GRS 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, 2013

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

20 North Clark Street
Suite 2400
Chicago, IL 60602-5111

312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

December 16, 2013

Department of Central Management Services
201 S. Grand Ave. East
Springfield, IL 62763

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

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 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 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 TRIP and participating employers may produce significantly different results. The valuation was based upon:

- Census information used in the June 30, 2013, TRS pension valuation as provided by the System's actuary and TRS
- Healthcare data provided by the Department of Central Management Services (CMS)
- Substantive plan information provided by TRS and CMS
- Demographic assumptions consistent with the TRS 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 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 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.

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　　　　Amy Williams

Alex Rivera, FSA, MAAA	Amy Williams, ASA, MAAA
Senior Consultant	Consultant

Table of Contents

SECTION A

EXECUTIVE SUMMARY

Introduction

The Governmental Accounting Standards Board (GASB) has issued 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 2014, active members contribute 0.97 percent of pay, school districts contribute 0.72 percent of pay and the State contributes 0.97 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 have historically marginally exceeded the annual expected net claim payments. However, as of June 30, 2013, this trust has a negative asset balance of $(80) million. Historically, these assets have been 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 expected to be 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 2012 and 2014, 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)

	2011	2013
Funded Status as of June 30,		
Actuarial Accrued Liability	$18,860.37	$19,459.61
Actuarial Value of Assets	7.13	(80.14)
Unfunded Actuarial Accrued Liability	$18,853.24	$19,539.75
Net Employer Normal Cost	$ 981.20	$ 930.74
Amortization of Unfunded Liability	628.44	651.32
Total ARC for Following Fiscal Year	$ 1,609.64	$ 1,582.07
Estimated Employer Contributions for Following Fiscal Year [1]		
State	$ 75.49	$ 90.34
School Districts	59.31	67.05
Total	$ 134.80	$ 157.39

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

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

- Favorable claims experience and plan design changes compared with assumed trend rates from the previous valuation.

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

- Fresh starting assumed trend rates at 8.5%.
- Update in demographic assumption to be consistent with the pension valuation as of June 30, 2013.

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, therefore, each participating employer is required to recognize OPEB expense for their contractually required contributions to the plan, currently 0.69 percent of payroll for fiscal year 2013 and 0.72 percent of payroll and for fiscal year 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 the school districts.

In fiscal year 2013, employer costs, as reported in the fiscal year 2013 financial statements of the State and TRIP, were allocated as follows:

Stakeholder/ Revenue Source	**2013 Cost Sharing ($ in millions)**	**Percent of Total Cost**	**Statutory Requirement FY 2013**	**Statutory Requirement FY 2014**
State	$ 86.68	18.9%	0.92% of pay	0.97% of pay
School Districts	74.02	16.1%	0.69% of pay	0.72% of pay
Federal Part-D Subsidy	23.96	5.2%	Percent of Rx Claims Paid	Percent of Rx Claims Paid
Active Members	98.92	21.6%	0.92% of pay	0.97% of pay
Retirees	175.15	38.2%	Percent of premium	Percent of premium
COBRA	0.14	0.0%		
Total	**$ 458.87**	**100.0%**		
Benefits and Expenses Paid	**$ 507.93**			
Benefits and Expenses Covered by Revenue	**90%**			

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, 2011:

- Changes in demographic assumptions to be consistent with the assumptions used in the TRS pension valuation as of June 30, 2013
- Changes in healthcare-related assumptions including:
  - Fresh starting assumed healthcare trend at 8.5% beginning in fiscal year 2014
  - Updated per capita claims costs

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 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

Total Retiree Advantage Illinois (TRIAL) Program

Effective February 1, 2014, the State will offer four alternative Medicare Advantage plans to TRIP members: United Healthcare PPO, Humana Health Plan HMO, Human Benefit Plan HMO and Aetna Life HMO. 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

OVERVIEW

The following section presents the results of the valuation as of June 30, 2013, 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 2013, active employees, school districts, and the State made contributions equal to 0.92 percent of pay, 0.69 percent of pay, and 0.92 percent of pay, respectively. Also, retirees made contributions of approximately 34.5 percent of expected claims and expenses, and the Federal Government provided a Medicare Part D subsidy. Fiscal year 2013 revenue of $459 million from the preceding five sources (and interest) represents about 90 percent of fiscal year 2013 claims and expenses of $508 million. As of June 30, 2013, the Fund had a negative balance of $(80) million.

For fiscal year 2014, the contribution rates are at 0.97 percent of pay for active members, 0.72 percent of pay for school districts, and 0.97 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 *Discount Rate* 4.50%
Summary of Actuarial Valuation Results as of June 30, 2013 *Ultimate Trend* 5.60%

A)	Actuarial Accrued Liability (AAL)	
	i) Active employees - Full-Time and Part-Time [1]	$ 10,561,820,600
	ii) Active employees - Hourly and Substitute	271,926,900
	iii) Current retirees and their covered dependents	6,528,067,800
	iv) Waived retirees and their covered dependents [2]	722,532,500
	v) Deferred vesteds [2, 3]	1,188,667,200
	vi) Deferred vesteds [2, 4]	186,592,400
	vii) Total	$ 19,459,607,400
B)	Market Value of Assets	$ (80,139,000)
C)	Unfunded Actuarial Accrued Liability (UAAL)	$ 19,539,746,400
D)	Funded Ratio: [B / A]	-0.4%
E)	UAAL as a percentage of covered payroll	214.5%
F)	Gross Normal Cost	$ 1,021,078,300
	Expected Active Employee Contributions (0.97% of pay)	90,337,500
	Net Annual Normal Cost	$ 930,740,800
G)	Participant Information	
	i) Number of Covered Participants	
	a) Active employees - Full-Time and Part-Time [1]	128,230
	b) Active employees - Hourly and Substitute	27,810
	c) Current retirees [5]	62,273
	d) Waived retirees [2]	17,983
	e) Dependents [6]	10,379
	f) Deferred vesteds [2, 3]	9,324
	h) Deferred vesteds [2, 4]	5,871
	i) Total	261,870
	ii) Covered Payroll	$ 9,110,414,500
	iii) Expected first year benefit payments	$ 343,268,400

[1] *Includes 393 assumed new members with an average age of 29.5 and average service of 1 year to replace retirees found in the June 30, 2013, CMS TRIP data that were also listed as active members in the June 30, 2012 TRS active data.*

[2] *Valuation assumes a percentage of waived retirees and deferred vested members under the age of 70 as of June 30, 2012, and waived beneficiaries over the age of 26 and under the age of 70 as of June 30, 2012, 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 11 child survivors.*

[6] *Includes 9,588 spouses and 791 children.*

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

	Medical		
	Pre-65	**Post-65**	**Total**
Actives	$ 2,972,466,800	$ 7,861,280,700	$ 10,833,747,500
Current Retirees and Dependents	467,056,100	6,061,011,700	6,528,067,800
Waived Retirees and Dependents	56,943,900	665,588,600	722,532,500
Deferred Vesteds	304,154,000	1,071,105,600	1,375,259,600
Total	$ 3,800,620,800	$ 15,658,986,600	$ 19,459,607,400

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

	Medical		
	PPO	**HMO**	**Total**
AL Before Retiree Contributions [a]	$ 15,577,971,500	$ 12,646,797,900	$ 28,224,769,400
Value of Retiree Contributions [b]	5,880,114,000	2,885,048,000	8,765,162,000
Total	$ 9,697,857,500	$ 9,761,749,900	$ 19,459,607,400

[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 2014	
	i) Net Normal Cost	$ 930,740,800
	ii) Amortization of UAAL	651,324,900
	iii) Total	$ 1,582,065,700
B)	Annual Required Contribution (ARC) FY 2013 [1]	
	i) Net Normal Cost	$ 890,661,100
	ii) Amortization of UAAL	623,277,400
	iii) Total	$ 1,513,938,500
C)	Projected FY 2014 Employer Contributions [2]	
	i) State (0.97% of pay)	$ 90,337,500
	ii) School Districts (0.72% of pay)	67,054,600
	iii) Total	$ 157,392,100
D)	Projected FY 2014 Active Employee Contributions	
	i) Total (0.97% of pay)	$ 90,337,500
E)	Projected FY 2014 Claims	
	i) Projected Claims and Expenses	$ 581,027,200
	ii) Retiree Contributions	237,758,800
	iii) Net Employer Claims	$ 343,268,400
F)	Projected FY 2014 Net Contributions and Net Claims	
	i) Net Employer Claims	$ 343,268,400
	ii) Employer Contributions	157,392,100
	iii) Active Employee Contributions	90,337,500
	iv) Net Claims Not Covered by Contributions (i.-ii.-iii.)	$ 95,538,800

[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	$ 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%
6/30/2011	7,125,000	18,860,374,900	18,853,249,900	0.04%	8,791,038,000	214.46%
6/30/2013	(80,139,000)	19,459,607,400	19,539,746,400	-0.41%	9,110,414,500	214.48%

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	87,622,000	5.44%	71,376,000	4.43%	24,911,000	1.55%
2013	1,513,938,500	86,683,000	5.73%	74,023,000	4.89%	23,958,000	1.58%
2014	1,582,065,700	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
2013	$ 343,268,400	2033	$ 1,629,596,200
2014	388,804,300	2034	1,734,796,300
2015	430,553,900	2035	1,841,941,800
2016	470,111,100	2036	1,955,989,300
2017	510,934,000	2037	2,082,071,800
2018	553,650,500	2038	2,215,268,700
2019	596,482,500	2039	2,351,648,000
2020	638,822,100	2040	2,489,433,700
2021	684,911,600	2041	2,623,337,100
2022	734,559,100	2042	2,746,271,500
2023	789,284,300	2043	2,858,141,800
2024	849,305,800	2044	2,946,306,400
2025	914,299,200	2045	3,012,874,000
2026	984,225,400	2046	3,061,031,700
2027	1,059,603,000	2047	3,088,560,200
2028	1,140,811,300	2048	3,102,932,100
2029	1,229,197,500	2049	3,105,042,500
2030	1,323,530,100	2050	3,102,527,500
2031	1,422,172,200	2051	3,108,327,800
2032	1,525,127,200	2052	3,103,212,100

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

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

		Primary Member	Dependent	Total
A)	Active Participants - Full-Time and Part-Time [1]			
	i) Counts	128,230		128,230
	ii) Average Age	42.6		42.6
	iii) Average Service	12.3		12.3
B)	Active Participants - Hourly and Substitute			
	i) Counts	27,810		27,810
	ii) Average Age	42.6		42.6
	iii) Average Service	2.1		2.1
C)	Retirees and Dependents Under Age 65 [2]			
	i) Counts	17,510	2,403	19,913
	ii) Average Age	62.0	60.8	61.8
D)	Retirees and Dependents Over Age 65 [2]			
	i) Counts	44,752	7,185	51,937
	ii) Average Age	74.6	74.2	74.5
E)	Waived Retirees and Dependents [3]			
	i) Counts	17,983		17,983
	ii) Average Age	64.7		64.7
F)	Children [4]			
	i) Counts	11	791	802
	ii) Average Age	17.6	21.3	21.2
G)	Deferred vesteds [5]			
	i) Counts	9,324		9,324
	ii) Average Age	48.7		48.7
I)	Deferred vesteds [6]			
	i) Counts	5,871		5,871
	ii) Average Age	45.0		45.0
J)	Total Participants	251,491	10,379	261,870

[1] *Excludes Approximately 2,173 members that are active in TRS and categorized as a dependent in SEGIP and 1,403 active members active in TRS with vested benefits in SERS or SURS, and excludes 393 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 791 dependents and 11 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, 2012**	**As of June 30, 2013**
Net Assets Held in Trust for Post-Employment Benefits, Beginning of Year	$ 7,125,000	$ (31,196,000)
Revenues		
State Contributions	$ 87,622,000	$ 86,683,000
Employer Contributions	71,376,000	74,023,000
Federal Government Medicare Part D Subsidy	24,911,000	23,958,000
Active Member Contributions	95,271,000	98,918,000
Retired Member Contributions	165,651,000	175,153,000
COBRA	119,000	137,000
Interest	127,000	119,000
Total Revenues	$ 445,077,000	$ 458,991,000
Deductions		
Benefits	$ 480,452,000	$ 488,281,000
Administrative Expense	2,946,000	19,653,000
Total Deductions	$ 483,398,000	$ 507,934,000
Net Change	$ (38,321,000)	$ (48,943,000)
Net Assets Held in Trust for Post-Employment Benefits, End of Year	$ (31,196,000)	$ (80,139,000)

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. 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 TRS active, inactive and retiree data as of June 30, 2012, and TRIP retiree data as of June 30, 2013. 393 newly retired members appeared in the TRIP data as of June 30, 2013, and the TRS active data as of June 30, 2012. We assumed the newly retired members would be replaced by new entrants with an average age of 29.5 and an average salary of $44,000.

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]	**Retiree Premium**
2,014	8.50%	5.00%
2,015	8.00%	5.00%
2,016	7.50%	5.00%
2,017	7.00%	5.00%
2,018	6.50%	5.00%
2,019	6.00%	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 2020 to account for the Excise Tax under healthcare reform.*

Age	Morbidity Factor Male	Morbidity Factor 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 Medical and Rx			OAP Medical and Rx			HMO Medical and Rx	
Age	**Male**	**Female**	**Age**	**Male**	**Female**	**Age**	**Male**	**Female**
20	$2,412	$4,457	20	$2,166	$4,002	20	$2,241	$4,140
25	2,514	5,079	25	2,257	4,560	25	2,336	4,718
30	2,609	5,340	30	2,343	4,795	30	2,424	4,961
35	3,011	5,600	35	2,703	5,029	35	2,797	5,203
40	3,885	6,086	40	3,488	5,465	40	3,609	5,654
45	5,278	6,910	45	4,739	6,204	45	4,903	6,419
50	7,141	8,091	50	6,412	7,265	50	6,634	7,517
51	7,560	8,366	51	6,788	7,512	51	7,023	7,772
52	7,992	8,653	52	7,176	7,770	52	7,425	8,039
53	8,429	8,956	53	7,569	8,042	53	7,831	8,321
54	8,877	9,270	54	7,971	8,324	54	8,247	8,612
55	9,333	9,593	55	8,380	8,614	55	8,670	8,912
56	9,795	9,924	56	8,795	8,911	56	9,100	9,220
57	10,263	10,263	57	9,215	9,215	57	9,535	9,535
58	10,748	10,595	58	9,650	9,513	58	9,985	9,843
59	11,235	10,931	59	10,088	9,815	59	10,438	10,155
60	11,724	11,270	60	10,527	10,119	60	10,893	10,470
61	12,213	11,611	61	10,966	10,426	61	11,347	10,787
62	12,700	11,953	62	11,403	10,733	62	11,799	11,105
63	13,176	12,302	63	11,831	11,046	63	12,241	11,429
64	13,647	12,649	64	12,253	11,358	64	12,678	11,752

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	$4,369	$4,024	65	$4,023	$3,704	65	$4,093	$3,769
66	4,510	4,129	66	4,153	3,802	66	4,225	3,868
67	4,648	4,233	67	4,280	3,897	67	4,354	3,965
68	4,783	4,335	68	4,404	3,991	68	4,480	4,061
69	4,914	4,435	69	4,524	4,083	69	4,603	4,154
70	5,040	4,532	70	4,640	4,172	70	4,721	4,245
71	5,162	4,626	71	4,752	4,259	71	4,835	4,333
72	5,278	4,717	72	4,860	4,343	72	4,944	4,418
73	5,390	4,804	73	4,962	4,423	73	5,049	4,500
74	5,495	4,887	74	5,059	4,499	74	5,148	4,578
75	5,595	4,966	75	5,151	4,572	75	5,241	4,651
76	5,689	5,040	76	5,238	4,640	76	5,329	4,721
77	5,776	5,110	77	5,318	4,704	77	5,411	4,786
78	5,857	5,174	78	5,393	4,764	78	5,487	4,847
79	5,931	5,234	79	5,461	4,819	79	5,556	4,903
80	5,999	5,288	80	5,523	4,869	80	5,620	4,953
81	6,060	5,337	81	5,580	4,914	81	5,677	4,999
82	6,115	5,380	82	5,630	4,954	82	5,728	5,040
83	6,162	5,418	83	5,674	4,989	83	5,773	5,075
84	6,204	5,451	84	5,712	5,018	84	5,811	5,106
85	6,239	5,478	85	5,744	5,043	85	5,844	5,131
86	6,268	5,499	86	5,771	5,063	86	5,872	5,151
87+	6,297	5,510	87+	5,797	5,073	87+	5,898	5,161

Annual Per Capita Claims Costs for Post 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
65	$16,206	$14,923	65	$13,194	$12,150	65	$13,437	$12,373
66	16,729	15,315	66	13,620	12,469	66	13,870	12,698
67	17,241	15,701	67	14,037	12,783	67	14,295	13,018
68	17,740	16,079	68	14,443	13,091	68	14,709	13,332
69	18,224	16,449	69	14,838	13,392	69	15,110	13,638
70	18,693	16,809	70	15,220	13,685	70	15,499	13,937
71	19,144	17,158	71	15,587	13,969	71	15,873	14,226
72	19,577	17,494	72	15,939	14,243	72	16,232	14,505
73	19,990	17,817	73	16,276	14,506	73	16,575	14,773
74	20,382	18,125	74	16,595	14,757	74	16,900	15,028
75	20,753	18,417	75	16,896	14,995	75	17,207	15,270
76	21,100	18,693	76	17,179	15,220	76	17,495	15,499
77	21,424	18,951	77	17,443	15,430	77	17,763	15,713
78	21,724	19,191	78	17,687	15,625	78	18,012	15,912
79	22,000	19,412	79	17,912	15,805	79	18,241	16,095
80	22,251	19,614	80	18,116	15,969	80	18,449	16,262
81	22,477	19,795	81	18,301	16,117	81	18,637	16,413
82	22,679	19,956	82	18,465	16,248	82	18,804	16,546
83	22,857	20,097	83	18,609	16,362	83	18,951	16,663
84	23,010	20,217	84	18,734	16,460	84	19,078	16,762
85	23,141	20,316	85	18,841	16,541	85	19,187	16,845
86	23,249	20,396	86	18,929	16,606	86	19,277	16,911
87+	23,355	20,435	87+	19,015	16,638	87+	19,364	16,943

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 as of June 30, 2012, 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 as of June 30, 2012, 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

Age for waived retirees was measured as of June 30, 2012.

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 40 percent participate in the TCHP, 30 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, 2013 are assumed. The assumptions have certain conditions we would not normally expect. For example, the disability rates decrease at certain ages when compared to the preceding age. In our judgment this issue would not significantly impact the valuation results.

Rates are applied consistently with the pension valuations, using the GASB No. 43 census data, as provided by TRS and CMS. 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	10.15%
25	9.25%
30	7.45%
35	6.75%
40	6.25%
45	5.75%
50	5.00%

Demographic Assumptions

Mortality

Healthy Life Mortality, Post-Retirement

RP-2000 White Collar Mortality Table, sex distinct, projected forward 9 years using scale AA, with a two-year setback for males and no age setback for females. Rates for females are further adjusted for ages 63-77 by 65% and ages 78-87 by 85%.

Healthy Life Mortality, Pre-Retirement

RP-2000 White Collar Mortality Table, sex distinct, projected forward 9 years using scale AA, with a two-year setback for males and a three-year age setback for females. Rates for females are further adjusted, multiplying all rates by 70%.

Disabled Life Mortality, Pre-Retirement

RP-2000 Disabled table, projected forward 9 years using scale AA, with a two year setback for males and no age set back for females.

Future generational rates are projected from 2009 based on scale AA.

Sample Turnover Rates

	% Separating Within Next Year			
	Non-Vested		Vested[1]	
Age	Male	Female	Male	Female
25	7.000%	7.800%	6.000%	9.000%
30	8.600%	10.600%	3.700%	6.000%
35	9.200%	11.200%	2.200%	4.200%
40	11.100%	10.000%	1.500%	2.200%
45	11.100%	8.000%	1.700%	1.700%
50	12.000%	10.000%	1.400%	1.400%
55	16.000%	15.000%	4.000%	3.100%
60	21.000%	14.000%	4.000%	4.000%
65	21.000%	40.000%	4.000%	4.000%

[1] *5 or more years of service for members hired before January 1, 2011, and 10 or more years if service is hired on or after January 1, 2011.*

Sample Disability Rates

% Separating Within Next Year		
Age	Male	Female
20	0.029%	0.045%
25	0.029%	0.045%
30	0.026%	0.117%
35	0.033%	0.090%
40	0.051%	0.162%
45	0.054%	0.083%
50	0.094%	0.172%
55	0.111%	0.197%
60	0.170%	0.144%
65	0.510%	0.287%

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%	6.00%	12.00%	38.00%	40.00%
55	0.00%	10.00%	20.00%	38.00%	40.00%
56	0.00%	7.00%	16.00%	38.00%	32.00%
57	0.00%	7.00%	16.00%	38.00%	32.00%
58	0.00%	7.00%	13.00%	38.00%	32.00%
59	0.00%	25.00%	34.00%	45.00%	31.00%
60	14.00%	27.00%	45.00%	45.00%	31.00%
61	14.00%	24.00%	30.00%	45.00%	31.00%
62	14.00%	26.00%	36.00%	45.00%	31.00%
63	14.00%	26.00%	36.00%	45.00%	31.00%
64	20.00%	33.00%	36.00%	45.00%	31.00%
65 - 67	23.00%	33.00%	45.00%	45.00%	31.00%
68 - 69	27.00%	33.00%	45.00%	45.00%	31.00%
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 +
61 and younger	0.00%	0.00%	0.00%	0.00%	0.00%
62	13.00%	15.00%	20.00%	25.00%	25.00%
63-65	8.00%	10.00%	15.00%	20.00%	20.00%
66	20.00%	10.00%	15.00%	20.00%	20.00%
67	20.00%	40.00%	70.00%	70.00%	70.00%
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 2014, active members contribute 0.97 percent of pay, school districts contribute 0.72 percent of pay and the State contributes 0.97 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, 2014

	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 enrolled in any managed care plan	$65.36	$203.00	$276.58	$80.23
Benefit recipient enrolled in TCHP when a managed care plan is available	$169.61	$478.71	$719.96	$208.87
Benefit recipient enrolled in TCHP when a managed care plan is not available	$84.80	$239.36	$359.99	$104.44
Dependent beneficiary enrolled in any managed care plan	$261.51	$811.99	$1,106.30	$277.92
Dependent beneficiary enrolled in TCHP when a managed care plan is available	$339.22	$957.42	$1,439.90	$417.77
Dependent beneficiary enrolled in TCHP when a managed care plan is not available	$339.22	$957.42	$1,439.90	$313.33

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

TCHP

<table>
<tr><th>Plan Feature</th><th>In Network</th><th>Out of Network [1]</th></tr>
<tr><td>Annual Deductible</td><td>$500 per enrollee</td><td>$500 per enrollee</td></tr>
<tr><td>Annual Out of Pocket Limit</td><td>$1,200 per individual
$2,750 per family, per plan year</td><td>$4,400 per individual
$8,800 per family, per plan year</td></tr>
<tr><td>Covered Services</td><td>Coinsurance</td><td>Coinsurance</td></tr>
<tr><td>-Office Visits</td><td>80% after deductible</td><td>60% after deductible</td></tr>
<tr><td>-Emergency Room</td><td>$400 copay, then 80% after deductible</td><td>$400 copay, then 60% after deductible</td></tr>
<tr><td>-Inpatient Services</td><td>$200 copay, then 80% after deductible</td><td>$400 copay, then 60% after deductible</td></tr>
<tr><td>-Outpatient Services</td><td></td><td></td></tr>
<tr><td>-Lab/X-ray
-Other</td><td>80% after plan deductible
80% after plan deductible</td><td>60% after plan deductible
60% after plan deductible</td></tr>
<tr><td>Prescription Drug Copays</td><td colspan="2">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.
<table>
<tr><th></th><th>Minimum Copay</th><th>Maximum Copay</th></tr>
<tr><td>Generic Copay</td><td>greater of 20% or $7</td><td>lesser of 20% or $50</td></tr>
<tr><td>Preferred Brand Copay</td><td>greater of 20% or $14</td><td>lesser of 20% or $100</td></tr>
<tr><td>Nonpreferred Brand Copay</td><td>greater of 20% or $28</td><td>lesser of 20% or $150</td></tr>
</table></td></tr>
<tr><td>Maximum Lifetime Benefit</td><td colspan="2">Unlimited</td></tr>
</table>

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

HMO

Plan Feature		
Annual Deductible	$0	
Out of Pocket Maximum	$3,000 individual $6,000 family	
Covered Services	Coinsurance	
-Physicians Visits	$20 Copay	
-Emergency Care	$200 Copay	
-Inpatient Services	$250 Copay	
-Outpatient Services	$150 Copay	
Prescription Drug Copays (30-day supply)	Generic	$10
	Preferred Brand	$20
	Nonpreferred Brand	$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	$200 copay
-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 (30-day supply)	Generic $10 Preferred Brand $20 Nonpreferred Brand $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.