Gabriel Roeder Smith & Company
Consultants & Actuaries

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TEACHERS' RETIREMENT 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 TRIP

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 Teachers' Retirement Insurance Program (TRIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the Teachers' Retirement System of Illinois (TRS). This report was prepared at the request of the Department of Healthcare and Family Services.

The actuarial valuation as of June 30, 2009, 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 TRIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information used in the June 30, 2009, TRS pension valuation as provided by the System's actuary and TRS
- Healthcare data provided by the Department of Health and Family Services (DHFS)
- Substantive plan information provided by TRS and DHFS
- Demographic assumptions consistent with the TRS actuarial valuation as of June 30, 2008
- 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 Nos. 43 and 45, relating to Other Postemployment Benefits (OPEB). For the participating members of the Teachers' Retirement Insurance Program of Illinois (TRIP), OPEB primarily include medical and prescription drug insurance benefits provided to former public school employees and their spouses receiving pension benefits under the Teachers' Retirement System of Illinois (TRS). Any other OPEB offered to the members of the Teachers' Retirement System of Illinois are outside the scope of this report. For example, OPEB offered by the local school districts such as vision, dental, life insurance or explicit healthcare subsidies to help defray the costs of the retiree's share of the TRIP 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 TRIP.

Funded and Unfunded Plans

Currently, benefits offered through TRIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, local school districts, the State, and the Federal Government. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2010, active members contribute 0.84 percent of pay, school districts contribute 0.63 percent of pay, and the State contributes 0.84 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 that marginally exceed the annual expected net claim payments and this trust has an asset balance of $55 million as of June 30, 2009, which represents approximately two months 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 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 TRIP for fiscal years 2008 and 2010, under the assumption that TRIP is a cost-sharing multiple-employer plan. TRIP is required 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 No. 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 No. 45 Annual OPEB Cost.

($ in millions)

	2007	**2009**
Funded Status as of June 30,		
Actuarial Accrued Liability	$ 14,284.68	$ 14,931.40
Actuarial Value of Assets	65.79	54.60
Unfunded Actuarial Accrued Liability	$ 14,218.89	$ 14,876.80
Net Employer Normal Cost	$ 585.45	$ 701.16
Amortization of Unfunded Liability	473.96	495.89
Total ARC for Following Fiscal Year	$ 1,059.41	$ 1,197.05
Estimated Employer Contributions for Following Fiscal Year [1]		
State	$ 66.85	$ 72.37
School Districts	50.14	54.28
Total	$ 116.99	$ 126.65

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

Cost Sharing Multiple-Employer Plans under GASB Nos. 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 No. 43 and No. 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 TRIP satisfies the conditions of a cost-sharing multiple-employer plan, and therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.63 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 the school districts.

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

Stakeholder/ Revenue Source	**2009 Cost Sharing ($ in millions)**	**Percent of Total Cost**	**Statutory Requirement FY 2009**	**Statutory Requirement FY2010**
State	$ 75.47	18.8%	0.84% of pay	0.84% of pay
School Districts	66.31	16.5%	0.63% of pay	0.63% of pay
Federal Part-D Subsidy	22.29	5.6%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	88.42	22.0%	0.84% of pay	0.84% of pay
Retirees	148.73	37.0%	Percent of premium	Percent of premium
COBRA	0.22	0.1%		
Total	**$ 401.44**	**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 contributions collected. 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 TRIP is similar to the actuarial valuation performed for the TRS pension plan. The demographic assumptions (rates of retirement, termination, and disability) used in this OPEB valuation were identical to those used in the latest TRS valuation.

Certain economic and behavioral assumptions are unique to healthcare benefits. Section F 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 No. 43 provides flexibility to governmental plan sponsors (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 Nos. 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 results of the valuation as of June 30, 2009, for the TRIP OPEB obligations.

The current funding policy includes revenues from five sources: current retirees, current active employees, local school districts, 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 retiree premiums.

For fiscal year 2009, active employees, school districts, and the State made contributions equal to 0.84 percent of pay, 0.63 percent of pay, and 0.84 percent of pay, respectively. Also, retirees made contributions of approximately 37.0 percent of expected claims and expenses, and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2009 revenue of $403 million from the preceding five sources (and interest) represents about 98 percent of fiscal year 2009 claims and expenses of $412 million. As of June 30, 2009, the Fund had a balance of $55 million which represents about two months of claims for the self-insured programs.

For fiscal year 2010, contributions remain at 0.84 percent of pay for active members, 0.63 percent of pay for school districts, and 0.84 percent of pay for the State.

Because plan benefits are funded based 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 Unfunded Actuarial Accrued Liabilities 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. It represents a measure of the unfunded 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 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) Active employees - Full Time	$ 7,831,848,600
	ii) Active employees - Part Time	167,427,000
	iii) Current retirees and their covered dependents	5,209,693,400
	iv) Waived retirees and their covered dependents [1]	578,415,300
	v) Deferred vesteds – Currently TRIP eligible [1]	925,304,700
	vi) Deferred vesteds – Not currently TRIP eligible [1, 2]	89,816,300
	vii) Deferred vesteds – Not currently TRIP eligible [1, 3]	128,890,400
	viii) Total	$14,931,395,700
B)	Market Value of Assets	$ 54,603,000
C)	Unfunded Actuarial Accrued Liability (UAAL)	$14,876,792,700
D)	Funded Ratio: [B / A]	0.4%
E)	UAAL as a percentage of covered payroll	176.5%
F)	Gross Normal Cost	$ 773,532,600
	Expected Active Employee Contributions	72,373,600
	Net Annual Normal Cost	$ 701,159,000
G)	Participant Information	
	i) Number of Covered Participants	
	a) Active employees - Full Time	135,667
	b) Active employees - Part Time	29,130
	c) Current retirees	55,710
	d) Waived retirees [1]	15,984
	e) Dependents [4]	9,833
	f) Deferred vesteds – Currently TRIP eligible [1]	7,836
	g) Deferred vesteds – Not currently TRIP eligible [1, 2]	2,323
	h) Deferred vesteds – Not currently TRIP eligible [1, 3]	5,708
	i) Total	262,191
	ii) Covered Payroll	$ 8,428,359,200
	iii) Expected first year benefit payments	$ 304,028,800

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

[2] *Members with at least 7 years of service.*

[3] *Members with 5 to 7 years of service. Liability amount represents 50% of the total liability determined for this group. 50% allocated to TRIP and 50% allocated to SEGIP.*

[4] *Includes 9,321 spouses and 512 children.*

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

	Medical		
	Pre-65	**Post-65**	**Total**
Actives	$ 2,675,929,000	$ 5,323,346,600	$ 7,999,275,600
Current Retirees and Dependents	651,030,400	4,558,663,000	5,209,693,400
Waived Retirees and Dependents	84,559,300	493,856,000	578,415,300
Deferred Vesteds	322,245,800	821,765,600	1,144,011,400
Total	$ 3,733,764,500	$ 11,197,631,200	$ 14,931,395,700

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

	Medical		
	PPO	**HMO**	**Total**
AL Before Retiree Contributions [a]	$ 13,362,761,300	$ 8,539,709,300	$ 21,902,470,600
Value of Retiree Contributions [b]	4,952,572,200	2,018,502,700	6,971,074,900
Total	$ 8,410,189,100	$ 6,521,206,600	$ 14,931,395,700

[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) FY 2010		
	i) Net Normal Cost	$	701,159,000
	ii) Amortization of UAAL		495,893,100
	iii) Total	$	1,197,052,100
B)	Projected FY 2010 Employer Contributions [1]		
	i) State (0.84% of pay)	$	72,373,600
	ii) School Districts (0.63% of pay)		54,280,200
	iii) Total	$	126,653,800
C)	Projected FY 2010 Active Employee Contributions		
	i) Total (0.84% of pay)	$	72,373,600
D)	Projected FY 2010 Claims		
	i) Projected Claims and Expenses	$	496,967,100
	ii) Retiree Contributions		192,516,600
	iii) Net Employer Claims	$	304,450,500
E)	Annual Required Contribution (ARC) FY 2009 [2]		
	i) Net Normal Cost	$	670,965,600
	ii) Amortization of UAAL		474,538,900
	iii) Total	$	1,145,504,500

[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	$ 65,790,000	$ 14,284,678,100	$ 14,218,888,100	0.46%	$7,785,457,500	182.63%
06/30/2009	54,603,000	14,931,395,700	14,876,792,700	0.37%	8,428,359,200	176.51%

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	$ 1,013,794,100	$ 75,839,000	7.48%	$ 58,191,000	5.74%	$ 17,026,000	1.68%
2008	1,059,414,800	68,596,000	6.47%	63,458,000	5.99%	19,930,000	1.88%
2009	1,145,504,500	75,474,000	6.59%	66,312,000	5.79%	22,285,000	1.95%
2010	1,197,052,100	TBD	TBD	TBD	TBD	TBD	TBD

SECTION E

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
2009	$ 304,028,800	2029	$ 1,312,608,200
2010	361,435,800	2030	1,395,344,200
2011	414,743,400	2031	1,479,872,400
2012	462,667,500	2032	1,566,525,700
2013	510,631,500	2033	1,652,378,900
2014	555,354,100	2034	1,735,862,700
2015	594,084,000	2035	1,816,257,100
2016	626,995,400	2036	1,900,467,000
2017	658,348,100	2037	1,991,520,100
2018	690,087,500	2038	2,081,831,300
2019	725,865,900	2039	2,164,387,600
2020	765,890,700	2040	2,233,590,000
2021	809,694,000	2041	2,281,570,200
2022	856,756,300	2042	2,308,272,900
2023	908,747,300	2043	2,320,369,300
2024	965,762,000	2044	2,312,877,300
2025	1,026,968,100	2045	2,282,408,500
2026	1,092,199,400	2046	2,233,416,100
2027	1,160,935,400	2047	2,174,039,200
2028	1,233,946,400	2048	2,133,458,100

[a] *Expected claims net of retiree contributions for current participants.*

Exhibit 2
Summary of Demographic Information as of June 30, 2009

A)	Active Participants - Full Time	
	i) Counts	135,667
	ii) Average Age	42.7
	iii) Average Service	11.8
B)	Active Participants - Part Time	
	i) Counts	29,130
	ii) Average Age	43.0
	iii) Average Service	1.8
C)	Retirees and Dependents Under Age 65 [1]	
	i) Counts	23,103
	ii) Average Age	61.1
D)	Retirees and Dependents Over Age 65 [1]	
	i) Counts	41,928
	ii) Average Age	74.8
E)	Waived Retirees and Dependents [1]	
	i) Counts	15,984
	ii) Average Age	62.7
F)	Children	
	i) Counts	512
	ii) Average Age	18.6
G)	Deferred vesteds – Currently TRIP eligible	
	i) Counts	7,836
	ii) Average Age	50.1
H)	Deferred vesteds – Not currently TRIP eligible [2]	
	i) Counts	2,323
	ii) Average Age	47.4
I)	Deferred vesteds – Not currently TRIP eligible [3]	
	i) Counts	5,708
	ii) Average Age	45.0
J)	Total Participants	262,191

[1] *Only includes members and dependents currently receiving benefits through TRIP.*

[2] *Members with at least 7 years of service.*

[3] *Members with 5 to 7 years of service.*

Exhibit 3
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	$	65,790,000	$	62,245,000
Revenues				
State Contributions	$	68,596,000	$	75,474,000
Employer Contributions		63,458,000		66,312,000
Federal Government Medicare Part D Subsidy		19,930,000		22,285,000
Active Member Contributions		84,611,000		88,416,000
Retired Member Contributions		140,248,000		148,726,000
COBRA		209,000		220,000
Interest		3,122,000		1,388,000
Total Revenues	$	380,174,000	$	402,821,000
Deductions				
Benefits	$	380,852,000	$	408,243,000
Administrative Expense		2,867,000		2,220,000
Total Deductions	$	383,719,000	$	410,463,000
Net Change	$	(3,545,000)	$	(7,642,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$	62,245,000	$	54,603,000

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 premium rates 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. 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	Retiree Premium
2010	9.00%	5.00%
2011	8.50%	5.00%
2012	8.00%	5.00%
2013	7.50%	5.00%
2014	7.00%	5.00%
2015	6.50%	5.00%
2016	6.00%	5.00%
2017	5.50%	5.00%
2018+	5.00%	5.00%

Age	Morbidity Factor Male	Morbidity Factor 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%

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

	TCHP Medical and Rx			OAP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
20	$ 2,234	$ 4,127	20	$ 2,228	$ 4,117	20	$ 1,855	$ 3,427
25	2,328	4,703	25	2,323	4,692	25	1,933	3,905
30	2,416	4,945	30	2,411	4,933	30	2,006	4,106
35	2,788	5,186	35	2,781	5,174	35	2,315	4,306
40	3,597	5,636	40	3,589	5,622	40	2,987	4,680
45	4,887	6,398	45	4,876	6,383	45	4,058	5,313
50	6,612	7,492	50	6,596	7,474	50	5,490	6,221
51	7,000	7,747	51	6,984	7,729	51	5,813	6,433
52	7,400	8,013	52	7,383	7,994	52	6,145	6,653
53	7,806	8,294	53	7,787	8,274	53	6,481	6,887
54	8,220	8,584	54	8,200	8,564	54	6,825	7,128
55	8,642	8,883	55	8,621	8,862	55	7,176	7,376
56	9,070	9,190	56	9,049	9,168	56	7,531	7,631
57	9,503	9,503	57	9,481	9,481	57	7,891	7,891
58	9,952	9,811	58	9,929	9,787	58	8,264	8,146
59	10,404	10,122	59	10,379	10,098	59	8,639	8,404
60	10,857	10,436	60	10,831	10,411	60	9,015	8,665
61	11,309	10,752	61	11,282	10,726	61	9,391	8,928
62	11,760	11,069	62	11,732	11,042	62	9,765	9,191
63	12,201	11,391	63	12,172	11,364	63	10,131	9,459
64	12,637	11,713	64	12,607	11,685	64	10,493	9,726

Annual Per Capita Claims Costs for Medicare Eligible Members

	TCHP Medical and Rx			OAP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 4,045	$ 3,725	65	$ 3,967	$ 3,653	65	$ 3,354	$ 3,089
66	4,175	3,822	66	4,095	3,749	66	3,462	3,170
67	4,303	3,919	67	4,220	3,843	67	3,568	3,249
68	4,428	4,013	68	4,342	3,936	68	3,672	3,328
69	4,549	4,106	69	4,461	4,026	69	3,772	3,404
70	4,666	4,195	70	4,576	4,114	70	3,869	3,479
71	4,778	4,282	71	4,686	4,200	71	3,962	3,551
72	4,886	4,366	72	4,792	4,282	72	4,052	3,621
73	4,989	4,447	73	4,893	4,361	73	4,137	3,687
74	5,087	4,524	74	4,989	4,436	74	4,218	3,751
75	5,180	4,597	75	5,080	4,508	75	4,295	3,812
76	5,266	4,666	76	5,165	4,576	76	4,367	3,869
77	5,347	4,730	77	5,244	4,639	77	4,434	3,922
78	5,422	4,790	78	5,317	4,697	78	4,496	3,972
79	5,491	4,845	79	5,385	4,752	79	4,553	4,018
80	5,554	4,895	80	5,446	4,801	80	4,605	4,059
81	5,610	4,941	81	5,502	4,845	81	4,652	4,097
82	5,661	4,981	82	5,551	4,885	82	4,694	4,130
83	5,705	5,016	83	5,595	4,919	83	4,731	4,159
84	5,743	5,046	84	5,632	4,948	84	4,762	4,184
85	5,776	5,071	85	5,664	4,973	85	4,789	4,205
86	5,803	5,091	86	5,691	4,992	86	4,812	4,221
87+	5,829	5,100	87+	5,717	5,002	87+	4,834	4,229

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

	TCHP			OAP			HMO	
	Medical and Rx			Medical and Rx			Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 14,455	$ 13,311	65	$ 13,025	$ 11,994	65	$ 11,106	$ 10,227
66	14,921	13,660	66	13,446	12,309	66	11,465	10,496
67	15,378	14,004	67	13,857	12,619	67	11,816	10,760
68	15,823	14,342	68	14,258	12,923	68	12,158	11,020
69	16,255	14,671	69	14,648	13,221	69	12,490	11,273
70	16,673	14,993	70	15,024	13,510	70	12,811	11,520
71	17,076	15,304	71	15,387	13,790	71	13,120	11,759
72	17,462	15,604	72	15,735	14,061	72	13,417	11,989
73	17,830	15,892	73	16,067	14,320	73	13,700	12,211
74	18,180	16,167	74	16,382	14,568	74	13,969	12,422
75	18,510	16,427	75	16,680	14,803	75	14,223	12,622
76	18,820	16,673	76	16,959	15,024	76	14,461	12,811
77	19,109	16,904	77	17,219	15,232	77	14,683	12,988
78	19,377	17,118	78	17,461	15,425	78	14,888	13,152
79	19,623	17,315	79	17,682	15,602	79	15,077	13,304
80	19,847	17,494	80	17,884	15,764	80	15,249	13,442
81	20,049	17,656	81	18,066	15,910	81	15,405	13,566
82	20,229	17,800	82	18,228	16,039	82	15,543	13,677
83	20,387	17,925	83	18,371	16,152	83	15,664	13,773
84	20,524	18,032	84	18,494	16,249	84	15,770	13,855
85	20,640	18,121	85	18,599	16,329	85	15,859	13,924
86	20,737	18,192	86	18,686	16,393	86	15,934	13,978
87+	20,831	18,227	87+	18,771	16,424	87+	16,006	14,005

Participation

Eighty-five percent of future retirees that are deferred vested and currently eligible for TRIP or currently active are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Thirty percent of current deferred vested participants with at least seven years of service that are not currently TRIP eligible are assumed to become TRIP eligible before retirement and elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Thirty-five percent of current deferred vested participants with five to seven years of service that are not currently TRIP eligible are assumed to be eligible under SEGIP or TRIP before retirement and elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage. The liability for this group is allocated equally to TRIP and SEGIP.

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

a) For those under age 62, 33 percent elect coverage at 62
b) For those age 62 to 70, 33 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 TCHP, OAP, and other HMO plans was based on the actual election percentages of the current TRIP population. Currently for pre-Medicare participants, about 45 percent participate in the TCHP, 20 percent participate in the OAP, and 35 percent participate in HMO plans. Currently for Medicare eligible participants, about 70 percent participate in the TCHP, 10 percent participate in the OAP, and 20 percent participate in HMO plans.

We have assumed that a certain percentage of current pre-Medicare retirees will migrate to the TCHP from the OAP or 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.

Children of retired members are valued explicitly assuming coverage would end at age 23. Disabled children are assumed to receive benefits during their lifetime.

Pension-related assumptions

The pension-related assumptions disclosed in the Teachers' Retirement System (TRS) actuarial valuation report as of June 30, 2008, are assumed.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by TRS and DHFS. Retirement rates are applied at first eligibility for pension benefits, although retiree healthcare benefits may not be payable.

Deferred vested members with 10 or more years of service are assumed to commence benefits at age 60. Deferred vested members with less than 10 years of service are assumed to commence benefits at age 62.

Salary Increase

Age	
20	11.1%
25	10.2%
30	8.4%
35	7.7%
40	7.2%
45	6.7%
50	6.0%

Demographic Assumptions

Mortality

	Healthy - Retiree		Disabled - Retiree		Healthy Active	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	0.0497%	0.0190%	4.8500%	2.7230%	0.0497%	0.0143%
25	0.0592%	0.0176%	4.8500%	2.7230%	0.0592%	0.0132%
30	0.0595%	0.0236%	4.8500%	2.7230%	0.0595%	0.0177%
35	0.0675%	0.0431%	4.8500%	2.7230%	0.0675%	0.0323%
40	0.0842%	0.0570%	4.8500%	2.7230%	0.0842%	0.0427%
45	0.1123%	0.0887%	4.8500%	2.7230%	0.1123%	0.0665%
50	0.1606%	0.1404%	4.8500%	2.7230%	0.1606%	0.1053%
55	0.2545%	0.2089%	4.8500%	2.7230%	0.2545%	0.1567%
60	0.4967%	0.3172%	4.8500%	2.7230%	0.4967%	0.2379%
65	0.9919%	0.6581%	4.8500%	2.7230%	0.9919%	0.4936%
70	1.7536%	1.3823%	7.4650%	4.0870%	1.7536%	1.0367%
75	3.0059%	2.3165%	11.2820%	6.3140%	3.0059%	1.7374%
80	5.3472%	3.7624%	16.8210%	9.6220%	5.3472%	2.8218%

Sample Turnover Rates

	% Separating Within Next Year			
	Less than 5 Years of Service		More than 5 Years of Service	
Age	**Male**	**Female**	**Male**	**Female**
25	7.000%	8.100%	6.000%	9.000%
30	6.500%	9.000%	3.700%	8.000%
35	7.500%	8.800%	2.200%	5.100%
40	8.000%	6.600%	1.600%	2.400%
45	9.400%	6.200%	1.300%	1.500%
50	9.400%	6.200%	1.100%	1.300%
55	12.000%	8.700%	1.400%	1.700%
60	12.600%	11.100%	2.600%	2.900%

Sample Normal Retirement Rates

% Separating Within Next Year (Age-Based)

	Service				
Age	5 - 18	19 - 30	31	32 - 33	34 +
54	0.00%	7.00%	12.00%	38.00%	40.00%
55	0.00%	12.00%	20.00%	38.00%	40.00%
56	0.00%	10.00%	18.00%	38.00%	32.00%
57	0.00%	10.00%	18.00%	38.00%	32.00%
58	0.00%	10.00%	18.00%	38.00%	32.00%
59	0.00%	25.00%	27.00%	45.00%	37.00%
60	14.00%	27.00%	45.00%	45.00%	37.00%
61	13.00%	24.00%	45.00%	45.00%	37.00%
62	13.00%	28.00%	45.00%	45.00%	37.00%
63	13.00%	28.00%	45.00%	45.00%	37.00%
64	18.00%	33.00%	45.00%	45.00%	37.00%
65 - 69	23.00%	33.00%	45.00%	45.00%	30.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%

Sample Disability Rates

% Separating Within Next Year

Age	Male	Female
20	0.034%	0.045%
25	0.034%	0.045%
30	0.030%	0.100%
35	0.039%	0.110%
40	0.060%	0.110%
45	0.064%	0.130%
50	0.110%	0.190%
55	0.130%	0.200%
60	0.200%	0.350%

SECTION G

SUMMARY OF PRINCIPAL PLAN PROVISIONS

PLAN MEMBERS

All members receiving monthly benefits from the Teachers' Retirement System (TRS) who have at least eight years of creditable service with TRS, the survivor of an annuitant or benefit recipient who had at least eight years of creditable service, or a recipient of a monthly disability benefit are eligible to enroll in TRIP. Certain members covered under TRS for pension purposes are eligible for retiree healthcare benefits under the State Employees Group Insurance Program (SEGIP). Members eligible for coverage under SEGIP include: certified teachers working for certain State agencies, executives working for the Board of Education, regional superintendents, regional assistant superintendents, TRS fund staff, and certain members with reciprocal service. Any member that was a participant in the plan that preceded TRIP is eligible to participate in TRIP.

ELIGIBLE SERVICE

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

NORMAL RETIREMENT

Retirees are eligible to participate in TRIP if they retire under the conditions of TRS and have a minimum of eight years of TRS service. The eligibility conditions for normal retirement under TRS are shown below.

Eligibility conditions

Age 60 with 10 years of service, age 62 with 5 years of service, or age 55 with 35 years of service.

EARLY RETIREMENT

Early retirees are eligible to participate in TRIP if they retire under the conditions of TRS and have a minimum of eight years of TRS service. The eligibility conditions for early retirement under TRS are shown below.

Eligibility conditions

Age 55 with 20 years of service.

DISABILITY RETIREMENT

Disabled members are eligible to participate in TRIP if they are receiving disability benefits under the conditions of TRS.

Eligibility conditions

There is no specific age or service requirement for receipt of disability benefits except for temporary disability benefits which require a minimum of three years of TRS service.

VESTED TERMINATIONS

Members who terminate with more than eight years of service are eligible to enroll in TRIP once they begin receiving retirement benefits.

DEPENDENTS ELIGIBLE FOR COVERAGE

If a plan member enrolls in TRIP, 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 income tax return; disabled children that have been continuously disabled from causes originating prior to age 19 or 23 if a full-time student, financially dependent for at least one-half of their support, and eligible to be claimed on income tax return; and parents if they are financially dependent for at least one-half of their support and eligible to be claimed on income tax return.

ENROLLMENT TIMING

Members who have not previously enrolled in TRIP are eligible to enroll when they begin receiving pension benefits through TRS, during any annual open enrollment period, when turning 65 or becoming Medicare eligible, or after losing coverage by a former plan. Members and beneficiaries who previously were enrolled in TRIP, and subsequently waive coverage, are only eligible to reenroll due to the loss of prior coverage by a former plan or at the attainment of age 65 or when Medicare eligible.

SURVIVING SPOUSE COVERAGE

Spouses of employees/retirees who die are eligible to maintain health insurance coverage until the surviving spouse's death. If the surviving spouse elects a monthly benefit, he or she becomes the member with the same TRIP rights.

MEDICARE

Coverage through TRIP 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 Teachers' Choice Health Plan (TCHP) pays the 20 percent of approved charges not covered by Medicare. If the provider does not accept Medicare assignment, TCHP 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 Medicare Part D.

DENTAL AND VISION BENEFITS

Dental and vision benefits are not provided through TRIP.

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through TRIP are self-insured. The cost of TRIP is shared among active members, retirees, the individual school districts, and the state. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2008, active members contribute 0.84 percent of pay, school districts contribute 0.63 percent of pay, and the State contributes 0.84 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.

HEALTHCARE PLANS

Members may elect coverage in the TCHP, a managed care HMO plan, or the Healthlink Open Access Plan (OAP). The TCHP 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 4 through 6.

Premium rates for members depend on the coverage elected and whether a managed care plan is available in their County of residence. The following table gives the member premium amounts by type of coverage and availability of a managed care plan.

The premiums charged to members reflect a 75 percent subsidy for members that elect a managed care plan or elect the TCHP plan if a managed care plan is either not available or only partially available. Members receive a 50 percent subsidy if they elect the TCHP when a managed care plan is available. Medicare primary dependent beneficiaries enrolled in a managed care plan or in the TCHP when no managed care plan is available receive a premium subsidy.

Monthly Premiums through June 30, 2010

	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 enrolled in any managed care plan	$56.47	$175.36	$238.92	$69.30
Benefit recipient enrolled in TCHP when a managed care plan is available	$146.52	$413.53	$621.93	$180.44
Benefit recipient enrolled in TCHP when a managed care plan is not available	$73.26	$206.77	$310.97	$90.22
Dependent beneficiary enrolled in any managed care plan	$225.90	$701.43	$955.67	$252.09
Dependent beneficiary enrolled in TCHP when a managed care plan is available	$293.04	$827.06	$1,243.85	$360.89
Dependent beneficiary enrolled in TCHP when a managed care plan is not available	$293.04	$827.06	$1,243.85	$270.67

[a] *Member must enroll in Medicare Parts A and B to qualify for lower premiums.*

TCHP

Plan Feature	*In Network*	*Out of Network* [1]	
Annual Deductible	$500 per enrollee	$500 per enrollee	
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 60% after deductible	
-Inpatient Services	$200 copay, then 80% after deductible	$400 copay, then 60% after deductible	
-Outpatient Services			
-Lab/X-ray	80% after plan deductible	60% after plan deductible	
-Other	80% after plan deductible	60% after plan deductible	
Prescription Drug Copays	80% plan coinsurance with the following minimum and maximum copays (for a 30-day supply). The copays double for mail order prescriptions (for a 90-day supply) Annual out of pocket limit for prescriptions of $1,500		
		Minimum Copay	Maximum Copay
	Generic Copay	$7	$50
	Formulary Brand Copay	$14	$100
	Non-Formulary Brand Copay	$28	$150
Maximum Lifetime Benefit	$2,000,000		

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

HMO

Plan Feature		
Annual Deductible	$0	
Out of Pocket Maximum	$1,500	
Covered Services	Coinsurance	
-Physicians Visits	$15 Copay	
-Emergency Care	$200 Copay	
-Inpatient Services	$250 Copay	
-Outpatient Services	$150 Copay	
Prescription Drug Copays	Generic	$10
	Brand formulary	$20
	Brand non-formulary	$40
Maximum Lifetime Benefit	Unlimited	

OAP

Plan Feature	*Tier I*	*Tier II*	*Tier III*
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/Copay [1]	Coinsurance/Copay [1]	Coinsurance/Copay [2]
-Office Visits	$15 copay	80%	60%
-Emergency Room	$200 copay	$200 copay, then 80%	$200 copay, then 60% (or 50% of U&C)
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Services			
-Lab/X-ray	100%	80%	60%
-Other	100%	80%	60%
Prescription Drug Copays	Generic $10 Brand formulary $20 Brand non-formulary $40		
Maximum Lifetime Benefit	Unlimited	Unlimited	$1,000,000

[1] *Network charges*
[2] *Usual and customary charges*

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.