Gabriel Roeder Smith & Company
Consultants & Actuaries

COLLEGE INSURANCE PROGRAM
OF THE STATE OF ILLINOIS

GASB NO. 43 ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2013

GRS
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December 13, 2013

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

Subject: GASB No. 43 Actuarial Valuation as of June 30, 2013, for Illinois CIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2013, of the liabilities associated with the employer financed retiree health benefits provided through State of Illinois College Insurance Program (CIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the State Universities Retirement System of Illinois (SURS).

This report was prepared at the request of the Illinois 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, 2013, was prepared for purposes of complying with the requirements of Statements No. 43 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of CIP and participating employers may produce significantly different results. The valuation was based upon:

- Census and CIP eligibility information as of June 30, 2013, provided by SURS
- Healthcare data provided by the Department of Central Management Services (CMS)
- Substantive plan information provided by SURS and CMS
- Demographic assumptions consistent with the SURS actuarial valuation as of June 30, 2013
- Economic assumptions approved by the State, including a discount rate of 4.5 percent and an ultimate trend rate assumption of 5.6 percent, which includes the impact of the excise tax under healthcare reform
- Healthcare-related assumptions recommended by Gabriel, Roeder, Smith & Company and approved by the State

We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by SURS 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.

Effective February 1, 2014, the State will offer three alternative Medicare Advantage plans to CIP members: United Healthcare PPO, Humana HMO and Coventry Advantra. The enrollment period is open from November 12, 2013, through December 13, 2013. This plan change is expected to reduce the State's GASB No. 43 liability in the future. Please note that our valuation is based on the plan provisions in effect as of June 30, 2013, and does not consider any potential savings due to the Medicare Advantage plans. We recommend collecting enrollment and other experience data from the Medicare Advantage program, updating the per capita costs and trend assumptions and performing a revised GASB No. 43 valuation 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.

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 CIP 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. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Alex Rivera

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Senior Consultant

Amy Williams

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TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

Introduction

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

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

Funded and Unfunded Plans

Currently, benefits offered through CIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, community colleges, the State and the Federal Government. Contributions are made to the Community College Health Insurance Security Fund. For fiscal year 2014, active members contribute 0.50 percent of pay, community colleges contribute 0.50 percent of pay and the State contributes 0.50 percent of pay plus additional amounts due to benefit payments exceeding contributions, which has caused a deficit. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent per year per statute. The Federal Government provides a Medicare Part D subsidy.

The current objective is to fund the Trust in order to maintain benefits through individual annual periods with appropriate margins for incurred but not paid liabilities. That is, there is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions. Currently the Trust balance is negative due to contributions not being sufficient to pay all benefits. The State made a contribution of about $40.2 million, compared with the statutory contribution of about $4.2 million to partially address the funding deficiency. During fiscal year ending June 30, 2013, benefit payments exceeded contributions and the asset balance in the trust increased from -$38.0 million as of June 30, 2012, to -$13.2 million as of June 30, 2013, as a result of the additional State contributions. Without additional revenue sources or increases in contributions, CIP is expected to continue to have a deficit.

Consequently, according to GASB Statement No. 43, the interest discount rate used to calculate the present values and costs of the OPEB must be consistent with the assets supporting liabilities, which for this case is the long-range expected return on short-term fixed income instruments. The plan sponsor has selected an interest discount rate of 4.5 percent for this purpose.

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

Results of the Study

The following table presents the key valuation results for GASB No. 43 financial reporting of CIP for fiscal years 2012 and 2014, under the assumption that CIP is a cost-sharing multiple-employer plan. CIP needs to disclose the unfunded actuarial liability and the employer cash contributions in relation to the actuarially determined contributions. The actuarially determined contribution or Annual Required Contributions (ARC) represents the normal cost plus a 30-year open amortization of the unfunded actuarial accrued liability. The GASB 45 expense or Annual OPEB Cost for participating employers is set by the State Legislature and must be disclosed in each participating employer's financial statements as the GASB 45 Annual OPEB Cost.

The results are shown under the projected unit credit cost method, which spreads costs in proportion to the employee's accrued service.

($ in millions)

	2011	2013
Funded Status as of June 30,		
Actuarial Accrued Liability	$ 2,053.13	$ 2,382.20
Actuarial Value of Assets	(19.66)	(13.24)
Unfunded Actuarial Accrued Liability	$ 2,072.79	$ 2,395.44
Net Employer Normal Cost	$ 121.34	$ 126.02
Amortization of Unfunded Liability	69.09	79.85
Total ARC for Following Fiscal Year	$ 190.44	$ 205.86
Estimated Employer Contributions for Following Fiscal Year		
State	$ 4.22	$ 4.44
Participating Community Colleges	4.22	4.44
Total	$ 8.44	$ 8.88

The estimated employer contributions are based on contributions of 0.5 percent of pay and do not include any additional amounts to address the current deficit.

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

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

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

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

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

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

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

We believe CIP satisfies the conditions of a cost-sharing multi-employer plan, and, therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.50 percent of payroll and for fiscal years 2013 and 2014. Each employer is required to disclose an identification of the way that the contractually required contribution rate is determined (for example, by statute or contract or on an actuarially determined basis) and no balance sheet liability will be generated, provided that the contractually prescribed contributions are made by participating community colleges.

In fiscal year 2013, employer costs, as reported in the fiscal year 2013 financial statements of the State and CIP, were allocated as follows: The State made a contribution of about $40.2 million, compared with the statutory contribution of about $4.2 million during fiscal year 2013 to partially address the funding deficiency.

Stakeholder/ Revenue Source	**2013 Cost Sharing ($ in millions)**	**Percent of Total Cost**	**Statutory Requirement**
State	$ 40.18	60.3%	0.50% of pay
Community Colleges	4.15	6.2%	0.50% of pay
Federal Part-D Subsidy	2.32	3.5%	Percent of Rx Claims Paid
Active Employees	4.15	6.2%	0.50% of pay
Retirees	15.83	23.8%	Percent of premium
Total	**$ 66.63**	**100.0%**	
Benefits and Expenses Paid	**$ 41.91**		
Benefits and Expenses Covered by Revenue	**159%**		

Actuarial Assumptions

In any long-term actuarial valuation (such as for Pensions and OPEBs), certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided and the future funding or accrual costs. The investment discount rate assumption is used to discount projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual required contribution and the unfunded actuarial accrued liability that will be disclosed in the Plan's financial statements.

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

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

The following assumption and method changes were made since the previous valuation as of June 30, 2011:

- Changes in healthcare-related assumptions including:
    - Fresh starting assumed healthcare trend at 8.5% and fresh starting dental trend at 7.5% beginning in fiscal year 2014

Adjustments to the Estimate Impact of Excise Tax under Healthcare Reform

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

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

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

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

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

Based on the preceding method, the ultimate trend rate of 5.00 percent was increased by an additional 0.60 of a percentage point to 5.60 percent on and after 2020.

Actuarial Cost Methods

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

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

- An overview of the GASB Statements No. 43 and 45 requirements
- Valuation results, including financial disclosure
- Summary of assumptions and methods and plan provisions

Total Retiree Advantage Illinois (TRIAL) Program

Effective February 1, 2014, the State will offer three alternative Medicare Advantage plans to CIP members: United Healthcare PPO, Humana HMO and Coventry Advantra. The enrollment period is open from November 12, 2013, through December 13, 2013. This plan change is expected to reduce the State's GASB No. 43 liability in the future. Please note that our valuation is based on the plan provisions in effect as of June 30, 2013, and does not consider any potential savings due to the Medicare Advantage plans. We recommend collecting enrollment and other experience data from the Medicare Advantage program, updating the per capita costs and trend assumptions and performing a revised GASB No. 43 valuation as of June 30, 2014.

SECTION B

OVERVIEW

The following section presents the essential results of the valuation using the projected unit credit cost method. The section presents the results as they relate to the CIP obligation for its own members and retirees.

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

For fiscal year 2013, active employees and community colleges were expected to make contributions equal to 0.50 percent of pay each. The State made a contribution of about $40.2 million, compared with the statutory contribution of about $4.2 million during fiscal year 2013 to partially address the funding deficiency. Also, retirees made contributions of approximately 37.8 percent of claims and expenses and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2013 revenue from the preceding five sources of $66.6 million represents about 159 percent of fiscal year 2013 claims and expenses of $41.9 million. As of June 30, 2013, the Fund is running a deficit and had a balance of -$13.2 million.

For fiscal year 2014, contributions have remained unchanged at 0.50 percent of pay for active members, community colleges and the State. There is projected to be a continued deficit without additional revenue sources or increases in contributions.

Because plan benefits are funded on a pay-as-you-go policy, a discount rate of 4.5 percent was used to develop the actuarial accrued liabilities, and normal costs.

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

The UAAL represents the portion of the total actuarial present value of all future employer-provided benefits which is attributable to prior years, minus any valuation assets. Basically, it is the measure of the unfunded liability allocable to past service. The UAAL is not accrued as an expense and does not appear in the Plan’s Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are informational sections within the Plan’s financial statements.

The cost and liabilities shown in the following pages are employer costs and liabilities, net of any co-pays, deductibles, retiree coinsurance or retiree contributions using the projected unit credit cost method.

SECTION C

VALUATION RESULTS

Exhibit 1
Summary of Actuarial Valuation Results as of June 30, 2013

Discount Rate	4.50%
Ultimate Trend	5.60%

A)	Actuarial Accrued Liability (AAL)	
	i) Actives	$ 1,253,580,100
	ii) Current retirees and their covered dependents	712,255,200
	iii) Waived retirees and their covered dependents [a]	96,363,300
	iv) Deferred vesteds [a]	203,392,200
	v) Deferred vesteds (Non-CIP) [a, b]	116,605,200
	vi) Total	$ 2,382,196,000
B)	Market Value of Assets	$ (13,238,000)
C)	Unfunded Actuarial Accrued Liability (UAAL)	$ 2,395,434,000
D)	Funded Ratio: [B / A]	-0.6%
E)	UAAL as a percentage of covered payroll	243.6%
F)	Gross Normal Cost	$ 130,456,300
	Expected Active Employee Contributions [c]	4,439,500
	Net Annual Normal Cost	$ 126,016,800
G)	Participant Information	
	i) Number of Covered Participants	
	a) Actives	22,425
	b) Current retirees	5,717
	c) Waived retirees [a]	1,499
	d) Dependents	838
	e) Deferred vesteds [a]	1,457
	f) Deferred vesteds (Non-CIP) [a, b]	2,783
	g) Total	34,719
	ii) Covered Payroll [d]	$ 983,285,500
	iii) Expected first year benefit payments [e]	$ 43,135,800

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

[b] *Members under age 70 with deferred vested pension benefits, but not vested for CIP retiree healthcare benefits.*

[c] *Expected contributions based on contributions of 0.5% from all current active members currently participating in CIP and contributions from 25% of all current members not currently participating in CIP, but assumed to participate in the future.*

[d] *Covered payroll based on data for the 13,247 current active members with payroll of $830,336,000 currently participating in CIP and 9,178 with payroll of $152,949,500 currently not participating in CIP.*

[e] *Expected claims net of retiree contributions.*

Exhibit 2
Actuarial Accrued Liability as of June, 30, 2013, by Source

	Medical			
	Pre-65	**Post-65**	**Dental/Vision**	**Total**
Actives	$ 352,179,700	$ 853,336,600	$ 48,063,800	$ 1,253,580,100
Current Retirees and Dependents	71,919,400	608,671,100	31,664,700	712,255,200
Waived Retirees and Dependents	13,104,100	78,808,600	4,450,600	96,363,300
Deferred Vesteds	46,422,800	148,931,300	8,038,100	203,392,200
Deferred Vesteds (Non-CIP)	25,601,200	86,255,500	4,748,500	116,605,200
Total	$ 509,227,200	$ 1,776,003,100	$ 96,965,700	$ 2,382,196,000

Exhibit 3
Actuarial Accrued Liability as of Jun 30, 2013, by Plan

	Medical			
	PPO	**HMO**	**Dental/Vision**	**Total**
AL Before Retiree Contributions [a]	$ 2,168,082,800	$ 835,220,200	$ 96,965,700	$ 3,100,268,700
Value of Retiree Contributions [b]	519,826,800	198,245,900	-	718,072,700
Total	$ 1,648,256,000	$ 636,974,300	$ 96,965,700	$ 2,382,196,000

[a] *Based on expected claims net of deductibles, coinsurance, copays and other cost sharing.*
[b] *Members share of premium.*

Exhibit 4
Development of Annual Required Contribution

A)	Annual Required Contribution (ARC) for FY 2014		
	i) Net Normal Cost	$	126,016,800
	ii) Amortization of UAAL		79,847,800
	iii) Total	$	205,864,600
B)	Annual Required Contribution (ARC) FY 2013 [1]		
	i) Net Normal Cost	$	120,590,200
	ii) Amortization of UAAL		76,409,400
	iii) Total	$	196,999,600
C)	Projected FY 2014 Employer Contributions [2]		
	i) State (0.5% of pay)	$	4,439,500
	ii) Community Colleges (0.5% of pay)		4,439,500
	iii) Total	$	8,879,000
D)	Projected FY 2014 Active Employee Contributions		
	i) Total (0.5% of pay)	$	4,439,500
E)	Projected FY 2014 Claims		
	i) Projected Claims and Expenses	$	60,393,600
	ii) Retiree Contributions		17,746,200
	iii) Net Employer Claims	$	42,647,400
F)	Projected FY 2014 Net Contributions and Net Claims		
	i) Net Employer Claims	$	42,647,400
	ii) Employer Contributions		8,879,000
	iii) Active Employee Contributions		4,439,500
	iv) Net Claims Not Covered by Contributions (i.-ii.-iii.)	$	29,328,900

[1] *FY 2013 ARC equals the FY 2014 ARC reduced by the assumed wage inflation.*

[2] *Other employer financing sources may include the Federal Medicare Part-D subsidy.*

SECTION D

GASB DISCLOSURES

This information is presented in draft form for review by the State's auditor. Please let us know if there are any changes so that we may maintain consistency with the State's financial statements.

Exhibit 5
GASB No. 43 Disclosures

Table A
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2007	$ 9,562,000	$ 1,846,969,000	$ 1,837,407,000	0.52%	$740,214,000	248.23%
6/30/2009	1,446,000	1,894,271,800	1,892,825,800	0.08%	903,257,200	209.56%
6/30/2011	(19,657,000)	2,053,133,000	2,072,790,000	-0.96%	922,823,300	224.61%
6/30/2013	(13,238,000)	2,382,196,000	2,395,434,000	-0.56%	983,285,500	243.62%

Exhibit 6
GASB No. 43 Disclosures

Table B
Schedule of Employer Contributions

Year Ended	Annual Required Contribution	State Contributions	State Percentage Contributed	Employer Contributions	Employer Percentage Contributed	Medicare Part D Contributions	Medicare Part D Percentage Contributed
2007	$ 178,542,000	$ 3,707,000	2.08%	$ 3,645,000	2.04%	$ 1,343,000	0.75%
2008	185,683,000	4,740,000	2.55%	3,716,000	2.00%	1,737,000	0.94%
2009	188,465,900	3,916,000	2.08%	3,646,000	1.93%	2,013,000	1.07%
2010	196,946,900	4,059,000	2.06%	3,966,000	2.01%	2,267,000	1.15%
2011	182,236,200	5,237,000	2.87%	4,090,000	2.24%	2,219,000	1.22%
2012	190,436,800	4,396,000	2.31%	4,269,000	2.24%	2,424,000	1.27%
2013	196,999,600	40,176,000	20.39%	4,148,000	2.11%	2,322,000	1.18%
2014	205,864,600	TBD	TBD	TBD	TBD	TBD	TBD

SECTION E

ADDITIONAL VALUATION EXHIBITS

Exhibit 7

40-Year Projection of Expected Employer Claims [a]

Year Beginning July 1	Expected Employer Claims	Year Beginning July 1	Expected Employer Claims
2013	$ 43,135,800	2033	$ 211,189,500
2014	49,916,600	2034	220,186,300
2015	57,187,400	2035	228,355,000
2016	64,378,700	2036	236,355,900
2017	71,819,200	2037	245,837,500
2018	79,470,200	2038	255,380,800
2019	87,445,900	2039	264,198,100
2020	95,369,900	2040	272,083,900
2021	103,627,700	2041	278,403,200
2022	112,075,700	2042	282,730,100
2023	120,224,000	2043	285,425,300
2024	128,658,400	2044	286,799,600
2025	137,201,100	2045	287,715,700
2026	145,793,300	2046	287,259,100
2027	153,977,600	2047	284,815,600
2028	162,242,900	2048	281,490,600
2029	171,455,000	2049	277,265,700
2030	181,645,900	2050	272,665,200
2031	191,600,200	2051	268,282,100
2032	201,423,300	2052	264,667,600

[a] *Expected claims net of retiree contributions for current participants. Expected net claims do not reflect that a portion is expected to be paid with active member contributions.*

Exhibit 8
Summary of Demographic Information as of June 30, 2013

		Currently CIP Eligible[b]	Not Currently CIP Eligible[c]	Total
A)	Active Participants			
	i) Counts	13,247	9,178	22,425
	ii) Average Age	48.2	49.7	48.8
	iii) Average Service	11.9	7.7	10.2
B)	Retirees Under Age 65 [a]			
	i) Counts	1,453		1,453
	ii) Average Age	61.2		61.2
C)	Retirees Over Age 65 [a]			
	i) Counts	4,264		4,264
	ii) Average Age	73.7		73.7
D)	Dependents Under Age 65 [a]			
	i) Counts	145		145
	ii) Average Age	60.6		60.6
E)	Dependents Over Age 65 [a]			
	i) Counts	651		651
	ii) Average Age	73.8		73.8
F)	Waived Retirees [d]			
	i) Counts	1,499		1,499
	ii) Average Age	62.8		62.8
G)	Survivor Children [a]			
	i) Counts	-		-
	ii) Average Age	N/A		N/A
H)	Dependent Children [a]			
	i) Counts	42		42
	ii) Average Age	21.3		21.3
I)	Deferred Vested Participants [d]			
	i) Counts	1,457	2,783	4,240
	ii) Average Age	49.3	53.1	51.9
J)	Total Participants	22,758	11,961	34,719

[a] *Only includes members and dependents currently receiving benefits through CIP.*

[b] *Includes deferred vested members with vested pension and CIP benefits.*

[c] *Includes deferred vested members with vested pension benefits, but not currently vested for CIP benefits.*

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

Exhibit 9

Assets Available for Benefits		**As of June 30,**		
		2012		**2013**
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$	(19,657,000)	$	(37,986,000)
Revenues				
State Contributions	$	4,396,000	$	40,176,000
Employer Contributions		4,269,000		4,148,000
Federal Government Medicare Part D Subsidy		2,424,000		2,322,000
Active Member Contributions		4,269,000		4,148,000
Retired Member Contributions		14,953,000		15,833,000
COBRA		-		-
Interest		10,000		26,000
Total Revenues	$	30,321,000	$	66,653,000
Deductions				
Benefits	$	45,861,000	$	36,258,000
Administrative Expense		2,789,000		5,647,000
Total Deductions	$	48,650,000	$	41,905,000
Net Change	$	(18,329,000)	$	24,748,000
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$	(37,986,000)	$	(13,238,000)

SECTION F

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Development of Per Capita Claim Costs

The per capita claims used in the valuation were calculated by the State's healthcare actuary and are based on average per member costs by plan type for the period July 1, 2013, through June 30, 2014, as provided by the Department of Central Management Services (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 valuation was based on the projected unit credit cost method (PUC). Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement.

Under GASB Statement Nos. 43 and 45, the projected unit credit method is an acceptable cost method. The Annual Required Contribution (ARC) equals the normal cost plus the amortization of the unfunded actuarial accrued liability. The amortization period cannot exceed 30 years. Our calculations assume a level-percentage-of-pay 30-year open-period amortization.

Actuarial Assumptions

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

Measurement Date June 30, 2013

Discount Rate 4.5%

Inflation[1] 3.0%

Wage Inflation[2] 4.5%

OPEB Assumptions

	Healthcare Trend			
Fiscal Year	**Medical and Rx[3]**	**Dental**	**Vision**	**Retiree Premium**
2014	8.50%	7.50%	3.00%	5.00%
2015	8.00%	7.00%	3.00%	5.00%
2016	7.50%	6.50%	3.00%	5.00%
2017	7.00%	6.00%	3.00%	5.00%
2018	6.50%	5.50%	3.00%	5.00%
2019	6.00%	5.00%	3.00%	5.00%
2020+	5.60%	5.00%	3.00%	5.00%

[1] *Inflation assumption used to estimate the impact of the Excise Tax under Healthcare Reform.*
[2] *Wage inflation used to project to payroll.*
[3] *Higher trend rate in 2020 to account for the Excise Tax under healthcare reform.*

Age	Morbidity Factor	
	Male	Female
50	5.87%	3.40%
55	4.96%	3.45%
60	4.17%	3.03%
65	3.23%	2.62%
70	2.41%	2.08%
75	1.67%	1.50%
80	1.02%	0.92%
85	0.47%	0.39%
90	0.00%	0.00%

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

	CCHP Medical and Rx			HMO Medical and Rx	
Age	Male	Female	Age	Male	Female
20	$ 3,231	$ 5,969	20	$ 2,748	$ 5,077
25	3,368	6,803	25	2,864	5,786
30	3,495	7,153	30	2,973	6,083
35	4,033	7,502	35	3,430	6,380
40	5,203	8,152	40	4,425	6,933
45	7,070	9,255	45	6,013	7,872
50	9,565	10,837	50	8,135	9,217
51	10,126	11,206	51	8,612	9,531
52	10,704	11,590	52	9,104	9,858
53	11,291	11,997	53	9,603	10,203
54	11,890	12,417	54	10,113	10,561
55	12,501	12,850	55	10,632	10,929
56	13,120	13,293	56	11,159	11,306
57	13,747	13,747	57	11,692	11,692
58	14,396	14,191	58	12,244	12,069
59	15,049	14,641	59	12,800	12,452
60	15,704	15,095	60	13,357	12,839
61	16,359	15,553	61	13,913	13,227
62	17,011	16,011	62	14,468	13,617
63	17,649	16,478	63	15,010	14,014
64	18,279	16,943	64	15,546	14,410

Per Capita Claims Costs for Medicare Eligible Members

	CCHP			HMO	
	Medical and Rx			**Medical and Rx**	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 4,610	$ 4,245	65	$ 5,070	$ 4,669
66	4,759	4,356	66	5,234	4,792
67	4,904	4,466	67	5,394	4,912
68	5,046	4,574	68	5,550	5,031
69	5,184	4,679	69	5,702	5,147
70	5,317	4,781	70	5,849	5,259
71	5,446	4,881	71	5,990	5,368
72	5,569	4,976	72	6,125	5,474
73	5,686	5,068	73	6,255	5,575
74	5,798	5,156	74	6,377	5,671
75	5,903	5,239	75	6,493	5,762
76	6,002	5,317	76	6,602	5,849
77	6,094	5,391	77	6,703	5,930
78	6,180	5,459	78	6,797	6,005
79	6,258	5,522	79	6,883	6,074
80	6,329	5,579	80	6,962	6,137
81	6,394	5,631	81	7,033	6,193
82	6,451	5,677	82	7,096	6,244
83	6,502	5,717	83	7,151	6,288
84	6,545	5,751	84	7,199	6,325
85	6,582	5,779	85	7,240	6,357
86	6,613	5,802	86	7,274	6,381
87+	6,643	5,813	87+	7,307	6,394

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

	CCHP			HMO	
	Medical and Rx			Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
65	$ 14,985	$ 13,799	65	$ 15,575	$ 14,342
66	15,469	14,161	66	16,078	14,719
67	15,942	14,518	67	16,570	15,089
68	16,403	14,868	68	17,049	15,453
69	16,851	15,210	69	17,515	15,809
70	17,285	15,543	70	17,965	16,155
71	17,702	15,865	71	18,399	16,490
72	18,102	16,176	72	18,815	16,813
73	18,484	16,475	73	19,212	17,123
74	18,847	16,760	74	19,589	17,419
75	19,189	17,030	75	19,945	17,701
76	19,510	17,285	76	20,279	17,966
77	19,810	17,524	77	20,590	18,214
78	20,088	17,745	78	20,879	18,444
79	20,343	17,950	79	21,144	18,657
80	20,575	18,136	80	21,385	18,850
81	20,784	18,304	81	21,602	19,024
82	20,971	18,453	82	21,796	19,179
83	21,135	18,583	83	21,967	19,314
84	21,277	18,694	84	22,115	19,430
85	21,397	18,786	85	22,240	19,526
86	21,498	18,859	86	22,344	19,602
87+	21,595	18,896	87+	22,446	19,640

Dental and Vision Claims:

The dental and vision claims used in the valuation are assumed to be uniform across each group. The following table shows the annual cost by group:

Age Group	**Dental and Vision**
Under 26	$ 212
26 - 64	255
65+	259
Medicare Eligible	259

Participation

Seventy-five percent of future retirees currently participating in CIP and twenty-five percent of future retirees not currently participating in CIP are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Twenty-five percent of future retirees currently eligible for a deferred vested pension benefit, but not vested under CIP, are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Twenty-five percent of current actives who participate in the Self Managed Plan (SMP) are assumed to contribute to CIP, annuitize their account balances and participate in CIP at retirement.

Only deferred vested members currently age 70 or younger are assumed to elect healthcare coverage.

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

a) For those under age 62, 40 percent elect coverage at 62
b) For those age 62 to 70, 40 percent elect coverage as of the valuation date
c) For those over age 70, 0 percent elect coverage

The percentage of future members electing coverage under the CCHP and HMO plans was based on the actual election percentages of the current CIP population. Currently for pre-Medicare participants, about 65 percent participate in the CCHP and 35 percent participate in HMO plans. Currently for Medicare eligible participants, about 75 percent participate in the CCHP and 25 percent participate in HMO plans.

We have assumed that a certain percentage of current pre-Medicare retirees will migrate to the CCHP from the HMO plans upon Medicare eligibility.

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

Females are assumed to be three years younger than their spouses in cases where no spouse date of birth is supplied.

Coverage for healthy children of retired members is assumed to end at age 23. Disabled children are assumed to receive benefits during their lifetime.

Pension-related assumptions

The pension-related assumptions disclosed in the State Universities Retirement System (SURS) actuarial valuation report as of June 30, 2013, are assumed.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by SURS and CMS. Retirement rates are applied at first eligibility for pension benefits, although retiree healthcare benefits may not be payable. Deferred vested members are assumed to commence benefits at age 62.

Marriage Assumption

Age	Males	Females
20	25 %	40 %
30	70 %	75 %
40	80 %	80 %
50	85 %	80 %
60	85 %	70 %

Mortality

The mortality assumption for retirees, beneficiaries and disabilities is based on the RP2000 Combined Mortality table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females. The assumed mortality rates for active members are 85 percent of the postretirement assumption for males and 60 percent for females. *Based on the most recent experience study, the current mortality assumption has an estimated margin of 10% for future mortality improvements.*

Demographic Assumptions

Mortality

	Healthy - Retiree		Healthy Active	
Age	**Male**	**Female**	**Male**	**Female**
20	0.0199%	0.0123%	0.0169%	0.0074%
25	0.0254%	0.0139%	0.0216%	0.0083%
30	0.0326%	0.0190%	0.0277%	0.0114%
35	0.0568%	0.0335%	0.0483%	0.0201%
40	0.0753%	0.0464%	0.0640%	0.0278%
45	0.0966%	0.0726%	0.0821%	0.0436%
50	0.1256%	0.1064%	0.1068%	0.0639%
55	0.2093%	0.2015%	0.1779%	0.1209%
60	0.4103%	0.3946%	0.3488%	0.2367%
65	0.8018%	0.7576%	0.6815%	0.4546%
70	1.3740%	1.3068%	1.1679%	0.7841%
75	2.3817%	2.0841%	2.0244%	1.2505%
80	4.3407%	3.4608%	3.6896%	2.0765%

Sample Termination Rates

Years of Service	All Members
0	22.00%
1	22.00%
2	16.00%
3	14.00%
4	12.00%
5	10.50%
6	9.00%
7	7.50%
8	6.50%
9	6.00%
10	5.50%
15	3.00%
20	1.70%
25	1.50%
30	0.00%

	Members Hired Before January 1, 2011 and Eligible for		Members Hired on or after January 1, 2011 and Eligible for	
Age	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
Under 50	40.0%	-	-	-
51	38.0	-	-	-
52	38.0	-	-	-
53	38.0	-	-	-
54	34.0	-	-	-
55	32.0	7.0%	-	-
56	26.0	5.0	-	-
57	26.0	4.5	-	-
58	26.0	5.5	-	-
59	26.0	6.0	-	-
60	11.0	-	-	-
61	11.0	-	-	-
62	13.0	-	-	35.0%
63	13.0	-	-	15.0
64	13.0	-	-	15.0
65	17.0	-	-	15.0
66	15.0	-	-	15.0
67	15.0	-	50.0%	-
68	15.0	-	35.0	-
69	15.0	-	30.0	-
70-79	30.0	-	30.0	-
80+	100.0	-	100.0	-

Sample Disability Rates

% Separating Within Next Year		
Age	Male	Female
20	0.050%	0.050%
25	0.063%	0.063%
30	0.075%	0.075%
35	0.095%	0.095%
40	0.145%	0.145%
45	0.195%	0.195%
50	0.270%	0.270%
55	0.345%	0.345%
60	0.420%	0.420%

SECTION G

SUMMARY OF PRINCIPAL PLAN PROVISIONS

PLAN MEMBERS

All members receiving benefits from the State Universities Retirement System (SURS) who have been full-time employees of a community college district or an association of a community college and who have paid the required active member CIP contributions prior to retirement are eligible to participate in CIP. Survivors of an annuitant or benefit recipient eligible for CIP coverage are also eligible for coverage under CIP.

ELIGIBLE SERVICE

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

NORMAL RETIREMENT

Community college retirees are eligible to participate in CIP if they retire under the conditions of SURS. The eligibility conditions for normal retirement under SURS are shown below.

Eligibility conditions

Police Officers and Fire Fighters hired before January 1, 2011:
Age 55 with 20 years of service, or age 50 with 25 years of service.

For other members hired before January 1, 2011:
Age 62 with 5 years of service, age 60 with 8 years of service, or any age with 30 years of Service.

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

EARLY RETIREMENT

Early retirees are eligible to participate in CIP if they retire under the conditions of SURS. The eligibility conditions for early retirement under SURS are shown below.

Eligibility conditions

For members other than police and fire employees hired before January 1, 2011:
Age 55 with 8 years of service.

For members other than police and fire employees hired on or after January 1, 2011:
Age 62 with 10 years of service.

DISABILITY RETIREMENT

Members receiving disability benefits under the conditions of SURS are not eligible to participate in CIP.

VESTED TERMINATIONS

Community college members who terminate with more than five years of service are eligible to enroll in CIP once they begin receiving retirement benefits.

DEPENDENTS ELIGIBLE FOR COVERAGE

If a plan member enrolls in CIP, they may enroll the following dependents: spouses; unmarried children under age 19; unmarried children age 26 and under that are full-time students, financially dependent for at least one-half of their support, and eligible to be claimed on state income tax return; disabled children that have been continuously disabled from causes originating prior to age 19, financially dependent for at least one-half of their support, and eligible to be claimed on state income tax return; and parents if they are financially dependent for at least one-half of their support and eligible to be claimed on state income tax return.

ENROLLMENT TIMING

Members who have not previously enrolled in CIP are eligible to enroll when they begin receiving pension benefits through SURS or during any annual open enrollment period. Members and beneficiaries who previously were enrolled in CIP, and subsequently waive coverage, are only eligible to reenroll due to the loss of prior coverage or at the attainment of age 65.

SURVIVING SPOUSE COVERAGE

Spouses of employees/retirees who die are eligible to maintain health insurance coverage until the spouse's death.

MEDICARE

Coverage through CIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the reduced premium available to Medicare eligible participants. Benefits are coordinated so that Community College Health Plan (CCHP) pays 80 percent of the 20 percent of approved charges not covered by Medicare. If the provider does not accept Medicare assignment, CCHP pays all amounts Medicare does not cover, up to the Medicare maximum limiting charges.

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

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through CIP are self-insured. The cost of CIP benefits is shared among active members, retirees, the individual community colleges and the state. Contributions are made to the Community College Health Insurance Security Fund. Active members contribute 0.50 percent of pay. The State contributes 0.50 percent of pay. Community Colleges contribute 0.50 percent of pay. Retired members contribute through premium payments based on the coverage elected and the age of the member and dependents. Retiree premiums by statute are not permitted to increase more than 5.0 percent per year.

HEALTHCARE PLANS

Members may elect coverage in the College Choice Health Plan (CCHP), a managed care HMO plan or the Open Access Plan (OAP). The CCHP is a traditional medical indemnity plan. There are six HMOs offering coverage that varies by location throughout the state. The OAP is a managed care plan that offers three benefit levels based on the provider used. A summary of the benefits provided under the three plans is shown on pages 29 through 31.

Premium rates for members depend on the coverage elected. The table on the next page gives the member premium amounts by type of coverage. Up to 75 percent of the cost of coverage for members can be paid from the Community College Health Insurance Security Fund.

DENTAL PLAN

All plan participants have the same dental benefits through College Choice Dental Plan (CCDP) available regardless of the health plan selected. Participants enrolled in CCDP may go to any dentist. CCDP only reimburses those services that are listed on the dental schedule of benefits at a pre-determined maximum scheduled amount. There is a $100 individual plan deductible for all services other than those listed as preventive or diagnostic in the schedule of benefits. The maximum benefit per plan participant per plan year for all dental services, including orthodontic and periodontic, is $2,000. The maximum lifetime benefit for child orthodontia is $1,500 and is subject to course of treatment limitations.

VISION PLAN

All plan participants have the same vision coverage regardless of the health plan selected. A summary of the vision plan benefits is included on page 32.

Monthly Premiums through June 30, 2014
(amounts include the cost of health, dental and vision coverage)

	Not Medicare Primary Under Age 26	Not Medicare Primary Age 26-64	Not Medicare Primary Age 65 & Above	Medicare Primary All Ages [1]
Benefit Recipient Managed Care Plans	$103.79	$259.46	$362.23	$108.00
Dependent Beneficiary Managed Care Plans	$415.14	$1,037.86	$1,448.93	$431.99
Benefit Recipient CCHP Plan	$108.20	$270.49	$431.11	$105.20
Dependent Beneficiary CCHP Plan	$432.78	$1,081.96	$1,724.44	$420.81

[1] *Must enroll in both Medicare Parts A and B to qualify for lower premiums*

College Choice Health Plan (CCHP)

Plan Feature	***In Network***	***Out of Network*** [1]
Annual Deductible	$750 per participant	$750 per participant
Annual Out of Pocket Limit	$1,500 per individual $3,000 per family, per plan year	$4,500 per individual $9,000 per family, per plan year
Covered Services	Coinsurance	Coinsurance
-Office Visits	80% after deductible	60% after deductible
-Emergency Room	$400 copay, then 80% after deductible	$400 copay, then 60% after deductible
-Inpatient Services	80% after annual plan deductible, $250 deductible per hospital admission	60% after annual plan deductible, $500 deductible per hospital admission
-Outpatient Services	80% after deductible	60% after deductible
Prescription Drug Copays		Retail [2]
	Generic Copay	$12.50
	Formulary Brand Copay	$25.00
	Non-Formulary Brand Copay	$50.00
	Special Copay	$100.00
	For 30-day supply	
Maximum Lifetime Benefit	Unlimited	

[1] *Out of network claims covered only up to usual and customary amount.*
[2] *Mail order prescriptions at 2 times retail copay for a 90-day supply.*

Health Maintenance Organizations (HMO)

Plan Feature		
Annual Deductible	$0	
Out of Pocket Maximum	$3,000	
Covered Services	Copay	
-Physicians Visits	$30	
-Emergency Care	$200	
-Inpatient Services	$250	
-Outpatient Services		
-Surgery	$200	
-Lab/X-ray	$0	
-Other	$30	
Prescription Drug Copays		Retail [1]
	Generic	$12
	Preferred Brand	$24
	Nonpreferred Brand	$48
	Specialty	$96
	For 30-day supply	
Maximum Lifetime Benefit	Unlimited	

[1] *Mail order prescriptions at 2 times retail copay for a 90-day supply.*

Open Access Plan (OAP)

Plan Feature	***Tier I***	***Tier II***	***Tier III*** [1]
Annual Deductible	$0	$300 per enrollee [2]	$400 per enrollee [2]
Annual Out of Pocket Limit	NA	$700 per enrollee $1,400 per family	$1,700 per enrollee $3,600 per family
Covered Services	Coinsurance	Coinsurance	Coinsurance
-Office Visits	$30 copay	80%	60%
-Preventive	100%	100%	N/A
-Emergency Room	$200 copay	$200 copay	$200 copay
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Surgery	$200 copay	$200 copay, then 80%	$200 copay, then 60%
Prescription Drug Copays	Retail [3] Generic $12 Preferred Brand $24 Nonpreferred Brand $48 Specialty $96 For 30-day supply		
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

[1] *Out of network claims covered only up to usual and customary amount.*
[2] *An annual deductible must be met before plan benefits apply. Benefit limits are measured on a plan year. Plan copayments, deductibles and amounts over the plan's allowable charges do not count toward the out-of-pocket maximum.*
[3] *Mail order prescriptions at 2 times retail copay for a 90-day supply.*

Vision Benefits

Service [1]	In Network	Out of Network
Eye Exam	$10 copay	$20 allowance
Lenses	$10 copay	$20 allowance for single vision lenses $30 allowance for bifocal and trifocal lenses
Standard Frames	$10 copay (up to $90 retail frame cost; benefit recipient responsible for balance over $90)	$20 allowance
Contact Lenses (in lieu of Standard Frames and Lenses)	$20 copy for medically necessary $50 copay for elective contact lenses $70 allowance for all other lenses not mentioned above	$70 allowance

[1] *All vision benefits are available once every 24 months from the last date used.*

Dental Benefits

Plan Feature	
Annual Deductible for Preventative Services	N/A
Annual Deductible for All Other Covered Services	$100 per participant
Plan Year Maximum Benefit	$2,000 per participant

Child Orthodontia Benefits

Available only to children who begin treatment prior to the age of 19.

Length of Treatment	**Maximum Benefit**
0 – 36 Months	$1,500
0 – 18 Months	$1,364
0 – 12 Months	$ 780

SECTION H

GLOSSARY

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

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

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

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

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

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

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

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

Annual OPEB Cost (AOC). An accrual-basis measure of the periodic cost of an employer's participation in a defined OPEB plan.

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

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

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

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

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

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

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

Net OPEB Obligation (NOO). An accounting liability when an employer doesn't fully fund the ARC.

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

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

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

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

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

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

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

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

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

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

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