

Illinois State Employees Group Insurance Program

GASB Statements No. 75

Accounting and Financial Reporting for
Postemployment Benefits Other than Pensions

Actuarial Valuation Report as of
June 30, 2016



January 31, 2018

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

Subject: GASB Statement No. 75 Actuarial Valuation as of June 30, 2016, for Illinois SEGIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2016, of the liabilities associated with the employer financed retiree health benefits provided through Illinois State Employees Group Insurance Program (SEGIP). SEGIP provides group insurance benefits to eligible active state employees, and postemployment benefits to eligible retired members receiving pension benefits under the following retirement systems:

- State Employees' Retirement System of Illinois (SERS);
- State Universities Retirement System of Illinois (SURS) but not receiving retiree healthcare benefits through the College Insurance Program (CIP);
- Teachers' Retirement System of Illinois (TRS) but not receiving retiree healthcare benefits through the Teachers' Retirement Insurance Program (TRIP);
- Judges' Retirement System of Illinois (JRS); and
- General Assembly Retirement System (GARS).

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

The actuarial valuation as of June 30, 2016, was prepared for purposes of complying with the requirements of Statement No. 75 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of SEGIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information as of June 30, 2016, provided by SERS, SURS, TRS, JRS and GARS;
- Healthcare data and census data as of June 30, 2016, for SEGIP as provided by the Department of Central Management Services (CMS);
- Average per member costs by plan type for the period July 1, 2016, through June 30, 2017, as calculated by the State's healthcare actuary and provided by CMS;
- Incurred but not paid liability information provided by CMS;
- Substantive plan information provided by each respective retirement – SERS, SURS, TRS, JRS and GARS – and CMS;

- Demographic assumptions consistent with the actuarial valuations as of June 30, 2016, for each respective retirement system;
- Economic assumptions approved by the State, including a discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017, which comply with the requirements of GASB Statement No. 75 (GASB No. 75);
- An ultimate trend rate assumption of 4.50 percent for Medicare coverage and 4.99 percent for non-Medicare coverage, which reflects the impact of the excise tax under healthcare reform; and
- Other healthcare-related assumptions recommended by GRS and approved by the State.

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

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

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

The signing actuaries are independent of the plan sponsor.

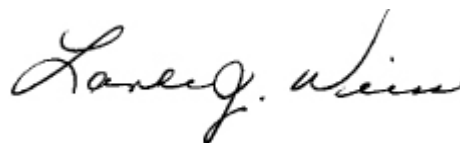
To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of SEGIP as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice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

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

Respectfully submitted,



Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant



Table of Contents

	<u>Page</u>
Section A	Executive Summary..... 1-6
Section B	Actuarial Valuation Results 1-3
Section C	GASB No. 75 Information
	Discussion..... 1-4
	Summary of GASB No. 75 Results 5
	GASB Nos. 75 Schedules 6-12
Section D	Additional Actuarial Valuation Exhibits
	40-Year Projection of Expected Employer Claims..... 1
	Summary of Demographic Information 2
Section E	Summary of Actuarial Assumptions and Methods 1-27
Section F	Summary of Principal Plan Provisions..... 1-16
Section G	Glossary..... 1-3

SECTION A

EXECUTIVE SUMMARY

Executive Summary

Introduction

The Governmental Accounting Standards Board (GASB) has issued accounting standard, Statement No. 75, relating to Other Postemployment Benefits (OPEB). For participating members of the Illinois State Employees Group Insurance Program (SEGIP), OPEB primarily include medical, prescription drug, dental, vision and life insurance benefits provided to eligible retired members. Any other OPEB offered to retired State of Illinois employees are outside the scope of this report.

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

State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis and no separate trust has been established for the pre-funding of OPEB. The State recognizes SEGIP OPEB benefits as a single employer defined benefit plan as defined in GASB No. 75.

Funded and Unfunded Plans

Currently, benefits offered through SEGIP are financed through a combination of retiree premiums, State, contributions and subsidies from the Federal Government. The retiree's share of the premium depends on eligible service earned as of the retirement date, coverage elected and Medicare eligibility. The Federal Government provides a Medicare Part D subsidy. The State finances the remainder of program costs not covered by the retiree's premium or the Federal Government subsidy.

The current objective is to finance program costs in order to provide benefits with appropriate margins for incurred but not paid liabilities. There is no arrangement into which the employer would make contributions to advance-fund the obligation. Benefit obligations are effectively funded on a pay-as-you-go basis.

Consequently, according to GASB Statements No. 74 and 75, the discount rate used to calculate the present values and costs of the OPEB, for programs funded on a pay-as-you-go basis, should be consistent with an index of high quality 20-year general obligation bonds as of the measurement date. For this purpose, the plan sponsor has selected an interest discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

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

Results of the Study

The previous actuarial valuation as of June 30, 2014, was used for the plan's financial reporting under GASB No. 45, and required:

- A discount rate consistent with the expected long-term return on assets used to finance benefits. For this purposes the sponsor selected a long-term assumed return of 4.5 percent.
- The Projected Unit Credit cost method

Executive Summary

The actuarial valuation as of June 30, 2016, for purposes of financial reporting under GASB No. 75 requires:

- If benefits are funded on a pay-as-you-go basis, a discount rate based on the expected return for an index of high-quality 20-year general obligation bonds. For this purpose the sponsor selected a discount rate of 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.
- The Entry Age Normal cost method

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

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

1. Actual Actuarial Accrued Liability at June 30, 2014	\$ 34,488
2. Expected Actuarial Accrued Liability at June 30, 2016	\$ 36,608
(Gain)/Loss due:	
Demographic Experience	\$ (338)
Pension Related Assumption Changes	2,185
Healthcare Experience and OPEB Related Assumption Changes	(317)
GASB No. 75 Method and Assumption Changes (2.85% discount rate)	4,235
Total	\$ 5,765
4. Actuarial Accrued Liability at June 30, 2016, at 2.85%	\$ 42,373
5. Projected Actuarial Accrued Liability at June 30, 2017, at 3.56%	\$ 39,534

The Actuarial Accrued Liability as of June 30, 2016, using a discount rate of 3.56 percent, is projected to June 30, 2017, for GASB No. 75 financial reporting.

Liabilities decreased more than expected due to the following reasons:

- Favorable demographic experience;
- Favorable claims experience compared with assumed trend rates from the previous valuation; and
- Change in cost method from Projected Unit Credit to Entry Age Normal.

The decrease in liabilities was offset by the following factors:

- Changes in pension-related assumptions;
- Changes in OPEB-related assumptions, including updating the trend assumptions; and
- Changes in assumptions due to GASB No. 75 including decreasing the discount rate from 4.50 percent at June 30, 2014, to 3.56 percent at June 30, 2017.

Executive Summary

Actuarial Assumptions

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

This actuarial valuation of SEGIP is similar to the actuarial valuation performed for the pension plan systems sponsored by the State. The demographic assumptions (rates of retirement, termination, disability and mortality) used in this OPEB valuation were identical to those used in the June 30, 2016, valuations for SERS, SURS, TRS, JRS, and GARS. The following pension-related assumption changes were made since the last GASB No. 45 actuarial valuation as of June 30, 2014, that would impact the GASB No. 75 actuarial valuation as of June 30, 2016:

- SERS
 - Price inflation was decreased from 3.00 percent to 2.75 percent.
 - Payroll growth assumption was decreased from 3.50 percent to 3.25 percent, which reflects an underlying general price inflation assumption of 2.75 percent.
 - Separate Tier Two turnover rates were implemented for members eligible for Regular Formula benefits and Alternate Formula benefits. The new rates increased the expected turnover.
 - The mortality tables used for the June 30, 2014, actuarial valuation were maintained; however, generational mortality improvement factors were added to reflect future mortality improvement.
 - Service for active members was increased by 4.5 months to recognize service credit granted at retirement for unused sick leave and optional service purchases.
- SURS
 - No relevant pension-related assumption changes were made.
- TRS
 - Price inflation was decreased from 3.00 percent to 2.50 percent.
 - Individual salary increase rate per year was decreased by 0.50 percent to reflect the decrease in price inflation.
 - Mortality table was changed to the RP 2014 White Collar table, adjusted for TRS experience, and includes the MP-2014 mortality projection scale
 - The rates of retirement, termination and disability were updated to reflect recent experience.
 - Individual salary increases were decreased based on observed experience and future expectation
 - Optional service assumption was decreased.
- JRS
 - Price inflation was decreased from 3.00 percent to 2.75 percent.
 - Payroll growth assumption was decreased from 3.75 percent to 3.00 percent, which reflects an underlying general price inflation assumption of 2.75 percent.

Executive Summary

- Individual salary increases were decreased based on observed experience and future expectation.
- Retirement and termination rates were updated to reflect observed experience and future expectation.
- Mortality table was changed to the RP 2014 White Collar table, and includes the MP-2014 mortality projection scale.
- GARS
 - Price inflation was decreased from 3.00 percent to 2.75 percent.
 - Payroll growth assumption was decreased from 3.50 percent to 3.00 percent, which reflects an underlying general price inflation assumption of 2.75 percent.
 - Individual salary increases were decreased based on observed experience and future expectation.
 - Retirement and termination rates were updated to reflect observed experience and future expectation.
 - Mortality table was changed to the RP 2014 White Collar table, and includes the MP-2014 mortality projection scale.

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

The following OPEB-related assumption changes were made since the last actuarial valuation as of June 30, 2014:

- The healthcare trend assumption was updated based on claim and enrollment experience through June 30, 2016, projected plan cost for plan year end June 30, 2017, premium changes through plan year end 2018, and expectation of future trend increases after June 30, 2017.
- The Cadillac Tax trend adjustment was updated based on available premium and enrollment information as of June 30, 2017.
- Per capita claim costs for plan year end June 30, 2017, were updated based on projected claims and enrollment experience through June 30, 2017, and updated premium rates through plan year 2018.
- The morbidity factors, used to adjust per capita claim cost by age and gender, were updated.
- Healthcare plan participation rates by plan were updated based on observed experience.
- For purposes of the GASB Statement No. 75 actuarial valuation, the cost method was changed to the Entry Age Normal cost method and the discount rate was changed to 2.85 percent at June 30, 2016, and 3.56 percent at June 30, 2017.

Executive Summary

Adjustments to the Estimated Impact of Excise Tax under Healthcare Reform

Beginning in 2020, the Patient Protection and Affordable Care Act (PPACA) imposes a 40 percent excise tax on healthcare plan costs over certain statutory limits. The annual statutory limits for 2018 depend on the age and coverage tier as follows:

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

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

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

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

Based on the preceding method, the trend rates for non-Medicare medical and prescription drug costs were increased by an additional 0.49 of a percentage point on and after 2020. Trend rates for Medicare medical and prescription drug costs were not adjusted because of the decrease in costs after the adoption of the MAPD plans.

Executive Summary

Actuarial Cost Methods

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

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

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

SECTION B

ACTUARIAL VALUATION RESULTS

Actuarial Valuation Results

The following section shows actuarial valuation results as of June 30, 2016, projected to June 30, 2017, using two alternative discount rates of 2.85 percent and 3.56 percent.

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

The unfunded actuarial accrued liability represents the portion of the total actuarial present value of all future employer-provided benefits which is attributable to prior years, minus any valuation assets. It represents a measure of the unfunded accrued liability allocable to past service for benefits expected to be paid in the future. The cost and liabilities shown in the following pages are employer costs and liabilities, net of any co-pays, deductibles, retiree coinsurance or retiree contributions using the Entry Age Normal cost method. The cost and liabilities shown in the following two pages exclude incurred but not paid claims as of the valuation date.

Actuarial Valuation Results – 2.85% Discount Rate

Summary of Actuarial Valuation Results as of June 30, 2016

Discount Rate 2.85%
Ultimate Trend Pre-Medicare 4.99%
Ultimate Trend Post-Medicare 4.50%

	SERS	SURS	TRS	GARS	JRS	Total
A) Actuarial Accrued Liability (AAL) at June 30, 2016						
i) Actives ^a	\$ 11,009,750,100	\$ 4,810,193,200	\$ 454,427,100	\$ 27,741,800	\$ 143,767,800	\$ 16,445,880,000
ii) Retirees and their covered dependents ^b	13,890,876,500	8,100,225,900	220,095,900	63,714,700	255,629,900	22,530,542,900
iii) Deferred vesteds ^b	981,476,600	1,961,725,600	46,141,600	22,804,300	4,676,700	3,016,824,800
iv) Deferred vesteds under TRS ^c	-	-	379,492,600	-	-	379,492,600
v) Total	\$ 25,882,103,200	\$ 14,872,144,700	\$ 1,100,157,200	\$ 114,260,800	\$ 404,074,400	\$ 42,372,740,300
B) Market Value of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C) Unfunded Actuarial Accrued Liability (UAAL)	\$ 25,882,103,200	\$ 14,872,144,700	\$ 1,100,157,200	\$ 114,260,800	\$ 404,074,400	\$ 42,372,740,300
D) Funded Ratio: [B / A]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
E) UAAL as a percentage of covered payroll	619.9%	477.7%	589.5%	1032.8%	227.0%	552.9%
F) Net Normal Cost	\$ 987,225,000	\$ 641,205,500	\$ 45,859,300	\$ 4,056,500	\$ 18,631,000	\$ 1,696,977,300
G) Estimated FYE 2017 benefit payments	\$ 594,833,520	\$ 352,553,357	\$ 10,822,507	\$ 2,963,013	\$ 10,597,593	\$ 971,769,989
H) Projected Actuarial Accrued Liability at June 30, 2017	\$ 27,031,853,705	\$ 15,597,938,732	\$ 1,167,702,326	\$ 118,684,404	\$ 424,004,956	\$ 44,340,184,123
I) Incurred FYE 2017 Benefit Payments ^f	\$ 558,230,605	\$ 357,318,746	\$ 13,020,452	\$ 2,912,843	\$ 10,226,951	\$ 941,709,597
J) Participant Information						
i) Number of Covered Participants						
a) Active employees ^a	59,031	45,700	2,474	139	947	108,291
b) Current retirees with coverage or stipend ^d	50,970	30,686	977	246	789	83,668
c) Waived retirees ^e	5,044	2,798	264	16	34	8,156
d) Survivors	7,145	3,738	166	79	305	11,433
e) Dependents	27,054	13,440	479	158	653	41,784
f) Deferred vesteds	3,327	9,199	195	37	9	12,767
ii) Covered Payroll	\$ 4,175,219,900	\$ 3,113,104,600	\$ 186,618,700	\$ 11,062,900	\$ 177,991,100	\$ 7,663,997,200

^a Excludes Active TRS members, Active SURS members and Active SERS members who are dependents of SEGIP active members. Includes members who are active in TRS and have earned a deferred vested benefit with SERS, SURS, GARS and JRS

^b Valuation assumes a percentage of waived retirees and deferred vested members will elect retiree healthcare coverage in the future.

^c Deferred vested under Teachers Retirement System with between 5 and 7 years of service. They are currently ineligible for TRIP healthcare benefits, but may be eligible for either TRIP or SEGIP benefits depending on reciprocal service or future TRS service. Approximately 50% of the liability for these members is allocated to TRIP.

^d Stipend of \$150 or \$500 per month under "Opt-Out" program, available to SEGIP retirees.

^e Excludes waived retirees over age 75. No liability is assumed for these members.

^f Allocation of employer benefit payments for plan year end June 30, 2017, based on June 30, 2016, actuarial valuation. During plan year end June 30, 2017, the Sponsor incurred \$941,709,597 in plan costs and made contributions of \$336,728,703. The Sponsor made a one-time extraordinary contribution of \$1,342,370,165 on November 8, 2017, to finance retiree healthcare costs incurred but not paid prior to July 1, 2017.

Actuarial Valuation Results – 3.56% Discount Rate

Summary of Actuarial Valuation Results as of June 30, 2016

Discount Rate	3.56%
Ultimate Trend Pre-Medicare	4.99%
Ultimate Trend Post-Medicare	4.50%

	SERS	SURS	TRS	GARS	JRS	Total
A) Actuarial Accrued Liability (AAL) at June 30, 2016						
i) Actives ^a	\$ 9,645,662,700	\$ 4,325,497,200	\$ 401,109,300	\$ 24,655,800	\$ 128,663,400	\$ 14,525,588,400
ii) Retirees and their covered dependents ^b	12,552,946,600	7,360,270,600	200,769,400	57,812,400	229,241,400	\$ 20,401,040,400
iii) Deferred vesteds ^b	839,442,300	1,625,224,700	38,730,900	19,440,700	3,985,100	\$ 2,526,823,700
iv) Deferred vesteds under TRS ^c	-	-	298,547,900	-	-	298,547,900
v) Total	\$ 23,038,051,600	\$ 13,310,992,500	\$ 939,157,500	\$ 101,908,900	\$ 361,889,900	\$ 37,752,000,400
B) Market Value of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C) Unfunded Actuarial Accrued Liability (UAAL)	\$ 23,038,051,600	\$ 13,310,992,500	\$ 939,157,500	\$ 101,908,900	\$ 361,889,900	\$ 37,752,000,400
D) Funded Ratio: [B / A]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
E) UAAL as a percentage of covered payroll	551.8%	427.6%	503.2%	921.2%	203.3%	492.6%
F) Net Normal Cost	\$ 803,917,500	\$ 517,814,700	\$ 37,361,400	\$ 3,351,600	\$ 15,899,600	\$ 1,378,344,800
G) Estimated FYE 2017 benefit payments	\$ 594,833,520	\$ 352,553,357	\$ 10,822,507	\$ 2,963,013	\$ 10,597,593	\$ 971,769,989
H) Projected Actuarial Accrued Liability at June 30, 2017	\$ 24,085,414,236	\$ 13,962,338,809	\$ 1,000,269,510	\$ 105,992,480	\$ 380,454,226	\$ 39,534,469,261
I) Incurred FYE 2017 Benefit Payments ^f	\$ 558,230,605	\$ 357,318,746	\$ 13,020,452	\$ 2,912,843	\$ 10,226,951	\$ 941,709,597
J) Participant Information						
i) Number of Covered Participants						
a) Active employees ^a	59,031	45,700	2,474	139	947	108,291
b) Current retirees with coverage or stipend ^d	50,970	30,686	977	246	789	83,668
c) Waived retirees ^e	5,044	2,798	264	16	34	8,156
d) Survivors	7,145	3,738	166	79	305	11,433
e) Dependents	27,054	13,440	479	158	653	41,784
f) Deferred vesteds	3,327	9,199	195	37	9	12,767
ii) Covered Payroll	\$ 4,175,219,900	\$ 3,113,104,600	\$ 186,618,700	\$ 11,062,900	\$ 177,991,100	\$ 7,663,997,200

^a Excludes Active TRS members, Active SURS members and Active SERS members who are dependents of SEGIP active members. Includes members who are active in TRS and have earned a deferred vested benefit with SERS, SURS, GARS and JRS

^b Valuation assumes a percentage of waived retirees and deferred vested members will elect retiree healthcare coverage in the future.

^c Deferred vested under Teachers Retirement System with between 5 and 7 years of service. They are currently ineligible for TRIP healthcare benefits, but may be eligible for either TRIP or SEGIP benefits depending on reciprocal service or future TRS service. Approximately 50% of the liability for these members is allocated to TRIP.

^d Stipend of \$150 or \$500 per month under "Opt-Out" program, available to SEGIP retirees.

^e Excludes waived retirees over age 75. No liability is assumed for these members.

^f Allocation of employer benefit payments for plan year end June 30, 2017, based on June 30, 2016, actuarial valuation. During plan year end June 30, 2017, the Sponsor incurred \$941,709,597 in plan costs and made contributions of \$336,728,703. The Sponsor made a one-time extraordinary contribution of \$1,342,370,165 on November 8, 2017, to finance retiree healthcare costs incurred but not paid prior to July 1, 2017.



SECTION C

GASB No. 75 INFORMATION

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

GASB Statement No. 75 Information

Discussion

Accounting Standard

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

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

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

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

Plan Financial Statements

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

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

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

GASB Statement No. 75 Information

For GASB Statement No. 75 reporting purposes, the plan sponsor's fiscal year end June 30, 2018, financial reporting will be based on the valuation date of June 30, 2016, projected to a measurement date of June 30, 2017.

The information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of June 30, 2017.

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

Notes to Financial Statements

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

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

- The name of the OPEB plan, the administrator of the OPEB plan and the identification of whether the OPEB plan is a single-employer, agent or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the Total OPEB Liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The OPEB plan's investment policies;
- The OPEB plan's fiduciary net position and the Net OPEB Liability (or Total OPEB Liability if no trust exists to pay benefits);
- The Net OPEB Liability using a one percentage point change in the discount rate;
- The Net OPEB Liability using a one percentage point change in the healthcare trend rate;
- Significant assumptions and methods used to calculate the Total OPEB Liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Frequency and Timing of the Actuarial Valuation

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

GASB Statement No. 75 Information

Single Discount Rate

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

Since SEGIP is financed on a pay-as-you-go basis, the sponsor has selected a discount rate consistent with the 20-year general obligation bond index described above. The discount rates are 2.85 percent as of June 30, 2016, and 3.56 percent as of June 30, 2017.

Actuarial Assumptions

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

Future Uncertainty or Risk

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

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

Benefits Valued

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

GASB Statement No. 75 Information

GASB Statement No. 75 Information

This section contains the following GASB Statement No. 75 information:

- GASB Statement No. 75 Summary;
- GASB Statement No. 75 Changes in Total OPEB Liability for plan year end June 30, 2017, applicable to sponsor's fiscal year end June 30, 2018;
- GASB Statement No. 75 Expense measured as of plan year end June 30, 2017, and applicable to sponsor's fiscal year end June 30, 2018;
- GASB Statement No. 75 Development of Inflows and Outflows as of June 30, 2017;
- Notes to Schedule of Contributions; and
- GASB Statement No. 75 Sensitivity of Total OPEB Liability as of plan year end June 30, 2017.

GASB Statement No. 75 Information

Summary of GASB No. 75 Results

	2017
Actuarial Valuation Date	June 30, 2016
Measurement Date of the Total OPEB Liability	June 30, 2017
Employer's Fiscal Year End for GASB Statement No. 75	June 30, 2018

Membership

Number of	
- Retirees and Beneficiaries	95,101
- Inactive, Nonretired Members	20,923
- Active Members	<u>108,291</u>
- Total	224,315
Covered Payroll ^b	\$ 7,663,997,200

Total OPEB Liability

Total OPEB Liability	\$ 41,323,858,855
Plan Fiduciary Net Position	-
Total OPEB Liability	<u>\$ 41,323,858,855</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%
Total OPEB Liability as a Percentage of Covered Payroll	539.19%

Development of the Single Discount Rate

Single Discount Rate Beginning of Year	2.85%
Single Discount Rate End of Year	3.56%
Long-Term Expected Rate of Investment Return, Beginning of Year	0.00%
Long-Term Expected Rate of Investment Return, End of Year	0.00%
Long-Term Municipal Bond Rate Beginning of Year ^a	2.85%
Long-Term Municipal Bond Rate End of Year ^a	3.56%
Year Assets are Projected to be depleted	2016

Total OPEB Expense for Fiscal Year End June 30, 2017, Applicable to Sponsor's Fiscal Year End June 30, 2018 \$ 2,071,673,026

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses as of June 30, 2018

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference Between Expected and Actual Experience	\$ 13,246,560	\$ -
Changes in Assumptions	-	(3,923,686,484)
Net Difference Between projected and Actual Earnings on OPEB Plan Investments	-	-
Total	<u>\$ 13,246,560</u>	<u>\$ (3,923,686,484)</u>

^a Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

GASB Statement No. 75 Information

Schedule of Changes in Total OPEB Liability under GASB Statement No. 75 Measured as of June 30, 2017, Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

Fiscal Year Ending June 30,	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 1,696,977,300
Interest on the Total OPEB Liability	1,242,236,513
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	16,224,331
Changes of Assumptions	(4,805,714,863)
Benefit Payments	<u>(325,218,883)</u>
Net Change in Total OPEB Liability	<u>(2,175,495,602)</u>
Total OPEB Liability at June 30, 2016^a	43,499,354,457
Total OPEB Liability at June 30, 2017 (a)^b	<u>\$ 41,323,858,855</u>
Covered-Employee Payroll	\$ 7,663,997,200
Total OPEB Liability as a Percentage of Covered-Employee Payroll	539.19%

^a Includes \$1,126,614,157 in incurred but not paid healthcare liabilities as of June 30, 2016.

^b Includes \$1,789,389,594 in incurred but not paid healthcare liabilities as of June 30, 2017.

Results exclude the one-time extraordinary contribution of \$1,342,370,165 made on November 8, 2017, to finance incurred but not paid healthcare liabilities as of June 30, 2017. The extraordinary contribution will be reflected in plan year end June 30, 2018.

GASB Statement No. 75 Information

Statement of OPEB Expense under GASB Statement No. 75 Measured as of June 30, 2017 Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

A. Expense

1. Service Cost	\$	1,696,977,300
2. Interest on the Total OPEB Liability		1,242,236,513
3. Current-Period Benefit Changes		-
4. Active Member Contributions		-
5. Projected Earnings on Plan Investments		-
6. OPEB Plan Operating Expenses		11,509,820
7. Other Changes in Plan Fiduciary Net Position		-
8. Recognition of Outflow/(Inflow) due to Liability Experience		2,977,771
9. Recognition of Outflow/(Inflow) due to Assumption Changes		(882,028,379)
10. Recognition of Outflow/(Inflow) due to Investment Experience		-
11. Total OPEB Expense	\$	2,071,673,026

B. Reconciliation of Total OPEB Liability

1. Total OPEB Liability at June 30, 2016	\$	43,499,354,457
2. OPEB Expense		2,071,673,026
3. Employer Contributions		(336,728,703)
4. Change in Liability Experience Outflows/(Inflows) Recognized in Current Liabilities		13,246,560
5. Change in Assumption Changes Experience Outflows/(Inflows) Recognized in Current Liabilities		(3,923,686,484)
6. Change in Investment Experience Outflows/(Inflows) Recognized in Current Assets		-
7. Total OPEB Liability at June 30, 2017	\$	41,323,858,855

GASB Statement No. 75 Information

Recognition of Deferred Outflows and Inflows of Resources

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

At the beginning of the current measurement period, the expected remaining service lives of all active members in the plan was approximately 1,222,176 years. Additionally, the total plan membership (active, inactive and retired members) was 224,315. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 5.448481 years.

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

GASB Statement No. 75 Information

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Measured as of June 30, 2017, Applicable to Plan Sponsor's Fiscal Year End June 30, 2018

A. Outflows and (Inflows) of Resources Recognized in Current and Future OPEB Expenses as of Plan Year End June 30, 2017

Experience (Gain)/Loss	Original Balance	Date Established	Original Recognition Period/ Amortization Factor	Amount Recognized in Past OPEB Expenses	Amount Recognized in Current OPEB Expense	Deferred (Inflows) to be Recognized in Future OPEB Expenses	Deferred Outflows to be Recognized in Future OPEB Expenses
1. Liability (Gain)/Loss	\$ 16,224,331	June 30, 2017	5.448481	\$ -	\$ 2,977,771	\$ -	\$ 13,246,560
	\$ 16,224,331			\$ -	\$ 2,977,771	\$ -	\$ 13,246,560
2. Assumption Changes	\$ (4,805,714,863)	June 30, 2017	5.448481	\$ -	\$ (882,028,379)	\$ (3,923,686,484)	\$ -
	\$ (4,805,714,863)			\$ -	\$ (882,028,379)	\$ (3,923,686,484)	\$ -
3. Investment (Gain)/Loss	\$ -	June 30, 2017	5.00000	\$ -	\$ -	\$ -	\$ -
	\$ -			\$ -	\$ -	\$ -	\$ -
4. Total				\$ -	\$ (879,050,607)	\$ (3,923,686,484)	\$ 13,246,560

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

Year Ending June 30,	Liability Outflows (Inflows)	Assumption Changes Outflows/(Inflows)	Investment Outflows/(Inflows)	Year Ending June 30,	Deferred Outflows	Deferred (Inflows)	Net Outflows/(Inflows)
2018	\$ 2,977,771	\$ (882,028,379)	\$ -	2018	\$ 2,977,771	\$ (882,028,379)	\$ (879,050,607)
2019	\$ 2,977,771	\$ (882,028,379)	\$ -	2019	\$ 2,977,771	\$ (882,028,379)	\$ (879,050,607)
2020	\$ 2,977,771	\$ (882,028,379)	\$ -	2020	\$ 2,977,771	\$ (882,028,379)	\$ (879,050,607)
2021	\$ 2,977,771	\$ (882,028,379)	\$ -	2021	\$ 2,977,771	\$ (882,028,379)	\$ (879,050,607)
2022	\$ 1,335,474	\$ (395,572,969)	\$ -	2022	\$ 1,335,474	\$ (395,572,969)	\$ (394,237,495)
2023	\$ -	\$ -	\$ -	2023	\$ -	\$ -	\$ -
Total	\$ 13,246,560	\$ (3,923,686,484)	\$ -	Total	\$ 13,246,560	\$ (3,923,686,484)	\$ (3,910,439,924)

Numbers may not add due to rounding.

GASB Statement No. 75 Information

Notes to Schedule of Contributions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Sponsor's Fiscal year End	June 30, 2018

Methods and Assumptions Used to Determine Actuarial Liability and Contributions:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you basis. Retired members contribute a percentage of premium rates based on service at retirement. The sponsor contributes claims and expenses in excess of retired member contributions. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premium after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.
Asset Valuation Method	Not applicable
Investment Rate of Return	Not applicable
Inflation	2.75%
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare cost and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.49% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.
Other:	Incurred but not paid healthcare claims liability was based on information provided by the plan sponsor. Total OPEB liability at June 30, 2017, includes incurred but not paid liability at June 30, 2017, of \$1,789,389,594 but does not recognize the extraordinary sponsor contribution of \$1,342,370,165 made on November 8, 2017, to finance incurred but not paid liability as of June 30, 2017. The extraordinary contribution will be recognized during fiscal year end June 30, 2018.

GASB Statement No. 75 Information

	SERS	SURS	TRS	JRS	GARS
Salary Increases	Depends on age and ranges from 7.67% at age 25 graded down to 3.25% at age 70.	Depends on service and ranges from 15.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.	3.00% per annum	3.00% per annum
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2014, actuarial valuation.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.
Mortality	Retirement and Beneficiary Annuitants: RP-2014 Healthy Annuitant Table. Pre-Retirement: RP-2014 Total Employee Table. Tables are adjusted for SERS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table. Disabled Annuitants: RP-2014 Disabled Annuitant Table. Pre-Retirement: RP-2014 White Collar Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. Disabled Annuitants: RP-2014 Disabled Annuitant Table. Pre-Retirement: RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.	Retirement and Beneficiary Annuitants: RP-2014 White Collar Total Healthy Annuitant Table. Pre-Retirement: RP-2014 White Collar Total Employee Table. Tables are adjusted for JRS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.	Retirement and Beneficiary Annuitants: RP-2014 White Collar Total Healthy Annuitant Table. Pre-Retirement: RP-2014 White Collar Total Employee Table. Tables are adjusted for GARS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.

GASB Statement No. 75 Information

Single Discount Rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expense in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the Total OPEB liability.

Sensitivity of Total OPEB Liability

The following table shows the plan's Total OPEB liability as of June 30, 2017, using the current single discount rate of 3.56%, and sensitivity single discount rates that are either one percentage point higher or lower:

	Current Single Discount Rate Assumption	
1% Decrease 2.56%	3.56%	1% Increase 4.56%
\$ 46,881,576,940	\$ 41,323,858,855	\$ 35,797,432,154

The following table shows the plan's Total OPEB Liability as of June 30, 2017, using current trend rates and sensitivity trend rates that are either one percentage point higher or lower. The key current trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 4.99% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.50% in 2027 for Medicare coverage.

	Healthcare Cost Trend Rates Assumption	
1% Decrease^a	3.56%	1% Increase^b
\$ 35,310,895,481	\$ 41,323,858,855	\$ 46,287,991,196

^a One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 3.99% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

^b One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 5.99% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

SECTION D

ADDITIONAL VALUATION EXHIBITS

Additional Valuation Exhibits

40-Year Projection of Expected Employer Claims ^a

Year Beginning July 1	Expected Employer Claims	Year Beginning July 1	Expected Employer Claims
2016 ^b	\$ 941,709,597	2036	\$ 2,703,976,800
2017	1,002,491,400	2037	2,758,218,600
2018	1,095,987,100	2038	2,811,073,600
2019	1,208,644,400	2039	2,865,218,300
2020	1,330,100,700	2040	2,912,747,300
2021	1,455,907,800	2041	2,948,073,000
2022	1,583,310,900	2042	2,973,014,100
2023	1,707,461,200	2043	2,988,700,200
2024	1,824,216,800	2044	2,990,776,300
2025	1,925,955,300	2045	2,983,624,700
2026	2,014,553,500	2046	2,970,324,800
2027	2,086,837,300	2047	2,949,093,500
2028	2,157,089,800	2048	2,922,814,100
2029	2,227,317,800	2049	2,890,039,400
2030	2,303,075,700	2050	2,853,568,600
2031	2,380,809,400	2051	2,812,545,100
2032	2,454,524,900	2052	2,763,137,300
2033	2,523,591,100	2053	2,710,279,100
2034	2,588,516,900	2054	2,655,125,300
2035	2,647,731,800	2055	2,595,667,500

^a Expected claims net of retiree contributions for current participants.

^b During plan year end June 30, 2017, the sponsor incurred net employer claims of \$941,709,597 and paid \$336,728,703 in plan cost. The Sponsor made a one-time extraordinary contribution of \$1,342,370,165 on November 8, 2017, to finance retiree healthcare costs incurred but not paid prior to July 1, 2017.

Additional Valuation Exhibits

Summary of Demographic Information

	<u>SERS</u>	<u>SURS</u>	<u>TRS</u>	<u>GARS</u>	<u>JRS</u>	<u>Combined^d</u>
A) Active Participants ^a						
i) Counts	59,031	45,700	2,474	139	947	108,291
ii) Average Age	46.6	46.3	47.5	53.4	58.8	46.6
iii) Average Service	12.8	10.5	12.9	10.9	11.3	11.8
B) Deferred vested participants ^{b,c}						
i) Counts	3,327	9,199	195	37	9	12,767
ii) Average Age	52.1	49.9	50.7	53.2	53.6	50.5
C) Retirees with SEGIP Healthcare Coverage						
i) Counts	50,394	30,261	975	244	788	82,662
ii) Average Age	70.0	71.8	72.7	73.6	72.4	70.7
D) Survivors with SEGIP Healthcare Coverage Over Age 26						
i) Counts	7,069	3,729	166	79	296	11,339
ii) Average Age	77.5	79.6	81.2	82.0	79.4	78.3
E) Dependents with SEGIP Healthcare Coverage Over Age 26						
i) Counts	21,237	11,148	424	137	543	33,489
ii) Average Age	66.1	68.5	69.6	70.2	68.1	67.0
F) Retirees Waiving Coverage (Excluding Those Over Age 75) ^e						
i) Counts	5,044	2,798	264	16	34	8,156
ii) Average Age	64.5	65.6	65.9	66.1	65.1	64.9
G) Retirees Receiving a Monthly Stipend ^f						
i) Counts	576	425	2	2	1	1,006
ii) Average Age	60.1	61	63	58	65	60.3
H) Survivors with SEGIP Healthcare Coverage Age 26 and Under						
i) Counts	76	9	-	-	9	94
ii) Average Age	18.2	18.5	-	-	20.6	18.5
I) Dependents with SEGIP Healthcare Coverage Age 26 and Under						
i) Counts	5,817	2,292	55	21	110	8,295
ii) Average Age	20.5	20.9	20.9	21.1	22.0	20.7
J) Total Participants	152,571	105,561	4,555	697	2,737	266,099

^a Excludes Active TRS members, Active SURS members and Active SERS members who are dependents of SEGIP active members. Includes members who are active in TRS and have earned a deferred vested benefit with SERS, SURS, GARS and JRS

^b Valuation assumes a percentage of waived retirees and deferred vested members will elect retiree healthcare coverage in the future.

^c Under TRS, includes deferred vested members with between 5 and 7 years of service. They are currently ineligible for TRIP healthcare benefits, but may be eligible for either TRIP or SEGIP benefits depending on reciprocal service or future TRS service. 50% of the liability for these members is allocated to TRIP and 50% is allocated to SEGIP. The counts under TRS also include deferred vested benefits with more than 7 years of service.

^d Includes 2,309 retirees, 554 survivors over age 26, 575 dependents over age 26, 3 survivors under age 26, and 28 dependents under age 26 with only dental coverage.

^e Excludes waived retirees over age 75. No liability is assumed for these members.

^f Stipend under "Opt-Out" program, available to retirees.

SECTION E

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Summary of Actuarial Assumptions and Methods

Development of Per Capita Claim Costs

The per capita claims used in the actuarial valuation were calculated by the State's healthcare actuary and are based on average per member costs by plan type for the period July 1, 2016, through June 30, 2017, as provided by the Department of Central Management Services (CMS). The per capita claims for the MAPD plans used in the actuarial valuation were based on weighted average premium rate, as provided by CMS. The average costs were adjusted at each respective retirement age by the morbidity factors disclosed in the assumption section of the report.

Cost Method and Expense Calculations for Retiree Healthcare Benefits

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

Under GASB Statement Nos. 74 and 75, the Entry Age Normal Method is the required cost method.

Census Data

The actuarial valuation was based on SERS, SURS, TRS, GARS, and JRS active, inactive and retiree data as of June 30, 2016, for eligible SEGIP members, and SEGIP retiree data as of June 30, 2016.

Retirees' share of benefit-related costs

Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premium after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Discount Rate	3.56%
Inflation¹	2.75%
Wage Inflation²	3.75%

OPEB Assumptions

<u>Applied at July 1,</u>	Healthcare Trend			
	<u>Pre-Medicare Medical/Rx^{3,5}</u>	<u>Post-Medicare Medical/Rx^{4,5}</u>	<u>Dental</u>	<u>Vision</u>
2018	8.00%	9.00%	7.50%	3.00%
2019	7.50%	8.50%	7.00%	3.00%
2020	7.49%	8.00%	6.50%	3.00%
2021	6.99%	7.50%	6.00%	3.00%
2022	6.49%	7.00%	5.50%	3.00%
2023	5.99%	6.50%	5.00%	3.00%
2024	5.49%	6.00%	4.50%	3.00%
2025	4.99%	5.50%	4.50%	3.00%
2026	4.99%	5.00%	4.50%	3.00%
2027+	4.99%	4.50%	4.50%	3.00%

¹ Inflation assumption used to estimate the impact of the Excise Tax under Federal Healthcare Reform.

² Wage inflation used to project to payroll.

³ Higher trend rate on and after 2020 to account for the Excise Tax under Federal Healthcare Reform.

⁴ In addition to these trend rates, the per capita claims costs for the Medicare Advantage Prescription Drug plans (MAPD) are increased to reflect an ultimate MAPD savings of 15 percent in 2026 and thereafter.

⁵ Actual trend applied to premium increases during plan years ending 2018. Pre-Medicare claim cost assumed to increase by 6.20 percent during plan year end 2018. Post-Medicare claim assumed to increase zero percent during plan year end 2018.

Summary of Actuarial Assumptions and Methods

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

PYE 2017 Annual Per Capita Claims Costs for Pre 65, Not Medicare Eligible Members

<u>Age</u>	<u>QCHP</u>		<u>OAP</u>		<u>HMO</u>	
	<u>Medical and Rx</u>		<u>Medical and Rx</u>		<u>Medical and Rx</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	\$ 3,428	\$ 4,486	\$ 3,467	\$ 4,536	\$ 3,245	\$ 4,247
25	2,903	5,934	2,935	6,000	2,747	5,617
30	3,554	8,363	3,594	8,456	3,364	7,917
35	4,428	9,098	4,477	9,199	4,192	8,612
40	5,530	8,986	5,591	9,085	5,234	8,505
45	6,884	9,501	6,960	9,606	6,516	8,993
50	8,964	11,042	9,063	11,165	8,485	10,452
51	9,484	11,425	9,590	11,552	8,978	10,814
52	10,027	11,799	10,138	11,930	9,491	11,169
53	10,591	12,164	10,709	12,299	10,025	11,514
54	11,180	12,522	11,304	12,661	10,583	11,853
55	11,795	12,879	11,926	13,022	11,165	12,191
56	12,437	13,245	12,575	13,392	11,772	12,537
57	13,103	13,630	13,248	13,782	12,403	12,902
58	13,791	14,046	13,945	14,202	13,055	13,296
59	14,501	14,501	14,662	14,662	13,726	13,726
60	15,234	15,001	15,403	15,167	14,420	14,199
61	15,999	15,549	16,177	15,722	15,144	14,719
62	16,801	16,148	16,988	16,327	15,903	15,285
63	17,643	16,793	17,839	16,980	16,700	15,896
64	18,525	17,483	18,731	17,677	17,535	16,549

Annual Dental Cost: \$450

Annual Vision Cost: \$25

Summary of Actuarial Assumptions and Methods

PYE 2017 Annual Per Capita Claims Costs for Medicare Eligible Members								
Age	QCHP		OAP		HMO		MAPD	
	Medical and Rx		Medical and Rx		Medical and Rx		Medical and Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
65	\$ 6,041	\$ 5,698	\$ 6,609	\$ 6,233	\$ 6,427	\$ 6,062	\$ 2,696	\$ 2,543
66	6,143	5,838	6,720	6,386	6,535	6,211	2,741	2,605
67	6,248	5,976	6,834	6,537	6,646	6,357	2,788	2,667
68	6,355	6,111	6,952	6,684	6,761	6,501	2,836	2,727
69	6,467	6,242	7,074	6,828	6,879	6,640	2,886	2,786
70	6,581	6,368	7,199	6,966	7,001	6,775	2,937	2,842
71	6,695	6,489	7,323	7,098	7,122	6,903	2,988	2,896
72	6,802	6,602	7,440	7,222	7,236	7,024	3,036	2,947
73	6,900	6,709	7,547	7,339	7,340	7,137	3,079	2,994
74	6,988	6,807	7,644	7,446	7,434	7,241	3,119	3,038
75	7,068	6,897	7,732	7,545	7,519	7,337	3,154	3,078
76	7,144	6,980	7,815	7,635	7,600	7,425	3,188	3,115
77	7,218	7,059	7,896	7,722	7,678	7,510	3,221	3,150
78	7,291	7,137	7,975	7,807	7,756	7,592	3,254	3,185
79	7,360	7,215	8,051	7,892	7,829	7,675	3,285	3,220
80	7,420	7,291	8,117	7,975	7,894	7,756	3,312	3,254
81	7,467	7,361	8,168	8,052	7,943	7,831	3,332	3,285
82	7,495	7,424	8,198	8,121	7,973	7,898	3,345	3,313
83	7,503	7,479	8,208	8,182	7,982	7,956	3,348	3,338
84	7,495	7,526	8,198	8,232	7,973	8,006	3,345	3,359
85	7,474	7,562	8,176	8,272	7,951	8,045	3,336	3,375
86	7,447	7,590	8,146	8,302	7,922	8,074	3,323	3,387
87	7,416	7,610	8,113	8,324	7,889	8,095	3,310	3,396
90	7,336	7,638	8,025	8,355	7,804	8,125	3,274	3,409
98 +	7,138	6,721	7,808	7,352	7,593	7,149	3,186	2,999

Annual Dental Cost: \$450

Annual Vision Cost: \$25

Summary of Actuarial Assumptions and Methods

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

Age	QCHP		OAP		HMO	
	Medical and Rx		Medical and Rx		Medical and Rx	
	Male	Female	Male	Female	Male	Female
65	\$ 19,144	\$ 18,057	\$ 19,357	\$ 18,257	\$ 18,121	\$ 17,092
66	19,466	18,501	19,682	18,706	18,426	17,512
67	19,798	18,937	20,017	19,147	18,740	17,925
68	20,139	19,364	20,363	19,579	19,063	18,329
69	20,492	19,780	20,720	20,000	19,397	18,723
70	20,855	20,180	21,087	20,404	19,741	19,102
71	21,214	20,562	21,450	20,790	20,081	19,463
72	21,554	20,922	21,793	21,155	20,403	19,804
73	21,864	21,260	22,107	21,496	20,696	20,124
74	22,144	21,571	22,390	21,811	20,961	20,419
75	22,399	21,856	22,647	22,099	21,202	20,688
76	22,639	22,119	22,890	22,365	21,429	20,937
77	22,873	22,370	23,127	22,618	21,651	21,174
78	23,104	22,616	23,360	22,867	21,869	21,408
79	23,323	22,862	23,582	23,116	22,077	21,641
80	23,514	23,103	23,775	23,360	22,258	21,869
81	23,661	23,327	23,924	23,586	22,397	22,081
82	23,749	23,527	24,013	23,788	22,480	22,269
83	23,776	23,701	24,040	23,964	22,506	22,435
84	23,750	23,848	24,014	24,113	22,481	22,574
85	23,685	23,964	23,948	24,230	22,420	22,684
86	23,598	24,050	23,860	24,317	22,337	22,765
87	23,502	24,114	23,762	24,381	22,246	22,825
90	23,246	24,204	23,504	24,473	22,004	22,911
98 +	22,619	21,297	22,870	21,533	21,411	20,159

Annual Dental Cost: \$450

Annual Vision Cost: \$25

Summary of Actuarial Assumptions and Methods

Participation

Current active and deferred vested members participating in SERS, SURS or TRS are assumed to participate in SEGIP at retirement as follows:

Service at Retirement	Waive Coverage	1 person	2 person	Total
over 20	0%	60%	40%	100%
15 to 20	5%	55%	40%	100%
10 to 15	15%	50%	35%	100%
less than 10	30%	40%	30%	100%

Two percent of future eligible retirees are assumed to participate in the Opt-Out – Financial Incentive Programs. Program provides a financial incentive – \$500 per month if service is greater than or equal to 20 years or \$150 per month if service is less than 20 years – to enroll in another healthcare program prior to becoming eligible for Medicare. Members in the Opt-Out program are assumed to elect SEGIP Medicare coverage after age 65.

Ten percent of members in the SURS SMP program are assumed to annuitize their account balance upon retirement and elect healthcare coverage under SEGIP.

Current SERS, SURS and TRS retired members who have waived SEGIP coverage, are assumed to participate in SEGIP in the future as follows:

- a) For those under age 62, 50% elect coverage at 62, multiplied by the preceding service based participation table.
- b) For those age 62 to 75, 50% elect coverage as of the valuation date, multiplied by the preceding service based participation table.
- c) For those over age 75, 0% elect coverage.

Current active and deferred vested members participating in JRS and GARS are assumed to participate in SEGIP at 100% with 25% electing single coverage and 75% electing 2-person coverage. Current JRS and GARS retirees who have waived SEGIP coverage are assumed to participate at the same rates as outlined above excluding the service based assumption.

Children of retired members are valued explicitly assuming coverage ends at age 23. Disabled children are assumed to receive benefits during their lifetime.

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

Costs for future retirees are based on blended plan costs with the following assumed coverage:

	QCHP	OAP	HMO	Total
SERS/SURS/TRS	30%	30%	40%	100%
JRS/GARS	80%	10%	10%	100%

Summary of Actuarial Assumptions and Methods

Pension-related assumptions

The pension-related assumptions were based on those used for the most recent actuarial valuation of each respective retirement system.

The rates used for the pension valuations of SERS, SURS, TRS, JRS and GARS, were applied to the SEGIP OPEB valuation.

Deferred vested members are assumed to commence benefits at earliest eligibility.

Medicare eligible members are assumed to participate in the MAPD six months after attaining age 65.

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Post-Retirement Mortality:

105 percent of the RP-2014 Healthy Annuitant mortality tables, sex distinct, with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales recently released by the Society of Actuaries. This assumption provides a margin for future mortality improvements. No adjustment is made for post-disabled mortality.

Pre-Retirement Mortality, including terminated vested members prior to attaining age 50:

Based on a percentage of 75 percent for males and 90 percent for females of the RP-2014 Total Employee mortality table with generational mortality improvements using the MP-2014 two-dimensional mortality improvement scales, to reflect that experience shows active members having lower mortality rates than retirees of the same age. Five percent of deaths among active employees are assumed to be in the performance of their duty.

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Termination:

Illustrative rates of withdrawal from the plan are as follows:

Service Based Withdrawal				
Service (Beginning of Year)	Regular Formula Employees		Alternate Formula Employees	
	Males	Females	Males	Females
0	0.2300	0.2300	0.0325	0.0600
1	0.1200	0.1200	0.0325	0.0450
2	0.0950	0.0850	0.0325	0.0450
3	0.0700	0.0650	0.0200	0.0400
4	0.0625	0.0500	0.0175	0.0300
5	0.0425	0.0475	0.0175	0.0300
6	0.0425	0.0350	0.0175	0.0300
7	0.0350	0.0350	0.0175	0.0200
8	0.0300	0.0300	0.0150	0.0200
9	0.0250	0.0250	0.0150	0.0200
10	0.0250	0.0250	0.0150	0.0200
11	0.0200	0.0200	0.0125	0.0175
12	0.0200	0.0200	0.0125	0.0175
13	0.0200	0.0200	0.0100	0.0150
14	0.0150	0.0150	0.0100	0.0150
15	0.0150	0.0150	0.0100	0.0150
16	0.0150	0.0150	0.0100	0.0150
17	0.0150	0.0150	0.0100	0.0150
18	0.0150	0.0150	0.0100	0.0150
19	0.0150	0.0150	0.0100	0.0150
20	0.0150	0.0100	0.0100	0.0150
21	0.0150	0.0100	0.0100	0.0150
22	0.0150	0.0100	0.0100	0.0150
23	0.0150	0.0100	0.0100	0.0150
24	0.0150	0.0100	0.0100	0.0150
25	0.0150	0.0100	0.0100	0.0150
26	0.0150	0.0100	0.0100	0.0150
27	0.0150	0.0100	0.0100	0.0150
28	0.0150	0.0100	0.0100	0.0150
29	0.0150	0.0100	0.0100	0.0150
30+	0.0150	0.0100	0.0100	0.0150

It is assumed that terminated employees will not be rehired. The rates apply only to employees who have not fulfilled the service requirement necessary for retirement at any given age.

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Salary Increases:

Illustrative rates of increase per individual employee per annum, compounded annually:

Age	Annual Increase
25	7.67%
30	6.20%
35	5.30%
40	4.97%
45	4.58%
50	4.26%
55	4.05%
60	3.85%
65	3.47%
70	3.25%

Disability:

Under the pension valuation, disability is valued as a term cost only. No rates were applied.

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Retirement:

Employees are assumed to retire in accordance with the rates shown below. The rates apply to employees who have fulfilled the service requirement necessary for retirement at any given age.

Retirement Rates for Regular Formula Employees		
	Males	Females
50	15.00%	25.00%
51	15.00%	25.00%
52	25.00%	30.00%
53	25.00%	25.00%
54	20.00%	20.00%
55	17.50%	16.00%
56	17.50%	16.00%
57	15.00%	16.00%
58	15.00%	16.00%
59	15.00%	16.00%
60	10.00%	16.00%
61	10.00%	12.50%
62	20.00%	20.00%
63	17.50%	17.50%
64	15.00%	17.50%
65	20.00%	25.00%
66	25.00%	20.00%
67	20.00%	20.00%
68	20.00%	20.00%
69	17.50%	20.00%
70	17.50%	20.00%
71	17.50%	15.00%
72	15.00%	20.00%
73	17.50%	20.00%
74	20.00%	20.00%
75	100.00%	100.00%

Early Retirement Rates for Regular Formula Employees		
Age	Males	Females
55	4.50%	4.50%
56	6.00%	4.00%
57	5.00%	7.00%
58	7.50%	9.50%
59	9.50%	12.00%

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Retirement Rates for Alternate Formula Employees				
Age	Eligible for Alternate Formula Benefits Only		Eligible for Regular Formula Benefits Only	
	Males	Females	Males	Females
50	60.00%	40.00%	N/A	N/A
51	45.00%	40.00%	N/A	N/A
52	45.00%	35.00%	N/A	N/A
53	40.00%	30.00%	N/A	N/A
54	40.00%	25.00%	N/A	N/A
55	35.00%	30.00%	N/A	N/A
56	35.00%	25.00%	N/A	N/A
57	27.50%	20.00%	N/A	N/A
58	30.00%	20.00%	N/A	N/A
59	25.00%	25.00%	N/A	N/A
60	30.00%	30.00%	5.00%	8.00%
61	25.00%	20.00%	5.00%	8.00%
62	45.00%	45.00%	10.00%	8.00%
63	40.00%	35.00%	10.00%	12.50%
64	30.00%	40.00%	10.00%	12.50%
65	55.00%	40.00%	20.00%	17.50%
66	50.00%	60.00%	20.00%	15.00%
67	50.00%	50.00%	20.00%	40.00%
68	30.00%	15.00%	17.50%	30.00%
69	35.00%	35.00%	17.50%	20.00%
70	50.00%	60.00%	17.50%	25.00%
71	30.00%	50.00%	17.50%	30.00%
72	100.00%	100.00%	100.00%	100.00%

Spouse and Marriage Assumptions:

85.0 percent of active male participants and 65.0 percent of active female participants are assumed to be married. Actual marital status at benefit commencement is used for retirees. If no data is available, the female spouse is assumed to be three years younger than the male spouse.

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Assumptions as a result of Public Act 96-0889 Adopted June 30, 2014

Retirement rates for members hired after December 31, 2010, who are eligible for regular formula benefits will retire according to the following age-based retirement rates:

Retirement Rates for Regular Formula Employees			
Age	Males	Age	Females
67	50.00%	62	30.00%
68	35.00%	63	15.00%
69	35.00%	64	15.00%
70	35.00%	65	15.00%
71	20.00%	66	15.00%
72	20.00%		
73	20.00%		
74	20.00%		
75	100.00%		

Members hired after December 31, 2010, eligible for the alternate formula benefits will retire according to the following age-based retirement rates:

Retirement Rates for Alternate Formula Employees		
Age	Males	Females
60	50.00%	50.00%
61	25.00%	20.00%
62	45.00%	45.00%
63	40.00%	35.00%
64	30.00%	40.00%
65	55.00%	40.00%
66	50.00%	60.00%
67	50.00%	50.00%
68	30.00%	15.00%
69	35.00%	35.00%
60	50.00%	60.00%
61	30.00%	50.00%
62	100.00%	100.00%

Summary of Actuarial Assumptions and Methods

SERS Pension Related Assumptions

Illustrative rates of withdrawal from the plan are as follows for members hired after December 31, 2010:

Service Based Withdrawal				
Service (Beginning of Year)	Regular Formula Employees		Alternate Formula Employees	
	Males	Females	Males	Females
0	0.2700	0.2500	0.0500	0.0775
1	0.1400	0.1600	0.0350	0.0475
2	0.0800	0.1000	0.0350	0.0475
3	0.0800	0.0800	0.0225	0.0425
4	0.0625	0.0700	0.0200	0.0325
5	0.0500	0.0600	0.0200	0.0325
6	0.0450	0.0550	0.0200	0.0325
7	0.0400	0.0500	0.0200	0.0225
8	0.0350	0.0450	0.0175	0.0225
9	0.0300	0.0400	0.0175	0.0225
10	0.0250	0.0350	0.0175	0.0225
11	0.0200	0.0250	0.0150	0.0200
12	0.0200	0.0200	0.0150	0.0200
13	0.0200	0.0200	0.0125	0.0175
14	0.0150	0.0150	0.0125	0.0175
15	0.0150	0.0150	0.0100	0.0150
16	0.0150	0.0150	0.0100	0.0150
17	0.0150	0.0150	0.0100	0.0150
18	0.0150	0.0150	0.0100	0.0150
19	0.0150	0.0150	0.0100	0.0150
20	0.0150	0.0150	0.0100	0.0150
21	0.0150	0.0150	0.0100	0.0150
22	0.0150	0.0150	0.0100	0.0150
23	0.0150	0.0150	0.0100	0.0150
24	0.0150	0.0150	0.0100	0.0150
25	0.0150	0.0150	0.0100	0.0150
26	0.0150	0.0150	0.0100	0.0150
27	0.0150	0.0150	0.0100	0.0150
28	0.0150	0.0150	0.0100	0.0150
29	0.0150	0.0150	0.0100	0.0150
30+	0.0150	0.0150	0.0100	0.0150

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Mortality:

The mortality assumptions are as follows:

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

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

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Termination:

Illustrative rates are as follows:

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

Part time members with less than three years of service (all members classified as part time for valuation purposes) are assumed to terminate at the valuation date.

Termination rate for 29 years of service used for Tier 2 members until retirement eligibility is met.

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Salary Increases:

Rates are as follows:

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

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Disability:

Illustrative rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.042%	0.060%	50	0.206%	0.249%
21	0.043%	0.064%	51	0.219%	0.257%
22	0.044%	0.067%	52	0.231%	0.264%
23	0.045%	0.071%	53	0.244%	0.272%
24	0.046%	0.074%	54	0.256%	0.279%
25	0.047%	0.078%	55	0.264%	0.287%
26	0.048%	0.081%	56	0.271%	0.294%
27	0.049%	0.085%	57	0.279%	0.302%
28	0.050%	0.088%	58	0.286%	0.309%
29	0.051%	0.092%	59	0.294%	0.317%
30	0.054%	0.099%	60	0.301%	0.324%
31	0.056%	0.107%	61	0.309%	0.332%
32	0.059%	0.114%	62	0.316%	0.339%
33	0.061%	0.122%	63	0.324%	0.347%
34	0.064%	0.129%	64	0.331%	0.354%
35	0.067%	0.137%	65	0.339%	0.362%
36	0.071%	0.144%	66	0.346%	0.369%
37	0.074%	0.152%	67	0.354%	0.377%
38	0.078%	0.159%	68	0.361%	0.384%
39	0.081%	0.167%	69	0.369%	0.392%
40	0.091%	0.174%	70	0.369%	0.392%
41	0.101%	0.182%	71	0.369%	0.392%
42	0.111%	0.189%	72	0.369%	0.392%
43	0.121%	0.197%	73	0.369%	0.392%
44	0.131%	0.204%	74	0.369%	0.392%
45	0.144%	0.212%	75	0.369%	0.392%
46	0.156%	0.219%	76	0.369%	0.392%
47	0.169%	0.227%	77	0.369%	0.392%
48	0.181%	0.234%	78	0.369%	0.392%
49	0.194%	0.242%	79	0.369%	0.392%

Disability rates apply during the retirement eligibility period.

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Retirement:

Upon eligibility, active members are assumed to retire as follows:

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

Summary of Actuarial Assumptions and Methods

SURS Pension Related Assumptions

Spouse and Marriage Assumptions:

Members are assumed to be married in the following proportions:

<u>Age</u>	<u>Males</u>	<u>Females</u>
20	25.00%	40.00%
30	70.00%	75.00%
40	80.00%	80.00%
50	85.00%	80.00%
60	85.00%	70.00%

Summary of Actuarial Assumptions and Methods

TRS Pension Related Assumptions

Demographic Assumptions:

Healthy Life Mortality, Post-Retirement

RP-2014 White Collar Annuitant Tables, sex distinct with female rates multiplied by 76% for ages 50 to 77 and 106% for ages 78 to 114, and males rates multiplied by 115% for ages 78 to 114

Healthy Life Mortality, Post-Retirement Beneficiary

RP-2014 White Collar Annuitant Tables, sex distinct with female and male rates multiplied by 112% for ages 50 to 114

Healthy Life Mortality, Pre-Retirement

RP-2014 White Collar Mortality Table, sex distinct

Disabled Life Mortality, Post-Retirement

RP-2014 Disabled Table

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

Summary of Actuarial Assumptions and Methods

TRS Pension Related Assumptions

Termination:

Illustrative rates are as follows:

Sample Turnover Rates						
% Separating Within Next Year						
Age	Non-Vested		Vested¹		Vested²	
	Male	Female	Male	Female	Male	Female
25	9.5%	8.4%	6.0%	6.5%	6.0%	6.5%
30	8.8%	11.3%	2.8%	5.0%	2.8%	5.0%
35	10.2%	11.6%	2.1%	3.5%	2.1%	3.5%
40	12.3%	10.8%	1.7%	2.2%	1.7%	2.2%
45	12.6%	10.3%	1.5%	1.9%	1.5%	1.9%
50	16.7%	11.8%	1.9%	1.7%	1.9%	1.7%
55	20.7%	17.0%	5.0%	3.8%	5.0%	3.8%
60	16.4%	16.9%	4.6%	4.0%	4.6%	4.0%
65	30.2%	35.0%	4.6%	4.0%	4.6%	4.0%

¹Hired before January 1, 2011

²Hired on or after January 1, 2011

Salary Increases:

Service	Annual Increase
1	9.25%
2	7.25%
3	6.75%
4	6.45%
5	6.25%
6	6.05%
7	5.85%
8	5.65%
9	5.45%
10	5.25%
11	5.05%
12	4.85%
13	4.65%
14	4.45%
15	4.25%
16	4.05%
17	3.85%
18	3.65%
19	3.45%
20 & above	3.25%

Summary of Actuarial Assumptions and Methods

TRS Pension Related Assumptions

Disability:

Illustrative rates are as follows:

Sample Disability Rates				
% Separating Within Next Year				
Age	Hired Before January 1, 2011		Hired On/After January 1, 2011	
	Male	Female	Male	Female
20	0.029%	0.030%	0.029%	0.030%
25	0.029%	0.030%	0.029%	0.030%
30	0.023%	0.061%	0.023%	0.061%
35	0.030%	0.069%	0.030%	0.069%
40	0.051%	0.112%	0.051%	0.112%
45	0.068%	0.140%	0.068%	0.140%
50	0.117%	0.192%	0.117%	0.192%
55	0.138%	0.240%	0.138%	0.240%
60	0.179%	0.227%	0.179%	0.227%
65	0.536%	0.410%	0.536%	0.410%

Summary of Actuarial Assumptions and Methods

TRS Pension Related Assumptions

Retirement:

Sample Normal Retirement Rates, Hired Before January 1, 2011

% Separating Within Next Year (Age-Based)					
Age	Service				
	<u>5 - 18</u>	<u>19 - 30</u>	<u>31</u>	<u>32 - 33</u>	<u>34 +</u>
54	0%	6%	8%	38%	60%
55	0%	10%	8%	38%	60%
56	0%	7%	8%	38%	45%
57	0%	7%	12%	40%	45%
58	0%	7%	12%	40%	40%
59	0%	25%	38%	60%	40%
60	14%	30%	48%	60%	40%
61	14%	27%	33%	45%	40%
62	14%	27%	50%	45%	40%
63	14%	27%	38%	50%	40%
64	24%	37%	50%	60%	40%
65	26%	37%	50%	50%	40%
66	26%	37%	50%	50%	40%
67	26%	37%	50%	50%	40%
68	26%	33%	50%	50%	40%
69	26%	33%	50%	50%	40%
70 & older	100%	100%	100%	100%	100%

Sample Normal Retirement Rates, Hired On/After January 1, 2011

% Separating Within Next Year (Age-Based)					
Age	Service				
	<u>5 - 18</u>	<u>19 - 30</u>	<u>31</u>	<u>32 - 33</u>	<u>34 +</u>
61 and younger	0%	0%	0%	0%	0%
62	13%	15%	20%	25%	25%
63-65	8%	10%	15%	20%	20%
66	20%	10%	15%	20%	20%
67	20%	40%	70%	70%	70%
68	20%	40%	40%	40%	40%
69	20%	40%	40%	40%	40%
70	100%	100%	100%	100%	100%

Summary of Actuarial Assumptions and Methods

TRS Pension Related Assumptions

Spouse and Marriage Assumptions:

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

Summary of Actuarial Assumptions and Methods

JRS/GARS Pension Related Assumptions

Mortality:

Post-Retirement Mortality

JRS/GARS: RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, with rates set forward one year for males and set back one year for females and generational mortality improvement using MP-2014 two-dimensional mortality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements.

Pre-Retirement Mortality, including terminated vested members prior to attaining age 50

JRS/GARS: RP-2014 White Collar Total Employee mortality table, sex distinct and generational mortality improvement using MP-2014 two-dimensional mortality improvement scales recently released by the SOA, to reflect that experience shows active members having lower mortality rates than retirees of the same age.

Termination:

GARS: Rates of withdrawal are assumed to be equal to five percent for all ages 20 through 65.

JRS: Illustrative rates are as follows:

Sample Withdrawal Rates		
Age	Male	Female
30	0.0175	0.0175
35	0.0170	0.0160
40	0.0154	0.0144
45	0.0136	0.0126
50	0.0118	0.0108
55	0.0102	0.0092
60	0.0084	0.0074
65	0.0067	0.0057

JRS/GARS: It is assumed that terminated employees will not be rehired. The rates apply only to employees who have not fulfilled the service requirement necessary for retirement at any given age.

Salary Increases:

JRS: A salary increase assumption of 3.00 percent per annum, compounded annually, was used. This 3.00 percent salary increase assumption includes an inflation component of 2.75 percent per annum, and a productivity/merit/promotion component of 0.25 percent.

Summary of Actuarial Assumptions and Methods

JRS/GARS Pension Related Assumptions

GARS: A salary increase assumption of 3.00 percent per annum, compounded annually, was used. This 3.00 percent salary increase assumption includes an inflation component of 2.75 percent per annum, and a productivity component of 0.25 percent per annum. Furthermore, salaries were assumed to remain at their current rate for fiscal year 2017.

Disability:

JRS/GARS: No assumption for disability.

Retirement:

Rates only apply to employees who have fulfilled the service requirement necessary for retirement at any given age.

JRS: Employees are assumed to retire in accordance to the rates shown below.

Retirement Rates	
Age	Males & Females
60	15.00%
61-65	10.00%
66-70	11.00%
71	11.00%
72	12.00%
73	13.00%
74	14.00%
75-79	15.00%
80+	100.00%

Early Retirement Rates		
Age	Male	Female
55	6.50%	7.50%
56	6.50%	7.50%
57	6.50%	7.50%
58	6.50%	7.50%
59	6.50%	7.50%

GARS: Employees are assumed to retire in accordance to the rates shown below.

Retirement Rates	
Age	Male & Female
55	5.00%
56-59	15.00%
60-74	20.00%
75	100.00%

Spouse and Marriage Assumptions:

75.0 percent of active participants are assumed to be married. If no data is available, the female spouse is assumed to be four years younger than the male spouse.

SECTION F

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Summary of Principal Plan Provisions

PLAN MEMBERS

Members receiving monthly benefits from the State Employees' Retirement System of Illinois (SERS), State Universities Retirement System of Illinois (SURS), Teachers' Retirement System of Illinois (TRS), General Assembly Retirement System (GARS) or the Judges' Retirement System of Illinois (JRS) are eligible to enroll in SEGIP. Certain members covered under TRS for pension purposes are eligible for retiree healthcare benefits under the Teachers' Retirement Insurance Program (TRIP). Other TRS members eligible for coverage under SEGIP include: certified teachers working for certain State agencies, executives working for the Board of Education, regional superintendents, regional assistant superintendents, TRS fund staff and certain members with certain reciprocal service.

PENSION ELIGIBILITY PROVISIONS

STATE EMPLOYEES RETIREMENT SYSTEM

Normal Retirement

General formula members are eligible to retire with unreduced benefits after completing one of the following: i) age 60 with 8 years of service, ii) 35 years of service or iii) age plus service is at least 85. Alternate formula members are eligible to retire with unreduced after completing one of the following: i) age 50 with 25 years of service or ii) age 55 with 20 years of service.

Early Retirement

General formula members are eligible to retire with reduced benefits after attaining age 55 and earning at least 25 years of service.

Disability Retirement

There is no specific age or service requirement for receipt of occupational disability benefits. Receipt of non-occupational disability benefits has an eligibility requirement of one- and one-half years of service.

Vested Termination

Members who terminate are eligible to receive pension benefits after attaining age 60 with at least eight years of service or at any age with at least 35 years of service.

Provisions Applicable to Members Hired after December 31, 2010, as a result of Public Act 96-0889

Retirement Eligibility – All Members Except State policemen, fire fighters in the fire protection service of a department or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 67 years old with 10 years of service.

Summary of Principal Plan Provisions

Early Retirement – 62 years old with 10 years of service with a 6.0 percent per year reduction in benefit for each year age is under 67.

Retirement Eligibility – State policemen, fire fighters in the fire protection service of a department or security employees of the Department of Corrections or the Department of Juvenile Justice

Normal retirement – 60 years old with 20 years of service.

Summary of Principal Plan Provisions

STATE UNIVERSITIES RETIREMENT SYSTEM

Normal Retirement

Police officers and firefighters are eligible to retire with unreduced benefits after completing one of the following: i) age 55 with 20 years of service or ii) age 50 with 25 years of service.

Other members hired before January 1, 2011, are eligible to retire with unreduced benefits after completing one of the following: i) age 62 with 5 years of service, ii) age 60 with 8 years of service or iii) 30 years of service.

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

Early Retirement

Members hired before January 1, 2011, other than police and fire employees, are eligible to retire with reduced benefits after attaining age 55 and earning at least 8 years of service. For members hired on or after January 1, 2011, separation from service on or after attainment of age 62 with 10 years of service.

Disability Retirement

There is no specific age or service eligibility requirement for receipt of accidental disability benefits. Receipt of non-accidental disability benefits has an eligibility requirement of two years of service.

Vested Termination

Members hired before January 1, 2011, who terminate with at least five years of service are eligible to receive pension benefits under either the normal or early retirement provisions. Members hired on or after January 1, 2011, are vested after 10 years of service.

Summary of Principal Plan Provisions

TEACHERS' RETIREMENT SYSTEM

Normal Retirement

Members hired before January 1, 2011, are eligible to retire with unreduced benefits after completing one of the following: i) age 60 with 10 years of service, ii) age 62 with five years of service or iii) age 55 with 35 years of service.

Age 67 with 10 years of service for members hired on or after January 1, 2011.

Early Retirement

Members hired before January 1, 2011, are eligible to retire with reduced benefits after attaining age 55 and earning at least 20 years of service.

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

Disability Retirement

There is no specific age or service requirement for receipt of occupational disability benefits. Receipt of non-occupational disability benefits requires termination of temporary disability benefits and member remains disabled.

Vested Termination

Members who terminate with more than five years of service are eligible to receiving retirement pension benefits at age 62 if service is less than 10 and at age 60 if service is at least 10.

Members hired on or after January 1, 2011, are vested after 10 years of service.

Summary of Principal Plan Provisions

GENERAL ASSEMBLY RETIREMENT SYSTEM

Normal Retirement

Members hired before January 1, 2011, are eligible to retire with full benefits after completing one of the following: i) age 55 with eight years of service or ii) age 62 with four years of service. Age 67 with eight years of service for members hired on or after January 1, 2011.

Early Retirement

Members hired on or after January 1, 2011, are eligible to retire with reduced benefits after attaining age 62 and earning at least eight years of service.

Disability Retirement

Members are eligible for disability benefits after completing eight years of service.

Vested Termination

Members hired before January 1, 2011, who terminate with at least four years of service are eligible to receive pension benefits under the normal retirement provisions. Members hired on or after January 1, 2011, are vested after eight years of service.

JUDGES' RETIREMENT SYSTEM

Normal Retirement

Members hired before January 1, 2011, are eligible to retire with unreduced benefits after completing one of the following: i) age 55 with 26 years of service, ii) age 60 with 10 years of service or iii) age 62 with six years of service.

Age 67 with eight years of service for members hired on or after January 1, 2011.

Early Retirement

Members hired before January 1, 2011 are eligible to retire with reduced benefits after completing age 55 with 10 years of service.

Age 62 with eight years of service for members hired on or after January 1, 2011.

Disability Retirement

Members are eligible for disability benefits after completing 10 years of service.

Summary of Principal Plan Provisions

Vested Termination

Members hired before January 1, 2011, who terminate with at least 6 years of service are eligible to receive pension benefits under either the normal or early retirement provisions.

Members hired on or after January 1, 2011, are vested after 8 years of service.

Summary of Principal Plan Provisions

DEPENDENTS ELIGIBLE FOR COVERAGE

If a plan member enrolls in SEGIP, they may enroll the following dependents: spouses; same-sex domestic partner (enrolled prior to June 1, 2011); civil union partner (enrolled on or after June 1, 2011); unmarried children under age 26; disabled children that have been continuously disabled from causes originating prior to age 26 and are financially dependent for at least one-half of their support, and eligible to be claimed on income tax return; and parents if they are financially dependent for at least one-half of their support and eligible to be claimed on income tax return.

ENROLLMENT TIMING

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

SURVIVING SPOUSE COVERAGE

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

MEDICARE

Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. SEGIP benefits are coordinated with Medicare as follows:

- i) After Medicare Part A pays, QCHP pays 85% for an In-Network provider and 60% for an Out-of-Network Provider, of the Medicare Part A deductible after the QCHP annual plan deductible has been met.
- ii) After Medicare Part B pays, QCHP pays 85% for an In-Network provider and 60% for an Out-of-Network Provider, of the balance after the QCHP annual plan deductible has been met.

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

DENTAL, VISION AND LIFE INSURANCE BENEFITS

The State provides postemployment dental, vision and life insurance benefits. Members eligible for SEGIP healthcare benefits are also eligible for dental and vision benefits. The State provides fully subsidized life insurance benefits to retired and disabled members and their spouses equal to one times pay before retirement if death occurs before age 60, and \$5,000 if death occurs after age 60. Dependent children are eligible for life insurance benefit of \$10,000.

Summary of Principal Plan Provisions

The State offers optional life insurance benefits to retired and disabled members and their spouses. The member is required to pay the full age-based premium.

FUNDING POLICY

OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retired members. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis and no separate trust has been established for the funding of OPEB. The State recognizes SEGIP OPEB benefits as a single employer defined benefit plan with a special funding situation for employees of the State's component unit universities as defined in GASB No. 45.

OPEB PROGRAMS

Members may elect healthcare coverage in the QHCP, a managed care HMO plan or an Open Access Plan (OAP). The QHCP is a traditional medical indemnity plan. There are four HMOs offering coverage that varies by location throughout the state. The two OAPs are managed care plans that offer three benefit levels based on the provider used. In addition, there are five Medicare Advantage Prescription Drug (MAPD) plans offering coverage that varies by location throughout the state. A summary of the healthcare benefits provided under the three plan types is shown later in this section. The State also provides postemployment dental, vision and life insurance benefits which are also summarized later in this section.

Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members retiring before January 1, 1998, are eligible for single coverage at no cost to the member. Members retiring after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. The following tables show the premium amounts for healthcare plans for the fiscal year ending June 30, 2017, and June 30, 2018.

Member monthly premium for single coverage in the non-MAPD plans (shared between State and member depending on date of retirement and service at retirement):

FYE 6/30/2017	Pre-Medicare	Medicare
Quality Care Health Plan	\$1,141.28	\$376.04
HMO/OAP Plans	\$897.68	\$515.94

FYE 6/30/2018	Pre-Medicare	Medicare
Quality Care Health Plan	\$1,244.92	\$430.42
HMO/OAP Plans	\$910.52	\$512.16

Summary of Principal Plan Provisions

Member monthly premium for single coverage in the MAPD plans (shared between State and member depending on date of retirement and service at retirement):

Medicare MAPD CY	2016	2017	2018
Coventry Advantra, Health Alliance MAPD and Humana HMOs	\$186.06	\$211.52	\$211.12
UnitedHealthcare PPO	\$240.54	\$260.28	\$259.70

Dependent monthly premiums for the non-MAPD plans (paid fully by dependent):

FYE 7/01/2017 and 7/01/2018	One Dependent	Two or More Dependents	One Medicare Dependent	Two or More Medicare Dependents
Blue Advantage HMO	\$96	\$132	\$75	\$110
Coventry HMO	\$111	\$156	\$88	\$130
Coventry OAP	\$111	\$156	\$88	\$130
Health Alliance HMO	\$113	\$159	\$89	\$133
HealthLink OAP	\$126	\$179	\$102	\$149
HMO Illinois	\$100	\$139	\$79	\$116
Quality Care Health Plan	\$249	\$287	\$142	\$203

Dependent monthly premiums for the MAPD plans (paid fully by dependent):

Medicare MAPD CY One Medicare Dependent	2016	2017	2018
Coventry Advantra, Health Alliance MAPD and Humana HMOs	\$90	\$90	\$90
UnitedHealthcare PPO	\$110	\$110	\$110

Medicare MAPD CY Two Medicare Dependents	2016	2017	2018
Coventry Advantra, Health Alliance MAPD and Humana HMOs	\$126	\$126	\$126
UnitedHealthcare PPO	\$155	\$155	\$155

Annuitants receiving benefits from any state retirement system (SERS, SURS, TRS, JRS and GARS) who are not eligible for Medicare may waive healthcare coverage from SEGIP and receive a monthly financial incentive. The monthly financial incentive equals \$500 per month if service is greater than or equal to 20 years or \$150 per month if service is less than 20 years.

Effective October 1, 2009, retirees and survivors are required to pay a monthly premium for dental equal to \$11 for member only coverage, \$17 for member plus one dependent coverage and \$19.50 for member plus two dependents coverage.

No premiums are required for vision coverage or the basic non-voluntary life insurance benefit.

Summary of Principal Plan Provisions

Quality Care Health Plan (QCHP)

<i>Plan Feature</i>	<i>In Network</i>	<i>Out of Network ¹</i>
Annual Deductible	\$375 per individual, with \$937 family cap	\$375 per individual, with \$937 family cap
Annual Out of Pocket Limit	\$1,500 per enrollee, with \$3,750 per family	\$6,000 per enrollee, with \$12,000 per family
<u>Covered Services</u>	<u>Coinsurance</u>	<u>Coinsurance</u>
-Office Visits	85% after deductible	60% after deductible
-Emergency Room	\$450 copay, then 85% after deductible	\$450 copay, then 60% after deductible
-Inpatient Services	\$100 copay, then 85% after deductible	\$500 copay, then 60% after deductible
-Outpatient Services		
-Preventive Services	100% after deductible	60% after deductible
-Lab/X-ray	85% after deductible	60% after deductible
-Other	85% after deductible	60% after deductible
Prescription Drug Copays	After annual prescription deductible of \$125	
	<u>Retail at 30-day supply</u>	
	Generic	\$10
	Preferred Formulary Brand	\$30
	Non-Preferred Brand	\$60
Maximum Lifetime Benefit	Unlimited	

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

Summary of Principal Plan Provisions

HMO Plans (Non-MAPD)

<i>Plan Feature</i>							
Annual Deductible	\$0						
Out of Pocket Maximum	\$3,000 per enrollee, with \$6,000 per family						
<u>Covered Services</u>	<u>Coinsurance</u>						
-Physicians Visits	\$20 Copay, then 100%						
-Emergency Care	\$250 Copay, then 100%						
-Inpatient Services	\$350 Copay, then 100%						
-Outpatient Services	\$250 Copay, then 100%						
Prescription Drug Copays	<p>After annual prescription deductible of \$100</p> <p style="text-align: center;"><u>Retail at 30-day supply</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Generic</td> <td style="text-align: right;">\$8</td> </tr> <tr> <td>Preferred Brand</td> <td style="text-align: right;">\$26</td> </tr> <tr> <td>Non-Preferred Brand</td> <td style="text-align: right;">\$50</td> </tr> </table>	Generic	\$8	Preferred Brand	\$26	Non-Preferred Brand	\$50
Generic	\$8						
Preferred Brand	\$26						
Non-Preferred Brand	\$50						
Maximum Lifetime Benefit	Unlimited						

Summary of Principal Plan Provisions

Open Access Plan (OAP)

<i>Plan Feature</i>	<i>Tier I</i>	<i>Tier II</i>	<i>Tier III</i>
Annual Deductible	\$0	\$250 per enrollee ¹	\$350 per enrollee ¹
Annual Out of Pocket Limit	\$6,600 (includes eligible charges from Tier I and Tier II combined) per enrollee, with \$13,200 (includes eligible charges from Tier I and Tier II combined) per family.		Not Applicable
<u>Covered Services</u>	<u>Coinsurance/Copay</u> ²	<u>Coinsurance/Copay</u> ²	<u>Coinsurance/Copay</u> ³
-Office Visits	\$20 copay	90% of network charges	60% of U&C
-Emergency Room	\$250 copay	\$250 copay	\$250 copay
-Inpatient Services	\$350 copay	\$400 copay, then 90%	\$500 copay, then 60%
-Outpatient Services	\$250 copay	\$250 copay, then 90%	\$250 copay, then 60%
-Lab/X-ray	100%	90% of network charges	60% of U&C
-Other	100%		
Prescription Drug Copays	After annual prescription deductible of \$100 <u>Retail at 30-day supply</u>		
	Generic		\$8
	Preferred Brand		\$26
	Non-Preferred Brand		\$50
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

¹ An annual plan deductible must be met before plan benefits apply. Benefit limits are measured on a plan year basis.

² Network charges.

³ Usual and customary charges.

Summary of Principal Plan Provisions

HMO Plans (MAPD)

<i>Plan Feature</i>	
Annual Deductible	\$0
Out of Pocket Maximum	\$3,000 per enrollee
<u>Covered Services</u>	<u>Coinsurance</u>
-Physicians Visits	\$20 Copay, then 100%
-Emergency Care	\$100 Copay, then 100%
-Inpatient Services	\$350 Copay, then 100%
-Outpatient Services	\$250 Copay, then 100%
Prescription Drug Copays	After annual prescription deductible of \$100 <u>Retail at 30-day supply</u> Tier 1 \$8 Tier 2 \$26 Tier 3 or 4 \$50
Maximum Lifetime Benefit	Unlimited

Summary of Principal Plan Provisions

PPO Plan (MAPD)

<i>Plan Feature</i>							
Annual Deductible	\$110						
Out of Pocket Maximum	\$1,300 per enrollee						
<u>Covered Services</u>	<u>Coinsurance</u>						
-Physicians Visits	85% after deductible						
-Emergency Care	\$100 Copay, then 100%						
-Inpatient Services	85% after deductible						
-Outpatient Services	85% after deductible						
Prescription Drug Copays	<p style="text-align: center;">After annual prescription deductible of \$125</p> <p style="text-align: center;"><u>Retail at 30-day supply</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Generic</td> <td style="text-align: right;">\$10</td> </tr> <tr> <td>Preferred Brand</td> <td style="text-align: right;">\$30</td> </tr> <tr> <td>Non-Preferred Brand</td> <td style="text-align: right;">\$60</td> </tr> </table>	Generic	\$10	Preferred Brand	\$30	Non-Preferred Brand	\$60
Generic	\$10						
Preferred Brand	\$30						
Non-Preferred Brand	\$60						
Maximum Lifetime Benefit	Unlimited						

Summary of Principal Plan Provisions

Quality Care Dental Plan

<i>Plan Feature</i>	
<u>Annual Deductible</u>	
-Preventive and diagnostic services	None
- All other covered services	\$175 per participant
<u>Plan Year Maximum Benefit</u>	
-Preventive and diagnostic services	\$2,500 per participant
- All other covered services	\$2,500 per participant, in network \$2,000 per participant, out of network
<u>Covered Services</u>	
-Preventive and diagnostic	Subject to schedule
-Basic and major benefits	Subject to schedule

Vision Plan

<i>Plan Feature</i>	<i>In-Network</i>	<i>Out-of-Network</i>	<i>Benefit Frequency</i>
Eye Exam	\$25 copay	\$30 allowance	Once every 12 months
Spectacle Lenses (single, bifocal and trifocal)	\$25 copay	\$50 allowance for single vision and \$80 allowance for bifocal and trifocal	Once every 12 months
Standard Frames	\$25 copay (up to \$175 retail frame cost; member responsible for balance over \$175)	\$70 allowance	Once every 24 months
Contact Lenses (in lieu of standard frames and spectacle lenses)	\$120 allowance	\$120 allowance	Once every 12 months

Summary of Principal Plan Provisions

Life Insurance

<i>Plan Feature</i>	
<p><u>Basic Life Insurance</u></p> <ul style="list-style-type: none"> - For annuitants under age 60 - For annuitants over age 60 - For spouse if annuitant age is less than 60 - For spouse if annuitant age is greater than 60 - For dependent child 	<p>One times annual salary as of last day of active State service</p> <p>\$5,000</p> <p>\$10,000</p> <p>\$5,000</p> <p>\$10,000</p>
<u>Member Contribution</u>	None
<u>Other Option Life Insurance Benefits</u>	Are fully paid by the member using individual age and other rating factors and have been excluded from the valuation

SECTION G

GLOSSARY

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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