Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE INSURANCE PROGRAM OF THE STATE OF ILLINOIS

GASB NO. 43 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

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Illinois Department of Central Management Services
401 South Spring Street
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Subject: GASB No. 43 Actuarial Valuation as of June 30, 2014, for Illinois CIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2014, 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).

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

The actuarial valuation as of June 30, 2014, 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, 2014, provided by SURS.
- Healthcare data provided by the Department of Central Management Services (CMS).
- Average per member costs by plan for the period July 1, 2015, through June 30, 2016, as calculated by the State's healthcare actuary and provided by CMS.
- Substantive plan information provided by SURS and CMS.
- Demographic assumptions consistent with the SURS actuarial valuation as of June 30, 2015
- Economic assumptions approved by the State. These assumptions include a discount rate of 4.5 percent and an ultimate trend rate assumption of 4.91 percent for pre-Medicare medical and prescription drug costs, which include the impact of the excise tax under healthcare reform. For post-Medicare medical and prescription drug costs, the ultimate trend rate assumption is 4.5 percent including an increase in the per capita claims costs for Medicare Advantage Prescription Drug plans (MAPD) to reflect an ultimate MAPD savings of 15 percent in 2022 and thereafter.
- Healthcare-related assumptions recommended by Gabriel, Roeder, Smith & Company and approved by the State.
- The basis used to develop the ARC has changed from the prior valuation. The prior valuation as of June 30, 2013, developed the ARC for FYE June 30, 2014, and estimated the ARC for FYE June 30, 2013, by decreasing the ARC for FYE June 30, 2014 by the wage inflation assumption. The current valuation as of July 1, 2014, is used to develop the ARC for FYE June 30, 2015. The ARC for FYE June 30, 2016, is based on a projection of the actuarial liabilities and normal cost from July 1, 2014, to July 1, 2015.

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

The actuarial liabilities and annual required contributions were developed in accordance with the requirements of GASB No. 43, and are applicable only for financial reporting purposes. The unfunded actuarial liability and annual required contributions disclosed in this report should not be used to assess the level of plan assets needed to settle the plan's benefit obligations or the annual actuarially determined contributions needed to fund future benefit obligations.

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

The signing actuaries are independent of the plan sponsor.

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

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

Respectfully submitted,

Alex Rivera	Amy Williams
Alex Rivera, FSA, MAAA	Amy Williams, ASA, MAAA
Senior Consultant	Consultant

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SECTION A

EXECUTIVE SUMMARY

Introduction

The Governmental Accounting Standards Board (GASB) has issued 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 the Federal Government. Contributions are made to the Community College Health Insurance Security Fund. For fiscal year 2016, 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 plus additional amounts due to benefit payments exceeding contributions, which has caused a deficit. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents. The Federal Government provides a Medicare Part D subsidy.

The current objective is to fund the Trust in order to maintain benefits through individual annual periods with appropriate margins for incurred but not paid liabilities. That is, there is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions. Currently the Trust balance is negative due to contributions not being sufficient to pay all benefits. During fiscal year end June 30, 2015, the State made a contribution of about $4.5 million, compared with the statutory contribution of about $4.3 million. During fiscal year ending June 30, 2015, benefit payments exceeded contributions and the asset balance in the trust decreased from -$18.6 million as of June 30, 2014, to -$26.8 million as of June 30, 2015. Without additional revenue sources or increases in contributions, CIP is expected to continue to have a deficit.

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 2014 and 2015, 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)

Funded Status as of June 30,	**2013**	**2014**	**2015**
Actuarial Accrued Liability	$ 2,382.20	$ 1,662.15	$ 1,792.63
Actuarial Value of Assets	(13.24)	(18.61)	(26.77)
Unfunded Actuarial Accrued Liability	$ 2,395.44	$ 1,680.76	$ 1,819.40
Net Employer Normal Cost	$ 105.00	$ 77.82	$ 81.32
Amortization of Unfunded Liability	66.06	56.03	60.65
Total ARC for Following Fiscal Year	$ 171.06	$ 133.84	$ 141.97
Estimated Employer Contributions for Following Fiscal Year			
State	$ 4.40	$ 4.48	$ 4.58
Participating Community Colleges	4.40	4.30	4.58
Total	$ 8.80	$ 8.78	$ 9.16

Actual employer contributions are shown for fiscal years 2014 and 2015.

The estimated employer contributions are based on contributions of 0.5 percent of pay and do not include any additional amounts to address the current deficit.

Comparison of Results with Previous Valuation

Liabilities decreased significantly since the prior valuation as of June 30, 2013, due to the following factors:

- A large decrease in fiscal year 2016 average claims costs compared to fiscal year 2014 average claims costs
- An increase in retiree premiums between fiscal year 2014 and fiscal year 2016
- Implementation of the Total Retiree Advantage Illinois (TRAIL) Program
- Changes in healthcare related assumptions which decreased liabilities including:
  - Decrease in ultimate trend rate for claims costs from 5.00 percent to 4.50 percent
  - Decrease in participation assumption for active CIP-eligible members and waived retirees

The decrease in liabilities was partially offset by increases due to the following factors:

- Changes in demographic (pension) assumptions
- Restarting trend at 8.50 percent in fiscal year 2016

The following table shows a reconciliation of the change in the accrued liability.

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

1.	**Actual Actuarial Accrued Liability at June 30, 2013**	**$**	**2,382.20**
2.	**Expected Actuarial Accrued Liability at June 30, 2014**	**$**	**2,128.78**
3.(a)	(Gain)/Loss due to Healthcare Claims Experience and Assumption Changes	$	(524.33)
3.(b)	(Gain)/Loss due to Change in Pension Related Assumptions		139.52
3.(c)	(Gain)/Loss due to Other Demographic Changes		(81.82)
3.(d)	**Total (Gain)/Loss [3.(a) + 3.(b) + 3.(c)]**	**$**	**(466.63)**
4.	**Actual Actuarial Accrued Liability at June 30, 2014 [2. + 3.(d)]**	**$**	**1,662.15**

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 for fiscal years 2015 and 2016. 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 fiscal year 2015, employer costs, as reported in the fiscal year 2015 financial statements of the State and CIP, were allocated as follows: The State made a contribution of about $4.5 million, compared with the statutory contribution of about $4.3 million during fiscal year 2015.

Stakeholder/ Revenue Source	**2015 Cost Sharing ($ in millions)**	**Percent of Total Revenue**	**Statutory Requirement**
State	$ 4.48	17.5%	0.50% of pay
Community Colleges	4.30	16.8%	0.50% of pay
Federal Part-D Subsidy	0.27	1.1%	Percent of Rx Claims Paid
Active Employees	4.30	16.8%	0.50% of pay
Retirees	12.21	47.8%	Percent of premium
Total	**$ 25.56**	**100.0%**	
Benefits and Expenses Paid	**$ 34.13**		
Benefits and Expenses Covered by Revenue	**75%**		

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 recommended in the SURS experience review for the years June 30, 2010, to June 30, 2014, and adopted by the Board and implemented with the June 30, 2015, pension valuation.

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

The following assumption and method changes were made since the previous valuation as of June 30, 2013:

- Changes in demographic assumptions that are expected to be implemented in the pension valuation as of June 30, 2015:
  - Update mortality rates to account for assumed increases in life expectancies
  - Updates in retirement, termination and disability rates to reflect past and future expected experience.

- Changes in healthcare-related assumptions including:
  - Fresh starting assumed healthcare trend at 8.5% beginning in fiscal year 2016
  - Decrease in assumed ultimate healthcare trend from 5.00% to 4.50% (before application of Excise Tax assumption)
  - Update per capita claims costs
  - Update Excise Tax assumption
  - Decrease in active member participation from 75 percent to 70 percent for members currently eligible for CIP
  - Decrease in waived retiree participation from 40 percent to 30 percent for members currently eligible for CIP

Adjustments to the Estimate Impact of Excise Tax under Healthcare Reform

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

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

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

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

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

Based on the preceding method, the trend rates for pre-Medicare medical and prescription drug costs were increased by an additional 0.41 of a percentage point on and after 2018.

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; and
- Summary of assumptions and methods and plan provisions.

Total Retiree Advantage Illinois (TRAIL) Program

Effective February 1, 2014, the State offers three alternative Medicare Advantage plans to CIP members: United Healthcare PPO, Humana HMO and Coventry Advantra.

<u>GASB Statement Nos. 74 and 75</u>

Currently, the applicable accounting standards for OPEB plans are found in GASB Statement Nos. 43 and 45. On June 2, 2015, the GASB released two new accounting standards applicable to OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

Statement 75

Statement 75 replaces the GASB Statement No. 45. The new Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

Statement 75 requires governments to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. Also, the Statement changes the way in which the discount rate for a Plan that is being pre-funded is calculated. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Statement 74

Statement 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria.

The Statement requires a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement also requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

Effective Dates

The provisions in Statement 74 are first effective for the fiscal year beginning July 1, 2016. The provisions in Statement 75 are first effective for the fiscal year beginning July 1, 2017.

Potential Impact of New Accounting

As a result of the new accounting standards, the annual expense and OPEB liability amounts will become much more volatile. The discount rate for plans funded on a pay-as-you-go basis will now be tied to a municipal bond index resulting in a rate that will fluctuate from year to year. These new standards are required for accounting purposes and may result in different results if the State begins to pre-fund the benefits.

SECTION B

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 2015, active employees and community colleges were expected to make contributions equal to 0.50 percent of pay each. The State made a contribution of about $4.5 million, compared with the statutory contribution of about $4.3 million during fiscal year 2015. Also, retirees made contributions of approximately 35.8 percent of claims and expenses and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2015 revenue from the preceding five sources of $25.6 million represents about 75 percent of fiscal year 2015 claims and expenses of $34.1 million. As of June 30, 2015, the Fund is running a deficit and had a balance of -$26.8 million.

For fiscal year 2016, contributions have remained unchanged at 0.50 percent of pay for active members, community colleges, and the State. There is projected to be a continued deficit without additional revenue sources or increases in contributions.

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

OTHER POST-EMPLOYMENT BENEFITS
SPONSORED BY THE
COLLEGE INSURANCE PROGRAM OF ILLINOIS
GASB NO. 43 VALUATION AS OF JUNE 30, 2014
VALUATION RESULTS

Exhibit 1

	Discount Rate	4.50%
	Ultimate Trend	4.91%

Summary of Actuarial Valuation Results as of	**June 30, 2014**	**June 30, 2015**
A) Actuarial Accrued Liability (AAL) [a]		
i) Actives	$ 836,110,400	$ 956,446,800
ii) Current retirees and their covered dependents	529,905,000	529,665,500
iii) Waived retirees and their covered dependents [b]	59,237,900	60,351,000
iv) Deferred vesteds [b]	149,434,400	155,483,600
v) Deferred vesteds (Non-CIP) [b, c]	87,460,300	90,685,100
vi) Total	$ 1,662,148,000	$ 1,792,632,000
B) Market Value of Assets	$ (18,613,000)	$ (26,774,000)
C) Unfunded Actuarial Accrued Liability (UAAL)	$ 1,680,761,000	$ 1,819,406,000
D) Funded Ratio: [B / A]	-1.1%	-1.5%
E) UAAL as a percentage of covered payroll	173.3%	179.8%
F) Gross Normal Cost	$ 82,199,000	$ 85,898,000
Expected Active Employee Contributions [d]	4,381,500	4,578,700
Net Annual Normal Cost	$ 77,817,500	$ 81,319,300
G) Participant Information		
i) Number of Covered Participants		
a) Actives	21,922	
b) Current retirees	5,672	
c) Waived retirees [b]	1,591	
d) Dependents	804	
e) Deferred vesteds [b]	1,569	
f) Deferred vesteds (Non-CIP) [b, c]	2,774	
g) Total	34,332	
ii) Covered Payroll [e]	$ 969,726,800	$ 1,012,185,300
iii) Expected first year benefit payments [f]	$ 21,916,000	$ 29,013,900

[a] *Projected AAL as of June 30, 2015, based on employment status as of June 30, 2014.*

[b] *Valuation assumes a percentage of waived retirees and deferred vested members under the age of 70 and waived beneficiaries over the age of 26 and under the age of 70 will elect retiree healthcare coverage in the future.*

[c] *Members under age 70 with deferred vested pension benefits, but not vested for CIP retiree healthcare benefits.*

[d] *Expected contributions based on contributions of 0.5% from all current active members currently participating in CIP and contributions from 25% of all current members not currently participating in CIP, but assumed to participate in the future.*

[e] *Covered payroll based on data for the 12,944 current active members with payroll of $819,735,900 currently participating in CIP and 8,978 with payroll of $149,990,800 currently not participating in CIP.*

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

Exhibit 2
Actuarial Accrued Liability as of June, 30, 2014, by Source

	Medical			
	Pre-65	**Post-65**	**Dental/Vision**	**Total**
Actives	$ 217,233,300	$ 576,517,400	$ 42,359,700	$ 836,110,400
Current Retirees and Dependents	47,096,600	451,988,900	30,819,500	529,905,000
Waived Retirees and Dependents	6,366,600	49,394,100	3,477,200	59,237,900
Deferred Vesteds	31,276,000	110,332,200	7,826,200	149,434,400
Deferred Vesteds (Non-CIP)	17,570,900	65,261,300	4,628,100	87,460,300
Total	$ 319,543,400	$ 1,253,493,900	$ 89,110,700	$ 1,662,148,000

Exhibit 3
Actuarial Accrued Liability as of Jun 30, 2014, by Plan

	Medical	Dental/Vision	Total
AL Before Retiree Contributions	$ 1,993,849,300	$ 89,110,700	$ 2,082,960,000
Value of Retiree Contributions [a]	420,812,000	-	420,812,000
Total	$ 1,573,037,300	$ 89,110,700	$ 1,662,148,000

[a] *Members' share of premium.*

Exhibit 4
Development of Annual Required Contribution

A)	Annual Required Contribution (ARC) for FY 2016		
	i) Net Normal Cost	$	81,319,300
	ii) Amortization of UAAL		60,646,900
	iii) Total	$	141,966,200
B)	Annual Required Contribution (ARC) FY 2015		
	i) Net Normal Cost	$	77,817,500
	ii) Amortization of UAAL		56,025,400
	iii) Total	$	133,842,900
C)	Projected FY 2016 Employer Contributions [1]		
	i) State (0.5% of pay)	$	4,578,700
	ii) Community Colleges (0.5% of pay)		4,578,700
	iii) Total	$	9,157,400
D)	Projected FY 2016 Active Employee Contributions [1]		
	i) Total (0.5% of pay)	$	4,578,700
E)	Projected FY 2016 Claims		
	i) Projected Claims and Expenses	$	42,726,300
	ii) Retiree Contributions		13,712,400
	iii) Net Employer Claims	$	29,013,900
F)	Projected FY 2016 Net Contributions and Net Claims		
	i) Net Employer Claims	$	29,013,900
	ii) Employer Contributions		9,157,400
	iii) Active Employee Contributions		4,578,700
	iv) Net Claims Not Covered by Contributions (i.-ii.-iii.)	$	15,277,800

[1] *Expected contributions based on contributions of 0.5% from all current active members currently participating in CIP and contributions from 25% of all current members not currently participating in CIP, but assumed to participate in the future.*

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%
06/30/2011	(19,657,000)	2,053,133,000	2,072,790,000	-0.96%	922,823,300	224.61%
06/30/2013	(13,238,000)	2,382,196,000	2,395,434,000	-0.56%	983,285,500	243.62%
06/30/2014	(18,613,000)	1,662,148,000	1,680,761,000	-1.12%	969,726,800	173.32%

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	4,059,000	2.06%	3,966,000	2.01%	2,267,000	1.15%
2011	182,236,200	5,237,000	2.87%	4,090,000	2.24%	2,219,000	1.22%
2012	190,436,800	4,396,000	2.31%	4,269,000	2.24%	2,424,000	1.27%
2013	196,999,600	40,176,000	20.39%	4,148,000	2.11%	2,322,000	1.18%
2014	171,061,900	4,399,000	2.57%	4,396,000	2.57%	1,611,000	0.94%
2015	133,842,900	4,479,000	3.35%	4,295,000	3.21%	271,000	0.20%
2016	141,966,200	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
2014 [b]	$ 21,916,000	2034	146,884,900
2015	29,013,900	2035	151,740,500
2016	34,059,900	2036	156,292,600
2017	39,891,400	2037	162,015,600
2018	46,652,700	2038	167,499,300
2019	54,397,500	2039	172,562,300
2020	62,870,300	2040	176,755,800
2021	72,016,400	2041	180,132,900
2022	78,484,300	2042	182,215,400
2023	84,423,900	2043	183,615,400
2024	90,068,600	2044	184,343,700
2025	95,677,500	2045	184,484,800
2026	101,098,200	2046	184,072,500
2027	106,379,300	2047	182,361,500
2028	111,541,800	2048	180,164,700
2029	117,289,400	2049	177,579,000
2030	123,521,100	2050	174,706,700
2031	129,598,300	2051	171,808,400
2032	135,599,500	2052	169,388,000
2033	141,463,400	2053	167,522,800

[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.*

[b] *Based on actual paid claims for fiscal year beginning July 1, 2014,*
and estimated incurred claims on and after fiscal years beginning July 1, 2015.

Exhibit 8
Summary of Demographic Information as of June 30, 2014

		Currently CIP Eligible[b]	Not Currently CIP Eligible[c]	Total
A)	Active Participants			
	i) Counts	12,944	8,978	21,922
	ii) Average Age	48.1	50.0	48.9
	iii) Average Service	11.8	7.9	10.2
B)	Retirees Under Age 65 [a]			
	i) Counts	1,416		1,416
	ii) Average Age	61.3		61.3
C)	Retirees Over Age 65 [a]			
	i) Counts	4,256		4,256
	ii) Average Age	73.9		73.9
D)	Dependents Under Age 65 [a]			
	i) Counts	117		117
	ii) Average Age	61.2		61.2
E)	Dependents Over Age 65 [a]			
	i) Counts	654		654
	ii) Average Age	74.1		74.1
F)	Waived Retirees [d]			
	i) Counts	1,591		1,591
	ii) Average Age	63.3		63.3
G)	Survivor Children [a]			
	i) Counts	-		-
	ii) Average Age	N/A		N/A
H)	Dependent Children [a]			
	i) Counts	33		33
	ii) Average Age	21.4		21.4
I)	Deferred Vested Participants [d]			
	i) Counts	1,569	2,774	4,343
	ii) Average Age	50.0	53.1	52.0
J)	Total Participants	22,580	11,752	34,332

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

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

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

[d] *Includes members currently under the age of 70 and waived beneficiaries over the age of 26 and under 70.*

Exhibit 9
Assets Available for Benefits

	As of June 30,	
	2014	**2015**
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$ (13,238,000)	$ (18,613,000)
Revenues		
State Contributions	$ 4,399,000	$ 4,479,000
Employer Contributions	4,396,000	4,295,000
Federal Government Medicare Part D Subsidy	1,611,000	271,000
Active Member Contributions	4,396,000	4,295,000
Retired Member Contributions	13,959,000	12,209,000
COBRA	-	-
Interest	15,000	9,000
Other Additions	-	406,000
Total Revenues	$ 28,776,000	$ 25,964,000
Deductions		
Benefits	$ 30,932,000	$ 32,125,000
Administrative Expense	3,219,000	2,000,000
Total Deductions	$ 34,151,000	$ 34,125,000
Net Change	$ (5,375,000)	$ (8,161,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$ (18,613,000)	$ (26,774,000)

SECTION F

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Development of Per Capita Claim Costs

The per capita claims used in the valuation were calculated by the State's healthcare actuary and are based on average per member costs by plan type for the period July 1, 2015, through June 30, 2016, as provided by the Department of Central Management Services (CMS). The per capita claims for the MAPD plans used in the valuation were based on weighted average premium rate, as provided by the Department of Health and Family Services (CMS) with 94 percent allocated to PPO contracts and 6 percent allocated to HMO contracts. 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, 2014
Discount Rate	4.5%
Inflation[1]	3.0%
Wage Inflation[2]	4.5%

OPEB Assumptions

	Healthcare Trend				
Fiscal Year	**Pre-Medicare Medical and Rx**[3]	**Post-Medicare Medical and Rx**[4]	**Dental**	**Vision**	**Retiree Premium**
2016	8.50%	8.50%	7.50%	3.00%	5.00%
2017	8.00%	8.00%	7.00%	3.00%	5.00%
2018	7.91%	7.50%	6.50%	3.00%	5.00%
2019	7.41%	7.00%	6.00%	3.00%	5.00%
2020	6.91%	6.50%	5.50%	3.00%	5.00%
2021	6.41%	6.00%	5.00%	3.00%	5.00%
2022	5.91%	5.50%	4.50%	3.00%	5.00%
2023	5.41%	5.00%	4.50%	3.00%	5.00%
2024+	4.91%	4.50%	4.50%	3.00%	4.50%

[1] Inflation assumption used to estimate the impact of the Excise Tax under Healthcare Reform.
[2] Wage inflation used to project to payroll.
[3] Higher trend rate on and after 2018 to account for the Excise Tax under healthcare reform.
[4] In additional to these trend rates, the per capita claims costs for the Medicare Advantage Prescription Drug plans (MAPD) are increased to reflect an ultimate MAPD savings of 15 percent in 2022 and thereafter.

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	$ 2,613	$ 4,827	20	$ 2,412	$ 4,455
25	2,723	5,501	25	2,514	5,077
30	2,827	5,784	30	2,609	5,339
35	3,261	6,067	35	3,010	5,599
40	4,208	6,593	40	3,884	6,085
45	5,717	7,485	45	5,277	6,908
50	7,735	8,764	50	7,139	8,089
51	8,189	9,062	51	7,558	8,364
52	8,657	9,373	52	7,990	8,651
53	9,131	9,702	53	8,427	8,954
54	9,616	10,042	54	8,875	9,268
55	10,109	10,391	55	9,330	9,591
56	10,610	10,750	56	9,793	9,922
57	11,117	11,117	57	10,260	10,260
58	11,642	11,476	58	10,745	10,592
59	12,171	11,840	59	11,233	10,928
60	12,700	12,208	60	11,721	11,267
61	13,230	12,577	61	12,210	11,608
62	13,757	12,948	62	12,697	11,950
63	14,272	13,326	63	13,173	12,299
64	14,782	13,702	64	13,643	12,646

Per Capita Claims Costs for Medicare Eligible Members

	CCHP		HMO		MAPD	
	Medical and Rx		Medical and Rx		Medical and Rx	
Age	Male	Female	Male	Female	Male	Female
65	$ 4,523	$ 4,165	$ 4,525	$ 4,167	$ 2,499	$ 2,301
66	4,669	4,275	4,671	4,276	2,580	2,362
67	4,812	4,382	4,814	4,384	2,659	2,421
68	4,951	4,488	4,954	4,490	2,736	2,480
69	5,087	4,591	5,089	4,593	2,810	2,537
70	5,218	4,692	5,220	4,694	2,883	2,592
71	5,344	4,789	5,346	4,791	2,952	2,646
72	5,464	4,883	5,467	4,885	3,019	2,698
73	5,580	4,973	5,582	4,975	3,083	2,748
74	5,689	5,059	5,692	5,061	3,143	2,795
75	5,792	5,141	5,795	5,143	3,200	2,840
76	5,889	5,218	5,892	5,220	3,254	2,883
77	5,980	5,290	5,982	5,292	3,304	2,923
78	6,064	5,357	6,066	5,359	3,350	2,959
79	6,141	5,418	6,143	5,421	3,393	2,994
80	6,211	5,474	6,213	5,477	3,431	3,025
81	6,274	5,525	6,277	5,527	3,466	3,053
82	6,330	5,570	6,333	5,572	3,497	3,077
83	6,380	5,609	6,382	5,612	3,525	3,099
84	6,422	5,643	6,425	5,645	3,548	3,118
85	6,459	5,671	6,462	5,673	3,569	3,133
86	6,489	5,693	6,492	5,695	3,585	3,145
87+	6,519	5,704	6,522	5,706	3,602	3,151

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

	CCHP			HMO	
	Medical and Rx			Medical and Rx	
Age	Male	Female	Age	Male	Female
65	$ 12,255	$ 11,285	65	$ 13,396	$ 12,336
66	12,651	11,581	66	13,829	12,660
67	13,038	11,873	67	14,252	12,979
68	13,415	12,159	68	14,664	13,292
69	13,782	12,439	69	15,065	13,597
70	14,136	12,711	70	15,452	13,895
71	14,477	12,975	71	15,826	14,183
72	14,805	13,229	72	16,183	14,461
73	15,117	13,473	73	16,525	14,728
74	15,413	13,706	74	16,849	14,983
75	15,693	13,928	75	17,155	15,225
76	15,956	14,136	76	17,442	15,452
77	16,201	14,331	77	17,710	15,666
78	16,428	14,513	78	17,958	15,864
79	16,637	14,680	79	18,186	16,047
80	16,827	14,832	80	18,394	16,213
81	16,998	14,969	81	18,581	16,363
82	17,150	15,091	82	18,747	16,496
83	17,284	15,197	83	18,894	16,613
84	17,401	15,288	84	19,021	16,712
85	17,499	15,363	85	19,129	16,794
86	17,581	15,424	86	19,219	16,860
87+	17,661	15,453	87+	19,306	16,892

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 26	$ 213
26 - 64	256
65+	260
Medicare Eligible	260

Participation

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

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

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

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

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

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

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

Medicare costs for future retirees, current retirees that are under the age of 65, and current retirees in split Medicare/Non-Medicare contracts are based on blended plan costs of seven percent non-MAPD per capita claims and 93 percent MAPD per capita claims.

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

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

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

Pension-related assumptions

The pension-related assumptions disclosed in the State Universities Retirement System (SURS) experience study for the period June 30, 2010, to June 30, 2014, which are expected to be used in the actuarial valuation report as of June 30, 2015, are assumed.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by SURS and CMS. 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 assumptions are as follows:

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

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

Termination Rates

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

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

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

Sample Disability Rates

% Separating Within Next Year

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

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 hired before January 1, 2011:
Age 55 with 20 years of service, or age 50 with 25 years of service.

For other members hired before January 1, 2011:
Age 62 with 5 years of service, age 60 with 8 years of service, or any age with 30 years of Service.

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

EARLY RETIREMENT

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

Eligibility conditions

For members other than police and fire employees hired before January 1, 2011:
Age 55 with 8 years of service.

For members other than police and fire employees hired on or after January 1, 2011:
Age 62 with 10 years of service.

DISABILITY RETIREMENT

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

VESTED TERMINATIONS

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

DEPENDENTS ELIGIBLE FOR COVERAGE

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

ENROLLMENT TIMING

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

SURVIVING SPOUSE COVERAGE

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

FUNDING POLICY

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

MEDICARE

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

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

HEALTHCARE PLANS

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

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

DENTAL PLAN

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

VISION PLAN

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

TOTAL RETIREE ADVANTAGE ILLINOIS (TRAIL)

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

Monthly Premiums through June 30, 2016
(amounts include the cost of health, dental and vision coverage)

	Not Medicare Primary Under Age 26	Not Medicare Primary Age 26-64	Not Medicare Primary Age 65 & Above	Medicare Primary All Ages [1]
Benefit Recipient Managed Care Plans	$103.79	$259.46	$362.23	$108.00
Dependent Beneficiary Managed Care Plans	$415.14	$1,037.86	$1,448.93	$431.99
Benefit Recipient CCHP Plan	$121.99	$304.96	$431.11	$110.45
Dependent Beneficiary CCHP Plan	$487.94	$1,219.86	$1,724.44	$441.79

Medicare Advantage Plan Monthly Premiums Effective January 1, 2015

	HMO Plans (Humana, Coventry Advantra and Health Alliance MAPD HMOs)	UnitedHealthcare PPO Plan
Member Rate	$47.26	$57.59
Dependent Rate	$189.03	$230.37

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

College Choice Health Plan (CCHP)

Plan Feature	*In Network*	*Out of Network* [1]
Annual Deductible	$750 per participant	$750 per participant
Annual Out of Pocket Limit	$1,500 per individual $3,000 per family, per plan year	$4,500 per individual $9,000 per family, per plan year
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	80% after annual plan deductible, $250 deductible per hospital admission	60% after annual plan deductible, $500 deductible per hospital admission
-Outpatient Services	80% after deductible	60% after deductible
Prescription Drug Copays	Retail [2] Generic: $12.50 Preferred Formulary Brand: $25.00 Non-Preferred Brand: $50.00 Specialty: $100.00 For 30-day supply	
Maximum Lifetime Benefit	Unlimited	

[1] *Out of network claims covered only up to usual and customary amount.*
[2] *Mail order prescriptions at 2 times retail copay for a 90-day supply.*

Health Maintenance Organizations (HMO)

Plan Feature	
Annual Deductible	$0
Out of Pocket Maximum	$3,000 per individual $6,000 per family, per plan year
Covered Services -Physicians Visits -Emergency Care -Inpatient Services -Outpatient Services -Surgery -Lab/X-ray -Other	Copay $30 $200 $250 $200 $0 $30
Prescription Drug Copays	Retail [1] Generic $12 Preferred Brand $24 Non-Preferred Brand $48 Specialty $96 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 [2]	$400 per enrollee [2]
Annual Out of Pocket Limit	$6,600 per enrollee $13,200 per family Tier I and Tier II charges combined		N/A
Covered Services	Coinsurance	Coinsurance	Coinsurance
-Office Visits	$30 copay	80%	60%
-Preventive	100%	100%	N/A
-Emergency Room	$200 copay	$200 copay	$200 copay
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Surgery	$200 copay	$200 copay, then 80%	$200 copay, then 60%
Prescription Drug Copays	Retail [3] Generic $12 Preferred Brand $24 Non-Preferred Brand $48 Specialty $96 For 30-day supply		
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

[1] Out of network claims covered only up to usual and customary amount.
[2] An annual deductible must be met before plan benefits apply. Benefit limits are measured on a plan year. Plan copayments, deductibles and amounts over the plan's allowable charges do not count toward the out-of-pocket maximum.
[3] Mail order prescriptions at 2 times retail copay for a 90-day supply.

TRAIL HMO

Plan Feature			
Annual Deductible	$0		
Out of Pocket Maximum	$3,000 per enrollee		
Covered Services	Copay		
-Physicians Visits	$20		
-Emergency Care	$65 Copay waived if admitted within 24 hours		
-Inpatient Services	$250		
-Outpatient Services	$150		
Prescription Drug Copays [1]	Supply	30 days	60 days
	Generic	$10	$20
	Preferred Brand	$20	$40
	Non-Preferred Brand	$40	$80
Maximum Lifetime Benefit	Unlimited		

[1] To obtain a 90 day supply, copayments are 2 times the 30-day supply copayment under Coventry Advantra, 2.5 times the 30-day supply copayment under Health Alliance MAPD, and 3 times the 30-day supply copayment under Humana HMOs. Copayments are capped once a member reaches $4,700 in "true out-of-pocket" prescription drug costs.

TRAIL PPO

Plan Feature	***In Network***				***Out of Network***
Annual Deductible	$250 per enrollee				$250 per enrollee
Annual Out of Pocket Limit	$1,000 per enrollee				$1,000 per enrollee
Covered Services	Coinsurance				Coinsurance
-Office Visits	80% after deductible				80% after deductible
-Emergency Room	$65 Copay Copay waived if admitted within 24 hours				$65 Copay Copay waived if admitted within 24 hours
-Inpatient Services	80% after deductible				80% after deductible
-Outpatient Services	80% after plan deductible				80% after plan deductible
Prescription Drug Copays [1]	Supply	30 days	60 days	90 days	
	Generic	$10	$20	$30	
	Preferred Brand	$25	$50	$75	
	Non-Preferred Brand	$50	$100	$150	
Maximum Lifetime Benefit	Unlimited				

[1] *Copayments are capped once a member reaches $4,700 in "true out-of-pocket" prescription drug costs.*

Vision Benefits

Service [1]	**In Network**	**Out of Network**
Eye Exam	$10 copay	$20 allowance
Lenses	$10 copay	$20 allowance for single vision lenses $30 allowance for bifocal and trifocal lenses
Standard Frames	$10 copay (up to $90 retail frame cost; benefit recipient responsible for balance over $90)	$20 allowance
Contact Lenses (in lieu of Standard Frames and Lenses)	$20 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.*

Dental Benefits

Plan Feature	
Annual Deductible for Preventative Services	N/A
Annual Deductible for All Other Covered Services	$100 per participant
Plan Year Maximum Benefit	$2,000 per participant

Child Orthodontia Benefits

Available only to children who begin treatment prior to the age of 19.

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

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.