

College Insurance Program of the State of Illinois

GASB Statements No.74 and 75
Accounting and Financial Reporting for
Postemployment Benefits Other than Pensions

Actuarial Valuation Report as of
June 30, 2016



October 31, 2017

Illinois Department of Central Management Services
401 South Spring Street
Springfield, Illinois 62706

Subject: GASB Nos. 74 and 75 Actuarial Valuation as of June 30, 2016, for Illinois CIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2016, of the liabilities associated with the employer financed retiree health benefits provided through the State of Illinois College Insurance Program (CIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the State Universities Retirement System of Illinois (SURS).

This report was prepared at the request of the Department of Central Management Services (CMS) and is intended for use by CMS and those designated or approved by CMS. This report may be provided to other parties only in its entirety and only with the permission of CMS.

The actuarial valuation as of June 30, 2016, was prepared for purposes of complying with the requirements of Statements No. 74 and 75 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of CIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information used in the June 30, 2016, SURS pension valuation as provided by the System's actuary and SURS;
- Healthcare data and census data as of June 30, 2016, for CIP as provided by the Department of Central Management Services (CMS);
- Average per member costs by plan type for the period July 1, 2016, through June 30, 2017, as calculated by the State's healthcare actuary and provided by CMS;
- Substantive plan information provided by SURS and CMS;
- Demographic assumptions consistent with the SURS actuarial valuation as of June 30, 2016, which are the same pension-related assumptions used since the last OPEB actuarial valuation as of June 30, 2014;
- Economic assumptions approved by the State, including a discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017, which comply with the requirements of GASB Nos. 74 and 75;
- An ultimate trend rate assumption of 4.50 percent for post-Medicare coverage and 5.02 percent for non-Medicare coverage, which reflects the impact of the excise tax under healthcare reform; and
- Other healthcare-related assumptions recommended by GRS and approved by the State.

We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by SURS or CMS. Authorization of the assumptions and methods applicable to this valuation was granted by the State, and they are disclosed in the assumptions and methods section of this report.

The Net OPEB Liability and Annual OPEB Expense were developed in accordance with the requirements of GASB Statements No. 74 and 75, and are applicable only for financial reporting purposes. The Net OPEB Liability and annual OPEB Expense disclosed in this report should not be used to assess the level of plan assets needed to settle the plan's benefit obligations or the annual actuarially determined contributions needed to fund future benefit obligations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

The signing actuaries are independent of the plan sponsor.

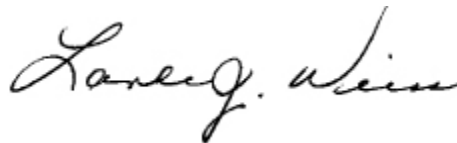
To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of CIP as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Alex Rivera and Lance J. Weiss are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



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Senior Consultant



Lance J. Weiss, EA, MAAA, FCA
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SECTION A

EXECUTIVE SUMMARY

Executive Summary

Introduction

The Governmental Accounting Standards Board (GASB) has issued accounting standards, Statements No. 74 and 75, relating to Other Postemployment Benefits (OPEB). For participating members of the College Insurance Retirement Insurance Program of Illinois (CIP), OPEB primarily include medical, prescription drug, dental and vision benefits provided to retired community college employees and their spouses who are receiving pension benefits under the State Universities Retirement System of Illinois (SURS). Any other OPEB offered to retired SURS community college employees are outside the scope of this report. For example, other OPEB offered by the community college such as life insurance or explicit healthcare subsidies to help defray the costs of the retiree's share of the CIP premium, are not reflected in this valuation.

The purpose of this Report is to provide: (a) results of the actuarial calculations necessary for financial reporting pursuant to GASB Statements No. 74 and 75 and (b) various other actuarial, statistical and benefit information useful to management for the operation of CIP.

We understand CIP is a cost-sharing multiple employer plan and as of June 30, 2016, 39 employers are participating in the plan.

Funded and Unfunded Plans

Currently, benefits offered through CIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, community colleges, the State, and subsidies from the Federal Government. Contributions are made to the Community College Health Insurance Security Fund. For fiscal year 2017, active members contribute 0.50 percent of pay, community colleges contribute 0.50 percent of pay and the State contributes 0.50 percent of pay. Retired members contribute through premium payments based on the coverage elected, Medicare eligibility and the age of the member and dependents. The Federal Government provides a Medicare Part D subsidy.

The current objective is to fund the Trust in order to maintain benefits through individual annual periods with appropriate margins for incurred but not paid liabilities. That is, there is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions that have historically marginally exceeded the annual expected net claim payments. However, this trust has a negative asset balance of \$(29) million as of June 30, 2016, and \$(51) million as of June 30, 2017. Historically, these assets have been invested in cash and other short-term investments according to the current investment policy, and benefit obligations are effectively funded on a pay-as-you-go basis.

Consequently, according to GASB Statements No. 74 and 75, the discount rate used to calculate the present values and costs of the OPEB, for programs funded on a pay-as-you-go basis, should be consistent with an index of high quality 20-year general obligation bonds as of the measurement date. For this purpose, the plan sponsor has selected an interest discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

There is no current requirement by State or Federal statute or regulation to pre-fund the OPEB obligations with real cash in a Trust. GASB Statements No. 74 and 75 only require the measurement and recognition of the Net OPEB Liability, Annual OPEB Expense and disclosure in the financial statements, as applicable.

Executive Summary

Results of the Study

The previous actuarial valuation as of June 30, 2014, was used for the plan's financial reporting under GASB No. 43, and required:

- A discount rate consistent with the expected long-term return on assets used to finance benefits. For this purposes the sponsor selected a long-term assumed return of 4.5 percent.
- The Projected Unit Credit cost method

The actuarial valuation as of June 30, 2016, for purposes of financial reporting under GASB Nos. 74 and 75 requires:

- If benefits are funded on a pay-as-you-go basis, a discount rate based on the expected return for an index of high-quality 20-year general obligation bonds. For this purpose the sponsor selected a discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.
- The Entry Age Normal cost method

The following table shows a reconciliation of the Actuarial Accrued Liability since the last actuarial valuation:

Reconciliation of the Change in Actuarial Accrued Liability (\$ in millions)

1. Actual Actuarial Accrued Liability at June 30, 2014	\$ 1,662.15
2. Expected Actuarial Accrued Liability at June 30, 2016	\$ 1,933.40
(Gain)/Loss due:	
Demographic Experience	\$ (150.13)
Change in OPEB-related Assumptions	(73.88)
Change in Cost Method and Interest Rate due to GASB 74/75	<u>(89.39)</u>
Total	\$ (313.40)
4. Actual Actuarial Accrued Liability at June 30, 2016	\$ 1,620.00

The actuarial Accrued Liability as of June 30, 2016, using a discount rate of 3.56 percent, is projected to June 30, 2017, for GASB Nos. 74 and 75 financial reporting.

Liabilities decreased more than expected due to the following reasons:

- Favorable demographic experience;
- Favorable claims experience compared with assumed trend rates from the previous valuation; and

Executive Summary

- Change in cost method from Projected Unit Credit to Entry Age Normal.

The decrease in liabilities was offset by the following factors:

- Changes in assumptions due to GASB Nos. 74 and 75 including decreasing the discount rate from 4.50 percent to 3.85 percent.

Executive Summary

In fiscal year 2017, employer costs, as reported in the fiscal year 2017 financial statements of the State and CIP, and information provided by CMS, were allocated as follows:

Stakeholder/ Revenue Source	2017 Cost Sharing (\$ in millions)	Percent of Total Revenue	Statutory Requirement FY 2017	Statutory Requirement FY 2018
State	\$ 4.31	16.9%	0.50% of pay	0.50% of pay
Community Colleges	4.37	17.1%	0.50% of pay	0.50% of pay
Federal Part-D Subsidy	0.19	0.7%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	4.37	17.1%	0.50% of pay	0.50% of pay
Retirees	12.26	48.2%	Percent of premium	Percent of premium
COBRA	-	0.0%		
Total	\$ 25.50	100.0%		
Benefits and Expenses Paid	\$ 38.06			
Benefits and Expenses Covered by Revenue	67%			

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Actuarial Assumptions

In any long-term actuarial valuation (such as for Pensions and OPEBs), certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the future contributions collected. The discount rate assumption is used to discount projected net OPEB benefits to a present value. This and other related present values are used to calculate the Annual OPEB Expense and the Net OPEB Liability that will be disclosed in the Plan's and Plan Sponsor's financial statements.

This actuarial valuation of CIP is similar to the actuarial valuation performed for the SURS pension plan. The demographic assumptions (rates of retirement, termination and disability) used in this OPEB valuation were identical to those used in the latest SURS valuation. The pension-related assumptions have not changed since the last OPEB valuation as of June 30, 2014.

Certain assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claim costs and the likelihood that a member selects healthcare coverage. Section E of this Report titled, "Summary of Actuarial Assumptions and Methods" contains a detailed discussion and disclosure of all the relevant actuarial assumptions and methods used in this valuation.

The following OPEB-related assumption changes were made since the last actuarial valuation as of June 30, 2014:

- The discount rate was changed from 4.50 percent to 2.85 percent at June 30, 2016, and 3.56 percent at June 30, 2017;
- The healthcare trend assumption was updated based on claim and enrollment experience through June 30, 2016, projected plan cost for plan year end June 30, 2017, premium changes through plan year end 2018, and expectation of future trend increases after June 30, 2017;
- The Excise Tax trend adjustment was updated based on available premium and enrollment information as of June 30, 2017;
- Per capita claim costs for plan year end June 30, 2017, were updated based on projected claims and enrollment experience through June 30, 2017, and updated premium rates through plan year 2018;
- The morbidity factors, used to adjust per capita claim cost by age and gender, were updated; and
- Healthcare plan participation rates by plan were updated based on observed experience.

Executive Summary

Adjustments to the Estimated Impact of Excise Tax under Healthcare Reform

Beginning in 2020, the Patient Protection and Affordable Care Act (PPACA) imposes a 40 percent excise tax on healthcare plan costs over certain statutory limits. The annual statutory limits for 2018 depend on the age and coverage tier as follows:

	Age less than 55 or greater than 64	Age greater than 54 or less than 65
Single person coverage	\$10,200	\$11,850
All other coverage types	\$27,500	\$30,950

In 2019 and 2020, the statutory limits are increased by the rate for the Consumer Price Index for all Urban Consumers (CPI-U) plus one percentage point, and after 2020 the statutory limits are increased by the CPI-U rate. The statutory limits don't recognize differences due to region, health status of the group or plan design. Healthcare plan costs may be blended among active members, non-Medicare retirees and Medicare retirees if members are covered by the same plan, and similar benefits are provided. Healthcare plan costs subject to the excise tax include: medical, prescription and employer Health Savings Accounts and Health Reimbursement Accounts.

Beginning with the valuation as of June 30, 2011, the impact of the excise tax was estimated by:

- 1) Aggregating average costs by the PPO plans and the HMO plans;
- 2) Projecting average plan costs based on the assumed valuation trend rate;
- 3) Projecting the statutory limits assuming a CPI-U rate of 3.0 percent;
- 4) Estimating the projected excise tax based on the projected average costs and statutory limits;
- 5) Assuming the plan sponsor would subsidize the excise tax and no additional costs would be passed to plan members; and
- 6) Developing an adjusted trend rate, applied to the explicit costs, to approximate the impact of the additional excise tax costs.

Based on the preceding method, the trend rates for non-Medicare medical and prescription drug costs were increased by an additional 0.52 of a percentage point on and after 2020. Trend rates for Medicare medical and prescription drug costs were not adjusted because of the decrease in costs after the adoption of the MAPD plans.

Executive Summary

Actuarial Cost Methods

The actuarial valuation results are based on the Entry Age Normal cost method as required by GASB Nos. 74 and 75.

The remainder of the report is an integral component of the actuarial valuation and includes:

- Key actuarial valuation results;
- An overview of the GASB Statements Nos. 74 and 75 requirements;
- Additional actuarial valuation exhibits and financial disclosure required under GASB Nos 74 and 75; and
- Summary of assumptions and methods and plan provisions.

SECTION B

ACTUARIAL VALUATION RESULTS

Actuarial Valuation Results

The following section shows actuarial valuation results as of June 30, 2016, projected to June 30, 2017, using two alternative discount rates of 2.85 percent and 3.56 percent.

Plan benefits are funded based on a pay-as-you-go policy. The current funding policy includes revenues from five sources: current retirees, current active employees, community colleges, the State and the Medicare Part D subsidy from the Federal Government. Current retirees contribute a portion of the premium to participate in the program. All liability and expense numbers throughout the report are net of the retiree's share of premiums.

The unfunded actuarial accrued liability represents the portion of the total actuarial present value of all future employer-provided benefits which is attributable to prior years, minus any valuation assets. It represents a measure of the unfunded accrued liability allocable to past service. The cost and liabilities shown in the following pages are employer costs and liabilities, net of any co-pays, deductibles, retiree coinsurance or retiree contributions using the Entry Age Normal cost method.

Actuarial Valuation Results

**College Insurance Program
Retiree Healthcare Program
Exhibit 1**

Discount Rate	2.85%	3.56%
Ultimate Trend Pre-Medicare	5.02%	5.02%
Ultimate Trend Post-Medicare	4.50%	4.50%

Summary of Actuarial Valuation Results as of	June 30, 2016	June 30, 2016
A) Actuarial Accrued Liability (AAL) ¹		
i) Active employees	\$ 611,642,777	\$ 587,486,625
ii) Current retirees and their covered dependents	711,303,114	647,470,739
iii) Waived retirees and their covered dependents ²	78,702,545	70,033,409
iv) Deferred vesteds - currently CIP eligible ²	251,852,936	207,021,710
v) Deferred vesteds - not currently CIP eligible ^{2,3}	<u>128,187,021</u>	<u>107,992,506</u>
vi) Total	\$ 1,781,688,393	\$ 1,620,004,989
B) Market Value of Assets	\$ (38,266,000)	\$ (38,266,000)
C) Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,819,954,393	\$ 1,658,270,989
D) Funded Ratio: [B / A]	-2.1%	-2.4%
E) UAAL as a percentage of covered payroll	191.0%	174.0%
F) Gross Normal Cost	\$ 147,948,300	\$ 120,473,962
Expected Active Employee Contributions ⁴	<u>4,293,861</u>	<u>4,293,861</u>
Net Annual Normal Cost	\$ 143,654,439	\$ 116,180,101
G) Expected First Year Benefit Payments	\$ 29,111,522	\$ 29,107,460
H) Projected Actuarial Accrued Liability at end of Year	\$ 1,955,107,892	\$ 1,772,818,960
I) Covered Payroll	\$ 953,001,927	\$ 953,001,927
G) Participant Information		
i) Number of Covered Participants		
a) Active employees - CIP eligible	12,387	
b) Active employees - Not currently CIP eligible	7,932	
c) Current retirees and survivors	6,031	
d) Waived retirees	1,533	
e) Dependents	828	
f) Deferred vesteds - CIP eligible ²	1,563	
g) Deferred vesteds – Not currently CIP eligible ^{2,3}	<u>2,583</u>	
h) Total	32,857	

¹ Actuarial accrued liability as of June 30, 2016, based on census, assumptions, and methods as of June 30, 2016.

² Valuation assumes a percentage of waived retirees and deferred vested members under the age of 70 as of June 30, 2016, and waived beneficiaries over the age of 26 and under the age of 70 as of June 30, 2016, will elect retiree healthcare coverage in the future.

³ Members underage 70 with deferred vested pension benefits, but not vested for CIP retiree healthcare benefits.

⁴ Expected contributions based on 0.5% of pay from all active members currently participating in CIP and 25% of 0.5% of pay for all active members not currently participating in CIP but who are assumed to participate in the future.

⁵ Expected claims net of retiree contributions.

SECTION C

GASB STATEMENT NOS. 74 AND 75 INFORMATION

Auditor's Note: This information is intended to assist in preparation of the financial statements of the College Insurance Program of Illinois. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

GASB Statement Nos. 74 and 75 Information

Discussion

Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans," replaces the requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." GASB Statement No. 74 establishes standards of financial reporting for separately issued financial reports of state and local government OPEB plans.

GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployments Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016, and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain non-actuarial information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the plan sponsor will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

Plan Financial Statements

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan's reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense, and net increase or decrease in the fiduciary net position.

GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets.

The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

The GASB Statement No. 74 information contained in this report is based on an actuarial valuation date of June 30, 2016, projected to a measurement date of June 30, 2017.

GASB Statement Nos. 74 and 75 Information

For GASB Statement No. 75 reporting purposes, the plan sponsor's fiscal year end June 30, 2018, financial reporting will be based on a measurement date of June 30, 2017.

The information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of June 30, 2017.

GASB Statement No. 75 requires that employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources.

Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to OPEB.

GASB Statement Nos. 74 and 75 require the notes of the financial statements for the Plan and Plan Sponsor to include certain additional information. The list of disclosure items should include:

- The name of the OPEB plan, the administrator of the OPEB plan and the identification of whether the OPEB plan is a single-employer, agent or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The OPEB plan's investment policies;
- The OPEB plan's fiduciary net position and the net OPEB liability;
- The net OPEB liability using +/- 1% change on the discount rate;
- The net OPEB liability using +/- 1% change on the healthcare trend rate;
- Significant assumptions and methods used to calculate the total OPEB liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- The composition of the OPEB plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

GASB Statement Nos. 74 and 75 Information

Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history of:

- Sources of changes in the net OPEB liability;
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percent of covered-employee payroll;
- Comparison of the actual employer contributions to the actuarially determined contributions, if applicable, based on the plan's funding policy; and
- For plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.

Frequency and Timing of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date," which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Since CIP is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section E. The assumptions include details on the healthcare trend assumption and the aging factors, as well as the cost method used to develop the OPEB expense.

The pension-related assumptions were based on an experience study conducted by GRS for the period June 30, 2010, to June 30, 2014 as approved by the pension system. The OPEB-related assumptions were recommended by GRS and approved by CMS.

GASB Statement Nos. 74 and 75 Information

Future Uncertainty or Risk

Future results may differ from those anticipated in this actuarial valuation. Reasons include, but are not limited to:

- Claims experience differing from expected;
- Medical trend experience differing from expected;
- Changes in the healthcare plan designs offered to active and retired members;
- Changes in healthcare related costs due to recent experience; and
- Participant behavior differing from expected; e.g.,
 - Elections at retirement;
 - One-person versus two-person coverage elections; and
 - Timing of retirement or termination.

Benefits Valued

The benefit provisions that were valued are described in Section F. The actuarial valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits.

GASB Statement Nos. 74 and 75 Information

This section contains the following GASB Statement Nos. 74 and 75 information:

- GASB Statement Nos. 74 and 75 Summary;
- GASB Statement No. 74 Changes in Net OPEB Liability for plan year end June 30, 2017;
- GASB Statement No. 74 Multiyear Net OPEB Liability;
- GASB Statement No. 74 Schedule of Contributions;
- Notes to Schedule of Contributions;
- GASB Statement Nos. 74 and 75 Sensitivity of Net OPEB Liability plan year end June 30, 2017;
- GASB Statement No. 75 Changes in Net OPEB Liability for plan year end June 30, 2017, applicable to sponsor's fiscal year end June 30, 2018;
- GASB Statement No. 75 Expense measured as of plan year end June 30, 2017, and applicable to sponsor's fiscal year end June 30, 2018; and
- GASB Statement No. 75 Development of Inflows and Outflows as of June 30, 2017.

GASB Statement Nos. 74 and 75 Information

Summary of GASB Nos. 74 and 75 Results

	2017
Actuarial Valuation Date	June 30, 2016
Measurement Date of the Net OPEB Liability	June 30, 2017
Plan Year End for GASB Statement No. 74	June 30, 2017
Employer's Fiscal Year End for GASB Statement No. 75	June 30, 2018

Membership

Number of	
- Retirees and Beneficiaries	6,031
- Inactive, Nonretired Members	5,679
- Active Members	20,319
- Total	32,029
Covered Payroll ^b	\$ 953,001,927

Net OPEB Liability

Total OPEB Liability	\$ 1,772,818,960
Plan Fiduciary Net Position	(50,818,000)
Net OPEB Liability	\$ 1,823,636,960
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-2.87%
Net OPEB Liability as a Percentage of Covered Payroll	191.36%

Development of the Single Discount Rate

Single Discount Rate Beginning of Year	2.85%
Single Discount Rate End of Year	3.56%
Long-Term Expected Rate of Investment Return, Beginning of Year	0.00%
Long-Term Expected Rate of Investment Return, End of Year	0.00%
Long-Term Municipal Bond Rate Beginning of Year ^a	2.85%
Long-Term Municipal Bond Rate End of Year ^a	3.56%

Year Assets are Projected to be depleted 2016

Total OPEB Expense for Fiscal Year End June 30, 2017, Applicable to Sponsor's Fiscal Year End June 30, 2018 \$ 169,446,479

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses as of June 30, 2018

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference Between Expected and Actual Experience	\$ -	\$ (5,161,268)
Changes in Assumptions	-	(151,907,443)
Net Difference Between projected and Actual Earnings on OPEB Plan Investments	-	(19,200)
Total	\$ -	\$ (157,087,912)

^a Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

GASB Statement Nos. 74 and 75 Information

GASB No. 74 Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Fiscal Year Ending June 30,	2017
Total OPEB Liability	
Service Cost	\$ 147,948,300
Interest on the Total OPEB Liability	54,582,721
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(6,193,522)
Changes of Assumptions	(182,288,932)
Benefit Payments ^a	(22,918,000)
Net Change in Total OPEB Liability	(8,869,433)
Total OPEB Liability - Beginning	1,781,688,393
Total OPEB Liability - Ending (a)	\$ 1,772,818,960
Plan Fiduciary Net Position	
Employer Contributions	\$ 8,676,000
Active Member Contributions	\$ 4,367,000
Net Investment Income	24,000
Benefit Payments ^a	(22,918,000)
Operating Expenses	(2,886,000)
Other	185,000
Net Change in Plan Fiduciary Net Position	(12,552,000)
Plan Fiduciary Net Position - Beginning	(38,266,000)
Plan Fiduciary Net Position - Ending (b)	(50,818,000)
Net OPEB Liability - Ending (a) - (b)	\$ 1,823,636,960
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-2.87%
Covered-Employee Payroll	\$ 953,001,927
Net OPEB Liability as a Percentage of Covered-Employee Payroll	191.36%

^a Actual benefits paid by sponsor.

GASB Statement Nos. 74 and 75 Information

GASB No. 74 Schedule of Net OPEB Liability Multiyear

FY Ending June 30,	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll ^a	Net OPEB Liability as a % of Covered Payroll
2016	\$ 1,781,688,393	\$ (38,266,000)	\$ 1,819,954,393	-2.15%	918,556,000	198.13%
2017	1,772,818,960	(50,818,000)	1,823,636,960	-2.87%	953,001,927	191.36%

Estimated payroll for fiscal year end June 30, 2016, based on fiscal year end June 30, 2017, payroll adjusted by wage inflation assumption of 3.75 percent.

GASB Statement Nos. 74 and 75 Information

GASB No. 74 Schedule of Contributions Multiyear

FY Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	N/A	\$ 9,042,000	N/A	918,556,000	0.98%
2017	N/A	\$ 8,676,000	N/A	953,001,927	0.91%

Contributions for CIP are defined by State statute and Actuarially Determined Contributions are not developed. Benefits are financed on a pay-as-you basis, based on contribution rates defined by statute. For fiscal year end June 30, 2017, contribution rates are 0.50% of pay for active members, 0.50% of pay for community colleges, and 0.50% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.

GASB Statement Nos. 74 and 75 Information

Notes to Schedule of Contributions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Sponsor's Fiscal year End	June 30, 2018

Methods and Assumptions Used to Determine Actuarial Liability and Contributions:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you basis. Contribution rates are defined by statute. For fiscal year end June 30, 2017, contribution rates are 0.50% of pay for active members, 0.50% of pay for community colleges, and 0.50% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Inflation	2.75%
Salary Increases	Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2014, actuarial valuation.
Mortality	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table. Disabled Annuitants: RP-2014 Disabled Annuitant Table. Pre-Retirement: RP-2014 White Collar Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare cost and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

GASB Statement Nos. 74 and 75 Information

Single Discount Rate

The State, community colleges and active members each contribute 0.50% of pay. Retirees contribute a percentage of the premium rate. The State also contributes an additional amount to cover plan costs in excess of contributions and investment income. Because plan benefits are financed on a pay-as-you-go basis, this single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability. The increase in the single discount rate, from 2.85% to 3.56%, caused the total OPEB liability to decrease by approximately \$182 million.

Investment Return

During plan year end June 30, 2017, the trust earned \$24,000 in interest, and due to a significant benefit payable, the market value of assets at June 30, 2017, is a negative \$51 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the investment return assumption was set to zero.

Money-Weighted Rate of Return

The annual money-weighted rate of return was estimated based on monthly investment performance, net of investment expenses, adjusted for changing amounts actually invested. The annual money-weighted rate of return was 0.806% for plan year end June 30, 2017, and 0.470% for plan year end June 30, 2016.

Sensitivity of Net OPEB Liability

The following table shows the plan's net OPEB liability as of June 30, 2017, using the current single discount rate of 3.56%, and sensitivity single discount rates that are either one percentage point higher or lower:

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
2.56%	3.56%	4.56%
\$ 2,085,622,937	\$ 1,823,636,960	\$ 1,597,770,691

GASB Statement Nos. 74 and 75 Information

The following table shows the plan's net OPEB liability as of June 30, 2017, using current trend rates and sensitivity trend rates that are either one percentage point higher or lower. The key current trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.02% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

Healthcare Cost		
1% Decrease^a	Trend Rates Assumption	1% Increase^b
\$ 1,512,891,678	\$ 1,823,636,960	\$ 2,273,321,981

^a One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.02% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

^b One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.02% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

GASB Statement Nos. 74 and 75 Information

Schedule of Changes in Net OPEB Liability under GASB Statement No. 75 Measured as of June 30, 2017, Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

Fiscal Year Ending June 30,	2017
Total OPEB Liability	
Service Cost	\$ 147,948,300
Interest on the Total OPEB Liability	54,582,721
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(6,193,522)
Changes of Assumptions	(182,288,932)
Benefit Payments ^a	(22,918,000)
Net Change in Total OPEB Liability	(8,869,433)
Total OPEB Liability - Beginning	1,781,688,393
Total OPEB Liability - Ending (a)	\$ 1,772,818,960
Plan Fiduciary Net Position	
Employer Contributions	\$ 8,676,000
Active Member Contributions	\$ 4,367,000
Net Investment Income	24,000
Benefit Payments ^a	(22,918,000)
Operating Expenses	(2,886,000)
Other	185,000
Net Change in Plan Fiduciary Net Position	(12,552,000)
Plan Fiduciary Net Position - Beginning	(38,266,000)
Plan Fiduciary Net Position - Ending (b)	(50,818,000)
Net OPEB Liability - Ending (a) - (b)	\$ 1,823,636,960
Plan Fiduciary Net Position as a Percentage	
of Total OPEB Liability	-2.87%
Covered-Employee Payroll	\$ 953,001,927
Net OPEB Liability as a Percentage	
of Covered-Employee Payroll	191.36%

GASB Statement Nos. 74 and 75 Information

Statement of OPEB Expense under GASB Statement No. 75 Measured as of June 30, 2017 Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

A. Expense

1. Service Cost	\$	147,948,300
2. Interest on the Total OPEB Liability		54,582,721
3. Current-Period Benefit Changes		-
4. Active Member Contributions		(4,367,000)
5. Projected Earnings on Plan Investments		-
6. OPEB Plan Operating Expenses		2,886,000
7. Other Changes in Plan Fiduciary Net Position		(185,000)
8. Recognition of Outflow/(Inflow) due to Liability Experience		(1,032,254)
9. Recognition of Outflow/(Inflow) due to Assumption Changes		(30,381,489)
10. Recognition of Outflow/(Inflow) due to Investment Experience		(4,800)
11. Total OPEB Expense	\$	169,446,479

B. Reconciliation of Net OPEB Liability

1. Net OPEB Liability Beginning of Year	\$	1,819,954,393
2. OPEB Expense		169,446,479
3. Employer Contributions		(8,676,000)
4. Change in Liability Experience Outflows/(Inflows) Recognized in Current Liabilities		(5,161,268)
5. Change in Assumption Changes Experience Outflows/(Inflows) Recognized in Current Liabilities		(151,907,443)
6. Change in Investment Experience Outflows/(Inflows) Recognized in Current Assets		(19,200)
7. Net OPEB Liability End of Year	\$	1,823,636,960

GASB Statement Nos. 74 and 75 Information

Recognition of Deferred Outflows and Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active members in the plan was approximately 192,041 years. Additionally, the total plan membership (active, inactive and retired members) was 32,029. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 6.00 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

GASB Statement Nos. 74 and 75 Information

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Measured as of June 30, 2017, Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

A. Outflows and (Inflows) of Resources Recognized in Current and Future OPEB Expenses as of Plan Year End June 30, 2017

Experience (Gain)/Loss	Original Balance	Date Established	Original Recognition Period/ Amortization Factor	Amount Recognized in Past OPEB Expenses	Amount Recognized in Current OPEB Expense	Deferred (Inflows) to be Recognized in Future OPEB Expenses	Deferred Outflows to be Recognized in Future OPEB Expenses
1. Liability (Gain)/Loss	\$ (6,193,522)	June 30, 2017	6.0000	\$ -	\$ (1,032,254)	\$ (5,161,268)	\$ -
	\$ (6,193,522)		6.0000	\$ -	\$ (1,032,254)	\$ (5,161,268)	\$ -
2. Assumption Changes	\$ (182,288,932)	June 30, 2017	6.0000	\$ -	\$ (30,381,489)	\$ (151,907,443)	\$ -
	\$ (182,288,932)		6.0000	\$ -	\$ (30,381,489)	\$ (151,907,443)	\$ -
3. Investment (Gain)/Loss	\$ (24,000)	June 30, 2017	5.0000	\$ -	\$ (4,800)	\$ (19,200)	\$ -
	\$ (24,000)		5.0000	\$ -	\$ (4,800)	\$ (19,200)	\$ -
4. Total				\$ -	\$ (31,418,542)	\$ (157,087,912)	\$ -

B. Deferred Outflows and Deferred (Inflows) of Resources by Year to be Recognized in Future OPEB Expenses

Year Ending June 30,	Liability Outflows (Inflows)	Assumption Changes Outflows/(Inflows)	Investment Outflows/(Inflows)	Year Ending June 30,	Deferred Outflows	Deferred (Inflows)	Net Outflows/(Inflows)
2017	\$ (1,032,254)	\$ (30,381,489)	\$ (4,800)	2017	\$ -	\$ (31,418,542)	\$ (31,418,542)
2018	\$ (1,032,254)	\$ (30,381,489)	\$ (4,800)	2018	\$ -	\$ (31,418,542)	\$ (31,418,542)
2019	\$ (1,032,254)	\$ (30,381,489)	\$ (4,800)	2019	\$ -	\$ (31,418,542)	\$ (31,418,542)
2020	\$ (1,032,254)	\$ (30,381,489)	\$ (4,800)	2020	\$ -	\$ (31,418,542)	\$ (31,418,542)
2021	\$ (1,032,254)	\$ (30,381,489)		2021	\$ -	\$ (31,413,742)	\$ (31,413,742)
2022	\$ -	\$ -		2022	\$ -	\$ -	\$ -
2023	\$ -	\$ -			\$ -	\$ -	\$ -
Total	\$ (5,161,268)	\$ (151,907,443)	\$ (19,200)		\$ -	\$ (157,087,912)	\$ (157,087,912)

Numbers may not add due to rounding.

SECTION D

ADDITIONAL VALUATION EXHIBITS

Additional Valuation Exhibits

Exhibit 1

40-Year Projection of Expected Employer Claims ^a

Year Beginning July 1	Expected Employer Claims	Year Beginning July 1	Expected Employer Claims
2016 ^b	29,111,522	2036	\$ 149,229,461
2017	34,928,967	2037	\$ 154,795,050
2018	41,209,512	2038	\$ 159,855,743
2019	48,032,875	2039	\$ 164,468,756
2020	55,598,700	2040	\$ 168,625,456
2021	63,312,194	2041	\$ 171,672,614
2022	71,281,988	2042	\$ 173,257,688
2023	78,819,828	2043	\$ 174,492,215
2024	86,150,766	2044	\$ 175,129,726
2025	92,532,773	2045	\$ 175,130,761
2026	97,879,915	2046	\$ 174,334,036
2027	102,773,876	2047	\$ 172,345,680
2028	107,419,589	2048	\$ 169,932,463
2029	112,587,097	2049	\$ 167,027,353
2030	118,413,727	2050	\$ 163,974,574
2031	124,024,475	2051	\$ 160,961,472
2032	129,669,479	2052	\$ 158,284,770
2033	135,048,689	2053	\$ 156,420,838
2034	140,000,332	2054	\$ 154,790,233
2035	144,614,847	2055	\$ 153,002,626

^a Expected claims net of retiree contributions for current participants. Based on estimated incurred claims in all fiscal years.

^b For the plan year end June 30, 2017, the sponsor reported incurred employer net claims of \$31,556,000.

Additional Valuation Exhibits

	<u>Currently CIP Eligible^b</u>	<u>Not Currently CIP Eligible^c</u>	<u>Total</u>
A) Active Participants			
i) Counts	12,387	7,932	20,319
ii) Average Age	48.3	50.3	49.1
iii) Average Service	12.3	8.3	10.7
B) Retirees and Survivors Under Age 65 ^a			
i) Counts	1,323		1,323
ii) Average Age	61.5		61.5
C) Retirees and Survivors Over Age 65 ^a			
i) Counts	4,705		4,705
ii) Average Age	74.3		74.3
D) Dependents Under Age 65 ^a			
i) Counts	85		85
ii) Average Age	61.0		61.0
E) Dependents Over Age 65 ^a			
i) Counts	710		710
ii) Average Age	74.4		74.4
F) Waived Retirees and Survivors ^d			
i) Counts	1,533		1,533
ii) Average Age	63.6		63.6
G) Survivor Children ^a			
i) Counts	3		3
ii) Average Age	15.6		15.6
H) Dependent Children ^a			
i) Counts	33		33
ii) Average Age	21.5		21.5
I) Deferred Vested Participants ^d			
i) Counts	1,563	2,583	4,146
ii) Average Age	49.9	53.8	52.3
J) Total Participants	22,342	10,515	32,857

^a Only includes members and dependents currently receiving benefits through CIP.

^b Includes deferred vested members with vested pension and CIP benefits.

^c Includes deferred vested members with vested pension benefits, but not currently vested for CIP benefits.

^d Includes members currently under the age of 70 and waived beneficiaries over the age of 26 and under 70.

Additional Valuation Exhibits

Exhibit 3

Assets Available for Benefits

As of June 30,

2016

2017

Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year

\$ (26,774,000) \$ (38,266,000)

Revenues

State Contributions	\$	4,625,000	\$	4,309,000
Employer Contributions		4,417,000		4,367,000
Federal Government Medicare Part D Subsidy		157,000		185,000
Active Member Contributions		4,417,000		4,367,000
Retired Member Contributions		12,284,000		12,259,000
COBRA		-		-
Interest		9,000		24,000

Total Revenues

\$ 25,909,000 \$ 25,511,000

Deductions

Benefits	\$	26,608,000	\$	35,177,000
Administrative Expense		1,940,000		2,886,000

Total Deductions

\$ 28,548,000 \$ 38,063,000

Net Change

\$ (2,639,000) \$ (12,552,000)

Net Assets Held in Trust for Post-Employment Benefits, End of Year

\$ (29,413,000) \$ (50,818,000)

Prior year fund balance as of June 30, 2017 restated from \$(29,413,000) to \$(38,266,000).

SECTION E

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

Development of Per Capita Claim Costs

The per capita claims used in the valuation were calculated by the State's healthcare actuary and are based on average per member costs by plan type for the period July 1, 2016, through June 30, 2017, as provided by the Department of Central Management Services (CMS). The per capita claims for the MAPD plans used in the valuation were based on weighted average premium rate, as provided by CMS. The average costs were adjusted at each respective retirement age by the morbidity factors disclosed in the assumption section of the report.

Cost Method and Expense Calculations for Retiree Healthcare Benefits

The retiree healthcare actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Under GASB Statement Nos. 74 and 75, the Entry Age Normal Method is the required cost method.

Census Data

The valuation was based on SURS active, inactive and retiree data as of June 30, 2016, for eligible community college members, and CIP retiree data as of June 30, 2016.

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions

The actuarial assumptions used in our valuation are outlined on the following pages.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate	3.56%
Inflation¹	2.75%
Wage Inflation²	3.75%

OPEB Assumptions

<u>Fiscal Year</u>	<u>Healthcare Trend</u>		
	<u>Pre-Medicare Medical and Rx³</u>	<u>Post-Medicare Medical and Rx⁴</u>	<u>Retiree Premium</u>
2018	8.00%	9.00%	5.00%
2019	7.50%	8.50%	5.00%
2020	7.52%	8.00%	5.00%
2021	7.02%	7.50%	5.00%
2022	6.52%	7.00%	5.00%
2023	6.02%	6.50%	5.00%
2024	5.52%	6.00%	5.00%
2025	5.02%	5.50%	5.00%
2026	5.02%	5.00%	5.00%
2027	5.02%	4.50%	4.50%

¹ Inflation assumption used to estimate the impact of the Excise Tax under Healthcare Reform.

² Wage inflation used to project payroll.

³ Higher trend rate on and after 2020 to account for the Excise Tax under Federal Healthcare Reform.

⁴ In addition to these trend rates, the per capita claims costs for the Medicare Advantage Prescription Drug plans (MAPD) are increased to reflect an ultimate MAPD savings of 15 percent in 2026 and thereafter.

Summary of Actuarial Assumptions and Methods

<u>Age</u>	<u>Morbidity Factor</u>	
	<u>Male</u>	<u>Female</u>
50	5.81%	3.46%
55	5.44%	2.84%
60	5.02%	3.66%
65	1.68%	2.46%
70	1.72%	1.89%
75	1.07%	1.20%
80	0.62%	0.97%
85	-0.37%	0.36%
90	-0.28%	-0.14%
95	-0.38%	-2.21%

Annual Per Capita Claims Costs for Pre 65, Not Medicare Eligible Members

CCHP			Managed Care		
Medical and Rx			Medical and Rx		
Age	Male	Female	Age	Male	Female
20	\$ 3,014	\$ 3,944	20	\$ 2,771	\$ 3,625
25	2,552	5,216	25	2,346	4,795
30	3,124	7,352	30	2,872	6,759
35	3,893	7,998	35	3,578	7,352
40	4,861	7,899	40	4,469	7,261
45	6,052	8,352	45	5,563	7,678
50	7,880	9,707	50	7,244	8,923
51	8,338	10,043	51	7,664	9,232
52	8,815	10,373	52	8,103	9,535
53	9,311	10,693	53	8,559	9,830
54	9,828	11,008	54	9,035	10,119
55	10,369	11,322	55	9,532	10,407
56	10,933	11,643	56	10,050	10,703
57	11,519	11,982	57	10,588	11,015
58	12,124	12,348	58	11,145	11,351
59	12,748	12,748	59	11,718	11,718
60	13,392	13,187	60	12,311	12,122
61	14,065	13,669	61	12,929	12,565
62	14,770	14,196	62	13,577	13,049
63	15,510	14,763	63	14,257	13,571
64	16,286	15,369	64	14,970	14,128

Summary of Actuarial Assumptions and Methods

Annual Per Capita Claims Costs for Medicare Eligible Members

Age	CCHP		Managed Care		MAPD	
	Medical and Rx		Medical and Rx		Medical and Rx	
	Male	Female	Male	Female	Male	Female
65	\$ 4,669	\$ 4,404	\$ 4,864	\$ 4,588	\$ 2,569	\$ 2,423
66	4,747	4,512	4,946	4,700	2,612	2,483
67	4,828	4,618	5,030	4,811	2,657	2,541
68	4,911	4,722	5,117	4,920	2,702	2,598
69	4,997	4,824	5,206	5,025	2,750	2,654
70	5,086	4,921	5,299	5,127	2,798	2,708
71	5,174	5,014	5,390	5,224	2,847	2,759
72	5,256	5,102	5,476	5,316	2,892	2,808
73	5,332	5,185	5,555	5,401	2,934	2,853
74	5,400	5,261	5,626	5,480	2,971	2,895
75	5,462	5,330	5,691	5,553	3,006	2,933
76	5,521	5,394	5,752	5,620	3,038	2,968
77	5,578	5,455	5,811	5,683	3,069	3,002
78	5,634	5,515	5,870	5,746	3,100	3,035
79	5,688	5,575	5,926	5,808	3,130	3,068
80	5,734	5,634	5,974	5,870	3,155	3,100
81	5,770	5,689	6,011	5,927	3,175	3,130
82	5,792	5,737	6,034	5,977	3,187	3,157
83	5,798	5,780	6,041	6,022	3,191	3,180
84	5,792	5,816	6,034	6,059	3,187	3,200
85	5,776	5,844	6,018	6,088	3,178	3,216
86	5,755	5,865	5,995	6,110	3,167	3,227
87+	5,731	5,881	5,971	6,126	3,154	3,236

Summary of Actuarial Assumptions and Methods

Annual Per Capita Claims Costs for Post 65, Not Medicare Eligible Members

CCHP			Managed Care		
Medical and Rx			Medical and Rx		
Age	Male	Female	Age	Male	Female
65	\$ 13,192	\$ 12,443	65	\$ 15,349	\$ 14,477
66	13,414	12,749	66	15,607	14,833
67	13,643	13,049	67	15,873	15,183
68	13,878	13,344	68	16,147	15,526
69	14,121	13,631	69	16,430	15,859
70	14,371	13,906	70	16,721	16,180
71	14,619	14,169	71	17,009	16,486
72	14,853	14,418	72	17,282	16,775
73	15,067	14,650	73	17,530	17,045
74	15,259	14,865	74	17,754	17,295
75	15,435	15,061	75	17,959	17,524
76	15,600	15,242	76	18,151	17,734
77	15,762	15,415	77	18,339	17,935
78	15,921	15,585	78	18,524	18,133
79	16,072	15,755	79	18,700	18,330
80	16,204	15,920	80	18,853	18,523
81	16,305	16,075	81	18,971	18,703
82	16,366	16,212	82	19,042	18,863
83	16,384	16,332	83	19,063	19,003
84	16,366	16,434	84	19,042	19,121
85	16,322	16,514	85	18,990	19,214
86	16,261	16,573	86	18,920	19,283
87+	16,195	16,617	87+	18,843	19,334

Dental and Vision

Dental cost per member per year: \$240. Vision cost per member per year: \$23.

Summary of Actuarial Assumptions and Methods

Participation

Seventy percent of future retirees currently participating in CIP and twenty-five percent of future retirees not currently participating in CIP are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Twenty-five percent of future retirees currently eligible for a deferred vested pension benefit, but not vested under CIP, are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Twenty-five percent of current actives who participate in the Self Managed Plan (SMP) are assumed to contribute to CIP, annuitize their account balances and participate in CIP at retirement.

Only deferred vested members currently age 70 or younger are assumed to elect healthcare coverage.

For current retirees that have waived coverage, we have assumed:

- a) For those under age 62, 30 percent elect coverage at 62;
- b) For those age 62 to 70, 30 percent elect coverage as of the valuation date; and
- c) For those over age 70, 0 percent elect coverage.

The percentage of future members electing coverage under the CCHP and HMO plans was based on the actual election percentages of the current CIP population. Currently for pre-Medicare participants, about 62 percent participate in the CCHP and 38 percent participate in HMO plans.

Future retired members are assumed to participate in an MAPD plan six months after attaining age 65.

One hundred percent of spouses are expected to continue coverage after the death of the retiree.

Females are assumed to be three years younger than their spouses in cases where no spouse date of birth is supplied.

Coverage for healthy children of retired members is assumed to end at age 23. Disabled children are assumed to receive benefits during their lifetime.

Pension-related assumptions

The pension-related assumptions disclosed in the State Universities Retirement System (SURS) experience study for the period June 30, 2010, to June 30, 2014, which are expected to be used in the actuarial valuation report as of June 30, 2017, are assumed.

Rates are applied consistently with the pension valuations, using the GASB Nos. 74 and 75 census data, as provided by SURS and CMS. Retirement rates are applied at first eligibility for pension benefits, although

Summary of Actuarial Assumptions and Methods

retiree healthcare benefits may not be payable. Deferred vested members are assumed to commence benefits at age 62.

Marriage Assumption		
<u>Age</u>	<u>Males</u>	<u>Females</u>
20	25 %	40 %
30	70 %	75 %
40	80 %	80 %
50	85 %	80 %
60	85 %	70 %

Mortality.

The mortality assumptions are as follows:

	Male Set Forward	Female Set Forward	Male Multiplier	Female Multiplier
RP-2014 White Collar Employee, sex distinct (pre-retirement)	None	None	110% pre 60, 80% at ages 60+	90% pre 60, 90% at ages 60+
RP-2014 White Collar Healthy Annuitant, sex distinct (non-disabled post-retirement)	1 year	1 year	100%	100%
RP-2014 Disabled Annuitant, sex distinct (disabled post retirement)	9 years	10 years	100%	100%

Mortality improvement is projected using the 2-dimensional mortality improvement scales released by the Society of Actuaries in 2014. The assumptions are generational mortality tables and include a margin for improvement.

Summary of Actuarial Assumptions and Methods

Termination Rates	
<u>Years of Service</u>	<u>All Members</u>
0	20.00%
1	20.00%
2	15.00%
3	14.00%
4	12.00%
5	10.00%
6	9.00%
7	7.50%
8	6.75%
9	6.00%
10	5.25%
11	4.50%
12	4.00%
13	3.70%
14	3.20%
15	3.00%
16	3.00%
17	3.00%
18	3.00%
19	3.00%
20	2.50%
21	2.50%
22	2.50%
23	2.50%
24	2.50%
25	2.00%
26	2.00%
27	2.00%
28	2.00%
29	2.00%

Termination rate for 29 years of service used for members hired on or after January 1, 2011, until retirement eligibility is met.

Summary of Actuarial Assumptions and Methods

Age	Members Hired Before January 1, 2011 and Eligible for		Members Hired on or after January 1, 2011 and Eligible for	
	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
Under 50	50.0%			
50	45.0%			
51	45.0%			
52	45.0%			
53	40.0%			
54	40.0%			
55	38.0%	7.5%		
56	36.0%	6.0%		
57	30.0%	4.5%		
58	30.0%	5.5%		
59	30.0%	6.0%		
60	11.0%			
61	11.0%			
62	13.0%			35.0%
63	13.0%			15.0%
64	13.0%			15.0%
65	17.0%			15.0%
66	17.0%			15.0%
67	15.0%		50.0%	
68	15.0%		35.0%	
69	15.0%		30.0%	
70-74	15.0%		15.0%	
75-79	20.0%		20.0%	
80+	100.0%		100.0%	

Summary of Actuarial Assumptions and Methods

Sample Disability Rates		
% Separating Within Next Year		
Age	Male	Female
20	0.042%	0.060%
25	0.047%	0.078%
30	0.054%	0.099%
35	0.067%	0.137%
40	0.091%	0.174%
45	0.144%	0.212%
50	0.206%	0.249%
55	0.264%	0.287%
60	0.301%	0.324%

Salary Scale	
Service Year	Total Increase
0	15.00%
1	12.00%
2	9.00%
3	7.25%
4	6.50%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11	4.50%
12-13	4.25%
14-33	4.00%
34+	3.75%

SECTION F

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Summary of Principal Plan Provisions

PLAN MEMBERS

All members receiving benefits from the State Universities Retirement System (SURS) who have been full-time employees of a community college district or an association of a community college and who have paid the required active member CIP contributions prior to retirement are eligible to participate in CIP. Survivors of an annuitant or benefit recipient eligible for CIP coverage are also eligible for coverage under CIP.

ELIGIBLE SERVICE

Eligible Service includes creditable service used for purposes of determining pension benefits payable from SURS

NORMAL RETIREMENT

Community college retirees are eligible to participate in CIP if they retire under the conditions of SURS. The eligibility conditions for normal retirement under SURS are shown below.

Eligibility conditions

Police Officers and Fire Fighters hired before January 1, 2011:

Age 55 with 20 years of service, or age 50 with 25 years of service.

For other members hired before January 1, 2011:

Age 62 with 5 years of service, age 60 with 8 years of service, or any age with 30 years of Service.

For members hired on or after January 1, 2011, separation from service on or after attainment age 67 with 10 years of service.

EARLY RETIREMENT

Early retirees are eligible to participate in CIP if they retire under the conditions of SURS. The eligibility conditions for early retirement under SURS are shown below.

Eligibility conditions

For members other than police and fire employees hired before January 1, 2011:

Age 55 with 8 years of service.

For members other than police and fire employees hired on or after January 1, 2011:

Age 62 with 10 years of service.

DISABILITY RETIREMENT

Members receiving disability benefits under the conditions of SURS are not eligible to participate in CIP.

Summary of Principal Plan Provisions

VESTED TERMINATIONS

Community college members who terminate with more than five years of service are eligible to enroll in CIP once they begin receiving retirement benefits.

DEPENDENTS ELIGIBLE FOR COVERAGE

If a plan member enrolls in CIP, they may enroll the following dependents: spouses; unmarried children under age 19; unmarried children age 26 and under that are full-time students, financially dependent for at least one-half of their support, and eligible to be claimed on state income tax return; disabled children that have been continuously disabled from causes originating prior to age 19, financially dependent for at least one-half of their support, and eligible to be claimed on state income tax return; and parents if they are financially dependent for at least one-half of their support and eligible to be claimed on state income tax return.

ENROLLMENT TIMING

Members who have not previously enrolled in CIP are eligible to enroll when they begin receiving pension benefits through SURS or during any annual open enrollment period. Members and beneficiaries who previously were enrolled in CIP, and subsequently waive coverage, are only eligible to reenroll due to the loss of prior coverage or at the attainment of age 65.

SURVIVING SPOUSE COVERAGE

Spouses of employees/retirees who die are eligible to maintain health insurance coverage until the spouse's death.

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through CIP are self-insured. The cost of CIP benefits is shared among active members, retirees, the individual community colleges, and the state. Contributions are made to the Community College Health Insurance Security Fund. Active members contribute 0.50 percent of pay. The State contributes 0.50 percent of pay. Community Colleges contribute 0.50 percent of pay. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents.

MEDICARE

Coverage through CIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the reduced premium available to Medicare eligible participants. Benefits are coordinated so that Community College Health Plan (CCHP) pays 80 percent of the 20 percent of approved charges not covered by Medicare. If the

Summary of Principal Plan Provisions

provider does not accept Medicare assignment, CCHP pays all amounts Medicare does not cover, up to the Medicare maximum limiting charges.

Prescription drug coverage provided by the plan is at least as valuable as benefits provided through the Medicare Part D program.

HEALTHCARE PLANS

Members may elect coverage in the College Choice Health Plan (CCHP), a managed care HMO plan, or the Open Access Plan (OAP). The CCHP is a traditional medical indemnity plan. There are six HMOs offering coverage that varies by location throughout the state. The OAP is a managed care plan that offers three benefit levels based on the provider used. A summary of the benefits provided under the three plans is shown on pages 35 through 37.

Premium rates for members depend on the coverage elected. The table on the next page gives the member premium amounts by type of coverage. Up to 75 percent of the cost of coverage for members can be paid from the Community College Health Insurance Security Fund.

DENTAL PLAN

All plan participants have the same dental benefits through College Choice Dental Plan (CCDP) available regardless of the health plan selected. Participants enrolled in CCDP may go to any dentist. CCDP only reimburses those services that are listed on the dental schedule of benefits at a pre-determined maximum scheduled amount. There is a \$100 individual plan deductible for all services other than those listed as preventive or diagnostic in the schedule of benefits. The maximum benefit per plan participant per plan year for all dental services, including orthodontic and periodontic, is \$2,000. The maximum lifetime benefit for child orthodontia is \$1,500 and is subject to course of treatment limitations.

VISION PLAN

All plan participants have the same vision coverage regardless of the health plan selected. A summary of the vision plan benefits is included on page 40.

TOTAL RETIREE ADVANTAGE ILLINOIS (TRAIL)

Annuitants and survivors who become enrolled in Medicare Parts A and B and meet all the criteria for enrollment in the Medicare Advantage Program will be required to choose a Medicare Advantage Plan or opt out of all CIP coverage in the fall with an effective date of January 1, 2016.

Summary of Principal Plan Provisions

Monthly Premiums through June 30, 2017 (amounts include the cost of health, dental and vision coverage)

	Not Medicare Primary Under Age 26	Not Medicare Primary Age 26-64	Not Medicare Primary Age 65 & Above	Medicare Primary All Ages ¹
Benefit Recipient Managed Care Plans	\$109.33	\$273.32	\$370.95	\$111.19
Dependent Beneficiary Managed Care Plans	\$437.31	\$1,093.26	\$1,483.79	\$444.76
Benefit Recipient CCHP Plan	\$121.99	\$304.96	\$431.11	\$110.45
Dependent Beneficiary CCHP Plan	\$487.94	\$1,219.86	\$1,724.44	\$441.79

Medicare Advantage Plan Monthly Premiums Effective January 1, 2017

	HMO Plans (Humana, Coventry Advantra and Health Alliance MAPD HMOs)	UnitedHealthcare PPO Plan
Member Rate	\$46.85	\$62.68
Dependent Rate	\$187.39	\$250.71

¹ Must enroll in both Medicare Parts A and B to qualify for lower premiums

Summary of Principal Plan Provisions

Monthly Premiums through June 30, 2018 (amounts include the cost of health, dental and vision coverage)

	Not Medicare Primary Under Age 26	Not Medicare Primary Age 26-64	Not Medicare Primary Age 65 & Above	Medicare Primary All Ages ¹
Benefit Recipient Managed Care Plans	\$126.68	\$316.71	\$438.60	\$132.27
Dependent Beneficiary Managed Care Plans	\$506.74	\$1,266.84	\$1,754.40	\$529.10
Benefit Recipient CCHP Plan	\$139.25	\$348.11	\$408.87	\$113.28
Dependent Beneficiary CCHP Plan	\$556.98	\$1,392.45	\$1,635.48	\$453.11

Medicare Advantage Plan Monthly Premiums Effective January 1, 2018

	HMO Plans (Humana, Coventry Advantra and Health Alliance MAPD HMOs)	UnitedHealthcare PPO Plan
Member Rate	\$54.41	\$71.47
Dependent Rate	\$217.65	\$285.88

¹ Must enroll in both Medicare Parts A and B to qualify for lower premiums

Summary of Principal Plan Provisions

College Choice Health Plan (CCHP)

<i>Plan Feature</i>	<i>In Network</i>	<i>Out of Network</i> ¹
Annual Deductible	\$750 per participant	\$750 per participant
Annual Out of Pocket Limit	\$1,500 per individual \$3,000 per family, per plan year	\$4,500 per individual \$9,000 per family, per plan year
<u>Covered Services</u> -Office Visits -Emergency Room -Inpatient Services -Outpatient Services	<u>Coinsurance</u> 80% after deductible \$400 copay, then 80% after deductible 80% after annual plan deductible, \$250 deductible per hospital admission 80% after deductible	<u>Coinsurance</u> 60% after deductible \$500 copay, then 60% after deductible 60% after annual plan deductible, \$500 deductible per hospital admission 60% after deductible
Prescription Drug Copays		<u>Retail</u> ² Generic \$12.50 Preferred Formulary Brand \$25.00 Non-Preferred Brand \$50.00 Specialty \$100.00 For 30-day supply
Maximum Lifetime Benefit	Unlimited	

¹ Out of network claims covered only up to usual and customary amount.

² Mail order prescriptions at 2 times retail copay for a 90-day supply.

Summary of Principal Plan Provisions

Health Maintenance Organizations (HMO)

<i>Plan Feature</i>									
Annual Deductible	\$0								
Out of Pocket Maximum	\$3,000 per individual \$6,000 per family, per plan year								
<u>Covered Services</u>	<u>Copay</u>								
-Physicians Visits	\$30								
-Emergency Care	\$200								
-Inpatient Services	\$250								
-Outpatient Services									
-Surgery	\$200								
-Lab/X-ray	\$0								
-Other	\$30								
Prescription Drug Copays	<div style="text-align: right;"><u>Retail</u>¹</div> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Generic</td> <td style="text-align: right;">\$12</td> </tr> <tr> <td>Preferred Brand</td> <td style="text-align: right;">\$24</td> </tr> <tr> <td>Non-Preferred Brand</td> <td style="text-align: right;">\$48</td> </tr> <tr> <td>Specialty</td> <td style="text-align: right;">\$96</td> </tr> </table> <p style="text-align: center;">For 30-day supply</p>	Generic	\$12	Preferred Brand	\$24	Non-Preferred Brand	\$48	Specialty	\$96
Generic	\$12								
Preferred Brand	\$24								
Non-Preferred Brand	\$48								
Specialty	\$96								
Maximum Lifetime Benefit	Unlimited								

¹ Mail order prescriptions at 2 times retail copay for a 90-day supply.

Summary of Principal Plan Provisions

Open Access Plan (OAP)

<i>Plan Feature</i>	<i>Tier I</i>	<i>Tier II</i>	<i>Tier III</i> ¹
Annual Deductible	\$0	\$300 per enrollee ²	\$400 per enrollee ²
Annual Out of Pocket Limit	\$6,600 per enrollee \$13,200 per family Tier I and Tier II charges combined		N/A
<u>Covered Services</u>	<u>Coinsurance</u>	<u>Coinsurance</u>	<u>Coinsurance</u>
-Office Visits	\$30 copay	80%	60%
-Preventive	100%	100%	N/A
-Emergency Room	\$200 copay	\$200 copay	\$200 copay
-Inpatient Services	\$250 copay	\$300 copay, then 80%	\$400 copay, then 60%
-Outpatient Surgery	\$200 copay	\$200 copay, then 80%	\$200 copay, then 60%
Prescription Drug Copays	<u>Retail</u> ³		
	Generic	\$12	
	Preferred Brand	\$24	
	Non-Preferred Brand	\$48	
	Specialty	\$96	
	For 30-day supply		
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

¹ Out of network claims covered only up to usual and customary amount.

² An annual deductible must be met before plan benefits apply. Benefit limits are measured on a plan year. Plan copayments, deductibles and amounts over the plan's allowable charges do not count toward the out-of-pocket maximum.

³ Mail order prescriptions at 2 times retail copay for a 90-day supply.

Summary of Principal Plan Provisions

TRAIL MAPD HMO

<i>Plan Feature</i>	
Annual Deductible	\$0
Out of Pocket Maximum	\$3,000 per enrollee
<u>Covered Services</u>	<u>Copay</u>
-Physicians Visits	\$20
-Emergency Care	\$100 Copay waived if admitted within 24 hours
-Inpatient Services	\$250
-Outpatient Services	\$150
Prescription Drug Copays ¹	Supply 30 days 60 days
	Tier 1 \$10 \$20
	Tier 2 \$20 \$40
	Tier 3 and 4 \$40 \$80
Maximum Lifetime Benefit	Unlimited

¹ To obtain a 90 day supply, copayments are 2 times the 30-day supply copayment under Coventry Advantra, 2.5 times the 30-day supply copayment under Health Alliance MAPD, and 3 times the 30-day supply copayment under Humana HMOs. Copayments are capped once a member reaches \$5,000 in "true out-of-pocket" prescription drug costs.

Summary of Principal Plan Provisions

TRAIL MAPD PPO

<i>Plan Feature</i>	<i>In Network</i>	<i>Out of Network</i>		
Annual Deductible	\$250 per enrollee	\$250 per enrollee		
Annual Out of Pocket Limit	\$1,000 per enrollee	\$1,000 per enrollee		
<u>Covered Services</u>	<u>Coinsurance</u>	<u>Coinsurance</u>		
-Office Visits	80% after deductible	80% after deductible		
-Emergency Room	\$100 Copay Copay waived if admitted within 24 hours	\$100 Copay Copay waived if admitted within 24 hours		
-Inpatient Services	80% after deductible	80% after deductible		
-Outpatient Services	80% after plan deductible	80% after plan deductible		
Prescription Drug Copays ¹	Supply	30 days	60 days	90 days
	Tier 1	\$10	\$20	\$30
	Tier 2	\$25	\$50	\$75
	Tier 3 and 4	\$50	\$100	\$150
Maximum Lifetime Benefit	Unlimited			

¹ Copayments are capped once a member reaches \$5,000 in "true out-of-pocket" prescription drug costs.

Summary of Principal Plan Provisions

Vision Benefits

Service ¹	In Network	Out of Network
Eye Exam	\$10 copay	\$20 allowance
Lenses	\$10 copay	\$20 allowance for single vision lenses \$30 allowance for bifocal and trifocal lenses
Standard Frames	\$10 copay (up to \$90 retail frame cost; benefit recipient responsible for balance over \$90)	\$20 allowance
Contact Lenses (in lieu of Standard Frames and Lenses)	\$20 copay for medically necessary \$50 copay for elective contact lenses \$70 allowance for all other lenses not mentioned above	\$70 allowance

¹ All vision benefits are available once every 24 months from the last date used.

Summary of Principal Plan Provisions

Dental Benefits

Plan Feature	
Annual Deductible for Preventative Services	N/A
Schedule of Benefits	Limited to maximum payment per service
Annual Deductible for All Other Covered Services	\$100 per participant
Plan Year Maximum Benefit	\$2,000 per participant

Child Orthodontia Benefits

Available only to children who begin treatment prior to the age of 19. Subject to a \$100 annual deductible and \$1,500 lifetime benefit. Reimbursement of benefit at 25% of applicable maximum benefit.

Length of Treatment	Maximum Benefit
0 – 36 Months	\$1,500
0 – 18 Months	\$1,364
0 – 12 Months	\$ 780

SECTION G

GLOSSARY

Glossary

Accrued Service. The service credited under the plan, which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability (AAL). The difference between (i) the actuarial present value of future plan benefits; and (ii) the actuarial present value of future normal cost, which is sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Actuarial Value of Assets. The value of cash, investments, and other property belonging to a pension or OPEB plan, as used by the actuary for the purpose of an actuarial valuation.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual OPEB Expense. An accrual-basis measure of the periodic cost of an employer's participation in a defined OPEB plan.

Actuarially Determined Contribution (ADC). The ADC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ADC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Discount Rate. The rate used to adjust a series of future payments to reflect the time value of money.

Expected Net Employer Contributions. The difference between the age-adjusted premium or expected retiree healthcare claims and retired member's share of the premium. This amount is used to offset the Annual OPEB Cost during the fiscal year.

Glossary

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. The de facto subsidy of retirees by permitting them to pay lower than age-adjusted premiums through the use of a single common or blended premium for both retirees and active employees.

Explicit Rate Subsidy. The portion of the premium paid by the employer. The premium may be based on the experience of active and retired members or retired members only.

Medical Trend Rate (Health Inflation). The increase in the plan's cost over time. Trend includes all elements that may influence a plan's cost, assuming those enrollments and the plan benefits do not change. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare benefits.

Pay-as-you-go funding. A method of financing benefits by making required payments only as they come due.

Plan member. A plan's membership includes active service employees, terminated employees who are eligible to receive benefits but are not receiving them, and retired employees and beneficiaries currently receiving benefits.

Pre-funding. A method of financing benefits by placing resources in trust as employees earn benefits so that the resources thus accumulated, along with related earnings, can be used to make benefit payments as they become due.

Present Value of all Projected Benefits. The present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

Projected Unit Credit Cost Method. A method under which the normal cost and actuarial accrued liability are directly proportional to the employee's service. The normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement.

Entry Age Normal Cost Method. A method under which the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future

Glossary

benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Qualified Plan. A qualified plan is an employer-sponsored retirement plan that qualifies for special tax treatment under Section 401(a) of the Internal Revenue Code.

Reserve Account. An account used to indicate that funds have been set-aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability (UAAL). The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.