



Cavanaugh Macdonald
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**Alabama State Employees' Health Insurance Plan
Report of Actuary on the Retiree Medical Valuation**

Prepared as of September 30, 2020





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

June 8, 2021

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

Members of the Board:

We have submitted the results of the annual actuarial valuation of the Alabama State Employees' Health Insurance Plan (SEHIP) prepared as of September 30, 2020. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that an actuarially determined employer contribution of \$68,638,503 or 4.07% of active payroll payable for the fiscal year ending September 30, 2022 is required to fund the benefits of the SEHIP.

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. This report integrates updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee. Effective January 1, 2020, the MAPD plan moved from self-insured to fully-insured.

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, 2020, the Plan has \$205,730,389 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 employer contribution each year. This valuation was based on an assumed discount rate of 7.50%. Gains and losses are reflected in the unfunded accrued liability that is assumed amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.00% annually. The assumptions recommended by the actuary are reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.

In order to prepare the results in this report, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

We note that as we are preparing this report, the world is in the midst of a pandemic. We have considered available information and the only explicit change incorporated at this time was the use of pre-Medicare claims experience for the three-year period ending September 30, 2020 instead of a two-year period to avoid bias in claims costs due to the pandemic. No other changes were incorporated at this time due to the level of uncertainty regarding the impact going forward. We will continue to monitor emerging data and advise the Board in the future of any adjustments that we believe would be appropriate.



June 8, 2021
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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.

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.

In our opinion, 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,

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

Alisa Bennett, FSA, EA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'Bradley R. Wild'.

Bradley R. Wild, ASA, EA, FCA, MAAA
Senior Actuary

AB/BRW:jf



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**ALABAMA STATE EMPLOYEES'
HEALTH INSURANCE PLAN (SEHIP)
REPORT OF ACTUARY ON THE RETIREE MEDICAL VALUATION
PREPARED AS OF SEPTEMBER 30, 2020**

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.

Valuation Date	September 30, 2020	September 30, 2019
Number of active members*	31,217	31,439
Number of retired members	23,287	23,152
Number of dependents of retirees	8,302	8,312
Total	62,806	62,903
Annual salaries*	\$ 1,685,221,695	\$ 1,605,163,096
Assets:		
Market value	\$ 205,730,389	\$ 190,855,481
Unfunded actuarial accrued liability	\$ 855,860,201	\$ 1,356,783,664
Amortization period (years)	30	30
Contribution for fiscal year ending:	September 30, 2022	September 30, 2021
Actuarially Determined Employer Contribution (ADEC):		
Normal	\$ 19,068,902	\$ 38,849,875
Accrued liability	49,569,601	58,951,441
Total	\$ 68,638,503	\$ 97,801,316
ADEC as a % of Payroll	4.07%	6.09%
Discount Rate	7.50%	5.00%
Payroll Growth	3.00%	3.00%

* As of 9/30/2019, includes 2,100 TRS participants with compensation totaling \$121,818,110. As of 9/30/2020, includes 2,070 TRS participants with compensation totaling \$125,616,516.

2. The valuation indicates that contributions of \$68,638,503 or 4.07% of active payroll are sufficient to support the current benefits of the Plan. Comments on the valuation as of September 30, 2020 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.



3. This valuation was based on an assumed discount rate of 7.50% because a trust has been established along with a policy to make partial payments toward the actuarially determined employer contribution each year. The assumed rate of payroll growth is 3.00%.
4. There have been no plan changes since the previous valuation that affect the valuation. Schedule C details the actuarial assumptions and methods employed.
5. Schedule D provides a summary of the benefit and contribution provisions of the plan.
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



SECTION II - MEMBERSHIP DATA

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, 2020*

Age / Svc	<1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	Total
<25	501	451	2	0	0	0	0	0	0	954
25 - 29	607	1,539	300	2	0	0	0	0	0	2,448
30 - 34	403	1,411	1,130	296	5	0	0	0	0	3,245
35 - 39	288	969	895	1,072	310	3	0	0	0	3,537
40 - 44	258	846	680	912	1,121	260	3	0	0	4,080
45 - 49	217	800	583	775	895	805	179	1	0	4,255
50 - 54	178	669	549	644	752	689	637	201	1	4,320
55 - 59	126	546	548	556	637	522	537	550	105	4,127
60 - 64	58	313	349	432	470	342	326	328	288	2,906
65 - 69	13	109	182	171	161	119	115	69	20	959
70+	8	40	62	65	81	39	52	28	11	386
Total	2,657	7,693	5,280	4,925	4,432	2,779	1,849	1,177	425	31,217

* Includes 2,070 TRS participants.

Enrolled Retirees and Covered Dependents - Total

Age	Retirees	Dependents	Total
Under 65	5,208	3,047	8,255
65 & Older	18,079	5,255	23,334
Total	23,287	8,302	31,589



Enrolled Retirees and Covered Dependents With Dental Coverage (includes Southland Dental)

Age	Retirees	Dependents	Total
Under 65	5,140	2,980	8,120
65 & Older	<u>17,851</u>	<u>5,171</u>	<u>23,022</u>
Total	22,991	8,151	31,142

Enrolled Retirees and Covered Dependents With Medical Coverage

Age	Retirees	Dependents	Total
Under 65	4,138	1,543	5,681
65 & Older	<u>16,305</u>	<u>4,241</u>	<u>20,546</u>
Total	20,443	5,784	26,227



SECTION III - ASSETS

Schedule B shows information regarding assets for valuation purposes. As of September 30, 2020, the Plan has \$205,730,389 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 employer contribution each year. This valuation was based on an assumed discount rate of 7.50%.

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 7.50%. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C. The Summary of Main Plan Provisions is presented in Schedule D.
2. The valuation shows that the Plan has an actuarial accrued liability of \$588,843,195 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 \$472,747,395. The total actuarial accrued liability of the Plan amounts to \$1,061,590,590. Against these liabilities, the Plan has present assets for valuation purposes of \$205,730,389. Therefore, the unfunded actuarial accrued liability is equal to \$855,860,201.
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 \$19,068,902.



SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

**ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION
For Fiscal Year Ending September 30, 2022**

Actuarially Determined Employer Contribution (ADEC)		
Normal	\$	19,068,902
Accrued Liability		<u>49,569,601</u>
Total	\$	68,638,503

1. The valuation indicates that a normal contribution of \$19,068,902 is required to meet the cost of benefits currently accruing.
2. The unfunded actuarial accrued liability amounts to \$855,860,201 as of the valuation date. An accrued liability contribution of \$49,569,601 is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on a 7.50% investment rate of return and the assumption that the payroll will increase by 3.00% annually.
3. The total Actuarially Determined Employer Contribution is, therefore, \$68,638,503 or 4.07% 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 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 \$68,638,503 or 4.07% 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. This valuation was based on an assumed discount rate of 7.50% because a trust has been established since the valuation date along with a policy to make partial payments toward the actuarially determined employer contribution each year.



SECTION VII - ACCOUNTING INFORMATION

The information required under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75 will be issued in separate reports. The following information is provided for informational purposes only.

Valuation Date	9/30/2020
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*	7.50%
Medical Cost Trend Rate*	
Pre-Medicare	6.50%
Medicare Eligible	**
Ultimate Trend Rate*	
Pre-Medicare	4.75% in 2027
Medicare Eligible	4.75% in 2024
Dental Trend Rate	4.50%

**Includes price inflation at 2.75%*

***Initial Medicare claims are set based on scheduled increases through plan year 2022.*

The assumed investment rate of return reflects the fact that as of September 30, 2020 the Plan has \$205,730,389 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 employer contribution each year.



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)
9/30/2010 ¹	\$ 97,484,665	\$ 4,162,276,302	\$ 4,064,791,637	2.34%	\$ 1,594,766,870	254.88%
9/30/2011 ²	108,723,499	3,369,896,864	3,261,173,365	3.23	1,506,539,188	216.47
9/30/2012	126,670,288	3,215,956,125	3,089,285,837	3.94	1,385,013,035	223.05
9/30/2013 ³	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 ⁴	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 ⁵	190,855,481	1,547,639,145	1,356,783,664	12.33	1,605,163,096	84.53
9/30/2020 ⁶	205,730,389	1,061,590,590	855,860,201	19.38	1,685,221,695	50.79

¹ Reflects Act 2011-27, which closes the DROP program to new participants effective March 24, 2011 and Act 2011-698, which increases retiree premiums for members retiring on or after January 1, 2012.

² Reflects the impact of the EGWP + Wrap plan and the five year experience study.

³ Reflects Tier II benefit structure for those hired on or after January 1, 2013 and plan changes made for the Affordable Care Act

⁴ Reflects the impact of the Medicare Advantage plan and the five year experience study.

⁵ Reflects the change in actuarial cost method to Entry Age Normal.

⁶ Reflects the change in long-term rate of return from 5.00% to 7.50%.



SCHEDULE A
RESULTS OF THE VALUATION
(GAIN)/LOSS

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, 2020 is shown below.

Gain/Loss	
1. UNFUNDED ACCRUED LIABILITY (UAL) 9/30/2019	\$ 1,356,783,664
2. NORMAL COST 9/30/2019	38,849,875
3. EXPECTED EMPLOYER CONTRIBUTIONS (ADEC calculated in 9/30/2019 valuation)	97,801,316
4. INTEREST ACCRUAL (1) x .05 + [(2) - (3)] x .025	<u>66,365,397</u>
5. EXPECTED UAL 9/30/2020 (1) + (2) - (3) + (4)	\$ 1,364,197,620
6. (GAIN)/LOSS DUE TO CLAIMS AND PREMIUMS EXPERIENCE	(99,768,784)
7. (GAIN)/LOSS DUE TO CHANGE IN ASSUMPTIONS*	(385,378,895)
8. (GAIN)/LOSS DUE TO ASSETS AND CONTRIBUTION SHORTFALL	<u>39,074,421</u>
9. EXPECTED UAL 9/30/2020 AFTER CHANGES (5) + (6) + (7) + (8)	\$ 918,124,362
10. ACTUAL UAL AS OF 9/30/2020	\$ 855,860,201
11. (GAIN)/LOSS** (10) - (9)	\$ (62,264,161)
12. (GAIN)/LOSS AS % OF LAST YEAR'S ACCRUED LIABILITY	(4.02%)

* The change in assumptions is due to the change in discount rate from 5.00% to 7.50%.

** Includes all other actuarial gains and losses.



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 \$205,730,389 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, 2020

Asset Summary Based on Market Value	
Market Value September 30, 2019	\$ 190,855,481
Employer Contributions	\$ 54,480,012
Benefit Payments	(54,391,265)
Admin Expenses	(88,747)
Investment Income	14,874,908
Changes in Market Value	<u>\$ 14,874,908</u>
Market Value as of September 30, 2020	\$ 205,730,389



SCHEDULE C

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Board on September 29, 2016.

VALUATION DATE: September 30, 2020

DISCOUNT RATE: 7.50% per annum, compounded annually.

PAYROLL GROWTH: 3.00% per annum

HEALTH CARE COST TREND RATES: The following chart details the trend assumptions.

Year	Pre-Medicare Medical Trend*	Medicare-Eligible Medical Trend*	SEHIP Dental Trend
2020	6.50%	**	4.50%
2021	6.25%	5.00%	4.50%
2022	6.00%	5.00%	4.50%
2023	5.75%	5.00%	4.50%
2024	5.50%	5.00%	4.50%
2025	5.25%	4.75%	4.50%
2026	5.00%	4.75%	4.50%
2027 and beyond	4.75%	4.75%	4.50%

* Sliding scale base amounts for Medicare-eligible participants are trended at 5.25% in the first year and then follow the Medicare-Eligible medical trends. Southland Plan and Supplemental Plan costs are trended at 4.50%.

** Initial Medicare claims are set based on scheduled increases through plan year 2022.

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 Premium
Pre-Medicare	Medicare Eligible	
2.0%	1.0%	2.0%



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

Participant Age	Annual Increase*
< 40	0.0%
40 – 44	2.6%
45 – 49	2.6%
50 – 54	3.2%
55 – 59	3.4%
60 - 64	3.7%
65 – 69	3.2%
70 – 74	2.4%
75 – 79	1.8%
80 – 84	1.3%
85 and over	0.0%

**Dental and Southland Plan costs are not age adjusted.*

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 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	90% if eligible for immediate retirement 0% if terminating with a deferred benefit.	90% if eligible for immediate retirement 0% if terminating with a deferred benefit.
Wellness	85%	N/A
Tobacco	10%	10%
Spouse Surcharge	10%	10%
Spouse Coverage**		
Male	50%	50%
Female	25%	25%

***Wives are assumed to be three years younger than husbands.*

It is assumed that retirees who do not elect to continue their coverage under the SEHIP upon retirement will not enroll during a future open enrollment period. 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/PRESCRIPTION DRUGS/DENTAL CLAIMS (AGE 65): Following is a chart detailing expected per member per year medical/prescription drugs, Supplemental Plan and dental claims for pre and post Medicare for the year following the valuation date. Medical and prescription drug claims and Supplemental Plan claims are age-adjusted to age 65, while 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. Medicare eligible rates are based on the self-insured MAPD EGWP projections from BCBS.

	Medical/Prescription Drugs	Dental
Pre-Medicare	\$10,419	\$336
Medicare-Eligible	\$959	\$336

MEDICARE ADVANTAGE PREMIUMS: Claims for Medicare-Eligible retirees are set based on scheduled premium rate increases until the 2022 plan year. Premium rates drop beginning with plan year 2021 due to the repeal of the ACA Health Insurer Fee effective January 1, 2021. The following table details expected Medicare Advantage monthly premium rates. Following these three years, monthly premiums are expected to increase with the health care cost trend rates, as described on the previous page.

Medicare Advantage Plan Monthly Premium Rates

Calendar Year	2020	2021	2022
Expected Monthly Premium Rates	\$126.00	\$101.41	\$110.00

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 Plan are assumed to elect them in the future. Active employees are assumed to elect the SEHIP BlueCard PPO Medical/Prescription Drug Plan upon retirement.

Vision Plan	Cancer Plan	Hospital Indemnity Plan	Dental
\$69	\$125	\$178	\$449

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.



STATE EMPLOYEES

TERMINATION: Representative values of the assumed annual rates of withdrawal are shown in the following tables:

REGULAR MEMBERS

Annual Rate of Withdrawal

Age	Years of Service							
	0-4		5-9		10-20		20+	
	Male	Female	Male	Female	Male	Female	Male	Female
20	24.00%	33.00%	9.00%	12.00%	5.00%	6.50%	1.50%	1.50%
25	19.50	23.00	8.50	11.00	5.00	6.50	1.50	1.50
30	17.50	20.00	7.00	8.25	4.00	5.25	1.50	1.50
35	16.00	18.00	6.50	7.50	3.25	5.25	1.50	1.50
40	15.50	17.00	5.50	7.25	3.00	3.50	1.50	1.50
45	13.50	15.50	5.00	6.50	2.75	3.50	1.50	1.50
50	13.00	14.50	5.00	6.25	2.50	3.50	1.50	1.50
55	11.50	14.00	5.00	5.50	2.50	3.50	1.50	1.50
60	11.50	15.00	5.50	6.00	2.50	3.50	1.50	2.00
65	15.50	16.00	7.50	8.50	2.75	3.50	1.50	2.00
69	15.50	16.00	7.50	8.50	2.75	3.50	1.50	2.00

There are no withdrawal decrements after eligibility for service retirement.

CERTIFIED FIREFIGHTERS, POLICE OFFICERS, OR CORRECTIONAL OFFICERS (FLC MEMBERS)

Annual Rate of Withdrawal

Age	Years of Service			
	0-4	5-9	10-20	20+
20	17.00%	6.50%	3.25%	1.25%
25	14.50	6.50	3.25	1.25
30	13.50	6.00	3.25	1.25
35	13.50	5.50	3.25	1.25
40	13.00	5.00	2.50	1.25
45	12.50	4.50	2.25	1.25
50	11.00	4.50	2.25	1.25
55	10.00	4.50	2.25	1.25
60	12.00	5.50	2.00	1.25
65	17.00	6.00	2.00	1.25
69	17.00	6.00	2.00	1.25

There are no withdrawal decrements after eligibility for service retirement.



SERVICE RETIREMENT: The assumed annual rates of service retirement are as follows:

REGULAR MEMBERS

Age	Annual Rate			
	TIER I ¹		TIER II	
	<u>1ST Eligible</u>	<u>Subsequent</u>	<u>1ST Eligible</u>	<u>Subsequent</u>
50 & Under	18.00%	11.50%		
51 – 56	20.00	11.50		
57	25.00	11.50		
58 – 59	25.00	15.00		
60	13.00	13.00		
61	13.00	13.00		
62	25.00	25.00	50.00%	50.00%
63	25.00	20.00	25.00	20.00
64	25.00	20.00	25.00	20.00
65	35.00	25.00	35.00	25.00
66	35.00	30.00	35.00	30.00
67	35.00	25.00	35.00	25.00
68	35.00	21.00	35.00	21.00
69 – 74	35.00	21.00	35.00	21.00
75 & Above	100.00	100.00	100.00	100.00

¹25% are assumed to retire at age 60 with 25 years of service and 17% are assumed to retire at age 60 with 26 or more years of service.

FLC MEMBERS

Age	Annual Rate			
	TIER I ¹		TIER II	
	<u>1ST Eligible</u>	<u>Subsequent</u>	<u>1ST Eligible</u>	<u>Subsequent</u>
50 & Under	40.00%	25.00%		
51 – 55	40.00	20.00		
56	40.00	20.00	15.00%	15.00%
57 – 59	40.00	17.00	15.00	15.00
60	15.00	15.00	15.00	15.00
61	40.00	18.00	15.00	15.00
62	40.00	28.00	40.00	28.00
63	40.00	28.00	40.00	28.00
64	40.00	21.00	40.00	21.00
65	40.00	25.00	40.00	25.00
66	40.00	40.00	40.00	40.00
67 – 74	40.00	30.00	40.00	30.00
75 & Above	100.00	100.00	100.00	100.00

¹40% are assumed to retire at age 60 with 25 years of service and 20% are assumed to retire at age 60 with 26 or more years of service.



DEATH AND DISABILITY: Representative values of the assumed annual rates of death and disability are as follows:

STATE EMPLOYEES

Age	Annual Rate of							
	Death		Disability					
			Tier I		Tier II			
			Service < 25		Service >=25			
	Male	Female	Male	Female		Male	Female	
20	0.023%	0.009%	0.060%	0.052%		0.060%	0.052%	
25	0.025	0.010	0.090	0.074		0.090	0.074	
30	0.029	0.012	0.117	0.100		0.117	0.100	
35	0.051	0.022	0.151	0.187		0.151	0.187	
40	0.071	0.033	0.405	0.372		0.405	0.372	
45	0.099	0.053	0.630	0.559	0.250%	0.630	0.559	
50	0.141	0.079	1.155	0.898	0.250	1.155	0.898	
55	0.200	0.114	1.530	1.400	0.250	1.530	1.400	
60	0.297	0.161	0.500	1.000	0.250	0.500	1.000	
65	0.416	0.229	0.500	1.000	0.250	0.500	1.000	
69	0.492	0.286						



STATE POLICEMEN

Annual Rate of								
Age	Death		Disability	Withdrawal		Retirement		
	Male	Female		Service		Service		
				0-4	5+	10-19	20-24	25+
20	0.023%	0.009%	0.080%	2.00%	1.50%			
25	0.025	0.010	0.100	2.00	1.50			
30	0.029	0.012	0.140	2.00	1.50			
35	0.051	0.022	0.220	2.00	1.00			
40	0.071	0.033	0.340	2.00	1.00			40.00%
45	0.099	0.053	0.460	5.00	1.00			40.00
50	0.141	0.079	0.600	5.00	1.50			40.00
55	0.200	0.114		10.00		5.00%	35.00%	35.00
60	0.297	0.161		10.00		25.00	25.00	25.00
62	0.346	0.183		10.00		25.00	25.00	25.00
65	0.416	0.229				100.00	100.00	100.00

DEATH AFTER RETIREMENT: The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females. Representative values of assumed mortality are as follows:

Age	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
55	0.4939%	0.2528%	3.3375%	1.9456%
60	0.8983	0.4048	3.6532	2.3221
65	1.5257	0.8167	3.9411	2.8618
70	2.4722	1.4637	4.6257	3.8430
75	3.9850	2.4262	6.0659	5.3334
80	6.5180	4.6142	8.0841	7.3840
85	10.6322	7.8329	10.4664	10.2321
90	18.2107	13.1471	14.7009	14.5932



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

STATE EMPLOYEES

Service	Annual Rate*
0	5.000 %
1 – 5	4.000
6 – 10	3.750
11 – 15	3.500
16 & Over	3.250

**Includes wage inflation at 3.00% per annum.*

STATE POLICEMEN

4.50% per year for all years of service, including wage inflation at 3.00% per annum.



JUDICIAL

SEPARATIONS BEFORE RETIREMENT: Representative values of the assumed annual rates of withdrawal, death and disability are as follows:

<u>Age</u>	<u>Annual Rate of</u>			
	<u>Withdrawal</u>	<u>Death*</u>		<u>Disability**</u>
		<u>Male</u>	<u>Female</u>	
30	2.50%	0.0376%	0.0149%	0.020%
35	2.50	0.0655	0.0268	0.040
40	2.50	0.0914	0.0399	0.068
45	2.50	0.1278	0.0635	0.108
50	2.50	0.1812	0.0947	0.163
55	2.50	0.2567	0.1371	0.250
60	2.50	0.3815	0.1929	0.395
64	2.50	0.5070	0.2558	0.570

* Rates of pre-retirement mortality are according to the sex distinct RP-2000 Employee Mortality Table (with the sex distinct RP-2000 Combined Mortality Table for ages over 70) projected with Scale BB to 2020 with an adjustment factor of 90% for males and 60% for females.

**Disability rates turn off at retirement eligibility.

RATES OF RETIREMENT:

Tier I (Groups 1 and 2): Between the ages of 55 and 59, 25% of members are assumed to retire in the year when first eligible and 10% in each year thereafter. Between the ages of 60 and 69, 30% of members are assumed to retire in the year when first eligible and 15% in each year thereafter. 30% of the remaining members are assumed to retire each year between age 70 and 74, and all remaining members are assumed to retire at age 75.

Tier II (Group 3) – Judges, Clerks, and District Attorneys’ Plan:

<u>Age</u>	<u>Judges</u>		<u>Clerks and District Attorneys</u>
	<u><18 years</u>	<u>≥18 years</u>	
62 – 69	10%	15%*	10%**
70 – 74	30%	30%	30%
75	100%	100%	100%

* An additional 15% are assumed to retire when first eligible for retirement and at 18 years of service.

** An additional 20% are assumed to retire when first eligible for retirement and at 27 years of service.



DEATHS AFTER RETIREMENT: Rates of mortality for the period after service retirement are according to the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females older than age 78. The sex distinct RP-2000 Disabled Mortality Table is projected to 2020 using scale BB and adjusted 105% for males and 120% for females. Representative values of assumed mortality are as follows:

<u>Age</u>	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	0.3575%	0.2339%	3.5044%	1.7959%
60	0.5579	0.3825	3.8359	2.1434
65	0.9991	0.6795	4.1382	2.6417
70	1.6384	1.1928	4.8570	3.5474
75	2.8589	2.0200	6.3692	4.9231
80	5.0501	3.7900	8.4883	6.8160
85	8.8966	6.5271	10.9897	9.4450
90	16.4327	11.3249	15.4359	13.4706

SALARY INCREASES: 3.50% per annum for all ages with service less than 14 years, and 3.25% per annum for all ages with service of 14 years or more, compounded annually, including wage inflation at 3.00%.



Teachers

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of death, disability, and withdrawal are as follows:

<u>Age</u>	<u>Annual Rate of</u>							
	<u>Death*</u>	<u>Disability**</u>		<u>Withdrawal***</u>				
		<u>Tier I</u> <u>Years of Service</u>	<u>Tier II</u> <u>Years of Service</u>	<u>Years of Service</u>				
	<u>10-24</u>	<u>25+</u>	<u>10+</u>	<u>0-4</u>	<u>5-9</u>	<u>10-19</u>	<u>20+</u>	
<u>Male</u>								
20	0.0293%	0.0008%	0.0008%	25.00%				
25	0.0319	0.0250	0.0250	14.80	11.00%			
30	0.0376	0.0425	0.0425	13.80	5.40	3.50%		
35	0.0655	0.1300	0.1300	13.50	5.40	2.50	0.50%	
40	0.0914	0.1700	0.1700	13.00	5.40	2.25	0.50	
45	0.1278	0.2700	0.2000%	0.2700	13.00	5.40	2.25	0.75
50	0.1812	0.6000	0.2000	0.6000	12.00	5.00	2.50	0.80
55	0.2567	0.9000	0.2000	0.9000	11.50	5.00	2.50	0.90
60	0.3815	0.5000	0.5000	1.3000	12.00	4.50	2.50	0.90
65	0.5353	0.5000	0.5000	0.5000	12.00	6.00		
69	0.6326	0.5000	0.5000	0.5000	12.00	6.25		
<u>Female</u>								
20	0.0108%	0.0100%	0.0100%	25.00%				
25	0.0117	0.0275	0.0275	12.75	9.00%			
30	0.0149	0.0425	0.0425	13.50	5.80	4.30%		
35	0.0268	0.1000	0.1000	13.50	5.00	2.60	1.50%	
40	0.0399	0.2000	0.2000	11.50	4.75	2.00	1.50	
45	0.0635	0.3500	0.2000%	0.3500	10.75	4.10	2.00	0.50
50	0.0947	0.6500	0.2000	0.6500	10.75	3.90	2.20	0.75
55	0.1371	1.0500	0.2000	1.0500	11.00	4.20	2.40	0.80
60	0.1929	0.5000	0.5000	1.4000	12.00	4.50	2.70	1.00
65	0.2743	0.5000	0.5000	0.5000	15.00	6.75		
69	0.3435	0.5000	0.5000	0.5000	15.00	7.25		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Employee Mortality Table (with the sex distinct RP-2000 Combined Mortality Table used for ages over 70) projected with Scale BB to 2020 with an adjustment factor of 90% for males and 60% for females.

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

***No rates of withdrawal are assumed after eligibility for service retirement.



SERVICE RETIREMENT:

The assumed annual rates of service retirement for **Tier I** members are as follows:

For Tier I members upon attaining 25 years of service, rates are as follows:

<u>Age Group</u>	<u>Annual Rate</u>	
	<u>Male*</u>	<u>Female**</u>
47 & Under	25.0%	28.0%
48	25.0	20.0
49	20.0	17.0
50	16.5	13.0
51 – 53	16.0	15.0
54	16.0	17.0
55	16.0	18.0
56 – 57	16.0	19.0
58	16.0	21.0
59	20.0	22.0
60	20.0	30.0
61	20.0	27.5
62	35.0	45.0
63	30.0	35.0
64	23.0	32.0
65	28.0	38.0
66	27.0	40.0
67	22.0	35.0
68	22.0	37.0
69 – 70	22.0	30.0
71 – 74	20.0	30.0
75	100.0	100.0

**For males, retirement rates are increased by 5% in the year first attaining 25 years of service from age 51 through age 60.*

***For females, retirement rates are increased by 9% in the year first attaining 25 years of service from age 50 through age 59.*



For Tier I members first eligible for unreduced benefits before attaining 25 years of service, the rates are as follows:

<u>Age Group</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
60	12.5%	17.0%
61	11.0	13.5
62	25.0	23.5
63	18.5	18.0
64	15.0	17.0
65	28.0	28.0
66	27.0	28.0
67	22.0	23.0
68	22.0	27.0
69	22.0	22.0
70	22.0	26.0
71 – 74	20.0	24.0
75 & Above	100.0	100.0

The assumed annual rates of service retirement for **Tier II** members are as follows:

<u>Age Group</u>	<u>Annual Rate</u>			
	<u>Male*</u>		<u>Female**</u>	
	<u>Less than 25 years of service</u>	<u>25 or more years of service</u>	<u>Less than 25 years of service</u>	<u>25 or more years of service</u>
62	50.0%	60.0%	50.0%	70.0%
63	18.5	30.0	18.0	35.0
64	15.0	23.0	17.0	32.0
65	28.0	28.0	28.0	38.0
66	27.0	27.0	28.0	40.0
67	22.0	22.0	23.0	35.0
68	22.0	22.0	27.0	37.0
69	22.0	22.0	22.0	30.0
70	22.0	22.0	26.0	30.0
71 – 74	20.0	20.0	24.0	30.0
75 & above	100.0	100.0	100.0	100.0

* For FLC Tier II members, rates on or after age 60 are the same as those for Tier I, while rates from ages 56 to 59 are equal to 0.20 for service less than 25 years and 0.30 for service greater than or equal to 25 years.

** For FLC Tier II members, rates on or after age 60 are the same as those for Tier I, while rates from ages 56 to 59 are equal to 0.20 for service less than 25 years and 0.40 for service greater than or equal to 25 years.



DEATHS AFTER RETIREMENT: Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females. Representative values of assumed mortality are as follows:

Age	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
55	0.3575%	0.2339%	3.5044%	1.7959%
60	0.5579	0.3825	3.8359	2.1434
65	0.9991	0.6795	4.1382	2.6417
70	1.6384	1.1928	4.8570	3.5474
75	2.8589	2.0200	6.3692	4.9231
80	5.0501	3.7900	8.4883	6.8160
85	8.8966	6.5271	10.9897	9.4450
90	16.4327	11.3249	15.4359	13.4706

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

Service	Annual Rate*
0	5.000 %
1 – 5	4.000
6 – 10	3.750
11 – 15	3.500
16 & Over	3.250

**Includes wage inflation at 3.00% per annum.*

AFFORDABLE CARE ACT: The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results 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. Continued monitoring of the ACA's impact on the Plan's liability will be required.



SCHEDULE D

SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

ELIGIBILITY: Retiree medical eligibility is attained when a retired 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, 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, non-tobacco use and spousal surcharge waiver and are as follows:

- Wellness (Pre-Medicare only): \$25 retiree, \$25 spouse.
- Non-Tobacco use: \$60 retiree, \$60 spouse
- Spousal Surcharge: Spousal surcharge of \$50 if a spouse is covered but is eligible for other insurance coverage.

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	\$ 604.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	\$ 640.00



Retired Members

The base retiree premiums as of January 1, 2021 before sliding scale adjustment, if applicable, are shown below.

Type of Contract	Retiree Monthly Base Premium	Non-Tobacco User, Wellness and No Spouse Surcharge Premium Discount	Retiree Monthly Base Premium With All Discounts
Individual Coverage/ Non-Medicare Eligible Retired Member	\$ 359.00	\$ (85.00)	\$ 274.00
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 756.00	\$ (220.00)	\$ 536.00
Individual Coverage/ Medicare Eligible Retired Member	\$ 75.00	\$ (60.00)	\$ 15.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	\$ 306.00	\$ (170.00)	\$ 136.00

Dental monthly premiums are \$8 for single coverage and \$15 for family coverage for Blue Cross Blue Shield or Southland. Southland Vision and Cancer coverage are each \$12 for single coverage and \$24 for family coverage.



Highlights of the BlueCard PPO for non-Medicare eligible retirees effective 1/1/2021 are as follows. The SEIB and Blue Cross and Blue Shield of Alabama provided members with a new, comprehensive Medicare Advantage prescription drug plan beginning January 1, 2017. This new plan, Blue Advantage, is a preferred provider organization that combines all the benefits of health and prescription drug coverage under one all-inclusive and convenient plan.

BlueCard PPO for non-Medicare eligible retirees effective 1/1/2021

Medical Benefit	In Network (PPO)	Out Of Network (Non-PPO)
Inpatient Hospital Benefits	\$200 per admission deductible with pre-certification. \$25 co-pay for days 2-5. Covered at 100% of the allowance.	\$200 per admission deductible with pre-certification. Covered at 80% of the allowance.
	All hospital admissions require pre-admission certification except medical emergency and maternity.	
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.	
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 per person each calendar year, maximum of three deductibles per family. \$8,150 individual out-of-pocket maximum; \$16,300 aggregate family maximum. Most services are covered at 80%.	
Prescription Drug Benefit	Participating Pharmacy	Non-Participating Pharmacy
Prescription Drugs	Covered at 100% subject to the following co-pays: Active employees and Non-Medicare Retirees: <ul style="list-style-type: none"> •\$10 co-pay per prescription for Tier 1 Drugs for a 30 or 60 day supply, \$15 for a 90 day supply •20% co-pay with a \$40 minimum and a \$80 maximum per prescription for Tier 2 Drugs •20% co-pay with a \$60 minimum and a \$120 maximum per prescription for Tier 3 Drugs •50% co-pay with a \$150 maximum per prescription for Tier 4 Drugs •\$150 copay for Tier 5 Drugs 	No benefits
SEIB Discounted Vision Care Program – administered by SEIB	In Network	Out Of Network
	One examination per year subject to a \$40 co-pay.	Not covered.