

**Metropolitan Water Reclamation District of Greater Chicago
Deferred Compensation Plan
and
Metropolitan Water Reclamation District of Greater Chicago
401(a) Plan**

INVESTMENT POLICY (Rev. 106/014/215)

I. 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 contained in the Plan's regular meeting materials. 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.

II. DESCRIPTION OF CURRENT INVESTMENT OPTION CATEGORIES

Performance and Risk Expectations

Over time, each active investment option's overall annualized total return net of fees should perform above their benchmark and at or above the median of portfolios of similar style and passive options should track their respective index. Risk, as measured by the standard deviation of quarterly returns, shall be consistent with the stated index and the appropriate fund universe. The Committee will continually monitor and review funds against this expectation.

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. -Stable value funds should

~~Performance Standards (Net of Fees)~~

~~To~~ provide a competitive rate of interest consistent with the marketplace of similar products and -

~~p~~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 FundsTarget-Date Retirement Portfolios

Objective

Target-Date Retirement Portfolios are structured options comprised of underlying funds from different asset classes and style groups. They are designed to meet specific risk/return profiles associated with the various stages of the investor lifecycle. Target-Date Retirement Portfolios satisfy the participant need for a well-diversified, professionally managed and easy to understand investment option. As the target retirement date approaches, the asset allocations will be dynamically modified to provide return and risk expectations commensurate with the applicable stage of the lifecycle. The benchmark to be used for each portfolio is a weighted average of indexes based on the allocation targets. All asset allocation changes to the portfolios will be incorporated in the benchmarks.

~~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.~~

Evaluation will include an understanding of the Target-Date Retirement Portfolio glidepath, including when the glidepath will reach its most conservative asset allocation and whether that will occur at or after applicable target dates. Evaluation will also include understanding the fund's investments - the allocation in different asset classes. sub-asset classes, and underlying funds and how these change over time.

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—intended to give sophisticated, experienced and knowledgeable investors access to additional to Plan participants as a supplemental investment options 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 Plan, Deferred Compensation Committee, Investment Management Consultant and the recordkeeper ~~has have~~ no expressed or implied responsibility for selecting, monitoring or evaluating the investment options available through ~~the~~ any self-directed brokerage services offered to participants. 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.~~

III. INVESTMENT SELECTION - MUTUAL FUNDS AND STABLE VALUE FUND

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~~Plan on a fee basis and shall receive no fees, commissions, or supplementary compensation from any investment product provider.

Selection of ~~Mutual-Fund Managers and Options~~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~~Portfolio characteristics (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.

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.

IV. 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.~~

V. RESPONSIBILITIES

The Committee/Board is responsible for the prudent administration of this IPS with specific responsibilities that include design of the Plan investment options; establishing investment policy objectives and guidelines; prudent selection of funds to be offered; and ongoing monitoring. The Committee/Board may contract with a consultant to assist in these responsibilities.

A. Delegation of Authority by the Committee/Board

The Committee/Board is a fiduciary and is responsible for providing the investment framework and for monitoring the investment management of the Plan. As such, the Committee/Board is authorized to delegate certain responsibilities to professional experts in various fields. These may include, but shall not be limited to:

1. Funds and Fund Managers. Each fund manager will have discretion to purchase, sell, or hold specific securities or products that will be used to meet the investment objectives. The Committee/Board, with the assistance of the Investment Management Consultant, will monitor and review each fund's achievement of the objectives for which it was selected.
2. Investment Management Consultant. This consultant may assist the Committee/Board in establishing investment policy, objectives, and guidelines; selecting funds and fund managers; reviewing such funds and fund managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Investment Management Consultant is required to be a co-fiduciary.
3. Recordkeeper / Third Party Administrator (TPA). A recordkeeper will track individual participant balances and process participant contributions, disbursements and transfers. The recordkeeper will reconcile participant balances with trust account balances to maintain alignment. The recordkeeper will also perform testing and produce management reports that ensure the Plan's compliance with applicable laws and regulations. These services may be bundled with those of the custodian bank.
4. Custodian Bank. A custodian bank will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular

accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Plan's accounts. These services may be bundled with those of the recordkeeper/third-party administrator.

5. Additional specialists. Additional specialists such as attorneys, auditors, actuaries and others may be employed by the Committee/Board to assist in meeting its responsibilities and obligations to administer the Plan assets prudently.

Such experts may also be deemed to be fiduciaries; they must acknowledge such in writing either by contract or prospectus. All expenses for such experts must be customary and reasonable, and may be borne by the Plan as deemed appropriate and necessary.

B. Responsibility of Participants

The Plan grants to each participant the right and responsibility to choose how his/her account is to be allocated among the investment options. Each participant is responsible to seek education and training to be prepared to select a combination of investment options based on the participant's unique time horizon, risk tolerance, return expectation and asset class preferences.

C. Conflicts of Interest

All Committee/Board members and the Investment Management Consultant will refrain from personal business activity that could create an appearance of impropriety, that could conflict with the proper execution and management of the retirement plan program, or that could impair their ability to make impartial Plan decisions.

D. Investment Communications to Participants~~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.~~

~~E. INVESTMENT EDUCATION~~ 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.

~~F. FUND GOVERNANCE~~ 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.

VI. PLAN FEES AND GUIDELINES

A. Monitoring Costs

The Committee will review the service contracts and costs associated with the Plan on an ongoing basis to the extent the Committee has been delegated authority to do so from the Plan sponsor. Areas to be reviewed include:

- Fund Managers
- Investment Management Consultant
- Custodian Bank
- Recordkeeper / Third Party Administrator

B. Plan Fees Overview

It is the Committee intention to ensure that any fees paid from Plan assets are reasonable.

VII. 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 _____,
20152025.

Metropolitan Water Reclamation District of Greater Chicago
Deferred Compensation Committee

~~Frank Avila~~Marcelino Garcia
Chairman of the Committee on Finance

~~Mary Ann Boyle~~Steven Lux
Treasurer

~~Denise E. Koral~~Thaddeus J. Kosowski
Director of Human Resources