

**Metropolitan Water Reclamation District of Greater Chicago
Deferred Compensation Plan**

INVESTMENT POLICY (Rev. 06/04/15)

GENERAL POLICY STATEMENT

The Deferred Compensation Plan and Trust (Plan) is a long-term retirement savings program intended as a source of supplemental retirement income for eligible participants. The investment options available under the Plan will cover a broad range of investments appropriate for this kind of savings program. The Deferred Compensation Committee (Committee) will recommend to the Board of Commissioners the investment options made available under the plan.

As a voluntary, participant-directed Plan, the participants bear the ongoing responsibility for deciding the amount of current compensation to defer and the selection of investment allocation and options for these contributions. Participants bear the risk and rewards of investment returns that result from the investment options which they select.

The mix of investment options appropriate for a participant depend on a combination of factors including, among others, age, current income, length of time to retirement, tolerance for investment risk, income replacement objectives, and a participant's other assets. To permit participants to establish different investment strategies, the Plan may offer a variety of investment categories, which have varying return and volatility characteristics. Current investment categories and options are summarized in Appendix A. It is the responsibility of each participant to evaluate the investment options determined by the Committee and to select an appropriate mix.

Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus or "fact sheet."
- Have its performance results measured against applicable performance standards described herein for that investment category.
- Support a "best in class" investment strategy in each investment asset category.

DESCRIPTION OF CURRENT INVESTMENT OPTION CATEGORIES

Stability of Principle/Stable Value Option

Objective

The objective of this investment category is to preserve principal and provide a stable, competitive rate of return. A fund in this category may invest in fixed income instruments, including those of the US Government and its agencies, corporations, mortgage- and asset-backed securities, collateralized, emerging market, high yield, preferred stock securities. Emerging market and high yield securities shall represent a small percentage of total assets, in line with the objective to preserve capital. The Stable Value Option may combine an independently managed stable value fund and GIC's owned directly by the Plan.

Performance Standards (Net of Fees)

- To provide a competitive rate of interest consistent with the marketplace of similar products.
- Provide necessary disclosure of underlying portfolio holdings, performance and fees to ensure proper risk assessment, performance and fee evaluation.

The benchmark for this option is the Hueler Analytics Stable Value Pooled Fund Index.

Fixed Income

Objective

The objective is to invest in bonds, including those issued by the US and foreign governments, corporate securities (primarily investment grade), as well as mortgage- and asset-backed securities.

Performance Standards (Net of Fees)

- Actively managed accounts should exceed the return of the Barclays Capital Aggregate Bond Index and the median return of the fixed income fund universe over a market cycle, or generally a period of 3 to 5 years.
- Index funds should track the performance of the stated index.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the Barclays Capital Aggregate Bond Index and the fixed income fund universe, as appropriate.

Balanced

Objective

The objective of this investment category is to invest in stocks, bonds and cash to provide capital appreciation and income with less volatility than an all-stock fund. Investment returns are expected to be derived from a combination of capital appreciation and dividend and interest income.

Performance Standards (Net of Fees)

- Actively managed accounts should exceed the return of the S&P 500 Index and the Barclays Capital Aggregate Bond Index, allocated the same as the option selected; and the median of the balanced fund universe over a market cycle, or generally a period of 3 to 5 years.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the composite index and the balanced fund universe, as appropriate.

U.S. Equity

Objective

The objective of this investment category is to invest in common stock of primarily US companies of varying capitalizations.

Performance Standards (Net of Fees)

- Actively managed funds shall exceed the return of the stated index and median return of the appropriate equity fund universe over a market cycle, or generally a period of 3 to 5 years.
- Index funds should track the performance of the stated index.
- Risk, as measure by the standard deviation of quarterly returns, shall be consistent with the stated index and the appropriate equity fund universe.

International Equity

Objective

The objective of this investment category is to invest primarily in the common stock of companies located outside the United States.

Performance Standards (Net of Fee)

- Actively managed funds shall exceed the return of the MSCI EAFE Index (net of dividends) and the median return of the international equity fund universe over a market cycle, or generally a period of 3 to 5 years.
- Index funds should track the performance of the stated index.
- Risk, as measure by the standard deviation of quarterly returns, shall be consistent with that of the MSCI EAFE Index (net) and the international equity fund universe.

Lifecycle Retirement Funds

Objective

The objective of this investment category is to invest in equity, fixed income and/or money market instruments using asset allocations targeting investment time horizons. Investment returns are expected to be derived from current income and/or capital appreciation, based on the target allocation of the particular retirement date fund. The funds will become more conservative over time based on the glide path set forth by the manager. Conservative series funds are weighted in favor of fixed income securities to provide a less risky investment option to participants in or nearing retirement. Moderate periods balance between fixed income and equity securities to provide potential for higher returns, while seeking to limit the volatility of overall fund performance. Longer time periods are weighted in favor of equities to provide potential for high returns, but through increased risk, to participants with long investment horizons or with a high tolerance for risk.

Performance Standards (Net of Fees)

- To exceed the return of a composite index over a market cycle, or generally a period of 3 to 5 years.
- The composite indices for all funds will consistently change allocation by gradually shifting its allocation towards money market and fixed income instruments as the fund matures.
- Risk, as measured by the standard deviation of quarterly returns, shall be consistent with that of the composite index.
- The composite index for each fund will be established by the fund manager to reflect the asset location of the portfolio.

Self-Directed Brokerage Account Option

The self-directed brokerage account is offered to Plan participants as a supplemental investment option to the core investment offerings of the Plan. The self-directed brokerage account is intended for Plan participants who are interested in a wider array of investment options and are willing to accept the additional risks associated with those options.

The Deferred Compensation Committee has no responsibility for selecting, monitoring or evaluating the investment options available through the self-directed brokerage services. Participants will have sole discretion regarding the investment options they select in the brokerage window.

The Plan's service providers are responsible for providing participants with enrollment and educational materials for them to decide if a self-directed brokerage account is a suitable investment. The service providers are to provide all necessary materials in connection with participant inquiries regarding the establishment of the brokerage account rules and restrictions.

Under the self-directed brokerage account, the Plan participant will be responsible for the on-going research, trading and risk management responsibilities associated with their specific investment choices.

Available Investment Alternatives

Both load and no-load funds are available within this option.

Unavailable Investment Alternatives

The following investment alternatives are not available through the self-directed brokerage account: Currencies, Limited Partnerships, Tax-Exempt Securities, Futures, Options, Precious Metals, Commodities, Margin Borrowing/Trades, Core Deferred Compensation Plan's Investment Options, Collectibles or Physical Assets, Individual Stocks and Bonds.

INVESTMENT SELECTION - MUTUAL FUNDS AND STABLE VALUE FUND

I. Professional Assistance

The Committee shall retain the assistance of qualified investment professionals in the selection of all investment funds to be offered under the Plan. The investment advisors shall have no vested interest in the selection of any particular option or fund manager. The investment advisor shall be compensated by the District on a fee basis and shall receive no fees, commissions, or supplementary compensation from any investment product provider.

II. Selection of Mutual Funds

The selection of investment funds to be offered under the Plan will consider several factors. These factors include, but are not limited to, the following:

1. Performance data, net of fees and charges;
2. Performance relative to historical statistics (e.g., standard deviation, downside risk, Sharpe ratio, alpha);
3. Performance comparison relative to peer group and market benchmark;
4. Manager's adherence to stated investment style;
5. Expenses; and
6. Fiduciary performance of fund managers and their organizations.

The Plan will have the ability to request mutual funds to reimburse the Plan, through the record keeper, a fee (e.g. 12b-1) for performing administrative services.

III. Selection of Stable Value Fund Provider

The selection of a stable value fund offered under the Plan will consider several factors. These factors include, but are not limited to, the following:

1. Performance data, including net yield;
2. Portfolio characteristics, including maturity profile and credit quality profile;
3. Assets under management, and
4. Overall impact on Plan administrative costs.

PERIODIC INVESTMENT FUND EVALUATIONS

POLICY:

The Committee, in its discretion, may conduct informal review and evaluation of an investment fund at any time..

The Committee may place a fund under formal fund review, terminate a fund, or "freeze" a fund to new contributions for any of the following reasons:

1. The fund has not met the performance standards under the Plan for the fund's investment category;
2. The fund has changed investment manager, or such change appears imminent;
3. The fund has had a significant change in ownership or control;
4. The fund has changed investment focus or has experienced style drift, departing from the investment objectives or parameters in its prospectus or "fact sheet";
5. The fund has violated a SEC rule or regulation;

6. Change of sub advisors;
7. Substantive change in portfolio turnover; and/or
8. Operational difficulties resulting in material client servicing problems.

DISCLOSURE OF FEES, COMMISSIONS AND CHARGES

POLICY:

All fees, commissions and charges for each selected investment option must be fully disclosed to the Committee before the option can be made available to Plan participants. That is, in its review of a fund's performance history, the Committee must be shown all applicable fees, commissions and charges, and the resulting net return.

In addition, these fees, commissions and charges will be disclosed to all participants at enrollment and at any other time as appropriate.

INVESTMENT COMMUNICATIONS TO PARTICIPANTS

POLICY:

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Plan shall provide at least quarterly statements of fund performance to each participant.

Copies of investment prospectuses or similar equivalent information will be provided to participants as well as such other information as the Committee, or the Plan's deferred compensation service provider, has available.

RESPONSIBILITIES OF THE PARTICIPANTS

POLICY:

The participants of the Plan are responsible for making all investment decisions relating to their accounts. Information will be made available so participants may better understand their investment choices. It will be the participants' responsibility to examine this information and to seek out additional information if necessary.

INVESTMENT EDUCATION

POLICY:

It is the Committee's objective to provide employees with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a

personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

In order for participants to effectively exercise control over their accounts, the Committee shall ensure that qualified individuals are available to provide participants with investment information appropriate for this purpose. It is expected that employee communications and education will be provided through the Plan's deferred compensation service provider. The Committee may make additional information available if deemed appropriate.

FUND GOVERNANCE

Each investment option offered under the Plan shall:

- Maintain asset management fees that are reasonable and consistent with the industry;
- Operate in full accordance with its current published prospectus or "fact sheet"; and
- Have its performance results measured against the applicable performance standards described herein for that investment category.

If the committee determines an investment option no longer meets the performance standards, it may recommend to the Board of Commissioners replacement of that option with a suitable alternative pursuant to the investment fund evaluation procedure outlined herein.

From time-to-time, the Committee, in its discretion, may recommend to the Board of Commissioners the addition of investment options/categories to the current core options. At such time, the Statement of Investment Policy will be modified to include these additions.

REVIEW

POLICY:

It is the intention of the Committee to review this document at least every three years and make necessary or appropriate amendments. The Committee encourages investment providers and Plan participants to make recommendations to the Committee regarding appropriate changes to this policy.

Revised and adopted this _____ day of _____, 2015.

Metropolitan Water Reclamation District of Greater Chicago
Deferred Compensation Committee

Frank Avila
Chairman of the Committee on Finance

Mary Ann Boyle
Treasurer

Denice E. Korcal
Director of Human Resources