Alabama State Employees' Health Insurance Plan

Retiree Health Care Valuation Report

Prepared As of

September 30, 2024

CavMac
Actuarial Consulting Services

June 25, 2025

State Employees' Insurance Board
201 South Union Street, Suite 200
Montgomery, AL 36104

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama State Employees' Health Insurance Plan (SEHIP), prepared as of September 30, 2024. The purpose of this report is to provide a summary of the funded status of the Plan as of September 30, 2024 and to recommend rates of contribution.

The findings in this report are based on data and other information through September 30, 2024. The valuation was based upon information furnished by the State Employees' Insurance Board (SEIB) and RSA Staff concerning benefits, financial transactions, plan provisions and data regarding active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency but did not audit the data. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. The complete cooperation of the staff in furnishing materials requested is hereby acknowledged with appreciation.

The valuation reflects the 2% salary increase granted to state employees effective October 1, 2024 in accordance with Act 2024-284. The valuation also reflects the provisions of Act 2023-73, which provides State Police benefits to employees of ALEA who perform law enforcement duties as well as to investigators employed by the AG's office and Ethics Commission. This act also modifies the State Police Tier II retirement eligibility and decrements.

On the basis of the valuation, we have determined an actuarially determined contribution of $101,406,866 or 5.02% of active payroll payable for the fiscal year ending September 30, 2026. This amount has increased from the prior valuation primarily due to increases in the Medicare Advantage rates due to Medicare Part D plan design changes mandated by the Inflation Reduction Act (IRA).

The promised medical, drug, dental and vision benefits of the Plan are included in the actuarially calculated contribution rates, which are developed using the entry age normal actuarial cost method with projected benefits. The discount rate used to value a plan should be based on the likely return of the assets held in trust to pay benefits. As of September 30, 2024, the Plan has $305,732,695 in a trust solely to provide benefits to retirees and their beneficiaries. Based on the asset allocation and capital market assumptions, the assumed long-term rate of return is 7.25%. A policy has been established to make regular contributions representing a partial payment toward the actuarially determined contribution each year, so this valuation, as in prior years, was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%. 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 open period, on the assumption that payroll will increase by 2.75% annually. The assumptions recommended by the actuary are reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.

In this report, we provided the following information and supporting schedules in the Actuarial and Statistical Sections of the Annual Comprehensive Financial Report:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Analysis of Actuarial Gains and Losses

The necessary GASB Statement Nos. 74 and 75 disclosure information is provided in separate supplemental reports.

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

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

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

The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the changes to Medicare due to the IRA, which are included in our baseline Medicare costs and trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

The actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan and are appropriate for the determination of the employer contribution rates herein. The results contained herein are not appropriate for the settlement of liabilities.

If the required contributions to the Trust Fund are made by the employer from year to year in the future at the levels required on the basis of the successive actuarial valuations, the current assets and future anticipated contributions are in our opinion sufficient to meet all the benefit obligations of the Plan for current active and retired members.

Respectfully submitted,

Alisa Bennett, FSA, EA, FCA, MAAA
President

Jessica Fain, EA, ACA, MAAA
Associate Actuary

AB/JF:jf

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SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation are summarized below, along with the previous year's results. Details regarding the split of the current liability between pre-65 and post-65 costs are provided on the page that follows.

ALABAMA STATE EMPLOYEES' HEALTH INSURANCE PLAN (SEHIP) REPORT OF ACTUARY ON THE RETIREE HEALTH CARE VALUATION PREPARED AS OF SEPTEMBER 30, 2024		
Valuation Date	**September 30, 2024**	**September 30, 2023**
Membership Data as of Valuation Date:		
Active Members	31,039	30,117
Inactive Members Entitled to Benefits Not Yet Receiving	1,353	1,476
Retired Members	23,360	23,449
Dependents of Retirees	8,345	8,367
Total Membership	64,097	63,409
Covered-Employee Payroll*	$ 2,021,015,363	$ 1,908,321,363
Assets:		
Market Value	$ 305,732,695	$ 243,575,635
Actuarial Accrued Liability	$ 1,509,337,402	$ 1,125,463,286
Unfunded Actuarial Accrued Liability	$ 1,203,604,707	$ 881,887,651
Funded Ratio	20.3%	21.6%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Period (Years)	30 Years	30 Years
Contribution for Fiscal Year Ending:	**September 30, 2026**	**September 30, 2025**
Actuarially Determined Contribution (ADC):		
Normal	$ 31,615,819	$ 24,279,848
Accrued Liability	69,791,047	51,136,276
Total	$ 101,406,866	$ 75,416,124
ADC as a % of Covered-Employee Payroll	5.02%	3.95%
Discount Rate	7.25%	7.25%
Payroll Growth	2.75%	2.75%

* The valuation reflects the 2% salary increase granted to state employees effective October 1, 2023 and October 1, 2024.

As of September 30, 2023, the total annual salaries includes 2,061 TRS participants with compensation totaling $148,852,150. Additionally, there were 2 ERS State Active Employees who were eligible for multiple pension benefits and were therefore in the pension census more than once and 84 ERS State Active Employees in DROP who were valued as retirees. As of September 30, 2024, the total annual salaries include 2,125 TRS participants with compensation totaling $160,538,769. Additionally, there were 76 ERS State Active Employees in DROP who were valued as retirees. The headcounts on the prior page reflect the removal of any additional records.

As of September 30, 2023, there were 50 ERS State, 3 JRS, and 35 TRS Deferred Vested Employees who were eligible for multiple pension benefits and were therefore in the pension census more than once. As of September 30, 2024, there were 43 ERS State, 3 JRS, and 38 TRS Deferred Vested Employees who were eligible for multiple pension benefits and were therefore in the pension census more than once. The headcounts on the prior page reflect the removal of any additional records.

Valuation Date	September 30, 2024	September 30, 2023
Pre-65 Actuarial Accrued Liability		
Active Members	$ 448,145,560	$ 419,678,305
Deferred Vested Members	3,740,039	3,679,723
Retired Members and Surviving Spouses	128,991,304	127,863,926
Total	$ 580,876,903	$ 551,221,954
Post-65 Actuarial Accrued Liability		
Active Members	$ 348,581,564	$ 218,951,376
Deferred Vested Members	1,398,178	228,566
Retired Members and Surviving Spouses	578,480,757	355,061,390
Total	$ 928,460,499	$ 574,241,332
Total Actuarial Accrued Liability		
Active Members	$ 796,727,124	$ 638,629,681
Deferred Vested Members	5,138,217	3,908,289
Retired Members and Surviving Spouses	707,472,061	482,925,316
Total	$ 1,509,337,402	$ 1,125,463,286

2. The valuation indicates that contributions of $101,406,866 or 5.02% of active payroll are sufficient to support the current benefits of the Plan. Comments on the valuation as of September 30, 2024 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.

3. Since a trust has been established along with a policy to make partial payments toward the actuarially determined contribution each year, this valuation, as in prior years, was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%. The assumed rate of payroll growth is 2.75%.

4. Schedule E details the actuarial assumptions and methods employed.

5. Schedule F provides a summary of the benefit and contribution provisions of the plan. The valuation reflects the provisions of Act 2023-73, which provides State Police benefits to employees of ALEA who perform law enforcement duties as well as to investigators employed by the AG's office and Ethics Commission. In addition, the Act modified the following:

   - Modified the condition for allowance by allowing all State police members to retire who have completed 25 years of creditable service or who have attained age 52 and completed at least 10 years of creditable service. Previous to the act, Tier I members hired after January 1, 2015 had to have completed 25 years of creditable service or attain age 60 and at least 10 years of creditable service; Tier II members had to complete 30 years of creditable service or attain age 56 and completed at least 10 years of creditable service. The eligibility for benefits payable due to separation was reduced to age 52 for State police members other than correctional officer, firefighter of law enforcement officer as defined in section 36-72-59.

6. As in the prior valuations, we have included the following employers whose active employees are covered under the Teachers Retirement System but obtain healthcare coverage through SEHIP as active employees and retirees:

   - Alabama Community College System
   - Alabama Commission on Higher Education
   - Alabama Department of Rehabilitation Services
   - Alabama Department of Education
   - Alabama Department of Youth Services

7. Claims were updated to reflect the most recent claims information available for pre-65 retirees. Claims for post-65 medical and prescription drug benefits are based on the Medicare Advantage Plan with Prescription Drugs (MAPD). Future healthcare trend for the MAPD plan took into consideration projected savings in 2026 due to decoupling Medicare medical and prescription drug benefits. See Schedule E of the report.

Data regarding the membership and recent claims and enrollment experience of the Plan for use as a basis of the valuation were furnished by the Retirement System office and the SEIB. Pension data was used for active participants. Data for current retired members with their medical, dental, and optional plan elections were supplied separately from the pension data. The following table shows the breakdown by age and service of the active membership:

Active Members as of September 30, 2024[1]										
Age / Svc	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35+**	**Total**
<25	352	689	14	0	0	0	0	0	0	1,055
25 - 29	328	1,542	423	3	0	0	0	0	0	2,296
30 - 34	228	1,241	1,167	284	4	0	0	0	0	2,924
35 - 39	180	1,026	1,082	885	318	7	0	0	0	3,498
40 - 44	149	925	775	736	1,010	372	5	0	0	3,972
45 - 49	119	820	710	535	847	1,056	226	6	0	4,319
50 - 54	123	729	726	518	735	775	542	170	5	4,323
55 - 59	82	558	551	480	554	628	436	433	160	3,882
60 - 64	40	361	453	400	412	432	286	327	314	3,025
65 - 69	13	119	215	174	186	176	116	97	179	1,275
70+	11	50	88	80	74	65	37	36	29	470
Total	1,625	8,060	6,204	4,095	4,140	3,511	1,648	1,069	687	31,039

[1] Includes 2,125 TRS participants. Additionally, there were 76 ERS State Active Employees in DROP who are valued as retirees. The headcounts above reflect the removal of any additional records.

Total Enrolled Retirees and Covered Dependents			
Age	**Retirees**	**Dependents**	**Total**
Under 65	4,183	2,594	6,777
65 & Older	19,177	5,751	24,928
Total	23,360	8,345	31,705

Enrolled Retirees and Covered Dependents with Dental Coverage (includes Southland Dental)			
Age	**Retirees**	**Dependents**	**Total**
Under 65	4,107	2,548	6,655
65 & Older	18,896	5,624	24,520
Total	23,003	8,172	31,175

Enrolled Retirees and Covered Dependents with Medical Coverage			
Age	**Retirees**	**Dependents**	**Total**
Under 65	3,168	1,250	4,418
65 & Older	16,885	4,386	21,271
Total	20,053	5,636	25,689

SECTION III – ASSETS

Schedule B shows information regarding assets for valuation purposes. As of September 30, 2024, the Plan has $305,732,695 in a trust solely to provide benefits to retirees and their beneficiaries. Based on the asset allocation and capital market assumptions, the assumed long-term rate of return is 7.25%. A policy has been established to make regular contributions representing a partial payment toward the actuarially determined contribution each year, so, as in prior years, this valuation was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%.

MARKET VALUE OF ASSETS AS OF SEPTEMBER 30, 2024	
Assets Summary Based on Market Value	
Market Value September 30, 2023	$ 243,575,635
Employer Contributions	$ 56,573,366
Benefit Payments	(55,363,976)
Admin Expenses	(55,105)
Investment Income	61,002,775
Changes in Market Value	$ 62,157,060
Market Value as of September 30, 2024	$ 305,732,695

SECTION IV – COMMENTS ON VALUATION

1. Schedule A of this report outlines the results of the actuarial valuation. The results are shown based on a discount rate of 7.25%. A policy has been established to make regular contributions representing a partial payment toward the actuarially determined contribution each year, so, as in prior years, this valuation was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule E. The summary of main plan provisions is presented in Schedule F.

2. The valuation shows that the Plan has an actuarial accrued liability of $796,727,124 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to retirees and covered dependents amounts to $707,472,061. The liability on account of benefits payable to deferred vested members amounts to $5,138,217. The total actuarial accrued liability of the Plan amounts to $1,509,337,402. Against these liabilities, the Plan has present assets for valuation purposes of $305,732,695. Therefore, the unfunded actuarial accrued liability is equal to $1,203,604,707.

3. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution is determined to be $31,615,819.

SECTION V – CONTRIBUTIONS PAYABLE UNDER THE PLAN

ACTUARIALLY DETERMINED CONTRIBUTION FOR FISCAL YEAR ENDING SEPTEMBER 30, 2026		
Normal	$	31,615,819
Accrued Liability		69,791,047
Total	$	101,406,866

1. The valuation indicates that a normal contribution of $31,615,819 is required to meet the cost of benefits currently accruing.

2. The unfunded actuarial accrued liability amounts to $1,203,604,707 as of the valuation date. An accrued liability contribution of $69,791,047 is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on a 7.25% investment rate of return and the assumption that the payroll will increase by 2.75% annually.

3. The total Actuarially Determined Contribution is, therefore, $101,406,866 or 5.02% of total active payroll.

Section VI – Comments on Level of Funding

1. The monthly contribution for retirees to opt into the medical plan is based on plan election, dependent coverage, Medicare eligibility and election, tobacco use, wellness participation, preventative screening, and spousal surcharge. Plan costs are determined for valuation purposes considering claims costs net of member premiums paid. For members retiring October 1, 2005 or after, a Retiree Sliding Scale premium based on years of service will be applicable. For members retiring on or after January 1, 2012, additional changes to the sliding scale premiums were implemented.

2. The valuation indicates that a recommended employer contribution of $101,406,866 or 5.02% of payroll is required to fund the plan. This State contribution 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. The increase on a percent of payroll basis was primarily due to the Medicare Advantage rate being higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act.

3. A policy has been established to make regular contributions representing a partial payment toward the actuarially determined contribution each year, so, as in prior years, this valuation was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%.

SECTION VII – ACCOUNTING INFORMATION

The information required under Governmental Accounting Standards Board (GASB) Statements Nos. 74 and 75 will be issued in separate reports. The following information is provided for informational purposes only.

Valuation Date	9/30/2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return*	7.25%
Medical Cost Trend Rate*	
Pre-Medicare	6.50%
Medicare Eligible	**
Ultimate Trend Rate*	
Pre-Medicare	4.50% in 2033
Medicare Eligible	4.50% in 2026
Dental Trend Rate	4.50%

** Includes price inflation at 2.50%*
*** Initial Medicare trend rate set based on projected 2026 premium rate savings due to decoupling Medicare medical and prescription drug benefits.*

The assumed investment rate of return reflects the fact that as of September 30, 2024 the Plan has $305,732,695 in a trust solely to provide benefits to retirees and their beneficiaries. A policy has been established to make regular contributions representing a partial payment toward the actuarially determined contribution each year, so, as in prior years, this valuation was based on an assumed discount rate of 7.25%. However, it must be noted that with the increases in the Medicare Advantage premiums due to the Inflation Reduction Act, the expected contribution shortfall has grown and is expected to continue to grow unless the funding policy is changed. Therefore, sensitivity measures in Schedule C show valuation results using assumed discount rates of 6.25% and 5.25%.

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/2013	$ 142,685,282	$ 3,465,783,677	$ 3,323,098,395	4.12%	$ 1,344,092,114	247.24%
9/30/2014	156,837,323	3,072,699,769	2,915,862,446	5.10	1,331,646,530	218.97
9/30/2015	149,258,206	2,948,051,623	2,798,793,417	5.06	1,525,692,929	183.44
9/30/2016	150,388,193	2,346,945,985	2,196,557,792	6.41	1,511,463,538	145.33
9/30/2017	168,277,659	2,430,350,527	2,262,072,868	6.92	1,491,903,433	151.62
9/30/2018	184,178,038	1,547,764,952	1,363,586,914	11.90	1,495,340,727	91.19
9/30/2019	190,855,481	1,547,639,145	1,356,783,664	12.33	1,605,163,096	84.53
9/30/2020	205,730,389	1,061,590,590	855,860,201	19.38	1,685,221,695	50.79
9/30/2021	247,400,434	1,141,159,364	893,758,930	21.68	1,692,700,965	52.80
9/30/2022	211,805,494	1,126,744,647	914,939,153	18.80	1,794,539,564	50.98
9/30/2023	243,575,635	1,125,463,286	881,887,651	21.64	1,908,321,363	46.21
9/30/2024	305,732,695	1,509,337,402	1,203,604,707	20.26	2,021,015,363	59.55

These measures do not indicate whether or not the Plan would have sufficient assets if it were terminated, nor do they indicate what level of future contributions will be required.

The 9/30/2013 valuation reflects changes in Tier II benefit structure for those hired on or after January 1, 2013, and plan changes made for the Affordable Care Act.

The 9/30/2016 valuation reflects the impact of the Medicare Advantage plan and the five-year experience study.

The actuarial accrued liability was determined using the projected unit credit cost method prior to the 9/30/2019 valuation and the entry age normal cost method beginning with the 9/30/2019 valuation.

The 9/30/2020 valuation reflects the change in the long-term rate of return from 5.00% to 7.50%.

The 9/30/2021 valuation reflects the change in long-term rate of return from 7.50% to 7.25%, the five-year experience study, changes in medical plan participation, Act 2022-222, and Act 2022-351. Additionally, the Fiscal Year 2021 Market Value was restated to reflect audit adjustments.

The 9/30/2022 valuation reflects changes in plan participation and updated spousal coverage assumptions.

The 9/30/2023 valuation reflects the impact of changes in aging factors.

The 9/30/2024 valuation reflects the impact of Act 2023-73 as well as the application of the prescription drug plan design changes required by the Inflation Reduction Act, which resulted in an increase in the Medicare Advantage rate.

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the (gain)/loss for the year ended September 30, 2024 is shown below.

Gain/Loss		
1.	**Unfunded Accrued Liability (UAL) 9/30/2023**	$ 881,887,651
2.	**Normal Cost 9/30/2023**	24,279,848
3.	**Expected Employer Contributions**	77,376,776
4.	**Interest Accrual** (1) x .0725 + [(2) - (3)] x .03625	62,012,091
5.	**Expected UAL 9/30/2024** (1) + (2) - (3) + (4)	$ 890,802,814
6.	**(Gain)/Loss Due to Claims, Premiums, and Trend** [1]	324,560,293
7.	**(Gain)/Loss Due to Change in Other Assumptions**	0
8.	**(Gain)/Loss Due to Change in Eligibility for Benefits** [2]	1,029,194
9.	**(Gain)/Loss Due to Assets and Contribution Shortfall**	(21,742,167)
10.	**Expected UAL 9/30/2024 After Changes** (5) + (6) + (7) + (8) + (9)	$ 1,194,650,134
11.	**Actual UAL as of 9/30/2024**	$ 1,203,604,707
12.	**Experience (Gain)/Loss** (11) - (10)	$ 8,954,573
13.	**Experience (Gain)/Loss as % of Last Year's Accrued Liability**	0.80%

[1] The loss is primarily due to the Medicare Advantage rate being higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act.
[2] Reflects the provisions of Act 2023-73.

SCHEDULE B – PLAN ASSETS

GASB defines plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. As of the valuation date, the Plan has $305,732,695 in a trust solely to provide benefits to retirees and their beneficiaries. The development of the market value of assets is shown in the following table.

MARKET VALUE OF ASSETS AS OF SEPTEMBER 30, 2024	
Assets Summary Based on Market Value	
Market Value September 30, 2023	$ 243,575,635
Employer Contributions	$ 56,573,366
Benefit Payments	(55,363,976)
Admin Expenses	(55,105)
Investment Income	61,002,775
Changes in Market Value	$ 62,157,060
Market Value as of September 30, 2024	$ 305,732,695

OVERVIEW

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States. This standard was issued as final in September 2017 with application to measurement dates on or after November 1, 2018.

The term “risk” frequently has a negative connotation, but from an actuarial perspective, it can simply be considered that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so understandably, there is a focus on aspects of risk that are negative.

Risk can usually be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk of accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in US Treasury bonds, which have almost no risk, but also in equities, which are considerably riskier – because they have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called upon to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. While ASOP 51 is not required for OPEB plan funding, we find it to be valuable and instructive and, therefore, in this section, we identify some of the key risks for the System and provide information to help interested parties better understand these risks.

Sensitivity Measures

Valuations are generally performed with a single set of assumptions that reflects the best estimate of future conditions, in the opinion of the actuary and typically the governing board. Note that under actuarial standards of practice, the set of economic assumptions used for funding must be consistent. To enhance the understanding of the importance of an assumption, a sensitivity test can be performed where the valuation results are recalculated using a different assumption or set of assumptions.

The following table contains the key measures for the System using the valuation assumption for an investment return of 7.25%, along with the results if the assumption were 6.25% or 5.25%. In this analysis, only the investment return assumption is changed. Consequently, there may be inconsistencies between the investment return and other economic assumptions such as inflation or payroll increases. In addition, simply because the valuation results under alternative assumptions are shown here, it should not be implied that CavMac believes that either assumption (6.25% or 5.25%) would comply with actuarial standards of practice.

As of September 30, 2024	Current Discount Rate (7.25%)	-1% Discount Rate (6.25%)	-2% Discount Rate (5.25%)
Accrued Liability	$ 1,509,337,402	$ 1,712,707,529	$ 1,961,071,857
Unfunded Liability	$ 1,203,604,707	$ 1,406,974,834	$ 1,655,339,162
Funded Ratio (MVA)	20.26%	17.85%	15.59%
ADC Rate	5.02%	5.66%	6.47%

The following table contains the key measures for the System using the current healthcare trend rates and premium contribution increase rates disclosed in Schedule E, along with the results if the rates were 1% lower or 1% higher. In this analysis, only the healthcare and premium contribution rates are changed.

As of September 30, 2024	Current Valuation	-1% Healthcare Trends	+1% Healthcare Trends
Accrued Liability	$ 1,509,337,402	$ 1,283,954,139	$ 1,784,458,588
Unfunded Liability	$ 1,203,604,707	$ 978,221,444	$ 1,478,725,893
Funded Ratio (MVA)	20.26%	23.81%	17.13%
ADC Rate	5.02%	4.00%	6.30%

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.25%), of each participant's expected retiree health benefit at retirement or death is based on age and service. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the probability of terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.

2. The contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.

3. The normal contribution is determined using the "entry age normal" method. Using this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of each participant during the entire period of anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable.

4. The present value of future unfunded accrued liability contributions is determined by subtracting the present value of prospective normal contributions, together with the current assets held, from the present value of expected benefits to be paid from the Plan.

SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS

The decremental assumptions used in the valuation were selected based on the actuarial experience studies prepared as of September 30, 2020, submitted to, and adopted by the RSA Board of Control on September 13, 2021 and September 14, 2021. The combined effect of the assumptions is expected to have no significant bias.

VALUATION DATE: September 30, 2024

DISCOUNT RATE: 7.25% per annum, compounded annually.

PAYROLL GROWTH: 2.75% per annum, compounded annually.

HEALTH CARE COST TREND RATES: Health care cost trend rates reflect the change in per capita health costs over time due to factors such as inflation, utilization, plan design, and technology improvements which are detailed in the "Annual Increase in Medical/Prescription Drug/Optional Plan Costs" table below.

Annual Increases in Medical/Prescription Drug/Optional Plan Costs			
Fiscal Year Ending	Pre-Medicare Medical Trend	Medicare-Eligible Medical Trend	SEHIP Dental Trend
2025	6.50%	*	4.50%
2026	6.25	4.50%	4.50
2027	6.00	4.50	4.50
2028	5.75	4.50	4.50
2029	5.50	4.50	4.50
2030	5.25	4.50	4.50
2031	5.00	4.50	4.50
2032	4.75	4.50	4.50
2033	4.50	4.50	4.50

** Initial Medicare trend rate set based on projected 2026 premium rate savings due to decoupling Medicare medical and prescription drug benefits.*

Southland Plan and Supplemental Plan costs are trended at 4.50%.

The "Annual Increase in Base Contributions Received from Covered Members" details how the expected increase in the amounts contributed from covered retirees and dependents will increase over time. The trend rates are detailed below and apply to the base rate retiree premiums only. The sliding scale premiums are assumed to increase with health care trend. The premiums for surviving dependents are assumed to approximate the assumed claims cost over time.

Annual Increase in Base Contributions Received from Covered Members		
Retiree Share of Premium		Retiree Optional Plans Premiums
Pre-Medicare	Medicare Eligible	
2.0%	1.0%	2.0%

ANTICIPATED PLAN PARTICIPATION: Retirees who are eligible for post-employment health benefits may choose to waive coverage or elect full medical, prescription drug and dental coverage, dental coverage only, or Southland optional plans. Those who elect coverage may elect to cover dependents. Current retirees are included in the valuation based on their actual plan and tier elections. Assumptions must be made for actives who will retire in the future. The assumed annual rates of plan participation, spouse coverage, wellness participation, preventative screening participation, and tobacco use for future retirees are as follows. For future retirees who participate in the plan, we assume they all choose full medical, prescription drug and dental coverage. We assume future retirees elect the SEHIP Dental plan.

Medical	Under 65	Over 65
Plan Participation		
Terminating with a Deferred Benefit	10%	10%
Disability Retirement	90%	90%
Service Retirement:		
Less than 15 Years of Service	60%	60%
At least 15, but less than 20 Years of Service	70%	70%
At least 20, but less than 25 Years of Service	80%	80%
25 or More Years of Service	90%	90%
Wellness and Preventative Screening	92.5%	N/A
Tobacco	10%	10%
Spouse Surcharge without Waiver	10%	0%
Spouse Coverage		
Male	50%	50%
Female	30%	30%

Wives are assumed to be three years younger than husbands for Non-JRS employees and four years younger for JRS employees.

It is assumed 10% of current Pre-Medicare inactive members waiving medical or dental coverage will enroll in coverage once attaining Medicare eligibility.

All retirees are assumed to continue their spouse or family coverage at the same level as reported on the Valuation Date. Future retirees are assumed to maintain spouse or family coverage, if elected, for life.

ANNUAL EXPECTED MEDICAL/RX DRUGS CLAIMS (AGE ADJUSTED):

Per capita costs are adjusted to reflect expected cost changes related to age. The relative value factors used were developed from the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries. Representative values of the expected annual claims are as follows:

Pre-Medicare Retirees

Age	Male	Female
40	$3,698	$6,035
45	4,583	6,389
50	5,986	7,444
55	7,854	8,672
60	10,118	10,114
64	12,357	11,841

Medicare-Eligible Retirees

Age	Male	Female
65	$1,786	$1,702
70	2,172	2,093
75	2,578	2,444
80	2,993	2,815
85	3,372	3,176
90	3,703	3,450

Claims for Medicare-Eligible retirees are set based on the 2025 plan year known premium rates. The projected Medicare cost trend from 2025 to 2026 is set based on projected 2026 premium rate savings due to decoupling Medicare medical and prescription drug benefits.

MEDICARE ADVANTAGE PREMIUMS: The following table details expected Medicare Advantage monthly premium rates. Premium rates dropped in plan year 2021 due to the repeal of the ACA Health Insurer Fee effective January 1, 2021. Premium rates increased in 2025 due to the Medicare Part D changes due to the Inflation Reduction Act. Negotiated premium rates are expected to decrease slightly in 2026 due to the decoupling of the medical and prescription drug plans. Following calendar year 2026, monthly premiums are expected to increase with the health care cost trend rates, as described previously. Effective January 1, 2025 the Medicare Advantage Prescription Drug Plan (MAPD) changed from UnitedHealthcare to Humana.

Medicare Advantage Plan Monthly Premium Rates

Calendar Year	2020	2021	2022	2023*	2024	2025	Projected 2026
Monthly Premium Rates	$126.00	$101.41	$110.00	$98.54	$98.54	$208.75	$179.53

** The preliminary premium rate for calendar year 2023 was $120.00. However, the final rate was later reduced to $98.54.*

ANNUAL EXPECTED DENTAL PLAN CLAIMS: Following is a chart detailing expected per member per year SEHIP Dental Plan claims for pre and post Medicare for the year following the Valuation Date. Dental claims are not age-adjusted. The SEHIP Vision Plan was determined to be self-financed by retiree contributions and thus no liability was assumed. We assume future retirees elect the SEHIP Dental Plan with the same election rates as the medical plans.

Dental
$493

ANNUAL EXPECTED OPTIONAL PLAN CLAIMS: Following is a chart detailing expected Southland Plan claims for the year following the Valuation Date. Southland Plan claims are not age-adjusted. Only retirees who have currently elected the Southland Plans are assumed to elect them in the future.

Vision Plan	Cancer Plan	Hospital Indemnity Plan	Dental Plan
$66	$111	$141	$454

ACTUARIAL METHOD: Costs were determined using the Entry Age Normal, Level Percentage of Pay Actuarial Cost Method. Under this method, a calculation is made for retirement benefits to determine the uniform and constant percentage rate of contribution which, if applied to the compensation of the average new member during the entire period of his or her anticipated covered service, would be required to meet the cost of benefits payable. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

ASSET VALUATION METHOD: Market value.

FEDERAL LEGISLATION: The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the changes to Medicare due to the IRA, which are included in our baseline Medicare costs and trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

COVID-19: The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

STATE AND LOCAL EMPLOYEES

The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Employees' Retirement System of Alabama Board on September 14, 2021.

MORTALITY RATES:

Pre-Retirement:

Non-FLC Active Members:

Pub-2010 General Employee Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-back 1 year for males and females

FLC/State Police Active Members:

Pub-2010 Public Safety Employee Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-back 1 year for males and females

Post-Retirement:

Non-FLC Service Retirees:

Pub-2010 General Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 90% of rates for males less than age 65 and 96% of rates for males over age 65; 96% of rates for females at all ages

FLC/State Police Service Retirees:

Pub-2010 Public Safety Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 1 year for males

Post-Disablement:

Non-FLC Disabled Retirees:

Pub-2010 General Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 7 years for males and 3 years for females

FLC/State Police Disabled Retirees:

Pub-2010 Public Safety Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 7 years for males

Beneficiaries and Survivors:

Pub-2010 Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females

TERMINATION RATES:

The following are sample withdrawal rates based on years of service (for causes other than death, disability, or retirement).

Years of Service	State Non FLC	State FLC	State Police
0 – 1	20.00%	16.50%	6.00%
2	16.75	12.00	6.00
3	14.00	11.50	6.00
4	13.00	11.00	6.00
5	7.50	6.50	6.00
6	6.75	6.25	1.50
7	6.50	6.00	1.50
8	5.75	5.40	1.50
9	5.25	5.00	1.50
10 – 12	3.50	3.00	1.50
13 – 14	3.50	2.75	1.50
15	3.00	2.25	1.50
16 – 18	2.50	2.00	1.50
19	2.00	1.50	1.50
20+	1.50	1.50	1.00

There are no withdrawal decrements after eligibility for service retirement.

SERVICE RETIREMENT RATES:

The assumed annual rates of service retirement are as follows:

State Non FLC Members				
	Annual Rate			
	TIER I[1]		TIER II	
Age	1st Eligible	Subsequent	1st Eligible	Subsequent
49 & Under	16.50%	10.50%	2.50%	2.50%
50 – 54	20.00	10.50	2.50	2.50
55 – 56	20.00	10.50	10.00	10.00
57	20.00	10.50	20.00	20.00
58	25.00	12.50	20.00	20.00
59	23.00	12.50	20.00	20.00
60	12.00	15.00	50.00	50.00
61	13.00	12.00	50.00	50.00
62	23.00	23.00	50.00	50.00
63	23.00	20.00	23.00	20.00
64	23.00	17.00	23.00	17.00
65	32.00	25.00	32.00	25.00
66	35.00	28.50	35.00	28.50
67	35.00	24.00	35.00	24.00
68 – 79	35.00	21.00	35.00	21.00
80 & Above	100.00	100.00	100.00	100.00

[1]25% are assumed to retire at age 60 with 25 years of service.

SERVICE RETIREMENT RATES (continued):

State FLC Members				
	Annual Rate			
	TIER I[1]		TIER II	
Age	1st Eligible	Subsequent	1st Eligible	Subsequent
48 & Under	35.00%	22.00%	2.50%	2.50%
49 – 50	35.00	22.00	10.00	10.00
51	35.00	22.00	20.00	20.00
52 – 55	35.00	18.00	20.00	20.00
56 – 59	40.00	18.00	15.00	15.00
60	17.00	21.00	17.00	17.00
61	40.00	18.50	40.00	18.50
62	40.00	30.00	40.00	30.00
63	40.00	25.00	40.00	25.00
64	40.00	22.00	40.00	22.00
65	40.00	27.00	40.00	27.00
66	40.00	38.00	40.00	38.00
67 – 69	40.00	30.00	40.00	30.00
70 – 74	60.00	30.00	60.00	30.00
75 & Above	100.00	100.00	100.00	100.00

[1]50% are assumed to retire at age 60 with 25 years of service.

State Police Members			
	Service		
Age	10 – 19	20 – 24	25+
40			40.00%
45			40.00
50			40.00
55	5.00%	33.00%	33.00
60	20.00	35.00	35.00
62	20.00	35.00	35.00
65 & Above	100.00	100.00	100.00

DISABILITY RATES:

Representative values of the assumed annual rates of disability are as follows:

	State Members				
	Tier I			Tier II	
	Service < 25		Service >= 25		
Age	Male	Female		Male	Female
20	0.014%	0.013%		0.014%	0.013%
25	0.082	0.075		0.082	0.075
30	0.150	0.138		0.150	0.138
35	0.180	0.200		0.180	0.200
40	0.350	0.300		0.350	0.300
45	0.650	0.500	0.250%	0.650	0.500
50	1.000	0.800	0.250	1.000	0.800
55	1.350	1.100	0.250	1.350	1.100
60	1.200	1.450	0.250	1.200	1.450
65	0.600	0.750	0.250	0.600	0.750
69	0.200	0.270		0.200	0.270

There are no disability rates for members with less than 10 years of service.

State Police Members	
Age	Rate
20	0.080%
25	0.100
30	0.140
35	0.220
40	0.340
45	0.460
50	0.600
55	

SALARY INCREASES:

Representative values of the assumed rates of future salary increases are as follows:

Service	Annual Rate[1]	
	State	State Police
0	6.00%	7.75%
1 – 3	4.25	7.75
4 – 5	4.25	7.50
6	4.00	6.25
7 – 10	4.00	5.50
11 – 14	3.75	5.25
15	3.75	4.75
16 – 17	3.50	4.75
18 – 19	3.50	4.50
20 & Over	3.25	4.00

[1]Includes wage inflation at 2.75% per annum.

JUDICIAL

The Judicial Retirement Fund uses the same mortality tables as the Teachers' Retirement System of Alabama. The following mortality assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

MORTALITY RATES:

Pre-Retirement:

Pub-2010 Teacher Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; 65% of rates for males and females

Post-Retirement:

Pub-2010 Teacher Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 108% of rates for males less than age 63 and 96% of rates for males over age 67 with a phasing down between age 63 and 67; 112% of rates for females less than age 69 and 98% of rates for females over age 74 with a phasing down between age 69 and 74

Post-Disablement:

Pub-2010 Teacher Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 8 years for males and 3 years for females

Beneficiaries and Survivors:

Pub-2010 Teacher Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males

The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Alabama Judicial Retirement Fund Board on September 14, 2021.

TERMINATION RATES:

The following are withdrawal rates based on years of service (for causes other than death, disability, or retirement).

Years of Service	Rates of Withdrawal*
1 – 9	3.00%
10+	1.30

** No rates after eligibility for retirement*

SERVICE RETIREMENT RATES:

The assumed annual rates of service retirement are as follows:

Age	Tier 1 Judges[1]	Tier 2 Judges/Clerks[2]	Clerks/District Attorneys
59 & Under	7.5%		
60 – 61	16.5		
62	20.0	30.0%	30.0%
63 – 64	16.5	16.5	10.0
65 – 69	20.0	20.0	10.0
70 – 74	30.0	30.0	30.0
75 & Above	100.0	100.0	100.0

[1]30% are assumed to retire in the first year a member reaches retirement eligibility at ages younger than 60, and 25% are assumed to retire in the first year a member reaches retirement eligibility at ages 60 through 69.
[2]10% are assumed to retire at all ages with less than 18 years of service.

DISABILITY RATES:

Representative values of the assumed annual rates of disability are as follows:

Age	Rates of Disability
20	0.013%
25	0.015
30	0.020
35	0.040
40	0.068
45	0.108
50	0.163
55	0.250
60	0.395
65	0.618
70	0.000

SALARY INCREASES:

Representative values of the assumed rates of future salary increases are as follows:

Service	Annual Rate[1]
0 – 13	3.50%
14	3.25
15 & Over	2.75

[1]*Includes wage inflation at 2.75% per annum.*

TEACHERS

The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

MORTALITY RATES:

Pre-Retirement:

Pub-2010 Teacher Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; 65% of rates for males and females

Post-Retirement:

Pub-2010 Teacher Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 108% of rates for males less than age 63 and 96% of rates for males over age 67 with a phasing down between age 63 and 67; 112% of rates for females less than age 69 and 98% of rates for females over age 74 with a phasing down between age 69 and 74

Post-Disablement:

Pub-2010 Teacher Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 8 years for males and 3 years for females

Beneficiaries and Survivors:

Pub-2010 Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males

TERMINATION RATES:

The following are sample withdrawal rates based on years of service (for causes other than death, disability or retirement).

Years of Service	Annual Rate*	
	Male	Female
0 – 3	12.00%	11.00%
4	10.00	9.00
5	7.25	6.50
6	6.25	5.50
7	5.25	5.00
8	5.00	4.25
9	4.25	3.50
10	3.25	3.25
11	3.25	3.00
12	3.00	2.75
13	3.00	2.50
14	2.75	2.25
15	2.50	2.25
16	2.00	2.00
17	2.00	1.90
18	2.00	1.85
19	2.00	1.70
20+	1.00	1.00

** No rates after eligibility for retirement*

SERVICE RETIREMENT:

For Tier I members, the rates are as follows:

	Annual Rates				
	Males		Females		
	Years of Service		Years of Service		
AGE	<25	>=25	<25	25	>=25
40-47		25.00%		25.00%	25.00%
48		22.00		18.00	18.00
49		17.50		15.50	15.50
50		16.00		17.50	12.50
51		16.00		19.00	14.00
52		16.00		19.50	14.50
53		16.00		20.00	15.00
54		16.00		21.50	16.50
55		15.50		22.00	17.00
56		15.50		22.00	17.00
57		15.50		22.50	17.50
58		15.50		23.50	18.50
59		18.00		25.00	20.00
60	12.00%	18.00	15.00%	29.00	24.00
61	9.50	18.00	12.00	29.00	24.00
62	22.00	32.00	21.00	45.00	40.00
63	16.00	27.50	16.00	36.00	31.00
64	14.00	21.50	15.50	32.50	27.50
65	25.00	27.50	27.00	38.00	38.00
66	25.00	27.50	28.00	40.00	40.00
67	22.00	23.50	23.00	33.00	33.00
68	21.00	22.50	25.00	33.00	33.00
69	21.00	22.50	20.50	30.00	30.00
70	21.00	22.50	24.50	30.00	30.00
71-74	20.00	22.50	22.00	30.00	30.00
75-76	30.00	22.50	30.00	30.00	30.00
77-79	30.00	22.50	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00

SERVICE RETIREMENT (continued):

For non-FLC Tier II members, the rates are as follows:

	Annual Rates								
	Males				Females				
	Years of Service				Years of Service				
AGE	<25	25-29	30	>=31	<25	25	26-29	30	>=31
40-47			10.00%	10.00%				10.00%	10.00%
48			10.00	10.00				10.00	10.00
49			10.00	10.00				10.00	10.00
50			10.00	10.00				10.00	10.00
51			10.00	10.00				10.00	10.00
52			10.00	10.00				10.00	10.00
53			10.00	10.00				10.00	10.00
54			10.00	10.00				10.00	10.00
55			20.00	10.00				20.00	10.00
56			20.00	10.00				20.00	10.00
57			20.00	10.00				20.00	10.00
58			20.00	10.00				20.00	10.00
59			20.00	10.00				20.00	10.00
60			40.00	40.00				45.00	45.00
61			40.00	40.00				45.00	45.00
62	50.00%	60.00%	60.00	60.00	50.00%	70.00%	70.00%	70.00	70.00
63	16.00	27.50	27.50	27.50	16.00	36.00	31.00	31.00	31.00
64	14.00	21.50	21.50	21.50	15.50	32.50	27.50	27.50	27.50
65	25.00	27.50	27.50	27.50	27.00	38.00	38.00	38.00	38.00
66	25.00	27.50	27.50	27.50	28.00	40.00	40.00	40.00	40.00
67	22.00	23.50	23.50	23.50	23.00	33.00	33.00	33.00	33.00
68	21.00	22.50	22.50	22.50	25.00	33.00	33.00	33.00	33.00
69	21.00	22.50	22.50	22.50	20.50	30.00	30.00	30.00	30.00
70	21.00	22.50	22.50	22.50	24.50	30.00	30.00	30.00	30.00
71-74	20.00	22.50	22.50	22.50	22.00	30.00	30.00	30.00	30.00
75-76	30.00	22.50	22.50	22.50	30.00	30.00	30.00	30.00	30.00
77-79	30.00	30.00	22.50	22.50	30.00	30.00	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

SERVICE RETIREMENT (continued):

For FLC Tier II members, the rates are as follows:

	Annual Rates		
	Years of Service		
AGE	10	11 – 29	30
40-47			2.50%
48			2.50
49			5.00
50			5.00
51			10.00
52			10.00
53			10.00
54			10.00
55			10.00
56	15.00%	15.00%	15.00
57	15.00	15.00	15.00
58	15.00	15.00	15.00
59	15.00	15.00	15.00
60	17.00	17.00	17.00
61	40.00	18.50	18.50
62	40.00	30.00	30.00
63	40.00	25.00	25.00
64	40.00	22.00	22.00
65	40.00	27.00	27.00
66	40.00	38.00	38.00
67	40.00	30.00	30.00
68	40.00	30.00	30.00
69	40.00	30.00	30.00
70-74	60.00	30.00	30.00
75	100.00	100.00	100.00

DISABILITY RATES:

The following are sample disability rates based on years of service and age.

AGE	Years of Service*			
	Male		Female	
	< 25**	>= 25	< 25**	>= 25
30	0.1000%		0.0700%	
35	0.1000		0.0700	
40	0.1300		0.1700	
45	0.2500	0.2000%	0.3200	0.2000%
50	0.5000	0.2000	0.5800	0.2000
55	0.8000	0.2000	0.9000	0.2250
60	0.5000	0.2000	0.6500	0.3000
64	0.5000	0.2000	0.6500	0.3000

* *No rates of disability are assumed for members with less than 10 years of service.*
** *Rates assumed for all Tier II members.*

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows:

Service	Annual Rate[1]
0	5.00%
1 – 5	4.00
6 – 10	3.75
11 – 15	3.50
16 & Over	3.25

[1]*Includes wage inflation at 2.75% per annum.*

SCHEDULE F – STATEMENT OF BENEFIT PROVISIONS VALUED

ELIGIBILITY: Retiree medical eligibility is attained when an employee with at least ten years of service to the State retires and is immediately eligible to draw a retirement annuity from the Alabama Employees' Retirement System, the Alabama Judicial Retirement System, and for a small group of employers listed below, the Teachers' Retirement System of Alabama.

Teachers' Retirement System of Alabama employers participating in SEHIP:

- Alabama Community College System
- Alabama Commission on Higher Education
- Alabama Department of Rehabilitation Services
- Alabama Department of Education
- Alabama Department of Youth Services

BENEFITS: The State Employees' Insurance Board (SEIB) serves as the Plan Administrator for the SEHIP. This is a self-insured comprehensive health benefit plan serving active and retired State employees and their dependents. As Plan Administrator, the SEIB is primarily responsible for the control and supervision for the SEHIP. The SEIB is also responsible for designing benefits and setting premiums.

PROVISIONS FOR MEDICARE: The SEHIP remains the primary insurer for medical coverage until the retiree is entitled to Medicare. Health benefits will be modified when the retiree or dependent becomes entitled to Medicare.

A Medicare retiree and/or spouse should have both Medicare Parts A and B to have adequate coverage with the State of Alabama. A retiree cannot have SEHIP prescription drug coverage if enrolled for Medicare Part D prescription drug coverage. The SEHIP prescription drug benefit for Medicare retirees and/or spouses is provided through the SEHIP Employer Group Waiver Plan (EGWP).

RETIREE CONTRIBUTIONS: Retiree contributions vary based on type of contract, dependent coverage, Medicare eligibility and election, wellness participation, preventive screening participation, spousal surcharge, and tobacco usage.

A sliding scale premium is applied after September 30, 2005 to all employees retiring after September 30, 2005, based on their years of service. The premium for retiree coverage is broken down into the employer share (what SEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share; however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2% and the retiree share will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share reduced accordingly.

For members retiring on or after January 1, 2012, the 2% reduction in the employer share of the premium for each year of service less than 25 will be increased to 4%. In addition, a 1% reduction in the employer share of the premium will be added for each year of age less than the Medicare entitlement age. This additional age premium component will be removed upon attaining Medicare entitlement.

Employees who retire on disability on or after January 1, 2012 are exempt from the retiree sliding scale premium calculation for a period of two years, provided the retiree applies for Social Security disability. However, these employees are not exempt from the retiree sliding scale premium calculation based on age. To obtain the two-year exemption, the retiree must submit documentation from the Social Security Administration acknowledging the retiree's application for disability benefits. To maintain the exemption after two years, the retiree must be approved for Social Security disability. If the retiree fails to obtain Social Security disability within two years from retirement, the retiree permanently loses the eligibility for this exemption.

Furthermore, monthly retiree contributions are subject to discounts for wellness and preventative screening, non-tobacco use and spousal surcharge waiver and are as follows:

- Wellness and Preventative Screening (Pre-Medicare only): $50 retiree, $50 spouse.
- Non-Tobacco use: $65 retiree, $65 spouse
- Spousal Surcharge Pre-Medicare: Spousal surcharge of $50 if a spouse is covered but is eligible for other insurance coverage. With waiver, Spousal surcharge is $25.
- Spousal Surcharge Post-Medicare: Spousal surcharge of $50 if a spouse is covered but is eligible for other insurance coverage. With waiver, Spousal surcharge is $0.

Sliding Scale (Employer base share)

Type of Contract	Sliding Scale Employer Base Share
Individual Coverage/ Non-Medicare Eligible Retired Member	$ 555.00
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$ 968.00
Family Coverage/Non-Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	$ 845.00
Individual Coverage/ Medicare Eligible Retired Member	$ 350.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependents(s) (with Spouse)	$ 640.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	$ 604.00

Retired Members

The base retiree premiums as of January 1, 2025 before sliding scale adjustment, if applicable, are shown below.

Type of Contract	Retiree Monthly Base Premium	Non-Tobacco User, Wellness Screening, Preventative Screening, and No Spouse Surcharge Premium Discount	Retiree Monthly Base Premium With All Discounts
Individual Coverage/ Non-Medicare Eligible Retired Member	$ 389.00	$ (115.00)	$ 274.00
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) (with Spouse)	$ 816.00	$ (255.00)	$ 561.00
Individual Coverage/ Medicare Eligible Retired Member	$ 80.00	$ (65.00)	$ 15.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s) (with Spouse)	$ 316.00	$ (180.00)	$ 136.00

Dental monthly premiums are $15 for single coverage and $24 for family coverage for Blue Cross Blue Shield or Southland. Southland Vision and Cancer coverage are each $15 for single coverage and $24 for family coverage.

BlueCard PPO for Non-Medicare eligible retirees effective January 1, 2025

Effective January 1, 2025 the Pharmacy Benefit Manager (PBM) changed from Optum Rx to Prime Therapeutics. Highlights of the BlueCard PPO for non-Medicare eligible retirees effective January 1, 2025 are as follows:

Medical Benefit	In Network (PPO)	Out Of Network (Non-PPO)
Inpatient Hospital Benefits	Covered at 100% of the allowance, subject to a $250 per admission deductible and $25 copay per day for days 2-5 per admission.	Covered at 80% of the allowance, subject to a $250 per admission deductible.
	All hospital admissions require pre-admission certification except medical emergency, maternity, and as required by applicable Federal law.	
Outpatient Hospital Benefits	Most services covered at 100%, subject to co-pay.	Most services covered at 80%, subject to deductible.
	In Alabama, outpatient benefits for non-member hospitals are available only in cases of accidental injury or medical emergency.	
Physician/Nurse Practitioner Benefits and Routine Preventive Care	Most services covered at 100%, subject to co-pay.	Most services covered at 80%, subject to deductible.
Major Medical General Provisions	$300 deductible per person each calendar year, maximum of three deductibles per family. $9,200 individual out-of-pocket maximum; $18,400 aggregate family maximum.	
Prescription Drug Benefit	**Participating Pharmacy**	**Non-Participating Pharmacy**
Prescription drug benefits are administered by Prime Therapeutics.		
Prescription Drugs	Covered at 100% subject to the following co-pays: Active employees and Non-Medicare Retirees: • $10 co-pay per prescription for Tier 1 Drugs for a 30- or 60-day supply, $20 for a 90-day supply. If the generic drug is over $50, the drug will move to Tier 2. • 20% co-pay with a $45 minimum and a $85 maximum per prescription for Tier 2 Drugs; limited to 30-, 60- or 90-day supply. • 50% co-pay with a $65 minimum and a $125 maximum per prescription for Tier 3 Drugs; limited to 30-day supply. • 50% co-pay with a $150 maximum per prescription for Tier 4 Drugs; limited to 30-day supply. • $150 copay for Tier 5 Drugs; limited to 30-day supply. Copays for certain specialty medications may vary and be set to the maximum of any available manufacturer-funded copay assistance programs.	No benefits