

**TRANSPORT WORKERS UNION  
METROPOLITAN TRANSIT AUTHORITY  
HEALTH & WELFARE TRUST**

**Financial Statements  
And Supplemental Schedules**

**December 31, 2013 and 2012**

*(With Independent Auditors' Report Thereon)*

**TRANSPORT WORKERS UNION  
METROPOLITAN TRANSIT AUTHORITY  
HEALTH & WELFARE TRUST**

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## Independent Auditors' Report

To Participants and Trustees of  
the Transport Workers Union Metropolitan Transit Authority  
Health and Welfare Trust:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust), which comprise the Statements of Net Position as of December 31, 2013 and 2012, and the related Statements of Changes in Net Position for the years then ended, and the related notes to the financial statements (collectively, Trust's basic financial statements).

### *Management's Responsibility for the Financial Statements*

The Trust's management is responsible for the preparation and fair presentation of the Trust's basic financial statements in accordance with accounting principles generally accepted in the United State of America (US GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Trust's basic financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these Trust's basic financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (US GAAS). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Trust's basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Trust's basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Trust's basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Trust's management as well as evaluating the overall presentation of the Trust's basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the Trust's basic financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2013 and 2012, and changes therein for the year then ended, in accordance with US GAAP.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming the Trust will continue as a going concern. As discussed in Note 10 to the basic financial statements, the Board of Directors of Metropolitan Transit Authority Houston (METRO), the Trust's sponsor, voted in March 2015 to terminate the Trust, which indicates that the Trust is not a going concern. The financial statements do not include any adjustments that might be necessary upon termination. Our opinion is not modified with respect to that matter.

***Other Matters*****Required Supplemental Information**

US GAAP requires that the management's discussion and analysis and required supplemental information (RSI) which comprise the schedule of funding progress, schedule of employer contributions and related notes to RSI, as listed in the table of contents, be presented to supplement the Trust's basic financial statements. Such information, although not a part of the Trust's basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the Trust's basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with US GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the Trust's basic financial statements, and other knowledge we obtained during our audit of the Trust's basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audits were conducted for the purposes of forming an opinion on the Trust's basic financial statements. The other supplemental information ("Other Information"), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the Trust's basic financial statements.

The Other Information has not been subjected to the auditing procedures applied in the audit of the Trust's basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

*McConnell & Jones LLP*

Houston, Texas  
April 12, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

This Management's Discussion and Analysis section of the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust's (Trust) financial report is an overview of financial activities and performance of the Trust for the years ended December 31, 2013 and 2012 and should be read in conjunction with the basic financial statements.

**HISTORICAL INFORMATION**

The Trust was set up by Metropolitan Transit Authority of Harris County, Texas (METRO) and the Transport Workers Union of America Local 260, (Local 260) and the Transport Workers Union of America, AFL-CIO (Union) to receive contributions from METRO and its eligible employees and retirees who are covered under the collective bargaining agreement and use those funds to pay medical, dental and disability benefits to those employees and retirees.

The Trust is managed by four trustees - two of whom are representatives of the Union (one from the Transport Workers Union of America AFL-CIO and one from Local 260 of the Transport Workers Union of America AFL-CIO) - the other two are appointed by METRO's Management.

METRO's monthly contribution to the trust for each participant is based on Labor Agreement between METRO and Local 260, and was \$835 effective October 1, 2012. The amount increased to \$845 effective October 1, 2013 and to \$880 effective October 1, 2014. Contribution by each participant to help fund the program is determined during the annual health care enrollment. Trustees may also enter into reinsurance arrangements to help limit total liability of the Trust.

**FINANCIAL HIGHLIGHTS**

Trust Net Position	FY2013	FY2012	Amount of Change	Percentage of Change	FY2011
<b>Assets</b>					
Cash and Cash equivalent	\$1,739,528	\$2,297,625	(\$ 558,097)	-24.3%	\$4,662,058
CIGNA Wellness Program Receivable	223,601	28,846	194,755	675.2%	8,681
Colonial Supplemental Ins Receivable	126,714	85,233	41,481	48.7%	14,131
Income					
Office furniture and equip, net	12,030	17,121	(5,091)	-29.8%	21,394
Other assets	-	1,069	(1,069)	-100.0%	1,069
<b>Total Assets</b>	<u>2,101,873</u>	<u>2,429,894</u>	<u>(328,021)</u>	<u>-13.5%</u>	<u>4,707,333</u>
<b>Liabilities</b>					
Insurance rebate payable to METRO	38,352	239,107	(200,755)	-84.0%	239,107
Accounts Payable - Other	1,467	217,984	(216,517)	-99.4%	2,570,819
<b>Total Liabilities</b>	<u>39,819</u>	<u>457,091</u>	<u>(417,272)</u>	<u>-91.3%</u>	<u>2,809,926</u>
<b>Net Position, End of the year change</b>	<u>\$2,062,054</u>	<u>\$1,972,803</u>	<u>\$ 89,251</u>	<u>4.5%</u>	<u>\$1,897,407</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

Changes in the Trust net position for the last three years were:

	FY2013	FY2012	Amount of Change	Percentage of Change	FY2011
<b>Additions:</b>					
METRO contributions	\$26,092,480	\$25,075,920	\$ 1,016,560	4.1%	\$24,704,800
Participants' contributions	10,045,524	8,227,735	1,817,789	22.1%	7,846,110
Interest and other income	278	8,895	(8,617)	-96.9%	2,396
<b>Total additions</b>	<b>36,138,282</b>	<b>33,312,550</b>	<b>2,825,732</b>	<b>8.5%</b>	<b>32,553,306</b>
<b>Deductions:</b>					
Paid health benefits	35,439,623	32,614,634	2,824,989	8.7%	32,503,190
Administrative expenses	609,408	622,520	(13,112)	-2.1%	551,572
<b>Total deductions</b>	<b>36,049,031</b>	<b>33,237,154</b>	<b>2,811,877</b>	<b>8.5%</b>	<b>33,054,762</b>
<b>Net increase (decrease)</b>	<b>89,251</b>	<b>75,396</b>	<b>13,855</b>	<b>18.4%</b>	<b>(501,456)</b>
<b>Trust net position held in trust for benefits:</b>					
Beginning of the year	1,972,803	1,897,407	75,396	4.0%	2,398,863
End of the year	<u>\$ 2,062,054</u>	<u>\$ 1,972,803</u>	<u>\$ 89,251</u>	<u>4.5%</u>	<u>\$ 1,897,407</u>

The net position of the Trust improved during FY2013 and FY2012 as contributions from METRO and participants exceeded increases in health care cost.

#### **ACCOUNTING AND INTERNAL CONTROL SYSTEM**

The Trust is not a component unit of Metropolitan Transit Authority. The accompanying financial statements include all activities for which the Trust is financially accountable as defined by Governmental Accounting Standard No.14 – *The Financial Reporting Entity*.

Trustees are responsible for accurate, reliable and fair presentation of financial information and related disclosures and believe that all disclosures necessary to enable the reader gain an understanding of the Trust's activities have been included. Trustees are also responsible for ensuring that adequate internal controls are in place for preparing financial information, safeguarding the assets, effective and efficient use of resources, and compliance with applicable laws and regulations.

The internal control structure has been designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived therefrom, and that (2) valuation of cost and benefits requires estimate and judgment by management.

#### **CONTACT INFORMATION OF THE TRUST**

This report is designed to provide the user with a general overview of the Trust's financial activities. Questions regarding any information contained therein or requests for additional information should be directed to The Transport Workers Union / Metropolitan Transit Authority Health & Welfare Trust, 2150 West 18<sup>th</sup> Street, Suite 112, Houston, Texas 77008.

# **Basic Financial Statements**

Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust

Statements of Net Position  
December 31, 2013 and 2012

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	2013	2012
Assets:		
Cash and cash equivalent	\$ 1,739,528	\$ 2,297,625
CIGNA Wellness Program receivable	223,601	28,846
Colonial Supplemental Insurance receivable	126,714	85,233
Office furniture and equipment, net	12,030	17,121
Other assets	-	1,069
Total Assets	<u>2,101,873</u>	<u>2,429,894</u>
Liabilities:		
Prudential insurance rebate payable to Metro	38,352	239,107
Accounts payable - Other	1,467	217,984
Total Liabilities	<u>39,819</u>	<u>457,091</u>
Trust Net Position held in trust for benefits	<u>\$ 2,062,054</u>	<u>\$ 1,972,803</u>

*See the accompanying notes to the financial statements.*



Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust

Statements of Changes in Net Position  
December 31, 2013 and 2012

	2013	2012
<b>Additions:</b>		
METRO contributions	\$ 26,092,480	\$ 25,075,920
Participants' contributions	10,045,524	8,227,735
Interest and other income	278	8,895
Total additions	36,138,282	33,312,550
<b>Deductions:</b>		
Paid health benefits	35,439,623	32,614,634
Administrative expenses	609,408	622,520
Total deductions	36,049,031	33,237,154
Net increase (decrease)	89,251	75,396
<b>Trust net position held in trust for benefits:</b>		
Beginning of year	1,972,803	1,897,407
End of year	\$ 2,062,054	\$ 1,972,803

*See the accompanying notes to the financial statements.*

Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust

Notes to the Financial Statements  
December 31, 2013 and 2012

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## 1. Plan Description

### General

Transport Workers Union of America, Local 260 (Local 260), the Transport Workers Union of America, AFL-CIO (Union) and Metropolitan Transit Authority Houston (METRO) entered an agreement to create a Trust that would provide health and welfare benefits to participating employees and retirees covered under the labor agreement and certain surviving spouses of deceased former employees (collectively referred to as participants). Benefits provided under the arrangement include hospital, surgical, major medical, dental and disability coverages with medical care provided through contracts with managed care providers.

The Trust is funded from irrevocable contributions from METRO and participants. METRO's contributions are established through labor contracts and for the most part of 2013 was \$835 for each participant. It increased to \$845 effective October 1, 2013 and then to \$880 effective October 1, 2014. Contributions required from eligible employees and retirees are determined as part of the annual health care enrollment process. Funding deficits, if any, are expected to be offset by adjustment to benefits or by increase in contribution amounts required from participants and METRO. Health care costs for retirees are funded on a pay-as-you-go basis.

Eligible participants as of December 31 were:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Active employees	1,822	1,823	(1)
Retirees	818	781	37
Total	<u>2,640</u>	<u>2,604</u>	<u>36</u>

Participants are advised to refer to the Trust document for complete description of benefits. Information about benefits could also be obtained by contacting the Trust management at 2150 West 18<sup>th</sup> Street, Suite 112, Houston, Texas 77008.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The accompanying basic financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB) which designates accounting principles and financial reporting standards applicable to state and local governmental entities. The basic financial statements include solely the accounts of the Trust and all programs and activities which it is responsible for, including accumulation and investment of the net assets and related income necessary to provide benefits required under the terms of the Trust agreement.

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Notes to the Financial Statements  
December 31, 2013 and 2012

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Basis of Accounting

The Trust uses the accrual basis of accounting. Under the accrual basis of accounting, contributions from METRO and participants as well as interest income are recognized when they are earned and collection is reasonably assured. Expenses are recognized when the liability is incurred. Benefits are recognized when they are due and payable in accordance with the terms of Trust agreement.

Cash and Cash Equivalent

All highly liquid investments purchased by the Trust with maturity dates of three months or less are considered cash equivalents. At December 31, 2013, cash and cash equivalents consisted of a demand deposit account with JPMorgan Chase Bank, N.A., and a single money market investment in Invesco's Cash Management Class Short-Term Investment Trust - Government and Agency Portfolio.

Office Furniture and Equipment

Office furniture and equipment are recorded at cost and capitalized if the item costs more than \$1,000 and has a useful life of more than one year. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset, generally five years. Maintenance and repairs are charged to administrative expenses when incurred.

Plan Benefits

Paid health benefits include premiums paid to third party administrators for medical, dental, vision and disability income coverages. Major medical care is provided through contracts with managed care providers.

Administrative expenses

Administrative expenses are paid by the Trust and for 2013 and 2012 were \$609,408 and \$622,520 respectively. Readers may look up the Schedule of Administrative Expenses (unaudited) on page 19 for details.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, which could affect certain reported amounts of assets, liabilities, benefit obligations and changes therein. Accordingly, the actual results may differ from those estimates.

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Notes to the Financial Statements  
December 31, 2013 and 2012

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Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**3. Cash and Cash Equivalent**

Cash and cash equivalent as of December 31, 2013 and 2012 were as follows:

	2013	2012
Cash at bank	\$ 1,587,021	\$ 645,396
Cash equivalent (AIM)	152,307	1,652,029
Petty cash	200	200
Total Cash and Cash equivalent	<u>\$ 1,739,528</u>	<u>\$ 2,297,625</u>

Cash at bank consists of deposits with local banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2013 and 2012, amounts in excess of the FDIC insured limit of \$250,000 totaled \$1,632,127 and \$398,779, respectively that were uninsured and uncollateralized.

Cash equivalent consists of a single investment in Invesco Treasury Portfolio, Short-term Investment Trust cash management class. This portfolio invests in United State Treasury obligations either directly or through repurchase agreements supported by these obligations. Cash equivalent is uninsured against loss in value and uncollateralized.

**4. Other Postemployment Benefit**

Health benefit costs incurred by participants and their dependents are covered by insurance contracts maintained by the Trust. As stated in note 1, health insurance benefits for retirees and their dependents are funded on a pay-as-you-go-basis from monthly contributions by METRO and participants. Qualification for this retirement benefit is that the employee must be 60 years old with at least 5 years of credited services, 55 years old with at least 25 years of credited service, any age with 28 years of credited service, or meet the disability qualifications.

The Trust's Other Post-Employment Benefit (OPEB) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 43. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover normal cost for each year plus amortization of any unfunded actuarial accrued liability (or excess) over a period not to exceed thirty years.

GASB requires both METRO (the Trust sponsor) and the Trust to use the same actuarial assumptions and cost method in calculating the cost and liability of other postemployment benefits. It also allows for the actuarial valuation to be prepared using other than the entity's year-end reporting date as long as this is consistently done from year to year.

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Notes to the Financial Statements  
December 31, 2013 and 2012

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Actuarial valuations of an ongoing trust involve estimated values of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates about the future are generated.

The Schedule of Funding Progress (unaudited), presented on page 14, presents a multi-year trend information about whether the actuarial value of Trust's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying Schedule of Employer Contributions (unaudited) shown on page 14 presents trend information of amounts contributed to the Trust by METRO in comparison to the actuarially determined annual required contribution (ARC) calculated in accordance with parameters established in GASB Statement No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension*.

METRO and the actuary consultants evaluate actuarial assumptions biennially (every other year) for their appropriateness. The valuation report date and most significant actuarial assumptions used in the January 1, 2014 actuarial valuation were:

Valuation date	January 1, 2014
Cost method used	Projected unit credit
Healthcare cost trend rate	Varying from 6.40% declining to 3.85%
Investment rate of return (without prefunding)	4.0% per annum
Funding policy	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for age 55 through 70
Inflation assumed	2.50% per annum, compound annually
Mortality basis after normal retirement: Healthy lives:	RP-2000 Combined Mortality Table (sex distinct) projected to 2014 using Projection Scale AA (sex distinct)
Disabled lives:	RP-2000 Disabled Mortality Table (sex distinct) projected to 2014 using Projection Scale AA (sex distinct)
Amortization of gains and losses:	
Method	Level dollars/reestablished annually
Period	30 years
Open to new members	Yes

Key actuarial assumptions are consistent from the prior year with the exception of the following change in mortality improvement assumption:

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Notes to the Financial Statements  
December 31, 2013 and 2012

Description of actuarial Assumption	Current Assumption	Previous assumption
Mortality improvement assumption	Projected improvement using PSAA to 2014	No projected on RP-2000 combined table

The funded status as calculated by an independent actuary as of October 1, 2013 was:

Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded AAL	Funded Ratio
-	\$ 398,751,143	\$ 398,751,143	-

## 5. Federal Income Tax

The Trust is exempt from federal income taxes under the Internal Revenue Code section 501(C)(9). It obtained its latest determination letter on March 12, 1990 in which the Internal Revenue Service (IRS) stated that the Trust as designed was in compliance with the applicable requirements of the Code. Although the Trust has been amended since receiving that determination letter, Trust management believes that the Trust currently is still operating in compliance with the applicable requirements of the Code.

Accounting principles generally accepted in the United States of America require Trust managements to evaluate tax positions taken by their organizations and recognize tax liability (or asset) if the Trust has taken uncertain positions that more than likely would not be sustained upon examination by the IRS. The Trust's management has analyzed tax positions taken and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of tax liability (or asset) or require disclosure in the Trust's basic financial statements. The Trust is also subject to routine audits by taxing jurisdictions; however there are currently no audits in progress for any tax periods. Additionally, the trustees believe that the Trust is no longer subject to income tax examinations for years prior to 2010.

## 6. Related Party Transactions

The Trust pays a monthly fee for accounting services provided by METRO. This related party payment totaled \$21,000 in 2013 and \$21,000 in 2012.

The Trust also made two direct payments totaling \$1,600 to one trustee for services provided during the wellness program activities.

## 7. Termination of the Trust

The Trust may be terminated at any time by the trustees. Upon complete or partial termination or discontinuance of the Trust, the trustees have the right to settle the Trust Fund account. Upon the settlement of the account of the Trust Fund, the assets of the Trust Fund (after provision for

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Notes to the Financial Statements  
December 31, 2013 and 2012

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expenses properly chargeable against the Trust Fund, including the administrative expenses relative to such termination, discontinuance or revocation) and to the extent they are sufficient, would then be allocated, applied and distributed to or for the benefit of participants.

As discussed in note 10 to the Trust's basic financial statement, on March 26, 2015, the METRO Board of Directors passed a resolution directing its labor agreement negotiators to terminate the Trust by July 1, 2016.

## 8. Commitments

The Trust leases its office space and some office equipment under various operating lease agreements and in most cases expects to renew or replace these leases as they expire. Future obligations for the non-cancelable operating leases are as follows:

Year ending December 31	Amount
2014	57,489
2015	59,589
2016	48,319
2017	37,820
2018	37,820
Thereafter	25,213
Total	<u>\$ 266,250</u>

Lease rental expense for the years ended December 31, 2013 and 2012 were approximately \$65,344 and \$65,344 respectively.

## 9. Risks and Uncertainties

The Trust's contribution rates and funding progress for Other Post-Employment Benefits mentioned in note 4 above are based on assumptions pertaining to interest rates, inflation rates and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the Trust's basic financial statements.

## 10. Subsequent Events

During the first quarter of FY2015 the Transport Workers Union Metropolitan Transit Authority Health and Welfare Trust (Trust) had insufficient cash to make the required monthly premium payments to third party insurance companies. These companies are contracted by the Trust to provide health, dental, and disability insurance for eligible individuals who are covered by the collective bargaining agreement between METRO and the Transport Workers Union of America Local 260 and Transport Workers Union of America, AFL-CIO. Consequently, on March 26, 2015, the METRO Board of Directors passed a resolution directing its labor agreement negotiators to terminate the Trust by July 1, 2016. METRO has agreed to open labor negotiations earlier than

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Notes to the Financial Statements  
December 31, 2013 and 2012

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required and to temporarily advance \$1,862,159 to the Trust to ensure insurance coverage for eligible participants continues.

The Trust's management has evaluated events through April 12, 2015; the date the Trust's financial statements were available to be issued. No changes were made or necessary to be made to the Trust's financial statements as a result of this evaluation.



## **Required Supplemental Information**

Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust

Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UALL)	Funded Ratio
01/01/14	-	\$ 398,751,143	\$ 398,751,143	-
01/01/12	-	327,920,311	327,920,311	-
01/01/10	-	\$ 308,397,807	\$ 308,397,807	-

Schedule of Employer Contributions (Unaudited)

Actuarial Valuation Date	Employer Year End	Annual Required Contribution	Actual Contribution per Metro GL	Percentage Contributed
01/01/2014	09/30/2013	35,808,935	26,092,480	72.87%
01/01/2012	09/30/2012	28,567,946	25,075,920	87.78%
01/01/2010	09/30/2011	28,213,826	24,704,800	87.56%

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Notes to Required Supplemental Schedules (Unaudited)

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METRO and the actuary evaluate actuarial assumptions for their appropriateness biennially. The valuation report date and most significant actuarial assumptions used in the January 1, 2014 actuarial valuation were:

Valuation date	January 1, 2014
Cost method used	Projected unit credit
Healthcare cost trend rate	Varying from 6.4% declining to 3.85%
Investment rate of return (without prefunding)	4.0% per annum
Funding policy	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for age 55 through 70
Inflation assumed	2.50% per annum, compound annually
Mortality basis after normal retirement: Healthy lives:	RP-2000 Combined Mortality Table (sex distinct) projected to 2014 using Projection Scale AA (sex distinct)
Disabled lives:	RP-2000 Disabled Mortality Table (sex distinct) projected to 2014 using Projection Scale AA (sex distinct)
Amortization of gains and losses:	
Method	Level dollars/reestablished annually
Period	30 years
Open to new members	Yes

## **Other Supplemental Information**

**Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust**

**Statements of Trust Net Position (Unaudited)  
For the Ten Years Ended December 31, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Assets</b>										
Cash and cash equivalent	\$ 1,739,528	\$ 2,297,625	\$ 4,662,058	\$ 5,213,366	\$ 2,956,020	\$ 2,246,706	\$ 1,995,280	\$ 1,632,275	\$ 1,038,665	\$ 717,636
Contributions receivable – employees	-	-	-	-	4,769	2,690	119,064	115,761	251,728	336,056
Colonial Supplemental insurance receivable	126,714	85,233	14,131	98,356	52,716	33,648	17,619	-	-	-
CIGNA Wellness program receivables	223,601	28,846	8,681	-	3,173	-	-	-	-	-
Office furniture and equipment, net	12,030	17,121	21,394	35,327	59,107	972	-	-	220	1,765
Other assets	-	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069
<b>Total Assets</b>	<b>2,101,873</b>	<b>2,429,894</b>	<b>4,707,333</b>	<b>5,348,118</b>	<b>3,076,854</b>	<b>2,285,085</b>	<b>2,133,032</b>	<b>1,749,105</b>	<b>1,291,682</b>	<b>1,056,526</b>
<b>Liabilities</b>										
Prudential insurance rebate due Metro	38,352	239,107	239,107	239,107	239,107	239,107	239,107	239,107	239,107	239,107
Accounts payable – Other	1,467	217,984	2,570,819	2,710,148	(1,721)	108,115	93,701	4,427	7	3,980
<b>Net position held in trust for benefits</b>	<b>\$ 2,062,054</b>	<b>\$ 1,972,803</b>	<b>\$ 1,897,407</b>	<b>\$ 2,398,863</b>	<b>\$ 2,839,468</b>	<b>\$ 1,937,863</b>	<b>\$ 1,800,224</b>	<b>\$ 1,505,571</b>	<b>\$ 1,052,568</b>	<b>\$ 813,439</b>

**Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust**

**Statements of Changes in Trust Net Position (Unaudited)  
For the Ten Years Ended December 31, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Additions:										
METRO's contributions	\$26,092,480	\$25,075,920	\$24,704,800	\$23,506,215	\$21,378,777	\$20,827,540	\$20,382,010	\$19,585,520	\$19,063,875	\$18,535,270
Participants' contributions	10,045,524	8,227,735	7,846,110	7,422,991	7,280,528	7,261,796	7,571,600	7,483,600	7,075,016	6,020,668
Interest and other income	278	8,895	2,396	835	118,106	123,125	98,794	83,647	42,434	21,287
Total additions	<u>36,138,282</u>	<u>33,312,550</u>	<u>32,553,306</u>	<u>30,930,041</u>	<u>28,777,411</u>	<u>28,212,461</u>	<u>28,052,404</u>	<u>27,152,767</u>	<u>26,181,325</u>	<u>24,577,225</u>
Deductions:										
Paid health benefits	35,439,623	32,614,634	32,503,190	30,724,856	27,440,653	27,671,674	27,443,040	26,434,434	25,680,390	23,984,361
Administrative expenses	609,408	622,520	551,572	645,790	435,153	403,148	314,711	265,330	261,806	277,958
Total deductions	<u>36,049,031</u>	<u>33,237,154</u>	<u>33,054,762</u>	<u>31,370,646</u>	<u>27,875,806</u>	<u>28,074,822</u>	<u>27,757,751</u>	<u>26,699,764</u>	<u>25,942,196</u>	<u>24,262,319</u>
Net increase (decrease)	89,251	75,396	(501,456)	(440,605)	901,605	137,639	294,653	453,003	239,129	314,906
Net position held in trust for benefits:										
Beginning of year	<u>1,972,803</u>	<u>1,897,407</u>	<u>2,398,863</u>	<u>2,839,468</u>	<u>1,937,863</u>	<u>1,800,224</u>	<u>1,505,571</u>	<u>1,052,568</u>	<u>813,439</u>	<u>498,533</u>
End of year	<u>\$ 2,062,054</u>	<u>\$ 1,972,803</u>	<u>\$ 1,897,407</u>	<u>\$ 2,398,863</u>	<u>\$ 2,839,468</u>	<u>\$ 1,937,863</u>	<u>\$ 1,800,224</u>	<u>\$ 1,505,571</u>	<u>\$ 1,052,568</u>	<u>\$ 813,439</u>

**Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust**

**Schedule of Health Benefits Paid (Unaudited)  
For the Ten Years Ended December 31, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PPO	\$ 3,006,316	\$ 4,310,329	\$ 3,059,896	\$ 3,135,845	\$ 3,108,517	\$ 1,060,837	\$ 683,263	\$ 4,776,533	\$ 4,543,166	\$ 3,369,100
HMO	28,826,361	25,051,903	26,176,119	24,977,031	22,057,360	21,644,608	21,491,600	20,584,905	19,984,281	19,566,279
PFFS insurance	2,161,025	1,714,485	1,549,344	1,162,699	915,798	1,072,474	267,283	-	-	-
Dental indemnity	536,124	620,708	660,821	499,590	425,371	381,380	389,802	382,682	367,318	335,696
Disability insurance	273,013	266,735	409,469	256,900	244,553	262,786	256,386	246,485	339,156	240,437
DMO	399,198	408,546	405,101	449,617	448,349	435,662	437,688	443,829	446,469	472,412
VMO	237,586	241,928	242,440	223,055	240,705	223,759	72,283	-	-	-
Vision claim	-	-	-	20,119	-	-	-	-	-	-
PPO-CPOS	-	-	-	-	-	2,590,168	3,844,735	-	-	437
Total health benefits paid	\$35,439,623	\$32,614,634	\$32,503,190	\$30,724,856	\$27,440,653	\$27,671,674	\$27,443,040	\$26,434,434	\$25,680,390	\$23,984,361

**Transport Workers Union  
Metropolitan Transit Authority  
Health & Welfare Trust**

**Schedule of Administrative Expenses (Unaudited)  
For the Ten Years Ended December 31, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Salaries	\$164,129	\$164,292	\$153,167	\$155,825	\$146,904	\$139,958	\$135,195	\$129,751	\$123,149	\$125,520
Audit and consulting fees	254,000	270,830	208,331	312,500	125,000	106,348	-	-	-	-
Equipment rental	36,940	40,124	45,816	31,659	39,166	33,139	33,825	26,835	10,964	5,202
Accounting	29,160	34,711	33,900	33,500	33,100	33,100	41,250	21,000	35,000	49,500
Health Fair Promotion	2,098	-	-	-	-	-	-	-	-	-
Rent	27,322	25,220	25,375	23,114	27,314	26,836	23,280	23,280	23,280	27,968
Office supplies	23,233	12,795	14,385	26,613	15,674	12,407	11,825	11,458	9,828	9,787
Depreciation	10,537	8,720	13,933	5,429	3,996	128	-	220	1,545	5,125
Payroll taxes	12,413	14,547	13,170	12,889	11,644	11,875	10,838	13,087	12,764	13,011
Postage and delivery	10,827	12,270	10,372	4,999	5,982	11,974	9,919	20,240	16,478	12,347
Telephone	11,433	10,328	8,508	8,053	7,170	5,710	5,743	5,312	5,005	5,049
Bank fees and penalties	6,576	5,143	4,666	3,171	2,985	-	-	-	59	1,274
Legal fees	1,006	-	-	-	-	-	-	-	-	-
Repairs and maintenance	4,607	3,669	3,794	4,064	3,300	3,000	4,120	3,000	3,146	3,338
Printing	-	-	-	-	-	498	2,691	459	165	2,648
Temporary personnel	2,239	-	-	-	-	8,274	11,208	3,223	3,086	5,390
Other	12,888	19,871	16,155	23,974	12,918	9,901	24,817	7,465	17,337	11,799
Total administrative expenses	<u>\$609,408</u>	<u>\$622,520</u>	<u>\$551,572</u>	<u>\$645,790</u>	<u>\$435,153</u>	<u>\$403,148</u>	<u>\$314,711</u>	<u>\$265,330</u>	<u>\$261,806</u>	<u>\$277,958</u>



**Transport Workers Union  
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**Schedule of Per Participant Averages (Unaudited)  
For the Ten Years Ended December 31, 2013**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Number of Participants in Year</b>	2,640	2,604	2,602	2,836	2,774	2,758	2,624	2,708	2,835	2,993
<b>Contributions Average per Participant per Year</b>										
METRO	9,883	9,630	9,495	8,289	7,707	7,552	7,768	7,232	6,724	6,193
Participants	3,805	3,160	3,015	2,617	2,625	2,633	2,885	2,764	2,496	2,012
Total contributions average	13,688	12,790	12,510	10,906	10,332	10,185	10,653	9,996	9,220	8,205
<b>Contributions Percentage</b>										
METRO	73	75	76	76	75	74	73	72	73	76
Participants	27	25	24	24	25	26	27	28	27	24
Total percentage	100	100	100	100	100	100	100	100	100	100