

METROPOLITAN WATER RECLAMATION
DISTRICT OF GREATER CHICAGO
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

PRELIMINARY GASB 75 DISCLOSURE INFORMATION FOR THE
FISCAL YEAR ENDING DECEMBER 31, 2023

GASB 74/GASB 75 DISCLOSURE INFORMATION FOR THE
FISCAL YEAR ENDING DECEMBER 31, 2022

INTERIM UPDATE

Valuation Date: December 31, 2021
Measurement Date: December 31, 2022
Fiscal Year End Date: December 31, 2023



April 21, 2023

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

Re: Metropolitan Water Reclamation District – FYE December 31, 2022 GASB 74 Disclosures
and Preliminary FYE December 31, 2023 GASB 75 Disclosures – FINAL Report

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, 2022 and December 31, 2023, 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.

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

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

The total OPEB liability is determined by an actuarial valuation of benefits every two years. In interim years, disclosures may be developed based on results of the most recent actuarial valuation. The total OPEB Liability and certain sensitivity information shown in this report are based on the most recent actuarial valuation performed as of December 31, 2021, and certain results were projected to the measurement date using generally accepted actuarial methods. The next actuarial valuation will be conducted as of December 31, 2023. 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.

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

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

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

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

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

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

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

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

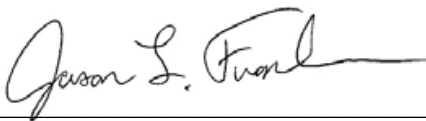
The undersigned actuaries are familiar with the immediate and long-term aspects of OPEB valuations, are members of the Society of Actuaries and the American Academy of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" related to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

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

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

Respectfully submitted,

Foster & Foster, Inc.

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

By: 
Colleen M. Atchison, FSA, MAAA

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SECTION 1 – Executive Summary

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, 2021. 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, 2022 and are applicable to the fiscal year ending December 31, 2023. The following table shows the key components of the District's OPEB valuation for fiscal year 2023 under GASB 75.

Measurement Date:	<u>12/31/2022</u>
Total OPEB Liability as of the Measurement Date	\$ 352,428,624
Plan Fiduciary Net Position as of the Measurement Date	<u>264,148,401</u>
District's Net OPEB Liability as of the Measurement Date	<u>\$ 88,280,223</u>
OPEB Expense/(Revenue) for the Fiscal Year ending December 31, 2023	\$ 8,182,913
Covered Payroll (Projected)	\$ 189,209,374
District's Net OPEB Liability as a percentage of Covered Payroll	46.66%
Census Information as of December 31, 2021:	
Active Participants	1,727
Retirees, Beneficiaries, and Disabled Members	1,959
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31
Covered Spouses	<u>924</u>
Total Participants	4,641

Covered payroll was projected to the measurement date using applicable salary increase assumptions.

SECTION 1 – Executive Summary

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 maximum withdrawal of \$10 million per year until such a time as the funded level is 100% for all future years.

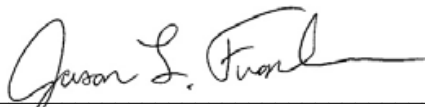
Changes since the Prior Valuation

- All assumptions, census data, and methods are the same as the prior valuation.

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: 
Jason L. Franken, FSA, MAAA

By: 
Colleen M. Atchison, FSA, MAAA

SECTION 2 – Notes to Financial Statements

SECTION 2 – NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended December 31, 2023)

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, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	1,552
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	407
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31
Active Plan Members	1,727
	<u>3,717</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 in accordance with the plan. All full-time employees of the District with at least ten actual years of service are eligible to receive postemployment 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

Eligibility for Insurance Coverage:

Employees must have at least ten actual years of service with the District, and coverage does not commence until the member starts receiving payments from the District's Retirement Fund. District Commissioners must have at least six years of service as a Commissioner of the District. Eligibility 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 62 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 in accordance with the plan. All full-time employees of the District who meet the age and service requirements are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their eligible 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% in 2021. The retiree contribution rate for 2021 and after is 50.0%.

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

SECTION 2 – Notes to Financial Statements

Investment Policy:

The following was the Board’s adopted asset allocation policy as of December 31, 2022.

<u>Asset Class</u>	<u>Target Allocation</u>
Broad Fixed Income	20.0%
Core Plus Fixed Income	15.0%
Large Cap Core Equity	17.5%
Large Cap Growth Equity	7.5%
Mid Cap Core Equity	7.5%
Small Cap Value Equity	5.0%
Small Cap Core Equity	7.5%
Global Low Volatility	5.0%
Non US Large Cap Core Equity	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, 2022 the annual money-weighted rate of return on investments, net of investment expense, was -16.43 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

SECTION 2 – NOTES TO FINANCIAL STATEMENTS (For the Year Ended December 31, 2023)

NET OPEB LIABILITY

The measurement date is December 31, 2022.

The measurement period for the OPEB expense is January 1, 2022 to December 31, 2022.

The reporting period is January 1, 2023 through December 31, 2023.

The District's Net OPEB Liability was measured as of December 31, 2022.

Actuarial Assumptions:

The Net OPEB Liability was determined by an actuarial valuation as of December 31, 2021, and projected to the measurement date using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	6.50%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	53
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

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Broad Fixed Income	20.0%	4.90%
Core Plus Fixed Income	15.0%	5.80%
Large Cap Core Equity	17.5%	6.80%
Large Cap Growth Equity	7.5%	6.80%
Mid Cap Core Equity	7.5%	7.30%
Small Cap Value Equity	5.0%	7.70%
Small Cap Core Equity	7.5%	7.90%
Global Low Volatility	5.0%	6.80%
Non US Large Cap Core Equity	15.0%	7.50%
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 will begin drawing benefit payments from the Trust at that time, with an upper limit of \$10 million per year for the first five years. 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, 2022	\$ 337,646,669	\$ 311,163,146	\$ 26,483,523
Changes for the Year:			
Service Cost	3,659,064	-	3,659,064
Interest	21,841,986	-	21,841,986
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Contributions - Employer Trust	-	5,000,000	(5,000,000)
Contributions - Pay-As-You-Go	-	10,719,095	(10,719,095)
Net Investment Income	-	(51,969,841)	51,969,841
Explicit Gross Benefit Payments	(10,719,095)	(10,719,095)	-
Administrative Expense	-	(44,904)	44,904
Net Changes	14,781,955	(47,014,745)	61,796,700
Reporting Period Ending December 31, 2023	\$ 352,428,624	\$ 264,148,401	\$ 88,280,223

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)	\$ 134,723,919	\$ 88,280,223	\$ 49,822,410

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
	3.00% - 6.50%	4.00% - 7.50%	5.00% - 8.50%
Net OPEB Liability (asset)	\$ 43,621,828	\$ 88,280,223	\$ 142,144,869

SECTION 2 – Notes to Financial Statements

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

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, 2022)

For the year ended December 31, 2022, the District will recognize OPEB Expense/(Revenue) of \$(6,229,035).

On December 31, 2022, 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	\$ 3,896,340	\$ 13,462,716
Changes of Assumptions	16,366,602	21,308,828
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	30,896,421
Employer Contributions Made Subsequent to the Measurement Date	<u>15,719,095</u>	<u>-</u>
Total	<u>\$ 35,982,037</u>	<u>\$ 65,667,965</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:

2023	\$ (11,447,693)
2024	\$ (16,385,586)
2025	\$ (11,015,601)
2026	\$ (7,524,105)
2027	\$ 483,981
Thereafter	\$ 483,981

Notes to Schedule:

Employer Contributions Made Subsequent to the Measurement Date are actual employer contributions for this fiscal year ending December 31, 2022.

SECTION 3 – GASB 75 Disclosure Schedules

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

(For the Year Ended December 31, 2023)

For the year ended December 31, 2023, the District will recognize OPEB Expense/(Revenue) of \$8,182,913.

On December 31, 2023, 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	\$ 2,922,255	\$ 11,218,930
Changes of Assumptions	13,638,835	15,981,621
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	34,567,320	-
Employer Contributions Made Subsequent to the Measurement Date	TBD	-
Total	<u>TBD</u>	<u>\$ 27,200,551</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:	
2024	\$ (1,914,289)
2025	\$ 3,455,696
2026	\$ 6,947,192
2027	\$ 14,955,279
2028	\$ 483,981
Thereafter	\$ -

SECTION 3 – GASB 75 Disclosure Schedules

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Reporting Period Ending Measurement Date	12/31/2023 12/31/2022	12/31/2022 12/31/2021	12/31/2021 12/31/2020
Total OPEB Liability			
Service Cost	\$ 3,659,064	\$ 5,104,413	\$ 4,861,346
Interest	21,841,986	20,700,322	19,763,742
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	-	(15,706,502)	-
Changes of assumptions	-	19,094,366	-
Benefit Payments	(10,719,095)	(9,663,890)	(11,229,934)
Net Change in Total OPEB Liability	14,781,955	19,528,709	13,395,154
Total OPEB Liability - Beginning	337,646,669	318,117,960	304,722,806
Total OPEB Liability - Ending (a)	<u>\$ 352,428,624</u>	<u>\$ 337,646,669</u>	<u>\$ 318,117,960</u>
Plan Fiduciary Net Position			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	10,719,095	9,663,890	11,229,934
Net Investment Income	(51,969,841)	35,999,320	32,732,090
Benefit Payments	(10,719,095)	(9,663,890)	(11,229,934)
Administrative Expense	(44,904)	(41,639)	(41,295)
Net Change in Plan Fiduciary Net Position	(47,014,745)	40,957,681	37,690,795
Plan Fiduciary Net Position - Beginning	311,163,146	270,205,465	232,514,670
Plan Fiduciary Net Position - Ending (b)	<u>\$ 264,148,401</u>	<u>\$ 311,163,146</u>	<u>\$ 270,205,465</u>
District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 88,280,223</u>	<u>\$ 26,483,523</u>	<u>\$ 47,912,495</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	74.95%	92.16%	84.94%
Covered Payroll	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828
District's Net OPEB Liability as a percentage of Covered Payroll	46.66%	14.70%	25.05%

Notes to Schedule:

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

SECTION 3 – GASB 75 Disclosure Schedules

SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Actuarially Determined Contribution	9,824,938	6,298,571	8,640,607	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937
Contributions in relation to the Actuarially Determined Contributions	15,719,095	14,663,890	16,229,934	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831
Contribution Deficiency (Excess)	<u>\$ (5,894,157)</u>	<u>\$ (8,365,319)</u>	<u>\$ (7,589,327)</u>	<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>
Covered Payroll	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092
Contributions as a percentage of Covered Payroll	8.31%	8.14%	8.49%	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%

Notes to Schedule:

For the fiscal year ending December 31, 2022, 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

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, 2022)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$ 47,912,495	\$ 59,615,186	\$ 29,410,100	\$ -
Employer Contributions made after December 31, 2021	-	-	15,719,095	-
Total OPEB Liability Factors:				
Service Cost	5,104,413	-	-	5,104,413
Interest	20,700,322	-	-	20,700,322
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	(15,706,502)	15,706,502	-	-
Current Year Amortization of Experience Difference	-	(2,243,786)	(974,085)	(1,269,701)
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	19,094,366	-	19,094,366	-
Current Year Amortization of Change in Assumptions	-	(5,327,207)	(2,727,764)	(2,599,443)
Benefit Payments	(9,663,890)	-	-	-
Net change	<u>\$ 19,528,709</u>	<u>\$ 8,135,509</u>	<u>\$ 31,111,612</u>	<u>\$ 21,935,591</u>
Plan Fiduciary Net Position:				
Contributions - Employer Trust	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	9,663,890	-	(9,663,890)	-
Projected Net Investment Income	17,724,502	-	-	(17,724,502)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	18,274,818	18,274,818	-	-
Current Year Amortization	-	(15,419,655)	(4,937,892)	(10,481,763)
Benefit Payments	(9,663,890)	-	-	-
Administrative Expenses	(41,639)	-	-	41,639
Net change	<u>40,957,681</u>	<u>2,855,163</u>	<u>(19,601,782)</u>	<u>(28,164,626)</u>
Ending Balance	<u>\$ 26,483,523</u>	<u>\$ 70,605,858</u>	<u>\$ 40,919,930</u>	<u>\$ (6,229,035)</u>

SECTION 4 – Expense Development and Amortization Schedules

PRELIMINARY COMPONENTS OF OPEB EXPENSE

(For the Year Ended December 31, 2023)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$ 26,483,523	\$ 70,605,858	\$ 40,919,930	\$ -
Employer Contributions made after December 31, 2022	-	-	TBD	-
Total OPEB Liability Factors:				
Service Cost	3,659,064	-	-	3,659,064
Interest	21,841,986	-	-	21,841,986
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	-	-	-	-
Current Year Amortization of Experience Difference	-	(2,243,786)	(974,085)	(1,269,701)
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	-	-	-	-
Current Year Amortization of Change in Assumptions	-	(5,327,207)	(2,727,767)	(2,599,440)
Benefit Payments	(10,719,095)	-	-	-
Net change	<u>\$ 14,781,955</u>	<u>\$ (7,570,993)</u>	<u>\$ (3,701,852)</u>	<u>\$ 21,631,909</u>
Plan Fiduciary Net Position:				
Contributions - Employer Trust	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	10,719,095	-	(10,719,095)	-
Projected Net Investment Income	20,386,645	-	-	(20,386,645)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	(72,356,486)	-	72,356,486	-
Current Year Amortization	-	(12,516,445)	(19,409,190)	6,892,745
Benefit Payments	(10,719,095)	-	-	-
Administrative Expenses	(44,904)	-	-	44,904
Net change	<u>(47,014,745)</u>	<u>(12,516,445)</u>	<u>37,228,201</u>	<u>(13,448,996)</u>
Ending Balance	<u>\$ 88,280,223</u>	<u>\$ 50,518,420</u>	<u>TBD</u>	<u>\$ 8,182,913</u>

Notes to Schedule:

Employer Contributions made after December 31, 2022 but made on or before December 31, 2023 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		Recognition									
Year	Assumption Changes	Period (Years)	2023	2024	2025	2026	2027	2028	2029	2030	2031
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-
2019	(37,290,450)	7	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	-	-	-	-	-
2020	-	7	-	-	-	-	-	-	-	-	-
2021	19,094,366	7	2,727,767	2,727,767	2,727,767	2,727,767	2,727,767	2,727,767	-	-	-
2022	-	7	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ (2,599,440)	\$ (2,599,440)	\$ (2,599,440)	\$ (2,599,440)	\$ 2,727,767	\$ 2,727,767	\$ -	\$ -	\$ -

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								
	Experience	Period (Years)	2023	2024	2025	2026	2027	2028	2029	2030	2031
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-
2019	6,818,596	7	974,085	974,085	974,085	974,085	-	-	-	-	-
2020	-	7	-	-	-	-	-	-	-	-	-
2021	(15,706,502)	7	(2,243,786)	(2,243,786)	(2,243,786)	(2,243,786)	(2,243,786)	(2,243,786)	-	-	-
2022	-	7	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ (1,269,701)	\$ (1,269,701)	\$ (1,269,701)	\$ (1,269,701)	\$ (2,243,786)	\$ (2,243,786)	\$ -	\$ -	\$ -

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)	2023	2024	2025	2026	2027	2028	2029	2030	2031
2017	\$ (14,516,060)	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	24,689,461	5	4,937,893	-	-	-	-	-	-	-	-
2019	(26,849,925)	5	(5,369,985)	(5,369,985)	-	-	-	-	-	-	-
2020	(17,457,479)	5	(3,491,496)	(3,491,496)	(3,491,496)	-	-	-	-	-	-
2021	(18,274,818)	5	(3,654,964)	(3,654,964)	(3,654,964)	(3,654,964)	-	-	-	-	-
2022	72,356,486	5	14,471,297	14,471,297	14,471,297	14,471,297	14,471,298	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 6,892,745	\$ 1,954,852	\$ 7,324,837	\$ 10,816,333	\$ 14,471,298	\$ -	\$ -	\$ -	\$ -

SECTION 5 – Reconciliation of Unfunded Actuarial Accrued Liability

SECTION 5 – RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

(1) Unfunded Actuarial Accrued Liability as of December 31, 2021	\$	26,483,523
(2) Expected Normal Cost as of December 31, 2021		3,659,064
(3) Expected Administrative Expenses for Fiscal 2022		0
(4) Interest on (1) and (2) and (3)		1,959,268
(5) Actual Sponsor Contributions to the System during the period of December 31, 2021 through December 31, 2022		15,719,095
(6) Interest on (5)		<u>502,828</u>
(7) Expected Unfunded Accrued Liability as of December 31, 2022 (1)+(2)+(3)+(4)-(5)-(6)	\$	15,879,932
(8) Unfunded Accrued Liability as of December 31, 2022		<u>88,280,223</u>
(9) Change in UAAL due to Actuarial (Gain)/Loss, (8)-(7)	\$	72,400,291

Changes since the prior valuation and impact on Unfunded Actuarial Accrued Liability:

1. Changes in Census Data	\$	0
2. Changes in Assumptions		0
3. Investment Return (greater)/lower than expected		<u>72,400,291</u>
Total Change in UAAL	\$	72,400,291

SECTION 6 – Funding Progress—Solvency Test

SECTION 6 – FUNDING PROGRESS—SOLVENCY TEST

The funding progress exhibit below demonstrates the Trust’s solvency over time. In a short-term solvency test, assets available for benefits are compared to:

1. Member contributions on deposit;
2. The actuarial accrued liability for future benefits payable to persons who have retired or terminated; and
3. The actuarial accrued liability for future projected benefits payable to current active members.

Generally, if a system has been using level contribution rate financing, the portion fully funded in each category listed above will increase over time.

<i>in \$000s</i>					Portion of Accrued Liability Covered by Valuation Assets				
Valuation Date	Actuarial Accrued Liability				Valuation Assets	Terminated,			
	Member Contributions	Retirees, and Beneficiaries	Active Members	Total		Member Contributions	Retirees, and Beneficiaries	Active Members	
12/31/2022	0	302,525	49,904	352,429	264,148	100%	87%	0%	
12/31/2021	0	294,447	43,200	337,647	311,163	100%	100%	39%	
12/31/2020	0	250,926	67,192	318,118	270,205	100%	100%	29%	
12/31/2019	0	246,494	58,229	304,723	232,515	100%	94%	0%	
12/31/2018	0	243,477	78,026	321,503	188,317	100%	77%	0%	
12/31/2017	0	240,800	67,947	308,747	195,200	100%	81%	0%	

Notes:

12/31/2022, 12/31/2020, and 12/31/2018 Actuarial Accrued Liabilities were based on roll-forward valuations.

SECTION 7 – Per Capita Claims Costs and Contribution Amounts

SECTION 7 – PER CAPITA CLAIMS COSTS AND CONTRIBUTION AMOUNTS

2022 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	
	Male	Female	Male	Female	Male	Female	Male	Female
40-44	\$ 7,315	\$ 11,020	\$ 7,315	\$ 11,020	\$ 5,055	\$ 7,864	\$ 5,055	\$ 7,864
45-49	9,236	12,137	9,236	12,137	6,421	8,637	6,421	8,637
50-54	12,163	14,230	12,163	14,230	8,442	10,160	8,442	10,160
55-59	15,815	16,472	15,815	16,472	11,201	11,745	11,201	11,745
60-64	20,284	19,523	20,284	19,523	14,675	13,981	14,675	13,981
65-69	-	-	25,528	24,106	-	-	18,989	17,277
70-74	-	-	31,220	29,931	-	-	24,146	21,485
75+	-	-	34,826	34,211	-	-	27,710	24,581

2022 Annual Premium Amounts Per Participant (Retiree Portion) ¹

	PPO Plans				HMO Plans			
	Enrolled in Medicare		Not Enrolled in Medicare		Enrolled in Medicare		Not Enrolled in Medicare	
Retiree								
Pre-65	\$	7,363	\$	7,363	\$	5,009	\$	5,009
Post-65		1,260		7,363		1,260		5,009
Spouse								
Pre-65	\$	7,363	\$	7,363	\$	4,368	\$	4,368
Post-65		1,260		7,363		1,260		4,368

¹ The contributions shown above reflect the increase in the retiree contribution percentage from 2011 (at 25%) to 2021 (50.0%) at 2.5% per year.

SECTION 8 – Member Statistics

SECTION 8 – MEMBER STATISTICS

STATISTICAL DATA

	<u>12/31/2021</u>	<u>12/31/2019</u>
Number of Active Participants		
Eligible for Retiree Health Benefits	458	543
Not Yet Eligible for Retiree Health benefits	<u>1,269</u>	<u>1,274</u>
Total	1,727	1,817
Average Current Age	49.7	49.9
Average Age at Employment	37.0	37.0
Average Past Service	12.7	12.9
Covered Payroll at the Valuation Date	\$ 180,199,404	\$ 182,154,122
Average Salary	104,342	100,250
Number of Inactives Receiving Benefits		
Retirees and Disabled Members	1,552	1,544
Surviving Spouses	407	434
Dependent Spouses	<u>924</u>	<u>926</u>
Total	2,883	2,904
Average Current Age of Retirees, Beneficiaries and Disabled Members	74.4	74.1
Average Current Age of Dependent Spouses	69.6	69.4
Average Current Age of All Inactives in Receipt	72.8	72.6
Number of Terminated Vested	31	37
Average Age of Terminated Vested	51.4	54.0

SECTION 8 – Member Statistics

ACTIVE AGE AND SERVICE DISTRIBUTION

AGE	TOTAL										Total
	PAST SERVICE										
	0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	3	5	1	0	0	0	0	0	0	0	9
25 - 29	13	33	5	0	0	0	0	0	0	0	51
30 - 34	19	61	33	6	0	0	0	0	0	0	119
35 - 39	13	49	64	42	8	0	0	0	0	0	176
40 - 44	15	64	57	49	41	11	0	0	0	0	237
45 - 49	6	48	54	50	39	51	5	0	0	0	253
50 - 54	12	27	52	41	35	82	23	8	0	0	280
55 - 59	4	35	46	43	35	69	35	12	2	0	281
60 - 64	2	23	35	37	34	46	14	13	2	1	207
65+	1	7	14	14	16	37	14	4	4	3	114
Total	88	352	361	282	208	296	91	37	8	4	1,727

SECTION 8 – Member Statistics

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 Amounts	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 ¹	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%
2021	2,015	180	205	1,990	\$9,663,890	\$4,856	-23.0%

BREAKDOWN OF BENEFIT PLAN ENROLLMENT

(RETIREES, BENEFICIARIES, COVERED SPOUSES AND TERMINATED VESTED)

<u>Enrollee Group</u>	<u>PPO</u>	<u>HMO</u>	<u>Total</u>
Benefit Recipient	1,526	464	1,990
Spouse	<u>676</u>	<u>248</u>	<u>924</u>
Grand Total	2,202	712	2,914

¹ Prior rolls adjusted to include vested terminated members excluded in the previous valuation.

SECTION 9 – Actuarial Assumptions and Funding Methods

SECTION 9 – ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

ACTUARIAL ASSUMPTIONS

<u>Valuation Date</u>	December 31, 2021.
<u>GASB 75 Measurement Date</u>	December 31, 2022.
<u>GASB 75 Fiscal Year End</u>	December 31, 2023.
<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 9 – Actuarial Assumptions and Funding Methods

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 9 – Actuarial Assumptions and Funding Methods

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

Health Care Participation 80% participation assumed (previously 90%), 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 24% with HMO and 76% 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 Initial rate of 7.50% in fiscal 2022, grading down to the ultimate trend rate of 4.00% in fiscal 2075.

Fiscal Year	Rate
2022	7.50%
2023	7.25%
2024	7.00%
2025	6.75%
2026	6.50%
2027	6.25%
2028	6.00%
2029	5.75%
2030	5.50%
2031-2052	5.25%
2053-2060	5.00%
2061-2067	4.75%
2068-2071	4.50%
2072-2074	4.25%
2075+	4.00%

The above rates reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries.

Medicare Advantage Cost Increases 3.50% per year

SECTION 9 – Actuarial Assumptions and Funding Methods

Medical Aging (Morbidity) Factors

Developed based on a study performed by Dale Yamamoto for the Society of Actuaries. Used to measure the annual increases in per capita claim costs for each age and relative cost by gender. See the SOA report titled “Health Care Costs – From Birth to Death” for more details.

Health Claims

(Medicare and Non-Medicare)

Developed using a 50/50 blend of i) the 2021 medical and prescription claims and enrollment experience; and ii) 2022 age-adjusted premium rates.

Funding Method

Entry Age Cost Method (level percentage of pay).

SECTION 9 – Actuarial Assumptions and Funding Methods

DISCUSSION OF CENSUS DATA AND ASSUMPTIONS

All census data, methods, and assumptions are the same as the prior valuation for the year ending December 31, 2021.

SECTION 10 – Summary of Plan Provisions

SECTION 10 – 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 1st or each year until the contribution rate reaches 50%, projected to be in 2021. The contribution rate for 2021 is 50%.

District

Remaining amount necessary for payment of claims.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2022

APPENDIX 1 – GASB 74 DISCLOSURES FOR PLAN YEAR 2022

STATEMENT OF FIDUCIARY NET POSITION

(For the Year Ended December 31, 2022)

<u>ASSETS</u>	MARKET VALUE
Cash and Short-Term Investments	-
Receivables:	
Accrued Interest	138,024
Total Receivables	138,024
Investments:	
Fixed Income Mutual Funds	90,210,102
Equity Mutual Funds	165,151,329
Balanced Mutual Funds	-
Money Market Funds	8,677,073
Total Investments	264,038,504
Total Assets	264,176,528
<u>LIABILITIES</u>	
Payables:	
Deposit Payable	28,127
Total Liabilities	28,127
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	264,148,401

APPENDIX 1– GASB 74 Disclosure for Plan Year 2022

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Year Ended December 31, 2022)

ADDITIONS

Contributions:

Employer Contributions 15,719,095

Total Contributions 15,719,095

Investment Income:

Net Appreciation (Depreciation) in Fair Value of Investments (57,718,065)

Interest & Dividends 5,807,557

Less Investment Expense (59,333)

Net Investment Income (51,969,841)

Total Additions (36,250,746)

DEDUCTIONS

Distributions to Members:

Retiree Health Care Benefits 10,719,095

Total Distributions 10,719,095

Administrative Expense 44,904

Total Deductions 10,763,999

Net Increase in Net Position (47,014,745)

NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Beginning of the Year 311,163,146

End of the Year 264,148,401

APPENDIX 1– GASB 74 Disclosure for Plan Year 2022

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended December 31, 2022)

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, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	1,552
Beneficiaries of Deceased Plan Members Currently Receiving Benefits	407
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31
Active Plan Members	<u>1,727</u>
	<u><u>3,717</u></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 in accordance with the plan. All full-time employees of the District with at least ten actual years of service are eligible to receive postemployment 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 actual years of service with the District, and coverage does not commence until the member starts receiving payments from the District’s Retirement Fund. District Commissioners must have at least six years of service as a Commissioner of the District. Eligibility 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 62 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.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2022

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 in accordance with the plan. All full-time employees of the District who meet the age and service requirements are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their eligible 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% in 2021. The retiree contribution rate for 2021 and after is 50.0%.

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

Investment Policy:

The following was the Board’s adopted asset allocation policy as of December 31, 2022.

<u>Asset Class</u>	<u>Target Allocation</u>
Broad Fixed Income	20.0%
Core Plus Fixed Income	15.0%
Large Cap Core Equity	17.5%
Large Cap Growth Equity	7.5%
Mid Cap Core Equity	7.5%
Small Cap Value Equity	5.0%
Small Cap Core Equity	7.5%
Global Low Volatility	5.0%
Non US Large Cap Core Equity	15.0%
Total	<u>100%</u>

APPENDIX 1– GASB 74 Disclosure for Plan Year 2022

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, 2022 the annual money-weighted rate of return on investments, net of investment expense, was -16.43 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 2022

NET OPEB LIABILITY OF THE DISTRICT

The measurement date for GASB 74 reporting is December 31, 2022.

The reporting period is January 1, 2022 through December 31, 2022.

The District's Net OPEB Liability was measured as of December 31, 2022.

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, 2022 were as follows:

Total OPEB Liability	\$ 352,428,624
Plan Fiduciary Net Position	264,148,401
District's Net OPEB Liability	<u>\$ 88,280,223</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	74.95%

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2021, and projected to the measurement date using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	6.50%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	53
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 2022

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Broad Fixed Income	20.0%	4.90%
Core Plus Fixed Income	15.0%	5.80%
Large Cap Core Equity	17.5%	6.80%
Large Cap Growth Equity	7.5%	6.80%
Mid Cap Core Equity	7.5%	7.30%
Small Cap Value Equity	5.0%	7.70%
Small Cap Core Equity	7.5%	7.90%
Global Low Volatility	5.0%	6.80%
Non US Large Cap Core Equity	15.0%	7.50%
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 2022

Sensitivity of the Net OPEB Liability to changes in the Discount Rate as of December 31, 2022:

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 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (asset)	\$ 134,723,919	\$ 88,280,223	\$ 49,822,410

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates as of December 31, 2022:

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 3.00% - 6.50%	Healthcare Cost Trend Rates 4.00% - 7.50%	1% Increase 5.00% - 8.50%
Net OPEB Liability (asset)	\$ 43,621,828	\$ 88,280,223	\$ 142,144,869

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 2022

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Reporting Period Ending	12/31/2022	12/31/2021	12/31/2020
Total OPEB Liability			
Service Cost	\$ 3,659,064	\$ 5,104,413	\$ 4,861,346
Interest	21,841,986	20,700,322	19,763,742
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	-	(15,706,502)	-
Changes of assumptions	-	19,094,366	-
Benefit Payments	(10,719,095)	(9,663,890)	(11,229,934)
Net Change in Total OPEB Liability	14,781,955	19,528,709	13,395,154
Total OPEB Liability - Beginning	337,646,669	318,117,960	304,722,806
Total OPEB Liability - Ending (a)	\$ 352,428,624	\$ 337,646,669	\$ 318,117,960
Plan Fiduciary Net Position			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	10,719,095	9,663,890	11,229,934
Net Investment Income	(51,969,841)	35,999,320	32,732,090
Benefit Payments	(10,719,095)	(9,663,890)	(11,229,934)
Administrative Expense	(44,904)	(41,639)	(41,295)
Net Change in Plan Fiduciary Net Position	(47,014,745)	40,957,681	37,690,795
Plan Fiduciary Net Position - Beginning	311,163,146	270,205,465	232,514,670
Plan Fiduciary Net Position - Ending (b)	\$ 264,148,401	\$ 311,163,146	\$ 270,205,465
District's Net OPEB Liability - Ending (a) - (b)	\$ 88,280,223	\$ 26,483,523	\$ 47,912,495
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	74.95%	92.16%	84.94%
Covered Payroll	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828
District's Net OPEB Liability as a percentage of Covered Payroll	46.66%	14.70%	25.05%

Notes to Schedule:

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

APPENDIX 1 – GASB 74 Disclosures for Plan Year 2021

SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Actuarially Determined Contribution	9,824,938	6,298,571	8,640,607	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937
Contributions in relation to the Actuarially Determined Contributions	15,719,095	14,663,890	16,229,934	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831
Contribution Deficiency (Excess)	<u>\$ (5,894,157)</u>	<u>\$ (8,365,319)</u>	<u>\$ (7,589,327)</u>	<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>
Covered Payroll	\$ 189,209,374	\$ 180,199,404	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092
Contributions as a percentage of Covered Payroll	8.31%	8.14%	8.49%	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%

Notes to Schedule:

For the fiscal year ending December 31, 2022, 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, 2022 Measurement Date. 6.50% Asset Return

Fiscal Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2023	264,148,401	18,320,923	13,320,923	44,956	17,330,685	286,434,130
2024	286,434,130	19,544,756	14,544,756	44,982	18,779,257	310,168,406
2025	310,168,406	20,678,978	15,678,978	45,012	20,321,983	335,445,377
2026	335,445,377	22,165,799	17,165,799	45,048	21,964,985	362,365,314
2027	362,365,314	23,649,866	18,649,866	45,069	23,714,781	391,035,027
2028	391,035,027	10,133,287	20,133,287	45,096	25,090,811	406,080,742
2029	406,080,742	11,709,973	21,709,973	45,107	26,068,782	422,104,417
2030	422,104,417	13,396,752	23,396,752	45,115	27,110,321	439,169,622
2031	439,169,622	14,885,569	24,885,569	45,131	28,219,559	457,344,050
2032	457,344,050	16,534,992	26,534,992	45,083	29,400,898	476,699,865
2033	476,699,865	0	28,156,762	45,017	30,068,933	478,567,019
2034	478,567,019	0	29,398,158	44,906	30,149,957	479,273,912
2035	479,273,912	0	30,943,051	44,735	30,145,701	478,431,827
2036	478,431,827	0	32,377,734	44,486	30,044,347	476,053,954
2037	476,053,954	0	33,649,530	44,211	29,848,460	472,208,673
2038	472,208,673	0	34,825,067	43,866	29,560,323	466,900,064
2039	466,900,064	0	35,556,583	43,475	29,191,502	460,491,508
2040	460,491,508	0	36,556,397	43,038	28,742,466	452,634,539
2041	452,634,539	0	37,208,512	42,552	28,210,585	443,594,061
2042	443,594,061	0	37,541,536	42,014	27,612,149	433,622,659
2043	433,622,659	0	38,111,406	41,440	26,945,505	422,415,319
2044	422,415,319	0	38,005,508	40,826	26,220,490	410,589,474
2045	410,589,474	0	37,742,241	40,157	25,460,388	398,267,464
2046	398,267,464	0	37,346,994	39,463	24,672,325	385,553,332
2047	385,553,332	0	36,647,323	38,728	23,868,670	372,735,952
2048	372,735,952	0	35,755,575	37,968	23,064,547	360,006,956
2049	360,006,956	0	34,587,591	37,145	22,275,148	347,657,367
2050	347,657,367	0	33,361,245	36,316	21,512,308	335,772,114
2051	335,772,114	0	31,707,784	35,442	20,793,533	324,822,421
2052	324,822,421	0	30,228,572	34,542	20,129,906	314,689,213
2053	314,689,213	0	28,706,280	33,617	19,520,752	305,470,069
2054	305,470,069	0	26,898,400	32,623	18,980,296	297,519,341
2055	297,519,341	0	24,865,214	31,669	18,529,609	291,152,067
2056	291,152,067	0	22,621,092	30,668	18,188,702	286,689,009
2057	286,689,009	0	20,868,515	29,667	17,955,595	283,746,422
2058	283,746,422	0	18,883,728	28,620	17,828,866	282,662,941

APPENDIX 2 – GASB 74 & 75 Crossover Test

Fiscal Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2059	282,662,941	0	17,219,733	27,574	17,812,554	283,228,187
2060	283,228,187	0	15,401,785	26,557	17,908,411	285,708,256
2061	285,708,256	0	13,687,332	25,498	18,125,370	290,120,796
2062	290,120,796	0	12,072,383	24,421	18,464,706	296,488,698
2063	296,488,698	0	10,544,239	23,380	18,928,318	304,849,396
2064	304,849,396	0	9,302,210	22,300	19,512,164	315,037,051
2065	315,037,051	0	7,976,881	21,234	20,217,470	327,256,405
2066	327,256,405	0	7,033,520	20,188	21,042,421	341,245,117
2067	341,245,117	0	6,265,996	19,135	21,976,666	356,936,652
2068	356,936,652	0	5,595,628	18,017	23,018,439	374,341,447
2069	374,341,447	0	4,953,504	16,985	24,170,653	393,541,611
2070	393,541,611	0	4,436,808	15,922	25,435,491	414,524,373
2071	414,524,373	0	3,985,446	14,892	26,814,073	437,338,108
2072	437,338,108	0	3,588,245	13,801	28,309,911	462,045,972
2073	462,045,972	0	3,233,073	12,817	29,927,497	488,727,579
2074	488,727,579	0	2,917,138	11,809	31,672,102	517,470,733

Note: Contributions are assumed to be made equal to benefit payments plus \$5 million each year until 2027, following which benefit payments are assumed to begin being paid out of the Trust, but limited to a maximum of \$10 million per year for the following five years.