

October 11, 2016

Mr. Colm Brewer
Bureau of Benefits Chief Financial Officer
Illinois Department of Central Management Services
401 South Spring Street
Springfield, IL 62706

Via E-mail

Subject: SEGIP – GASB 45 Projection as of June 30, 2016

Dear Colm:

Submitted in this report is the updated GASB 45 Required Supplementary Information as of June 30, 2016, associated with the employer financed retiree health benefits provided through the Illinois State Employees Group Insurance Program (SEGIP). The SEGIP is a benefit plan designed to provide group insurance benefits to eligible active state employees, and postemployment benefits to eligible retired members receiving pension benefits under the:

- 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).

The results in this report are based on an actuarial projection of liabilities using the actuarial valuation as of June 30, 2014. As you review the enclosures please note the following:

- Contribution information for fiscal year end June 30, 2016, is based on the information you provided via e-mail on September 29, 2016.
- The number of projected enrollees was consistent with actual experience, so no liability adjustments were made for demographic experience.
- The projected accrued liabilities at June 30, 2015, reflect available premium, enrollment and claim experience through June 30, 2015, as provided by Central Management Services (CMS)
- Other assumptions and methods are consistent with those used for the June 30, 2014, actuarial valuation.
- Payroll for fiscal year 2016 was estimated assuming a wage inflation increase of four and one half percent.

A comparison of the actuarial liabilities, normal cost and annual required contribution follows (\$ in millions):

(\$ in Millions)

Fiscal Year End (FYE)	6/30/2015	6/30/2016
Actuarial Accrued Liability at beginning of FY	\$33,051.28	\$34,766.09
Net Normal Cost for the FYE	\$1,068.35	\$1,116.42
Annual Required Contribution for the FYE	\$2,170.06	\$2,275.29
Annual OPEB Cost for the FYE	\$2,292.47	\$2,415.00

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 SRS, SURS, TRS or CMS.

Authorization of the actuarial assumptions and methods applicable to this actuarial valuation was granted by the State, and they are disclosed in the actuarial assumptions and methods section of the actuarial valuation report as of June 30, 2014.

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.

This report was prepared for purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of this accounting standard.

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.

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.

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 herein.

The signing actuaries are independent of the plan sponsor.

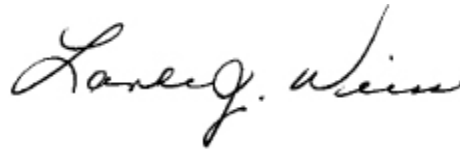
Mr. Colm Brewer
October 11, 2016
Page 3

Please contact us if you have any questions or comments.

Sincerely,



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



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

cc: Ms. Jessica Olive, Central Management Services

Enclosure

**State Employees Group Insurance Program
 As of June 30, 2015
 Summary of Demographic Information**

	<u>SERS</u>	<u>SURS</u>	<u>TRS</u>	<u>GARS</u>	<u>JRS</u>	<u>Combined</u>
A) Active Participants ^a						
i) Counts	62,994	47,976	2,005	145	957	114,077
ii) Average Age	46.9	46.2	47.5	52.4	58.4	46.7
iii) Average Service	13.2	10.1	13.8	10.1	11.2	11.9
B) Deferred vested participants ^{b,c}						
i) Counts	3,667	8,995	172	46	8	12,888
ii) Average Age	52.1	49.7	46.8	52.4	52.9	50.3
C) Retirees with SEGIP Healthcare Coverage						
i) Counts	48,586	30,197	988	254	759	80,784
ii) Average Age	70.0	71.4	72.2	73.2	72.4	70.6
D) Survivors with SEGIP Healthcare Coverage Over Age 26						
i) Counts	7,150	3,772	171	82	310	11,485
ii) Average Age	77.5	79.4	81.1	81.7	79.6	78.3
E) Dependents with SEGIP Healthcare Coverage Over Age 26						
i) Counts	19,680	11,586	499	114	523	32,402
ii) Average Age	66.0	68.7	67.7	70.6	68.0	67.0
F) Retirees Waiving Coverage (Excluding Those Over Age 75) ^d						
i) Counts	4,919	4,240	103	16	36	9,314
ii) Average Age	65.3	65.5	66.0	66.8	66.5	65.4
G) Retirees Receiving a Monthly Stipend ^e						
i) Counts	475	327	2	1	1	806
ii) Average Age	59.5	59.7	62.0	58.8	63.7	59.6
H) Survivors with SEGIP Healthcare Coverage Age 26 and Under						
i) Counts	99	47	3	-	8	157
ii) Average Age	17.6	19.2	13.7	N/A	20.1	18.1
I) Dependents with SEGIP Healthcare Coverage Age 26 and Under						
i) Counts	5,490	2,265	56	30	113	7,954
ii) Average Age	20.5	20.8	22.2	21.7	22.0	20.6
J) Total Participants	153,060	109,405	3,999	688	2,715	269,867

^a Excludes Active TRS members, Active SURS members and Active SERS members who are dependents of SEGIP active members. Includes members that are active in TRS and have earned a deferred vested benefit with SERS, SURS, GARS or 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 Excludes waived retirees over age 75. No liability is assumed for these members.

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

**GASB No. 45 Disclosures
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2007 ^a	\$ -	\$23,890,383,000	\$23,890,383,000	0.00%	\$6,872,739,900	347.61%
6/30/2009	-	27,124,060,700	27,124,060,700	0.00%	7,091,656,400	382.48%
6/30/2010	-	28,596,241,800	28,596,241,800	0.00%	7,410,780,900	385.87%
6/30/2011	-	33,295,353,500	33,295,353,500	0.00%	7,375,559,400	451.43%
6/30/2012 ^b	-	35,200,135,600	35,200,135,600	0.00%	7,707,459,600	456.70%
6/30/2013	-	34,488,084,739	34,488,084,739	0.00%	7,631,281,100	451.93%
6/30/2014	-	33,051,280,998	33,051,280,998	0.00%	7,660,474,800	431.45%
6/30/2015 ^b	-	34,766,094,104	34,766,094,104	0.00%	8,005,196,100	434.29%

^a As developed by prior actuary.

^b Estimated.

GASB No. 45 Disclosures
Development of Net OPEB Obligation (NOO) and Annual OPEB Cost

Year Ended	Annual Required Contribution (ARC) (a)	Interest On NOO (b)	Adjustment To ARC	Annual OPEB Expense	Employer Contribution	Change in NOO	NOO Balance
6/30/2008 ^a	\$1,775,990,700	\$ -	\$ -	\$1,775,990,700	\$537,860,300	\$1,238,130,400	\$1,238,130,400
6/30/2009	1,825,283,200 ^b	55,715,900	(41,271,000)	1,839,728,100	603,604,500 ^c	1,236,123,600	2,474,254,000
6/30/2010	1,907,421,000	111,341,400	(82,475,100)	1,936,287,300	531,749,200	1,404,538,100	3,878,792,100
6/30/2011	2,293,526,200 ^d	174,545,600	(129,293,100)	2,338,778,700	603,545,800 ^f	1,735,232,900	5,614,025,000
6/30/2012 ^g	2,396,734,900	257,236,100	(190,545,200)	2,463,425,800	777,372,300	1,686,053,500	7,300,078,500
6/30/2013	2,292,459,500 ^e	328,503,500	(243,336,000)	2,377,627,000	624,667,700	1,752,959,300	9,053,037,800
6/30/2014	2,238,820,300	407,386,700	(301,767,900)	2,344,439,100	905,414,387	1,439,024,713	10,492,062,513
6/30/2015	2,170,057,600	472,142,800	(349,735,400)	2,292,465,000	809,875,582	1,482,589,418	11,974,651,931
6/30/2016	2,275,293,700	538,859,300	(399,155,100)	2,414,997,900	185,445,213 ^h	2,229,552,687	14,204,204,618

^a As developed by prior actuary.

^b Based on FY 2010 ARC adjusted for wage inflation.

^c Reflects an adjustment to the implicit subsidy for fiscal year end June 30, 2008.

^d Based on FY 2012 ARC adjusted for wage inflation.

^e Based on the results of the June 30, 2013, actuarial valuation.

^f Employer contributions were restated for FY 2011 due to an incorrect calculation of benefits paid during the year.

^g Results for FY 2012 were adjusted to match the results provided in the Notes to the Financial Statements.

^h Sponsor paid \$185,445,213 in employer contributions during FYE June 30, 2016. Sponsor incurred approximately \$850,473,000 in net employer claims and expenses during FYE June 30, 2016.