Gabriel Roeder Smith & Company
Consultants & Actuaries

STATE OF SOUTH CAROLINA RETIREE HEALTH CARE PLAN

ACTUARIAL VALUATION REPORT

AS OF JUNE 30, 2009

GRS
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June 24, 2010

Mr. Robin E. Tester
Director Employee Insurance Program
South Carolina Budget and Control Board
1201 Main Street, Suite 350
Columbia, SC 29201

Dear Mr. Tester:

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits and long term disability benefits provided through the Employee Insurance Program (EIP) for the State of South Carolina. The date of the Valuation was June 30, 2009, with results applicable to the fiscal year July 1, 2010 to June 30, 2011. This report was prepared at the request of EIP.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements 43 and 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the Trust's financial reporting requirements may produce significantly different results. This report may be provided to parties other than the State of South Carolina only in its entirety and only with the permission of the State of South Carolina.

The valuation was based upon information, furnished by the State, concerning retiree health benefits, members' census and financial data. Data was checked for internal consistency but was not otherwise audited. The demographic and certain economic assumptions are identical to the set of demographic and economic assumptions adopted by the Budget and Control Board based on the 2008 Experience Study.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods.

One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Co.

William J. Hickman
Senior Consultant

Joseph P. Newton, FSA, MAAA
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SECTION A

CURRENT OVERVIEW

SUMMARY OF GASB ACCOUNTING STANDARDS

This report provided information for the State of South Carolina Employees Insurance Program (EIP) to comply with accounting standards issued by the Government Accounting Standards Board (GASB), Statements No. 43 and 45, relating to Other Post-Employment Benefits (OPEB). For the State of South Carolina, these benefits primarily include medical, prescription drug and dental insurance benefits provided to all eligible State and School District retirees, and also include the basic long term disability benefits provided to State employees, School District employees, and employees for Local Political Subdivisions. Any other OPEB benefits offered to the employees of the State of South Carolina are outside the scope of this report.

The information in this report should be applied to the State's Comprehensive Annual Financial Report (CAFR) issued for the period July 1, 2010 through June 30, 2011. Subsequently, each annual valuation will be applicable for the Fiscal Year which begins one year after the valuation date. The one year lag between the valuation date and the applicable Fiscal Year will allow appropriate time for budgeting and management of the appropriations.

The purpose of this Report is to provide: (a) results of the actuarial calculations necessary for financial reporting pursuant to GASB Statements 45, and (b) various other actuarial, statistical and benefit information useful to management for the operation of the State's OPEB program.

Results of the Study

The following chart summarizes key results for the Retiree Medical Plan. It illustrates the GASB No. 45 results that will be used for the Trust for the fiscal year ending June 30, 2011. The actuarial liabilities are measured as of June 30, 2009.

The results are shown based on a 5.50% discount rate with assumes the liabilities are valued under a partially funded financing policy.

	As of June 30,	
$000s	2009	2008
Actuarial Accrued Liability	$ 9,643,577	$ 9,279,578
Actuarial Value of Assets	439,903	270,153
Unfunded Actuarial Accrued Liability (EANC)	9,203,674	9,009,425
	Year Ending June 30,	
	2011	2010
Annual Required Contribution for YE 6/30/2011	**$ 815,825**	**$ 785,250**
Per Active Participant	$ 4,543	$ 4,335
As % of Expected Payroll	10.14%	9.94%
Expected Net Employer Contr. for YE 6/30/2011 (for crediting against OPEB Cost)	**$ 353,102**	**$ 326,490**

The illustrated fiscal year ending June 30, 2011 Net Employer Contribution for the partial funding scenario is shown as $353 million, which is assumed to be $10 million above the expected pay-as-you-go costs. At the end of the year, any additional contributions above the pay-as-you-go costs would be available for investment in the trust.

If a full advance-funding policy were implemented, by definition, the actual contributions made would equal 100% of the ARC; and therefore, the actual contributions used in the GASB exhibits would be based on the terms of the policy.

Cost Sharing Multiple-Employer Plans under GASB 43 & 45

Under GASB 43, a **Cost-sharing multiple-employer plan** is defined as a single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Under paragraph 22 of GASB 45, a cost sharing multiple employer postretirement benefit program must meet the following requirements:

1) The plan is administered as a formal trust or equivalent arrangement;
2) Employer contributions are irrevocable;
3) Plan assets are dedicated for providing postretirement benefits; and
4) Plan assets are legally protected from creditors of employers and of the plan administrator.

Furthermore, the glossary of GASB 45 and paragraph 127 of the GASB 43 and 45 Implementation Guide provides additional information on the definition of cost sharing plans as follows:

1) The intent of the cost sharing plan is to pool risks, rewards and costs among all participating employers,
2) A single valuation is performed and the same contribution rate applies to each participating employer, and
3) The cost sharing plan is administered as a legal trust or equivalent trust that makes the risk pooling mechanism possible.

We believe Act 195 created a scenario in which the EIP benefits provided for employees of the State of South Carolina (including School District employees) meets the conditions of a cost sharing multi-employer plan, and therefore, each employer is only required to recognize OPEB expense for their contractually required contributions to the plan, currently 3.50% of payroll for fiscal year 2010 and 3.90% of payroll for fiscal year 2011. Each employer is required to disclose an identification of the way that the contractually required contribution rate is determined (for example, by statute or contract or on an actuarially determined basis) and no balance sheet liability will be generated, provided that the contractually prescribed contributions are made by the employers.

The one condition that must be monitored is whether the arrangement can be classified as a multi-employer plan if there is no level of advance funding. This directly applies to item 1) – *intent is to pool risks, rewards, and costs among all participating employers.* To meet the definition of pooling risks, some level of advance funding has to exist. The exact level has not been defined by GASB, but it is clear that a pure pay-as-you-go financed Trust will not meet the definition of a cost-sharing plan.

For Fiscal Year 2009, there were additional contributions of $107 million above the pay-as-you-go costs contributed into the Trust. In addition, it is anticipated that there will be additional contributions made into the Trust during future fiscal years so that the asset levels of the Trust will increase over time. This additional accumulation of assets does provide a mechanism for the individual employers to pool risks.

However, if the multiple employer plan does not satisfy the preceding conditions, then it is must be classified as an agent multiple employer plan for financial reporting purposes, and the participating employers should apply the requirements of an agent plan.

Funded and Unfunded Plans

With the passage of Act 195, a separate Trust has been formed into which the employers can make contributions to advance-fund the obligation. This is a prudent step to systematically finance the OPEB liabilities on a sound actuarial basis. If the OPEB Plan's assets were invested with a longer term horizon and an actuarial funding policy were established, a higher interest discount rate would be appropriate for use in the valuation. This would result in reduced Annual OPEB Costs and lower liabilities. It is important to note that only forming a Trust does not singularly allow the use of a higher discount rate; adoption by the State of a sound actuarial funding policy is also required.

State officials have advised that the State Constitution currently would prohibit the investment policy of such a Trust from investing in equities. The State Treasurer's office has estimated that 6% per annum would be a reasonable long term rate of return expected by a reasonable fixed income portfolio as currently permitted.

If the Legislature were to adopt an actuarially sound funding policy then the GASB standards would permit the use of a 6.0% discount rate. However, even though a Trust has been formed, if no such changes were made to the current program financing policy, the costs and liabilities would need to be valued using the 5.00% discount rate.

As previously stated, for GASB 43 & 45 reporting purposes, we have assumed some level of advance funding above the pay-as-you-go costs will exist. This will allow the retiree medical program to be classified as a cost-sharing multiple-employer plan. If the funding policy includes some level of advance funding, but does not fund to the full ARC, then the actuarial valuation will be based on a partial funding scenario. For example, in fiscal years ending June 30, 2008 and June 30, 2009 there were additional contributions made to the trust of $312 million and $107 million, respectively, above the expected pay-as-you-go costs, which is a substantial contribution above the pay-as-you-go costs, but less than the full ARC. For this valuation, the partially funded discount rate will be 5.50%, which is a blend of the 5.00% unfunded and the 6.00% advance funded discount rates.

Actuarial Assumptions

In any long-term Actuarial Valuation (such as for Pensions and OPEBs), certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These Actuarial Assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the future contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the Annual Required Contribution as required under GASB 43.

This Actuarial Valuation of the State's OPEBs is similar to the Actuarial Valuations performed for the State's pension plans, except that the OPEB Valuation is more complex. The demographic assumptions (rates of retirement/TERI election, termination and disability) used in this OPEB Valuation were identical to those used in the various respective 2009 Retirement Systems' Valuations. Since the assumptions were based upon the 2009 actuarial experience study adopted by the Budget & Control Board, they were deemed reasonable for this OPEB Valuation, they were employed in this report.

The economic and behavioral assumptions, of course, are unique to medical benefits. It would be instructive to review the Section of this Report titled, "Actuarial Assumptions and Methods" for a detailed discussion and disclosure of all the relevant Actuarial Assumptions used in this Valuation.

Actuarial Cost Methods

GASB Statement No. 45 provides an acceptable range of flexibility to governmental employers (and their actuaries) in the use of various actuarial cost methods. Several of such acceptable actuarial cost methods were investigated. The Entry Age Normal Cost Method was used in this valuation. This is both an acceptable and reasonable cost method. Furthermore, the Normal Costs and the amortization of any Unfunded Actuarial Accrued Liabilities were calculated using a level percent of pay.

SECTION B

VALUATION RESULTS RETIREE MEDICAL PLAN

VALUATION RESULTS
Partially Funded Scenario

Following are two charts presenting the essential results of the valuation. The first chart presents the results as they relate to the State's obligation for its own employees and retirees, adds in the results from the second chart on School District employees and retirees, and presents a grand total.

This scenario shows the results for the Trust to use in complying GASB No. 43 for Fiscal Year 2010. This assumes there will be a funding policy established in which assets will accumulate in the Trust formed by Act 195. We have been advised by the Comptroller General's office that it is the intent of the State to have the retiree medical benefits provided through the Trust to be classified as a cost-sharing multiple-employer plan so that the Trust can take on the financial responsibility of the Implicit Subsidy of the School District Employers with respect to GASB No. 45. For that to occur, some level of funding above the current pay-as-you-go will have to be established. For the following exhibits, we have shown a funding policy equal to $10 million above the pay-as-you-go costs for FY2011. The actual GASB exhibits will need to be adjusted based on the actual funding policy established.

The partially funded discount rate is 5.50%, developed by utilizing a blend of the 5.0% unfunded discount rate and the 6.0% advance funded discount rate with no equity exposure. For Fiscal Year 2010, the scenario below will be used if the State does not adopt a full advanced funding policy or does not change the current law to allow for equity investments in the OPEB Trust.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for Unfunded Actuarial Accrued Liabilities is the maximum period that complies with the GASB 43 requirements. The UAAL represents the portion of the total actuarial present value of all future employer-provided benefits attributable to prior years, minus any valuation assets. Basically, it is the measure of the unfunded liability allocable to past service.

The cost and liabilities shown below are employer costs and liabilities, net of any co-pays, deductibles, retiree contributions, and formulary rebates.

State of South Carolina

Based on a partially-funded Plan using a 5.50% investment return assumption

OPEB ACTUARIAL VALUATION RESULTS as of July 1, 2009 ($ in '000s)

	State Obligation for State Employees				State Obligation for School District Employees	Grand Total
	Medical/ Rx Claims	Dental Claims	Retiree Premiums	Total		
Number of Participants Covered						
Active Participants	80,169	80,169	80,169	80,169	99,400	179,569
Retired Participants	30,525	33,155	35,456	35,456	37,081	72,537
Vested Terminated Participants	327	327	327	327	313	640
Total Participants	111,021	113,651	115,952	115,952	136,794	252,746
Actuarial Present Value of Benefits						
Active Participants	$5,490,496	$128,048	($1,905,572)	$3,712,972	$5,422,911	$9,135,883
Retired Participants	2,892,858	96,418	(1,191,694)	1,797,582	1,986,699	3,784,281
Vested Terminated Participants	32,104	834	(10,151)	22,787	22,095	44,883
Total Participants	$8,415,459	$225,300	($3,107,416)	$5,533,343	$7,431,704	$12,965,046
Actuarial Accrued Liability (Enty Age Normal Cost Actuarial Method)						
Active Participants	$3,571,395	$86,905	($1,169,821)	$2,488,479	$3,325,934	$5,814,413
Retired Participants	2,892,858	96,418	(1,191,694)	1,797,582	1,986,699	3,784,281
Vested Terminated Participants	32,104	834	(10,151)	22,787	22,095	44,883
Total Participants	$6,496,358	$184,157	($2,371,666)	$4,308,849	$5,334,728	$9,643,577
Actuarial Value of Assets				196,553	243,350	439,903
Unfunded Actuarial Accrued Liability (EANC)				$4,112,296	$5,091,378	$9,203,674
Annual Required Contribution of the Employer (Enty Age Normal Cost Actuarial Method)						
Normal Cost				4.20%	5.61%	4.93%
Amortization of UAAL				4.64%	5.28%	4.97%
Expenses				0.27%	0.21%	0.24%
Total ARC for YE 6/30/2011 as % of Payroll				**9.11%**	**11.10%**	**10.14%**
Expected Payroll of Active Participants for FY 2011				$3,855,435	$4,190,172	$8,045,607
Estimated OPEB Cost for YE 6/30/2011 (Middle of Year)				$351,230	$465,109	$815,825
Per Active Participant (not in '000s)				$4,381	$4,679	$4,543

State of South Carolina Based on a partially-funded Plan using a 5.50% investment return assumption OPEB ACTUARIAL VALUATION RESULTS as of July 1, 2009 ($ in '000s)				
	State Obligation for School District Employees			
	Medical/ Rx Claims	Dental Claims	Retiree Premiums	Total
Number of Participants Covered				
Active Participants	99,400	99,400	99,400	99,400
Retired Participants	33,665	35,704	37,081	37,081
Vested Terminated Participants	313	313	313	313
Total Participants	133,378	135,417	136,794	136,794
Actuarial Present Value of Benefits				
Active Participants	$7,795,628	$178,360	($2,551,077)	$5,422,911
Retired Participants	3,079,429	104,073	(1,196,803)	1,986,699
Vested Terminated Participants	30,515	813	(9,233)	22,095
Total Participants	$10,905,572	$283,246	($3,757,114)	$7,431,704
Actuarial Accrued Liability (Enty Age Normal Cost Actuarial Method)				
Active Participants	$4,689,247	$113,515	($1,476,828)	$3,325,934
Retired Participants	3,079,429	104,073	(1,196,803)	1,986,699
Vested Terminated Participants	30,515	813	(9,233)	22,095
Total Participants	$7,799,191	$218,401	($2,682,864)	$5,334,728
Actuarial Value of Assets				$243,350
Unfunded Actuarial Accrued Liability (EANC)				$5,091,378
Annual Required Contribution of the Employer (Enty Age Normal Cost Actuarial Method)				
Normal Cost				5.61%
Amortization of UAAL				5.28%
Expenses				0.21%
Total ARC for YE 6/30/2011 as % of Payroll				**11.10%**
Expected Payroll of Active Participants for FY 2011				$4,190,172
Estimated OPEB Cost for YE 6/30/2011 (Middle of Year)				$465,109
Per Active Participant (not in '000s)				$4,679

SECTION C

VALUATION RESULTS LONG TERM DISABILITY PLAN

VALUATION RESULTS

The following chart presents the essential results of the valuation for the Long Term Disability Plan. The 6.0% scenario shown below assumes the annual contributions will be relatively close to the actuarially determined rates and assets will accumulate in the trust, but no exposure to equities in the asset allocation. This scenario should be used for financial reporting for the fiscal year ending June 30, 2011.

The results for the LTD benefits are presented separately from the medical, prescription and dental benefits because a separate trust has been established. One trust provides the medical, prescription and dental benefits and the other trust provides the basic long term disability benefits. According to GASB 43 and 45, having separate trusts requires the two programs to be considered separate OPEBs with separate accounting recognition and reporting requirements.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for Unfunded Actuarial Accrued Liabilities is the maximum period that complies with the GASB 45 requirements.

The UAAL represents the portion of the total actuarial present value of all future employer-provided benefits which is attributable to prior years, minus any valuation assets. Basically, it is the measure of the unfunded liability allocable to past service.

The cost and liabilities shown below are employer costs and liabilities.

State of South Carolina Long Term Disability Plan OPEB ACTUARIAL VALUATION RESULTS as of June 30, 2009 ($ in '000s)	
	Funded 6.00% Discount Rate
Number of Participants Covered	
Active Participants	199,723
Retired Participants	1,092
Vested Terminated Participants	0
Total Participants	200,703
Actuarial Present Value of Benefits	
Active Participants	$69,382
Retired Participants	$16,648
Vested Terminated Participants	$0
Total Participants	$86,030
Actuarial Accrued Liability (Enty Age Normal Cost Actuarial Method)	
Active Participants	$6,962
Retired Participants	$16,648
Vested Terminated Participants	$0
Total Participants	$23,610
Actuarial Value of Assets	$29,440
Unfunded Actuarial Accrued Liability (EANC)	($5,830)
Annual Required Contribution of the Employer (ARC) for YE 6/30/2011 (Enty Age Normal Cost Actuarial Method)	
Normal Cost	0.111%
Amortization of UAAL	-0.003%
Expenses	0.000%
Total ARC for YE 6/30/2011 as % of Payroll	**0.108%**
Expected Payroll of Active Participants for FY 2011	$8,755,500
Estimated OPEB Cost for YE 6/30/2011 (Middle of Year)	$9,456
Per Active Participant (not in '000s)	$47

SECTION D

DEVELOPMENT OF BASELINE COSTS

DEVELOPMENT OF BASELINE COSTS

Data Sources

The Employee Insurance Program (EIP) maintains a substantial amount of data for all its covered members for many years of coverage. Substantial data maintained by the Retirement Systems was also provided for the purpose of this OPEB Valuation. Claims and exposures for the year ending December 31, 2009 were used for the development of the Baseline Costs. These were compared to industry data for reasonableness. The actual claims and exposures were available by age, sex, status, member type, plan coverage, years since retirement, etc. The actual claims and exposure data were reliable and credible for the development of reasonable Baseline Costs.

Baseline Costs

An OPEB Valuation is a projection of long term benefit costs. So as a starting point, initial, current year costs must be developed. Projections of future costs, many years ahead, are based upon these initial current year costs. Care must be taken to ensure that reasonable Baseline Costs are developed for each relevant Costing Variable.

Baseline Costs for this OPEB Valuation take the form of tables of current costs of benefits for retirees (and their dependents and survivors), separately by:

- age (20 through 110),
- sex (M and F),
- benefit type (medical, prescription drug and dental),
- health status (disabled and non-disabled),

Following are charts that present the Baseline Costs used in this OPEB Valuation. These represent the expected monthly cost of providing the benefits promised for the calendar year ending December 31, 2009 for a sample of ages:

Baseline Costs for Non-Disabled Retirees and Spouses (Expected Monthly Per Capita Costs for Calendar Year 2009)						
Age	Medical Coverage		Prescription Drug Coverage		Dental Coverage	
	Male	Female	Male	Female	Male	Female
50	$263.52	$271.35	$98.56	$109.98	$13.42	$13.42
55	$317.83	$308.49	$118.49	$122.63	$13.42	$13.42
60	$382.77	$351.67	$145.38	$140.27	$13.42	$13.42
65	$95.95	$84.05	$164.36	$153.60	$13.42	$13.42
70	$104.22	$88.29	$175.42	$162.64	$13.42	$13.42
75	$109.29	$91.72	$178.56	$167.38	$13.42	$13.42
80	$111.13	$94.35	$178.56	$168.16	$13.42	$13.42

Baseline Costs for Disabled Retirees (Expected Monthly Per Capita Costs for Calendar Year 2009)						
Age	Medical Coverage		Prescription Drug Coverage		Dental Coverage	
	Male	Female	Male	Female	Male	Female
Under 65	$461.49	$461.49	$358.52	$358.52	$13.42	$13.42
65	$95.95	$84.05	$164.36	$153.60	$13.42	$13.42
70	$104.22	$88.29	$175.42	$162.64	$13.42	$13.42
75	$109.29	$91.72	$178.56	$167.38	$13.42	$13.42
80	$111.13	$94.35	$178.56	$168.16	$13.42	$13.42

Costing Variables

Baseline Costs vary depending on many different factors or characteristics of each member. For example, age is possibly the most obvious variable that affects the cost of medical coverage. Age has little or no effect on the cost of full dental coverage.

No significant difference was found in the Baseline Costs of retirees and spouses. Such membership status, therefore, was deemed not to be a necessary Costing Variable and the data for them were combined.

The following are plans are available to retirees:

- The Savings Plan (Non Medicare Eligible Only)
- The Standard Plan
- The Supplemental Plan (Only if eligible for Medicare)
- Blue Choice
- CIGNA
- MUSC Options
- Dental

No significant difference was found in the Baseline Costs of members age 65 and over electing the Standard Plan and the members electing the Supplemental Plan. Furthermore, there were very few members electing the other Plan Options compared to those electing the Standard Plan and the Supplemental Plan, at all ages. Therefore, all claims and exposures for all Plan Options were combined to develop a single set of Baseline Costs for each other relevant Costing Variable.

Likewise, a single set of current retiree premiums were developed by weighting the current retiree premium structure by the current enrollment.

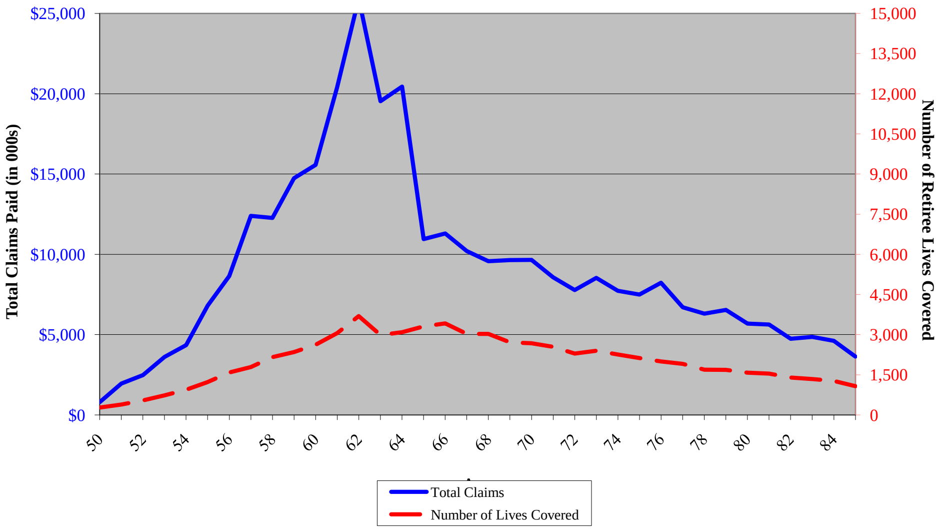
As expected, disabled retirees demonstrated substantially different Baseline Costs, as compared to non-disabled retirees. Additionally, the pattern of costs by age differs significantly, as compared to non-disabled retirees.

Methodology

Gather Data

The first step in determining the expected claims for the population was to gather claims data. Paid claims data for medical and pharmacy were analyzed by age and sex. The following graph shows the total paid claims for the period January 1, 2009 through December 31, 2009 by age, along with the number of lives covered over the same period.

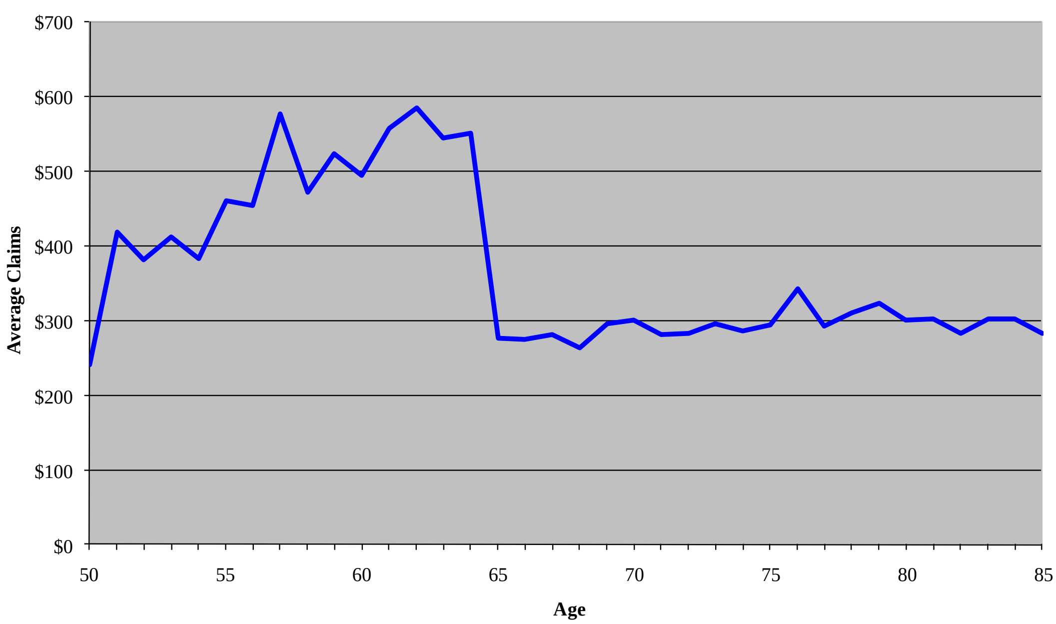
2009 Total Claims Paid Compared to Number of Retiree Lives Covered, by Age
($ in '000s)



Clearly, the total claims before age 65 are considerably higher than the total claims after age 65. This decrease occurs because Medicare coverage begins at age 65. Also, the total claims before age 65 are increasing considerably faster than the number of lives is increasing. For example, the average claim per member is higher for a member age 63 than a member age 57.

The following graph shows the average monthly claim costs per member.

Actual Monthly Claims Per Retired Member



These two graphs show a need to model the increasing claim costs by age in the valuation, especially for ages below 65. This is consistent with other health care experience. This assumption is referred to as the aging factor table.

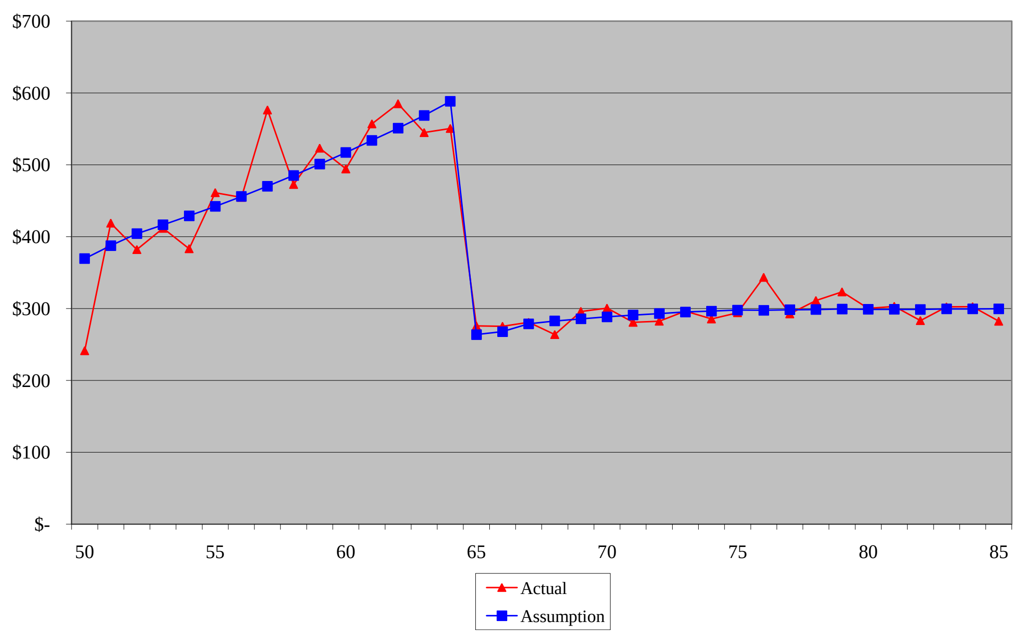
Develop Aging Table

The second step in determining the expected claims for the population was to develop the aging factor table. In preparing the 2006 valuation, we developed an aging table based on the claims history of EIP for calendar years 2001-2005. We feel it is appropriate to revisit the experience every 4-5 years, and have done so in conjunction with this valuation.

Therefore, we developed a new aging table based on the claims history of EIP for calendar years 2005-2009. The average increases at each age were developed and smoothed based on the actual experience. Separate aging factor tables were developed for medical and pharmacy, as well as by sex and health status.

The following graph compares the total claims paid to the expected claims paid. It shows how the assumed claims will approximate the actual claims that were paid, but will take out the variation from age to age and produce smoothed results.

Comparison of Actual Per Capita Costs to Assumed Per Capita Costs



The claim costs developed by the preceding process is appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, the actuarial process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination.

This process more accurately reflects health care costs in the retired population over the projection period.

Adjust from Paid to Incurred

The next step is to make a slight adjustment to convert from paid to incurred. The incurred but not paid as a percentage of claims was 13% for medical, 3% for pharmacy, and 10% for Dental. The expected per capita costs need to be adjusted to recognize the trend increase in the incurred but not paid at the end of the year in comparison to the claims paid in the first part of the year that were incurred in the last part of the year before.

Using the percentages above, the per capita costs were loaded by 0.864% for medical, 0.285% for pharmacy, and 0.643% for Dental.

Final Per Capita Assumptions

Baseline Costs for Non-Disabled Retirees and Spouses (Expected Monthly Per Capita Costs for Calendar Year 2009)						
Age	Medical Coverage		Prescription Drug Coverage		Dental Coverage	
	Male	Female	Male	Female	Male	Female
50	$263.52	$271.35	$98.56	$109.98	$13.42	$13.42
55	$317.83	$308.49	$118.49	$122.63	$13.42	$13.42
60	$382.77	$351.67	$145.38	$140.27	$13.42	$13.42
65	$95.95	$84.05	$164.36	$153.60	$13.42	$13.42
70	$104.22	$88.29	$175.42	$162.64	$13.42	$13.42
75	$109.29	$91.72	$178.56	$167.38	$13.42	$13.42
80	$111.13	$94.35	$178.56	$168.16	$13.42	$13.42

Disabled Members

The per capita assumptions for disabled members were developed in the same way as the healthy members, except that no age/sex-rating factors were used. The claims data showed insufficient differences by age/sex for the disabled members.

SECTION E

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

Obligations of the State of South Carolina

The Governmental Accounting Standards Board (GASB) has issued Accounting Statement No. 43 which describes an accounting standard to be followed for all government financial statements prepared in accordance with generally accepted accounting principles (GAAP). GASB Statement No. 43 sets forth the accounting treatment for obligations related to Other Post-Employment Benefits (OPEBs). The Statement defines the Substantive Plan as the terms of an OPEB plan as understood by the employer(s) and the plan members.

The State of South Carolina has basically two levels of OPEB provided through the Employee Insurance Program (EIP). In the following pages and common usage, these are called the *Implicit Rate Subsidy* and the *State-Funded Subsidy*.

Implicit Rate Subsidy

The *Implicit Rate Subsidy* inures to the benefit of the retirees and their dependents by reason of not having to pay the true age-adjusted cost of coverage. The blended group premiums paid are developed each year by the EIP for the various plans and tiers of coverage and, generally, called the "Non-Funded Premiums". These are derived by blending the expected cost of coverage among both active and retired employees. Generally speaking, the blended group premium is lower than the true cost for retirees and higher than the true cost for active employees. By applying those blended group premiums or Non-Funded Premiums to active employees and their dependents, the State is thereby financing a part of the total retiree cost. So, the *Implicit Rate Subsidy* is financed on a pay-as-you-go basis by loading the monthly rates charged by EIP for coverage (employer plus employee rates), sufficient to make up the difference between the true cost of retirees' coverage and these published monthly rates. All eligible retirees of the State enjoy this *Implicit Rate Subsidy*.

State-Funded Subsidy

The *State-Funded Subsidy* is an additional benefit to certain retirees because it allows them to pay the same portion of the total blended group premium that active employees are required to pay. So the retirees pay only the "employee portion" rather than the total blended group premium. This is, generally, called the "Funded Premium". This benefit to retirees is also financed on a pay-as-you-go basis. But rather than building this subsidy into the blended group premiums, it is financed each year by charging the employers a given percent of the current year's active employee payroll (a "surcharge") sufficient to cover the current years expected *State-Funded Subsidy*. Almost all eligible employees and retirees enjoy this *State-Funded Subsidy*.

To illustrate these two levels of OPEBs *(Implicit Rate Subsidy* and *State-Funded Subsidy*), consider a 62-year-old male State retiree and his 62-year-old spouse in the Standard Plan offered by EIP. Such a retiree may elect either single coverage or retiree plus spouse coverage.

	Single Retiree	**Retiree & Spouse**
(1) Current Estimated True Monthly Cost of Coverage	$ 527.38	$ 1,054.75
(2) Current Total Published Monthly Premium Collected	354.36	752.20
(2a) Portion Paid by Employer/State	260.90	514.70
(2b) Portion Paid by Employee/Retiree	93.46	237.50
(3) Current Monthly ***Implicit Rate Subsidy***: (1)-(2)	173.02	346.03
(4) Current Monthly ***State-Funded Subsidy***: (2)-(2b)=(2a)	260.90	514.70

Based on Calendar Year 2009 rates and expected claims

Substantive Plan

The pages that follow summarize the Substantive Plan provisions for OPEB benefits provided to members whose employers participate in EIP. This is just a summary. Other documents adopted or approved by EIP and/or the Budget and Control Board constitute the authoritative sources. In any conflict that might arise between such documents and this summary, such other documents govern.

For the purpose of this summary, "Earned Service" means creditable service as defined and used by the respective State-administered retirement systems for pension benefit eligibility, with respect to which the employee worked for a covered entity (which participates in the State-administered Employee Insurance Program) and with respect to which the last five (5) years are consecutive and in a full-time permanent position.

State OPEBs Subject to GASB No. 45

Certain OPEBs available to eligible State and School District employees and retirees must be reflected in the Trust's financial statements pursuant to GASB Statement No. 45. These benefits include subsidized medical/prescription benefits, dental benefits, and long term disability benefits.

Other post-employment benefits provided through EIP that do not require any actuarial valuation under GASB Statement No. 43 and 45 include dental plus, long term care, optional life insurance and supplemental long term disability benefits. These require no special calculations or recognition because they are fully paid by the employees and retirees, without any funding by the State (implicitly or otherwise).

Employees and retirees of other Local Jurisdictions may benefit from OPEBs as well. However, the obligation associated with those OPEBs are not the Trust's obligations. They are the obligations of the Local Jurisdictions, which would expense and disclose their own respective obligations in their own respective financial statements.

Medical/Prescription Coverage

Certain State and School District retirees and their dependents and survivors are eligible to continue coverage under the various State-sponsored medical/prescription plans by paying a subsidized rate. Retirees may elect coverage for medical/prescription benefits without coverage for dental benefits.

Dental Coverage

Certain State and School District retirees and their dependents and survivors are eligible to continue coverage under the State-sponsored basic dental plan by paying a subsidized rate. Retirees may elect coverage for dental benefits without medical/prescription benefits.

Basic Long Term Disability

Certain State employees who become disabled may apply for Basic Long term Disability (BLTD) benefits. This benefit is provided without cost to the employee. The BLTD coverage is an employer-financed self-insured program and, thus, subject to reporting under GASB Statement No.45.

Eligibility for Medical/Prescription and Dental Benefits

A two-tier eligibility standard is required for the State of South Carolina to be obligated to provide medical/prescription and dental OPEBs.

First, State and School District employees must be eligible for monthly retirement benefits under the *Vesting, Disability, and Early or Normal Retirement* provisions of any one of the four respective State-administered defined benefit retirement systems. Furthermore, if participating in the Optional Retirement Plan (ORP), employees must satisfy the same eligibility requirements for Vesting, Disability, Early or Normal Retirement under SCRS. The various benefit eligibility requirements for the State-administered Retirement Systems are described in detail in the July 1, 2008 annual actuarial valuations performed by Milliman Consulting and Actuaries.

EIP enforces other eligibility requirements before retired State and School District employees may be considered eligible to benefit from State-obligated OPEBs. Almost all employees receiving pension benefits from one of the State-administered retirement systems are eligible to benefit from the *Implicit Rate Subsidy*, and most are eligible to benefit from the *State-Funded Subsidy*.

Those retirees that pay the Non-Funded Premium enjoy the benefit of the *Implicit Rate Subsidy*, as explained previously, and those that qualify for paying only Funded Premium enjoy the benefit of both the *Implicit Rate Subsidy* and the *State-Funded Subsidy*, as explained previously.

Vesting Retirement

Certain employees who terminate employment with the right to a vested deferred pension benefit are permitted to elect medical/prescription and dental coverage under the plan, commencing at age 60.

If such a former employee does not have at least 20 years of Earned Service at the time of termination, no retiree insurance coverage is available. However, if such a former employee does have at least 20 years of Earned Service at the time of termination, the premium required to be paid is only the Funded Premium for the plan and dependent option elected.

Disability Retirement

Certain employees who qualify for disability pensions or who qualify for the Basic LTD benefits are permitted to elect continued medical/prescription and dental coverage under the plan, commencing when either type of monthly disability benefits is approved.

If such a disabled employee does not have at least five (5) years of Earned Service, no retiree coverage is available. If such disabled employee does have at least five (5) years but does not have at least 10 years of Earned Service at the time of disability approval, the premium required to be paid is the Non-Funded Premium for the plan and dependent option elected. However, if such disabled employee has at least 10 years of Earned Service at the time of disability approval, the premium required to be paid is only the Funded Premium for the plan and dependent option elected.

Death

Surviving dependents of deceased <u>active</u> employees are permitted to continue coverage by paying a required monthly premium, provided both the employee and the surviving dependents were covered under medical/prescription and dental at the time of death. Eligibility for survivor coverage for dependents of active employees does not require eligibility for survivor death benefits under the retirement systems (unlike vesting, disability and early or normal retirement) and no service requirement is necessary for dependents to continue coverage. The required health premium for the first year of coverage following the death of such employee is waived. Surviving spouses may continue coverage for life or until remarriage. Surviving children may continue coverage until limiting ages the same as children of active employees.

In the event that the death of the active employee occurred in the line of duty, the required premium after the first year is only the Funded Premium for the plan and dependent option elected. In the event that the death of the active employee did not occur in the line of duty, the required premium after the first year is the Non-Funded Premium for the plan and dependent option elected.

Surviving dependents of deceased retirees are permitted to continue coverage by paying a required monthly premium, provided both the retiree and the surviving dependents were covered under medical/prescription and dental at the time of death. Surviving spouses may continue coverage for life or until remarriage. Surviving children may continue coverage until limiting ages the same as children of active employees.

If the deceased retiree had at least 10 years of Earned Service at the time of retirement (and, thus, had been paying only the Funded Premium), the required health premium for the first year of coverage following death is waived. Thereafter, the surviving dependents pay the Non-Funded Premium for the plan and dependent option elected. If the deceased retiree had at least five (5) but not 10 years of Earned Service, there is no waiver of premium for the surviving dependents for the first year and the required premium is the Non-Funded Premium for the plan and dependent option elected.

Early Retirement

Any employee retiring with at least five (5) years of Earned Service who qualifies for a retirement pension under any Early Retirement provision of SCRS ("Early Retiree"), but not the Normal Retirement provision, is permitted to elect continued medical/prescription and dental coverage under the plan commencing when the Early Retirement pension commences. PORS, GARS and JSRS do not have any specific Early Retirement provision.

To continue coverage, such an Early Retiree is required to pay the Non-Funded Premium for the plan and dependent option elected until the State-Funded Date which is the earlier of age 60 or the date the person would have had 30 years' of Earned Service assuming continued employment (28 for employees retiring Early on or after January 1, 2001). If such Early Retiree had less than 10 years of Earned Service at the time of retirement, then the Non-Funded Premium will continue to be charged for life, with no State-Funded Date applicable.

After the applicable State-Funded date, any such Early Retiree is required to pay only the Funded Premium for the plan and dependent option elected, provided the Early Retiree had at least 10 years of Earned Service.

Normal Retirement

Any employee retiring with at least five (5) years of Earned Service who qualifies for a retirement pension under any Normal Retirement provision ("Normal Retiree"), but not the Early Retirement provision, is permitted to elect continued medical/prescription and dental coverage. Any Normal retiree with less than five (5) years of Earned Service may not continue medical/prescription or dental coverage.

To continue coverage, a Normal Retiree with at least five (5) but less than 10 years of Earned Service is required to pay the Non-Funded Premium for the plan and dependent option elected.

A Normal Retiree with at least 10 years of Earned Service is required to pay only the Funded Premium for the plan and dependent option elected.

Other Circumstances

In addition to the previous rules regarding eligibility based on Earned Service, a member of the General Assembly who leaves office (whether by Vested Termination, Disability, Death or Retirement) with at least eight (8) years of creditable service for retirement system purposes is required to pay the Non-Funded Premium for the plan and dependent option elected.

New Members hired as of May 2, 2008

Members hired as of May 2, 2008 have a tiered eligibility formula to determine the retiree paid Premium during retirement:

Service at Retirement	Premium for Coverage
< 15 years	Non-Funded Premium
15-24 Years	Partial Funded Premium
>= 25 Years	Funded Premium

The Partial Funded Premium is the average between the Funded and the Non-Funded Premium. The Trust will continue to have additional liability for all retirees for any Implicit Subsidy provided through the premium structure. Because this valuation is based on the membership as of June 30, 2009, there is no material impact on this valuation from the new tier of benefits.

Basic Long Term Disability Benefits (BLTD)

Any State employee (including members of the General Assembly and judges in the state courts) who becomes disabled and who is eligible and approved will receive disability payments under the Basic Long Term Disability program. With the passage of Act 195, the BLTD can be classified as a cost-sharing multiple employer plan. Therefore, this valuation report encompasses all of the liabilities for all employers who participate in the program.

State employees are eligible for BLTD benefits if they are covered under the state health plan, are active full-time employees working 30 hours or more per week for 12 months (20 hours per week at the agency's option; or a full-time academic employee) and receive compensation from the State.

The program has a 90-day waiting period, an actively at work clause, a pre-existing condition exclusion and other exclusions and limitations. The benefit payable upon approval is 62.5% of pre-disability earnings, reduced by certain deductible income, with a maximum net benefit of $800 per month. Disability is defined in terms of "own occupation" during the waiting period and the first 24 months of disability and "any occupation" thereafter. Other specific contract terms apply.

The monthly benefit is payable to age 65 if disability occurred prior to age 62. If disability occurs at or after age 62, the length of time benefits are paid varies, but no longer than one (1) year if disability occurs at or after age 69.

Retiree Contributions for Health-related Benefits

In order to begin and maintain medical/prescription and dental coverage for retirees, dependent and survivors, premiums may be required. The amount of premium required depends on the plan and dependent option elected and depends on several other factors described above. The level of premium required was described in terms of Funded Premiums and Non-Funded Premiums. Generally speaking, Non-Funded Premiums are equivalent to the total blended group premiums determined by the State each year for the plan and dependent options offered. Whereas, Funded Premium generally refers to the employee-paid Funded Premiums for the plan and dependent options offered (as paid by active employees from payroll deductions).

The Funded and Non-Funded Premiums for the year beginning January 1, 2007 and 2008 are found in the chart at the end of this Section entitled, "Required Premiums for Continued Coverage".

Termination and Amendment

The post-employment benefits are extended to retirees and survivors. These benefits are continued at the discretion of the State, which reserves the right (subject to State Statute) to change or terminate benefits, the funding, the obligation and the contributions required from retirees and survivors in the future as circumstances change.

Required Premiums for Continued Coverage
Effective January 1, 2009

	Savings[2]	Standard	Supplemental[3]	BlueChoice	Cigna	MUSC	Dental
Non-Funded Premiums (monthly)							
For Non-Medicare Retiree	$270.18	$354.36	NA	$390.50	$397.20	$455.72	$11.71
For Non-Medicare Spouse	$317.08	$397.84	$397.84	$504.70	$508.44	$567.66	$7.64
For Medicare Retiree	NA	$336.36	$354.36	$390.50	$397.20	$455.72	$11.71
For Medicare Spouse	$317.08	$379.84	$397.84	$505.00	$508.44	$567.66	$7.64
For Non-Medicare Surviving Spouse	$270.18	$354.36	NA	$390.50	$397.20	$455.72	$11.71
For Medicare Surviving Spouse	NA	$336.36	$354.36	$390.50	$397.20	$455.72	$11.71
Funded Premiums (monthly)							
For Non-Medicare Retiree	$9.28	$93.46	NA	$129.60	$136.30	$194.82	$0.00
For Non-Medicare Spouse	$63.28	$144.04	$144.04	$250.90	$254.64	$313.86	$7.64
For Medicare Retiree	NA	$75.46	$93.46	$129.60	$136.30	$194.82	$0.00
For Medicare Spouse	$63.28	$126.04	$144.04	$250.90	$254.64	$313.86	$7.64
For Non-Medicare Surviving Spouse	$9.28	$93.46	NA	$129.60	$136.30	$194.82	$0.00
For Medicare Surviving Spouse	NA	$75.46	$93.46	$129.60	$136.30	$194.82	$0.00

[1] Other Dependents (besides Spouses) are eligible under the terms of the post-employment benefit plan. However, for actuarial purposes, only premiums for retirees, spouses and surviving spouses are presented in this table.

[2] Savings plan is not available to retirees eligible for Medicare. The Spouse may be eligible for Medicare.

[3] Supplemental Plan is generally only for Medicare members. However, a split contract in which one is Medicare-eligible and the other is not, is available. The coverage and premium for the Non-Medicare party is based on the Standard Plan.

SECTION F

SUMMARY OF PARTICIPANT DATA

SUMMARY OF PARTICIPANT DATA

A. Members Currently in Retired Status
   1. Counts by Retirement Plan and Coverage Type
   2. Average Age by Plan and Coverage Type
   3. Expected Payments by Counts and Coverage Type
   4. Distribution of Current Retirees by Health Plan, Coverage Type, and Subscriber Type

   The members in the schedules referenced above include only those retirees who have elected to receive health care coverage through the State of Carolina health care plan.

B. Members Currently in Active Status
   1. Age and Service Distribution for State Employees
   2. Age and Service Distribution for State Employees
   3. Counts and Payroll by Retirement Plan

Counts of Current Retirees Covered

	Medical/Rx		Dental		Combined		Eligible for State Funded Premium	
	Male	Female	Male	Female	Male	Female	Male	Female
General State Emplyees								
1 Person Cvg	5,936	12,605	6,424	13,564	6,855	14,522	6,319	12,135
2 Person Cvg	4,482	3,609	4,991	3,790	5,222	3,941	5,014	3,684
School Districts								
1 Person Cvg	4,250	21,311	4,250	21,311	4,250	21,311	4,250	21,311
2 Person Cvg	2,195	8,124	2,195	8,124	2,195	8,124	2,195	8,124
Police Officers								
1 Person Cvg	1,113	525	1,301	571	1,342	587	1,293	548
2 Person Cvg	1,116	164	1,291	172	1,337	176	1,306	173
Judges								
1 Person Cvg	45	14	47	16	49	16	42	16
2 Person Cvg	79	4	82	5	87	5	85	4
General Assembly								
1 Person Cvg	24	3	26	3	26	3	26	3
2 Person Cvg	64	0	67	0	69	0	69	0
Total								
1 Person Cvg	11,368	34,458	12,048	35,465	12,522	36,439	11,930	34,013
2 Person Cvg	7,936	11,901	8,626	12,091	8,910	12,246	8,669	11,985
	19,304	46,359	20,674	47,556	21,432	48,685	20,599	45,998
Male & Female		65,663		68,230		70,117		66,597

Average Age of Current Retirees Covered

	Medical		Dental		Combined		Eligible for State Funded Premium	
	Male	Female	Male	Female	Male	Female	Male	Female
General State Emplyees								
1 Person Cvg	68.2	69.8	68.5	69.9	68.2	69.9	69.1	69.7
2 Person Cvg	68.3	63.9	69.0	64.2	68.8	63.7	69.4	64.7
School Districts								
1 Person Cvg	68.8	71.4	68.8	71.4	68.8	71.4	68.8	71.4
2 Person Cvg	68.7	65.3	68.7	65.3	68.7	65.3	68.7	65.3
Police Officers								
1 Person Cvg	62.3	62.0	63.3	62.0	63.4	62.0	63.4	62.2
2 Person Cvg	61.3	59.4	62.4	59.4	62.6	59.4	62.6	59.5
Judges								
1 Person Cvg	72.2	73.3	72.0	72.0	72.6	72.0	73.6	72.0
2 Person Cvg	72.6	69.1	72.9	67.1	73.0	67.1	73.1	
General Assembly								
1 Person Cvg	71.2	57.2	72.2	57.2	72.2	57.2	72.2	57.2
2 Person Cvg	69.6		69.7		69.8		69.8	
Total								
1 Person Cvg	67.9	70.7	68.1	70.7	67.9	70.6	68.4	70.6
2 Person Cvg	67.5	64.8	68.0	64.9	67.9	64.7	68.2	65.0
	67.7	69.2	68.0	69.2	67.9	69.2	68.3	69.2
Male & Female		68.7		68.8		68.8		68.9

Expected Payments to Current Retirees Covered

	Claims						Retiree Premiums Collected		State Funded Premium	
	Medical		Rx		Dental					
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
General State Emplyees										
1 Person Cvg	16,066	29,350	13,028	26,852	1,081	2,283	7,980	19,519	17,423	34,012
2 Person Cvg	22,943	20,259	18,189	14,666	1,680	1,276	14,054	11,819	25,878	20,086
School Districts										
1 Person Cvg	11,795	46,032	9,357	42,463	777	3,624	6,476	25,311	11,991	59,994
2 Person Cvg	10,901	43,974	8,028	32,072	748	2,741	6,710	24,983	11,391	45,058
Police Officers										
1 Person Cvg	3,913	1,797	2,460	1,199	219	96	1,312	649	3,366	1,522
2 Person Cvg	7,268	1,112	4,379	656	435	58	3,419	489	6,548	938
Judges										
1 Person Cvg	111	25	95	28	8	3	68	15	120	42
2 Person Cvg	358	16	319	16	28	2	247	17	462	17
General Assembly										
1 Person Cvg	51	12	51	5	4	1	26	3	72	9
2 Person Cvg	299	-	253	-	23	-	190	-	381	-
Total										
1 Person Cvg	31,936	77,216	24,991	70,547	2,090	6,007	15,862	45,498	32,973	95,579
2 Person Cvg	41,769	65,361	31,168	47,410	2,913	4,077	24,619	37,308	44,660	66,099
	73,704	142,578	56,160	117,957	5,003	10,083	40,481	82,806	77,633	161,678
Male & Female		216,282		174,117		15,086		123,287		239,311

Distribution of Current Retirees by Health Plan, Coverage Type, and Subscriber Type

HEALTH PLAN	Under 65	At Least 65	Total
Standard Plan	18,810	6,396	25,206
Medicare Supplement	4,807	31,827	36,634
Savings Plan	200	-	200
BlueChoice	1,726	370	2,096
Cigna	45	9	54
Tricare Supplement	-	-	-
MUSC Option	-	-	-
Dental Only	2,428	5,919	8,347
Total	28,016	44,521	72,537

COVERAGE TYPE	Under 65	At Least 65	Total
Single	18,244	33,485	51,729
Sub/Spouse	6,781	10,516	17,297
Sub/Child(ren)	1,522	270	1,792
Full Family	1,240	202	1,442
Child(ren) Only	135	2	137
Total	27,922	44,475	72,397

SUBSCRIBER TYPE	Under 65	At Least 65	Total
< 10 Years Service	449	630	1,079
At Least 25 and 55	33	-	33
Full Funded Retiree	25,315	41,249	66,564
Survivors of Active Death	7	-	7
Survivors of Funded Retirees	622	2,607	3,229
Other	1,590	35	1,625
Total	28,016	44,521	72,537

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE
TOTAL STATE EMPLOYEES

Attained	Years of Credited Service											
Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 25	986	730	281	109	43	13	0	0	0	0	0	0	2,162
25-29	1,417	1,883	1,453	897	592	643	8	0	0	0	0	0	6,893
30-34	1,078	1,330	1,109	857	710	2,154	541	6	0	0	0	0	7,785
35-39	848	1,104	1,001	759	606	2,252	1,982	500	12	0	0	0	9,064
40-44	732	883	788	593	522	1,978	1,840	1,712	757	109	2	0	9,916
45-49	607	794	707	594	468	2,161	1,831	1,648	2,130	1,228	60	0	12,228
50-54	505	674	609	536	431	1,953	1,774	1,535	1,836	2,235	483	22	12,593
55-59	404	514	489	453	358	1,797	1,606	1,414	1,405	1,771	580	100	10,891
60-64	205	270	277	260	214	1,187	1,025	966	903	823	291	108	6,529
65 & Over	63	83	79	79	77	475	382	290	253	189	71	67	2,108
Total	6,845	8,265	6,793	5,137	4,021	14,613	10,989	8,071	7,296	6,355	1,487	297	80,169

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE
SCHOOL DISTRICT EMPLOYEES

Attained Age	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Under 25	775	1,058	430	47	27	5	0	0	0	0	0	0	2,342
25-29	939	1,804	1,873	1,754	1,312	1,503	10	0	0	0	0	0	9,195
30-34	634	1,090	988	941	830	4,026	1,382	4	0	0	0	0	9,895
35-39	689	1,035	976	877	770	2,803	4,048	915	6	0	0	0	12,119
40-44	646	1,014	892	776	724	2,558	2,312	2,484	745	46	1	0	12,198
45-49	562	939	800	782	693	2,810	2,430	1,670	2,492	1,857	64	0	15,099
50-54	489	706	654	609	531	2,323	2,517	1,801	1,875	3,757	522	6	15,790
55-59	396	647	584	499	443	1,782	1,991	1,747	1,796	2,477	647	61	13,070
60-64	230	344	295	342	296	1,286	1,032	944	1,032	1,087	271	58	7,217
65 & Over	95	159	167	171	133	605	424	225	190	191	78	37	2,475
Total	5,455	8,796	7,659	6,798	5,759	19,701	16,146	9,790	8,136	9,415	1,583	162	99,400

Distribution of Active Members by Retirement Plan
(Covered Payroll is Expected Payroll for Fiscal Year 2010)

$ amounts in '000s	State Employees	School District Employees	Grand Total
1. SCRS Active Members - Count	54,250	85,491	139,741
Covered Payroll	$ 2,400,396	$ 3,368,597	$ 5,768,993
2. SCRS TERI Members - Count	3,172	3,485	6,657
Covered Payroll	$ 185,075	$ 207,503	$ 392,578
3. ORP Members - Count	11,115	7,985	19,100
Covered Payroll	$ 651,601	$ 309,175	$ 960,776
4. Return to Work Members	1,216	2,439	3,655
Covered Payroll	$ 67,583	$ 143,737	$ 211,320
4. PORS Members - Count	10,134		10,134
Covered Payroll	$ 384,187		$ 384,187
5. GARS Members - Count	170		170
Covered Payroll	$ 3,898		$ 3,898
6. JSRS Members - Count	112		112
Covered Payroll	$ 14,410		$ 14,410
7. Total - Count	80,169	99,400	179,569
Covered Payroll	$ 3,707,149	$ 4,029,012	$ 7,736,161

SECTION G

GASB ACCOUNTING SCHEDULES

GASB Statement Number 45
History of Contributions
($000s)

Retiree Medical Plan (Using 5.50% Discount Rate)

Fiscal Year Ended	GASB ARC	Actual Contribution	Percentage Contributed
(1)	(2)	(5)	(6)
2008	$ 692,714	$ 569,352	82.19 %
2009	$ 727,079	$ 369,844	50.87 %

$ in 000s

Long Term Disability Plan (USING 6.00% DISCOUNT RATE)

Fiscal Year Ended	GASB ARC	Actual Contribution	Percentage Contributed
(1)	(2)	(5)	(6)
2008	$ 10,038	$ 33,359	332.33 %
2009	$ 9,469	$ 6,966	73.57 %

$ in 000s

GASB Statement Numbers 43 and 45
Required Supplementary Information

Retiree Medical Plan (5.5% discount rate)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL/ Payroll
6/30/2007	$ 8,581,073	$ 0	$ 8,581,073	0%	$ 7,112,053	121%
6/30/2008	$ 9,279,578	$ 270,153	$ 9,009,425	3%	$ 7,596,053	119%
6/30/2009	$ 9,643,577	$ 439,903	$ 9,203,674	5%	$ 7,736,161	119%

$ amounts in '000s

Long Term Disability Plan (6% discount rate)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL/ Payroll
6/30/2007	$ 28,048	$ 0	$ 28,048	0%	$ 7,781,719	0%
6/30/2008	$ 26,341	$ 27,468	$ (1,128)	104%	$ 8,307,740	0%
6/30/2009	$ 23,610	$ 29,440	$ (5,830)	125%	$ 8,418,750	0%

$ amounts in '000s

GASB Statement Numbers 43 and 45
Information for Notes to Financial Statement

Retiree Medical Plan

Valuation Date	June 30, 2009
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Periods	30 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return	5.50%
Payroll Growth Rate	4.00%
Healthcare cost trend rate	8.5% - 5% Ultimate

Long Term Disability Plan

Valuation Date	June 30, 2009
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Periods	30 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Payroll Growth Rate	4.00%

SECTION H

ACTUARIAL ASSUMPTIONS AND METHODS

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions used in the valuation are shown in this Section. Assumptions that are specific to certain groups (i.e. State Employees, School District Employees, PORS, GARS, and JSRS) are discussed under the first subsection that follows. Assumptions that are common to all types of members and unique to this valuation are then shown on the following page.

Demographic and Certain Economic Assumptions

This Actuarial Valuation of the State's OPEBs is similar to the Actuarial Valuations performed for the State's Retirement Systems, except that the OPEB Valuation is more complex. All of the demographic assumptions (rates of retirement/TERI election, termination and disability) and most of the economic assumptions (general inflation, salary increases, and general payroll growth) used in this OPEB Valuation were identical to those which were adopted by the Budget and Control Board in 2008 after the preparation of an actuarial experience study and used in the various respective Retirement System Valuations. Since they were based upon a recent actuarial experience study and they were reasonable for this OPEB Valuation, they were employed in this report.

These assumptions used are identical to the assumptions described in the July 1, 2008 annual actuarial valuation performed by Milliman Consultants and Actuaries.

Healthcare and Other Economic Assumptions

The Interest Discount Rate assumed in the valuation of an unfunded plan structure was 5.00% per year, compounded annually. For the valuation results under the partial-funded scenario in which a qualifying OPEB trust is established and the State adopts an actuarially sound funding policy, the interest discount rate is 6.00% per year compounded annually for the portion of the benefits financed with advanced funding. The blended rate for the partially funded scenario is therefore 5.50%.

Health Cost and Premium Increases – *See table below*

	Medical Trend Rates		***Premium Trend Rates***	
Year	***Medical/ Rx***	***Dental***	***Non-Funded***	***Funded***
2010	7.94%	3.000%	0.00%	0.00%
2011	7.94%	3.000%	3.81%	3.81%
2012	7.94%	3.000%	3.81%	3.81%
2013	7.35%	3.000%	7.62%	7.62%
2014	6.76%	3.000%	7.07%	7.07%
2015	6.18%	3.000%	6.52%	6.52%
2016	5.59%	3.000%	5.97%	5.97%
2017	5.00%	3.000%	5.41%	5.41%
2018	5.00%	3.000%	4.86%	4.86%
2019 & Beyond	5.00%	3.000%	4.86%	4.86%

Medical Trend is assumed to occur 1/1 of each year beginning 1/1/2010. Premium increases are assumed to occur 1/1 of each year beginning 1/1/2010.
The premiums are assumed to increase at the weighted average increase of claims over the long term.

Election percentage: It was assumed that 51% of retirees would elect one-person coverage, if eligible, while 28% of retirees were assumed to elect two-person coverage. For those that elect two-person coverage, it was assumed that 75% of spouses would continue coverage upon death of the retiree, if eligible. The election rates include lapse rates that occur as members return to active employment after retiring from SCRS.

For BLTD, it was assumed that 65% of members who qualify for disability benefits through SCRS would qualify for benefits through the BLTD. This was determined based on a comparison of the experience from the two programs.

Aging Factors: In any given year, the cost of medical and pharmacy benefits vary by age. As the ages of employees and retirees in the covered population increase so does the cost of benefits. Morbidity tables are employed to develop Per Capita Costs at every relevant age. The following table represents the percent by which the cost of benefits for non-disabled lives at one age is higher than the cost for the previous age. For example, according to the following table, the cost of benefits for a male age 55 is 3.12% higher than for one age 54. As discussed previously, disabled lives exhibited minimal variation by age and sex. These percentages below are separate from the annual Medical Trend, which operates to increase costs independent of and in addition to the Aging Factors shown below. These factors were developed based on actual experience data gathered from EIP.

Sample Ages	Cost Increase by Age			
	Medical		Rx	
	Male	Female	Male	Female
45	5.83%	2.20%	0.00%	0.00%
50	6.22%	3.16%	0.00%	0.00%
55	3.12%	2.58%	5.07%	3.16%
60	4.60%	2.74%	3.05%	2.15%
65	1.97%	1.09%	1.73%	1.40%
70	1.22%	0.85%	0.72%	0.79%
75	0.57%	0.64%	0.00%	0.26%
80	0.00%	0.45%	0.00%	0.00%
85	0.00%	0.28%	0.00%	0.00%
90	0.00%	0.11%	0.00%	0.00%

Actuarial Methods

The individual entry age actuarial cost method of valuation was used in determining liabilities and normal cost. Differences between assumed experience and actual experience ("actuarial gains and/or losses") become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce payments (principal & interest) which are a level percent of payroll.

Miscellaneous and Technical Assumptions

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses. For PORS, male are assumed to be 4 years older than female spouses.
Pay Increase Timing:	Beginning of (fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Operation:	Disability and mortality decrements are added to the termination decrements during the first 5 years. Disability is added to the retirement decrement during retirement eligibility.
Incidence of ARC Contributions:	The ARC is assumed to be received once a year at the end of the year.
Administrative Expenses:	The normal cost for general employees is loaded for administrative expenses. Expenses were assumed to be 4.3% of expected claims. The administrative expenses for school district employees are not included in the liabilities for this valuation, as the State obligation is for the State-Funded premium only. The expenses associated with processing claims are included in the implicit subsidy and therefore the expenses will be included in the OPEB valuations for the individual school districts.

APPENDIX

GLOSSARY

Glossary

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Medical Trend Rate (Health Inflation). The increase in the plan's cost over time. Trend includes all elements that may influence a plan's cost, assuming that enrollments and the plan benefits do not change. Trend includes such elements as, pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Post-Employment Employee Benefits (OPEB). OPEB are post-employment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare benefits.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.