

# **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, 2009**

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

**HAROLD G. DOWNS, TREASURER**

**TRUST ESTABLISHED DECEMBER 6, 2007**

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**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, 2008

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 26, 2010

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, 2009. 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, 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:	Funding for the Trust was approved to be an amount of at least \$15 million per year for 2007 and 2008, and \$10 million each year for the next three years. Additional funds were appropriated for this purpose in 2007 and 2008.
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 District's BOC has authorized \$47 million in total advance funding contributions to the Trust. All funds were transferred from the District's Corporate Fund. The funding 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 Trust. Currently, the Trust functions solely as an advance funding vehicle.

For fiscal year 2009, the District funded 36.6% of the actuarially determined employer contribution requirement. No advance funding contribution was made by the District for 2009. The Funding Policy goal of funding \$40 million by the end of 2009 has been exceeded by \$7 million despite no current year contribution to the Trust.

## **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 total investment income of \$158,828, yielding 0.29% for its second full year of operation. The Trust's assets were held in short-term funds pending the recovery of the financial markets from the economic downturn experienced in the fourth quarter of 2008, and the passage of the Trust Investment Policy in late 2009.

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, 2009, was \$526 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 2023; 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**

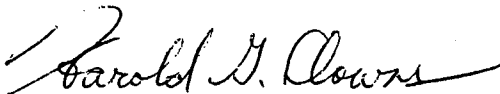
The preparation of this report reflects the combined efforts of the District staff under the direction of the Board of Trustees. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, 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, 2008. 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.

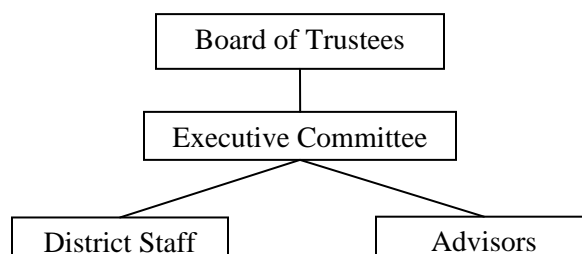
A Certificate of Achievement is valid for only one year. The Trust received a Certificate of Achievement for the last two years. We believe our current report continues to conform to the Certificate of Achievement program requirements; we are therefore submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for the year ending December 31, 2009.

Respectfully submitted,



Harold G. Downs, 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, <i>President</i>	1988	2012
Kathleen Therese Meany, <i>Vice President</i>	1990	2008
Gloria Alitto Majewski, <i>Chairman of Finance</i>	1984	2010
Frank Avila	2002	2008
Patricia Horton	2006	2012
Barbara J. McGowan	1998	2010
Cynthia M. Santos	1996	2008
Debra Shore	2006	2012
Mariyana T. Spyropoulos	2009*	2010

### EXECUTIVE COMMITTEE

Gloria A. Majewski, Chairman of Finance  
 Harold G. Downs, Treasurer of the District  
 Jacqueline Torres, Clerk/Director of Finance

### DISTRICT STAFF

Treasury Department – Harold G. Downs, Treasurer  
 Finance Department – Jacqueline Torres, Clerk/Director of Finance  
 Department of Human Resources – Patrick Foley, Director of Human Resources  
 Law Department – Frederick Feldman, General Counsel

### ADVISORS

Actuary: Deloitte Consulting LLP for report of January 1, 2007; PriceWaterhouseCoopers, LLP, for report of December 31, 2009.  
 Investment Advisor: International City Management Association – Retirement Corporation (ICMA)- (see further detail in the summary schedule of investment fees on page 14.)

\*Appointed by the Governor of the State of Illinois on August 5, 2009, to fill a vacancy.



# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's 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 year ended December 31, 2009. 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 audit. 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2008, from which such partial information was derived.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2009 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Trust, as of December 31, 2009 and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 – 6 and the trust related information on pages 13 - 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedules of administrative and investment fees, listed in the table of contents as supplementary information (page 15), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory, investment, actuarial and statistical sections, 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. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
April 26, 2010

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

**FINANCIAL SECTION**

**Year Ended December 31, 2009**

**(With comparative amounts for prior period)**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's discussion and analysis of the Trust's financial performance for the years ended December 31, 2009 and 2008, 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 Assets 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 net assets held in trust for retiree health care benefits are accounted for in the Statements of Changes in Plan Net Assets. These statements measure the Trust's success in increasing the net assets 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 Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them. As of December 31, 2009, the plan net assets increased to \$47,891,320 from \$47,796,545 at December 31, 2008.

**PLAN NET ASSETS**

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

<b>Condensed Statements of Plan Net Assets</b>			
<b>as of December 31</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Assets			
Receivables	\$ 80	\$ -	\$ 80
Investments	<u>47,902,573</u>	<u>47,807,878</u>	<u>94,695</u>
Total Assets	<u>47,902,653</u>	<u>47,807,878</u>	<u>94,775</u>
Liabilities-Accounts Payable	<u>11,333</u>	<u>11,333</u>	<u>-</u>
Plan Net Assets held in			
Trust for OPEB	<u>\$ 47,891,320</u>	<u>\$ 47,796,545</u>	<u>\$ 94,775</u>

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**FINANCIAL SECTION**

**Year Ended December 31, 2009**

**(With comparative amounts for prior period)**

In 2009, the increase in plan net assets resulted from interest earnings for the year. The Trust's investment rate of return for the year was 0.29%. In 2008, the increase resulted from the Employer's contribution to the Trust of \$22 million as well as interest earnings for the period. The Trust's investment return for 2008 was 2.28%.

**Condensed Statements of Changes in Plan Net Assets**

	Year Ended 2009	Year Ended 2008	Change
Additions:			
Contributions by Employer	\$ 14,591,543	\$ 35,819,281	\$ (21,227,738)
Contributions by Retirees	4,210,493	3,727,752	482,741
Investment Income	113,495	789,785	(676,290)
Total Additions	<u>18,915,531</u>	<u>40,336,818</u>	<u>(21,421,287)</u>
Deductions:			
Retiree Health Care Benefits	18,802,036	17,547,033	1,255,003
Administrative Expenses	18,720	18,000	720
Total Deductions	<u>18,820,756</u>	<u>17,565,033</u>	<u>1,255,723</u>
Increase in Plan Net Assets held in Trust for OPEB	94,775	22,771,785	(22,677,010)
Plan Net Assets January 1	<u>47,796,545</u>	<u>25,024,760</u>	<u>22,771,785</u>
Plan Net Assets December 31	<u>\$ 47,891,320</u>	<u>\$ 47,796,545</u>	<u>\$ 94,775</u>

**ADDITIONS**

Additions are accumulated through employer and retiree contributions and returns provided by invested assets. Total additions for 2009 were \$18.9 million compared to \$40.3 million in 2008, a decrease of \$21.4 million or 53%. Employer and retiree contributions were \$18.8 million for 2009, representing a decrease of \$20.7 million or 52%. No advance funding contributions were made by the District for 2009. Employer contributions to date exceed the cumulative funding goal of \$40 million by the end of 2009 as provided for by the District's funding policy. The decrease in interest income of \$676,290 was due to the decrease in the investment rate of return which was below the rate for the prior period. Interest rates dropped substantially year over year as a result of the financial downturn experienced in late 2008. The Federal Funds rate, which can be used as a base from which interest earnings can be negotiated, was 0-0.25% at December 2008 and remained unchanged at December 2009. The Trust incurred investment-related expenses of \$45,333 for 2009, representing an increase of \$34,000 or 309%. Expense relates to a full year of investment advisory services in 2009 versus one quarter in 2008.

**DEDUCTIONS**

The expenses paid by the Trust are retiree health care benefit payments and administrative expenses. Total deductions for 2009 were \$18.8 million compared to \$17.6 million in 2008, an increase of \$1.2 million or 7%. Benefit payments increased 7% from 2008, representing a

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

**FINANCIAL SECTION**

**Year Ended December 31, 2009**

**(With comparative amounts for prior period)**

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normal increase in amount due to medical cost inflation. Audit expenses increased \$720 or 4% due to inflation.

**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, 2009 was 9.1%, an increase from 5.7% the date of the last actuarial valuation for fiscal year 2007.

The District's Annual Required Contribution (ARC) 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 ARC was calculated to be \$39.8 million and \$44.8 million for 2009 and 2008 respectively. The actual contribution for 2009 and 2008 was 37% and 80% of the ARC, respectively. Details about both of these indicators are found in the Actuarial 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 indicates that an insufficient amount of assets have accumulated to fund future benefits of current members and retirees. The funded ratio was 9.1% at December 31, 2009, the date of the 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 36.6% of the actuarial required contribution for 2009.

The Actuarial Assumptions presented were determined as part of the actuarial valuation at December 31, 2009. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2011.

**OTHER INFORMATION**

This report also includes an Investment Section, an Actuarial Section, and a Statistical Section. The Investment Section contains an investment report, an outline of investment policies, and a schedule of investment results. 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 the change in net assets, participant statistics, revenues by source, schedule of return on investments, schedule of employer contributions, and schedule of expenses by type.

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

**FINANCIAL SECTION**

**Year Ended December 31, 2009**

**(With comparative amounts for prior period)**

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**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.

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

**FINANCIAL SECTION**  
**Year Ended December 31, 2009**

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**FINANCIAL STATEMENTS**

**Statements of Plan Net Assets**

	<b>Year Ended 2009</b>	<b>Year Ended 2008</b>
<b>Assets</b>		
Accrued Interest Receivable	\$ 80	\$ -
Investments		
Illinois Funds Investment Pool	47,902,573	47,807,878
<b>Total Assets</b>	<u>47,902,653</u>	<u>47,807,878</u>
<b>Liabilities - Accounts Payable</b>	<u>11,333</u>	<u>11,333</u>
 Plan Net Assets Held in Trust for OPEB	 <u>\$ 47,891,320</u>	 <u>\$ 47,796,545</u>

See accompanying Notes to the Financial Statements.

**Statements of Changes in Plan Net Assets**

	<b>Year Ended 2009</b>	<b>Year Ended 2008</b>
<b>Additions:</b>		
Contributions - Employer	\$ 14,591,543	\$ 35,819,281
Contributions - Retirees	4,210,493	3,727,752
<b>Total Contributions</b>	<u>18,802,036</u>	<u>39,547,033</u>
Investment Income		
Interest	158,828	801,118
Investment Expense	(45,333)	(11,333)
<b>Net Investment Income</b>	<u>113,495</u>	<u>789,785</u>
<b>Total Additions</b>	<u>18,915,531</u>	<u>40,336,818</u>
<b>Deductions:</b>		
Retiree Health Care Benefits	18,802,036	17,547,033
Administrative Expenses	18,720	18,000
<b>Total Deductions</b>	<u>18,820,756</u>	<u>17,565,033</u>
 Net Increase in Plan Net Assets	 94,775	 22,771,785
 Net Assets Held in Trust for OPEB January 1	 <u>47,796,545</u>	 <u>25,024,760</u>
 December 31	 <u>\$ 47,891,320</u>	 <u>\$ 47,796,545</u>

See accompanying Notes to the Financial Statements.

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

**FINANCIAL SECTION  
Year Ended December 31, 2009**

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**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. 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.

At December 31, 2009 and 2008, the Trust's assets were 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.



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

**FINANCIAL SECTION  
Year Ended December 31, 2009**

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**1. Summary of Significant Accounting Policies (continued)**

d. 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, 2009. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2011.

e. 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 years ended December 31, 2009 and 2008.

f. Comparative Data and Reclassifications

The Trust's financial statements present comparative data for the prior year to provide an understanding of the changes in position and activities. Certain reclassifications have been made to the prior period financial statements in order to conform to the current period presentation.

**2. Plan Description and Contribution Information**

a. Membership

Membership of the Trust consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

Retirees and survivors receiving benefits	1,900
Retiree dependent spouses receiving coverage	876
Active plan members	<u>2,095</u>
Total	<u><u>4,871</u></u>

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

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

**FINANCIAL SECTION  
Year Ended December 31, 2009**

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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 \$47 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, 2009, actuarial valuation is as follows (amounts in thousands):

<b>Fiscal Year Ended</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Assets in Excess of AAL/(AAL in Excess of Assets) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)</b>
12/31/09	\$ 47,891	\$ 526,476	\$ (478,585)	9.10%	\$ 170,392	(280.9%)

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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Year Ended December 31, 2009**

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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 Required Contribution ("ARC"), an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Amortization period	30 Years
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Discount Rate	6.3%
Health care cost trend rate	10% Initial 5% Ultimate (Year 2017)
Annual Payroll Growth Rate	3.6%

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**Year Ended December 31, 2009**

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**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 will be monitored to prevent such investments from exceeding established allocation targets. The Trust's investments in the Illinois Funds have a weighted-average maturity of less than one year as of December 31, 2009.

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 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, 2009, the credit rating for the Illinois Funds was AAA by Moody's.

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 market value of the investment portfolio. As of December 31, 2009, the Trust had no investments denominated in foreign currency.

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 are required to be collateralized with permitted U.S. Government Securities in an amount equal to 105% (at market) of the monies on deposit. As of December 31, 2009, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF FUNDING PROGRESS** (amounts in thousands):

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Assets in Excess of AAL/(AAL in Excess of Assets) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)</b>
12/31/09	\$ 47,891	\$ 526,476	\$ (478,585)	9.10%	\$ 170,392	(280.9%)
1/1/07	25,025	442,683	(417,658)	5.70%	158,832	(263.0%)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS** (amounts in thousands):

**Three Years ended December 31**

<b>Fiscal Year Ended:</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed*</b>
2009	\$ 39,847	36.6%
2008	44,739	80.1%
2007	44,739	83.4%

Note: The Trust was established in 2007.

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

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**SUPPLEMENTARY INFORMATION**

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**ACTUARIAL ASSUMPTIONS:**

Valuation date	December 31, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Remaining amortization period	30 Years
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Discount Rate	6.3%
Health care cost trend rate	10% Initial 5% Ultimate (Year 2017)
Annual Payroll Growth Rate	3.6%

The following outlines the changes since the prior valuation:

- The method for amortizing the unfunded liability has been changed from level dollar amount to level percentage of payroll. For this purpose, an annual payroll growth assumption of 3.6% has been introduced.
- The medical trend rates have been updated to better reflect anticipated medical cost inflation.
- The assumed distribution of future benefit recipients among the individual health plans has been revised based on the actual 2009 retiree elections.
- The per capita claims costs have been updated based on the premiums in effect as of July 1, 2009. These costs have been adjusted to individual members' ages based on PwC's claims curve.

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**SUPPLEMENTARY INFORMATION**

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**SUMMARY SCHEDULE OF ADMINISTRATIVE EXPENSES**

	Year Ended December 31, 2009	Year Ended December 31, 2008
Professional services - audit fees	<u>\$ 18,720</u>	<u>\$ 18,000</u>

**SUMMARY SCHEDULE OF INVESTMENT FEES**

	Year Ended December 31, 2009	Year Ended December 31, 2008
Investment consulting fees - ICMA	<u>\$ 45,333</u>	<u>\$ 11,333</u>



## **INVESTMENT SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**INVESTMENT SECTION**

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**INVESTMENT REPORT**

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, 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.

**SCHEDULE OF INVESTMENT RESULTS**

For the years ended December 31, 2009 and 2008, the Trust's assets were invested in the Illinois Funds, at an average annualized rate of 0.26% and 2.28%, respectively. Total interest earned for the years ended December 31, 2009 and 2008, amounted to \$158,828 and \$801,118, respectively. Investment expenses totaled \$45,333 and \$11,333 for the years ended December 31, 2009 and 2008, respectively. These amounts were paid to ICMA for investment consulting services.

**ACTUARIAL SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**ACTUARIAL CERTIFICATION**

The Metropolitan Water Reclamation District of Greater Chicago (MWRD) has retained PricewaterhouseCoopers LLP (PwC) to perform an actuarial valuation of its Retiree Health Care Benefit Plan (the Plan) as of December 31, 2009. The purpose of this report is to present the results of the December 31, 2009 actuarial valuation of the Plan. These results are applicable to MWRD's fiscal year ending December 31, 2009. Successive valuations will be performed every two years. We have prepared the valuation for the purpose of financial disclosure under Governmental Accounting Standards Board Statement #43 (GASB 43). This actuarial valuation has been conducted in accordance with generally accepted actuarial principles and practices. The information contained in this report was prepared for the internal use of MWRD, and its auditors in connection with our actuarial valuation of the postemployment plan. It is neither intended nor necessarily suitable for other purposes.

This report shows detailed summaries of the financial results of the valuation and membership data used in preparing this valuation. The actuary prepared supporting schedules included in the Actuarial and Statistical Sections of the MWRD Comprehensive Annual Financial Report (CAFR). The actuary prepared the trend data schedules included in the Financial Section of the MWRD CAFR. These schedules include:

- Annual OPEB Cost and Net OPEB Obligation
- Funding Status and Progress
- Schedule of Employer Contributions
- Schedule of Active Member Valuation Data
- Reconciliation of Change in Unfunded Liability
- Summary of Membership Data
- Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

The actuaries involved in this engagement are members of the Society of Actuaries and other professional actuarial organizations and have attained actuarial credentials that meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. There is no relationship between PwC and the Plan or MWRD that impacts our objectivity.

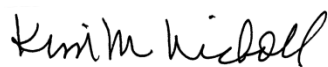
In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, plan assets and benefits payments. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness but have not audited it. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

MWRD has determined and taken responsibility for the actuarial assumptions and the accounting policies and methods employed in the actuarial valuation of obligations and costs under GASB 43. The statement requires that each assumption reflect the best estimate of the Plan's future experience solely with respect to that assumption. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB 43.

We would be pleased to discuss the contents of this report further with MWRD. We are available to answer any questions or provide additional information upon request.

Respectfully submitted,

PRICEWATERHOUSECOOPERS LLP



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Kim Nicholl  
Fellow of the Society of Actuaries  
Member of the American Academy of Actuaries



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Jill Stockard  
Fellow of the Society of Actuaries  
Member of the American Academy of Actuaries

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**ACTUARIAL SECTION**

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**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, 2009. An actuarial valuation is required to be performed biennially for the Trust. The next valuation date is December 31, 2011.

The Trust received advance funding contributions from the District of \$22,000,000 and \$25,000,000 for the years ended December 31, 2008, and December 31, 2007, respectively. No advance funding contribution was made to the Trust in 2009. 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 2009 and 2008, the District funded 36.6% and 80.1%, 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 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.

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**ACTUARIAL SECTION**

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**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued):**

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 method for amortizing the unfunded liability has been changed from level dollar amount to level percentage of payroll. For this purpose, an annual payroll growth assumption of 3.6% has been introduced.
- The medical trend rates have been updated to better reflect anticipated medical cost inflation.
- The assumed distribution of future benefit recipients among the individual health plans has been revised based on the actual 2009 retiree elections.
- The per capita claims costs have been updated based on the premiums in effect as of July 1, 2009. These costs have been adjusted to individual members' ages based on PwC's claims curve.

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Below are the most significant actuarial assumptions:

Valuation date	December 31, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll Open
Remaining amortization period	30 Years
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Discount Rate	6.3%
Health care cost trend rate	10% Initial 5% Ultimate (Year 2017)
Annual Payroll Growth Rate	3.6%
Disability	None
Age of Spouse	Husbands are assumed to be 4 years older than their wives.
Coverage at	60% 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	90% of retirees are assumed to be eligible for Medicare coverage.

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**ACTUARIAL SECTION**

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Reconciliation of the Change in Unfunded Liability

(in thousands)

Unfunded liability as of January 1, 2007	\$ 442,683
Expected unfunded liability as of December 31, 2009	460,397
Increase in unfunded liability due to investment return lower than expected	3,145
Increase in unfunded liability due to changes in census	25,663
Decrease in unfunded liability due to net claims lower than expected	(22,001)
Increase in unfunded liability due to increase in healthcare trend rates	77,747
Decrease in unfunded liability due to change in discount rate	<u>(66,366)</u>
Net increase in unfunded liability	<u>18,188</u>
Unfunded liability as of December 31, 2009	<u><u>\$ 478,585</u></u>

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, 2009, is calculated as follows (amounts in thousands):

Annual Required Contribution for 2009	\$ 39,847
Interest on Net OPEB Obligation	1,028
Adjustment to Annual Required Contribution	<u>(819)</u>
Annual OPEB Cost	40,056
Contributions Made	<u>14,592</u>
Increase in Net OPEB Obligation	25,464
Net OPEB Asset Beginning of Year	<u>16,325</u>
Net OPEB Obligation End of Year	<u><u>\$ 41,789</u></u>

Summary of Participant Information

All employees of the District, with at least 10 years of service, are eligible to receive postretirement 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 postretirement medical benefits:



**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**ACTUARIAL SECTION**

	<b><u>Total*</u></b>
Active participants	
Eligible for postretirement benefits	493
Not yet eligible for postretirement benefits	<u>1,602</u>
Total	2,095
Retirees, Survivors, and Dependents	
Retirees and Survivors	1,900
Dependent Spouses	<u>876</u>
Total	<u>2,776</u>
Total participants	<u><u>4,871</u></u>
Active participant characteristics	
Average age	49.1
Average past service	13.2
Average age of inactive participants	73.1

\*Participant data determined as of December 31, 2009.

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.

Schedule of Active Member Valuation Data

<b>Fiscal Year</b>	<b>Members in Service</b>	<b>% Change</b>	<b>Covered Payroll</b>	<b>% Change</b>	<b>Average Salary</b>	<b>% Change</b>	<b>Payroll Growth Assumption</b>
2007	1,964	-	\$158,831,772	-	\$80,872	-	-
2009	2,095	6.70%	\$170,392,445	7.30%	\$81,333	0.60%	3.60%

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

<b>Fiscal Year</b>	<b>Beginning of Year Balance</b>	<b>Number Added to Rolls</b>	<b>Number Removed from Rolls</b>	<b>End of Year Balance</b>	<b>Health Care Annual Benefit Amounts</b>	<b>Average Annual Benefit</b>	<b>% Change in Average Benefit</b>
2007	1,850	150	127	1,873	\$ 16,159,127	\$ 8,627	-
2009	1,873	183	156	1,900	\$ 18,802,036	\$ 9,896	14.70%

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**ACTUARIAL SECTION**

Retiree Annual Contributions:

The following annual retiree contribution rates are effective July 1, 2009 through June 30, 2010:

	HMO		PPO	
	Without Medicare	With Medicare	Without Medicare	With Medicare
<u>All Retirees</u>				
Benefit Recipient:				
Pre-65	\$ 1,695	\$ 1,695	\$ 2,570	\$ 2,570
Post-65	1,695	1,427	2,570	1,232
Dependent Spouses:				
Pre-65	1,482	1,482	2,570	2,570
Post-65	1,482	1,428	2,570	1,233

Withdrawal Rates

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

<u>Males</u>	<u>Entry Age</u>									
	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	-	-	-	-	-	-	-	-	-	-

<u>Female</u>	<u>Entry Age</u>									
	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	-	-	-	-	-	-	-	-	-	-

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**ACTUARIAL SECTION**

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Retirement Rate

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

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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 2009 valuation have been developed by calculating the weighted average of the 2009 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.

<u>Age</u>	<u>HMO</u>		<u>PPO</u>	
	<u>With Medicare</u>	<u>Without Medicare</u>	<u>With Medicare</u>	<u>Without Medicare</u>
40	\$ 2,977	\$ 2,977	\$ 4,270	\$ 4,270
45	3,867	3,867	5,638	5,638
50	5,255	5,255	7,792	7,792
55	6,913	6,913	10,387	10,387
60	8,590	8,590	13,025	13,025
64	9,808	9,808	14,939	14,939
65	6,214	9,009	5,466	12,741
70	6,816	10,821	5,938	15,271
75	7,324	12,468	6,332	17,582
80	7,599	13,600	6,526	19,185
85	7,585	13,988	6,475	19,752
90	7,259	13,537	6,161	19,153
95	6,626	12,226	5,588	17,355

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

**ACTUARIAL SECTION**

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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.

<u>Year</u>	<u>Trend</u>
2010	10.0 %
2011	9.3
2012	8.6
2013	7.9
2014	7.1
2015	6.4
2016	5.7
2017 and later	5.0

## **STATISTICAL SECTION**

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**STATISTICAL SECTION**

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**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**

<u>Fiscal Year</u> <u>Ended</u>	<u>Eligible</u>	<u>Not Yet</u> <u>Eligible</u>	<u>Retirees and</u> <u>Beneficiaries</u>	<u>Total</u>	<u>% Active to</u> <u>Retirees</u>
12/31/2009	493	1,602	1,900	3,995	110%
12/31/2007	685	1,279	1,873	3,837	105%

**Retirees and Beneficiaries**

<u>Fiscal Year</u> <u>Ended</u>	<u>Employee</u>	<u>Surviving</u> <u>Spouse</u>	<u>Child</u>	<u>Total</u>
12/31/2009	1,382	518	0	1,900
12/31/2007	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, 2011.

**Metropolitan Water Reclamation District Retiree Health Care Trust**  
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**STATISTICAL SECTION**

**CHANGE IN NET ASSETS**

	Year Ended 2009	Year Ended 2008	Year Ended 2007 (1)
Additions:			
Contributions - Employer	\$ 14,591,543	\$ 35,819,281	\$ 37,333,865
Contributions - Retirees	4,210,493	3,727,752	3,825,262
Total Contributions	<u>18,802,036</u>	<u>39,547,033</u>	<u>41,159,127</u>
Investment Income			
Interest	158,828	801,118	24,760
Investment Expense	(45,333)	(11,333)	-
Net Investment Income	<u>113,495</u>	<u>789,785</u>	<u>24,760</u>
Total Additions	<u>18,915,531</u>	<u>40,336,818</u>	<u>41,183,887</u>
Deductions:			
Retiree Health Care Benefits	18,802,036	17,547,033	16,159,127
Administrative Expenses	18,720	18,000	-
Total Deductions	<u>18,820,756</u>	<u>17,565,033</u>	<u>16,159,127</u>
Net Increase in Plan Net Assets	94,775	22,771,785	25,024,760
Net Assets Held in Trust for OPEB January 1	<u>47,796,545</u>	<u>25,024,760</u>	<u>-</u>
December 31	<u>\$ 47,891,320</u>	<u>\$ 47,796,545</u>	<u>\$ 25,024,760</u>

**REVENUES BY SOURCE**

Year Ended	Employer Contributions	Retiree Contributions	Investment Income	Total Additions
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	Annual Rate of
2009	\$ 47,902,573	0.29%
2008	47,807,878	2.28
2007 (1)	25,024,760	4.52

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

**Metropolitan Water Reclamation District Retiree Health Care Trust  
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**STATISTICAL SECTION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Required Contribution (ARC)	Actual				Total
		Benefit Payments <sup>(2)</sup>	Retiree Contributions <sup>(2)</sup>	Contribution to Trust		
2009	\$ 39,847,021	\$ 18,802,036	\$ (4,210,493)	\$ -	\$ 14,591,543	
2008	44,739,006	17,547,033	(3,727,752)	35,819,281	49,638,562	
2007	44,739,006	16,159,127	(3,825,262)	25,000,000	37,333,865	

Percentage of ARC Contributed by Employer:

2009	36.6%
2008	80.1%
2007	83.4%

(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.

**SCHEDULE OF EXPENSES BY TYPE<sup>(1)</sup>**

Year Ended	Investment Advisor Fee	External Audit Fee	Total Expenses
2009	\$ 45,333	\$ 18,720	\$ 64,053
2008	11,333	18,000	29,333
2007 <sup>(1)</sup>	-	-	-

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