Metropolitan Water Reclamation District Retiree Health Care Trust

A Component Unit of
The Metropolitan Water Reclamation District of Greater Chicago

Chicago, Illinois

Comprehensive Annual Financial Report
Year Ended December 31, 2011

PREPARED BY THE MANAGEMENT AND STAFF OF
THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

MARY ANN BOYLE, TREASURER

TRUST ESTABLISHED DECEMBER 6, 2007

Metropolitan Water Reclamation District Retiree Health Care Trust
A Component Unit of the Metropolitan Water Reclamation District of Greater Chicago

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Water Reclamation District Retiree Health Care Trust Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Metropolitan Water Reclamation District Retiree Health Care Trust

100 East Erie Street
Chicago, Illinois 60611
(312) 751-5150

April 23, 2012

Board of Trustees
MWRD Retiree Health Care Trust
100 East Erie Street
Chicago, Illinois 60611

Dear Trustees:

Submitted herewith is the Comprehensive Annual Financial Report ("CAFR") of the Metropolitan Water Reclamation District Retiree Health Care Trust ("Trust") for the year ended December 31, 2011. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is fully assumed by management of the Metropolitan Water Reclamation District of Greater Chicago ("the District"). To the best of our knowledge and belief, the enclosed financial statements, supporting schedules, and statistical tables are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's financial activities have been included.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS
The District operates within a system of internal controls established and continually reviewed by management. This provides reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. When establishing or reviewing controls, management must consider the cost of the control and value of the benefit derived from its utilization. Management normally maintains and implements all sensitive controls and those controls whose value adequately exceeds their cost. Management believes both the District's and the Trust's internal controls, procedures, and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The Trust's annual independent audit disclosed no material weakness.

FUND DESCRIPTION
Pursuant to 70 ILCS 2605/9.6d, the Metropolitan Water Reclamation District Retiree Health Care Plan ("Plan") and the Trust Agreement were adopted by the Board of Commissioners ("BOC") of the District effective December 6, 2007, to recognize the contribution made to the employer by its employees. Its purpose is to reward the employees by providing retiree health care benefits for qualifying employees and their eligible spouses and dependents. Retiree health care benefits are defined as post-retirement medical and prescription drug coverage only; no dental, life, or disability benefits are provided by the Plan. The Plan is intended to satisfy the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. The District established the Trust to fund future benefits to be provided under the Plan. The Trust is

considered a component unit of the District and as such is included in the District's financial statements as a retiree health care trust fund.

The Plan and Trust descriptions are provided within the footnotes to the Financial Statements in the Financial Section and within the Actuarial Section of this report.

BOARD OF TRUSTEES

The Board of Trustees is comprised of the Board of Commissioners of the District ("BOC"). The Trustee of the Trust is the District. The Trustee takes, holds, invests, administers, and distributes contributions and assets paid or delivered to the Trust. All rights, title and interest in and to the assets of the Trust Fund are at all times vested exclusively in the Plan. All contributions received together with the income from the contributions are held, managed, and administered by the Trustee pursuant to the terms of the Plan without distinction between principal and income and without liability for the payment of interest.

The BOC appointed an Executive Committee, comprised of the Chairman of Finance, the Treasurer, and the Director of Finance, to be responsible for certain activities with regard to the Trust, subject to the approval of the BOC. These activities include but are not limited to: recommendation of an investment advisor; acceptance or rejection of investment recommendations from the investment advisor; and certain financial reporting responsibilities.

PROFESSIONAL STAFF AND SERVICES

The District staff is responsible for providing the various services and information to the Trustee and to the members of the Trust, active and retired. This team is comprised of an Investment Advisor ("Advisor") and personnel from the Treasury, Finance, Human Resources, Budget, and Law Departments of the District. The Trustee selects the Advisor for a three-year service contract via a public Request for Proposal.

Typical staff activities include the development of an Investment Policy and Asset Allocation Strategy; investment and management of Trust assets; regular reporting to the Trustee; internal and external audits of the Trust; and training of the Trustee. General accounting activities are tracked on the SAP Enterprise system.

FUNDING POLICY

The BOC established a partial funding policy to advance-fund retiree health care costs. The District believes that advance funding will establish a reserve that will help ensure the financial ability to provide health care coverage for District retirees and their beneficiaries in the future. The Policy is as follows:

Target Funding Level:	50%
Funding Period:	50 years
Funding Amount:	$10 million funding in each of the first five years beginning in 2007. The $50 million funding for the first five years was reached by the end of 2011 in compliance with the District's Funding Policy.
Basis for Funding:	Percentage of Payroll for each year after first 5 years.

There is currently no requirement for the District to partially or fully fund the Trust and any funding is on a voluntary basis.

FUNDING STATUS

The funding for the Trust is accomplished in two parts. The District pays the retiree health care claim payments and insurance premiums from operating funds, and also contributes the advance funding amount to the Trust. Benefit payments and premiums are not paid from the advance funding contributions to the Trust. Currently, the Trust functions solely as an advance funding vehicle.

The District's BOC has discretionary authority to determine contribution amounts to be paid into the Trust. The OPEB Funding Policy includes a target funded ratio of 50% with an expected funding period of 50 years (beginning in 2007), with $50,000,000 to be contributed by the end of 2011. Through December 31, 2011, $50,000,000 has been contributed by the District to the OPEB Trust Fund and the OPEB Funding Policy goal of funding $10,000,000 in each of the first five years (beginning in 2007) for an aggregate of $50,000,000 by the end of 2011 has been met. Contributions were not made ratably by the District over the five year period due to the availability of funds: in 2007, $25,000,000 was contributed; in 2008, $22,000,000 was contributed; in 2009 and 2010, no contributions were made; and in 2011, $3,000,000 was contributed. In succeeding fiscal years the Trust will receive the District (employer) contribution as determined by the BOC.

For fiscal year 2011, the District funded 64% of the actuarially determined Annual "Other Postemployment Benefits" ("OPEB") Cost contribution requirement. The funded ratio was 13.9% at December 31, 2011.

INVESTMENT POLICY AND PERFORMANCE

The assets of the Trust shall be managed by the Treasurer of the District in any manner, subject only to prudent investor standards and any requirements of federal law. The Trust shall discharge its duties in the same manner as that of a prudent person acting in a like capacity with the same resources and aims; diversify the holdings of the Trust to minimize the risk of loss and maximize the rate of return; and discharge duties solely in the interest and for the benefit of the funds managed. The Trust Investment Policy was approved by the Board of Trustees on November 19, 2009.

The Trust reported a total investment loss of $81,706 in 2011, yielding 0.2%. The disparity between the positive percentage return on investments and the nominal decline in value reflects the impact and timing of the $3.0 million advance funding contribution in the middle of the year ending December 31, 2011. Total investment income was $4,338,015 for the period of March 29, 2010, through December 31, 2010, yielding 7.5%. Prior to March 29, 2010, all assets were held in short-term funds pending the recovery of the financial markets from the economic downturn experienced in 2008.

Refer to the Investment Section of this report for further information regarding investment authority and performance.

ECONOMIC OUTLOOK

Income for the Trust is from two sources: employer contributions and investment income. Income from employer contributions is appropriated each year by the BOC. The Actuarial Accrued Liability at December 31, 2011, was $395 million. In the long term, both assets and liabilities of the Trust are expected to grow. The target funding level is 50%, with an expected funding period of 50 years. It is projected that the Trust will begin to pay claims in 2030 using investment redemptions of the advance funding contributions made by the District. All benefit claim payments prior to that date will be paid directly by the District on a pay-as-you-go basis. Therefore, there is no liquidity risk in investing the assets for the long term.

BENEFITS
The establishment and funding of the Trust is expected to provide multiple benefits, including:

- Progress towards reducing large unfunded liability;
- Capture of long-term investment returns by using the Trust only as a funding vehicle;
- Reduction in future GASB 45 expense and cash funding requirements; and
- Provide funding so that the District is able to ease the financial burden of administering the Plan benefits to its current and future retirees.

AWARDS AND ACKNOWLEDGMENTS
The preparation of this report reflects the combined efforts of the District staff under the direction of the Board of Trustees. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets of the Trust.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its CAFR for the period ended December 31, 2010. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

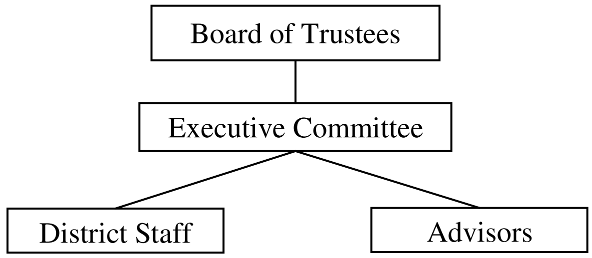
A Certificate of Achievement is valid for only one year. The Trust received a Certificate of Achievement for the last three years. We believe our current report continues to conform to the Certificate of Achievement program requirements; we are therefore submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2011.

Respectfully submitted,

Mary Ann Boyle

Mary Ann Boyle, Treasurer
Metropolitan Water Reclamation District of Greater Chicago

ORGANIZATION CHART AND PRINCIPAL OFFICIALS



BOARD OF TRUSTEES

The Board of Trustees is comprised of the District's Board of Commissioners.

Board of Trustees	Year First Elected	Term Expires
Terrence J. O'Brien, *President*	1988	2012
Barbara J. McGowan, *Vice President*	1998	2016
Cynthia M. Santos, *Chairman of Finance*	1996	2014
Michael Alvarez	2010	2016
Frank Avila	2002	2014
Patricia Horton	2006	2012
Kathleen Therese Meany	1990	2014
Debra Shore	2006	2012
Mariyana T. Spyropoulos	2009*	2016

EXECUTIVE COMMITTEE

Cynthia M. Santos, Chairman of Finance
Mary Ann Boyle, Treasurer of the District
Jacqueline Torres, Clerk/Director of Finance

DISTRICT STAFF

Treasury Department – Mary Ann Boyle, Treasurer
Finance Department – Jacqueline Torres, Clerk/Director of Finance
Department of Human Resources – Denice Korcal, Director of Human Resources
Law Department – Ronald Hill, General Counsel

ADVISORS

Actuary: Deloitte Consulting LLP for report of January 1, 2007; PriceWaterhouseCoopers, LLP, for reports of December 31, 2009 and December 31, 2011.
Investment Advisor: International City Management Association – Retirement Corporation (ICMA-RC) - (see further detail in the summary schedule of investment fees on page 19.)

*Appointed by the Governor of the State of Illinois on August 5, 2009, to fill a vacancy; subsequently, Ms. Spyropoulos was elected by the voters at the November 2, 2010 election to a full six-year term.

FINANCIAL SECTION

Baker Tilly Virchow Krause, LLP
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INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees of
The Metropolitan Water Reclamation District
Retiree Health Care Trust

We have audited the accompanying basic financial statements of the Metropolitan Water Reclamation District Retiree Health Care Trust (Trust), a component unit of the Metropolitan Water Reclamation District of Greater Chicago (District), as of and for the years ended December 31, 2011. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Trust's financial statements include partial prior year comparative information. Such information does not include notes to the basic financial statements which are required to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2010 from which such partial information was derived.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Trust as of December 31, 2011, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of funding progress, employer contributions and actuarial assumptions as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The schedules of administrative expenses and investment fees as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The Introductory Section, Investment Section, Actuarial Section and Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Trust. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section presents management's discussion and analysis of the Trust's financial performance for the years ended December 31, 2011 and 2010, and provides an introduction to the financial statements of the Trust. It is designed as supplementary information which focuses on current activities, resulting changes and current known facts. It should be read in conjunction with the letter of transmittal found in the Introductory Section of this report.

Overview and Analysis of the Financial Statements

The Financial Section of the Trust's Comprehensive Annual Financial Report consists of the following parts: the independent auditor's report; management's discussion and analysis; the financial statements, including notes to the financial statements; required supplementary information and supplementary information.

The Trust prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Statement of Plan Net Position includes all of the Trust's assets and liabilities and provides information about the nature and amount of investments available to satisfy the retiree health care benefits of the Trust. All additions to and deductions from the net position held in trust for retiree health care benefits are accounted for in the Statements of Changes in Plan Net Position. These statements measure the Trust's success in increasing the net position available for retiree health care benefits.

On August 23, 2007, the General Assembly of the State of Illinois approved the amendment to the Metropolitan Water Reclamation District Act (70 ILCS 2605/9.6d), which authorized and set forth the requirements for the establishment of the District Other Postemployment Benefit Trust ("OPEB Trust"), for the purpose of providing for the funding and payment of health and other fringe benefits for retired, disabled, or terminated employees of the District or for their dependents and beneficiaries. The Trust was established December 6, 2007.

The Statement of Plan Net Position and Statement of Changes in Plan Net Position measure the value of the plan's net position and the changes to it. As of December 31, 2011, the plan net position increased to $54,996,284 from $52,153,431 at December 31, 2010.

PLAN NET POSITION

The following table summarizes the Plan's Statements of Net Position:

Condensed Statements of Net Position as of December 31:

	2011	2010	Change	Percent Change
Assets				
Cash and Cash Equivalents	$ 1,379,770	$ 1,183,478	$ 196,292	16.6%
Investments at Fair Value	53,605,063	50,960,000	2,645,063	5.2%
Accrued Interest Receivable	22,784	21,286	1,498	7.0%
Total Assets	55,007,617	52,164,764	2,842,853	5.5%
Liabilities				
Accounts Payable	11,333	11,333	-	0.0%
Total Liabilities	11,333	11,333	-	0.0%
Plan Net Position Held In Trust for OPEB	$ 54,996,284	$ 52,153,431	$ 2,842,853	5.5%

In 2011, the increase in plan net position resulted primarily from increases in employer contributions to the Trust offset by an unrealized loss on equity investments held at year end.

Condensed Statement of Changes in Plan Net Position:

	Year Ended 2011	Year Ended 2010	Change	Percent Change
Additions:				
Contributions by Employer	$ 18,020,374	$ 15,516,965	$ 2,503,409	16.1%
Contributions by Retirees	5,576,468	4,596,887	979,581	21.3%
Total Contributions	23,596,842	20,113,852	3,482,990	17.3%
Interest and Dividends	1,383,304	797,212	586,092	73.5%
Investment Gain (Loss), net of investment expense	(1,510,618)	3,494,694	(5,005,312)	-143.2%
Net Investment Income (Loss)	(127,314)	4,291,906	(4,419,220)	-103.0%
Total Additions	23,469,528	24,405,758	(936,230)	-3.8%
Deductions:				
Retiree Health Care Benefits	20,596,842	20,113,852	482,990	2.4%
Administrative Expenses	29,833	29,795	38	0.1%
Total Deductions	20,626,675	20,143,647	483,028	2.4%
Net Increase in Net Position	2,842,853	4,262,111	(1,419,258)	-33.3%
Net Position				
Beginning of year	52,153,431	47,891,320	4,262,111	8.9%
End of year	$ 54,996,284	$ 52,153,431	$ 2,842,853	5.5%

Additions

Additions are accumulated through employer and retiree contributions, and returns are provided by invested assets. Total additions for 2011 were $23.5 million compared to $24.4 million in 2010, a decrease of $0.9 million or 4%. Employer and retiree contributions were $23.6 million for 2011, representing an increase of $3.5 million or 17%. Advance funding contributions of $3 million were made by the District for 2011. No advance funding contributions were made for 2010. Employer contributions to date have met the District's cumulative advanced funding goal of $50 million by the end of 2011, as provided by the District's funding policy. The 2011 net investment loss of $0.1 million was due to the net unrealized depreciation in the fair value of investments of $1.5 million, offset by $1.4 million of interest and dividend income earned on mutual fund investments. Net investment income (loss) is a combination of interest and dividend income, and gains and losses on investments held at year-end. The weak investment return for 2011 reflected a -4.18% return on equity investments, offset by 7.68% return on fixed income investments. The negative return on equities reflected a broad market correction which largely transpired in the third quarter of 2011 and led to declines across all equity categories. The market correction was sparked by concern that the United States economy was slowing and could tip into recession and by an economic crisis in Europe that led Greece to the brink of default on its debt, necessitating economic and/or debt restructurings in Greece, Italy, Portugal, Spain and Ireland. The strength in fixed income returns reflected a combination of continuing reassurance from the Federal Reserve that interest rates would remain low for a protracted period, perhaps extending into 2014, along with active intervention in the fixed income markets by the Federal Reserve to force long term rates lower. Investment income is shown net of fees charged by the investment advisor and transaction fees charged by the investment custodian.

Deductions

The expenses paid by the Trust are retiree health care benefit payments and administrative expenses. Total deductions for 2011 were $20.6 million compared to $20.1 million in 2010, an increase of $0.5 million or 2.4%. Benefit payments increased 2.4% from 2010, representing a normal increase in amount due to medical cost inflation. Total administrative expenses represent the cost of fiduciary insurance for the Trustee, along with external audit fees.

Return on Investments and Asset Allocation

Comparative investment returns by asset allocation are as follows:

Asset Class	2011 Percent of Investments	2010 Percent of Investments	2011 Time-Weighted Investment Return	2010 Time-Weighted Investment Return
Equity Mutual Funds	58%	60%	-4.18%	8.20%
Domestic Fixed Income Mutual Funds	39%	37%	7.68%	5.02%
Cash & Cash Equivalents	3%	3%	0.01%	0.01%
Total	100%	100%	0.18%	7.47%

The nominal increase in value of the invested assets was 5.58%. The return on invested assets for 2011 using the Modified Dietz approach, which is a time-weighted calculation, was 0.18%, calculated on a quarterly compounded basis. The disparity between the positive percentage return on investments and the nominal decline in value reflects the impact and timing of the $3.0 million advance funding contribution in the middle of the 2011 year.

Funded Status

The Trust's funded status is the ratio of the actuarial value of assets to the actuarial liability and is a measure of the ability to pay all future benefits from the assets held in the Trust. The Trust's funded ratio as of December 31, 2011 was 13.9%, an increase from 9.1% as of December 31, 2009, the date of the previous actuarial valuation.

The District's Annual "Other Postemployment Benefits" ("OPEB") Cost represents the employer contribution that would be needed each year to fund the retiree health care benefits over a period not exceeding 30 years. The District's Annual OPEB Cost was calculated to be $28.3 million and $40.1 million for 2011 and 2010, respectively. The decrease in OPEB Cost was due to changes in actuarial assumptions sine the prior valuation, which are explained on page 18 of the CAFR. The actual contribution for 2011 and 2010 was 64% and 39% of the Annual OPEB Cost, respectively. Details about both of these indicators are found in the Statistical section of the CAFR.

Required Supplementary Information

The required supplementary information provides a Schedule of Funding Progress, a Schedule of Employer Contributions, and a Summary of Actuarial Assumptions.

The Schedule of Funding Progress shows selected actuarial information, including the ratio of actuarial value of assets to actuarial accrued liability (funded ratio). The funded ratio increases or decreases over time dependent upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. Actuarial liabilities in excess of assets indicate that an insufficient amount of assets have accumulated to fund future benefits of current members and retirees. The funded ratio was 13.9% at December 31, 2011, the date of the most recent actuarial valuation.

The Schedule of Employer Contributions shows the value of total annual contributions the employer must pay and the related percentages the employer has contributed to meet the requirements. The Employer contributed 64% of the annual OPEB cost for 2011.

The Actuarial Assumptions presented were determined as part of the actuarial valuation at December 31, 2011. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2013.

Other Information

This report also includes an Investment Section, an Actuarial Section, and a Statistical Section. The Investment Section contains the investment consultant report, a statement on investment authority and responsibility, an outline of investment policies, reports on investment objectives, allocation, performance, assets, and analytics, a schedule of investment returns, and a summary schedule of investment fees. The Actuarial Section contains the Actuary's Certification Letter, an introduction, a summary of assumptions and methods, and other actuarial information. The statistical section consists of a description of the statistical schedules, member statistics, and the change in net positions, revenues by source, schedule of return on investments, schedule of employer contributions, and schedule of expenses by type.

CONTACT INFORMATION

This Report is intended to provide a general overview of the Metropolitan Water Reclamation District Retiree Health Care Trust. Questions or requests for additional information should be addressed to the Trust at 100 East Erie Street, Chicago, Illinois 60611, Attn: Treasurer, or call (312) 751-5150.

FINANCIAL STATEMENTS

Statement of Plan Net Position:

	Year Ended 2011	Year Ended 2010
Assets		
Cash and Cash Equivalents	$ 1,379,770	$ 1,183,478
Investments at Fair Value		
Fixed Income Mutual Funds	21,581,731	19,161,046
Equity Mutual Funds	31,955,526	31,656,064
Illinois Funds Investment Pool	67,806	142,890
Total Investments	53,605,063	50,960,000
Accrued Interest Receivable	22,784	21,286
Total Assets	55,007,617	52,164,764
Liabilities		
Accounts Payable	11,333	11,333
Total Liabilities	11,333	11,333
Plan Net Position Held In Trust for OPEB	$ 54,996,284	$ 52,153,431

Statement of Changes in Plan Net Position:

	Year Ended 2011	Year Ended 2010
Additions:		
Contributions by Employer	$ 18,020,374	$ 15,516,965
Contributions by Retirees	5,576,468	4,596,887
Total Contributions	23,596,842	20,113,852
Net Appreciation (Depreciation) in Fair Value of Investments	(1,465,010)	3,540,803
Interest and Dividends	1,383,304	797,212
Total Investment Return (Loss)	(81,706)	4,338,015
Less Investment Expenses	(45,608)	(46,109)
Net Investment Income (Loss)	(127,314)	4,291,906
Total Additions	23,469,528	24,405,758
Deductions:		
Retiree Health Care Benefits	20,596,842	20,113,852
Administrative Expenses	29,833	29,795
Total Deductions	20,626,675	20,143,647
Net Increase in Plan Net Position	2,842,853	4,262,111
Net Position Held in Trust for OPEB		
January 1	52,153,431	47,891,320
December 31	$ 54,996,284	$ 52,153,431

See accompanying notes to the Financial Statements.

1. Summary of Significant Accounting Policies

a. Reporting Entity

Pursuant to 70 ILCS 2605/9.6d, the Metropolitan Water Reclamation District of Greater Chicago (District) adopted the Plan and Trust effective December 6, 2007, to recognize the contribution made to the District by its Employees. Its purpose is to reward them by providing benefits for those Employees who shall qualify hereunder and their eligible Spouses and Dependents.

The intention of the District is that the Plan satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the IRS.

The Metropolitan Water Reclamation District Retiree Health Care Trust (Trust) is a component unit of the District and, as such, is included in the District's financial statements. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable, or for which the nature and significance to the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or otherwise incomplete. Based on the required criteria, the Trust has no component units.

b. Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

c. Cash Equivalents

Cash equivalents consist of money market funds with a maximum weighted average maturity of 60 days.

d. Investments

The Trust is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust funds shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009.

The Trust's assets are invested in fixed income and equity open-ended mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the average cost of investments sold, determined at the time of sale, is used.

The Trust's assets are also invested in the Illinois Funds. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price the investment could be sold for.

e. Management's Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The District uses an actuary to determine the actuarial accrued liability for postretirement benefits and to determine the actuarially required contribution and annual OPEB expense. A change in the actuarial assumptions used could significantly change the amounts reported in the accompanying financial statements.

The information included in this report is based on the actuarial valuation performed as of December 31, 2011. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2013.

f. Description of Fiscal Year

The District established the Trust on December 6, 2007 and elected to follow a calendar year for financial reporting, consistent with the District. These financial statements cover the year ended December 31, 2011.

g. Comparative Data

The Trust's financial statements present comparative data for the prior year to provide an understanding of the changes in position and activities.

h. New Accounting Pronouncement

Issued in 2011, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Trust implemented this Statement for the year ending December 31, 2011.

2. Plan Description and Contribution Information

a. Membership

Membership of the Trust consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and survivors receiving benefits	1,977
Retiree dependent spouses receiving coverage	912
Active plan members	1,893
Total	4,782

b. Plan and Trust Description

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 coverage. All employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses and dependents is provided. The Trust was established to advance fund benefits provided under the Plan.

c. Contributions

State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners (BOC) discretionary authority to determine contribution amounts to be paid by the District. In accordance with the legislation, the BOC may lawfully agree with the Trust to a binding level of funding for periods of time not to exceed 5 fiscal years. As of the date of this report, the BOC has not entered into any such agreements. In addition, the Trust documents permit employees of the District to contribute money to provide for such benefits. No contribution is required at this time.

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 District is required to contribute the balance of the current premium and claims costs. The District has contributed $50 million to the Trust as the advance funding amount to date.

d. Retiree Health Care Benefit Costs

Benefit costs are post-retirement medical and prescription drug coverage benefit premiums and claims paid by the District.

e. Administrative Costs

Administrative costs of the Trust will be financed primarily through investment earnings; however, the Trust is not prohibited from expending contributions for administrative purposes.

3. Funded Status and Funding Progress

The funded status of the plan as of the December 31, 2011, actuarial valuation is as follows (amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	$ 54,996	$ 394,676	$ 339,680	13.93%	$162,853	208.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of employer contributions is included as part of the required supplementary information and presents information about the amounts contributed to the plan by employers in comparison to the Annual OPEB Cost, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The Annual OPEB Cost represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Amortization period	30 Years
Asset valuation method	Fair Value
Actuarial assumptions:	
Discount Rate	7.0%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.5% Initial 5% Ultimate (Year 2018)
Annual Payroll Growth Rate	3.6%
Disability	None
Age of Spouse	Husbands are assumed to be 3 years older than their wives.
Coverage at	90% of future eligible service retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

4. Investments

a. Interest Rate Risk

The Trust's benefit liabilities extend many years into the future, and the Trust's policy is to maintain a long-term focus on its investment decision-making process. Fixed income investments susceptible to interest rate risk are monitored to prevent such investments from exceeding established allocation targets.

At December 31, 2011, the Trust's investments in open-ended fixed income mutual funds stated at fair value with weighted average maturities are as follows:

Fund Name	Fair Value	Percentage	Weighted Average Maturities (Years)
Dodge & Cox Income	$4,736,847	21.9%	7.0
Payden Core Bond Fund	1,318,930	6.1%	6.9
PIMCO Total Return Instl	7,170,627	33.2%	8.9
Vanguard Inflation Protected Securities Institutional	8,355,327	38.8%	9.4
		100.0%	

The Trust's investments in the Illinois Funds have a weighted-average maturity of less than one year as of December 31, 2011.

b. Credit Risk

The Trust's Investment Policy requires a minimum of 85% of the fixed income holdings of an actively managed fixed income mutual fund be of investment grade quality or higher at purchase; rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard and Poor's. The Trustee, at its discretion, may impose a higher standard on an individual investment's circumstances or as investment objectives dictate. Fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, Canadian Government, or any agency or instrumentality thereof, or to corporate and municipal issues.

As of December 31, 2011, the credit ratings for Trust investments were as follows:

	Fund			
	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl	Vanguard Inflation Protected Secs Instl
Credit Rating (1)	**Percentage**			
AAA	43.2	2.0	64.0	100.0
AA	4.7	42.0	9.0	-
A	15.1	13.0	13.0	-
BBB	21.6	30.0	8.0	-
BB	7.8	5.0	3.0	-
B	4.8	7.0	2.0	-
BELOW B	2.8	1.0	1.0	-
Total	100.0	100.0	100.0	100.0

(1) Provided by Morningstar. Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The credit rating for the Illinois Funds was AAAm by Standard and Poor's at December 31, 2011.

c. Foreign Currency Risk

The Trust's Investment Policy requires that it disclose any investment denominated in a foreign currency. Exposure to foreign currency risk is limited to the international investment allocation target maximum of 20% of the fair value of the investment portfolio.

As of December 31, 2011, the Trust investments in international equity open-ended mutual funds stated at fair value are as follows:

Fund Name	Fair Value
Fidelity Advisor Intl Discovery I	$2,425,110
Harbor International Instl	5,105,409
	$7,530,519

d. Custodial Credit Risk

The Trust's Investment Policy requires that all investments and investment collateral be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the Trust's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities which are in the possession of the outside party. All cash balances maintained at banks are required to be collateralized with permitted U.S. Government Securities in an amount equal to 105% (at market) of the monies on deposit. Cash awaiting reinvestment in the Trust's investment account is protected up to $250,000 under coverage by the Securities Investor Protection Corporation (SIPC). As of December 31, 2011, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	$ 54,996	$ 394,676	$ 339,680	13.93%	$162,853	208.6%
12/31/2009	47,891	526,476	478,585	9.10%	170,392	280.9%
1/1/2007	25,025	442,683	417,658	5.65%	158,832	263.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (amounts in thousands):

Years ended December 31

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed*	Net OPEB Obligation
2011	$ 28,271	63.7%	$ 76,580
2010	40,056	38.7%	66,329
2009	40,056	36.4%	41,789
2008	44,739	80.1%	16,325
2007	44,739	83.4%	7,405

Note: The Trust was established in 2007.

*The percentage contributed represents all contributions made by the employer (District) in relation to the annual OPEB cost. Amounts contributed include both direct contributions to the Trust, and benefit payments made by the District.

See accompanying independent auditors' report.

ACTUARIAL ASSUMPTIONS:

Valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Amortization period	30 Years
Asset valuation method	Fair Value
Actuarial assumptions:	
Discount Rate	7.0%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.5% Initial 5% Ultimate (Year 2018)
Annual Payroll Growth Rate	3.6%
Disability	None
Age of Spouse	Husbands are assumed to be 3 years older than their wives.
Coverage at	90% of future eligible service retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

See accompanying independent auditors' report.

The following outlines the changes since the prior valuation:

- The mortality assumption was updated to include projected mortality improvements on a fully generational basis.
- The retiree and spouse participation assumptions were changed from 100% and 60% to 90% and 76%, respectively.
- The average age of spouses was changed from males 4 years older than females to males 3 years older than females.
- The assumed distribution of future benefit recipients among the individual health plans has been revised based on actual 2011 retiree elections.
- The per capita claims costs have been updated based on premiums in effect as of July 1, 2011 and historical claims data.
- The medical trend rates have been updated to better reflect anticipated medical cost inflation.
- The plan was changed to increase the required retiree contributions from the 2011 rate (approximately 20%) to ultimately reach 50% of expected plan costs by 2021.
- For participants hired on or after April 1, 1986, the percentage assumed to enroll in Medicare upon reaching eligibility was changed from 90% to 100%. For participants hired prior to April 1, 1986, the percentage assumed to enroll in Medicare upon reaching eligibility was changed from 90% to 93%.
- The December 31, 2011 valuation reflects the impact of the 40% excise tax on high cost plans as a result of the Patient Protection and Affordable Care Act ("PPACA") signed into law on March 23, 2010. The impact of this provision is estimated to increase the accrued liability as of December 31, 2011 by 2.6%.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

SUMMARY SCHEDULE OF ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2011	Year Ended December 31, 2010
Professional services - audit fees	$ 21,000	$ 19,815
Fiduciary Insurance	8,833	9,980
Total Administrative Expenses	$ 29,833	$ 29,795

SUMMARY SCHEDULE OF INVESTMENT FEES

	Year Ended December 31, 2011	Year Ended December 31, 2010
Investment consulting fees	$ 45,333	$ 45,333
Custodian transaction fees	275	776
Net Investment Expenses	$ 45,608	$ 46,109

INVESTMENT SECTION

INVESTMENT CONSULTANT REPORT

ICMA-RC
777 North Capitol Street, NE
Washington, D.C. 20002

March 23, 2012

Board of Trustees,
Metropolitan Water Reclamation District Retiree Health Care Trust
100 East Erie Street
Chicago, IL 60611-2829

To the Board of Trustees:

ICMA-RC has served as the investment consultant for the Metropolitan Water Reclamation District Retiree Health Care Trust since 2008. We have assisted the Trust in development of investment policy, advised on development of the Trust's asset allocation investment strategy and investment manager selections, and provided periodic investment performance reviews and analysis.

Investment Policy

The Trust's investment policy was adopted by the Trust on November 19, 2009 and allows for a range of exposures to three aggregated asset classes as follows:

Asset Class	Benchmark Fund Asset Mix		
	Minimum	Normal	Maximum
Equities & Other Variable Income Investments	40%	60%	75%
Fixed Income Securities (Bonds)	25%	39%	60%
Cash/Cash Equivalents (Money Market)	0%	1%	100%

The investment policy is designed to control for risk and provide guidance in establishing a prudent investment strategy that serves the long-term needs of the Trust and its beneficiaries. The investment policy does not specify a targeted rate of return. Advice provided by ICMA-RC does not seek a target return or the opportunity for higher return in the absence of due consideration of the potential risk of an investment opportunity.

ICMA-RC also provides the trust with advice on selection of investment managers offering investment opportunities in open-ended mutual funds. Recommended investment managers are screened and monitored by ICMA-RC investment staff and the mutual fund share classes recommended are typically no load and the lowest cost share class available for the amount contemplated for investment.

INVESTMENT SECTION

Investment Portfolio Activities

The Trust was established in 2007 and by 2010 a series of contributions totaling $47.0 million were made to a money market fund account with the Illinois Funds, administered by the Illinois State Treasurer. Initial investment by the Trust was undertaken in 2010 through an account established with Pershing Advisor Solutions, a BNY Mellon Company (PAS). During 2010, the Trust transferred to PAS and invested $47.7 million in a diversified group of mutual funds in accordance with the Trust's investment policy and approved investment strategy. The $47.7 million was comprised of the $47.0 million in contributions and interest of $700,000 accumulated in the Illinois Funds money market account. In 2011, an additional $3.0 million was contributed to the PAS account. The $3.0 million and accumulated distributions from the Trust's investments were invested in accordance with the Trust's strategy. No withdrawals were made from the account. Total contributions to the Trust have aggregated to $50.0 million as of year-end 2011. Trust holdings at year-end 2011 were valued at $55.0 million, which includes $54.94 million in the PAS account and $67,806 held in the Illinois Funds money market account.

Trust investments are allocated approximately 60% to equities and 40% to fixed income investments. The 60% allocation to equities is divided among eight equity mutual funds that cover a broad range of equity style categories including domestic and international, and large, medium and small capitalization equities. The 40% allocated to fixed income is divided among three fixed income managers that invest primarily in high quality domestic and international fixed income securities and one fixed income manager that invests in inflation protected securities. A money market fund is used to facilitate transactions and to accumulate fund distributions pending reinvestment.

Trust assets invested in the Pershing Advisor Solutions account totaled $54.9 million at year-end 2011, compared with $52.0 million at year-end 2010. As shown in the attached tables, the change in value of the account reflected a contribution of $3.0 million and a decline of $0.1 million on the investment account during 2011. The $0.1 million decline reflected a decrease in Unrealized Capital Appreciation of $1.7 million, partially offset by $1.6 million of Interest and Dividend Income. This resulted in a 5.58% nominal increase in the assets held by the Trust. The return on invested assets for 2011 using the Modified Dietz approach, which is a time-weighted calculation, was 0.18%, calculated on a quarterly compounded basis. The disparity between the positive percentage return on investments and the nominal decline in value reflects the impact and timing of the $3.0 million contribution in the middle of the year.

The weak 0.18% investment return for 2011 reflected a -4.18% return on equity investments, offset by 7.68% return on fixed income investments. The negative return on equities reflected a broad market correction which largely transpired in the third quarter of 2011 and led to declines across all equity categories. The market correction was sparked by concern that the United States economy was slowing and could tip into recession and by an economic crisis in Europe that led Greece to the brink of default on its debt, necessitating economic and/or debt restructurings in Greece, Italy, Portugal, Spain and Ireland. Despite positive returns in the other three quarters of 2011, the severe third quarter downturn led to losses for the year ranging from -12.32% in international equity holdings to -0.95% in domestic large cap equity investments. The losses in equities were offset by positive returns in fixed income investments, led by a 13.30% return in inflation protected securities holdings. The strength in fixed income returns reflected a combination of continuing reassurance from the Federal Reserve that interest rates would remain low for a protracted period, perhaps extending into 2014, along with active intervention in the fixed income markets by the Federal Reserve to force long term rates lower.

A blended benchmark has been designated for evaluation of the performance of the Trust's investment account. Appropriate individual benchmarks are used for evaluation of underlying investments based on their respective investment style categories. The blended benchmark for evaluation of the trust account's performance is a mix of the S&P 500 Index (60%), Barclay's U.S. Aggregate Bond Index (39%), and 91-Day U.S. Treasury Bills (1%). The blended benchmark returned 4.90% during 2011, calculated on a quarterly compounded basis.

The Trust has maintains a money market fund account with the Illinois Funds, administered by the Illinois State Treasurer. According to the Trust this account ended 2011 with a balance of $67,806, compared with a balance of $142,890 a year earlier. About $84 of interest income was credited to the account during the year.

Respectfully submitted,

Joshua M. Harari, CFA
Director, EIP
ICMA-RC

Table 1
MWRD Retiree Health Care Trust
Investment Portfolio Balances

Beginning Balances	$52.1 million
May 26, 2011 Contribution	$3.0 million
Total Contributions During 2011	$3.0 million
Interest & Dividends	$1.4 million
Net Capital Depreciation	-$1.5 million
Ending Balance December 31, 2011	$55.0 million
Total Change in Value Of Investments	0.18%

Table 2
MWRD Retiree Health Care Trust
Investment Schedule
Time-Weighted Returns Calendar Year 2011

	Ticker	Time-Weighted Investment Return	Benchmark Return	Benchmark
Equity Funds				
Fidelity Advisor Intl Discovery I	FIADX	-15.06%	-12.14%	MSCI EAFE Free Index
Harbor International Institutional	HAINX	-10.98%	-12.14%	MSCI EAFE Free Index
Fidelity Contrafund	FCNTX	0.10%	2.12%	Standard & Poor's 500 Index
American Funds Fundamental Invs F-2	FINFX	-1.59%	2.12%	Standard & Poor's 500 Index
MFS Massachusetts Investors Tr I	MITIX	-1.48%	2.12%	Standard & Poor's 500 Index
The Profit Fund	PVALX	0.76%	2.12%	Standard & Poor's 500 Index
Perkins Small Cap Value I	JSCOX	-3.05%	-4.17%	Russell 2000 Small Cap Index
Vanguard Small Cap Index Institutional	VSISX	-2.52%	-4.17%	Russell 2000 Small Cap Index
Total Equity Composite		**-4.18%**	**2.12%**	**Standard & Poor's 500 Index**
Fixed Income Funds				
Dodge & Cox Income	DODIX	4.76%	7.84%	Barclays U.S.Aggregate Bond Index
Payden Core Bond Fund	PYCBX	4.15%	7.84%	Barclays U.S.Aggregate Bond Index
PIMCO Total Return Institutional	PTTRX	4.19%	7.84%	Barclays U.S.Aggregate Bond Index
Vanguard Inflation-Protected Institutional	VAIPX	13.30%	13.56%	Barclays U.S.Treasury Inflation Protected Securities Index
Total Fixed Income Composite		**7.68%**	**7.84%**	**Barclays U.S.Aggregate Bond Index**
Cash				
Dreyfus General Treasury Prime Money Market	GTBXX	0.00%	0.10%	91-Day US Treasury Bill
Total Portfolio Time Weighted Return		**0.18%**	**4.90%**	**60% S&P 500 / 39% Barclays US Aggregate / 1% 91-Day US Treasury Bill**

Table 3
MWRD Retiree Health Care Trust
Investment Schedule
Time-Weighted Returns Calendar 2011

	Time-Weighted Investment Return	Benchmark Return	Benchmark
Equity Composites			
International Equity Composite	-12.32%	-12.14%	MSCI EAFE Free Index
Domestic Large Cap Composite	-0.95%	2.12%	Standard & Poor's 500 Index
Domestic Small Cap Composite	-2.77%	-4.17%	Russell 2000 Small Cap Index
Total Equity Composite	-4.18%	2.12%	Standard & Poor's 500 Index
Fixed Income Composite			
Total Fixed Income Composite	7.68%	7.84%	Barclays U.S.Aggregate Bond Index
Total Portfolio Time Weighted Return	0.18%	4.90%	Aggregate / 1% 91-Day US Treasury Bill

INVESTMENT SECTION

INVESTMENT AUTHORITY AND RESPONSIBILITY

As authorized under State Statute 70 ILCS 2605/9.6d, the Trust's investment function is managed by the District's Treasurer, with the District as Trustee for the Trust. Per the Trust agreement, the Trustee has total discretion and authority with regard to the investment of the assets of the Trust to which it holds title. The Trustee is authorized and empowered to delegate to the District Treasurer and other individuals as deemed appropriate, the following powers, rights and duties, each of which shall be subject to the approval of the Trustee:

(a) To purchase and cause stocks, bonds, exchange-traded funds, open-ended mutual funds, or other investments to be registered in its name as Trustee or in the name of a nominee, or to take and keep the same unregistered;

(b) To employ such agents, advisors and legal counsel as it deems advisable or proper in connection with its duties and to pay such agents, advisors and legal counsel a reasonable fee. The Trustee shall not be liable for the acts of such agents, advisors and legal counselor for the acts done in good faith and in reliance upon the advice of such agents, advisors and legal counsel, provided it has used reasonable care in selecting such agents, advisors and legal counsel;

(c) To exercise where applicable and appropriate any rights of ownership in any contracts of insurance in which any part of the Trust may be invested and to pay the premiums thereon; and

(d) To buy, sell, convey or transfer, invest and reinvest any part of each and every kind of investment listed above in Section (a).

OUTLINE OF INVESTMENT POLICIES

In accordance with state Statute 70 ILCS 2605/9.6d, "To the extent participants do not direct the investment of their own account, the assets of the OPEB Trusts shall be managed by the Treasurer of the District in any manner, subject only to the prudent investor standard and any requirements of applicable federal law. The limitations of any other statute affecting the investment of District funds shall not apply to the OPEB Trust. The trustee shall adopt an investment policy consistent with the standards articulated in Section 2.5 of the Public Funds Investment Act. The Investment Policy for the Trust was approved by the Board of Trustees on November 19, 2009.

INVESTMENT OBJECTIVES

The Trust, based on its overall purpose of supporting the long-term financial ability to fund retiree healthcare expenditures, is structured to provide competitive performance while minimizing the potential for losses. Accordingly, the Trust will have a balanced overall structure between equity and bond funds. The asset allocation targets for the Trust are as follows:

INVESTMENT SECTION

Asset Class	Fund Asset Mix Minimum	Normal	Maximum
Equities & Other Variable Income Investments	40%	60%	75%
Fixed Income Securities (Bonds)	25%	39%	60%
Cash/Cash Equivalents (Money Market)	0%	1%	100%

Note: The initial investments for the Trust were held in cash and cash equivalents until the Investment Policy was approved and the initial asset allocation was completed in 2010.

A blended benchmark has been designated for evaluation of the performance of the Trust's investment account. Appropriate individual benchmarks are used for evaluation of underlying investments based on their respective investment style categories. The blended benchmark for evaluation of the trust account's performance is a blend of the S&P 500 Index (60%), Barclay's U.S. Aggregate Bond Index (39%), and 91-Day U.S. Treasury Bills (1%).

INVESTMENT ALLOCATION

Initial investment by the Trust was undertaken on March 29, 2010 through an account established with Pershing Advisor Solutions ("PAS"), a BNY Mellon Company. On March 29, the Trust invested the first of three tranches of investments totaling approximately $47.7 million. The three tranches were divided as follows: $14.7 million on March 29, $16.5 million on April 29, and $16.5 million on May 27. The $47.7 million of investment was allocated 60% to equities and 40% to fixed income investments. In 2011, an additional $3.0 million was contributed to the PAS account. The $3.0 million and accumulated distributions from the Trust's investments were invested in accordance with the Trust's strategy. No withdrawals were made from the investment account in 2011. All investments are in open-ended mutual funds.

As of December 31, 2011 and 2010, the Trust's asset allocations at fair value are as follows:

Asset Class	Actual Asset Allocation 2011	Actual Asset Allocation 2010	Target Allocation
Domestic Equity	44%	45%	40%
International Equity	14%	15%	20%
Domestic Fixed Income	39%	37%	39%
Cash & Cash Equivalent:	3%	3%	1%
Total	100%	100%	100%

Note: Cash dividends and capital gain distributions occurred primarily in December. Investment direction to be provided by the Executive Committee in the new year.

INVESTMENT PERFORMANCE

ICMA-RC evaluates mutual fund performance and reports to the Executive Committee individual fund performance as well as overall performance. Investment returns are calculated based on a time-weighted rate of return based upon market values and in compliance with industryaccepted reporting standards. Exchange-traded mutual funds report return net of investment fees.

The investment rate of return on invested assets for the year ending December 31, 2011, was 0.18%, compared to the Trust's Policy Index return of 4.90%.

The investment rate of return on invested assets for the year ending December 31, 2010, was 7.47%, compared to the Trust's Policy Index return of 7.88%. This represents the return from initial investment date of March 29, 2010, through December 31, 2010.

INVESTMENT ASSETS

	December 31, 2011		December 31, 2010	
	Fair Value	**Percent**	**Fair Value**	**Percent**
Equity Funds				
American Funds Fundamental Invs F-2	$ 7,634,344	13.9%	$ 7,332,416	14.1%
Fidelity Advisor Intl Discovery I	2,425,110	4.4%	2,685,180	5.1%
Fidelity Contrafund	5,493,364	10.0%	5,112,666	9.8%
Harbor International Instl	5,105,409	9.3%	5,472,881	10.5%
MFS Massachusetts Investors Tr I	4,854,301	8.8%	4,618,611	8.9%
The Profit Fund	2,278,729	4.1%	1,268,219	2.4%
Perkins Small Cap Value I	1,381,771	2.5%	2,472,910	4.7%
Vanguard Small Cap Index Instl	2,782,498	5.1%	2,693,181	5.2%
Total Equity Funds	31,955,526	58.1%	31,656,064	60.7%
Fixed Income Funds				
Dodge & Cox Income	4,736,847	8.6%	4,323,542	8.3%
Payden Core Bond Fund	1,318,930	2.4%	1,207,503	2.3%
PIMCO Total Return Institutional	7,170,627	13.1%	6,549,319	12.5%
Vanguard Inflation Protected Secs Instl	8,355,327	15.2%	7,080,682	13.6%
Total Fixed Income Funds	21,581,731	39.3%	19,161,046	36.7%
Illinois Funds Investment Pool	67,806	0.1%	142,890	0.3%
Total Plan Assets at Fair Value	53,605,063	97.5%	50,960,000	97.7%
Cash & Cash Equivalents	1,379,770	2.5%	1,183,478	2.3%
Total Investments at Fair Value	**$54,984,833**	**100.0%**	**$52,143,478**	**100.0%**

INVESTMENT ANALYTICS

History of Investment Yields at Fair Value

Years Ending December 31

Year	Invested Assets	Yield at Market	Trust's Policy Index	Notes
2011	$ 53,605,063	0.18%	4.90%	
2010	50,960,000	7.47%	7.88%	(1)
2009	47,902,573	0.29%	N/A	
2008	47,807,878	2.28%	N/A	
2007	25,024,760	4.52%	N/A	(2)

(1) Reflects the portfolio performance from date of investment (March 29, 2010) through December 31, 2010.

(2) Represents the 26-day period ended December 31, 2007 (year of inception).

Schedule of Investment Returns

	Year Ended 12/31/2011 (3)	Year Ended 12/31/2010 (4)
Trust's Total Portfolio	**0.18%**	**7.47%**
Trust's Policy Index	*4.90%*	*7.88%*
(60% S&P 500 Index; 39% Barclay's US Aggregate Bond Index; 1% 90-Day US Treasury Bill)		
Trust's Equity Composite	**-4.18%**	**8.20%**
S&P 500 Index	*2.12%*	*9.18%*
International Equity Composite	-12.32%	8.59%
MSCI EAFE Free Index	*-12.14%*	*6.83%*
Domestic Large Cap Composite	-0.95%	7.40%
S&P 500 Index	*2.12%*	*9.18%*
Domestic Small Cap Composite	-2.77%	7.69%
Russell 2000 Small Cap Index	*-4.17%*	*16.54%*
Trust's Fixed Income Composite	**7.68%**	**5.02%**
Barclay's U.S. Aggregate Bond Index	*7.84%*	*4.68%*

(3) The nominal increase in value of invested assets was 5.58% for the year ending December 31, 2011. The return on invested assets using the Modified Dietz approach, which is a time-weighted calculation, was 0.18%. The disparity between the positive percentage return on investments and the nominal decline in value reflects the impact and timing of the $3.0 million advance funding contribution in the middle of the year ending December 31, 2011.

(4) The nominal increase in value of invested assets was 9.00% for the year ending December 31, 2010. The return on invested assets using the Modified Dietz approach, which is a time-weighted calculation, was 7.47%. The disparity between the two figures reflects the favorable impact of building the Trust’s investment portfolio in three steps, which resulted in

purchases at lower prices in April and May than in March. These return figures are not annualized and only reflect the investment portfolio's performance from inception on March 31, 2010 through December 31, 2010.

Summary Schedule of Investment Fees

Years Ending December 31	2011	2010
Investment consulting fees - ICMA-RC	$45,333	$45,333
Custodian transaction fees - Pershing LLC	275	776
Total Investment Expenses	$ 45,608	$ 46,109

ACTUARIAL SECTION

ACTUARIAL SECTION

ACTUARIAL CERTIFICATION

The Metropolitan Water Reclamation District of Greater Chicago retained PricewaterhouseCoopers LLP (“PwC”) to perform an actuarial valuation of its Retiree Health Care Benefit Plan ("the Plan") for the purposes of calculating the necessary information for accounting and reporting requirements in accordance with Government Accounting Standards Board Statement No. 43 (GASB 43). This valuation has been conducted in accordance with the required Actuarial Standards of Practice as issued by the American Academy of Actuaries.

Actuarial calculations under GASB 43 are for purposes of fulfilling the Metropolitan Water Reclamation District of Greater Chicago’s financial accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 43.

In preparing the results presented in this report, we have relied upon information the Metropolitan Water Reclamation District of Greater Chicago provided to us regarding plan provisions, plan participants, claims and premium data, unaudited plan assets and benefit payments. The census data, claims data and plan asset information used in calculating the results herein were collected as of December 31, 2011 for active members, retirees, survivors and dependents. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness. The accuracy of the results presented in this report are dependent upon the accuracy and completeness of the underlying information.

GASB 43 requires that each significant assumption reflect the best estimate of the Plan’s future experience solely with respect to that assumption. The Metropolitan Water Reclamation District of Greater Chicago has determined and taken responsibility for the actuarial assumptions and the accounting policies and methods employed in the valuation of obligations and costs under GASB 43.

A range of results, different from those presented in this report could be considered reasonable. Future actuarial measurements may differ significantly from the current measurement presented in this report due to a number of factors including but not limited to: plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methods used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status), rounding conventions 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 have not been performed.

This report was prepared for the internal use of the Metropolitan Water Reclamation District of Greater Chicago in connection with our actuarial valuation of the Plan and not for reliance by any other person. PwC 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 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” relating to postretirement medical and life insurance plans. To the best of our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

We appreciate this opportunity to be of service to the Metropolitan Water Reclamation District of Greater Chicago. We are available to answer any questions with respect to our report.

ACTUARIAL SECTION

Respectfully submitted,

PRICEWATERHOUSECOOPERS LLP

<table>
<tr><td>Jack Abraham
Fellow of the Society of Actuaries
Enrolled Actuary
Member of the American Academy of Actuaries</td><td>Jill Stockard
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries</td></tr>
</table>

ACTUARIAL SECTION

INTRODUCTION

Biennially, the Trust's actuary will prepare a valuation of the liabilities and reserves of the Trust in order to make a determination of the amount of contributions required from the District. These results are then communicated to the District's Board of Commissioners ("BOC"). The BOC, in turn, has the duty of determining the employer contribution amount it intends to pay to the Trust the following fiscal year.

The information included in this report is based on the actuarial valuation performed December 31, 2011. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2013.

The Board of Commissioners of the District has discretionary authority to determine contribution amounts to be paid into the OPEB Trust Fund. The OPEB Funding Policy includes a target funded ratio of 50% with an expected funding period of 50 years (beginning in 2007), with $50,000,000 to be contributed by the end of 2011. Through December 31, 2011, $50,000,000 has been contributed by the District to the OPEB Trust Fund and the OPEB Funding Policy goal of funding $10,000,000 in each of the first five years (beginning in 2007) for an aggregate of $50,000,000 by the end of 2011 has been met. Contributions were not made ratably by the District over the five year period due to the availability of funds: in 2007, $25,000,000 was contributed; in 2008, $22,000,000 was contributed; in 2009 and 2010, no contributions were made; and in 2011, $3,000,000 was contributed. In succeeding fiscal years the Trust will receive the District (employer) contribution as determined by the BOC. There is currently no requirement for the District to partially or fully fund the Trust, and any funding is on a voluntary basis.

Although voluntary in nature, the District intends to accumulate resources sufficient to ease the burden of administering the District's postemployment health care plan. For fiscal years 2011 and 2010, the District funded 63.7% and 38.7%, respectively, of the actuarially determined employer contribution requirement.

SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND DATA

The Trust was established in 2007 and the first actuarial valuation was performed as of January 1, 2007. The actuarial assumptions were recommended by the actuary and have been adopted by the Executive Committee of the OPEB Trust. The actuarial cost method used for this valuation is the Projected Unit Credit method. Under this method, the benefits expected to be paid to each participant are projected based on the applicable actuarial assumptions. The projected benefits are then divided on a pro-rata basis over the applicable years of service. For purposes of this cost method, the applicable years of service commence at the age at which the funding eligibility conditions are first met. The applicable years of service extend to the date each particular projected benefit is expected to be incurred, or if earlier, the date at which the credited service requirements for each particular benefit are satisfied.

Each year the unfunded actuarial accrued liability is expected to be equal to the sum of the unfunded actuarial accrued liability and normal cost from the prior year, plus interest, less the accumulated value of employer contributions made. The extent to which this expected value differs from the actual value of the unfunded actuarial accrued liability reflects the actuarial experience for the plan year. If the expected value exceeds the actual value, an actuarial gain has occurred. Conversely, if the actual value exceeds the expected value then an actuarial loss has occurred. The unfunded actuarial accrued liability is further modified only for changes in plan provisions, actuarial assumptions or methods. Actuarial gains or losses or changes in the unfunded actuarial liability due to changes in plan provisions, actuarial assumptions or methods are amortized over time. Actuarial gains (losses) will decrease (increase) future costs.

Dates of adoption: The Projected Unit Credit normal cost method and all other actuarial assumptions were adopted January 1, 2007. The mortality table used for postretirement mortality was the "Unisex Pension 1994 Mortality Table" (set back 1 year for males and set forward one year for females).

The following outlines the changes since the prior valuation:

- The mortality assumption was updated to include projected mortality improvements on a fully generational basis.
- The retiree and spouse participation assumptions were changed from 100% and 60% to 90% and 76%, respectively.
- The average age of spouses was changed from males 4 years older than females to males 3 years older than females.
- The assumed distribution of future benefit recipients among the individual health plans has been revised based on actual 2011 retiree elections.
- The per capita claims costs have been updated based on premiums in effect as of July 1, 2011 and historical claims data.
- The medical trend rates have been updated to better reflect anticipated medical cost inflation.
- The plan was changed to increase the required retiree contributions from the 2011 rate (approximately 20%) to ultimately reach 50% of expected plan costs by 2021.
- For participants hired on or after April 1, 1986, the percentage assumed to enroll in Medicare upon reaching eligibility was changed from 90% to 100%. For participants hired prior to April 1, 1986, the percentage assumed to enroll in Medicare upon reaching eligibility was changed from 90% to 93%.
- The December 31, 2011 valuation reflects the impact of the 40% excise tax on high cost plans as a result of the Patient Protection and Affordable Care Act ("PPACA") signed into law on March 23, 2010. The impact of this provision is estimated to increase the accrued liability as of December 31, 2011 by 2.6%.

Below are the most significant actuarial assumptions:

Valuation date	December 31, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Amortization period	30 Years
Asset valuation method	Fair Value
Actuarial assumptions:	
Discount Rate	7.0%
Inflation Rate	3.0%
Health Care Cost Trend Rate	8.5% Initial 5% Ultimate (Year 2018)
Annual Payroll Growth Rate	3.6%
Disability	None
Age of Spouse	Husbands are assumed to be 3 years older than their wives.
Coverage at	90% of future eligible service retirees are assumed to elect coverage at retirement. 76% of active employees are assumed to have single plus spouse coverage at retirement.
Dependent children	No children are assumed to be covered at retirement.
Medicare eligibility	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.

ACTUARIAL SECTION

Summary of Participant Information

All employees of the District, with at least 10 years of service, are eligible to receive post-retirement medical benefits. The participant data detailed in the following table and used in the actuarial valuations includes all employees that are eligible or may become eligible to receive postretirement benefits and currently elect medical coverage.

The following table is based on eligibility for post-retirement medical benefits:

	Total*
Active participants	
Eligible for postretirement benefits	479
Not yet eligible for postretirement benefits	1,414
Total	1,893
Retirees, Survivors, and Dependents	
Retirees and Survivors	1,977
Dependent Spouses	912
Total	2,889
Total participants	4,782
Active participant characteristics	
Average age	49.4
Average past service	13.6
Average age of inactive participants	73.1

*Participant data determined as of December 31, 2011.

Retirees and their dependents that fulfill the eligibility requirements can receive postretirement medical and prescription drug coverage. Retirees and their dependents are eligible at the earlier of: (a) age 55 and 10 years of service, or (b) age + service greater than or equal to 80. Benefits commence at retirement, provided the eligibility requirements are fulfilled and the coverage is lifetime for retirees and their spouses.

Retiree Annual Contributions:

The following annual retiree contribution rates are effective July 1, 2011 through June 30, 2012:

	HMO		PPO	
All Retirees	**Without Medicare**	**With Medicare**	**Without Medicare**	**With Medicare**
Benefit Recipient:				
Pre-65	$ 2,260	$ 2,260	$ 3,426	$ 3,426
Post-65	2,260	1,903	3,426	1,642
Dependent Spouses:				
Pre-65	1,976	1,976	3,426	3,426
Post-65	1,976	1,903	3,426	1,644

Withdrawal Rates
Employees are assumed to terminate based on age, entry age, and gender. The following tables summarize these rates:

Males					**Entry Age**				
Age	16-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
20	10.6 %	-	-	-	-	-	-	-	-
25	8.0	7.7 %	-	-	-	-	-	-	-
30	4.2	5.8	6.1 %	-	-	-	-	-	-
35	1.9	3.3	4.3	5.6 %	-	-	-	-	-
40	0.7	1.6	2.3	4.0	5.4 %	-	-	-	-
45	0.2	0.6	1.3	2.1	3.7	4.8 %	-	-	-
50	-	0.2	0.4	0.6	1.0	3.5	5.4 %	-	-
55	-	-	-	-	-	1.1	3.4	3.2 %	-
60	-	-	-	-	-	-	0.8	1.3	2.2 %
65	-	-	-	-	-	-	-	-	0.9
67	-	-	-	-	-	-	-	-	-

Female					**Entry Age**				
Age	16-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
20	10.6 %	-	-	-	-	-	-	-	-
25	8.8	8.3 %	-	-	-	-	-	-	-
30	5.8	6.0	5.8 %	-	-	-	-	-	-
35	3.1	3.1	4.4	4.2 %	-	-	-	-	-
40	1.4	1.6	2.6	3.4	3.2 %	-	-	-	-
45	0.5	0.7	1.5	2.1	2.2	2.0 %	-	-	-
50	0.2	0.2	0.5	0.6	0.6	1.8	2.2 %	-	-
55	-	-	-	-	-	0.6	1.7	2.2 %	-
60	-	-	-	-	-	-	0.6	0.9	1.9 %
65	-	-	-	-	-	-	-	-	0.8
67	-	-	-	-	-	-	-	-	-

Retirement Rates
Employees are assumed to retire according to the following illustrative schedule:

Age	**Rate**	**Age**	**Rate**
49	- %	60	15.4 %
50	5.6	61	12.6
51	6.3	62	15.4
52	7.0	63	14.0
53	7.7	64	14.0
54	8.4	65	21.0
55	9.1	66	21.0
56	9.8	67	21.0
57	10.5	68	21.0
58	11.2	69	21.0
59	11.9	70	100.0

Annual Per Capita Claims

The claims tables for the 2011 valuation have been developed by calculating the weighted average of the 2011 premium rates based on the current enrollment data. These weighed average rates are subsequently expanded to an age-based table using the actuary's proprietary cost curve. The following table summarizes the assumed per capita claims (medical and prescription drugs) at illustrative ages.

	HMO		PPO	
Age	With Medicare	Without Medicare	With Medicare	Without Medicare
40	$ 3,405	$ 3,405	$ 4,882	$ 4,882
45	4,424	4,424	6,447	6,447
50	6,011	6,011	8,909	8,909
55	7,907	7,907	11,877	11,877
60	9,826	9,826	14,893	14,893
64	11,219	11,219	17,081	17,081
65	7,228	10,305	6,356	14,568
70	7,928	12,378	6,906	17,461
75	8,520	14,261	7,364	20,103
80	8,839	15,556	7,589	21,935
85	8,775	15,975	7,530	22,585
90	8,444	15,484	7,165	21,899
95	7,708	13,985	6,498	19,843

Annual Medical Trend Assumptions

Trend rates are used to project current medical claim costs into the future. The derived medical trend rates illustrated below are based on a general per capita gross national product (GNP) growth assumption of 5% and capping the medical component of the GNP at approximately 20% of total GNP.

Year	Trend
2012	8.5 %
2013	7.9
2014	7.3
2015	6.7
2016	6.1
2017	5.5
2018 and later	5.0

ANALYSIS OF FUNDING

Reconciliation of the Change in Unfunded Liability

(in thousands)	
Unfunded liability as of December 31, 2009	$478,585
Expected unfunded liability as of December 31, 2011	532,210
Decrease in unfunded liability due to investment return greater than expected	(881)
Increase in unfunded liability due to changes in census[1]	25,289
Increase in unfunded liability due to change in mortality assumption[2]	44,545
Decrease in unfunded liability due to participation and spouse assumptions[3]	(3,754)
Decrease in unfunded liability due to net claims lower than expected	(26,247)
Increase in unfunded liability due to increase in healthcare trend rates	6,252
Decrease in unfunded liability due to changes in contributions[4]	(179,916)
Decrease in unfunded liability due to Medicare election assumption change[5]	(31,766)
Decrease in unfunded liability due to change in discount rate	(36,169)
Increase in unfunded liability due to impact of Excise Tax[6]	10,117
Net increase in unfunded liability	(192,530)
Unfunded liability as of December 31, 2011	$339,680

[1]Change due to census assumes Medicare enrollment for all post-65 retires is unchanged from fiscal year 2010.

[2]The mortality assumption was updated to include projected mortality improvements on a fully generational basis.

[3]Change due to the retiree participation assumption (100% to 90%), spouse participation assumption (60% to 76%), and spouse age assumption (+/- 4 yrs to +/- 3 yrs), and PPO election % (based on current retiree enrollment).

[4]Change due to increasing retiree contributions from the 2011 rate (approximately 20%) up to 50% in 2021.

[5]Change due to 100% Medicare enrollment of all actives and pre-65 retirees hired on or after April 1, 1986 upon attaining age 65.

[6]The December 31, 2011 valuation reflects the impact of the 40% excise tax on high cost plans as a result of the Patient Protection and Affordable Care Act ("PPACA") signed into law on March 23, 2010.

Note: Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was as of December 31, 2011.

ACTUARIAL SECTION

Annual OPEB Cost and Net OPEB Obligation

The Net OPEB Obligation is the cumulative difference between the annual OPEB cost and the employer's contributions. The Net OPEB Obligation recorded on the District's financial statement as of December 31, 2011, is calculated as follows (amounts in thousands):

Annual Required Contribution for 2011	$ 27,264
Interest on Net OPEB Obligation	4,643
Adjustment to Annual Required Contribution	(3,636)
Annual OPEB Cost	28,271
Contributions Made	(18,020)
Increase in Net OPEB Obligation	10,251
Net OPEB Asset Beginning of Year	66,329
Net OPEB Obligation End of Year	$ 76,580

Solvency Test

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)
12/31/2011	$ 54,996	$ 394,676	$ 339,680	13.93%
12/31/2009	47,891	526,476	478,585	9.10%
1/1/2007	25,025	442,683	417,658	5.65%

HISTORICAL VALUATION DATA

Schedule of Active Member Valuation Data

Actuarial Valuation Date	12/31/2011	12/31/2009	1/1/2007
Members in Service	1,893	2,095	1,964
% Change	-9.60%	6.70%	-
Covered Payroll	$162,853,163	$170,392,445	$158,831,772
% Change	-4.40%	7.30%	-
Average Salary	$ 86,029	$ 81,333	$ 80,872
% Change	5.80%	0.60%	-
Payroll Growth Assumption	3.60%	3.60%	-

ACTUARIAL SECTION

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Actuarial Valuation Date	**12/31/2011**	**12/31/2009**	**1/1/2007**
Beginning of Year Balance	1,900	1,873	1,850
Number Added to Rolls	221	183	150
Benefit Cost	$ 2,302,378	$ 1,810,968	$ 1,294,050
Number Removed from Rolls	144	156	127
Benefit Cost	$ 1,500,192	$ 1,543,776	$ 1,095,629
End of Year Balance	1,977	1,900	1,873
Health Care Annual Benefit	$ 20,596,842	$ 18,802,036	$ 16,159,127
Average Annual Benefit	$ 10,418	$ 9,896	$ 8,627
Increase in Average Benefit	5.30%	14.70%	-

STATISTICAL SECTION

STATISTICAL SECTION

DESCRIPTION OF THE STATISTICAL SCHEDULES

This part of the Trust's CAFR presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and the required supplementary information indicate about the Trust's overall financial health.

Demographics Information
Schedules contain Participant information to assist the readers of the financial statements in understanding the demographics of the Plan participants.

Financial Trends
These schedules contain trend information to assist the readers in understanding how the Trust's financial position, investment performance, revenues, and expenses have changed over time.

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant years.

MEMBERSHIP STATISTICS

All employees of the District are eligible to receive post employment health care benefits. The same benefit is available to all participants. The participant data detailed in the following table includes all employees that are eligible or may become eligible to receive benefits and currently elect medical coverage.

Active Members

Actuarial Valuation Date	Eligible	Not Yet Eligible	Retirees and Beneficiaries	Total	% Active to Retirees
12/31/2011	479	1,414	1,977	3,870	96%
12/31/2009	493	1,602	1,900	3,995	110%
1/1/2007	685	1,279	1,873	3,837	105%

Retirees and Beneficiaries

Actuarial Valuation Date	Employee	Surviving Spouse	Child	Total
12/31/2011	1,471	506	0	1,977
12/31/2009	1,382	518	0	1,900
1/1/2007	1,346	526	1	1,873

Note: An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2013.

CHANGE IN PLAN NET POSITION

	Year Ended 2011	Year Ended 2010	Year Ended 2009	Year Ended 2008	Year Ended 2007 (1)
Additions:					
Contributions by Employer	$18,020,374	$15,516,965	$14,591,543	$35,819,281	$37,333,865
Contributions by Retirees	5,576,468	4,596,887	4,210,493	3,727,752	3,825,262
Total Contributions	23,596,842	20,113,852	18,802,036	39,547,033	41,159,127
Net Appreciation in Fair Value of Investments	(1,465,010)	3,540,803	-	-	-
Interest and Dividends	1,383,304	797,212	158,828	801,118	24,760
Total Investment Return	(81,706)	4,338,015	158,828	801,118	24,760
Less Investment Expenses	(45,608)	(46,109)	(45,333)	(11,333)	-
Net Investment Income	(127,314)	4,291,906	113,495	789,785	24,760
Total Additions	23,469,528	24,405,758	18,915,531	40,336,818	41,183,887
Deductions:					
Retiree Health Care Benefits	20,596,842	20,113,852	18,802,036	17,547,033	16,159,127
Administrative Expenses	29,833	29,795	18,720	18,000	-
Total Deductions	20,626,675	20,143,647	18,820,756	17,565,033	16,159,127
Net Increase in Plan Net Position	2,842,853	4,262,111	94,775	22,771,785	25,024,760
Net Position Held in Trust for OPEB					
January 1	52,153,431	47,891,320	47,796,545	25,024,760	-
December 31	$54,996,284	$52,153,431	$47,891,320	$47,796,545	$25,024,760

(1) Represents the 26-day period ended December 31, 2007 (year of inception).

SCHEDULE OF REVENUES BY SOURCE

Year Ended	Employer Contributions	Retiree Contributions	Investment Income (Loss)	Total Additions
2011	$ 18,020,374	$ 5,576,468	$ (127,314)	$23,469,528
2010	15,516,965	4,596,887	4,291,906	24,405,758
2009	14,591,543	4,210,493	113,495	18,915,531
2008	35,819,281	3,727,752	789,785	40,336,818
2007	37,333,865	3,825,262	24,760	41,183,887

SCHEDULE OF RETURN ON INVESTMENTS

Year Ended	Year-End Investment Balance	Annual Rate of Return	
2011	$53,605,063	0.18%	
2010	50,960,000	7.47	(1)
2009	47,902,573	0.29	
2008	47,807,878	2.28	
2007	25,024,760	4.52	

(1) Reflects the portfolio performance from date of investment (March 29, 2010) through December 31, 2010.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

		Actual			
Year Ended	Annual OPEB Cost	Benefit Payments (2)	Retiree Contributions (2)	Contribution to Trust	Total
2011	$28,270,684	$ 20,596,842	$ (5,576,468)	$ 3,000,000	18,020,374
2010	40,056,143	20,113,852	(4,596,887)	-	15,516,965
2009	40,056,143	18,802,036	(4,210,493)	-	14,591,543
2008	44,739,003	17,547,033	(3,727,752)	22,000,000	35,819,281
2007	44,739,003	16,159,127	(3,825,262)	25,000,000	37,333,865

(2) Net benefit payments are paid directly by the District. Amounts are not paid through the Trust. The Plan pays a single benefit level and type: post-retirement medical and prescription drug coverage. No dental, life, disability, or child coverage is provided by the Plan.

Percentage of Annual OPEB Cost Contributed by Employer:

2011 63.7%
2010 38.7%
2009 36.4%
2008 80.1%
2007 83.4%

HISTORY OF BENEFIT PAYMENTS

Year Ended	Number of Retirees & Beneficiaries	Retiree Benefit Payments	Average Annual Benefit	Average Monthly Benefit
2011	1,977	$ 20,596,842	$10,418	$ 868
2010	1,900	20,113,852	10,586	882
2009	1,900	18,802,036	9,896	825
2008	1,873	17,547,033	9,368	781
2007	1,873	16,159,127	8,627	719

STATISTICAL SECTION

SCHEDULE OF EXPENSES BY TYPE

Year Ended	Investment Advisor Fee	External Audit Fee	Fiduciary Insurance	Custodian Transaction Fees	Total Expenses
2011	$ 45,333	$ 21,000	$ 8,833	$ 275	$ 75,441
2010	45,333	19,815	9,980	776	75,904
2009	45,333	18,720	-	-	64,053
2008	11,333	18,000	-	-	29,333
2007 (3)	-	-	-	-	-

(3) No expenses were incurred in the period December 6-31, 2007.