

METROPOLITAN WATER RECLAMATION  
DISTRICT OF GREATER CHICAGO  
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

PRELIMINARY GASB 75 DISCLOSURE INFORMATION FOR THE  
FISCAL YEAR ENDING DECEMBER 31, 2021

GASB 74/GASB 75 DISCLOSURE INFORMATION FOR THE  
FISCAL YEAR ENDING DECEMBER 31, 2020

INTERIM UPDATE

Valuation Date: December 31, 2019  
Measurement Date: December 31, 2020  
Fiscal Year End Date: December 31, 2021



April 9, 2021

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

Re: Metropolitan Water Reclamation District – FYE December 31, 2020 GASB 74 Disclosures  
and Preliminary FYE December 31, 2021 GASB 75 Disclosures.

Dear Members of the Board:

Metropolitan Water Reclamation District of Chicago (MWRD) retained Foster & Foster Consulting Actuaries Inc. to provide all necessary schedules required to comply with the Governmental Accounting Standards Board No. 74 (“GASB 74”) and No. 75 (“GASB 75”) for the Retiree Health Care Benefit Plan (“the Plan”). The GASB 74 and 75 results are applicable for MWRD’s fiscal years ending December 31, 2020 and December 31, 2021, respectively. The schedules related to GASB 74 can be found in Appendix 1. The Crossover Test supporting the single discount rate calculation can be found in Appendix 2.

Actuarial calculations under GASB 74 and 75 are for purposes of fulfilling MWRD’s financial accounting requirements. The calculations contained herein have been made on a basis consistent with our understanding of GASB 74 and 75.

The valuation has been conducted in accordance with all applicable federal laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 6 for Measuring Retiree Group Benefit Obligations, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, and No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations. GASB 74 and 75 requires that each significant assumption reflect the client’s best estimate of the Plan’s future experience solely with respect to that assumption. In our opinion, the assumptions and methods used in this valuation, as adopted by the District, represent reasonable expectations of anticipated plan experience under GASB 74 and 75.

The total OPEB liability is determined by an actuarial valuation of benefits every two years. In interim years, disclosures may be developed based on results of the most recent actuarial valuation. The total OPEB Liability and certain sensitivity information shown in this report are based on the most recent actuarial valuation performed as of December 31, 2019. The next actuarial valuation will be conducted as of December 31, 2021. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB 74 and 75.

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

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

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report an analysis of the potential range of such future measurements has not been performed.

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

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

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

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

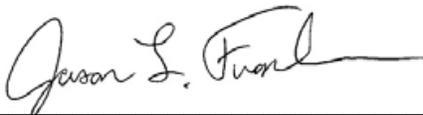
United States” related to postretirement medical and life insurance plans. All the sections of this report are considered an integral part of the actuarial opinions.

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

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

Respectfully submitted,

Foster & Foster, Inc.

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

By:   
Colleen M. Atchison, FSA, MAAA

By:   
Matt Plachta, ASA, MAAA

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## SECTION 1 – Executive Summary

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### SECTION 1 – EXECUTIVE SUMMARY

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

The results of this valuation are based on a Measurement Date of December 31, 2020 and are applicable to the fiscal year ending December 31, 2021. The following table shows the key components of the District's OPEB valuation for fiscal year 2021 under GASB 75.

Total OPEB Liability as of the Measurement Date	\$ 318,117,960
Plan Fiduciary Net Position as of the Measurement Date	270,205,465
District's Net OPEB Liability as of the Measurement Date	<u>\$ 47,912,495</u>

OPEB Expense for the Fiscal Year ending December 31, 2021	\$ (1,788,150)
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Covered Payroll	\$ 191,261,828
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District's Net OPEB Liability as a percentage of Covered Payroll	25.05%
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Census Information as of December 31, 2019:

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

## SECTION 1 – Executive Summary

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### *District Funding Policy:*

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

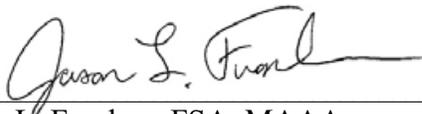
### *Changes since the Prior Valuation*

- Asset values were updated to reflect the Trust Balance as of December 31, 2020.
- All other assumptions remain unchanged from the prior report issued for the fiscal year ending December 31, 2020.

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

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Jason L. Franken, FSA, MAAA

By:   
Colleen M. Atchison, FSA, MAAA

## SECTION 2 – Notes to Financial Statements

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### SECTION 2 – NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended December 31, 2021)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

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

#### GENERAL INFORMATION ABOUT THE OPEB PLAN

##### *Plan Description:*

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue health coverage as a participant in the District's plan.

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

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

##### *Benefits Provided:*

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

## SECTION 2 – Notes to Financial Statements

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### *Eligibility for Insurance Coverage:*

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

### *Health Care Insurance:*

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

### *Contributions:*

The Metropolitan Water Reclamation District's Retiree Health Care Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the District's plan. Spouses and dependents of eligible retirees are also eligible for medical and prescription drug coverage. All full-time employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses is provided. Coverage for dependent children is also provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.

Under the terms of the Plan, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

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

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

## SECTION 2 – Notes to Financial Statements

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### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of December 31, 2020.

<u>Asset Class</u>	<u>Target Allocation</u>
Broad Fixed Income	20.0%
Core Plus Fixed Income	15.0%
Large Cap Core Equity	17.5%
Large Cap Growth Equity	7.5%
Mid Cap Core Equity	10.0%
Small Cap Core Equity	10.0%
Global Low Volatility	5.0%
Non US Large Cap Core Equity	15.0%
Total	<u>100%</u>

### *Concentrations:*

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

### *Rate of Return:*

For the year ended December 31, 2020 the annual money-weighted rate of return on investments, net of investment expense, was 13.79 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### *Receivables:*

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

### *Allocated Insurance Contracts:*

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

## SECTION 2 – Notes to Financial Statements

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### SECTION 2 – NOTES TO FINANCIAL STATEMENTS (For the Year Ended December 31, 2021)

#### NET OPEB LIABILITY

The measurement date is December 31, 2020.

The measurement period for the OPEB expense is January 1, 2020 to December 31, 2020.

The reporting period is January 1, 2021 through December 31, 2021.

The District's Net OPEB Liability was measured as of December 31, 2020.

#### *Actuarial Assumptions:*

The Net OPEB Liability was determined by an actuarial valuation as of December 31, 2019, and updated to December 31, 2020, using the following actuarial assumptions:

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

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

## SECTION 2 – Notes to Financial Statements

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

The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Broad Fixed Income	20.0%	1.70%
Core Plus Fixed Income	15.0%	2.10%
Large Cap Core Equity	17.5%	6.90%
Large Cap Growth Equity	7.5%	6.80%
Mid Cap Core Equity	10.0%	7.20%
Small Cap Core Equity	10.0%	7.70%
Global Low Volatility	5.0%	6.50%
Non US Large Cap Core Equity	15.0%	7.30%
Total	<u>100%</u>	

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

### *Discount Rate:*

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and District contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.50%. It is our understanding that the District has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The District has shown that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments, and the single equivalent rate was 6.50%.

## SECTION 2 – Notes to Financial Statements

### CHANGE IN NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending December 31, 2020	\$ 304,722,806	\$ 232,514,670	\$ 72,208,136
Changes for the Year:			
Service Cost	4,861,346	-	4,861,346
Interest	19,763,742	-	19,763,742
Differences Between Expected and Actual			
Experience	-	-	-
Changes of Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Contributions - Employer Trust	-	5,000,000	(5,000,000)
Contributions - Pay-As-You-Go	-	11,229,934	(11,229,934)
Net Investment Income	-	32,732,090	(32,732,090)
Explicit Gross Benefit Payments	(11,229,934)	(11,229,934)	-
Administrative Expense	-	(41,295)	41,295
Net Changes	13,395,154	37,690,795	(24,295,641)
Reporting Period Ending December 31, 2021	\$ 318,117,960	\$ 270,205,465	\$ 47,912,495

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

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
	5.50%	6.50%	7.50%
Net OPEB Liability (asset)	\$ 88,683,168	\$ 47,912,495	\$ 14,099,267

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

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

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.50% - 7.00%	4.50% - 8.00%	5.50% - 9.00%
Net OPEB Liability (asset)	\$ 7,494,848	\$ 47,912,495	\$ 96,970,571

## SECTION 2 – Notes to Financial Statements

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### *OPEB Plan Fiduciary Net Position:*

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

## SECTION 3 – GASB 75 Disclosure Schedules

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### SECTION 3 – GASB 75 DISCLOSURE SCHEDULES

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

(For the Year Ended December 31, 2020)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 5,844,510	\$ -
Changes of Assumptions	-	31,963,242
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	12,472,687
Employer Contributions Made Subsequent to the Measurement Date	16,229,934	-
Total	<u>\$ 22,074,444</u>	<u>\$ 44,435,929</u>

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

Year ended December 31:	
2021	\$ (7,688,427)
2022	\$ (7,688,427)
2023	\$ (4,785,214)
2024	\$ (9,723,107)
2025	\$ (4,353,122)
Thereafter	\$ (4,353,122)

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

Employer Contributions Made Subsequent to the Measurement Date are actual employer contributions for this fiscal year ending December 31, 2020.

## SECTION 3 – GASB 75 Disclosure Schedules

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

(For the Year Ended December 31, 2021)

For the year ended December 31, 2021, the District will recognize OPEB Expense/(Revenue) of \$(1,788,150).

On December 31, 2021, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 4,870,425	\$ -
Changes of Assumptions	-	26,636,035
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	23,103,366
Employer Contributions Made Subsequent to the Measurement Date	TBD	-
Total	<u>TBD</u>	<u>\$ 49,739,401</u>

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

Year ended December 31:	
2022	\$ (11,179,923)
2023	\$ (8,276,710)
2024	\$ (13,214,603)
2025	\$ (7,844,618)
2026	\$ (4,353,122)
Thereafter	\$ -

## SECTION 3 – GASB 75 Disclosure Schedules

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

Reporting Period Ending	12/31/2021	12/31/2020	12/31/2019
Measurement Date	12/31/2020	12/31/2019	12/31/2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 4,861,346	\$ 5,540,295	\$ 5,314,432
Interest	19,763,742	20,851,553	20,011,894
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	-	6,818,596	-
Changes of assumptions	-	(37,290,450)	-
Benefit Payments	(11,229,934)	(12,700,092)	(12,570,679)
Net Change in Total OPEB Liability	13,395,154	(16,780,098)	12,755,647
Total OPEB Liability - Beginning	304,722,806	321,502,904	308,747,257
Total OPEB Liability - Ending (a)	<u>\$ 318,117,960</u>	<u>\$ 304,722,806</u>	<u>\$ 321,502,904</u>
<b>Plan Fiduciary Net Position</b>			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	11,229,934	12,700,092	12,570,679
Net Investment Income	32,732,090	39,251,295	(11,840,345)
Benefit Payments	(11,229,934)	(12,700,092)	(12,570,679)
Administrative Expense	(41,295)	(53,880)	(42,200)
Net Change in Plan Fiduciary Net Position	37,690,795	44,197,415	(6,882,545)
Plan Fiduciary Net Position - Beginning	232,514,670	188,317,255	195,199,800
Plan Fiduciary Net Position - Ending (b)	<u>\$ 270,205,465</u>	<u>\$ 232,514,670</u>	<u>\$ 188,317,255</u>
<b>District's Net OPEB Liability - Ending (a) - (b)</b>	<u>\$ 47,912,495</u>	<u>\$ 72,208,136</u>	<u>\$ 133,185,649</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.94%	76.30%	58.57%
Covered Payroll	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666
District's Net OPEB Liability as a percentage of Covered Payroll	25.05%	39.64%	69.13%

#### Notes to Schedule:

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

## SECTION 3 – GASB 75 Disclosure Schedules

### SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
Actuarially Determined Contribution	8,640,607	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937	27,263,684	27,263,684
Contributions in relation to the Actuarially Determined Contributions	16,229,934	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831	35,426,215	18,020,374
Contribution Deficiency (Excess)	<u>\$ (7,589,327)</u>	<u>\$ (8,114,218)</u>	<u>\$ (6,063,856)</u>	<u>\$ (6,923,834)</u>	<u>\$ (7,444,967)</u>	<u>\$ (5,844,820)</u>	<u>\$ (20,504,586)</u>	<u>\$ (20,622,894)</u>	<u>\$ (8,162,531)</u>	<u>\$ 9,243,310</u>
Covered Payroll	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092	\$ 158,995,000	\$ 162,853,163
Contributions as a percentage of Covered Payroll	8.49%	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%	22.28%	11.07%

#### Notes to Schedule:

For the fiscal year ending December 31, 2020, the Contributions in relation to the Actuarially Determined Contributions is final and was provided by the District.

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

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

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

## SECTION 4 – Expense Development and Amortization Schedules

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### SECTION 4 – EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

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

## SECTION 4 – Expense Development and Amortization Schedules

### FINAL COMPONENTS OF OPEB EXPENSE

(For the Year Ended December 31, 2020)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$133,185,649	\$ 8,709,636	\$ 37,451,661	\$ -
Employer Contributions made after December 31, 2019	-	-	16,229,934	-
Total OPEB Liability Factors:				
Service Cost	5,540,295	-	-	5,540,295
Interest	20,851,553	-	-	20,851,553
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	6,818,596	-	6,818,596	-
Current Year Amortization of Experience Difference	-	-	(974,086)	974,086
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	(37,290,450)	37,290,450	-	-
Current Year Amortization of Change in Assumptions	-	(5,327,208)	-	(5,327,208)
Benefit Payments	(12,700,092)	-	-	-
Net change	<u>\$ (16,780,098)</u>	<u>\$ 31,963,242</u>	<u>\$ 22,074,444</u>	<u>\$ 22,038,726</u>
Plan Fiduciary Net Position:				
Contributions - Employer Trust	5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	12,700,092	-	(12,700,092)	-
Projected Net Investment Income	12,401,370	-	-	(12,401,370)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	26,849,925	26,849,925	-	-
Current Year Amortization	-	(8,273,197)	(4,937,892)	(3,335,305)
Benefit Payments	(12,700,092)	-	-	-
Administrative Expenses	(53,880)	-	-	53,880
Net change	<u>44,197,415</u>	<u>18,576,728</u>	<u>(22,637,984)</u>	<u>(15,682,795)</u>
Ending Balance	<u>\$ 72,208,136</u>	<u>\$ 59,249,606</u>	<u>\$ 36,888,121</u>	<u>\$ 6,355,931</u>

## SECTION 4 – Expense Development and Amortization Schedules

### PRELIMINARY COMPONENTS OF OPEB EXPENSE

(For the Year Ended December 31, 2021)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$ 72,208,136	\$ 59,249,606	\$ 36,888,121	\$ -
Employer Contributions made after December 31, 2020	-	-	TBD	-
Total OPEB Liability Factors:				
Service Cost	4,861,346	-	-	4,861,346
Interest	19,763,742	-	-	19,763,742
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	-	-	-	-
Current Year Amortization of Experience Difference	-	-	(974,085)	974,085
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	-	-	-	-
Current Year Amortization of Change in Assumptions	-	(5,327,207)	-	(5,327,207)
Benefit Payments	(11,229,934)	-	-	-
Net change	<u>\$ 13,395,154</u>	<u>\$ (5,327,207)</u>	<u>\$ (974,085)</u>	<u>\$ 20,271,966</u>
Plan Fiduciary Net Position:				
Contributions - Employer Trust	5,000,000	\$ -	\$ (5,000,000)	\$ -
Contributions - Pay-As-You-Go	11,229,934	-	(11,229,934)	-
Projected Net Investment Income	15,274,611	-	-	(15,274,611)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	17,457,479	17,457,479	-	-
Current Year Amortization	-	(11,764,692)	(4,937,892)	(6,826,800)
Benefit Payments	(11,229,934)	-	-	-
Administrative Expenses	(41,295)	-	-	41,295
Net change	<u>37,690,795</u>	<u>5,692,787</u>	<u>(21,167,826)</u>	<u>(22,060,116)</u>
Ending Balance	<u>\$ 47,912,495</u>	<u>\$ 59,615,186</u>	<u>TBD</u>	<u>\$ (1,788,150)</u>

#### Notes to Schedule:

Employer Contributions made after December 31, 2020 but made on or before December 31, 2021 need to be added.

## SECTION 4 – Expense Development and Amortization Schedules

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

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

Measurement Year	Assumption Changes	Recognition Period (Years)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-	-
2019	(37,290,450)	7	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	(5,327,207)	-	-	-	-
2020	-	7	-	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ (5,327,207)	\$ -	\$ -	\$ -	\$ -

## SECTION 4 – Expense Development and Amortization Schedules

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

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

Measurement Year	Differences Between Expected and Actual Experience	Recognition Period (Years)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2017	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	7	-	-	-	-	-	-	-	-	-	-
2019	6,818,596	7	974,085	974,085	974,085	974,085	974,085	974,085	-	-	-	-
2020	-	7	-	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ 974,085	\$ -	\$ -	\$ -	\$ -

## SECTION 4 – Expense Development and Amortization Schedules

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

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

Measurement Year	Differences Between Projected and Actual Earnings on OPEB Plan Investments	Recognition Period (Years)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2017	\$ (14,516,060)	5	\$ (2,903,212)	\$ (2,903,212)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	24,689,461	5	4,937,892	4,937,892	4,937,893	-	-	-	-	-	-	-
2019	(26,849,925)	5	(5,369,985)	(5,369,985)	(5,369,985)	(5,369,985)	-	-	-	-	-	-
2020	(17,457,479)	5	(3,491,495)	(3,491,496)	(3,491,496)	(3,491,496)	(3,491,496)	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ (6,826,800)	\$ (6,826,801)	\$ (3,923,588)	\$ (8,861,481)	\$ (3,491,496)	\$ -	\$ -	\$ -	\$ -	\$ -

## SECTION 5 – Reconciliation of Unfunded Actuarial Accrued Liability

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

(1) Unfunded Actuarial Accrued Liability as of December 31, 2019	\$	72,208,136
(2) Expected Normal Cost as of December 31, 2019		4,861,346
(3) Expected Administrative Expenses for Fiscal 2020		0
(4) Interest on (1) and (2) and (3)		5,009,515
(5) Actual Sponsor Contributions to the System during the period of December 31, 2019 through December 31, 2020		16,229,934
(6) Interest on (5)		<u>519,169</u>
(7) Expected Unfunded Accrued Liability as of December 31, 2020 (1)+(2)+(3)+(4)-(5)-(6)	\$	65,329,894
(8) Unfunded Accrued Liability as of December 31, 2020		<u>47,912,495</u>
(9) Change in UAAL due to Actuarial (Gain)/Loss, (8)-(7)	\$	(17,417,399)

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

All data and assumptions are those used in the prior valuation performed as of December 31, 2019.

Changes in the Unfunded Accrued Actuarial Liability are entirely due to investment returns greater than expected.

## SECTION 6 – Funding Progress—Solvency Test

### SECTION 6 – FUNDING PROGRESS—SOLVENCY TEST

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

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

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

<i>in \$000s</i>					Portion of Accrued Liability Covered by Valuation Assets			
Valuation Date	Actuarial Accrued Liability				Valuation Assets	Terminated,		
	Member Contributions	Retirees, and Beneficiaries	Active Members	Total		Member Contributions	Retirees, and Beneficiaries	Active Members
12/31/2020	0	250,926	67,192	318,118	270,205	100%	100%	29%
12/31/2019	0	246,494	58,229	304,723	232,515	100%	94%	0%
12/31/2018	0	243,477	78,026	321,503	188,317	100%	77%	0%
12/31/2017	0	240,800	67,947	308,747	195,200	100%	81%	0%
12/31/2015	0	222,647	63,999	286,646	149,329	100%	67%	0%

**Notes:**

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

## SECTION 7 – Per Capita Claims Costs and Contribution Amounts

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### SECTION 7 – PER CAPITA CLAIMS COSTS AND CONTRIBUTION AMOUNTS

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

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

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

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

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

## SECTION 8 – Member Statistics

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### SECTION 8 – MEMBER STATISTICS

#### STATISTICAL DATA

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

## SECTION 8 – Member Statistics

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### AGE AND SERVICE DISTRIBUTION

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

## SECTION 8 – Member Statistics

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

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

### BREAKDOWN OF BENEFIT PLAN ENROLLMENT

(RETIREES, BENEFICIARIES, COVERED SPOUSES AND TERMINATED VESTED)

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

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

## SECTION 9 – Actuarial Assumptions and Funding Methods

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### SECTION 9 – ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

#### ACTUARIAL ASSUMPTIONS

<u>Valuation Date</u>	December 31, 2019.
<u>GASB 75 Measurement Date</u>	December 31, 2020.
<u>Fiscal Year End</u>	December 31, 2021.
<u>Mortality Rate</u>	RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA), with female rates adjusted by a factor of 1.04.
<u>End of Year Discount Rate</u>	6.50% per year, based on investment rate of return, compounded annually, net of investment related expenses.
<u>Beginning of Year Discount Rate</u>	6.50% per year, based on investment rate of return, compounded annually, net of investment related expenses.
<u>Retirement Rates</u>	See table below:

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

<u>Retirement – Vested Participant</u>	Assumed to retire at first eligibility for commencement of pension benefits.
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## SECTION 9 – Actuarial Assumptions and Funding Methods

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### Termination Rates

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

### Disability Rates

None assumed.

### Salary Increase

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

### Payroll Growth

3.00% per year.

### Inflation

2.50% per year.

### Administrative Expenses

No additional expenses added to Normal Cost.

## SECTION 9 – Actuarial Assumptions and Funding Methods

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

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

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

Medicare Participation 100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. It is assumed that 93% of members will enroll in Medicare if hired before April 1, 1986.

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

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

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

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

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

## SECTION 9 – Actuarial Assumptions and Funding Methods

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### DISCUSSION OF CENSUS DATA AND ASSUMPTIONS

All census information, non-prescribed assumptions, and methods are the same as those used in the prior valuation as of December 31, 2019.

# SECTION 10 – Summary of Plan Provisions

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## SECTION 10 – SUMMARY OF PLAN PROVISIONS

### Credited Service

Total completed years of employment with the District.

### Eligibility for Insurance Coverage

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

Hired on or before June 13, 1997: Age 50

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

Hired on or after January 1, 2011: Age 62

### Health Care Insurance

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

### Health Contributions

#### Retiree

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

#### District

Remaining amount necessary for payment of claims.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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### APPENDIX 1 – GASB 74 DISCLOSURES FOR PLAN YEAR 2020

#### STATEMENT OF FIDUCIARY NET POSITION

(For the Year Ended December 31, 2020)

<u>ASSETS</u>	MARKET VALUE
Cash and Short-Term Investments	-
Receivables:	
Accrued Interest	80,025
Total Receivables	80,025
Investments:	
Fixed Income Mutual Funds	79,799,150
Equity Mutual Funds	183,526,166
Balanced Mutual Funds	-
Money Market Funds	6,813,874
Total Investments	270,139,190
Total Assets	270,219,215
<u>LIABILITIES</u>	
Payables:	
Deposit Payable	13,750
Total Liabilities	13,750
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	270,205,465

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Year Ended December 31, 2020)

#### ADDITIONS

##### Contributions:

Employer Contributions 16,229,934

Total Contributions 16,229,934

##### Investment Income:

Net Appreciation (Depreciation) in Fair Value of Investments 28,350,751

Interest & Dividends 4,436,339

Less Investment Expense (55,000)

Net Investment Income 32,732,090

Total Additions 48,962,024

#### DEDUCTIONS

##### Distributions to Members:

Retiree Health Care Benefits 11,229,934

Total Distributions 11,229,934

Administrative Expense 41,295

Total Deductions 11,271,229

Net Increase in Net Position 37,690,795

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

Beginning of the Year 232,514,670

End of the Year 270,205,465

# APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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

### GENERAL INFORMATION ABOUT THE OPEB PLAN

#### *Plan Description:*

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District’s retirement plan to continue health coverage as a participant in the District’s plan.

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

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

#### *Benefits Provided:*

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

#### *Eligibility for Insurance Coverage:*

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

#### *Health Care Insurance:*

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

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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### *Contributions:*

The Metropolitan Water Reclamation District’s Retiree Health Care Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the District’s plan. Spouses and dependents of eligible retirees are also eligible for medical and prescription drug coverage. All full-time employees of the District are eligible to receive postemployment health care benefits. Lifetime coverage for retirees and their spouses is provided. Coverage for dependent children is also provided in accordance with the eligibility provisions of the District-sponsored health plan. The Trust was established to advance fund benefits provided under the Plan.

Under the terms of the Plan, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

The retiree contribution rates are set based on prior year claims incurred and become effective January 1st each year. The retiree contribution rate utilized is based on the contribution rate policy established by the Board of Commissioners. This policy calls for a 2.5% increase in the contribution rate on January 1st of each year until the contribution rate reaches 50% in 2021. The contribution rate for 2021 will be 50.0%.

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

### *Investment Policy:*

The following was the Board’s adopted asset allocation policy as of December 31, 2020.

<u>Asset Class</u>	<u>Target Allocation</u>
Broad Fixed Income	20.0%
Core Plus Fixed Income	15.0%
Large Cap Core Equity	17.5%
Large Cap Growth Equity	7.5%
Mid Cap Core Equity	10.0%
Small Cap Core Equity	10.0%
Global Low Volatility	5.0%
Non US Large Cap Core Equity	15.0%
Total	<u>100%</u>

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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### *Concentrations:*

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

### *Rate of Return:*

For the year ended December 31, 2020 the annual money-weighted rate of return on investments, net of investment expense, was 13.79 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### *Receivables:*

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

### *Allocated Insurance Contracts:*

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

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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### NET OPEB LIABILITY OF THE DISTRICT

The measurement date for GASB 74 reporting is December 31, 2020.

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

The District's Net OPEB Liability was measured as of December 31, 2020.

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

The components of the Net OPEB Liability of the District on December 31, 2020 were as follows:

Total OPEB Liability	\$	318,117,960
Plan Fiduciary Net Position		270,205,465
District's Net OPEB Liability	<u>\$</u>	<u>47,912,495</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		84.94%

#### *Actuarial Assumptions:*

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

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

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

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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

The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Broad Fixed Income	20.0%	1.70%
Core Plus Fixed Income	15.0%	2.10%
Large Cap Core Equity	17.5%	6.90%
Large Cap Growth Equity	7.5%	6.80%
Mid Cap Core Equity	10.0%	7.20%
Small Cap Core Equity	10.0%	7.70%
Global Low Volatility	5.0%	6.50%
Non US Large Cap Core Equity	15.0%	7.30%
Total	<u>100%</u>	

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

### *Discount Rate:*

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and District contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.50%. It is our understanding that the District has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The District has shown that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments, and the single equivalent rate was 6.50%.

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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*Sensitivity of the Net OPEB Liability to changes in the Discount Rate as of December 31, 2020:*

The following presents the Net OPEB Liability of the District, as well as what the District’s Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (asset)	\$ 88,683,168	\$ 47,912,495	\$ 14,099,267

*Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates as of December 31, 2020:*

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

	1% Decrease 3.50% - 7.00%	Healthcare Cost Trend Rates 4.50% - 8.00%	1% Increase 5.50% - 9.00%
Net OPEB Liability (asset)	\$ 7,494,848	\$ 47,912,495	\$ 96,970,571

*OPEB Plan Fiduciary Net Position:*

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

## APPENDIX 1– GASB 74 Disclosure for Plan Year 2020

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

Reporting Period Ending	12/31/2020	12/31/2019	12/31/2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 4,861,346	\$ 5,540,295	\$ 5,314,432
Interest	19,763,742	20,851,553	20,011,894
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	-	6,818,596	-
Changes of assumptions	-	(37,290,450)	-
Benefit Payments	(11,229,934)	(12,700,092)	(12,570,679)
Net Change in Total OPEB Liability	13,395,154	(16,780,098)	12,755,647
Total OPEB Liability - Beginning	304,722,806	321,502,904	308,747,257
Total OPEB Liability - Ending (a)	\$ 318,117,960	\$ 304,722,806	\$ 321,502,904
<b>Plan Fiduciary Net Position</b>			
Employer Trust Contribution	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Pay-as-you-go Contributions	11,229,934	12,700,092	12,570,679
Net Investment Income	32,732,090	39,251,295	(11,840,345)
Benefit Payments	(11,229,934)	(12,700,092)	(12,570,679)
Administrative Expense	(41,295)	(53,880)	(42,200)
Net Change in Plan Fiduciary Net Position	37,690,795	44,197,415	(6,882,545)
Plan Fiduciary Net Position - Beginning	232,514,670	188,317,255	195,199,800
Plan Fiduciary Net Position - Ending (b)	\$ 270,205,465	\$ 232,514,670	\$ 188,317,255
<b>District's Net OPEB Liability - Ending (a) - (b)</b>	\$ 47,912,495	\$ 72,208,136	\$ 133,185,649
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	84.94%	76.30%	58.57%
Covered Payroll	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666
District's Net OPEB Liability as a percentage of Covered Payroll	25.05%	39.64%	69.13%

#### Notes to Schedule:

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

# APPENDIX 1 – GASB 74 Disclosures for Plan Year 2020

## SCHEDULE OF DISTRICT CONTRIBUTIONS Last 10 Fiscal Years

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
Actuarially Determined Contribution	8,640,607	9,585,874	11,506,823	11,506,823	12,471,893	12,471,893	13,211,937	13,211,937	27,263,684	27,263,684
Contributions in relation to the Actuarially Determined Contributions	16,229,934	17,700,092	17,570,679	18,430,657	19,916,860	18,316,713	33,716,523	33,834,831	35,426,215	18,020,374
Contribution Deficiency (Excess)	<u>\$ (7,589,327)</u>	<u>\$ (8,114,218)</u>	<u>\$ (6,063,856)</u>	<u>\$ (6,923,834)</u>	<u>\$ (7,444,967)</u>	<u>\$ (5,844,820)</u>	<u>\$ (20,504,586)</u>	<u>\$ (20,622,894)</u>	<u>\$ (8,162,531)</u>	<u>\$ 9,243,310</u>
Covered Payroll	\$ 191,261,828	\$ 182,154,122	\$ 192,661,666	\$ 184,807,353	\$ 183,120,020	\$ 176,756,776	\$ 169,909,275	\$ 164,005,092	\$ 158,995,000	\$ 162,853,163
Contributions as a percentage of Covered Payroll	8.49%	9.72%	9.12%	9.97%	10.88%	10.36%	19.84%	20.63%	22.28%	11.07%

### Notes to Schedule:

For the fiscal year ending December 31, 2020, the Contributions in relation to the Actuarially Determined Contributions is final and was provided by the District.

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

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

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

# APPENDIX 2 – GASB 74 & 75 Crossover Test

## APPENDIX 2 – GASB 74 & 75 CROSSOVER TEST

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

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

Based on the December 31, 2020 Measurement Date. 6.50% Asset Return

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2021	270,205,465	19,174,674	14,174,674	41,250	17,724,515	292,888,730
2022	292,888,730	20,497,884	15,497,884	41,177	19,198,929	317,046,482
2023	317,046,482	21,977,170	16,977,170	41,094	20,769,186	342,774,574
2024	342,774,574	23,205,967	18,205,967	41,010	22,441,514	370,175,078
2025	370,175,078	24,471,437	19,471,437	40,927	24,222,550	399,356,702
2026	399,356,702	25,645,385	20,645,385	40,814	26,119,359	430,435,247
2027	430,435,247	4,120,653	21,774,946	40,690	27,403,204	440,143,468
2028	440,143,468	3,943,547	23,015,123	40,557	27,988,181	449,019,516
2029	449,019,516	3,751,967	24,195,157	40,436	28,520,551	457,056,440
2030	457,056,440	3,574,547	25,166,932	40,273	29,005,607	464,429,389
2031	464,429,389	3,392,849	26,334,322	40,064	29,441,010	470,888,861
2032	470,888,861	3,212,130	27,345,713	39,796	29,822,141	476,537,623
2033	476,537,623	3,038,961	28,200,035	39,489	30,155,927	481,492,986
2034	481,492,986	2,877,043	29,251,615	39,130	30,438,599	485,517,883
2035	485,517,883	2,718,649	30,142,728	38,728	30,666,121	488,721,197
2036	488,721,197	2,560,810	30,973,228	38,268	30,842,231	491,112,743
2037	491,112,743	2,405,527	31,816,146	37,788	30,965,255	492,629,591
2038	492,629,591	2,256,733	32,382,264	37,232	31,040,634	493,507,461
2039	493,507,461	2,109,263	33,121,829	36,654	31,068,885	493,527,127
2040	493,527,127	1,963,070	33,597,603	36,037	31,049,970	492,906,527
2041	492,906,527	1,821,941	33,790,996	35,397	30,998,780	491,900,853
2042	491,900,853	1,685,336	34,228,857	34,718	30,914,763	490,237,377
2043	490,237,377	1,548,731	34,100,352	33,998	30,806,397	488,458,154
2044	488,458,154	1,421,829	33,788,792	33,237	30,696,774	486,754,727
2045	486,754,727	1,304,097	33,385,823	32,466	30,595,346	485,235,881
2046	485,235,881	1,183,390	32,708,305	31,687	30,514,743	484,194,021
2047	484,194,021	1,070,376	31,848,830	30,866	30,471,308	483,856,010
2048	483,856,010	962,694	30,817,639	30,037	30,479,379	484,450,406
2049	484,450,406	863,106	29,816,571	29,147	30,547,342	486,015,136
2050	486,015,136	764,461	28,389,631	28,288	30,692,246	489,053,925
2051	489,053,925	672,288	27,045,365	27,405	30,930,489	493,583,932
2052	493,583,932	589,099	25,752,643	26,481	31,264,280	499,658,187
2053	499,658,187	504,974	24,283,489	25,573	31,704,149	507,558,248
2054	507,558,248	430,309	22,713,488	24,666	32,266,281	517,516,684
2055	517,516,684	361,870	21,119,094	23,718	32,963,204	529,698,946
2056	529,698,946	303,244	19,688,903	22,773	33,799,657	544,090,171

## APPENDIX 2 – GASB 74 & 75 Crossover Test

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Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2057	544,090,171	249,773	18,311,292	21,854	34,778,152	560,784,950
2058	560,784,950	202,889	17,007,818	20,943	35,904,181	579,863,259
2059	579,863,259	164,164	15,751,727	20,020	37,183,865	601,439,541
2060	601,439,541	129,249	14,590,719	19,086	38,622,952	625,581,937
2061	625,581,937	101,992	13,555,395	18,190	40,224,999	652,335,343
2062	652,335,343	79,009	12,614,934	17,263	41,993,819	681,775,974
2063	681,775,974	62,352	11,716,289	16,381	43,936,153	714,041,810
2064	714,041,810	47,283	10,825,336	15,497	46,061,927	749,310,187
2065	749,310,187	35,703	10,117,997	14,585	48,377,014	787,590,322
2066	787,590,322	27,044	9,458,142	13,730	50,886,414	829,031,908
2067	829,031,908	21,559	8,836,861	12,879	53,600,158	873,803,885
2068	873,803,885	18,687	8,252,088	12,035	56,529,276	922,087,724
2069	922,087,724	15,418	7,699,671	11,201	59,685,600	974,077,870
2070	974,077,870	12,690	7,175,129	10,348	63,081,946	1,029,987,029
2071	1,029,987,029	10,193	6,672,175	9,571	66,732,331	1,090,047,807
2072	1,090,047,807	9,386	6,184,065	8,813	70,652,144	1,154,516,459