

*Protecting Our Water Environment*



# OPEB Funding Plan

Mary Ann Boyle  
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# Plan and Liability

## Retiree Medical Plan

- Self-funded medical plan paid from District's General assets on a pay-as-you-go basis.
- District pays 75% of retiree medical and prescription drug coverage for retirees and their dependents.
- Retiree pays 25% of cost.
- Approximately 2,000 active employees and 1,900 retirees are covered.

## Liability

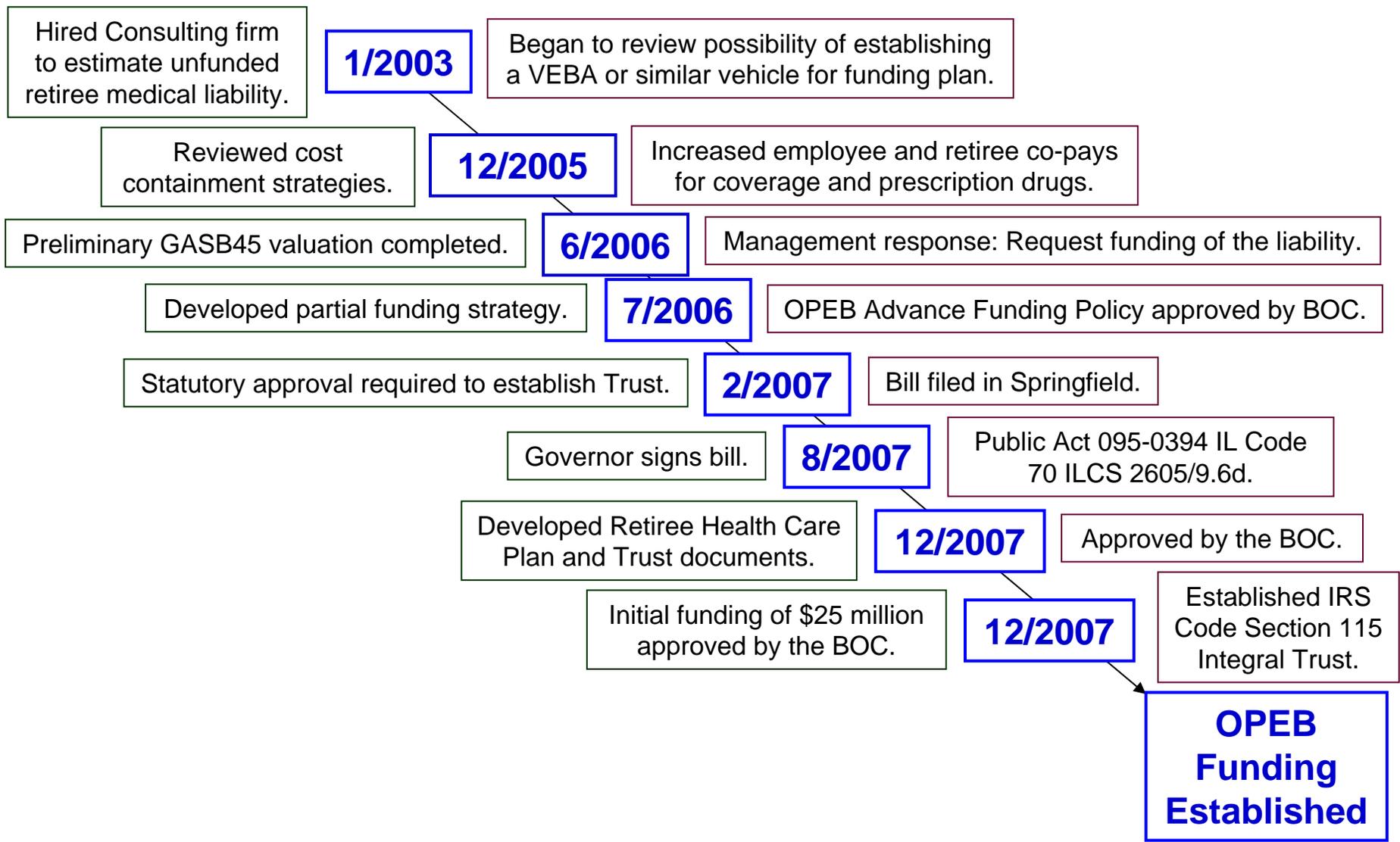
- Actuarial Accrued Liability at 1/1/07 is \$443 million.



# Timeline

## ACTION

## RESPONSE



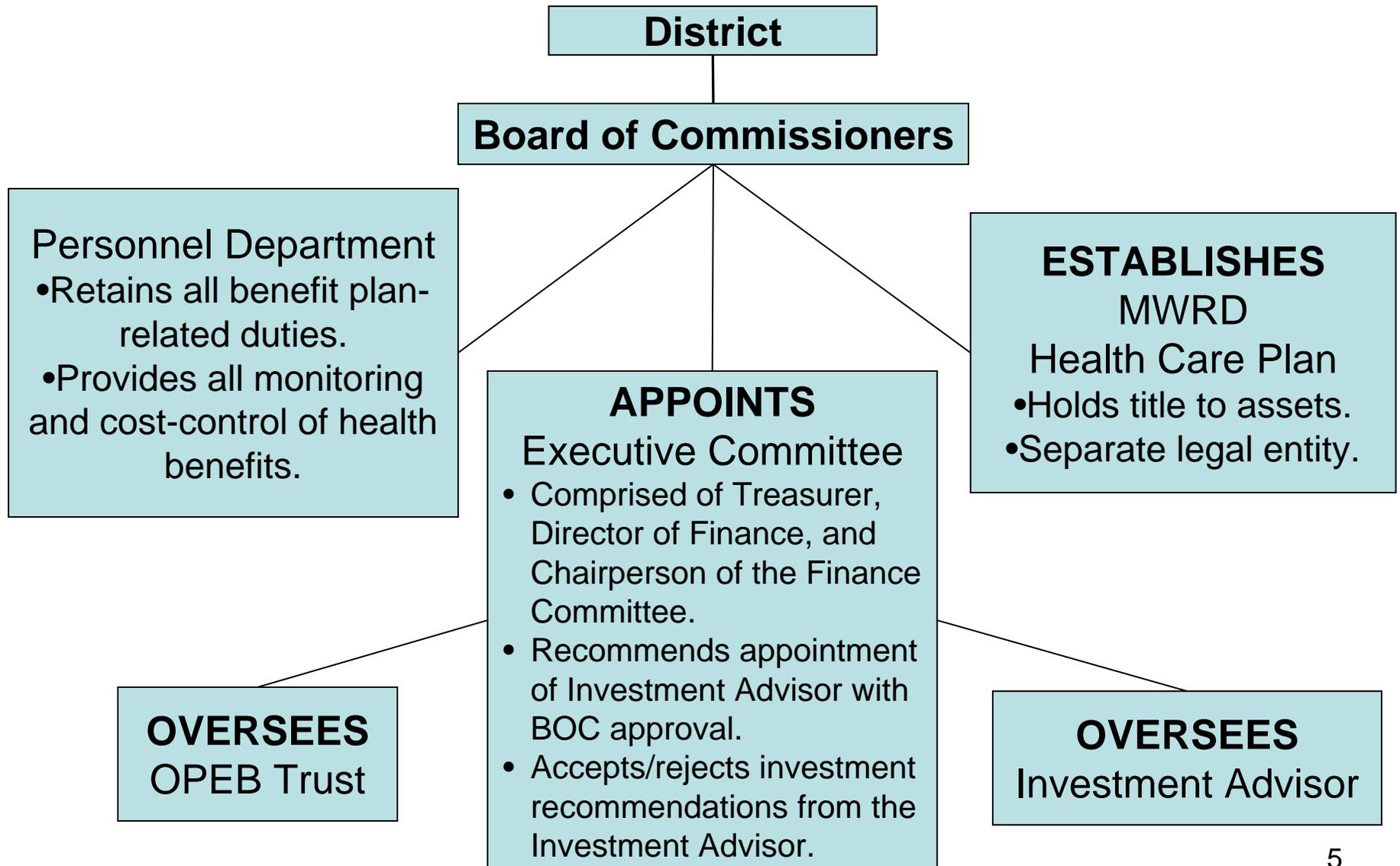


# OPEB Advance Funding Policy

- Target Funding Level: 50%
- Funding Period: 50 years
- Funding Amount: \$10 Million each year for first 5 years
- Basis for Funding: Percentage of Payroll for each year after 5 years
- Investment Mix: Initial 50% equity/50% bond mix with a maximum of 65% equity
- Funding Policy is cautious by design and will provide ample opportunity for adjustment as experience is gained.

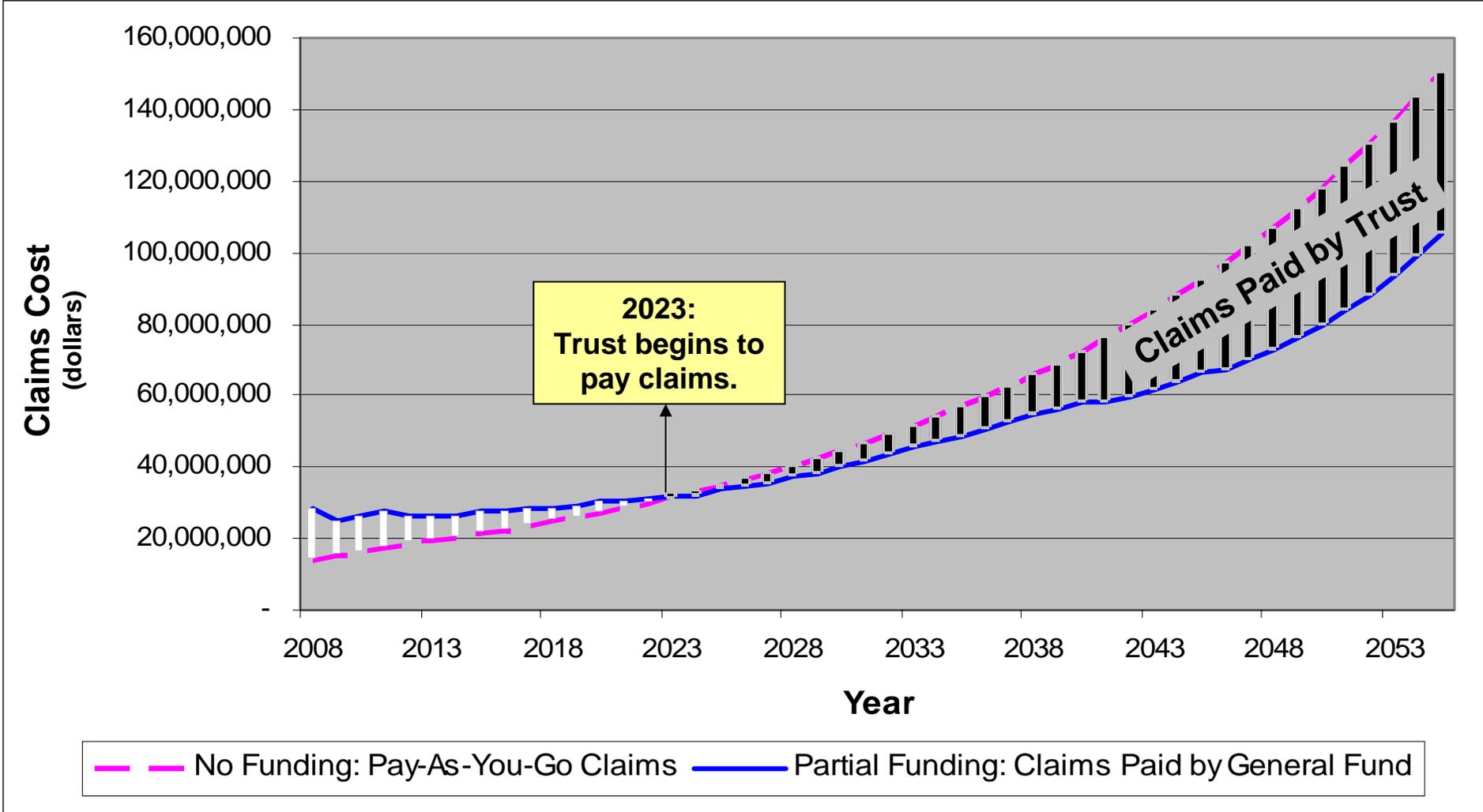


# Governance & Operations





# Cash Contributions



\*Contributions to the Trust are irrevocable.



# Investments

District Treasurer to manage Investments.

## Investment Consultant

- RFP to be issued shortly.
- Duties include assistance in:
  - o Development of Investment Policy;
  - o Asset Allocation Strategy;
  - o Recommendation of investments to meet investment objectives;
  - o Reporting;
  - o Trustee Training.



## Investments (continued)

### OPEB vs. Pension Fund Assets

- Manage separately.
- Initially, Trust assets will be relatively small.
- Establish portfolio that keeps administrative expenses low.
  - In accordance with Investment Policy.
  - Comprised of Mutual Funds or Exchange Traded Funds.

Anticipate minimal activity each year.

- Annual contributions as approved by the Board of Commissioners.
- Projected First Withdrawal Year to Fund Claim Benefits: 2023.



# Funding Benefits

- Make progress towards reducing large unfunded liability.
- Capture long-term investment returns by using the Trust only as funding vehicle.
- Estimate actuarial liabilities to comply with GASB's accounting requirements.
- Reduce future GASB45 expense and cash funding requirements.
- Assume that funding plan will reflect favorably on District's AAA bond rating.



# Contact Information

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