

Metropolitan Water Reclamation District of Chicago

December 31, 2013 Actuarial Valuation of Retiree Health Care Benefits
under GASB 43

Prepared by PricewaterhouseCoopers, LLP

March 2014



ACTUARIAL CERTIFICATION

We are pleased to present this report containing the results of the December 31, 2013 actuarial valuation of Metropolitan Water Reclamation District of Chicago's Postretirement Retiree Health Care Benefit Plan, pursuant to our engagement letter with Metropolitan Water Reclamation District of Chicago dated October 15, 2009.

Metropolitan Water Reclamation District of Chicago (MWRD) retained PricewaterhouseCoopers LLP ("PwC") to perform an actuarial valuation of its Retiree Health Care Benefit Plan ("the Plan") as of December 31, 2013. The purpose of this report is to present the results of the December 31, 2013 actuarial valuation of the Plan. These results are applicable to MWRD's fiscal year ending December 31, 2013. Successive valuations will be performed every two years. We have prepared the valuation for the purposes of calculating the necessary information for accounting and reporting requirements in accordance with Government Accounting Standards Board Statement No. 43 (GASB 43). This valuation has been conducted in accordance with the required Actuarial Standards of Practice as issued by the American Academy of Actuaries.

Actuarial calculations under GASB 43 are for purposes of fulfilling MWRD's financial accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 43.

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

In preparing the results presented in this report, we have relied upon information MWRD provided to us regarding plan provisions, plan participants, claims and premium data, unaudited plan assets and benefit payments. The census data, claims data and plan asset information used in calculating the results herein were collected as of December 31, 2013 for active members, retirees, survivors and dependents. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

GASB 43 requires that each significant assumption reflect the client's best estimate of the Plan's future experience solely with respect to that assumption. MWRD has determined and taken responsibility for the actuarial assumptions and the accounting policies and methods employed in the valuation of obligations and costs under GASB 43.

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

This report was prepared for the internal use of MWRD in connection with our actuarial valuation of the Plan for the purpose noted above and not for reliance by any other person. PwC disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

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

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

The undersigned actuaries are members of the Society of Actuaries and the American Academy of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement medical and life insurance plans. To the best of our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

We appreciate this opportunity to be of service to MWRD. We are available to answer any questions with respect to our report.

Respectfully submitted,

PRICEWATERHOUSECOOPERS LLP



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March 27, 2014

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SECTION I: OVERVIEW

GASB 43

GASB 43 provides the employer'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, 2013 for this purpose, which applies to the fiscal year ending December 31, 2013.

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

This valuation is based upon the plan provisions in effect on July 1, 2013 as well as changes to the plan subsequent to this date that have been approved. We have collected the active, retiree, survivor, and dependent membership census data as of December 31, 2013.

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. For plans with a contribution rate sufficient to cover the long term costs, the discount rate is equal to the long-term rate of return on plan assets. For plans that are pre-funded, but the contribution rate is below the long-term required rate (partially 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 3.0%, and the assumed rate of return on the plan assets is 7.00%. As of December 31, 2013, the contribution rate to fund the retiree health care benefits is greater than the GASB 43 Annual Required Contribution (ARC). Since the contribution rate is sufficient to cover long-term costs, the GASB 43 discount rate is the assumed rate of return on the plan assets. For the fiscal year ending December 31, 2013 the GASB 43 discount rate is 7.00%.

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 and/or assumption changes.

The ARC for the fiscal year ending December 31, 2014 is 7.78% of projected payroll, or \$13 million. This amount consists of 3.28% to fund the normal cost, and 4.50% to fund the amortization of unfunded past liabilities over 30 years. This compares with an ARC of 16.16% of projected payroll for fiscal year ending December 31, 2012, or \$27 million.

Changes From Prior Valuation

The following outlines the changes since the prior valuation:

- The assumed distribution of future benefit recipients among the individual health plans has been revised based on actual 2013 retiree elections.
- The per capita claims costs have been updated based on premiums in effect as of July 1, 2013 and historical claims data.
- Effective January 1, 2014, MWRD will offer a Prescription Drug Plan (PDP) through Envision. Envision will receive a subsidy directly from the Centers for Medicare and Medicaid Services (CMS) and this amount will pass through to MWRD. MWRD will no longer receive the RDS Medicare Part D Subsidy.
- This valuation includes the costs of the temporary reinsurance fees and the Patient Centered Outcomes Research Institute (PCORI) fees as required under the Patient Protection and Affordable Care Act (PPACA) signed into law on March 23, 2010.

Excise Tax

The December 31, 2013 valuation reflects the impact of the 40% excise tax on high cost plans as a result of the Patient Protection and Affordable Care Act ("PPACA") signed into law on March 23, 2010.

SECTION II: VALUATION RESULTS

Exhibit I

Summary of Valuation Results

(\$ in thousands)

Valuation as of	December 31, 2013	December 31, 2011
Membership Data		
Active members	1,875	1,893
Retirees and survivors receiving coverage	1,964	1,977
Dependent spouses receiving coverage	844	912
 Projected Membership Payroll ¹	 \$ 169,909	 \$ 168,716
 GASB 43 Discount Rate	 7.00%	 7.00%
Accrued Liability		
Active members	\$ 104,689	\$ 152,267
Retirees, survivors, and dependents	<u>155,675</u>	<u>242,409</u>
Total	\$ 260,364	\$ 394,676
 Retiree Healthcare Trust Assets	 \$ 120,883	 \$ 54,996
 Unfunded Liability	 \$ 139,481	 \$ 339,680
Funded Ratio	46.43%	13.93%
 Annual Required Contribution (as percentage of projected payroll)²		
Normal cost	3.28%	5.13%
Amortization of unfunded liability	<u>4.50%</u>	<u>11.03%</u>
Total	7.78%	16.16%
 Annual Required Contribution		
Normal cost	\$ 5,569	\$ 8,651
Amortization of unfunded liability	<u>7,643</u>	<u>18,613</u>
Total	\$ 13,212	\$ 27,264
 Contribution to Fund Retiree Health Care Benefits		
Scheduled contribution	\$ 20,000	\$ 12,400
Expected net pay-as-you-go claims costs ³	<u>14,541</u>	<u>13,026</u>
Total contribution	\$ 34,541	\$ 25,426

SECTION II: VALUATION RESULTS

¹Payroll is shown on a calendar year basis. The December 31, 2013 figure is based on the actual payroll for the year ending December 31, 2013 (\$164,005,092), projected forward 12 months with the assumed rate of payroll growth (\$169,909,275). The December 31, 2011 figure is based on the actual payroll for the year ending December 31, 2011 (\$162,853,163), projected forward 12 months with the assumed rate of payroll growth (\$168,715,877).

²The ARC is shown as a percentage of the projected payroll for the upcoming year, which is equivalent to \$13,211,937.

³The contribution for the year ending December 31, 2014 includes net expected benefit payments of \$14.5 million as benefits are not paid from plan assets. The contribution for the year ending December 31, 2012 includes the actual benefit payments of \$13 million made during 2012.

SECTION II: VALUATION RESULTS

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

Unfunded liability as of December 31, 2011	\$ 339,680
Expected unfunded liability as of December 31, 2013	\$ 314,214
Decrease in unfunded liability due to investment return greater than expected	(13,950)
Decrease in unfunded liability due to changes in census	(10,187)
Decrease in unfunded liability due to net claims lower than expected ¹	(134,606)
Decrease in unfunded liability due to implementation of EGWP prescription drug program effective January 1, 2014 ²	<u>(15,990)</u>
Total increase/(decrease) in unfunded liability	\$ <u>(174,733)</u>
Unfunded liability as of December 31, 2013	\$ 139,481

¹ The per capita costs assumptions were lowered to reflect recent claims experience.

² Effective January 1, 2014, MWRD will offer a PDP (Prescription Drug Plan) EGWP (Employer Group Waiver Plan) through Envision. Envision will receive a subsidy directly from the Centers for Medicare and Medicaid Services (CMS) and this amount will pass through to MWRD.

SECTION II: VALUATION RESULTS

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

	2013	2012	2011
Balance as of January 1	\$ 86,102	\$ 54,996	\$ 52,153
Contributions			
Employer ¹	\$ 33,835	\$ 35,426	\$ 18,020
Retirees	6,217	5,821	5,577
Medicare Part D subsidies	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 40,052	\$ 41,247	\$ 23,597
Payments			
Benefit payments and administrative fees	\$ 20,091	\$ 18,883	\$ 20,627
Investment Return			
Asset earnings	\$ 14,863	\$ 8,787	\$ (82)
Investment expenses	<u>(43)</u>	<u>(45)</u>	<u>(45)</u>
Total	\$ 14,820	\$ 8,742	\$ (127)
Balance as of December 31	\$ 120,883	\$ 86,102	\$ 54,996
Rate of Investment Return (net of administrative expenses)	15.4%	13.2%	-0.2%

¹Employer contributions include an amount that offsets 100% of the employer's portion of the benefit payments.

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%
2010	\$39,847	\$15,517	39%
2011	\$27,264	\$18,020	66%
2012	\$27,264	\$35,426	130%
2013	\$13,212	\$33,835	256%

Exhibit V

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

Valuation as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll ¹ (c)	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%
2010	52,153	555,679	503,526	9.4%	172,273	292.3%
2011	54,996	394,676	339,680	13.9%	162,853	208.6%
2012	86,102	408,049	321,947	21.1%	158,995	202.5%
2013	120,883	260,364	139,481	46.4%	164,005	85.0%

¹Covered payroll for the calendar year ending on the valuation date.

SECTION II: VALUATION RESULTS

Exhibit VI

Annual OPEB Cost and Net OPEB Obligation (\$ in thousands)

Annual required contribution for 2013	\$ 13,212
Interest on net OPEB obligation	4,860
Adjustment to annual required contribution	<u>(3,804)</u>
Annual OPEB cost	14,268
Contributions made during 2013	<u>(33,835)</u>
Increase/(Decrease) in net OPEB obligation	(19,567)
Net OPEB obligation as of December 31, 2012	<u>69,425</u>
Net OPEB obligation as of December 31, 2013	\$ 49,858

Exhibit VII

Required Supplementary Information – Summary of Key Actuarial Methods and Assumptions

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	30 years, open, level percent of pay
Asset valuation method	Fair market value

Actuarial assumptions:

Discount rate	7.00% per annum
Inflation rate	3.00% per annum
Projected payroll growth rate	3.6% per annum
Health care cost trend rates	

<u>Initial Rate</u>	<u>Ultimate Rate</u>	<u>Ultimate Year</u>
7.3%	5.0%	2018

SECTION III: CENSUS DATA

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

Valuation as of December 31	2013	2011
Active Members		
Eligible for retiree healthcare benefits	528	479
Not yet eligible for retiree healthcare benefits	<u>1,347</u>	<u>1,414</u>
Total	1,875	1,893
Projected payroll ¹	\$ 169,909	\$ 168,716
Retired Members and Survivors, and Dependents Enrolled in Health Care		
Retirees	1,480	1,471
Survivors	484	506
Dependent spouses	<u>844</u>	<u>912</u>
Total	2,808	2,889
Active Participant Characteristics		
Average age	50.03	49.40
Average past service	14.08	13.59
Average age of inactive participants	72.12	73.12

¹Payroll is shown on a calendar year basis. The December 31, 2013 figure is based on the actual payroll for the year ending December 31, 2013, projected forward 12 months with the assumed rate of payroll growth. The December 31, 2011 figure is based on the actual payroll for the year ending December 31, 2011, projected forward 12 months with the assumed rate of payroll growth.

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%
2011	1,893	(9.6%)	162,853,163	(4.4%)	86,029	5.8%	3.6%
2013	1,875	(1.0%)	164,005,092	0.7%	87,469	1.67%	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	8	1								9
25 to 29	33	9								42
30 to 34	47	68	13							128
35 to 39	34	72	32	12						150
40 to 44	44	60	52	47	17	2				222
45 to 49	42	53	63	50	70	22				300
50 to 54	29	73	70	50	99	72	5	1		399
55 to 59	26	55	53	48	95	59	6	3		345
60 to 64	10	28	43	25	44	22	4	2	1	179
65 to 69	2	12	16	22	12	9	-	1	1	75
70 & up	-	3	7	4	5	3	1	1	2	26
Total	275	434	349	258	342	189	16	8	4	1,875

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%
2011	1,900	221	144	1,977	\$ 20,596,842	\$ 10,418	5.3%
2013	1977	118	131	1964	\$ 20,052,657	\$ 10,210	(2.0%)

Exhibit XII

Breakdown of Benefit Plan Enrolment

Enrollee Group	Benefit Plan		
	PPO	HMO	Total
Benefit Recipient	1,563	401	1,964
Spouse	<u>643</u>	<u>201</u>	<u>844</u>
Grand Total	2,206	602	2,808

SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date	December 31, 2013
Discount Rate	7.00% per annum
Payroll Increase Rate	3.6% per annum
Inflation Rate	3.0% per annum

Health Care Trend Rates

<u>Year</u>	<u>Medical</u>
2014	7.3
2015	6.7
2016	6.1
2017	5.5
2018+	5.0

Disability	None
Member Participation	<p>90% of future eligible service retirees are assumed to elect coverage. 76% of these members are assumed to have a spouse who elects coverage with males assumed to be 3 years older than females. No children are explicitly assumed to be covered at retirement.</p> <p>Future enrollees are assumed to elect medical plans in the same proportion as the 2013 elections for the current enrollees. The current breakdown is 21.4% HMO, 78.6% PPO.</p>

Medicare Status	100% of members are assumed to enroll in Medicare if eligible and hired on or after April 1, 1986. 93% of members are assumed to enroll in Medicare if eligible and hired prior to April 1, 1986.
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SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

Annual Per Capita Claims

We have developed the claims tables for the 2013 valuation using the 2013 premium rates (including administration costs) and historical claims data. 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	\$ 4,002	\$ 4,002
45	5,285	5,285
50	7,304	7,304
55	9,737	9,737
60	12,210	12,210
64	14,003	14,003
65	4,674	11,943
70	5,415	14,315
75	5,415	16,481
80	5,581	17,983
85	5,538	18,515
90	5,269	17,954
95	4,779	16,268

HMO Plans

Age	Enrolled in Medicare	Not Enrolled in Medicare
40	\$ 2,790	\$ 2,790
45	3,624	3,624
50	4,925	4,925
55	6,479	6,479
60	8,050	8,050
64	9,192	9,192
65	5,396	8,443
70	5,918	10,141
75	6,360	11,684
80	6,599	12,746
85	6,586	13,109
90	6,303	12,687
95	5,754	11,458

SECTION IV: ACTUARIAL ASSUMPTIONS AND METHODS

Annual Member Premiums¹

	PPO Plans	HMO Plans
<u>Benefit Recipient without Medicare</u>		
Pre-65	\$ 3,890	\$ 2,567
Post-65	3,890	2,567
<u>Benefit Recipient with Medicare</u>		
Pre-65	\$ 3,890	\$ 2,567
Post-65	1,698	1,994
<u>Spouse without Medicare</u>		
Pre-65	\$ 3,890	\$ 2,244
Post-65	3,890	2,244
<u>Spouse with Medicare</u>		
Pre-65	\$ 3,890	\$ 2,244
Post-65	1,698	1,994

¹The required retiree contributions are scheduled to increase from the 2011 rate of 25% up to 50% in 2021. The contributions as shown above for 2014 reflect the increase in the contribution percentage from 2011 to 2014.

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

RP-2000 Mortality Table with fully generational mortality improvements projected using Scale AA.

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:

<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	0.0	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

<u>Females</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	0.0	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

Disability Incidence Rates No disability incidence rates are used

Actuarial Cost Method Projected Unit Cost

Actuarial Asset Method Fair Market Value

Data Active, retiree, survivor and dependent census data as of December 31, 2013 was supplied by MWRD

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	\$300 per person; \$900 per family	\$300 per person; \$900 family
Annual Out-of-Pocket Maximum	None	\$1,500 per person; \$4,000 per family	\$3,000 per person; \$9,000 per family
Outpatient Physician			
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)
Hospital			
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

SECTION V: SUMMARY OF PLAN PROVISIONS

Surgery	Covered in full	90%	90% of U&C
	HMO Illinois (Blue Cross HMO)	Blue Cross Blue Shield PPO	
		In Network PPO	Non-PPO Network
Maternity			
Delivery, including pre/post-natal visits	\$20 copay for 1st visit	90%	90% of U&C
Mental Health/Chemical Dependency			
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
Emergency Care			
Ambulance	Covered in full	90%	90% of U&C
Additional Services			
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
Wellness Care			
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)

Prescriptions	Envision PDP
Retail (34 days):	
Generic	\$9 copay
Preferred Brand	\$25 copay
Non-Preferred Brand	\$45 copay
Mail Order (90 days):	
Generic	\$18 copay
Preferred Brand	\$50 copay
Non-Preferred Brand	\$90 copay

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.