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February 6, 2007

Ms. Carie L. Summers
Chief Financial Officer
Georgia Department of Community Health
2 Peachtree Street, N.W., 34th Floor
Atlanta, GA 30303-3159

Dear Ms. Summers:

Enclosed are 20 bound copies and one unbound copy of the "Georgia State Health Benefit Plan Report of Actuary on the Retiree Medical Valuation Prepared as of June 30, 2005".

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Alisa Bennett, EA, MAAA, ACA
Senior Actuary

EAM/AB:sh

Enclosure

S:\Georgia Department of Community Health\Reports\Retiree Medical Valuation Report 2005.doc

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GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Georgia State Health Benefit Plan
Report of Actuary on the Retiree Medical Valuation

Prepared as of June 30, 2005

Cavanaugh Macdonald
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February 6, 2007

Georgia Department of Community Health
2 Peachtree Street, N.W., 34th Floor
Atlanta, GA 30303-3159

Members of the Board:

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations of retiree medical and other post employment benefit plans. We have submitted the results of the annual actuarial valuation of the Georgia State Health Benefit Plan (SHBP) prepared as of June 30, 2005. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The data contains only those members of the Employees Retirement System, Teachers Retirement System, Public School Employees Retirement System, Judicial Retirement System and the Legislative Retirement System. The valuation indicates that an annual required contribution of $1,262,369,550 or 10.87% of active payroll payable for the fiscal year ending June 30, 2008 is required to actuarially support the benefits of the SHBP. If the employer contributions are not increased to the required levels, the Plan will not be operating in an actuarially sound manner and the discount rate for valuing liabilities will have to be lowered to 4.5%. Schedule A shows the impact of this change.

The promised medical and drug benefits of the Plan are included in the actuarially calculated contribution rates which are developed using the unit credit actuarial cost method with projected benefits. Although there are State dental and vision plans, they are employee-pay-all and, therefore, not included in GASB 43 and 45. The State Employees Assurance Department (Life Insurance) will be valued separately. As of June 30, 2005, the Plan does not have assets in trust solely to provide benefits to retirees and their beneficiaries. Gains and losses are reflected in the unfunded accrued liability that is assumed amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.75% annually. The assumptions are recommended by the actuary and are in the aggregate, reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB 43 and 45. We have assumed an 80% participation rate in Medicare Part D for Medicare eligible retirees.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the medical plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

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In our opinion, if an asset Trust Fund is established and the required contributions to the Fund are made by the employer from year to year in the future at the levels required on the basis of the successive actuarial valuations, the Plan will operate in an actuarially sound manner.

Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

Alisa Bennett, EA, MAAA, ACA
Senior Actuary

EAM\AB:sh

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GEORGIA DEPARTMENT OF COMMUNITY HEALTH
GEORGIA STATE HEALTH BENEFIT PLAN
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION
PREPARED AS OF JUNE 30, 2005

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation and a comparison with the results of the previous valuation are summarized below:

Valuation Date	June 30, 2005	June 30, 2004
Number of active members and retirees	419,793	411,403
Annual salaries*	$ 11,613,237,000	$ 11,327,850,000
Assets:		
Market value	$ 0	$ 0
Unfunded actuarial accrued liability	$ 15,035,226,707	$ 17,974,145,164
Amortization period (years)	30	30
Contribution for fiscal year ending:	**June 30, 2008**	**June 30, 2007**
Annual Required Contribution (ARC):		
Normal	$ 589,960,440	$ 761,731,114
Accrued liability	672,409,110	821,276,910
Total	$ 1,262,369,550	$ 1,583,008,024
Annual Required Contribution as a Percent of Payroll		
Normal	5.08%	6.72%
Accrued Liability	5.79	7.25
Total	10.87%	13.97%

* Since PSERS individual salary information is not available, assumes annual salary for PSERS members of $21,000 for 2004 and $21,788 for 2005 (a 3.75% increase). Annual salary is $16,200 for LRS members for 2004 and $16,524 for 2005.

2. The valuation indicates that contributions of $1,262,369,550 or 10.87% of active payroll are sufficient to support the current benefits of the Plan. Comments on the valuation results as of June 30, 2005 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI. If the State contributions are not increased to the required levels, the Plan will

will not be operating in an actuarially sound manner and the discount rate for valuing liabilities will have to be lowered to 4.5%. The impact of this change is shown on Schedule A.

3. Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Since the previous valuation, the assumed rates of withdrawal, disability, retirement and mortality have been revised to reflect the experience investigations prepared as of June 30, 2004. This resulted in a decrease of $32,292,966, or 0.28% of payroll, in the annual required contribution.

4. The valuation takes into account the Plan as in effect June 30, 2005. We have assumed an 80% participation rate in Medicare Part D for Medicare eligible retirees. The estimated annual drug cost savings due to participation in Medicare Part D is $1,446 per Medicare eligible retiree. The impact of this cost savings is a decrease of $4,247,735,770 in accrued liability and $354,539,812, or 3.05% of payroll, in the annual required contribution.

SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the Plan for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual salaries as of June 30, 2005 on the basis of which the valuation was prepared.

Group	ERS	TRS	PSERS	JRS	LRS	Total
Number of Actives	72,716	199,088	36,704	468	217	309,193
Annual Salaries*	$2,514,430,000	$8,252,598,000	$799,707,000	$42,916,000	$3,586,000	$11,613,237,000

*Since individual PSERS salary is not available, assumes $21,788 per active member for PSERS. Salary is $16,524 per active member for LRS.

SECTION III - ASSETS

1. Schedule B shows information regarding assets for valuation purposes. As of June 30, 2005, no plan assets are held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report outlines the results of the actuarial valuation. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C. Since the previous valuation, the assumed rates of withdrawal, disability, retirement and mortality have been revised to reflect the experience investigations prepared as of June 30, 2004.
2. The valuation shows that the Plan has an actuarial accrued liability of $8,956,225,878 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to retirees and covered spouses amounts to $6,079,000,829. The total actuarial accrued liability of the Plan amounts to $15,035,226,707. Against these liabilities, the Plan has present assets for valuation purposes of $0. Therefore, the unfunded actuarial accrued liability is equal to $15,035,226,707.
3. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution is determined to be $589,960,440.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

ANNUAL REQUIRED CONTRIBUTION

For Fiscal Year Ending June 30, 2008

Annual Required Contribution (ARC):		
Normal	$ 589,960,440	5.08%
Accrued Liability	672,409,110	5.79%
Total	$1,262,369,550	10.87%

1. The valuation indicates that a normal contribution of $589,960,440 or 5.08% of active payroll is required to meet the cost of benefits currently accruing.
2. The unfunded actuarial accrued liability amounts to $15,035,226,707 as of the valuation date. An accrued liability contribution of $672,409,110 or 5.79% of active payroll is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on the assumption that the payroll will increase by 3.75% annually.
3. The total Annual Required Contribution is, therefore, $1,262,369,550 or 10.87% of total active payroll.

SECTION VI - COMMENTS ON LEVEL OF FUNDING

1. The monthly contribution for retirees to opt into the medical plan is based on plan election, Medicare eligibility and election, and tobacco use. GASB requires that only employer contributions placed in trust will be considered as contribution towards the ARC.

2. The valuation indicates that a decrease in the recommended employer contribution rate over last year's recommended rate from 13.97% of payroll to 10.87% is required to fund the plan in an actuarially sound manner. This corresponds to a state contribution of $1,262,369,550 required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a period of 30 years. The decrease is mainly due to an assumed 80% participation rate in Medicare Part D among Medicare eligible retirees. The estimated annual drug cost savings due to participation in Medicare Part D is $1,446 per Medicare eligible retiree.

SECTION VII - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)*	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2003**	$0	$16,630,000,000	$16,630,000,000	0%	$11,515,000,000	144.4%
6/30/2004	0	17,974,145,164	17,974,145,164	0	11,327,850,000	158.7
6/30/2005***	0	15,035,226,707	15,035,226,707	0	11,613,237,000	129.5

* Since individual PSERS salary is not available, assumes annual salary for PSERS members of $20,000 for 2003, $21,000 for 2004 and $21,788 for 2005. Annual salary is $16,200 for LRS members for 2003 and 2004 and $16,524 for 2005.

** Reported by prior actuarial firm.

*** Assumptions were changed due to experience study.

2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2005. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	6.00%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	5.50%
Year of Ultimate trend rate	2012
*Includes inflation at	3.75%

SCHEDULE A

RESULTS OF THE VALUATION
PREPARED AS OF JUNE 30, 2005

		ERS	TRS	PSERS	JRS	LRS	Total
1.	**PAYROLL***	$2,514,430,000	$8,252,598,000	$ 799,707,000	$42,916,000	$ 3,586,000	$11,613,237,000
2.	**ACTUARIAL ACCRUED LIABILITY**						
	Present value of prospective benefits payable in respect of:						
	(a) Present active members:	$2,705,291,661	$5,713,285,624	$ 521,744,032	$12,987,486	$ 2,917,075	$ 8,956,225,878
	(b) Present retired members and surviving spouses:	2,168,747,484	3,399,879,091	496,061,646	5,708,004	8,604,604	6,079,000,829
	(c) Total actuarial accrued liability	$4,874,039,145	$9,113,164,715	$1,017,805,678	$18,695,490	$11,521,679	$15,035,226,707
3.	**PRESENT ASSETS FOR VALUATION PURPOSES**	0	0	0	0	0	0
4.	**UNFUNDED ACTUARIAL ACCRUED LIABILITY [(2)(C) minus (3)]**	$4,874,039,145	$9,113,164,715	$1,017,805,678	$18,695,490	$11,521,679	$15,035,226,707
5.	**AMORTIZATION PERIOD (years)**	30	30	30	30	30	30
6.	**NORMAL CONTRIBUTION**	$ 146,619,825	$ 393,785,178	$ 47,996,142	$ 1,258,587	$ 300,708	$ 589,960,440
7.	**ACCRUED LIABILITY CONTRIBUTION**	217,977,979	407,561,196	45,518,556	836,104	515,275	672,409,110
8.	**TOTAL CONTRIBUTION (6) + (7)**	$ 364,597,804	$ 801,346,374	$ 93,514,698	$ 2,094,691	$ 815,983	$ 1,262,369,550
9.	**TOTAL CONTRIBUTION AS A PERCENT OF PAYROLL (8) ÷ (1)**	14.50%	9.71%	11.69%	4.88%	22.75%	10.87%

*Assumes $21,788 per active member for PSERS and $16,524 per active member for LRS.

SCHEDULE A (Continued)

Impact of Not Funding
Annual Required Contributions

	Impact of Failing to Pre-Fund	
	Discount Rate 6.00%	Discount Rate 4.50%
PAYROLL	$ 11,613,237	$ 11,613,237
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	$ 8,956,226	$ 12,272,543
(b) Present retired members and covered spouses:	6,079,001	7,286,276
(c) Total actuarial accrued liability	$ 15,035,227	$ 19,558,819
PRESENT ASSETS FOR VALUATION PURPOSES	$ 0	$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	$ 15,035,227	$ 19,558,819
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2008:		
Normal	5.08%	7.45%
Accrued Liability	5.79%	6.22%
Total	10.87%	13.67%

SCHEDULE B

PLAN ASSETS

GASB 43 and 45 define plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. In order to recognize any future pre-funding of these liabilities, we strongly recommend that the employer set up a trust to provide for the payment of these benefits and make regular contributions to this trust in accordance with annual actuarial valuations. If the contributions are not increased to the required levels, the Plan will not be operating in an actuarially sound manner and the discount rate for valuing liabilities will have to be lowered to 4.5%.

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: June 30, 2005

DISCOUNT RATE: 6.0% per annum, compounded annually.

HEALTH CARE COST TREND RATES: Following is a chart detailing trend assumptions.

Year	Trend
2005-06	10.00%
2006-07	10.00%
2007-08	9.25%
2008-09	8.50%
2009-10	7.75%
2010-11	7.00%
2011-12	6.25%
2012 and beyond	5.50%

AGE RELATED MORBIDITY: Per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase
50 – 54	3.3%
55 – 59	3.6%
60 - 64	4.2%
65 – 69	3.0%
70 – 74	2.5%
75 – 79	2.0%
80 – 84	1.0%
85 – 89	0.5%
90 and over	0.0%

ANTICIPATED PLAN PARTICIPATION: Representative values of the assumed annual rates of plan participation and spouse coverage are as follows:

	ERS	TRS	PSERS	JRS/LRS
Participation	90%	70%	95%	80%
Spouse Coverage	60%	50%	40%	50%

ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE 65): Following is a chart detailing expected claims normalized to age 65 for pre and post Medicare for the year following the valuation date. These amounts assume an 80% participation rate in Medicare Part D and an expected annual savings of $1,446 per beneficiary who elects Medicare Part D.

	ERS/JRS/LRS	TRS	PSERS
Pre-65	$9,260	$7,922	$10,107
Post-65	$1,807	$1,766	$ 1,710

ACTUARIAL METHOD: Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the accumulated postretirement benefit obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected retirement date was used in allocating costs.

BENEFITS VALUED: Medical benefits and Drug benefits. Dental and Vision benefits are employee-pay-all and are, therefore, not subject to GASB 43 and 45.

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Death	Disability	Annual Rate of Withdrawal Years of Service		
			0-4	5-9	10+
			MALES		
20	.06%	.05%	30.00%		
25	.07	.05	24.00	11.00%	
30	.08	.05	22.00	9.00	6.00%
35	.09	.10	22.00	8.00	5.00
40	.13	.35	20.00	8.00	4.00
45	.19	.77	17.00	7.00	3.00
50	.32	1.30	14.00	6.00	3.50
55	.56	2.00	13.00	5.00	4.00
60	1.02	--	13.00	5.00	4.50
65	1.80	--	16.00	10.00	4.50
69	2.60	--			
			FEMALES		
20	.03%	.05%	28.00%		
25	.03	.05	24.00	11.00%	
30	.04	.05	22.00	11.00	8.00%
35	.06	.05	20.00	9.00	6.00
40	.08	.14	17.00	8.00	4.00
45	.11	.40	16.00	7.00	3.50
50	.17	.70	16.00	6.00	3.50
55	.29	1.20	15.00	6.00	5.00
60	.58	--	15.00	6.00	5.00
65	1.08	--	20.00	11.00	5.00
69	1.50	--			

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

Age	Old Plan[1]				New Plan[2]	
	Age 65 or more than 34 years		Age 60 or 30 years			
	Males	Females	Males	Females	Males	Females
50	50%	50%	9%	7.5%	10%	10%
55	50	50	11	11.5	10	10
60	50	50	22	24.0	15	20
62	50	50	43	44.0	38	36
64	50	50	27	30.0	29	30
65	44	45			43	38
67	26	28			27	34
70	100	100			100	100

1 It is also assumed that 95% of active Old Plan members will retire during the year in which they attain 34 years of service. In addition, it is assumed that 3.5% of male members under age 55, 7.5% of male members ages 55 and over, 3.0% of female members under age 55 and 8.0% of female members ages 55 and over will retire under early reduced retirement.

2 An additional 10% of active New Plan members less than age 65 are expected to retire in the year in which they attain 30 years of service. In addition, it is assumed that 6.0% of male members under age 55, 6.5% of male members ages 55 and over, 5.0% of female members under age 55 and 10.0% of female members ages 55 and over will retire under early reduced retirement.

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Table rated forward two years is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward three years is used for the period after disability retirement.

Representative values of the assumed annual rates of mortality after service retirement are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Death	Disability	Annual Rate of Withdrawal Years of Service		
			0-4	5-9	10+
			MALES		
20	0.05%	0.05%	39.00%	-	-
25	0.06	0.05	18.00	11.00%	-
30	0.08	0.07	16.00	6.00	7.00%
35	0.09	0.07	15.00	6.00	3.00
40	0.10	0.09	15.00	6.00	2.00
45	0.15	0.11	13.00	6.00	2.00
50	0.23	0.25	11.00	4.50	2.00
55	0.40	0.53	12.00	4.50	2.00
60	0.71	-	-	-	-
64	1.15	-	-	-	-
			FEMALES		
20	0.03%	0.03%	30.00%	-	-
25	0.03	0.03	15.00	13.00%	-
30	0.03	0.04	16.00	8.00	5.00%
35	0.05	0.05	15.00	8.00	4.00
40	0.07	0.07	12.00	6.00	3.00
45	0.09	0.11	11.00	5.00	2.00
50	0.13	0.20	11.00	4.50	2.00
55	0.21	0.63	12.00	4.50	3.00
60	0.39	-	-	-	-
64	0.67	-	-	-	-

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

	Annual Rate*			Annual Rate*	
Age	Males	Females	Age	Males	Females
50	28.00%	23.00%	65	32.00%	30.00%
55	29.00	28.00	66	25.00	30.00
60	23.00	30.00	67	30.00	26.00
61	23.00	25.00	68	28.00	26.00
62	29.00	31.00	69	28.00	26.00
63	23.00	27.00	70	100.00	100.00
64	25.00	26.00			

* It is also assumed that 10% of eligible active members will retire each year with a reduced early retirement benefit and that an additional 5% of active members will retire in their first year of eligibility for unreduced retirement with 30 years of service.

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Mortality Table (set forward one year for males and females) is used for death after service retirement. The RP-2000 Disability Mortality Table (set forward five years for males) is used for death after disability retirement. Representative values of the assumed annual rates of death after service retirement and after disability retirement are shown below:

	Annual Rate of Death After			
	Service Retirement		Disability Retirement	
Age	Males	Females	Males	Females
40	.10%	.07%	2.26%	0.75%
45	.15	.09	2.26	0.75
50	.23	.13	2.26	1.15
55	.40	.21	2.90	1.65
60	.71	.39	3.54	2.18
65	1.29	.76	4.20	2.80
70	2.17	1.27	5.02	3.76
75	3.41	2.04	6.26	5.22
80	5.59	3.54	8.21	7.23
85	8.96	6.10	10.94	10.02
90	13.95	10.46	14.16	14.00
95	21.57	17.07	18.34	19.45

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Death	Disability	Annual Rate of Withdrawal Years of Service		
			0-4	5-9	10+
			MALES		
20	0.06%	0.00%	36.0%	-	-
25	0.08	0.00	31.0	19.0%	-
30	0.08	0.00	28.0	16.0	13.0%
35	0.10	0.01	27.0	15.0	9.0
40	0.15	0.02	24.0	14.0	8.0
45	0.23	0.07	21.0	12.5	7.0
50	0.40	0.17	19.5	11.0	6.5
55	0.71	0.45	16.0	9.0	6.0
60	1.29	0.70	-	-	-
65	2.17	0.00	-	-	-
			FEMALES		
20	0.03%	0.00%	36.0%	-	-
25	0.03	0.00	28.0	18.0%	-
30	0.04	0.00	24.0	16.0	11.0%
35	0.06	0.01	20.0	14.0	10.0
40	0.08	0.02	19.0	12.5	9.0
45	0.11	0.07	17.5	11.0	8.0
50	0.17	0.17	16.0	9.5	7.0
55	0.29	0.45	13.0	8.0	6.0
60	0.58	0.70	-	-	-
65	1.08	0.00	-	-	-

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

Age	Annual Rate	Age	Annual Rate
60	17%	68	25%
61	17	69	25
62	26	70	28
63	18	71	28
64	21	72	28
65	32	73	28
66	25	74	28
67	25	75 & over	100

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Table set forward four years for males and set forward two years for females is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disability Mortality Table set forward 5 years for males is used for the period after disability retirement. Representative values of the assumed annual rates of mortality for service retirements and beneficiaries are as follows:

Age	Males	Females	Age	Males	Females
40	0.146%	0.083%	65	2.173%	1.076%
45	0.233	0.111	70	3.405	1.651
50	0.398	0.173	75	5.586	2.837
55	0.709	0.292	80	8.961	4.915
60	1.294	0.583	85	13.945	8.402

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rates of Death		Disability	Withdrawal
	Males	Females		
20	.056%	.029%	.1%	13.0%
25	.073	.030	.1	13.0
30	.084	.040	.2	13.0
35	.089	.055	.3	13.0
40	.125	.082	.4	13.0
45	.190	.111	.7	4.5
50	.321	.173	1.0	3.0
55	.558	.292	1.8	3.0
60	1.015	.583	2.9	3.0
65	1.803	1.076	4.7	3.0

SERVICE RETIREMENT: The assumed annual rates of retirement are shown below.

Age	Annual Rates of Retirement
60	25%
61-64	10
65-69	12
70	50
71-74	20
75	100

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Mortality Table rated forward two years is used for the period after retirement or disability and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

The RP-2000 Disability Mortality Table set forward three years is used for periods after disability.

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rates of Death		Disability	Withdrawal
	Males	Females		
20	.056%	.029%	.1%	10.0%
25	.073	.030	.1	10.0
30	.084	.040	.2	10.0
35	.089	.055	.3	10.0
40	.125	.082	.4	13.0
45	.190	.111	.7	10.0
50	.321	.173	1.0	10.0
55	.558	.292	1.8	10.0
60	1.015	.583	2.9	10.0
65	1.803	1.076		10.0

SERVICE RETIREMENT: The assumed annual rates of retirement are shown below:

Age	Annual Rate	Age	Annual Rate
60-69	10%	73	25%
70	35	74	40
71	15	75	100
72	15		

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Mortality Table rated forward two years is used for the period after retirement or disability and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

The RP-2000 Disabled Mortality Table set forward three years is used for the period after disability retirement.

SCHEDULE D

SUMMARY OF MAIN PLAN PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES

ELIGIBILITY: Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from any of these systems:

- Employees' Retirement System
- Teachers Retirement System
- Public School Employees Retirement System
- Legislative Retirement System
- Judicial Retirement System
- Local School System Teachers Retirement Systems*
- Fulton County Retirement System (eligible Members)*

*Retirees from these systems were not included in the valuation because census data was not provided.

Coverage starts immediately at retirement, provided the retiree makes proper premium payments or has the premiums deducted from the annuity check. If elected, dependent coverage starts on the same day as retiree coverage. A change from single to family coverage as a retiree is allowed only with a qualified change in status.

Plan Options: Retirees are offered PPO options, HMO Options and Indemnity Options. Claim and enrollment information for the various options are provided and standard underwriting and claims analysis techniques are employed to develop annual retiree claims costs.

Premiums: Vary based on plan election, dependent coverage, Medicare eligibility and election, and tobacco use. Plan costs are determined for valuation purposes considering claims costs net of member premiums paid.

STATE HEALTH BENEFIT PLAN MEDICARE POLICY

- Georgia law requires that SHBP pay benefits after Medicare has paid.
- SHBP will calculate premiums and claim payments based upon Medicare enrollment for retirees over 65 or those eligible for Medicare due to disability.
- Premiums will be based on the Parts of Medicare (A, B, or D) elected. There will be no adjustments in premiums because of other coverage such as TRICARE, VA or other group coverage since SHBP may have potential primary liability.
- SHBP will coordinate benefits for members who are enrolled in Medicare A, B, or D.
- SHBP will pay primary benefits on members not eligible or not enrolled in Medicare, but the member will pay a higher premium.
- Members enrolled in Medicare (A, B, or D), must send a copy of their Medicare cards by the first of the month in which they are eligible for Medicare. Premiums cannot be reduced until copies of Medicare cards are received and the change in premium is processed by the retirement system. Delay in submission of Medicare information does not qualify for a refund of the difference in premiums.