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September 29, 2009

Ms. Carie L. Summers  
Chief Financial Officer  
Georgia Department of Community Health  
2 Peachtree Street, N.W., 34<sup>th</sup> Floor  
Atlanta, GA 30303-3159

Dear Ms. Summers:

Enclosed are 20 bound copies and one unbound copy of the "Georgia State Health Benefit Plan Report of Actuary on the Retiree Medical Valuation Prepared as of June 30, 2008".

Sincerely yours,

Alisa Bennett, FSA, EA, FCA, MAAA  
Principal and Senior Actuary

Edward A. Macdonald, ASA, FCA, MAAA  
President

AB/EAM:lb

Enclosures

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**GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH**

**GEORGIA STATE HEALTH BENEFIT PLAN**

**REPORT OF THE ACTUARY ON THE  
RETIREE MEDICAL VALUATION**

**PREPARED AS OF JUNE 30, 2008**



# Cavanaugh Macdonald

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Georgia Department of Community Health  
2 Peachtree Street, N.W., 34<sup>th</sup> Floor  
Atlanta, GA 30303-3159

## Members of the Board:

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations of retiree medical and other post employment benefit plans. We have submitted the results of the annual actuarial valuation of the Georgia State Health Benefit Plan (SHBP) prepared as of June 30, 2008. Data showing claims and enrollment experience, as well as retiree plan and coverage elections was provided by the SHBP. Active census data was provided by the Teachers' Retirement System (TRS), the Legislative Retirement System (LRS), the Judicial Retirement System (JRS), the Public School Employees' Retirement System (PSERS), and the Employees' Retirement System (ERS). We did not audit the data, but did perform an analysis to conclude that the data is reasonable for purposes of valuing OPEB benefits for current and future retired teachers, state employees and non-certificated education employees.

Results are shown separately for State Employees, which includes members of ERS, LRS, and JRS, and School Employees, which includes members of TRS and PSERS.

As a Cost Sharing Multiple-Employer Plan, the Plan conducts an OPEB valuation, issues a report, and makes the appropriate disclosures under GASB 43 and does so for the Plan in aggregate. The member employers are not required to conduct an individual valuation, and are permitted under GASB 45 to disclose their Annual Required Contribution as the contractual contribution established by the plan and reference the plan's GASB 43 report and disclosures. It is our understanding that the Georgia Retiree Health Benefit Fund will be split into two Funds in 2009, one for State retirees and one for School retirees. Therefore, we have shown the valuation results in total and also split by State and School. To split the assets as of June 30, 2008, we have used the proposed methodology of allocating 80.2% of the total assets to the State and 19.8% of the total assets to the School.

The Plan has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the State and School Plans.

Schedule C shows the actuarial assumptions and methods used in this valuation. Since the previous valuation the Plan has been changed so that, effective either in 2009 or January 1, 2010, Medicare eligible retirees must enroll in Medicare Part B or face a premium penalty, Medicare eligible retirees must enroll in Medicare Advantage plans, and new hires must participate in the Consumer Directed Health Plan (CDHP) for at least one year. We assumed reduced trends for future claims costs and a decrease in the baseline claims costs to reflect migration to the CDHP and MA Options.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

Offices in Englewood, CO • Kennesaw, GA • Hilton Head Island, SC



Georgia Department of Community Health  
September 29, 2009  
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The valuation indicates that an annual required contribution for the SHBP in total of \$1,377,903,806 or 9.82% of active payroll, payable for the fiscal year ending June 30, 2011 is required to actuarially support the benefits of the SHBP. Using the proposed asset split methodology, the annual required contribution for the State OPEB Plan would be \$327,052,844 or 11.42% of active payroll and the annual required contribution for the School OPEB Plan would be \$1,050,850,962 or 9.41% of active payroll.

If the employer contributions are not increased to the required levels, the plans will not be operating in an actuarially sound manner. If contributions are increased to the required levels then the plans will be operating in an actuarially sound manner and the discount rate(s) for valuing liabilities could be increased. Schedule A shows the impact of this change, using a 6.00% discount rate for illustrative purposes.

The promised medical and drug benefits of the Plan are included in the actuarially calculated contribution rates which are developed using the unit credit actuarial cost method with projected benefits. Although there are State dental and vision plans, they are employee-pay-all and, therefore, not included in GASB 43 and 45. As of June 30, 2008, the Plan assets in trust solely to provide benefits to retirees and their beneficiaries is \$176,261,908. Gains and losses are reflected in the unfunded accrued liability that is assumed amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.75% annually. The assumptions are recommended by the actuary and are in the aggregate, reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB 43 and 45.

Future actuarial results may differ significantly from the current results 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; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the medical plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA  
Principal and Senior Actuary

A handwritten signature in blue ink, appearing to read 'Edward A. Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA  
President

AB:EAM/lb



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**GEORGIA DEPARTMENT OF COMMUNITY HEALTH  
 GEORGIA STATE HEALTH BENEFIT PLAN  
 REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION  
 PREPARED AS OF JUNE 30, 2008**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

1. For convenience of reference, the principal results of the valuation are summarized below. The following table summarizes the June 30, 2008 results for the OPEB Plans.

Plan	State	Teachers	Non-Certificated	School	Total
Discount Rate	4.50%	4.50%	4.50%	4.50%	
Annual salaries*	\$2,864,040,000	\$10,197,584,000	\$974,570,000	\$11,172,154,000	\$14,036,194,000
Actuarial Accrued Liability	\$4,672,798,768	\$10,787,229,180	\$1,164,820,757	\$11,952,049,937	\$16,624,848,705
Assets**:					
Market value	\$141,362,050			\$34,899,858	\$176,261,908
Unfunded Actuarial Accrued Liability	\$4,531,436,718			\$11,917,150,079	\$16,448,586,797
Amortization period (years)	30			30	30
	<b>Fiscal Year 2011</b>			<b>Fiscal Year 2011</b>	<b>Fiscal Year 2011</b>
Annual Required Contribution (ARC):					
Normal	\$159,701,323	\$555,420,481	\$55,315,499	\$610,735,980	\$770,437,303
Accrued Liability	<u>167,351,521</u>			<u>440,114,982</u>	<u>607,466,503</u>
Total	\$327,052,844			\$1,050,850,962	\$1,377,903,806
ARC (Percent of Pay)					
Normal	5.58%			5.47%	5.49%
Accrued Liability	<u>5.84%</u>			<u>3.94%</u>	<u>4.33%</u>
Total	11.42%			9.41%	9.82%

\* Salary data is not available for Non-Certificated Education Employees. An average salary of \$24,332 has been assumed. Salary data for all other employees was provided by the Teachers' Retirement System and the Employees' Retirement System.

\*\* Assets have been split between State and School based on a proposed split of 80.2% of total assets to State and 19.8% of total assets to School.



The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the three Plans for June 30, 2008 and June 30, 2007:

Valuation Date	June 30, 2008	June 30, 2007
<b>State</b>		
Unfunded Actuarial Accrued Liability	\$ 4,531,436,718	\$ 4,669,715,807
Annual Required Contribution (\$)	\$ 327,052,844	\$ 347,772,066
Annual Required Contribution (Percent of Pay)	11.42%	12.72%
Discount Rate	4.50%	4.50%
<b>School</b>		
Unfunded Actuarial Accrued Liability	\$ 11,917,150,079	\$ 11,802,724,960
Annual Required Contribution (\$)	\$ 1,050,850,962	\$ 1,080,041,803
Annual Required Contribution (Percent of Pay)	9.41%	10.38%
Discount Rate	4.50%	4.50%
<b>Total</b>		
Unfunded Actuarial Accrued Liability	\$ 16,448,586,797	\$ 16,472,440,767
Annual Required Contribution (\$)	\$ 1,377,903,806	\$ 1,427,813,869
Annual Required Contribution (Percent of Pay)	9.82%	10.86%

- The valuation indicates that total contributions of \$1,377,903,806 or 9.82% of active payroll are sufficient to support the current benefits of the plans. Of this total, \$327,052,844, or 11.42% of active payroll, is sufficient to support current benefits of the State OPEB Plan; and \$1,050,850,962 or 9.41% of active payroll is sufficient to support current benefits of the School OPEB Plan. Comments on the valuation results as of June 30, 2008 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI. If the contributions are not increased to the required levels, the plans will not be operating in an actuarially sound manner. If contributions are made at the required levels then the discount rates for valuing liabilities could be increased. The impact of this change, using a discount rate of 6.00% for illustrative purposes, is shown on Schedule A.
- Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Effective July 1, 2009 retirees must enroll in Medicare Part B or make larger monthly contributions. Effective January 1, 2010, retirees must enroll in Medicare Advantage Plans once Medicare eligible in order to receive state subsidized premiums.



Effective January 1, 2009, all new hires must participate in the Consumer Directed Health Plan (CDHP) for at least one year. We assumed reduced trends for future claims costs and a decrease in the baseline claims costs to reflect migration to the CDHP and MA Options.

4. The following table details the change in the Unfunded Accrued Liability (UAL). All dollar amounts are expressed in millions. State and School UALs are determined based on proposed asset split.

	State	School	Total
June 30, 2007 Discount Rate	4.50%	4.50%	4.50%
June 30, 2008 Discount Rate	4.50%	4.50%	4.50%
June 30, 2007 UAL	\$4,669.7	\$11,802.8	\$16,472.4
Normal Cost	\$175.3	\$644.2	\$819.5
Required Contribution	\$347.8	\$1,080.0	\$1,427.8
FY08 Actual Contribution	\$274.8	\$275.5	\$550.3
Expected UAL based on June 30, 2007 Valuation	\$4,703.5	\$11,888.3	\$16,591.8
Increase in UAL due to Contribution Deficiency	\$74.6	\$822.6	\$897.2
(Gains) due to plan changes	(\$337.4)	(\$1,058.4)	(\$1,395.8)
Other*	\$90.7	\$264.7	\$355.4
June 30, 2008 UAL (Based on proposed asset split)	\$4,531.4	\$11,917.2	\$16,448.6
Other as a % of June 30, 2007 UAL	1.94%	2.24%	2.16%

\* Other category includes changes due to retirements/terminations/etc. differing from the assumed rates.



## SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the plans for use as a basis of the valuation were furnished by the Department of Community Health, the Teachers' Retirement System, the Legislative Retirement System, the Judicial Retirement System, the Public School Employees' Retirement System, and the Employees' Retirement System. The following table shows the number of retirees, active employees and their annual salaries as of June 30, 2008 on the basis of which the valuation was prepared.

Group	State	Teachers	Non-Certificated	Total
Number of Retirees	29,408	47,747	10,007	87,162
Number of Spouses of Retirees	10,730	14,476	5,070	30,276
Number of Actives	75,993	224,993	40,121	341,107
Annual Salaries	\$2,864,040,000	\$10,197,584,000	\$974,570,000	\$14,036,194,000

\* Since individual PSERS salary is not available, assumes \$24,332 per active member for PSERS.



2. Detailed membership summaries are shown in the following tables:

**STATE HEALTH BENEFIT PLAN IN TOTAL**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	8,818	75	0	0	0	0	0	8,893
25 to 29	25,666	5,483	37	0	0	0	0	31,186
30 to 34	18,476	15,321	3,373	29	0	0	0	37,199
35 to 39	18,340	12,568	11,550	3,091	72	0	0	45,621
40 to 44	16,202	11,207	8,026	7,641	3,020	84	0	46,180
45 to 49	14,019	11,209	8,254	6,406	7,107	2,772	132	49,899
50 to 54	11,108	9,510	8,194	7,007	6,078	5,858	2,250	50,005
55 to 59	7,989	7,199	6,359	6,287	6,043	4,314	3,407	41,598
60 to 64	4,511	4,403	3,247	3,086	2,862	1,876	1,749	21,734
65 to 69	1,548	1,580	990	658	540	422	528	6,266
70 & up	633	722	393	284	173	111	210	2,526
<b>Total</b>	<b>127,310</b>	<b>79,277</b>	<b>50,423</b>	<b>34,489</b>	<b>25,895</b>	<b>15,437</b>	<b>8,276</b>	<b>341,107</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	36,417	15,437	51,854
65 and Older	50,745	14,839	65,584
<b>Total</b>	<b>87,162</b>	<b>30,276</b>	<b>117,438</b>



**STATE OPEB PLAN**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	3,582	38	0	0	0	0	0	3,620
25 to 29	6,307	1,068	15	0	0	0	0	7,390
30 to 34	4,776	2,724	686	10	0	0	0	8,196
35 to 39	4,320	2,516	1,920	650	35	0	0	9,441
40 to 44	3,664	2,087	1,720	1,778	924	36	0	10,209
45 to 49	3,164	2,104	1,588	1,741	1,915	870	75	11,457
50 to 54	2,628	1,934	1,518	1,506	1,624	1,498	675	11,383
55 to 59	2,027	1,499	1,237	1,332	1,277	1,001	697	9,070
60 to 64	881	836	629	635	490	341	227	4,039
65 to 69	170	237	173	126	79	61	48	894
70 & up	48	53	53	64	27	23	26	294
<b>Total</b>	<b>31,567</b>	<b>15,096</b>	<b>9,539</b>	<b>7,842</b>	<b>6,371</b>	<b>3,830</b>	<b>1,748</b>	<b>75,993</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	12,877	6,104	18,981
65 and Older	16,531	4,626	21,157
<b>Total</b>	<b>29,408</b>	<b>10,730</b>	<b>40,138</b>



**TEACHERS OPEB PLAN**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	4,734	23	0	0	0	0	0	4,757
25 to 29	18,470	4235	18	0	0	0	0	22,723
30 to 34	12,196	12172	2604	15	0	0	0	26,987
35 to 39	11,679	9056	9336	2360	29	0	0	32,460
40 to 44	9,881	7531	5567	5596	1989	35	0	30,599
45 to 49	8,154	7314	5617	4201	4947	1814	47	32,094
50 to 54	6,068	6119	5699	4903	4039	4182	1510	32,520
55 to 59	3,943	4327	4287	4328	4269	3029	2543	26,726
60 to 64	1,819	2254	1940	2006	2051	1316	1310	12,696
65 to 69	391	561	464	384	331	273	345	2,749
70 & up	107	119	116	95	77	50	118	682
<b>Total</b>	<b>77,442</b>	<b>53,711</b>	<b>35,648</b>	<b>23,888</b>	<b>17,732</b>	<b>10,699</b>	<b>5,873</b>	<b>224,993</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	21,845	7,931	29,776
65 and Older	25,902	6,545	32,447
<b>Total</b>	<b>47,747</b>	<b>14,476</b>	<b>62,223</b>



**NON-CERTIFICATED OPEB PLAN**

**Active Employees by Age and Service**

Age	Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	
Under 25	502	14	0	0	0	0	0	516
25 to 29	889	180	4	0	0	0	0	1,073
30 to 34	1,504	425	83	4	0	0	0	2,016
35 to 39	2,341	996	294	81	8	0	0	3,720
40 to 44	2,657	1,589	739	267	107	13	0	5,372
45 to 49	2,701	1,791	1,049	464	245	88	10	6,348
50 to 54	2,412	1,457	977	598	415	178	65	6,102
55 to 59	2,019	1,373	835	627	497	284	167	5,802
60 to 64	1,811	1,313	678	445	321	219	212	4,999
65 to 69	987	782	353	148	130	88	135	2,623
70 & up	478	550	224	125	69	38	66	1,550
<b>Total</b>	<b>18,301</b>	<b>10,470</b>	<b>5,236</b>	<b>2,759</b>	<b>1,792</b>	<b>908</b>	<b>655</b>	<b>40,121</b>

**Enrolled Retirees and Covered Spouses**

	Retirees	Spouses	Total
Under 65	1,695	1,402	3,097
65 and Older	8,312	3,668	11,980
<b>Total</b>	<b>10,007</b>	<b>5,070</b>	<b>15,077</b>



### **SECTION III - ASSETS**

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2008, plan assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan equal \$176,261,908. It is our understanding that the Georgia Retiree Health Benefit Fund will be split into two Funds in 2009, one for State retirees and one for School retirees. Therefore, we have shown the valuation results in total and also split by State and School. To split the assets as of June 30, 2008, we have used the proposed methodology of allocating 80.2% of the total assets to the State and 19.8% of the total assets to the School.

The Plan has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the State and School Plans.



#### **SECTION IV - COMMENTS ON VALUATION**

1. Schedule A of this report outlines the results of the actuarial valuation. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C. Since the previous valuation the Plan has been changed so that, effective either in 2009 or January 1, 2010, Medicare eligible retirees must enroll in Medicare Part B or face a premium penalty, Medicare eligible retirees must enroll in Medicare Advantage plans, and new hires must participate in the Consumer Directed Health Plan (CDHP) for at least one year. We assumed reduced trends for future claims costs and a decrease in the baseline claims costs to reflect migration to the CDHP and MA Options.
2. The valuation shows that the State Health Benefit Plan has a total actuarial accrued liability of \$9,365,793,603 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. Of this total, \$2,206,876,110 is for employees that will receive benefits paid from the State OPEB Plan, and \$7,158,917,493 is for employees that will receive benefits paid from the School OPEB Plan.
3. The total State Health Benefit Plan liability on account of benefits payable to retirees and covered spouses amounts to \$7,259,055,102. Of this total, \$2,465,922,658 is for retirees and covered spouses that will receive benefits paid from the State OPEB Plan, and \$4,793,132,444 is for retirees and covered spouses that will receive benefits paid from the School OPEB Plan.
4. The total State Health Benefits Plan actuarial accrued liability amounts to \$16,624,848,705. Of this total, \$4,672,798,768 is for employees, retirees and covered spouses that will receive benefits paid from the State OPEB Plan, and \$11,952,049,937 is for employees, retirees and covered spouses that will receive benefits from the School OPEB Plan.
5. Against these liabilities, the plan has present assets for valuation purposes of \$176,261,908. Therefore, the total unfunded actuarial accrued liability for the State Health Benefit Plan is \$16,448,586,797.



6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the State OPEB Plan is determined to be \$159,701,323, and the normal contribution for the School OPEB Plan is determined to be \$610,735,980. Therefore, the total normal contribution for the State Health Benefit Plan is determined to be \$770,437,303.



**SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN**

**ANNUAL REQUIRED CONTRIBUTION**

**For Fiscal Year Ending June 30, 2011**

<b>Annual Required Contribution (ARC):</b>		
<b>State*</b>		
Normal	\$ 159,701,323	5.58%
Accrued Liability	<u>167,351,521</u>	<u>5.84%</u>
Total	\$ 327,052,844	11.42%
<b>School*</b>		
Normal	\$ 610,735,980	5.47%
Accrued Liability	<u>440,114,982</u>	<u>3.94%</u>
Total	\$ 1,050,850,962	9.41%
<b>Total</b>		
Normal	\$ 770,437,303	5.49%
Accrued Liability	<u>607,466,503</u>	<u>4.33%</u>
Total	\$ 1,377,903,806	9.82%

\* Assets have been split between State and School based on a proposed split of 80.2% of total assets to State and 19.8% of total assets to School.

1. The valuation indicates that the normal contributions for the State OPEB Plan is determined to be \$159,701,323, or 5.58% of active payroll, and the normal contributions for the School OPEB Plan is determined to be \$610,735,980 or 5.47%. Therefore, the total normal contribution for the State Health Benefit Plan is determined to be \$770,437,303, or 5.49% of active payroll.
2. The total State Health Benefits Plan actuarial accrued liability amounts to \$16,624,848,705. Of this total, \$4,672,798,768 is for employees, retirees and covered spouses that will receive benefits paid from the State OPEB Plan, and \$11,952,049,937 is for employees, retirees and covered spouses that will receive benefits paid from the School OPEB Plan.



3. An accrued liability contribution in total for the State Health Benefit Plan of \$607,466,503, or 4.33% of active payroll, is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on the assumption that the payroll will increase by 3.75% annually. The accrued liability contribution for the State OPEB Plan is \$167,351,521, or 5.84% of active payroll, and the accrued liability contribution for the School OPEB Plan is \$440,114,982, or 3.94% of active payroll. The accrued liability contributions for the individual Plans are sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on the assumption that the payroll will increase by 3.75% annually.
4. The total Annual Required Contribution for the State Health Benefit Plan is, therefore, \$1,377,903,806, or 9.82% of total active payroll. Based on the proposed asset split, the Annual Required Contribution for the State OPEB Plan would be \$327,052,844, or 11.42% of active payroll, and the Annual Required Contribution for the School OPEB Plan would be \$1,050,850,962, or 9.41% of active payroll.



## **SECTION VI - COMMENTS ON LEVEL OF FUNDING**

1. The monthly contribution for retirees to opt into the medical plan is based on plan election, Medicare eligibility and election, and dependent coverage election. GASB 43 and 45 stipulate that claims, premiums and associated costs paid by the employer, on behalf of the retiree, as well as contributions placed in trust will be considered as contributions towards the ARC. All employer contributions shown in this report are net of retiree monthly contributions, which are shown in Schedule D as Retiree Premiums.
2. The valuation indicates that a decrease in the recommended employer contribution rate for the State Health Benefit Plan in total from last year's recommended rate of 10.86% of payroll to 9.82% is required to fund the plan in an actuarially sound manner.
3. This corresponds to a contribution for the State Health Benefit Plan in total of \$1,377,903,806 required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a period of 30 years.
4. The reduction in the recommended contribution rate is because the Plan has been changed so that, effective either in 2009 or January 1, 2010, Medicare eligible retirees must enroll in Medicare Part B or face a premium penalty, Medicare eligible retirees must enroll in Medicare Advantage plans, and new hires must participate in the Consumer Directed Health Plan (CDHP) for at least one year. We assumed reduced trends for future claims costs and a decrease in the baseline claims costs to reflect migration to the CDHP and MA Options.
5. The recommended employer rate according to the June 30, 2008 valuation of the State Employees' Assurance Department for post-employment benefits is 0.00% of payroll. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is 11.42%.
6. The corresponding recommended contribution for the State Employees' Assurance Department is \$0. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is \$327,052,844.



7. It is our understanding that all Plans mentioned in this report meet the parameters stipulated in GASB 43 and 45 to operate as Cost Sharing Multiple Employer Plans. As such, it is not necessary for participating employers to conduct their own individual valuations under GASB 45. Instead, the employers may disclose the contract rate(s) charged by the Plan(s) in which they participate and reference this report for any needed disclosures at the plan level.



**SECTION VII - ACCOUNTING INFORMATION**

1. Governmental Accounting Standards Board Statements 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer.

**SCHEDULE OF FUNDING PROGRESS**

**State Health Benefit Plan in Total**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b - a)	(a / b)	(c)*	((b - a) / c)
6/30/2003**	\$ 0	\$16,630,000,000	\$16,630,000,000	0.0%	\$11,515,000,000	144.4%
6/30/2004	0	17,974,145,164	17,974,145,164	0.0%	11,327,850,000	158.7%
6/30/2005***	0	15,035,226,707	15,035,226,707	0.0%	11,613,237,000	129.5%
6/30/2006****	0	19,184,355,909	19,184,355,909	0.0%	12,878,984,510	149.0%
6/30/2007*****	0	16,472,440,767	16,472,440,767	0.0%	13,141,956,000	125.3%
6/30/2008	176,261,908	16,624,848,705	16,448,586,797	1.1%	14,036,194,000	117.2%

**State OPEB Plan (Based on Proposed Asset Split)**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
6/30/2003**	\$ 0	\$ 5,921,000,000	\$ 5,921,000,000	0.0%	\$ 2,562,000,000	231.1%
6/30/2004	0	5,788,167,338	5,788,167,338	0.0%	2,489,929,000	232.5%
6/30/2005***	0	4,904,256,314	4,904,256,314	0.0%	2,560,932,000	191.5%
6/30/2006****	0	5,087,257,440	5,087,257,440	0.0%	2,679,076,957	189.9%
6/30/2007*****	0	4,669,715,807	4,669,715,807	0.0%	2,733,281,000	170.8%
6/30/2008	141,362,050	4,672,798,768	4,531,436,718	3.0%	2,864,040,000	158.2%

\* Since individual PSERS salary is not available, assumes annual salary for PSERS members of \$20,000 for 2003, \$21,000 for 2004, \$21,788 for 2005, \$22,605 for 2006, \$23,453 for 2007, and \$24,332 for 2008.

\*\* Reported by prior actuarial firm.

\*\*\* Assumptions were changed due to experience study.

\*\*\*\* Discount rate changed to reflect established financing and funding policies. Actual retiree plan elections were incorporated and future participation and coverage assumptions updated accordingly. Retiree premiums future increases assumed.

\*\*\*\*\* Discount rate lowered to 4.50%.



**School OPEB Plan (Based on Proposed Asset Split)**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b - a)	(a / b)	(c)	(( b - a ) / c)
6/30/2003**	\$ 0	\$10,709,000,000	\$10,709,000,000	0.0%	\$8,953,000,000	119.6%
6/30/2004	0	12,185,977,826	12,185,977,826	0.0%	8,837,921,000	137.9%
6/30/2005***	0	10,130,970,393	10,130,970,393	0.0%	9,052,305,000	111.9%
6/30/2006****	0	14,097,098,469	14,097,098,469	0.0%	10,199,907,553	138.2%
6/30/2007*****	0	11,802,724,960	11,802,724,960	0.0%	10,408,675,000	113.4%
6/30/2008	34,899,858	11,952,049,937	11,917,150,079	0.3%	11,172,154,000	106.7%

**State Employees' Assurance Department**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b - a)	(a / b)	(c)	(( b - a ) / c)
6/30/2006	\$ 0	\$ 568,475,523	\$568,475,523	0.0%	\$ 2,667,158,543	21.3%
6/30/2007	778,048,000	642,530,433	(135,517,567)	121.1%	2,720,771,905	(5.0%)
6/30/2008	737,114,000	699,884,034	(37,229,966)	105.3%	2,850,849,928	(1.3%)

**State OPEB and Life Insurance in Total (Based on Proposed Asset Split)**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll <sup>+</sup>	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b - a)	(a / b)	(c)	(( b - a ) / c)
6/30/2006	\$ 0	\$ 5,655,732,963	\$ 5,655,732,963	0.0%	\$ 2,679,076,957	211.1%
6/30/2007	778,048,000	5,312,246,240	4,534,198,240	14.6%	2,733,281,000	165.9%
6/30/2008	878,476,050	5,372,682,802	4,494,206,752	16.4%	2,864,040,000	156.9%

- \* Since individual PSERS salary is not available, assumes annual salary for PSERS members of \$20,000 for 2003, \$21,000 for 2004, \$21,788 for 2005 and \$22,605 for 2006, \$23,453 for 2007, and \$24,332 for 2008.
- \*\* Reported by prior actuarial firm.
- \*\*\* Assumptions were changed due to experience study.
- \*\*\*\* Discount rate changed to reflect established financing and funding policies. Actual retiree plan elections were incorporated and future participation and coverage assumptions updated accordingly. Retiree premiums future increases assumed.
- + The State OPEB Plan and the State Employees' Assurance Department cover slightly different active employee groups. The total salary shown is based on the State OPEB Plan salary.



## SCHEDULE OF EMPLOYER CONTRIBUTIONS

### State Health Benefit Plan in Total

Fiscal Year Ending Date	Annual Required Contribution (ARC) ( a )	Actual Employer Contribution ( b )	Percentage of ARC Contributed ( b ) / ( a )
6/30/2007	\$1,583,008,024	\$ 422,157,000	26.7%
6/30/2008	\$1,262,369,550	\$ 550,289,991	43.6%

### State OPEB Plan

Fiscal Year Ending Date	Annual Required Contribution (ARC) ( a )	Actual Employer Contribution ( b )	Percentage of ARC Contributed ( b ) / ( a )
6/30/2008	\$ 367,508,478	\$ 274,771,419	74.8%

### School OPEB Plan

Fiscal Year Ending Date	Annual Required Contribution (ARC) ( a )	Actual Employer Contribution ( b )	Percentage of ARC Contributed ( b ) / ( a )
6/30/2008	\$ 894,861,072	\$ 275,518,572	30.8%



2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2008. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Healthcare cost trend rate*	9.25%
Ultimate trend rate	5.00%
Year of Ultimate trend rate	2014
*Includes inflation at	3.75%



**SCHEDULE A**

**SUMMARY OF EMPLOYER RESULTS**

**State OPEB and Life Insurance Combined (Based on Proposed Asset Split)**

Plan Discount Rate	State OPEB 4.50%	State Life 7.50%	State Total
Annual salaries*	\$ 2,864,040,000	\$ 2,850,849,928	\$ 2,864,040,000
Assets:			
Market value	\$ 141,362,050	\$ 737,114,000	\$ 878,476,050
Unfunded Actuarial Accrued Liability	\$ 4,531,436,718	\$ (37,229,966)	\$ 4,494,206,752
Amortization period (years)	30	6	30
Annual Required Contribution (ARC):			
Normal	\$ 159,701,323	\$ 7,341,445	\$ 167,042,768
Accrued Liability	<u>167,351,521</u>	<u>(7,341,445)</u>	<u>160,010,076</u>
Total	\$ 327,052,844	\$ 0	\$ 327,052,844
ARC (Percent of Pay)			
Normal	5.58%	0.26%	5.84%
Accrued Liability	<u>5.84%</u>	<u>(0.26%)</u>	<u>5.58%</u>
Total	11.42%	0.00%	11.42%

\* The State OPEB Plan and the State Employees' Assurance Department cover slightly different active employee groups. The total salary shown is based on the State OPEB Plan salary.



**Benefit of Prefunding  
Annual Required Contributions**

**STATE HEALTH BENEFIT PLAN IN TOTAL  
(\$ shown in thousands)**

	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
<b>PAYROLL</b>	\$ 14,036,194	\$ 14,036,194
<b>ACTUARIAL ACCRUED LIABILITY</b>		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	\$ 9,365,794	\$ 7,035,330
(b) Present retired members and covered spouses:	<u>7,259,055</u>	<u>6,138,002</u>
(c) Total actuarial accrued liability	\$ 16,624,849	\$ 13,173,332
<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 176,262	\$ 176,262
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	\$ 16,448,587	\$ 12,997,070
<b>CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2011:</b>		
Normal	5.49%	3.93%
Accrued Liability	<u>4.33%</u>	<u>4.14%</u>
Total	9.82%	8.07%



**Benefit of Prefunding  
Annual Required Contributions**

**STATE OPEB PLAN (BASED ON PROPOSED ASSET SPLIT)  
(\$ shown in thousands)**

	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
<b>PAYROLL</b>	\$ 2,864,040	\$ 2,864,040
<b>ACTUARIAL ACCRUED LIABILITY</b>		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	\$ 2,206,876	\$ 1,695,892
(b) Present retired members and covered spouses:	<u>2,465,923</u>	<u>2,097,981</u>
(c) Total actuarial accrued liability	\$ 4,672,799	\$ 3,793,873
<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 141,362	\$ 141,362
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	\$ 4,531,437	\$ 3,652,511
<b>CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2011:</b>		
Normal	5.58%	4.10%
Accrued Liability	<u>5.84%</u>	<u>5.70%</u>
Total	11.42%	9.80%



**Benefit of Prefunding  
Annual Required Contributions**

**SCHOOL OPEB PLAN (BASED ON PROPOSED ASSET SPLIT)  
(\$ shown in thousands)**

	Benefit of Prefunding	
	Discount Rate	Discount Rate
	4.50%	6.00%
<b>PAYROLL</b>	\$ 11,172,154	\$ 11,172,154
<b>ACTUARIAL ACCRUED LIABILITY</b>		
Present value of prospective benefits payable in respect of:		
(a) Present active members	\$ 7,158,918	\$ 5,339,439
(b) Present retired members and covered spouses	<u>4,793,132</u>	<u>4,040,021</u>
(c) Total actuarial accrued liability	\$ 11,952,050	\$ 9,379,460
<b>PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 34,900	\$ 34,900
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	\$ 11,917,150	\$ 9,344,560
<b>CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2011:</b>		
Normal	5.47%	3.89%
Accrued Liability	<u>3.94%</u>	<u>3.74%</u>
Total	9.41%	7.63%



## **SCHEDULE B**

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### **PLAN ASSETS**

GASB 43 and 45 define plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan

As of June 30, 2008, plan assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan equal \$176,261,908. It is our understanding that the Georgia Retiree Health Benefit Fund will be split into two Funds in 2009, one for State retirees and one for School retirees. Therefore, we have shown the valuation results in total and also split by State and School. To split the assets as of June 30, 2008, we have used the proposed methodology of allocating 80.2% of the total assets to the State and 19.8% of the total assets to the School.

The Plan has been financing benefits on a Pay As You Go (PAYG) basis. That is, annual costs of providing benefits will be financed in the same year those costs are incurred, with no significant assets accumulating as would occur in an advance funding strategy. Therefore, the discount rate used to determine the present value of benefits needs to be reflective of the expected investment return on cash and other very short-term investments. For this valuation, a discount rate of 4.50% has been used for the State and School Plans.



**SCHEDULE C**

**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

**VALUATION DATE:** June 30, 2008

**DISCOUNT RATE:** 4.50% per annum, compounded annually

**ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE ADJUSTED TO AGE 65):** Following is a chart detailing expected claims normalized to age 65 for both pre-65 retirees for the year following the valuation date. We have assumed lower baseline claims to reflect migration to the CDHP and the HMO, PPO, and HRA design changes.

Pre-65	\$10,125
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Effective January 1, 2010, the Medicare Advantage Plans are mandatory for Medicare-eligible retirees to receive the State subsidy. The Medicare Advantage Plan rates and retiree premiums as of January 1, 2010 are as follows:

Medicare Advantage Plan	Full Monthly Rate	Retiree Premium
Standard MA-PFFS	\$185.00	\$18.40
UHC Premium MA-PFFS	\$209.00	\$48.40
CIGNA Premium MA-PFFS	\$215.00	\$48.40

Over 65 retirees who are not eligible for free Medicare Part A are assumed to cost an additional \$338.62 per month payable by the State Health Benefit Plan.

Medicare eligibilities are determined by the census data for over 65 retirees while 5% of pre-65 retirees and actives hired before 4/1/1986 are assumed to be ineligible for free Medicare part A.

**HEALTH CARE COST TREND RATES:** Following is a chart detailing trend assumptions. We have assumed reduced trends for future claims costs to reflect migration to the CDH and MA Options. For the Medicare Advantage plans, we assumed that retiree premiums would increase at the same rate as full rates.

Year	Claims Trend and over 65 Retiree Premium Trend	Pre-65 Retiree Premium Trend
2008	9.25%	7.00%
2009	8.25%	5.75%
2010	7.25%	4.75%
2011	6.50%	4.00%
2012	5.75%	3.25%
2013	5.25%	2.75%
2014 and beyond	5.00%	2.50%



**AGE RELATED MORBIDITY:** Per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase
Under 20	0.00%
20 – 24	0.65%
25 – 29	0.65%
30 – 34	1.25%
35 – 39	1.90%
40 – 44	2.50%
45 – 49	3.25%
50 – 54	4.15%
55 – 59	4.50%
60 – 64	5.25%
65 – 69	3.75%
70 – 74	3.15%
75 – 79	2.50%
80 – 84	1.25%
85 – 89	0.65%
90 and over	0.00%

**ANTICIPATED PLAN PARTICIPATION:** Representative values of the assumed annual rates of plan member participation and spouse coverage are as follows:

	State	Teachers	Non-Certificated
Participation	90%	75%	90%
Spouse Coverage	40%	40%	40%

**ACTUARIAL METHOD:** Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the actuarial accrued liability (AAL) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the date of full retirement eligibility was used in allocating costs.



**State Plan Members Participating in the  
Employees Retirement System of Georgia**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	.06%	.05%	30.00%		
25	.07	.05	24.00	11.00%	
30	.08	.05	22.00	9.00	6.00%
35	.09	.10	22.00	8.00	5.00
40	.13	.35	20.00	8.00	4.00
45	.19	.77	17.00	7.00	3.00
50	.32	1.30	14.00	6.00	3.50
55	.56	2.00	13.00	5.00	4.00
60	1.02	--	13.00	5.00	4.50
65	1.80	--	16.00	10.00	4.50
69	2.60	--			
<b>FEMALES</b>					
20	.03%	.05%	28.00%		
25	.03	.05	24.00	11.00%	
30	.04	.05	22.00	11.00	8.00%
35	.06	.05	20.00	9.00	6.00
40	.08	.14	17.00	8.00	4.00
45	.11	.40	16.00	7.00	3.50
50	.17	.70	16.00	6.00	3.50
55	.29	1.20	15.00	6.00	5.00
60	.58	--	15.00	6.00	5.00
65	1.08	--	20.00	11.00	5.00
69	1.50	--			



**State Plan Members Participating in the Employees Retirement System of Georgia**

**SERVICE RETIREMENT:** Representative values of the assumed annual rates of service retirement are as follows:

Age	Old Plan <sup>1</sup>				New Plan <sup>2</sup>	
	Age 65 or more than 34 years		Age 60 or 30 years		Males	Females
	Males	Females	Males	Females		
50	50%	50%	9%	7.5%	10%	10%
55	50	50	11	11.5	10	10
60	50	50	22	24.0	15	20
62	50	50	43	44.0	38	36
64	50	50	27	30.0	29	30
65	44	45			43	38
67	26	28			27	34
70	100	100			100	100

<sup>1</sup> It is also assumed that 95% of active Old Plan members will retire during the year in which they attain 34 years of service. In addition, it is assumed that 3.5% of male members under age 55, 7.5% of male members ages 55 and over, 3.0% of female members under age 55 and 8.0% of female members ages 55 and over will retire under early reduced retirement.

<sup>2</sup> An additional 10% of active New Plan members less than age 65 are expected to retire in the year in which they attain 30 years of service. In addition, it is assumed that 6.0% of male members under age 55, 6.5% of male members ages 55 and over, 5.0% of female members under age 55 and 10.0% of female members ages 55 and over will retire under early reduced retirement.

**DEATHS AFTER RETIREMENT:** The 1994 Group Annuity Table rated forward two years is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward three years is used for the period after disability retirement.

Representative values of the assumed annual rates of mortality after service retirement are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402



**State Plan Members Participating in the Georgia Judicial Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.056%	.029%	.1%	13.0%
25	.073	.030	.1	13.0
30	.084	.040	.2	13.0
35	.089	.055	.3	13.0
40	.125	.082	.4	13.0
45	.190	.111	.7	4.5
50	.321	.173	1.0	3.0
55	.558	.292	1.8	3.0
60	1.015	.583	2.9	3.0
65	1.803	1.076	4.7	3.0

**SERVICE RETIREMENT:** The assumed annual rates of retirement are shown below.

Age	Annual Rates of Retirement
60	25%
61-64	10
65-69	12
70	50
71-74	20
75	100

**DEATHS AFTER RETIREMENT:** The 1994 Group Annuity Mortality Table rated forward two years is used for the period after retirement or disability and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

The RP-2000 Disability Mortality Table set forward three years is used for periods after disability.



**State Plan Members Participating in the Georgia Legislative Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.056%	.029%	.1%	10.0%
25	.073	.030	.1	10.0
30	.084	.040	.2	10.0
35	.089	.055	.3	10.0
40	.125	.082	.4	13.0
45	.190	.111	.7	10.0
50	.321	.173	1.0	10.0
55	.558	.292	1.8	10.0
60	1.015	.583	2.9	10.0
65	1.803	1.076		10.0

**SERVICE RETIREMENT:** The assumed annual rates of retirement are shown below:

Age	Annual Rate	Age	Annual Rate
60-69	10%	73	25%
70	35	74	40
71	15	75	100
72	15		

**DEATHS AFTER RETIREMENT:** The 1994 Group Annuity Mortality Table rated forward two years is used for the period after retirement or disability and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

The RP-2000 Disabled Mortality Table set forward three years is used for the period after disability retirement.



**School Plan Members Participating in the Teachers Retirement System of Georgia**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	0.05%	0.05%	39.00%	-	-
25	0.06	0.05	18.00	11.00%	-
30	0.08	0.07	16.00	6.00	7.00%
35	0.09	0.07	15.00	6.00	3.00
40	0.10	0.09	15.00	6.00	2.00
45	0.15	0.11	13.00	6.00	2.00
50	0.23	0.25	11.00	4.50	2.00
55	0.40	0.53	12.00	4.50	2.00
60	0.71	-	-	-	-
64	1.15	-	-	-	-
<b>FEMALES</b>					
20	0.03%	0.03%	30.00%	-	-
25	0.03	0.03	15.00	13.00%	-
30	0.03	0.04	16.00	8.00	5.00%
35	0.05	0.05	15.00	8.00	4.00
40	0.07	0.07	12.00	6.00	3.00
45	0.09	0.11	11.00	5.00	2.00
50	0.13	0.20	11.00	4.50	2.00
55	0.21	0.63	12.00	4.50	3.00
60	0.39	-	-	-	-
64	0.67	-	-	-	-



**School Plan Members Participating in the Teachers Retirement System of Georgia**

**SERVICE RETIREMENT:** Representative values of the assumed annual rates of service retirement are as follows:

Age	Annual Rate*		Age	Annual Rate*	
	Males	Females		Males	Females
50	28.00%	23.00%	65	32.00%	30.00%
55	29.00	28.00	66	25.00	30.00
60	23.00	30.00	67	30.00	26.00
61	23.00	25.00	68	28.00	26.00
62	29.00	31.00	69	28.00	26.00
63	23.00	27.00	70	100.00	100.00
64	25.00	26.00			

\* It is also assumed that 10% of eligible active members will retire each year with a reduced early retirement benefit and that an additional 5% of active members will retire in their first year of eligibility for unreduced retirement with 30 years of service.

**DEATHS AFTER RETIREMENT:** The 1994 Group Annuity Mortality Table (set forward one year for males and females) is used for death after service retirement. The RP-2000 Disability Mortality Table (set forward five years for males) is used for death after disability retirement. Representative values of the assumed annual rates of death after service retirement and after disability retirement are shown below:

Age	Annual Rate of Death After			
	Service Retirement		Disability Retirement	
	Males	Females	Males	Females
40	.10%	.07%	2.26%	0.75%
45	.15	.09	2.26	0.75
50	.23	.13	2.26	1.15
55	.40	.21	2.90	1.65
60	.71	.39	3.54	2.18
65	1.29	.76	4.20	2.80
70	2.17	1.27	5.02	3.76
75	3.41	2.04	6.26	5.22
80	5.59	3.54	8.21	7.23
85	8.96	6.10	10.94	10.02
90	13.95	10.46	14.16	14.00
95	21.57	17.07	18.34	19.45



**School Plan Members Participating in the  
Georgia Public School Employees Retirement System**

**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation other than retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
<b>MALES</b>					
20	0.06%	0.00%	36.0%	-	-
25	0.08	0.00	31.0	19.0%	-
30	0.08	0.00	28.0	16.0	13.0%
35	0.10	0.01	27.0	15.0	9.0
40	0.15	0.02	24.0	14.0	8.0
45	0.23	0.07	21.0	12.5	7.0
50	0.40	0.17	19.5	11.0	6.5
55	0.71	0.45	16.0	9.0	6.0
60	1.29	0.70	-	-	-
65	2.17	0.00	-	-	-
<b>FEMALES</b>					
20	0.03%	0.00%	36.0%	-	-
25	0.03	0.00	28.0	18.0%	-
30	0.04	0.00	24.0	16.0	11.0%
35	0.06	0.01	20.0	14.0	10.0
40	0.08	0.02	19.0	12.5	9.0
45	0.11	0.07	17.5	11.0	8.0
50	0.17	0.17	16.0	9.5	7.0
55	0.29	0.45	13.0	8.0	6.0
60	0.58	0.70	-	-	-
65	1.08	0.00	-	-	-



**School Plan Members Participating in the Georgia Public School Employees Retirement System**

**SERVICE RETIREMENT:** Representative values of the assumed annual rates of service retirement are as follows:

Age	Annual Rate	Age	Annual Rate
60	17%	68	25%
61	17	69	25
62	26	70	28
63	18	71	28
64	21	72	28
65	32	73	28
66	25	74	28
67	25	75 & over	100

**DEATHS AFTER RETIREMENT:** The 1994 Group Annuity Table set forward four years for males and set forward two years for females is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disability Mortality Table set forward 5 years for males is used for the period after disability retirement. Representative values of the assumed annual rates of mortality for service retirements and beneficiaries are as follows:

Age	Males	Females	Age	Males	Females
40	0.146%	0.083%	65	2.173%	1.076%
45	0.233	0.111	70	3.405	1.651
50	0.398	0.173	75	5.586	2.837
55	0.709	0.292	80	8.961	4.915
60	1.294	0.583	85	13.945	8.402



## SCHEDULE D

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### SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

#### Eligibility

Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from any of these systems:

- Employees' Retirement System (covered by State OPEB Plan)
  - Service Retirement: 25 years of service or age 60 with 10 years of service
  - Disability Retirement: 13 years and 4 months of service
- Legislative Retirement System (covered by State OPEB Plan)
  - Service Retirement: age 60 with 8 years of service
  - Disability Retirement: 8 years of service
- Judicial Retirement System (covered by State OPEB Plan)
  - Service Retirement: age 60 with 10 years of service
  - Disability Retirement: 4 years of service
- Teachers Retirement System (covered by Teachers OPEB Plan)
  - Service Retirement: 25 years of service or age 60 with 10 years of service
  - Disability Retirement: 10 years of service
- Public School Employees Retirement System (covered by Non-Certificated OPEB Plan)
  - Service Retirement: age 60 with 10 years of service
  - Disability Retirement: 15 years of service

Retirees from these systems were not included in the valuation because census data was not provided:

- Local School System Teachers Retirement Systems
- Fulton County Retirement System (eligible Members)

Coverage starts immediately at retirement, provided the retiree makes proper premium payments or has the premiums deducted from the annuity check. If elected, dependent coverage starts on the same day as retiree coverage. A change from single to family coverage as a retiree is allowed only with a qualified change in status.



### **Plan Design Changes**

Effective January 1, 2009, the Consumer Driven Health Plan (CDHP) option will be mandatory for new hires for at least one year.

Effective July 1, 2009, Medicare-eligible retirees must enroll in Medicare Part B, or they will pay an additional \$300 per month.

Effective January 1, 2010, Medicare-eligible retirees must enroll in a Medicare Advantage plan or they will not receive the state subsidy.



**Premiums**

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election.  
 Premiums shown are monthly and are effective January 1, 2010.

<b><u>Retiree Medical Tier</u></b>	<b><u>HMO</u></b>	<b><u>PPO</u></b>	<b><u>CDHP</u></b>	<b><u>HDHP</u></b>
1 Spouse under 65& 1 with Part A ONLY	\$796.80	\$810.20	\$765.80	\$743.50
1 Spouse under 65& 1 with Part B ONLY	\$736.50	\$750.00	\$705.60	\$683.30
1 Spouse under 65& 1 with Part A & B ONLY	\$397.90	\$411.40	\$367.00	\$344.60
1 Spouse under 65& 1 with Part A & D ONLY	\$681.50	\$694.90	\$650.50	\$628.20
1 Spouse under 65& 1 with Part B & D ONLY	\$621.20	\$634.70	\$590.30	\$567.90
W/O MDCR - Under 65	\$100.20	\$94.70	\$59.70	\$52.00
Full Medicare	\$182.40	\$201.30	\$192.00	\$177.40
No Medicare	\$1,035.20	\$1,054.10	\$1,044.80	\$1,030.20
Part A Only	\$696.60	\$715.50	\$706.20	\$691.60
Part B Only	\$636.30	\$655.30	\$645.90	\$631.30
Part A & B ONLY	\$297.70	\$316.60	\$307.30	\$292.70
Part A & D ONLY	\$581.30	\$600.20	\$590.80	\$576.20
Part B & D ONLY	\$521.00	\$539.90	\$530.60	\$516.00
Family - Under 65	\$240.00	\$282.60	\$182.40	\$168.60
Both with full Medicare	\$333.40	\$371.30	\$352.60	\$323.40
Both over 65, 1 no Medicare, 1 full Medicare	\$1,186.20	\$1,224.10	\$1,205.40	\$1,176.20
Both over 65 with no Medicare	\$2,039.00	\$2,077.00	\$2,058.20	\$2,029.00
1 Spouse under 65 no Med & 1 with full Med	\$282.60	\$296.00	\$251.60	\$229.30
1 Spouse under 65 no Med & 1 No Med over 65	\$1,135.40	\$1,148.90	\$1,104.50	\$1,082.10
1 Spouse Part A ONLY & 1 with full Medicare	\$847.60	\$885.50	\$866.80	\$837.60
1 Spouse Part A ONLY & 1 with NO Medicare	\$1,700.40	\$1,738.30	\$1,719.60	\$1,690.40
Both with Part A ONLY	\$1,361.80	\$1,399.70	\$1,381.00	\$1,351.80
1 Spouse Part A ONLY & 1 with Part B ONLY	\$1,301.50	\$1,339.50	\$1,320.70	\$1,291.50
1 Spouse Part A ONLY & 1 with Part A&B ONLY	\$962.90	\$1,000.80	\$982.10	\$952.90
1 Spouse Part A ONLY & 1 with Part A&D ONLY	\$1,246.50	\$1,284.40	\$1,265.70	\$1,236.50
1 Spouse Part A ONLY & 1 with Part B&D ONLY	\$1,186.20	\$1,224.10	\$1,205.40	\$1,176.20
1 Spouse Part B ONLY & 1 with full Medicare	\$787.30	\$825.30	\$806.50	\$777.30
1 Spouse Part B ONLY & 1 with NO Medicare	\$1,640.10	\$1,678.10	\$1,659.30	\$1,630.10
Both with Part B ONLY	\$1,241.20	\$1,279.20	\$1,260.40	\$1,231.20
1 Spouse Part B ONLY & 1 with Part A&B ONLY	\$902.60	\$940.60	\$921.80	\$892.60
1 Spouse Part B ONLY & 1 with Part A&D ONLY	\$1,186.20	\$1,224.10	\$1,205.40	\$1,176.20
1 Spouse Part B ONLY & 1 with Part B&D ONLY	\$1,125.90	\$1,163.90	\$1,145.10	\$1,115.90
1 Spouse Part A&B ONLY & 1 with full Medicare	\$448.70	\$486.60	\$467.90	\$438.70
1 Spouse Part A&B ONLY & 1 with NO Medicare	\$1,301.50	\$1,339.50	\$1,320.70	\$1,291.50
Both with Part A&B ONLY	\$564.00	\$601.90	\$583.20	\$554.00
1 Spouse Part A&B ONLY & 1 with Part A&D ONLY	\$847.60	\$885.50	\$866.80	\$837.60
1 Spouse Part A&B ONLY & 1 with Part B&D ONLY	\$787.30	\$825.30	\$806.50	\$777.30
1 Spouse Part A&D ONLY & 1 with full Medicare	\$732.30	\$770.20	\$751.50	\$722.30
1 Spouse Part A&D ONLY & 1 with NO Medicare	\$1,585.10	\$1,623.00	\$1,604.30	\$1,575.10
Both with Part A&D ONLY	\$1,131.20	\$1,169.10	\$1,150.40	\$1,121.20



<u>Retiree Medical Tier</u>	<u>HMO</u>	<u>PPO</u>	<u>CDHP</u>	<u>HDHP</u>
1 Spouse Part A&D ONLY & 1 with Part B&D ONLY	\$1,070.90	\$1,108.80	\$1,090.10	\$1,060.90
1 Spouse Part B&D ONLY & 1 with full Medicare	\$672.00	\$709.90	\$691.20	\$662.00
1 Spouse Part B&D ONLY & 1 with NO Medicare	\$1,524.80	\$1,562.80	\$1,544.00	\$1,514.80
Both with Part B&D ONLY	\$1,010.60	\$1,048.60	\$1,029.80	\$1,000.60
< 65 / Standard MA-PFFS	\$118.60	\$113.10	\$78.10	\$70.40
< 65 / Premium MA-PFFS	\$148.60	\$143.10	\$108.10	\$100.40
< 65 / Standard MA-PFFS with Children	\$158.20	\$206.30	\$141.10	\$135.00
< 65 / Premium MA-PFFS with Children	\$188.20	\$236.30	\$171.10	\$165.00
< 65 / Standard MA-PFFS Part B Only	\$118.60	\$113.10	\$78.10	\$70.40
< 65 / Premium MA-PFFS Part B Only	\$148.60	\$143.10	\$108.10	\$100.40
< 65 / Standard MA-PFFS Part B Only with Children	\$158.20	\$206.30	\$141.10	\$135.00
< 65 / Premium MA-PFFS Part B Only with Children	\$188.20	\$236.30	\$171.10	\$165.00

<u>Retiree Medical Tier</u>	<u>MA PFFS</u>
Standard MA-PFFS Single	\$18.40
Premium MA-PFFS Single	\$48.40
Standard MA-PFFS Double	\$36.80
Premium MA-PFFS Double	\$96.80
Standard MA-PFFS Part B Only Single	\$18.40
Premium MA-PFFS Part B Only Single	\$48.40
Standard MA-PFFS Part B Only Double	\$36.80
Premium MA-PFFS Part B Only Double	\$96.80
Standard MA-PFFS / MA-PFFS Part B Only	\$36.80
Premium MA-PFFS / MA-PFFS Part B Only	\$96.80