Gabriel Roeder Smith & Company
Consultants & Actuaries

TEACHERS' RETIREMENT INSURANCE PROGRAM OF THE STATE OF ILLINOIS

GASB NO. 43 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2011

GRS
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Department of Healthcare and Family Services
201 S. Grand Ave. East
Springfield, IL 62763

Subject: GASB No. 43 Actuarial Valuation as of June 30, 2011, for Illinois TRIP

Submitted in this report are the results of the actuarial valuation as of June 30, 2011, of the liabilities associated with the employer financed retiree health benefits provided through State of Illinois Teachers' Retirement Insurance Program (TRIP), a benefit plan designed to provide postemployment healthcare benefits to certain members receiving pension benefits under the Teachers' Retirement System of Illinois (TRS).

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

The actuarial valuation as of June 30, 2011, 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 TRIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information used in the June 30, 2011, TRS pension valuation as provided by the System's actuary and TRS
- Healthcare data provided by the Department of Healthcare and Family Services (DHFS)
- Substantive plan information provided by TRS and DHFS
- Demographic assumptions consistent with the TRS actuarial valuation as of June 30, 2010
- 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 reflects 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 TRS or DHFS. 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.

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 TRIP 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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SECTION A

EXECUTIVE SUMMARY

Introduction

The Governmental Accounting Standards Board (GASB) has issued new accounting standards, Statements Nos. 43 and 45, relating to Other Postemployment Benefits (OPEB). For the participating members of the Teachers' Retirement Insurance Program of Illinois (TRIP), OPEB primarily include medical and prescription drug insurance benefits provided to former public school employees and their spouses receiving pension benefits under the Teachers' Retirement System of Illinois (TRS). Any other OPEB offered to the members of the Teachers' Retirement System of Illinois are outside the scope of this report. For example, OPEB offered by the local school districts such as vision, dental, life insurance or explicit healthcare subsidies to help defray the costs of the retiree's share of the TRIP 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 TRIP.

Funded and Unfunded Plans

Currently, benefits offered through TRIP are financed through a combination of retiree premiums and percentage-of-payroll contributions from active employees, local school districts, the State, and the Federal Government. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2012, active members contribute 0.88 percent of pay, school districts contribute 0.66 percent of pay, and the State contributes 0.84 percent of pay. 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 that marginally exceed the annual expected net claim payments and this trust has an asset balance of $7 million as of June 30, 2011, which represents approximately 1 week of employer provided benefits. These assets are invested in cash and other short-term investments according to the current investment policy, and benefit obligations are effectively funded on a pay-as-you-go basis.

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 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 TRIP for fiscal years 2010 and 2012, under the assumption that TRIP is a cost-sharing multiple-employer plan. TRIP is required 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 No. 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 No. 45 Annual OPEB Cost.

($ in millions)

	2009	2011
Funded Status as of June 30,		
Actuarial Accrued Liability	$ 14,931.40	$ 18,860.37
Actuarial Value of Assets	54.60	7.13
Unfunded Actuarial Accrued Liability	$ 14,876.80	$ 18,853.24
Net Employer Normal Cost	$ 701.16	$ 981.20
Amortization of Unfunded Liability	495.89	628.44
Total ARC for Following Fiscal Year	$ 1,197.05	$ 1,609.64
Estimated Employer Contributions for Following Fiscal Year [1]		
State	$ 72.37	$ 75.49
School Districts	54.28	59.31
Total	$ 126.65	$ 134.80

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

Liabilities increased more than expected based on the results from the previous valuation due to the following reasons:

- Fresh starting assumed trend rates at 9.0%.
- Increasing ultimate trend to 5.6% to reflect the impact of the excise tax under healthcare reform.

The increase in liabilities was partially offset by the following factors:

- Refinements to the data reconciliation process which accounted for TRIP members that may also be members in the Illinois State Employees Group Insurance Program (SEGIP) or the College Insurance Program of Illinois (CIP). Membership counts decreased as a result of only valuing these members once across the TRIP, CIP, and SEGIP valuations.
- Favorable claims experience compared with assumed trend rates from the previous valuation

Cost Sharing Multiple-Employer Plans under GASB Nos. 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 No. 43 and No. 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 TRIP satisfies the conditions of a cost-sharing multiple-employer plan, and therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.66 percent of payroll and for fiscal years 2011 and 2012. 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 the school districts.

In fiscal year 2011, employer costs, as reported in the fiscal year 2011 financial statements of the State and TRIP, were allocated as follows:

Stakeholder/ Revenue Source	**2011 Cost Sharing ($ in millions)**	**Percent of Total Cost**	**Statutory Requirement FY 2011**	**Statutory Requirement FY 2012**
State	$ 85.95	19.7%	0.84% of pay	0.84% of pay
School Districts	70.57	16.2%	0.66% of pay	0.66% of pay
Federal Part-D Subsidy	23.42	5.4%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	94.18	21.6%	0.88% of pay	0.88% of pay
Retirees	162.59	37.1%	Percent of premium	Percent of premium
COBRA	0.09	0.0%		
Total	**$ 436.80**	**100.0%**		
Benefits and Expenses Paid	**$ 469.07**			
Benefits and Expenses Covered by Revenue	**93%**			

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 contributions collected. 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 TRIP is similar to the actuarial valuation performed for the TRS pension plan. The demographic assumptions (rates of retirement, termination, and disability) used in this OPEB valuation were identical to those used in the latest TRS valuation.

Certain economic and behavioral assumptions are unique to healthcare benefits. Section F 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, 2009:

- Changes in the mortality assumption which was used in the TRS pension valuation as of June 30, 2011, based on continuing to project mortality improvements to account for assumed increases in life expectancies
- Changes in healthcare-related assumptions including:
    - Fresh starting assumed healthcare trend at 9.0% beginning in fiscal year 2012
    - Increased ultimate healthcare trend of 5.6% beginning in fiscal year 2019 to account for the excise tax under healthcare reform
    - Changes in the participation assumption for deferred vested members due to not receiving a TRIP eligible indicator for this valuation. 70 percent of deferred vested members with 7 or more years of service and 35 percent of deferred vested members with 5 to 7 years of service assumed to elect TRIP coverage commencing at age 60 if 10 or more years of service and age 62 if less than 10 years of service.

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.

For 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 2019.

Actuarial Cost Methods

GASB No. 43 provides flexibility to governmental plan sponsors (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 Nos. 43 and 45 requirements
- Valuation results, including financial disclosure
- Summary of assumptions and methods and plan provisions

SECTION B

OVERVIEW

The following section presents the results of the valuation as of June 30, 2011, for the TRIP OPEB obligations.

The current funding policy includes revenues from five sources: current retirees, current active employees, local school districts, the State, and the Medicare Part D subsidy from the Federal Government. 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 2011, active employees, school districts, and the State made contributions equal to 0.88 percent of pay, 0.66 percent of pay, and 0.84 percent of pay, respectively. Also, retirees made contributions of approximately 34.7 percent of expected claims and expenses, and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2011 revenue of $437 million from the preceding five sources (and interest) represents about 93 percent of fiscal year 2011 claims and expenses of $469 million. As of June 30, 2011, the Fund had a balance of $7 million as of June 30, 2011, which represents approximately 1 week of claims for the self-insured programs.

For fiscal year 2012, contributions remain at 0.88 percent of pay for active members, 0.66 percent of pay for school districts, and 0.84 percent of pay for the State.

Because plan benefits are funded based 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 Unfunded Actuarial Accrued Liabilities 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. It represents a measure of the unfunded liability allocable to past service. 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, 2011

Discount Rate	4.50%
Ultimate Trend	5.60%

A)	Actuarial Accrued Liability (AAL)	
	i) Active employees - Full-Time and Part-Time [1]	$ 10,267,985,100
	ii) Active employees - Hourly and Substitute	248,874,700
	iii) Current retirees and their covered dependents	6,380,681,500
	iv) Waived retirees and their covered dependents [2]	742,917,200
	v) Deferred vesteds [2, 3]	1,057,367,400
	vi) Deferred vesteds [2, 4]	162,549,000
	vii) Total	$ 18,860,374,900
B)	Market Value of Assets	$ 7,125,000
C)	Unfunded Actuarial Accrued Liability (UAAL)	$ 18,853,249,900
D)	Funded Ratio: [B / A]	0.0%
E)	UAAL as a percentage of covered payroll	214.5%
F)	Gross Normal Cost	$ 1,060,277,600
	Expected Active Employee Contributions (0.88% of pay)	79,082,600
	Net Annual Normal Cost	$ 981,195,000
G)	Participant Information	
	i) Number of Covered Participants	
	a) Active employees - Full-Time and Part-Time [1]	130,977
	b) Active employees - Hourly and Substitute	31,150
	c) Current retirees [5]	59,358
	d) Waived retirees [2]	17,117
	e) Dependents [6]	10,080
	f) Deferred vesteds [2, 3]	8,312
	h) Deferred vesteds [2, 4]	5,186
	i) Total	262,180
	ii) Covered Payroll	$ 8,791,038,000
	iii) Expected first year benefit payments	$ 352,723,300

[1] *Includes 659 assumed new members with an average age of 29.5 and average service of 1.0 years to replace retirees found in the June 30, 2011, TRIP data that were also listed as active members.*

[2] *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.*

[3] *Members with at least 7 years of service.*

[4] *Members with 5 to 7 years of service. Liability amount represents 50% of the total liability determined for this group. 50% allocated to TRIP and 50% allocated to SEGIP.*

[5] *Includes 13 child survivors.*

[6] *Includes 9,490 spouses and 590 children.*

Exhibit 2
Actuarial Accrued Liability as of June 30, 2011 by Source

	Medical		
	Pre-65	**Post-65**	**Total**
Actives	$ 3,228,480,700	$ 7,288,379,100	$ 10,516,859,800
Current Retirees and Dependents	606,631,900	5,774,049,600	6,380,681,500
Waived Retirees and Dependents	87,266,700	655,650,500	742,917,200
Deferred Vesteds	295,116,000	924,800,400	1,219,916,400
Total	$ 4,217,495,300	$ 14,642,879,600	$ 18,860,374,900

Exhibit 3
Actuarial Accrued Liability as of June 30, 2011 by Plan

	Medical		
	PPO	**HMO**	**Total**
AL Before Retiree Contributions [a]	$ 15,863,944,600	$ 10,207,509,400	$ 26,071,454,000
Value of Retiree Contributions [b]	5,083,213,500	2,127,865,600	7,211,079,100
Total	$ 10,780,731,100	$ 8,079,643,800	$ 18,860,374,900

[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) FY 2012	
	i) Net Normal Cost	$ 981,195,000
	ii) Amortization of UAAL	628,441,700
	iii) Total	$ 1,609,636,700
B)	Annual Required Contribution (ARC) FY 2011 [1]	
	i) Net Normal Cost	$ 938,942,600
	ii) Amortization of UAAL	601,379,600
	iii) Total	$ 1,540,322,200
C)	Projected FY 2012 Employer Contributions [2]	
	i) State (0.84% of pay)	$ 75,487,900
	ii) School Districts (0.66% of pay)	59,312,000
	iii) Total	$ 134,799,900
D)	Projected FY 2012 Active Employee Contributions	
	i) Total (0.88% of pay)	$ 79,082,600
E)	Projected FY 2012 Claims	
	i) Projected Claims and Expenses	$ 556,903,700
	ii) Retiree Contributions	204,180,400
	iii) Net Employer Claims	$ 352,723,300
F)	Projected FY 2012 Net Contributions and Net Claims	
	i) Net Employer Claims	$ 352,723,300
	ii) Employer Contributions	134,799,900
	iii) Active Employee Contributions	79,082,600
	iv) Net Claims Not Covered by Contributions (i.-ii.-iii.)	$ 138,840,800

[1] *FY 2011 ARC equals the FY 2012 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	$ 65,790,000	$ 14,284,678,100	$ 14,218,888,100	0.46%	$7,785,457,500	182.63%
6/30/2009	54,603,000	14,931,395,700	14,876,792,700	0.37%	8,428,359,200	176.51%
6/30/2010 *	39,223,000	16,083,259,900	16,044,036,900	0.24%	8,807,635,364	182.16%
6/30/2011	7,125,000	18,860,374,900	18,853,249,900	0.04%	8,791,038,000	214.46%

**Estimated*

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	$ 1,013,794,100	$ 75,839,000	7.48%	$ 58,191,000	5.74%	$17,026,000	1.68%
2008	1,059,414,800	68,596,000	6.47%	63,458,000	5.99%	19,930,000	1.88%
2009	1,145,504,500	75,474,000	6.59%	66,312,000	5.79%	22,285,000	1.95%
2010	1,197,052,100	79,007,000	6.60%	67,706,000	5.66%	23,897,000	2.00%
2011	1,540,322,200	85,953,000	5.58%	70,570,000	4.58%	23,422,000	1.52%
2012	1,609,636,700	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
2011	$ 352,723,300	2031	$ 1,630,934,900
2012	398,729,600	2032	1,743,692,400
2013	446,951,000	2033	1,858,651,200
2014	493,897,400	2034	1,975,846,400
2015	538,049,100	2035	2,093,918,100
2016	579,754,000	2036	2,219,902,700
2017	621,645,600	2037	2,359,432,300
2018	664,826,900	2038	2,504,973,500
2019	709,536,000	2039	2,651,106,300
2020	757,208,800	2040	2,794,802,400
2021	808,918,800	2041	2,930,001,800
2022	864,011,100	2042	3,044,341,400
2023	924,680,400	2043	3,134,748,200
2024	991,548,400	2044	3,196,799,000
2025	1,064,395,700	2045	3,237,191,700
2026	1,142,798,800	2046	3,245,169,600
2027	1,226,930,400	2047	3,220,071,300
2028	1,317,797,300	2048	3,187,221,700
2029	1,416,938,100	2049	3,149,626,900
2030	1,522,378,100	2050	3,136,198,900

[a] *Expected claims net of retiree contributions for current participants.*

Exhibit 8
Summary of Demographic Information as of June 30, 2011

		Primary Member	Dependent	Total
A)	Active Participants - Full-Time and Part-Time [1]			
	i) Counts	130,977		130,977
	ii) Average Age	42.0		42.0
	iii) Average Service	11.8		11.8
B)	Active Participants - Hourly and Substitute			
	i) Counts	31,150		31,150
	ii) Average Age	42.1		42.1
	iii) Average Service	1.8		1.8
C)	Retirees and Dependents Under Age 65 [2]			
	i) Counts	19,828	2,674	22,502
	ii) Average Age	61.7	60.8	61.6
D)	Retirees and Dependents Over Age 65 [2]			
	i) Counts	39,517	6,816	46,333
	ii) Average Age	74.9	74.0	74.7
E)	Waived Retirees and Dependents [3]			
	i) Counts	17,117		17,117
	ii) Average Age	63.1		63.1
F)	Children [4]			
	i) Counts	13	590	603
	ii) Average Age	15.0	20.2	20.1
G)	Deferred vesteds [5]			
	i) Counts	8,312		8,312
	ii) Average Age	48.6		48.6
I)	Deferred vesteds [6]			
	i) Counts	5,186		5,186
	ii) Average Age	44.6		44.6
J)	Total Participants	252,100	10,080	262,180

[1] *Includes 659 assumed new members with an average age of 29.5 and average service of 1.0 years.*

[2] *Only includes members and dependents currently receiving benefits through TRIP.*

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

[4] *Includes 590 dependents and 13 survivors.*

[5] *Members with at least 7 years of service and currently under the age of 70.*

[6] *Members with 5 to 7 years of service and currently under the age of 70.*

Exhibit 9
Assets Available for Benefits

	As of June 30, 2010	As of June 30, 2011
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$ 54,603,000	$ 39,223,000
Revenues		
State Contributions	$ 79,007,000	$ 85,953,000
Employer Contributions	67,706,000	70,570,000
Federal Government Medicare Part D Subsidy	23,897,000	23,422,000
Active Member Contributions	90,243,000	94,176,000
Retired Member Contributions	151,057,000	162,586,000
COBRA	98,000	88,000
Interest	324,000	173,000
Total Revenues	$ 412,332,000	$ 436,968,000
Deductions		
Benefits	$ 425,333,000	$ 466,310,000
Administrative Expense	2,379,000	2,756,000
Total Deductions	$ 427,712,000	$ 469,066,000
Net Change	$ (15,380,000)	$ (32,098,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$ 39,223,000	$ 7,125,000

SECTION F

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Development of Per Capita Claim Costs

The per capita claims used in the valuation were based on average per member costs by plan type for the period July 1, 2011, through June 30, 2012, as provided by the Department of Healthcare and Family Services (DHFS). The premium rates 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. 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.

Census Data

The valuation was based on active data as of June 30, 2010, and retiree data as of June 30, 2011. 659 newly retired members appeared with the active data and the retiree data. We assumed the newly retired members would be replaced by a new entrant with an average age of 29.5 and an average salary of $43,000.

Actuarial Assumptions

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

Measurement Date	June 30, 2011
Discount Rate	4.5%
Inflation[1]	3.0%
Wage Inflation[2]	4.5%

OPEB Assumptions

	Healthcare Trend	
Fiscal Year	**Medical and Rx**[3]	**Retiree Premium**
2012	9.00%	5.00%
2013	8.50%	5.00%
2014	8.00%	5.00%
2015	7.50%	5.00%
2016	7.00%	5.00%
2017	6.50%	5.00%
2018	6.00%	5.00%
2019	5.60%	5.00%
2020+	5.60%	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 2019 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%

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

	TCHP			OAP			HMO	
	Medical and Rx			Medical and Rx			Medical and Rx	
Age	Male	Female	Age	Male	Female	Age	Male	Female
20	$2,503	$4,624	20	$2,297	$4,244	20	$2,013	$3,718
25	2,609	5,270	25	2,394	4,836	25	2,098	4,237
30	2,708	5,541	30	2,485	5,085	30	2,177	4,455
35	3,124	5,811	35	2,867	5,333	35	2,512	4,673
40	4,031	6,315	40	3,699	5,795	40	3,241	5,078
45	5,476	7,170	45	5,026	6,579	45	4,404	5,765
50	7,409	8,395	50	6,799	7,704	50	5,958	6,750
51	7,844	8,681	51	7,198	7,966	51	6,307	6,980
52	8,292	8,978	52	7,610	8,239	52	6,668	7,220
53	8,746	9,293	53	8,026	8,528	53	7,033	7,473
54	9,211	9,619	54	8,452	8,827	54	7,406	7,734
55	9,683	9,954	55	8,886	9,134	55	7,787	8,004
56	10,163	10,297	56	9,327	9,450	56	8,173	8,280
57	10,649	10,649	57	9,772	9,772	57	8,563	8,563
58	11,152	10,993	58	10,234	10,088	58	8,967	8,840
59	11,658	11,341	59	10,698	10,408	59	9,374	9,120
60	12,165	11,693	60	11,164	10,731	60	9,782	9,403
61	12,672	12,048	61	11,629	11,056	61	10,190	9,688
62	13,177	12,403	62	12,093	11,382	62	10,596	9,973
63	13,671	12,764	63	12,546	11,714	63	10,993	10,264
64	14,160	13,125	64	12,994	12,044	64	11,386	10,554

Annual Per Capita Claims Costs for Medicare Eligible Members

	TCHP			OAP			HMO	
	Medical and Rx			Medical and Rx			Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
65	$4,511	$4,154	65	$4,212	$3,879	65	$3,669	$3,379
66	4,657	4,263	66	4,348	3,981	66	3,788	3,468
67	4,799	4,370	67	4,481	4,081	67	3,904	3,555
68	4,938	4,476	68	4,611	4,179	68	4,017	3,641
69	5,073	4,579	69	4,737	4,275	69	4,126	3,724
70	5,203	4,679	70	4,859	4,369	70	4,233	3,806
71	5,329	4,776	71	4,976	4,460	71	4,335	3,885
72	5,450	4,870	72	5,089	4,547	72	4,433	3,961
73	5,564	4,960	73	5,196	4,631	73	4,526	4,034
74	5,674	5,045	74	5,298	4,711	74	4,615	4,104
75	5,777	5,127	75	5,394	4,787	75	4,699	4,170
76	5,873	5,203	76	5,484	4,859	76	4,778	4,233
77	5,964	5,275	77	5,569	4,926	77	4,851	4,291
78	6,047	5,342	78	5,647	4,988	78	4,919	4,345
79	6,124	5,404	79	5,718	5,046	79	4,981	4,395
80	6,194	5,460	80	5,783	5,098	80	5,038	4,441
81	6,257	5,510	81	5,842	5,145	81	5,089	4,482
82	6,313	5,555	82	5,895	5,187	82	5,135	4,518
83	6,362	5,594	83	5,941	5,223	83	5,175	4,550
84	6,405	5,628	84	5,981	5,255	84	5,210	4,577
85	6,441	5,655	85	6,015	5,281	85	5,240	4,600
86	6,472	5,677	86	6,043	5,301	86	5,264	4,618
87+	6,501	5,688	87+	6,070	5,311	87+	5,288	4,627

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

	TCHP Medical and Rx			OAP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
65	$15,912	$14,653	65	$13,824	$12,730	65	$12,065	$11,111
66	16,426	15,037	66	14,270	13,064	66	12,455	11,402
67	16,928	15,416	67	14,707	13,393	67	12,836	11,689
68	17,418	15,788	68	15,133	13,716	68	13,208	11,971
69	17,894	16,151	69	15,546	14,031	69	13,568	12,246
70	18,354	16,504	70	15,946	14,338	70	13,917	12,514
71	18,798	16,847	71	16,331	14,636	71	14,253	12,774
72	19,223	17,177	72	16,700	14,923	72	14,576	13,025
73	19,628	17,494	73	17,052	15,198	73	14,883	13,265
74	20,013	17,797	74	17,387	15,461	74	15,175	13,494
75	20,376	18,084	75	17,703	15,711	75	15,451	13,712
76	20,718	18,354	76	17,999	15,946	76	15,709	13,917
77	21,036	18,608	77	18,275	16,166	77	15,951	14,110
78	21,331	18,843	78	18,531	16,371	78	16,174	14,288
79	21,601	19,060	79	18,767	16,559	79	16,379	14,453
80	21,848	19,258	80	18,981	16,731	80	16,566	14,603
81	22,070	19,436	81	19,174	16,886	81	16,735	14,738
82	22,268	19,594	82	19,346	17,023	82	16,885	14,858
83	22,442	19,732	83	19,497	17,143	83	17,017	14,962
84	22,593	19,850	84	19,628	17,245	84	17,131	15,052
85	22,721	19,948	85	19,740	17,330	85	17,229	15,126
86	22,828	20,026	86	19,832	17,398	86	17,309	15,185
87+	22,931	20,065	87+	19,922	17,432	87+	17,388	15,214

Participation

Eighty-five percent of future retirees that are currently active are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Seventy percent of current deferred vested participants with at least seven years of service and younger than age 70 are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

Thirty-five percent of current deferred vested participants with five to seven years of service and younger than age 70 are assumed to be eligible under SEGIP or TRIP before retirement and elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage. The liability for this group is allocated equally to TRIP and SEGIP.

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

a) For those under age 62, 33 percent elect coverage at 62
b) For those age 62 to 70, 33 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 TCHP, OAP, and other HMO plans was based on the actual election percentages of the current TRIP population. Currently for pre-Medicare participants, about 45 percent participate in the TCHP, 25 percent participate in the OAP, and 30 percent participate in HMO plans. Currently for Medicare eligible participants, about 65 percent participate in the TCHP, 15 percent participate in the OAP, and 20 percent participate in HMO plans.

We have assumed that a certain percentage of current pre-Medicare retirees will migrate to the TCHP from the OAP or 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.

Pension-related assumptions

The pension-related assumptions disclosed in the Teachers' Retirement System (TRS) actuarial valuation report as of June 30, 2010, are assumed.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by TRS and DHFS. Retirement rates are applied at first eligibility for pension benefits, although retiree healthcare benefits may not be payable.

Deferred vested members with 10 or more years of service are assumed to commence benefits at age 60. Deferred vested members with less than 10 years of service are assumed to commence benefits at age 62.

Salary Increase

Age	
20	11.1%
25	10.2%
30	8.4%
35	7.7%
40	7.2%
45	6.7%
50	6.0%

Demographic Assumptions

Mortality

	Healthy - Retiree		Disabled - Retiree		Healthy Active	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	0.0460%	0.0178%	4.8500%	2.7230%	0.0460%	0.0134%
25	0.0569%	0.0166%	4.8500%	2.7230%	0.0569%	0.0124%
30	0.0583%	0.0227%	4.8500%	2.7230%	0.0583%	0.0170%
35	0.0662%	0.0412%	4.8500%	2.7230%	0.0662%	0.0309%
40	0.0815%	0.0537%	4.8500%	2.7230%	0.0815%	0.0403%
45	0.1066%	0.0832%	4.8500%	2.7230%	0.1066%	0.0624%
50	0.1493%	0.1311%	4.8500%	2.7230%	0.1493%	0.0983%
55	0.2357%	0.2023%	4.8500%	2.7230%	0.2357%	0.1517%
60	0.4657%	0.3109%	4.8500%	2.7230%	0.4657%	0.2332%
65	0.9375%	0.6450%	4.8500%	2.7230%	0.9375%	0.4838%
70	1.6507%	1.3549%	7.4650%	4.0870%	1.6507%	1.0162%
75	2.8411%	2.2433%	11.2820%	6.3140%	2.8411%	1.6825%
80	5.1365%	3.6582%	16.8210%	9.6220%	5.1365%	2.7437%

Sample Turnover Rates

	% Separating Within Next Year					
	Non-Vested		Vested[1]		Vested[2]	
Age	Male	Female	Male	Female	Male	Female
25	7.000%	8.100%	6.000%	9.000%	6.000%	9.000%
30	6.500%	9.000%	3.700%	8.000%	3.700%	8.000%
35	7.500%	8.800%	2.200%	5.100%	2.200%	5.100%
40	8.000%	6.600%	1.600%	2.400%	1.600%	2.400%
45	9.400%	6.200%	1.300%	1.500%	1.300%	1.500%
50	9.400%	6.200%	1.100%	1.300%	1.100%	1.300%
55	12.000%	8.700%	1.400%	1.700%	10.000%	12.000%
60	12.600%	11.100%	2.600%	2.900%	3.000%	3.200%
65	12.600%	11.100%	3.100%	3.000%	3.100%	3.000%

[1] *Members hired before January 1, 2011.*
[2] *Members hired on or after January 1, 2011.*

Sample Disability Rates

	% Separating Within Next Year			
	Hired Before January 1, 2011		Hired On/After January 1, 2011	
Age	Male	Female	Male	Female
20	0.034%	0.045%	0.102%	0.135%
25	0.034%	0.045%	0.102%	0.135%
30	0.030%	0.100%	0.090%	0.300%
35	0.039%	0.110%	0.117%	0.330%
40	0.060%	0.110%	0.180%	0.330%
45	0.064%	0.130%	0.192%	0.390%
50	0.110%	0.190%	0.330%	0.570%
55	0.130%	0.200%	0.390%	0.600%
60	0.200%	0.350%	0.600%	1.050%
65	0.600%	1.500%	1.800%	4.500%

The following assumptions apply to members hired before January 1, 2011:

Sample Normal Retirement Rates

% Separating Within Next Year (Age-Based)

	Service				
Age	5 - 18	19 - 30	31	32 - 33	34 +
54	0.00%	7.00%	12.00%	38.00%	40.00%
55	0.00%	12.00%	20.00%	38.00%	40.00%
56	0.00%	10.00%	18.00%	38.00%	32.00%
57	0.00%	10.00%	18.00%	38.00%	32.00%
58	0.00%	10.00%	18.00%	38.00%	32.00%
59	0.00%	25.00%	27.00%	45.00%	37.00%
60	14.00%	27.00%	45.00%	45.00%	37.00%
61	13.00%	24.00%	45.00%	45.00%	37.00%
62	13.00%	28.00%	45.00%	45.00%	37.00%
63	13.00%	28.00%	45.00%	45.00%	37.00%
64	18.00%	33.00%	45.00%	45.00%	37.00%
65 - 69	23.00%	33.00%	45.00%	45.00%	30.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%

The following assumptions apply to members hired on or after January 1, 2011:

Sample Normal Retirement Rates

% Separating Within Next Year (Age-Based)

	Service				
Age	5 - 18	19 - 30	31	32 - 33	34 +
60 and younger	0.00%	0.00%	0.00%	0.00%	0.00%
61	13.00%	15.00%	20.00%	25.00%	25.00%
62-64	8.00%	10.00%	15.00%	20.00%	20.00%
65	20.00%	10.00%	15.00%	20.00%	20.00%
66	20.00%	40.00%	70.00%	70.00%	70.00%
67	20.00%	40.00%	40.00%	40.00%	40.00%
68	20.00%	40.00%	40.00%	40.00%	40.00%
69	20.00%	40.00%	40.00%	40.00%	40.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION G

SUMMARY OF PRINCIPAL PLAN PROVISIONS

PLAN MEMBERS

All members receiving monthly benefits from the Teachers' Retirement System (TRS) who have at least eight years of creditable service with TRS, the survivor of an annuitant or benefit recipient who had at least eight years of creditable service, or a recipient of a monthly disability benefit are eligible to enroll in TRIP. Certain members covered under TRS for pension purposes are eligible for retiree healthcare benefits under the State Employees Group Insurance Program (SEGIP). 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 reciprocal service. Any member that was a participant in the plan that preceded TRIP is eligible to participate in TRIP.

ELIGIBLE SERVICE

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

NORMAL RETIREMENT

Retirees are eligible to participate in TRIP if they retire under the conditions of TRS and have a minimum of eight years of TRS service. The eligibility conditions for normal retirement under TRS are shown below.

Eligibility conditions

Age 60 with 10 years of service, age 62 with 5 years of service, or age 55 with 35 years of service for members hired before January 1, 2011.
Age 67 with 10 years of service for members hired on or after January 1, 2011.

EARLY RETIREMENT

Early retirees are eligible to participate in TRIP if they retire under the conditions of TRS and have a minimum of eight years of TRS service. The eligibility conditions for early retirement under TRS are shown below.

Eligibility conditions

Age 55 with 20 years of service for members hired before January 1, 2011.
Age 62 with 10 years of service for members hired on or after January 1, 2011.

DISABILITY RETIREMENT

Disabled members are eligible to participate in TRIP if they are receiving disability benefits under the conditions of TRS.

Eligibility conditions

There is no specific age or service requirement for receipt of disability benefits except for temporary disability benefits which require a minimum of three years of TRS service.

VESTED TERMINATIONS

Members who terminate with more than eight years of service are eligible to enroll in TRIP once they begin receiving retirement benefits. Members hired on or after January 1, 2011, are vested after 10 years of service.

DEPENDENTS ELIGIBLE FOR COVERAGE

If a plan member enrolls in TRIP, they may enroll the following dependents: spouses; unmarried children age 26 and under; 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 income tax return; disabled children that have been continuously disabled from causes originating prior to age 26, 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 TRIP are eligible to enroll when they begin receiving pension benefits through TRS, 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 TRIP, 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 TRIP rights.

MEDICARE

Coverage through TRIP 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 Teachers' Choice Health Plan (TCHP) pays the 20 percent of approved charges not covered by Medicare. If the provider does not accept Medicare assignment, TCHP 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 Medicare Part D.

DENTAL AND VISION BENEFITS

Dental and vision benefits are not provided through TRIP.

FUNDING POLICY

Retiree healthcare benefits are funded on a pay-as-you-go basis. Medical benefits provided through TRIP are self-insured. The cost of TRIP is shared among active members, retirees, the individual school districts, and the state. Contributions are made to the Teacher Health Insurance Security Fund. For fiscal year 2012, active members contribute 0.88 percent of pay, school districts contribute 0.66 percent of pay, and the State contributes 0.84 percent of pay. 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.

HEALTHCARE PLANS

Members may elect coverage in the TCHP, a managed care HMO plan, or the Healthlink Open Access Plan (OAP). The TCHP 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 30 through 32.

Premium rates for members depend on the coverage elected and whether a managed care plan is available in their County of residence. The following table gives the member premium amounts by type of coverage and availability of a managed care plan.

The premiums charged to members reflect a 75 percent subsidy for members that elect a managed care plan or elect the TCHP plan if a managed care plan is either not available or only partially available. Members receive a 50 percent subsidy if they elect the TCHP when a managed care plan is available. Medicare primary dependent beneficiaries enrolled in a managed care plan or in the TCHP when no managed care plan is available receive a premium subsidy.

Monthly Premiums through June 30, 2012

	Not Medicare Primary Under age 23	Not Medicare Primary Age 26-64	Not Medicare Primary Age 65 & above	Medicare Primary All Ages [a]
Benefit recipient enrolled in any managed care plan	$59.29	$184.13	$250.87	$72.77
Benefit recipient enrolled in TCHP when a managed care plan is available	$153.85	$434.21	$653.03	$189.46
Benefit recipient enrolled in TCHP when a managed care plan is not available	$76.92	$217.11	$326.52	$94.73
Dependent beneficiary enrolled in any managed care plan	$237.20	$736.50	$1,003.45	$252.09
Dependent beneficiary enrolled in TCHP when a managed care plan is available	$307.69	$868.41	$1,306.04	$378.93
Dependent beneficiary enrolled in TCHP when a managed care plan is not available	$307.69	$868.41	$1,306.04	$284.20

[a] *Member must enroll in Medicare Parts A and B to qualify for lower premiums.*

TCHP

Plan Feature	***In Network***			***Out of Network*** [1]
Annual Deductible	$500 per enrollee			$500 per enrollee
Annual Out of Pocket Limit	$1,200 per individual $2,750 per family, per plan year			$4,400 per individual $8,800 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	$200 copay, then 80% after deductible			$400 copay, then 60% after deductible
-Outpatient Services				
-Lab/X-ray	80% after plan deductible			60% after plan deductible
-Other	80% after plan deductible			60% after plan deductible
Prescription Drug Copays	80% plan coinsurance with the following minimum and maximum copays (for a 30-day supply). The copays double for mail order prescriptions (for a 90-day supply) Annual out of pocket limit for prescriptions of $1,500			
		Minimum Copay	Maximum Copay	
	Generic Copay	$7	$50	
	Formulary Brand Copay	$14	$100	
	Non-Formulary Brand Copay	$28	$150	
Maximum Lifetime Benefit	Unlimited			

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

HMO

Plan Feature	
Annual Deductible	$0
Out of Pocket Maximum	NA
Covered Services	Coinsurance
-Physicians Visits	$20 Copay
-Emergency Care	$200 Copay
-Inpatient Services	$250 Copay
-Outpatient Services	$150 Copay
Prescription Drug Copays	Generic $10 Brand formulary $20 Brand non-formulary $40
Maximum Lifetime Benefit	Unlimited

OAP

Plan Feature	***Tier I***	***Tier II***	***Tier III***
Annual Deductible	$0	$300 per enrollee	$400 per enrollee
Annual Out of Pocket Limit	NA	$700 per enrollee $1,400 per family	$1,700 per enrollee $3,600 per family
Covered Services	Coinsurance/Copay [1]	Coinsurance/Copay [1]	Coinsurance/Copay [2]
-Office Visits	$20 copay	80%	60%
-Emergency Room	$200 copay	$200 copay, then 80%	$200 copay, then 60% (or 50% of U&C)
-Inpatient Services	$250 copay	$300 copay, then 80%	$400 copay, then 60%
-Outpatient Services			
-Lab/X-ray	100%	80%	60%
-Other	100%	80%	60%
Prescription Drug Copays	Generic $10 Brand formulary $20 Brand non-formulary $40		
Maximum Lifetime Benefit	Unlimited	Unlimited	Unlimited

[1] *Network charges*
[2] *Usual and customary charges*

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.