State of Utah Elected Official Other Postemployment Benefit Plan

December 31, 2014 Actuarial Valuation
GASB Statements No. 43 and 45

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1. Executive Summary

The State of Utah (the State) sponsors the Elected Official Other Postemployment Benefit Plan (Elected Official OPEB Plan) for Senators, Governors, and House of Representatives (Elected Officials) in which retirees participate in health insurance benefits. Eligible retirees and their dependents may continue health care coverage through the State plan upon retirement.

The updated calculations in this GASB 43/45 report were made as of December 31, 2014 using census data which was provided by the State and health care premium information and plan provisions in effect as of the date of the 2014 valuation.

The ending Net OPEB Obligation/(Asset) was $4,125,584 as of June 30, 2015.

GASB Accounting Standard

The Governmental Accounting Standards Board in 2004 finalized an accounting standard (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This standard requires the State to account for these benefits on an accrual basis. A brief description of the GASB accounting standard can be found in Section 2. The purpose of this report is to provide the State with the Actuarial Accrued Liability and the accrual costs that the State will need to book as the Annual OPEB Cost for fiscal years beginning in 2016 and 2017.

Amortization Periods

The GASB standard also allows a choice of amortization periods, with a maximum amortization period of 30 years. The results are presented using a 20-year open amortization period for the Unfunded Actuarial Accrued Liability; the prior valuation in 2012 also used a 20-year open amortization period.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. The current GASB 45 standard requires the choice of one of six different actuarial cost methods.

Health Care Trend Rates

The accounting standard requires employers to anticipate future health care costs by adjusting today's premiums with projected health care trend rates. Health care costs have outpaced general inflation and the annual rate of change has fluctuated significantly over time. It is difficult to accurately predict health care cost increases even one or two years into the future, so to provide the State with an indication of the likely cost, we have determined the liability using a best estimate set of health care trend rates over time. The following table shows the health care cost trend rates used in the current and prior valuation.

Medical Trend Rate Assumptions Annual Trend				
Year	Current Valuation (Combined)	Prior Valuation Trend Rates		
		Pre-Medicare Trend	Post-Medicare Trend	Administrative Expenses Trend
2014	5.2%	7.5%	6.3%	3.0%
2015	5.7	7.0	5.9	3.0
2016	6.1	6.5	5.6	3.0
2017	6.1	6.0	5.2	3.0
2018	6.0	5.5	4.9	3.0
2019	6.0	4.5	4.5	3.0
2020	6.0	4.5	4.5	3.0
2025	5.8	4.5	4.5	3.0
2030	6.0	4.5	4.5	3.0
2035	5.9	4.5	4.5	3.0
2040	5.3	4.5	4.5	3.0
2050	5.0	4.5	4.5	3.0
2060	4.9	4.5	4.5	3.0
2070	4.8	4.5	4.5	3.0
2084 & Ultimate	4.2	4.5	4.5	3.0

Funding

The State established an irrevocable retiree health trust fund in 2012 to begin advance funding the benefits.

Key Valuation Results

We have measured the postemployment medical liabilities for current retirees and active and former elected officials covered under the State Elected Official Other Postemployment Benefit

Plan as of December 31, 2014. The liabilities were calculated using a discount rate of 4.5 percent. In the prior valuation, a discount rate of 4.5 percent was used.

In Table 1.1 we have shown three measures of the liability: the present value of future benefits, the actuarial accrued liability, and the normal cost. The present value of future benefits is the discounted present value of all future employer-paid health premiums for both current and future retirees. The actuarial accrued liability is the portion of the present value of future benefits attributable to service rendered prior to measurement date. The normal cost is the portion of the present value of benefits earned in the fiscal year. The table also shows the market value of assets and the unfunded actuarial accrued liability.

The actuarial accrued liability decreased significantly, and the normal cost increased significantly since the prior valuation. A key reason for these changes is the change in the actuarial cost method from the Projected Unit Credit method to the Entry Age Normal method.

Table 1.1 shows the valuation results for the current and prior valuations.

Table 1.1
Postemployment Medical Benefit Valuation Results
State of Utah Elected Officials

	As of December 31, 2012	As of December 31, 2014
Assumptions		
Discount rate	**4.50%**	**4.50%**
Rate of inflation included in discount rate	**2.50%**	**2.50%**
Healthcare cost trend rates		
Medical/Rx Pre-Medicare Trend - Current Yr	**8.50%**	**5.20%**
Medical/Rx Medicare Trend – Current Yr	**6.90%**	**5.20%**
Administrative trend rate	**3.00%**	**3.00%**
Ultimate trend rate	**4.50%**	**4.20%**
Year Ultimate trend rate is reached	**2019**	**2084**
Valuation Results		
Present Value of Future Benefits	**$17,132,822**	**$17,756,044**
Actuarial Accrued Liability (AAL)	**$14,506,933**	**$12,694,069**
Assets as of Valuation Date	**$5,302,071**	**$8,863,190**
Unfunded Actuarial Accrued Liability (UAAL)	**$9,204,862**	**$3,830,879**
Percent Funded as of Valuation Date	**36.5%**	**69.8%**
Normal Cost as of Valuation Date (beginning of year)	**$586,643**	**$905,846**

Annual Required Contribution

The Annual OPEB Cost is the sum of four parts:

(i) the Normal Cost with interest to end of year
(ii) the Amortization payment on the Unfunded Actuarial Accrued Liability,
(iii) interest on the Net OPEB Obligation/(Asset) if any, and
(iv) an adjustment to the ARC to prevent double accrual of principal payments on the unfunded Actuarial Accrued Liability

For an organization that fully funds the OPEB Cost each year, the OPEB Cost is simply the ARC, which is the sum of (i) and (ii).

The State has decided to amortize the unfunded actuarial accrued liability over 20 years as a level dollar amount and to use an open amortization method.

Table 1.2 shows the derivation of the Annual Required Contribution and the Annual OPEB Cost for the current and prior valuations.

Table 1.2
Postemployment Medical Benefit Valuation Results
State of Utah Elected Officials

	Annual Required Contribution (ARC)	Fiscal Year Ending 6/30/14	Fiscal Year Ending 6/30/16
1	Normal Cost	$613,042	$946,609
2	Amortization Cost	$707,522	$294,456
3	**Annual Required Contribution (ARC)**	$1,320,564	$1,241,065
4	Interest on Net OPEB Obligation NOO/(NOA)	$234,267	$185,651
5	ARC adjustment	(400,148)	(317,109)
6	**Annual OPEB Cost**	$1,154,683	$1,109,608

Table 1.3 shows the development of the Net Other Post Employment Benefits (OPEB) Liability/(Asset). The Net OPEB Liability is the excess of the Annual OPEB Cost over the amount funded by the employer. Prior to fiscal 2012, the amount funded was equal to the pay-as-you-go cost for the plan.

	Table 1.3 Postemployment Medical Benefit Valuation Results Net OPEB Liability for State of Utah Elected Officials	FY2014	FY2015
1	Net OPEB Liability (Asset) as of July 1	**$5,205,928**	**$4,330,610**
2	Annual OPEB Cost	**$1,154,683**	**$1,182,574**
3	State Contribution to Trust Fund	**$2,030,000**	**$1,387,600**
4	Net OPEB Liability as of June 30	**$4,330,610**	**$4,125,584**

Actuarial Certification

The State selected Hay Group to perform an actuarial valuation of the Post-Employment Benefits Plans to provide an estimate of the Actuarial Accrued Liability, the Annual Required Contribution (ARC), and the Annual OPEB Cost under the GASB 45 accounting standard. Use of the valuation results for other purposes may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results. The reason for this is that actuarial standards of practice describe a "best-estimate range" for each assumption, rather than a single best-estimate value. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for each of the various assumptions.

The actuaries certifying to this valuation are members of the Society of Actuaries and other professional actuarial organizations, and meet the General Qualification Standards of the American Academy of Actuaries for purposes of issuing Prescribed Statements of Actuarial Opinion.

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2. Description of GASB 45

Governmental Accounting Standards Board (GASB)

In June, 2004, the Governmental Accounting Standards Board (GASB) issued its long awaited standard on *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs).

The standard covers post-employment benefits other than pension benefits. The types of benefits covered include:

- Medical
- Dental
- Vision
- Hearing
- Life insurance
- Long term disability
- Long term care

However, if any of these benefits are provided through a pension plan they would be accounted for under GASB 25 — otherwise they will be accounted for under GASB 45.

It has taken GASB over 15 years to issue the standard as they first added OPEBs to their technical agenda in 1988. The delay has helped governmental employers in several ways. Over the ensuing period, private sector firms learned to grapple with the issue after the Financial Accounting Standards Board (FASB) released its exposure draft and then after due deliberation issued the final standard (FAS 106) in 1990. The actuarial and accounting professions geared up to handle the change from cash to accrual accounting. Claims administrators are now experienced with meeting the special data requests, actuaries have refined their valuation models, and accountants understand the valuation results. The actuarial profession revised and updated its Actuarial Standard of Practice, reissuing ASOP #6 — *Measuring Retiree Group Benefit Obligations* in December 2001. The GASB standard directs users to this actuarial standard for guidance on selection of actuarial assumptions.

The effective date for the new standard depends on the size of the employer. For entities with revenues in FY 2000 over $100 million, the effective date is the fiscal year beginning after December 15, 2006 — although earlier adoption was encouraged. Entities with smaller revenues have later effective dates.

The purpose of the standard is to treat post-retirement benefit costs in a manner similar to pension costs. Governmental employers should recognize that OPEBs constitute compensation for employee service and they should recognize the cost of benefits during the periods when employee service is rendered. By accounting for OPEBs, GASB believes the accounting statement will improve the relevance and usefulness of financial reporting, provide information about the size of the liabilities and the extent to which they are funded, and ensure systematic accrual-basis measurement over employee service.

While the standard will require governmental employers to adopt accrual accounting, the standard sets out a broad range of valuation options for employers. These options include the ability to choose, within limits, the:

- Actuarial cost method,
- Period for amortizing the unfunded actuarial accrued liability,
- Amortization method,
- Measurement date, and
- Frequency of valuations.

The most common and most expensive of the OPEBs are retiree medical benefits, which provide a valuable component in employees' retirement benefits program. Most governmental employers currently fund their retiree medical plans on a pay-as-you-go basis. The GASB standard does not require employers to advance fund these benefits; however employers who do not advance fund these benefits must begin to report OPEB liabilities in their full accrual financial statements.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution.

Under the Entry Age Normal cost method, the actuarial present value of each individual's projected benefits is allocated on a level basis over the earnings or service of the individual between the individual's entry age and the assumed exit ages. The portion of the actuarial present value that is allocated to the year immediately following the valuation date is called the Normal Cost under the actuarial cost method.

Actuarial Accrued Liability

The actuarial accrued liability is that portion of the present value of projected benefits which has been accrued during the employee's working life from the date of hire to the valuation date. Another way of viewing this liability is as the portion of the present value of projected benefits that will not be funded by future normal costs. Therefore, as long as participants enter the system with no past service credit (as is assumed in this case), there is no actuarial liability for a new entrant. Furthermore, the full present value of benefits is accrued by the end of each employee's working life.

The difference between the actuarial accrued liability and the funds accumulated as of the valuation date is referred to as the unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities generally exist when (1) the liabilities are not funded, (2) benefits have been earned for periods in which no normal cost has been paid or (3) the amounts that have been funded were inadequate because of losses, changes in assumptions, changes in the funding method, or benefit improvements. The unfunded actuarial accrued liability equals the actuarial accrued liability less the value of the trust assets.

Development of the Normal Cost

The normal cost represents the present value of future benefits allocated to the current reporting period. The Entry Age Normal actuarial cost method is used in determining the normal cost, as a level percentage of pay. When projected benefits are not related to an employee's pay, a rate of inflation is used instead of an assumed rate of pay increases.

Amortization Method

GASB 45 allows for the use of either a level dollar amortization or a level percentage of pay amortization, over either an open or closed amortization period. The maximum amortization period is 30 years.

Recent Changes in GASB Accounting Standard

The Governmental Accounting Standards Board (GASB) recently issued new statements that will replace the requirements of GASB 43 (related to OPEB Plans) and GASB 45 (related to Employers who provide OPEB benefits to employees). The new requirements will apply to plans starting fiscal years beginning after December 15, 2015, and will apply to governmental employers starting with fiscal years beginning after December 15, 2016. The new standards will require recognition of the Net OPEB Liability in the statement of financial position. In addition, the new statements will require a more extensive set of footnote disclosures and required supplementary information. Certain actuarial assumptions and method will also change, such as the required use the Entry Age Normal actuarial cost method.

3. The Valuation Results

Table 3.1 below shows the key results of the 12/31/2014 actuarial valuation and a development of the Annual OPEB Cost. A separate cost was developed for each group of Elected Officials: Governors, Representatives and Senators. The allocation of the Net OPEB Obligation was based on the ratio of the Unfunded Actuarial Accrued Liability by OPEB pool to the total Unfunded Actuarial Accrued Liability. The Fair Value of Assets was allocated in proportion to the Actuarial Accrued Liability for each group.

Table 3.1 Valuation Summary

	Governors	Representatives	Senators	Total as of 12/31/2014
Actuarial Accrued Liability (AAL)				
Actives	27,722	1,283,224	386,301	1,697,247
Retirees	0	2,053,572	2,338,485	4,392,057
Total Current Active Legislators/Governors	27,722	3,336,796	2,724,786	6,089,304
Former Legislators/Governors	160,780	4,832,626	1,611,360	6,604,766
Total AAL	**188,502**	**8,169,422**	**4,336,146**	**$12,694,070**
Fair Value Assets	**131,615**	**5,704,013**	**3,027,562**	**$8,863,190**
Unfunded AAL (UAAL)	56,887	2,465,409	1,308,584	$3,830,880
Funded Percentage	**69.8%**	**69.8%**	**69.8%**	**69.8%**
Normal Cost (boy)	0	718,490	187,356	905,846
Normal Cost with interest	0	750,822	195,787	946,609
20 year amortization factor	13.01	13.01	13.01	13.01
Amortization Payment	4,373	189,501	100,583	294,457
Annual Required Contribution (ARC)	**4,373**	**940,323**	**296,370**	**$1,241,065**
Net OPEB Obligation/(Asset)[1]	**61,263**	**2,655,069**	**1,409,251**	**4,125,584**
Interest on NOO/NOA[1]	2,757	119,478	63,416	185,651
ARC Adjustment[1]	(4,709)	(204,079)	(108,321)	(317,109)
Annual OPEB Cost	**2,421**	**855,722**	**251,466**	**$1,109,608**

[1]Allocated by pool based on UAAL portion

4. Funding

The State established a State Elected Officials Post-Retirement Benefits Trust Fund in fiscal 2012 for purposes of advance funding retiree health benefits of current and future retirees.

The State contributed $2,030,000 to the trust fund for fiscal 2014, and $1,387,600 for fiscal 2015. These contributions exceeded the ARC, which was $1,320,564, for both years. The Net OPEB Obligation as of June 30, 2015 is $4,125,584.

The fair market value of assets as of December 31, 2014 is $8,863,190.

5. Actuarial Assumptions

The selection of all actuarial assumptions, in valuations of post-retirement health care plans including the health care cost trend rate, should be guided by Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefit Obligations*, as revised from time to time by the Actuarial Standards Board. Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups: economic assumptions, medical assumptions, and demographic assumptions.

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a combination of the two for plans that are being partially funded. The valuation discount rate is 4.50 percent.

Health Care Cost Trend Rates

The following table shows the health care cost trend rates that were used for the actuarial valuation of the State of Utah Elected Official Other Postemployment Benefit Plan. The medical trend assumptions used in the valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model (Version 12.2). The SOA model was first released in December 2007. The following assumptions were used as input variables into this model:

Rate of Inflation	2.5%
Rate of Growth in Real Income/ GDP per capita	1.7%
Income Multiplier for Health Spending	1.4
Extra Trend due to Technology and other factors	1.1%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Getzen Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group.

Table 5.1 shows the health care cost trends used in the valuation, which are outputs of the SOA Long-Run Medical Cost Trend Getzen Model. The Table also shows the health care cost trend used in the prior valuation. The set of health care trend rates has an initial health care cost trend rate of 5.2 percent, increases smoothly to 6.1 percent in 2016, and declines gradually, over 70 years, to an ultimate rate of 4.2 percent in 2084 and later years.

Table 5.1 Medical Trend Rate Assumptions Annual Trend				
Year	Current Valuation (Combined)	Prior Valuation Trend Rates		
		Pre-Medicare Trend	Post-Medicare Trend	Administrative Expenses Trend
2014	5.2%	7.5%	6.3%	3.0%
2015	5.7	7.0	5.9	3.0
2016	6.1	6.5	5.6	3.0
2017	6.1	6.0	5.2	3.0
2018	6.0	5.5	4.9	3.0
2019	6.0	4.5	4.5	3.0
2020	6.0	4.5	4.5	3.0
2025	5.8	4.5	4.5	3.0
2030	6.0	4.5	4.5	3.0
2035	5.9	4.5	4.5	3.0
2040	5.3	4.5	4.5	3.0
2050	5.0	4.5	4.5	3.0
2060	4.9	4.5	4.5	3.0
2070	4.8	4.5	4.5	3.0
2084 & Ultimate	4.2	4.5	4.5	3.0

Medical Assumptions

A fundamental building block of the actuarial valuation is the current per capita cost of benefits.

The per capita costs for pre-65 retirees were developed based upon 30 consecutive months of claims and enrollments in the medical plans, as provided by PEHP. Medicare supplement claims costs were based on total premium rates in effect as of the 2014 valuation date. The per capita rates were then spread across five year age categories using actuarial morbidity factors that reflect the average increase in utilization due to aging.

Table 5.2 shows the baseline per capita claims costs that were used in the valuation for current retirees.

Table 5.2 State of Utah Per Capita Claims Costs for 12/31/14 Valuation			
Age	Preferred	Advantage/Summit	Medicare Supplement
<45	$7,513	$5,252	
45 - 49	$7,922	$5,538	
50 - 54	$9,156	$6,421	
55 - 59	$10,880	$7,606	
60 - 61	$12,260	$8,570	
62 - 64	$13,430	$9,388	
65 - 70			$2,907
70 - 75			$3,289
75 - 80			$3,722
80 - 85			$4,109
>85			$4,319

Demographic Assumptions

The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions include the age of female spouses, coverage rates, and participation rates. The complete set of demographic assumptions is included in Appendix 9.

6. Financial Accounting Information

In addition to establishing the Annual Required Contribution (ARC), this report shows the progress toward funding of the plan benefits. This section includes a schedule of the funding progress, which is a statement of disclosure to report the information required by Governmental Accounting Standards Board (GASB) Statements No. 43 and 45.

Also included is a schedule of employer contributions. This schedule compares the expected contribution to the plan with the Annual Required Contribution. Since there is a lag-period between the determination of the ARC and the determination of the amounts actually funded, the tables show estimated amounts based on the funding policy as of the measurement date.

GASB 43/45 Disclosures

Table 6.1 shows the schedule of funding progress for the State of Utah Elected Official Postemployment Benefit Plan.

Table 6.1
Postretirement Medical Benefit Valuation Results
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) = (b-a)	Funded Ratio (d) = (a/b)	Estimated Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (f) = (c)/(e)
12/31/2010	$0	$21,989,938	$21,989,938	0.0%	$771,000	2852.1%
12/31/2012	$5,302,071	$14,506,933	$9,204,862	36.5%	$1,431,000	643.2%
12/31/2014	$8,863,190	$12,694,069	$3,830,879	69.8%	$1,751,449	218.7%

Table 6.2 shows the Annual OPEB Cost FY 2011 through FY 2015 and actual employer contributions to the Trust Fund.

Table 6.2 Postretirement Medical Benefit Valuation Results Schedule of Employer Contributions			
Fiscal Year Ending June 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
2011	$1,792,551	$343,805	19%
2012	$1,766,719	$3,469,900	196%
2013	$1,797,087	$2,030,000	113%
2014	$1,154,683	$2,030,000	176%
2015	$1,182,574	$1,387,600	117%

Required Supplemental Information

Table 6.3 shows the historical development of the Net OPEB Obligation/(Asset)

Table 6.3 Development of Net OPEB Obligation /(Asset)							
Fiscal Year ending June 30	Annual Required Contribution (a)	Interest on Net OPEB Obligation/ (Asset) (b)	Adjustment of the ARC (c)	Annual OPEB Cost (d) = (a) + (b) + (c)	Actual Contribution (e)	Increase in OPEB obligation (f) = (d) – (e)	Obligation (Asset) at end of year (g) = prior year (g) + (f)
2012	$1,894,063	$285,681	($413,025)	$1,766,719	$3,469,900	($1,703,181)	$5,438,840
2013	$1,894,063	$217,554	($314,529)	$1,797,087	$2,030,000	($232,913)	$5,205,928
2014	$1,320,564	$234,267	($400,148)	$1,154,683	$2,030,000	($875,317)	$4,330,610
2015	$1,320,564	$194,877	($332,868)	$1,182,574	$1,387,600	($205,026)	$4,125,584
2016	$1,241,065	$185,651	($317,109)	$1,109,608	tbd	tbd	tbd

7. Summary of Plan Provisions

State of Utah Elected Official Postemployment Benefit Plan

State Elected Officials who retire from the state may be eligible for postemployment medical insurance benefits under the State of Utah Elected Official Postemployment Benefit Plan.

The following eligibility criteria applies:

Pre-65 Retiree and Spouse Eligibility

- Begin service as an Elected Official prior to January 1, 2012
- Retire after January 1, 1998
- At least age 62
- Active elected official at retirement, or have continued group health coverage until retirement. This can be accomplished by:
  - The former legislator paying 100% of group rate, or
  - The former legislator participating in a PEHP group plan while employed at a public entity

Post-65 Retiree and Spouse Eligibility

- Begin service as an Elected Official prior to July 1, 2013
- Retire after January 1, 1998

Upon retirement from the State Elected Officials' Retiree Health Care Plan, retirees and their spouses can receive health care benefits based on the number of years of service as an Elected Official at retirement. Years of service in other retirement plans do not count toward this benefit. The health plan pays the following percentage of health premiums pre-65 and post-65 based on years of service :

- 100% of premiums based on 10 or more years of service
- 80% of premiums based on 8 to 10 years of service
- 60% of premiums based on 6 to 8 years of service
- 40% of premiums based on 4 to 6 years of service

Surviving spouses are eligible to continue coverage provided by the plan.

Elected Officials Plan Rates

The following monthly contributions apply for pre-65 retirees for the July 1, 2014 – June 30, 2015 year. Plan benefits are determined by multiplying plan rates by the respective percentage of premiums based on years of service.

Tier	Elected Officials Plan Rates
Advantage Care / Summit Care (Total Rates)	
Single	$453.86
Double	$935.83
Family	$1,249.32
Preferred Care	
Single	$597.36
Double	$1,231.68
Family	$1,644.26
Advantage STAR / Summit STAR	
Single	$342.30
Double	$709.88
Family	$992.04
Preferred STAR	
Single	$454.71
Double	$941.66
Family	$1,301.46

8. Participant Data

The following table shows a historical comparison of enrollment in the State Elected Official Postemployment Benefit Plan.

Number of Lives	12/31/2012	12/31/2014
Actives	**105**	**94**
Retirees	45	39
Dependents	38	51
Total Inactives	**83**	**90**
Former Legislators/Governors	100	112
Total	**288**	**296**

Actives

	12/31/2012				12/31/2014			
	House of Representatives	**Senators**	**Governors**	**Total**	**House of Representatives**	**Senators**	**Governors**	**Total**
Active Headcount	75	29	1	105	70	23	1	94
Average Age	54.18	56.42	65.87	54.91	55.56	58.14	67.87	56.32
Average Service	6.42	10.35		7.47	6.59	10.15		7.43
% Male	84.00	79.31		82.86	82.86	78.26		81.91

Active Elected Officials - Age and Service

Age	Years of Service <1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Grand Total
25-29	0	0	0	0	0	0	0	0	0	0	0
30-34	0	1	0	0	0	0	0	0	0	0	1
35-39	0	5	1	0	0	0	0	0	0	0	6
40-44	0	6	1	0	0	0	0	0	0	0	7
45-49	0	7	5	4	1	0	0	0	0	0	17
50-54	0	5	3	0	0	0	0	0	0	0	8
55-59	0	6	6	2	1	0	0	0	0	0	15
60-64	0	5	11	4	0	1	0	0	0	0	21
65-69	0	3	6	2	1	0	0	0	0	0	12
70+	0	1	2	1	1	1	0	1	0	0	7
Grand Total	**0**	**39**	**35**	**13**	**4**	**2**	**0**	**1**	**0**	**0**	**94**

Average Age	**56.3**
Average Service	**7.4**

9. Appendices

9.1. Actuarial Assumptions

DEMOGRAPHIC ASSUMPTIONS – REPRESENTATIVE RATES

Pre-Retirement Mortality Rates:

Age	Male	Female
20	-	-
25	0.00050	0.00028
30	0.00039	0.00028
35	0.00044	0.00028
40	0.00066	0.00033
45	0.00083	0.00044
50	0.00105	0.00066
55	0.00154	0.00105
60	0.00259	0.00154
65	0.00418	0.00220

Rates of Disability:
None

Post-Retirement Mortality Rates:
RP-2000 Combined for Males
RP-2000 Combined for Females

Age	Male	Female
60	0.00035	0.00019
65	0.00038	0.00021
70	0.00044	0.00026
75	0.00077	0.00048
80	0.00108	0.00071
85	0.00151	0.00112
90	0.00214	0.00168

Withdrawal Rates:
10% per year

Rates of Retirement:
Assumes the earlier of:

- 62 with 10 years of service
- 65 with 4 years of service

Spouse Age Difference: Females are assumed to be 3 years younger than males.

Spouse Coverage: 75% of future retirees will elect spouse coverage.

ECONOMIC ASSUMPTIONS

Interest Rate: 4.5 percent compounded annually
Inflation Rate: 2.5 percent compounded annually

Ancillary Demographic Assumptions

Participation Rates

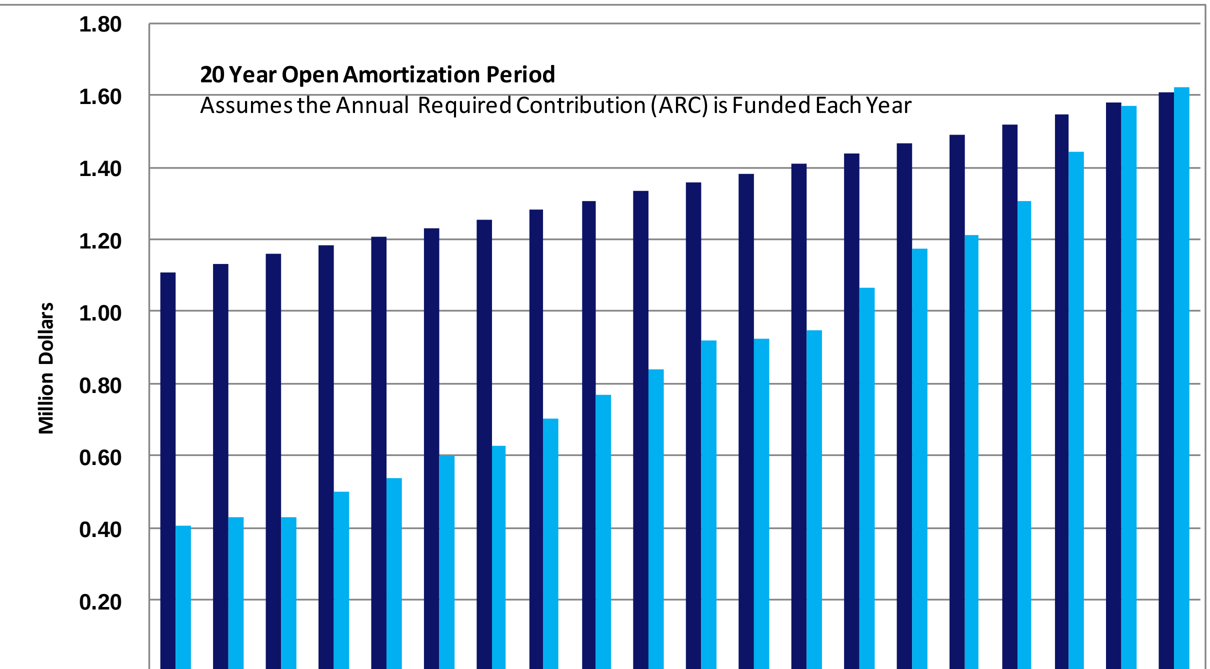
This valuation assumes different participation rates based on current status. For current active Elected Officials, this valuation assumes a 40% future participation rate. For all former Elected Officials, including those current Elected Officials who could withdraw in the future, a 60% participation rate is assumed. This is a blended assumption for a combination of former officials who maintain coverage until age 62, and those who do not continue coverage and retire at age 65 and receive a Medicare Supplement benefit.

9.2. 20 Year Cashflow Projection of OPEB Cost and Net Cash Flow (retiree claims less retiree contributions)

Assumptions:

1. Assets will earn 4.5% return each year
2. Employer contributes 100% of ARC each year
3. No actuarial gains or losses

Numbers below are in $Millions



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual OPEB Cost	1.11	1.13	1.16	1.18	1.21	1.23	1.26	1.28	1.31	1.33	1.36	1.38	1.41	1.44	1.46	1.49	1.52	1.55	1.58	1.61
Expected Payments	0.41	0.43	0.43	0.50	0.54	0.60	0.63	0.70	0.77	0.84	0.92	0.92	0.95	1.07	1.18	1.21	1.31	1.44	1.57	1.62