

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB
ACTUARIAL VALUATION REPORT
JUNE 30, 2013**

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July 1, 2014

Mr. Thomas Mullaney
State Budget Officer
Department of Administration Building
One Capitol Hill
Providence, Rhode Island 02908

Re: Rhode Island State Employees' and Electing Teachers OPEB Actuarial Valuation as of June 30, 2013

Dear Mr. Mullaney:

The results of the June 30, 2013 Annual Actuarial Valuation of the Rhode Island State Employees' and Electing Teachers OPEB are presented in this report.

This report was prepared at the request of the Board and is intended for use by the State of Rhode Island and those designated or approved by the State. This report may be provided to parties other than the State only in its entirety and only with the permission of the State.

The purposes of the valuation are to measure the System's funding progress, to determine the employer contribution rate for the fiscal years ending June 30, 2016 and June 30, 2017, and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statements No. 43 and 45.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the State as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

David Kausch and Abra Hill are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please see the following page for additional disclosures required by the Actuarial Standards of Practice.

Mr. Thomas Mullaney
July 1, 2014
Page 2

Future actuarial measurements may differ significantly from the current measurements 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.

This report should not be relied on for any purpose other than the purposes described on the prior page. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The signing actuaries are independent of the plan sponsor.

The valuation was based upon information furnished by the State of Rhode Island, concerning OPEB benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the State.

Respectfully submitted,



David T. Kausch, FSA, EA, MAAA



Abra Hill, ASA, MAAA

DTK/ADH:bd
Enclosures

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

INTRODUCTION

This is the June 30, 2013 actuarial valuation of the Rhode Island State Employees' and Electing Teachers OPEB which covers State Employees, State Police, Judges, Legislators, Teachers and the Board of Education. This report describes the current actuarial condition of the plan, determines the recommended employer contribution rates, and analyzes the changes in principal values.

The contribution rates are determined actuarially based on the plan provisions in effect as of the valuation date, the actuarial assumptions adopted by the OPEB Board, and the methodology set forth in the statutes. The OPEB Board's current policy is that the contribution rates determined by a given actuarial valuation become effective two years after the valuation date. For example, the rates determined by this June 30, 2013 valuation will be applicable for the years July 1, 2015 through June 30, 2016 and July 1, 2016 through June 30, 2017.

PLAN EXPERIENCE

Overall plan experience for the Plan was favorable resulting in an actuarial gain. Results varied among the groups with gains for Judges, State Employees, Legislators, Board of Education, and State Police, and losses for Teachers.

Health care experience varied for the pre-65 plans depending on the group but overall was close to expected. Post-65 experience on the Medicare Advantage HMO and Plan 65 was also favorable.

Additional information on gains and losses is on page A-4.

FINANCING OBJECTIVES

The actuarial cost method and the maximum amortization periods are set by statute. Contribution rates and liabilities are computed using the Entry Age Normal actuarial cost method. The employer contribution rate is the sum of two pieces: the normal cost rate and the amortization rate. The normal cost rate is determined as a percent of pay. The amortization rate is determined as a level percent of pay for Judges, Legislators, State Employees, State Police and the Board of Education, and as a level dollar for Teachers. It is the amount required to amortize the unfunded actuarial accrued liability over a closed period (30 years as of June 30, 2006, 23 years remaining as of June 30, 2013). Separate employer contribution rates are determined for State Employees, State Police, Judges, Legislators, Teachers and the Board of Education. The amortization period for Teachers is based on the statutory contribution, subject to statutory restriction. Due to the current funding status of the Judges and Legislators plans, the amortization period is set to 30-year open.

A summary of principal valuation results is shown on the following page.

EXECUTIVE SUMMARY

(All dollars in Thousands)

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013
ARC for Fiscal Year Ending	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
Annual Required Contributions (ARC)						
Annual Amount (Total for all groups)	\$ 0	\$ 29	\$ 45,209	\$ 2,321	\$ 6,570	\$ 3,909
Percentage of Projected Covered Payroll	0.00%	1.53%	6.07%	N/A	33.39%	3.11%
Employer Contribution*	0.00%	1.53%	5.97%	\$ 2,321	33.39%	3.11%
Membership						
Number of						
Active Members	81	113	11,351	-	219	1,768
Retirees and Beneficiaries	73	103	9,078	1,614	347	775
Inactive, Nonretired Members	-	-	-	-	-	-
Total	154	216	20,429	1,614	566	2,543
Covered Payroll	\$ 13,447	\$ 1,695	\$671,762	N/A	\$17,748	\$113,375
Assets						
Actuarial Value	\$ 2,151	\$ 2,202	\$ 39,527	\$ 3,230	\$ 9,587	\$ 7,486
Actuarial Information						
Normal Cost	0.10%	2.89%	2.07%	N/A	17.88%	0.99%
Actuarial Accrued Liability (AAL)	\$ 1,054	\$ 1,549	\$637,059	\$12,569	\$70,385	\$ 55,706
Unfunded Actuarial Accrued Liability (UAAL)	(1,097)	(653)	597,532	9,339	60,798	48,220
Funded Ratio	204%	142%	6%	26%	14%	13%
UAAL as % of Covered Payroll	(8.2)%	(38.5)%	88.9%	N/A	342.6%	42.5%
Equivalent Single Amortization Period	30 years	30 years	23 years	2.98 years	23 years	23 years

* For the 2016 and 2017 fiscal years, the employer contribution for State Employees is the ARC net of a credit for the health windows contributions.

EXECUTIVE SUMMARY

CONTRIBUTION RATES

The total Annual Required Contribution (ARC) for the fiscal year beginning July 1, 2015 was determined to be \$58,038,602 (based on a discount rate of 5.00%). The contribution rates as a percent of payroll changed from 7.80% in the prior fiscal year to 6.07% for State Employees, 39.00% to 33.39% for State Police, 0.12% to 0.00% for Judges, 0.00% to 1.53% for Legislators, and 2.65% to 3.11% for the Board of Education. Contributions as a dollar amount changed from \$1,369,722 to \$2,321,057 for Teachers.

The expected employer portion of the claims and premium amounts paid is estimated to total \$43,652,448 for the fiscal year beginning July 1, 2015 and \$45,190,070 for the fiscal year beginning July 1, 2016.

For additional details, please see Sections A and C of the report.

BENEFIT PROVISIONS

State retirees who are eligible for Medicare are required to participate in the State's Medicare Exchange program and will receive contributions to a HRA account in order to purchase insurance through the Exchange. Contributions to the HRA are based on Medicare Plan F rates subject to individual cost sharing percentages.

Medicare eligible Judges and Legislators are required to enroll in Medicare as of December 31, 2013. This has been reflected in this valuation.

The Active and Early Retiree health plans have been amended effective July 1, 2014. This has been reflected in this valuation.

There were no reported changes in benefit provisions for the other groups since the prior valuation.

A description of the Plan provisions used in this valuation is in Section E of this report. An analysis of the impact of benefit provision changes on the unfunded actuarial accrued liability appears in the gain/loss development on page A-4.

ACTUARIAL ASSUMPTIONS

There have been changes in actuarial assumptions since the prior valuation. The wage inflation and long term health care trend assumptions were changed from 4.0% to 3.5%.

An analysis of the impact of assumption changes on the unfunded actuarial accrued liability appears in the gain/loss development on page A-4.

EXECUTIVE SUMMARY (CONCLUDED)

ACTUARIAL METHODS

The premium development methodology changed to create a single premium rate for all groups.

DATA

The State supplied data for retired and active members as of June 30, 2013. We did not audit this data, but we did apply a number of validation tests to the data. For some groups there were noticeable changes in the data compared to the prior valuation. Based on review of the data provided for the current valuation and discussions with staff, we concluded that the changes were the result of improved data collection and that the current valuation data was acceptable. We will continue to work with the staff on data collection quality.

SECTION A
VALUATION RESULTS

VALUATION RESULTS
DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTIONS
AS OF JULY 1, 2015

Interest Rate – 5.00%

Contributions for	Development of the Annual Required Contributions for the July 1, 2015 - June 30, 2016 Fiscal Year					
	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
Employer Normal Cost	\$ 14,909	\$ 54,299	\$ 15,417,254	\$ 0	\$ 3,518,407	\$ 1,244,440
<i>Percentage of Projected Payroll</i>	<i>0.10%</i>	<i>2.89%</i>	<i>2.07%</i>	<i>N/A</i>	<i>17.88%</i>	<i>0.99%</i>
Amortization of Unfunded Actuarial Accrued Liabilities	(14,909)	(25,553)	29,791,797	2,321,057	3,052,041	2,664,860
<i>Percentage of Projected Payroll</i>	<i>(0.10)%</i>	<i>(1.36)%</i>	<i>4.00%</i>	<i>N/A</i>	<i>15.51%</i>	<i>2.12%</i>
Amortization Period	30 Years	30 Years	23 Years	2.98 Years	23 Years	23 Years
	Level Percent	Level Percent	Level Percent	Level Dollar	Level Percent	Level Percent
Annual Required Contribution (ARC)	\$ 0	\$ 28,746	\$ 45,209,051	\$ 2,321,057	\$ 6,570,448	\$ 3,909,300
<i>Percentage of Projected Payroll</i>	<i>0.00%</i>	<i>1.53%</i>	<i>6.07%</i>	<i>N/A</i>	<i>33.39%</i>	<i>3.11%</i>
Total Projected Health Windows Revenue			750,833			
<i>Percentage of Projected Payroll</i>			<i>0.10%</i>			
Net Employer Contribution*			44,458,218			
<i>Percentage of Projected Payroll</i>			<i>5.97%</i>			
Projected Payroll for the Fiscal Year Beginning July 1, 2015	\$14,908,512	\$1,878,862	\$744,794,932	N/A	\$19,677,892	\$125,700,920

* For the 2016 and 2017 fiscal years, the employer contribution for State Employees is the ARC net of a credit for the health windows contributions.

Contribution notes apply to the fiscal years ending June 30, 2016 and June 30, 2017. The assumptions used to calculate the results shown above include a 5.00% investment return rate. This rate is intended to be a blend of a short-term and long-term investment return assumption as the trust gets established.

The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll for State Employees, State Police, and the Board of Education, and as a level dollar amount for Judges, Legislature and Teachers over the periods shown. For the fiscal year ending June 30, 2016, the amortization factors used are 23.9509 for the 30-year level percent of pay amortization (Judges and Legislators), 19.2493 for the 23-year level percent of pay amortization (State Employees, State Police, and Board of Education) and 2.7757 for the 2.98-year level dollar amortization (Teachers). For the fiscal year ending June 30, 2017, the factors are 23.9509 for the 30-year level percent of pay amortization, 18.5381 for the 22-year level percent of pay amortization, and 1.8874 for the 1.98-year level dollar amortization.

VALUATION RESULTS
DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF JUNE 30, 2013

Interest Rate – 5.00%

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
A. Present Value of Future Benefits						
1. Retirees and Beneficiaries	\$922,388	\$1,158,229	\$328,326,933	\$12,569,013	\$ 31,623,890	\$24,266,572
2. Vested Terminated Members	0	0	0	0	0	0
3. Active Members	<u>210,348</u>	<u>689,156</u>	<u>449,582,281</u>	<u>0</u>	<u>67,060,937</u>	<u>53,649,163</u>
Total Present Value of Future Benefits	\$ 1,132,736	\$1,847,385	\$777,909,214	\$12,569,013	\$ 98,684,827	\$77,915,735
B. Present Value of Future Total Normal Costs	78,594	298,342	140,849,766	0	28,300,222	22,209,237
C. Actuarial Accrued Liability (A.-B.)	\$ 1,054,142	\$1,549,043	\$637,059,448	\$12,569,013	\$ 70,384,605	\$55,706,498
D. Actuarial Value of Assets	2,151,470	2,202,069	39,526,811	3,230,380	9,586,923	7,485,685
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$(1,097,328)	\$ (653,026)	\$597,532,637	\$ 9,338,633	\$ 60,797,682	\$48,220,813
F. Funded Ratio (D./C.)	204%	142%	6%	26%	14%	13%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements. For additional information on required disclosures see Section G.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Year Ended June 30:	2011	2012	2013	2014	2015	2016
A. Actuarial Value Beginning of Year						
A1. Preliminary Market Value Beginning of Year		\$ 20,544,847	\$ 35,910,695			
A2. Adjustment		(6,065,768)	-			
A3. Final Market Value Beginning of Year	-	14,479,079	35,910,695			
B. Market Value End of Year	\$ 21,002,764	36,864,233	66,119,790			
C. Market Value Beginning of Year						
C1. Preliminary Market Value Beginning of Year		21,002,764	36,864,233			
C2. Adjustment		(6,065,768)	-			
C3. Final Market Value Beginning of Year	-	14,936,996	36,864,233			
D. Non-Investment Net Cash Flow	19,894,837	19,842,864	25,032,034			
E. Investment Income						
E1. Market Total: B - C3 - D	1,107,927	2,084,373	4,223,523			
E2. Amount for Immediate Recognition (5%)	497,371	1,220,026	2,421,336			
E3. Amount for Phased-In Recognition: E1-E2	610,556	864,347	1,802,187			
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.25 x E3	152,639	216,087	450,547			
F2. First Prior Year	-	152,639	216,087	\$450,547		
F3. Second Prior Year	-	-	152,639	216,087	\$450,547	
F4. Fourth Prior Year	-	-	-	152,639	216,086	\$450,546
F5. Total Recognized Investment Gain	152,639	368,726	819,273	819,273	666,633	450,546
G. Preliminary Actuarial Value End of Year: A3 + D + E2 + F5	20,544,847	35,910,695	64,183,338			
H. 80% of Market Value End of Year: 80% x B	16,802,211	29,491,386	52,895,832			
I. 120% of Market Value End of Year: 120% x B	25,203,317	44,237,080	79,343,748			

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. The Funding Value of Assets is unbiased with respect to Market Value. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value.

**VALUATION RESULTS
GAIN/LOSS ANALYSIS
AS OF JUNE 30, 2013**

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
(1) UAAL* at prior valuation date	\$ 1,768,707	\$ 476	\$ 774,748,352	\$ 9,471,775	\$ 80,271,260	\$ 50,562,375
(2) Employer normal cost from last valuation for year 1	-	-	16,475,506	-	3,811,097	1,401,025
(3) Qualified contributions for year 1	781,615	778,002	44,234,502	2,321,057	5,841,248	2,883,619
(4) Interest accrual: [(1)+1/2 [(2)-(3))] x .05	68,895	(19,426)	38,043,443	415,562	3,962,809	2,491,054
(5) Expected UAAL end of year 1: (1)+(2)-(3)+(4)	\$ 1,055,987	\$ (796,952)	\$ 785,032,799	\$ 7,566,280	\$ 82,203,918	\$ 51,570,835
(6) Employer normal cost from last valuation for year 2	-	-	17,134,526	-	3,963,541	1,457,066
(7) Qualified contributions for year 2	777,955	-	45,800,436	2,321,057	6,218,245	3,105,608
(8) Interest accrual: [(5)+1/2 [(6)-(7))] x .05	33,350	(39,848)	38,534,992	320,288	4,053,828	2,537,328
(9) Expected UAAL end of year 2: (5)+(6)-(7)+(8)	\$ 311,382	\$ (836,800)	\$ 794,901,881	\$ 5,565,511	\$ 84,003,042	\$ 52,459,621
(10) Impact of assumption and method changes	(1,165,925)	664,601	(115,978,903)	1,775,087	(17,771,908)	(2,196,335)
(11) Impact of Plan Changes	(10,738)	(52,032)	(56,061,848)	(325,203)	(1,305,602)	(82,883)
(12) Expected UAAL after changes: Sum (9) through (11)	\$ (865,281)	\$ (224,231)	\$ 622,861,130	\$ 7,015,395	\$ 64,925,532	\$ 50,180,403
(13) Actual UAAL at end of year	\$ (1,097,328)	\$ (653,026)	\$ 597,532,637	\$ 9,338,633	\$ 60,797,682	\$ 48,220,813
(14) Gain/(loss) as of the valuation date (13)-(14)	232,047	428,795	25,328,493	(2,323,238)	4,127,850	1,959,590
(15) Gain/(loss) as percent of actuarial accrued liabilities at prior valuation date	8.9 %	29.7 %	3.2 %	(20.2)%	5.0 %	3.6 %

* *Unfunded Actuarial Accrued Liabilities – All groups valued at 5.0% interest.*

ALTERNATE RESULTS - I
DEVELOPMENT OF ILLUSTRATIVE CONTRIBUTION RATES
AS OF JULY 1, 2015

Interest Rate – 5.25%

Contributions for	Development of the Illustrative Contribution Rates for the July 1, 2015 - June 30, 2016 Fiscal Year					
	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
Employer Normal Cost	\$ 14,909	\$ 52,420	\$ 14,523,501	\$ 0	\$ 3,355,080	\$ 1,081,029
<i>Percentage of Projected Payroll</i>	<i>0.10%</i>	<i>2.79%</i>	<i>1.95%</i>	<i>N/A</i>	<i>17.05%</i>	<i>0.86%</i>
Amortization of Unfunded Actuarial Accrued Liabilities	(14,909)	(42,274)	29,642,838	2,321,057	3,040,234	2,627,149
<i>Percentage of Projected Payroll</i>	<i>0.00%</i>	<i>0.54%</i>	<i>3.98%</i>	<i>N/A</i>	<i>15.45%</i>	<i>2.09%</i>
Amortization Period	30 Years	30 Years	23 Years	2.9 Years	23 Years	23 Years
Illustrative Contributions	\$ 0	\$10,146	\$ 44,166,339	\$ 2,321,057	\$ 6,395,314	\$ 3,708,178
Percentage of Projected Payroll	0.00%	0.54%	5.93%	N/A	32.50%	2.95%
Total Projected Health Windows Revenue			750,833			
<i>Percentage of Projected Payroll</i>			<i>0.10%</i>			
Net Employer Contribution*			43,415,506			
<i>Percentage of Projected Payroll</i>			<i>5.83%</i>			
Projected Payroll for the Fiscal Year Beginning July 1, 2015	\$14,908,512	\$1,878,862	\$744,794,932	N/A	\$19,677,892	\$125,700,920

* For the 2016 and 2017 fiscal years, the employer contribution for State Employees is the ARC net of a credit for the health windows contributions.

ALTERNATE RESULTS - I
DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF JUNE 30, 2013

Interest Rate – 5.25%

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
A. Present Value of Future Benefits						
1. Retirees and Beneficiaries	\$ 909,105	\$ 1,138,359	\$ 321,621,787	\$12,362,252	\$ 31,096,116	\$ 23,736,706
2. Vested Terminated Members	0	0	0	0	0	0
3. Active Members	<u>205,118</u>	<u>667,657</u>	<u>427,737,523</u>	<u>0</u>	<u>64,217,822</u>	<u>50,588,028</u>
Total Present Value of Future Benefits	\$ 1,114,223	\$ 1,806,016	\$749,359,310	\$12,362,252	\$95,313,938	\$ 74,324,734
B. Present Value of Future Total Normal Costs	74,202	284,316	129,283,359	0	26,442,013	20,328,939
C. Actuarial Accrued Liability (A.-B.)	\$ 1,040,021	\$ 1,521,700	\$ 620,075,951	\$12,362,252	\$ 68,871,925	\$ 53,995,795
D. Actuarial Value of Assets	2,151,470	2,202,069	39,526,811	3,230,380	9,586,923	7,485,685
E. Unfunded Actuarial Accrued Liability (C. -D.)	\$(1,111,449)	\$ (680,369)	\$ 580,549,140	\$ 9,131,872	\$ 59,285,002	\$ 46,510,110
F. Funded Ratio (D./C.)	207%	145%	6%	26%	14%	14%

ALTERNATE RESULTS - II
DEVELOPMENT OF ILLUSTRATIVE CONTRIBUTION RATES
AS OF JULY 1, 2015

Interest Rate – 5.50%

Contributions for	Development of the Illustrative Contribution Rates for the July 1, 2015 - June 30, 2016 Fiscal Year					
	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
Employer Normal Cost	\$ 13,418	\$ 50,728	\$ 13,629,748	\$ 0	\$ 3,197,658	\$ 930,186
<i>Percentage of Projected Payroll</i>	<i>0.09%</i>	<i>2.70%</i>	<i>1.83%</i>	<i>N/A</i>	<i>16.25%</i>	<i>0.74%</i>
Amortization of Unfunded Actuarial Accrued Liabilities	(13,418)	(45,844)	29,493,879	2,321,057	3,028,428	2,589,439
<i>Percentage of Projected Payroll</i>	<i>0.00%</i>	<i>0.26%</i>	<i>3.96%</i>	<i>N/A</i>	<i>15.39%</i>	<i>2.06%</i>
Amortization Period	30 Years	30 Years	23 Years	2.82 Years	23 Years	23 Years
Illustrative Contributions	\$ 0	\$ 4,884	\$ 43,123,627	\$ 2,321,057	\$ 6,226,086	\$ 3,519,625
Percentage of Projected Payroll	<i>0.00%</i>	<i>0.26%</i>	<i>5.79%</i>	<i>N/A</i>	<i>31.64%</i>	<i>2.80%</i>
Total Projected Health Windows Revenue			750,833			
<i>Percentage of Projected Payroll</i>			<i>0.10%</i>			
Net Employer Contribution*			42,372,794			
<i>Percentage of Projected Payroll</i>			<i>5.69%</i>			
Projected Payroll for the Fiscal Year Beginning July 1, 2015	\$14,908,512	\$1,878,862	\$744,794,932	N/A	\$19,677,892	\$125,700,920

* For the 2016 and 2017 fiscal years, the employer contribution for State Employees is the ARC net of a credit for the health windows contributions.

ALTERNATE RESULTS - II
DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF JUNE 30, 2013

Interest Rate – 5.50%

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
A. Present Value of Future Benefits						
1. Retirees and Beneficiaries	\$896,184	\$1,119,027	\$315,177,401	\$ 12,162,343	\$30,583,358	\$23,226,094
2. Vested Terminated Members	0	0	0	0	0	0
3. Active Members	<u>200,066</u>	<u>647,093</u>	<u>407,367,569</u>	<u>0</u>	<u>61,532,282</u>	<u>47,754,164</u>
Total Present Value of Future Benefits	\$ 1,096,250	\$1,766,120	\$722,544,970	\$ 12,162,343	\$92,115,640	\$70,980,258
B. Present Value of Future Total Normal Costs	70,084	271,153	118,752,078	0	24,712,553	18,622,300
C. Actuarial Accrued Liability (A.-B.)	\$ 1,026,166	\$1,494,967	\$603,792,892	\$ 12,162,343	\$67,403,087	\$52,357,958
D. Actuarial Value of Assets	2,151,470	2,202,069	39,526,811	3,230,380	9,586,923	7,485,685
E. Unfunded Actuarial Accrued Liability (C. -D.)	\$(1,125,304)	\$ (707,102)	\$564,266,081	\$ 8,931,963	\$57,816,164	\$44,872,273
F. Funded Ratio (D./C.)	210%	147%	7%	27%	14%	14%

COMMENTS

COMMENT A: One of the key assumptions used in any valuation of the cost of postemployment benefits is the long-term rate of investment return on plan assets. Higher assumed investment returns will result in a lower Annual Required Contribution (ARC). Lower returns will result in a higher ARC. We have calculated the liability and the resulting ARC using assumed investment return of 5.00%. This assumption was reviewed in consultation with the investment policy and adopted at the January 31, 2014 board meeting. This report also includes alternate assumptions of 5.25% and 5.50%.

COMMENT B: Prior to the establishment of the OPEB trust funds on July 1, 2010, the State maintained two internal service funds and an agency fund to record activity related to retiree health benefits. The remaining balances in those funds as of June 30, 2010 were transferred to the applicable OPEB trust fund in fiscal 2011 and were recorded as deferred revenue for the funds/plans listed below.

State Employees	\$ 4,148,276
Teachers	\$ 956,083
Board of Education	\$ 961,409

In addition, the State receives contributions in the amount of \$750,833 for employees who retired under an early retirement incentive program. The cost of retiree health benefits for these individuals is charged as an annual operating cost to the department or agency from which they were employed immediately prior to retirement. The employer contribution rate for the affected groups is adjusted down from the ARC on page A-1 to reflect this procedure (referred to as the Health Windows contributions).

COMMENT C: The contribution rates shown include amortization of the unfunded actuarial accrued liability over 30 years for Judges and Legislators, 2.98 years for Teachers and 23 years for the other groups. The Judges and Legislators plans are currently over 100% funded. We recommend amortizing the funding surplus using a 30-year open percent of pay factor and applying the credit as an offset to the normal cost contribution for those groups. The amortization period for Teachers is based on the statutory contribution, provided by the State, and is subject to statutory restriction. The State Employees, Police, and Board of Education remain open plans and are therefore amortized as a level percent of payroll. Legislation 2008-H7204 requires a 30-year amortization period beginning June 30, 2006 with 23 years remaining as of June 30, 2013. In an underfunded plan, shorter amortization periods would result in higher ARCs.

COMMENTS

COMMENT D: Effective September 30, 2008, the Tier II subsidy was eliminated. Subsequent to that date, a separate Early Retiree premium was introduced to reflect the full cost of pre-65 retiree health care with the retirees and the State sharing in the cost of the full premium. In practice, the Early Retiree premium has not always increased as rapidly as the aggregate health care cost on a per capita basis. In effect, this can create an implicit subsidy. Actual experience and retiree contributions are reflected in this valuation resulting in a loss for this rate setting differential. It is important to note that if future premiums are not accurately adjusted to reflect experience, the valuation must reflect future expected implicit subsidies which could result in substantially higher employer costs.

COMMENT E: There have been some material changes since the prior valuation. A summary of the changes and their impact on the ARC is shown below. Note that the prior ARC is based on the June 30, 2011 valuation. All percentages shown are percents of payroll. The rates for State Employees are prior to any adjustment for the Health Windows contribution.

	Judges	Legislature	State Employees	Teachers	State Police	Board of Education
Prior ARC	0.12 %	0.00 %	7.80 %	\$ 1,369,722	39.00 %	2.65 %
Impact of Plan Experience	(0.10)%	0.00 %	(0.44)%	1,684,184	1.36 %	0.58 %
Impact of Assumption and Method Changes	(0.02)%	1.70 %	(0.86)%	(732,849)	(6.23)%	(0.12)%
Impact of Plan Changes						
Exchange and HRA	0.00 %	0.00 %	(0.34)%	-	0.00 %	0.00 %
Active and Early Retiree Plan	0.00 %	(0.17)%	(0.09)%	-	(0.74)%	0.00 %
ARC determined by this valuation	0.00 %	1.53 %	6.07 %	\$ 2,321,057	33.39 %	3.11 %

PLAN EXPERIENCE

Overall plan experience for the Plan was favorable, resulting in an actuarial gain. Results varied among the groups with gains for Judges, Legislators, State Employees, State Police and Board of Education, and losses for Teachers. Note that plan experience on the contribution rates is also affected by changes in payroll which can greatly affect the rates.

Health care experience varied for the pre-65 plans depending on the group but overall was close to expected. Post-65 experience on the Medicare Advantage HMO and Plan 65 was favorable.

Additional information on gains and losses is on page A-4.

BENEFIT PROVISIONS

State retirees who are eligible for Medicare are required to participate in the State's Medicare Exchange program and will receive contributions to a HRA account in order to purchase insurance through the Exchange. Contributions to the HRA are based on Medicare Plan F rates subject to individual cost sharing percentages.

Medicare eligible Judges and Legislators are required to enroll in Medicare as of December 31, 2013. This has been reflected in this valuation.

COMMENTS

BENEFIT PROVISIONS (CONTINUED)

The Active and Early Retiree health plans have been amended effective July 1, 2014. This has been reflected in this valuation.

There were no reported changes in benefit provisions for the other groups since the prior valuation.

A description of the Plan Provisions used in this valuation is in Section E of this report.

An analysis of the impact of changes in benefit provisions on the unfunded actuarial accrued liability appears in the gain/loss development on page A-4.

ACTUARIAL ASSUMPTIONS

There have been changes in actuarial assumptions since the prior valuation, as follows:

- The wage inflation and long term health care trend assumptions were changed from 4.0% to 3.5%.
- The Excise Tax load on pre-65 liabilities was changed from 7.4% to 11.0%

An analysis of the impact of assumption changes on the unfunded actuarial accrued liability appears in the gain/loss development on page A-4.

ACTUARIAL METHODS

The premium development methodology changed to create a single premium rate for all groups.

An analysis of the impact of method changes on the unfunded actuarial accrued liability appears on page A-4.

COMMENT F: The State supplied data for retired and active members as of June 30, 2013. We did not audit this data, but we did apply a number of validation tests to the data. For some groups there were noticeable changes in the data compared to the prior valuation. Based on review of the data provided for the current valuation and discussions with staff, we concluded that the changes were the result of improved data collection and that the current valuation data was acceptable. We will continue to work with the staff on data collection quality.

COMMENT G: The Judges and Legislators plans have accumulated surplus assets. We include a 30-year open level percent of payroll amortization of this surplus which results in a small, non-zero contribution for Legislators. Given the amount of surplus, the Board may elect to set the Legislator's contribution rate to 0% of payroll.

SECTION B
SENSITIVITY ANALYSIS

SENSITIVITY ANALYSIS

POSTEMPLOYMENT HEALTH INSURANCE -- SENSITIVITY TESTS

Actuarial valuations deal with the cost of benefits to be paid in the future. The payments considered will range from one month in the future to decades from the valuation date (for a young, newly hired employee who may retire many years from now and live many years after that). In order to establish a present day cost for these future benefit obligations, the actuary bases the valuation on a number of assumptions about future occurrences. The occurrences that must be considered include employee turnover, pay increases, disablement, retirements, deaths and investment income on anticipated plan assets.

When the benefits being valued are health care benefits, a key factor is the future cost of the medical benefits being promised. This is projected using the current cost of the System's health care benefits and assumed future health care cost increases. The final cost of providing retiree health care benefits will depend upon how the charges for health care services actually increase in the future.

In order to demonstrate how the cost of these benefits can vary depending upon future health care cost increases, we have performed additional valuations based upon alternative health care cost increase assumptions. The schedules on pages B-2 through B-4 compare (i) the computed cost of the retiree health care benefits using the valuation assumptions to (ii) results of alternate valuations. One of the alternate valuations is based upon an optimistic health care cost increase assumption. The other is based upon a more pessimistic health care cost increase assumption. The schedule on page F-12 exhibits the health care cost increase assumptions used in the valuation and the sensitivity analysis.

SENSITIVITY ANALYSIS
5.0% INTEREST
FOR THE FISCAL YEAR BEGINNING JULY 1, 2015

The selection of future health care cost increases is one of the key assumptions in determining plan liabilities. If the health care cost trend rates upon which the calculation of the Annual Required Contribution is based were changed to either the pessimistic or optimistic trends noted on page F-12, the annual contribution (illustrated using entry age 30-year, level percent amortization for Judges and Legislature, entry age 23-year, level percent amortization for State Employees, State Police, and Board of Education, and statutory contribution rate for Teachers) would change as follows.

JUDGES

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 14,909	\$ 16,399	\$ 13,418
Amortization of Unfunded Acturaial Accrued Liabilities	\$ (14,909)	\$ (16,399)	\$ (13,418)
Annual Required Contribution (ARC)	\$ 0	\$ 0	\$ 0
ARC as a percentage of projected payroll	0.00%	0.00%	0.00%
Projected Annual Payroll	\$14,908,512	\$14,908,512	\$14,908,512

LEGISLATURE

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 54,299	\$ 58,621	\$ 48,662
Amortization of Unfunded Acturaial Accrued Liabilities	\$ (25,553)	\$ (31,753)	\$ (46,783)
Annual Required Contribution (ARC)	\$ 28,746	\$ 26,868	\$ 1,879
ARC as a percentage of projected payroll	1.53%	1.43%	0.10%
Projected Annual Payroll	\$ 1,878,862	\$ 1,878,862	\$ 1,878,862

SENSITIVITY ANALYSIS
5.0% INTEREST
FOR THE FISCAL YEAR BEGINNING JULY 1, 2015

STATE EMPLOYEES

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 15,417,254	\$ 16,832,365	\$ 14,002,145
Amortization of Unfunded Acturaial Accrued Liabilities	\$ 29,791,797	\$ 32,547,539	\$ 26,738,138
Annual Required Contribution (ARC)	\$ 45,209,051	\$ 49,379,904	\$ 40,740,283
ARC as a percentage of projected payroll	6.07%	6.63%	5.47%
Projected Annual Payroll	\$744,794,932	\$744,794,932	\$744,794,932

TEACHERS*

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 0	\$ 0	\$ 0
Amortization of Unfunded Acturaial Accrued Liabilities	\$ 2,321,057	\$ 2,321,057	\$ 2,321,057
Annual Required Contribution (ARC)	\$ 2,321,057	\$ 2,321,057	\$ 2,321,057
ARC as a percentage of projected payroll	N/A	N/A	N/A
Projected Annual Payroll	N/A	N/A	N/A

* The Teachers contribution is set during the State's budgeting process.

SENSITIVITY ANALYSIS
5.0% INTEREST
FOR THE FISCAL YEAR BEGINNING JULY 1, 2015 (CONCLUDED)

STATE POLICE

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 3,518,407	\$ 3,813,575	\$ 3,179,947
Amortization of Unfunded Acturaial Accrued Liabilities	\$ 3,052,041	\$ 3,364,920	\$ 2,703,742
Annual Required Contribution (ARC)	\$ 6,570,448	\$ 7,178,495	\$ 5,883,689
ARC as a percentage of projected payroll	33.39%	36.48%	29.90%
Projected Annual Payroll	\$19,677,892	\$19,677,892	\$19,677,892

BOARD OF EDUCATION

Fiscal Year Beginning July 1, 2015 Contributions/Payroll for	Intermediate	Pessimistic	Optimistic
Employer Normal Cost of Benefits	\$ 1,244,440	\$ 1,445,561	\$ 993,038
Amortization of Unfunded Acturaial Accrued Liabilities	\$ 2,664,860	\$ 2,928,831	\$ 2,363,177
Annual Required Contribution (ARC)	\$ 3,909,300	\$ 4,374,392	\$ 3,356,215
ARC as a percentage of projected payroll	3.11%	3.48%	2.67%
Projected Annual Payroll	\$125,700,920	\$125,700,920	\$125,700,920

SECTION C
BENEFIT PROJECTIONS

20-YEAR BENEFIT PROJECTIONS INTERMEDIATE TREND RATES

The columns titled “Net Health Care Benefits” are the amounts of retiree health care expenditures net of retiree and spouse contributions that we estimate will occur in various years. These amounts are highly dependent on the underlying actuarial assumptions in the valuation. Actual experience over time may vary significantly. Additional detail for each of the groups is provided on the following pages.

(Dollar Amounts in Thousands)

Year Ending June 30,	Net Health Care Benefits						Total
	Judges	Legislature	State Employees	Teachers	State Police	BOE	
2014	\$114	\$106	\$32,759	\$1,743	\$3,022	\$1,894	\$39,638
2015	120	100	34,302	1,581	3,481	2,116	41,700
2016	124	85	35,807	1,321	4,002	2,311	43,652
2017	113	94	37,147	1,127	4,316	2,390	45,190
2018	108	116	38,195	955	4,662	2,541	46,580
2019	107	136	39,147	909	5,099	2,738	48,139
2020	98	153	40,415	866	5,516	2,967	50,018
2021	90	185	41,743	811	5,866	3,197	51,896
2022	91	186	42,793	768	6,249	3,409	53,500
2023	78	164	43,684	742	6,708	3,610	54,989
2024	68	188	44,617	716	6,902	3,792	56,285
2025	53	219	45,561	688	7,057	3,958	57,538
2026	50	205	46,311	673	7,211	4,126	58,579
2027	54	174	47,315	629	7,343	4,292	59,809
2028	53	169	48,064	594	7,338	4,445	60,666
2029	47	159	48,391	549	7,346	4,591	61,086
2030	40	148	48,206	520	7,219	4,714	60,849
2031	37	149	47,588	488	6,993	4,846	60,104
2032	39	155	47,049	456	6,626	4,983	59,310
2033	34	118	46,556	422	6,635	5,117	58,885
2034	40	109	45,986	386	6,622	5,256	58,402

JUDGES
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Active Members			III. Total		
	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)
	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow
2014	\$ 157,407	\$ (45,473)	\$ 111,934	\$ 25,464	\$ (22,902)	\$ 2,562	\$ 182,871	\$ (68,375)	\$ 114,496
2015	162,976	(49,322)	113,654	61,924	(55,698)	6,226	224,900	(105,020)	119,879
2016	163,448	(49,546)	113,902	117,706	(107,272)	10,433	281,154	(156,818)	124,336
2017	129,732	(32,102)	97,630	186,377	(170,392)	15,985	316,109	(202,494)	113,615
2018	107,103	(20,682)	86,421	232,203	(210,620)	21,583	339,306	(231,302)	108,004
2019	106,272	(21,433)	84,839	266,295	(243,751)	22,544	372,567	(265,184)	107,383
2020	100,691	(19,780)	80,910	303,448	(286,305)	17,144	404,139	(306,085)	98,054
2021	83,047	(11,893)	71,155	352,957	(333,125)	19,832	436,004	(345,017)	90,987
2022	80,287	(12,398)	67,889	353,028	(329,156)	23,873	433,316	(341,554)	91,762
2023	77,167	(12,855)	64,311	262,870	(248,728)	14,142	340,037	(261,583)	78,453
2024	73,790	(13,225)	60,566	197,013	(189,307)	7,706	270,803	(202,531)	68,272
2025	47,822	(1,359)	46,462	221,399	(214,383)	7,016	269,220	(215,742)	53,478
2026	41,000	-	41,000	292,166	(282,179)	9,986	333,166	(282,179)	50,987
2027	36,839	-	36,839	332,502	(315,089)	17,414	369,341	(315,089)	54,253
2028	32,905	-	32,905	320,156	(299,695)	20,461	353,061	(299,695)	53,366
2029	29,216	-	29,216	279,188	(260,828)	18,360	308,403	(260,828)	47,576
2030	25,771	-	25,771	244,172	(229,626)	14,545	269,942	(229,626)	40,316
2031	22,564	-	22,564	245,799	(230,496)	15,302	268,363	(230,496)	37,866
2032	19,598	-	19,598	262,430	(242,241)	20,189	282,028	(242,241)	39,787
2033	16,865	-	16,865	230,827	(213,649)	17,178	247,692	(213,649)	34,043
2034	14,349	-	14,349	322,221	(295,951)	26,270	336,570	(295,951)	40,619

JUDGES
20-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ 13,917,255	0.12%	\$ 2,151,470	\$ 16,701	\$(114,496)	\$ 105,129	\$ 2,158,804	\$ 989,491	\$ -	100.0%
2015	14,404,359	0.12%	2,158,804	17,285	(119,879)	105,375	2,161,585	913,952	-	100.0%
2016	14,908,511	0.00%	2,161,585	-	(124,336)	104,971	2,142,220	845,738	-	100.0%
2017	15,430,309	0.00%	2,142,220	-	(113,615)	104,271	2,132,875	771,423	-	100.0%
2018	15,970,370	0.00%	2,132,875	-	(108,004)	103,944	2,128,815	688,042	-	100.0%
2019	16,529,333	0.00%	2,128,815	-	(107,383)	103,756	2,125,188	621,782	-	100.0%
2020	17,107,860	0.00%	2,125,188	-	(98,054)	103,808	2,130,942	561,640	-	100.0%
2021	17,706,635	0.00%	2,130,942	-	(90,987)	104,272	2,144,228	502,578	-	100.0%
2022	18,326,367	0.00%	2,144,228	-	(91,762)	104,917	2,157,383	441,576	-	100.0%
2023	18,967,790	0.00%	2,157,383	-	(78,453)	105,908	2,184,838	393,816	-	100.0%
2024	19,631,662	0.00%	2,184,838	-	(68,272)	107,535	2,224,101	348,485	-	100.0%
2025	20,318,771	0.00%	2,224,101	-	(53,478)	109,868	2,280,491	312,131	-	100.0%
2026	21,029,928	0.00%	2,280,491	-	(50,987)	112,750	2,342,254	277,228	-	100.0%
2027	21,765,975	0.00%	2,342,254	-	(54,253)	115,756	2,403,758	239,579	-	100.0%
2028	22,527,784	0.00%	2,403,758	-	(53,366)	118,854	2,469,246	205,880	-	100.0%
2029	23,316,257	0.00%	2,469,246	-	(47,576)	122,273	2,543,943	178,629	-	100.0%
2030	24,132,326	0.00%	2,543,943	-	(40,316)	126,189	2,629,816	156,665	-	100.0%
2031	24,976,957	0.00%	2,629,816	-	(37,866)	130,544	2,722,494	133,491	-	100.0%
2032	25,851,150	0.00%	2,722,494	-	(39,787)	135,130	2,817,837	107,297	-	100.0%
2033	26,755,941	0.00%	2,817,837	-	(34,043)	140,041	2,923,835	88,546	-	100.0%
2034	27,692,399	0.00%	2,923,835	-	(40,619)	145,176	3,028,392	93,887	-	100.0%

LEGISLATORS
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Active Members			III. Total		
	(A) Gross Claims	(B) Retiree Contributions	(C) = (A) + (B) Net Cash Flow	(A) Gross Claims	(B) Retiree Contributions	(C) = (A) + (B) Net Cash Flow	(A) Gross Claims	(B) Retiree Contributions	(C) = (A) + (B) Net Cash Flow
2014	\$ 273,147	\$ (170,408)	\$ 102,739	\$ 128,124	\$ (125,121)	\$ 3,002	\$ 401,271	\$ (295,529)	\$ 105,742
2015	254,552	(160,302)	94,249	338,741	(332,770)	5,972	593,293	(493,072)	100,221
2016	222,466	(142,273)	80,193	473,371	(468,433)	4,938	695,837	(610,707)	85,130
2017	231,410	(146,467)	84,943	608,836	(598,962)	9,874	840,246	(745,429)	94,817
2018	241,667	(150,835)	90,832	779,160	(753,284)	25,876	1,020,827	(904,119)	116,708
2019	261,850	(159,707)	102,143	924,061	(889,458)	34,603	1,185,911	(1,049,164)	136,746
2020	266,972	(159,900)	107,071	1,085,467	(1,038,721)	46,746	1,352,439	(1,198,621)	153,818
2021	278,060	(162,962)	115,098	1,258,648	(1,187,796)	70,853	1,536,708	(1,350,758)	185,951
2022	276,390	(159,353)	117,036	1,243,568	(1,174,277)	69,291	1,519,958	(1,333,631)	186,327
2023	230,260	(132,994)	97,266	1,290,911	(1,223,651)	67,260	1,521,171	(1,356,645)	164,527
2024	222,920	(127,056)	95,864	1,546,741	(1,453,965)	92,776	1,769,661	(1,581,022)	188,640
2025	225,118	(125,829)	99,289	1,760,889	(1,641,032)	119,857	1,986,007	(1,766,861)	219,146
2026	202,047	(111,377)	90,670	1,801,687	(1,687,279)	114,407	2,003,733	(1,798,656)	205,077
2027	179,952	(97,415)	82,537	1,758,489	(1,666,687)	91,802	1,938,441	(1,764,102)	174,339
2028	162,091	(86,479)	75,612	1,835,044	(1,740,757)	94,287	1,997,135	(1,827,236)	169,900
2029	131,030	(68,362)	62,668	1,890,907	(1,793,925)	96,983	2,021,937	(1,862,286)	159,651
2030	100,099	(50,941)	49,158	1,926,017	(1,826,628)	99,389	2,026,116	(1,877,569)	148,547
2031	76,331	(38,026)	38,305	2,062,525	(1,951,325)	111,201	2,138,856	(1,989,350)	149,506
2032	77,415	(37,733)	39,682	2,197,452	(2,081,577)	115,875	2,274,867	(2,119,310)	155,557
2033	5,312	(1,172)	4,141	2,300,089	(2,185,878)	114,211	2,305,402	(2,187,050)	118,352
2034	2,432	-	2,432	2,447,260	(2,340,497)	106,763	2,449,693	(2,340,497)	109,195

LEGISLATORS
20-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ 1,753,937	0.00%	\$2,202,069	\$ -	\$(105,742)	\$ 107,460	\$ 2,203,787	\$ 1,518,110	\$ -	100.0%
2015	1,815,325	0.00%	2,203,787	-	(100,221)	107,684	2,211,250	1,492,025	-	100.0%
2016	1,878,861	1.53%	2,211,250	28,747	(85,130)	109,153	2,264,019	1,540,645	-	100.0%
2017	1,944,621	1.53%	2,264,019	29,753	(94,817)	111,574	2,310,529	1,529,189	-	100.0%
2018	2,012,683	0.22%	2,310,529	4,372	(116,708)	112,718	2,310,912	1,469,898	-	100.0%
2019	2,083,127	0.19%	2,310,912	3,902	(136,746)	112,224	2,290,292	1,422,485	-	100.0%
2020	2,156,036	0.16%	2,290,292	3,528	(153,818)	110,757	2,250,759	1,357,674	-	100.0%
2021	2,231,498	0.14%	2,250,759	3,020	(185,951)	107,965	2,175,793	1,262,889	-	100.0%
2022	2,309,600	0.12%	2,175,793	2,885	(186,327)	104,204	2,096,554	1,176,072	-	100.0%
2023	2,390,436	0.10%	2,096,554	2,367	(164,527)	100,774	2,035,168	1,105,919	-	100.0%
2024	2,474,101	0.04%	2,035,168	897	(188,640)	97,065	1,944,490	1,010,338	-	100.0%
2025	2,560,695	0.00%	1,944,490	-	(219,146)	91,746	1,817,089	894,458	-	100.0%
2026	2,650,319	0.00%	1,817,089	-	(205,077)	85,728	1,697,740	802,990	-	100.0%
2027	2,743,080	0.00%	1,697,740	-	(174,339)	80,529	1,603,929	737,305	-	100.0%
2028	2,839,088	0.00%	1,603,929	-	(169,900)	75,949	1,509,978	660,890	-	100.0%
2029	2,938,456	0.00%	1,509,978	-	(159,651)	71,508	1,421,835	594,364	-	100.0%
2030	3,041,302	0.00%	1,421,835	-	(148,547)	67,378	1,340,666	540,746	-	100.0%
2031	3,147,748	0.00%	1,340,666	-	(149,506)	63,296	1,254,456	488,429	-	100.0%
2032	3,257,919	0.00%	1,254,456	-	(155,557)	58,834	1,157,732	437,734	-	100.0%
2033	3,371,946	0.00%	1,157,732	-	(118,352)	54,928	1,094,309	425,428	-	100.0%
2034	3,489,964	0.00%	1,094,309	-	(109,195)	51,986	1,037,099	431,170	-	100.0%

**STATE EMPLOYEES
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Active Members			III. Total = I + II		
	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)
	Gross Pre-65 Claims + Exchange Contribution	Retiree Contributions	Net Cash Flow	Gross Pre-65 Claims + Exchange Contribution	Retiree Contributions	Net Cash Flow	Gross Pre-65 Claims + Exchange Contribution	Retiree Contributions	Net Cash Flow
2014	\$ 37,269,930	\$ (5,487,351)	\$ 31,782,579	\$ 1,383,916	\$ (407,609)	\$ 976,306	\$ 38,653,846	\$ (5,894,961)	\$ 32,758,885
2015	36,335,050	(5,069,932)	31,265,117	4,320,763	(1,283,839)	3,036,924	40,655,813	(6,353,772)	34,302,041
2016	35,116,684	(4,681,998)	30,434,686	7,618,994	(2,245,823)	5,373,171	42,735,678	(6,927,821)	35,807,857
2017	33,508,753	(4,239,030)	29,269,724	11,063,380	(3,185,330)	7,878,049	44,572,133	(7,424,360)	37,147,773
2018	31,562,594	(3,816,930)	27,745,665	14,606,034	(4,155,719)	10,450,315	46,168,628	(7,972,648)	38,195,980
2019	29,226,206	(3,378,229)	25,847,977	18,571,436	(5,272,027)	13,299,409	47,797,642	(8,650,256)	39,147,386
2020	27,230,038	(2,943,928)	24,286,111	22,507,950	(6,378,927)	16,129,023	49,737,988	(9,322,855)	40,415,133
2021	25,400,656	(2,508,182)	22,892,473	26,143,707	(7,293,179)	18,850,528	51,544,363	(9,801,361)	41,743,001
2022	23,339,561	(2,052,956)	21,286,605	29,550,352	(8,043,490)	21,506,862	52,889,913	(10,096,446)	42,793,467
2023	21,456,301	(1,643,549)	19,812,751	32,555,329	(8,683,268)	23,872,060	54,011,629	(10,326,818)	43,684,812
2024	19,968,325	(1,328,584)	18,639,741	35,255,431	(9,277,654)	25,977,778	55,223,757	(10,606,238)	44,617,519
2025	18,988,609	(1,104,177)	17,884,432	37,359,398	(9,682,827)	27,676,572	56,348,007	(10,787,004)	45,561,003
2026	18,078,811	(900,453)	17,178,357	38,994,897	(9,861,537)	29,133,360	57,073,708	(10,761,990)	46,311,717
2027	17,280,011	(697,983)	16,582,028	40,706,455	(9,973,366)	30,733,089	57,986,466	(10,671,349)	47,315,117
2028	16,507,188	(455,198)	16,051,991	41,904,394	(9,891,710)	32,012,684	58,411,582	(10,346,908)	48,064,675
2029	15,937,636	(351,329)	15,586,307	42,375,349	(9,569,809)	32,805,540	58,312,985	(9,921,138)	48,391,847
2030	15,396,457	(291,885)	15,104,573	42,171,853	(9,070,304)	33,101,549	57,568,310	(9,362,189)	48,206,122
2031	14,796,743	(249,015)	14,547,727	41,424,211	(8,383,562)	33,040,649	56,220,954	(8,632,578)	47,588,376
2032	14,189,472	(229,542)	13,959,930	40,657,601	(7,568,133)	33,089,467	54,847,072	(7,797,675)	47,049,397
2033	13,602,104	(233,817)	13,368,287	40,009,406	(6,820,721)	33,188,685	53,611,510	(7,054,538)	46,556,972
2034	12,946,754	(222,498)	12,724,256	39,412,829	(6,150,168)	33,262,662	52,359,584	(6,372,666)	45,986,918

**STATE EMPLOYEES
20-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ 695,274,038	7.80%	\$39,526,811	\$54,231,375	\$(32,758,885)	\$ 2,513,153	\$ 63,512,454	\$ 652,723,367	\$589,210,913	9.7%
2015	719,608,630	7.80%	63,512,454	56,129,473	(34,302,041)	3,721,308	89,061,194	664,512,901	575,451,707	13.4%
2016	744,794,932	6.07%	89,061,194	45,209,052	(35,807,857)	4,688,090	103,150,479	673,008,366	569,857,887	15.3%
2017	770,862,754	6.07%	103,150,479	46,791,369	(37,147,773)	5,398,614	118,192,690	683,888,221	565,695,531	17.3%
2018	797,842,951	5.91%	118,192,690	47,166,909	(38,195,980)	6,133,908	133,297,526	693,468,836	560,171,310	19.2%
2019	825,767,454	5.91%	133,297,526	48,834,711	(39,147,386)	6,907,059	149,891,911	704,445,228	554,553,318	21.3%
2020	854,669,315	5.92%	149,891,911	50,563,255	(40,415,133)	7,748,299	167,788,331	715,215,026	547,426,694	23.5%
2021	884,582,741	5.92%	167,788,331	52,344,414	(41,743,001)	8,654,452	187,044,196	725,721,015	538,676,819	25.8%
2022	915,543,137	5.92%	187,044,196	54,161,172	(42,793,467)	9,636,402	208,048,303	736,257,485	528,209,182	28.3%
2023	947,587,147	5.91%	208,048,303	56,013,293	(43,684,812)	10,710,627	231,087,412	746,980,130	515,892,718	30.9%
2024	980,752,697	5.90%	231,087,412	57,910,833	(44,617,519)	11,886,703	256,267,430	757,903,558	501,636,128	33.8%
2025	1,015,079,041	5.90%	256,267,430	59,889,595	(45,561,003)	13,171,586	283,767,608	769,027,344	485,259,735	36.9%
2026	1,050,606,808	5.90%	283,767,608	61,974,706	(46,311,717)	14,579,955	314,010,552	780,610,852	466,600,300	40.2%
2027	1,087,378,046	5.90%	314,010,552	64,136,472	(47,315,117)	16,121,061	346,952,968	792,482,890	445,529,922	43.8%
2028	1,125,436,278	5.90%	346,952,968	66,386,101	(48,064,675)	17,805,684	383,080,078	804,949,495	421,869,417	47.6%
2029	1,164,826,547	5.90%	383,080,078	68,733,213	(48,391,847)	19,662,538	423,083,982	818,550,335	395,466,353	51.7%
2030	1,205,595,477	5.90%	423,083,982	71,146,996	(48,206,122)	21,727,721	467,752,578	833,902,695	366,150,117	56.1%
2031	1,247,791,318	5.90%	467,752,578	73,665,698	(47,588,376)	24,039,562	517,869,463	851,570,107	333,700,644	60.8%
2032	1,291,464,014	5.91%	517,869,463	76,289,839	(47,049,397)	26,624,484	573,734,389	871,669,888	297,935,500	65.8%
2033	1,336,665,255	5.91%	573,734,389	79,025,415	(46,556,972)	29,498,431	635,701,262	894,328,868	258,627,605	71.1%
2034	1,383,448,539	5.92%	635,701,262	81,867,179	(45,986,918)	32,682,070	704,263,594	919,802,428	215,538,835	76.6%

TEACHERS
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Total		
	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)
	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow
2014	\$ 4,419,392	\$(2,676,524)	\$ 1,742,868	\$ 4,419,392	\$(2,676,524)	\$ 1,742,868
2015	4,003,584	(2,422,694)	1,580,890	4,003,584	(2,422,694)	1,580,890
2016	3,389,604	(2,068,027)	1,321,577	3,389,604	(2,068,027)	1,321,577
2017	2,927,140	(1,799,835)	1,127,305	2,927,140	(1,799,835)	1,127,305
2018	2,525,369	(1,570,299)	955,071	2,525,369	(1,570,299)	955,071
2019	2,394,483	(1,485,145)	909,338	2,394,483	(1,485,145)	909,338
2020	2,274,184	(1,407,387)	866,797	2,274,184	(1,407,387)	866,797
2021	2,129,222	(1,317,247)	811,975	2,129,222	(1,317,247)	811,975
2022	2,014,244	(1,245,440)	768,804	2,014,244	(1,245,440)	768,804
2023	1,934,572	(1,192,028)	742,544	1,934,572	(1,192,028)	742,544
2024	1,850,230	(1,133,788)	716,442	1,850,230	(1,133,788)	716,442
2025	1,764,235	(1,075,381)	688,853	1,764,235	(1,075,381)	688,853
2026	1,705,880	(1,032,559)	673,321	1,705,880	(1,032,559)	673,321
2027	1,591,790	(962,277)	629,513	1,591,790	(962,277)	629,513
2028	1,495,448	(901,292)	594,156	1,495,448	(901,292)	594,156
2029	1,381,594	(832,220)	549,374	1,381,594	(832,220)	549,374
2030	1,300,920	(780,823)	520,097	1,300,920	(780,823)	520,097
2031	1,217,235	(728,265)	488,971	1,217,235	(728,265)	488,971
2032	1,131,217	(674,867)	456,350	1,131,217	(674,867)	456,350
2033	1,042,918	(620,728)	422,191	1,042,918	(620,728)	422,191
2034	952,776	(566,110)	386,666	952,776	(566,110)	386,666

TEACHERS
4-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ -	\$ 1,369,722	\$ 3,230,380	\$ 1,369,722	\$ (1,742,868)	\$ 152,190	\$ 3,009,425	\$ 11,411,024	\$ 8,401,600	26.4%
2015	-	2,321,057	3,009,425	2,321,057	(1,580,890)	168,975	3,918,567	10,361,163	6,442,596	37.8%
2016	-	2,321,057	3,918,567	2,321,057	(1,321,577)	220,915	5,138,963	9,524,605	4,385,643	54.0%
2017	-	2,321,057	5,138,963	2,321,057	(1,127,305)	286,792	6,619,507	8,845,348	2,225,841	74.8%
2018	-	2,280,130	6,619,507	2,280,130	(955,071)	364,102	8,308,668	8,308,668	-	100.0%

**STATE POLICE
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Active Members			III. Total = I + II		
	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)
	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow
2014	\$ 3,086,979	\$ (225,125)	\$ 2,861,854	\$ 202,132	\$ (42,331)	\$ 159,802	\$ 3,289,111	\$ (267,455)	\$ 3,021,656
2015	3,171,791	(244,572)	2,927,219	696,894	(142,917)	553,977	3,868,685	(387,489)	3,481,196
2016	3,351,504	(264,230)	3,087,275	1,143,569	(228,379)	915,190	4,495,074	(492,609)	4,002,465
2017	3,347,990	(283,436)	3,064,554	1,551,818	(300,353)	1,251,465	4,899,808	(583,789)	4,316,019
2018	3,283,445	(299,968)	2,983,477	2,065,021	(385,901)	1,679,120	5,348,466	(685,869)	4,662,597
2019	3,276,357	(315,962)	2,960,395	2,608,548	(469,092)	2,139,457	5,884,906	(785,054)	5,099,852
2020	3,269,830	(330,694)	2,939,137	3,115,430	(537,840)	2,577,590	6,385,261	(868,534)	5,516,727
2021	3,247,457	(340,171)	2,907,286	3,547,057	(587,822)	2,959,235	6,794,514	(927,994)	5,866,521
2022	3,203,231	(349,143)	2,854,088	4,044,798	(648,973)	3,395,826	7,248,029	(998,115)	6,249,914
2023	3,130,031	(347,668)	2,782,363	4,650,322	(724,635)	3,925,686	7,780,353	(1,072,304)	6,708,049
2024	2,868,494	(339,621)	2,528,872	5,152,210	(778,726)	4,373,484	8,020,704	(1,118,348)	6,902,356
2025	2,707,104	(330,329)	2,376,775	5,487,280	(806,164)	4,681,116	8,194,383	(1,136,493)	7,057,890
2026	2,524,456	(321,211)	2,203,245	5,843,031	(834,424)	5,008,607	8,367,487	(1,155,635)	7,211,852
2027	2,270,611	(295,918)	1,974,693	6,236,142	(867,747)	5,368,395	8,506,753	(1,163,665)	7,343,088
2028	1,887,116	(239,027)	1,648,089	6,594,195	(904,055)	5,690,140	8,481,311	(1,143,082)	7,338,229
2029	1,553,249	(199,836)	1,353,412	6,928,344	(934,985)	5,993,359	8,481,593	(1,134,821)	7,346,771
2030	1,166,713	(145,713)	1,020,999	7,142,194	(944,125)	6,198,070	8,308,907	(1,089,838)	7,219,069
2031	914,225	(115,314)	798,911	7,124,156	(930,036)	6,194,120	8,038,381	(1,045,350)	6,993,031
2032	611,344	(82,314)	529,030	7,007,548	(910,518)	6,097,031	7,618,893	(992,832)	6,626,061
2033	455,220	(61,630)	393,590	7,182,168	(940,255)	6,241,913	7,637,387	(1,001,885)	6,635,503
2034	356,818	(47,787)	309,031	7,280,806	(967,786)	6,313,021	7,637,624	(1,015,573)	6,622,051

**STATE POLICE
20-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ 18,369,523	39.00%	\$ 9,586,923	\$ 7,164,114	\$ (3,021,656)	\$ 582,908	\$ 14,312,289	\$ 74,476,363	\$ 60,164,075	19.2%
2015	19,012,456	39.00%	14,312,289	7,414,858	(3,481,196)	813,956	19,059,907	78,112,148	59,052,242	24.4%
2016	19,677,892	33.39%	19,059,907	6,570,448	(4,002,465)	1,017,195	22,645,085	81,243,938	58,598,853	27.9%
2017	20,366,618	33.39%	22,645,085	6,800,414	(4,316,019)	1,194,364	26,323,843	84,701,028	58,377,185	31.1%
2018	21,079,450	33.99%	26,323,843	7,164,142	(4,662,597)	1,378,731	30,204,118	88,255,136	58,051,017	34.2%
2019	21,817,230	33.93%	30,204,118	7,403,546	(5,099,852)	1,567,798	34,075,611	91,547,431	57,471,820	37.2%
2020	22,580,833	33.93%	34,075,611	7,660,910	(5,516,727)	1,757,385	37,977,180	94,718,330	56,741,150	40.1%
2021	23,371,163	33.94%	37,977,180	7,931,667	(5,866,521)	1,950,488	41,992,813	97,841,386	55,848,573	42.9%
2022	24,189,153	33.92%	41,992,813	8,204,676	(6,249,914)	2,148,510	46,096,085	100,876,471	54,780,385	45.7%
2023	25,035,774	33.89%	46,096,085	8,485,250	(6,708,049)	2,349,234	50,222,520	103,746,425	53,523,905	48.4%
2024	25,912,026	33.88%	50,222,520	8,779,366	(6,902,356)	2,558,051	54,657,582	106,722,449	52,064,868	51.2%
2025	26,818,947	33.88%	54,657,582	9,087,230	(7,057,890)	2,783,613	59,470,534	109,858,790	50,388,256	54.1%
2026	27,757,610	33.90%	59,470,534	9,408,923	(7,211,852)	3,028,453	64,696,059	113,174,051	48,477,992	57.2%
2027	28,729,126	33.90%	64,696,059	9,739,148	(7,343,088)	3,294,704	70,386,823	116,703,732	46,316,909	60.3%
2028	29,734,646	33.93%	70,386,823	10,088,155	(7,338,229)	3,588,089	76,724,839	120,612,322	43,887,483	63.6%
2029	30,775,358	33.98%	76,724,839	10,458,713	(7,346,771)	3,914,041	83,750,822	124,921,005	41,170,183	67.0%
2030	31,852,496	34.03%	83,750,822	10,839,680	(7,219,069)	4,278,056	91,649,490	129,794,445	38,144,955	70.6%
2031	32,967,333	34.09%	91,649,490	11,240,071	(6,993,031)	4,688,650	100,585,180	135,375,545	34,790,365	74.3%
2032	34,121,190	34.13%	100,585,180	11,646,081	(6,626,061)	5,154,760	110,759,960	141,843,742	31,083,782	78.1%
2033	35,315,431	34.12%	110,759,960	12,050,036	(6,635,503)	5,673,361	121,847,855	148,848,767	27,000,912	81.9%
2034	36,551,471	34.09%	121,847,855	12,461,858	(6,622,051)	6,238,388	133,926,049	156,442,605	22,516,556	85.6%

**BOARD OF EDUCATION
20-YEAR BENEFIT PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	I. Retirees and Covered Spouses			II. Active Members			III. Total = I + II		
	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)	(A)	(B)	(C) = (A) + (B)
	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow	Gross Claims	Retiree Contributions	Net Cash Flow
2014	\$ 2,449,486	\$ (678,476)	\$ 1,771,010	\$ 408,357	\$ (285,072)	\$ 123,285	\$ 2,857,843	\$ (963,548)	\$ 1,894,295
2015	2,467,830	(670,447)	1,797,383	1,118,129	(799,688)	318,441	3,585,959	(1,470,135)	2,115,824
2016	2,546,423	(687,153)	1,859,271	1,621,472	(1,169,659)	451,813	4,167,895	(1,856,812)	2,311,083
2017	2,505,290	(708,008)	1,797,282	2,077,757	(1,484,498)	593,259	4,583,047	(2,192,506)	2,390,541
2018	2,508,811	(718,180)	1,790,631	2,540,545	(1,789,596)	750,949	5,049,356	(2,507,775)	2,541,581
2019	2,550,031	(734,209)	1,815,822	2,968,496	(2,045,753)	922,742	5,518,527	(2,779,962)	2,738,565
2020	2,599,158	(742,150)	1,857,009	3,392,113	(2,281,682)	1,110,431	5,991,271	(3,023,832)	2,967,439
2021	2,636,491	(749,217)	1,887,274	3,811,998	(2,501,829)	1,310,169	6,448,489	(3,251,046)	3,197,443
2022	2,639,980	(744,199)	1,895,781	4,138,636	(2,624,525)	1,514,111	6,778,615	(3,368,724)	3,409,892
2023	2,618,127	(733,731)	1,884,396	4,514,456	(2,787,902)	1,726,554	7,132,583	(3,521,633)	3,610,950
2024	2,570,026	(719,879)	1,850,148	4,978,825	(3,036,788)	1,942,037	7,548,851	(3,756,666)	3,792,185
2025	2,508,016	(703,031)	1,804,985	5,366,505	(3,213,449)	2,153,057	7,874,521	(3,916,479)	3,958,042
2026	2,432,424	(683,148)	1,749,276	5,770,288	(3,393,309)	2,376,978	8,202,711	(4,076,457)	4,126,254
2027	2,343,703	(660,236)	1,683,466	6,239,319	(3,630,463)	2,608,856	8,583,021	(4,290,699)	4,292,323
2028	2,242,821	(634,374)	1,608,447	6,737,951	(3,900,547)	2,837,404	8,980,772	(4,534,921)	4,445,851
2029	2,130,560	(605,494)	1,525,066	7,271,984	(4,206,008)	3,065,976	9,402,544	(4,811,502)	4,591,042
2030	1,990,688	(566,713)	1,423,975	7,768,013	(4,477,153)	3,290,860	9,758,701	(5,043,867)	4,714,835
2031	1,860,560	(532,934)	1,327,626	8,282,064	(4,763,544)	3,518,521	10,142,625	(5,296,478)	4,846,147
2032	1,724,747	(497,217)	1,227,530	8,871,152	(5,115,412)	3,755,740	10,595,899	(5,612,629)	4,983,270
2033	1,585,282	(460,024)	1,125,258	9,459,080	(5,466,355)	3,992,725	11,044,361	(5,926,378)	5,117,983
2034	1,444,273	(421,854)	1,022,419	10,088,070	(5,854,056)	4,234,013	11,532,343	(6,275,910)	5,256,432

**BOARD OF EDUCATION
20-YEAR FUNDING PROJECTIONS
INTERMEDIATE TREND RATES**

Fiscal Year Ending 6/30	(A) Projected Payroll	(B) ARC + Member Contributions	(C) Assets at Beginning of Fiscal Year	(D) = (A) x (B) Projected Employer + Employee Contributions	(E) Projected Net Benefits	(F) = (C) x 5% + [(D)+(E)]/2 x 5% Projected Interest	(G) = (C) + (D) + (E) + (F) Projected Assets at End of Fiscal Year	(H) Projected AAL at Year-End	(I) = (H) - (G), not less than 0 Projected UAAL at Year-End	(J) = (G) / (H) Projected Funded Percent
2014	\$ 117,343,154	3.20%	\$ 7,504,366	\$ 3,754,981	\$(1,894,295)	\$ 421,735	\$ 9,786,787	\$ 58,811,373	\$49,024,586	16.6%
2015	121,450,164	3.20%	9,786,787	3,886,405	(2,115,824)	533,604	12,090,972	61,575,231	49,484,259	19.6%
2016	125,700,920	4.01%	12,090,972	5,040,607	(2,311,083)	672,787	15,493,282	64,384,327	48,891,045	24.1%
2017	130,100,452	4.01%	15,493,282	5,217,028	(2,390,541)	845,326	19,165,095	67,322,507	48,157,412	28.5%
2018	134,653,968	3.69%	19,165,095	4,972,961	(2,541,581)	1,019,039	22,615,515	69,902,672	47,287,157	32.4%
2019	139,366,857	3.70%	22,615,515	5,150,110	(2,738,565)	1,191,064	26,218,125	72,948,206	46,730,081	35.9%
2020	144,244,697	3.70%	26,218,125	5,332,241	(2,967,439)	1,370,026	29,952,953	76,000,675	46,047,722	39.4%
2021	149,293,261	3.70%	29,952,953	5,520,689	(3,197,443)	1,555,729	33,831,928	79,068,353	45,236,425	42.8%
2022	154,518,526	3.70%	33,831,928	5,715,207	(3,409,892)	1,749,229	37,886,472	82,169,926	44,283,453	46.1%
2023	159,926,674	3.70%	37,886,472	5,915,997	(3,610,950)	1,951,950	42,143,469	85,323,260	43,179,791	49.4%
2024	165,524,108	3.70%	42,143,469	6,123,394	(3,792,185)	2,165,454	46,640,132	88,557,427	41,917,295	52.7%
2025	171,317,451	3.70%	46,640,132	6,337,178	(3,958,042)	2,391,485	51,410,754	91,893,139	40,482,385	55.9%
2026	177,313,562	3.70%	51,410,754	6,557,165	(4,126,254)	2,631,310	56,472,975	95,339,319	38,866,344	59.2%
2027	183,519,537	3.70%	56,472,975	6,784,512	(4,292,323)	2,885,953	61,851,118	98,907,677	37,056,559	62.5%
2028	189,942,721	3.70%	61,851,118	7,019,966	(4,445,851)	3,156,909	67,582,142	102,621,320	35,039,177	65.9%
2029	196,590,716	3.69%	67,582,142	7,263,187	(4,591,042)	3,445,911	73,700,198	106,502,687	32,802,489	69.2%
2030	203,471,391	3.69%	73,700,198	7,514,307	(4,714,835)	3,754,997	80,254,667	110,584,461	30,329,794	72.6%
2031	210,592,890	3.69%	80,254,667	7,774,256	(4,846,147)	4,085,936	87,268,711	114,878,710	27,609,999	76.0%
2032	217,963,641	3.69%	87,268,711	8,043,230	(4,983,270)	4,439,935	94,768,606	119,389,865	24,621,259	79.4%
2033	225,592,368	3.69%	94,768,606	8,320,811	(5,117,983)	4,818,501	102,789,935	124,136,217	21,346,282	82.8%
2034	233,488,101	3.69%	102,789,935	8,606,895	(5,256,432)	5,223,258	111,363,656	129,131,675	17,768,019	86.2%

SECTION D

RETIREE PREMIUM RATE DEVELOPMENT

RETIREE PREMIUM RATE DEVELOPMENT

Rhode Island has self-insured health plans administered by United Healthcare (UHC) which are offered to Medicare and Non-Medicare retirees. In addition, a fully-insured Medicare Advantage HMO is also available to Medicare retirees. Non-Medicare retirees have both medical and drug benefits. Post-65 retirees receive only medical coverage through the State's health plan (with the exception of retirees who can remain on their active plan, who have both medical and drug coverage after age 65).

For the fully-insured Medicare Advantage HMO, initial premium rates were developed based on the rates as of January 1, 2014. These rates were used without adjustment since they reflect the demographics of the group.

For the self-insured United Healthcare Plan 65 plan, the initial premiums are calculated based on Rhode Island's own experience. Historical claim experience (for all groups) for the period from July 2010 to June 2013 was projected to the valuation period (i.e., July 1, 2013 to June 30, 2014) on an incurred claim basis and adjusted for trend, claim fluctuation and loaded for administrative expenses. A per member weighted average cost based on the projected experience was developed to be used as the initial premiums in the valuation. The starting per capita costs are the same for each group since experience is fairly uniform across each group.

To develop Medicare initial premium rates used for current retirees, we blended the Early United Healthcare Plan 65 rates and Medicare Advantage HMO rates based on the current plan elections.

For the self-insured Early Retiree and Value plans, the initial premiums are calculated based on the experience for Non-Medicare retirees. We developed one rate for all Non-Medicare retirees. Historical claim experience for the period from July 2010 to June 2013 was projected to the valuation period (i.e., July 1, 2013 to June 30, 2014) on an incurred claim basis and adjusted for trend, claim fluctuation and loaded for administrative expenses. A per member weighted average cost based on the projected experience was developed to be used as the initial premiums in the valuation.

For future retirees, we developed rates based on the assumed election percentages found in the miscellaneous assumptions section.

For changes to the Active/Early Retiree Plans effective July 1, 2014, we reduced the applicable per-capita premium by 1.7% and relied on the estimated impact provided by Aon Hewitt.

Age graded and sex distinct premiums are utilized in this valuation. The premium developed by the preceding process is appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/gender specific premiums more accurately reflect the health care costs and utilization at that age.

RETIREE PREMIUM RATE DEVELOPMENT

The following are monthly illustrative premiums for self-insured medical and prescription drug benefits:

Illustrative Rates as of July 1, 2013		
	Single	Family
Non-Medicare Eligible		
United "Early Retiree" Plan	\$ 961.40	\$2,674.88
United "Value" Plan/ Active Plan	\$ 603.77	\$1,692.66
Medicare Eligible		
United Plan 65	\$ 225.41	\$ -
United Medicare Complete/ Secure Horizons HMO	\$ 206.94	\$ -

The following are monthly one-person premiums for self-insured medical and prescription drug benefits at select ages:

Pre-65 Participants		
Age	Male	Female
45	\$456.57	\$597.73
50	617.70	699.89
55	807.32	829.85
60	1,014.22	974.89

The following are monthly one-person premiums for self-insured and fully-insured medical and prescription drug benefits at select ages:

Medicare Advantage HMO			United Healthcare Plan 65		
Medicare-Eligible			Medicare-Eligible		
Age	Male	Female	Age	Male	Female
65	\$183.36	\$168.85	65	\$181.07	\$166.74
70	211.50	190.18	70	208.87	187.81
75	234.80	208.38	75	231.88	205.79

These rates are used in determining the actuarial cost of the plan. The rates that are charged to the retirees are set separately by the State.

RETIREE PREMIUM RATE DEVELOPMENT

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown on the previous page.



James E. Pranschke, FSA, MAAA

SECTION E
SUMMARY OF BENEFIT PROVISIONS AND
VALUATION DATA

This is a brief summary of the Rhode Island State Employees' and Electing Teachers OPEB provisions in effect as of June 30, 2013. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate Plan Sponsor Statute and/or employee contract will prevail.

SUMMARY OF PLAN PROVISIONS AS OF JUNE 30, 2013

RETIREE HEALTH CARE BENEFITS PLAN

PLAN PARTICIPANTS

Members of the Employees' Retirement System of Rhode Island (ERSRI), including State Employees, Legislators, and Certified Public School Teachers, with the exception of municipal employees are eligible to receive some form of State sponsored retiree health care benefits, provided the member began receiving a pension upon termination of State employment and meets the benefit eligibility requirements set forth below. In addition, State Judges and Legislators may purchase the active employee health care benefits at the early retiree rate or the Medicare supplemental plans for their lifetime. State Police Officers receive the active health care benefits at the same co-share they were paying as of their retirement date up to age 65.

The State provides two types of health care benefits. The Tier I subsidy provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays a portion of the active monthly rate, and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based upon years of service and ends at age 65. In addition to the Tier I benefits, the state pays a portion of the cost of post-retirement health care above the Tier I costs for the retiree based upon the age and service of the retiree, which is referred to as the Tier II benefits.

Benefits Prior to 2008-H7204 Article 4

BENEFIT ELIGIBILITY – SERVICE RETIREMENT

Members of ERSRI are eligible to receive a portion of their post-retirement health insurance costs paid by the State if they retire with 10 or more years of contributing service. Eligibility conditions for retirement are:

State Police: Members hired before 7/1/07 are eligible for retirement after completion of 20 years of service. (The Superintendent of State Police may retire on or after age 60 if he has credit for 10 years of service.) Members hired after 7/1/07 are eligible to retire after 25 years of service.

Employee Retirement System: Age 60 with 10 years of service or any age with 28 years of service for those employees with ten or more years of contributing service prior to 7/1/05 and eligible to retire as of 9/30/09. If vested (10 years of contributing service as of 7/1/05), but ineligible to retire as of 9/30/09, must be age 62. For those employees with less than 10 years of service prior to 7/1/05, the employee must be age 59 with at least 29 years of service, age 65 with ten years of service, or age 62 with 29 years of service depending on vesting schedule and hire date.

Additional eligibility conditions apply to the following groups:

RN members: Age 50 with 25 years of service if eligible to retire as of 9/30/09
Age 55 with 25 years of service if eligible on or after 10/1/09

Correctional Officers: Age 50 with 20 years of service if eligible to retire as of 9/30/09
Age 55 with 25 years of service if eligible on or after 10/1/09

Legislators: Age 55 with 8 years of service or any age with 20 years of service

SUMMARY OF PLAN PROVISIONS AS OF JUNE 30, 2013
RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

Benefits Prior to 2008-H7204 Article 4

BENEFIT AMOUNT – SERVICE RETIREMENT - CONTINUED

**All Other Members
Retiring after 7/1/89:**

In addition to the Tier 1 benefits, the State pays a portion of the cost of post-retirement health care above the Tier 1 costs for the retiree based on the age and service of the retiree (see chart below). This additional benefit is referred to as the Tier 2 Benefit. Spouses are not eligible for the Tier 2 benefit. All Tier 1 benefits end at age 65, however, Tier 2 benefits continue for retirees only at age 65.

Note:

Although Article 7 Chapter 117 of the Public Laws of 2005 amended the retirement system statute to institute a minimum retirement age for all non-vested employees, these changes were not reflected in RIGL Section 36-12-4, which relates to post employment health benefits. Because this is a potential liability, the chart below has not been modified.

Retiree Age Below Age 60	
Service	Amount of Cost Paid by State
Under 28	0%
28-34	90%
35+	100%

Retiree Age from Age 60 to Age 65	
Service	Amount of Cost Paid by State
0 – 10	0%
10 – 15	50%
16 – 22	70%
23 – 27	80%
28+	100%

Retiree Age Greater than Age 65	
Service	Amount of Cost Paid by State
10 – 15	50%
16 – 19	70%
20 – 27	90%
28+	100%

SUMMARY OF PLAN PROVISIONS AS OF JUNE 30, 2013

RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

Benefits Prior to 2008-H7204 Article 4

DEFERRED RETIREMENT

Members who terminate active employment with the State may be entitled to deferred coverage for post-retirement health care benefits if they have 10 years of service at the time of their termination and they leave their pension contributions on deposit with ERSRI.

The benefit commencement is coincident with the normal retirement eligibility conditions described above. The amount of the benefit is based on age and service as described above.

Effective June 30, 2008, deferred coverage is not available for current and future members who terminate active employment but are not eligible to retire immediately. Employee must immediately retire for eligibility for retiree health care through the State.

DISABLED RETIREMENT

All members (other than Teachers and State Police) who retire with a disability benefit are eligible to purchase the individual or family active package (at full active cost) prior to age 60. Upon reaching age 60 (with 10 years of contributing service), they may continue with the active package, and will also get the Tier 2 benefit (subsidy based on age and years of service).

Teachers who retire on a disability pension are not entitled to the active package, dental coverage, or vision coverage. Teachers qualify only for the Early Retiree Plan and are not eligible for Tier 2 benefits.

State Police troopers continue to pay the same percent co-share they paid while employed toward the Active package (health, dental, and vision) until becoming eligible for Medicare. If a trooper never becomes eligible for Medicare then the trooper continues with the Active package at the same subsidy level. Upon being eligible for Medicare, they revert to a Post-65 health plan through the retirement system and pay the entire cost.

SURVIVORS BENEFITS

All Members except State Police: Survivors of retirees or active members who die in service are entitled to post-retirement health care benefits if and only if they are entitled to survivor pension benefits from ERSRI. The amount paid by the State is the amount above the group rate for an active member. Pre-65 beneficiaries receive a Tier 1 benefit, while Post-65 beneficiaries pay the entire premium.

State Police: Survivors of retirees or active members continue active coverage. State continues to pay same subsidy for active health care benefits until survivor becomes Medicare eligible. Upon eligibility for Medicare, survivor may purchase Post-65 health care coverage through the State.

SUMMARY OF PLAN PROVISIONS AS OF JUNE 30, 2013
RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

Benefits Prior to 2008-H7204 Article 4

MEDICARE – ELIGIBLE

Disabled: Members may continue with the active package, but the State pays only a certain percentage of the MediGap amount based on years of service and vesting.

Non-Disabled: Tier 1 benefits are not paid by the State. For retired members, other than Teachers and State Police, State pays a percentage of a Post-65 health plan depending on member service. Dependents pay 100% of health care benefits.

State Police: If the retiree and/or spouse are Medicare eligible, they pay the entire amount of the Post-65 plan. There is no state subsidy for retirees that are Medicare eligible.

If the retiree is not Medicare eligible, the retiree pays the same percent co-share for the active plan benefit as they paid while employed. (Note: The majority of State Police are Medicare eligible).

This is a brief summary of the Rhode Island State Employees' and Electing Teachers OPEB provisions in effect as of June 30, 2013. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate Plan Sponsor Ordinance and/or employee contract will prevail.

SUMMARY OF PLAN PROVISIONS
RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

State Employees (2008-H7204 Article 4)

Early Retirees

- The State offers a self-insured health plan administered by United Healthcare to early retirees (under age 65) and their spouses with both medical and drug benefits.
- For all employees retiring after Sept. 30, 2008, the Tier 1 subsidy ends. All costs and cost sharing is based on the actual cost of the plan, not the lower active employee rate. The State will also offer an alternate plan with reduced benefits at the same rate paid by active employees.
- Employees retiring after Sept. 30, 2008 are required to have at least 20 years of service and be age 59 to be eligible for a State subsidy. All eligible would pay a 20% cost share on the actual cost of the plan.

Creditable Service	Age	State-Paid	Retiree-Paid
< 20 years	any	0%	100%
20+	< 59	0%	100%
20+	59+	80%	20%

- Those retiring with less than 20 years of service have to pay the full price of the plan chosen. Those retiring before age 59 with at least 20 years of service receive the 80% subsidy at age 59.
- As of May 1, 2008, Article 4 amends the Tier 2 subsidy table to read “age at retirement” to clarify that the State subsidy for those with 28 to 35 years of service does not increase from 90% to 100% when the retiree turns 60. This applies to all current retirees and those retiring before October 1, 2008.
- At age 65, State retirees must purchase Medicare Part B (deducted from their Social Security checks) and enroll in a Medicare Supplemental plan. There are 2 choices for State-sponsored plans: a State self-insured plan with no pharmacy benefit or a fully-insured Medicare HMO plan which includes Medicare Part D for pharmacy coverage.
- There is no post-65 Tier 1 subsidy. Retiree share is based on actual plan cost.

SUMMARY OF PLAN PROVISIONS AS AMENDED EFFECTIVE JUNE 30, 2008
RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

Teachers (2008-H7204 Article 4)

- Most retired teachers receive health benefits from their municipality.
- For those that do not, the State offers its self-insured health plan administered by United Healthcare to early retirees and their spouses with both medical and drug benefits. Post-65 retirees who are eligible for Medicare may select from a State's self-insured plan or a fully-insured Medicare HMO plan. Teachers not eligible for Medicare continue the same coverage as early retirees.
- For all teachers retiring after Sept. 30, 2008, Tier 1 subsidy ends. All costs will be based on the actual cost of the plan not the lower active employee rate. There is no other cost sharing by the State. The State will also offer an alternate plan with reduced benefits at the same rate paid by active employees.
- There is no post-65 Tier 1 subsidy. Retiree share is based on actual plan cost.

SUMMARY OF PLAN PROVISIONS AS AMENDED EFFECTIVE JUNE 30, 2008

RETIREE HEALTH CARE BENEFITS PLAN (CONTINUED)

Disabled (2008-H7204 Article 4)

- All State employee members who retire with a disability benefit may purchase the active employee plan at the active rate until age 59. From ages 59 to 65, they are only eligible to purchase the early retiree plan at its actual cost or a Medicare supplemental plan, both with State cost-sharing if they meet eligibility requirements.
- Current disability retirees not 65 as of September 30, 2008 and future retirees must transition to a State sponsored Medicare supplement plan at age 65 if eligible to do so.
- All cost sharing language for disability retirees now appears separately from the statutes for regular retirees. This includes provisions to “grandfather” certain current retirees into former cost sharing terms.
- Those who retired prior to September 30, 2008 and are at least 60 as of that date are subject to the former cost sharing provisions, which are restated in a new section of law, until they reach age 65. The cost sharing and the plan to which it applies depends on age as follows:

- From ages 60 to 65, the retiree may get the active plan at the active rate, and State cost sharing on that rate is as follows.

<i>Years of Service</i>	<i>State's Share</i>	<i>Employee's Share</i>
10-15	50%	50%
16-22	70%	30%
23-27	80%	20%
28+	100%	0%

- Upon turning age 65 on or after October 1, 2008, the retiree must transition to a State sponsored Medicare supplement plan at age 65 if eligible to do so. Cost sharing on that plan is as follows:

<i>Years of Service</i>	<i>State's Share</i>	<i>Employee's Share</i>
0-10	0%	100%
10-20	50%	50%
20+	80%	20%

- Those at least aged 65 as of Sept. 30, 2008 are “grandfathered” into the former terms. This means they may keep the active plan at the active rate, but the State cost sharing is based on the cost of the Medicare plan. The employee pays a share of that plan’s cost, shown in the table below, and any excess cost if she/he remains on the active employee plan.

<i>Years of Service</i>	<i>State's Share</i>	<i>Employee's Share</i>
10-15	50%	50%
16-19	70%	30%
20-27	90%	10%
28+	100%	0%

- Future retirees and those who have not turned 60 as of September 30, 2008 would be subject to cost sharing and plans more in line with other Article 4 changes. The percentages apply to the early retiree plan at its actual cost for those aged 59-65 and the Medicare Supplemental plans after that.

<i>Years of Service</i>	<i>State's Share</i>	<i>Employee's Share</i>
0-10	0%	100%
10-20	50%	50%
20+	80%	20%

SUMMARY OF PLAN PROVISIONS AS AMENDED EFFECTIVE JUNE 30, 2008 RETIREE HEALTH CARE BENEFITS PLAN (CONCLUDED)

State Police (2008-H7204 Article 4)

- *No governing statutes – provided through collective bargaining agreement eff. May 2006 through April 2009.*
- Article 4 has no impact other than to require that the benefits be funded on an actuarial basis rather than pay-as-you-go.

Judges (2008-H7204 Article 4)

- *No governing statutes – provided as a matter of past practice.*
- Article 4 has no impact on this population. The retired employees' payments for this coverage and the state's expenses will be handled through the OPEB trust fund.

Legislators (2008-H7204 Article 4)

- Article 4 has no impact on this population. The retired employees' payments for this coverage and the state's expenses will be handled through the OPEB trust fund.

2011 Legislative Changes

- Retired Judges and Legislators are required to enroll in Medicare Part A and Part B upon eligibility and may only purchase Medicare supplemental plans at that time.
- State Police Officers must pay a portion of the Early Retiree rate based on the same active co-share they were paying at retirement.

2013 Legislative Changes

- Effective December 31, 2013, all currently Medicare eligible Judges and Legislators are required to enroll in Medicare.
- Medicare-eligible State retirees are required to participate in the Medicare Exchange effective January 1, 2014. The State will establish health reimbursement accounts (HRA) for eligible retirees and make contributions to the HRA on a monthly basis, which the retiree can then use to purchase insurance in the Exchange. The maximum State contribution will vary by age and is based on the lowest-cost Medicare supplemental plan that is filed with the State. The State will pay to each retiree a percent share of the maximum contribution based on the existing cost share schedules.
- Changes to the Active and Early Retiree plans have been made effective July 1, 2014 and January 1, 2015.

This is a brief summary of the Rhode Island State Employees' and Electing Teachers OPEB provisions in effect as of June 30, 2013. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate Plan Sponsor Statute and/or employee contract will prevail.

**RETIREE HEALTH CARE INSURANCE BENEFITS
AS OF JUNE 30, 2011
ALTERNATE RETIREMENT PLAN EMPLOYEES
BOARD OF EDUCATION**

For the fiscal year beginning July 1, 2008, the pre-65 retiree health care coverage will be eliminated. In addition, the post-65 retiree health insurance contributions will increase in accordance with the following schedule.

Post-65 Retiree Health Insurance Premium Contributions	
1/1/2008	0.50% of base salary
7/1/2008	0.75% of base salary
7/1/2009	0.90% of base salary

Non-union, non-classified employees who currently participate in the retiree health insurance program will be offered a one-time option to either remain in or withdraw from the retiree health insurance option prior to June 30, 2008.

AAUP members are no longer eligible to participate in the retiree health care program.

**RETIREE HEALTH CARE INSURANCE BENEFITS
AS OF JUNE 30, 2011
ALTERNATE RETIREMENT PLAN EMPLOYEES
BOARD OF EDUCATION**

SUMMARY

The Board of Education (BOE) has established health care insurance coverage for employees participating in the BOE Alternate Retirement Plan (ARP) upon retirement. The plan is identical to that which is currently afforded members of the Employees' Retirement System of Rhode Island (ERSRI) in regards to the formula based on years of service and age at retirement. All current and future covered employees will be subject to a mandatory payroll deduction of 0.25% of salary. Contributions of members who are not vested are not refunded upon termination. This began upon ratification of the plan by the individual unions.

ELIGIBILITY

This health benefit applies to all employees who either currently participate in or will be eligible to participate in the BOE ARP as defined in RIGL 16-17.1-1 and 2. This includes employees with a primary retirement plan funded through TIAA-CREF, MetLife, or AIG/VALIC.

BENEFIT ELIGIBILITY

Members become eligible for retiree medical benefits at age 65 or older with 10 or more years of service or at any age with 28 or more years of service, per the chart on the following page.

BENEFIT AMOUNT

The BOE pays a portion of the cost of post-retirement health care above the Tier I costs for the retiree based upon the age and service of the retiree. This is a lifetime benefit.

**RETIREE HEALTH CARE INSURANCE BENEFITS
AS OF JUNE 30, 2011
ALTERNATE RETIREMENT PLAN EMPLOYEES
BOARD OF EDUCATION**

BENEFIT AMOUNT

Eligible employees retiring *on or after June 21, 1998*, from active service with the BOE shall receive a cost sharing formula as follows:

POST-65 MEDICARE SUPPLEMENTAL COVERAGE

<u>Years of Service</u>	<u>Employer's Share</u>	<u>Employee's Share</u>
10-15	50%	50%
16-19	70%	30%
20-27	90%	10%
28+	100%	0%

Eligible employees retiring *before June 21, 1998*, from active service with the BOE shall receive a Tier 1 benefit and a cost sharing formula applicable to the active rate and post-65 rate as follows:

PRE-65 MEDICARE COVERAGE

<u>Years of Service</u>	<u>Age</u>	<u>Employer's Share</u>	<u>Employee's Share</u>
10-15	60	50%	50%
16-22	60	70%	30%
23-27	60	80%	20%
28+	Any	90%	10%
28+	60	100%	0%
35+	Any	100%	0%

POST-65 MEDICARE SUPPLEMENTAL COVERAGE

<u>Years of Service</u>	<u>Employer's Share</u>	<u>Employee's Share</u>
10-15	50%	50%
16-19	70%	30%
20-27	90%	10%
28+	100%	0%

**RETIREE HEALTH CARE INSURANCE BENEFITS
AS OF JUNE 30, 2011
ALTERNATE RETIREMENT PLAN EMPLOYEES
BOARD OF EDUCATION**

DEFERRED RETIREMENT

Members who retire from active employment with the State may be entitled to deferred coverage for post-retirement health care benefits if they have 10 years of service at the time of their retirement.

The benefit commencement is coincident with the normal retirement eligibility conditions described on the previous page. The amount of the benefit is based on age and service as described on the previous page.

DISABLED RETIREMENT

All members who retire with a disability benefit are eligible to purchase the individual or family active package (at full active cost) prior to age 65. Upon reaching age 65 (with 10 years of service), they may continue with the active package, with a subsidy based on age and years of service. Retirees must enroll in Medicare when eligible.

SURVIVORS BENEFITS

Survivors of retirees are entitled to post-retirement health care benefits.

MEDICARE – ELIGIBLE RETIREES

Disabled: Members may continue with the active package.

Non-Disabled: The BOE pays a percentage of supplemental Medicare costs depending on member service. Dependents pay 100% of health care benefits.

This is a brief summary of the State of Rhode Island Board of Education Other Postemployment Benefits provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate Plan Sponsor Ordinance and/or employee contract will prevail.

**SUMMARY OF KEY MEDICAL AND PRESCRIPTION
DRUG BENEFITS FOR EARLY RETIREES**

Early Retirees Option #1: United Health Care PPO

Benefit	In-Network	Out-of-Network
Deductible[@]	\$250 Individual \$500 Family	\$500 Individual \$500 Family
Out-of-Pocket Maximum[@]	\$250 Individual \$500 Family	\$3,250 per person/year; \$6,500 per family/year
Preventive Services	Covered in Full	20% co-pay
Doctor's Charges (Office)*		
Specialist	\$25 co-pay	20% co-pay
Primary	\$15 co-pay	20% co-pay
Emergency Care	\$125 co-pay	\$125 co-pay
Hospital Services: Unlimited days at a general hospital; 45 days per calendar year at specialty hospitals or in a general hospital for specialty services	Covered in Full	20% co-pay
Diagnostic X-Ray and Laboratory	Covered in Full	20% co-pay
Prescription Drugs*	\$7/\$25/\$45	\$7/\$25/\$45
Dental Services – Accident Only	Covered in Full	Covered in full
Durable Medical Equipment Inpatient	Covered in Full	20% co-pay
Durable Medical Equipment Outpatient	20% co-pay	20% co-pay
Hospice Care	Covered in Full	20% co-pay
House Calls for PCP	\$10 per visit	20% co-pay
Infertility Services	20% co-pay	20% co-pay
Nutritional Services – 6 visits per year	\$20 per visit	20% co-pay
Skilled Care in a Nursing Facility	Covered in Full	20% co-pay
Urgent Care Services	\$50 Per visit	20% co-pay

@ Effective July 1, 2014.

* Effective January 1, 2015.

Out of Network Services subject to a 20% co-pay: Member is responsible for 80% of eligible expenses, plus any difference between eligible charges and billed charges.

**SUMMARY OF KEY MEDICAL AND PRESCRIPTION
DRUG BENEFITS FOR EARLY RETIREES**

Early Retirees Option #2: United Health Care Value Plan

Benefit	In-Network	Out-of-Network
Individual Deductible	\$2,000 individual, \$4,000 family	\$5,000 individual, \$10,000 family
Out-of-Pocket Maximum	\$4,000 per person/year; \$8,000 per family/year	\$10,000 per person/year; \$20,000 per family/year
Preventive Services	Covered in Full	50% co-pay
Doctor's Charges (Office) Primary	\$35 co-pay	50% co-pay
Emergency Care	\$150 co-pay	\$150 co-pay
Hospital Services	30% co-pay	50% co-pay
Diagnostic X-Ray and Laboratory	Covered in Full	50% co-pay
Prescription Drugs	\$10/\$30/\$50	\$10/\$30/\$50
Dental Services – Accident Only	30% co-pay	30% co-pay
Durable Medical Equipment	30% co-pay	50% co-pay
Hospice Care	30% co-pay	50% co-pay
House Calls for PCP	30% co-pay	50% co-pay
Infertility Services	20% co-pay	20% co-pay
Skilled Care in a Nursing Facility	30% co-pay	50% co-pay
Urgent Care Services	\$50 Per visit	50% co-pay

Out of Network Services subject to a 50% co-pay: Member is responsible for 80% of eligible expenses, plus any difference between eligible charges and billed charges.

**SUMMARY OF KEY MEDICAL AND PRESCRIPTION DRUG BENEFITS
FOR POST-65 RETIREES OPTION 1**

**Post-65 Retirees Option #1: United Health Care Plan 65
(Medicare Primary Plan)**

Benefit	Coverage
Individual Deductible	No Annual Deductible
Out-of-Pocket Maximum	None
Preventive Services	Medicare Standard
Doctor's Charges (Office)	Covered in Full
Hospital Services	Days 1-60: Covered in Full Days 61-90 Covered in Full 60 lifetime reserve days Covered in Full 365 additional days: 10% co-pay after lifetime reserve days exhausted
Skilled Nursing Facility	Days 1-20: Covered in Full Days 21-100: Covered in Full Days 101 + Retiree pays 100%
Home Health Care	Covered in Full
Diagnostic X-Ray and Laboratory	Covered in Full
Ambulance (emergency only) Durable Medical Equipment	Covered in Full
Prescription Drugs	No Coverage
Blood	First 3 Pints Covered in Full
Emergency Room Care	Covered in Full
Eye Examinations	No Coverage
Non-Routine Vision Care	Covered in Full
Hospice Care	Limited co-pay for outpatient drugs and respite care

Chiropractic services – Co-pay is \$0 for “manual manipulation of the spine for a subluxation” only. The plan does not cover routine care.

SUMMARY OF KEY MEDICAL AND PRESCRIPTION DRUG BENEFITS FOR POST-65 RETIREES OPTION 2

Post-65 Retirees Option #2: United Health Care Medicare Complete

Benefit	Coverage
Individual Deductible	No Annual Deductible
Out-of-Pocket Maximum	\$400
Annual Physical	\$10 Co-pay (1 per year)
Doctor's Charges (Office)	\$10 General/ \$20 Specialist
Hospital Services	\$100 Co-pay per day for days 1-3
Skilled Nursing Facility	\$50 Co-pay per day for days 1 -10
Home Health Care	Covered in Full
Diagnostic X-Ray and Laboratory	Covered in Full
Durable Medical Equipment	Covered in Full
Chiropractic & Podiatry Services	\$20 Co-pay
Ambulance	\$50 Co-pay
Emergency Care/Urgent Care	\$35 Co-pay/\$20 Co-pay
Prescription Drugs: Part D Plan No initial Rx Deductible; Standard Part D Retail	
Retail: 30-day Supply: <ul style="list-style-type: none"> Generic Formulary Drugs Tier 1 Name-Brand Formulary Drugs Tier 2 Non-Formulary Drugs Tier 3 Specialty Tier 	\$ 3 Co-pay \$28 Co-pay \$58 Co-pay 25% Co-pay
90-day Supply: <ul style="list-style-type: none"> Tier 1 Tier 2 Tier 3 Specialty Tier 	\$6 Co-pay \$56 Co-pay \$116 Co-pay 25% Co-pay
Mail Order: Limited to a 90-day Supply: <ul style="list-style-type: none"> Tier 1 Tier 2 Tier 3 Specialty Tier 	\$6 Co-pay \$56 Co-pay \$116 Co-pay 25% Co-pay

Out of network copayment: in addition to paying the copayments listed in the chart, the retiree is required to pay the difference between what the insurer would pay for a prescription filled at in-network pharmacy and what the out-of-network pharmacy charges for the prescription.

ACTIVE JUDGES MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Nearest Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
20-24								
25-29								
30-34								
35-39								
40-44		1	1					2
45-49	1	3		1				5
50-54	2	3		3	4	2		14
55-59	1		3	6	5	3	2	20
60-64	1	1	2		3	6	4	17
65 & Over	1	2	5	4	4	4	3	23
Totals	6	10	11	14	16	15	9	81

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 60.0 years
Service: 18.9 years
Annual Pay: \$166,008

ACTIVE LEGISLATURE MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Nearest Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
20-24	2							2
25-29	1							1
30-34	3							3
35-39	5		1					6
40-44	8	3						11
45-49	8	1	3			1		13
50-54	14	3		2	6			25
55-59	10	5	4	2	3			24
60-64	6		1	2	1			10
65 & Over	5	2	2	1	6	1	1	18
Totals	62	14	11	7	16	2	1	113

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 52.8 years
Service: 8.2 years
Annual Pay: \$14,997

ACTIVE STATE EMPLOYEE MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Nearest Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
15-19	1							1
20-24	113	3						116
25-29	424	136	3					563
30-34	332	345	83	4				764
35-39	250	282	271	56	1			860
40-44	222	298	313	212	133	13		1,191
45-49	302	266	279	215	394	270	15	1,741
50-54	292	310	318	202	348	502	211	2,183
55-59	200	274	272	222	310	373	340	1,991
60-64	113	160	187	163	209	228	224	1,284
65 & Over	29	80	105	77	107	137	122	657
Totals	2,278	2,154	1,831	1,151	1,502	1,523	912	11,351

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 49.1 years
Service: 14.7 years
Annual Pay: \$59,181

ACTIVE TEACHERS MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Active Teachers were excluded from the valuation. The state no longer provides the Tier 1 subsidy to future retirees. Certain school districts did not participate in Medicare prior to 1986. Teachers hired in those districts prior to that date may generate a post-65 implicit subsidy for the State, however many of those Teachers may get Medicare coverage from working 40 quarters in another covered position or through a covered spouse.

ACTIVE STATE POLICE MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Nearest Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
20-24	8							8
25-29	26	3						29
30-34	17	12						29
35-39	5	9	7	1				22
40-44		9	10	20	4			43
45-49		1	4	28	27			60
50-54			2	5	15	1		23
55-59				1	2	2		5
60-64								
65 & Over								
Totals	56	34	23	55	48	3		219

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.2 years
Service: 13.1 years
Annual Pay: \$81,043

ACTIVE BOARD OF EDUCATION MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Nearest Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
20-24	5							5
25-29	52	5						57
30-34	74	54	4					132
35-39	55	67	37	2				161
40-44	44	56	42	21	1			164
45-49	56	60	48	43	8	3		218
50-54	38	49	52	36	23	28	3	229
55-59	29	64	53	33	50	44	23	296
60-64	11	44	37	28	39	35	72	266
65 & Over	7	16	21	19	21	26	130	240
Totals	371	415	294	182	142	136	228	1,768

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 51.3 years
Service: 14.4 years
Annual Pay: \$64,126

**RETIRED AND DEFERRED MEMBERS AS OF JUNE 30, 2013
BY ATTAINED AGE**

RETIRED MEMBERS*

Attained Age	Number of Retirees and Beneficiaries						Total
	Judges	Legislature	State Employees	Teachers	State Police	BoE	
Under 50	0	5	27	0	50	1	83
50-54	1	4	154	6	60	0	225
55-59	1	4	733	28	55	2	823
60-64	4	8	1,468	205	73	55	1,813
65 & Over	67	82	6,696	1,375	109	717	9,046
Totals	73	103	9,078	1,614	347	775	11,990

* Includes both retirees and beneficiaries participating in the retiree health care plan.

DEFERRED MEMBERS

Terminated employees are not included in the valuation.

SECTION F

**ACTUARIAL COST METHOD AND ACTUARIAL
ASSUMPTIONS**

VALUATION METHOD

Actuarial Cost Method. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded Actuarial Accrued Liabilities (UAAL) were amortized by a level (principal and interest combined) percent of payroll contribution for State Employees, State Police and Board of Education, and by a level dollar amount for Teachers. The asset surplus for Judges and Legislators was amortized by a level percent of payroll. The UAAL were determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment reflects payments expected to be made between the valuation date and the fiscal year for which the contributions in this report have been calculated.

By statute, the UAAL is being amortized over the remainder of a closed 30-year period (or shorter) from June 30, 2006. The UAAL amortization payment is the amount required to fully amortize the UAAL over a 23-year period as a level percent of payroll for all groups except Teachers in the fiscal year beginning two years after the valuation date. The Teachers amortization period is determined based on the statutory contribution. Amortizations reflect the projected funded status at the beginning of the applicable fiscal year.

For those groups with projected assets exceeding liability, a 30-year level percent of payroll amortization is used.

ACTUARIAL ASSUMPTIONS

Rates of Investment. 5.00% per year, compounded annually, net of expenses.

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

SALARY INCREASE ASSUMPTIONS FOR AN INDIVIDUAL MEMBER

Service at Beginning of Year	State Employees, BOE			Legislators			State Police		
	Merit & Longevity	Base (Economic)	Increase Next Year	Merit & Longevity	Base (Economic)	Increase Next Year	Merit & Longevity	Base (Economic)	Increase Next Year
0	3.00 %	3.50 %	6.50 %	4.50 %	3.50 %	8.00 %	4.25 %	3.50 %	7.75 %
1	3.00	3.50	6.50	4.00	3.50	7.50	4.00	3.50	7.50
2	3.00	3.50	6.50	3.50	3.50	7.00	4.00	3.50	7.50
3	2.75	3.50	6.25	3.00	3.50	6.50	8.00	3.50	11.50
4	2.75	3.50	6.25	2.75	3.50	6.25	5.00	3.50	8.50
5	2.75	3.50	6.25	2.50	3.50	6.00	3.25	3.50	6.75
6	1.50	3.50	5.00	2.00	3.50	5.50	1.25	3.50	4.75
7	1.50	3.50	5.00	1.50	3.50	5.00	1.25	3.50	4.75
8	1.25	3.50	4.75	1.25	3.50	4.75	1.00	3.50	4.50
9	1.25	3.50	4.75	1.00	3.50	4.50	1.00	3.50	4.50
10	1.25	3.50	4.75	0.75	3.50	4.25	0.75	3.50	4.25
11	1.25	3.50	4.75	0.50	3.50	4.00	0.75	3.50	4.25
12	1.25	3.50	4.75	0.50	3.50	4.00	0.75	3.50	4.25
13	1.00	3.50	4.50	0.25	3.50	3.75	0.75	3.50	4.25
14	1.00	3.50	4.50	0.25	3.50	3.75	0.75	3.50	4.25
15	1.00	3.50	4.50				0.50	3.50	4.00
16	0.75	3.50	4.25				0.50	3.50	4.00
17	0.75	3.50	4.25				0.50	3.50	4.00
18	0.50	3.50	4.00				0.50	3.50	4.00
19	0.50	3.50	4.00				0.50	3.50	4.00
20	0.50	3.50	4.00				0.25	3.50	3.75
21	0.00	3.50	3.50				0.25	3.50	3.75
22							0.25	3.50	3.75
23							0.25	3.50	3.75
24							0.25	3.50	3.75
25 or more							0.00	3.50	3.50
Ref	428			252			260		

Judges were assumed to have 3.5% salary increases.

The number of active members is assumed to remain constant in the future.

The payroll growth rate for amortizing the Unfunded Actuarial Accrued Liabilities was assumed to be 3.5% for all State Employee, State Police and the Board of Education members.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Post-Retirement Mortality Rates. The mortality tables used to project the post-termination mortality experience of plan members are described below.

Healthy Male Teachers : 97% of rates in a GRS table based on male teacher experience, projected with Scale AA from 2000.

Healthy Female Teachers : 92% of rates in a GRS table based on female teacher experience, projected with Scale AA from 2000.

Healthy Male Non-Teachers : 115% of RP-2000 Combined Health for Males with White Collar adjustments, projected with Scale AA from 2000.

Healthy Female Non-Teachers : 95% of RP-2000 Combined Health for Females with White Collar adjustments, projected with Scale AA from 2000.

Sample rates for Non-Disabled Members prior to the Scale AA projection, as well as Scale AA are shown below:

Sample Attained Ages	Healthy Males (Non-Teachers)	Healthy Females (Non-Teachers)	Healthy Males (Teachers)	Healthy Females (Teachers)	Scale AA Males	Scale AA Females
25	0.04 %	0.02 %	0.07 %	0.03 %	1.00 %	1.40 %
30	0.04	0.03	0.08	0.03	0.50	1.00
35	0.07	0.04	0.09	0.05	0.50	1.10
40	0.10	0.06	0.11	0.07	0.80	1.50
45	0.15	0.10	0.16	0.10	1.30	1.60
50	0.23	0.15	0.27	0.14	1.80	1.70
55	0.38	0.25	0.46	0.35	1.90	0.80
60	0.64	0.44	0.43	0.43	1.60	0.50
65	1.27	0.82	0.55	0.40	1.40	0.50
70	2.22	1.44	1.45	0.82	1.50	0.50
75	3.87	2.44	2.42	1.31	1.40	0.80
80	6.83	4.09	4.78	2.92	1.00	0.70

The assumption for future mortality improvements is fully generational mortality improvements using Scale AA.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Disabled Males: 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits.

Disabled Females: 60% of the PBGC Table Va for disabled females eligible for Social Security disability benefits.

Sample rates for Disabled Members are shown below:

Sample Attained Ages	Disabled Males	Disabled Females
25	2.90 %	1.58 %
30	2.17	1.42
35	1.67	1.28
40	1.69	1.25
45	1.93	1.34
50	2.30	1.54
55	2.89	1.77
60	3.62	1.99
65	4.07	2.22
70	4.43	2.47
75	5.05	2.95
80	6.77	4.48

Pre-Retirement Mortality Rates. The mortality tables used to project the pre-termination mortality experience of plan members are the RP-2000 Combined tables with white-collar adjustment for males and females as the base table, and then to apply a 75% multiplier for state employees and a 50% multiplier for teachers.

Disabled and Pre-Retirement Mortality rates are static tables and do not reflect any future mortality improvements.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Rates of separation from active membership are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to members eligible to retire, and do not include separation on account of death or disability. Sample rates of separation from active employment are shown below:

Service at Beginning of Year	State Employees, Legislature and Board of Education	
	Male	Female
0	24.00 %	12.00 %
1	8.82	10.00
2	7.61	7.78
3	6.56	6.82
4	5.65	5.99
5	4.87	5.26
6	4.21	4.63
7	3.66	4.09
8	3.21	3.63
9	2.85	3.25
10	2.57	2.93
11	2.35	2.67
12	2.19	2.46
13	2.08	2.28
14	1.99	2.14
15	1.94	2.02
16	1.89	1.91
17	1.85	1.81
18	1.79	1.70
19	1.72	1.58
20	1.62	1.44
21	1.47	1.28
22	1.27	1.07
23	1.01	0.82
24	0.68	0.51
25 or more	0.00	0.00
Ref	511	512

State Police employees were assumed not to separate from employment for causes other than retirement, death, or disability.

Judicial employees were assumed not to separate from employment for causes other than retirement or death.

ACTUARIAL ASSUMPTIONS (CONTINUED)

The rates of retirement used to measure the probability of eligible members retiring during the next year, were as follows:

State Employee rates of retirement are based on pension eligibility.

State Employee Pension Eligibility:

- I. Employees eligible to retire on or before June 30, 2012
 - a. Grandfathered Schedule A members—age 60 with 10 years of service, or at any age with 28 years of service.
 - b. Non-grandfathered Schedule A members—eligible at an individually determined age. This age is the result of interpolating between the retirement age under the rules applicable to grandfathered employees in (a) above and a minimum age of 62.
 - c. Schedule B members—age 65 with 10 years of service. Age 59 with 29 years of service by September 30, 2009. Age 62 if they have credit for 29 years of service with the minimum age of 62 adjusted downward similarly to (b) above.
- II. Employees first eligible to retire after June 30, 2012
 - a. After July 1, 2012, members are eligible to retire upon the attainment of the member's SSNRA and 5 years of service.
 - b. For members with 5 or more years of contributory service as of June 30, 2012, the retirement age will be adjusted downward in proportion to the amount of service the member has earned as of June 30, 2012. The adjusted retirement age is the result of interpolating between the retirement age as determined in (i)(b) or (i)(c) above and their SSNRA.

Nurses Pension Eligibility:

- Nurses who have reached age 50 with 25 years of service by September 30, 2009 are eligible to retire at age 50 with 25 years of service.
- Members who have not reached age 50 with 25 years of service by September 30, 2009 are able to retire when they reach age 55 with 25 years of service.
- For members in service as of October 1, 2009 who were not eligible to retire as of September 30, 2009 but who are eligible to retire on or prior to June 30, 2012, the minimum retirement age of 55 will be adjusted downward in proportion to the amount of service the member has earned as of September 30, 2009.

Board of Education rates of retirement are based on the table on the following page.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Separate male and female rates, based on schedule, age and service are applied upon eligibility for pension retirement. For State Employees (excluding Correctional Officers) and Board of Education members who reach 28 years of service before age 60, service-based rates are used. For State Employees (excluding Correctional Officers) and Board of Education members who reach age 60 before reaching 28 years of service, age-based rates are used instead. The following table shows the probabilities of retirement.

State Employees (excluding Correctional Officers) and Board of Education							
Males				Females			
Service (00/28)		Age (60/10)		Service (00/28)		Age (60/10)	
Service	Ret. Rate	Age	Ret. Rate	Service	Ret. Rate	Age	Ret. Rate
28	17.50%	60	10.00%	28	20.00%	60	15.00%
29	13.00%	61	5.00%	29	15.00%	61	10.00%
30	13.00%	62	17.50%	30	15.00%	62	20.00%
31	13.00%	63	15.00%	31	15.00%	63	15.00%
32	13.00%	64	15.00%	32	15.00%	64	15.00%
33	17.50%	65	20.00%	33	15.00%	65	20.00%
34	17.50%	66	17.50%	34	15.00%	66	25.00%
35	40.00%	67	17.50%	35	40.00%	67	20.00%
36	35.00%	68	17.50%	36	30.00%	68	20.00%
37	35.00%	69	17.50%	37	30.00%	69	20.00%
38	35.00%	70	17.50%	38	30.00%	70	20.00%
39	35.00%	71	17.50%	39	30.00%	71	20.00%
40	100.00%	72	17.50%	40	100.00%	72	20.00%
		73	17.50%			73	20.00%
		74	17.50%			74	20.00%
		75	100.00%			75	100.00%

State Employee Schedule B members: 60% of members are assumed to retire when first eligible, either at age 59 with 29 years of service, or at age 65 with 10 years of service. The rates in the table above are applied after first eligibility.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Correctional Officer rates of retirement are based on pension eligibility.

Correctional Officer Pension Eligibility:

- Correctional officers who have reached age 50 with 20 years of service as of September 30, 2009 are eligible to retire at age 50 with 20 years of service.
- Members who have not reached age 50 with 20 years of service by September 30, 2009 are eligible at age 55 with 25 years of service.
- For members in service as of October 1, 2009 who were not eligible to retire as of September 30, 2009 but who are eligible to retire on or prior to June 30, 2012, the minimum retirement age of 55 will be adjusted downward in proportion to the amount of service the member has earned as of September 30, 2009.
- After July 1, 2012, members are eligible to retire upon the attainment of the member's SSNRA and 5 years of service.

A set of unisex rates, indexed by service, as shown below, is applied upon eligibility for pension retirement. All members still active are assumed to retire at age 65 with 10 years of service.

Corrections			
Service	Ret. Rate	Service	Ret. Rate
20-29	5.00%	35	35.00%
30	13.00%	36	25.00%
31	13.00%	37	25.00%
32	13.00%	38	25.00%
33	20.00%	39	25.00%
34	20.00%	40	100.00%

ACTUARIAL ASSUMPTIONS (CONTINUED)

State Police rates of retirement are based on the age at first pension eligibility.

State Police Pension Eligibility:

- Employees eligible to retire on or before June 30, 2012:

Members hired before July 1, 2007 are eligible for retirement at any age after completion of 20 years of service. Members hired on or after July 1, 2007 are eligible for retirement at any age after completion of 25 years of service.

- Employees first eligible to retire after June 30, 2012:

Any member of the state police may retire at any time subsequent to the date the member's retirement allowance equals or exceeds 50% of average compensation.

State Police			
Hired before July 1, 2007		Hired on/after July 1, 2007	
Years after First Pension Eligibility	Ret. Rate	Years after First Pension Eligibility	Ret. Rate
0	25.00%	0	35.00%
1	15.00%	1	25.00%
2	10.00%	2	20.00%
3	20.00%	3	30.00%
4	30.00%	4	40.00%
5+	100.00%	5+	100.00%

100% of State Police members are assumed to retire at age 60 and completion of 20 years of service (25 years of service for members hired after July 1, 2007) if still active.

Judges are assumed to retire when eligible for an unreduced retirement benefit (age 65 with 20 years of service, or age 70 with 15 years of service.) 33% of Judges are assumed to retire at age 65 with 10 years of service, or any age with 20 years of service. Judges who have not reached eligibility for an unreduced retirement benefit by age 75 are assumed to terminate at age 75.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Legislators - Separate male and female rates, based on schedule, age and service. For members who reach 20 years of service before age 55, service-based rates are used. For members who reach age 55 before reaching 20 years of service, age-based rates are used instead. The following table shows the probabilities of retirement.

Legislators							
Males				Females			
Service (00/20)		Age (55/8)		Service (00/20)		Age (55/8)	
Service	Ret. Rate	Age	Ret. Rate	Service	Ret. Rate	Age	Ret. Rate
20	15.00%	55	15.00%	20	15.00%	55	15.00%
21	15.00%	56	15.00%	21	15.00%	56	15.00%
22	15.00%	57	15.00%	22	15.00%	57	15.00%
23	15.00%	58	15.00%	23	15.00%	58	15.00%
24	15.00%	59	15.00%	24	15.00%	59	15.00%
25	15.00%	60	10.00%	25	15.00%	60	15.00%
26	15.00%	61	5.00%	26	15.00%	61	10.00%
27	15.00%	62	17.50%	27	15.00%	62	20.00%
28	17.50%	63	15.00%	28	20.00%	63	15.00%
29	13.00%	64	15.00%	29	15.00%	64	15.00%
30	13.00%	65	20.00%	30	15.00%	65	20.00%
31	13.00%	66	17.50%	31	15.00%	66	25.00%
32	13.00%	67	17.50%	32	15.00%	67	20.00%
33	17.50%	68	17.50%	33	15.00%	68	20.00%
34	17.50%	69	17.50%	34	15.00%	69	20.00%
35	40.00%	70	17.50%	35	40.00%	70	20.00%
36	35.00%	71	17.50%	36	30.00%	71	20.00%
37	35.00%	72	17.50%	37	30.00%	72	20.00%
38	35.00%	73	17.50%	38	30.00%	73	20.00%
39	35.00%	74	17.50%	39	30.00%	74	20.00%
40	100.00%	75	100.00%	40	100.00%	75	100.00%

100% of Legislators are assumed to retire at age 65 and completion of 10 years of service.

ACTUARIAL ASSUMPTIONS (CONTINUED)

Retirement rates were also set for all Schedule B (state employee and teacher, male and female) members eligible for ERSRI reduced retirement and Board of Education, whether state employees or teachers, whether males or females, as follows:

Retirement Age	State Employees and Board of Education
55-58	0 %
59	1
60	2
61	2
62	2
63	3
64	4

Rates of disability among active members are used to estimate the incidence of member disability in future years.

Sample Ages	Percent Becoming Disabled within Next Year									
	State Employees				Legislature				Police	
	Male		Female		Male		Female		Male & Female	
	Ordinary	Accidental	Ordinary	Accidental	Ordinary	Accidental	Ordinary	Accidental	Ordinary	Accidental
20	0.02 %	0.01 %	0.03 %	0.01 %	0.02 %	0.01 %	0.03 %	0.01 %	0.03 %	0.09 %
25	0.04	0.02	0.05	0.01	0.03	0.02	0.05	0.01	0.04	0.13
30	0.04	0.02	0.06	0.01	0.04	0.02	0.06	0.01	0.06	0.17
35	0.06	0.03	0.08	0.02	0.05	0.03	0.08	0.02	0.07	0.22
40	0.09	0.04	0.11	0.02	0.08	0.05	0.11	0.02	0.11	0.33
45	0.14	0.06	0.18	0.04	0.13	0.08	0.18	0.04	0.18	0.54
50	0.24	0.11	0.31	0.06	0.21	0.14	0.31	0.06	0.30	0.91
55	0.40	0.18	0.51	0.10	0.35	0.23	0.51	0.10	0.30	0.91
60	0.56	0.25	0.71	0.14	0.49	0.32	0.71	0.14	0.30	0.91
65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.91
Ref	#800x0.4	#800x0.18	#800x0.5	#800x0.1	#800x0.35	#800x0.225	#800x0.5	#800x0.1	#291x0.25	#291x0.75

Judges are not assumed to become disabled.

ACTUARIAL ASSUMPTIONS (CONCLUDED)

Health care trend rates used in the valuation were as shown below.

Medical and Prescription Drug Trend Rate Increases from Prior Year			
Year	Intermediate	Pessimistic	Optimistic
2014	9.00 %	11.00 %	7.00 %
2015	8.25	10.00	6.50
2016	7.50	9.00	6.00
2017	6.75	8.00	5.50
2018	6.25	7.25	5.00
2019	5.75	6.50	4.50
2020	5.25	5.75	4.25
2021	4.75	5.00	4.00
2022	4.25	4.25	3.75
2023	3.50	3.50	3.50
2022 & Later	3.50	3.50	3.50

Dental and Vision rates were assumed to increase by 3.5% each year.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Deferred Vested Members:	It is our understanding that the Deferred Vested Benefits have been eliminated for all groups except Board of Education. No terminations from the Board of Education were indicated to have coverage and were therefore excluded from the valuation.
Dental and Vision:	With the exception of State Police retirees, Dental and Visions Benefits were assumed to be fully paid by the retiree.
Census Data:	We received data from the State and United Health Services. The data was merged and adjusted for duplicates. There were significant changes in retirement membership for certain groups. Active teachers were excluded as their future benefits are for disability benefits fully paid by the member.
Marriage Assumption:	<p>85% members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.</p> <p>No surviving spouse is assumed to re-marry and there will be no children's benefit.</p>
Election Percentage:	<p>It was assumed that 90% of State employees, 80% of Judges and Board of Education, 60% of Legislators and 100% of State Police active members will elect to receive retiree health care benefits through the State upon retirement.</p> <p>Of those assumed to elect coverage, 85% of Police employees, 62.5% of Judges and Legislators, and 25% of State employees and Board of Education were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse 50% of the time upon death of Judges retirees, if eligible, and 100% of the time for all other retirees, if eligible.</p> <p>For active employees who have opted out of the State's active health care plan, it was assumed they would elect retiree health care coverage upon retiring under the assumptions above.</p>
Medicare Coverage:	Assumed to be available for all covered employees on attainment of age 65. Retirees were assumed to elect to participate in Medicare. Current Teacher retirees over the age of 65 participating in the Early Retiree plan were assumed not to co-ordinate with Medicare.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS (CONCLUDED)

- Post-65 Health Care Plan Election:** Current and future retirees are assumed to elect either the Medicare HMO or Plan 65 based on the current enrollment of these plans. The current enrollment is 50% Medicare HMO and 50% Plan 65.
- Medicare Late-Entry Penalty:** Retired Judges and Legislators moving from the Active plan to the Medicare plan may be subject to a Medicare Late-Enrollment penalty. The State of Rhode Island is assumed to pay the penalty for those retirees moving from the Active to the Medicare plans through the OPEB trust. The valuation reflects the anticipated present value of future penalties.
- Excise Tax:** An adjustment of 11.0% is applied to pre-65 liabilities to reflect potential future excise taxes under the Patient Protection and Affordable Care Act.
- Health Windows Revenue:** The State pays the cost of retiree health benefits of those who retired under an early retirement incentive program. The cost of retiree health benefits for these individuals is charged as an annual operating cost to the department or agency from which they were employed immediately prior to retirement. The ARC for State Employees is reduced by the actual amount paid in the prior year to avoid double charging the State.
- Covered Children:** A 20% load was applied to State Police liabilities for children's coverage.

SECTION G

GOVERNMENTAL ACCOUNTING STANDARDS BOARD DISCLOSURES

This information is presented in draft form for review by the Plan and/or State auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan and/or State financial statements.

**GASB STATEMENTS NO. 43 AND NO. 45
REQUIRED SUPPLEMENTARY INFORMATION**

Name of Plan	Rhode Island State Employees' and Electing Teachers OPEB
Type of Plan	Agent Multiple-Employer Plan
Valuation Date	June 30, 2013
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar - Teachers Level Percent of Pay – All Others
Remaining Amortization Periods	Determined by Statutory Contribution – Teachers 30 Years Open – Judges and Legislators 23 Years Closed - All Other
Asset Valuation Method	Actuarial Value – 4-Year Smoothing
Actuarial Assumptions:	
Discount Rate	5.00% Per Year
Projected Salary Increases	3.5%-8.0%
Valuation Health Care Cost Trend Rate	
Intermediate	9% in 2014, grading to 3.5% in 2023

GASB STATEMENTS NO. 43 AND NO. 45
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(Dollars in Thousands)

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)
Judges						
6/30/2005	\$ 0	\$ 76	\$ 76	0.0%	\$ 5,685	1.3%
6/30/2007	0	14,024	14,024	0.0%	9,888	141.8%
6/30/2009	0	8,665	8,665	0.0%	9,395	92.2%
6/30/2011	841	2,610	1,769	32.2%	10,813	16.4%
6/30/2013	2,151	1,054	(1,097)	204.1%	13,447	(8.2)%
Legislators						
6/30/2005	0	3,919	3,919	0.0%	1,509	259.7%
6/30/2007	0	29,764	29,764	0.0%	1,592	1869.6%
6/30/2009	0	11,752	11,752	0.0%	1,612	729.0%
6/30/2011	1,442	1,443	1	99.9%	1,615	0.1%
6/30/2013	2,202	1,549	(653)	142.2%	1,695	(38.5)%
State Employees						
6/30/2005	0	580,041	580,041	0.0%	575,613	100.8%
6/30/2007	0	679,538	679,538	0.0%	626,145	108.5%
6/30/2009	0	673,640	673,640	0.0%	574,569	117.2%
6/30/2011	11,545	786,293	774,748	1.5%	600,273	129.1%
6/30/2013	39,527	637,059	597,532	6.2%	671,762	88.9%
Teacher						
6/30/2005	0	8,477	8,477	0.0%	N/A	N/A
6/30/2007	0	10,243	10,243	0.0%	N/A	N/A
6/30/2009	0	13,529	13,529	0.0%	N/A	N/A
6/30/2011	2,040	11,512	9,472	17.7%	N/A	N/A
6/30/2013	3,230	12,569	9,339	25.7%	N/A	N/A
State Police						
6/30/2005	0	51,037	51,037	0.0%	13,821	369.3%
6/30/2007	0	54,620	54,620	0.0%	15,977	341.9%
6/30/2009	0	67,079	67,079	0.0%	16,725	401.1%
6/30/2011	1,488	81,759	80,271	1.8%	17,384	461.8%
6/30/2013	9,587	70,385	60,798	13.6%	17,748	342.6%
Board of Education						
6/30/2006	0	64,288	64,288	0.0%	156,027	41.2%
6/30/2007	0	57,881	57,881	0.0%	110,092	52.6%
6/30/2009	0	58,476	58,476	0.0%	106,665	54.8%
6/30/2011	3,189	53,751	50,562	5.9%	125,340	40.3%
6/30/2013	7,486	55,706	48,220	13.4%	113,375	42.5%

GASB STATEMENTS NO. 43 AND NO. 45
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollars in Thousands)

Valuation Date	Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Judges					
6/30/2005	6/30/2008	0.08%	\$ 1,109	15.34%	\$ 1,853
6/30/2005 ^R	6/30/2009	0.17%	1,109	15.34%	1,853
6/30/2007	6/30/2010 ^a	11.64%	1,131	15.33%	2,811
6/30/2007	6/30/2011 ^b	9.86%	1,013	97.32%	2,839
6/30/2009	6/30/2012	7.19%	810	96.53%	2,867
6/30/2009	6/30/2013	7.19%	802	97.01%	2,891
6/30/2011	6/30/2014	0.12%			
6/30/2011	6/30/2015	0.12%			
6/30/2013	6/30/2016	0.00%			
6/30/2013	6/30/2017	0.00%			
Legislators					
6/30/2005	6/30/2008	18.63%	298	48.40%	378
6/30/2005 ^R	6/30/2009	17.02%	298	48.40%	378
6/30/2007	6/30/2010 ^a	116.91%	1,861	7.72%	2,095
6/30/2007	6/30/2011 ^b	95.49%	1,541	98.62%	2,116
6/30/2009	6/30/2012	46.35%	799	97.34%	0
6/30/2009	6/30/2013	46.35%	0	N/A	0
6/30/2011	6/30/2014	0.00%			
6/30/2011	6/30/2015	0.00%			
6/30/2013	6/30/2016	1.53%			
6/30/2013	6/30/2017	1.53%			
State Employees					
6/30/2005	6/30/2008	6.01%	34,683	96.17%	0
6/30/2005 ^R	6/30/2009	7.69%	34,683	96.17%	0
6/30/2007	6/30/2010 ^a	7.91%	45,852	73.07%	0
6/30/2007	6/30/2011 ^b	6.74%	41,120	100.00%	0
6/30/2009	6/30/2012	6.86%	44,235	100.00%	0
6/30/2009	6/30/2013	6.86%	45,800	100.00%	0
6/30/2011	6/30/2014	7.80%			
6/30/2011	6/30/2015	7.80%			
6/30/2013	6/30/2016	6.07%			
6/30/2013	6/30/2017	6.07%			

R The June 30, 2005 valuation was restated to determine the ARC for the fiscal year ending June 30, 2009.

a Based in a discount rate of 3.566%.

b Based on a discount rate of 5.00%.

GASB STATEMENTS NO. 43 AND NO. 45
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollars in Thousands)

Valuation Date	Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Teachers					
6/30/2005	6/30/2008	\$ 1,428	\$ 2,180	100.00%	\$ 0
6/30/2005 ^R	6/30/2009	2,180	2,180	100.00%	0
6/30/2007	6/30/2010 ^a	2,345	2,345	100.00%	0
6/30/2007	6/30/2011 ^b	1,338	2,333	100.00%	0
6/30/2009	6/30/2012	2,601	2,321	100.00%	0
6/30/2009	6/30/2013	2,601	2,321	100.00%	0
6/30/2011	6/30/2014	1,370			
6/30/2011	6/30/2015	1,370			
6/30/2013	6/30/2016	2,321			
6/30/2013	6/30/2017	2,321			
State Police					
6/30/2005	6/30/2008	30.27%	4,609	43.55%	5,850
6/30/2005 ^R	6/30/2009	25.78%	4,609	43.55%	5,850
6/30/2007	6/30/2010 ^a	29.83%	4,640	48.88%	8,222
6/30/2007	6/30/2011 ^b	25.67%	4,295	98.13%	8,302
6/30/2009	6/30/2012	33.18%	5,920	98.66%	8,381
6/30/2009	6/30/2013	33.18%	6,287	98.91%	8,450
6/30/2011	6/30/2014	39.00%			
6/30/2011	6/30/2015	39.00%			
6/30/2013	6/30/2016	33.39%			
6/30/2013	6/30/2017	33.39%			
Board of Education					
6/30/2006	6/30/2008	3.95%	1,572	77.00%	0
6/30/2007	6/30/2009	4.30%	1,572	77.00%	0
6/30/2007	6/30/2010 ^a	4.15%	1,665	53.20%	0
6/30/2009	6/30/2011 ^b	3.61%	2,869	100.00%	0
6/30/2009	6/30/2012	3.61%	2,884	100.00%	0
6/30/2009	6/30/2013	3.61%	3,106	100.00%	0
6/30/2011	6/30/2014	2.65%			
6/30/2011	6/30/2015	2.65%			
6/30/2013	6/30/2016	3.11%			
6/30/2013	6/30/2017	3.11%			

R The June 30, 2005 valuation was restated to determine the ARC for the fiscal year ending June 30, 2009.

a Based in a discount rate of 3.566%.

b Based on a discount rate of 5.00%.

APPENDIX A

GASB BACKGROUND

The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees when they terminate employment at a future date.

The rising cost of health care has been a cause of concern to both individuals and employers who sponsor health care plans. The accounting community became concerned that many sponsors of public plans were accounting for the cost of their OPEB plans solely on the basis of benefits paid and that this method did not accurately reflect the ultimate cost of benefits promised to current and former employees. In 1988, the Governmental Accounting Standards Board (GASB) began working on a project to develop comprehensive standards for financial reporting of OPEB plans.

The GASB determined that an OPEB plan was similar to a pension plan in that benefits are earned during an active employee's working lifetime but paid out at a future date. In the GASB's view, accounting for OPEB should follow the same basic principle as accounting for public plan pension costs. These benefits are compensation for employees' services and should be accounted for during the period of time that services are performed.

GASB STANDARDS

Unlike pension plans, OPEB plans often do not have a formal document detailing the specific terms of the plan. Under GASB Statements No. 43 and No. 45 the benefits to be accounted for are those provided by the *substantive plan* – loosely defined as the benefits covered by the plan as understood by the employer and plan members at the time of each actuarial valuation. The substantive plan provisions used in this valuation are summarized in the Summary of Benefit Provisions and Valuation Data Section.

GASB also requires that the calculations assume the terms of the substantive plan continue indefinitely. It has been argued that there is a likelihood future OPEB plan provisions would be different than the current substantive plan (due to rising health care costs or social changes) and therefore liabilities based on the current substantive plan may overstate what will actually occur. However, the GASB Statement is designed to measure liabilities for the plan as it currently exists. While it may be reasonable to assume future changes in the OPEB plan for other purposes, recognition of anticipated changes is not allowed for purposes of accounting for OPEB.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB Statements No. 43 and No. 45. In general terms, though, the plan sponsor is required to disclose an annual OPEB cost, the funded status of the plan and the funding progress on the valuation date.

Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the Annual Required Contribution, or ARC. The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of not more than 30 years.

The funded status of the plan is a ratio of the plan's assets (if any) to the actuarial accrued liability on the valuation date. The plan is also required to disclose the cumulative difference between the ARC and the employer's actual contribution to the plan. This amount is known as the Net OPEB Obligation (NOO). Each year, the NOO accumulates with interest, plus the difference between the ARC and actual contributions for the year, plus some technical adjustments. For most plans the NOO is set to zero as of the effective date of the GASB OPEB standard. It is the NOO, and not the actuarial accrued liability, that will be disclosed on the employers' Statement of Net Assets.

OPEB SPECIFIC ASSUMPTIONS

In any long-term actuarial valuation (such as for pensions and OPEB), certain demographic, economic and behavioral assumptions must be made concerning the population, investment discount rates, and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, benefits to be provided, and contributions to be collected. The investment return rate assumption is used to discount the future benefits to a present value on the valuation date. While assumptions such as future rates of retirement and mortality are similar for both OPEB and pension plans, there are some additional assumptions required when projecting benefits for a health care plan.

The cost of providing medical services has been increasing more rapidly than prices in general for many years. During the period from 1957 to 2011 general inflation averaged 4.0%, while health expenditures increased by an average of about 10% per year. If this trend is projected to continue for years to come, it implies that years from now virtually all our expenditures will be for health care. The seemingly more reasonable alternative is that in the not too distant future medical expense inflation will stabilize at a level at or near general inflation. It is on this basis that we project that retiree health care costs will continue to exceed general inflation in the near term, but by less each year until leveling off at an ultimate rate that is similar to general price increases.

Health care trend rates used in this valuation lie within a range of reasonable assumptions, and are described on page F-12 of this report. The health care trend rate assumption has a major effect on the calculation of plan liabilities. To illustrate the effect of differing future medical inflation rates, the sensitivity analysis in Section B shows principal valuation result under intermediate, optimistic, and pessimistic assumptions.

APPENDIX B

GLOSSARY

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

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

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

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

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

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

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

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

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

Implicit Rate Subsidy – It is a common practice for employers to allow retirees to continue in the employers group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.

GLOSSARY (CONCLUDED)

Medical Trend Rate (Health Care Inflation) - The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

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

Other Postemployment Employee Benefits (OPEB) - OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

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

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

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



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July 11, 2014

Mr. Thomas Mullaney
State Budget Officer
Department of Administration Building
One Capitol Hill
Providence, Rhode Island 02908

Re: Rhode Island State Employees' and Electing Teachers OPEB Valuation

Dear Mr. Mullaney:

Enclosed are 10 copies of the actuarial valuation of the Rhode Island State Employees' and Electing Teachers OPEB report.

Respectfully submitted,

David T. Kausch, FSA, EA, MAAA

DTK:bd
Enclosures