GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

TEACHERS' RETIREMENT INSURANCE PROGRAM OF THE STATE OF ILLINOIS

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

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
20 North Clark Street
Suite 2400
Chicago, IL 60602-5111
312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

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Department of Central Management Services
201 S. Grand Ave. East
Springfield, IL 62763

Subject: GASB No. 43 Actuarial Valuation as of June 30, 2014, for Illinois TRIP

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 Teachers' Retirement Insurance Program (TRIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the Teachers' Retirement System of Illinois (TRS).

This report was prepared at the request of the Department of 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 TRIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information used in the June 30, 2014, TRS pension valuation as provided by the System's actuary and TRS
- Healthcare data provided by the Department of Central Management Services (CMS)
- Average per member costs by plan type 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 TRS and CMS
- Demographic assumptions consistent with the TRS actuarial valuation as of June 30, 2014, and the mortality assumption adopted for use with the TRS actuarial valuation as of June 30, 2015
- Economic assumptions approved by the State, including a discount rate of 4.5 percent and an ultimate trend rate assumption of 4.9 percent, which reflects the impact of the excise tax under healthcare reform
- 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 June 30, 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 June 30, 2014, to June 30, 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 TRS 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.

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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 TRIP 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, EA, MAAA	Amy Williams, ASA, MAAA, FCA
Senior Consultant	Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

Introduction

The Governmental Accounting Standards Board (GASB) has issued accounting standards, Statements Nos. 43 and 45, relating to Other Postemployment Benefits (OPEB). For the participating members of the Teachers' Retirement Insurance Program of Illinois (TRIP), OPEB primarily include medical and prescription drug insurance benefits provided to former public school employees and their spouses receiving pension benefits under the Teachers' Retirement System of Illinois (TRS). Any other OPEB offered to the members of the Teachers' Retirement System of Illinois are outside the scope of this report. For example, OPEB offered by the local school districts such as vision, dental, life insurance or explicit healthcare subsidies to help defray the costs of the retiree's share of the TRIP premium, are not reflected in this valuation.

The purpose of this Report is to provide: (a) results of the actuarial calculations necessary for financial reporting pursuant to GASB Statements Nos. 43 and 45 and (b) various other actuarial, statistical and benefit information useful to management for the operation of TRIP.

Funded and Unfunded Plans

Currently, benefits offered through TRIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, local school districts, the State, and the Federal Government. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2016, active members contribute 1.07 percent of pay, school districts contribute 0.80 percent of pay and the State contributes 1.07 percent of pay. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent per year per statute. The Federal Government provides a Medicare Part D subsidy.

The current objective is to fund the Trust in order to maintain benefits through individual annual periods with appropriate margins for incurred but not paid liabilities. That is, there is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions that have historically marginally exceeded the annual expected net claim payments. However, this trust has a negative asset balance of $(88) million as of June 30, 2014, and $(66) million as of June 30, 2015. 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 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 expected to be the long-range expected return on short-term fixed income instruments. The plan sponsor has selected an interest discount rate of 4.5 percent for this purpose.

There is no current requirement by State or Federal Statute or regulation to pre-fund the OPEB obligations with real cash in a Trust. GASB No. 43, applicable to plan accounting, only requires the measurement of the obligation, and disclosure in the financial statements, as applicable.

Results of the Study

The following table presents the key valuation results for GASB No. 43 financial reporting of TRIP for fiscal years 2014 and 2015 and projected results for fiscal year 2016, under the assumption that TRIP is a cost-sharing multiple-employer plan. TRIP is required to disclose the unfunded actuarial liability and the employer cash contributions in relation to the actuarially determined contributions. The actuarially determined contribution or Annual Required Contributions (ARC) represents the normal cost plus a 30-year open-period level-percentage-of-payroll amortization of the unfunded actuarial accrued liability. The GASB No. 45 expense or Annual OPEB Cost for participating employers is set by the State Legislature and must be disclosed in each participating employer's financial statements as the GASB No. 45 Annual OPEB Cost.

($ in millions)

	2013	**2014**	**2015**
Funded Status as of June 30,			
Actuarial Accrued Liability	$ 19,459.61	$ 18,759.78	$ 20,116.15
Actuarial Value of Assets	(80.14)	(87.56)	(66.27)
Unfunded Actuarial Accrued Liability	$ 19,539.75	$ 18,847.34	$ 20,182.42
Net Employer Normal Cost	$ 849.52	$ 741.92	$ 770.32
Amortization of Unfunded Liability	595.94	628.24	672.75
Total ARC for Following Fiscal Year	$ 1,445.47	$ 1,370.17	$ 1,443.07
Estimated Employer Contributions for Following Fiscal Year			
State	$ 90.43	$ 100.98	$ 106.76
School Districts	77.29	81.42	79.82
Total	$ 167.72	$ 182.40	$ 186.58

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

Comparison of Results with Previous Valuation

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

- An increase in fiscal year 2016 average claims costs compared to fiscal year 2014 average claims costs that was less than expected
- 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 members and waived retirees

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

- Change in the mortality assumption to be consistent with the TRS actuarial valuation as of June 30, 2015;
- Restarting trend at 8.50 percent in fiscal year 2016; and
- A loss due to demographic experience.

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**	**$**	**19,459.61**
2.	**Expected Actuarial Accrued Liability at June 30, 2014**	**$**	**19,220.41**
3.(a)	(Gain)/Loss due to Healthcare Claims Experience and Assumption Changes	$	(1,708.48)
3.(b)	(Gain)/Loss due to Change in Pension Related Assumptions		1,066.85
3.(c)	(Gain)/Loss due to Other Demographic Changes		181.00
3.(d)	**Total (Gain)/Loss [3.(a) + 3.(b) + 3.(c)]**	**$**	**(460.63)**
4.	**Actual Actuarial Accrued Liability at June 30, 2014 [2. + 3.(d)]**	**$**	**18,759.78**

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

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

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

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

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

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

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

We believe TRIP satisfies the conditions of a cost-sharing multiple-employer plan; therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.76 percent of payroll for fiscal year 2015 and 0.80 percent of payroll for fiscal year 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 the school districts.

In fiscal year 2015, employer costs, as reported in the fiscal year 2015 financial statements of the State and TRIP, were allocated as follows:

Stakeholder/ Revenue Source	**2015 Cost Sharing ($ in millions)**	**Percent of Total Revenue**	**Statutory Requirement FY 2015**	**Statutory Requirement FY 2016**
State	$ 100.98	24.1%	1.02% of pay	1.07% of pay
School Districts	81.42	19.4%	0.76% of pay	0.80% of pay
Federal Part-D Subsidy	2.76	0.7%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	109.41	26.1%	1.02% of pay	1.07% of pay
Retirees	124.14	29.7%	Percent of premium	Percent of premium
COBRA	0.11	0.0%		
Total	**$ 418.82**	**100.0%**		
Benefits and Expenses Paid	**$ 397.70**			
Benefits and Expenses Covered by Revenue	**105%**			

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 Required Contribution and the Unfunded Actuarial Accrued Liability that will be disclosed in the Plan's financial statements.

This actuarial valuation of TRIP is similar to the actuarial valuation performed for the TRS pension plan. The demographic assumptions (rates of retirement, termination and disability) used in this OPEB valuation were identical to those used in the latest TRS valuation.

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

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

- Changes in mortality rates to be consistent with the expected assumptions that will be used in the TRS pension valuation as of June 30, 2015. The additional pension assumption changes reflected in the TRS pension valuation as of June 30, 2015, will be reflected in the next TRIP valuation.
- Changes in healthcare-related assumptions including:
    - Fresh starting assumed healthcare trend at 8.5% beginning in fiscal year 2017
    - Decreasing the assumed ultimate healthcare trend from 5.00% to 4.50% (before application of Excise Tax assumption)
    - Updating per capita claims costs
    - Updating Excise Tax assumption
    - Adjusting Medicare trend rates to reflect the MAPD savings expected due to wear-away
    - Decreasing participation assumptions for future retirees who are currently active and current retirees who have waived coverage

Adjustments to the Estimated 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 0.40 of a percentage point on and after 2018. 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

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

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

- An overview of the GASB Statements Nos. 43 and 45 requirements;
- Valuation results, including financial disclosure; and
- Summary of assumptions and methods and plan provisions.

Total Retiree Advantage Illinois (TRAIL) Program

Effective February 1, 2014, the State offers four alternative Medicare Advantage plans to TRIP members: United Healthcare PPO, Humana Health Plan HMO, Human Benefit Plan HMO and Aetna Life HMO.

GASB Statement Nos. 74 and 75

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

OVERVIEW

The following section presents the results of the valuation as of June 30, 2014, for the TRIP OPEB obligations.

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

For fiscal year 2015, active employees, school districts, and the State made contributions equal to 1.02 percent of pay, 0.76 percent of pay, and 1.02 percent of pay, respectively. Also, retirees made contributions of approximately 31.2 percent of expected claims and expenses, and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2015 revenue of $419 million from the preceding five sources represents about 105 percent of fiscal year 2015 paid claims and expenses of $398 million. As of June 30, 2015, the Fund had a negative balance of $(66) million.

For fiscal year 2016, the contribution rates are 1.07 percent of pay for active members, 0.80 percent of pay for school districts and 1.07 percent of pay for the State.

Because plan benefits are funded based on a pay-as-you-go policy, a discount rate of 4.5 percent was used to develop the Actuarial Accrued Liabilities, and Normal Costs.

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

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

SECTION C

VALUATION RESULTS

VALUATION RESULTS — PROJECTED UNIT CREDIT

Exhibit 1

Discount Rate	*4.50%*
Ultimate Trend Pre-Medicare	*4.90%*
Ultimate Trend Post-Medicare	*4.50%*

Summary of Actuarial Valuation Results as of		**June 30, 2014**	**June 30, 2015**
A)	Actuarial Accrued Liability (AAL) [1]		
	i) Active employees - Full-Time and Part-Time	$ 9,300,932,800	$ 10,503,800,700
	ii) Active employees - Hourly and Substitute	276,264,900	351,527,200
	iii) Current retirees and their covered dependents	7,015,929,800	7,023,215,500
	iv) Waived retirees and their covered dependents [2]	758,281,400	770,392,400
	v) Deferred vesteds [2, 3]	1,227,605,200	1,278,739,400
	vi) Deferred vesteds [2, 4]	180,761,700	188,479,300
	vii) Total	$ 18,759,775,800	$ 20,116,154,500
B)	Market Value of Assets	$ (87,555,000)	$ (66,272,000)
C)	Unfunded Actuarial Accrued Liability (UAAL)	$ 18,847,330,800	$ 20,182,426,500
D)	Funded Ratio: [B / A]	-0.5%	-0.3%
E)	UAAL as a percentage of covered payroll	201.8%	206.8%
F)	Gross Normal Cost	$ 839,311,500	$ 877,080,500
	Expected Active Employee Contributions [5]	97,390,000	106,761,400
	Net Annual Normal Cost	$ 741,921,500	$ 770,319,100
G)	Participant Information		
	i) Number of Covered Participants		
	a) Active employees - Full-Time and Part-Time	128,690	
	b) Active employees - Hourly and Substitute	25,697	
	c) Current retirees [6]	64,405	
	d) Waived retirees [2]	19,416	
	e) Dependents [7]	11,023	
	f) Deferred vesteds [2, 3]	9,812	
	g) Deferred vesteds [2, 4]	6,123	
	h) Total	265,166	
	ii) Covered Payroll	$ 9,340,200,400	$ 9,760,509,400
	iii) Expected first year benefit payments [8]	$ 273,557,000	$ 333,945,400

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

[2] *Valuation assumes a percentage of waived retirees and deferred vested members under the age of 70 as of June 30, 2014, and waived beneficiaries over the age of 26 and under the age of 70 as of June 30, 2014, will elect retiree healthcare coverage in the future.*

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

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

[5] *Active members contribute 1.02% of pay for fiscal year 2015, and 1.07% of pay for fiscal year 2016.*

[6] *Includes 9 child survivors.*

[7] *Includes 10,163 spouses and 860 children.*

[8] *For June 30, 2014, actual benefit payments paid by sponsor, net of retiree contributions.*

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

	Medical		
	Pre-65	**Post-65**	**Total**
Actives	$ 2,899,978,700	$ 6,677,219,000	$ 9,577,197,700
Current Retirees and Dependents	585,509,700	6,430,420,100	7,015,929,800
Waived Retirees and Dependents	65,480,500	692,800,900	758,281,400
Deferred Vesteds	354,412,100	1,053,954,800	1,408,366,900
Total	$ 3,905,381,000	$ 14,854,394,800	$ 18,759,775,800

Exhibit 3
Actuarial Accrued Liability as of June 30, 2014

	Medical Total
AL Before Retiree Contributions	$ 22,811,846,500
Value of Retiree Contributions [a]	4,052,070,700
Total	$ 18,759,775,800

[a] *Members' share of premium.*

Exhibit 4
Development of Annual Required Contribution

A)	Annual Required Contribution (ARC) FY 2016		
	i) Net Normal Cost	$	770,319,100
	ii) Amortization of UAAL		672,747,600
	iii) Total	$	1,443,066,700
B)	Annual Required Contribution (ARC) FY 2015		
	i) Net Normal Cost	$	741,921,500
	ii) Amortization of UAAL		628,244,400
	iii) Total	$	1,370,165,900
C)	Projected FY 2016 Employer Contributions		
	i) State (1.07% of pay)	$	106,761,400
	ii) School Districts (0.80% of pay)		79,821,600
	iii) Total	$	186,583,000
D)	Projected FY 2016 Active Employee Contributions		
	i) Total (1.07% of pay)	$	106,761,400
E)	Projected FY 2016 Claims		
	i) Projected Claims and Expenses	$	484,375,100
	ii) Retiree Contributions		150,429,700
	iii) Net Employer Claims	$	333,945,400
F)	Projected FY 2016 Net Contributions and Net Claims		
	i) Net Employer Claims	$	333,945,400
	ii) Employer Contributions		186,583,000
	iii) Active Employee Contributions		106,761,400
	iv) Net Claims Not Covered by Contributions (i.-ii.-iii.)	$	40,601,000

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)
6/30/2007	$ 65,790,000	$ 14,284,678,100	$ 14,218,888,100	0.46%	$7,785,457,500	182.63%
6/30/2009	54,603,000	14,931,395,700	14,876,792,700	0.37%	8,428,359,200	176.51%
6/30/2011	7,125,000	18,860,374,900	18,853,249,900	0.04%	8,791,038,000	214.46%
6/30/2013	(80,139,000)	19,459,607,400	19,539,746,400	-0.41%	9,110,414,500	214.48%
6/30/2014	(87,555,000)	18,759,775,800	18,847,330,800	-0.47%	9,340,200,400	201.79%

Exhibit 6
GASB No. 43 Disclosures

Table B
Schedule of Employer Contributions

Year Ended	Annual Required Contribution	State Contributions	State Percentage Contributed	Employer Contributions	Employer Percentage Contributed	Medicare Part D Contributions	Medicare Part D Percentage Contributed
2007	$ 1,013,794,100	$ 75,839,000	7.48%	$ 58,191,000	5.74%	$ 17,026,000	1.68%
2008	1,059,414,800	68,596,000	6.47%	63,458,000	5.99%	19,930,000	1.88%
2009	1,145,504,500	75,474,000	6.59%	66,312,000	5.79%	22,285,000	1.95%
2010	1,197,052,100	79,007,000	6.60%	67,706,000	5.66%	23,897,000	2.00%
2011	1,540,322,200	85,953,000	5.58%	70,570,000	4.58%	23,422,000	1.52%
2012	1,609,636,700	87,622,000	5.44%	71,376,000	4.43%	24,911,000	1.55%
2013	1,513,938,500	86,683,000	5.73%	74,023,000	4.89%	23,958,000	1.58%
2014	1,445,469,000	90,430,000	6.26%	77,290,000	5.35%	16,360,000	1.13%
2015	1,370,165,900	100,983,000	7.37%	81,415,000	5.94%	2,760,000	0.20%
2016	1,443,066,700	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]	$ 273,557,000	2034	$ 1,602,770,800
2015	333,945,400	2035	1,683,754,400
2016	373,756,600	2036	1,769,947,700
2017	421,638,500	2037	1,863,220,400
2018	480,458,800	2038	1,959,887,900
2019	549,994,100	2039	2,056,412,000
2020	628,294,700	2040	2,150,672,200
2021	715,210,800	2041	2,240,751,300
2022	766,019,600	2042	2,320,716,900
2023	816,924,000	2043	2,393,004,000
2024	869,568,600	2044	2,448,342,800
2025	926,054,800	2045	2,486,864,500
2026	986,260,400	2046	2,512,517,900
2027	1,049,316,400	2047	2,522,152,500
2028	1,117,199,600	2048	2,522,853,600
2029	1,190,611,700	2049	2,516,243,200
2030	1,268,642,200	2050	2,504,745,300
2031	1,350,263,800	2051	2,497,383,600
2032	1,436,004,300	2052	2,494,736,200
2033	1,520,844,600	2053	2,495,756,700

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

[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

		Primary Member	Dependent	Total
A)	Active Participants - Full-Time and Part-Time [1]			
	i) Counts	128,690		128,690
	ii) Average Age	41.6		41.6
	iii) Average Service	12.5		12.5
B)	Active Participants - Hourly and Substitute			
	i) Counts	25,697		25,697
	ii) Average Age	43.0		43.0
	iii) Average Service	2.3		2.3
C)	Retirees and Dependents Under Age 65 [2]			
	i) Counts	18,593	2,373	20,966
	ii) Average Age	61.8	60.8	61.7
D)	Retirees and Dependents Over Age 65 [2]			
	i) Counts	45,803	7,790	53,593
	ii) Average Age	74.6	74.2	74.5
E)	Waived Retirees and Dependents [3]			
	i) Counts	19,416		19,416
	ii) Average Age	64.4		64.4
F)	Children [4]			
	i) Counts	9	860	869
	ii) Average Age	17.4	21.3	21.3
G)	Deferred vesteds [5]			
	i) Counts	9,812		9,812
	ii) Average Age	47.7		47.7
H)	Deferred vesteds [6]			
	i) Counts	6,123		6,123
	ii) Average Age	44.3		44.3
I)	Total Participants	254,143	11,023	265,166

[1] *Excludes Approximately 2,255 members that are active in TRS and categorized as a dependent in SEGIP and 1,448 active members active in TRS with vested benefits in SERS, SURS, GARS or JRS.*

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

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

[4] *Includes 860 dependents and 9 survivors.*

[5] *Members with at least 7 years of service and currently under the age of 70.*

[6] *Members with 5 to 7 years of service and currently under the age of 70.*

Exhibit 9

Assets Available for Benefits	**As of June 30, 2014**	**As of June 30, 2015**
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$ (80,139,000)	$ (87,555,000)
Revenues		
State Contributions	$ 90,430,000	$ 100,983,000
Employer Contributions	77,290,000	81,415,000
Federal Government Medicare Part D Subsidy	16,360,000	2,760,000
Active Member Contributions	104,400,000	109,413,000
Retired Member Contributions	157,234,000	124,140,000
COBRA	133,000	108,000
Interest	152,000	161,000
Total Revenues	$ 445,999,000	$ 418,980,000
Deductions		
Benefits	$ 434,088,000	$ 389,280,000
Administrative Expense	19,327,000	8,417,000
Total Deductions	$ 453,415,000	$ 397,697,000
Net Change	$ (7,416,000)	$ 21,283,000
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$ (87,555,000)	$ (66,272,000)

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 CMS, which included 93 percent PPO contracts and 7 percent 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. 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.

Census Data

The valuation was based on TRS active, inactive and retiree data as of June 30, 2014, and TRIP retiree data as of June 30, 2014.

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		
	Pre-Medicare	Post-Medicare	
Fiscal Year	Medical and Rx[3]	Medical and Rx[4]	Retiree Premium
2016	8.50%	8.50%	5.00%
2017	8.00%	8.00%	5.00%
2018	7.90%	7.50%	5.00%
2019	7.40%	7.00%	5.00%
2020	6.90%	6.50%	5.00%
2021	6.40%	6.00%	5.00%
2022	5.90%	5.50%	5.00%
2023	5.40%	5.00%	5.00%
2024+	4.90%	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 2018 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 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%

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

	TCHP Medical and Rx			OAP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
20	$2,755	$5,089	20	$2,674	$4,941	20	$2,566	$4,741
25	2,871	5,800	25	2,787	5,631	25	2,674	5,402
30	2,980	6,098	30	2,893	5,920	30	2,776	5,680
35	3,438	6,396	35	3,338	6,209	35	3,202	5,957
40	4,436	6,950	40	4,307	6,747	40	4,132	6,474
45	6,027	7,891	45	5,851	7,661	45	5,614	7,350
50	8,155	9,240	50	7,916	8,970	50	7,596	8,606
51	8,633	9,554	51	8,381	9,275	51	8,041	8,899
52	9,126	9,882	52	8,860	9,593	52	8,501	9,205
53	9,626	10,228	53	9,345	9,930	53	8,967	9,527
54	10,137	10,586	54	9,841	10,277	54	9,443	9,861
55	10,658	10,955	55	10,347	10,635	55	9,927	10,204
56	11,186	11,334	56	10,859	11,003	56	10,419	10,557
57	11,720	11,720	57	11,378	11,378	57	10,917	10,917
58	12,274	12,099	58	11,916	11,746	58	11,433	11,270
59	12,831	12,483	59	12,456	12,118	59	11,951	11,627
60	13,389	12,870	60	12,998	12,494	60	12,472	11,988
61	13,947	13,260	61	13,540	12,873	61	12,991	12,351
62	14,503	13,651	62	14,080	13,252	62	13,509	12,715
63	15,047	14,049	63	14,608	13,638	63	14,016	13,086
64	15,585	14,445	64	15,129	14,024	64	14,516	13,455

Annual Per Capita Claims Costs for Medicare Eligible Members

	TCHP Medical and Rx		OAP Medical and Rx		HMO Medical and Rx		MAPD Medical and Rx	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
65	$5,227	$4,814	$5,020	$4,623	$4,610	$4,245	$2,304	$2,121
66	5,396	4,940	5,182	4,744	4,759	4,356	2,378	2,177
67	5,561	5,064	5,341	4,864	4,904	4,466	2,451	2,232
68	5,722	5,186	5,495	4,981	5,046	4,574	2,522	2,286
69	5,878	5,306	5,645	5,095	5,184	4,679	2,591	2,338
70	6,030	5,422	5,791	5,207	5,317	4,781	2,657	2,389
71	6,175	5,534	5,930	5,315	5,446	4,881	2,721	2,439
72	6,315	5,643	6,065	5,419	5,569	4,976	2,783	2,487
73	6,448	5,747	6,192	5,519	5,686	5,068	2,842	2,533
74	6,575	5,846	6,314	5,615	5,798	5,156	2,897	2,576
75	6,694	5,941	6,429	5,705	5,903	5,239	2,950	2,618
76	6,806	6,030	6,536	5,791	6,002	5,317	2,999	2,657
77	6,911	6,113	6,637	5,871	6,094	5,391	3,045	2,694
78	7,007	6,190	6,730	5,945	6,180	5,459	3,088	2,728
79	7,096	6,262	6,815	6,013	6,258	5,522	3,127	2,759
80	7,177	6,327	6,893	6,076	6,329	5,579	3,163	2,788
81	7,250	6,385	6,963	6,132	6,394	5,631	3,195	2,814
82	7,315	6,437	7,025	6,182	6,451	5,677	3,224	2,837
83	7,373	6,482	7,080	6,225	6,502	5,717	3,249	2,857
84	7,422	6,521	7,128	6,263	6,545	5,751	3,271	2,874
85	7,464	6,553	7,168	6,293	6,583	5,779	3,289	2,888
86	7,499	6,579	7,202	6,318	6,613	5,802	3,305	2,899
87+	7,533	6,592	7,235	6,330	6,643	5,813	3,320	2,905

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

	TCHP			OAP			HMO	
	Medical and Rx			Medical and Rx			Medical and Rx	
Age	Male	Female	Age	Male	Female	Age	Male	Female
65	$19,277	$17,752	65	$16,440	$15,139	65	$15,244	$14,038
66	19,900	18,218	66	16,971	15,536	66	15,736	14,406
67	20,509	18,677	67	17,490	15,927	67	16,218	14,769
68	21,102	19,127	68	17,996	16,311	68	16,687	15,125
69	21,679	19,567	69	18,488	16,687	69	17,143	15,473
70	22,236	19,995	70	18,963	17,052	70	17,584	15,811
71	22,773	20,410	71	19,421	17,406	71	18,009	16,140
72	23,288	20,810	72	19,860	17,747	72	18,416	16,456
73	23,779	21,194	73	20,279	18,074	73	18,804	16,760
74	24,246	21,561	74	20,677	18,387	74	19,173	17,050
75	24,686	21,908	75	21,053	18,684	75	19,521	17,325
76	25,100	22,236	76	21,405	18,963	76	19,848	17,584
77	25,485	22,544	77	21,734	19,225	77	20,153	17,827
78	25,842	22,829	78	22,038	19,469	78	20,435	18,052
79	26,170	23,092	79	22,318	19,693	79	20,695	18,260
80	26,469	23,331	80	22,573	19,897	80	20,931	18,450
81	26,738	23,547	81	22,802	20,081	81	21,144	18,620
82	26,978	23,739	82	23,007	20,244	82	21,333	18,772
83	27,189	23,906	83	23,187	20,387	83	21,500	18,904
84	27,372	24,049	84	23,343	20,509	84	21,645	19,017
85	27,527	24,167	85	23,475	20,610	85	21,768	19,111
86	27,656	24,262	86	23,585	20,691	86	21,870	19,186
87+	27,781	24,309	87+	23,692	20,730	87+	21,969	19,223

Participation

Eighty percent of future retirees that are currently active are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Seventy percent of current deferred vested participants with at least seven years of service and younger than age 70 as of June 30, 2014, are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Thirty-five percent of current deferred vested participants with five to seven years of service and younger than age 70 as of June 30, 2014, are assumed to be eligible under SEGIP or TRIP before retirement and elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage. The liability for this group is allocated equally to TRIP and SEGIP.

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

a) For those under age 62, 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.

Age for waived retirees was measured as of June 30, 2014.

The percentage of future members electing coverage under the TCHP, OAP and other HMO plans was based on the actual election percentages of the current TRIP population. Currently for pre-Medicare participants, about 40 percent participate in the TCHP, 30 percent participate in the OAP and 30 percent participate in HMO plans. Currently for Medicare eligible participants, about 65 percent participate in the TCHP, 15 percent participate in the OAP and 20 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.

Pension-related assumptions

The pension-related assumptions disclosed in the Teachers' Retirement System (TRS) actuarial valuation report as of June 30, 2014, are assumed with the exception of the mortality assumption which is based on the most recent experience study effective for the June 30, 2015, valuation. The assumptions have certain conditions we would not normally expect. For example, the disability rates decrease at certain ages when compared to the preceding age. In our judgment this issue would not significantly impact the valuation results.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by TRS 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.

Salary Increase

Age	
20	10.15%
25	9.25%
30	7.45%
35	6.75%
40	6.25%
45	5.75%
50	5.00%

Demographic Assumptions

Mortality

Healthy Life Mortality, Post-Retirement

RP-2014 White Collar Mortality Table, sex distinct

Healthy Life Mortality, Pre-Retirement

RP-2014 White Collar Mortality Table, sex distinct

Disabled Life Mortality, Pre-Retirement

RP-2014 Disabled

Future annual improvements in mortality are based on the Society of Actuaries Mortality Projection Scale MP-2014.

Spouse and Marriage Assumptions:

80.0 percent of active male participants and 70.0 percent of active female participants are assumed to be married. If no data is available, the female spouse is assumed to be three years younger than the male spouse.

Sample Turnover Rates

	% Separating Within Next Year			
	Non-Vested		Vested[1]	
Age	Male	Female	Male	Female
25	7.000%	7.800%	6.000%	9.000%
30	8.600%	10.600%	3.700%	6.000%
35	9.200%	11.200%	2.200%	4.200%
40	11.100%	10.000%	1.500%	2.200%
45	11.100%	8.000%	1.700%	1.700%
50	12.000%	10.000%	1.400%	1.400%
55	16.000%	15.000%	4.000%	3.100%
60	21.000%	14.000%	4.000%	4.000%
65	21.000%	40.000%	4.000%	4.000%

[1] *5 or more years of service for members hired before January 1, 2011, and 10 or more years if service is hired on or after January 1, 2011.*

Sample Disability Rates

% Separating Within Next Year		
Age	Male	Female
20	0.029%	0.045%
25	0.029%	0.045%
30	0.026%	0.117%
35	0.033%	0.090%
40	0.051%	0.162%
45	0.054%	0.083%
50	0.094%	0.172%
55	0.111%	0.197%
60	0.170%	0.144%
65	0.510%	0.287%

The following assumptions apply to members hired before January 1, 2011:

Sample Normal Retirement Rates

% Separating Within Next Year (Age-Based)

	Service				
Age	5 - 18	19 - 30	31	32 - 33	34 +
54	0.00%	6.00%	12.00%	38.00%	40.00%
55	0.00%	10.00%	20.00%	38.00%	40.00%
56	0.00%	7.00%	16.00%	38.00%	32.00%
57	0.00%	7.00%	16.00%	38.00%	32.00%
58	0.00%	7.00%	13.00%	38.00%	32.00%
59	0.00%	25.00%	34.00%	45.00%	31.00%
60	14.00%	27.00%	45.00%	45.00%	31.00%
61	14.00%	24.00%	30.00%	45.00%	31.00%
62	14.00%	26.00%	36.00%	45.00%	31.00%
63	14.00%	26.00%	36.00%	45.00%	31.00%
64	20.00%	33.00%	36.00%	45.00%	31.00%
65 - 67	23.00%	33.00%	45.00%	45.00%	31.00%
68 - 69	27.00%	33.00%	45.00%	45.00%	31.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%

The following assumptions apply to members hired on or after January 1, 2011:

Sample Normal Retirement Rates

% Separating Within Next Year (Age-Based)

	Service				
Age	5 - 18	19 - 30	31	32 - 33	34 +
61 and younger	0.00%	0.00%	0.00%	0.00%	0.00%
62	13.00%	15.00%	20.00%	25.00%	25.00%
63-65	8.00%	10.00%	15.00%	20.00%	20.00%
66	20.00%	10.00%	15.00%	20.00%	20.00%
67	20.00%	40.00%	70.00%	70.00%	70.00%
68	20.00%	40.00%	40.00%	40.00%	40.00%
69	20.00%	40.00%	40.00%	40.00%	40.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION G

SUMMARY OF PRINCIPAL PLAN PROVISIONS

PLAN MEMBERS

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

ELIGIBLE SERVICE

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

NORMAL RETIREMENT

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

Eligibility conditions

Age 60 with 10 years of service, age 62 with 5 years of service or age 55 with 35 years of service for members hired before January 1, 2011.
Age 67 with 10 years of service for members hired on or after January 1, 2011.

EARLY RETIREMENT

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

Eligibility conditions

Age 55 with 20 years of service for members hired before January 1, 2011.
Age 62 with 10 years of service for members hired on or after January 1, 2011.

DISABILITY RETIREMENT

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

Eligibility conditions

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

VESTED TERMINATIONS

Members who terminate with more than eight years of service are eligible to enroll in TRIP once they begin receiving retirement benefits. Members hired on or after January 1, 2011, are vested after 10 years of service.

DEPENDENTS ELIGIBLE FOR COVERAGE

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

ENROLLMENT TIMING

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

SURVIVING SPOUSE COVERAGE

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

MEDICARE

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

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

DENTAL AND VISION BENEFITS

Dental and vision benefits are not provided through TRIP.

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through TRIP are self-insured. The cost of TRIP is shared among active members, retirees, the individual school districts and the state. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2016, active members contribute 1.07 percent of pay, school districts contribute 0.80 percent of pay and the State contributes 1.07 percent of pay. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent per year per statute.

HEALTHCARE PLANS

Members may elect coverage in the TCHP, a managed care HMO plan or the Healthlink Open Access Plan (OAP). The TCHP is a traditional medical indemnity plan. There are six HMOs offering coverage that varies by location throughout the state. The OAP is a managed care plan that offers three benefit levels based on the provider used. A summary of the benefits provided under the three plans is shown on pages 32 through 36.

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

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

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 TRIP coverage in the fall with an effective date of January 1, 2016.

Monthly Premiums through June 30, 2016

	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 enrolled in any managed care plan	$72.05	$223.81	$304.93	$88.45
Benefit recipient enrolled in TCHP when a managed care plan is available	$186.99	$527.77	$793.75	$217.27
Benefit recipient enrolled in TCHP when a managed care plan is not available	$93.49	$263.90	$396.88	$108.64
Dependent beneficiary enrolled in any managed care plan	$288.31	$895.22	$1,219.69	$306.41
Dependent beneficiary enrolled in TCHP when a managed care plan is available	$373.98	$1,055.55	$1,587.48	$434.55
Dependent beneficiary enrolled in TCHP when a managed care plan is not available	$373.98	$1,055.55	$1,587.48	$325.91

Medicare Advantage Plan Monthly Premiums Effective January 1, 2015

	HMO Plans			PPO Plan
	Humana	Coventry Advantra	Health Alliance MAPD	UnitedHealthcare
Member Rate	$43.72	$37.13	$43.51	$49.94
Dependent Rate	$131.15	$111.38	$130.52	$149.80

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

TCHP

<table>
<tr><th>Plan Feature</th><th colspan="3">In Network</th><th colspan="2">Out of Network [1]</th></tr>
<tr><td>Annual Deductible</td><td colspan="3">$500 per enrollee</td><td colspan="2">$500 per enrollee</td></tr>
<tr><td>Annual Out of Pocket Limit</td><td colspan="3">$1,200 per individual
$2,750 per family, per plan year</td><td colspan="2">$4,400 per individual
$8,800 per family, per plan year</td></tr>
<tr><td><u>Covered Services</u></td><td colspan="3"><u>Coinsurance</u></td><td colspan="2"><u>Coinsurance</u></td></tr>
<tr><td>-Office Visits</td><td colspan="3">80% after deductible</td><td colspan="2">60% after deductible</td></tr>
<tr><td>-Emergency Room</td><td colspan="3">$400 copay, then 80% after deductible</td><td colspan="2">$400 copay, then 60% after deductible</td></tr>
<tr><td>-Inpatient Services</td><td colspan="3">$200 copay, then 80% after deductible</td><td colspan="2">$400 copay, then 60% after deductible</td></tr>
<tr><td>-Outpatient Services</td><td colspan="3"></td><td colspan="2"></td></tr>
<tr><td>-Lab/X-ray
-Other</td><td colspan="3">80% after plan deductible
80% after plan deductible</td><td colspan="2">60% after plan deductible
60% after plan deductible</td></tr>
<tr><td rowspan="5">Prescription Drug Copays</td><td colspan="5">80% plan coinsurance with the following minimum and maximum copays (for a 30-day supply). The copays double for mail order prescriptions (for a 90-day supply).
Annual out of pocket limit for prescriptions of $1,500.</td></tr>
<tr><td></td><td colspan="2">Minimum Copay</td><td colspan="2">Maximum Copay</td></tr>
<tr><td>Generic Copay</td><td colspan="2">greater of 20% or $7</td><td colspan="2">lesser of 20% or $50</td></tr>
<tr><td>Preferred Brand Copay</td><td colspan="2">greater of 20% or $14</td><td colspan="2">lesser of 20% or $100</td></tr>
<tr><td>Nonpreferred Brand Copay</td><td colspan="2">greater of 20% or $28</td><td colspan="2">lesser of 20% or $150</td></tr>
<tr><td>Maximum Lifetime Benefit</td><td colspan="5">Unlimited</td></tr>
</table>

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

HMO

Plan Feature		
Annual Deductible	$0	
Out of Pocket Maximum	$3,000 individual $6,000 family	
Covered Services	Coinsurance	
-Physicians Visits	$20 Copay	
-Emergency Care	$200 Copay	
-Inpatient Services	$250 Copay	
-Outpatient Services	$150 Copay	
Prescription Drug Copays (30-day supply)	Generic	$10
	Preferred Brand	$20
	Nonpreferred Brand	$40
Maximum Lifetime Benefit	Unlimited	

OAP

Plan Feature	*Tier I*	*Tier II*	*Tier III*
Annual Deductible	$0	$300 per enrollee	$400 per enrollee
Annual Out of Pocket Limit	$6,600 per enrollee $13,200 per family Tier I and Tier II charges combined		N/A
Covered Services	Coinsurance/Copay [1]	Coinsurance/Copay [1]	Coinsurance/Copay [2]
-Office Visits	$20 copay	80%	60%
-Emergency Room	$200 copay	$200 copay	$200 copay
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Services			
-Lab/X-ray	100%	80%	60%
-Other	100%	80%	60%
Prescription Drug Copays (30-day supply)	Generic $10 Preferred Brand $20 Nonpreferred Brand $40		
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

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

TRAIL HMO

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

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.