

## **Metropolitan Water Reclamation District of Chicago**

December 31, 2009 Actuarial Valuation of Retiree Health Care Benefits  
under GASB 43

Prepared by PricewaterhouseCoopers, LLP

April 2010

**PRICewaterhouseCOOPERS** 

## FOREWORD AND 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.

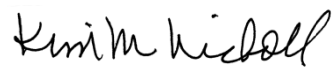
In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, plan assets and benefits payments. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, 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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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.

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## SECTION I: OVERVIEW

### GASB 43

GASB 43 provides the Plan's responsibility for accounting and financial reporting for all postemployment benefits other than pensions. Such benefits are commonly referred to as "other postemployment benefits" (OPEB). This report contains the actuarial valuation of the retiree health care benefits as of December 31, 2009, which applies to the fiscal year ending December 31, 2009.

### Valuation Basis

This valuation covers the retiree health care benefits that MWRD provides to its members and their dependents. Plan benefits include:

- Medical benefits
- Prescription drug benefits

The valuation includes the following membership groups:

- Active members
- Retired members
- Survivors of retired members
- Dependents

We have based this valuation on the Plan provisions in effect on July 1, 2009. We have collected the active, retiree, survivor, and dependent membership census data as of December 31, 2009.

The GASB 43 discount rate is the expected rate of return on the assets used to pay the benefits. If the retiree health care benefits are not pre-funded, GASB 43 specifies the use of a discount rate that reflects the expected return on the general assets of the plan sponsor. If the benefits are fully pre-funded, the discount rate is based on the expected return on the assets that support the benefits. If the benefits are partially pre-funded, the discount rate is a blend of the expected return on the sponsor's general assets and the plan assets.

For MWRD, the assumed rate of return on the sponsor's general assets is 3.5%, and the assumed rate of return on the plan assets is 7.75%. As of December 31, 2009, the contribution rate allocated to fund the retiree health care benefits is less than the GASB 43 Annual Required Contribution (ARC). Since the benefits are partially pre-funded, the GASB 43 discount rate is a blend of the two expected rates of return. For the fiscal year ending December 31, 2009, the blended GASB 43 discount rate is 6.3% and has been determined based on the percentage of the ARC that is expected to be contributed to the plan assets.

## SECTION I: OVERVIEW

### **Annual Required Contribution (ARC)**

The ARC is the employer's periodic required contribution to an OPEB plan determined in accordance with the plan provisions, demographic data, actuarial assumptions, actuarial cost method, and other actuarial methods prescribed by GASB 43. The 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 ARC in the valuation contained herein is based upon amortizing the unfunded liability over a period of 30 years as a level percentage of payroll. The ARC will generally increase with payroll growth, and is subject to gains/losses resulting from demographic, economic, and/or assumption changes.

The ARC for the year ending December 31, 2010 is 22.57% of projected payroll, or \$40 million. This amount consists of 8.96% to fund the normal cost, and 13.61% to fund the amortization of unfunded liability over 30 years. This compares with an ARC of \$45 million for the year ending December 31, 2008.

### **Changes from Prior Valuation**

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.

## SECTION II: VALUATION RESULTS

### **Exhibit I**

#### **Summary of Valuation Results**

**(\$ in thousands)**

Valuation as of	December 31, 2009	January 1, 2007
<b>Membership Data</b>		
Active members	2,095	1,964
Retirees and survivors receiving coverage	1,900	1,873
Dependent spouses receiving coverage	876	unavailable
Projected Membership Payroll*	\$ 176,527	\$ 158,832
GASB 43 Discount Rate	6.30%	5.50%
<b>Accrued Liability</b>		
Active members	\$ 253,693	\$ 199,335
Retirees, survivors, and dependents	<u>272,783</u>	<u>243,348</u>
Total	\$ 526,476	\$ 442,683
Retiree Healthcare Trust Assets	\$ 47,891	\$ 0
Unfunded Liability	\$ 478,585	\$ 442,683
Funded Ratio	9.1%	0.0%
<b>Annual Required Contribution (as percentage of projected payroll)**</b>		
Normal cost	8.96%	8.99%
Amortization of unfunded liability	<u>13.61%</u>	<u>19.18%</u>
Total	22.57%	28.17%
<b>Annual Required Contribution</b>		
Normal cost	\$ 15,821	\$ 14,280
Amortization of unfunded liability	<u>24,025</u>	<u>30,459</u>
Total	\$ 39,847	\$ 44,739
<b>Contribution to Fund Retiree Health Care Benefits</b>		
Scheduled contribution	\$ 10,000	\$ 25,000
Expected net pay-as-you-go claims costs***	<u>19,182</u>	<u>12,334</u>
Total contribution	\$ 29,182	\$ 37,334

## SECTION II: VALUATION RESULTS

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\*Payroll is shown on a calendar year basis. The December 31, 2009 figure is based on the actual payroll for the year ending December 31, 2009, projected forward 12 months with the assumed rate of payroll growth. The January 1, 2007 figure represents the actual payroll for the year ending December 31, 2007.

\*\*The ARC is shown as a percentage of the projected payroll for the upcoming year. However, the amortization method used to determine the ARC was level dollar as of January 1, 2007. The amortization method was changed to level percentage of payroll for the December 31, 2009 valuation.

\*\*\*The contribution for the year ending December 31, 2010 includes net expected benefit payments of \$19 million as benefits are not paid from plan assets. The contribution for the year ending December 31, 2007 includes the actual net benefit payments of \$12 million made during 2007.

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### **Exhibit II** **Reconciliation of the Change in Unfunded Liability** **(\$ in thousands)**

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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>
Total increase/(decrease) in unfunded liability	\$	<u>18,188</u>
Unfunded liability as of December 31, 2009	\$	478,585

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## SECTION II: VALUATION RESULTS

### **Exhibit III** **Retiree Healthcare Trust Assets** **(\$ in thousands)**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Balance as of January 1	\$ 47,797	\$ 25,025	\$ 0
Contributions			
Employer	\$ 14,592	\$ 35,819	\$ 37,334
Retirees	4,210	3,728	3,825
Medicare Part D subsidies	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 18,802	\$ 39,547	\$ 41,159
Payments			
Benefit payments and administrative fees	\$ 18,821	\$ 17,565	\$ 16,159
Investment Return			
Asset earnings	\$ 159	\$ 801	\$ 25
Investment expenses	<u>(46)</u>	<u>(11)</u>	<u>(0)</u>
Total	\$ 113	\$ 790	\$ 25
Balance as of December 31	\$ 47,891	\$ 47,797	\$ 25,025
Rate of Investment Return (net of administrative expenses)*	0.2%	2.2%	2.8%

\*Rate of investment return for the year ending December 31, 2007 represents the annualized return for the period that the fund was established from December 5, 2007 to December 31, 2007.

## SECTION II: VALUATION RESULTS

### **Exhibit IV**

#### **Required Supplementary Information – Schedule of Employer Contributions (\$ in thousands)**

Fiscal Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	\$44,739	\$37,334	83%
2008	\$44,739	\$35,819	80%
2009	\$39,847	\$14,592	37%

### **Exhibit V**

#### **Required Supplementary Information – Schedule of Funding Progress (\$ in thousands)**

Fiscal Year Ended December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll*	UAAL as a Percentage of Covered Payroll* [(b) - (a) / (c)]
2007	25,025	442,683	417,658	5.7%	158,832	263.0%
2008	47,797	487,820	440,023	9.8%	167,865	262.1%
2009	47,891	526,476	478,585	9.1%	170,392	280.9%

\* Covered payroll for the calendar year ending on the valuation date.

### **Exhibit VI**

#### **Annual OPEB Cost and Net OPEB Obligation (\$ 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 during 2009	<u>(14,592)</u>
Increase in net OPEB obligation	25,464
Net OPEB obligation as of December 31, 2008	<u>16,325</u>
Net OPEB obligation as of December 31, 2009	\$ 41,789

## SECTION II: VALUATION RESULTS

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### **Exhibit VII**

#### **Required Supplementary Information – Summary of Key Actuarial Methods and Assumptions**

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<b>Valuation date</b>	December 31, 2009
<b>Actuarial cost method</b>	Projected unit credit
<b>Amortization method</b>	30 years, open, level percent of pay
<b>Asset valuation method</b>	Fair market value

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#### **Actuarial assumptions:**

Discount rate	6.3%
Projected payroll growth rate	3.6% per annum compounded annually
Health care cost trend rates	

<u>Initial Rate</u>	<u>Ultimate Rate</u>	<u>Ultimate Year</u>
10.0%	5.0%	2017

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## SECTION III: CENSUS DATA

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### **Exhibit VIII** **Summary of Membership Data** **(\$ in thousands)**

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Valuation as of	December 31, 2009	January 1, 2007
Active Members		
Eligible for retiree healthcare benefits	493	685
Not yet eligible for retiree healthcare benefits	<u>1,602</u>	<u>1,279</u>
Total	2,095	1,964
Projected payroll*	\$ 176,527	\$ 158,832
Retired Members and Survivors, and Dependents Enrolled in Health Care		
Retirees	1,382	1,347
Survivors	518	526
Dependent spouses	<u>876</u>	<u>Unavailable</u>
Total	2,776	Unavailable
Active Participant Characteristics		
Average age	49.10	48.70
Average past service	13.21	13.33
Average age of inactive participants	73.10	72.13

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\*Payroll is shown on a calendar year basis. The December 31, 2009 figure is based on the actual payroll for the year ending December 31, 2009, projected forward 12 months with the assumed rate of payroll growth. The January 1, 2007 figure represents the actual payroll for the year ending December 31, 2007.

## SECTION III: CENSUS DATA

### Exhibit IX

#### Schedule of Active Member Valuation Data

<u>Fiscal Year</u>	<u>Members in Service</u>	<u>% Change</u>	<u>Covered Payroll</u>	<u>% Change</u>	<u>Average Salary</u>	<u>% Change</u>	<u>Payroll Growth Assumption</u>
2007	1,964	-	158,831,772	-	80,872	-	-
2009	2,095	6.7%	170,392,445	7.3%	81,333	0.6%	3.6%

### Exhibit X

#### Summary of Active Members by Age and Service

<u>Age</u>	<u>Years of Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
Under 25	11	-	-	-	-	-	-	-	-	11
25 to 29	77	7	-	-	-	-	-	-	-	84
30 to 34	79	43	14	1	-	-	-	-	-	137
35 to 39	71	45	49	13	1	-	-	-	-	179
40 to 44	61	59	55	69	25	-	-	-	-	269
45 to 49	65	58	67	94	88	19	5	-	-	396
50 to 54	59	62	56	87	97	26	9	-	-	396
55 to 59	40	39	49	76	64	18	17	7	1	311
60 to 64	15	38	33	43	44	9	11	12	1	206
65 to 69	4	17	15	9	11	2	5	3	3	69
70 & up	<u>0</u>	<u>4</u>	<u>7</u>	<u>8</u>	<u>4</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>6</u>	<u>37</u>
Total	482	372	345	400	334	75	50	26	11	2,095

## SECTION III: CENSUS DATA

### Exhibit XI

#### Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

<u>Fiscal Year</u>	<u>Beginning of Year Balance</u>	<u>Number Added to Rolls</u>	<u>Number Removed from Rolls</u>	<u>End of Year Balance</u>	<u>Health Care Annual Benefit Amounts</u>	<u>Average Annual Benefit</u>	<u>% Change in Average Benefit</u>
2007	1,850	150	127	1,873	\$ 16,159,127	\$ 8,627	-
2009	1,873	183	156	1,900	\$ 18,802,036	\$ 9,896	14.7%

### Exhibit XII

#### Breakdown of Benefit Plan Enrollment

Enrollee Group	Benefit Plan		
	PPO	HMO	Total
Benefit Recipient	1,525	375	1,900
Spouse	<u>681</u>	<u>195</u>	<u>876</u>
Grand Total	2,206	570	2,776

## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

<b>Valuation Date</b>	December 31, 2009
<b>Discount Rate</b>	6.30% per annum
<b>Payroll Increase Rate</b>	3.6% per annum
<b>Health Care Trend Rates</b>	
Year	Trend Rate
2010	10.0%
2011	9.3
2012	8.6
2013	7.9
2014	7.1
2015	6.4
2016	5.7
2017+	5.0
<b>Member Participation</b>	<p>100% of future eligible service retirees are assumed to elect coverage. 60% of these members are assumed to have a spouse who elects coverage with males assumed to be 4 years older than females.</p> <p>Future enrollees are assumed to elect medical plans in the same proportion as the 2009 elections for the current enrollees. The current breakdown is 19.8% HMO, 80.2% PPO.</p>
<b>Medicare</b>	90% of members are assumed to enroll in Medicare if eligible.

## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

### Annual Per Capita Claims

We have developed the claims tables for the 2009 valuation by calculating the weighted average of the 2009 premium rates (including administration costs) based on the current enrollment data. These weighed average rates are subsequently expanded to an age-based table using PwC's proprietary cost curve. The following tables summarize the assumed per capita claims (medical and prescription drugs) at illustrative ages:

#### PPO Plans

Age	Enrolled in Medicare	Not Enrolled in Medicare
40	\$ 4,270	\$ 4,270
45	5,638	5,638
50	7,792	7,792
55	10,387	10,387
60	13,025	13,025
64	14,939	14,939
65	5,466	12,741
70	5,938	15,271
75	6,332	17,582
80	6,526	19,185
85	6,475	19,752
90	6,161	19,153
95	5,588	17,355

#### HMO Plans

Age	Enrolled in Medicare	Not Enrolled in Medicare
40	\$ 2,977	\$ 2,977
45	3,867	3,867
50	5,255	5,255
55	6,913	6,913
60	8,590	8,590
64	9,808	9,808
65	6,214	9,009
70	6,816	10,821
75	7,324	12,468
80	7,599	13,600
85	7,585	13,988
90	7,259	13,537
95	6,626	12,226



## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

### Annual Member Premiums

	PPO Plans	HMO Plans
<u>Benefit Recipient without Medicare</u>		
Pre-65	\$ 2,570	\$ 1,695
Post-65	2,570	1,695
<u>Benefit Recipient with Medicare</u>		
Pre-65	\$ 2,570	\$ 1,695
Post-65	1,232	1,427
<u>Spouse without Medicare</u>		
Pre-65	\$ 2,570	\$ 1,482
Post-65	2,570	1,482
<u>Spouse with Medicare</u>		
Pre-65	\$ 2,570	\$ 1,482
Post-65	1,233	1,428

## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

### Retirement Rates

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

Age	Rate	Age	Rate
49	0.0%	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

### Mortality

UP-94 Mortality Table. Males are set back one year. Females are set forward one year. The following tables summarize these rates:

<u>Males</u>		<u>Females</u>	
Age	Rate	Age	Rate
15	0.00%	15	0.00%
20	0.05	20	0.03
25	0.07	25	0.03
30	0.08	30	0.04
35	0.09	35	0.06
40	0.11	40	0.08
45	0.16	45	0.11
50	0.25	50	0.17
55	0.43	55	0.28
60	0.76	60	0.55
65	1.39	65	1.04
70	2.34	70	1.61
75	3.66	75	2.72
80	6.01	80	4.73
85	9.64	85	8.10
90	14.99	90	13.84
95	23.19	95	21.78
100	32.40	100	31.90
105	41.89	105	43.81
110	49.28	110	49.81
115	50.00	115	50.00
120	100.00	120	100.00

## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

### Withdrawal Rates

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

<b>Males</b>		<b>Entry Age</b>							
<b>Age</b>	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	0.0	0.2	0.4	0.6	1.0	3.5	5.4%	-	-
55	0.0	0.0	0.0	0.0	0.0	1.1	3.4	3.2%	-
60	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.3	2.2%
65	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
67	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<b>Females</b>		<b>Entry Age</b>							
<b>Age</b>	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	0.0	0.0	0.0	0.0	0.0	0.6	1.7	2.2%	-
60	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.9	1.9%
65	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8
67	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

## SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

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<b>Disability Incidence Rates</b>	No disability incidence rates are used
<b>Actuarial Cost Method</b>	Projected Unit Credit Method
<b>Actuarial Asset Method</b>	Fair Market Value
<b>Data</b>	Active, retiree, survivor and dependent census data as of December 31, 2009 was supplied by MWRD.

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## SECTION V: SUMMARY OF PLAN PROVISIONS

### Eligibility Requirements

Retirees and their dependents that fulfill the eligibility requirements can receive postretirement medical and prescription drug coverage. The eligibility requirements are the earlier of:

- Age 55 and 10 years of service;
- Age + service greater than or equal to 80

Benefits commence at retirement, provided the eligibility requirements are fulfilled and persist for the lifetime of the retirees and their spouses

### Healthcare Benefits

	HMO Illinois (Blue Cross HMO)	Blue Cross Blue Shield PPO	
		In Network PPO	Non-PPO Network
Annual Deductible	None	\$250 per person; \$750 per family	\$250 per person; \$750 family
Annual Out-of-Pocket Maximum	None	\$1,500 per person; \$4,000 per family	\$3,000 per person; \$9,000 per family
<b>Outpatient Physician</b>			
Office Visits	\$20 copay	90%	90% of U&C
Diagnostic Testing	Covered in full	90%	80% of U&C
Outpatient Surgeon	Covered in full	90%	70% of U&C
Routine Physical Exams	Covered in full	Not covered	Not covered
Routine Pediatric Exams	Covered in full	Not covered	Not covered
Immunizations	Covered in full	Not covered	Not covered
Allergy Shots	Covered in full	90%	90% of U&C
Hearing Screening	Covered in full	Not covered	Not covered
Physical, Occupational, or Speech Therapy	60 days per year	90%	90% of U&C
Podiatry Care	Covered in full	90%	90% of U&C
Cosmetic Surgery	Covered in full	90%	90% of U&C
Oral Surgery	Covered in full	90% (Limited services)	90% of U&C (Limited services)
<b>Hospital</b>			
Room and Board	Covered in full	90%	80% of U&C
Number of Days	Unlimited	Unlimited, subject to medical necessity	Unlimited, subject to medical necessity
Intensive Care	Covered in full	90%	80% of U&C
Inpatient Surgery	Covered in full	90%	80% of U&C
Outpatient Surgery	Covered in full	90%	70% of U&C
Skilled Nursing Facility	120 days per year	90%	80% of U&C
Emergency Treatment	\$50 copay (waived if admitted to ER)	90%	90% of U&C
Physicians Visits	Covered in full	90%	90% of U&C
Specialist Visits	Covered in full	90%	90% of U&C
Anesthesiologist	Covered in full	90%	90% of U&C
Surgery	Covered in full	90%	90% of U&C

## SECTION V: SUMMARY OF PLAN PROVISIONS

	HMO Illinois (Blue Cross HMO)	Blue Cross Blue Shield PPO	
		In Network PPO	Non-PPO Network
<b>Maternity</b>			
Delivery, including pre/post-natal visits	\$20 copay for 1st visit	90%	90% of U&C
<b>Mental Health/Chemical Dependency</b>			
Outpatient Visits - Mental Health	\$20 copay per visit	50% of U&C, \$2,000 annual max	50% of U&C, \$2,000 annual max
Inpatient Care - Mental Health	30 days per year	90%, 60 day max	80%, 60 day max
Outpatient Visits - Chemical Dependency	\$20 copay per visit	50% of U&C, \$2,000 annual max	50% of U&C, \$2,000 annual max
Inpatient Care - Chemical Dependency	30 days per year	90%, 30 day max	80%, 30 day max
<b>Emergency Care</b>			
Ambulance	Covered in full	90%	90% of U&C
<b>Prescriptions</b>			
Retail (30 days): Generic	\$9 copay	\$9 copay	\$9 copay + 75% after copay
Formulary Brand	\$25 copay	\$25 copay	\$25 copay + 75% after copay
Non-Formulary Brand	\$45 copay	\$45 copay	\$45 copay + 75% after copay
Mail Order (90 days): Generic	\$18 copay	\$18 copay	\$18 copay + 75% after copay
Formulary Brand	\$50 copay	\$50 copay	\$50 copay + 75% after copay
Non-Formulary	\$90 copay	\$90 copay	\$90 copay + 75% after copay
<b>Additional Services</b>			
Prosthetic Devices & DME	Covered in full	90%	90% of U&C
Blood	Covered in full	90%	90% of U&C
Home Health Services	Covered in full	90%	90% of U&C
Vision Services	\$20 copay	Not covered	Not covered
<b>Wellness Care</b>			
Includes routine: Adult and pediatric physical checkup Well baby care Pre-School exams Immunizations including shingles vaccine Lab and x-ray Bone density testing Sleep study EKG	Covered in full	100%, \$600 annual max (Services not subject to annual maximum: Routine mammogram, annual routine pap smear test, PSA and digital rectal exam)	100%, \$600 annual max (Services not subject to annual maximum: Routine mammogram, annual routine pap smear test, PSA and digital rectal exam)

## SECTION VI: GLOSSARY

### **Actuarial Accrued Liability**

That portion, as determined by a particular Actuarial Cost Method, of the Present Value of Future Benefits (PVFB) and expenses which is not provided for by future Normal Costs. Generally this means the portion of the PVFB attributable to past service.

### **Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

### **Actuarial Cost Method**

A procedure for determining an actuarially equivalent allocation of the present value of future benefits (PVFB) to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

### **Actuarial Valuation**

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for an OPEB plan.

### **Actuarial Valuation Date**

The date as of which an actuarial valuation is performed.

### **Actuarial Value of Assets**

The value of cash, investments and other property belonging to an OPEB plan, as used by the actuary for the purpose of an Actuarial Valuation.

### **Annual Required Contributions (ARC)**

The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the plan provisions, actuarial assumptions, actuarial cost method and other actuarial method prescribed by GASB 43.

### **Discount Rate**

The rate equal to the expected return on invested assets relative to the assets that will be used to pay for the benefits specified by the OPEB plan.

## SECTION VI: GLOSSARY

### **Funding Policy**

The program for the amounts and timing of contributions to be made by plan members, employer, and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

### **Healthcare Cost Trend**

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

### **Level Percentage of Projected Payroll Amortization Method**

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

### **Normal Cost (NC)**

That portion of the present value of future benefits which is allocated to a valuation year by the Actuarial Cost Method. The normal cost is specific to the cost method used.

### **Other Postemployment Benefits (OPEB)**

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. Other types of OPEB benefits include postemployment life insurance, educational benefits, dues, discounts, and any other postemployment non-pension benefit.

### **Pay-As-You-Go**

A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

### **Payroll Growth Rate**

An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.



## SECTION VI: GLOSSARY

### **Per Capita Costs**

Expected benefit cost for the valuation year on a per individual basis. Per capita costs represent the expected benefit payments specific to the characteristics of the plan participants; subsidies to or from another employee benefit group are not permitted.

### **Plan Assets**

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

### **Plan Members**

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

### **Postemployment Healthcare Benefits**

Medical and other health-related benefits and reimbursements provided to terminated or retired employees and their dependents and beneficiaries.

### **Present Value of Future Benefits (PVFB)**

Projected benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members upon retirement) as a result of their service through the valuation date and their expected future service. The actuarial present value of projected future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment (taking into account mortality, turnover, probability of participating in plan retirement, etc.). Alternatively, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the projected benefits when due. Generally the PVFB includes expenses associated with the plan (claims adjudication, investment, etc.).

### **Substantive Plan**

The terms of an OPEB plan as understood by the employer(s) and plan members. If administrative practices are different from the written plan benefits and are expected to continue, then the substantive plan is based on such administrative practices.