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February 19, 2009

John Frigo
Deputy Director
State of Illinois
Governors Office of Management and Budget
603 Stratton Building
Springfield, IL 62706

Re: **Year-End Exhibits Based on July 1, 2007 SEGIP GASB 45 Actuarial Valuation**

Dear Mr. Frigo:

The attached exhibits provide the GASB 45 disclosure for the year ending June 30, 2008. The exhibits are based on updated census data and contribution amounts provided by Elvin Lay, and the same assumptions and methods as shown in the July 1, 2007 valuation report dated April 21, 2008. Additionally, covered payroll for July 1, 2007 through June 30, 2008 was estimated based on information in the census data provided. All calculations were completed under the supervision of Yori Rubinson, Chris Heppner and me.

In addition, we have provided an estimate of the ARC for the year beginning July 1, 2008.

Sincerely,

Barbara Zaveduk, EA MAAA
Vice President and Actuary

bz/baa

Attachments

cc: Mitch Bramstaedt
Ruth Donahue
Elvin Lay

5026258v1/10534.004

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
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State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 1

Actuarial Accrued Liability (AAL) as of July 1, 2007

Participant Category	July 1, 2007
Current retirees, beneficiaries, and dependents	\$ 10,109,459,500
Current inactive (nonretired) members	2,015,704,800
Current active members	<u>11,765,218,700</u>
Total	\$ 23,890,383,000

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 2

Determination of Annual Required Contribution

Cost Element	Year Ending June 30, 2008	
	Amount	Percentage of Compensation
1. Normal cost	\$ 846,549,000	13.5%
2. Amortization of the unfunded actuarial accrued liability (30 years, level % of payroll)	<u>852,963,600</u>	13.6%
3. Total Annual Required Contribution (ARC) beginning of year	\$ 1,699,512,600	27.1%
4. Total ARC end of year	\$ 1,775,990,700	28.4%

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 3

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2008	\$ 1,775,990,700	\$537,860,300	30.3%

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 4

Required Supplementary Information – 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)
July 1, 2007	\$0	\$ 23,890,383,000	\$ 23,890,383,000	0%	\$ 6,263,533,100	381.4%

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 5

Required Supplementary Information – Net OPEB Obligation (NOO)

Actuarial Valuation Date	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
July 1, 2007	\$ 1,775,990,700	\$0	\$0	\$ 1,775,990,700	\$537,860,300	\$1,238,130,400	\$1,238,130,400

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 6

Required Supplementary Information

Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit; level percent of pay
Amortization method	30 years, open, level percent of pay
Remaining amortization period	30 years remaining as of July 1, 2007
Asset valuation method	N/A
Actuarial assumptions:	
Discount rate	4.50%
Projected payroll increases	4.00%
Health care cost trend rate:	
• Medical (including Rx and Vision)	9% in the year ending June 30, 2008, grading down to 5% over 8 years
• Dental	6% in the year ending June 30, 2008, grading down to 5% over 2 years
• Vision	5% for all years
Plan membership:	
Current retirees, beneficiaries, and dependents	100,998
Current inactive (nonretired) members	18,374
Current active members	<u>117,479</u>
Total	236,851

State Employees Group Insurance Program July 1, 2007 Measurement under GASB 45

CHART 7

Summary of Participant Data as of June 30, 2007

	SERS	SURS	TRS	GARS	JRS	TOTAL
Retirees and Annuitants						
Number	39,632	22,650	920	223	613	64,038
Average age	69.8	71.5	70.3	72.5	72.6	70.4
Number of dependents*	15,270	8,741	422	124	437	24,994
Average age	65.4	68.2	67.5	69.3	67.2	66.5
Surviving Spouses						
Number	7,746	3,666	146	98	310	11,966
Average age	75.5	76.9	80.7	81.1	75.6	76.0
Active Participants						
Number	68,461	47,257	631	193	937	117,479
Average age	46.8	46.1	47.8	52.9	55.8	46.6
Average years of service	15.1	10.5	10.5	9.7	10.3	13.1
Inactive Eligibles						
Number	4,840	13,534	N/A**	N/A**	N/A**	18,374
Average age	49.3	40.7	N/A**	N/A**	N/A**	49.6
Average years of service	14.1	8.6				

* Does not include children.

** Not provided

State Employees Group Insurance Program

Estimate of July 1, 2008 Annual Required Contribution under GASB 45

Cost Element	Amount
1. Normal cost	\$ 846,549,000
2. Amortization of the unfunded actuarial accrued liability (30 years, level % of payroll)	<u>900,562,281</u>
3. Total Annual Required Contribution (ARC) beginning of year	\$ 1,747,111,300
4. Total ARC end of year	\$ 1,825,731,300

Based on a projection of July 1, 2007 results, assuming all assumptions are met and the active population remains stable.