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GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

**GEORGIA STATE EMPLOYEES POST-EMPLOYMENT  
HEALTH BENEFIT FUND  
&  
GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT  
HEALTH BENEFIT FUND**

**REPORT OF THE ACTUARY ON THE  
RETIREE MEDICAL VALUATIONS**

**PREPARED AS OF JUNE 30, 2011**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 7, 2012

Georgia Department of Community Health  
2 Peachtree Street, N.W., 34<sup>th</sup> Floor  
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## Members of the Board:

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations of retiree medical and other post-employment benefits (OPEB). The State Health Benefit Plan is comprised of three health insurance plans: a plan primarily for State employees, established by O.C.G.A. § 45-18-2, a plan for teachers, established by O.C.G.A. § 20-2-881, and a plan for non-certificated public school employees, established by O.C.G.A. § 20-2-911. These health insurance plans are operated as one plan, and together they are referred to as the State Health Benefit Plan (SHBP). The statutes establishing the plans are referred to as "The Acts." The State Health Benefit Plan covers State Employees, Public School Teachers, Public School Employees, Retirees and their eligible Dependents, and other entities under The Acts for health insurance. Legislation was enacted in 2009 creating two separate OPEB funds, the Georgia State Employees Post-Employment Health Benefit Fund (the "State Employee OPEB Fund"), which provides for the payment of current and future retiree health benefits for State employees, and the Georgia School Personnel Post-Employment Health Benefit Fund (the "School Personnel OPEB Fund"), which provides for the payment of current and future retiree health benefits for teachers and non-certificated public school employees. The Georgia Department of Community Health (DCH) is the State agency responsible for obtaining the valuation of the two OPEB Funds. Enclosed are the results of the annual actuarial valuations of the State Employee OPEB Fund and the School Personnel OPEB Fund prepared as of June 30, 2011.

Data showing claims and enrollment experience, as well as retiree health plan and coverage elections were provided by DCH. Active census data was provided by the Employees' Retirement System (ERS), the Judicial Retirement System (JRS), and the Legislative Retirement System (LRS), for the valuation of the State Employee OPEB Fund. Active census data was provided by the Teachers' Retirement System (TRS), and the Public School Employees' Retirement System (PSERS), for the valuation of the School Personnel OPEB Fund. We did not audit the data, but did perform an analysis to conclude that the data is reasonable for purposes of valuing OPEB benefits for current and future retired State employees, current and future retired teachers, and current and future retired non-certificated public school employees.

As separate and distinct Cost Sharing Multiple-Employer Plans, both OPEB Funds separately value their own OPEB liabilities, report the results, and make the appropriate disclosures under GASB 43. The OPEB liabilities of the State OPEB Fund are determined based on projected expenses for retired State employees enrolled in the SHBP. The OPEB liabilities of the School Personnel OPEB Fund are determined based on projected expenses for retired teachers and public school employees enrolled in the SHBP. Projected expenses are determined based on eligibility requirements in effect on January 1, 2012 and benefit offerings in effect on January 1, 2012. Member employers within each Fund are not required to conduct an individual valuation, and are permitted under GASB 45 to disclose their Annual Required Contribution as the contractual contribution established by the respective OPEB Fund and reference the respective OPEB Fund's GASB 43 report and disclosures. Thus, results are shown separately for the State Employee OPEB Fund, which includes members of ERS, JRS, and LRS, and the School Personnel OPEB Fund, which includes members of TRS and PSERS.

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### State Employee OPEB Fund

The State Employee OPEB Fund is financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits are financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For the June 30, 2011 valuation, a discount rate of 4.50% has been used for the State Employee OPEB Fund.

Recent retiree health benefit changes reflected in this valuation include:

- a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
- b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
- c) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. Blended rate premiums are calculated by blending the experience of the active employees with the pre-Medicare eligible retirees, while retiree specific rates are premium rates calculated based on the experience of the retiree-only risk pool. For Medicare-eligible retirees in the Medicare Advantage plans, retiree specific and blended rates are the same because there are no active employees participating in those plans. A subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.

The valuation indicates that an annual required contribution in the amount of \$321,455,891 or 12.64% of active payroll, payable for the fiscal year ending June 30, 2014 is required to actuarially support the benefits of the State Employee OPEB Fund.

If the employer contributions are not increased to the required levels, the Fund will not be operating in an actuarially sound manner. If contributions are increased to the required levels then the Fund will be operating in an actuarially sound manner and the discount rate for valuing liabilities could be increased. Schedule A shows the impact of this change, using a 6.00% discount rate for illustrative purposes.

Medical and drug benefits of the SHBP offered in 2012 to State Employees are used as a basis for the actuarially calculated contribution rate which is 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. As of June 30, 2011, the assets in trust solely to provide benefits to retirees and their beneficiaries is \$0. 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 3.00% annually. The assumptions are recommended by the actuary and are in the aggregate, reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 43 and 45.



### School Personnel OPEB Fund

The School Personnel OPEB Fund is financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits are financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For the June 30, 2011 valuation, a discount rate of 4.50% has been used for the School Personnel OPEB Fund.

Recent retiree health benefit changes reflected in this valuation include:

- a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
- b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
- d) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. Blended rate premiums are calculated by blending the experience of the active employees with the pre-Medicare eligible retirees, while retiree specific rates are premium rates calculated based on the experience of the retiree-only risk pool. For Medicare-eligible retirees in the Medicare Advantage plans, retiree specific and blended rates are the same because there are no active employees participating in those plans. A subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.

The valuation indicates that an annual required contribution in the amount of \$943,310,062 or 8.48% of active payroll, payable for the fiscal year ending June 30, 2014 is required to actuarially support the benefits of the School Personnel OPEB Fund.

If the employer contributions are not increased to the required levels, the Fund will not be operating in an actuarially sound manner. If contributions are increased to the required levels then the Fund will be operating in an actuarially sound manner and the discount rate for valuing liabilities could be increased. Schedule A shows the impact of this change, using a 6.00% discount rate for illustrative purposes.

Medical and drug benefits of the SHBP offered in 2012 to teachers and non-certificated public school employees are used as a basis for the actuarially calculated contribution rate which is developed using the unit credit actuarial cost method with projected benefits. As of June 30, 2011, the assets in trust solely to provide benefits to retirees and their beneficiaries is \$0. 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 Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 43 and 45.



Georgia Department of Community Health  
June 7, 2012  
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Actuarial Certification

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in benefit provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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 valuations were 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 each plan.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Edward Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA  
President

AB:EAM/jms



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## **STATE EMPLOYEE OPEB FUND**



**GEORGIA DEPARTMENT OF COMMUNITY HEALTH  
STATE EMPLOYEE OPEB FUND  
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION  
PREPARED AS OF JUNE 30, 2011**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

1. For convenience of reference, the principal results of the valuation are summarized below. The following table summarizes the June 30, 2011 results for the State Employee OPEB Fund.

Valuation Date	June 30, 2011	June 30, 2010
Discount Rate	4.50%	4.50%
Annual Total Salaries*	\$ 2,542,890,541	\$ 2,626,081,000
Actuarial Accrued Liability	\$ 4,311,635,522	\$ 4,478,594,086
Assets:		
Market value	\$ 0	\$ 186,000
Unfunded Actuarial Accrued Liability	\$ 4,311,635,522	\$ 4,478,408,086
Amortization period (years)	30	30
<b>Fiscal Year</b>	<b>2014</b>	<b>2013</b>
Annual Required Contribution (ARC)		
Normal	\$ 145,593,906	\$ 156,154,955
Accrued Liability	\$ 175,861,985	\$ 182,664,266
Total	\$ 321,455,891	\$ 338,819,221
ARC (Percent of Pay)		
Normal	5.72%	5.95%
Accrued Liability	6.92%	6.96%
Total	12.64%	12.91%

\* Salary amounts shown were provided by the Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System.



The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the State Employee OPEB Fund for June 30, 2011 and June 30, 2010:

Valuation Date	June 30, 2011	June 30, 2010
<b>State Employee OPEB Fund</b>		
Unfunded Actuarial Accrued Liability	\$ 4,311,635,522	\$ 4,478,408,086
Annual Required Contribution (\$)	\$ 321,455,891	\$ 338,819,221
Annual Required Contribution (Percent of Pay)	12.64%	12.91%
Discount Rate	4.50%	4.50%

2. The valuation indicates that contributions of \$321,455,891, or 12.64% of active payroll, is sufficient to support current benefits of the State Employee OPEB Fund. Comments on the valuation results as of June 30, 2011 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI. If the contributions are not increased to the required levels, the Fund will not be operating in an actuarially sound manner. If contributions are made at the required levels then the discount rate for valuing liabilities could be increased. The impact of this change, using a discount rate of 6.00% for illustrative purposes, 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. Recent retiree health benefit changes reflected in this valuation include:
  - a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
  - b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
  - c) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. A



subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.

4. The following table details the change in the Unfunded Accrued Liability (UAL). All dollar amounts are expressed in millions.

State Employee OPEB Fund	
June 30, 2010 Discount Rate	4.50%
June 30, 2011 Discount Rate	4.50%
June 30, 2010 UAL	\$ 4,478.4
Normal Cost	\$ 156.2
Required Contribution	\$ 338.8
Fiscal Year 2011 Actual Contribution	\$ 168.4
Expected UAL based on ARC	\$ 4,493.2
Expected UAL based on Actual Contributions	\$ 4,667.4
Loss due to Contribution Deficiency	\$ 174.2
Gain due to claims experience and medical plan deductible and co-pay changes	(\$ 324.8)
Gain due to Plan Changes (Dec 2011 Resolution)	(\$ 18.8)
Other*	(\$ 12.2)
June 30, 2011 UAL	\$ 4,311.6
Other as a % of June 30, 2010 UAL	(0.27%)

\* Other category includes changes due to such sources as retirements, terminations, etc., differing from the assumed rates, new entrants entering the plan with a partial year of service credit at the valuation date, and actual investment income different from assumed.



## **SECTION II - MEMBERSHIP DATA**

1. Data regarding the membership of the plans for use as a basis of the valuation were furnished by the Department of Community Health, the Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System. The following table shows the number of retirees, active employees and their annual salaries as of June 30, 2011 on the basis of which the valuation was prepared.

<b>State Employee OPEB Fund</b>	<b>Total</b>
Number of Retirees	32,167
Number of Spouses of Retirees	11,471
Number of Actives	66,806
Annual Salaries	\$2,542,890,541



2. Detailed membership summaries are shown in the following tables:

**STATE EMPLOYEE OPEB FUND**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	1,727	79	0	0	0	0	0	1,806
25 to 29	4,042	1,226	30	0	0	0	0	5,298
30 to 34	3,375	3,005	815	16	0	0	0	7,211
35 to 39	2,619	2,469	2,146	597	6	0	0	7,837
40 to 44	2,485	2,309	1,860	1,655	662	30	0	9,001
45 to 49	2,101	2,048	1,682	1,425	1,770	853	41	9,920
50 to 54	1,840	1,837	1,656	1,332	1,498	1,507	638	10,308
55 to 59	1,355	1,669	1,490	1,243	1,365	1,112	720	8,954
60 to 64	710	1,198	857	659	633	429	313	4,799
65 to 69	180	390	252	179	138	86	67	1,292
70 & up	34	84	88	62	46	31	35	380
<b>Total</b>	<b>20,468</b>	<b>16,314</b>	<b>10,876</b>	<b>7,168</b>	<b>6,118</b>	<b>4,048</b>	<b>1,814</b>	<b>66,806</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	12,868	5,901	18,769
65 and Older	19,299	5,570	24,869
<b>Total</b>	<b>32,167</b>	<b>11,471</b>	<b>43,638</b>



### **SECTION III - ASSETS**

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2011, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Fund equal \$0.

The State Employee OPEB Fund has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the Fund.



#### **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. Recent retiree health benefit changes reflected in this valuation include:
  - a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
  - b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
  - d) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. A subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.
2. The valuation shows that the State Employee OPEB Fund has an actuarial accrued liability of \$2,198,945,592 for benefits expected to be paid on account of the present active membership, based on service to the valuation date.
3. The State Employee OPEB Fund's liability on account of benefits payable to retirees and covered spouses amounts to \$2,112,689,930.
4. The total State Employee OPEB Fund actuarial accrued liability amounts to \$4,311,635,522.
5. Against these liabilities, the Fund has present assets for valuation purposes in the amount of \$0. Therefore, the total unfunded actuarial accrued liability for the State Employee OPEB Fund is \$4,311,635,522.



6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the State Employee OPEB Fund is determined to be \$145,593,906.



**SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN**

**ANNUAL REQUIRED CONTRIBUTION**

**For Fiscal Year Ending June 30, 2014**

<b>Annual Required Contribution (ARC):</b>	<b>\$</b>	<b>% of Total Payroll</b>
<b>State Employee OPEB Fund</b>		
Normal	\$ 145,593,906	5.72%
Accrued Liability	<u>175,861,985</u>	<u>6.92%</u>
Total	\$ 321,455,891	12.64%

1. The valuation indicates that the normal contribution for the State Employee OPEB Fund is determined to be \$145,593,906, or 5.72% of active payroll.
2. The actuarial accrued liability amounts to \$4,311,635,522 and is for employees, retirees and covered spouses that will receive benefits paid from the State Employee OPEB Fund.
3. An accrued liability contribution for the State Employee OPEB Fund of \$175,861,985, or 6.92% 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 3.00% annually.
4. The total Annual Required Contribution for the State Employee OPEB Fund is, therefore, \$321,455,891, or 12.64% of 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 dependent coverage election. GASB 43 and 45 stipulate that claims, premiums and associated costs paid by the employer, on behalf of the retiree, as well as contributions placed in trust will be considered as contributions towards the ARC. All employer contributions shown in this report are net of retiree monthly contributions, which are shown in Schedule D as Retiree Premiums.
2. The valuation indicates that a decrease in the recommended employer contribution rate for the State Employee OPEB Fund from last year's recommended rate of 12.91% of payroll to 12.64% is required to fund the State Employee OPEB Fund in an actuarially sound manner.
3. This corresponds to a contribution of \$321,455,891 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.
4. The decrease in the recommended contribution rate is primarily due to the favorable claims experience, the change in certain medical plan copays and deductibles and the December 2011 resolution to apply service based subsidy amounts for members with less than five years of service.
5. The recommended employer rate according to the June 30, 2011 valuation of the State Employees' Assurance Department for post-employment benefits is 0.00% of payroll. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is 12.64%.



6. The corresponding recommended contribution for the State Employees' Assurance Department is \$0. Therefore, the total recommended State contribution when OPEB and Life Insurance are taken into consideration is \$321,455,891.
7. It is our understanding that the State Employee OPEB Fund meets the parameters stipulated in GASB 43 and 45 to operate as Cost Sharing Multiple Employer Plan. As such, it is not necessary for participating employers to conduct their own individual valuations under GASB 45. Instead, the participating employers may disclose the contract rate(s) charged by the State Employee OPEB Fund and reference this report for any needed disclosures.



**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 Fund and the employer.

**SCHEDULE OF FUNDING PROGRESS**

**State Employee OPEB Fund**

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)
6/30/2006**	0	5,087,257,440	5,087,257,440	0.0%	2,679,076,957	189.9%
6/30/2007***	0	4,669,715,807	4,669,715,807	0.0%	2,733,281,000	170.8%
6/30/2008	141,362,050	4,672,798,768	4,531,436,718	3.0%	2,864,040,000	158.2%
6/30/2009	136,932,084	4,520,953,493	4,384,021,409	3.0%	2,730,018,000	160.6%
6/30/2010*	186,000	4,478,594,086	4,478,408,086	0.0%	2,626,081,000	170.5%
6/30/2011	0	4,311,635,522	4,311,635,522	0.0%	2,542,890,541	169.6%

**State Employees' Assurance Department**

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)
6/30/2006	\$ 0	\$ 568,475,523	\$ 568,475,523	0.0%	\$ 2,667,158,543	21.3%
6/30/2007	778,048,000	642,530,433	(135,517,567)	121.1%	2,720,771,905	(5.0%)
6/30/2008	737,114,000	699,884,034	(37,229,966)	105.3%	2,850,849,928	(1.3%)
6/30/2009	628,199,000	733,670,705	105,471,705	85.6%	2,653,527,165	4.0%
6/30/2010*	680,449,000	691,001,456	10,552,456	98.5%	2,401,973,957	0.4%
6/30/2011	807,893,000	678,420,518	(129,472,482)	119.1%	2,166,982,265	(6.0%)

**State Employee OPEB Fund and State Employees' Assurance Department in Total**

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)
6/30/2006	\$ 0	\$ 5,655,732,963	\$ 5,655,732,963	0.0%	\$ 2,679,076,957	211.1%
6/30/2007	778,048,000	5,312,246,240	4,534,198,240	14.6%	2,733,281,000	165.9%
6/30/2008	878,476,050	5,372,682,802	4,494,206,752	16.4%	2,864,040,000	156.9%
6/30/2009	765,131,084	5,254,624,198	4,489,493,114	14.6%	2,730,018,000	164.4%
6/30/2010*	680,635,000	5,169,595,542	4,488,960,542	13.2%	2,626,081,000	170.9%
6/30/2011	807,893,000	4,990,056,040	4,182,163,040	16.2%	2,542,890,541	164.5%

\* Assumptions were changed due to experience study.

\*\* Discount rate changed to reflect established financing and funding policies. Actual retiree plan elections were incorporated and future participation and coverage assumptions updated accordingly. Retiree premiums future increases assumed.

\*\*\* Discount rate lowered to 4.50%.



**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**State Employee OPEB Fund**

<b>Fiscal Year Ending</b>	<b>Annual Required Contribution (ARC)</b>	<b>Actual Employer Contribution</b>	<b>Percentage of ARC Contributed</b>
<b>Date</b>	<b>( a )</b>	<b>( b )</b>	<b>( b ) / ( a )</b>
6/30/2008	\$ 367,508,478	\$ 274,771,419	74.8%
6/30/2009	\$ 387,790,092	\$ 170,789,710	44.0%
6/30/2010	\$ 347,772,066	\$ 22,209,006	6.4%
6/30/2011	\$ 327,052,844	\$ 168,384,000	51.5%

2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2011. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Healthcare cost trend rate*	
Pre-Medicare Eligible	8.50%
Medicare Eligible	7.50%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%



**SCHEDULE A**

**SUMMARY OF EMPLOYER RESULTS**

**State Employee OPEB Fund and Life Insurance Combined**

Discount Rate	State OPEB 4.50%	State Life 7.50%	State Total
Annual salaries*	\$ 2,542,890,541	\$ 2,166,982,265	\$ 2,542,890,541
Assets:			
Market value	\$ 0	\$ 807,893,000	\$ 807,893,000
Unfunded Actuarial Accrued Liability	\$ 4,311,635,522	\$ (129,472,482)	\$ 4,182,163,040
Amortization period (years)	30	30	30
Annual Required Contribution (ARC):			
Normal	\$ 145,593,906	\$ 6,082,087	\$ 151,675,993
Accrued Liability	<u>175,861,985</u>	<u>(6,082,087)</u>	<u>169,779,898</u>
Total	\$ 321,455,891	\$ 0	\$ 321,455,891
ARC (Percent of Pay)			
Normal	5.72%	0.28%	5.96%
Accrued Liability	<u>6.92%</u>	<u>(0.28%)</u>	<u>6.68%</u>
Total	12.64%	0.00%	12.64%

\* The State Employee OPEB Fund and the State Employees' Assurance Department cover slightly different active employee groups. The total salary shown is based on the State Employee OPEB Fund salary.



**Benefit of Prefunding  
Annual Required Contributions**

**STATE EMPLOYEE OPEB FUND  
(\$ shown in thousands)**

State Employee OPEB Fund	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
<b>PAYROLL</b>	\$ 2,542,891	\$ 2,542,891
<b>ACTUARIAL ACCRUED LIABILITY</b>		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	\$ 2,198,946	\$ 1,712,374
(b) Present retired members and covered spouses:	<u>2,112,690</u>	<u>1,817,774</u>
(c) Total actuarial accrued liability	\$ 4,311,636	\$ 3,530,148
<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 0	\$ 0
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	\$ 4,311,636	\$ 3,530,148
<b>CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2014:</b>		
Normal	5.72%	4.28%
Accrued Liability	<u>6.92%</u>	<u>6.80%</u>
Total	12.64%	11.08%



## **SCHEDULE B**

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### **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. Assets in the trust may be used to pay health benefits to current retirees and their beneficiaries.

As of June 30, 2011, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the State Employee OPEB Fund equal \$0.

The State Employee OPEB Fund has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the State Employee OPEB Fund.



**SCHEDULE C**

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**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

**VALUATION DATE:** June 30, 2011

**DISCOUNT RATE:** 4.50% per annum, compounded annually

**ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE ADJUSTED TO AGE 65):** Following is a chart detailing expected claims normalized to age 65 for pre-65 retirees for the year following the valuation date.

Pre-65*	\$ 10,766
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\* Retirees selecting the HRA plan will also receive \$500 per year to use for eligible medical expenses.

Effective January 1, 2010, the Medicare Advantage Plans are mandatory for Medicare-eligible retirees to receive the State subsidy. The Medicare Advantage Plan rates and retiree premiums as of January 1, 2012 are as follows:

Medicare Advantage Plan	Full Monthly Rate	Retiree Premium
Standard MA-PFFS	\$ 147.25	\$ 23.61
Premium MA-PFFS	\$ 207.01	\$ 83.61

Over 65 retirees who are not eligible for free Medicare Part A are assumed to cost 313% of a retiree with full Medicare.

The census data contains Medicare coverage coding for current retirees over age 65. This data is used to estimate the percentage of retirees under age 65 and actives hired before 4/1/1986 who may be ineligible for free Medicare Part A.

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

Year	Pre-65 Retiree Claims Trend	Post-65 Retiree Claims Trend
2011	8.50%	7.50%
2012	8.00%	7.00%
2013	7.50%	6.50%
2014	7.00%	6.00%
2015	6.50%	5.50%
2016	6.00%	5.00%
2017	5.50%	5.00%
2018 and beyond	5.00%	5.00%



**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
Under 20	0.00%
20 – 24	0.65%
25 – 29	0.65%
30 – 34	1.25%
35 – 39	1.90%
40 – 44	2.50%
45 – 49	3.25%
50 – 54	4.15%
55 – 59	4.50%
60 – 64	5.25%
65 – 69	3.75%
70 – 74	3.15%
75 – 79	2.50%
80 – 84	1.25%
85 – 89	0.65%
90 and over	0.00%

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

	State
Participation	90%
Spouse Coverage	40%

**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 actuarial accrued liability (AAL) 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 date of full retirement eligibility was used in allocating costs.



**State Employee OPEB Fund Members Participating in the Employees Retirement System of Georgia**

**SEPARATIONS BEFORE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement for non-law enforcement officers are as follows. Special rates of separation apply to law enforcement officers.

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	.035%	.05%	31.00%		
25	.038	.05	26.00	17.00%	
30	.044	.05	22.50	12.00	7.50%
35	.077	.05	21.00	10.00	7.00
40	.108	.25	19.00	9.50	5.00
45	.151	.50	18.00	9.00	3.75
50	.214	.75	15.50	7.00	3.75
55	.362	1.10	13.00	6.50	4.00
60	.675	--	15.00	7.00	--
65	1.274	--	15.00	9.50	--
69	1.980	--			
<b>FEMALES</b>					
20	.019%	.02%	31.00%		
25	.021	.02	24.00	19.00%	
30	.026	.02	21.00	13.00	7.75%
35	.048	.02	19.50	10.50	6.75
40	.071	.10	17.50	9.00	4.50
45	.112	.25	15.50	8.00	3.50
50	.168	.50	15.00	7.00	3.50
55	.272	.82	12.50	6.50	4.00
60	.506	--	12.50	6.50	--
65	.971	--	17.00	10.00	--
69	1.486	--			



**State Employee OPEB Fund Members Participating in the Employees Retirement System of Georgia**

**RETIREMENT:** Representative values of the assumed annual rates of service retirement for non-law enforcement officers are as follows. Special retirement rates apply to law enforcement officers.

Age	Old Plan							
	Early Retirement		Age 60 or 30 years		34 years		More than 34 years	
	Male	Female	Male	Female	Male	Female	Male	Female
55	3.0%	4.0%	11.5%	9.0%	100.0%	100.0%	90.0%	90.0%
56	3.5	6.0	12.0	11.0	100.0	100.0	70.0	70.0
57	4.0	6.0	12.0	13.0	100.0	100.0	70.0	70.0
58	5.0	6.0	13.0	15.0	95.0	95.0	70.0	70.0
59	6.0	6.0	16.0	16.0	95.0	95.0	70.0	70.0
60			17.0	20.0	95.0	95.0	50.0	60.0
62			37.0	40.0	90.0	90.0	50.0	60.0
64			20.0	30.0	90.0	90.0	15.0	60.0
66			30.0	35.0	30.0	35.0	30.0	35.0
68			20.0	25.0	20.0	25.0	20.0	25.0
70			45.0	35.0	45.0	35.0	45.0	35.0
75			100.0	100.0	100.0	100.0	100.0	100.0

Age	New Plan and GSEPS			
	Early Retirement		Normal Retirement*	
	Male	Female	Male	Female
55	10.0%	8.0%	50.0%	40.0%
56	10.0	8.0	50.0	40.0
57	10.0	9.0	50.0	40.0
58	10.0	10.0	30.0	40.0
59	10.0	15.0	30.0	40.0
60			17.0	20.0
62			38.0	36.0
64			25.0	28.0
66			35.0	35.0
68			20.0	25.0
70			20.0	25.0
75			100.0	100.0

\* An additional 10% of active New Plan and GSEPS members less than age 65 are expected to retire in the year in which they attain 30 years of service



**DEATHS AFTER RETIREMENT:** The RP-2000 Combined Mortality Table is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set back eleven years for males 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	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745



**State Employee OPEB Fund Members Participating in the Georgia Judicial Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.035%	.019%	.05%	8.0%
25	.038	.021	.05	8.0
30	.044	.026	.10	8.0
35	.077	.048	.15	8.0
40	.108	.071	.20	8.0
45	.151	.112	.35	4.0
50	.214	.168	.50	3.0
55	.362	.272	.90	3.0
60	.675	.506	1.45	3.0
65	1.274	.971	2.35	3.0

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

Age	Annual Rates of Retirement
60	12%
61-64	12
65-66	15
67-69	20
70-74	30
75	100

**DEATHS AFTER RETIREMENT:** The RP-2000 Combined Mortality Table is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745

The RP-2000 Disability Mortality Table set back eleven years for males is used for the period after disability.



**State Employee OPEB Fund Members Participating in the Georgia Legislative Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.035%	.019%	.1%	6.0%
25	.038	.021	.1	6.0
30	.044	.026	.2	6.0
35	.077	.048	.3	6.0
40	.108	.071	.4	6.0
45	.151	.112	.7	7.5
50	.214	.168	1.0	8.5
55	.362	.272	1.8	10.0
60	.675	.506	2.9	10.0
65	1.274	.971		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 RP-2000 Combined Mortality Table is used for the period after retirement and for dependent beneficiaries. For the period after disability retirement, the RP-2000 Disabled Mortality Table set back eleven years for males is used. Representative values of the assumed annual rates of mortality after service retirement are as follows:

Age	Males	Females	Age	Males	Females
40	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745



## SCHEDULE D

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### SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

#### State Employee OPEB Fund Eligibility

Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from any of the retirement systems listed below. "Old Plan" means the plan applicable to members beginning employment prior to July 1, 1982. "New Plan" means the plan applicable to members employed on or after July 1, 1982 and before January 1, 2009. "GSEPS" means the plan applicable to members employed on or after January 1, 2009.

- Employees' Retirement System (GSEP Non-Police)
  - Service Retirement: 25 years of service or age 60 with 10 years of service
  - Disability Retirement: 15 years of service
  - Active Death Surviving Spouse: 15 years of service
- Employees' Retirement System (GSEP Police)
  - Service Retirement: 30 years of service or age 55 with 10 years of service
  - Disability Retirement: 15 years of service
  - Active Death Surviving Spouse: 13 years and 4 months of service
- Employees' Retirement System (Police)
  - Service Retirement: 30 years of service or age 55 with 10 years of service
  - Disability Retirement: 13 years and 4 months of service
  - Active Death Surviving Spouse: 13 years and 4 months of service
- Employees' Retirement System (Old & New Plan Non-Police)
  - Service Retirement: 25 years of service or age 60 with 10 years of service
  - Disability Retirement: 13 years and 4 months of service
  - Active Death Surviving Spouse: 13 years and 4 months of service or age 60 with 10 years of service
- Judicial Retirement System
  - Service Retirement: age 60 with 10 years of service
  - Disability Retirement: 4 years of service
  - Active Death Surviving Spouse: 10 years of service
- Legislative Retirement System
  - Service Retirement: age 60 with 8 years of service
  - Disability Retirement: age 60 with 8 years of service
  - Active Death Surviving Spouse: 15 years of service or age 60 with 8 years of service

Retirees from other systems who may be eligible for post-employment benefits other than pensions 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.

A tobacco and spousal surcharge of \$80 and \$50 per month respectively, effective January 1, 2011 were charged to those not participating in the Medicare Advantage plans. Of the retirees not participating in the Medicare Advantage plans, it is assumed that 8.5% pay the tobacco surcharge and 2.5% of those who cover spouses pay the spousal surcharge.



**Plan Design Changes**

The changes to the Medicare Advantage PPO Plans are outlined below.

	2011 Plan Year		2012 Plan Year	
	Standard	Premium	Standard	Premium
<b>Out-of-Pocket</b>	\$2,000	\$1,000	\$3,500	\$2,500
<b>Primary Physician</b>	\$20	\$10	\$25	\$15
<b>Specialist</b>	\$25	\$20	\$30	\$25
<b>Outpatient Specialized Scans</b>	\$0	\$0	\$35 plus office visit co-payment	\$35 plus office visit co-payment
<b>Foot Care</b>	\$20 PCP, \$25 SPC	\$10 PCP, \$20 SPC	\$25 PCP, \$30 SPC	\$15 PCP, \$25 SPC
<b>Ambulance</b>	\$0	\$0	\$50	\$50
<b>Inpatient Hospital</b>	\$190 per day (1-6) \$0 days 7 and beyond	\$100 per day (1-5) \$0 days 6 and beyond	20% co-insurance	15% co-insurance
<b>Preferred/Generic/Preferred Brand/Non-Preferred Specialty</b>	\$10/\$40/\$80/\$80	\$10/\$30/\$60/\$60	\$15/\$45/\$85/\$85	\$15/\$45/\$85/\$85
<b>Mail Order (90 day)</b>	\$20/\$80/\$160/\$160	\$20/\$60/\$120/\$120	\$37.50/\$112.50/\$212.50/\$212.50	\$37.50/\$112.50/\$212.50/\$212.50



### Premiums

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election. Premiums shown are monthly and are effective January 1, 2012.

<b>Employee Premiums</b>	<b>Wellness UHC HMO</b>	<b>Wellness UHC HRA</b>	<b>Wellness UHC HDHP</b>	<b>Wellness CIGNA HMO</b>	<b>Wellness CIGNA HRA</b>	<b>Wellness CIGNA HDHP</b>
<b>You</b>	\$122.56	\$76.46	\$66.54	\$122.56	\$76.46	\$66.54
<b>You + Child(ren)</b>	\$293.88	\$239.26	\$221.32	\$293.88	\$239.26	\$221.32
<b>You + Spouse</b>	\$289.30	\$233.64	\$215.90	\$289.30	\$233.64	\$215.90
<b>You + Family</b>	\$316.86	\$253.86	\$234.48	\$316.86	\$253.86	\$234.48

For active employees with less than 5 years of service, premiums will be subject to the service based schedule shown on page 26.



**CONTRIBUTIONS (Actives with less than five years of service as of January 1, 2012):** Retirees and Spouses will pay a portion of the blended contribution rate based on the retirees' service at retirement.

Service at Retirement	Health Benefit Fund's Share of Contribution Rate		Retiree's Share of Contribution Rate	
	Retiree	Spouse	Retiree	Spouse
30 and above	75%	55%	25%	45%
29	72%	53%	28%	47%
28	69%	51%	31%	49%
27	66%	49%	34%	51%
26	63%	47%	37%	53%
25	60%	45%	40%	55%
24	57%	43%	43%	57%
23	54%	41%	46%	59%
22	51%	39%	49%	61%
21	48%	37%	52%	63%
20	45%	35%	55%	65%
19	42%	33%	58%	67%
18	39%	31%	61%	69%
17	36%	29%	64%	71%
16	33%	27%	67%	73%
15	30%	25%	70%	75%
14	27%	23%	73%	77%
13	24%	21%	76%	79%
12	21%	19%	79%	81%
11	18%	17%	82%	83%
10	15%	15%	85%	85%
9 and below	0%	0%	100%	100%



## **SCHOOL PERSONNEL OPEB FUND**



**GEORGIA DEPARTMENT OF COMMUNITY HEALTH  
SCHOOL PERSONNEL OPEB FUND  
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION  
PREPARED AS OF JUNE 30, 2011**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

1. For convenience of reference, the principal results of the valuation are summarized below. The following table summarizes the June 30, 2011 results for the School Personnel OPEB Fund. Please note that the salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.

Valuation Date	June 30, 2011			June 30, 2010
Valuation Group	TRS	PSERS	School Personnel Total	School Personnel Total
<b>Discount Rate</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>
Annual Total Salaries*	\$ 10,099,278,000	\$ 1,028,010,000	\$ 11,127,288,000	\$ 11,446,504,000
Actuarial Accrued Liability	\$ 10,198,565,688	\$ 944,559,383	\$ 11,143,125,071	\$ 11,250,400,224
Assets:				
Market value			\$ 0	\$ 58,000
Unfunded Actuarial Accrued Liability			\$ 11,143,125,071	\$ 11,250,342,224
Amortization period (years)			30	30
<b>Fiscal Year</b>	<b>2014</b>			<b>2013</b>
Annual Required Contribution (ARC))				
Normal			\$ 531,780,773	\$ 566,631,149
Accrued Liability	\$ 483,005,943	\$ 48,774,830	<u>411,529,289</u>	<u>415,488,950</u>
Total			\$ 943,310,062	\$ 982,120,099
ARC (Percent of Total Pay)				
Normal			4.78%	4.95%
Accrued Liability			<u>3.70%</u>	<u>3.63%</u>
Total			8.48%	8.58%

\* Salary amount shown was provided by the Teachers' Retirement System. Please note that the salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Salary data is not available for the Public School Employees' Retirement System, so an average salary of \$26,192 has been assumed.



The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the School Personnel OPEB Fund for June 30, 2011 and June 30, 2010:

Valuation Date	June 30, 2011	June 30, 2010
<b>School Personnel OPEB Fund</b>		
Unfunded Actuarial Accrued Liability	\$ 11,143,125,071	\$ 11,250,342,224
Annual Required Contribution (\$)	\$ 943,310,062	\$ 982,120,099
Annual Required Contribution (Percent of Total Pay*)	8.48%	8.58%
Discount Rate	4.50%	4.50%

\* Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.

- The valuation indicates that total contributions of \$943,310,062 or 8.48% of active total payroll, is sufficient to support current benefits of the School Personnel OPEB Fund. Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Comments on the valuation results as of June 30, 2011 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI. If the contributions are not increased to the required levels, the Fund will not be operating in an actuarially sound manner. If contributions are made at the required levels then the discount rates for valuing liabilities could be increased. The impact of this change, using a discount rate of 6.00% for illustrative purposes, 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. Recent retiree health benefit changes reflected in this valuation include:
- a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
  - b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
  - e) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. A subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.



4. The following table details the change in the Unfunded Accrued Liability (UAL). All dollar amounts are expressed in millions.

School Employee OPEB Fund	
June 30, 2010 Discount Rate	4.50%
June 30, 2011 Discount Rate	4.50%
June 30, 2010 UAL	\$ 11,250.3
Normal Cost	\$ 566.6
Required Contribution	\$ 982.1
Fiscal Year 2011 Actual Contribution	\$ 339.2
Expected UAL based on ARC	\$ 11,331.7
Expected UAL based on Actual Contribution	\$ 11,989.1
Loss due to Contribution Deficiency	\$ 657.4
Gain due to claims experience and medical plan deductible and co-pay changes	(\$ 858.7)
Gain due to Plan Changes (Dec 2011 Resolution)	(\$ 76.4)
Other*	\$ 89.1
June 30, 2011 UAL	\$ 11,143.1
Other as a % of June 30, 2010 UAL	0.79%

\* Other category includes changes due to such sources as retirements, terminations, etc., differing from the assumed rates, new entrants entering the plan with a partial year of service credit at the valuation date, and actual investment income different from assumed.



## SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the plans for use as a basis of the valuation were furnished by the Department of Community Health, the Teachers' Retirement System, and the Public School Employees' Retirement System. The following table shows the number of retirees, active employees and their total annual salaries as of June 30, 2011 on the basis of which the valuation was prepared.

School Personnel OPEB Fund	Valuation Group		Total
	TRS	PSERS	
Number of Retirees	56,697	9,544	66,241
Number of Spouses of Retirees	19,707	2,626	22,333
Number of Actives	216,137	39,249	255,386
Annual Total Salaries*	\$ 10,099,278,000	\$ 1,028,010,000	\$11,127,288,000

\* Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Salary data is not available for the Public School Employees' Retirement System, so an average salary of \$26,192 has been assumed.



2. Detailed membership summaries are shown in the following tables:

**SCHOOL PERSONNEL OPEB FUND**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	2,989	50	0	0	0	0	0	3,039
25 to 29	13,919	5,125	28	0	0	0	0	19,072
30 to 34	9,602	14,057	3,479	13	0	0	0	27,151
35 to 39	8,995	10,297	10,289	2,470	15	0	0	32,066
40 to 44	9,307	10,419	8,295	7,650	2,071	39	0	37,781
45 to 49	7,968	9,818	7,504	5,144	5,292	1,937	36	37,699
50 to 54	6,519	8,080	7,403	5,431	4,517	4,255	1,300	37,505
55 to 59	4,710	6,036	6,108	5,313	5,006	3,296	2,305	32,774
60 to 64	2,856	4,078	3,550	2,705	2,688	1,920	1,674	19,471
65 to 69	1,165	1,644	1,191	701	609	448	549	6,307
70 & up	430	792	555	236	203	103	202	2,521
<b>Total</b>	<b>68,460</b>	<b>70,396</b>	<b>48,402</b>	<b>29,663</b>	<b>20,401</b>	<b>11,998</b>	<b>6,066</b>	<b>255,386</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	24,270	9,250	33,520
65 and Older	41,971	13,083	55,054
<b>Total</b>	<b>66,241</b>	<b>22,333</b>	<b>88,574</b>



**TRS VALUATION GROUP**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	2,531	32	0	0	0	0	0	2,563
25 to 29	13,146	4,944	21	0	0	0	0	18,111
30 to 34	8,490	13,613	3,370	10	0	0	0	25,483
35 to 39	7,362	9,371	9,961	2,396	12	0	0	29,102
40 to 44	7,276	8,959	7,512	7,452	1,990	30	0	33,219
45 to 49	5,699	7,969	6,289	4,596	5,046	1,849	19	31,467
50 to 54	4,308	6,278	6,175	4,731	4,120	4,085	1,215	30,912
55 to 59	2,814	4,493	5,131	4,676	4,491	3,030	2,096	26,731
60 to 64	1,334	2,628	2,685	2,238	2,279	1,670	1,395	14,229
65 to 69	321	701	735	484	467	347	421	3,476
70 & up	82	157	173	117	115	70	130	844
<b>Total</b>	<b>53,363</b>	<b>59,145</b>	<b>42,052</b>	<b>26,700</b>	<b>18,520</b>	<b>11,081</b>	<b>5,276</b>	<b>216,137</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	22,599	8,635	31,234
65 and Older	34,098	11,072	45,170
<b>Total</b>	<b>56,697</b>	<b>19,707</b>	<b>76,404</b>



**PSERS VALUATION GROUP**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	458	18	0	0	0	0	0	476
25 to 29	773	181	7	0	0	0	0	961
30 to 34	1,112	444	109	3	0	0	0	1,668
35 to 39	1,633	926	328	74	3	0	0	2,964
40 to 44	2,031	1,460	783	198	81	9	0	4,562
45 to 49	2,269	1,849	1,215	548	246	88	17	6,232
50 to 54	2,211	1,802	1,228	700	397	170	85	6,593
55 to 59	1,896	1,543	977	637	515	266	209	6,043
60 to 64	1,522	1,450	865	467	409	250	279	5,242
65 to 69	844	943	456	217	142	101	128	2,831
70 & up	348	635	382	119	88	33	72	1,677
<b>Total</b>	<b>15,097</b>	<b>11,251</b>	<b>6,350</b>	<b>2,963</b>	<b>1,881</b>	<b>917</b>	<b>790</b>	<b>39,249</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	1,671	615	2,286
65 and Older	7,873	2,011	9,884
<b>Total</b>	<b>9,544</b>	<b>2,626</b>	<b>12,170</b>



### **SECTION III - ASSETS**

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2011, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Fund equal \$0.

The School Personnel OPEB Fund has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the Fund.



#### **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. Recent retiree health benefit changes reflected in this valuation include:
  - a) Medicare Advantage Plan specific changes including increases to out-of-pocket maximums and pharmacy co-payments, and a change to out-patient non-surgical services from co-payments to co-insurance.
  - b) The addition of wellness and standard plan offerings through CIGNA and UnitedHealthcare(UHC) for non-Medicare eligible retirees and dependents.
  - f) The resolution dated December 2011, which affects active employees with less than five years of service as of January 1, 2012. Active employees with less than five years of service as of January 1, 2012 are provided with a subsidy at retirement based on years of service, with the appropriate subsidy percentage applied to the blended rate premiums. A subsidy is not provided for Medicare eligible retirees not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy.
2. The valuation shows that the School Personnel OPEB Fund has an actuarial accrued liability of \$6,927,199,651 for benefits expected to be paid on account of the present active membership, based on service to the valuation date.
3. The School Personnel OPEB Fund's liability on account of benefits payable to retirees and covered spouses amounts to \$4,215,925,420.
4. The total School Personnel OPEB Fund actuarial accrued liability amounts to \$11,143,125,071.
5. Against these liabilities, the Fund has present assets for valuation purposes in the amount of \$0. Therefore, the total unfunded actuarial accrued liability for the School Personnel OPEB Fund is \$11,143,125,071.



6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the School Personnel OPEB Fund is determined to be \$531,780,773.



**SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN**

**ANNUAL REQUIRED CONTRIBUTION**

**For Fiscal Year Ending June 30, 2014**

<b>Annual Required Contribution (ARC):</b>	<b>\$</b>	<b>% of Total* Payroll</b>
<b>School Personnel OPEB Fund</b>		
Normal	\$ 531,780,773	4.78%
Accrued Liability	<u>411,529,289</u>	<u>3.70%</u>
Total	\$ 943,310,062	8.48%

*\* Salary amount shown was provided by the Teachers' Retirement System. Please note that the salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Salary data is not available for the Public School Employees' Retirement System, so an average salary of \$26,192 has been assumed.*

1. The valuation indicates that the normal contribution for the School Personnel OPEB Fund is determined to be \$531,780,773 or 4.78% of active total payroll. Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.
2. The actuarial accrued liability amounts to \$11,143,125,071 and is for employees, retirees and covered spouses that will receive benefits paid from the School Personnel OPEB Fund.
3. An accrued liability contribution for the School Personnel OPEB Fund of \$411,529,289, or 3.70% of active total 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. Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.
4. The total Annual Required Contribution for the School Personnel OPEB Fund is, therefore, \$943,310,062, or 8.48% of active total payroll. Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.



## **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 dependent coverage election. GASB 43 and 45 stipulate that claims, premiums and associated costs paid by the employer, on behalf of the retiree, as well as contributions placed in trust will be considered as contributions towards the ARC. All employer contributions shown in this report are net of retiree monthly contributions, which are shown in Schedule D as Retiree Premiums.
2. The valuation indicates that a decrease in the recommended employer contribution rate for the School Personnel OPEB Fund from last year's recommended rate of 8.58% of payroll to 8.48% is required to fund the School Personnel OPEB Fund in an actuarially sound manner. Please note that the salary amount used is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based.
3. This corresponds to a contribution of \$943,310,062 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.
4. The decrease in the recommended contribution rate is primarily due to the favorable claims experience, the change in certain medical plan copays and deductibles and the December 2011 resolution to apply service based subsidy amounts for members with less than five years of service.
5. It is our understanding that the School Personnel OPEB Fund meets the parameters stipulated in GASB 43 and 45 to operate as Cost Sharing Multiple Employer Plan. As such, it is not necessary for participating employers to conduct their own individual valuations under GASB 45. Instead, the participating employers may disclose the contract rate(s) charged by the School Personnel OPEB Fund and reference this report for any needed disclosures.



**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 Fund and the employer.

**SCHEDULE OF FUNDING PROGRESS**

**School Personnel OPEB Fund**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
6/30/2006***	0	14,097,098,469	14,097,098,469	0.0%	10,199,907,553	138.2%
6/30/2007****	0	11,802,724,960	11,802,724,960	0.0%	10,408,675,000	113.4%
6/30/2008	34,899,858	11,952,049,937	11,917,150,079	0.3%	11,172,154,000	106.7%
6/30/2009	33,806,176	11,900,505,254	11,866,699,078	0.3%	11,628,960,000	102.0%
6/30/2010**	58,000	11,250,400,224	11,250,342,224	0.0%	11,446,504,000	98.3%
6/30/2011	0	11,143,125,071	11,143,125,071	0.0%	11,127,288,000	100.1%

\* Salary amount shown was provided by the Teachers' Retirement System. Please note that the salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Since individual PSERS salary is not available, assumes annual salary for PSERS members of \$21,000 for 2004, \$21,788 for 2005 and \$22,605 for 2006, \$23,453 for 2007, \$24,332 for 2008, \$24,332 for 2009, \$25,244 for 2010, and \$26,192 for 2011.

\*\* Assumptions were changed due to experience study.

\*\*\* Discount rate changed to reflect established financing and funding policies. Actual retiree plan elections were incorporated and future participation and coverage assumptions updated accordingly. Retiree premiums future increases assumed.

\*\*\*\* Discount rate lowered to 4.50%.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**School Personnel OPEB Fund**

Fiscal Year Ending Date	Annual Required Contribution (ARC) (a)	Actual Employer Contribution (b)	Percentage of ARC Contributed (b) / (a)
6/30/2008	\$ 894,861,072	\$ 275,518,572	30.8%
6/30/2009	\$ 1,290,050,224	\$ 303,348,168	23.5%
6/30/2010	\$ 1,080,041,803	\$ 308,539,258	28.6%
6/30/2011	\$ 1,050,850,962	\$ 339,221,000	32.3%



2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2011. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Healthcare cost trend rate*	
Pre-Medicare Eligible	8.50%
Medicare Eligible	7.50%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%



**SCHEDULE A**

**Benefit of Prefunding  
Annual Required Contributions**

**SCHOOL PERSONNEL OPEB FUND  
(\$ shown in thousands)**

	Benefit of Prefunding	
	Discount Rate	Discount Rate
	4.50%	6.00%
<b>TOTAL PAYROLL*</b>	\$ 11,127,288	\$ 11,127,288
<b>ACTUARIAL ACCRUED LIABILITY</b>		
Present value of prospective benefits payable in respect of:		
(a) Present active members	\$ 6,927,200	\$ 5,206,113
(b) Present retired members and covered spouses	<u>4,215,925</u>	<u>3,590,516</u>
(c) Total actuarial accrued liability	\$ 11,143,125	\$ 8,796,629
<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 0	\$ 0
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	\$ 11,143,125	\$ 8,796,629
<b>CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2014:</b>		
Normal	4.78%	3.44%
Accrued Liability	<u>3.70%</u>	<u>3.54%</u>
Total	8.48%	6.98%

\* Salary amount shown was provided by the Teachers' Retirement System. Please note that the salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Salary data is not available for the Public School Employees' Retirement System, so an average salary of \$26,192 has been assumed.



## **SCHEDULE B**

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### **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. Assets in the trust may be used to pay health benefits to current retirees and their beneficiaries.

As of June 30, 2011, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the State Personnel OPEB Fund equal \$0.

The School Personnel OPEB Fund has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the School Personnel OPEB Fund.



**SCHEDULE C**

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**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

**VALUATION DATE:** June 30, 2011

**DISCOUNT RATE:** 4.50% per annum, compounded annually

**ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE ADJUSTED TO AGE 65):** Following is a chart detailing expected claims normalized to age 65 for pre-65 retirees for the year following the valuation date.

Pre-65*	\$ 10,766

\* Retirees selecting the HRA plan will also receive \$500 per year to use for eligible medical expenses.

Effective January 1, 2010, the Medicare Advantage Plans are mandatory for Medicare-eligible retirees to receive the State subsidy. The Medicare Advantage Plan rates and retiree premiums as of January 1, 2012 are as follows:

Medicare Advantage Plan	Full Monthly Rate	Retiree Premium
Standard MA-PFFS	\$ 147.25	\$ 23.61
CIGNA Premium MA-PFFS	\$ 207.01	\$ 83.61

Over 65 retirees who are not eligible for free Medicare Part A are assumed to cost 313% of a retiree with full Medicare.

The census data contains Medicare coverage coding for current retirees over age 65. This data is used to estimate the percentage of retirees under age 65 and actives hired before 4/1/1986 who may be ineligible for free Medicare Part A.

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

Year	Pre-65 Retiree Claims Trend	Post-65 Retiree Claims Trend
2011	8.50%	7.50%
2012	8.00%	7.00%
2013	7.50%	6.50%
2014	7.00%	6.00%
2015	6.50%	5.50%
2016	6.00%	5.00%
2017	5.50%	5.00%
2018 and beyond	5.00%	5.00%



**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
Under 20	0.00%
20 – 24	0.65%
25 – 29	0.65%
30 – 34	1.25%
35 – 39	1.90%
40 – 44	2.50%
45 – 49	3.25%
50 – 54	4.15%
55 – 59	4.50%
60 – 64	5.25%
65 – 69	3.75%
70 – 74	3.15%
75 – 79	2.50%
80 – 84	1.25%
85 – 89	0.65%
90 and over	0.00%

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

	TRS	PSERS
Participation	75%	90%
Spouse Coverage	40%	40%

**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 actuarial accrued liability (AAL) 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 date of full retirement eligibility was used in allocating costs.



**School Personnel OPEB Fund Members Participating in the Teachers Retirement System of Georgia**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	0.03%	0.03%	31.00%	-	-
25	0.04	0.03	18.00	16.00%	-
30	0.04	0.04	14.00	8.00	11.00%
35	0.06	0.04	14.00	6.00	3.00
40	0.10	0.05	13.00	6.00	2.25
45	0.13	0.09	12.00	6.00	2.20
50	0.19	0.17	11.00	5.50	2.50
55	0.29	0.32	11.00	5.00	2.70
60	0.53	-	11.00	5.00	-
64	0.88	-	11.00	5.00	-
<b>FEMALES</b>					
20	0.02%	0.02%	30.00%	-	-
25	0.02	0.02	14.00	25.00%	-
30	0.02	0.02	13.00	9.00	9.00%
35	0.04	0.03	13.00	7.00	3.50
40	0.06	0.04	11.00	7.00	3.00
45	0.09	0.07	10.00	5.50	2.00
50	0.13	0.12	10.00	5.00	2.00
55	0.20	0.38	10.00	4.75	2.75
60	0.35	-	10.00	4.75	-
64	0.58	-	10.00	4.75	-



**School Personnel OPEB Fund Members Participating in the Teachers Retirement System of Georgia**

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

Age	Annual Rate Males		Annual Rate Females	
	< 30 Years Of Service	>= 30 Years Of Service	< 30 Years Of Service	>= 30 Years Of Service
50	5.00%	50.00%	5.00%	50.00%
55	5.00	38.00	5.00	35.00
60	20.00	35.00	25.00	40.00
61	18.00	30.00	25.00	40.00
62	25.00	35.00	25.00	40.00
63	20.00	33.00	25.00	40.00
64	18.00	30.00	25.00	40.00
65	30.00	30.00	30.00	30.00
66	30.00	30.00	30.00	30.00
67	30.00	30.00	28.00	28.00
68	28.00	28.00	28.00	28.00
69	26.00	26.00	28.00	28.00
70	30.00	30.00	30.00	30.00

**DEATHS AFTER RETIREMENT:** The RP-2000 Combined Mortality Table (set back two years for males and three years for females) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table (set back two 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:

Age	Annual Rate of Death After			
	Service Retirement		Disability Retirement	
	Males	Females	Males	Females
40	.10%	.06%	2.26%	0.75%
45	.13	.09	2.26	0.75
50	.19	.13	2.64	1.15
55	.29	.20	3.29	1.65
60	.53	.35	3.93	2.18
65	1.00	.67	4.66	2.80
70	1.79	1.22	5.69	3.76
75	3.04	2.07	7.33	5.22
80	5.21	3.41	9.76	7.23
85	8.97	5.63	12.83	10.02
90	15.06	9.63	16.22	14.00
95	23.37	15.76	23.37	19.45



**School Personnel OPEB Fund Members Participating in the Georgia Public School Employees Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	0.036%	0.00%	35.0%	-	-
25	0.038	0.00	30.0	17.0%	-
30	0.050	0.00	27.0	16.0	14.0%
35	0.084	0.00	24.0	14.0	9.0
40	0.114	0.01	21.0	12.0	7.0
45	0.162	0.04	20.0	11.0	6.5
50	0.245	0.09	18.0	11.0	6.5
55	0.420	0.23	15.0	9.0	6.0
60	0.778	0.35	13.0	9.0	-
65	1.441	0.00	-	-	-
<b>FEMALES</b>					
20	0.019%	0.00%	34.0%	-	-
25	0.021	0.00	29.0	19.0%	-
30	0.026	0.00	24.0	15.0	11.0%
35	0.048	0.00	20.0	13.0	10.0
40	0.071	0.01	17.0	12.0	8.0
45	0.112	0.04	16.0	10.0	7.0
50	0.168	0.09	14.0	9.0	6.5
55	0.272	0.23	12.0	8.0	6.0
60	0.506	0.35	11.0	7.0	-
65	0.971	0.00	-	-	-



**School Personnel OPEB Fund Members Participating in the Georgia Public School Employees Retirement System**

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

Age	Annual Rate	Age	Annual Rate
60	15%	68	25%
61	15	69	25
62	22	70	25
63	18	71	25
64	18	72	25
65	28	73	25
66	25	74	25
67	25	75 & over	100

**DEATHS AFTER RETIREMENT:** The RP-2000 Combined Table set forward one year for males is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females 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	0.114%	0.071%	64	1.441%	0.971%
45	0.162	0.112	70	2.457	1.674
50	0.245	0.168	75	4.217	2.811
55	0.420	0.272	80	7.204	4.588
60	0.768	0.506	85	12.280	7.745



## SCHEDULE D

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### SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

#### School Personnel OPEB Fund Eligibility

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

- Teachers Retirement System
  - Service Retirement: 25 years of service or age 60 with 10 years of service
  - Disability Retirement: 10 years of service
  - Active Death Surviving Spouse: 10 years of service
- Public School Employees Retirement System
  - Service Retirement: age 60 with 10 years of service
  - Disability Retirement: 15 years of service
  - Active Death Surviving Spouse: age 60 with 10 years of service

Retirees from other systems who may be eligible for post-employment benefits other than pensions 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.

A tobacco and spousal surcharge of \$80 and \$50 per month respectively, effective January 1, 2011 were charged to those not participating in the Medicare Advantage plans. Of the retirees not participating in the Medicare Advantage plans, it is assumed that 8.5% pay the tobacco surcharge and 2.5% of those who cover spouses pay the spousal surcharge.



**Plan Design Changes**

The changes to the Medicare Advantage PPO Plans are outlined below.

	2011 Plan Year		2012 Plan Year	
	Standard	Premium	Standard	Premium
<b>Out-of-Pocket</b>	\$2,000	\$1,000	\$3,500	\$2,500
<b>Primary Physician</b>	\$20	\$10	\$25	\$15
<b>Specialist</b>	\$25	\$20	\$30	\$25
<b>Outpatient Specialized Scans</b>	\$0	\$0	\$35 plus office visit co-payment	\$35 plus office visit co-payment
<b>Foot Care</b>	\$20 PCP, \$25 SPC	\$10 PCP, \$20 SPC	\$25 PCP, \$30 SPC	\$15 PCP, \$25 SPC
<b>Ambulance</b>	\$0	\$0	\$50	\$50
<b>Inpatient Hospital</b>	\$190 per day (1-6) \$0 days 7 and beyond	\$100 per day (1-5) \$0 days 6 and beyond	20% co-insurance	15% co-insurance
<b>Preferred/Generic/Preferred Brand/Non-Preferred Specialty</b>	\$10/\$40/\$80/\$80	\$10/\$30/\$60/\$60	\$15/\$45/\$85/\$85	\$15/\$45/\$85/\$85
<b>Mail Order (90 day)</b>	\$20/\$80/\$160/\$160	\$20/\$60/\$120/\$120	\$37.50/\$112.50/\$212.50/\$212.50	\$37.50/\$112.50/\$212.50/\$212.50



### Premiums

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election. Premiums shown are monthly and are effective January 1, 2012.

<b>Employee Premiums</b>	<b>Wellness UHC HMO</b>	<b>Wellness UHC HRA</b>	<b>Wellness UHC HDHP</b>	<b>Wellness CIGNA HMO</b>	<b>Wellness CIGNA HRA</b>	<b>Wellness CIGNA HDHP</b>
<b>You</b>	\$122.56	\$76.46	\$66.54	\$122.56	\$76.46	\$66.54
<b>You + Child(ren)</b>	\$293.88	\$239.26	\$221.32	\$293.88	\$239.26	\$221.32
<b>You + Spouse</b>	\$289.30	\$233.64	\$215.90	\$289.30	\$233.64	\$215.90
<b>You + Family</b>	\$316.86	\$253.86	\$234.48	\$316.86	\$253.86	\$234.48

For active employees with less than 5 years of service, premiums will be subject to the service based schedule shown on page 53.



**CONTRIBUTIONS (Actives with less than five years of service as of January 1, 2012):** Retirees and Spouses will pay a portion of the blended contribution rate based on the retirees' service at retirement.

Service at Retirement	Health Benefit Fund's Share of Contribution Rate		Retiree's Share of Contribution Rate	
	Retiree	Spouse	Retiree	Spouse
30 and above	75%	55%	25%	45%
29	72%	53%	28%	47%
28	69%	51%	31%	49%
27	66%	49%	34%	51%
26	63%	47%	37%	53%
25	60%	45%	40%	55%
24	57%	43%	43%	57%
23	54%	41%	46%	59%
22	51%	39%	49%	61%
21	48%	37%	52%	63%
20	45%	35%	55%	65%
19	42%	33%	58%	67%
18	39%	31%	61%	69%
17	36%	29%	64%	71%
16	33%	27%	67%	73%
15	30%	25%	70%	75%
14	27%	23%	73%	77%
13	24%	21%	76%	79%
12	21%	19%	79%	81%
11	18%	17%	82%	83%
10	15%	15%	85%	85%
9 and below	0%	0%	100%	100%