College Insurance Program of the State of Illinois

GASB Statements No.74 and 75

Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

Actuarial Valuation Report as of

June 30, 2017

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December 14, 2018

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

Subject: GASB Statements No. 74 and 75 Actuarial Valuation as of June 30, 2017, for Illinois CIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2017, of the liabilities associated with the employer financed retiree health benefits provided through the State of Illinois College Insurance Program (CIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the State Universities Retirement System of Illinois (SURS).

This report was prepared at the request of the 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, 2017, was prepared for purposes of complying with the requirements of Statements No. 74 and 75 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of CIP and participating employers may produce significantly different results. The actuarial valuation was based upon:

- Census information used in the June 30, 2017, SURS pension valuation as provided by the System's actuary and SURS;
- Healthcare data and census data as of June 30, 2017, for CIP as provided by the Department of Central Management Services (CMS);
- Average expected per member costs by plan type for the plan year end June 30, 2018, 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, 2017, which are the same pension-related assumptions used since the last OPEB actuarial valuation as of June 30, 2016;
- Economic assumptions approved by the State, including a discount rate of 3.56 percent as of June 30, 2017, and 3.62 percent as of June 30, 2018, which comply with the requirements of GASB Statements No. 74 and 75;
- An ultimate trend rate assumption of 4.50 percent for Medicare coverage and 4.91 percent for non-Medicare coverage, which reflects the impact of the excise tax under healthcare reform; and
- Other healthcare-related assumptions recommended by GRS and approved by the State.

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

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

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

The signing actuaries are independent of the plan sponsor.

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

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

Respectfully submitted,

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Senior Consultant

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

EXECUTIVE SUMMARY

Executive Summary

Introduction

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

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

We understand CIP is a cost-sharing multiple employer plan and as of June 30, 2017, 39 employers are participating in the plan.

Funded and Unfunded Plans

Currently, benefits offered through CIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, community colleges, the State, and subsidies from the Federal Government. Contributions are made to the Community College Health Insurance Security Fund. For fiscal year 2018, active members contribute 0.50 percent of pay, community colleges contribute 0.50 percent of pay and the State contributes 0.50 percent of pay. Retired members contribute through premium payments based on the coverage elected, Medicare eligibility and the age of the member and dependents. The Federal Government provides a Medicare Part D subsidy.

The current objective is to fund the Trust in order to maintain benefits through individual annual periods with appropriate margins for incurred but not paid liabilities. That is, there is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions that have historically marginally exceeded the annual expected net claim payments. However, this trust has a negative asset balance of $(50.8) million as of June 30, 2017, and $(64.5) million as of June 30, 2018. Historically, these assets have been invested in cash and other short-term investments according to the current investment policy, and benefit obligations are effectively funded on a pay-as-you-go basis.

Consequently, according to GASB Statements No. 74 and 75, the discount rate used to calculate the present values and costs of the OPEB, for programs funded on a pay-as-you-go basis, should be consistent with an index of high quality 20-year general obligation bonds as of the measurement date. For this purpose, the plan sponsor has selected an interest discount rate of 3.56 percent as of June 30, 2017, and 3.62 percent as of June 30, 2018.

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

Results of the Study

The actuarial valuation as of June 30, 2017, for purposes of financial reporting under GASB Statements No. 74 and 75 requires:

- If benefits are funded on a pay-as-you-go basis, a discount rate based on the expected return for an index of high-quality 20-year general obligation bonds. For this purpose the sponsor selected a discount rate of 3.56 percent as of June 30, 2017, and 3.62 percent as of June 30, 2018.
- The Entry Age Normal cost method

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

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

Projected Actuarial Accrued Liability at June 30, 2017, at 3.56%	**$ 1,772,818,960**
(Gain)/Loss due to:	
Demographic Experience	41,027,821
Change in OPEB-related Assumptions	(120,992,296)
Change in Interest Rate Assumption from 3.56% to 3.62%	(15,039,993)
Total	**$ (95,004,468)**
Actuarial Accrued Liability at June 30, 2017, at 3.62%	**$ 1,677,814,492**

The actuarial Accrued Liability as of June 30, 2017, using a discount rate of 3.62 percent, is projected to June 30, 2018, for GASB Statements No. 74 and 75 financial reporting.

Liabilities decreased more than expected due to the following reasons:

- Favorable claims experience compared with assumed trend rates from the previous actuarial valuation and reductions in the expected average per capita claim costs for the fiscal year end June 30, 2017; and
- Increasing the interest rate from 3.56 percent to 3.62 percent.

The decrease in liabilities was offset by the following factors:

- Unfavorable demographic experience.

In fiscal year 2018, employer costs, as reported in the fiscal year 2018 financial statements of the State and CIP, and information provided by CMS, were allocated as follows:

Stakeholder/ Revenue Source	2018 Cost Sharing ($ in millions)	Percent of Total Revenue	Statutory Requirement FY 2018	Statutory Requirement FY 2019
State	$ 4.37	16.2%	0.50% of pay	0.50% of pay
Community Colleges	4.46	16.5%	0.50% of pay	0.50% of pay
Federal Part-D Subsidy	0.21	0.8%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	4.46	16.5%	0.50% of pay	0.50% of pay
Retirees	13.51	50.0%	Percent of premium	Percent of premium
COBRA	-	0.0%		
Total	**$ 27.01**	**100.0%**		
Benefits and Expenses Paid	**$ 40.27**			
Benefits and Expenses Covered by Revenue	**67%**			

Actuarial Assumptions

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

This actuarial valuation of CIP is similar to the actuarial valuation performed for the SURS pension plan. The demographic assumptions (rates of retirement, termination and disability) used in this OPEB valuation were identical to those used in the June 30, 2017 SURS actuarial valuation. The pension-related assumptions have not changed since the last OPEB valuation as of June 30, 2016.

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

The following OPEB-related assumption changes were made since the last actuarial valuation as of June 30, 2016:

- The discount rate was changed from 3.56 percent at June 30, 2017, to 3.62 percent at June 30, 2018;
- The healthcare trend assumption was updated based on claim and enrollment experience through June 30, 2017, projected plan cost for plan year end June 30, 2018, premium changes through plan year end 2018, and expectation of future trend increases after June 30, 2018;
- The Excise Tax trend adjustment was updated based on available premium and enrollment information as of June 30, 2018;
- Per capita claim costs for plan year end June 30, 2018, were updated based on projected claims and enrollment experience through June 30, 2018, and updated premium rates through plan year end 2019; and
- Healthcare plan participation rates by plan were updated based on observed experience.

Adjustments to the Estimated Impact of Excise Tax under Healthcare Reform

Beginning in 2022, the Patient Protection and Affordable Care Act (PPACA) imposes a 40 percent excise tax on healthcare plan costs over certain statutory limits. The annual statutory limits for 2018 depend on the age and coverage tier as follows:

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

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

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

Based on the preceding method, the trend rates for non-Medicare medical and prescription drug costs were increased by an additional 0.41 of a percentage point on and after 2022. Trend rates for Medicare medical and prescription drug costs were not adjusted because of the decrease in costs after the adoption of the MAPD plans.

Actuarial Cost Methods

The actuarial valuation results are based on the Entry Age Normal cost method as required by GASB Statements No. 74 and 75.

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

- Key actuarial valuation results;
- An overview of the GASB Statements No. 74 and 75 requirements;
- Additional actuarial valuation exhibits and financial disclosure required under GASB Statements No. 74 and 75; and
- Summary of assumptions and methods and plan provisions.

SECTION B

ACTUARIAL VALUATION RESULTS

Actuarial Valuation Results

The following section shows actuarial valuation results as of June 30, 2017, projected to June 30, 2018, using two alternative discount rates of 3.56 percent and 3.62 percent.

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

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

Actuarial Valuation Results

College Insurance Program
Retiree Healthcare Program
Exhibit 1

Discount Rate		*3.56%*	*3.62%*
Ultimate Trend Non-Medicare		*4.91%*	*4.91%*
Ultimate Trend Medicare		*4.50%*	*4.50%*
Summary of Actuarial Valuation Results as of		**June 30, 2017**	**June 30, 2017**
A)	Actuarial Accrued Liability (AAL) [1]		
	i) Active employees	$ 623,288,065	$ 619,195,359
	ii) Current retirees and their covered dependents	682,863,794	677,600,613
	iii) Waived retirees and their covered dependents [2]	61,702,978	61,117,467
	iv) Deferred vesteds - currently CIP eligible [2]	216,033,465	212,489,143
	v) Deferred vesteds - not currently CIP eligible [2, 3]	108,966,183	107,411,910
	vi) Total	$ 1,692,854,485	$ 1,677,814,492
B)	Market Value of Assets[4]	$ (50,818,000)	$ (50,818,000)
C)	Unfunded Actuarial Accrued Liability (UAAL)	$ 1,743,672,485	$ 1,728,632,492
D)	Funded Ratio: [B / A]	-3.0%	-3.0%
E)	UAAL as a percentage of covered payroll	177.2%	175.7%
F)	i) Gross Normal Cost	$ 111,621,631	$ 109,713,351
	ii) Expected Active Employee Contributions [5]	4,448,839	4,448,839
	iii) Net Annual Normal Cost	$ 107,172,792	$ 105,264,512
G)	Expected First Year Benefit Payments	$ 30,969,031	$ 30,969,031
H)	Interest Costs	$ 63,692,922	$ 64,152,952
I)	Projected Actuarial Accrued Liability at Fiscal Year End	$ 1,837,200,007	$ 1,820,711,764
J)	Covered Payroll	$ 983,856,634	$ 983,856,634
K)	Participant Information		
	i) Number of Covered Participants		
	a) Active employees - CIP eligible	12,626	
	b) Active employees - Not currently CIP eligible	7,781	
	c) Current retirees and survivors	6,324	
	d) Waived retirees	1,364	
	e) Dependents	858	
	f) Deferred vesteds - CIP eligible [2]	1,658	
	g) Deferred vesteds – Not currently CIP eligible [2,3]	2,660	
	h) Total	33,271	

[1] *Actuarial accrued liability as of June 30, 2017 based on census, assumptions, and methods as of June 30, 2017.*

[2] *Valuation assumes a percentage of waived retirees and deferred vested members under the age of 70 as of June 30, 2017, and waived beneficiaries over the age of 26 and under the age of 70 as of June 30, 2017, will elect CIP retiree healthcare coverage in the future.*

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

[4] *Market Value of Assets was restated from $(50,818,000) as of June 30, 2017, to $(51,331,000) as of July 1, 2017.*

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

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

SECTION C

GASB STATEMENTS NO. 74 AND 75 INFORMATION

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

Discussion

Accounting Standard

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

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

GASB Statements No. 74 and 75 are effective for fiscal years beginning after June 15, 2016, and June 15, 2017, respectively.

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

Plan Financial Statements

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

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

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

The GASB Statement No. 74 information contained in this report is based on an actuarial valuation date of June 30, 2017, projected to a measurement date of June 30, 2018.

GASB Statements No. 74 and 75 Information

For GASB Statement No. 75 reporting purposes, the plan sponsor's fiscal year end June 30, 2019 financial reporting will be based on a measurement date of June 30, 2018.

The information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of June 30, 2018.

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

Notes to Financial Statements

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

GASB Statements No. 74 and 75 require the notes of the financial statements for the Plan and Plan Sponsor to include certain additional information. The list of disclosure items should include:

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

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

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

Required Supplementary Information

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

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

Frequency and Timing of the Actuarial Valuation

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

Single Discount Rate

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

Since CIP is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 3.56 percent as of June 30, 2017, and 3.62 percent as of June 30, 2018.

Actuarial Assumptions

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

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

Future Uncertainty or Risk

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

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

Benefits Valued

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

GASB Statements No. 74 and 75 Information

This section contains the following GASB Statements No. 74 and 75 information:

- GASB Statements No. 74 and 75 Summary;
- GASB Statement No. 74 Changes in Net OPEB Liability for plan year end June 30, 2018;
- GASB Statement No. 74 Multiyear Net OPEB Liability;
- GASB Statement No. 74 Schedule of Contributions;
- Notes to Schedule of Contributions;
- GASB Statements No. 74 and 75 Sensitivity of Net OPEB Liability plan year end June 30, 2018;
- GASB Statement No. 75 Changes in Net OPEB Liability for plan year end June 30, 2018, applicable to sponsor's fiscal year end June 30, 2019;
- GASB Statement No. 75 Expense measured as of plan year end June 30, 2018, and applicable to sponsor's fiscal year end June 30, 2019; and
- GASB Statement No. 75 Development of Inflows and Outflows as of June 30, 2018.

Summary of GASB Statements No. 74 and 75 Results

		2018
Actuarial Valuation Date		June 30, 2017
Measurement Date of the Net OPEB Liability		June 30, 2018
Plan Year End for GASB Statement No. 74		June 30, 2018
Employer's Fiscal Year End for GASB Statement No. 75		June 30, 2019
Membership		
Number of		
- Retirees and Beneficiaries		6,324
- Inactive, Nonretired Members		5,682
- Active Members		20,407
- Total		32,413
Covered Payroll	$	983,856,634
Net OPEB Liability		
Total OPEB Liability	$	1,820,711,764
Plan Fiduciary Net Position		(64,540,000)
Net OPEB Liability	$	1,885,251,764
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		-3.54%
Net OPEB Liability as a Percentage of Covered Payroll		191.62%
Development of the Single Discount Rate		
Single Discount Rate Beginning of Year		3.56%
Single Discount Rate End of Year		3.62%
Long-Term Expected Rate of Investment Return, Beginning of Year		0.00%
Long-Term Expected Rate of Investment Return, End of Year		0.00%
Long-Term Municipal Bond Rate Beginning of Year[a]		3.56%
Long-Term Municipal Bond Rate End of Year[a]		3.62%
Year Assets are Projected to be depleted		2017
Total OPEB Expense for Fiscal Year End June 30, 2018, Applicable to Sponsor's Fiscal Year End June 30, 2019	$	125,303,819

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses as of June 30, 2019

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference Between Expected and Actual Experience	$ 27,708,616	$ (4,129,015)
Changes in Assumptions	-	(235,977,928)
Net Difference Between projected and Actual Earnings on OPEB Plan Investments	-	(61,600)
Total	$ 27,708,616	$ (240,168,542)

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

GASB Statements No. 74 and 75 Information

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

Fiscal Year Ending June 30,	2018	2017
Total OPEB Liability		
Service Cost	$ 111,621,631	$ 147,948,300
Interest on the Total OPEB Liability	63,692,922	54,582,721
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	33,283,790	(6,193,522)
Changes of Assumptions	(137,480,539)	(182,288,932)
Benefit Payments [a]	(23,225,000)	(22,918,000)
Net Change in Total OPEB Liability	$ 47,892,804	$ (8,869,433)
Total OPEB Liability - Beginning	$ 1,772,818,960	$ 1,781,688,393
Total OPEB Liability - Ending (a)	$ 1,820,711,764	$ 1,772,818,960
Plan Fiduciary Net Position		
Employer Contributions	$ 8,830,000	$ 8,676,000
Active Member Contributions	4,463,000	4,367,000
Net Investment Income	59,000	24,000
Benefit Payments [a]	(23,225,000)	(22,918,000)
Operating Expenses	(3,543,000)	(2,886,000)
Other	207,000	185,000
Net Change in Plan Fiduciary Net Position	$ (13,209,000)	$ (12,552,000)
Plan Fiduciary Net Position - Beginning[b]	(51,331,000)	(38,266,000)
Plan Fiduciary Net Position - Ending (b)	(64,540,000)	(50,818,000)
Net OPEB Liability - Ending (a) - (b)	$ 1,885,251,764	$ 1,823,636,960
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-3.54%	-2.87%
Covered-Employee Payroll	$ 983,856,634	$ 953,001,927
Net OPEB Liability as a Percentage of Covered-Employee Payroll	191.62%	191.36%

[a] *Actual benefits paid by sponsor.*

[b] *Plan Fiduciary Net Position was restated from $(50,818,000) as of June 30, 2017, to $(51,331,000) as of July 1, 2017.*

GASB Statements No. 74 and 75 Information

GASB Statement No. 74 Schedule of Net OPEB Liability Multiyear

FY Ending June 30,	Total OPEB Liability	Fiduciary Net Position[b]	Net OPEB Liability	Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll[a]	Net OPEB Liability as a % of Covered Payroll
2016	$ 1,781,688,393	$ (38,266,000)	$ 1,819,954,393	-2.15%	918,556,000	198.13%
2017	1,772,818,960	(50,818,000)	1,823,636,960	-2.87%	953,001,927	191.36%
2018	1,820,711,764	(64,540,000)	1,885,251,764	-3.54%	983,856,634	191.62%

[a] *Estimated payroll for fiscal year end June 30, 2016, based on fiscal year end June 30, 2017, payroll adjusted by wage inflation assumption of 3.75 percent.*
[b] *Plan Fiduciary Net Position was restated from $(50,818,000) as of June 30, 2017, to $(51,331,000) as of July 1, 2017.*

GASB Statement No. 74 Schedule of Contributions Multiyear

FY Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	N/A	$ 9,042,000	N/A	918,556,000	0.98%
2017	N/A	$ 8,676,000	N/A	953,001,927	0.91%
2018	N/A	$ 8,830,000	N/A	983,856,634	0.90%

Contributions for CIP are defined by State statute and Actuarially Determined Contributions are not developed. Benefits are financed on a pay-as-you basis, based on contribution rates defined by statute. For fiscal year end June 30, 2018, contribution rates are 0.50 percent of pay for active members, 0.50 percent of pay for community colleges, and 0.50 percent of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.

Notes to Schedule of Contributions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Sponsor's Fiscal year End	June 30, 2019

Methods and Assumptions Used to Determine Actuarial Liability and Contributions:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you basis. Contribution rates are defined by statute. For fiscal year end June 30, 2018, contribution rates are 0.50% of pay for active members, 0.50% of pay for community colleges, and 0.50% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Inflation	2.75%
Salary Increases	Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumtpion.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2014, actuarial valuation of SURS.
Mortality	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table. Disabled Annuitants: RP-2014 Disabled Annutant Table. Pre-Retirement: RP-2014 White Collar Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2018 based on premium increases. For fiscal years on and after 2019, trend starts at 8.00% and 9.00% for non-Medciare cost and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additonal trend rate of 0.41% is added to non-Medicare cost on and after 2022 to account for the Excise
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

Single Discount Rate

The State, community colleges and active members each contribute 0.50 percent of pay. Retirees contribute a percentage of the premium rate. The State also contributes an additional amount to cover plan costs in excess of contributions and investment income. Because plan benefits are financed on a pay-as-you-go basis, this single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.56 percent at June 30, 2017 and 3.62 percent at June 30, 2018, was used to measure the total OPEB liability. The increase in the single discount rate, from 3.56 percent to 3.62 percent, caused the total OPEB liability to decrease by approximately $16.5 million as of June 30, 2018.

Investment Return

During plan year end June 30, 2018, the trust earned $59,000 in interest, and due to a significant benefit payable, the market value of assets at June 30, 2017, is a negative $64.3 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the investment return assumption was set to zero.

Money-Weighted Rate of Return

The annual money-weighted rate of return was estimated based on monthly investment performance, net of investment expenses, adjusted for changing amounts actually invested. The annual money-weighted rate of return was 1.503 percent for plan year end June 30, 2018, and 0.806 percent for plan year end June 30, 2017.

Sensitivity of Net OPEB Liability

The following table shows the plan's net OPEB liability as of June 30, 2018, using the current single discount rate of 3.62 percent, and sensitivity single discount rates that are either one percentage point higher or lower:

1% Decrease 2.62%	Current Single Discount Rate Assumption 3.62%	1% Increase 4.62%
$ 2,184,957,788	$ 1,885,251,764	$ 1,635,807,151

GASB Statements No. 74 and 75 Information

The following table shows the plan's net OPEB liability as of June 30, 2018, using current trend rates and sensitivity trend rates that are either one percentage point higher or lower. The key current trend rates are percent 8.00 percent in 2019 decreasing to an ultimate trend rate of 4.91 percent in 2026, for non-Medicare coverage, and percent 9.00 percent in 2019 decreasing to an ultimate trend rate of 4.50 percent in 2028 for Medicare coverage.

1% Decrease[a]	Healthcare Cost Trend Rates Assumption	1% Increase[b]
$ 1,562,861,270	$ 1,885,251,764	$ 2,309,566,489

[a] *One percentage point decrease in healthcare trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.91% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage.*

[b] *One percentage point increase in healthcare trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.91% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.*

Schedule of Changes in Net OPEB Liability under GASB Statement No. 75
Measured as of June 30, 2018,
Applicable to Plan Sponsor's Fiscal Year End June 30, 2019

Fiscal Year Ending June 30,	2018	2017
Total OPEB Liability		
Service Cost	$ 111,621,631	$ 147,948,300
Interest on the Total OPEB Liability	63,692,922	54,582,721
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	33,283,790	(6,193,522)
Changes of Assumptions	(137,480,539)	(182,288,932)
Benefit Payments [a]	(23,225,000)	(22,918,000)
Net Change in Total OPEB Liability	$ 47,892,804	$ (8,869,433)
Total OPEB Liability - Beginning	$ 1,772,818,960	$ 1,781,688,393
Total OPEB Liability - Ending (a)	$ 1,820,711,764	$ 1,772,818,960
Plan Fiduciary Net Position		
Employer Contributions	$ 8,830,000	$ 8,676,000
Active Member Contributions	4,463,000	4,367,000
Net Investment Income	59,000	24,000
Benefit Payments [a]	(23,225,000)	(22,918,000)
Operating Expenses	(3,543,000)	(2,886,000)
Other	207,000	185,000
Net Change in Plan Fiduciary Net Position	$ (13,209,000)	$ (12,552,000)
Plan Fiduciary Net Position - Beginning[b]	(51,331,000)	(38,266,000)
Plan Fiduciary Net Position - Ending (b)	(64,540,000)	(50,818,000)
Net OPEB Liability - Ending (a) - (b)	$ 1,885,251,764	$ 1,823,636,960
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	-3.54%	-2.87%
Covered-Employee Payroll	$ 983,856,634	$ 953,001,927
Net OPEB Liability as a Percentage of Covered-Employee Payroll	191.62%	191.36%

[a] *Actual benefits paid by Sponsor.*
[b] *Plan Fiduciary Net Position was restated from $(50,818,000) as of June 30, 2017, to $(51,331,000) as of July 1, 2017.*

Statement of OPEB Expense under GASB Statement No. 75
Measured as of June 30, 2018
Applicable to Plan Sponsor's Fiscal Year End June 30, 2019

A. Expense		
1. Service Cost	$	111,621,631
2. Interest on the Total OPEB Liability		63,692,922
3. Current-Period Benefit Changes		-
4. Active Member Contributions		(4,463,000)
5. Projected Earnings on Plan Investments		-
6. OPEB Plan Operating Expenses		3,543,000
7. Other Changes in Plan Fiduciary Net Position		(207,000)
8. Recognition of Outflow/(Inflow) due to Liability Experience		4,542,921
9. Recognition of Outflow/(Inflow) due to Assumption Changes		(53,410,055)
10. Recognition of Outflow/(Inflow) due to Investment Experience		(16,600)
11. Total OPEB Expense	**$**	**125,303,819**
B. Reconciliation of Net OPEB Liability		
1. Net OPEB Liability Beginning of Year	$	1,824,149,960
2. OPEB Expense		125,303,819
3. Employer Contributions		(8,830,000)
4. Change in Liability Experience Outflows/(Inflows) Recognized in Current Liabilities		28,740,870
5. Change in Assumption Changes Experience Outflows/(Inflows) Recognized in Current Liabilities		(84,070,484)
6. Change in Investment Experience Outflows/(Inflows) Recognized in Current Assets		(42,400)
7. Net OPEB Liability End of Year	$	1,885,251,764

Recognition of Deferred Outflows and Inflows of Resources

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

At the beginning of the current measurement period, the expected remaining service of all active members in the plan was approximately 193,425 years. Additionally, the total plan membership (active, inactive and retired members) was 32,413. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 5.97 years.

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

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Measured as of June 30, 2018, Applicable to Plan Sponsor's Fiscal Year End June 30, 2019

A. Outflows and (Inflows) of Resources Recognized in Current and Future OPEB Expenses as of Plan Year End June 30, 2018

Experience (Gain)/Loss	Original Balance	Date Established	Original Recognition Period/ Amortization Factor	Amount Recognized in Past OPEB Expenses	Amount Recognized in Current OPEB Expense	Deferred (Inflows) to be Recognized in Future OPEB Expenses	Deferred Outflows to be Recognized in Future OPEB Expenses
1. Liability (Gain)/Loss	$ 33,283,790	June 30, 2018	5.97	$ -	$ 5,575,174	$ -	$ 27,708,616
	$ (6,193,522)	June 30, 2017	6.00	$ (1,032,254)	$ (1,032,254)	$ (4,129,015)	$ -
				$ (1,032,254)	$ 4,542,921	$ (4,129,015)	$ 27,708,616
2. Assumption Changes	$ (137,480,539)	June 30, 2018	5.97	$ -	$ (23,028,566)	$ (114,451,973)	$ -
	$ (182,288,932)	June 30, 2017	6.00	$ (30,381,489)	$ (30,381,489)	$ (121,525,955)	$ -
				$ (30,381,489)	$ (53,410,055)	$ (235,977,928)	$ -
3. Investment (Gain)/Loss	$ (59,000)	June 30, 2018	5.00	$ -	$ (11,800)	$ (47,200)	$ -
and Actual Investment Earnings	$ (24,000)	June 30, 2017	5.00	$ (4,800)	$ (4,800)	$ (14,400)	$ -
				$ (4,800)	$ (16,600)	$ (61,600)	$ -
4. Total				**$ (31,418,542)**	**$ (48,883,734)**	**$ (240,168,542)**	**$ 27,708,616**

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

Year Ending June 30,	Liability Outflows (Inflows)	Assumption Changes Outflows /(Inflows)	Investment Outflows/(Inflows)
2019	$ 4,542,921	$ (53,410,055)	$ (16,600)
2020	$ 4,542,921	$ (53,410,055)	$ (16,600)
2021	$ 4,542,921	$ (53,410,055)	$ (16,600)
2022	$ 4,542,921	$ (53,410,055)	$ (11,800)
2023	$ 5,407,919	$ (22,337,709)	$ -
2024	$ -	$ -	$ -
2025	$ -	$ -	$ -
Total	**$ 23,579,601**	**$ (235,977,928)**	**$ (61,600)**
Change in Outflows/(Inflows)	**$ 28,740,870**	**$ (84,070,484)**	**$ (42,400)**

Year Ending June 30,	Deferred Outflows	Deferred (Inflows)	Net Outflows/(Inflows)
2019	$ 5,575,174	$ (54,458,908)	$ (48,883,734)
2020	$ 5,575,174	$ (54,458,908)	$ (48,883,734)
2021	$ 5,575,174	$ (54,458,908)	$ (48,883,734)
2022	$ 5,575,174	$ (54,454,108)	$ (48,878,934)
2023	$ 5,407,919	$ (22,337,709)	$ (16,929,790)
2024	$ -	-	$ -
	$ -	-	$ -
	$ 27,708,616	**$ (240,168,542)**	**$ (212,459,926)**

Numbers may not add due to rounding.

SECTION D

ADDITIONAL VALUATION EXHIBITS

40-Year Projection of Expected Employer Claims [a]

Plan Year End June 30	Expected Employer Claims	Plan Year End June 30	Expected Employer Claims
2018	30,969,031	2038	$ 146,755,709
2019	32,978,977	2039	$ 151,884,564
2020	39,055,163	2040	$ 156,697,603
2021	46,043,562	2041	$ 161,203,247
2022	53,377,326	2042	$ 164,560,355
2023	61,005,726	2043	$ 166,987,140
2024	68,534,009	2044	$ 168,927,075
2025	76,259,418	2045	$ 170,285,689
2026	83,654,425	2046	$ 171,295,209
2027	90,036,687	2047	$ 171,441,550
2028	95,121,191	2048	$ 170,775,062
2029	99,857,160	2049	$ 169,944,134
2030	104,959,129	2050	$ 168,524,663
2031	110,576,170	2051	$ 166,826,906
2032	116,084,120	2052	$ 164,940,236
2033	121,807,621	2053	$ 163,487,326
2034	127,127,648	2054	$ 162,529,182
2035	132,191,317	2055	$ 161,607,249
2036	137,027,649	2056	$ 160,422,332
2037	141,711,766	2057	$ 159,158,051

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

Additional Valuation Exhibits

		Currently CIP Eligible[b]	Not Currently CIP Eligible[c]	Total
A)	Active Participants			
	i) Counts	12,626	7,781	20,407
	ii) Average Age	48.2	49.9	48.8
	iii) Average Service	12.6	8.5	11.0
B)	Retirees and Survivors Under Age 65 [a]			
	i) Counts	1,249		1,249
	ii) Average Age	60.8		60.8
C)	Retirees and Survivors Over Age 65 [a]			
	i) Counts	5,072		5,072
	ii) Average Age	74.1		74.1
D)	Dependents Under Age 65 [a]			
	i) Counts	76		76
	ii) Average Age	60.4		60.4
E)	Dependents Over Age 65 [a]			
	i) Counts	742		742
	ii) Average Age	74.2		74.2
F)	Waived Retirees and Survivors [d]			
	i) Counts	1,364		1,364
	ii) Average Age	63.6		63.6
G)	Survivor Children [a]			
	i) Counts	3		3
	ii) Average Age	16.3		16.3
H)	Dependent Children [a]			
	i) Counts	40		40
	ii) Average Age	21.4		21.4
I)	Deferred Vested Participants [d]			
	i) Counts	1,658	2,660	4,318
	ii) Average Age	49.3	53.4	51.8
J)	**Total Participants**	**22,830**	**10,441**	**33,271**

[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 3

Assets Available for Benefits

	As of June 30, 2017	As of June 30, 2018
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$ (38,266,000)	$ (50,818,000)
Adjustment to Net Assets, Beginning of Year	$ -	$ (513,000)
Restated Net Assets, Beginning of Year	$ (38,266,000)	$ (51,331,000)
Revenues		
State Contributions	$ 4,309,000	$ 4,367,000
Employer Contributions	4,367,000	4,463,000
Federal Government Medicare Part D Subsidy	185,000	207,000
Active Member Contributions	4,367,000	4,463,000
Retired Member Contributions	12,259,000	13,505,933
COBRA	-	-
Interest	24,000	59,000
Total Revenues	$ 25,511,000	$ 27,064,933
Deductions		
Benefits	$ 35,177,000	$ 36,730,933
Administrative Expense	2,886,000	3,543,000
Total Deductions	$ 38,063,000	$ 40,273,933
Net Change	$ (12,552,000)	$ (13,209,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$ (50,818,000)	$ (64,540,000)

SECTION E

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

Development of Per Capita Claim Costs

The per capita claims used in the valuation were calculated by the State's healthcare actuary and are based on average per member costs by plan type for the period July 1, 2017, through June 30, 2018, as provided by the Department of Central Management Services (CMS). The per capita claims for the MAPD plans used in the valuation were based on weighted average premium rate, as provided by CMS. The average costs were adjusted at each respective retirement age by the morbidity factors disclosed in the assumption section of the report.

Cost Method and Expense Calculations for Retiree Healthcare Benefits

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

Under GASB Statements No. 74 and 75, the Entry Age Normal Method is the required cost method.

Census Data

The actuarial valuation was based on SURS active, inactive and retiree data as of June 30, 2017, for eligible community college members, and CIP retiree data as of June 30, 2017.

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Discount Rate	3.56% at June 30, 2017 3.62% at June 30, 2018
Inflation[1]	2.75%
Wage Inflation[2]	3.75%

OPEB Assumptions

	Healthcare Trend			
Fiscal Year Beginning 7/1	Pre-Medicare Medical and Rx[3,5]	Post-Medicare Medical and Rx[4,5]	Retiree Premium[5]	Dental & Vision
2019	8.00%	9.00%	5.00%	6.00%
2020	7.50%	8.50%	5.00%	5.50%
2021	7.00%	8.00%	5.00%	5.00%
2022	6.50%	7.50%	5.00%	4.50%
2023	6.41%	7.00%	5.00%	4.50%
2024	5.91%	6.50%	5.00%	4.50%
2025	5.41%	6.00%	5.00%	4.50%
2026	4.91%	5.50%	4.50%	4.50%
2027	4.91%	5.00%	4.50%	4.50%
2028	4.91%	4.50%	4.50%	4.50%

[1] Inflation assumption used to estimate the impact of the Excise Tax under Healthcare Reform.
[2] Wage inflation used to project payroll.
[3] Higher trend rate on and after 2022 to account for the Excise Tax under Federal 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 2027 and thereafter.
[5] Healthcare trend rates for the fiscal year beginning July 1, 2018, based on actual premium increases and projected average costs provided by CMS.

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

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

	CCHP Medical and Rx			Managed Care Medical and Rx	
Age	Male	Female	Age	Male	Female
20	$ 3,222	$ 4,217	20	$ 3,014	$ 3,944
25	2,728	5,577	25	2,552	5,217
30	3,341	7,861	30	3,125	7,353
35	4,162	8,552	35	3,893	7,999
40	5,198	8,446	40	4,862	7,900
45	6,470	8,930	45	6,053	8,353
50	8,425	10,379	50	7,881	9,709
51	8,915	10,738	51	8,339	10,045
52	9,424	11,091	52	8,816	10,374
53	9,955	11,433	53	9,312	10,695
54	10,509	11,770	54	9,830	11,009
55	11,087	12,105	55	10,371	11,323
56	11,689	12,449	56	10,934	11,645
57	12,316	12,811	57	11,520	11,984
58	12,963	13,202	58	12,126	12,350
59	13,630	13,630	59	12,749	12,749
60	14,319	14,099	60	13,394	13,189
61	15,038	14,615	61	14,067	13,671
62	15,792	15,178	62	14,772	14,198
63	16,583	15,784	63	15,512	14,765
64	17,412	16,433	64	16,288	15,371

Annual Per Capita Claims Costs for Medicare Eligible Members

Age	CCHP Medical and Rx Male	CCHP Medical and Rx Female	Managed Care Medical and Rx Male	Managed Care Medical and Rx Female	MAPD Medical and Rx Male	MAPD Medical and Rx Female
65	$ 4,490	$ 4,235	$ 5,613	$ 5,294	$ 2,762	$ 2,605
66	4,566	4,339	5,707	5,424	2,808	2,669
67	4,643	4,442	5,804	5,552	2,856	2,732
68	4,724	4,542	5,904	5,677	2,906	2,794
69	4,806	4,639	6,008	5,799	2,957	2,854
70	4,891	4,733	6,114	5,916	3,009	2,912
71	4,976	4,823	6,219	6,028	3,061	2,967
72	5,055	4,907	6,319	6,134	3,110	3,019
73	5,128	4,986	6,410	6,233	3,154	3,067
74	5,194	5,059	6,492	6,324	3,195	3,112
75	5,254	5,126	6,567	6,408	3,232	3,153
76	5,310	5,188	6,637	6,485	3,266	3,191
77	5,365	5,247	6,706	6,558	3,300	3,227
78	5,419	5,305	6,773	6,630	3,333	3,263
79	5,470	5,362	6,838	6,703	3,365	3,299
80	5,515	5,419	6,894	6,773	3,393	3,333
81	5,550	5,471	6,937	6,839	3,414	3,366
82	5,570	5,518	6,963	6,897	3,426	3,394
83	5,577	5,559	6,971	6,948	3,430	3,420
84	5,571	5,593	6,963	6,992	3,427	3,441
85	5,555	5,621	6,944	7,026	3,417	3,457
86	5,535	5,641	6,918	7,051	3,405	3,470
87+	5,512	5,656	6,890	7,069	3,391	3,479

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

	CCHP Medical and Rx			Managed Care Medical and Rx	
Age	Male	Female	Age	Male	Female
65	$ 16,276	$ 15,351	65	$ 17,275	$ 16,294
66	16,549	15,729	66	17,565	16,695
67	16,831	16,099	67	17,865	17,088
68	17,121	16,463	68	18,173	17,474
69	17,422	16,816	69	18,491	17,849
70	17,730	17,157	70	18,819	18,210
71	18,036	17,481	71	19,143	18,554
72	18,324	17,787	72	19,450	18,880
73	18,588	18,074	73	19,729	19,184
74	18,826	18,339	74	19,982	19,465
75	19,042	18,581	75	20,212	19,722
76	19,246	18,805	76	20,428	19,960
77	19,446	19,018	77	20,640	20,186
78	19,642	19,227	78	20,848	20,408
79	19,828	19,437	79	21,046	20,630
80	19,991	19,641	80	21,218	20,847
81	20,115	19,832	81	21,351	21,050
82	20,191	20,001	82	21,431	21,230
83	20,214	20,149	83	21,455	21,387
84	20,191	20,275	84	21,431	21,520
85	20,136	20,373	85	21,373	21,625
86	20,062	20,446	86	21,294	21,702
87+	19,980	20,500	87+	21,207	21,759

Dental and Vision

Dental cost per member per year: $228. Vision cost per member per year: $20.

Summary of Actuarial Assumptions and Methods

Participation

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

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

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

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

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

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

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

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

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

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

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

Pension-related assumptions

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

Rates are applied consistently with the pension valuations, using the OPEB 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.

Age	Members Hired Before January 1, 2011 and Eligible for Normal Retirement	Members Hired Before January 1, 2011 and Eligible for Early Retirement	Members Hired on or after January 1, 2011 and Eligible for Normal Retirement	Members Hired on or after January 1, 2011 and Eligible for 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%

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

SECTION F

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Summary of Principal Plan Provisions

PLAN MEMBERS

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

ELIGIBLE SERVICE

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

NORMAL RETIREMENT

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

Eligibility conditions
Police Officers and Fire Fighters hired before January 1, 2011:
Age 55 with 20 years of service, or age 50 with 25 years of service.

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

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

EARLY RETIREMENT

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

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

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

DISABILITY RETIREMENT

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

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.

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 periodontics, 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.

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 are required to choose a Medicare Advantage Plan or opt out of all CIP coverage.

Summary of Principal Plan Provisions

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

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

Medicare Advantage Plan Monthly Premiums Effective January 1, 2018

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

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

Summary of Principal Plan Provisions

Monthly Premiums through June 30, 2019
(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	$119.60	$299.01	$418.58	$117.52
Dependent Beneficiary Managed Care Plans	$478.41	$1,196.04	$1,674.31	$470.08
Benefit Recipient CCHP Plan	$134.16	$335.39	$409.19	$106.30
Dependent Beneficiary CCHP Plan	$536.63	$1,341.56	$1,636.77	$425.19

Medicare Advantage Plan Monthly Premiums Effective January 1, 2019

	HMO Plans (Humana, Coventry Advantra and Health Alliance MAPD HMOs)	UnitedHealthcare PPO Plan
Member Rate	$46.68	$62.03
Dependent Rate	$186.70	$248.10

[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	$500 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	Copay	
-Physicians Visits	$30	
-Emergency Care	$200	
-Inpatient Services	$250	
-Outpatient Services -Surgery -Lab/X-ray -Other	 $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.*

Summary of Principal Plan Provisions

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 MAPD HMO

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

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

Summary of Principal Plan Provisions

TRAIL MAPD PPO

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	$100 Copay Copay waived if admitted within 24 hours	$100 Copay Copay waived if admitted within 24 hours		
-Inpatient Services	80% after deductible	80% after deductible		
-Outpatient Services	80% after plan deductible	80% after plan deductible		
Prescription Drug Copays [1]	Supply	30 days	60 days	90 days
	Tier 1	$10	$20	$30
	Tier 2	$25	$50	$75
	Tier 3 and 4	$50	$100	$150
Maximum Lifetime Benefit	Unlimited			

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

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

Child Orthodontia Benefits

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

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

SECTION G

GLOSSARY

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Entry Age Normal Cost Method. A method under which the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

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

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

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

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