State of Delaware

July 1, 2013
Postretirement Health Valuation

Produced by Cheiron

October 2013

CHEIRON Classic Values, Innovative Advice

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November 1, 2013

Mr. David Craik
Pension Administrator
Delaware Public Employees Retirement System
860 Silver Lake Boulevard, Suite 1
Dover, Delaware 19904

Dear Dave:

As requested, we have performed an analysis of the Postretirement Health Plan provided by the State of Delaware as of July 1, 2013. The following report contains our findings and disclosures required by The Governmental Accounting Standards Board (GASB) standard.

The purpose of this report is to present the annual Post-Employment Benefits (OPEB) actuarial valuation of the State of Delaware. This report is for the use of the State of Delaware and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

In preparing our report, we relied on information (some oral and some written) supplied by the State of Delaware. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

Appendix A describes the participant data, assumptions, and methods used in calculating the figures throughout the report. Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with your office.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report.
This report does not reflect future changes in benefits, penalties or taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations. The report does not explicitly reflect the temporary Transitional Reinsurance contribution or the eight-year temporary Patient-Centered Outcome Research Institute (PCORI) fees, as the expected impact of these items on the figures presented in this report is *de minimis*.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion

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contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This actuarial report was prepared for the State of Delaware for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Please do not hesitate to call should you have any questions.

Sincerely,
Cheiron

Margaret A. Tempkin, FSA, EA
Principal Consulting Actuary

John L. Colberg, FSA, EA
Principal Consulting Actuary

cc: Stephanie Scola
Kris Knight
Dawn Haw-Young

SECTION I
INTRODUCTION

The State of Delaware has engaged Cheiron to provide an analysis of the Postretirement Health Benefit Plan's liabilities as of July 1, 2013. The primary purposes of performing this actuarial valuation are to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Post-Employment Benefit (OPEB) Obligation (NOO) of the post-retirement health plan under GASB 43 and 45 for the fiscal year ending June 30, 2013;
- Provide information for the June 30, 2013 financial statement disclosures under GASB 43 and 45;
- Discuss the effect of pre-funding for plan benefits;
- Provide projections of contributions, assets, actuarial liability, ARC, and NOO to illustrate the long-term effect of the contribution strategy, and
- Show the sensitivity of the valuation results to changes in health trend assumptions.

We have determined cost, liabilities and other factors under the Plan on the basis that all actuarial assumptions and methods are reasonable.

GASB's OPEB Requirements:

The Governmental Accounting Standards Board (GASB) has released Statement 43 regarding financial reporting for post-employment benefit plans other than pension plans and a companion Statement (number 45) regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. We understand the System received approval that the trust used to fund future OPEB costs does qualify as a separate trust for GASB purposes. Statement 45, which was adopted in the fiscal year ending June 30, 2008, requires the Plan Sponsor to book the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions were less than this expense. Additional disclosures include a description of the plan, summary of significant accounting policies, contributions, and a statement of funding progress, along with the methods and assumptions used for those disclosures.

Funding Policy

The State of Delaware currently pays for its post-employment health benefits on a pay-as-you-go (PAYGo) basis. We further understand that there are some assets set aside in a dedicated Trust to cover this liability.

SECTION I
INTRODUCTION

The GASB Statement says that the investment return assumption (discount rate) should be the estimated long term investment yield on the investments that are expected to be used to finance the payment of benefits. For this purpose, investments expected to be used to finance the payment of benefits are (1) plan assets for plans for which the employer's funding policy is to contribute consistently an amount at least equal to the ARC, (2) assets of the employer for plans that have no plan assets, or (3) a combination of the two plans that are being partially funded. We believe that looking at long-term treasury rates is one predictor of the discount rate for a liability with as long a "tail" as retiree medical. The 30yr long term treasury rate as of 6/28/2013 was 4.32%. Another predictor of the discount rate would be the rate at which the state floats their bonds. We have found that the state has floated new bonds in the range of 3.0% to 5.0%. As such, we are using 4.25% which is slightly lower than the average long term rate over this period and about average for the bonds over this period.

SECTION II
VALUATION RESULTS

Valuation Results

Below is a summary of the key results of the valuation determined using a discount rate of 4.25% based on a PAYGo funding policy:

- The Actuarial Liability under the Entry Age Normal Actuarial Cost Method as of July 1, 2013 is $5.99 billion compared to $222 million in assets invested in a dedicated trust.

- The Annual Required Contribution (ARC) under GASB 43 and 45 for the fiscal year ending June 30, 2014 is $406.7 million. This is $229.1 million in excess of an estimated expected benefit (PAYGo) cost of $177.6 million.

- The Annual OPEB Cost (AOC) under GASB 45 for the fiscal year ending June 30, 2014 is $413.8 million.

- The Net OPEB Obligation (NOO) for the fiscal year ending June 30, 2014 is estimated to be $2.02 billion.

The remainder of this report provides additional detail on our analysis. First we present the results of our baseline actuarial study, followed by the reconciliation of our results to the prior actuarial results. We then introduce sensitivity analyses to both assumptions and benefits and conclude with information on the GASB Other Post Employment Benefit (OPEB) requirements.

The fundamental principal underlying our analysis, as well as the GASB standard, is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. The *normal cost* is the annual amount which would be sufficient to fund the plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. Under the method used in our analysis, the normal cost is determined as a percentage of pay. This means the underlying dollar amount is expected to increase each year as salary increases. The *actuarial liability* represents the portion of the value of the projected benefit at retirement that is allocated to service earned prior to the valuation date; that is, it represents the accumulation of past normal costs from date of hire until the valuation date. The *unfunded actuarial liability* represents the excess of the actuarial liability over plan assets.

SECTION II
VALUATION RESULTS

Information about the actuarial liabilities, the assets, and the unfunded actuarial liability (UAL) of the Plan as of July 1, 2013 is shown in Table II-1 below. The liability increased from $5,805 million last year to $5,988 million this year due to the expected increase in medical and pharmacy costs and changes in demographics.

Table II-1
Actuarial Liability
Pay-As-You-Go Funding
(4.25% assumed discount)
($ in millions)

	State Employees	Judges	Closed State Police	Open State Police	Total
Actives	$ 2,843.2	$ 4.6	$ 0.0	$ 113.0	$ 2,960.8
Retirees	2,897.6	3.5	77.7	48.0	3,026.8
Total	$ 5,740.8	$ 8.1	$ 77.7	$ 161.0	$ 5,987.6
Assets*	$ 212.7	$ 0.0	$ 3.0	$ 6.0	$ 221.7
UAL**	$ 5,528.1	$ 8.1	$ 74.7	$ 155.0	$ 5,765.9

** Assets allocated in proportion to liabilities*
*** Unfunded Actuarial Liability*

Please note, however, that GASB only requires disclosure of the above liability and does not require the entity to immediately record the entire liability on the balance sheet. GASB's requirement is that the entity is required to show the annual required contribution (ARC) as the expense, and the cumulative difference, beginning in FY08 of the Net OPEB Obligation (NOO), which is the ARC, less actual contributions (adjusted for interest and to avoid double-counting).

The ARC consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the 30-year amortization of the unfunded actuarial liability (UAL). The UAL under pay-as-you-go funding will be larger than under actuarial funding. The entire ARC is not a new expense. Under the current funding method of pay-as-you-go (PAYGo), the State pays for the benefits currently provided to existing retirees. The difference between the actual contributions made (benefits provided) and the annual required contributions is the increase in expense on the financial statements of the State.

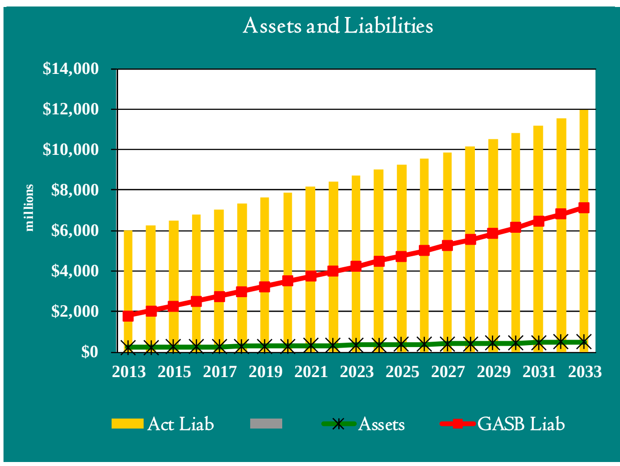
SECTION II
VALUATION RESULTS

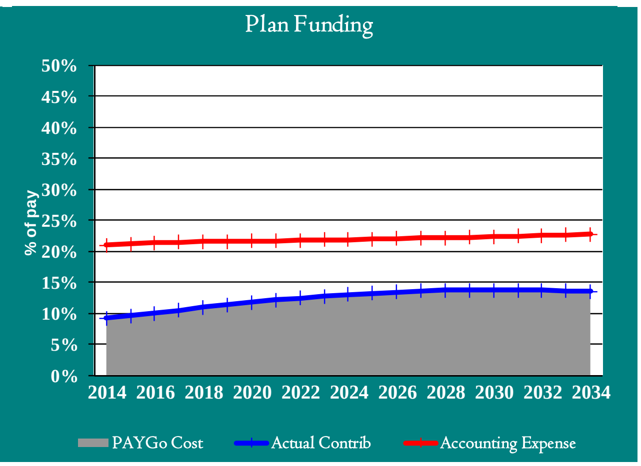
In Table II-2 below, we show the computed FY 2014 annual required contribution (ARC) under the State's funding policy and a 4.25% assumed discount rate.

Table II-2
GASB ARC – FY2014
Pay-As-You-Go Funding
(4.25% assumed discount)
($ in millions)

	State Employees	Judges	Closed State Police	Open State Police	Total
Normal Cost	$ 176.6	$ 0.3	$ 0.0	$ 7.4	$ 184.3
UAL Amortization	213.2	0.3	2.8	6.1	222.4
Total	$ 389.8	$ 0.6	$ 2.8	$ 13.5	$ 406.7

Looking beyond 2014, both the expense and liability on the financial statements increase dramatically. The charts below project the assets and liabilities and the funding costs for the next 20 years.





As the above left chart shows, the unfunded actuarial liability increases from $5.8 billion to $11.4 billion during the next 20 years. The red line on the same chart shows the liability appearing on the State's financial statements, which is projected to increase to $7.1 billion over the same time period.

The chart on the right shows the projected annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and increase from 9.1% of pay or $178 million to 13.5% of pay or $497 million. The blue line represents the State's assumed contributions. Under PAYGo funding they match the net benefit payments; the ARC, shown by the red line, increases from 20.9% of pay or $407 million in FY14 to 22.7% of pay or $837 million in FY34.

SECTION II
VALUATION RESULTS

Table II-3 shows the expected benefit payments, or “pay as you go”, net of retiree contributions, for the 15 fiscal years following the valuation date. In calculating the liability of the plan, these figures are projected for the life of each existing participant.

Table II-3
Expected Net Benefit Payments
($ in millions)

Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments
2014	$ 177.6	2019	$ 257.9	2024	$ 347.8
2015	191.0	2020	275.9	2025	365.6
2016	207.0	2021	294.2	2026	383.0
2017	223.5	2022	311.7	2027	399.7
2018	240.4	2023	329.9	2028	415.0

SECTION III
RECONCILIATION

Liabilities

The Plan last had a valuation of the liabilities performed as of July 1, 2012. Table III-1 provides an estimate of the major factors contributing to the change in liability since that report. All plans have been grouped together in the reconciliation table below.

Table III-1
Reconciliation of Actuarial Liability
($ in millions)

Expected Actuarial Liability as of July 1, 2013	**$ 6,051.2**
Changes due to:	
• Changes in Assumptions	$ 0.0
• Demographic Changes	$ (63.6)
Total Changes	$ (63.6)
Actual Actuarial Liability as of July 1, 2013	**$ 5,987.6**

- *Changes in Assumptions* refers to any assumption changes. There were no changes in assumptions for this valuation.
- *Demographic Changes* refers to the change in actual data and elections from July 1, 2012 to July 1, 2013.

SECTION III
RECONCILIATION

Assets

Table III-2 below shows the reconciliation of assets for the fiscal year. This section reconciles to the assets of July 1, 2012 that were used to develop the FY2013 ARC.

Table III-2
Reconciliation of Assets
($ in millions)

Assets as of July 1, 2012	**$ 163.1**
Contributions:	
• State Contributions*	$ 193.1
• Transfer from outside the system	14.9
• Retiree Contributions*	7.4
• TOTAL	$ 215.4
Benefits & Expenses*:	$ (173.0)
Net Investment Income:	$ 16.2
Total Change:	$ 58.6
Assets as of July 1, 2013	**$ 221.7**

* Contributions for benefits and expenses were routed through the trust

SECTION IV
SENSITIVITY

The liabilities and ARC produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the health care trend rates on the actuarial liability, the ARC, and the net expected benefit payments, using the 4.25% discount rate, to provide some measure of sensitivity.

Table IV-1
Actuarial Liability
As of July 1, 2013
Pay-As-You-Go Funding
(4.25% assumed discount)

Health Care Trend Rate	- 1%	Base	+ 1%
Actuarial Liability			
Actives	$ 2,533.7	$ 2,960.8	$ 3,456.8
Retirees	2,710.9	3,026.8	3,406.1
Total	$ 5,244.6	$ 5,987.6	$ 6,862.9
Assets	221.7	221.7	221.7
UAL	$ 5,022.9	$ 5,765.9	$ 6,641.2

Table IV-2
GASB ARC – FYE 2014
Pay-As-You-Go Funding
(4.25% assumed discount)

Health Care Trend Rate	- 1%	Base	+ 1%
Normal Cost	$ 130.3	$ 184.3	$ 263.7
UAL Amortization	193.7	222.4	256.0
Total	$ 324.0	$ 406.7	$ 519.7

SECTION V
ACTUARIAL FUNDING

To have a system where the assets will eventually accumulate to the actuarial liability, meaning that the entire liability is funded, the State of Delaware may wish to begin funding this program on an actuarial basis by contributing the ARC. If the State were to establish a funding policy of contributing the ARC, the discount rate could be increased. Using a discount rate of 7.50% (matching the pension assumption) produces an unfunded liability of $3.6 billion, rather than $5.8 billion.

In addition to the change in overall liability, the ARC will also decrease. Thus, in order to fund on an actuarial basis, the State needs to contribute $299.6 million, or $122.0 million above the PAYGo cost.

If the State increases its contribution, but it is still less than the actuarially funded scenario, the discount rate will increase above the 4.25% discount rate, and the resulting liabilities and ARC payments will likely fall between the two discount rate scenarios presented in this report.

Table V-1
Actuarial Liability
Actuarial Funding
(7.50% assumed discount)
($ in millions)

	State Employees	Judges	Closed State Police	Open State Police	Total
Actives	$ 1,647.4	$ 3.1	$ 0.0	$ 64.6	$ 1,715.1
Retirees	2,055.5	2.6	56.4	31.3	2,145.8
Total	$ 3,702.9	$ 5.7	$ 56.4	$ 95.9	$ 3,860.9
Assets*	$ 212.7	$ 0	$ 3.0	$ 6.0	$ 221.7
UAL**	$ 3,490.2	$ 5.7	$ 53.4	$ 89.9	$ 3,639.2

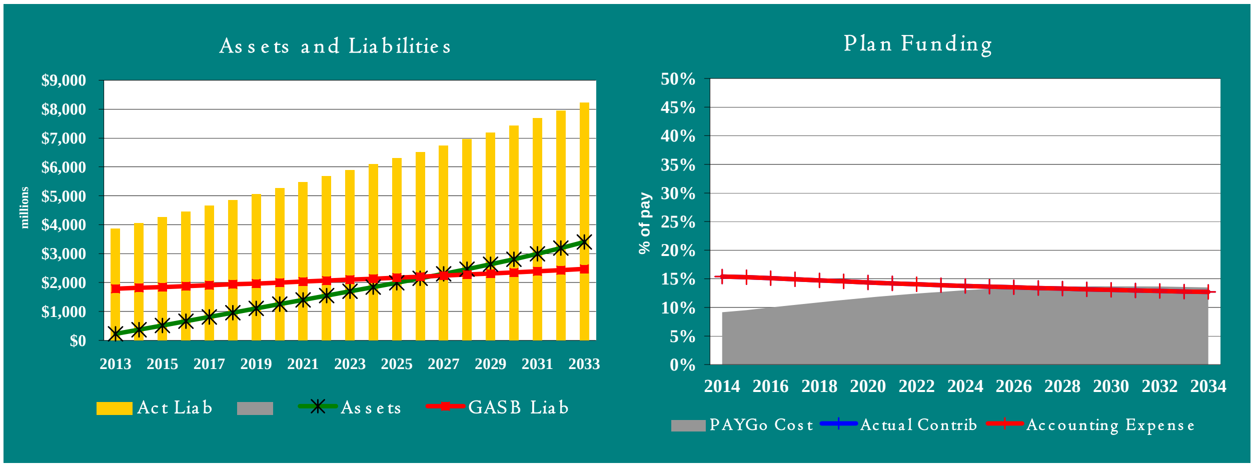
* Assets allocated in proportion to liabilities
** Unfunded Actuarial Liability

Table V-2
GASB ARC – FY2014
Actuarial Funding
(7.50% assumed discount)
($ in millions)

	State Employees	Judges	Closed State Police	Open State Police	Total
Normal Cost	$ 82.8	$ 0.1	$ 0.0	$ 3.3	$ 86.2
UAL Amortization	204.7	0.3	3.0	5.4	213.4
Total	$ 287.5	$ 0.4	$ 3.0	$ 8.7	$ 299.6

SECTION V
ACTUARIAL FUNDING

Looking beyond 2014, the charts below project the assets and liabilities and the funding costs for the next 20 years assuming the State amortizes the liability over an open 30-year period.



As the above left chart shows, the unfunded actuarial liability increases from $3.6 billion to $4.8 billion during the next 20 years. The red line on the same chart shows the liability appearing on the State's financial statements, which is projected to remain fairly stable over the period.

The chart on the right shows the annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and increase from 9.1% of pay or $178 million to 13.5% of pay or $497 million, the same as in the pay-as-you-go scenario. The blue line (which is covered by the red line) represents the State's contribution and mirrors the ARC. Under actuarial funding (paying the full ARC and 7.50% discount) the GASB expense on the State's financial statements remains relatively stable as a percentage of pay.

SECTION V
ACTUARIAL FUNDING

Below are the employer contributions, benefit payments, assets and NOO that we anticipate for the next 15 years under Actuarial Funding.

Table V-3
Expected Contributions,
Expected Net Benefit Payments,
Assets and NOO
($ in millions)

Fiscal Year Ending June 30	Expected Contributions	Expected Net Benefit Payments	Expected Assets	Expected NOO
2014	$ 299.7	$ 177.6	$ 365	$ 1,814
2015	306.3	191.0	512	1,844
2016	312.9	207.0	660	1,874
2017	319.3	223.5	809	1,905
2018	325.5	240.4	958	1,936
2019	331.8	257.9	1,106	1,967
2020	338.2	275.9	1,254	2,000
2021	345.1	294.2	1,400	2,032
2022	352.3	311.7	1,547	2,065
2023	360.0	329.9	1,695	2,099
2024	368.1	347.8	1,843	2,134
2025	376.6	365.6	1,993	2,168
2026	385.5	383.0	2,145	2,204
2027	394.7	399.7	2,300	2,240
2028	404.1	415.0	2,461	2,277

SECTION VI
ACCOUNTING INFORMATION

Statement No. 43 and 45 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of other postemployment benefit information by governmental employers and plans in notes to financial statements and supplementary information.

In accordance with those statements, we have prepared the following disclosures:

Schedule of Funding Progress

The schedule of funding progress, Table 13, compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table VI-1
Schedule of Funding Progress
($ millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2013	$ 222	$ 5,988	$ 5,766	3.7%	$ 1,944	297%
7/1/2012	163	5,805	5,641	2.8	1,885	299
7/1/2011	144	6,769	6,625	2.1	1,787	371
7/1/2010	104	5,884	5,780	1.8	1,798	321
7/1/2009	83	5,636	5,553	1.5	1,811	307
7/1/2008	79	5,489	5,410	1.4	1,770	306
7/1/2006	25	4,656	4,631	0.5	1,644	282

SECTION VI
ACCOUNTING INFORMATION

Schedule of Employer Contributions

The schedule of employer contributions, Table VI-2, shows whether the employer has made contributions that are consistent with an actuarially sound method of funding the benefits to be provided.

Table VI-2
Schedule of Employer Contributions
($ in millions)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2014	$ 406.7	To be determined	To be determined
2013	397.8	52%	$ 1,784.9
2012	490.5	38%	1,588.9
2011	488.1	37%	1,279.4
2010	480.0	36%	963.9
2009	516.2	31%	648.9
2008	464.6	38%	288.8

Table VI-3 below shows the development of the Net OPEB Obligation.

Table VI-3
Development of Net OPEB Obligation
Pay-As-You-Go Funding
(4.25% assumed discount)
($ in millions)

	June 30, 2013	Projected June 30, 2014
1. Net OPEB Obligation/(Asset) at beginning of fiscal year	**$ 1,588.9**	**$ 1,784.9**
2. Annual Required Contribution for FYE	$ 397.8	$ 406.7
3. Interest on Net OPEB Obligation/(Asset)	67.5	75.9
4. Adjustment to Annual Required Contribution	61.3	68.8
5. Annual OPEB Cost *(2.) + (3.) – (4.)*	$ 404.0	$ 413.8
6. Employer Contributions (Actual/Estimated)	$ (208.0)	$ (177.6)
7. Net OPEB Obligation/(Asset) at end of fiscal year *(1.) + (5.) + (6.)*	**$ 1,784.9**	**$ 2,021.1**

SECTION VI
ACCOUNTING INFORMATION

We have also provided a *Note to Required Supplementary Information* for the financial statements in Table 16.

Table VI-4
Note to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	July 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (plus merit scale)
Ultimate Rate of Medical Inflation	4.25%

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Participant Data as of July 1, 2013

Census as of July 1, 2013

	State Employees	Judges	Closed State Police	Open State Police	Total
Eligible Active Employees	35,571	56	0	689	36,316
Actives with coverage	**27,380**	**49**	**0**	**554**	**27,983**
Eligible Terminated Vesteds	2,564	0	0	11	2,575
Eligible LTDs	531	0	0	0	531
Retirees and Disableds with coverage	17,215	20	355	105	17,695
Beneficiaries with coverage	2,062	12	90	4	2,168
Total Inactives with coverage	**19,277**	**32**	**445**	**109**	**19,863**
Spouses with coverage	7,321	16	273	85	7,695
Total Inactives and Spouses with coverage	**26,598**	**48**	**718**	**194**	**27,558**
Total with coverage	**53,978**	**97**	**718**	**748**	**55,541**

Eligible Active Employees

Age Group	State Employees	Judges	Closed State Police	Open State Police	Total
Under 25	880	0	0	23	903
25 to 30	3,008	0	0	84	3,092
30 to 35	3,689	0	0	111	3,800
35 to 40	3,819	0	0	128	3,947
40 to 45	4,668	2	0	142	4,812
45 to 50	5,120	7	0	133	5,260
50 to 55	5,346	7	0	66	5,419
55 to 60	4,832	10	0	2	4,844
60 to 65	2,959	17	0	0	2,976
Over 65	1,250	13	0	0	1,263
Total	**35,571**	**56**	**0**	**689**	**36,316**

Retirees, Disableds and Beneficiaries with Coverage

Age Group	State Employees	Judges	Closed State Police	Open State Police	Total
Under 50	174	0	0	15	189
50 to 55	420	0	0	42	462
55 to 60	1,221	0	29	47	1,297
60 to 65	2,790	3	68	5	2,866
65 to 70	4,245	4	129	0	4,378
70 to 75	3,525	4	94	0	3,623
75 to 80	2,612	9	60	0	2,681
80 to 85	2,100	4	38	0	2,142
85 to 90	1,361	5	17	0	1,383
Over 90	829	3	10	0	842
Total	**19,277**	**32**	**445**	**109**	**19,863**

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

New Entrant Population Statistics	State Employees	Judges	State Police
Average Age	46	59	40
Average Salary	$ 49,979	$ 177,832	$77,447
% Blue PPO	44%	73%	37%
% Blue HMO/CDH	31%	14%	41%
% Aetna HMO/CDH	2%	0%	3%
% Nonelect	23%	13%	19%

Economic Assumptions

1. ***Discount Rate:*** 4.25% per year
2. ***Salary Growth (for Normal Cost):*** 3.25% per year
3. ***Aggregate Payroll Growth for Amortization:*** 3.25% per year
4. ***Per Person Cost Trends:***

Date To Year Beginning July 1	Annual Increase Pre-65 Medical	Post-65 Medical	Pharmacy
2013	6.50%	5.50%	6.00%
2014	7.25	6.00	7.00
2015	8.00	6.00	8.00
2016	7.71	5.87	7.71
2017	7.42	5.73	7.42
2018	7.13	5.60	7.13
2019	6.85	5.46	6.85
2020	6.56	5.33	6.56
2021	6.27	5.19	6.27
2022	5.98	5.06	5.98
2023	5.69	4.92	5.69
2024	5.40	4.79	5.40
2025	5.12	4.65	5.12
2026	4.83	4.52	4.83
2027	4.54	4.38	4.54
2028+	4.25	4.25	4.25

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum are assumed to increase at the above trend rates.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Demographic Assumptions

1. Rates of Retirement:

State Employees:

Early Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

a) age 55 with 15 years of credited service
b) 25 years of credited service

Hired before 1/1/2012: Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

a) age 62 with five years of credited service
b) age 60 with 15 years of credited service
c) 30 years of credited service

Male Early Retirement
Hired before 1/1/2012

Age	Select
42 - 52	10.00%
52 - 59	5.00

Male Normal Retirement
Hired before 1/1/2012

Age	Select	Ultimate
<45	10.00%	0.00%
45 – 46	10.00	7.50
47 – 51	10.00	10.00
52	10.00	15.00
53	10.00	14.00
54	10.00	13.00
55	10.00	20.00
56 – 59	10.00	15.00
60 – 61	10.00	20.00
62	20.00	25.00
63 – 64	15.00	20.00
65	15.00	25.00
66 – 69	15.00	20.00
70	15.00	17.00
71	15.00	25.00
72 – 79	15.00	17.00
80+	100.00	100.00

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Female Early Retirement Hired before 1/1/2012	
Age	**Select**
<41	0.00%
42 – 59	10.00
60+	0.00

Female Normal Retirement Hired before 1/1/2012		
Age	**Select**	**Ultimate**
<45	10.00%	0.00%
45 – 49	10.00	6.00
50 – 51	20.00	6.00
52 – 53	20.00	8.00
54	20.00	11.00
55	20.00	15.00
56	20.00	11.00
57 – 58	20.00	15.00
59 – 61	20.00	20.00
62	20.00	25.00
63	20.00	20.00
64	30.00	20.00
65	28.00	20.00
66	26.00	20.00
67 – 69	15.00	20.00
70	15.00	21.00
71 – 79	15.00	20.00
80+	100.00	100.00

Hired on or after 1/1/2012: Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

a) age 65 with 10 years of credited service
b) age 60 with 20 years of credited service
c) 30 years of credited service

Unisex Early Retirement Hired on or after 1/1/2012	
Age	**Select**
<41	0.00%
42 – 59	10.00
60+	0.00

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Unisex Normal Retirement Hire after 1/1/2012		
Age	**Select**	**Ultimate**
<42	0.00%	0.00%
42 – 53	20.00	10.00
55 – 59	5.00	10.00
60 – 64	10.00	10.00
65	30.00	30.00
66 – 79	20.00	20.00
80+	100.00	100.00

Judges:

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

a) age 65 with 12 years of credited service
b) 24 years of credited service

Normal Retirement		
Age	**Select**	**Ultimate**
< 55	40.00%	0.00%
55-61	40.00	30.00
62-69	50.00	40.00
70 +	100.00	100.00

Closed State Police:

Age-based Select and Ultimate table as follows:

Age	Select	Ultimate
<41	25.00%	0.00%
41-49	25.00	12.50
50-54	50.00	15.00
55-59	50.00	75.00
60+	50.00	100.00

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Open State Police:

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

a) age 55
b) 20 years of credited service

	Normal Retirement	
Age	**Select**	**Ultimate**
<37	14.45%	0.00%
37-49	14.45	9.35
50-54	14.45	11.48
55-59	14.45	63.75
60+	14.45	100.00

2. *Rate of Withdrawal:*

State Employees:

10-year Select (age- and service-based) & Ultimate (age-based) tables

Age Select:	0	1	2	3	4	5	6	7	8	9	Ultimate
<35	20%	15%	12%	10%	8%	8%	5%	5%	4%	4%	3%
35-39	18	15	10	10	7	6	5	5	4	4	3
40-54	13	13	10	7	6	5	5	5	4	4	3
55-59	12	12	10	8	6	5	5	5	4	4	3
60-65	12	12	10	10	6	5	5	5	4	4	3
>65	12	12	10	14	6	5	5	5	4	4	3

Judges:

None

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Closed State Police:

Service-based Select and Ultimate table as follows:

Service	Rate
0	8.00%
1-2	2.50
3	2.25
4-5	2.00
6	1.75
7	1.50
8	1.25
9	1.00
Ultimate	1.00

Open State Police:

10-year Select & Ultimate tables (service-based) to age 54

Service Select:	Rate
0	8.00%
1	2.50
2	2.50
3	2.25
4	2.00
5	2.00
6	1.75
7	1.50
8	1.25
9	1.00
Ultimate	1.00
Service Select:	**Rate**
0	8.00%
1	2.50
2	2.50
3	2.25
4	2.00
5	2.00
6	1.75
7	1.50
8	1.25
9	1.00
Ultimate	1.00

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3. *Rate of Mortality:*

State Employees:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	**Male**	**Female**
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	**Male**	**Female**
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

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c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	**Male**	**Female**
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

Judges:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	**Male**	**Female**
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

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b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	**Male**	**Female**
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	**Male**	**Female**
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Closed State Police and Open State Police:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	**Male**	**Female**
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA
Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	**Male**	**Female**
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

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c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	**Male**	**Female**
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

4. ***Percent of Retirees Electing Coverage:*** For employees who currently have medical coverage, 95% of employees are assumed to elect coverage at retirement if they have 20 or more years of service and 80% if they have less than 20 years of service. These employees are assumed to remain in their current plan.

   For employees who do not currently have medical coverage, 50% of employees are assumed to elect medical coverage in the comprehensive plan prior to retirement, and then will follow the election percentages above.

   40% of current and future terminated vested employees are assumed to elect coverage.

   100% of LTD participants are assumed to elect coverage.

5. ***Family Composition:*** 50% of employees will elect spouse coverage at retirement.

6. ***Dependent Age:*** For current active employees, males are assumed to be 3 years older than female spouses. For current retirees, actual spouse date of birth was used.

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. ***Average Monthly Claims and Expense Assumptions*****:** The following claim and expense assumptions are applicable to the 12-month period beginning July 1, 2012 and are based on the premiums in effect on the valuation date. Subsequent years' costs are based on the trended first year cost adjusted with trends listed above. Participants in the new BCBS CDH Gold Plan were assumed to have the same claims as the Bluecare HMO. Participants in the new Aetna CDH Gold Plan were assumed to have the same claims as the Aetna HMO.

   It is our understanding that the State has enrolled in an EGWP plan for the post Medicare Pharmacy as of January 1, 2013. The State's health care actuary has provided an estimated savings of approximately 30% of Medicare pharmacy costs. Cheiron has not audited this information. The valuation assumes 30% savings for post Medicare Pharmacy claims starting as of January 1, 2013. The Pharmacy claims shown below include the 30% reduction due to the EGWP plan.

   Under age 65: Healthy Retirees & All Dependents

Age	Blue PPO		Bluecare HMO/CDH		Aetna HMO/CDH		Pharmacy	
	Male	Female	Male	Female	Male	Female	Male	Female
40	$258	$484	$249	$467	$273	$512	$62	$92
45	$315	$492	$303	$474	$333	$520	$84	$112
50	$410	$563	$396	$543	$434	$596	$116	$148
55	$536	$652	$517	$629	$567	$690	$155	$191
60	$700	$771	$674	$744	$740	$816	$199	$233
64	$878	$904	$846	$871	$928	$956	$232	$253

   Age 65 & Over: Healthy Retirees & All Dependents

Age	Blue PPO		Bluecare HMO/CDH		Aetna HMO/CDH		Pharmacy	
	Male	Female	Male	Female	Male	Female	Male	Female
65	$120	$128	$120	$128	$120	$128	$167	$179
70	$148	$147	$148	$147	$148	$147	$191	$192
75	$177	$165	$177	$165	$177	$165	$203	$202
80	$196	$176	$196	$176	$196	$176	$208	$203
85	$205	$178	$205	$178	$205	$178	$206	$198

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Disabled Retirees

Age	Blue PPO		Bluecare HMO/CDH		Aetna HMO/CDH		Pharmacy	
	Male	Female	Male	Female	Male	Female	Male	Female
40	$173	$338	$169	$330	$180	$352	$93	$138
45	$216	$349	$210	$341	$225	$363	$126	$169
50	$286	$395	$279	$385	$297	$411	$174	$222
55	$374	$441	$364	$430	$389	$459	$233	$286
60	$485	$531	$473	$518	$505	$553	$299	$349
64	$597	$621	$582	$605	$622	$647	$348	$380
65	$180	$192	$180	$192	$180	$192	$251	$268
70	$221	$220	$221	$220	$221	$220	$286	$288
75	$265	$248	$265	$248	$265	$248	$305	$302
80	$294	$264	$294	$264	$294	$264	$312	$305
85	$307	$267	$307	$267	$307	$267	$309	$297

The claim curves and employee contributions were trended to the period July 1, 2013 through June 30, 2014 using the per person cost trends for the year beginning July 1, 2013 as shown in the economic assumptions.

2. ***Medicare Part D Subsidy*****:** Per GASB guidance, the Part D Subsidy has not been reflected in this valuation; however, effective January 1, 2013 the subsidy would no longer be applicable.

3. ***Medicare Part B Premiums*****:** Assumed that Medicare eligible retirees pay the Medicare Part B premiums.

4. ***Medicare Eligibility*****:**
   Future retirees: Age 65+ = 100.00%.
   Current retires: under 65 = those known to be eligible for Medicare will remain eligible, Age 65+ = 100.00%.

5. ***Annual Limits*****:** Assumed to increase at the same rate as trend.

6. ***Lifetime Maximums*****:** Are assumed to have no financial impact.

7. ***Geography*****:** Implicitly assumed to remain the same as current retirees.

Methodology

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination or retirement. A rolling 30-year amortization period was used under the pay-as-you-go funding scenario.

A normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into a plan in the Program, of the member's projected future benefits,

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reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

We used a partial roll-forward methodology for this year's calculation. That is, a seriatim actuarial valuation was completed with updated census, but maintaining the same assumptions and provisions as the prior year. The valuation explicitly updates the change in demographics, by applying an updated census file as of July 1, 2013.

The claims costs were developed using actual July 1, 2010 to June 30, 2011 retiree experience paid through March 31, 2012, and on projected incurred claims provided by the State's health care actuary for the period July 1, 2011 to June 30, 2012 based on claims paid through March 31, 2012. Expenses were based on the State's health care actuary projected costs. From this data, we developed per person per month (PPPM) costs and then adjusted those using age curves. The rates were then trended forward to the period July 1, 2012 to June 30, 2013 using trend assumption of 7.0% for pre-Medicare medical, 6.0% for post Medicare medical, 6.5% for pharmacy, and 6% for expenses.

Changes Since Last Valuation

None.

APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Eligibility:

State Employees: Hired prior to January 1, 2012

Normal Retirement:

Eligibility: (i) age 62 with five years of credited service; or (ii) age 60 with 15 years of credited service; or (iii) any age with 30 years of credited service.

Early Retirement:

Eligibility: (i) age 55 with 15 years of credited service; or (ii) any age with 25 years of credited service.

State Employees: Hired on or after January 1, 2012

Normal Retirement:

Eligibility: (i) age 65 with 10 years of credited service; or (ii) age 60 with 20 years of credited service; or (iii) any age with 30 years of credited service.

Early Retirement:

Eligibility: (i) age 55 with 15 years of credited service; or (ii) any age with 25 years of credited service.

Judges:

Normal Retirement:

Judges appointed before July 1, 1980:

Eligibility: (i) age 65 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Judges appointed after June 30, 1980:

Eligibility: (i) age 62 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Closed State Police:

Normal Retirement:

Age 55 or 20 years of credited service.

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SUBSTANTIVE PLAN PROVISIONS

Open State Police:

Normal Retirement:

Eligibility: (i) Must be employed at 55 with ten years of credited service; or (ii) any age with 20 years of credited service; or (iii) 10 years of credited service when age plus service equals 75.

All vested participants in the groups above are eligible to pick up coverage at commencement of their vested pension benefit.

Spouse coverage is available under any of the plan options with the state paying the same percentage as the retiree. Surviving spouses are eligible to coverage after the retiree's death.

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SUBSTANTIVE PLAN PROVISIONS

Benefits:

Blue Cross Blue Shield First State Basic – This plan provides the freedom of choice you experience with a Preferred Provider Organization (PPO) that allows you to receive both in- and out-of-network benefits.

In-network services will have a deductible of $500 per individual and $1000 per family. The plan will then pay at 90% of the Blue Cross Blue Shield allowable charge. There is also a coinsurance limit of $1500 per individual and $3000 per family, and once this is met the plan will pay at 100% of the allowable charge. Therefore, total out-of-pocket costs will be $2000 per individual and $4000 per family, plus any copays and non-covered charges. Please note that pharmacy benefit expenses do not accumulate toward meeting the deductible or coinsurance amounts.

Out-of-network services will be subject to a deductible of $1000 per individual and $2000 per family and then the plan will pay at 70% of the allowable charge. The out-of-network coinsurance limit is set at $3000 per individual and $6000 per family, after which services are paid at 100%. Out-of-pocket costs for non-network services will total $4000 for individual and $8000 for family, plus any non-covered charges. Please note that pharmacy benefit expenses do not accumulate toward meeting the deductible or coinsurance amounts.

Preventive services are covered in-network at 100% of the allowable charge and are not subject to a deductible or coinsurance. Preventive services are covered out-of-network at 70% of the allowable charge and are not subject to a deductible or coinsurance.

Blue Cross Blue Shield Blue Care – Blue Care is Blue Cross Blue Shield's HMO-Managed Care plan in which each member selects a primary care physician (PCP) to coordinate his/her health care needs. Blue Care members have access to the BCBS of Delaware provider network for covered services with a PCP referral and the BCBS nationwide network for emergency care. Blue Care also includes coverage for services such as: outpatient, inpatient, prenatal and postnatal care, emergency, mental health care, lab, x-ray, vision, chiropractic and many others.

Blue Cross Blue Shield Comprehensive Preferred Provider Organization (PPO) Plan – This plan provides the freedom of choice that you experience with a traditional comprehensive plan. When participants obtain services in-network, they pay a small copay/coinsurance with no deductible, but they may also use an out-of-network provider to obtain benefits at a reduced level.

The plan provides an expansive national network of participating providers. If the member uses out-of-network providers, they must meet a $300 per person/$600 per family plan year deductible unless otherwise noted. The out-of pocket maximum is $1,800 per person/$3,600 per family (including the deductible) per plan year. The out-of-pocket maximum applies to medical services only. Copayments for prescription medication are not applied to the out-of-pocket maximum.

Blue Cross Blue Shield CDH Gold – BCBSD's CDH Gold Plan offers many of the features of a Preferred Provider Organization (PPO) plan with the added advantage of a State-funded Health Reimbursement Account (HRA). Effective July 1, 2011.

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SUBSTANTIVE PLAN PROVISIONS

The plan includes a $1,500 deductible for employee only (Individual) coverage and $3,000 for Family coverage. The HRA pays the first $1,250 in deductible expenses for Individuals and $2,500 for Families. The member is financially responsible for the remaining in-network deductible ($250 for Individuals and $500 for Families). When the deductible is satisfied, in-network health care services are paid at 90%, with an in-network coinsurance maximum of $3,000 for Individuals and $6,000 for Families. When the deductible is satisfied, out-of-network health care services are paid at 70 percent, with an out-of-network coinsurance maximum of $6,000 for Individuals and $12,000 for Families.

Benefits are subject to a single plan year deductible, combining in- and out-of-network deductible amounts. In- and out-of-network coinsurance amounts accumulate together toward the coinsurance maximums.

In addition, preventive care services are covered at 100 percent and are not subject to a deductible or coinsurance. Prescriptions are provided through the prescription benefits manager, Medco, and prescription copays are not applicable to the medical deductible or out-of-pocket maximum.

Aetna – Access and Choice. Aetna's HMO offers all the advantages of a national health plan and local customer service. Members choose any primary care physician (PCP) from a broad network. Aetna's HMO plan offers direct access for emergency and urgent care, routine OB/GYN care, and a host of health, wellness and educational programs.

Aetna – Aetna's CDH Gold Plan offers many of the features of a Preferred Provider Organization (PPO) plan with the added advantage of a State-funded Health Reimbursement Account (HRA). Effective July 1, 2011.

The plan includes a $1,500 deductible for employee only (Individual) coverage and $3,000 for Family coverage. The HRA pays the first $1,250 in deductible expenses for Individuals and 2,500 for Families. The member is financially responsible for the remaining in-network deductible ($250 for Individuals and $500 for Families). When the deductible is satisfied, in-network health care services are paid at 90%, with an in-network coinsurance maximum of $3,000 for Individuals and $6,000 for Families. When the deductible is satisfied, out-of-network health care services are paid at 70 percent, with an out-of-network coinsurance maximum of $6,000 for Individuals and $12,000 for Families.

Benefits are subject to a single plan year deductible, combining in- and out-of-network deductible amounts. In- and out-of-network coinsurance amounts accumulate together toward the coinsurance maximums.

In addition, preventive care services are covered at 100 percent and are not subject to a deductible or coinsurance. Prescriptions are provided through the prescription benefits manager, Medco, and prescription copays are not applicable to the medical deductible or out-of-pocket maximum.

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SUBSTANTIVE PLAN PROVISIONS

Special Medicfill Medicare Supplement (Administered by Blue Cross Blue Shield of Delaware) - This plan supplements Medicare. Unless otherwise indicated on the Benefits Highlights pages in the Open Enrollment booklet, benefits will be paid as noted only after Medicare pays its full amount. **Note:** Delaware Law mandates that the member, spouse and eligible dependents, elect Medicare Parts A & B when eligible.

Medco Prescription Coverage – When you enroll in a health care plan you will automatically be enrolled in the prescription drug plan managed by Medco Health Solutions, Inc. (Medco). The only exception is the Special Medicfill plan without prescription coverage for those pensioners who have chosen to enroll in Medicare Part D for their prescription coverage. The Coordination of Benefits (COB) policy also applies to prescription coverage. If your spouse or dependents have other health coverage that is primary (pays first), the prescription coverage provided through the State's plan for the spouse or dependents will become secondary.

2012 Prescription Copay Rates			
State of Delaware Prescription Coverage	Tier 1 Generic	Tier 2 Preferred	Tier 3 Non-Preferred
30-DAY Supply	$ 8.50	$20.00	$45.00
90-DAY Supply	$17.00	$40.00	$90.00
			"Preferred" = Formulary

Current Retiree Contributions:

If hired prior to 07/01/1991 or are on disability retirement, no contributions are required. If hired on or after 07/01/1991 (and not retired on disability), contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 10	0%
10-14	50%
15-19	75%
20 or more	100%

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SUBSTANTIVE PLAN PROVISIONS

House Bill number 81 established a fixed cost share effective July 1, 2012 for the different health insurance plans offered by the State for regular officers or employees of the State and their dependents, and a fixed cost share for pensioners and their dependents who are not eligible for federal Medicare. The State share is listed below:

Medical Plan Type	State Share Percent of Premium Paid by State
Basic	96.00%
Consumer-Directed	95.00%
HMO	93.50%
Comprehensive PPO	86.75%

Future Retiree Contributions:

If hired prior to 07/01/1991 or are on disability retirement, no contributions are required. If hired on or after 07/01/1991 (and not retired on disability) and before January 1, 2007, contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 10	0%
10-14	50%
15-19	75%
20 or more	100%

If hired on or after January 1, 2007 (and not retired on disability), contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 15	0%
15-17.5	50%
17.5-19	75%
20 or more	100%

Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay in addition to their percentage above, an additional 5% of the Medicare supplement offered by the State.

APPENDIX C
GLOSSARY OF TERMS

1. **Actuarial Assumptions**
   Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

2. **Actuarial Cost Method**
   A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

3. **Actuarial Gain (Loss)**
   A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

4. **Actuarial Liability**
   The portion of the actuarial present value of projected benefits which will not be paid by future normal costs; it represents the value of the past normal costs with interest to the valuation date.

5. **Actuarial Present Value (Present Value)**
   The value as of a given date of a future amount or series of payments; the actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe $100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

Amount		Probability of Payment	1/ (1+Discount Rate)		Present Value
$100	x	(1 - .01)	1/(1+.1)	=	$90

6. **Actuarial Valuation**
   The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

7. **Actuarial Value of Assets**
   The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

APPENDIX C
GLOSSARY OF TERMS

8. **Amortization Payment**
The portion of the pension plan contribution which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

9. **Entry Age Normal Actuarial Cost Method**
A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

10. **Normal Cost**
That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

11. **Unfunded Actuarial Liability**
The excess of the actuarial liability over the actuarial value of assets.

12. **Funded Percentage**
The ratio of the actuarial value of assets to the actuarial liabilities..

13. **Mortality Table**
A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

14. **Discount Rate**
The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

15. **Medical Trend**
The assumed increase in dollar related values in the future due to the increase in the cost of health care.