

METROPOLITAN WATER RECLAMATION  
DISTRICT OF GREATER CHICAGO  
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

PRELIMINARY GASB 75 DISCLOSURE INFORMATION FOR THE  
FISCAL YEAR ENDING DECEMBER 31, 2020

GASB 74/GASB 75 DISCLOSURE INFORMATION FOR THE  
FISCAL YEAR ENDING DECEMBER 31, 2019



April 1, 2020

To the Members of the Board of Commissioners  
of the Metropolitan Water Reclamation District of Greater Chicago  
100 East Erie Street  
Chicago, IL 60611

Re: Metropolitan Water Reclamation District – FYE December 31, 2019 GASB 74 Disclosures  
and Preliminary FYE December 31, 2020 GASB 75 Disclosures.

Dear Members of the Board:

Metropolitan Water Reclamation District of 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, 2019 and December 31, 2020, respectively. The schedules related to GASB 74 can be found in Appendix 1. The Crossover Test supporting the single discount rate calculation can be found in Appendix 2.

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 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.

The total OPEB liability and certain sensitivity information shown in this report are based on an actuarial valuation performed as of December 31, 2019. 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.

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. 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.

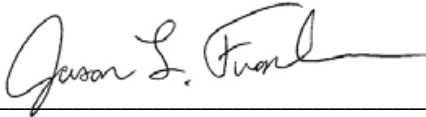
The undersigned actuaries are familiar with the immediate and long-term aspects of OPEB valuations, are members of the Society of Actuaries and the American Academy of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" related to 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.

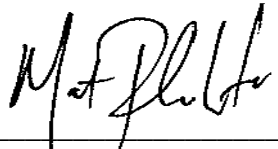
If there are any questions, concerns, or comments about any of the items contained in this report, please contact either Jason or Colleen at 630 620-0200.

Respectfully submitted,

Foster & Foster, Inc.

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

By:   
Colleen M. Atchison, FSA

By:   
Matt Plachta, ASA, MAAA

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## SECTION 1 – Executive Summary

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### SECTION 1 – EXECUTIVE SUMMARY

The results presented in this report have been prepared in accordance with the Government Accounting Standards Board Statement 75 (GASB 75) for the Metropolitan Water Reclamation District's Other Postemployment Benefits (OPEB) Program, based on the actuarial valuation performed as of December 31, 2019. For purposes of this valuation, Medical and Prescription Drug Insurance OPEBs were taken into consideration.

The results of this valuation are based on a Measurement Date of December 31, 2019 and are applicable to the fiscal year ending December 31, 2020. The following table shows the key components of the District's OPEB valuation for fiscal year 2020 under GASB 75.

Total OPEB Liability as of the Measurement Date	\$	304,722,806
Plan Fiduciary Net Position as of the Measurement Date		232,514,670
District's Net OPEB Liability as of the Measurement Date	\$	<u>72,208,136</u>
OPEB Expense for the Fiscal Year ending December 31, 2020	\$	6,355,931
Covered Payroll	\$	182,154,122
District's Net OPEB Liability as a percentage of Covered Payroll		39.64%

Census Information as of December 31, 2019:

Active Participants	1,817
Retirees, Beneficiaries, and Disabled Members	1,978
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	37
Covered Spouses	926
Total Participants	<u>4,758</u>

## SECTION 1 – Executive Summary

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### *District Funding Policy:*

There is currently no legal requirement for the District to partially or fully fund the OPEB Plan. It is our understanding that the Board of Commissioners adopted an advance funding policy (last amended October 2, 2014) with a goal of fully funding the Plan over a period of 12 years. The funding amount is currently targeted at \$5 million in addition to the Actuarially Determined Contribution in each of the ten years 2017 through 2026, with no further advance funding contributions required after 2026. The Trust is expected to begin paying retiree claims and premiums beginning in 2027, with a goal of maintaining a funded level of 100% for all future years.

### *Changes since the Prior Valuation*

- The census data reflects changes in status for the twenty-four-month (24) period since December 31, 2017.
- The annual per capita claims costs have been updated. The premium rates have also been updated to use the rates effective for fiscal year 2020.
- Salary Increase rates have been updated to match rates developed in the 2018 Experience Study of the Metropolitan Water Reclamation District Retirement Fund.
- Retirement, withdrawal and mortality rates have been updated to rates recommended in the 2018 Experience Study of the Metropolitan Water Reclamation District Retirement Fund.
- Trend rates have been reset to use an initial rate of 8.00% in fiscal year 2020, grading down to 4.50% in fiscal year 2025.

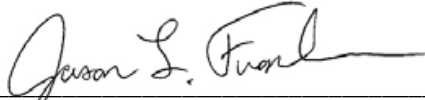
## SECTION 1 – Executive Summary

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The balance of this report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees to discuss the report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
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Jason L. Franken, FSA, MAAA

By:   
\_\_\_\_\_  
Colleen M. Atchison, FSA

## SECTION 2 – Notes to Financial Statements

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### SECTION 2 – NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended December 31, 2020)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

##### *Postemployment Benefits Other Than Pensions (OPEB):*

For purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Health Care Plan (Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### GENERAL INFORMATION ABOUT THE OPEB PLAN

##### *Plan Description:*

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit 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 retirement eligibility requirements under the District's retirement plan to continue health coverage as a participant in the District's plan.

*Employees Covered by Benefit Terms. At December 31, 2019, the following employees were covered by the benefit terms:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,544
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	434
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	37
Active Plan Members	1,817
	<u>3,832</u>

##### *Benefits Provided:*

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All full-time employees of the District are eligible to receive postemployment benefits. Coverage for retirees and their eligible spouse is provided for life. Coverage for dependent children is provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.



## SECTION 2 – Notes to Financial Statements

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### *Eligibility for Insurance Coverage:*

Employees must have at least ten years of service with the District, and coverage does not commence until the member starts receiving payments from the District's Retirement Fund. Eligibility is based on the employee's hire date as follows: age 50 for those hired on or before June 13, 1997, age 55 for those hired between June 13, 1997 and January 1, 2011 and age 63 for those hired on or after January 1, 2011.

### *Health Care Insurance:*

Retirees who meet the age and service requirements above are eligible for medical and prescription drug benefits payable for life.

### *Contributions:*

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. Spouses and dependents of eligible retirees are also eligible for medical and prescription drug coverage. All full-time employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses is provided. Coverage for dependent children is also provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.

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 retiree contribution rates are set based on prior year claims incurred and become effective January 1st each year. The retiree contribution rate utilized is based on the contribution rate policy established by the Board of Commissioners. This policy calls for a 2.5% increase in the contribution rate on January 1st of each year until the contribution rate reaches 50.0%, projected to be in 2021. The contribution rate for 2020 will be 47.5%.

In future years, contributions are assumed to increase at the same rate as premiums.

## SECTION 2 – Notes to Financial Statements

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### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of December 31, 2019.

<u>Asset Class</u>	<u>Target Allocation</u>
BarCap Int Aggregate	20.0%
Core Plus	15.0%
US Large-Cap Core	10.0%
US Large-Cap Value	7.5%
US Large-Cap Growth	7.5%
US Mid-Cap Core	10.0%
US Small-Cap Core	10.0%
Global Low Volatility	5.0%
Non-US Large-Cap Core	15.0%
Total	<u>100%</u>

### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Fund's Fiduciary Net Position.

### *Rate of Return:*

For the year ended December 31, 2019 the annual money-weighted rate of return on investments, net of investment expense, was 20.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### *Receivables:*

If the OPEB plan reported receivables from long-term contracts with the District for contributions, the OPEB plan should disclose information required by paragraph 34c of this Statement.

### *Allocated Insurance Contracts:*

If the OPEB plan had allocated insurance contracts that are excluded from OPEB plan assets, the OPEB plan should disclose information required by paragraph 34d of this Statement.

## SECTION 2 – Notes to Financial Statements

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### SECTION 2 – NOTES TO FINANCIAL STATEMENTS (For the Year Ended December 31, 2020)

#### NET OPEB LIABILITY

The measurement date is December 31, 2019.

The measurement period for the OPEB expense is January 1, 2019 to December 31, 2019.

The reporting period is January 1, 2020 through December 31, 2020.

The District's Net OPEB Liability was measured as of December 31, 2019.

#### *Actuarial Assumptions:*

The Net OPEB Liability was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	6.50%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.50%
Years to Ultimate	6
Investment Rate of Return	6.50%

For all employees, mortality rates were based on the RP-2000 combined health mortality tables with fully generational mortality improvements using scale AA, with rates for female members increased by a factor of 1.04.

## SECTION 2 – Notes to Financial Statements

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### *The Long-Term Expected Rate of Return:*

The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
BarCap Int Aggregate	20.0%	3.10%
Core Plus	15.0%	4.00%
US Large-Cap Core	10.0%	7.40%
US Large-Cap Value	7.5%	7.50%
US Large-Cap Growth	7.5%	7.40%
US Mid-Cap Core	10.0%	7.80%
US Small-Cap Core	10.0%	8.10%
Global Low Volatility	5.0%	6.90%
Non-US Large-Cap Core	15.0%	7.20%
Total	<u>100%</u>	

The Long-Term Expected Rate of Return calculated using the method described above exceeds 6.50% (assuming 2.50% inflation).

### *Discount Rate:*

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and District contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.50%. It is our understanding that 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 that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments, and the single equivalent rate was 6.50%.

## SECTION 2 – Notes to Financial Statements

### CHANGE IN NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending December 31, 2019	\$ 321,502,904	\$ 188,317,255	\$ 133,185,649
Changes for the Year:			
Service Cost	5,540,295	-	5,540,295
Interest	20,851,553	-	20,851,553
Differences Between Expected and Actual Experience	6,818,596	-	6,818,596
Changes of Assumptions	(37,290,450)	-	(37,290,450)
Changes of Benefit Terms	-	-	-
Contributions - Employer Trust	-	5,000,000	(5,000,000)
Contributions - Pay-As-You-Go	-	12,700,092	(12,700,092)
Net Investment Income	-	39,251,295	(39,251,295)
Explicit Gross Benefit Payments	(12,700,092)	(12,700,092)	-
Administrative Expense	-	(53,880)	53,880
Net Changes	(16,780,098)	44,197,415	(60,977,513)
Reporting Period Ending December 31, 2020	\$ 304,722,806	\$ 232,514,670	\$ 72,208,136

*Differences between expected and actual experience.* Reflects the impact of changes to the census data from the prior valuation to the valuation as of December 31, 2017.

*Changes of Assumptions.* Reflected under changes of assumptions are updated health care costs and premiums, reset health care cost trend rates, as well as updated salary scale increase rates and retirement, termination and mortality rates.

#### *Sensitivity of the Net OPEB Liability to changes in the Discount Rate:*

The following presents the Net OPEB Liability of the District, 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 or one percentage-point higher than the current discount rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
	5.50%	6.50%	7.50%
Net OPEB Liability (asset)	\$ 112,710,016	\$ 72,208,136	\$ 38,752,015

## SECTION 2 – Notes to Financial Statements

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*Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:*

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.50% - 7.00%	4.50% - 8.00%	5.50% - 9.00%
Net OPEB Liability (asset)	\$ 34,930,217	\$ 72,208,136	\$ 117,400,858

*OPEB Plan Fiduciary Net Position:*

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

## SECTION 3 – GASB 75 Disclosure Schedules

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### SECTION 3 – GASB 75 DISCLOSURE SCHEDULES

#### **FINAL OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

(For the Year Ended December 31, 2019)

For the year ended December 31, 2019, the District will recognize OPEB Expense of \$14,554,090.

On December 31, 2019, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	11,041,933	-
Employer Contributions Made Subsequent to the Measurement Date	17,700,092	-
Total	<u>\$ 28,742,025</u>	<u>\$ -</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended December 31:

2020	\$ 2,034,680
2021	\$ 2,034,680
2022	\$ 2,034,680
2023	\$ 4,937,893
2024	\$ -
Thereafter	\$ -

#### **Notes to Schedule:**

Employer Contributions Made Subsequent to the Measurement Date are actual employer contributions for this fiscal year ending December 31, 2019.

## SECTION 3 – GASB 75 Disclosure Schedules

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### PRELIMINARY OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

(For the Year Ended December 31, 2020)

For the year ended December 31, 2020, the District will recognize OPEB Expense of \$6,355,931.

On December 31, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 5,844,510	\$ -
Changes of Assumptions	-	31,963,242
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	12,472,687
Employer Contributions Made Subsequent to the Measurement Date	TBD	-
Total	TBD	\$ 44,435,929

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended December 31:

2021	\$ (7,688,427)
2022	\$ (7,688,427)
2023	\$ (4,785,214)
2024	\$ (9,723,107)
2025	\$ (4,353,122)
Thereafter	\$ (4,353,122)



## SECTION 3 – GASB 75 Disclosure Schedules

### SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS Last 10 Fiscal Years

Reporting Period Ending	12/31/2020	12/31/2019	12/31/2018
Measurement Date	12/31/2019	12/31/2018	12/31/2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 5,540,295	\$ 5,314,432	\$ 5,097,776
Interest	20,851,553	20,011,894	19,260,038
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	6,818,596	-	-
Changes of assumptions	(37,290,450)	-	-
Benefit Payments	(12,700,092)	(12,570,679)	(13,430,657)
Net Change in Total OPEB Liability	(16,780,098)	12,755,647	10,927,157
Total OPEB Liability - Beginning	321,502,904	308,747,257	297,820,100
Total OPEB Liability - Ending (a)	<u>\$ 304,722,806</u>	<u>\$ 321,502,904</u>	<u>\$ 308,747,257</u>
<b>Plan Fiduciary Net Position</b>			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	12,700,092	12,570,679	13,430,657
Net Investment Income	39,251,295	(11,840,345)	25,392,250
Benefit Payments	(12,700,092)	(12,570,679)	(13,430,657)
Administrative Expense	(53,880)	(42,200)	(36,900)
Net Change in Plan Fiduciary Net Position	44,197,415	(6,882,545)	30,355,350
Plan Fiduciary Net Position - Beginning	188,317,255	195,199,800	164,844,450
Plan Fiduciary Net Position - Ending (b)	<u>\$ 232,514,670</u>	<u>\$ 188,317,255</u>	<u>\$ 195,199,800</u>
<b>District's Net OPEB Liability - Ending (a) - (b)</b>	<u>\$ 72,208,136</u>	<u>\$ 133,185,649</u>	<u>\$ 113,547,457</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	76.30%	58.57%	63.22%
Covered Payroll	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353
District's Net OPEB Liability as a percentage of Covered Payroll	39.64%	69.13%	61.44%

## SECTION 3 – GASB 75 Disclosure Schedules

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### **Notes to Schedule:**

*Differences between expected and actual experience.* Reflects the impact of changes to the census data from the prior valuation to the valuation as of December 31, 2017.

*Changes of Assumptions.* Reflected under changes of assumptions are updated health care costs and premiums, reset health care cost trend rates, as well as updated salary scale increase rates and retirement, termination and mortality rates.

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

## SECTION 3 – GASB 75 Disclosure Schedules

### SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Actuarially Determined Contribution	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937	27,263,684	27,263,684	39,847,021
Contributions in relation to the Actuarially Determined Contributions	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831	35,426,215	18,020,374	15,516,965
Contribution Deficiency (Excess)	<u>\$ (8,114,218)</u>	<u>\$ (6,063,856)</u>	<u>\$ (6,923,834)</u>	<u>\$ (7,444,967)</u>	<u>\$ (5,844,820)</u>	<u>\$ (20,504,586)</u>	<u>\$ (20,622,894)</u>	<u>\$ (8,162,531)</u>	<u>\$ 9,243,310</u>	<u>\$ 24,330,056</u>
Covered Payroll	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092	\$ 158,995,000	\$ 162,853,163	\$ 172,273,000
Contributions as a percentage of Covered Payroll	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%	22.28%	11.07%	9.01%

#### Notes to Schedule:

For the fiscal year ending December 31, 2019, the Contributions in relation to the Actuarially Determined Contributions is final and was provided by the District.

Actuarially Determined Contribution rates shown above are calculated as of December 31 for the plan/fiscal year in which contributions are reported.

Contributions in relation to the Actuarially Determined Contributions include Pay-As-You-Go Benefit amounts plus an additional cash contribution to the trust.

Methods and assumptions used to determine contribution rates are the same as those found in Section 7 of this report.

## SECTION 4 – Expense Development and Amortization Schedules

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### SECTION 4 – EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

**The following information is not required to be disclosed under GASB 75 but is provided for informational purposes.**

## SECTION 4 – Expense Development and Amortization Schedules

### FINAL COMPONENTS OF OPEB EXPENSE

(For the Year Ended December 31, 2019)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$113,547,457	\$ 11,612,848	\$ 17,570,679	\$ -
Employer Contributions made after December 31, 2018	-	-	17,700,092	-
Total OPEB Liability Factors:				
Service Cost	5,314,432	-	-	5,314,432
Interest	20,011,894	-	-	20,011,894
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	-	-	-	-
Current Year Amortization of Experience Difference	-	-	-	-
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	-	-	-	-
Current Year Amortization of Change in Assumptions	-	-	-	-
Benefit Payments	(12,570,679)	-	-	-
Net change	<u>\$ 12,755,647</u>	<u>\$ -</u>	<u>\$ 17,700,092</u>	<u>\$ 25,326,326</u>
Plan Fiduciary Net Position:				
Contributions - Employer Trust	5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	12,570,679	-	(12,570,679)	-
Projected Net Investment Income	12,849,116	-	-	(12,849,116)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	(24,689,461)	-	24,689,461	-
Current Year Amortization	-	(2,903,212)	(4,937,892)	2,034,680
Benefit Payments	(12,570,679)	-	-	-
Administrative Expenses	(42,200)	-	-	42,200
Net change	<u>(6,882,545)</u>	<u>(2,903,212)</u>	<u>2,180,890</u>	<u>(10,772,236)</u>
Ending Balance	<u>\$133,185,649</u>	<u>\$ 8,709,636</u>	<u>\$ 37,451,661</u>	<u>\$ 14,554,090</u>

## SECTION 4 – Expense Development and Amortization Schedules

### PRELIMINARY COMPONENTS OF OPEB EXPENSE

(For the Year Ended December 31, 2020)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$ 133,185,649	\$ 8,709,636	\$ 37,451,661	\$ -
Employer Contributions made after December 31, 2019	-	-	TBD	-
Total OPEB Liability Factors:				
Service Cost	5,540,295	-	-	5,540,295
Interest	20,851,553	-	-	20,851,553
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	6,818,596	-	6,818,596	-
Current Year Amortization of Experience Difference	-	-	(974,086)	974,086
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	(37,290,450)	37,290,450	-	-
Current Year Amortization of Change in Assumptions	-	(5,327,208)	-	(5,327,208)
Benefit Payments	(12,700,092)	-	-	-
Net change	\$ (16,780,098)	\$ 31,963,242	\$ 5,844,510	\$ 22,038,726
Plan Fiduciary Net Position:				
Contributions - Employer Trust	5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	12,700,092	-	(12,700,092)	-
Projected Net Investment Income	12,401,370	-	-	(12,401,370)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	26,849,925	26,849,925	-	-
Current Year Amortization	-	(8,273,197)	(4,937,892)	(3,335,305)
Benefit Payments	(12,700,092)	-	-	-
Administrative Expenses	(53,880)	-	-	53,880
Net change	44,197,415	18,576,728	(22,637,984)	(15,682,795)
Ending Balance	\$ 72,208,136	\$ 59,249,606	TBD	\$ 6,355,931

#### Notes to Schedule:

Employer Contributions made after December 31, 2019 but made on or before December 31, 2020 need to be added.

## SECTION 4 – Expense Development and Amortization Schedules

### AMORTIZATION SCHEDULE – DUE TO RECOGNITION OF THE EFFECTS OF ASSUMPTION CHANGES

Increase (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Assumptions

Measurement Year	Assumption Changes	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-
2019	(37,290,450)	7	(5,327,208)	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	-	-
Net Increase (Decrease) in OPEB Expense			\$ (5,327,208)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ -	\$ -

## SECTION 4 – Expense Development and Amortization Schedules

### AMORTIZATION SCHEDULE – DUE TO DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE

Increase (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Measurement Year	Differences Between Expected and Actual Experience	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-	-
2019	6,818,596	7	974,086	974,085	974,085	974,085	974,085	974,085	974,085	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 974,086	\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ -	\$ -	\$ -



## SECTION 4 – Expense Development and Amortization Schedules

### AMORTIZATION SCHEDULE – DUE TO DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON OPEB PLAN INVESTMENTS

Increase (Decrease) in OPEB Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on OPEB Plan Investments

Measurement Year	Differences Between Projected and Actual Earnings on OPEB Plan Investments	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2017	\$ (14,516,060)	5	\$ (2,903,212)	\$ (2,903,212)	\$ (2,903,212)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	24,689,461	5	4,937,892	4,937,892	4,937,892	4,937,893	-	-	-	-	-	-
2019	(26,849,925)	5	(5,369,985)	(5,369,985)	(5,369,985)	(5,369,985)	(5,369,985)	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ (3,335,305)	\$ (3,335,305)	\$ (3,335,305)	\$ (432,092)	\$ (5,369,985)	\$ -	\$ -	\$ -	\$ -	\$ -

## SECTION 5 – Reconciliation of Unfunded Actuarial Accrued Liability

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### SECTION 5 – RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

(1) Unfunded Actuarial Accrued Liability as of December 31, 2018	\$ 133,185,649
(2) Expected Normal Cost as of December 31, 2018	5,540,295
(3) Expected Administrative Expenses for Fiscal 2019	0
(4) Interest on (1) and (2) and (3)	9,017,186
(5) Actual Sponsor Contributions to the System during the period of December 31, 2018 through December 31, 2019	17,700,092
(6) Interest on (5)	<u>566,197</u>
(7) Expected Unfunded Accrued Liability as of December 31, 2019 (1)+(2)+(3)+(4)-(5)-(6)	\$ 129,476,841
(8) Unfunded Accrued Liability as of December 31, 2019	<u>72,208,136</u>
(9) Change in UAAL due to Actuarial (Gain)/Loss, (8)-(7)	\$ (57,268,705)

## SECTION 5 – Reconciliation of Unfunded Actuarial Accrued Liability

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### Changes since the Prior Valuation & Impact on Unfunded Actuarial Accrued Liability:

1. Changes in Census Data	\$ 6,818,596
2. Claims Costs and Premiums significantly lower than expected	(54,594,939)
3. Updated Trend Rate assumption	15,697,343
4. Updated Salary Scale to align with pension experience study	548,506
5. Updated decrements to align with pension experience study	297,214
6. Updated enrollment assumption to align with actual retiree elections	761,426
7. Investment Return (greater)/lower than expected	<u>(26,796,851)</u>
Total Change in UAAL	\$ (57,268,705)

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1. The census data reflects changes in the census information for the twenty-four (24) month period since December 31, 2017. The increase in AAL over expected can be attributed to an increase in the covered population.

2. Medical claims costs and premiums were both lower than expected by approximately 7-8%. The impact of lower costs is magnified, as the liability is the net result of total costs, offset by retiree contributions. Additionally, the explicit subsidy is lower due to lower premiums, further decreasing the liability.

3. The updated trend rate assumption reflects a shift of the trend rate schedule forward two years, such that the initial year fiscal 2020 rate is 8%. The ultimate rate remains at 4.5%.

4. The assumed rate of salary increases was updated to align with the pension experience study dated September 26, 2018.

5. The retirement and termination decrements were updated to align with the pension experience study dated September 26, 2018.

6. The assumed retiree medical plan enrollment for future retirees was updated to align with current retiree medical plan elections.

## SECTION 6 – Per Capita Claims Costs and Contribution Amounts

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### SECTION 6 – PER CAPITA CLAIMS COSTS AND CONTRIBUTION AMOUNTS

#### 2020 Per Capita Annual Claims Costs Per Participant

Age	PPO Plans		HMO Plans	
	Enrolled in Medicare	Not Enrolled in Medicare	Enrolled in Medicare	Not Enrolled in Medicare
40	\$ 7,273	\$ 7,273	\$ 5,438	\$ 5,438
45	8,849	8,849	6,615	6,615
50	10,766	10,766	8,049	8,049
55	13,099	13,099	9,793	9,793
60	15,937	15,937	11,915	11,915
65	-	19,388	-	14,498
70	-	22,477	-	16,807
75	-	26,057	-	19,483
80	-	28,769	-	21,511
85+	-	31,764	-	23,751

#### 2020 Annual Premium Amounts Per Participant (Retiree Portion) <sup>1</sup>

	PPO Plans		HMO Plans	
	Enrolled in Medicare	Not Enrolled in Medicare	Enrolled in Medicare	Not Enrolled in Medicare
<b>Retiree</b>				
Pre-65	\$ 6,371	\$ 6,371	\$ 4,178	\$ 4,178
Post-65	1,408	6,371	1,408	4,178
<b>Spouse</b>				
Pre-65	\$ 6,372	\$ 6,371	\$ 3,643	\$ 3,643
Post-65	1,408	6,371	1,408	3,643

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<sup>1</sup> The contributions shown above reflect the increase in the retiree contribution percentage from 2011 (at 25%) to 2020 (47.5%) at 2.5% per year.

## SECTION 7 – Member Statistics

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### SECTION 7 – MEMBER STATISTICS

#### STATISTICAL DATA

	<u>12/31/2019</u>	<u>12/31/2017</u>
Number of Active Participants		
Eligible for Retiree Health Benefits	543	590
Not Yet Eligible for Retiree Health benefits	1,274	1,245
Total	<u>1,817</u>	<u>1,835</u>
Average Current Age	49.9	50.0
Average Age at Employment	37.0	36.3
Average Past Service	12.9	13.7
Covered Payroll at the Valuation Date	\$182,154,122	\$184,807,353
Average Salary	100,250	100,712
Number of Inactives Receiving Benefits		
Retirees and Disabled Members	1,544	1,505
Surviving Spouses	434	438
Dependent Spouses	926	854
Total	<u>2,904</u>	<u>2,797</u>
Average Current Age of Retirees, Beneficiaries and Disabled Members	74.1	74.1
Average Current Age of Dependent Spouses	69.4	67.0
Average Current Age of All Inactives in Receipt	72.6	71.9
Number of Terminated Vested	37	41
Average Age of Terminated Vested	54.0	51.4

## SECTION 7 – Member Statistics

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### AGE AND SERVICE DISTRIBUTION

AGE	TOTAL PAST SERVICE										Total
	0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	7	8	0	0	0	0	0	0	0	0	15
25 - 29	17	27	7	0	0	0	0	0	0	0	51
30 - 34	18	68	24	13	0	0	0	0	0	0	123
35 - 39	14	67	40	63	7	0	0	0	0	0	191
40 - 44	13	59	31	66	37	13	1	0	0	0	220
45 - 49	10	38	46	58	43	52	11	1	0	0	259
50 - 54	11	48	35	56	51	49	52	7	0	0	309
55 - 59	5	41	30	57	52	49	66	11	1	0	312
60 - 64	4	20	23	39	43	34	26	19	0	1	209
65+	2	9	8	25	24	27	21	6	3	3	128
Total	101	385	244	377	257	224	177	44	4	4	1,817

## SECTION 7 – Member Statistics

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### SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO/FROM ROLLS

Fiscal Year	Beginning of Year Balance	Number Added to Rolls	Number Removed from Rolls	End of Year Balance	Health Care Annual Benefit	Average Annual Benefit	% Change in Average Benefit
2007	1,850	150	127	1,873	\$12,333,865	\$6,585	-
2009	1,873	183	156	1,900	\$14,591,543	\$7,680	16.6%
2011	1,900	221	144	1,977	\$15,020,374	\$7,598	-1.1%
2013	1,977	118	131	1,964	\$13,834,831	\$7,044	-7.3%
2015 <sup>1</sup>	1,964	217	178	2,003	\$13,316,713	\$6,648	-5.6%
2017	2,003	172	191	1,984	\$13,430,657	\$6,769	1.8%
2019	1,984	177	146	2,015	\$12,700,092	\$6,303	-6.9%

### BREAKDOWN OF BENEFIT PLAN ENROLLMENT

(RETIREES, BENEFICIARIES, COVERED SPOUSES AND TERMINATED VESTED)

Enrollee Group	PPO	HMO	Total
Benefit Recipient	1,572	443	2,015
Spouse	<u>690</u>	<u>236</u>	<u>926</u>
Grand Total	2,262	679	2,941

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<sup>1</sup> Prior rolls adjusted to include vested terminated members excluded in the previous valuation.

# SECTION 8 – Actuarial Assumptions and Funding Methods

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## SECTION 8 – ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

### ACTUARIAL ASSUMPTIONS

<u>Valuation Date</u>	December 31, 2019.
<u>GASB 75 Measurement Date</u>	December 31, 2019.
<u>Fiscal Year End</u>	December 31, 2020.
<u>Mortality Rate</u>	RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA), with female rates adjusted by a factor of 1.04.
<u>End of Year Discount Rate</u>	6.50% per year, based on investment rate of return, compounded annually, net of investment related expenses.
<u>Beginning of Year Discount Rate</u>	6.50% per year, based on investment rate of return, compounded annually, net of investment related expenses.
<u>Retirement Rates</u>	See table below:

<u>Age</u>	<u>Retirement Rate</u>
50 - 59	7%
60	20%
61 - 64	10%
65	15%
66	18%
67	25%
68	15%
69	30%
70	35%
71 - 74	20%
75	100%

<u>Retirement – Vested Participant</u>	Assumed to retire at first eligibility for commencement of pension benefits.
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## SECTION 8 – Actuarial Assumptions and Funding Methods

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### Termination Rates

Service	Male Rate	Female Rate
0	5.00%	7.75%
1	3.50%	6.75%
2	3.50%	5.75%
3	2.60%	4.75%
4	2.24%	4.52%
5	2.15%	4.49%
6	1.75%	4.19%
7	1.70%	3.94%
8	1.65%	3.74%
9	1.55%	3.54%
10	1.55%	3.34%
11	1.55%	3.14%
12	1.45%	2.94%
13	1.40%	2.85%
14	1.35%	2.52%
15	1.20%	2.52%
16+	1.00%	2.52%

### Disability Rates

None assumed.

### Salary Increase

Service	Salary Increase Rate
0	7.00%
1	6.50%
2	5.75%
3	5.50%
4	5.25%
5	6.00%
6	5.00%
7	4.75%
8	4.50%
9	4.25%
10	5.00%
11 - 14	4.00%
15	5.00%
16 - 19	4.00%
20	5.00%
21+	3.50%

### Payroll Growth

3.00% per year.

### Inflation

2.50% per year.

### Administrative Expenses

No additional expenses added to Normal Cost.

## SECTION 8 – Actuarial Assumptions and Funding Methods

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Marital Status 100% assumed married, with male spouses 3 years older than female spouses.

Health Care Participation 90% participation assumed, with 76% electing spouse coverage.

Future retirees are assumed to elect medical plans in the same proportion as the 2019 elections for current enrollees. The current enrollments are 22% with HMO and 78% with PPO.

Medicare Participation 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 before April 1, 1986.

Health Care Inflation 8.00% in Fiscal 2020, decreasing 0.75% each year to Fiscal 2024, then decreasing 0.5% to the ultimate rate of 4.5% in Fiscal 2025. Rates below:

<b>Fiscal Year</b>	<b>Rate</b>
2020	8.00%
2021	7.25%
2022	6.50%
2023	5.75%
2024	5.00%
2025+	4.50%

Medical Aging Factors 4% per year prior to age 65;  
3% per year between ages 65 and 75;  
2% per year between ages 75 and 85;  
0% per year thereafter.

Health Claims  
(Medicare and Non-Medicare) Developed using a 50/50 blend of i) the 2019 medical and prescription claims and enrollment experience; and ii) 2020 age-adjusted premium rates.

Funding Method Entry Age Cost Method (level percentage of pay)

## SECTION 8 – Actuarial Assumptions and Funding Methods

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### DISCUSSION OF CENSUS DATA AND ASSUMPTIONS

1. Census Data – We received December 31, 2019 census data from District personnel. The data was substantially similar to data used in the previous year’s valuation. No material modifications were made to the data.
2. Medical/Rx Cost and Enrollment Data – District personnel provided claims and enrollment experience for medical and prescription plan cost information for calendar year 2019.
3. Actuarial Assumptions and Methods –
  - a. Demographic Assumptions
    - i. Female mortality was adjusted by a factor of 1.04 to align with rates developed during a 2018 Experience Study. Mortality rates are deemed reasonable and reflect mortality improvements. They are a best estimate given limited plan experience. We will continue to monitor the impact of mortality.
    - ii. Retirement rates and termination rates were updated in accordance with the Experience Study conducted in 2018, matching those used by the pension plan. They are deemed reasonable and will continue to be monitored to ensure they capture plan experience.
    - iii. The participation rate and spousal coverage election percentage are the same as the previous valuation. They are deemed reasonable and will continue to be monitored.
    - iv. Assumed enrollment was updated to reflect actual retiree enrollment as of December 31, 2019. 78% of future retirees are assumed to elect PPO coverage. The remaining 22% are assumed to elect HMO coverage.
  - b. Other Assumptions
    - i. The trend rate schedule has been reset. The initial health care inflation rate is 8.00%. The ultimate rate is still 4.50% but has been delayed until 2025. These rates are based on recent healthcare trend rate surveys.
    - ii. Salary increase rates were updated to align with the Experience Study conducted in 2018. These are the same rates used in the pension valuation.
    - iii. The interest rate (i.e. investment return) remains at 6.50% at the request of the District and Board personnel. This rate is supported by the Crossover Test as shown in the Appendix.
  - c. Funding Method – The valuation results were calculated using the Entry Age cost method (level percentage of pay). This method is required under GASB 74/75.

# SECTION 9 – Summary of Plan Provisions

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## SECTION 9 – SUMMARY OF PLAN PROVISIONS

### Credited Service

Total completed years of employment with the District.

### Eligibility for Insurance Coverage

At least 10 years of service with the District. Coverage does not commence until the member starts receiving payments from the District's Retirement Fund. Earliest eligibility is based on the member's hire date as follows:

Hired on or before June 13, 1997: Age 50

Hired after June 13, 1997 and before January 1, 2011: Age 55

Hired on or after January 1, 2011: Age 62

### Health Care Insurance

Retirees who meet the age and service requirements above are eligible for medical and prescription drug benefits payable for life.

### Health Contributions

#### Retiree

Retirees pay a portion of the premium each year based on the i) adjusted premium developed based on actual claims experience and ii) the contribution rate policy established by the Board of Commissioners. The policy calls for a 2.5% increase in the contribution rate on January 1<sup>st</sup> or each year until the contribution rate reaches 50%, projected to be in 2021. The contribution rate for 2020 is 47.5%.

#### District

Remaining amount necessary for payment of claims.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### APPENDIX 1 – GASB 74 DISCLOSURES FOR PLAN YEAR 2019

#### STATEMENT OF FIDUCIARY NET POSITION

(For the Year Ended December 31, 2019)

<u>ASSETS</u>	MARKET VALUE
Cash and Short-Term Investments	-
Receivables:	
Accrued Interest	97,655
Total Receivables	97,655
Investments:	
Fixed Income Mutual Funds	76,434,724
Equity Mutual Funds	148,617,132
Balanced Mutual Funds	-
Money Market Funds	7,393,909
Total Investments	232,445,765
Total Assets	232,543,420
<u>LIABILITIES</u>	
Payables:	
Deposit Payable	28,750
Total Liabilities	28,750
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	232,514,670

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Year Ended December 31, 2019)

#### ADDITIONS

##### Contributions:

Employer Contributions 17,700,092

Total Contributions 17,700,092

##### Investment Income:

Net Appreciation (Depreciation) in Fair Value of Investments 33,868,070

Interest & Dividends 5,438,225

Less Investment Expense (55,000)

Net Investment Income 39,251,295

Total Additions 56,951,387

#### DEDUCTIONS

##### Distributions to Members:

Retiree Health Care Benefits 12,700,092

Total Distributions 12,700,092

Administrative Expense 53,880

Total Deductions 12,753,972

Net Increase in Net Position 44,197,415

#### NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Beginning of the Year 188,317,255

End of the Year 232,514,670

# APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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## NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended December 31, 2019)

### GENERAL INFORMATION ABOUT THE OPEB PLAN

#### *Plan Description:*

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit 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 retirement eligibility requirements under the District’s retirement plan to continue health coverage as a participant in the District’s plan.

*Employees Covered by Benefit Terms. At December 31, 2019, the following employees were covered by the benefit terms:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,544
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	434
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	37
Active Plan Members	1,817
	<hr/>
	3,832
	<hr/>

#### *Benefits Provided:*

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All full-time employees of the District are eligible to receive postemployment benefits. Coverage for retirees and their eligible spouse is provided for life. Coverage for dependent children is provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.

#### *Eligibility for Insurance Coverage:*

Employees must have at least ten years of service with the District, and coverage does not commence until the member starts receiving payments from the District’s Retirement Fund. Eligibility is based on the employee’s hire date as follows: age 50 for those hired on or before June 13, 1997, age 55 for those hired between June 13, 1997 and January 1, 2011 and age 63 for those hired on or after January 1, 2011.

#### *Health Care Insurance:*

Retirees and their dependents who meet the age and service requirements above are eligible for medical and prescription drug benefits payable for life.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### *Contributions:*

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. Spouses and dependents of eligible retirees are also eligible for medical and prescription drug coverage. All full-time employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses is provided. Coverage for dependent children is also provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.

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 retiree contribution rates are set based on prior year claims incurred and become effective January 1st each year. The retiree contribution rate utilized is based on the contribution rate policy established by the Board of Commissioners. This policy calls for a 2.5% increase in the contribution rate on January 1st of each year until the contribution rate reaches 50%, projected to be in 2021. The contribution rate for 2020 will be 47.5%.

In future years, contributions are assumed to increase at the same rate as premiums.

### *Investment Policy:*

The following was the Board’s adopted asset allocation policy as of December 31, 2019.

<u>Asset Class</u>	<u>Target Allocation</u>
BarCap Int Aggregate	20.0%
Core Plus	15.0%
US Large-Cap Core	10.0%
US Large-Cap Value	7.5%
US Large-Cap Growth	7.5%
US Mid-Cap Core	10.0%
US Small-Cap Core	10.0%
Global Low Volatility	5.0%
Non-US Large-Cap Core	15.0%
Total	<u>100%</u>



## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Fund's Fiduciary Net Position.

### *Rate of Return:*

For the year ended December 31, 2019 the annual money-weighted rate of return on investments, net of investment expense, was 20.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### *Receivables:*

If the OPEB plan reported receivables from long-term contracts with the District for contributions, the OPEB plan should disclose information required by paragraph 34c of this Statement.

### *Allocated Insurance Contracts:*

If the OPEB plan had allocated insurance contracts that are excluded from OPEB plan assets, the OPEB plan should disclose information required by paragraph 34d of this Statement.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### NET OPEB LIABILITY OF THE DISTRICT

The measurement date for GASB 74 reporting is December 31, 2019.

The reporting period is January 1, 2019 through December 31, 2019.

The District's Net OPEB Liability was measured as of December 31, 2019.

The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

The components of the Net OPEB Liability of the District on December 31, 2019 were as follows:

Total OPEB Liability	\$	304,722,806
Plan Fiduciary Net Position		232,514,670
District's Net OPEB Liability	\$	<u>72,208,136</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		76.30%

#### *Actuarial Assumptions:*

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	6.50%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.50%
Years to Ultimate	6
Investment Rate of Return	6.50%

For all employees, mortality rates were based on the RP-2000 combined health mortality tables with fully generational mortality improvements using scale AA, with rates for female participants adjusted by a factor of 1.04.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### *The Long-Term Expected Rate of Return:*

The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
BarCap Int Aggregate	20.0%	3.10%
Core Plus	15.0%	4.00%
US Large-Cap Core	10.0%	7.40%
US Large-Cap Value	7.5%	7.50%
US Large-Cap Growth	7.5%	7.40%
US Mid-Cap Core	10.0%	7.80%
US Small-Cap Core	10.0%	8.10%
Global Low Volatility	5.0%	6.90%
Non-US Large-Cap Core	15.0%	7.20%
Total	<u>100%</u>	

The Long-Term Expected Rate of Return calculated using the method described above exceeds 6.50% (assuming 2.50% inflation).

### *Discount Rate:*

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and District contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.50%. It is our understanding that 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 that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments, and the single equivalent rate was 6.50%.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

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### *Sensitivity of the Net OPEB Liability to changes in the Discount Rate as of December 31, 2019:*

The following presents the Net OPEB Liability of the District, 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 or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net OPEB Liability (asset)	\$ 112,710,016	\$ 72,208,136	\$ 38,752,015

### *Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates as of December 31, 2019:*

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.50% - 7.00%	4.50% - 8.00%	5.50% - 9.00%
Net OPEB Liability (asset)	\$ 34,930,217	\$ 72,208,136	\$ 117,400,858

### *OPEB Plan Fiduciary Net Position:*

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

# APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS Last 10 Fiscal Years

Reporting Period Ending	12/31/2019	12/31/2018	12/31/2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 5,540,295	\$ 5,314,432	\$ 5,097,776
Interest	20,851,553	20,011,894	19,260,038
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	6,818,596	-	-
Changes of assumptions	(37,290,450)	-	-
Benefit Payments	(12,700,092)	(12,570,679)	(13,430,657)
Net Change in Total OPEB Liability	(16,780,098)	12,755,647	10,927,157
Total OPEB Liability - Beginning	321,502,904	308,747,257	297,820,100
Total OPEB Liability - Ending (a)	<u>\$ 304,722,806</u>	<u>\$ 321,502,904</u>	<u>\$ 308,747,257</u>
<b>Plan Fiduciary Net Position</b>			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	12,700,092	12,570,679	13,430,657
Net Investment Income	39,251,295	(11,840,345)	25,392,250
Benefit Payments	(12,700,092)	(12,570,679)	(13,430,657)
Administrative Expense	(53,880)	(42,200)	(36,900)
Net Change in Plan Fiduciary Net Position	44,197,415	(6,882,545)	30,355,350
Plan Fiduciary Net Position - Beginning	188,317,255	195,199,800	164,844,450
Plan Fiduciary Net Position - Ending (b)	<u>\$ 232,514,670</u>	<u>\$ 188,317,255</u>	<u>\$ 195,199,800</u>
<b>District's Net OPEB Liability - Ending (a) - (b)</b>	<u>\$ 72,208,136</u>	<u>\$ 133,185,649</u>	<u>\$ 113,547,457</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	76.30%	58.57%	63.22%
Covered Payroll	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353
District's Net OPEB Liability as a percentage of Covered Payroll	39.64%	69.13%	61.44%

### Notes to Schedule:

*Differences between expected and actual experience.* Reflects the impact of changes to the census data from the prior valuation to the valuation as of December 31, 2017.

*Changes of Assumptions.* Reflected under changes of assumptions are updated health care costs and premiums, reset health care cost trend rates, as well as updated salary scale increase rates and retirement, termination and mortality rates.

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

# APPENDIX 1 – GASB 74 Disclosures for Plan Year 2019

## SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Actuarially Determined Contribution	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937	27,263,684	27,263,684	39,847,021
Contributions in relation to the Actuarially Determined Contributions	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831	35,426,215	18,020,374	15,516,965
Contribution Deficiency (Excess)	<u>\$ (8,114,218)</u>	<u>\$ (6,063,856)</u>	<u>\$ (6,923,834)</u>	<u>\$ (7,444,967)</u>	<u>\$ (5,844,820)</u>	<u>\$ (20,504,586)</u>	<u>\$ (20,622,894)</u>	<u>\$ (8,162,531)</u>	<u>\$ 9,243,310</u>	<u>\$ 24,330,056</u>
Covered Payroll	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092	\$ 158,995,000	\$ 162,853,163	\$ 172,273,000
Contributions as a percentage of Covered Payroll	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%	22.28%	11.07%	9.01%

### Notes to Schedule:

For the fiscal year ending December 31, 2019, the Contributions in relation to the Actuarially Determined Contributions is final and was provided by the District.

Actuarially Determined Contribution rates shown above are calculated as of December 31 for the plan/fiscal year in which contributions are reported.

Contributions in relation to the Actuarially Determined Contributions include Pay-As-You-Go Benefit amounts plus an additional cash contribution to the trust.

Methods and assumptions used to determine contribution rates are the same as those found in Section 7 of this report.

# APPENDIX 2 – GASB 74 & 75 Crossover Test

## APPENDIX 2 – GASB 74 & 75 CROSSOVER TEST

### Metropolitan Water Reclamation District of Chicago Post Retirement Health Care Plan - GASB Statement 74&75 Crossover Projection

#### 50 Year Projection of the Health Care Plan's Fiduciary Net Position

Based on the December 31, 2019 Measurement Date. 6.50% Asset Return

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2020	232,514,670	17,700,092	12,973,385	53,880	15,265,320	252,452,817
2021	252,452,817	17,973,385	14,174,674	53,811	16,531,142	272,728,860
2022	272,728,860	19,174,674	15,497,884	53,752	17,845,125	294,197,022
2023	294,197,022	20,497,884	16,977,170	53,657	19,235,486	316,899,565
2024	316,899,565	21,977,170	18,205,967	53,549	20,719,295	341,336,515
2025	341,336,515	23,205,967	19,471,437	53,440	22,306,509	367,324,114
2026	367,324,114	24,471,437	20,645,385	53,331	23,998,681	395,095,516
2027	395,095,516	4,291,796	21,774,946	53,184	25,111,278	402,670,460
2028	402,670,460	4,133,787	23,015,123	53,023	25,558,213	409,294,314
2029	409,294,314	3,956,638	24,195,157	52,850	25,944,661	414,947,607
2030	414,947,607	3,765,019	25,166,932	52,692	26,274,320	419,767,322
2031	419,767,322	3,587,546	26,334,322	52,479	26,543,900	423,511,967
2032	423,511,967	3,405,781	27,345,713	52,207	26,748,533	426,268,361
2033	426,268,361	3,224,975	28,200,035	51,858	26,894,069	428,135,513
2034	428,135,513	3,051,707	29,251,615	51,458	26,975,639	428,859,786
2035	428,859,786	2,889,674	30,142,728	50,990	26,988,505	428,544,247
2036	428,544,247	2,731,150	30,973,228	50,466	26,935,868	427,187,571
2037	427,187,571	2,573,163	31,816,146	49,866	26,815,174	424,709,896
2038	424,709,896	2,417,724	32,382,264	49,241	26,630,695	421,326,811
2039	421,326,811	2,268,751	33,121,829	48,517	26,381,941	416,807,157
2040	416,807,157	2,121,094	33,597,603	47,763	26,067,926	411,350,812
2041	411,350,812	1,974,702	33,790,996	46,960	25,702,247	405,189,806
2042	405,189,806	1,833,366	34,228,857	46,126	25,282,985	398,031,174
2043	398,031,174	1,696,542	34,100,352	45,241	24,817,432	390,399,556
2044	390,399,556	1,559,705	33,788,792	44,303	24,327,086	382,453,252
2045	382,453,252	1,432,557	33,385,823	43,311	23,819,573	374,276,248
2046	374,276,248	1,314,577	32,708,305	42,307	23,306,285	366,146,499
2047	366,146,499	1,193,618	31,848,830	41,291	22,801,886	358,251,882
2048	358,251,882	1,080,339	30,817,639	40,220	22,318,603	350,792,964
2049	350,792,964	972,389	29,816,571	39,140	21,862,835	343,772,476
2050	343,772,476	872,514	28,389,631	37,981	21,449,670	337,667,048
2051	337,667,048	773,592	27,045,365	36,861	21,093,328	332,451,741
2052	332,451,741	681,134	25,752,643	35,711	20,793,379	328,137,899
2053	328,137,899	597,647	24,283,489	34,507	20,558,052	324,975,603
2054	324,975,603	513,229	22,713,488	33,324	20,400,823	323,142,842
2055	323,142,842	438,271	21,119,094	32,142	20,331,113	322,760,990
2056	322,760,990	369,526	19,688,903	30,907	20,350,580	323,761,287

## APPENDIX 2 – GASB 74 & 75 Crossover Test

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Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2057	323,761,287	310,594	18,311,292	29,675	20,458,497	326,189,411
2058	326,189,411	256,828	17,007,818	28,478	20,656,979	330,066,922
2059	330,066,922	209,650	15,751,727	27,291	20,948,345	335,445,899
2060	335,445,899	170,626	14,590,719	26,088	21,334,483	342,334,200
2061	342,334,200	135,410	13,555,395	24,871	21,814,765	350,704,110
2062	350,704,110	107,864	12,614,934	23,703	22,388,517	360,561,853
2063	360,561,853	84,581	11,716,289	22,495	23,057,759	371,965,409
2064	371,965,409	67,640	10,825,336	21,346	23,827,433	385,013,800
2065	385,013,800	52,285	10,117,997	20,194	24,698,105	399,625,999
2066	399,625,999	40,411	9,458,142	19,006	25,668,996	415,858,259
2067	415,858,259	31,476	8,836,861	17,891	26,744,030	433,779,013
2068	433,779,013	25,716	8,252,088	16,782	27,927,733	453,463,592
2069	453,463,592	22,571	7,699,671	15,683	29,225,118	474,995,927
2070	474,995,927	19,033	7,175,129	14,596	30,641,688	498,466,924
2071	498,466,924	16,030	6,672,175	13,485	32,183,587	523,980,881