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

**Prepared as of September 30, 2016**

























**SECTION VII - ACCOUNTING INFORMATION**

Governmental Accounting Standards Board Statement 45 sets forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at September 30, 2016. Additional information as of the latest actuarial valuation follows.

Valuation Date	9/30/2016
Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Medical Cost Trend Rate*	
Pre-Medicare	7.75%
Medicare Eligible	5.75%
Ultimate Trend Rate*	
Pre-Medicare	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2021
Dental Trend Rate	4.50%

*\*Includes price inflation at 2.875%*

The assumed investment rate of return reflects the fact that as of September 30, 2016 the Plan has \$150,388,193 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. If the Plan starts fully pre-funding benefits, the discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins.



**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c) <sup>1</sup>	UAAL as a Percentage Covered Payroll ((b - a) / c)
9/30/2010 <sup>1</sup>	\$97,484,665	\$4,162,276,302	\$4,064,791,637	2.34%	\$1,594,766,870	254.88%
9/30/2011 <sup>2</sup>	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 <sup>3</sup>	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 <sup>4</sup>	150,388,193	2,346,945,985	2,196,557,792	6.41%	1,511,463,538	145.33%

*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.*



SCHEDULE A

**RESULTS OF THE VALUATION  
AND THE BENEFITS OF ADVANCE FUNDING  
PREPARED AS OF SEPTEMBER 30, 2016**

	5.00% Discount Rate	6.00% Discount Rate	7.00% Discount Rate	8.00% Discount Rate
<b>1. PAYROLL</b>	\$ 1,511,463,538	\$ 1,511,463,538	\$ 1,511,463,538	\$ 1,511,463,538
<b>2. ACTUARIAL ACCRUED LIABILITY</b>				
Present value of prospective benefits payable in respect of:				
(a) Present active members:	\$ 1,093,841,185	\$ 897,597,390	\$ 746,714,883	\$ 628,974,816
(b) Present retired members and dependents:	<u>1,253,104,800</u>	<u>1,128,979,253</u>	<u>1,024,812,185</u>	<u>936,590,786</u>
(c) Total actuarial accrued liability	\$ 2,346,945,985	\$ 2,026,576,643	\$ 1,771,527,068	\$ 1,565,565,602
<b>3. PRESENT ASSETS FOR VALUATION PURPOSES</b>	\$ 150,388,193	\$ 150,388,193	\$ 150,388,193	\$ 150,388,193
<b>4. UNFUNDED ACTUARIAL ACCRUED LIABILITY [(2)(C) minus (3)]</b>	\$ 2,196,557,792	\$ 1,876,188,450	\$ 1,621,138,875	\$ 1,415,177,409
<b>5. AMORTIZATION PERIOD</b>	30	30	30	30
<b>6. NORMAL CONTRIBUTION</b>	\$ 70,822,668	\$ 56,284,598	\$ 45,432,076	\$ 37,197,054
<b>7. ACCRUED LIABILITY CONTRIBUTION</b>	<u>93,933,376</u>	<u>90,590,304</u>	<u>87,714,856</u>	<u>85,190,124</u>
<b>8. TOTAL CONTRIBUTION (6) + (7)</b>	\$ 164,756,044	\$ 146,874,902	\$ 133,146,932	\$ 122,387,178
<b>9. TOTAL CONTRIBUTION AS A PERCENT OF PAYROLL (8) ÷ (1)</b>	10.90%	9.72%	8.81%	8.10%



## 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, 2016 is shown below.

Gain/Loss	
1. <b>UNFUNDED ACCRUED LIABILITY (UAL) 9/30/2015</b>	\$ 2,798,793,417
2. <b>NORMAL COST 9/30/2015</b>	\$ 83,676,846
3. <b>EXPECTED EMPLOYER CONTRIBUTIONS</b> (ARC calculated in 9/30/2015 valuation)	\$ 201,465,349
4. <b>INTEREST ACCRUAL</b>  (1) X .05 + [(2) - (3)] X .025	\$ <u>136,994,958</u>
5. <b>EXPECTED UAL 9/30/2016</b>  (1) + (2) - (3) + (4)	\$ 2,817,999,872
6. <b>(GAIN)/LOSS DUE TO CLAIMS EXPERIENCE</b> (Primarily change to Medicare Advantage plan)	\$ (827,173,228)
7. <b>(GAIN)/LOSS DUE TO ASSUMPTION CHANGES</b> (Five-year experience study)	\$ <u>95,559,030</u>
8. <b>EXPECTED UAL 9/30/2016 AFTER CHANGES</b> (5) + (6) + (7)	\$ 2,086,385,674
9. <b>ACTUAL UAL AS OF 9/30/2016</b>	\$ 2,196,557,792
10. <b>(GAIN)/LOSS INCLUDING CONTRIBUTION SHORTFALL*</b> (9) - (8)	\$ 110,172,118
11. <b>(GAIN)/LOSS AS % OF LAST YEAR'S ACCRUED LIABILITY</b>	3.74%

\*Includes contribution shortfall, investment experience, and all other actuarial gains and losses.



## SCHEDULE B

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### 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 \$150,388,193 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, 2016

Asset Summary Based on Market Value	
Market Value September 30, 2015	\$ 149,258,206
Employer Contributions	81,442,277
Employee Contributions	40,479,187
Investment Income	<u>16,055,807</u>
Total Additions	137,977,271
Medical Benefits	(135,470,778)
Regulatory Expense	(1,151,807)
Other Expenses	<u>(224,699)</u>
Total Deductions	(136,847,284)
Market Value September 30, 2016	\$ 150,388,193





**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, 2016

**DISCOUNT RATE:** 5.0% per annum, compounded annually.

**PAYROLL GROWTH:** 3.125% 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
2016	7.75%	5.75%	4.50%
2017	7.00%	5.50%	4.50%
2018	6.50%	5.25%	4.50%
2019	6.00%	5.00%	4.50%
2020	5.50%	5.00%	4.50%
2021 and beyond	5.00%	5.00%	4.50%

\* Includes sliding scale base amounts. 2.0% annual trend is applied to all other healthcare retiree contributions. Southland Plan and Supplemental Plan claims are trended at 5.0%.

**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.

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	4%	4%
Spouse Surcharge	16%	16%
Spouse Coverage		
Male	50%	50%
Female	20%	20%

Wives are assumed to be three years younger than husbands.

**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, 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	\$10,322	\$244
Medicare-Eligible	\$2,031	\$244

**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
\$100	\$164	\$263	\$529

**ACTUARIAL METHOD:** Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the Actuarial Accrued Liability (AAL) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through full retirement eligibility date was used in allocating costs.

**ASSET VALUATION METHOD:** Market value.



**STATE AND LOCAL EMPLOYEES**

**SEPARATIONS FROM ACTIVE SERVICE- STATE AND LOCAL EMPLOYEES**

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

**REGULAR MEMBERS**

Annual Rate of Withdrawal\*  
Years of Service

<u>Age</u>	<u>0-4</u>		<u>5-9</u>		<u>10-20</u>		<u>20+</u>	
	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\*  
Years of Service

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-20</u>	<u>20+</u>
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.*

\* For local employers with fewer than 25 employees the rates are multiplied by 50%.



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

**REGULAR MEMBERS**

Age	Annual Rate <sup>1</sup>			
	TIER I <sup>2</sup>		TIER II	
	<u>1<sup>ST</sup> Eligible</u>	<u>Subsequent</u>	<u>1<sup>ST</sup> Eligible</u>	<u>Subsequent</u>
50 & Under	18.00%	11.50%		
51 to 56	20.00	11.50		
57	25.00	11.50		
58 to 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 to 74	35.00	21.00	35.00	21.00
75 & Above	100.00	100.00	100.00	100.00

<sup>1</sup>For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

<sup>2</sup>25% 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 <sup>1</sup>			
	TIER I <sup>2</sup>		TIER II	
	<u>1<sup>ST</sup> Eligible</u>	<u>Subsequent</u>	<u>1<sup>ST</sup> Eligible</u>	<u>Subsequent</u>
50 & Under	40.00%	25.00%		
51 to 55	40.00	20.00		
56	40.00	20.00	15.00%	15.00%
57 to 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 to 74	40.00	30.00	40.00	30.00
75 & Above	100.00	100.00	100.00	100.00

<sup>1</sup>For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

<sup>2</sup>40% 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	Death		Annual Rate of 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					

**LOCAL EMPLOYEES**

Age	Death		Annual Rate of Disability				
			Tier I			Tier II	
			Service < 25		Service >=25		
	Male	Female	Male	Female		Male	Female
20	0.023%	0.009%	0.040%	0.040%		0.040%	0.040%
25	0.025	0.010	0.060	0.057		0.060	0.057
30	0.029	0.012	0.078	0.077		0.078	0.077
35	0.051	0.022	0.101	0.144		0.101	0.144
40	0.071	0.033	0.270	0.286		0.270	0.286
45	0.099	0.053	0.500	0.430	0.250%	0.500	0.430
50	0.141	0.079	0.900	0.691	0.250	0.900	0.691
55	0.200	0.114	1.400	1.000	0.250	1.400	1.000
60	0.297	0.161	0.500	0.250	0.250	2.000	1.000
65	0.416	0.229	0.500	0.250	0.250	0.500	0.250
69	0.492	0.286					



**STATE POLICEMEN**

Annual Rate of								
	<u>Death</u>			<u>Withdrawal</u>		<u>Retirement</u>		
				<u>Service</u>				
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Disability</u>	<u>0-4</u>	<u>5+</u>	<u>10-19</u>	<u>20-24</u>	<u>25+</u>
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:

<u>Age</u>	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	0.4939%	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



**JUDICIAL**

**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%.

**Separations Before Retirement:** Representative values of the assumed annual rates of withdrawal, death and disability are as follows:

Age	Annual Rate of			
	Withdrawal	Death*		Disability**
		Male	Female	
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:** 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.

**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 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



**Teachers**

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

Age	Annual Rate of						
	Death*	Disability**			Withdrawal***		
		Tier I	Tier II		Years of Service		
		Years of Service			Years of Service		
	10-24	25+	10+	0-4	5-9	10-19	20+
<b><u>Male</u></b>							
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
40	0.0914	0.1700		0.1700	13.00	5.40	2.25
45	0.1278	0.2700	0.2000%	0.2700	13.00	5.40	2.25
50	0.1812	0.6000	0.2000	0.6000	12.00	5.00	2.50
55	0.2567	0.9000	0.2000	0.9000	11.50	5.00	2.50
60	0.3815	0.5000	0.5000	1.3000	12.00	4.50	2.50
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	
<b><u>Female</u></b>							
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
40	0.0399	0.2000		0.2000	11.50	4.75	2.00
45	0.0635	0.3500	0.2000%	0.3500	10.75	4.10	2.00
50	0.0947	0.6500	0.2000	0.6500	10.75	3.90	2.20
55	0.1371	1.0500	0.2000	1.0500	11.00	4.20	2.40
60	0.1929	0.5000	0.5000	1.4000	12.00	4.50	2.70
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 to 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 to 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 to 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</u> <u>years of service</u>	<u>25 or more years</u> <u>of service</u>	<u>Less than 25</u> <u>years of service</u>	<u>25 or more years</u> <u>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 to 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:

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

<b>Service</b>	<b>Annual Rate</b>	
	2016 Valuation*	2017 Valuation and later**
0	5.125 %	5.000 %
1-5	4.125	4.000
6-10	3.875	3.750
11-15	3.625	3.500
16 & Over	3.375	3.250

\*Includes wage inflation at 3.125% per annum.

\*\*Includes wage inflation at 3.000% per annum.



## SCHEDULE D

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### 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, the Teachers' Retirement System of Alabama.

**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, an 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.

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, 2017 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.



Highlights of the BlueCard PPO for non-Medicare eligible retirees effective 1/1/2017 are as follows. The SEIB and Blue Cross and Blue Shield of Alabama are to provide 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 1/1/2017**

<b>Medical Benefit</b>	<b>In Network (PPO)</b>	<b>Out Of Network (Non-PPO)</b>
Inpatient Hospital Benefits	\$200 per admission deductible with pre-certification. \$25 co-pay for days 2-5	\$200 per admission deductible with pre-certification. Covered at 80% of the allowance.
	All hospital admissions require pre-admission certification except 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. \$6,250 individual out-of-pocket maximum; \$12,500 aggregate family maximum. Most services are covered at 80%.	
<b>Prescription Drug Benefit</b>	<b>Participating Pharmacy</b>	<b>Non-Participating Pharmacy</b>
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, \$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
<b>SEIB Discounted Vision Care Program – administered by SEIB</b>	<b>In Network</b>	<b>Out Of Network</b>
	One examination per year subject to a \$40 co-pay.	Not covered.