



**Board of Regents of the University  
System of Georgia  
Actuarial Report GASB 45**

**Valuation Date: July 1, 2014**  
**Fiscal Year Ending: June 30, 2015**  
**Date of Report: September 10, 2015**



September 10, 2015

Vikki L. Williamson  
Asst. Vice Chancellor, Fiscal Affairs – Accounting and Reporting  
Board of Regents of the University System of Georgia  
270 Washington Street  
Atlanta, GA 30334-1450

Dear Vikki:

We respectfully present in this report the results of our GASB 45 actuarial valuation for the fiscal year ending June 30, 2015.

For your convenience, we have summarized the highlights and essential results of the valuation in the Summary of Results found in Section 1. The Table of Contents following this letter outlines sections included in this report.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Schooley".

Michael Schooley, A.S.A., E.A.

cc: Kristi Fuss  
Jarod Spessard  
Lei Zhang  
David Batten

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# 1. Summary of Results

## Financial Information

The following table illustrates key financial information for the fiscal year end.

	Fiscal Year Ending	
	06/30/2014	06/30/2015
(1) Net Claims		
(a) Total Claims	\$158,256,827	\$139,775,144
(b) Less Retiree Premiums	\$34,218,671	\$32,681,812
(c) Expected Net Claims	\$124,038,156	\$107,093,332
(2) Annual Required Contribution (ARC)	\$403,314,315	\$442,358,794
(3) Annual OPEB Cost (AOC)	\$409,860,715	\$450,122,250
(4) End of Year Net OPEB Obligation (NOO)	\$1,843,077,235	\$2,163,376,890

## Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the foregoing financial information.

	Valuation Date	
	07/01/2013	07/01/2014
(1) Assets	\$216,775	\$81,519
(2) Present Value of Benefits		
(a) Active	\$4,201,096,029	\$4,731,713,160
(b) Inactive	\$2,060,618,084	\$2,061,832,448
(c) Total	\$6,261,714,113	\$6,793,545,608
(3) Accrued Liability		
(a) Active	\$2,034,686,088	\$2,216,612,958
(b) Inactive	\$2,060,618,084	\$2,061,832,448
(c) Total	\$4,095,304,172	\$4,278,445,406
(5) Normal Cost	\$191,289,770	\$214,557,181

## 1. Summary of Results (cont.)

### Net OPEB Obligation at Fiscal Year End

The chart below shows the development of the prior year's and current year's: Net OPEB Obligation (NOO):

	06/30/2014	06/30/2015
(1) Net OPEB Obligation as of the beginning of the fiscal year	\$1,562,541,568	\$1,843,077,235
(2) Adjustment for prior Year Contribution	\$8,398,592	\$0
(3) Adjusted Net OPEB Obligation at beginning of the fiscal year	\$1,554,142,976	\$1,843,077,235
(4) Annual OPEB Cost (AOC) for the fiscal year	\$409,860,715	\$450,122,250
(5) Contributions made during the fiscal year:		
(a) To Trust	\$120,926,456	\$129,822,595
(b) Outside Trust	\$0	\$0
(c) Total	\$120,926,456	\$129,822,595
(6) Net OPEB Obligation as of the end of the fiscal year	\$1,843,077,235	\$2,163,376,890

# 1. Summary of Results (cont.)

## Valuation Data

The following table summarizes key demographic statistics used in the valuation. The demographic data was collected as of July, 2015 and liabilities were rolled back to beginning of the fiscal year.

	07/01/2013	07/01/2014
(1) Number of Participants		
(a) Active Employees		
(i) Currently Receiving Medical	38,095	38,763
(ii) Currently Not Receiving Medical	6,668	8,571
(iii) Total	44,763	47,334
(b) Inactive	16,242	15,021
(c) Total	61,005	62,355
(6) Active Statistics		
(d) Average Age	46	45
(e) Average Service	9	9
(7) Inactive Statistics (In Pay Status)		
(f) Average Age	72	72
(g) Single Coverage	7,455	8,396
(h) Family Coverage	6,564	6,567

## 2. Actuarial Certification

We have performed an actuarial valuation of Board of Regents of the University System of Georgia's postretirement medical program as of July 1, 2014. The employee data and claims information used in this valuation were submitted to us by the plan sponsor, or at the plan sponsor's direction. The demographic data was collected as of July 1, 2015. We did not audit any of the submitted data. On the basis of our review of the data, however, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

In our opinion, the assumptions and methodology underlying this valuation are consistent with the criteria outlined under GASB Statements 45.

The assumptions and methodology underlying this valuation conform to the Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations and Actuarial Compliance Guideline No. 3, published by the Actuarial Standards Board.

We have no relationship with the client which may impair or appear to impair the objectivity of our work.

### **Aon Consulting**



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Michael Schooley, A.S.A., E.A., M.A.A.A.  
Enrollment Number 14-06225  
7650 West Courtney Campbell Causeway  
Suite 1000  
Tampa, Florida 33607  
(813) 636-3000

### 3. Actuarial Commentary

#### Sensitivity Analysis

The Board's true liability for postretirement benefits depends on future economic and demographic factors which are difficult to predict accurately. The calculations in this report are based on the actuarial assumptions that are outlined in the assumption section of this report. Different assumptions could yield significantly different results. For example, the following table illustrates the sensitivity of medical trend assumptions on the Liability, Normal Cost and AOC.

Medical Benefits	Liability	Normal Cost	AOC
Current Assumption	\$4,278,445,406	\$214,557,181	\$450,122,250
1% Increase in Trend	\$5,037,686,752 17.7%	\$273,874,412 27.6%	\$544,470,072 21.0%

#### Beginning Medical Claim Level

Medical claims costs were developed based on actual experience from the 24 month period ending May 31, 2015.

#### Medical Trend Rate

We assume the medical claims and retiree premiums will increase at an annual trend rate of 7.80%/10.1% (Pre-Medicare/Medicare) for the year ending June 30, 2015, grading down to an ultimate rate of 4.50% in 2029/2030.

#### Health Care Reform

The excise tax on high cost plans effective in 2018 has a small impact on the results and is included in our calculations. Based on the following we concluded no other adjustments for Health Care Reform is required:

- We do not value lifetime or annual maximums in our calculations
- The employer already allows dependent children to stay on the plan until age 26.
- We did not adjust plan participation rates due to the new requirement for individuals to maintain minimum essential health care coverage

#### Changes in Actuarial Assumptions

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The Mortality Table has changed from RP 2000 Combined Healthy Group Annuity with projection to 2018, to the RP-2014 Mortality Table with Generational Improvements by Scale MP-2014.

#### Changes in Plan Provisions

None.

## 4. Forecast of Results

### 5 Year Forecast

The following table illustrates a 5-year forecast of Cash Outlay, Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO).

Fiscal Year Ending	Cash Outlay <sup>1</sup>	Annual OPEB Cost (AOC)	(Current Plan) End of Year Net OPEB Obligation (NOO)	(Exchange) End of Year Net OPEB Obligation (NOO) <sup>2</sup>	
06/30/2015	\$129,822,595	\$450,122,250	\$2,163,376,890	\$2,122,229,088	
06/30/2016	\$107,093,332	\$481,293,840	\$2,537,577,398	\$2,495,442,408	
06/30/2017	\$119,758,524	\$516,009,076	\$2,933,827,950	\$2,889,872,875	
06/30/2018	\$133,600,445	N/A	\$5,234,829,540	\$4,224,252,211	New Rules
06/30/2019	\$147,848,082	N/A	\$5,589,666,470	\$4,579,369,961	New Rules
06/30/2020	\$162,866,129	N/A	\$5,957,416,706	\$4,948,926,166	New Rules

GASB has released statement 74 and 75 on how the accounting results are presented for fiscal years ending 2018 and later. This will be a major step toward getting the OPEB obligation into the financial statement. Until now, the unfunded liability was a footnote in the Comprehensive Annual Financial Report (CAFR) while the NOO was reported on the balance sheet. The NOO is equal to a running total of the AOC less employer contributions. In the future the NOO will be replaced by the unfunded liability, which is the difference in the actuarial liability and any assets. The unfunded liability will not just be foot noted, but will be disclosed in the face of the financial statement alongside other liabilities such as outstanding bonds and long-term leases emphasizing that the OPEB liability is another obligation that the government agency will be required to fulfill.

<sup>1</sup> Annual cash outlay for development of NOO assumed to be (i) equal to payout projections (page 13).

<sup>2</sup> Assumes exchange dollar subsidy implemented on January 1, 2016. The exchange is assumed to offer a \$2,736 allocation per eligible member. In addition, the plan is assumed an annual holding amount of \$850,000 for catastrophic claims. These costs are assumed to grow by 4.5% each year. The overall impact is approximately a 20% decrease in future liability to the employer as of the effective date.

## 5. Assets

### Asset Reconciliation

Below is the reconciliation of Assets.

	Valuation Date	
	07/01/2014	07/01/2015
(1) Assets as of Prior Valuation Date	\$216,775	\$81,519
(2) Income		
(a) Employer Contributions	\$120,926,456	\$129,822,595
(b) Employee Contributions	\$34,218,671	\$37,770,393
(c) Other	\$1,191,845	\$25,164
(3) Investment Earnings	\$92,466	\$77,675
(4) Benefit Payments (Medical)	(\$142,703,797)	(\$152,134,014)
(5) Benefit Payments (Life)	(\$3,423,184)	(\$1,970,020)
(6) Administrative Expenses	(\$10,437,713)	(\$13,392,716)
(7) Assets as of the Valuation Date	<u>\$81,519</u>	<u>\$280,596</u>

## 6. Liability Summary

### Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the financial information.

	Valuation Date	
	July 1, 2013	July 1, 2014
(1) Present Value of Benefits		
(a) Active	\$4,201,096,029	\$4,731,713,160
(b) Inactive	\$2,060,618,084	\$2,061,832,448
(c) Total	<u>\$6,261,714,113</u>	<u>\$6,793,545,608</u>
(2) Accrued Liability		
(a) Active	\$2,034,686,088	\$2,216,612,958
(b) Inactive	\$2,060,618,084	\$2,061,832,448
(c) Total	<u>\$4,095,304,172</u>	<u>\$4,278,445,406</u>
(3) Normal Cost	\$191,289,770	\$214,557,181
(4) Expected Net Claims	<u>\$124,038,156</u>	<u>\$107,093,332</u>

## 7. Development of Annual Required Contribution

### Calculation Details

The following table illustrates the development of the Annual Required Contribution underlying the foregoing financial information.

	Fiscal Year End	
	June 30, 2014	June 30, 2015
(1) Unfunded Accrued Liability	\$4,095,087,397	\$4,278,363,887
(2) Annual Required Contribution (ARC)		
(a) Amortization Amount	\$194,656,943	\$208,752,670
(b) Normal Cost	\$191,289,770	\$214,557,181
(c) Interest	\$17,367,602	\$19,048,943
(d) Total	\$403,314,315	\$442,358,794
(3) Less Amortization of NOO	\$63,390,034	\$75,175,020
(4) Plus Interest on NOO	\$69,936,434	\$82,938,476
(5) Annual OPEB Costs (AOC)	\$409,860,715	\$450,122,250

## 8. Unfunded Liability

### Actuarial (Gain)/Loss

Below is the development of the Actuarial (gain)/loss.

	Valuation Date	
	July 1, 2013	July 1, 2014
(1) Unfunded Accrued Liability as of Prior Valuation Date	\$3,758,804,252	\$4,095,087,397
(2) Amortization Payment	\$175,121,883	\$194,656,943
(3) Prior Year Funding Rate	4.50%	4.50%
(4) Interest	\$161,265,707	\$175,519,370
(5) Expected Unfunded Accrued Liability as of Valuation Date: (1) – (2) + (4)	\$3,744,948,076	\$4,075,949,824
(6) Actual Unfunded Accrued Liability as of Valuation Date		
(a) Accrued Liability	\$4,095,304,172	\$4,278,445,406
(b) Asset Value	\$216,775	\$81,519
(c) Unfunded Accrued Liability: (a) - (b)	\$4,095,087,397	\$4,278,363,887
(7) Actuarial (Gain)/Loss: (6)(c) - (5)	\$350,139,321	\$202,414,063

### Amortization of Unfunded Liability

The table below lists the amortization bases included in the calculation of the ARC as of July 1, 2014.

Date Established	Type of Base	Period		Balance		Annual Payment
		Original	Remaining	Original	Remaining	
07/01/2007	Initial Unfunded	30	23	\$1,985,200,000	\$1,821,202,242	\$92,406,974
07/01/2008	Loss	29	23	\$1,305,250,480	\$1,217,378,110	\$61,769,211
07/01/2019	Gain	28	23	(\$82,232,746)	(\$78,055,972)	(\$3,960,524)
07/01/2010	Loss	27	23	\$322,800,737	\$312,186,965	\$15,840,224
07/01/2011	Loss	30	27	\$177,130,815	\$177,755,027	\$7,894,703
07/01/2012	Loss	30	28	\$273,532,189	\$274,511,930	\$11,836,216
07/01/2013	Loss	30	29	\$350,139,320	\$350,971,522	\$14,709,846
07/01/2014	Loss	30	30	\$202,414,063	\$202,414,063	\$8,256,020
	Total Charges				\$4,278,363,887	\$208,752,670

## 9. Disclosure – Funding Progress

### Funding Progress

The following table illustrates the funding progress.

	Fiscal Year Ending	
	June 30, 2014	June 30, 2015
(1) Interest Rate	4.5%	4.5%
(2) Covered Payroll	\$2,594,800,486	\$2,608,756,645
(3) Assets	\$216,775	\$81,519
(4) Accrued Liability Begging of Fiscal Year		
(a) Active	\$2,034,686,088	\$2,216,612,958
(b) Inactive	\$2,060,618,084	\$2,061,832,448
(c) Total	\$4,095,304,172	\$4,278,445,406
(8) Unfunded Actuarial Accrued Liability	\$4,095,087,397	\$4,278,363,887
(9) Funded Ratio	0.0%	0.0%
(10) Unfunded as a Percent of Covered Payroll	157.8%	164.0%

### Funding Progress History

The following table illustrates the funding progress history.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded as a Percent of Covered Payroll
07/01/2007	\$0	\$1,985,200,000	\$1,985,200,000	0.0%	\$2,201,804,000	90.2%
07/01/2008	\$290,000	\$3,258,200,000	\$3,257,910,000	0.0%	\$2,372,385,000	137.3%
07/01/2009	\$10,566,000	\$3,129,508,000	\$3,118,942,000	0.3%	\$2,399,532,000	130.0%
07/01/2010	\$122,538	\$3,384,099,942	\$3,383,977,404	0.0%	\$2,432,366,796	139.1%
07/01/2011	\$123,230	\$3,494,501,238	\$3,494,378,008	0.0%	\$2,526,211,986	138.3%
07/01/2012	\$165,684	\$3,758,969,936	\$3,758,804,252	0.0%	\$2,466,313,700	152.4%
07/01/2013	\$216,775	\$4,095,304,172	\$4,095,087,397	0.0%	\$2,594,800,486	157.8%
07/01/2014	\$81,519	\$4,278,445,406	\$4,278,363,887	0.0%	\$2,608,756,645	164.0%

## 10. Disclosure – Annual Cost and Net Obligation

### Annual OPEB Cost and Net OPEB Obligation

The following table illustrates the development of the Annual OPEB Cost and the fiscal year end Net OPEB Obligation required by GASB 45.

	Fiscal Year Ending	
	June 30, 2014	June 30, 2015
(1) Interest Rate	4.50%	4.50%
(2) Annual OPEB Cost (AOC)		
(a) Annual Required Contribution (ARC)	\$403,314,315	\$442,358,794
(b) Less Amortization of NOO	\$63,390,034	\$75,175,020
(c) Plus Interest on NOO	\$69,936,434	\$82,938,476
(d) Total AOC	\$409,860,715	\$450,122,250
(3) End of Year Net OPEB Obligation (NOO)		
(a) Actual Beginning of Year NOO	\$1,562,541,568	\$1,843,077,235
(b) Adjustment for Prior Year Contribution	\$8,398,592	\$0
(c) Adjusted Net OPEB Obligation	\$1,554,142,976	\$1,843,077,235
(d) Plus Actual AOC	\$409,860,715	\$450,122,250
(e) Minus Contributions	\$120,926,456	\$129,822,595
(f) End of Year NOO	\$1,843,077,235	\$2,163,376,890

# 11. Projected Payouts

## 10-Year Payout Projection

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

Year Ending	Total (a)	Retiree Premium (b)	Employer Cost (c) = (a) – (b)
07/01/2015 - 06/30/2016	\$139,775,144	\$32,681,812	\$107,093,332
07/01/2016 - 06/30/2017	\$156,696,690	\$36,938,166	\$119,758,524
07/01/2017 - 06/30/2018	\$175,190,271	\$41,589,826	\$133,600,445
07/01/2018 - 06/30/2019	\$194,378,768	\$46,530,686	\$147,848,082
07/01/2019 - 06/30/2020	\$214,665,792	\$51,799,663	\$162,866,129
07/01/2020 - 06/30/2021	\$235,438,982	\$57,091,384	\$178,347,598
07/01/2021 - 06/30/2022	\$257,859,533	\$62,831,743	\$195,027,790
07/01/2022 - 06/30/2023	\$281,824,501	\$69,013,045	\$212,811,456
07/01/2023 - 06/30/2024	\$308,870,390	\$75,910,042	\$232,960,348
07/01/2024 - 06/30/2025	\$338,065,855	\$83,275,275	\$254,790,580

## 12. Valuation Data

### Summary Statistics – Actives

	Number of Employees Costed	Percentage of Total	Average Past Service	Average Attained Age
Males	21,987	46.5%	9.0	45.7
Females	25,347	53.5%	8.6	45.2
<b>TOTAL</b>	<b>47,334</b>	<b>100.0%</b>	<b>8.8</b>	<b>45.4</b>

### Age Distribution – Retirees, Widows and Disableds

Age	Medical		All Retirees
	Single	Family	
<50	43	27	70
50-54	126	178	304
55-59	364	454	818
60-64	1,104	1,087	2,191
65-69	1,657	1,524	3,181
70-74	1,708	1,466	3,174
75-79	1,292	958	2,250
80-84	1,009	558	1,567
85+	1,093	315	1,408
<b>Total</b>	<b>8,396</b>	<b>6,567</b>	<b>14,963</b>

## 12. Valuation Data (cont.)

### Active Age - Service Distribution

Shown below is the distribution of active participants based on age and service as of the valuation date.

Age	Years of Service As Of 7/1/2015									Total
	00-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 25	1,181	59	0	0	0	0	0	0	0	1,240
25 - 29	3,756	714	27	0	0	0	0	0	0	4,497
30 - 34	4,047	1,360	371	27	0	0	0	0	0	5,805
35 - 39	3,249	1,640	738	266	8	0	0	0	0	5,901
40 - 44	2,382	1,767	944	603	143	8	0	0	0	5,847
45 - 49	1,995	1,387	990	817	434	217	5	0	0	5,845
50 - 54	1,833	1,267	991	889	611	467	119	5	0	6,182
55 - 59	1,411	1,150	885	822	661	569	193	57	0	5,748
60 - 64	817	843	621	556	464	417	205	74	6	4,003
65 - 69	283	354	300	221	199	151	84	57	17	1,666
70 & Up	100	95	101	92	71	55	23	25	38	600
Totals	21,054	10,636	5,968	4,293	2,591	1,884	629	218	61	47,334

The following table shows averages in total for active participants in this valuation.

Averages	Amount
Age:	45.43
Service:	8.78

## 13. Summary of Principal Plan Provisions

### General Eligibility Rules

Former employees and beneficiaries satisfy retirement under any one of the following conditions:

- (1) Disabled with at least 10 years of service,
- (2) Retire at age 60 with at least 10 years of service,
- (3) Retire with 25 years of service, regardless of age if hired before November 1, 2002, or
- (4) Retire with 30 years of service, regardless of age if hired after November 1, 2002.

### Medical and Drug Benefits Covered

Eligible retirees are generally have a choice of a POS, HDHP, and two HMOs. The HMO plans are frozen to new enrollment for pre Medicare retirees in 2012.

Plan Type	POS		HDHP		BCBS HMO	Kaiser HMO
	In	Out	In	Out		
(1) Deductible	\$500	\$1,500	\$1,500	\$3,000	\$0	\$0
(2) Coinsurance	100%	60%	80%	60%	100%	100%
(3) Copayment	\$20	\$0	\$0	\$0	\$30	\$15
(4) Out-Of-Pocket Limit	\$1,250	\$3,750	\$3,500	\$7,000	\$5,500	\$6,350

### Employee Costs

The chart below shows the calendar year 2015 monthly retiree cost of medical and drug:

	POS	HDHP	BCBS HMO	Kaiser HMO
(1) Pre Medicare				
(a) Individual	\$170.00	\$62.00	\$176.00	\$146.06
(b) Retiree Plus Spouse	\$356.00	\$128.00	\$368.00	\$300.00
(2) Medicare Eligible				
(a) Individual	\$116.00	\$62.00	\$0.00	\$91.00
(b) Retiree Plus Spouse	\$232.00	\$128.00	\$0.00	\$182.00

### Spouse's Covered

Spouses' of retirees, spouses of active employees eligible for retirement, or surviving spouses' of retirees of the Board of Regents who meet the above conditions may elect medical coverage.

### Life

Retirees receive a \$25,000 life insurance benefit.

## 14. Valuation Methods and Assumptions

### Cost Method

Projected Unit Credit cost method was used.

### Amortization Method

Past service liability is amortized over a closed 30 year period, as a percent of payroll.

### Asset Method

Fair Value.

### Employees Included in the Calculations

All employees who meet retirement or disability eligibility may participate in the Board's medical plan. 80% of all employees (Regardless of current medical coverage) are assumed to elect medical coverage, and 100% are assumed to elect life insurance coverage.

### Future Medical Plan Election

Future retirees who elect medical coverage are expected to elect between available options as follows.

	POS	HDHP	BCBS HMO	Kaiser HMO
(1) Pre Medicare	65%	14%	15%	6%
(2) Post Medicare	94%	3%	0%	3%

### Marital Status and Age of Spouse

The following marriage, family coverage and spouse's age difference assumption have been made for active participants:

	Male	Female
(1) Elect Spouse Coverage	61%	61%
(2) Spouse Age Difference	3 years younger	3 years older

### Interest Discounting and Salary Growth

(1) Interest Rate	4.50%
(2) General Inflation	2.50%
(3) Salary Growth	3.00%
(4) Salary Scale	4.00%

## 14. Valuation Methods and Assumptions (cont.)

### Claims

The chart below shows the blended medical and drug claim level per person including retention costs used for the 12-month period beginning July 1, 2014.

(1) Individual Coverage		
(a)	Age 52	\$7,168
(b)	Age 57	\$8,400
(c)	Age 62	\$10,080
(d)	Age 67	\$3,889
(e)	Age 72	\$4,375
(f)	Age 77	\$4,823

### Trend Assumptions

The chart below shows the assumed trend of our base calculation. Sensitivity calculations add 1.00% to the rates below.

	Pre 65 Claims	Medicare Eligible Claims
07/01/2014 – 06/30/2015	7.80%	10.10%
07/01/2015 – 06/30/2016	7.50%	9.50%
07/01/2016 – 06/30/2017	7.30%	9.00%
07/01/2017 – 06/30/2018	7.10%	8.50%
07/01/2018 – 06/30/2019	6.90%	7.00%
07/01/2019 – 06/30/2020	6.70%	6.70%
07/01/2020 – 06/30/2021	6.40%	6.40%
07/01/2021 – 06/30/2022	6.20%	6.20%
07/01/2022 – 06/30/2023	6.10%	6.10%
07/01/2023 – 06/30/2024	6.00%	6.00%
07/01/2024 – 06/30/2025	5.60%	5.60%
07/01/2025 – 06/30/2026	5.40%	5.40%
07/01/2026 – 06/30/2027	5.30%	5.30%
07/01/2027 – 06/30/2028	4.90%	4.90%
07/01/2028 – 06/30/2029	4.70%	4.70%
Ultimate	4.50%	4.50%

## 14. Valuation Methods and Assumptions (cont.)

### Decrement Assumptions

Below is a summary of decrements used in this valuation. Sample Retirement, Disability, and Termination rates are illustrated in the tables below.

<b>Mortality Decrements</b>	<b>Description</b>
(1) Healthy	RP-2014 Mortality Table with Generational Improvements by Scale MP- 2014
(2) Disabled	1983 Group annuity Mortality Table for males and females, loaded 10%

<b>Retirement Rates</b>	
<b>Attained Age</b>	<b>Rate</b>
50 - 54	2.5%
55 - 59	5.0%
60	20.0%
61	15.0%
62	40.0%
63 - 64	20.0%
65	80.0%
66 - 74	10.0%
75+	100.0%

<b>Withdrawal Rates (based on year of Service)</b>				
<b>Attained Age</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3+</b>
20	0.5969	0.3582	0.2388	0.1194
25	0.5812	0.3487	0.2325	0.1162
30	0.5605	0.3363	0.2242	0.1121
35	0.5277	0.3166	0.2111	0.1055
40	0.4698	0.2819	0.1879	0.0940
45	0.3772	0.2263	0.1509	0.0754
50	0.2417	0.1450	0.0967	0.0483
55	0.0863	0.0518	0.0345	0.0173
60	0.0081	0.0048	0.0032	0.0016

## 14. Valuation Methods and Assumptions (cont.)

### Decrement Assumptions (cont.)

Disability Incidence		
Attained Age	Male	Female
20	0.0007	0.0008
25	0.0007	0.0008
30	0.0007	0.0008
35	0.0007	0.0008
40	0.0011	0.0018
45	0.0019	0.0027
50	0.0035	0.0036
55	0.0066	0.0053
60	0.0101	0.0072
65	0.0133	0.0090

### Changes in assumptions since prior valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. The Mortality Table has changed from RP 2000 Combined Healthy Group Annuity with projection to 2018, to the RP-2014 Mortality Table with Generational Improvements by Scale MP-2014.

## 15. Glossary

### **Accrual Accounting**

An accounting method that recognizes the cost of benefits when they are earned.

### **Actuarial Accrued Liability**

The present value of benefits attributable to current service.

### **Amortization**

The gradual elimination of past liability in regular payments, which include principal and interest, over a period of time.

### **Annual OPEB Cost**

The employer's periodic expense on an accrual-basis.

### **Annual Required Contributions**

The sum of the past service amortization payment and the current annual normal cost that if contributed to the plan would result in no OPEB Obligation for that year.

### **Entry Age Actuarial Cost Method**

A method under which the present value of future benefit of each plan participant is distributed based on service or earnings between entry age and assumed exit age.

### **Net OPEB Obligation**

The cumulative difference between past Annual OPEB Cost and past employer contributions

### **Normal Cost**

The amount of plan benefits and expenses that is allocated to a valuation year, based on a cost method.

### **Pay As You Go Expensing**

An accounting method that recognizes the cost of benefits when they are paid.

### **Projected Unit Credit Actuarial Cost Method**

A method under which the present value of future benefit of each plan participant is distributed based on service or earnings between entry age and assumed exit age.