



**GEORGIA STATE EMPLOYEES POST-EMPLOYMENT
HEALTH BENEFIT FUND
&
GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT
HEALTH BENEFIT FUND**

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

PREPARED AS OF JUNE 30, 2012



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

August 8, 2013

Mr. Timothy A. Connell
Chief Financial Officer
Georgia Department of Community Health
Division of Financial Management
2 Peachtree Street, NW
Atlanta, GA 30303

Dear Mr. Connell:

Enclosed are 20 bound copies and one unbound copy of the "Georgia State Employees Post-Employment Health Benefit Fund and the Georgia School Personnel Post-Employment Health Benefit Fund, Report of the Actuary on the Retiree Medical Valuations Prepared as of June 30, 2012".

Sincerely yours,

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

Edward A. Macdonald, ASA, FCA, MAAA
President

Enclosures

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August 8, 2013

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 benefits (OPEB). The State Health Benefit Plan is comprised of three health insurance plans: a plan primarily for State employees, established by O.C.G.A. § 45-18-2, a plan for teachers, established by O.C.G.A. § 20-2-881, and a plan for non-certificated public school employees, established by O.C.G.A. § 20-2-911. These health insurance plans are operated as one plan, and together they are referred to as the State Health Benefit Plan (SHBP). The statutes establishing the plans are referred to as "The Acts." The State Health Benefit Plan covers active employees, retirees and their eligible dependents under The Acts for health insurance. Legislation was enacted in 2009 creating two separate OPEB funds, the Georgia State Employees Post-Employment Health Benefit Fund (the "State Employee OPEB Fund"), which provides for the payment of current and future retiree health benefits for State employees, and the Georgia School Personnel Post-Employment Health Benefit Fund (the "School Personnel OPEB Fund"), which provides for the payment of current and future retiree health benefits for teachers and non-certificated public school employees. The Georgia Department of Community Health (DCH) is the State agency responsible for obtaining the valuation of the two OPEB Funds. Enclosed are the results of the annual actuarial valuations of the State Employee OPEB Fund and the School Personnel OPEB Fund prepared as of June 30, 2012.

Since the previous valuation, a data audit has been performed in order to more accurately calculate the OPEB liabilities for the two Funds. The methodology and results of the data audit are discussed more fully in the Executive Summary section of this report.

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

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Georgia Department of Community Health
August 8, 2013
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As separate and distinct Cost Sharing Multiple-Employer Plans, both OPEB Funds separately value their own OPEB liabilities, report the results, and make the appropriate disclosures under GASB 43. The OPEB liabilities of the State OPEB Fund are determined based on projected expenses for retired State employees enrolled in the SHBP. The OPEB liabilities of the School Personnel OPEB Fund are determined based on projected expenses for retired teachers and public school employees enrolled in the SHBP. Projected expenses are determined based on eligibility requirements in effect on January 1, 2013 and benefit offerings in effect on January 1, 2013. Member employers within each Fund 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 respective OPEB Fund and reference the respective OPEB Fund's GASB 43 report and disclosures. Thus, results are shown separately for the State Employee OPEB Fund, which primarily includes members of the Employees' Retirement System (ERS), the Judicial Retirement System (JRS), and the Legislative Retirement System (LRS), and the School Personnel OPEB Fund, which primarily includes members of the Teachers' Retirement System (TRS) and the Public School Employees' Retirement System (PSERS).

Actuarial Certification

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: 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 benefit 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 valuations were 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 each plan.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Alisa Bennett'.

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

A handwritten signature in blue ink that reads 'Edward A. Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA
President



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**GEORGIA DEPARTMENT OF COMMUNITY HEALTH
STATE AND SCHOOL OPEB FUNDS
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION
PREPARED AS OF JUNE 30, 2012**

EXECUTIVE SUMMARY

OVERVIEW

The State Health Benefit Plan (SHBP) provides post-employment health benefits for State Employees, Public School Teachers, Public School Employees, Retirees and their eligible Dependents, and other entities under The Acts for health insurance.

This report presents the results of the June 30, 2012 OPEB actuarial valuation for the SHBP. Comments on the valuation and changes since the prior valuation are described below.

Affordable Care Act

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

Data Audit

Since the previous valuation, a data audit has been performed which analyzed participation in and eligibility for post-employment benefits under the SHBP. Similar to experience investigations which examine the demographic assumptions with regard to such things as terminations, retirement patterns, disability and mortality, it is appropriate from time to time to perform a data audit to ensure that OPEB liabilities are being calculated as accurately as possible. Eligibilities for OPEB benefits can be different from pension eligibilities, especially for certain groups of employees differentiated by payroll location or employment type. In addition, since post-employment health benefits generally contain a retiree premium component that must be contributed by the retiree, assumptions must be made as to levels of participation in the OPEB plans by eligible retirees.

In previous valuations, data showing claims and enrollment experience, as well as retiree census data showing health plan and coverage elections, were provided by the Georgia Department of Community Health (DCH). However, active census data was provided by the Employees' Retirement System (ERS), the Judicial Retirement System (JRS), and the Legislative Retirement System (LRS), for the valuation of the State Employee OPEB Fund, while active census data was provided by the Teachers' Retirement System (TRS), and the Public School Employees' Retirement System (PSERS), for the valuation of the School Personnel OPEB Fund.

For the June 30, 2012 OPEB valuation and data audit, census data was provided by DCH for both active and retired members participating in the SHBP health plans. This data included, among other items, a payroll location code which could be used in conjunction with the pension data provided by ERS, JRS, LRS,



TRS, and PSERS to obtain additional information and to determine eligibilities and participation election patterns. Unlike prior valuations, which included members of ERS, JRS, LRS, TRS, and PSERS as potential future SHBP retirees, the June 30, 2012 valuation uses the active census data from DCH to determine potential future SHBP retirees.

The changes to this valuation due to the data audit include the following:

- Board of Regents members who participate in TRS were not included in this valuation in the School Fund because they are not eligible for SHBP. They were included in prior valuations because they are members of TRS.
- Fulton County school employees and City of Atlanta school employees were included in the valuation because they are eligible for SHBP benefits. They were not included in previous valuations because they are not members of TRS or PSERS.
- Members who are receiving SHBP benefits as an active employee who are coded as either retired or terminated with a vested benefit on the pension data were included in this valuation. These members were not included in prior valuations because they were not in the DCH retiree data or the pension active data.
- The post-retirement participation assumption has been changed from 90% for State and PSERS members and 75% for TRS to 100% for those active members currently participating in the SHBP and 0% for those active members currently waiving coverage in the SHBP. This assumption is used for future retirees only. Actual participation information is used for current retirees.

State Employee OPEB Fund

The State Employee OPEB Fund is financing benefits on a Pay As You Go basis. That is, annual costs of providing benefits are 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 the June 30, 2012 valuation, a discount rate of 4.50% has been used for the State Employee OPEB Fund.

Recent retiree health benefit changes reflected in this valuation include:

- a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
- b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
- c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
- d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
- e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
- f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



The valuation indicates that an annual required contribution in the amount of \$275,680,773 payable for the fiscal year ending June 30, 2015 is required to actuarially support the benefits of the State Employee OPEB Fund.

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

Medical and drug benefits of the SHBP offered in 2013 to State Employees are used as a basis for the actuarially calculated contribution rate which is 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, 2012, the assets in trust solely to provide benefits to retirees and their beneficiaries is \$0. 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 3.00% annually. The assumptions are recommended by the actuary and are in the aggregate, reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 43 and 45.

School Personnel OPEB Fund

The School Personnel OPEB Fund is financing benefits on a Pay As You Go basis. That is, annual costs of providing benefits are 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 the June 30, 2012 valuation, a discount rate of 4.50% has been used for the School Personnel OPEB Fund.

Recent retiree health benefit changes reflected in this valuation include:

- a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
- b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
- c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
- d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
- e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
- f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



The valuation indicates that an annual required contribution in the amount of \$873,277,873 payable for the fiscal year ending June 30, 2015 is required to actuarially support the benefits of the School Personnel OPEB Fund.

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

Medical and drug benefits of the SHBP offered in 2013 to teachers and non-certificated public school employees are used as a basis for the actuarially calculated contribution rate which is developed using the unit credit actuarial cost method with projected benefits. As of June 30, 2012, the assets in trust solely to provide benefits to retirees and their beneficiaries is \$0. 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 Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 43 and 45.



STATE EMPLOYEE OPEB FUND



**GEORGIA DEPARTMENT OF COMMUNITY HEALTH
STATE EMPLOYEE OPEB FUND
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION
PREPARED AS OF JUNE 30, 2012**

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, 2012 results for the State Employee OPEB Fund. Actual headcounts are shown for the current valuation only since the data collection procedures were updated due to the data audit.

Valuation Date	June 30, 2012	June 30, 2011
Discount Rate	4.50%	4.50%
Members Receiving SHBP Benefits		
Actives	49,693	
Retirees	33,701	
Spouses of Retirees	<u>11,707</u>	
Total	95,101	
Actuarial Accrued Liability	\$ 3,867,926,833	\$ 4,311,635,522
Assets:		
Market value	\$ 0	\$ 0
Unfunded Actuarial Accrued Liability	\$ 3,867,926,833	\$ 4,311,635,522
Amortization period (years)	30	30
Fiscal Year	2015	2014
Annual Required Contribution (ARC)		
Normal	\$ 117,916,674	\$ 145,593,906
Accrued Liability	<u>\$ 157,764,099</u>	<u>\$ 175,861,985</u>
Total	\$ 275,680,773	\$ 321,455,891



The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the State Employee OPEB Fund for June 30, 2012 and June 30, 2011:

Valuation Date	June 30, 2012	June 30, 2011
State Employee OPEB Fund		
Unfunded Actuarial Accrued Liability	\$ 3,867,926,833	\$ 4,311,635,522
Annual Required Contribution (\$)	\$ 275,680,773	\$ 321,455,891
Discount Rate	4.50%	4.50%

2. The valuation indicates that contributions of \$275,680,773, is sufficient to support current benefits of the State Employee OPEB Fund. Comments on the valuation results as of June 30, 2012 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 Fund will not be operating in an actuarially sound manner. If contributions are made at the required levels then the discount rate 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.
3. Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Recent retiree health benefit changes reflected in this valuation include:
 - a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
 - b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
 - c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
 - d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
 - e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan.



UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.

- f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



4. The following table details the change in the Unfunded Accrued Liability (UAL). All dollar amounts are expressed in millions. The Data Audit item shows the impact of analyzing eligibility and changing the participation assumption for future retirees to 100% if currently participating in SHBP health plans and 0% if currently waiving health coverage.

State Employee OPEB Fund	
June 30, 2011 Discount Rate	4.50%
June 30, 2012 Discount Rate	4.50%
June 30, 2011 UAL	\$ 4,311.6
Normal Cost	\$ 145.6
Required Contribution	\$ 321.5
Fiscal Year 2012 Actual Contribution	\$ 181.9
Expected UAL based on ARC	\$ 4,325.8
Expected UAL based on Actual Contributions	\$ 4,468.5
(Gain)/Loss due to Contribution Deficiency	\$ 142.7
(Gain)/Loss due to claims and contribution experience and medical plan deductible and co-pay changes	(\$ 362.4)
(Gain)/Loss due to Data Audit	(\$ 116.1)
(Gain)/Loss due to Other*	(\$ 122.1)
June 30, 2012 UAL	\$ 3,867.9
Other as a % of June 30, 2012 UAL	(3.16%)

* Other category includes changes due to such sources as retirements, terminations, etc., differing from the assumed rates, new entrants entering the plan with a partial year of service credit at the valuation date, and actual investment income different from assumed.



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. Census from the Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System was used to obtain additional information as appropriate. Since the previous valuation, a data audit was performed. The methodologies and results of the data audit are described in the Executive Summary of this report. The following table shows the number of retirees, spouses of retirees and active employees currently participating the SHBP health plans on the basis of which the valuation was prepared.

State Employee OPEB Fund	Total
Number of Retirees	33,701
Number of Spouses of Retirees	11,707
Number of Actives	49,693



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

STATE EMPLOYEE OPEB FUND

Active Employees Currently Participating in Health Plans 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	1,027	49						1,076
25 to 29	2,845	1,059	32					3,936
30 to 34	2,311	2,486	674	10				5,481
35 to 39	1,634	2,028	1,727	465	7			5,861
40 to 44	1,438	1,846	1,538	1,292	492	28		6,634
45 to 49	1,228	1,522	1,356	1,126	1,364	678	31	7,305
50 to 54	1,053	1,396	1,235	1,047	1,230	1,284	440	7,685
55 to 59	772	1,249	1,134	940	1,019	1,025	551	6,690
60 to 64	442	920	697	467	496	415	229	3,666
65 to 69	101	312	225	151	123	100	69	1,081
70 & up	16	48	82	46	35	24	27	278
Total	12,867	12,915	8,700	5,544	4,766	3,554	1,347	49,693

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	12,935	5,693	18,628
65 and Older	20,766	6,014	26,780
Total	33,701	11,707	45,408



SECTION III - ASSETS

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2012, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Fund equal \$0.

The State Employee OPEB Fund has been financing benefits on a Pay As You Go 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 Fund.



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. Recent retiree health benefit changes reflected in this valuation include:
 - a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
 - b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
 - c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
 - d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
 - e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
 - f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



2. The valuation shows that the State Employee OPEB Fund has an actuarial accrued liability of \$1,832,383,326 for benefits expected to be paid on account of the present active membership, based on service to the valuation date.
3. The State Employee OPEB Fund's liability on account of benefits payable to retirees and covered spouses amounts to \$2,035,543,507.
4. The total State Employee OPEB Fund actuarial accrued liability amounts to \$3,867,926,833.
5. Against these liabilities, the Fund has present assets for valuation purposes in the amount of \$0. Therefore, the total unfunded actuarial accrued liability for the State Employee OPEB Fund is \$3,867,926,833.
6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the State Employee OPEB Fund is determined to be \$117,916,674.



SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

ANNUAL REQUIRED CONTRIBUTION

For Fiscal Year Ending June 30, 2015

Annual Required Contribution (ARC):	\$
State Employee OPEB Fund	
Normal	\$ 117,916,674
Accrued Liability	<u>157,764,099</u>
Total	\$ 275,680,773

1. The valuation indicates that the normal contribution for the State Employee OPEB Fund is determined to be \$117,916,674.
2. The actuarial accrued liability amounts to \$3,867,926,833 and is for employees, retirees and covered spouses that will receive benefits paid from the State Employee OPEB Fund.
3. An accrued liability contribution for the State Employee OPEB Fund of \$157,764,099 is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on the assumption that the contribution will increase by 3.00% annually.
4. The total Annual Required Contribution for the State Employee OPEB Fund is, therefore, \$275,680,773.



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 for the State Employee OPEB Fund from last year's recommended amount of \$321,455,891 to the current valuation amount of \$275,680,773 is required to fund the State Employee OPEB Fund in an actuarially sound manner.
3. This contribution of \$275,680,773 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 decrease in the recommended contribution is primarily due to the favorable claims experience, the change in certain medical plan copays, deductibles and out of pocket maximums, and data and participation assumption changes due to the data audit. Offsetting the decreases are increases due to the contribution shortfall.
5. The recommended employer contribution according to the June 30, 2012 valuation of the State Employees' Assurance Department for post-employment benefits is \$0. Therefore, the total recommended State contribution, when OPEB and Life Insurance are taken into consideration is \$275,680,773.



6. It is our understanding that the State Employee OPEB Fund meets the parameters stipulated in GASB 43 and 45 to operate as Cost Sharing Multiple Employer Plan. As such, it is not necessary for participating employers to conduct their own individual valuations under GASB 45. Instead, the participating employers may disclose the contract rate(s) charged by the State Employee OPEB Fund and reference this report for any needed disclosures.



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 Fund and the employer.

SCHEDULE OF FUNDING PROGRESS

State Employee OPEB Fund

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)
6/30/2007	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%
6/30/2009	136,932,084	4,520,953,493	4,384,021,409	3.0%	2,730,018,000	160.6%
6/30/2010	186,000	4,478,594,086	4,478,408,086	0.0%	2,626,081,000	170.5%
6/30/2011	0	4,311,635,522	4,311,635,522	0.0%	2,542,890,541	169.6%
6/30/2012	0	3,867,926,833	3,867,926,833	0.0%		

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)
6/30/2007	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%)
6/30/2009	628,199,000	733,670,705	105,471,705	85.6%	2,653,527,165	4.0%
6/30/2010	680,449,000	691,001,456	10,552,456	98.5%	2,401,973,957	0.4%
6/30/2011	807,893,000	678,420,518	(129,472,482)	119.1%	2,166,982,265	(6.0%)
6/30/2012	818,284,000	704,617,256	(113,666,744)	116.1%	1,962,799,952	(5.8%)

State Employee OPEB Fund and State Employees' Assurance Department 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)
6/30/2007	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%
6/30/2009	765,131,084	5,254,624,198	4,489,493,114	14.6%	2,730,018,000	164.4%
6/30/2010	680,635,000	5,169,595,542	4,488,960,542	13.2%	2,626,081,000	170.9%
6/30/2011	807,893,000	4,990,056,040	4,182,163,040	16.2%	2,542,890,541	164.5%
6/30/2012	818,284,000	4,572,544,089	3,754,260,089	17.9%		

Assumptions were changed beginning with the 6/30/2010 valuation to reflect the retirement systems' experience studies. A data audit was performed and data collection procedures and assumptions were changed beginning with the 6/30/2012 valuation.



SCHEDULE OF EMPLOYER CONTRIBUTIONS

State Employee OPEB Fund

Fiscal Year Ending	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage of ARC Contributed
Date	(a)	(b)	(b) / (a)
6/30/2008	\$ 367,508,478	\$ 274,771,419	74.8%
6/30/2009	\$ 387,790,092	\$ 170,789,710	44.0%
6/30/2010	\$ 347,772,066	\$ 22,209,006	6.4%
6/30/2011	\$ 327,052,844	\$ 168,384,048	51.5%
6/30/2012	\$ 317,100,335	\$ 181,898,661	57.4%

2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2012. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Healthcare cost trend rate*	
Pre-Medicare Eligible	8.00%
Medicare Eligible	7.00%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%



SCHEDULE A

SUMMARY OF EMPLOYER RESULTS

State Employee OPEB Fund and Life Insurance Combined

Discount Rate	State OPEB 4.50%	State Life 7.50%	State Total
Actuarial Accrued Liability	\$ 3,867,926,833	\$ 704,617,256	\$ 4,572,544,089
Assets:			
Market value	\$ 0	\$ 818,284,000	\$ 818,284,000
Unfunded Actuarial Accrued Liability	\$ 3,867,926,833	\$ (113,666,744)	\$ 3,754,260,089
Amortization period (years)	30	30	30
Annual Required Contribution (ARC):			
Normal	\$ 117,916,674	\$ 6,400,223	\$ 124,316,897
Accrued Liability	<u>157,764,099</u>	<u>(6,400,223)</u>	<u>151,363,876</u>
Total	\$ 275,680,773	\$ 0	\$ 275,680,773



**Benefit of Prefunding
Annual Required Contributions**

**STATE EMPLOYEE OPEB FUND
(\$ shown in thousands)**

State Employee OPEB Fund	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members:	\$ 1,832,383	\$ 1,425,839
(b) Present retired members and covered spouses:	\$ 2,035,544	<u>1,741,971</u>
(c) Total actuarial accrued liability	\$ 3,867,927	\$ 3,167,810
PRESENT ASSETS FOR VALUATION PURPOSES	\$ 0	\$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$ 3,867,927	\$ 3,167,810
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2015:		
Normal	\$ 117,917	\$ 88,122
Accrued Liability	\$ 157,764	<u>\$155,277</u>
Total	\$ 275,681	\$243,399



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. Assets in the trust may be used to pay health benefits to current retirees and their beneficiaries.

As of June 30, 2012, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the State Employee OPEB Fund equal \$0.

The State Employee OPEB Fund has been financing benefits on a Pay As You Go 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 Employee OPEB Fund.



SCHEDULE C

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: June 30, 2012

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 pre-65 retirees for the year following the valuation date.

Pre-65*	\$ 10,707
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* Retirees selecting the HRA plan will also receive annual credits to use for eligible medical expenses. For 2013, the credits are \$500 for the Wellness HRA, \$150 for the Standard HRA and an additional \$240 for those completing certain requirements. These amounts are not assumed to increase in the future.

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, 2013 are as follows:

Medicare Advantage Plan	Full Monthly Rate	Retiree Premium
Standard MA-PFFS	\$ 147.25	\$ 25.38
Premium MA-PFFS	\$ 207.01	\$ 85.14

Over 65 retirees who are not participating in the Medicare Advantage plans are assumed to cost the same as a pre-Medicare retiree.

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

Year	Pre-65 Retiree Claims Trend	Post-65 Retiree Claims Trend
2012	8.00%	7.00%
2013	7.50%	6.50%
2014	7.00%	6.00%
2015	6.50%	5.50%
2016	6.00%	5.00%
2017	5.50%	5.00%
2018 and beyond	5.00%	5.00%



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 PARTICIPATION: Representative values of the assumed annual rates of member participation and spouse coverage by future retirees are as follows:

	State
Participation if currently participating in health coverage	100%
Participation if currently waiving health coverage	0%
Spouse Coverage	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 Employee OPEB Fund 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 for non-law enforcement officers are as follows. Special rates of separation apply to law enforcement officers.

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
MALES					
20	.035%	.05%	31.00%		
25	.038	.05	26.00	17.00%	
30	.044	.05	22.50	12.00	7.50%
35	.077	.05	21.00	10.00	7.00
40	.108	.25	19.00	9.50	5.00
45	.151	.50	18.00	9.00	3.75
50	.214	.75	15.50	7.00	3.75
55	.362	1.10	13.00	6.50	4.00
60	.675	--	15.00	7.00	--
65	1.274	--	15.00	9.50	--
69	1.980	--			
FEMALES					
20	.019%	.02%	31.00%		
25	.021	.02	24.00	19.00%	
30	.026	.02	21.00	13.00	7.75%
35	.048	.02	19.50	10.50	6.75
40	.071	.10	17.50	9.00	4.50
45	.112	.25	15.50	8.00	3.50
50	.168	.50	15.00	7.00	3.50
55	.272	.82	12.50	6.50	4.00
60	.506	--	12.50	6.50	--
65	.971	--	17.00	10.00	--
69	1.486	--			



State Employee OPEB Fund Members Participating in the Employees Retirement System of Georgia

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement for non-law enforcement officers are as follows. Special retirement rates apply to law enforcement officers.

Age	Old Plan							
	Early Retirement		Age 60 or 30 years		34 years		More than 34 years	
	Male	Female	Male	Female	Male	Female	Male	Female
55	3.0%	4.0%	11.5%	9.0%	100.0%	100.0%	90.0%	90.0%
56	3.5	6.0	12.0	11.0	100.0	100.0	70.0	70.0
57	4.0	6.0	12.0	13.0	100.0	100.0	70.0	70.0
58	5.0	6.0	13.0	15.0	95.0	95.0	70.0	70.0
59	6.0	6.0	16.0	16.0	95.0	95.0	70.0	70.0
60			17.0	20.0	95.0	95.0	50.0	60.0
62			37.0	40.0	90.0	90.0	50.0	60.0
64			20.0	30.0	90.0	90.0	15.0	60.0
66			30.0	35.0	30.0	35.0	30.0	35.0
68			20.0	25.0	20.0	25.0	20.0	25.0
70			45.0	35.0	45.0	35.0	45.0	35.0
75			100.0	100.0	100.0	100.0	100.0	100.0

Age	New Plan and GSEPS			
	Early Retirement		Normal Retirement*	
	Male	Female	Male	Female
55	10.0%	8.0%	50.0%	40.0%
56	10.0	8.0	50.0	40.0
57	10.0	9.0	50.0	40.0
58	10.0	10.0	30.0	40.0
59	10.0	15.0	30.0	40.0
60			17.0	20.0
62			38.0	36.0
64			25.0	28.0
66			35.0	35.0
68			20.0	25.0
70			20.0	25.0
75			100.0	100.0

* An additional 10% of active New Plan and GSEPS members less than age 65 are expected to retire in the year in which they attain 30 years of service



DEATHS AFTER RETIREMENT: The RP-2000 Combined Mortality Table is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set back eleven years for males 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	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745



State Employee OPEB Fund Members Participating in the Georgia Judicial Retirement System

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.035%	.019%	.05%	8.0%
25	.038	.021	.05	8.0
30	.044	.026	.10	8.0
35	.077	.048	.15	8.0
40	.108	.071	.20	8.0
45	.151	.112	.35	4.0
50	.214	.168	.50	3.0
55	.362	.272	.90	3.0
60	.675	.506	1.45	3.0
65	1.274	.971	2.35	3.0

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

Age	Annual Rates of Retirement
60	12%
61-64	12
65-66	15
67-69	20
70-74	30
75	100

DEATHS AFTER RETIREMENT: The RP-2000 Combined Mortality Table is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Males	Females	Age	Males	Females
40	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745

The RP-2000 Disability Mortality Table set back eleven years for males is used for the period after disability.



State Employee OPEB Fund Members Participating in the Georgia Legislative Retirement System

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rates of			
	Death		Disability	Withdrawal
	Males	Females		
20	.035%	.019%	.1%	6.0%
25	.038	.021	.1	6.0
30	.044	.026	.2	6.0
35	.077	.048	.3	6.0
40	.108	.071	.4	6.0
45	.151	.112	.7	7.5
50	.214	.168	1.0	8.5
55	.362	.272	1.8	10.0
60	.675	.506	2.9	10.0
65	1.274	.971		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 RP-2000 Combined Mortality Table is used for the period after retirement and for dependent beneficiaries. For the period after disability retirement, the RP-2000 Disabled Mortality Table set back eleven years for males is used. Representative values of the assumed annual rates of mortality after service retirement are as follows:

Age	Males	Females	Age	Males	Females
40	.108%	.071%	65	1.274%	.971%
45	.151	.112	70	2.221	1.674
50	.214	.168	75	3.783	2.811
55	.362	.272	80	6.437	4.588
60	.675	.506	85	11.076	7.745



SCHEDULE D

SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

State Employee OPEB Fund Eligibility

Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from any of the retirement systems listed below. "Old Plan" means the plan applicable to members beginning employment prior to July 1, 1982. "New Plan" means the plan applicable to members employed on or after July 1, 1982 and before January 1, 2009. "GSEPS" means the plan applicable to members employed on or after January 1, 2009.

- Employees' Retirement System (GSEP Non-Police)
 - Service Retirement: 25 years of service or age 60 with 10 years of service
 - Disability Retirement: 15 years of service
 - Active Death Surviving Spouse: 15 years of service
- Employees' Retirement System (GSEP Police)
 - Service Retirement: 30 years of service or age 55 with 10 years of service
 - Disability Retirement: 15 years of service
 - Active Death Surviving Spouse: 13 years and 4 months of service
- Employees' Retirement System (Police)
 - Service Retirement: 30 years of service or age 55 with 10 years of service
 - Disability Retirement: 13 years and 4 months of service
 - Active Death Surviving Spouse: 13 years and 4 months of service
- Employees' Retirement System (Old & New Plan Non-Police)
 - Service Retirement: 25 years of service or age 60 with 10 years of service
 - Disability Retirement: 13 years and 4 months of service
 - Active Death Surviving Spouse: 13 years and 4 months of service or age 60 with 10 years of service
- Judicial Retirement System
 - Service Retirement: age 60 with 10 years of service
 - Disability Retirement: 4 years of service
 - Active Death Surviving Spouse: 10 years of service
- Legislative Retirement System
 - Service Retirement: age 60 with 8 years of service
 - Disability Retirement: age 60 with 8 years of service
 - Active Death Surviving Spouse: 15 years of service or age 60 with 8 years of service

Retirees from other systems who may be eligible for post-employment benefits other than pensions were included in the valuation if they were included in the DCH census data.

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.

A tobacco surcharge of \$80 per month is charged to those tobacco users not participating in the Medicare Advantage plans. Of the retirees not participating in the Medicare Advantage plans, it is assumed that 10% pay the tobacco surcharge.



Plan Design Changes

1. The spousal surcharge will no longer apply.
2. All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in the table below:

	2012 Plan Year				2013 Plan Year			
	HRA	Wellness HDHP (IN/OON)	Standard HDHP (IN/OON)	HMO	HRA (Wellness/ Standard)	Wellness HDHP (IN/OON)	Standard HDHP (IN/OON)	HMO
Deductible								
• You	\$1,300	\$1,500/\$3,000	\$1,750/\$3,500	\$1,000	\$1,600	\$1,800/\$3,600	\$2,000/\$4,000	\$1,300
• You + Spouse	\$2,250	\$3,000/\$6,000	\$3,500/\$7,000	\$1,500	\$2,800	\$3,600/\$7,200	\$4,000/\$8,000	\$1,950
• You+Child(ren)	\$2,250	\$3,000/\$6,000	\$3,500/\$7,000	\$1,500	\$2,800	\$3,600/\$7,200	\$4,000/\$8,000	\$1,950
• You+Family	\$3,250	\$3,000/\$6,000	\$3,500/\$7,000	\$2,000	\$4,000	\$3,600/\$7,200	\$4,000/\$8,000	\$2,600
Maximum Out-of-Pocket								
• You	\$3,000	\$2,400/\$5,300	\$2,650/\$5,800	\$3,000	\$4,000/\$4,500	\$4,000/\$8,000	\$4,500/\$9,000	\$4,500+CP
• You + Spouse	\$5,000	\$4,100/\$9,800	\$4,600/\$10,800	\$4,500	\$6,500/\$7,000	\$8,000/\$16,000	\$9,000/\$18,000	\$7,000+CP
• You+Child(ren)	\$5,000	\$4,100/\$9,800	\$4,600/\$10,800	\$4,500	\$6,500/\$7,000	\$8,000/\$16,000	\$9,000/\$18,000	\$7,000+CP
• You+Family	\$7,000	\$4,100/\$9,800	\$4,600/\$10,800	\$6,000	\$9,000/\$9,500	\$8,000/\$16,000	\$9,000/\$18,000	\$9,500+CP

3. The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
4. The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
5. Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



Premiums

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election. Premiums shown are monthly and are effective January 1, 2013.

**STATE HEALTH BENEFIT PLAN
DIRECT PAY ANNUITANT UNDER 65 RATES
JANUARY 1 - DECEMBER 31, 2013**

STANDARD	YOU	YOU + CHILD(REN)	YOU + SPOUSE	YOU + FAMILY
UHC HMO	\$149.38	\$325.88	\$347.34	\$430.96
UHC HRA	\$104.92	\$271.26	\$286.66	\$364.54
UHC HDHP	\$93.54	\$253.32	\$267.34	\$344.17
CIGNA HMO	\$142.38	\$318.88	\$340.34	\$423.96
CIGNA HRA	\$97.92	\$264.26	\$279.66	\$357.54
CIGNA HDHP	\$86.54	\$246.32	\$260.34	\$337.14
WELLNESS	YOU	YOU + CHILD(REN)	YOU + SPOUSE	YOU + FAMILY
UHC HMO	\$139.38	\$300.88	\$322.34	\$413.86
UHC HRA	\$94.92	\$246.26	\$261.66	\$350.86
UHC HDHP	\$83.54	\$228.32	\$242.34	\$331.48
CIGNA HMO	\$132.38	\$293.88	\$315.34	\$406.86
CIGNA HRA	\$87.92	\$239.26	\$254.66	\$343.86
CIGNA HDHP	\$76.54	\$221.32	\$235.34	\$324.48

Medicare Advantage Plan	Retiree Premium
Standard MA-PFFS	\$ 25.38
CIGNA Premium MA-PFFS	\$ 85.14

For active employees with less than 5 years of service, premiums will be subject to the service based schedule shown on page 28.



CONTRIBUTIONS (Actives with less than five years of service as of January 1, 2012): Retirees and Spouses will pay a portion of the blended contribution rate based on the retirees' service at retirement.

Service at Retirement	Health Benefit Fund's Share of Contribution Rate		Retiree's Share of Contribution Rate	
	Retiree	Spouse	Retiree	Spouse
30 and above	75%	55%	25%	45%
29	72%	53%	28%	47%
28	69%	51%	31%	49%
27	66%	49%	34%	51%
26	63%	47%	37%	53%
25	60%	45%	40%	55%
24	57%	43%	43%	57%
23	54%	41%	46%	59%
22	51%	39%	49%	61%
21	48%	37%	52%	63%
20	45%	35%	55%	65%
19	42%	33%	58%	67%
18	39%	31%	61%	69%
17	36%	29%	64%	71%
16	33%	27%	67%	73%
15	30%	25%	70%	75%
14	27%	23%	73%	77%
13	24%	21%	76%	79%
12	21%	19%	79%	81%
11	18%	17%	82%	83%
10	15%	15%	85%	85%
9 and below	0%	0%	100%	100%



SCHOOL PERSONNEL OPEB FUND



**GEORGIA DEPARTMENT OF COMMUNITY HEALTH
SCHOOL PERSONNEL OPEB FUND
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION
PREPARED AS OF JUNE 30, 2012**

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, 2012 results for the School Personnel OPEB Fund. For illustrative purposes only, the School Fund as of June 30, 2012 has been split between the Teachers' Retirement System (TRS), the Public School Employees' Retirement System (PSERS) and Other. Other includes such members as those in the Atlanta Public Schools or Fulton County Schools who are not members of TRS or PSERS

Valuation Date	June 30, 2012				June 30, 2011
Valuation Group	Teachers' Retirement System (TRS)	Public School Employees' Retirement System (PSERS)	Other*	School Personnel Total	School Personnel Total
Discount Rate	4.50%	4.50%		4.50%	4.50%
Members Receiving SHBP Benefits					
Actives	143,993	29,190	1,932	175,115	
Retirees	60,675	9,348	1,930	71,953	
Spouses of Retirees	<u>20,334</u>	<u>2,590</u>	<u>410</u>	<u>23,334</u>	
Total	225,002	41,128	4,272	270,402	
Actuarial Accrued Liability	\$9,950,647,522	\$766,076,448	\$153,205,953	\$10,869,929,923	\$ 11,143,125,071
Assets:					
Market value				\$ 0	\$ 0
Unfunded Actuarial Accrued Liability				\$10,869,929,923	\$ 11,143,125,071
Amortization period (years)				30	30
Fiscal Year				2015	2014
Annual Required Contribution (ARC))					
Normal				\$ 471,838,017	\$ 531,780,773
Accrued Liability				<u>401,439,856</u>	<u>411,529,289</u>
Total				\$ 873,277,873	\$ 943,310,062

*Other includes such members as those in the Atlanta Public Schools or Fulton County Schools who are not members of TRS or PSERS.



The following table summarizes the Unfunded Actuarial Accrued Liability and the Annual Required Contribution for the School Personnel OPEB Fund for June 30, 2012 and June 30, 2011:

Valuation Date	June 30, 2012	June 30, 2011
School Personnel OPEB Fund		
Unfunded Actuarial Accrued Liability	\$ 10,869,929,923	\$ 11,143,125,071
Annual Required Contribution (\$)	\$ 873,277,873	\$ 943,310,062
Discount Rate	4.50%	4.50%

2. The valuation indicates that total contributions of \$873,277,873 are sufficient to support current benefits of the School Personnel OPEB Fund. Comments on the valuation results as of June 30, 2012 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 Fund 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.
3. Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Recent retiree health benefit changes reflected in this valuation include:
 - a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
 - b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
 - c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
 - d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.



- e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
- f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



4. The following table details the change in the Unfunded Accrued Liability (UAL). All dollar amounts are expressed in millions.

School Personnel OPEB Fund	
	Total School Fund
June 30, 2011 Discount Rate	4.50%
June 30, 2012 Discount Rate	4.50%
June 30, 2011 UAL	\$ 11,143.1
Normal Cost	\$ 531.8
Required Contribution	\$ 943.3
Fiscal Year 2012 Actual Contribution	\$ 380.9
Expected UAL based on ARC	\$ 11,223.8
Expected UAL based on Actual Contribution	\$ 11,798.8
(Gain)/Loss due to Contribution Deficiency	\$ 575.0
(Gain)/Loss due to claims and contribution experience and medical plan deductible and co-pay changes	(978.1)
(Gain)/Loss due to Data Audit	310.3
(Gain)/Loss due to Other*	\$ (261.1)
June 30, 2012 UAL	\$ 10,869.9
Other as a % of June 30, 2012 UAL	(2.40%)

* Other category includes changes due to such sources as retirements, terminations, etc., differing from the assumed rates, new entrants entering the plan with a partial year of service credit at the valuation date, and actual investment income different from assumed.



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. Census from the Teachers' Retirement System and the Public School Employees' Retirement System was used to obtain additional information as appropriate. Since the previous valuation, a data audit was performed. The methodologies and results of the data audit are described in the Executive Summary of this report. The following table shows the number of retirees, spouses of retirees and active employees currently participating the SHBP health plans on the basis of which the valuation was prepared.

School Personnel OPEB Fund	Total
Number of Retirees	71,953
Number of Spouses of Retirees	23,334
Number of Actives	175,115



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

SCHOOL PERSONNEL OPEB FUND

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	1,584	17						1,601
25 to 29	8,887	3,642	51					12,580
30 to 34	5,324	10,717	2,421	6				18,468
35 to 39	4,434	7,262	8,058	1,550	6	0	0	21,310
40 to 44	4,566	7,425	6,472	6,289	1,398	15	0	26,165
45 to 49	4,052	6,391	5,405	3,854	4,058	1,303	16	25,079
50 to 54	3,355	5,433	5,298	4,047	3,297	3,411	750	25,591
55 to 59	2,652	4,295	4,477	3,993	3,803	2,598	1,577	23,395
60 to 64	1,640	2,862	2,775	2,192	2,038	1,545	1,084	14,136
65 to 69	659	1,334	1,038	593	568	382	420	4,994
70 & up	171	564	466	211	135	99	150	1,796
Total	37,324	49,942	36,461	22,735	15,303	9,353	3,997	175,115

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	25,676	8,773	34,449
65 and Older	46,277	14,561	60,838
Total	71,953	23,334	95,287



TEACHERS RETIREMENT SYSTEM VALUATION GROUP

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	1,371	12						1,383
25 to 29	8,441	3,487	30					11,958
30 to 34	4,648	10,366	2,304	5				17,323
35 to 39	3,492	6,617	7,780	1,492	4			19,385
40 to 44	3,367	6,277	5,837	6,084	1,343	13		22,921
45 to 49	2,644	4,957	4,379	3,388	3,835	1,228	7	20,438
50 to 54	1,840	3,967	4,143	3,372	2,932	3,250	671	20,175
55 to 59	1,283	2,852	3,515	3,309	3,296	2,312	1,390	17,957
60 to 64	576	1,636	1,915	1,710	1,628	1,282	834	9,581
65 to 69	156	489	518	349	397	268	246	2,423
70 & up	23	85	107	70	46	56	62	449
Total	27,841	40,745	30,528	19,779	13,481	8,409	3,210	143,993

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	23,944	8,066	32,010
65 and Older	36,731	12,268	48,999
Total	60,675	20,334	81,009



PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM VALUATION GROUP

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	196	4						200
25 to 29	415	139	19					573
30 to 34	626	319	109	1				1,055
35 to 39	879	600	247	46	1			1,773
40 to 44	1,130	1,079	586	170	47			3,012
45 to 49	1,340	1,358	966	413	183	63	9	4,332
50 to 54	1,435	1,417	1,094	613	324	145	73	5,101
55 to 59	1,299	1,383	892	607	458	260	174	5,073
60 to 64	1,010	1,170	816	430	380	254	241	4,301
65 to 69	482	822	505	233	164	110	163	2,479
70 & up	143	462	348	130	86	42	80	1,291
Total	8,955	8,753	5,582	2,643	1,643	874	740	29,190

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	1,285	533	1,818
65 and Older	8,063	2,057	10,120
Total	9,348	2,590	11,938



OTHER VALUATION GROUP*

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	17	1						18
25 to 29	31	16	2					49
30 to 34	50	32	8					90
35 to 39	63	45	31	12	1			152
40 to 44	69	69	49	35	8	2	0	232
45 to 49	68	76	60	53	40	12	0	309
50 to 54	80	49	61	62	41	16	6	315
55 to 59	70	60	70	77	49	26	13	365
60 to 64	54	56	44	52	30	9	9	254
65 to 69	21	23	15	11	7	4	11	92
70 & up	5	17	11	11	3	1	8	56
Total	528	444	351	313	179	70	47	1,932

Enrolled Retirees and Covered Spouses

	Retirees	Spouses	Total
Under 65	447	174	621
65 and Older	1,483	236	1,719
Total	1,930	410	2,340

*Other includes such members as those in the Atlanta Public Schools or Fulton County Schools who are not members of TRS or PSERS.



SECTION III - ASSETS

Schedule B shows information regarding assets for valuation purposes. As of June 30, 2012, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Fund equal \$0.

The School Personnel OPEB Fund has been financing benefits on a Pay As You Go 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 Fund.



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. Recent retiree health benefit changes reflected in this valuation include:
 - a) The retiree premium rates increased for most plans in 2013. Premium rates are shown in Schedule D of this report.
 - b) The spousal surcharge will no longer apply. Instead, for annuitants who are not eligible for Medicare and whose coverage is subsidized, the subsidy will be less than in previous years. As a result, annuitants, on average, will pay more to cover a spouse.
 - c) All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in Schedule D of this report.
 - d) The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
 - e) The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
 - f) Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



2. The valuation shows that the School Personnel OPEB Fund has an actuarial accrued liability of \$6,474,627,627 for benefits expected to be paid on account of the present active membership, based on service to the valuation date.
3. The School Personnel OPEB Fund's liability on account of benefits payable to retirees and covered spouses amounts to \$4,395,302,296.
4. The total School Personnel OPEB Fund actuarial accrued liability amounts to \$10,869,929,923.
5. Against these liabilities, the Fund has present assets for valuation purposes in the amount of \$0. Therefore, the total unfunded actuarial accrued liability for the School Personnel OPEB Fund is \$10,869,929,923.
6. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the School Personnel OPEB Fund is determined to be \$471,838,017.



SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

ANNUAL REQUIRED CONTRIBUTION

For Fiscal Year Ending June 30, 2015

Annual Required Contribution (ARC):	\$
School Personnel OPEB Fund	
Normal	\$ 471,838,017
Accrued Liability	<u>401,439,856</u>
Total	\$ 873,277,873

1. The valuation indicates that the normal contribution for the School Personnel OPEB Fund is determined to be \$471,838,017.
2. The actuarial accrued liability amounts to \$10,869,929,923 and is for employees, retirees and covered spouses that will receive benefits paid from the School Personnel OPEB Fund.
3. An accrued liability contribution for the School Personnel OPEB Fund of \$401,439,856 is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on the assumption that the contribution will increase by 3.75% annually.
4. The total Annual Required Contribution for the School Personnel OPEB Fund is, therefore, \$873,277,873.



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 School Personnel OPEB Fund from last year's recommended amount of \$943,310,062 to this year's recommended amount of \$873,277,873 is required to fund the School Personnel OPEB Fund in an actuarially sound manner. This contribution of \$873,277,873 is 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 decrease in the recommended contribution rate is primarily due to the favorable claims experience, the change in certain medical plan copays and deductibles and the removal of certain groups during the data audit determined to be ineligible for SHBP benefits. Offsetting the decreases are increases due to the contribution shortfall and the inclusion of certain groups during the data audit determined to be eligible for SHBP benefits.
5. It is our understanding that the School Personnel OPEB Fund meets the parameters stipulated in GASB 43 and 45 to operate as Cost Sharing Multiple Employer Plan. As such, it is not necessary for participating employers to conduct their own individual valuations under GASB 45. Instead, the participating employers may disclose the contract rate(s) charged by the School Personnel OPEB Fund and reference this report for any needed disclosures.



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 Fund and the employer.

SCHEDULE OF FUNDING PROGRESS

School Personnel OPEB Fund

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)
6/30/2007	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%
6/30/2009	33,806,176	11,900,505,254	11,866,699,078	0.3%	11,628,960,000	102.0%
6/30/2010	58,000	11,250,400,224	11,250,342,224	0.0%	11,446,504,000	98.3%
6/30/2011	0	11,143,125,071	11,143,125,071	0.0%	11,127,288,000	100.1%
6/30/2012	0	10,869,929,923	10,869,929,923	0.0%		

Assumptions were changed beginning with the 6/30/2010 valuation to reflect the retirement systems' experience studies. A data audit was performed and data collection procedures and assumptions were changed beginning with the 6/30/2012 valuation.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

School Personnel OPEB Fund

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%
6/30/2009	\$ 1,290,050,224	\$ 303,348,168	23.5%
6/30/2010	\$ 1,080,041,803	\$ 308,539,258	28.6%
6/30/2011	\$ 1,050,850,962	\$ 339,220,960	32.3%
6/30/2012	\$ 1,054,708,002	\$ 380,858,538	36.1%



2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2012. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Healthcare cost trend rate*	
Pre-Medicare Eligible	8.00%
Medicare Eligible	7.00%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%



SCHEDULE A

**Benefit of Prefunding
Annual Required Contributions**

**SCHOOL PERSONNEL OPEB FUND
(\$ shown in thousands)**

	Benefit of Prefunding	
	Discount Rate 4.50%	Discount Rate 6.00%
ACTUARIAL ACCRUED LIABILITY		
Present value of prospective benefits payable in respect of:		
(a) Present active members	\$ 6,474,628	\$ 4,852,676
(b) Present retired members and covered spouses	<u>4,395,302</u>	<u>3,742,698</u>
(c) Total actuarial accrued liability	\$ 10,869,930	\$ 8,595,374
PRESENT ASSETS FOR VALUATION PURPOSES	\$ 0	\$ 0
UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$ 10,869,930	\$ 8,595,374
CONTRIBUTIONS FOR FISCAL YEAR ENDING JUNE 30, 2015:		
Normal	\$471,838	\$338,891
Accrued Liability	<u>\$401,440</u>	<u>\$384,404</u>
Total	\$873,278	\$723,295



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. Assets in the trust may be used to pay health benefits to current retirees and their beneficiaries.

As of June 30, 2012, assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the State Personnel OPEB Fund equal \$0.

The School Personnel OPEB Fund has been financing benefits on a Pay As You Go 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 School Personnel OPEB Fund.



SCHEDULE C

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: June 30, 2012

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 pre-65 retirees for the year following the valuation date.

Pre-65*	\$ 10,707
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* Retirees selecting the HRA plan will also receive annual credits to use for eligible medical expenses. For 2013, the credits are \$500 for the Wellness HRA, \$150 for the Standard HRA and an additional \$240 for those completing certain requirements. These amounts are not assumed to increase in the future.

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, 2013 are as follows:

Medicare Advantage Plan	Full Monthly Rate	Retiree Premium
Standard MA-PFFS	\$ 147.25	\$ 25.38
Premium MA-PFFS	\$ 207.01	\$ 85.14

Over 65 retirees who are not participating in the Medicare Advantage plans are assumed to cost the same as a pre-Medicare retiree.

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

Year	Pre-65 Retiree Claims Trend	Post-65 Retiree Claims Trend
2012	8.00%	7.00%
2013	7.50%	6.50%
2014	7.00%	6.00%
2015	6.50%	5.50%
2016	6.00%	5.00%
2017	5.50%	5.00%
2018 and beyond	5.00%	5.00%



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 member participation and spouse coverage are as follows:

	State
Participation if currently participating in health coverage	100%
Participation if currently waiving health coverage	0%
Spouse Coverage	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.



School Personnel OPEB Fund Members Participating in the Teachers Retirement System of Georgia*

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
MALES					
20	0.03%	0.03%	31.00%	-	-
25	0.04	0.03	18.00	16.00%	-
30	0.04	0.04	14.00	8.00	11.00%
35	0.06	0.04	14.00	6.00	3.00
40	0.10	0.05	13.00	6.00	2.25
45	0.13	0.09	12.00	6.00	2.20
50	0.19	0.17	11.00	5.50	2.50
55	0.29	0.32	11.00	5.00	2.70
60	0.53	-	11.00	5.00	-
64	0.88	-	11.00	5.00	-
FEMALES					
20	0.02%	0.02%	30.00%	-	-
25	0.02	0.02	14.00	25.00%	-
30	0.02	0.02	13.00	9.00	9.00%
35	0.04	0.03	13.00	7.00	3.50
40	0.06	0.04	11.00	7.00	3.00
45	0.09	0.07	10.00	5.50	2.00
50	0.13	0.12	10.00	5.00	2.00
55	0.20	0.38	10.00	4.75	2.75
60	0.35	-	10.00	4.75	-
64	0.58	-	10.00	4.75	-

*TRS assumptions were also used for members classified for illustrative purposes as Other.



School Personnel OPEB Fund 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 Males		Annual Rate Females	
	< 30 Years Of Service	>= 30 Years Of Service	< 30 Years Of Service	>= 30 Years Of Service
50	5.00%	50.00%	5.00%	50.00%
55	5.00	38.00	5.00	35.00
60	20.00	35.00	25.00	40.00
61	18.00	30.00	25.00	40.00
62	25.00	35.00	25.00	40.00
63	20.00	33.00	25.00	40.00
64	18.00	30.00	25.00	40.00
65	30.00	30.00	30.00	30.00
66	30.00	30.00	30.00	30.00
67	30.00	30.00	28.00	28.00
68	28.00	28.00	28.00	28.00
69	26.00	26.00	28.00	28.00
70	30.00	30.00	30.00	30.00

DEATHS AFTER RETIREMENT: The RP-2000 Combined Mortality Table (set back two years for males and three years for females) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table (set back two 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%	.06%	2.26%	0.75%
45	.13	.09	2.26	0.75
50	.19	.13	2.64	1.15
55	.29	.20	3.29	1.65
60	.53	.35	3.93	2.18
65	1.00	.67	4.66	2.80
70	1.79	1.22	5.69	3.76
75	3.04	2.07	7.33	5.22
80	5.21	3.41	9.76	7.23
85	8.97	5.63	12.83	10.02
90	15.06	9.63	16.22	14.00
95	23.37	15.76	23.37	19.45

*TRS assumptions were also used for members classified for illustrative purposes as Other.



School Personnel OPEB Fund Members Participating in the Georgia Public School Employees Retirement System

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	Annual Rate of				
	Death	Disability	Withdrawal		
			Years of Service		
			0-4	5-9	10+
MALES					
20	0.036%	0.00%	35.0%	-	-
25	0.038	0.00	30.0	17.0%	-
30	0.050	0.00	27.0	16.0	14.0%
35	0.084	0.00	24.0	14.0	9.0
40	0.114	0.01	21.0	12.0	7.0
45	0.162	0.04	20.0	11.0	6.5
50	0.245	0.09	18.0	11.0	6.5
55	0.420	0.23	15.0	9.0	6.0
60	0.778	0.35	13.0	9.0	-
65	1.441	0.00	-	-	-
FEMALES					
20	0.019%	0.00%	34.0%	-	-
25	0.021	0.00	29.0	19.0%	-
30	0.026	0.00	24.0	15.0	11.0%
35	0.048	0.00	20.0	13.0	10.0
40	0.071	0.01	17.0	12.0	8.0
45	0.112	0.04	16.0	10.0	7.0
50	0.168	0.09	14.0	9.0	6.5
55	0.272	0.23	12.0	8.0	6.0
60	0.506	0.35	11.0	7.0	-
65	0.971	0.00	-	-	-



School Personnel OPEB Fund 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	15%	68	25%
61	15	69	25
62	22	70	25
63	18	71	25
64	18	72	25
65	28	73	25
66	25	74	25
67	25	75 & over	100

DEATHS AFTER RETIREMENT: The RP-2000 Combined Table set forward one year for males is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females 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	0.114%	0.071%	64	1.441%	0.971%
45	0.162	0.112	70	2.457	1.674
50	0.245	0.168	75	4.217	2.811
55	0.420	0.272	80	7.204	4.588
60	0.768	0.506	85	12.280	7.745



SCHEDULE D

SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

School Personnel OPEB Fund Eligibility

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

- Teachers Retirement System
 - Service Retirement: 25 years of service or age 60 with 10 years of service
 - Disability Retirement: 10 years of service
 - Active Death Surviving Spouse: 10 years of service
- Public School Employees Retirement System
 - Service Retirement: age 60 with 10 years of service
 - Disability Retirement: 15 years of service
 - Active Death Surviving Spouse: age 60 with 10 years of service

TRS eligibility requirements were assumed for members in the Other category of the School Fund.

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.

A tobacco surcharge of \$80 per month is charged to those tobacco users not participating in the Medicare Advantage plans. Of the retirees not participating in the Medicare Advantage plans, it is assumed that 10% pay the tobacco surcharge.



Plan Design Changes

1. The spousal surcharge will no longer apply.
2. All Options will see changes in deductibles and maximum out-of-pocket amounts in 2013. These changes are detailed in the table below:

	2012 Plan Year				2013 Plan Year			
	HRA	Wellness HDHP (IN/OON)	Standard HDHP (IN/OON)	HMO	HRA (Wellness/Standard)	Wellness HDHP (IN/OON)	Standard HDHP (IN/OON)	HMO
Deductible								
• You	\$1,300	\$1,500/\$3,000	\$1,750/\$3,500	\$1,000	\$1,600	\$1,800/\$3,600	\$2,000/\$4,000	\$1,300
• You + Spouse	\$2,250	\$3,000/\$6,000	\$3,500/\$7,000	\$1,500	\$2,800	\$3,600/\$7,200	\$4,000/\$8,000	\$1,950
• You+Child(ren)	\$2,250	\$3,000/\$6,000	\$3,500/\$7,000	\$1,500	\$2,800	\$3,600/\$7,200	\$4,000/\$8,000	\$1,950
• You+Family	\$3,250	\$3,000/\$6,000	\$3,500/\$7,000	\$2,000	\$4,000	\$3,600/\$7,200	\$4,000/\$8,000	\$2,600
Maximum Out-of-Pocket								
• You	\$3,000	\$2,400/\$5,300	\$2,650/\$5,800	\$3,000	\$4,000/\$4,500	\$4,000/\$8,000	\$4,500/\$9,000	\$4,500+CP
• You + Spouse	\$5,000	\$4,100/\$9,800	\$4,600/\$10,800	\$4,500	\$6,500/\$7,000	\$8,000/\$16,000	\$9,000/\$18,000	\$7,000+CP
• You+Child(ren)	\$5,000	\$4,100/\$9,800	\$4,600/\$10,800	\$4,500	\$6,500/\$7,000	\$8,000/\$16,000	\$9,000/\$18,000	\$7,000+CP
• You+Family	\$7,000	\$4,100/\$9,800	\$4,600/\$10,800	\$6,000	\$9,000/\$9,500	\$8,000/\$16,000	\$9,000/\$18,000	\$9,500+CP

3. The HMO Standard plan co-payment for a Primary Care Physician will increase from \$45 to \$55, a Specialist from \$55 to \$65 and an Urgent Care visit from \$35 to \$55.
4. The Humana Medicare Advantage PPO Premium Plan will not be offered in 2013. Humana will continue to offer eligible members the Humana MA PPO Standard Plan. UnitedHealthcare (UHC) will continue to offer both the MA PPO Premium and MA PPO Standard Plans. The UHC MA PPO Premium Plan will see an increase in the co-insurance from 15% to 20%. The current co-insurance for the MA PPO Standard Plan is 20% and will not change for 2013.
5. Wellness Plan members will no longer receive the \$125 HRA fund contribution in 2013 for completing the Health Assessment and obtaining an annual physical. Those members and spouses (if covered) enrolled in a 2013 Wellness Plan Option will each be eligible to earn a \$240 HRA incentive fund contribution for 2014 if either meet the 2013 Wellness Promise requirements. Those members and spouses (if covered) enrolled in a 2013 Standard Plan Option will also each be eligible to earn the \$240 HRA incentive fund contribution for 2014 if either take specific actions outlined in the retiree decision guide.



Premiums

Retiree premiums vary based on plan election, dependent coverage, Medicare eligibility and election. Premiums shown are monthly and are effective January 1, 2013.

**STATE HEALTH BENEFIT PLAN
DIRECT PAY ANNUITANT UNDER 65 RATES
JANUARY 1 - DECEMBER 31, 2013**

STANDARD	YOU	YOU + CHILD(REN)	YOU + SPOUSE	YOU + FAMILY
UHC HMO	\$149.38	\$325.88	\$347.34	\$430.96
UHC HRA	\$104.92	\$271.26	\$286.66	\$364.54
UHC HDHP	\$93.54	\$253.32	\$267.34	\$344.17
CIGNA HMO	\$142.38	\$318.88	\$340.34	\$423.96
CIGNA HRA	\$97.92	\$264.26	\$279.66	\$357.54
CIGNA HDHP	\$86.54	\$246.32	\$260.34	\$337.14
WELLNESS	YOU	YOU + CHILD(REN)	YOU + SPOUSE	YOU + FAMILY
UHC HMO	\$139.38	\$300.88	\$322.34	\$413.86
UHC HRA	\$94.92	\$246.26	\$261.66	\$350.86
UHC HDHP	\$83.54	\$228.32	\$242.34	\$331.48
CIGNA HMO	\$132.38	\$293.88	\$315.34	\$406.86
CIGNA HRA	\$87.92	\$239.26	\$254.66	\$343.86
CIGNA HDHP	\$76.54	\$221.32	\$235.34	\$324.48

Medicare Advantage Plan	Retiree Premium
Standard MA-PFFS	\$ 25.38
CIGNA Premium MA-PFFS	\$ 85.14

For active employees with less than 5 years of service, premiums will be subject to the service based schedule shown on page 56.



CONTRIBUTIONS (Actives with less than five years of service as of January 1, 2012): Retirees and Spouses will pay a portion of the blended contribution rate based on the retirees' service at retirement.

Service at Retirement	Health Benefit Fund's Share of Contribution Rate		Retiree's Share of Contribution Rate	
	Retiree	Spouse	Retiree	Spouse
30 and above	75%	55%	25%	45%
29	72%	53%	28%	47%
28	69%	51%	31%	49%
27	66%	49%	34%	51%
26	63%	47%	37%	53%
25	60%	45%	40%	55%
24	57%	43%	43%	57%
23	54%	41%	46%	59%
22	51%	39%	49%	61%
21	48%	37%	52%	63%
20	45%	35%	55%	65%
19	42%	33%	58%	67%
18	39%	31%	61%	69%
17	36%	29%	64%	71%
16	33%	27%	67%	73%
15	30%	25%	70%	75%
14	27%	23%	73%	77%
13	24%	21%	76%	79%
12	21%	19%	79%	81%
11	18%	17%	82%	83%
10	15%	15%	85%	85%
9 and below	0%	0%	100%	100%