



Metropolitan Water Reclamation District of Greater Chicago

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Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF FEBRUARY 2, 2017

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. David St. Pierre, Executive Director

Annual Report for the Deferred Compensation Plan and Trust for 2016

Dear Sir:

The District has sponsored a voluntary deferred compensation plan for employees since 1977. The Board of Commissioners adopted the Deferred Compensation Plan and Trust (Plan) effective September 1, 1998. The Plan document has been revised and restated several times since 1998 with the most recent revision adopted June 4, 2015. As stated in the Plan document, the Plan was established and shall be maintained for the exclusive benefit of participants and their beneficiaries.

The District, through its Board of Commissioners, serves as Trustee and fiduciary for the Plan. The Board of Commissioners has established a Deferred Compensation Committee (Committee) in accordance with the Plan document. The Committee consists of the Chairman of the Committee on Finance, Commissioner Frank Avila; the Treasurer, Mary Ann Boyle; and the Director of Human Resources, Beverly K. Sanders. The Committee is the primary fiduciary of the Plan, with authority to interpret and oversee the administration of the Plan. This responsibility includes the recommendation of a plan administrator and investment advisor for the Plan and on-going oversight of these providers to ensure the Plan is administered in accordance with the Plan document and the Investment Policy.

Recordkeeping and administrative services for the District plan are currently provided by Prudential Retirement Insurance and Annuity Company. The District also contracts with Segal Rogerscasey to provide deferred compensation investment consulting services as required by the Investment Policy.

The Plan document requires that the Committee shall submit an annual report to the Board of Commissioners to provide an assessment of the financial health of the Plan. The Plan balance as of December 31, 2016 was

\$226,207,562.29. This represents a net increase of \$12,529,935.39 from December 31, 2015. The Plan had a net outflow (contribution versus distributions) of \$2,685,833.12 for the year. Plan fees were \$9,183.00, down from \$12,235.90 in 2015. These fees continue to trend down under the new administrative services contract negotiated in 2014. Participants earned total investment returns of \$15,224,951.51 or 7.13% in 2016. This compares favorably to the broader market which saw U.S. equities post a 12.74% return and U.S. fixed income markets post a 2.65% return for the year. The table below shows a comparison of total assets over the prior three-year period:

	December 31, 2014	December 31, 2015	December 31, 2016
Mutual Funds	\$144,885,417.60	\$141,734,785.30	\$153,785,175.58
Stable Value Funds	\$71,139,166.15	\$69,882,868.96	\$70,439,076.57
Self-directed Accts	\$2,256,344.21	\$2,059,972.44	\$1,983,310.14
Total Assets	\$218,280,927.96	\$213,677,626.70	\$226,207,562.29

There were 1,961 participants, including active employees and retirees enrolled in the Plan as of December 31, 2016 compared to 1,958 at the close of 2015. As of December 31, 2016, the average account balance was \$115,320.27 up from \$109,130.56 as of December 31, 2015.

As provided in the Trust document, the annual report includes as an attachment, Exhibit 1: (a) a balance sheet of the Plan as of December 31, 2016; and (b) a statement of investments including changes in assets available for distribution in 2016.

The Deferred Compensation Committee is pleased to submit this report to the Board of Commissioners.

Respectfully Submitted, Frank Avila, Chairman Deferred Compensation Committee; Mary Ann Boyle, Treasurer; Beverly K. Sanders, Director of Human Resources

Attachments