed income investments posted a 7.2% return. The Trust continues to be well diversified, highly liquid and transparent, which is anticipated to help the portfolio navigate through the next phase of the market and political cycle.

#### Deductions

The expenses paid by the Trust are retiree health care benefit payments and administrative expenses. Total deductions for 2023 were \$8.6 million compared to \$10.8 million in 2022, a decrease of \$2.2 million or (20.4)%. Benefit expenses decreased 20.5% from 2022 due to low claims experience and a significant decrease in the effective rate of the MAPD plan. Total administrative expenses represent the cost of fiduciary insurance for the Trustee, along with external audit fees.

#### Return on Investments and Asset Allocation

Comparative investment returns by asset allocation are as follows:

Asset Class	2023 Percent of Investments	2022 Percent of Investments	2023 Return on Invested Assets	2022 Return on Invested Assets
Domestic Equity	46%	43%	24.6%	-20.2%
International Equity	19%	20%	15.5%	-11.7%
Domestic Fixed Income	32%	34%	7.2%	-14.6%
Money Market Funds	3%	3%	4.8%	1.3%
Total	100%	100%	16.3%	-16.5%

The increase in value of the Trust's invested assets was 18.3%. The return on invested assets for 2023 using the Modified Dietz approach was 16.3%, calculated on a quarterly compounded basis. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the \$5.0 million advance funding contribution made during 2023.

#### Funded Status

The Trust's funded status is the ratio of the actuarial value of assets to the actuarial liability and is a measure of the ability to pay all future benefits from the assets held in the Trust. The Plan

# **Metropolitan Water Reclamation District Retiree Health Care Trust**

## **A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

### **FINANCIAL SECTION**

#### **Management's Discussion and Analysis (Unaudited)**

**Year Ended December 31, 2023 (With comparative amounts for prior year)**

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Fiduciary Net Position as a percentage of the Total OPEB Liability was 96.4% as of December 31, 2023, representing an increase from 75.0% as of December 31, 2022. The increase in the ratio was due to investment returns being greater than anticipated, along with District contributions to the Plan. The District remains confident it is well on its way to meeting its goals of providing long term financial stability to the Plan.

#### **Required Supplementary Information**

To provide actuarial determined information about the Trust, this report includes schedules of historical trend information in the Required Supplementary Information (RSI) section as required by accounting standards. The RSI provides a Schedule of Changes in the District's Net OPEB Liability and Related Ratios, a Schedule of District Contributions and Related Notes, and a Schedule of Investment Returns. The RSI section complies with the Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* from the Governmental Accounting Standards Board (GASB). The RSI section displays changes for the Trust's Net OPEB Liability and related ratios, contributions related to payrolls, and money-weighted investment returns for the Trust.

The Actuarial Assumptions presented were determined as part of the actuarial valuation at December 31, 2023. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2025. For the years in which a valuation is not completed, a required roll-forward valuation is completed from the latest actuarial valuation to compute the updated Net OPEB liability. Please note that the actuarial information is based on assumptions about future events, and therefore, the figures presented are estimates.

#### **Other Information**

This report also includes an Investment Section, an Actuarial Section, and a Statistical Section. The Investment Section contains the investment consultant report, a statement on investment authority and responsibility, an outline of investment policies, reports on investment objectives, allocation, performance, assets, and analytics, a schedule of investment returns, and a summary schedule of investment fees. The Actuarial Section contains the Actuarial Certification Letter, an introduction, a summary of assumptions and methods, and other actuarial information. The statistical section consists of a description of the statistical schedules, member statistics, and the change in net positions, revenues by source, schedule of return on investments, schedule of employer contributions, and schedule of expenses by type.

#### **CONTACT INFORMATION**

This Report is intended to provide a general overview of the Metropolitan Water Reclamation District Retiree Health Care Trust. Questions or requests for additional information should be addressed to the Trust at 100 East Erie Street, Chicago, Illinois 60611, Attn: Treasurer, or call (312) 751-5150.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION  
Financial Statements**

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**Statements of Fiduciary Net Position  
December 31, 2023  
(With comparative amounts for prior year)**

	<u>2023</u>	<u>2022</u>
Assets		
Investments at Fair Value		
Fixed Income Mutual Funds	\$ 100,437,067	\$ 90,210,102
Equity Mutual Funds	203,306,792	165,151,329
Money Market Funds	8,648,009	8,677,073
Total Investments	<u>312,391,868</u>	<u>264,038,504</u>
Accrued Interest Receivable	166,428	138,024
Total Assets	<u>312,558,296</u>	<u>264,176,528</u>
Liabilities		
Accounts Payable	17,000	28,127
Total Liabilities	<u>17,000</u>	<u>28,127</u>
Net Position Restricted for OPEB	<u>\$ 312,541,296</u>	<u>\$ 264,148,401</u>

See accompanying notes to the Financial Statements

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Financial Statements**

**Statements of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2023**  
**(With comparative amounts for prior year)**

	<u>2023</u>	<u>2022</u>
Additions:		
Contributions by Employer	\$ 13,523,983	\$ 15,719,095
Total Contributions	<u>13,523,983</u>	<u>15,719,095</u>
Net Appreciation (Depreciation) in Fair Value of Investments	35,853,840	(57,718,065)
Interest and Dividends	7,651,714	5,807,557
Total Investment Return (Loss)	<u>43,505,554</u>	<u>(51,910,508)</u>
Less Investment Expenses	(68,000)	(59,333)
Net Investment Income (Loss)	<u>43,437,554</u>	<u>(51,969,841)</u>
Total Additions	<u>56,961,537</u>	<u>(36,250,746)</u>
Deductions:		
Retiree Health Care Benefits	8,523,983	10,719,095
Administrative Expenses	44,659	44,904
Total Deductions	<u>8,568,642</u>	<u>10,763,999</u>
Net Increase (Decrease)	48,392,895	(47,014,745)
Net Position Restricted for OPEB		
January 1	264,148,401	311,163,146
December 31	<u>\$ 312,541,296</u>	<u>\$ 264,148,401</u>

See accompanying notes to the Financial Statements

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2023**

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**1. Summary of Significant Accounting Policies**

a. Reporting Entity

Pursuant to 70 ILCS 2605/9.6d, the Board of Commissioners (the Board) of the Metropolitan Water Reclamation District of Greater Chicago (District) adopted the Plan and Trust effective December 6, 2007, to recognize the contribution made to the District by its Employees. Its purpose is to reward them by providing benefits for those employees who shall qualify hereunder and their eligible spouses and dependents as defined by the Plan.

The District, acting through its nine-member Board of Commissioners, serves as Trustee and Fiduciary for the Trust. The Board members are elected at large for six-year terms. The terms are staggered so that three commissioners are elected every two years. The Board authorizes all policies which govern funding and plan benefits.

The intention of the District is that the Plan satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the Internal Revenue Service.

The Metropolitan Water Reclamation District Retiree Health Care Trust (Trust) is a component unit of the District and, as such, is included in the District's financial statements. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Based on the required criteria, the Trust has no component units.

b. Basis of Accounting

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

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**FINANCIAL SECTION**  
**Year Ended December 31, 2023**

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c. Investments

The Trust is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust funds shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust initially adopted its investment policy on November 19, 2009, which was most recently revised on November 15, 2018.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of changes in plan net position.

The Trust's assets are invested in fixed income and equity mutual funds traded on national securities exchanges. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. The Trust's assets are also invested in money market funds with maturities of less than one year, reported at fair value.

d. Management's Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, additions and deductions. Actual results could differ from those estimates. The District uses an actuary to determine the actuarial accrued liability for post-retirement benefits and to determine the actuarially required contribution and annual OPEB expense.

e. Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information, but not at the level of detail required for 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 Trust's financial statements as of and for the year ended December 31, 2022, from which the summarized comparative information was derived.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**FINANCIAL SECTION**  
**Year Ended December 31, 2023**

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**2. Plan Description**

The Metropolitan Water Reclamation District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the District's plan.

The District, acting through its Board of Commissioners, serves as Trustee and Fiduciary for the Trust. The Trustee takes, holds, invests, administers, and distributes contributions and assets paid or delivered to the Trust. All rights, title and interest in and to the assets of the Trust Fund are at all times vested exclusively in the Plan. All contributions received together with the income from the contributions are held, managed, and administered by the Trustee pursuant to the terms of the Plan without distinction between principal and income and without liability for the payment of interest.

The BOC appointed an Executive Committee, comprised of the Chairman of Finance, the Treasurer, and the Director of Finance, to be responsible for certain activities with regard to the Trust, subject to the approval of the BOC. These activities include but are not limited to: recommendation of an investment advisor; acceptance or rejection of investment recommendations from the investment advisor; and certain financial reporting responsibilities.

a. Membership

Membership of the Trust consisted of the following at December 31, 2023, the date of the most recent actuarial valuation:

Inactive Plan Members Currently Receiving Benefits	1,512
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	401
Inactive Plan Members Entitled to But Not Receiving Benefits	40
Active Plan Members	<u>1,759</u>
Total Membership	<u><u>3,712</u></u>

b. Benefits Provided

Retiree health care benefits are defined as post-retirement medical and prescription drug coverage only; no dental, life, or disability benefits are provided by the Plan. Such benefits are provided by the District through either a self-insured or fully-insured healthcare plan for non-Medicare eligible retirees, while Medicare eligible retirees are provided a fully-insured Medicare Advantage Plan. The benefit levels are the same as

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those provided to active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage in accordance with the Plan. All full-time employees of the District with at least ten actual years of service are eligible to receive postemployment health care benefits and coverage for retirees is provided for life. The Trust was established to advance fund benefits provided under the Plan. The benefit terms may only be amended by the authority of the District's Board of Commissioners. All classes of employees receive the same Plan benefits.

c. Eligibility for Insurance Coverage

Retirees who meet the age and service requirements are eligible for medical and prescription drug benefits in accordance with the Plan. Employees must have at least ten actual years of service with the District, and coverage does not commence until the member begins receiving payments from the District's Retirement Fund. District Commissioners must have at least six years of service as a Commissioner of the District. Eligibility age is based on the employee's hire date as follows: age 50 for those hired before June 13, 1997, and age 55 for those hired between June 13, 1997 and January 1, 2011, and age 63 for those hired after January 1, 2011.

d. Contributions

State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners (BOC) discretionary authority to determine contribution amounts to be paid by the District. In accordance with the legislation, the BOC may lawfully agree with the Trustee to a binding level of funding for periods of time not to exceed 5 fiscal years. As of the date of this report, the BOC has not entered into any such agreements. In addition, the Trust documents permit employees of the District to contribute money to provide for such benefits. No contribution is required at this time.

Under the terms of the Plan, the retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. The District is required to contribute the balance of the current premium and claims costs. Contributions by the District in excess of the employer portion of current premiums and claims costs represent advance funding in accordance with the funding policy. The District has contributed \$157,400,000 to the Trust as the advance funding amount to date.

The retiree premiums are set based on prior year claims incurred and become effective January 1st each year. The retiree contribution rate is based on the contribution rate policy established by the Board of Commissioners. This policy required a 2.5% increase in the contribution rate on January 1st of each year until the

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contribution rate reached approximately 50.0%. In future years, contributions are assumed to increase at the same rate as actual claims expenditures.

e. Retiree Health Care Benefit Costs

Benefit costs are post-retirement medical and prescription drug coverage benefit premiums and claims paid by the District.

f. Administrative Costs

Administrative costs of the Trust are financed primarily through investment earnings; however, the Trust is not prohibited from expending contributions for administrative purposes.

**3. Investments**

a. Authorization

As authorized under State Statute 70 ILCS 2605/9.6d, the Trust's investment function is managed by the District's Treasurer, with the District, through its Board of Commissioners, serving as Trustee and Fiduciary for the Trust. Per the Trust agreement, the Trustee has total discretion and authority with regard to the investment of the assets of the Trust to which it holds title. The Trustee is authorized and empowered to delegate to the District Treasurer and other individuals as deemed appropriate, the following powers, rights and duties, each of which shall be subject to the approval of the Trustee:

- (1) To purchase and cause stocks, bonds, exchange-traded funds, mutual funds, or other investments to be registered in its name as Trustee or in the name of a nominee, or to take and keep the same unregistered;
- (2) To employ such agents, advisors and legal counsel as it deems advisable or proper in connection with its duties and to pay such agents, advisors and legal counsel a reasonable fee. The Trustee shall not be liable for the acts of such agents, advisors and legal counsel for the acts done in good faith and in reliance upon the advice of such agents, advisors and legal counsel, provided it has used reasonable care in selecting such agents, advisors and legal counsel;

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Year Ended December 31, 2023**

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- (3) To exercise where applicable and appropriate any rights of ownership in any contracts of insurance in which any part of the Trust may be invested and to pay the premiums thereon; and
- (4) To buy, sell, convey or transfer, invest and reinvest any part of each and every kind of investment listed above in Section (1).

b. Investment Policy

The Trust's investment policy was initially adopted on November 19, 2009, designed to control risk and provide guidance in establishing a prudent investment strategy that serves the long-term needs of the Trust and its beneficiaries. The investment policy was most recently revised on November 15, 2018 to allow for asset allocation targets that are structured to provide competitive performance while minimizing the potential for losses. The current policy allows for a range of exposure to four aggregate asset classes, including domestic equities, international equities, fixed income securities, along with money market funds and cash.

c. Concentration of Credit Risk

There are no significant investments in any one issuer that represent 5% or more of the Trust's investments.

d. Annual Money-Weighted Rate of Return

For the year ended December 31, 2023 the Trust's annual money-weighted rate of return on investments, net of investment expense, was 16.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested, while the time-weighted rate of return presented elsewhere tracks overall performance of the Trust without adjusting for changes in amounts invested.

e. Interest Rate Risk

The Trust's benefit liabilities extend many years into the future, and the Trust's policy is to maintain a long-term focus on its investment decision-making process. Fixed income investments susceptible to interest rate risk are monitored to prevent such investments from exceeding established allocation targets.

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At December 31, 2023, the Trust's investments in fixed income mutual funds stated at fair value with weighted average maturities are as follows:

<b>Fund Name</b>	<b>Fair Value</b>	<b>Percentage</b>	<b>Weighted Average Maturities (Years)</b>
Dodge & Cox Income Fund	\$ 43,201,273	43.0%	10.3
Payden Core Bond Fund	14,259,211	14.2%	8.9
Western Asset Core Plus Bond Fund	42,976,583	42.8%	11.5
		100.0%	

The Trust's net fair value of money market investment funds was \$8,648,009 as of December 31, 2023 having a weighted-average maturity of less than one year.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Trust's Investment Policy requires a minimum of 75% of the fixed income holdings of an actively managed fixed income mutual fund be of investment grade quality or higher at purchase; rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard and Poor's. The Trustee, at its discretion, may impose a higher standard on an individual investment's circumstances or as investment objectives dictate. Fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, Canadian Government, or any agency or instrumentality thereof, or to corporate and municipal issues.

As of December 31, 2023, the Trust's investments in fixed income mutual funds were not individually rated by a nationally recognized statistical rating organization.

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The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2023:

<b>Credit Rating (1)</b>	<b>Fund Name</b>		
	<b>Dodge &amp; Cox Income Fund</b>	<b>Payden Core Bond Fund</b>	<b>Western Asset Core Plus Bond Fund</b>
AAA	55.0%	26.0%	53.6%
AA	5.9%	40.0%	4.8%
A	7.5%	11.0%	13.5%
BBB	24.4%	19.0%	19.4%
BB	3.7%	—%	4.6%
B	3.5%	—%	3.2%
Below B	—%	—%	0.9%
Not Rated	—%	4.0%	—%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Provided by Morningstar, Inc. Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The Trust's investments in money market funds were not individually rated by a nationally recognized statistical rating organization as of December 31, 2023.

**g. Foreign Currency Risk**

The Trust's Investment Policy requires that it disclose any investment denominated in a foreign currency. Exposure to foreign currency risk is limited to the international investment allocation target maximum of 25% of the fair value of the investment portfolio. As of December 31, 2023, the Trust had no investments denominated in foreign currency.

As of December 31, 2023, the Trust's investments in international equity mutual funds stated at fair value are as follows:

<b>Fund Name</b>	<b>Fair Value</b>
Fidelity International Index Fund	\$ 45,372,618
Vanguard Global Minimum Volatility	14,959,037
	<u>\$ 60,331,655</u>

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**Year Ended December 31, 2023**

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h. Custodial Credit Risk

The Trust's Investment Policy requires that all investments and investment collateral be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the Trust's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities which are in the possession of the outside party. All cash balances maintained at banks are required to be collateralized with permitted U.S. Government Securities in an amount equal to 105% (at fair value) of the monies on deposit. Cash awaiting reinvestment in the Trust's investment account is protected up to \$250,000 under coverage by the Securities Investor Protection Corporation (SIPC). As of December 31, 2023, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

i. Fair Value Measurement

Investment valuations are as of December 31, 2023. The values of the Trust's investments may have changed significantly after year end as the result of investment markets.

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 investments reflect quoted prices in active markets for identical assets.
- Level 2 investments reflect significant other observable inputs which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs.
- Level 3 investments are valued at significant unobservable inputs.

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The carrying amount of investments and fair value hierarchy of the Trust is shown in the following schedule as of December 31, 2023:

Fair Value of Investments	December 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Equity Funds	\$ 142,975,137	\$ 142,975,137	\$ —	\$ —
International Equity Funds	60,331,655	60,331,655	—	—
Domestic Fixed Income Funds	100,437,067	100,437,067	—	—
Money Market Funds	8,648,009	8,648,009	—	—
Total Fair Value of Investments	<u>\$ 312,391,868</u>	<u>\$ 312,391,868</u>	<u>\$ —</u>	<u>\$ —</u>

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Trust does not have Level 2 or Level 3 investments.

**4. OPEB Liability of the District**

a. Net OPEB Liability

The information included in the report is based on the actuarial valuation performed as of December 31, 2023. Actuarial valuations of the total OPEB liability are required to be completed every two years for the Trust. The total OPEB liability is required to be based on updated calculations to roll-forward amounts from the most recent actuarial valuation for fiscal year-ends when an actuarial valuation is not performed. The next valuation date is December 31, 2025.

The components of the net OPEB Liability of the District as of December 31, 2023, were as follows:

Total OPEB Liability	\$ 324,239,271
Plan Fiduciary Net Position	<u>(312,541,296)</u>
District's Net OPEB Liability	<u>\$ 11,697,975</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>96.39%</u>

See the Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 24 of the required supplementary information for additional information related to the Plan.

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b. Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial methods and assumptions:

Actuarial Valuation Date	December 31, 2023
Cost Method	Entry Age Normal
Inflation	2.80%
Salary Increases	Varies by Service
Investment Rate of Return (net of investment expense, including inflation)	6.50%
Healthcare Cost Trend Rates	Initial rate of 8.5% for fiscal years 2024 and 2025, grading down to the ultimate trend rate of 4.0% in fiscal year 2075
Asset Valuation Method	Fair Value

For all members, mortality rates were based on the PubG-2010 Public Retirement Plans Mortality Tables as projected for various classes.

The information included in the report is based on the actuarial valuation performed as of December 31, 2023. Actuarial valuations of the total OPEB liability are required to be completed every two years for the Trust. The total OPEB liability is required to be based on update calculations to roll-forward amounts from the most recent actuarial valuation for fiscal year-ends when an actuarial valuation is not performed. The next valuation date is December 31, 2025.

c. Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2023 are summarized in the following table:

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Year Ended December 31, 2023**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Fixed Income	20.0%	4.9%
Core Plus Fixed Income	15.0%	5.8%
<b>Total Fixed Income</b>	<b>35.0%</b>	
Large-Cap Core	17.5%	6.8%
Large-Cap Growth	7.5%	6.8%
Mid-Cap Core	7.5%	7.3%
Smid-Cap Core	5.0%	7.7%
Small-Cap Core	7.5%	7.9%
<b>Total U.S. Equity</b>	<b>45.0%</b>	
Global Low Volatility	5.0%	6.8%
Non-U.S. Large-Cap Core	15.0%	7.5%
<b>Total Non-U.S. Equity</b>	<b>20.0%</b>	
<b>Total-All Asset Classes</b>	<b>100.0%</b>	

The Trust's long-term expected rate of return calculated using the method described above exceeds 6.5% (assuming 2.5% inflation).

d. Discount Rate

The expected rate of return used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that current District contributions will be made at the current contribution rate. The District has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The District has shown they are following the funding policy completely and will continue to do so. Therefore, the long-term expected rate of return on investments was used to discount projected benefit payments for all projected benefit payments, and the single equivalent was 6.5%.

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e. Rate Sensitivity

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate and to the healthcare cost trend rate.

The table below presents the Net OPEB Liability of the District calculated using the discount rate of 6.5% as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current discount rate:

	<b>1% Decrease (5.5%)</b>	<b>Current Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
Net OPEB Liability (Asset) \$	55,218,234	\$ 11,697,975	\$ (24,264,778)

The table below presents the Net OPEB Liability of the District calculated using the healthcare cost trend rate of 4.0% to 8.5% as well as what the District's Net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.0% to 7.5%) or one percentage point higher (5.0% to 9.5%) than the current rate:

	<b>1% Decrease (3.0% to 7.5%)</b>	<b>Healthcare Cost Trend Rates (4.0% to 8.5%)</b>	<b>1% Increase (5.0% to 9.5%)</b>
Net OPEB Liability (Asset) \$	(27,155,683)	\$ 11,697,975	\$ 58,343,296

**REQUIRED SUPPLEMENTARY INFORMATION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS**  
**Last Seven Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	\$ 3,842,017	\$ 3,659,064	\$ 5,104,413	\$ 4,861,346	\$ 5,540,295	\$ 5,314,432	\$ 5,097,776
Interest	22,884,924	21,841,986	20,700,322	19,763,742	20,851,553	20,011,894	19,260,038
Differences between Expected and Actual Experience	(47,129,564)	—	(15,706,502)	—	6,818,596	—	—
Changes of Assumptions	737,253	—	19,094,366	—	(37,290,450)	—	—
Benefit Payments	(8,523,983)	(10,719,095)	(9,663,890)	(11,229,934)	(12,700,092)	(12,570,679)	(13,430,657)
Net Change in Total OPEB Liability	(28,189,353)	14,781,955	19,528,709	13,395,154	(16,780,098)	12,755,647	10,927,157
Total OPEB Liability							
Beginning of Year	352,428,624	337,646,669	318,117,960	304,722,806	321,502,904	308,747,257	297,820,100
End of Year	\$ 324,239,271	\$ 352,428,624	\$ 337,646,669	\$ 318,117,960	\$ 304,722,806	\$ 321,502,904	\$ 308,747,257
Change in Fiduciary Net Position							
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-As-You-Go Contributions	8,523,983	10,719,095	9,663,890	11,229,934	12,700,092	12,570,679	13,430,657
Net Investment Income (Loss)	43,437,554	(51,969,841)	35,999,320	32,732,090	39,251,295	(11,840,345)	25,392,250
Benefit Payments	(8,523,983)	(10,719,095)	(9,663,890)	(11,229,934)	(12,700,092)	(12,570,679)	(13,430,657)
Administrative Expense	(44,659)	(44,904)	(41,639)	(41,295)	(53,880)	(42,200)	(36,900)
Net Change in Fiduciary Net Position	48,392,895	(47,014,745)	40,957,681	37,690,795	44,197,415	(6,882,545)	30,355,350
Net Position Restricted for OPEB							
Beginning of Year	264,148,401	311,163,146	270,205,465	232,514,670	188,317,255	195,199,800	164,844,450
End of Year	\$ 312,541,296	\$ 264,148,401	\$ 311,163,146	\$ 270,205,465	\$ 232,514,670	\$ 188,317,255	\$ 195,199,800
District's Net OPEB Liability	\$ 11,697,975	\$ 88,280,223	\$ 26,483,523	\$ 47,912,495	\$ 72,208,136	\$ 133,185,649	\$ 113,547,457
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	96.39%	74.95%	92.16%	84.94%	76.30%	58.57%	63.22%
Covered Payroll	\$ 194,145,252	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353
District's Net OPEB Liability as a Percentage of Covered Payroll	6.03%	46.66%	14.70%	25.05%	39.64%	69.13%	61.44%

**NOTES TO SCHEDULE:**

*Discount Rate* - The Single Discount Rate used to calculate the District's Net OPEB Liability has been 6.50% since implementation of GASB 75.

This schedule will show information for ten years as the additional years' information becomes available.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS AND RELATED NOTES  
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contribution	\$ 5,682,928	\$ 9,824,938	\$ 6,298,571	\$ 8,640,607	\$ 9,585,874	\$ 11,506,823	\$ 11,506,823	\$ 12,471,893	\$ 12,471,893	\$ 13,211,937
Contributions in Relation to the Actuarial Determined Contributions*	13,523,983	15,719,095	14,663,890	16,229,934	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523
Contribution Deficiency (Excess)	\$ (7,841,055)	\$ (5,894,157)	\$ (8,365,319)	\$ (7,589,327)	\$ (8,114,218)	\$ (6,063,856)	\$ (6,923,834)	\$ (7,444,967)	\$ (5,844,820)	\$ (20,504,586)
Covered Payroll	\$ 194,145,252	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275
Contributions as a Percentage of Covered Payroll	6.97%	8.31%	8.14%	8.49%	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%

\*Includes pay-as-you-go benefit amounts plus an additional cash contribution to the Trust

**NOTES TO SCHEDULE:**

Valuation date: Actuarial determined contribution rates shown above are calculated as of December 31 for the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 Years
Asset valuation method	Fair Value
Discount Rate	6.5%
Inflation Rate	2.8%
Health Care Cost Trend Rate	Initial rate of 8.5% for fiscal years 2024 and 2025, grading down to the ultimate trend rate of 4.0% in fiscal year 2075
Annual Payroll Growth Rate	3.0%
Disability	None assumed
Age of Spouse <sup>^</sup>	Male spouses are assumed to be 3 years older than female spouses. <sup>^</sup> as defined in the Plan
Coverage at	80% of future eligible service retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. It is assumed that 93% of members will enroll in Medicare if hired prior to April 1, 1986.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF INVESTMENT RETURNS  
Last Seven Fiscal Years**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Covered Payroll	\$ 194,145,252	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.19%	-16.43%	13.12%	13.79%	20.38%	-5.91%	15.06%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested, while the time-weighted rate of return presented elsewhere tracks overall performance of the Trust without adjusting for changes in amounts invested.

This schedule will show information for ten years as the additional years' information becomes available.

**SUPPLEMENTARY INFORMATION**

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**SUPPLEMENTARY INFORMATION**

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**SUMMARY SCHEDULE OF ADMINISTRATIVE EXPENSES**

	<b>Year Ended December 31, 2023</b>	<b>Year Ended December 31, 2022</b>
Professional Services - Audit Fees	\$ 36,720	\$ 34,860
Fiduciary Insurance	7,939	10,044
Total Administrative Expenses	<u>\$ 44,659</u>	<u>\$ 44,904</u>

**SUMMARY SCHEDULE OF INVESTMENT FEES**

	<b>Year Ended December 31, 2023</b>	<b>Year Ended December 31, 2022</b>
Investment Consulting Fees	<u>\$ 68,000</u>	<u>\$ 59,333</u>

## **INVESTMENT SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**INVESTMENT CONSULTANT REPORT**



180 North LaSalle Street, Suite 3500  
Chicago, IL 60601

April 1, 2024

To the Members of the Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago  
Trustee and Fiduciary for the MWRD Retiree Health Care Trust  
100 East Erie Street  
Chicago, IL 60611-2829

Marquette Associates (“Marquette”) is the independent investment consultant for the Metropolitan Water Reclamation District Retiree Health Care Trust (“Trust”). Marquette is responsible for the implementation of the Trust’s allocation, trustee education, the recommendation and monitoring of investment managers as well as investment performance analysis. Marquette calculates and reports performance returns using a time-weighted rate of return methodology.

Investment Policy

The Trust’s investment policy was initially adopted on November 19, 2009 and most recently revised on November 15, 2018 to allow for new asset allocation targets structured to provide competitive performance while minimizing the potential for losses. The policy allows for a range of exposures to four aggregated asset classes as follows:

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

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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Investment Portfolio Activities

Investments are made in accordance with the guidelines stated within the Trust's investment policy. In 2023, \$5.0 million was contributed to the Trust along with interest, dividends and capital appreciation of \$43.5 million generated by the underlying funds. Total District contributions to the Trust have aggregated to \$157.4 million as of year-end 2023. Trust holdings in investments at year-end 2023 were valued at \$312.4 million. Investments of the Trust are stated at fair value at the last reported sales price on the last business day for the fiscal year of the Trust.

The assumed actuarial rate of return for the Trust is 6.5%. In 2023, the Trust returned +16.3% net of fees. Over the same period, the policy index returned +15.5%. At the end of 2023, the Trust's Policy index was comprised of approximate weightings in the following indices: Bloomberg Barclays U.S. Aggregate Index (35%), MSCI ACWI Global Min Vol (5%), Russell 3000 Index (45%), and MSCI EAFE Index (15%).

Inflation remained a top focus for markets and the Federal Reserve in 2023 with a strong job market pushing unemployment to near multi-decade lows. Strong wage growth trends have also abated from what has been seen post-COVID. During the first quarter, the U.S. experienced bank failures, something rarely seen since the Great Financial Crisis. Though Silicon Valley and Signature are the second and third largest bank failures in U.S. history, combined they represent less than 2% of assets.

The Trust ended 2023 with a 32.1% allocation to fixed income; net of fees, the fixed income composite returned +7.2% versus the benchmark (Bloomberg Barclays U.S. Aggregate Index) which returned +5.5% during the year. Fixed income indices finished the year with a flourish; interest rates moved sharply lower in 4Q given the policy shift signaled by the Fed.

Value lagged its Growth counterparts through the first half of 2023 with narrow market leadership that has hurt performance for active managers. Large-Cap equity performance has been dominated by the 'Magnificent Seven'. All major domestic equity indices notched positive returns in December, as small-cap equities rallied to close the year. The 'Magnificent Seven' dominated headlines in the first half of 2023, but relative performance of this group was subdued to close the year.

The OPEB Plan ended the year with a 45.7% allocation to U.S equities; net of fees, the U.S equities composite returned +24.6% versus the benchmark (Russell 3000 Index) which returned +26.0%.

Global equities generated strong returns in 2023, though emerging markets lagged developed markets due to China's poor performance. Emerging markets concluded the year with a return of +9.8%, while their developed markets' counterparts, as measured by the MSCI EAFE Index returned +18.2%.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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The Trust ended 2023 with a 19.3% allocation to Non-U.S. equities; net of fees, the Non-U.S. equity composite had a +15.5% return versus the benchmark (MSCI EAFE Index) which returned +18.2%.

To begin 2024, rate-sensitive Fixed Income indices lagged in January as long-dated rates increased; indices with less duration sensitivity mostly finished positive. Growth-oriented equities led the market in January as large-cap stocks reasserted dominance to begin 2024. Global equity markets pulled back in January after a strong end to 2023, with flat-to-negative performance across indices. The Trust returned +0.3% in January, outperforming the Policy Index by 30 basis points.

Sincerely,



Kweku Obed, CFA, CAIA  
Managing Director

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**TABLE 1  
INVESTMENT PORTFOLIO ACTIVITY**

<b>Beginning Balance January 1, 2023</b>	<b>\$264.0 million</b>
<b>Contributions</b>	<b>\$5.0 million</b>
<b>Interest &amp; Dividends</b>	<b>\$7.6 million</b>
<b>Net Capital Appreciation</b>	<b><u>\$35.8 million</u></b>
<b>Ending Balance December 31, 2023</b>	<b><u><u>\$312.4 million</u></u></b>
<b>Time-Weighted Investment Rate of Return</b>	<b><u><u>16.26%</u></u></b>

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

**TABLE 2**  
**TIME WEIGHTED RETURNS OF INVESTMENTS**  
**Annualized Performance (Net of Fees as of December 31, 2023)**

	Asset Class	Ticker	1 Year	3 Years	5 Years	Inception Return	Since
<b>Total Fund Composite</b>			<b>16.26%</b>	<b>3.18%</b>	<b>8.53%</b>	<b>7.31%</b>	<b>2010-April</b>
<b>Policy Index</b>			<b>15.48%</b>	<b>2.25%</b>	<b>7.21%</b>	<b>6.85%</b>	<b>2010-April</b>
<b>Total Fixed Income Composite</b>			<b>7.17%</b>	<b>-3.35%</b>	<b>1.70%</b>	<b>2.92%</b>	<b>2010-April</b>
<b>BBgBarc US Aggregate TR</b>			<b>5.53%</b>	<b>-3.31%</b>	<b>1.10%</b>	<b>2.36%</b>	<b>2010-April</b>
Payden Core Bond Fund	Broad Fixed Income	PYCBX	6.57%	-3.01%	1.29%	2.71%	2010-April
BBgBarc US Int TR			5.18%	-2.06%	1.14%	2.09%	2010-April
Dodge & Cox Income Fund	Broad Fixed Income	DODIX	7.70%	-1.66%	2.70%	3.34%	2010-April
BBgBarc US Int TR			5.18%	-2.06%	1.14%	2.09%	2010-April
Western Asset Core Plus Institutional	Core Plus Fixed Income	WACPX	6.80%	-5.24%	0.88%	1.81%	2015-July
BBgBarc US Aggregate TR			5.53%	-3.31%	1.10%	1.45%	2015-July
<b>Total Equity Composite</b>			<b>21.73%</b>	<b>6.41%</b>	<b>11.72%</b>	<b>9.77%</b>	<b>2010-April</b>
<b>Total Equity Benchmark</b>			<b>23.56%</b>	<b>7.13%</b>	<b>12.89%</b>	<b>10.28%</b>	<b>2010-April</b>
<b>U.S. Equity Composite</b>			<b>24.60%</b>	<b>7.25%</b>	<b>13.45%</b>	<b>11.57%</b>	<b>2010-April</b>
<b>Russell 3000</b>			<b>25.96%</b>	<b>8.54%</b>	<b>15.16%</b>	<b>12.64%</b>	<b>2010-April</b>
Ariel Fund Class I	Smid-Cap Value	ARAIX	16.17%	N/A	N/A	0.86%	2022-Feb
Russell 2500 Value			15.98%	N/A	N/A	2.43%	2022-Feb
Fidelity 500 Index Institutional Class	Large Cap Core	FXAIX	26.29%	9.99%	15.68%	12.19%	2014-Aug
S&P 500			26.29%	10.00%	15.69%	12.17%	2014-Aug
Fidelity Contrafund	Large Cap Growth	FCNTX	39.33%	7.54%	16.46%	13.74%	2010-April
Russell 1000 Growth			42.68%	8.86%	19.50%	15.25%	2010-April
Fidelity Mid Cap Index Institutional	Mid Cap Core	FSMDX	17.21%	5.92%	12.68%	9.26%	2015-July
Russell MidCap			17.23%	5.92%	12.68%	9.26%	2015-July
Vanguard Small Cap Index Institutl	Small Cap Core	VSCIX	18.22%	4.67%	11.72%	10.93%	2010-April
CRSP US Small Cap TR USD			18.09%	4.61%	11.66%	11.05%	2010-April
<b>Non-U.S. Equity Composite</b>			<b>15.53%</b>	<b>4.40%</b>	<b>7.90%</b>	<b>5.44%</b>	<b>2010-April</b>
<b>MSCI EAFE</b>			<b>18.24%</b>	<b>4.02%</b>	<b>8.16%</b>	<b>5.38%</b>	<b>2010-April</b>
Fidelity International Index Institutl	Non-U.S. Large Cap Core	FSPSX	18.31%	4.18	8.34	4.88%	2017-Sept
MSCI ACWI ex USA			15.62%	1.55%	7.08%	4.13%	2017-Sept
Vanguard Global Min Volatility Admr	Global Tactical Balanced	VMNVX	7.97%	4.93%	6.36%	5.47%	2018-Nov
FTSE Global All Cap			7.74%	3.26%	6.48%	5.84%	2018-Nov
<b>Cash Composite</b>			<b>4.75%</b>	<b>1.99%</b>	<b>1.65%</b>	<b>1.09%</b>	<b>2014-May</b>
<b>91 Day T-Bills</b>			<b>5.02%</b>	<b>2.15%</b>	<b>1.79%</b>	<b>1.26%</b>	<b>2014-May</b>
FIMM Government Class I	Cash & Equivalents	FIGXX	5.01%	2.14	1.89	1.72%	2017-Mar
91 Day T-Bills			5.02%	2.15%	1.79%	1.72%	2017-Mar
Fidelity Government Money Market	Cash & Equivalents	SPAXX	4.72%	1.98%	1.57%	1.16%	2014-May
91 Day T-Bills			5.02%	2.15%	1.79%	1.26%	2014-May

**Policy Index:** 30.0% Russell 3000, 15.0% MSCI EAFE (Net), 45.0% Barclays US Aggregate, 10.0% MSCI ACWI Global Minimum Volatility Index

**Total Equity Benchmark:** 67% Russell 3000, 33% MSCI EAFE

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**TABLE 3**  
**TIME WEIGHTED RETURNS OF COMPOSITES**  
**Annualized Performance (Net of Fees as of December 31, 2023)**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Inception Return</b>	<b>Since</b>
<b>Total Fund Composite</b>	<b>16.26%</b>	<b>3.18%</b>	<b>8.53%</b>	<b>7.31%</b>	<b>2010-April</b>
<i>Policy Index</i>	15.48%	2.25%	7.21%	6.85%	2010-April
<b>Total Fixed Income Composite</b>	<b>7.17%</b>	<b>-3.35%</b>	<b>1.70%</b>	<b>2.92%</b>	<b>2010-April</b>
<i>Barclay's U.S. Aggregate Bond Index</i>	5.53%	-3.31%	1.10%	2.36%	2010-April
<b>Total Equity Composite</b>	<b>21.73%</b>	<b>6.41%</b>	<b>11.72%</b>	<b>9.77%</b>	<b>2010-April</b>
<i>Total Equity Benchmark</i>	23.56%	7.13%	12.89%	10.28%	2010-April
<b>U.S. Equity Composite</b>	<b>24.60%</b>	<b>7.25%</b>	<b>13.45%</b>	<b>11.57%</b>	<b>2010-April</b>
<i>Russell 3000 Index</i>	25.96%	8.54%	15.16%	12.64%	2010-April
<b>Non-U.S. Equity Composite</b>	<b>15.53%</b>	<b>4.40%</b>	<b>7.90%</b>	<b>5.44%</b>	<b>2010-April</b>
<i>MSCI EAFE Index</i>	18.24%	4.02%	8.16%	5.38%	2010-April
<b>Cash Composite</b>	<b>4.75%</b>	<b>1.99%</b>	<b>1.65%</b>	<b>1.09%</b>	<b>2014-May</b>
<i>91 Day T-Bills</i>	5.02%	2.15%	1.79%	1.26%	2014-May

**Policy Index:** 30% Russell 3000, 15% MSCI EAFE (Net), 45% Barclays US Aggregate, 10% MSCI ASCII Global Minimum Volatility Index

**Total Equity Benchmark:** 67% Russell 3000, 33% MSCI EAFE

**Metropolitan Water Reclamation District Retiree Health Care Trust  
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**INVESTMENT AUTHORITY AND RESPONSIBILITY**

As authorized under State Statute 70 ILCS 2605/9.6d, the Trust's investment function is managed by the District's Treasurer, with the District, acting through its Board of Commissioners, serving as Trustee and Fiduciary for the Trust. Per the Trust agreement, the Trustee has total discretion and authority with regard to the investment of the assets of the Trust to which it holds title. The Trustee is authorized and empowered to delegate to the District Treasurer and other individuals as deemed appropriate, the following powers, rights and duties, each of which shall be subject to the approval of the Trustee:

- (a) To purchase and cause stocks, bonds, exchange-traded funds, mutual funds, or other investments to be registered in its name as Trustee or in the name of a nominee, or to take and keep the same unregistered;
- (b) To employ such agents, advisors and legal counsel as it deems advisable or proper in connection with its duties and to pay such agents, advisors and legal counsel a reasonable fee. The Trustee shall not be liable for the acts of such agents, advisors and legal counsel for the acts done in good faith and in reliance upon the advice of such agents, advisors and legal counsel, provided it has used reasonable care in selecting such agents, advisors and legal counsel;
- (c) To exercise where applicable and appropriate, any rights of ownership in any contracts of insurance in which any part of the Trust may be invested and to pay the premiums thereon; and
- (d) To buy, sell, convey or transfer, invest and reinvest any part of each and every kind of investment listed above in Section (a).

**OUTLINE OF INVESTMENT POLICIES**

In accordance with state Statute 70 ILCS 2605/9.6d, "To the extent participants do not direct the investment of their own account, the assets of the OPEB Trusts shall be managed by the Treasurer of the District in any manner, subject only to the prudent investor standard and any requirements of applicable federal law. The limitations of any other statute affecting the investment of District funds shall not apply to the OPEB Trust. The Trustee shall adopt an investment policy consistent with the standards articulated in Section 2.5 of the Public Funds Investment Act." The Investment Policy for the Trust was initially approved by the District's Board of Commissioners on November 19, 2009 and was most recently revised on November 15, 2018.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
**A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago**

**INVESTMENT SECTION**

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**INVESTMENT OBJECTIVES**

The Trust, based on its overall purpose of supporting the long-term financial ability to fund retiree healthcare expenditures, is structured to provide competitive performance while minimizing the potential for losses. Accordingly, the Trust will have a balanced overall structure in accordance with the Trust's strategy. The Trust's investment policy allows for asset allocation targets that are structured to provide competitive performance while minimizing the potential for losses. The asset allocation targets for the Trust are as follows:

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

A blended benchmark has been designated for evaluation of the performance of the Trust's investment account. Appropriate individual benchmarks are used for evaluation of underlying investments based on their respective investment style categories. The blended benchmark for evaluation of the Trust account's performance is a mix of the Russell 3000 Index (30.0%), MSCI EAFE Index (15%), Barclay's U.S. Aggregate Bond Index (45.0%), and MSCI ACWI Global Minimum Volatility Index (10%).

**INVESTMENT ALLOCATION**

Investment by the Trust is undertaken through investment custodial accounts. Through December 31, 2023, the Trust's cumulative contributions of \$157.4 million along with accumulated distributions have been invested in accordance with the Trust's strategy. All investments are in mutual funds and money market funds.

As of December 31, 2023 and 2022, the Trust's asset allocations at fair value are as follows:

<b>Asset Class</b>	<b>Actual Asset Allocation 2023</b>	<b>Actual Asset Allocation 2022</b>	<b>Target Allocation 2023</b>
Domestic Equity	46%	43%	45%
International Equity	19%	20%	20%
Domestic Fixed Income	32%	34%	35%
Money Market Funds & Cash	3%	3%	<1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Per the Investment Policy, "The Trust may maintain cash reserves in money market securities. For temporary, defensive purposes, the Trust may invest without limitation in cash

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**INVESTMENT SECTION**

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reserves. A reserve position provides flexibility in meeting redemptions, expenses, and the timing of new investments, and serves as a short-term defense during periods of unusual volatility. In situations where the Trustee determines that the divestiture of an asset class is necessary to protect the valuation, safety, or liquidity of the portfolio, amounts may temporarily exceed the maximum asset mix limit.”

**INVESTMENT PERFORMANCE**

The Investment Advisor evaluates mutual fund performance and reports to the Executive Committee individual fund performance as well as overall performance. Investment returns are calculated based on a time-weighted rate of return based upon fair value and in compliance with industry-accepted reporting standards. Exchange-traded mutual funds report return net of investment fees.

The investment rate of return on invested assets for the year ended December 31, 2023, was 16.26%, compared to the Trust’s Policy Index return of 15.48%.

The investment rate of return on invested assets for the year ended December 31, 2022, was -16.46%, compared to the Trust’s Policy Index return of -15.60%.

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**INVESTMENT SECTION**

**INVESTMENT ASSETS**

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Fair Value</b>	<b>Percent</b>	<b>Fair Value</b>	<b>Percent</b>
<b>Domestic Equity Funds</b>				
Ariel Fund Class I	\$ 13,429,844	4.3%	\$ 12,252,718	4.6%
Fidelity 500 Index Fund	57,675,580	18.4%	44,471,039	16.9%
Fidelity Contrafund	26,397,862	8.4%	16,367,263	6.2%
Fidelity Mid Cap Index Fund	22,688,113	7.3%	19,162,952	7.3%
Vanguard Small Cap Index Institutional	22,783,738	7.3%	19,604,404	7.4%
<b>Total Domestic Equity Funds</b>	<b>142,975,137</b>	<b>45.7%</b>	<b>111,858,376</b>	<b>42.4%</b>
<b>International Equity Funds</b>				
Fidelity International Index Fund	45,372,618	14.5%	38,997,936	14.8%
Vanguard Global Minimum Volatility	14,959,037	4.8%	14,295,017	5.4%
<b>Total International Equity Funds</b>	<b>60,331,655</b>	<b>19.3%</b>	<b>53,292,953</b>	<b>20.2%</b>
<b>Domestic Fixed Income Funds</b>				
Dodge & Cox Income Fund	43,201,273	13.8%	40,248,714	15.2%
Payden Core Bond Fund	14,259,211	4.6%	12,910,923	4.9%
Western Asset Core Plus Bond Fund	42,976,583	13.8%	37,050,465	14.0%
<b>Total Domestic Fixed Income Funds</b>	<b>100,437,067</b>	<b>32.2%</b>	<b>90,210,102</b>	<b>34.1%</b>
<b>Money Market Funds</b>	<b>8,648,009</b>	<b>2.8%</b>	<b>8,677,073</b>	<b>3.3%</b>
<b>Total Investments at Fair Value</b>	<b>\$ 312,391,868</b>	<b>100.0%</b>	<b>\$ 264,038,504</b>	<b>100.0%</b>

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**INVESTMENT SECTION**

**INVESTMENT ANALYTICS**

**Schedule of Investment Returns**

	Year Ended 12/31/2023 (1)	Year Ended 12/31/2022 (2)	Three Years Ended 12/31/2023	Five Years Ended 12/31/2023
<b>Trust's Total Portfolio</b>	<b>16.26%</b>	<b>-16.46%</b>	<b>3.18%</b>	<b>8.53%</b>
<i>Trust's Policy Index</i>	15.48%	-15.60%	2.25%	7.21%
<i>(30% Russell 3000 Index; 15% MSCI EAFE Index; 45% Barclays U.S. Aggregate Bond Index; 10% MSCI ACWI Global Minimum Volatility Index)</i>				
<b>Trust's Equity Composite</b>	<b>21.73%</b>	<b>-17.69%</b>	<b>6.41%</b>	<b>11.72%</b>
<i>67% Russell 3000; 33% MSCI EAFE</i>	23.56%	-17.57%	7.13%	12.89%
<i>Domestic Equity Composite</i>	24.60%	-20.20%	7.25%	13.45%
<i>Russell 3000 Index</i>	25.96%	-19.21%	8.54%	15.16%
<i>International Equity Composite</i>	15.53%	-11.75%	4.40%	7.90%
<i>MSCI EAFE Index</i>	18.24%	-14.45%	4.02%	8.16%
<b>Trust's Fixed Income Composite</b>	<b>7.17%</b>	<b>-14.58%</b>	<b>-3.35%</b>	<b>1.70%</b>
<i>Barclay's U.S. Aggregate Bond Index</i>	5.53%	-13.01%	-3.31%	1.10%

(1) The increase in value of invested assets was 18.31% for the year ended December 31, 2023. The return on invested assets using the Modified Dietz approach was 16.26%. The disparity between the percentage return on investments and the increase in asset value reflects the impact and timing of the \$5,000,000 advance funding contribution made during the year.

(2) The decrease in value of invested assets was -15.13% for the year ended December 31, 2022. The return on invested assets using the Modified Dietz approach was -16.46%. The disparity between the percentage return on investments and the decrease in asset value reflects the impact and timing of the \$5,000,000 advance funding contribution made during the year.

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**INVESTMENT SECTION**

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**History of Investment Yields at Fair Value  
Years Ending December 31**

<b>Year</b>	<b>Invested Assets</b>	<b>Yield at Fair Value</b>	<b>Trust's Policy Index</b>
2023	\$ 312,391,868	16.26%	15.48%
2022	264,038,504	-16.46%	-15.60%
2021	311,103,144	13.09%	9.69%
2020	270,139,190	13.81%	11.76%
2019	232,445,765	20.48%	18.55%
2018	188,236,277	-5.87%	-4.02%
2017	195,140,843	15.06%	11.53%
2016	164,772,053	6.90%	5.69%
2015	149,237,550	-1.39%	0.47%
2014	146,317,546	4.87%	6.34%

**Summary Schedule of Investment Fees  
Years Ending December 31**

	<b>2023</b>	<b>2022</b>
Investment Consulting Fees	\$ 68,000	\$ 59,333

Note: The Fund did not incur any investment trade fees in 2023 and 2022

**ACTUARIAL SECTION**

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**ACTUARIAL SECTION**

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**ACTUARIAL CERTIFICATION LETTER**



April 19, 2024

To the Members of the Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago  
Trustee and Fiduciary for the MWRD Retiree Health Care Trust  
100 East Erie Street  
Chicago, IL 60611-2829

The Metropolitan Water Reclamation District of Greater Chicago ("MWRD") retained Foster & Foster Consulting Actuaries Inc. to provide all necessary schedules required to comply with the Governmental Accounting Standards Board No. 74 ("GASB 74") and No. 75 ("GASB 75") for the Retiree Health Care Benefit Plan ("the Plan"). The GASB 74 and 75 results are applicable for MWRD's fiscal years ending December 31, 2023 and December 31, 2024, respectively. The schedules related to GASB 74 can be found in the Notes to the Basic Financial Statements and Required Supplementary Information.

Actuarial calculations under GASB 74 and 75 are for purposes of fulfilling MWRD's financial accounting requirements. The calculations contained herein have been made on a basis consistent with our understanding of GASB 74 and 75.

The valuation (including selection of assumptions and methods for funding purposes) has been conducted in accordance with all applicable federal laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 6 for Measuring Retiree Group Benefit Obligations, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, and No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations. GASB 74 and 75 requires that each significant assumption reflect the client's best estimate of the Plan's future experience solely with respect to that assumption. In our opinion, the assumptions and methods used in this valuation, as adopted by the District, represent reasonable expectations of anticipated plan experience under GASB 74 and 75.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

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**ACTUARIAL SECTION**

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In conducting the valuation, we have relied on personnel and plan design information supplied by the District personnel, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. Because of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The total OPEB liability is determined by an actuarial valuation of benefits every two years. In interim years, disclosures may be developed based on results of the most recent actuarial valuation. The total OPEB liability and certain sensitivity information shown in this report are based on the most recent actuarial valuation performed as of December 31, 2023. The next actuarial valuation will be conducted as of December 31, 2025. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB 74 and 75, as well as the guidance set by Actuarial Standards of Practice as issued by the Actuarial Standards Board.

This report shows detailed summaries of the financial results of the valuation and membership data used in preparing this valuation. The actuaries prepared supporting schedules that are to be included in the Actuarial and Statistical Sections of the MWRD Annual Comprehensive Financial Report. The actuary prepared the trend data schedules to be included in the Financial Sections of the MWRD Retiree Health Care Trust Annual Comprehensive Financial Report. The schedules include:

- OPEB Expense and Net OPEB Liability
- Supplements to Notes to the Financial Statements:
  - Schedule of Changes in the Net OPEB Liability
  - Schedule of Net OPEB Liability Sensitivities
- Schedule of Deferred Inflows of Resources and Deferred Outflows of Resources Related to OPEB
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Schedule of Contributions
- Schedule of Components of OPEB Expense and Related Amortization Schedules
- Reconciliation of Changes in Unfunded Liability
- Summary of Membership Data
- Schedule of Active Member Valuation Data

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may

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**ACTUARIAL SECTION**

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lead to significant changes in actuarial measurements. Due to the limited scope of this report an analysis of the potential range of such future measurements has not been performed.

This report was prepared for the internal use of Metropolitan Water Reclamation District in connection with our actuarial valuation of the Plan for the purpose noted above and not for reliance by any other person. Foster & Foster Consulting Actuaries, Inc. disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

This report does not purport to comply with any other purposes not stated herein. Significantly different results from what is presented in this report may be needed for other purposes.

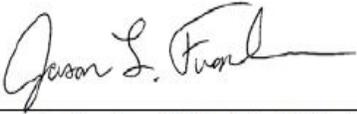
This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law.

Foster & Foster does not provide legal, investment or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice or the interpretations of the District or its affiliated legal, investing or accounting partners.

The undersigned actuaries are familiar with the immediate and long-term aspects of OPEB valuations, are members of the Society of Actuaries and the American Academy of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" related to postretirement medical and life insurance plans. All the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

Respectfully submitted,  
Foster & Foster, Inc

By:   
Jason L. Franken, FSA, EA, MAAA

By:   
Colleen M. Atchison, FSA, MAAA

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**INTRODUCTION**

The Plan is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the District's plan.

Biennially, the Trust's actuary will prepare a valuation of the liabilities and reserves of the Trust in order to make a determination of the amount of contributions required from the District. These results are then communicated to the District's Board of Commissioners (BOC). The District, acting through its BOC, has the duty of determining the employer contribution amount it intends to pay to the Trust the following fiscal year.

The information included in this report is mainly based on the actuarial valuation performed as of December 31, 2023. An actuarial valuation is required to be performed biennially for the Trust. For the years in which a valuation is not performed, the total OPEB liability is required to be based on updated calculation procedures to roll-forward amounts from the most recent actuarial valuation for fiscal year-ends when an actuarial valuation is not performed. The next actuarial valuation date is December 31, 2025.

The BOC has discretionary authority to determine contribution amounts to be paid into the OPEB Trust Fund. In 2007 the District adopted an initial OPEB advance funding policy meant to (i) improve the District's financial position by reducing the amount of future employer contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. The funding policy was amended on October 2, 2014 to change the target funding level from 50% to 100%; remaining advance funding period from 50 years to 12 years; and, advance funding amount of \$5 million to be contributed in each of the twelve years 2015 through 2026. No further advance funding contributions are expected after 2026. Beginning in 2027, cash is expected to be withdrawn from the Trust to fund claims and insurance premiums will be actuarially determined with a target funding level to be maintained at 100 percent for all future years. Through December 31, 2023, \$157.4 million has been contributed by the District to the OPEB Trust Fund. There is currently no legal requirement for the District to partially or fully fund the Trust and any funding is on a voluntary basis.

Although voluntary in nature, the District intends to accumulate resources sufficient to ease the burden of administering the District's postemployment health care plan. For fiscal year 2023 the District funded an excess of \$7,841,055 of the Trust's Actuarial Determined Contribution amount of \$5,682,928.

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**ACTUARIAL SECTION**

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**SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND DATA**

The Trust was established in 2007 and the first actuarial valuation was performed as of January 1, 2007. The actuarial assumptions were recommended by the actuary and have been adopted by the Executive Committee of the OPEB Trust.

The District's BOC is solely responsible for establishing and maintaining a funding policy. The actuary's qualitative assessment of the funding policy provides an opinion that it adequately complies with guidelines set forth in Actuarial Standards of Practice (ASOP) No. 6 "*Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarial Determined Contributions*". The District's funding policy appears sufficient to ensure funds for all future benefit obligations, given the following:

- The realization of future actuarial assumptions on which projections are based; and
- The District continues to make timely contributions to the Trust as described under the funding policy.

The actuarial cost method used for this valuation and for funding purposes is the Entry Age Normal (Level Percent of Pay) method. This is the same method used for financial reporting purposes (mandated under GASB 74/75). This method was selected for funding purposes to align with the method used for accounting purposes. Given that the the District is under no obligation to fund the Trust, consistency between funding and accounting allows for clear and concise communication of results. Assumptions used for funding purposes are the same as those used for financial reporting purposes.

Under the Entry Age Normal cost method, the actuarial present value of the projected benefits 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.

Each year the unfunded actuarial accrued liability is expected to be equal to the sum of the unfunded actuarial accrued liability and normal cost from the prior year, plus interest, less the accumulated value of employer contributions made. The extent to which this expected value differs from the actual value of the unfunded actuarial accrued liability reflects the actuarial experience for the plan year. If the expected value exceeds the actual value, an actuarial gain has occurred. Conversely, if the actual value exceeds the expected value then an actuarial loss has occurred. The unfunded actuarial accrued liability is further modified only for changes in plan provisions, actuarial assumptions or methods. Actuarial gains or losses or changes in the unfunded actuarial liability due to changes in plan provisions, actuarial assumptions or methods are amortized over time. Actuarial gains (losses) will decrease (increase) future costs.

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**ACTUARIAL SECTION**

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Dates of adoption: The initial cost method and all other actuarial assumptions were adopted January 1, 2007. Effective December 31, 2015, the actuarial cost method was changed from the Projected Unit Credit method to the Entry Age Normal method to better reflect anticipated experience. The Mortality Rate is determined using the "PubG-2010 Public Retirement Plans Mortality Tables", adopted December 31, 2023.

The following outlines the changes since the prior valuation:

- The census data reflects changes in status for the twenty-four-month period since December 31, 2021.
- The annual per capita claims costs have been updated. The premium rates have also been updated to use the rates effective for fiscal year 2024.
- Mortality, retirement, termination, and salary scale rates have been updated to align with those proposed in the experience study conducted in 2023.
- Trend rates have been reset to use an initial rate of 8.5% in fiscal year 2024, grading down to 4.0% in fiscal year 2075, in accordance with the Getzen model developed based on recent health care costs studies. Medicare Advantage (MAPD) costs are expected to increase at 3.5% per year.
- The percent of the population assumed to elect PPO coverage (as opposed to HMO coverage) in retirement was lowered from 76% to 65% based on the actual retiree enrollment as of the valuation date.

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Below are the most significant actuarial assumptions:

Valuation date	December 31, 2023
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 Years
Asset valuation method	Fair Value
Discount Rate	6.5%
Inflation Rate	2.8%
Health Care Cost Trend Rate	Initial rate of 8.5% for fiscal years 2024 and 2025, grading down to the ultimate trend rate of 4.0% in fiscal year 2075
Annual Payroll Growth Rate	3.0%
Disability	None assumed
Age of Spouse <sup>^</sup>	Males spouses assumed to be 3 years older than female spouses. <sup>^</sup> as defined in the Plan
Coverage at	80% of future eligible service retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. It is assumed that 93% of members will enroll in Medicare if eligible and hired prior to April 1, 1986.

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**ACTUARIAL SECTION**

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Summary of Participant Information

All employees of the District, with at least 10 years of service, are eligible to receive post-retirement medical benefits. The participant data detailed in the following table and used in the actuarial valuations includes all employees that are eligible or may become eligible to receive post-retirement benefits and currently elect medical coverage.

The following table is based on eligibility for post-retirement medical benefits:

	<b>Total*</b>
Active participants	
Eligible for post-retirement benefits	446
Not yet eligible for post-retirement benefits	1,313
Total	<u>1,759</u>
Retirees, Survivors, and Dependents	
Retirees and Survivors^	1,913
Dependent Spouses^	876
Total	<u>2,789</u>
Total participants	<u><u>4,548</u></u>
Active participant characteristics	
Average age of actives	49.6
Average age at employment	37.4
Average past service	12.2
Average age of inactive participants	73.6

\*participant data determined as of December 31, 2023

^as defined in the Plan

Retirees who meet the age and service requirements are eligible for medical and and prescription drug benefits in accordance with the Plan. Employees must have at least ten years of actual service with the District, and coverage does not commence until the member begins receiving payments from the District's Retirement Fund. District Commissioners must have at least six years of service as a Commissioner of the District. Eligibility age is based on the employee's hire date as follows: age 80 for those hired before June 13, 1997, and age 55 for those hired between June 13, 1997 and January 1, 2011, and age 63 for those hired after January 1, 2011.

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**ACTUARIAL SECTION**

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Retiree Annual Contributions

The following annual retiree contribution rates are effective July 1, 2023 through June 30, 2024:

	HMO Plans		PPO Plans	
	<u>Without Medicare</u>	<u>With Medicare</u>	<u>Without Medicare</u>	<u>With Medicare</u>
<b>All Retirees</b>				
Benefit Recipient:				
Pre-65	\$ 6,308	\$ 6,308	\$ 8,467	\$ 8,467
Post-65	6,308	870	8,467	870
Dependent Spouses^:				
Pre-65	5,501	5,501	8,467	8,467
Post-65	5,501	870	8,467	870

^as defined in the Plan

Withdrawal Rates

Employees are assumed to terminate based on age, entry age, and gender. The following tables summarize these rates:

<u>Service</u>	<u>Male Rate</u>	<u>Female Rate</u>
0	6.00%	8.00%
1	4.00%	7.00%
2	2.50%	6.00%
3	2.25%	4.70%
4	2.00%	3.40%
5	1.90%	3.00%
6	1.80%	2.90%
7	1.75%	2.80%
8	1.65%	2.70%
9	1.60%	2.60%
10	1.55%	2.50%
11	1.45%	2.40%
12	1.35%	2.30%
13	1.25%	2.20%
14	1.10%	2.10%
15	1.05%	2.00%
16-23	1.00%	2.00%
24+	0.50%	2.00%

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**ACTUARIAL SECTION**

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Retirement Rates

Employees are assumed to retire according to the following illustrative schedule:

<u>Age</u>	<u>Retirement Rate</u>
50-56	10%
57-59	11%
60	16%
61	13%
62	17%
63-64	10%
65-67	20%
68-69	25%
70-71	20%
72	33%
73	20%
74	40%
75+	100%

Annual Per Capita Claims

The claims tables for the 2023 valuation have been developed by calculating the weighted average of the 2023 premium rates based on the current enrollment data. These weighed average rates are subsequently expanded to an age-based table using the actuary's proprietary cost curve. The following table summarizes the assumed per capita claims (medical and prescription drugs) at illustrative ages.

<u>Age</u>	<u>HMO Plans</u>				<u>PPO Plans</u>			
	<u>With Medicare</u>		<u>Without Medicare</u>		<u>With Medicare</u>		<u>Without Medicare</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40-44	\$ 5,996	\$ 9,326	\$ 5,996	\$ 9,326	\$ 8,291	\$ 12,490	\$ 8,291	\$ 12,490
45-49	7,615	10,243	7,615	10,243	10,468	13,756	10,468	13,756
50-54	10,012	12,050	10,012	12,050	13,785	16,128	13,785	16,128
55-59	13,284	13,930	13,284	13,930	17,925	18,670	17,925	18,670
60-64	17,405	16,581	17,405	16,581	22,990	22,128	22,990	22,128
65-69	—	—	22,521	20,491	—	—	28,934	27,322
70-74	—	—	28,637	25,482	—	—	35,385	33,923
75+	—	—	32,864	29,154	—	—	39,472	38,775

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**ACTUARIAL SECTION**

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Annual Medical Trend Assumptions

Trend rates are used to project current medical claim costs into the future. The derived medical trend rates illustrated below reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. It reflects an initial rate of 8.50% in fiscal years 2024 and 2025, grading down to the ultimate trend rate of 4.00% in fiscal year 2075.

<u>Year</u>	<u>Trend</u>
2024	8.50%
2025	8.50%
2026	7.90%
2027	7.35%
2028	6.75%
2029	6.20%
2030	5.60%
2031-2052	5.25%
2053-2060	5.00%
2061-2067	4.75%
2068-2071	4.50%
2072-2074	4.25%
2075 and later	4.00%

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**ACTUARIAL SECTION**

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**ANALYSIS OF FUNDING AND FINANCIAL EXPERIENCE**

Reconciliation of the Change in Unfunded Net OPEB Liability

(in thousands)

Unfunded Net OPEB Liability as of December 31, 2021	<u>\$ 26,484</u>
Expected Unfunded Net OPEB Liability as of December 31, 2023	<u>\$ 83,959</u>
1. Changes in Census Data	(47,130)
2. Change in Mortality	(205)
3. Change in Retirement, Termination and Salary Increase Rates	5,897
4. Changes in Health Care Costs and Premiums	(20,898)
5. Change in Health Care Cost Trend Rates	16,665
6. Change in Percent Assumed to Elect PPO Coverage	(722)
7. Investment Return Greater than Expected	<u>(25,868)</u>
Net Decrease in Unfunded Net OPEB Liability	<u>(72,261)</u>
Unfunded Net OPEB Liability as of December 31, 2023	<u>\$ 11,698</u>

1. The census data reflects changes in the census information for the twenty-four (24) month period since December 31, 2023.
2. Mortality rates were updated in conjunction with an experience study conducted in 2023.
3. Retirement, termination and salary scale increase rates were updated in conjunction with an experience study conducted in 2023.
4. Medicare premiums were lower than expected. Premiums were updated to those in effect for the 2024 calendar year.
5. Health care cost trend rates are based on the the Getzen model. Costs are initially expected to increase at a rate of 8.5% in fiscal year 2024. The expected increase is lowered each year until an ultimate rate of 4.0% is reached in fiscal year 2075. Medicare premiums are assumed to increase by 3.5% annually.
6. Based on current enrollment, 65% of retirees are assumed to elect PPO coverage. Previously, 76% were assumed to elect PPO coverage.

Note: Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was as of December 31, 2023.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**ACTUARIAL SECTION**

**FUNDING PROGRESS - SOLVENCY TEST** *(in thousands of dollars)*

Actuarial Valuation Date	Actuarial Accrued Liability				Fair Value of Assets
	Member Contributions	Terminated, Retirees, and Beneficiaries	Active Members	Total	
12/31/2023	\$ —	\$ 279,618	\$ 44,621	\$ 324,239	\$ 312,541
12/31/2022	—	302,525	49,904	352,429	264,148
12/31/2021	—	294,447	43,200	337,647	311,163
12/31/2020	—	250,926	67,192	318,118	270,205
12/31/2019	—	246,494	58,229	304,723	232,515
12/31/2018	—	243,477	78,026	321,503	188,317
12/31/2017	—	240,800	67,947	308,747	195,200
12/31/2015	—	222,647	63,999	286,646	149,329
12/31/2013	—	155,675	104,689	260,364	120,883
12/31/2011	—	242,409	152,267	394,676	54,996

Actuarial Valuation Date	Portion of Accrued Liability Covered by Fair Value of Assets		
	Member Contributions	Terminated, Retirees, and Beneficiaries	Active Members
12/31/2023	100%	100%	74%
12/31/2022	100%	87%	—%
12/31/2021	100%	100%	39%
12/31/2020	100%	100%	29%
12/31/2019	100%	94%	—%
12/31/2018	100%	77%	—%
12/31/2017	100%	81%	—%
12/31/2015	100%	67%	—%
12/31/2013	100%	78%	—%
12/31/2011	100%	23%	—%

The Actuarial Assumptions were determined as part of the actuarial valuation at December 31, 2023. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2025. Beginning in 2018, for the years in which an actuarial valuation is not completed, a roll-forward valuation is completed from the latest actuarial valuation to compute the updated Net OPEB liability. The Actuarial Accrued Liabilities as of December 31, 2022, 2020 and 2018 were based on roll-forward valuations.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**ACTUARIAL SECTION**

**FUNDING PROGRESS - SOLVENCY TEST - Continued (in thousands of dollars)**

Actuarial Valuation Date	Ten Year Funding Schedule					
	Actuarial Accrued Liability	Fair Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Status	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2023	\$ 324,239	\$ 312,541	\$ 11,698	96.4%	\$ 194,145	6.0%
12/31/2022	352,429	264,148	88,281	75.0%	189,209	46.7%
12/31/2021	337,647	311,163	26,484	92.2%	180,199	14.7%
12/31/2020	318,118	270,205	47,913	84.9%	191,262	25.1%
12/31/2019	304,723	232,515	72,208	76.3%	182,154	39.6%
12/31/2018	321,503	188,317	133,186	58.6%	192,662	69.1%
12/31/2017	308,747	195,200	113,547	63.2%	184,807	61.4%
12/31/2016	298,858	164,844	134,014	55.2%	183,120	73.2%
12/31/2015	286,646	149,329	137,317	52.1%	176,757	77.7%
12/31/2014	269,970	146,375	123,595	54.2%	169,909	72.7%

**SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

Actuarial Valuation Date	12/31/2023	12/31/2021	12/31/2019	12/31/2017	12/31/2015
Members in Service	1,759	1,727	1,817	1,835	1,836
% Change	1.9 %	(5.0)%	(1.0)%	(0.1)%	(2.1)%
Covered Payroll	\$ 194,145,252	\$ 180,199,404	\$ 182,154,122	\$ 184,807,353	\$ 176,756,776
% Change	7.7 %	(1.1)%	(1.4)%	4.6 %	7.8 %
Average Salary	\$ 110,373	\$ 104,342	\$ 100,250	\$ 100,712	\$ 96,273
% Change	5.8 %	4.1 %	(0.5)%	4.6 %	10.1 %
Payroll Growth Assumption	3.0 %	3.0 %	3.0 %	3.6 %	3.6 %

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**

Actuarial Valuation Date	<b>12/31/2023</b>	<b>12/31/2021</b>	<b>12/31/2019</b>	<b>12/31/2017</b>	<b>12/31/2015</b>
Beginning of Year Balance	1,990	2,015	1,984	2,003	1,964
Number Added to Rolls	129	180	177	172	217
Benefit Cost	\$ 563,085	\$ 874,080	\$ 1,115,631	\$ 1,164,268	\$ 1,442,616
Number Removed from Rolls	166	205	146	191	178
Benefit Cost	\$ 724,590	\$ 995,480	\$ 920,238	\$ 1,292,879	\$ 1,183,344
End of Year Balance	1,953	1,990	2,015	1,984	2,003
Health Care Annual Benefit	\$ 8,523,983	\$ 9,663,890	\$ 12,700,092	\$ 13,430,657	\$ 13,316,713
Average Annual Benefit	\$ 4,365	\$ 4,856	\$ 6,303	\$ 6,769	\$ 6,648
Increase (Decrease) in Average Benefit	(10.1)%	(23.0)%	(6.9)%	1.8 %	(5.6)%

**STATISTICAL SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**STATISTICAL SECTION**

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**DESCRIPTION OF THE STATISTICAL SCHEDULES**

This part of the Trust’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and the required supplementary information indicate about the Trust’s overall financial health.

Demographics Information

Schedules contain participant information to assist the readers of the financial statements in understanding the demographics of the Plan participants.

Financial Trends

These schedules contain trend information to assist the readers in understanding how the Trust’s financial position, investment performance, revenues, and expenses have changed over time.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant years.

**MEMBERSHIP STATISTICS**

All employees of the District are eligible to receive post employment health care benefits. The same benefit is available to all participants. The participant data detailed in the following table includes all employees that are eligible or may become eligible to receive benefits and currently elect medical coverage.

**Active Members**

Actuarial Valuation Date	Eligible	Not Yet Eligible	Retirees and Beneficiaries	Total	% Active to Retirees
12/31/2023	446	1,353	1,913	3,712	94%
12/31/2021	458	1,269	1,959	3,686	88%
12/31/2019	543	1,274	1,978	3,795	92%
12/31/2017	590	1,245	1,943	3,778	94%
12/31/2015	555	1,281	1,962	3,798	94%

**Retirees and Beneficiaries**

Actuarial Valuation Date	Employee	Surviving Spouse	Child	Total
12/31/2023	1,512	401	0	1,913
12/31/2021	1,552	407	0	1,959
12/31/2019	1,544	434	0	1,978
12/31/2017	1,505	438	0	1,943
12/31/2015	1,504	458	0	1,962

Note: An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2025.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**STATISTICAL SECTION**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**Last Ten Years**

	<b>Year Ended 2023</b>	<b>Year Ended 2022</b>	<b>Year Ended 2021</b>	<b>Year Ended 2020</b>	<b>Year Ended 2019</b>
<b>Additions:</b>					
Contributions by Employer	\$ 13,523,983	\$ 15,719,095	\$ 14,663,890	\$ 16,229,934	\$ 17,700,092
Total Contributions	13,523,983	15,719,095	14,663,890	16,229,934	17,700,092
Net Appreciation (Depreciation) in Fair Value of Investments	35,853,840	(57,718,065)	30,605,436	28,350,751	33,868,070
Interest and Dividends	7,651,714	5,807,557	5,448,884	4,436,339	5,438,225
Total Investment Return (Loss)	43,505,554	(51,910,508)	36,054,320	32,787,090	39,306,295
Less Investment Expenses	(68,000)	(59,333)	(55,000)	(55,000)	(55,000)
Net Investment Income (Loss)	43,437,554	(51,969,841)	35,999,320	32,732,090	39,251,295
Total Additions	56,961,537	(36,250,746)	50,663,210	48,962,024	56,951,387
<b>Deductions:</b>					
Retiree Health Care Benefits	8,523,983	10,719,095	9,663,890	11,229,934	12,700,092
Administrative Expenses	44,659	44,904	41,639	41,295	53,880
Total Deductions	8,568,642	10,763,999	9,705,529	11,271,229	12,753,972
Net Increase (Decrease)	48,392,895	(47,014,745)	40,957,681	37,690,795	44,197,415
<b>Net Position Restricted for OPEB</b>					
January 1	264,148,401	311,163,146	270,205,465	232,514,670	188,317,255
December 31	\$ 312,541,296	\$ 264,148,401	\$ 311,163,146	\$ 270,205,465	\$ 232,514,670

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**STATISTICAL SECTION**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION (Continued)**

**Last Ten Years**

	Year Ended 2018	Year Ended 2017	Year Ended 2016	Year Ended 2015	Year Ended 2014
Additions:					
Contributions by Employer	\$ 17,570,679	\$ 18,430,657	\$ 19,916,860	\$ 18,316,713	\$ 33,716,523
Total Contributions	<u>17,570,679</u>	<u>18,430,657</u>	<u>19,916,860</u>	<u>18,316,713</u>	<u>33,716,523</u>
Net Appreciation (Depreciation) in Fair Value of Investments	(16,588,686)	21,208,737	6,576,376	(5,301,623)	2,266,999
Interest and Dividends	4,803,341	4,225,263	4,013,404	3,333,594	3,306,458
Total Investment Return (Loss)	<u>(11,785,345)</u>	<u>25,434,000</u>	<u>10,589,780</u>	<u>(1,968,029)</u>	<u>5,573,457</u>
Less Investment Expenses	(55,000)	(41,750)	(42,000)	(42,000)	(42,015)
Net Investment Income (Loss)	<u>(11,840,345)</u>	<u>25,392,250</u>	<u>10,547,780</u>	<u>(2,010,029)</u>	<u>5,531,442</u>
Total Additions	<u>5,730,334</u>	<u>43,822,907</u>	<u>30,464,640</u>	<u>16,306,684</u>	<u>39,247,965</u>
Deductions:					
Retiree Health Care Benefits	12,570,679	13,430,657	14,916,860	13,316,713	13,716,524
Administrative Expenses	42,200	36,900	32,254	35,674	40,249
Total Deductions	<u>12,612,879</u>	<u>13,467,557</u>	<u>14,949,114</u>	<u>13,352,387</u>	<u>13,756,773</u>
Net Increase	(6,882,545)	30,355,350	15,515,526	2,954,297	25,491,192
Net Position Restricted for OPEB					
January 1	195,199,800	164,844,450	149,328,924	146,374,627	120,883,435
December 31	<u>\$ 188,317,255</u>	<u>\$ 195,199,800</u>	<u>\$ 164,844,450</u>	<u>\$ 149,328,924</u>	<u>\$ 146,374,627</u>

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**STATISTICAL SECTION**

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**SCHEDULE OF REVENUES BY SOURCE**

<b>Year Ended</b>	<b>Employer Contributions</b>	<b>Net Investment Income (Loss)</b>	<b>Total Additions</b>
2023	\$ 13,523,983	\$ 43,437,554	\$ 56,961,537
2022	15,719,095	(51,969,841)	(36,250,746)
2021	14,663,890	35,999,320	50,663,210
2020	16,229,934	32,732,090	48,962,024
2019	17,700,092	39,251,295	56,951,387
2018	17,570,679	(11,840,345)	5,730,334
2017	18,430,657	25,392,250	43,822,907
2016	19,916,860	10,547,780	30,464,640
2015	18,316,713	(2,010,029)	16,306,684
2014	33,716,523	5,531,442	39,247,965

**SCHEDULE OF RETURN ON INVESTMENTS**

<b>Year Ended</b>	<b>Year-End Investment Balance</b>	<b>Annual Rate of Return</b>
2023	\$ 312,391,868	16.26 %
2022	264,038,504	(16.46)%
2021	311,103,144	13.09 %
2020	270,139,190	13.81 %
2019	232,445,765	20.48 %
2018	188,236,277	(5.87)%
2017	195,140,843	15.06 %
2016	164,772,053	6.90 %
2015	149,237,550	(1.39)%
2014	146,317,546	4.87 %

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**STATISTICAL SECTION**

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Year Ended</b>	<b>Benefit Payments (1)</b>	<b>Contribution to Trust</b>	<b>Total</b>
2023	\$ 8,523,983	\$ 5,000,000	\$ 13,523,983
2022	10,719,095	5,000,000	15,719,095
2021	9,663,890	5,000,000	14,663,890
2020	11,229,934	5,000,000	16,229,934
2019	12,700,092	5,000,000	17,700,092
2018	12,570,679	5,000,000	17,570,679
2017	13,430,657	5,000,000	18,430,657
2016	14,916,860	5,000,000	19,916,860
2015	13,316,713	5,000,000	18,316,713
2014	13,716,524	20,000,000	33,716,524

(1) Net benefit payments are paid directly by the District. Amounts are not paid through the Trust. The Plan pays a single benefit level and type: post-retirement medical and prescription drug coverage. No dental, life, disability, or child coverage is provided by the Plan.

**HISTORY OF BENEFIT PAYMENTS**

<b>Year Ended</b>	<b>Number of Retirees &amp; Beneficiaries</b>	<b>Retiree Benefit Payments</b>	<b>Average Annual Benefit</b>	<b>Average Monthly Benefit</b>
2023	1,913	\$ 8,523,983	\$ 4,456	\$ 371
2022	1,959	10,719,095	5,472	456
2021	1,959	9,663,890	4,933	411
2020	1,978	11,229,934	5,677	473
2019	1,978	12,700,092	6,421	535
2018	1,943	12,570,679	6,470	539
2017	1,943	13,430,657	6,912	576
2016	1,962	14,916,860	7,603	634
2015	1,962	13,316,713	6,787	566
2014	1,964	13,716,524	6,984	582

Final average salaries of retirees are excluded from this schedule because rates of earnings are not used to calculate retiree health care benefits.

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**STATISTICAL SECTION**

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**SCHEDULE OF EXPENSES BY TYPE**

<b>Year Ended</b>	<b>Investment Consulting Fees</b>	<b>External Audit Fees</b>	<b>Legal Fees</b>	<b>Fiduciary Insurance</b>	<b>Custodian Transaction Fees</b>	<b>Total Expenses</b>
2023	\$ 68,000	\$ 36,720	\$ —	\$ 7,939	\$ —	\$ 112,659
2022	59,333	34,860	—	10,044	—	104,237
2021	55,000	33,100	—	8,539	—	96,639
2020	55,000	33,200	—	8,095	—	96,295
2019	55,000	32,200	15,000	6,680	—	108,880
2018	55,000	35,500	—	6,700	—	97,200
2017	42,750	30,600	—	6,300	—	79,650
2016	42,000	26,000	—	6,254	—	74,254
2015	42,000	29,600	—	6,074	—	77,674
2014	42,000	28,300	—	11,949	15	82,264