GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Georgia State Health Benefit Plan
Report of the Actuary on the Retiree Medical Valuation

Prepared as of June 30, 2006

Cavanaugh Macdonald
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November 7, 2007

Ms. Carie L. Summers
Chief Financial Officer
Georgia Department of Community Health
2 Peachtree Street, N.W., 34th 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, 2006".

Sincerely yours,

Richard Ward, FSA, FCA, MAAA
Senior Health Actuary

Alisa Bennett, ASA, EA, FCA, MAAA
Senior Actuary

AB/RW:kc

Enclosure

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3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com

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Georgia Department of Community Health
2 Peachtree Street, N.W., 34th 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, 2006. 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) and Employees' Retirement System (ERS). We did not audit the data, but did perform 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 Teachers, State Employees and Non-Certificated Education Employees, based on the current trust structure. It is also our understanding that each group meets the qualifications, outlined in GASB Statements 43 and 45, of a Cost Sharing Multiple-Employer Plan. That is, all costs and funding are pooled. Individual employer contributions are not based on their own experience, but on the combined experience of the plan, much as in a community rated insured plan.

Relevant results from the State Employees' Assurance Department (SEAD) June 30, 2006 valuation have been included in this report for ease of determining the State's total GASB 45 disclosures. Please reference the SEAD valuation report, dated August 9, 2007, for full details.

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.

The Teachers and Non-Certificated Plans have 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 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 4.5% has been used for the Teachers and Non-Certificated Plans.

The State has implemented a partial funding strategy. While not contributing the full amount required to meet current costs and amortize the Unfunded Actuarial Accrued Liability over 30 years, which is the basis for determining the Annual Required Contribution under GASB 43 and 45, a contribution above the expected PAYG costs will be contributed. The amount set aside for advance funding is 4.0% of pay, above expected PAYG costs. As a result, a higher discount rate of 5.0%, corresponding to a higher expected rate of investment return due to the expectation that assets will be accumulated and available for longer-term investments, has been used to determine the present value of benefits under the State Plan.

Data containing plan and coverage elections for current retirees was utilized for the first time in this valuation. In past valuations, assumed rates of participation and spouse coverage were used to determine both the active and retiree liabilities. For this year, actual plan elections were used to determine the retiree liability. This data was also used to develop updated assumed rates of participation and spouse coverage upon retirement for active employees.

Additionally age-based claims data was provided, enabling us to develop age-based morbidity assumptions specific to each plan.

Based on the recent increase in retiree premiums for 2008, this valuation uses the assumption that retiree premiums will increase in future years (but at rates less than claims costs). Previous valuations had assumed no increase in retiree premiums.

Schedule C shows the actuarial assumptions and methods used in this valuation.

The valuation indicates that an annual required contribution for the SHBP in total of $1,677,840,316 or 13.03% of active payroll, payable for the fiscal year ending June 30, 2009 is required to actuarially support the benefits of the SHBP. The annual required contribution for the State OPEB Plan is $387,790,092, or 14.48% of active payroll; the annual required contribution for the Teachers OPEB Plan is $1,194,774,904, or 12.78% of active payroll; the annual required contribution for the Non-Certificated OPEB Plan is $95,275,320, or 11.22% 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 6.0% 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, 2006, the Plan does not have assets in trust solely to provide benefits to retirees and their beneficiaries. 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.

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,

Richard Ward, FSA, FCA, MAAA
Senior Health Actuary

Alisa Bennett, ASA, EA, FCA, MAAA
Senior Actuary

AB/RW:kc

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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, 2006

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation and a comparison with the results of the previous valuation are summarized below. The following table summarizes the June 30, 2006 results for the three OPEB trusts.

Plan	State	Teachers	Non-Certificated	Total
Discount Rate	**5.00%**	**4.50%**	**4.50%**	
Annual salaries*	$ 2,679,076,957	$ 9,350,251,539	$ 849,656,014	$ 12,878,984,510
Assets:				
Market value	$ 0	$ 0	$ 0	$ 0
Unfunded Actuarial Accrued Liability	$ 5,087,257,440	$ 13,172,642,223	$ 924,456,246	$ 19,184,355,909
Amortization period (years)	30	30	30	30
	Fiscal Year 2009	**Fiscal Year 2009**	**Fiscal Year 2009**	**Fiscal Year 2009**
Annual Required Contribution (ARC):				
Normal	$ 187,135,557	$ 708,293,055	$ 61,134,016	$ 956,562,628
Accrued Liability	200,654,535	486,481,849	34,141,304	721,277,688
Total	$ 387,790,092	$ 1,194,774,904	$ 95,275,320	$ 1,677,840,316
ARC (Percent of Pay)				
Normal	6.99%	7.58%	7.20%	7.43%
Accrued Liability	7.49	5.20	4.02	5.60
Total	14.48%	12.78%	11.22%	13.03%

* Salary data is not available for Non-Certificated Education Employees. An average salary of $22,605 has been assumed. Salary data for all other employees was provided by the Teachers' Retirement System and the Employees' Retirement System.

The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the three trusts for June 30, 2006 and June 30, 2005:

Valuation Date	June 30, 2006	June 30, 2005
State		
Unfunded Actuarial Accrued Liability	$ 5,087,257,440	$ 4,904,256,314
Annual Required Contribution ($)	$ 387,790,092	$ 367,508,478
Annual Required Contribution (Percent of Pay)	14.48%	14.35%
Discount Rate	5.00%	6.00%
Teachers		
Unfunded Actuarial Accrued Liability	$ 13,172,642,223	$ 9,113,164,715
Annual Required Contribution ($)	$ 1,194,774,904	$ 801,346,374
Annual Required Contribution (Percent of Pay)	12.78%	9.71%
Discount Rate	4.50%	6.00%
Non-Certificated		
Unfunded Actuarial Accrued Liability	$ 924,456,246	$ 1,017,805,678
Annual Required Contribution ($)	$ 95,275,320	$ 93,514,698
Annual Required Contribution (Percent of Pay)	11.22%	11.69%
Discount Rate	4.50%	6.00%
Total		
Unfunded Actuarial Accrued Liability	$ 19,184,355,909	$ 15,035,226,707
Annual Required Contribution ($)	$ 1,677,840,316	$ 1,262,369,550
Annual Required Contribution (Percent of Pay)	13.03%	10.87%

2. The valuation indicates that total contributions of $1,677,840,316 or 13.03% of active payroll are sufficient to support the current benefits of the plans. Of this total, $387,790,092, or 14.48% of active payroll, is sufficient to support current benefits of the State OPEB Plan; $1,194,774,904, or 12.78% of active payroll, is sufficient to support current benefits of the Teachers OPEB Plan; $95,275,320, or 11.22% of active payroll, is sufficient to support current benefits of the Non-Certificated OPEB Plan. Comments on the valuation results as of June 30, 2006 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; the current discount rates reflect this established practice. 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 6.0% for illustrative purposes, is shown on Schedule A.

3. Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Since the prior valuation, the discount rates for valuing liabilities have been decreased to reflect the expected investment rates of return. The State Plan has implemented a partial funding strategy, contributing 4.0% of pay above expected Pay As You Go (PAYG) expenses. To reflect this partial funding, the discount rate used is 5.0%. The Teachers Plan and Non-Certificated Plan will continue to be financed on a PAYG basis, and therefore the discount rate used for these plans is 4.5%.

4. The June 30, 2006 valuation is the first valuation to be based on actual retiree plan and coverage elections. Prior valuations utilized the pension census data with assumed rates of participation. The actuarial assumptions regarding future retirees' plan participation and coverage elections have been updated since the previous valuation based on this data. These rates are shown in Schedule C.

5. Retiree premiums have been increased by 10% for 2008. This is the first increase in many years; however it demonstrates that the State Health Benefit Plan will periodically increase premiums. To reflect this, premium rates are assumed to increase, but at rates below those assumed for claims costs. Assumed trend rates for claims and retiree premiums are shown in Schedule C. The June 30, 2006 valuation is the first valuation to assume increases in future retiree premiums.

6. There are 17,099 active employees participating in the Teachers Optional Retirement Plan (ORP). Participants in the ORP have not been included in previous valuations due to data unavailability.

7. For the Teachers OPEB Plan, the increase in the UAAL and ARC is due to the reduced discount rate and actual rates of retiree participation and spouse coverage being higher than previously assumed. For the State OPEB Plan and Non-Certificated OPEB Plan, the impact of the reduction in the discount rate is somewhat offset by actual retiree participation and spouse coverage rates being less than previously assumed. For all plans, assuming that retiree premiums will increase in future years results in a decrease in both UAAL and ARC.

8. The following table details the change in the UAAL. All dollar amounts are expressed in millions.

	State	Teachers	Non-Certificated	Total
June 30, 2005 Valuation Discount Rate	6.00%	6.00%	6.00%	
June 30, 2006 Valuation Discount Rate	5.00%	4.50%	4.50%	
June 30, 2005 UAL (a)	$4,904.3	$9,113.2	$1,017.8	$15,035.3
Normal Cost (b)	$148.2	$393.8	$48.0	$590.0
Required Contribution (c)	$367.5	$801.3	$93.5	$1,262.3
Actual Contribution (FY06 PAYG as reported by DCH) (d)	$130.9	$166.4	$66.3	$363.6
Expected UAL based on June 30, 2005 Valuation (e) = (a) x 1.06 + [(b)-(c)] x 1.03	$4,972.7	$9,240.3	$1,032.0	$15,245.0
Expected UAL based on Actual Contributions (f) = (a) x 1.06 + [(b)-(d)] x 1.03	$5,216.4	$9,894.2	$1,060.0	$16,170.6
Increase in UAL due to Contribution Deficiency (f) – (g)	$243.7	$653.9	$28.0	$925.6
(Gains)/Losses Due to:				
Change in Discount Rate	$721.1	$3,223.4	$182.2	$4,126.7
Impact of incorporating OPEB-specific retiree census	($332.4)	$348.4	($154.8)	($138.8)
Change in participation assumptions for future retirees	($332.9)	($82.4)	($30.3)	($445.6)
Addition of participants in the Teachers Optional Retirement Plan	$0.0	$438.4	$0.0	$438.4
Change in assumed increases in retiree premiums	($373.9)	($1,348.1)	($75.8)	($1,797.8)
Other*	$189.0	$698.7	($56.8)	$830.9
Total	($129.1)	$3,278.4	($135.5)	$3,013.8
June 30, 2006 UAL	$5,087.3	$13,172.6	$924.5	$19,184.4

* Other category includes changes due to claims experience and 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, Teachers 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, 2006 on the basis of which the valuation was prepared.

Group	State	Teachers	Non-Certificated	Total
Number of Retirees	41,186	78,935	9,679	129,800
Number of Actives	74,785	223,691*	37,587	336,063
Annual Salaries	$2,679,076,957	$9,350,251,539*	$849,656,014**	$12,878,984,510

* Includes 17,099 participants on the Teachers' Optional Retirement Plan (ORP).
** Since individual PSERS salary is not available, assumes $22,605 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

	Service							
Age	**Under 5**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 and Up**	**Total**
Under 25	9,483	172	0	0	0	0	0	9,655
25 to 29	22,589	7,332	71	0	0	0	0	29,992
30 to 34	16,798	15,874	4,652	62	0	0	0	37,386
35 to 39	16,067	13,197	10,246	3,773	194	0	0	43,477
40 to 44	14,673	12,628	8,394	7,700	3,778	231	1	47,405
45 to 49	12,511	12,092	9,022	7,407	6,323	4,191	313	51,859
50 to 54	9,419	9,868	8,507	7,955	5,473	6,371	3,200	50,793
55 to 59	7,210	7,264	6,366	6,924	5,211	4,516	3,654	41,145
60 to 64	3,283	3,528	2,789	2,465	1,858	1,459	1,386	16,768
65 to 69	1,198	1,436	1,005	618	390	299	415	5,361
70 & up	453	600	440	331	115	102	181	2,222
Total	113,684	83,991	51,492	37,235	23,342	17,169	9,150	336,063

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	36,925	17,354	54,279
65 and Older	57,795	17,726	75,521
Total	94,720	35,080	129,800

State OPEB Plan

Active Employees by Age and Service

Age	Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	Total
Under 25	3,336	89	0	0	0	0	0	3,425
25 to 29	5,657	1,569	45	0	0	0	0	7,271
30 to 34	4,177	3,287	948	29	0	0	0	8,441
35 to 39	3,444	2,575	2,063	996	123	0	0	9,201
40 to 44	3,103	2,340	1,714	1,910	1,277	157	0	10,501
45 to 49	2,640	2,260	1,644	1,664	1,795	1,317	244	11,564
50 to 54	2,180	1,897	1,481	1,526	1,465	1,461	1,249	11,259
55 to 59	1,652	1,399	1,236	1,401	1,100	1,006	1,081	8,875
60 to 64	601	626	557	531	408	287	276	3,286
65 to 69	107	161	145	113	88	54	49	717
70 & up	27	44	53	49	26	18	28	245
Total	26,924	16,247	9,886	8,219	6,282	4,300	2,927	74,785

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	12,491	6,503	18,994
65 and Older	17,157	5,035	22,192
Total	29,648	11,538	41,186

Teachers OPEB Plan

Active Employees by Age and Service

Age	Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	Total
Under 25	5,684	58	0	0	0	0	0	5,742
25 to 29	16,105	5,547	19	0	0	0	0	21,671
30 to 34	11,212	11,983	3,580	26	0	0	0	26,801
35 to 39	10,572	9,364	7,856	2,670	57	0	0	30,519
40 to 44	9,116	8,479	5,890	5,463	2,382	53	1	31,384
45 to 49	7,630	8,048	6,384	5,201	4,299	2,772	57	34,391
50 to 54	5,388	6,558	6,144	5,775	3,664	4,699	1,880	34,108
55 to 59	3,696	4,478	4,331	4,851	3,648	3,191	2,392	26,587
60 to 64	1,305	1,802	1,633	1,549	1,165	939	900	9,293
65 to 69	354	573	560	336	196	166	251	2,436
70 & up	89	139	169	182	45	42	93	759
Total	71,151	57,029	36,566	26,053	15,456	11,862	5,574	223,691

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	23,400	10,472	33,872
65 and Older	34,213	10,850	45,063
Total	57,613	21,322	78,935

Non-Certificated OPEB Plan

Active Employees by Age and Service

Age	Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 and Up	Total
Under 25	463	25	0	0	0	0	0	488
25 to 29	827	216	7	0	0	0	0	1,050
30 to 34	1,409	604	124	7	0	0	0	2,144
35 to 39	2,051	1,258	327	107	14	0	0	3,757
40 to 44	2,454	1,809	790	327	119	21	0	5,520
45 to 49	2,241	1,784	994	542	229	102	12	5,904
50 to 54	1,851	1,413	882	654	344	211	71	5,426
55 to 59	1,862	1,387	799	672	463	319	181	5,683
60 to 64	1,377	1,100	599	385	285	233	210	4,189
65 to 69	737	702	300	169	106	79	115	2,208
70 & up	337	417	218	100	44	42	60	1,218
Total	15,609	10,715	5,040	2,963	1,604	1,007	649	37,587

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	1,034	379	1,413
65 and Older	6,425	1,841	8,266
Total	7,459	2,220	9,679

SECTION III - ASSETS

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2006, no plan assets are held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan.

The Teachers and Non-Certificated Plans have 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 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 4.5% has been used in the valuation of the Teachers and Non-Certificated Plans.

The State has implemented a partial funding strategy. While not contributing the full amount required to meet current costs and amortize the Unfunded Actuarial Accrued Liability over 30 years, which is the basis for determining the Annual Required Contribution under GASB 43 and 45, a contribution above the expected PAYG costs will be contributed. The amount set aside for advance funding is 4.0% of pay, above expected PAYG costs. As a result, a higher discount rate of 5.0%, corresponding to a higher expected rate of investment return due to the expectation that assets will be accumulated and available for longer-term investments, has been used to determine the present value of benefits under the State Plan. Subsequent valuations will recognize these assets as they accrue, and will be used to reduce the Unfunded Actuarial Accrued Liability.

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, data showing actual retiree plan and coverage elections has been incorporated into the analysis, as has data on participants in the Teachers Optional Retirement Plan. Changes in assumptions include updating the assumed participation and coverage elections of future retirees, changing the discount rates used to determine the present value of benefits to reflect funding and financing strategies, and the introduction of assumed rates of increase for future retiree premiums.

2. The valuation shows that the State Health Benefit Plan has a total actuarial accrued liability of $11,432,387,715 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. Of this total, $2,632,594,927 is for employees that will receive benefits paid from the State OPEB Plan; $8,223,565,322 is for employees that will receive benefits paid from the Teachers OPEB Plan; $576,227,466 is for employees that will receive benefits paid from the Non-Certificated OPEB Plan.

3. The total State Health Benefit Plan liability on account of benefits payable to retirees and covered spouses amounts to $7,751,968,194. Of this total, $2,454,662,513 is for retirees and covered spouses that will receive benefits paid from the State OPEB Plan; $4,949,076,901 is for retirees and covered spouses that will receive benefits paid from the Teachers OPEB Plan; $348,228,780 is for retirees and covered spouses that will receive benefits paid from the Non-Certificated OPEB Plan.

4. The total State Health Benefits Plan actuarial accrued liability amounts to $19,184,355,909. Of this total, $5,087,257,440 is for employees, retirees and covered spouses that will receive benefits paid from the State OPEB Plan; $13,172,642,223 is for employees, retirees and covered spouses that will receive benefits paid from the Teachers OPEB Plan; $924,456,246 is for employees, retirees and covered spouses that will receive benefits paid from the Non-Certificated OPEB Plan.

5. Against these liabilities, each of the plans has present assets for valuation purposes of $0. Therefore, the unfunded actuarial accrued liability is equal to $5,087,257,440 for the State OPEB Plan, $13,172,642,223 for the Teachers OPEB Plan and $924,456,246 for the Non-Certificated OPEB Plan. The total unfunded actuarial accrued liability for the State Health Benefit Plan is $19,184,355,909.

6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contributions for the State OPEB Plan is determined to be $187,135,557; the normal contributions for the Teachers OPEB Plan is determined to be $708,293,055; the normal contributions for the Non-Certificated OPEB Plan is determined to be $61,134,016. Therefore, the total normal contribution for the State Health Benefit Plan is determined to be $956,562,628.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

ANNUAL REQUIRED CONTRIBUTION

For Fiscal Year Ending June 30, 2009

Annual Required Contribution (ARC):		
State		
Normal	$ 187,135,557	6.99%
Accrued Liability	200,654,535	7.49%
Total	$ 387,790,092	14.48%
Teachers		
Normal	$ 708,293,055	7.58%
Accrued Liability	486,481,849	5.20%
Total	$1,194,774,904	12.78%
Non-Certificated		
Normal	$ 61,134,016	7.20%
Accrued Liability	34,141,304	4.02%
Total	$ 95,275,320	11.22%
Total		
Normal	$ 956,562,628	7.43%
Accrued Liability	721,277,688	5.60%
Total	$1,677,840,316	13.03%

1. The valuation indicates that the normal contributions for the State OPEB Plan is determined to be $187,135,557, or 6.99% of active payroll; the normal contributions for the Teachers OPEB Plan is determined to be $708,293,055, or 7.58% of active payroll; the normal contributions for the Non-Certificated OPEB Plan is determined to be $61,134,016, or 7.20% of active payroll. Therefore, the total normal contribution for the State Health Benefit Plan is determined to be $956,562,628, or 7.43% of active payroll.

2. The total State Health Benefits Plan actuarial accrued liability amounts to $19,184,355,909. Of this total, $5,087,257,440 is for employees, retirees and covered spouses that will receive benefits paid from the State OPEB Plan; $13,172,642,223 is for employees, retirees and covered spouses that

will receive benefits paid from the Teachers OPEB Plan; $924,456,246 is for employees, retirees and covered spouses that will receive benefits paid from the Non-Certificated OPEB Plan.

3. An accrued liability contribution in total for the State Health Benefit Plan of $721,277,688, or 5.60% 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 $200,654,535, or 7.49% of active payroll; the accrued liability contribution for the Teachers OPEB Plan is $486,481,849, or 5.20% of active payroll; the accrued liability contribution for the Non-Certificated OPEB Plan is $34,141,304, or 4.02% of active payroll. The accrued liability contributions for the individual trusts 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, $1,677,840,316, or 13.03% of total active payroll. The Annual Required Contribution for the State OPEB Plan is $387,790,092, or 14.48% of active payroll; the Annual Required Contribution for the Teachers OPEB Plan is $1,194,774,904, or 12.78% of active payroll; the Annual Required Contribution for the Non-Certificated OPEB Plan is $95,275,320, or 11.22% 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 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 an increase in the recommended employer contribution rate for the State Health Benefit Plan in total over last year's recommended rate from 10.87% of payroll to 13.03% is required to fund the plan in an actuarially sound manner. The valuation indicates that the recommended employer contribution rate for the State OPEB Plan should be increased from 14.35% of payroll to 14.48% of payroll; the recommended employer rate for the Teachers OPEB Plan should be increased from 9.71% of payroll to 12.78% of payroll; the recommended employer rate for the Non-Certificated OPEB Plan should be decreased from 11.69% of payroll to 11.22% of payroll.

3. This corresponds to a contribution for the State Health Benefit Plan in total of $1,677,840,316 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. The Annual Required Contribution for the State OPEB Plan is $387,790,092; the Annual Required Contribution for the Teachers OPEB Plan is $1,194,774,904; the Annual Required Contribution for the Non-Certificated OPEB Plan is $95,275,320.

4. For the Teachers OPEB Plan, the increase in the recommended contribution is due to the reduced discount rate and actual rates of retiree participation and spouse coverage being higher than previously assumed. For the State OPEB Plan and Non-Certificated OPEB Plan, the impact of the reduction in the discount rate is somewhat offset by actual retiree participation and spouse coverage rates being less than previously assumed. For all Plans, assuming that retiree premiums will increase in future years results in a decrease in the recommended contribution.

5. The recommended employer rate according to the June 30, 2006 valuation of the State Employees' Assurance Department is 1.68% of payroll. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is 16.16%.

6. The corresponding recommended contribution for the State Employees' Assurance Department is $44,808,264. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is $432,598,356.

7. It has been determined 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 Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)*	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2003**	$0	$16,630,000,000	$16,630,000,000	0%	$11,515,000,000	144.4%
6/30/2004	0	17,974,145,164	17,974,145,164	0	11,327,850,000	158.7
6/30/2005***	0	15,035,226,707	15,035,226,707	0	11,613,237,000	129.5
6/30/2006****	0	19,184,355,909	19,184,355,909	0	12,878,984,510	149.0

State OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2003**	$0	$ 5,921,000,000	$ 5,921,000,000	0%	$ 2,562,000,000	231.1%
6/30/2004	0	5,788,167,338	5,788,167,338	0	2,489,929,000	232.5
6/30/2005***	0	4,904,256,314	4,904,256,314	0	2,560,932,000	191.5
6/30/2006****	0	5,087,257,440	5,087,257,440	0	2,679,076,957	189.9

* 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.

** 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.

Teachers OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2003**	$0	$ 9,384,000,000	$ 9,384,000,000	0%	$ 8,238,000,000	113.9%
6/30/2004	0	10,772,352,680	10,781,352,680	0	8,083,118,000	133.3
6/30/2005***	0	9,113,164,715	9,113,164,715	0	8,252,598,000	110.4
6/30/2006****	0	13,172,642,223	13,172,642,223	0	9,350,251,539	140.9

Non-Certificated OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)*	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2003**	$0	$ 1,325,000,000	$ 1,325,000,000	0%	$ 715,000,000	185.3%
6/30/2004	0	1,413,625,146	1,413,625,146	0	754,803,000	187.3
6/30/2005***	0	1,017,805,678	1,017,805,678	0	799,707,000	127.3
6/30/2006****	0	924,456,246	924,456,246	0	849,656,014	108.8

* 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.

** 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.

State Employees' Assurance Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2006	$0	$ 568,475,523	$ 568,475,523	0%	$ 2,667,158,543	21.3%

State OPEB and Life Insurance in Total

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2006	$0	$ 5,655,732,963	$ 5,655,732,963	0%	$ 2,679,076,957	211.1%

* 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)
6/30/2006	$1,520,000,000	$ 363,542,713	23.9%

State OPEB Plan

Fiscal Year Ending Date	Annual Required Contribution (ARC) (a)	Actual Employer Contribution (b)	Percentage of ARC Contributed (b) / (a)
6/30/2006	$ 494,000,000	$ 130,866,488	26.5%

Teachers OPEB Plan

Fiscal Year Ending Date	Annual Required Contribution (ARC) (a)	Actual Employer Contribution (b)	Percentage of ARC Contributed (b) / (a)
6/30/2006	$ 898,000,000	$ 166,423,591	18.5%

Non-Certificated OPEB Plan

Fiscal Year Ending Date	Annual Required Contribution (ARC) (a)	Actual Employer Contribution (b)	Percentage of ARC Contributed (b) / (a)
6/30/2006	$ 128,000,000	$ 66,252,634	51.8%

2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2006. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2006
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*	
State OPEB Plan	5.0%
Teachers OPEB Plan	4.5%
Non-Certificated OPEB Plan	4.5%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	5.50%
Year of Ultimate trend rate	2013
*Includes inflation at	3.75%

SCHEDULE A

SUMMARY OF EMPLOYER RESULTS

State OPEB and Life Insurance Combined

Plan Discount Rate	State OPEB 5.00%	State Life 7.50%	State Total
Annual salaries*	$ 2,679,076,957	$ 2,667,158,543	$ 2,679,076,957
Assets:			
Market value	$ 0	$ 0	$ 0
Unfunded Actuarial Accrued Liability	$ 5,087,257,440	$ 568,475,523	$ 5,655,732,963
Amortization period (years)	30	30	30
Annual Required Contribution (ARC):			
Normal	$ 187,135,557	$ 13,335,793	$ 200,471,350
Accrued Liability	200,654,535	31,472,471	232,127,006
Total	$ 387,790,092	$ 44,808,264	$ 432,598,356
ARC (Percent of Pay)			
Normal	6.99%	0.50%	7.49%
Accrued Liability	7.49	1.18	8.67
Total	14.48%	1.68%	16.16%

* 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 5.00% (State) 4.50% (Teachers and Non-Cert)	**Discount Rate 6.00%**
PAYROLL	$ 12,878,985	$ 12,878,985
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	$ 11,432,388	$ 8,491,327
(b) Present retired members and covered spouses:	7,751,968	6,566,398
(c) Total actuarial accrued liability	$ 19,194,356	$ 15,057,725
PRESENT ASSETS FOR VALUATION PURPOSES	$ 0	$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	$ 19,194,356	$ 15,057,725
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2009:		
Normal	7.43%	5.25%
Accrued Liability	5.60%	5.23%
Total	13.03%	10.48%

Benefit of Prefunding
Annual Required Contributions

State OPEB Plan
($ shown in thousands)

	Benefit of Prefunding	
	Discount Rate 5.00%	Discount Rate 6.00%
PAYROLL	$ 2,679,957	$ 2,679,957
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	$ 2,632,595	$ 2,175,055
(b) Present retired members and covered spouses:	2,454,663	2,191,126
(c) Total actuarial accrued liability	$ 5,087,258	$ 4,366,181
PRESENT ASSETS FOR VALUATION PURPOSES	$ 0	$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	$ 5,087,258	$ 4,366,181
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2009:		
Normal	6.99%	5.60%
Accrued Liability	7.49%	7.29%
Total	14.48%	12.89%

Benefit of Prefunding
Annual Required Contributions

Teachers OPEB Plan
($ shown in thousands)

	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
PAYROLL	$ 9,350,252	$ 9,350,252
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	$ 8,223,565	$ 5,874,421
(b) Present retired members and covered spouses:	4,949,077	4,074,849
(c) Total actuarial accrued liability	$ 13,172,642	$ 9,949,270
PRESENT ASSETS FOR VALUATION PURPOSES	$ 0	$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	$ 13,172,642	$ 9,949,270
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2009:		
Normal	7.58%	5.14%
Accrued Liability	5.20%	4.76%
Total	12.78%	9.90%

Benefit of Prefunding
Annual Required Contributions

Non-Certificated OPEB Plan
($ shown in thousands)

	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
PAYROLL	$ 849,656	$ 849,656
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	$ 576,227	$ 441,851
(b) Present retired members and covered spouses:	348,229	300,423
(c) Total actuarial accrued liability	$ 924,456	$ 742,274
PRESENT ASSETS FOR VALUATION PURPOSES	$ 0	$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	$ 924,456	$ 742,274
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2009:		
Normal	7.20%	5.38%
Accrued Liability	4.02%	3.91%
Total	11.22%	9.29%

SCHEDULE B

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

The Teachers and Non-Certificated Plans have 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 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 4.5% has been used in the valuation of the Teachers and Non-Certificated Plans.

The State has implemented a partial funding strategy. While not contributing the full amount required to meet current costs and amortize the Unfunded Actuarial Accrued Liability over 30 years, which is the basis for determining the Annual Required Contribution under GASB 43 and 45, a contribution above the expected PAYG costs will be contributed. The amount set aside for advance funding is 4.0% of pay, above expected PAYG costs. As a result, a higher discount rate of 5.0%, corresponding to a higher expected rate of investment return due to the expectation that assets will be accumulated and available for longer-term investments, has been used to determine the present value of benefits under the State Plan. Subsequent valuation will recognize these assets as they accrue, and will be used to reduce the Unfunded Actuarial Accrued Liability.

SCHEDULE C

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: June 30, 2006

DISCOUNT RATES:

State Plan:	5.0% per annum, compounded annually;
Teachers Plan:	4.5% per annum, compounded annually;
Non-Certificated Plan:	4.5% per annum, compounded annually;

ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE 65): Following is a chart detailing expected claims normalized to age 65 for pre and post Medicare for the year following the valuation date.

	State	Teachers	Non-Certificated
Pre-65	$9,800	$9,108	$10,124
Post-65	$1,902	$1,951	$ 1,926

HEALTH CARE COST TREND RATES: Following is a chart detailing trend assumptions.

Year	Claims Trend	Retiree Premium Trend
2006-07	10.00%	7.00%
2007-08	10.00%	7.00%
2008-09	9.25%	6.25%
2009-10	8.50%	5.50%
2010-11	7.75%	4.75%
2011-12	7.00%	4.00%
2012-13	6.25%	3.25%
2013 and beyond	5.50%	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		
	State	Teachers	Non-Certificated
Under 20	0.00%	0.00%	0.00%
20 – 24	0.65%	0.65%	0.50%
25 – 29	0.65%	0.65%	0.50%
30 – 34	1.25%	1.25%	1.00%
35 – 39	1.90%	1.90%	1.50%
40 – 44	2.50%	2.50%	2.00%
45 – 49	3.25%	3.25%	2.60%
50 – 54	4.15%	4.15%	3.30%
55 – 59	4.50%	4.50%	3.60%
60 – 64	5.25%	5.25%	4.20%
65 – 69	3.75%	3.75%	3.00%
70 – 74	3.15%	3.15%	2.50%
75 – 79	2.50%	2.50%	2.00%
80 – 84	1.25%	1.25%	1.00%
85 – 89	0.65%	0.65%	0.50%
90 and over	0.00%	0.00%	0.00%

ANTICIPATED PLAN PARTICIPATION: Representative values of the assumed annual rates of plan 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 accumulated postretirement benefit obligation (APBO) 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.

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+
MALES					
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	--			
FEMALES					
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[1]				New Plan[2]	
	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

1 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.

2 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

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.

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.

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+
MALES					
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	-	-	-	-
FEMALES					
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	-	-	-	-

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

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+
MALES					
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	-	-	-
FEMALES					
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	-	-	-

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

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 Options

Retirees are offered PPO options, HMO Options, and Indemnity Options. There are several Consumer Directed-type plans offered, but these are primarily in the pilot phase for 2007 and do not have significant retiree enrollments. Benefits shown are effective for calendar year 2007.

PPO Options

Benefits	In-Network Benefit Level	Out-of-Network Benefit Level
Deductible (single/family):	$500/$1,500 (per calendar year)	$600/$1,800 (per calendar year)
Out-of-Pocket Maximum (single/family):	$1,100/$2,200 (per calendar year)	$2,200/$4,400 (per calendar year)
Coinsurance	Plan Pays 90% after deductible	Plan Pays 60% after deductible
Physician Office Visit	$30 copay	Plan Pays 60% after deductible
Prescription Drug Copays	$10 Generic/$30 Brand Formulary $100 Brand Non-Formulary	

HMO and Indemnity Options

Benefits	HMO	Indemnity
Deductible (single/family):	$200/$400 (per calendar year)	$500/$1,500 (per calendar year)
Coinsurance Maximum (single/family):	$1,000/$2,000 (per calendar year)	$2,200/$4,400 (per calendar year)
Coinsurance	Plan Pays 90% after deductible	Plan Pays 90% after deductible
Physician Office Visit (PCP/Specialist)	$20/$25 copay	Plan Pays 90% after deductible
Prescription Drug Copays	$10 Generic/$25 Brand Formulary/ $50 Brand Non-Formulary (Mail order = 2x)	$10 Generic/$30 Brand Formulary $100 Brand Non-Formulary

All HMO and PPO Plans have a Consumer Choice Option that enables the retiree to request that a non-network provider be reimbursed on a network basis. Also some Medicare eligible retirees do not have prescription drug coverage do to having enrolled in a Medicare Part D Prescription Drug Plan (PDP).

Premiums

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election. Premiums shown are monthly and are effective for calendar year 2008. A small number of retirees are enrolled in the Consumer Choice Options and the Consumer Direct Plan pilot program.

			PPO	Indemnity	United	Blue Choice	Kaiser	Kaiser MA
Single	10	Under 65	78.26	290.40	82.84	78.98	85.34	0.00
	11	Full Medicare	30.46	242.60	35.02	31.18	37.54	16.50
	12	No Medicare	176.38	388.52	180.96	177.10	183.46	0.00
	14	Part A Only	247.22	459.36	251.80	247.94	254.30	0.00
	15	Part B Only	149.10	361.24	153.68	149.82	156.18	0.00
	16	Part A & B ONLY	136.72	348.86	141.28	137.44	143.80	0.00
	17	Part A & D ONLY	140.96	353.10	145.54	141.68	148.04	0.00
	18	Part B & D ONLY	42.84	254.98	47.42	43.56	49.92	0.00
Family	04	1 Spouse under 65& 1 with Part A ONLY	407.84	797.84	371.80	362.34	377.92	0.00
	05	1 Spouse under 65& 1 with Part B ONLY	309.72	699.72	273.68	264.22	279.80	0.00
	06	1 Spouse under 65& 1 with Part A & B ONLY	297.34	687.32	261.30	251.84	267.42	0.00
	07	1 Spouse under 65& 1 with Part A & D ONLY	301.58	691.58	265.54	256.08	271.66	0.00
	08	1 Spouse under 65& 1 with Part B & D ONLY	203.46	593.46	167.42	157.96	173.54	0.00
	20	Family	238.88	628.88	202.84	193.38	208.96	0.00
	21	Both with full Medicare	131.82	521.82	95.80	86.34	101.90	33.00
	22	Both over 65, 1 no Medicare, 1 full Medicare	289.20	679.18	253.16	243.70	259.28	199.96
	24	Both over 65 with no Medicare	435.12	825.12	399.08	389.62	405.20	0.00
	25	1 Spouse under 65 no Med & 1 with full Med	191.08	581.06	155.04	145.58	161.16	101.84
	26	1 Spouse under 65 no Med & 1 No Med over 65	337.00	727.00	300.96	291.50	307.08	0.00
	41	1 Spouse Part A ONLY & 1 with full Medicare	360.04	750.02	324.00	314.54	330.12	0.00
	42	1 Spouse Part A ONLY & 1 with NO Medicare	505.96	895.96	469.92	460.46	476.04	0.00
	44	Both with Part A ONLY	576.80	966.80	540.76	531.30	546.88	0.00
	45	1 Spouse Part A ONLY & 1 with Part B ONLY	478.68	868.68	442.64	433.18	448.76	0.00
	46	1 Spouse Part A ONLY & 1 with Part A&B ONLY	466.30	856.28	430.26	420.80	436.38	0.00
	47	1 Spouse Part A ONLY & 1 with Part A&D ONLY	470.54	860.54	434.50	425.04	440.62	0.00
	48	1 Spouse Part A ONLY & 1 with Part B&D ONLY	372.42	762.42	336.38	326.92	342.50	0.00
	51	1 Spouse Part B ONLY & 1 with full Medicare	261.92	651.90	225.88	216.42	232.00	0.00
	52	1 Spouse Part B ONLY & 1 with NO Medicare	407.84	797.84	371.80	362.34	377.92	0.00
	55	Both with Part B ONLY	380.56	770.56	344.52	335.06	350.64	0.00
	56	1 Spouse Part B ONLY & 1 with Part A&B ONLY	368.18	758.16	332.14	322.68	338.26	0.00
	57	1 Spouse Part B ONLY & 1 with Part A&D ONLY	372.42	762.42	336.38	326.92	342.50	0.00
	58	1 Spouse Part B ONLY & 1 with Part B&D ONLY	274.30	664.30	238.26	228.80	244.38	0.00
	61	1 Spouse Part A&B ONLY & 1 with full Medicare	238.08	628.08	202.06	192.60	208.16	0.00
	62	1 Spouse Part A&B ONLY & 1 with NO Medicare	395.46	785.44	359.42	349.96	365.54	0.00
	66	Both with Part A&B ONLY	344.34	734.34	308.32	298.86	314.42	0.00
	67	1 Spouse Part A&B ONLY & 1 with Part A&D ONLY	360.04	750.02	324.00	314.54	330.12	0.00
	68	1 Spouse Part A&B ONLY & 1 with Part B&D ONLY	261.92	651.90	225.88	216.42	232.00	0.00
	71	1 Spouse Part A&D ONLY & 1 with full Medicare	253.78	643.76	217.74	208.28	223.86	0.00
	72	1 Spouse Part A&D ONLY & 1 with NO Medicare	399.70	789.70	363.66	354.20	369.78	0.00
	77	Both with Part A&D ONLY	364.28	754.28	328.24	318.78	334.36	0.00
	78	1 Spouse Part A&D ONLY & 1 with Part B&D ONLY	266.16	656.16	230.12	220.66	236.24	0.00
	81	1 Spouse Part B&D ONLY & 1 with full Medicare	155.66	545.64	119.62	110.16	125.74	0.00
	82	1 Spouse Part B&D ONLY & 1 with NO Medicare	301.58	691.58	265.54	256.08	271.66	0.00
	88	Both with Part B&D ONLY	168.04	558.04	132.00	122.54	138.12	0.00

State Health Benefit Plan Medicare Policy

- Georgia law requires that SHBP pay benefits after Medicare has paid.
- SHBP will calculate premiums and claim payments based upon Medicare enrollment for retirees over 65 or those eligible for Medicare due to disability. (See table on previous page.)
- Premiums will be based on the Parts of Medicare (A, B, or D) elected. There will be no adjustments in premiums because of other coverage such as TRICARE, VA or other group coverage since SHBP may have potential primary liability.
- SHBP will coordinate benefits for members who are enrolled in Medicare A, B, or D.
- SHBP will pay primary benefits on members not eligible or not enrolled in Medicare, but the member will pay a higher premium.
- Members enrolled in Medicare (A, B, or D), must send a copy of their Medicare cards by the first of the month in which they are eligible for Medicare. Premiums cannot be reduced until copies of Medicare cards are received and the change in premium is processed by the retirement system. Delay in submission of Medicare information does not qualify for a refund of the difference in premiums.