Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE INSURANCE PROGRAM
OF THE STATE OF ILLINOIS

GASB NO. 43 ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2009

GRS

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January 7, 2010

Department of Healthcare and Family Services
201 S. Grand Ave. East
Springfield, IL 62763

Subject: GASB No. 43 Actuarial Valuation as of June 30, 2009, for Illinois CIP

Submitted in this report are the results of the actuarial valuation of the liabilities associated with the employer financed retiree health benefits provided through 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). The date of the valuation was June 30, 2009. This report was prepared at the request of the Department of Healthcare and Family Services.

The actuarial valuation was prepared for purposes of complying with the requirements of Statements No. 43 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 and CIP eligibility information as of June 30, 2009, provided by SURS
- Healthcare data provided by the Department of Health and Family Services (DHFS)
- Substantive plan information provided by SURS and DHFS
- Demographic assumptions consistent with the SURS actuarial valuation as of June 30, 2009
- Economic assumptions approved by the State, including a discount rate of 4.5 percent and an ultimate trend rate assumption of 5.0 percent
- Healthcare-related assumptions recommended by Gabriel, Roeder, Smith & Company and approved by the State

Data was checked for internal consistency but was not otherwise audited. 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.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

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SECTION A

EXECUTIVE SUMMARY

Introduction

The Governmental Accounting Standards Board (GASB) has issued new accounting standards, Statements 43 and 45, relating to Other Postemployment Benefits (OPEB). For the participating members of the College Insurance Program of Illinois (CIP), OPEB primarily include medical, prescription drug, dental and vision insurance benefits provided to former community college employees receiving pension benefits under the State Universities Retirement System of Illinois (SURS). Any other OPEB offered to the members of the SURS are outside the scope of this report. For example, OPEB offered by the local community colleges 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 Nos. 43 and 45, and (b) various other actuarial, statistical, and benefit information useful to management for the operation of CIP.

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 Federal Government. Contributions are made to the Community College Health Insurance Security Fund. For fiscal year 2010, 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 and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent per year per statute. 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. During fiscal year ending June 30, 2009, benefit payments exceeded contributions and the asset balance in the trust decreased from $7.3 million as of June 30, 2008, to $1.4 million as of June 30, 2009. This amount represents approximately one month of employer provided benefits. These assets are 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 Statement No. 43, the interest discount rate used to calculate the present values and costs of the OPEB must be consistent with the assets supporting liabilities, which for this case is the long-range expected return on short-term fixed income instruments. The plan sponsor has selected an interest discount rate of 4.5 percent for this purpose.

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 No. 43, applicable to plan accounting, only requires the measurement of the obligation, and disclosure of it in the financial statements, as applicable.

Results of the Study

The following table presents the key valuation results for GASB No. 43 financial reporting of CIP for fiscal years 2008 and 2010, under the assumption that CIP is a cost-sharing multiple-employer plan. CIP needs to disclose the unfunded actuarial liability and the employer cash contributions in relation to the actuarially determined contributions. The actuarially determined contribution or Annual Required Contributions (ARC) represents the normal cost plus a 30-year open amortization of the unfunded actuarial accrued liability. The GASB 45 expense or Annual OPEB Cost for participating employers is set by the State Legislature and must be disclosed in each participating employer's financial statements as the GASB 45 Annual OPEB Cost.

The results are shown under the projected unit credit cost method, which spreads costs in proportion to the employee's accrued service.

($ in millions)

	2007	2009
Funded Status as of June 30,		
Actuarial Accrued Liability	$ 1,846.97	$ 1,894.27
Actuarial Value of Assets	9.56	1.45
Unfunded Actuarial Accrued Liability	$ 1,837.41	$ 1,892.82
Net Employer Normal Cost	$ 120.08	$ 133.85
Amortization of Unfunded Liability	65.60	63.09
Total ARC for Following Fiscal Year	$ 185.68	$ 196.95
Estimated Employer Contributions for Following Fiscal Year		
State	$ 3.77	$ 4.62
Participating Community Colleges	3.77	4.62
Total	$ 7.55	$ 9.24

Cost-Sharing Multiple-Employer Plans under GASB 43 & 45

Under GASB No. 43, a **cost-sharing multiple-employer plan** is defined as a single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Under paragraph 22 of GASB No. 45, a cost-sharing multiple-employer postretirement benefit program must meet the following requirements:

1) The plan is administered as a formal trust or equivalent arrangement;
2) Employer contributions are irrevocable;
3) Plan assets are dedicated for providing postretirement benefits; and
4) Plan assets are legally protected from creditors of employers and of the plan administrator.

If the multiple-employer plan does not satisfy the preceding conditions, then it is must be classified as an agent multiple-employer plan for financial reporting purposes, and the participating employers should apply the requirements of an agent plan.

Furthermore, the glossary of GASB No. 45 and paragraph 127 of the GASB Nos. 43 and 45 Implementation Guide provides additional information on the definition of cost-sharing plans as follows:

1) The intent of the cost-sharing plan is to pool risks, rewards and costs among all participating employers;
2) A single valuation is performed and the same contribution rate applies to each participating employer; and
3) The cost-sharing plan is administered as a legal trust or equivalent trust that makes the risk pooling mechanism possible.

We believe CIP satisfies the conditions of a cost-sharing multi-employer plan, and, therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.50 percent of payroll and for fiscal years 2009 and 2010. Each employer is required to disclose an identification of the way that the contractually required contribution rate is determined (for example, by statute or contract or on an actuarially determined basis) and no balance sheet liability will be generated, provided that the contractually prescribed contributions are made by participating community colleges.

In 2009, employer costs, as reported in the 2009 financial statements of the State and CIP, were allocated as follows:

Stakeholder/ Revenue Source	2009 Cost Sharing ($ in millions)	Percent of Total Cost	Statutory Requirement
State	$ 3.92	15.2%	0.50% of pay
Community Colleges	3.65	14.2%	0.50% of pay
Federal Part-D Subsidy	2.01	7.8%	Percent of Rx Claims Paid
Active Employees	3.65	14.2%	0.50% of pay
Retirees	12.53	48.6%	Percent of premium
Total	**$ 25.76**	**100.0%**	

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 funding or accrual costs. The investment 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 required contribution and the unfunded actuarial accrued liability that will be disclosed in the Plan's financial statements.

This actuarial valuation of CIP is similar to the actuarial valuations 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.

Certain economic and behavioral assumptions are unique to healthcare benefits. Section E of this report titled, "Actuarial Assumptions and Methods" contains a detailed discussion and disclosure of all the relevant actuarial assumptions and methods used in this valuation.

Actuarial Cost Methods

GASB Statement No. 43 provides flexibility to governmental employers (and their actuaries) in the use of various actuarial cost methods. The Plan sponsor has selected the projected unit credit cost method for this valuation which is an acceptable method. The amortization of the Unfunded Actuarial Accrued Liabilities was calculated using a level percent of pay over a 30-year open period.

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

- An overview of the GASB Statements No. 43 and 45 requirements
- Valuation results, including financial disclosure
- Summary of assumptions and methods and plan provisions

SECTION B

OVERVIEW

OVERVIEW

The following section presents the essential results of the valuation using the projected unit credit cost method. The section presents the results as they relate to the CIP obligation for its own members and retirees.

The current funding policy includes revenues from five sources: current retirees, current active employees, community colleges, the State, and the federal Medicare Part D program. Current retirees contribute a portion of the premium to participate in the program. All liability and expense numbers throughout the report are net of retiree premiums.

For fiscal year 2009, active employees, community colleges, and the State made contributions equal to 0.50 percent of pay each. Also, retirees made contributions of approximately 46.7 percent of expected claims and expenses and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2009 revenue from the preceding five sources of $25.7 million represents about 78 percent of fiscal year 2009 claims and expenses of $32.8 million. As of June 30, 2009, the Fund had a balance of $1.4 million which represents less than one month of total claims for the self-insured programs.

For fiscal year 2010, contributions have remained unchanged at 0.50 percent of pay for active members, community colleges, and the State.

Because plan benefits are funded on a pay-as-you-go policy, a discount rate of 4.5 percent was used to develop the actuarial accrued liabilities, and normal costs.

The unfunded actuarial accrued liabilities (UAAL) were amortized as a level percent of active member payroll over a 30-year open period. A 30-year amortization period for UAAL is the maximum period that complies with the GASB No. 43 requirements. Unlike a level-dollar amortization which pays principal and interest each year, a level-percent-of-pay (or increasing-payment) amortization will typically not pay principal for an extended period.

The UAAL 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. Basically, it is the measure of the unfunded liability allocable to past service. The UAAL is not accrued as an expense and does not appear in the Plan's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are informational sections within the Plan's financial statements.

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 projected unit credit cost method.

SECTION C

VALUATION RESULTS

Exhibit 1
Summary of Actuarial Valuation Results as of June 30, 2009

		Discount Rate	4.50%
		Ultimate Trend	5.00%
A)	Actuarial Accrued Liability (AAL)		
	i) Actives		$ 1,118,236,800
	ii) Current retirees and their covered dependents		445,686,200
	iii) Waived retirees and their covered dependents [a]		68,567,000
	iv) Deferred vesteds [a]		131,857,600
	v) Deferred vesteds (Non-CIP) [a, b]		129,924,200
	vi) Total		$ 1,894,271,800
B)	Market Value of Assets		$ 1,446,000
C)	Unfunded Actuarial Accrued Liability (UAAL)		$ 1,892,825,800
D)	Funded Ratio: [B / A]		0.1%
E)	UAAL as a percentage of covered payroll		209.6%
F)	Gross Normal Cost		$ 138,469,500
	Expected Active Employee Contributions		4,616,800
	Net Annual Normal Cost		$ 133,852,700
G)	Participant Information		
	i) Number of Covered Participants		
	a) Actives		23,970
	b) Current retirees		4,671
	c) Waived retirees [a]		1,619
	d) Dependents		868
	e) Deferred vesteds [a]		1,373
	f) Deferred vesteds (Non-CIP) [a, b]		4,121
	g) Total		36,622
	ii) Covered Payroll [c]		$ 903,257,200
	iii) Expected first year benefit payments [d]		$ 28,521,000

[a] *Valuation assumes a percentage of waived retirees and deferred vested members will elect retiree healthcare coverage in the future*

[b] *Members with deferred vested pension benefits, but not vested for CIP retiree healthcare benefits.*

[c] *Covered payroll based on data for the 23,970 current actives.*

[d] *Expected claims net of retiree contributions.*

Exhibit 2
Actuarial Accrued Liability as of June 30, 2009, by Source

	Medical			
	Pre-65	Post-65	Dental/Vision	Total
Actives	$ 309,549,600	$ 749,777,100	$ 58,910,100	$ 1,118,236,800
Current Retirees and Dependents	50,757,800	370,677,200	24,251,200	445,686,200
Waived Retirees and Dependents	8,678,100	55,825,600	4,063,300	68,567,000
Deferred Vesteds	30,898,200	93,773,200	7,186,200	131,857,600
Deferred Vesteds (Non-CIP)	29,661,800	93,166,100	7,096,300	129,924,200
Total	$ 429,545,500	$ 1,363,219,200	$ 101,507,100	$ 1,894,271,800

Exhibit 3
Actuarial Accrued Liability as of June 30, 2009, by Plan

	Medical PPO	Medical HMO	Dental/Vision	Total
AL Before Retiree Contributions [a]	$ 1,885,425,900	$ 638,744,300	$ 101,507,200	$ 2,625,677,400
Value of Retiree Contributions [b]	553,030,900	178,374,700	-	731,405,600
Total	$ 1,332,395,000	$ 460,369,600	$ 101,507,200	$ 1,894,271,800

[a] *Based on expected claims net of deductibles, coinsurance, copays and other cost sharing.*
[b] *Members share of premium.*

Exhibit 4
Development of Annual Required Contribution

A)	Annual Required Contribution (ARC) for FY 2010		
	i) Net Normal Cost	$	133,852,700
	ii) Amortization of UAAL		63,094,200
	iii) Total	$	196,946,900
B)	Projected FY 2010 Employer Contributions [1]		
	i) State (0.5% of pay)	$	4,616,800
	ii) Community Colleges (0.5% of pay)		4,616,800
	iii) Total	$	9,233,600
C)	Projected FY 2010 Active Employee Contributions		
	i) Total (0.5% of pay)	$	4,616,800
D)	Projected FY 2010 Claims		
	i) Projected Claims and Expenses	$	44,494,500
	ii) Retiree Contributions		15,973,500
	iii) Net Employer Claims	$	28,521,000
E)	Annual Required Contribution (ARC) FY 2009 [2]		
	i) Net Normal Cost	$	128,088,700
	ii) Amortization of UAAL		60,377,200
	iii) Total	$	188,465,900

[1] *Other employer financing sources may include the Federal Medicare Part-D subsidy.*

[2] *FY 2009 ARC equals the FY 2010 ARC reduced by the assumed wage inflation.*

SECTION D

GASB DISCLOSURES

This information is presented in draft form for review by the State's auditor. Please let us know if there are any changes so that we may maintain consistency with the State's financial statements.

Exhibit 5
GASB No. 43 Disclosures

Table A
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2007	$ 9,562,000	$ 1,846,969,000	$ 1,837,407,000	0.52%	$740,214,000	248.23%
06/30/2009	1,446,000	1,894,271,800	1,892,825,800	0.08%	903,257,200	209.56%

Exhibit 6
GASB No. 43 Disclosures

Table B
Schedule of Employer Contributions

Year Ended	Annual Required Contribution	State Contributions	State Percentage Contributed	Employer Contributions	Employer Percentage Contributed	Medicare Part D Contributions	Medicare Part D Percentage Contributed
2007	$ 178,542,000	$ 3,707,000	2.08%	$ 3,645,000	2.04%	$ 1,343,000	0.75%
2008	185,683,000	4,740,000	2.55%	3,716,000	2.00%	1,737,000	0.94%
2009	188,465,900	3,916,000	2.08%	3,646,000	1.93%	2,013,000	1.07%
2010	196,946,900	TBD	TBD	TBD	TBD	TBD	TBD

SECTION E

ADDITIONAL VALUATION EXHIBITS

Exhibit 7

40-Year Projection of Expected Employer Claims [a]

Year Beginning July 1	Expected Employer Claims	Year Beginning July 1	Expected Employer Claims
2009	$ 28,521,000	2029	$ 178,511,900
2010	36,054,300	2030	186,495,400
2011	43,377,600	2031	193,922,800
2012	50,769,900	2032	201,214,300
2013	59,078,600	2033	208,047,300
2014	67,478,800	2034	213,861,600
2015	75,788,400	2035	218,666,400
2016	83,805,000	2036	223,313,700
2017	91,304,300	2037	228,799,000
2018	98,449,100	2038	233,079,200
2019	105,662,400	2039	236,265,300
2020	112,987,000	2040	238,142,100
2021	120,433,600	2041	238,533,400
2022	127,954,700	2042	237,824,300
2023	135,473,500	2043	235,812,300
2024	143,109,800	2044	232,927,200
2025	150,673,200	2045	229,507,300
2026	157,899,600	2046	225,571,000
2027	164,713,200	2047	220,348,700
2028	171,281,600	2048	214,730,200

[a] *Expected claims net of retiree contributions for current participants. Expected net claims do not reflect that a portion is expected to be paid with active member contributions.*

Exhibit 8
Summary of Demographic Information as of June 30, 2009

A)	Active Participants	
	i) Counts	23,970
	ii) Average Age	48.8
	iii) Average Service	9.6
B)	Retirees and Dependents Under Age 65 [a]	
	i) Counts	1,669
	ii) Average Age	60.9
C)	Retirees and Dependents Over Age 65 [a]	
	i) Counts	3,844
	ii) Average Age	73.0
D)	Waived Retirees and Dependents [a]	
	i) Counts	1,619
	ii) Average Age	63.5
E)	Children [a]	
	i) Counts	26
	ii) Average Age	17.3
F)	Deferred Vested Participants - Currently CIP Eligible [b]	
	i) Counts	1,373
	ii) Average Age	49.6
F)	Deferred Vested Participants - Not Currently CIP Eligible [c]	
	i) Counts	4,121
	ii) Average Age	52.8
G)	Total Participants	36,622

[a] *Only includes members and dependents currently receiving benefits through CIP.*

[b] *Includes members with vested pension and CIP benefits.*

[c] *Includes members with vested pension benefits, but not currently vested for CIP benefits.*

Exhibit 9
Assets Available for Benefits

	As of June 30, 2008		As of June 30, 2009	
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$	9,562,000	$	7,332,000
Revenues				
State Contributions	$	4,740,000	$	3,916,000
Employer Contributions		3,716,000		3,646,000
Federal Government Medicare Part D Subsidy		1,737,000		2,013,000
Active Member Contributions		3,716,000		3,646,000
Retired Member Contributions		11,482,000		12,526,000
COBRA		12,000		2,000
Interest		434,000		150,000
Total Revenues	$	25,837,000	$	25,899,000
Deductions				
Benefits	$	27,610,000	$	31,158,000
Administrative Expense		457,000		627,000
Total Deductions	$	28,067,000	$	31,785,000
Net Change	$	(2,230,000)	$	(5,886,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$	7,332,000	$	1,446,000

SECTION F

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Development of Per Capita Claim Costs

The per capita claims used in the valuation were based on average per member costs by plan type for the period July 1, 2009, through June 30, 2010, as provided by the Department of Health and Family Services (DHFS). 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 valuation was based on the projected unit credit cost method (PUC). Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, 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.

Under GASB Statement Nos. 43 and 45, the projected unit credit method is an acceptable cost method. The Annual Required Contribution (ARC) equals the normal cost plus the amortization of the unfunded actuarial accrued liability. The amortization period cannot exceed 30 years. Our calculations assume a level-percentage-of-pay 30-year open-period amortization.

Actuarial Assumptions

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

Measurement Date	June 30, 2009
Discount Rate	4.5%
Inflation	3.5%
Wage Inflation	4.5%

OPEB Assumptions

		Healthcare Trend		
Fiscal Year	**Medical and Rx**	**Dental**	**Vision**	**Retiree Premium**
2010	9.00%	8.00%	6.00%	5.00%
2011	8.50%	7.50%	3.00%	5.00%
2012	8.00%	7.00%	3.00%	5.00%
2013	7.50%	6.50%	3.00%	5.00%
2014	7.00%	6.00%	3.00%	5.00%
2015	6.50%	5.50%	3.00%	5.00%
2016	6.00%	5.00%	3.00%	5.00%
2017	5.50%	5.00%	3.00%	5.00%
2018+	5.00%	5.00%	3.00%	5.00%

Age	Morbidity Factor	
	Male	Female
50	5.87%	3.40%
55	4.96%	3.45%
60	4.17%	3.03%
65	3.23%	2.62%
70	2.41%	2.08%
75	1.67%	1.50%
80	1.02%	0.92%
85	0.47%	0.39%
90	0.00%	0.00%

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

	CCHP			HMO	
	Medical and Rx			Medical and Rx	
Age	Male	Female	Age	Male	Female
20	$ 2,132	$ 3,939	20	$ 2,067	$ 3,819
25	2,222	4,489	25	2,154	4,352
30	2,306	4,720	30	2,236	4,576
35	2,661	4,950	35	2,580	4,799
40	3,433	5,379	40	3,329	5,215
45	4,665	6,107	45	4,523	5,921
50	6,311	7,151	50	6,119	6,933
51	6,681	7,394	51	6,478	7,169
52	7,063	7,648	52	6,848	7,415
53	7,450	7,916	53	7,223	7,675
54	7,846	8,193	54	7,606	7,943
55	8,248	8,479	55	7,997	8,220
56	8,657	8,772	56	8,393	8,504
57	9,071	9,071	57	8,794	8,794
58	9,499	9,364	58	9,210	9,078
59	9,930	9,661	59	9,627	9,366
60	10,362	9,961	60	10,046	9,657
61	10,794	10,262	61	10,465	9,949
62	11,225	10,565	62	10,882	10,242
63	11,645	10,873	63	11,290	10,541
64	12,061	11,180	64	11,694	10,839

Per Capita Claims Costs for Medicare Eligible Members

	CCHP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 3,524	$ 3,245	65	$ 3,658	$ 3,369
66	3,638	3,330	66	3,777	3,457
67	3,749	3,414	67	3,892	3,544
68	3,857	3,496	68	4,005	3,630
69	3,963	3,577	69	4,114	3,713
70	4,065	3,655	70	4,220	3,795
71	4,163	3,731	71	4,322	3,873
72	4,257	3,804	72	4,420	3,949
73	4,347	3,874	73	4,513	4,022
74	4,432	3,941	74	4,601	4,092
75	4,513	4,005	75	4,685	4,158
76	4,588	4,065	76	4,763	4,220
77	4,659	4,121	77	4,837	4,278
78	4,724	4,173	78	4,904	4,332
79	4,784	4,221	79	4,967	4,382
80	4,838	4,265	80	5,023	4,428
81	4,888	4,304	81	5,074	4,469
82	4,932	4,339	82	5,120	4,505
83	4,970	4,370	83	5,160	4,537
84	5,004	4,396	84	5,195	4,564
85	5,032	4,418	85	5,224	4,586
86	5,055	4,435	86	5,249	4,604
87+	5,078	4,444	87+	5,272	4,613

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

	CCHP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 15,644	$ 14,406	65	$ 11,975	$ 11,027
66	16,149	14,784	66	12,362	11,317
67	16,643	15,156	67	12,740	11,602
68	17,125	15,522	68	13,109	11,881
69	17,593	15,879	69	13,467	12,155
70	18,045	16,226	70	13,813	12,421
71	18,481	16,563	71	14,147	12,678
72	18,899	16,888	72	14,466	12,927
73	19,297	17,199	73	14,771	13,166
74	19,676	17,497	74	15,061	13,393
75	20,033	17,779	75	15,335	13,609
76	20,369	18,045	76	15,592	13,813
77	20,681	18,294	77	15,831	14,004
78	20,971	18,526	78	16,053	14,181
79	21,237	18,739	79	16,257	14,344
80	21,480	18,934	80	16,442	14,493
81	21,698	19,109	81	16,609	14,627
82	21,893	19,264	82	16,758	14,746
83	22,064	19,400	83	16,889	14,850
84	22,213	19,516	84	17,003	14,939
85	22,339	19,612	85	17,100	15,012
86	22,443	19,689	86	17,180	15,071
87+	22,545	19,727	87+	17,258	15,100

Dental and vision Claims:

The dental and vision claims used in the valuation are assumed to be uniform across each group. The following table shows the annual cost by group:

Age Group	**Dental and Vision**
Under 23	$ 201
23 - 64	217
65+	245
Medicare Eligible	225

Participation

Seventy-five percent of future retirees 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.

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

a) For those under age 62, 40 percent elect coverage at 62
b) For those age 62 to 70, 40 percent elect coverage as of the valuation date
c) For those over age 70, 0 percent elect coverage

The percentage of future members electing coverage under the CCHP and and HMO plans was based on the actual election percentages of the current CIP population. Currently for pre-Medicare participants, about 65 percent participate in the CCHP and 35 percent participate in HMO plans. Currently for Medicare eligible participants, about 80 percent participate in the CCHP and 20 percent participate in HMO plans.

We have assumed that a certain percentage of current pre-Medicare retirees will migrate to the CCHP from the HMO plans upon Medicare eligibility.

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) actuarial valuation report as of June 30, 2009, are assumed.

Rates are applied consistently with the pension valuations, using the GASB No. 45 census data, as provided by SURS and DHFS. Retirement rates are applied at first eligibility for pension benefits, although retiree healthcare benefits may not be payable. Deferred vested members are assumed to commence benefits at age 62.

Marriage Assumption

Age	Males	Females
20	25 %	40 %
30	70 %	75 %
40	80 %	80 %
50	85 %	80 %
60	85 %	70 %

Mortality

The mortality assumption for retirees, beneficiaries and disabilities are based on the 1994 Group Annuity Mortality Table with a two-year age setback for males and no age setback for females. The assumed mortality rates for active members are 75 percent of those for retirees.

Demographic Assumptions

Mortality

	Healthy - Retiree		Disabled - Retiree		Healthy Active	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	0.0460%	0.0284%	0.0460%	0.0284%	0.0345%	0.0213%
25	0.0589%	0.0291%	0.0589%	0.0291%	0.0442%	0.0218%
30	0.0754%	0.0351%	0.0754%	0.0351%	0.0565%	0.0263%
35	0.0848%	0.0478%	0.0848%	0.0478%	0.0636%	0.0359%
40	0.0939%	0.0709%	0.0939%	0.0709%	0.0704%	0.0532%
45	0.1352%	0.0973%	0.1352%	0.0973%	0.1014%	0.0730%
50	0.2102%	0.1428%	0.2102%	0.1428%	0.1576%	0.1071%
55	0.3584%	0.2294%	0.3584%	0.2294%	0.2688%	0.1721%
60	0.6300%	0.4439%	0.6300%	0.4439%	0.4725%	0.3329%
65	1.1471%	0.8636%	1.1471%	0.8636%	0.8603%	0.6477%
70	1.9859%	1.3730%	1.9859%	1.3730%	1.4894%	1.0297%
75	3.1201%	2.2686%	3.1201%	2.2686%	2.3401%	1.7015%
80	5.0211%	3.9396%	5.0211%	3.9396%	3.7658%	2.9547%

Sample Termination Rates

Years of Service	All Members
0	29.50%
1	25.50%
2	19.00%
3	16.00%
4	14.00%
5	12.00%
6	10.00%
7	9.00%
8	7.50%
9	6.50%
10	5.50%
15	3.00%
20	2.10%
25	1.60%
30	0.00%

Retirement Rates

Age	Members Eligible For Normal Retirement	Members Eligible For Early Retirement
Under 55	35.00%	0.00%
55	30.00%	7.00%
56	30.00%	5.00%
57	27.00%	5.00%
58	27.00%	5.50%
59	26.00%	6.00%
60	12.00%	
61	12.00%	
62	15.00%	
63	15.00%	
64	15.00%	
65	20.00%	
66	17.00%	
67	17.00%	
68	17.00%	
69	17.00%	
70	100.00%	

Sample Disability Rates

% Separating Within Next Year

Age	Male	Female
20	0.05%	0.05%
25	0.06%	0.06%
30	0.08%	0.08%
35	0.11%	0.11%
40	0.16%	0.16%
45	0.23%	0.23%
50	0.34%	0.34%
55	0.44%	0.44%
60	0.55%	0.55%

SECTION G

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

For other members
Age 62 with 5 years of service, age 60 with 8 years of service, or any age with 30 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
Age 55 with 8 years of service.

DISABILITY RETIREMENT

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

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 under the age of 23 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.

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 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.

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. Retiree premiums by statute are not permitted to increase more than 5.0 percent per year.

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 29 through 31.

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 32.

Monthly Premiums through June 30, 2010
These amounts include the cost of health, dental and vision coverage

	Not Medicare Primary Under age 23	Not Medicare Primary Age 23-64	Not Medicare Primary Age 65 & above	Medicare Primary All Ages [a]
Benefit Recipient Managed Care Plans	$83.28	$208.21	$288.47	$86.40
Dependent Beneficiary Managed Care Plans	$333.13	$832.83	$1,082.17	$345.60
Benefit Recipient CCHP Plan	$88.39	$220.97	$386.95	$90.71
Dependent Beneficiary CCHP Plan	$353.56	$883.89	$1,408.07	$362.85

[a] *Must enroll in both Medicare Parts A and B to qualify for lower premiums*

Medical Indemnity Plan, College Choice Health Plan (CCHP)

Plan Feature	*In Network*	*Out of Network* [1]
Annual Deductible	$500 CCHP Primary Participant (Non-Medicare) $500 Medicare Primary Participant	$500 CCHP Primary Participant (Non-Medicare) $500 Medicare Primary Participant
Annual Out of Pocket Limit	$1,200 per individual $2,750 per family, per plan year	$4,400 per individual $8,800 per family, per plan year
Covered Services	Coinsurance	Coinsurance
-Office Visits	80% after deductible	60% after deductible
-Emergency Room	$400 copay, then 80% after deductible	$400 copay, then 80% after deductible
-Inpatient Services	80% after annual plan deductible $200 deductible per hospital admission	60% after annual plan deductible $400 deductible per hospital admission
-Outpatient Services	80% after deductible	60% after deductible
Prescription Drug Copays		Retail [2]
	Generic Copay	$12
	Formulary Brand Copay	$24
	Non-Formulary Brand Copay	$48
	For 30-day supply	
Maximum Lifetime Benefit	$1,000,000	

[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.*

Health Maintenance Organizations (HMO)

Plan Feature		
Annual Deductible	$0	
Out of Pocket Maximum	$1,500	
Covered Services	Copay	
-Physicians Visits	$15	
-Emergency Care	$200	
-Inpatient Services	$250	
-Outpatient Services		
-Lab/X-ray	$0	
-Other	$150	
Prescription Drug Copays		Retail [1]
	Generic	$10
	Brand formulary	$20
	Brand non-formulary	$40
	For 30-day supply	
Maximum Lifetime Benefit	Unlimited	

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

Open Access Plan (OAP)

Plan Feature	***Tier I***	***Tier II***	***Tier III*** [1]
Annual Deductible	$0	$300 per enrollee	$400 per enrollee
Annual Out of Pocket Limit	NA	$700 per enrollee $1,400 per family	$1,700 per enrollee $3,600 per family
Covered Services	Coinsurance	Coinsurance	Coinsurance
-Office Visits	$15 copay	$15 copay, then 80%	60%
-Preventive	$15 copay	$15 copay, then 80%	N/A
-Emergency Room	$200 copay	$200 copay, then 80%	$200 copay (or 50% of U&C), then 60%
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Services	$150 copay	$150 copay, then 80%	$150 copay, then 60%
Prescription Drug Copays	Retail [2] Generic $10 Brand formulary $20 Brand non-formulary $40 For 30-day supply		
Maximum Lifetime Benefit	Unlimited	Unlimited	$1,000,000

[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.*

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 (for frames within the benefit selection)	$20 allowance
Contact Lenses (in lieu of standard frames and lenses)	$20 copy 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.*

SECTION H

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 Cost (AOC). An accrual-basis measure of the periodic cost of an employer's participation in a defined OPEB plan.

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC 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.

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.

Net OPEB Obligation (NOO). An accounting liability when an employer doesn't fully fund the ARC.

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.

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.