



**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT
BENEFITS PROGRAM**

APRIL 1, 2008 VALUATION

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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CERTIFICATION

We have performed an actuarial valuation of the State of Connecticut Other Post-Employment Benefits Program as of April 1, 2008. The results of this valuation, along with supporting data, are set forth in the following report.

We have prepared this report in compliance with Government Accounting Standard No. 45. No attempt is being made to offer any accounting opinion or advice. The calculations reported herein have been made on a basis consistent with our understanding of the plan provisions. Additional determinations may be needed for purposes other than meeting accounting requirements.

In preparing this report, we relied on employee census data, claims, premium, and other information as of the valuation date, furnished by the State of Connecticut. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. 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. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The State of Connecticut has the final decision regarding the appropriateness of the assumptions. The results contained in this report do not reflect potential changes in future health costs due to the passage of the Patient Protection and Affordable Care Act (P.L.111-148) signed on March 23, 2010, as amended by the Health Care and Education Reconciliation Act (H.R.4872) signed on March 30, 2010. The impact on future health costs due to this legislation will depend on a number of factors, including future regulations that are not yet known. An analysis of the impact of health care reform on future plan costs was beyond the scope of this report.

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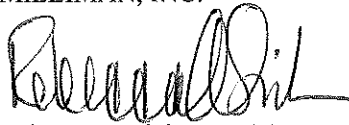
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CERTIFICATION

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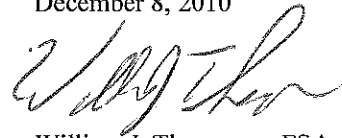
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, INC.



Rebecca A. Sielman, FSA
Consulting Actuary

December 8, 2010



William J. Thompson, FSA
Consulting Actuary

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OVERVIEW OF GASB 43 AND GASB 45

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. These benefits are collectively referred to as Other Post-Employment Benefits, or OPEB. The benefits provided by the State to retirees include medical insurance, dental and vision benefits, and life insurance. The philosophy driving the accounting standard is that these OPEB benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

GASB 43 requires OPEB **plans** to disclose information about asset and liability levels and show historical contribution information. GASB 45 requires **employers** to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 is effective starting in FY 2006-07 for a Phase I government such as the State, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 is effective for the fiscal year following implementation of GASB 43.

Glossary of Terms

The **Accrued Liability** is the present value of OPEB benefits accrued to date. For active members, the Accrued Liability is a pro-rata portion of the present value of OPEB benefits based on service to date compared to service at the member's expected retirement date. For inactive members, the Accrued Liability is the present value of future OPEB benefits.

The **Normal Cost** is the present value of the portion of the projected OPEB benefits attributable to the current year.

The **Annual Required Contribution (ARC)** consists of three pieces: Normal Cost plus a Past Service Cost (to amortize the Unfunded Accrued Liability over a period of years) plus Interest from the valuation date to the beginning of the Fiscal Year.

The **discount rate** is used to express future amounts in today's dollars. GASB 45 requires the discount rate to be based on the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments.

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DISCUSSION OF KEY ASSUMPTIONS

The Accrued Liability and Annual Required Contribution are highly dependent on two key assumptions: the rate at which we assume medical costs will increase over time, and the discount rate we use to translate future payments into current dollars.

Medical inflation

Initial inflation rate	7.65%
Ultimate inflation rate	4.70%
Years until ultimate rate	52

Year	Rate
0	7.65%
5	5.90%
10	5.80%
15	5.70%
20	5.60%
25	5.50%
30	5.10%
35	5.00%
40	4.90%
45	4.80%
50	4.80%
52+	4.70%

While these medical inflation rates are reasonable in our view, it is important to recognize that there is significant uncertainty with respect to this important assumption. That is, there are many forces that affect medical trends. For example, changes in medical technology, governmental healthcare programs, healthcare crises (e.g. avian bird flu), and other forces all affect the rate of growth in healthcare costs over time. Our report therefore provides additional detail regarding the impact of medical inflation rates being 1% higher or lower than the baseline rates shown above.

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DISCUSSION OF KEY ASSUMPTIONS

Discount rate

The discount rate is based on the long-term earnings potential of the investments available to fund these benefits, and therefore depends on the State's OPEB funding policy. Per GASB 45, the discount rate should be based on the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments. At the Comptroller's direction, we have used the following discount rates for two different scenarios with respect to the State's OPEB funding policy.

Unfunded scenario 4.50%

If the State decides not to prefund the OPEB benefits, GASB 45 requires the discount rate to reflect the expected earnings of the State's general fund. For this purpose, we used a discount rate of 4.50%.

Fully Funded Scenario 8.25%

A discount rate of 8.25% assumes the State establishes an OPEB trust with an investment strategy similar to the SERS trust and adopts a funding policy to prefund the OPEB benefits by paying the Annual Required Contribution. 8.25% is the interest rate set by the Connecticut State Employees Retirement Commission for the SERS 2008 funding valuation.

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SUMMARY OF RESULTS

We have calculated the Accrued Liability and Annual Required Contribution for each of the two discount rate scenarios discussed on the prior page. In addition, our results are dependent on the rate at which we assume medical costs will increase over time. To show the sensitivity of our results to this assumption, we have looked at the impact of an increase or decrease of 1.00% on these rates. A detailed breakdown of the Accrued Liability and Annual Required Contribution can be found on the following pages.

(\$ 000s)

<u>Discount rate scenario</u>		<u>Accrued Liability as of April 1, 2008</u>		
		Baseline less 1.00%	Baseline Medical Inflation Rate	Baseline plus 1.00%
Unfunded	4.50%	\$22,136,438	\$26,566,940	\$32,297,112
Fully funded	8.25%	12,217,055	14,024,745	16,255,675

		<u>Annual Required Contribution for FY 2009</u>		
		Baseline less 1.00%	Baseline Medical Inflation Rate	Baseline plus 1.00%
Unfunded	4.50%	\$1,560,900	\$1,942,359	\$2,451,154
Fully funded	8.25%	1,024,127	1,202,925	1,428,366

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GASB 45 SCHEDULE OF FUNDING PROGRESS

Certain information regarding the funded status of the OPEB plan is required to be disclosed in the State's financial statement once the State has implemented GASB 45. For this illustration, we have used the discount rate for the unfunded proposal scenario.

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
04/01/2006	\$0	\$21,681,444	\$21,681,444	0%	N/A	N/A
04/01/2008	\$0	\$26,566,940	\$26,566,940	0%	N/A	N/A

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GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Certain information regarding funding of the OPEB plan is required to be disclosed in the State's financial statement once the State has implemented GASB 45. For this illustration, we have used the discount rate for the unfunded proposal scenario.

(\$ 000s)

Year Ended June 30	Annual Required Contribution	Actual Contribution Made *	Percentage Contributed
2007	\$1,597,631	\$432,255	27%
2008	\$1,655,910	\$493,893	30%
2009	\$1,942,359	\$457,037	24%

* This figure equals payment of the annual expected OPEB benefit payouts.

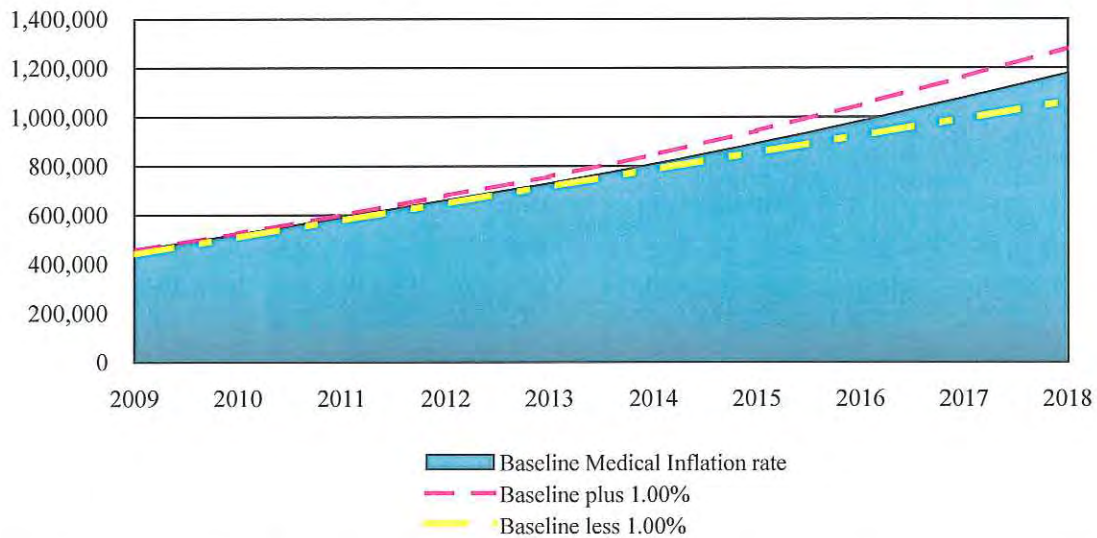
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PROJECTED PAYOUTS

The annual State payments for OPEB benefits are expected to rise sharply in coming years, both because medical and dental costs are expected to rise over time and because more employees will retire and start to receive State-paid OPEB benefits. The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

(\$ 000s)

Fiscal Year	Baseline less 1.00%	Baseline Medical Inflation rate	Baseline plus 1.00%
2009	\$457,037	\$457,037	\$457,037
2010	517,511	522,251	526,990
2011	579,201	589,909	600,717
2012	643,084	661,061	679,378
2013	703,667	730,093	757,273
2014	771,808	808,300	846,188
2015	843,820	892,012	942,522
2016	921,042	982,796	1,048,134
2017	1,002,516	1,079,801	1,162,347
2018	1,084,419	1,179,028	1,281,038

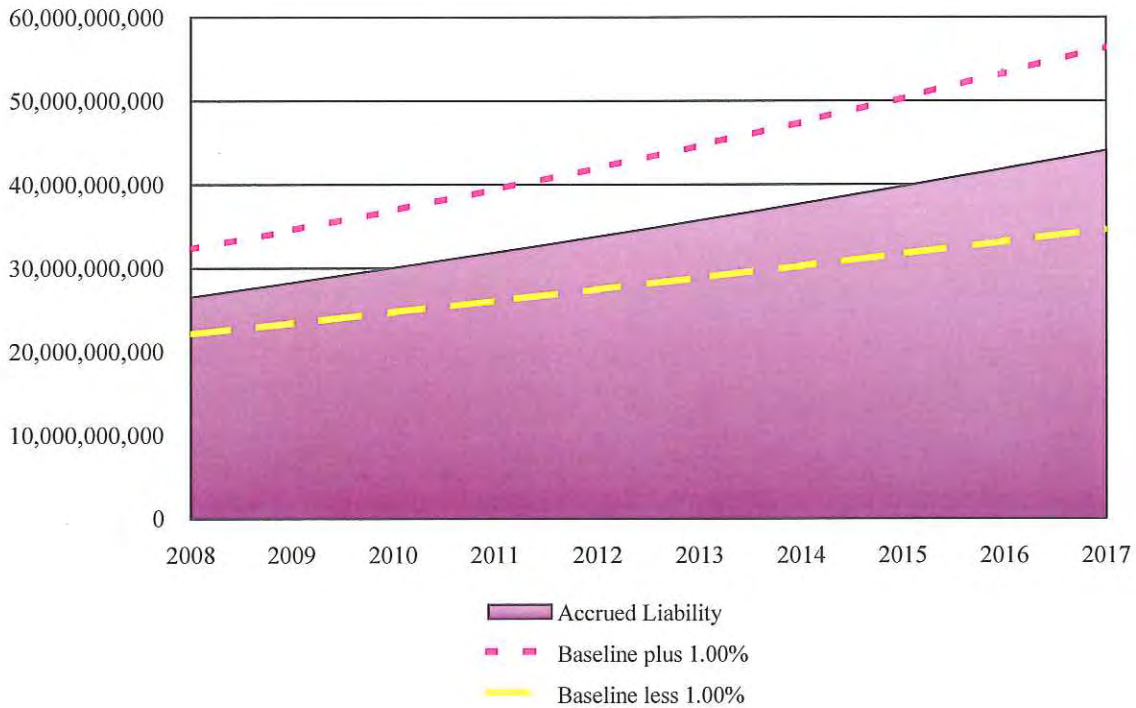


Please note that these figures represent the true economic cost to the State of providing OPEB benefits, net of any cost-sharing payments made by retirees. These figures may be higher or lower than the premiums paid for these benefits in any given year.

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PROJECTED LIABILITIES

The graph below illustrates how the State's Accrued Liability is expected to grow over the next 10 years. For this illustration, we have used the discount rate for the unfunded proposal scenario.



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DETAILED BREAKDOWN OF ACCRUED LIABILITY

On the following pages we provide a detailed breakdown of the Accrued Liability as of April 1, 2008 for each of the two discount rate scenarios discussed previously. We have broken the Accrued Liability into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits. We have identified the Accrued Liability separately for several groups of State employees:

State Employees Retirement System (**SERS**)

- Active members covered by Tier I (employees hired prior to July 1, 1984)
- Active members covered by Tier II (employees first joining the retirement system on or after July 1, 1984 plus employees hired between July 1, 1982 and January 1, 1984 who elected Tier II)
- Active members covered by Tier IIA (employees first joining the retirement system on or after July 1, 1997)
- Terminated Vested participants with 10 years of service.
- Retirees, disabled retirees and beneficiaries of former participants.

Judges, Family Magistrates, and Compensation Commissioners Retirement System (**JFSMCCRS**)

Connecticut Probate Judges and Employee Retirement System (**JPERS**)

Alternate Retirement Program (**ARP**)

Certified teachers and administrators who are covered under the Connecticut Teachers Retirement Board.

Other state employees who do not fall into any of the categories above.

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ACCRUED LIABILITY AS OF APRIL 1, 2008 (\$ 000s)

Discount rate	Unfunded scenario	4.50%				
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$390,370	\$1,375,732	\$554,684	\$0	\$0	\$2,320,787
Employees over age 65	956,216	2,622,284	1,062,259	0	0	4,640,759
Dependents under age 65	280,517	1,058,930	440,585	0	0	1,780,032
Dependents over age 65	<u>792,280</u>	<u>2,199,352</u>	<u>891,622</u>	<u>0</u>	<u>0</u>	<u>3,883,253</u>
Total	2,419,383	7,256,299	2,949,149	0	0	12,624,831
Retired members						
Employees under age 65	0	0	0	1,217,283	737,155	1,954,438
Employees over age 65	0	0	0	4,144,378	1,223,080	5,367,458
Dependents under age 65	0	0	0	680,508	587,689	1,268,197
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,986,143</u>	<u>946,979</u>	<u>2,933,122</u>
Total	0	0	0	8,028,312	3,494,903	11,523,215
Total SERS	2,419,383	7,256,299	2,949,149	8,028,312	3,494,903	24,148,046
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,797	\$3,383	\$235,582	\$12,720	\$7,248	\$260,729
Employees under age 65	16,594	33,251	646,739	48,401	21,957	766,942
Employees over age 65	1,515	3,282	213,876	8,846	5,641	233,160
Dependents over age 65	<u>15,732</u>	<u>31,447</u>	<u>658,845</u>	<u>37,362</u>	<u>19,545</u>	<u>762,931</u>
Total	35,638	71,362	1,755,041	107,329	54,391	2,023,761
Retired members						
Employees under age 65	\$4,159	\$2,943	\$20,242	\$5,591	\$435	\$33,370
Employees over age 65	12,085	28,398	100,885	46,502	1,430	189,299
Dependents under age 65	1,624	2,897	13,441	4,735	2,836	25,532
Dependents over age 65	<u>22,311</u>	<u>18,357</u>	<u>57,041</u>	<u>31,834</u>	<u>17,389</u>	<u>146,932</u>
Total	40,180	52,594	191,609	88,662	22,089	395,134
Total Non-SERS	75,817	123,957	1,946,650	195,991	76,480	2,418,895
Grand Total						26,566,941

Note: totals may reflect rounding differences

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ACCRUED LIABILITY AS OF APRIL 1, 2008 (\$ 000s)

Discount rate	Fully funded scenario	8.25%				
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$273,980	\$833,293	\$286,742	\$0	\$0	\$1,394,015
Employees over age 65	432,869	1,026,984	371,414	0	0	1,831,267
Dependents under age 65	206,123	654,218	229,915	0	0	1,090,256
Dependents over age 65	<u>358,994</u>	<u>855,324</u>	<u>309,705</u>	<u>0</u>	<u>0</u>	<u>1,524,022</u>
Total	1,271,966	3,369,819	1,197,776	0	0	5,839,561
Retired members						
Employees under age 65	0	0	0	958,488	491,446	1,449,935
Employees over age 65	0	0	0	2,629,346	458,634	3,087,980
Dependents under age 65	0	0	0	531,352	391,880	923,232
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,160,699</u>	<u>358,331</u>	<u>1,519,030</u>
Total	0	0	0	5,279,885	1,700,291	6,980,176
Total SERS	1,271,966	3,369,819	1,197,776	5,279,885	1,700,291	12,819,737
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$993	\$2,250	\$137,216	\$8,151	\$4,196	\$152,805
Employees over age 65	8,709	15,313	267,588	21,663	9,101	322,374
Dependents under age 65	1,149	2,235	128,800	5,875	3,317	141,374
Dependents over age 65	<u>7,754</u>	<u>14,875</u>	<u>274,489</u>	<u>16,746</u>	<u>7,855</u>	<u>321,718</u>
Total	18,604	34,673	808,093	52,434	24,467	938,272
Retired members						
Employees under age 65	\$3,165	\$2,368	\$17,094	\$4,596	\$330	\$27,553
Employees over age 65	9,021	19,000	63,965	30,844	949	123,780
Dependents under age 65	1,375	2,208	11,463	3,881	2,306	21,234
Dependents over age 65	<u>15,515</u>	<u>11,935</u>	<u>34,850</u>	<u>20,309</u>	<u>11,560</u>	<u>94,170</u>
Total	29,076	35,511	127,374	59,631	15,146	266,737
Total Non-SERS	47,680	70,183	935,467	112,065	39,613	1,205,009
Grand Total						14,024,746

Note: totals may reflect rounding differences

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DETAILED BREAKDOWN OF ANNUAL REQUIRED CONTRIBUTION

The Annual Required Contribution (ARC) consists of three pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability) plus **Interest** from the valuation date to the beginning of the Fiscal Year.

The amortization period should be reasonably related to the period of service over which OPEB benefits are earned. We have selected a 30 year amortization period (starting in FY 2008), which is the longest period permitted by GASB 45. We have used an amortization method that produces annual payments that are designed to increase over time as payroll grows.

On the following pages we provide a detailed breakdown of the Annual Required Contribution for FY 2009 for each of the two discount rate scenarios discussed previously. As with the Accrued Liability, we have calculated the Annual Required Contribution separately for several groups of State employees.

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ANNUAL REQUIRED CONTRIBUTION FOR FY 2009 (\$ 000s)

Discount rate	Unfunded scenario	4.50%				
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,419,382	\$7,256,299	\$2,949,149	\$8,028,312	\$3,494,903	\$24,148,045
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,419,382	7,256,299	2,949,149	8,028,312	3,494,903	24,148,045
Amortization Period	29	29	29	29	29	
Past Service Cost	89,149	267,380	108,670	295,827	128,780	889,806
Normal Cost	46,926	297,675	416,419	0	0	761,020
Interest to start of FY	1,531	6,357	5,907	3,328	1,449	18,572
ARC for FY 2009	137,606	571,412	530,996	299,155	130,229	1,669,398
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$75,818	\$123,956	\$1,946,650	\$195,991	\$76,480	\$2,418,895
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	75,818	123,956	1,946,650	195,991	76,480	2,418,895
Amortization Period	29	29	29	29	29	
Past Service Cost	2,794	4,568	71,730	7,222	2,818	89,132
Normal Cost	3,660	6,835	155,403	5,737	9,157	180,792
Interest to start of FY	73	128	2,555	146	135	3,037
ARC for FY 2009	6,527	11,531	229,688	13,105	12,110	272,961
 Grand Total ARC						 1,942,359

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ANNUAL REQUIRED CONTRIBUTION FOR FY 2009 (\$ 000s)

Discount rate	Fully funded scenario	8.25%				
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$1,271,966	\$3,369,819	\$1,197,776	\$5,279,885	\$1,700,291	\$12,819,737
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	1,271,966	3,369,819	1,197,776	5,279,885	1,700,291	12,819,737
Amortization Period	29	29	29	29	29	
Past Service Cost	72,692	192,583	68,452	301,741	97,170	732,638
Normal Cost	22,811	126,397	155,816	0	0	305,024
Interest to start of FY	1,970	6,579	4,626	6,223	2,004	21,402
ARC for FY 2009	97,473	325,559	228,894	307,964	99,174	1,059,064
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$47,680	\$70,183	\$935,467	\$112,065	\$39,613	\$1,205,008
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	47,680	70,183	935,467	112,065	39,613	1,205,008
Amortization Period	29	29	29	29	29	
Past Service Cost	2,725	4,011	53,461	6,404	2,264	68,865
Normal Cost	1,787	2,825	61,625	2,252	3,599	72,088
Interest to start of FY	93	141	2,374	179	121	2,908
ARC for FY 2009	4,605	6,977	117,460	8,835	5,984	143,861
Grand Total ARC						1,202,925

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CENSUS DATA

Census data was provided by the State of Connecticut Retirement & Benefit Services Division as of April 1, 2008 for the following groups: SERS (active and retired members), Teachers (active and retired members), ARP (active and retired members), and Others (active and retired members). The data included face amounts of life insurance for retired members. For the following groups, census data from the most recent actuarial valuation of the applicable pension plan was used: JFSMCCRS (all members - July 1, 2008 valuation), PJERS (all members - January 1, 2008 valuation), SERS (terminated vested members with at least 10 years of service – July 1, 2008 valuation).

Assumptions Regarding Incomplete Data

For any active member who was reported with missing compensation, compensation was set equal to the average compensation for the active members in the applicable group who were reported with complete data.

Gender was not reported for 237 Other (Non-SERS) participants. Based on our review of the data we have valued them as males.

The actual reported dependent coverage election (medical and dental) for each current retired member was used. Actual spousal information was reported as a separate record and valued with the coverage indicated.

Continuation of Medical and Dental Benefits after Retiree's Death

It is our understanding that retiree medical and dental benefits continue after the retiree's death only if the dependent is receiving a survivor pension (Joint Annuitant or Certain and Life form of payment). For retiree medical and dental benefits, we applied a 7% reduction to the active liabilities to reflect this understanding (for all groups except for the JFSMCCRS group). The 7% reduction is based on the results of the April 1, 2006 valuation and reflects the split of the form of payment. Based on our analysis of the pension forms of payment and retiree medical dependent coverage elected by current retired members, we assumed that 64% of current and future retired members have medical and dental benefits that continue after the retiree's death, and 36% have medical and dental benefits that stop upon the retiree's death.

Unreported Terminated Vested Members

It is our understanding that records for terminated vested members are maintained by the Retirement Division only for members who submit a retirement application. There are an unknown number of former employees who are eligible for OPEB benefits upon retirement but who have not submitted a retirement application and were therefore not reported to us for purposes of this valuation. In order to approximate the size of this unreported population, we studied SERS census records for the past ten years to identify the probable number of entrants to, and exits from, this unreported population. On this basis, we determined that the ratio of total terminated vested members who are eligible for OPEB benefits to the number of such members that were reported to us is 6.77. We further assumed that the demographic profile of unreported members is the same as for reported terminated vested members.

Summary of Census Data

The following pages provide key statistics about the members included in this valuation.

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CENSUS DATA

	SERS Members					Total
	Active Tier I	Active Tier II	Active Tier IIIA	In Pay Status	Term Vested	
Number of members						
Active	6,852	21,479	20,803	0	0	49,134
Retired members	0	0	0	36,881	7,454	44,335
Spouses of retirees/widows	0	0	0	15,289	5,964	21,253
Total	6,852	21,479	20,803	52,170	13,418	114,722
Average age						
Active	54.4	48.7	41.1	0.0	0.0	46.3
Retired	0.0	0.0	0.0	69.9	48.8	66.4
Average retirement age						
Active	61.4	58.7	56.7	0.0	0.0	58.2
Retired	0.0	0.0	0.0	57.1	56.6	57.1
Expected lifetime						
Active [to retirement]	7.0	10.0	15.6	0.0	0.0	12.0
Retired [lifetime]	0.0	0.0	0.0	17.0	34.5	20.0

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

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CENSUS DATA

	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Number of members						
Active	213	409	7,944	488	539	9,593
Retired members	138	272	771	378	14	1,573
Spouses of retirees/widows	205	171	434	248	168	1,226
Total	556	852	9,149	1,114	721	12,392
Average age						
Active	57.2	50.9	46.8	49.6	43.1	47.1
Retired	76.4	73.3	66.9	71.5	70.8	70.0
Average retirement age						
Active	67.5	65.0	59.3	61.5	58.0	59.8
Retired	67.4	64.1	61.7	62.0	57.5	62.6
Expected lifetime						
Active [to retirement]	10.3	14.2	12.5	11.9	14.9	12.6
Retired [lifetime]	11.2	15.0	18.9	16.9	15.5	17.1

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

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CENSUS DATA

	Total SERS Members	Total Non-SERS Members	Grand Total
Number of members			
Active	49,134	9,593	58,727
Retired members	44,335	1,573	45,908
Spouses of retirees/widows	21,253	1,226	22,479
Total	114,722	12,392	127,114
Average age			
Active	46.3	47.1	46.4
Retired	66.4	70.0	66.5
Average retirement age			
Active	58.2	59.8	58.5
Retired	57.1	62.6	57.2
Expected lifetime			
Active [to retirement]	12.0	12.6	12.1
Retired [lifetime]	20.0	17.1	19.9

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

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MEDICAL AND DENTAL COST DATA

We received information regarding the State's claims experience, plan designs, and census. We augmented and normalized this data with information from Milliman's *Health Cost Guidelines*. The adjusted cost figures were utilized to smooth claims projections for the valuation.

Medical Benefits

Based on information provided by the State regarding the matrix of 2008-2009 retiree medical premiums and current retirees' medical plan elections, as well as the expected premiums based on the April 1, 2006 valuation, the following 2008-2009 weighted average monthly blended medical premiums and retiree contribution percentages were used for MedPlan codes* K, S, P, Q, and R:

	<u>Monthly Blended Medical Premiums</u>		<u>Retiree Contribution Percentages</u>	
Current Retirees:	Retiree	Spouse #	Retiree	Spouse #
Pre-65	\$776.38	\$1,006.34	2.47%	2.18%
Post-65	568.79	529.67	0.02%	0.04%
Current Actives and Terminated Vested:				
	Retiree	Spouse #	Retiree	Spouse #
Pre-65	776.23	1,006.17	1.15%	0.73%
Post-65	568.98	529.80	0.00%	0.00%

* For all other MedPlan codes (D, O, X, A, B, C, 6, E, I, J, F, G, 7, L, 5, 8, N, M, H, U), the retiree and spouse contributions are zero (both pre and post-65).

Includes amounts for any additional dependents.

Medicare Part B

For calendar year 2008, the Medicare Part B premium for Medicare eligibles is \$96.40 per month. Starting in 2007, the Medicare Part B premium that is charged varies by income level. For purposes of this valuation, we have assumed that the State will reimburse the Medicare Part B premium at the basic level and that there is no additional reimbursement due to the income surcharge.

Dental Benefits

Based on information provided by the State regarding current retirees' dental plan elections and monthly dental premiums (retiree contributions), as well as the expected premiums based on the April 1, 2006 valuation, the following 2008-2009 weighted average monthly blended dental premiums (retiree contributions) were used.

	<u>Monthly Blended Dental Premiums (retiree contributions)</u>	
	Retiree	Spouse #
Pre-65	\$20.75	\$20.98
Post-65	20.75	20.98

Includes amounts for any additional dependents.

Cost Blending

In order to dampen the volatility of premium changes, this valuation is based on 75% of expected costs/premiums plus 25% of actual costs/premiums.

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MEDICAL AND DENTAL COST DATA

A fundamental element of the valuation of retiree medical and dental benefits is to establish the current total annual cost per beneficiary to provide the State's retiree plans of benefits. Since the valuation system works from the cost for a person age 65, we had to adjust actual experience to normalize for demographics and Medicare eligibility. This analysis is complicated by the fact that some Medicare-eligible beneficiaries have non-Medicare eligible spouses and vice versa, requiring a reallocation of spouses into their proper Medicare-eligibility category.

The first step in our calculation for determining the cost adjustment factor curves for the State was to determine the demographic factors that would be used to normalize the State's retiree population to produce a value for a retiree age 65. We used a census file that contained both the Medicare retirees and non-Medicare retirees, including their dependents. Using membership counts from the census file and Milliman's *Health Cost Guidelines*, we determined the demographic adjustment factors to normalize the costs for this population to be representative of a 65 year old beneficiary.

We calculated a per member per month cost for Medicare and non-Medicare retirees for Medical (including Pharmacy) and for Dental. Using a census file containing benefit plan information for each plan member, and a rate file containing fully-insured premiums effective July 1, 2008, we assigned the appropriate premium to each plan member and calculated the average monthly premium. We then applied an annual trend rate of 10% for Medical and Pharmacy, and 5% for Dental, to put the costs on an April 1, 2008 basis.

We then used the reallocation factors to reallocate the cost and membership of the dependents that were grouped by their spouse's status to the appropriate group based on the beneficiary's status. This cost was then demographically adjusted using the demographic factors that we calculated from the census file and denominated by the membership to produce the cost for an age 65 beneficiary. That cost serves as the starting point for the State's cost to provide retiree benefits. The cost is adjusted for each person's age and is trended over time to produce the cost curves. The end result of this analysis was a set of factors that express the expected relationship of the true cost of medical and dental benefits across age and gender. Representative factors are shown below.

Age	<u>Medical (with Rx)</u>		Age	<u>Dental</u>	
	Retiree	Spouse		Retiree	Spouse
40	2.34%	2.10%	40	1.48%	1.49%
50	4.62%	4.49%	50	0.66%	0.67%
60	4.35%	4.26%	60	0.14%	0.14%
70	2.19%	2.17%	70	0.00%	0.00%
80	1.15%	1.20%	80	0.00%	0.00%

Representative weighted average blended health care costs at age 65 (per person per month) are shown below:

	<u>Medical (with Rx)</u>			<u>Dental</u>	
	Retiree	Spouse		Retiree	Spouse
Pre 65	\$1,150.46	\$1,140.34	Pre 65	\$39.52	\$39.41
Post 65	373.22	374.29	Post 65	39.52	39.41

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ACTUARIAL METHOD

The actuarial funding method used is the **Projected Unit Credit Cost Method**. The Annual Required Contribution consists of three pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability plus interest from the valuation date to the start of the fiscal year.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date compared to service at the member's expected first early retirement date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

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ACTUARIAL ASSUMPTIONS

At the direction of the Comptroller, we have used the following assumptions for this valuation:

Eligible Groups	Employees of the State of Connecticut who are covered by the following retirement systems: SERS: State Employees Retirement System JFSMCCRS: Judges, Family Support Magistrates, and Compensation Commissioners Retirement System PJERS: Probate Judges and Employees Retirement System Teachers: State Teachers' Retirement System ARP: Alternate Retirement Program In addition, there are a small number of " Other " State employees who are not covered by the retirement systems listed above but who are eligible for OPEB.
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Salary Scale

SERS	Rates used in the 2008 SERS valuation.
JFSMCCRS	5.25% (prior valuation – 5.50%)
PJERS	5.00% (prior valuation – 6.00%)
Teachers	Rates used in the 2006 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.
ARP	Rates used in the 2008 SERS valuation.
Others	Rates used in the 2008 SERS valuation.

Payroll Growth Rate	4.00%
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Healthy Mortality

All groups except Teachers	RP-2000 Mortality Table for Annuitants and Non-Annuitants projected with Scale AA 15 years for Males and 25 years for Females (prior valuation - 1994 Group Annuity Mortality Table).
Teachers	RP-2000 projected forward 19 years using Scale AA, with a two-year age setback.

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ACTUARIAL ASSUMPTIONS

Disabled Mortality

SERS	75% (males) and 115% (females) of the RP-2000 Mortality Table for Disabled Annuitants (prior valuation - 80% (males) and 60% (females) of the PBGC Disabled Mortality Table).
JFSMCCRS	Same as SERS.
PJERS	Same as SERS.
Teachers	RP-2000 projected forward 19 years using Scale AA, with an eight-year age set forward.
ARP	Same as SERS.
Others	Same as SERS.

Turnover

SERS	Rates used in the 2008 SERS valuation.	
JFSMCCRS	Rates used in the 2008 JFSMCCRS valuation.	
PJERS	Rates used in the 2008 PJERS valuation.	
Teachers	Rates used in the 2006 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.	
ARP	<u>Age</u>	<u>Rate</u>
	20	14.00%
	25	10.20
	30	7.07
	35	5.53
	40	4.55
	45	3.85
	50	2.70
	55	0.00
Others	Rates used in the 2008 SERS valuation.	

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ACTUARIAL ASSUMPTIONS

Retirement

- SERS** Rates used in the 2008 SERS valuation. Future terminated vested members are assumed to retire at age 65 with 10 years of service using non-hazardous rates of retirement.
- JFSMCCRS** Rates used in the 2008 JFSMCCRS valuation.
- PJERS** Rates used in the 2008 PJERS valuation. Future terminated vested Judges are assumed to retire at age 67 with 10 years of service. Future terminated vested employees are assumed to retire at age 62 with 10 years of service.
- Teachers** Rates used in the 2006 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.

ARP

Rate

<u>Age</u>	<u>First Year Eligible</u>	<u>All Other Ages</u>
55	15%	6%
56	15	6
57	15	7
58 - 59	15	7
60 - 61	15	10
62 - 64	15	15
65	25	25
66 - 69	20	20
70	100	100

Future terminated vested members are assumed to retire at age 55 with 10 years of service.

- Others** Rates used in the 2008 SERS valuation. Future terminated vested members are assumed to retire at age 62 with 10 years of service.

Disability

- SERS** In Service: Hazardous – 0.45% at all ages (prior valuation – 0.11%)
All Others – 0.14% at all ages (prior valuation – 0.03%)
Non Service: 30% of 1975 Social Security Table (prior valuation - 25% of United Auto Workers Disability Table).
- Teachers** Rates used in the 2006 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company. No disability retirements are assumed during the first five years of service.
- All Other Groups** Same as SERS. For ARP, only non-service disability is assumed.

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ACTUARIAL ASSUMPTIONS

Future Retiree Coverage 100% of current active and terminated vested members are assumed to elect coverage under the OPEB program.

Future Dependent Coverage The percentage of current active and terminated vested members that are assumed to elect dependent coverage at retirement, along with the difference in age female spouses are assumed to be from male spouses, are shown below:

<u>Plan</u>	<u>Future Dependent Coverage</u>	<u>Female Age Difference</u>
JFSMCCRS	80%	3 years younger
PJERS	100%	3 years younger
SERS	80%	Same
Teachers	85% males, 75% females	3 years younger
ARP	100%	Same
Others	80%	Same

Cost Blending In order to dampen the volatility of premium changes, this valuation is based on 75% of expected costs/premiums plus 25% of actual costs/premiums.

Health Care Inflation Rate We determined our long term trend rates by using health cost projections from the Society of Actuaries' Long Term Healthcare Trends Resource model, otherwise known as the Getzen Model. This Model projects long term per-person expenditures and annual growth rates in medical premiums, and is designed for use in estimating reportable liabilities for retiree health benefits as specified under FAS 106 and GASB 45.

Our resulting health care inflation rate assumption is shown below for selected years:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
0	7.65%	4.00%
5	5.90%	3.00%
10	5.80%	3.00%
15	5.70%	3.00%
20	5.60%	3.00%
25	5.50%	3.00%
30	5.10%	3.00%
35	5.00%	3.00%
40	4.90%	3.00%
45	4.80%	3.00%
50	4.80%	3.00%
52+	4.70%	3.00%

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ACTUARIAL ASSUMPTIONS

Discount Rate

A discount rate of 4.50% was used for the scenario in which the State does not establish an OPEB trust but continues to fund the OPEB benefits on a pay-as-you-go basis. 4.50% reflects the expected long-term investment returns on the State's general assets.

A discount rate of 8.25% was used for the scenario in which the State establishes an OPEB trust with an investment strategy similar to the SERS trust and adopts a funding policy to fully prefund the OPEB benefits by paying the Annual Required Contribution. 8.25% is the interest rate set by the Connecticut State Employees Retirement Commission for the SERS 2008 funding valuation.

If the State adopts a funding policy to contribute more than the annual benefits as they come due but less than the full ARC, GASB 45 requires the discount rate to be a blend of the discount rates for the full prefunding policy and the pay-as-you-go policy. For purposes of the calculations shown in the Appendix to this report, the following methodology was used to determine blended discount rates:

- The expected return on trust assets for each of the next ten years was calculated assuming that trust assets earn 8.25%, except that pay-as-you-go amounts were assumed to reside in the trust for an average of 3 months and be invested in funds similar to the State's general assets (i.e., earn 4.50% annually).
- The expected asset level in the trust was then determined for each of the next ten years, based on any initial deposits plus any ongoing contributions.
- A weighted average blended rate was determined for each of the next ten years based on 8.25% weighted by the expected asset level in the trust and 4.50% weighted by the annual pay-as-you-go levels.
- The weighted average blended rates for the ten year period were then averaged to arrive at the final blended discount rates.

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SUMMARY OF PLAN PROVISIONS

Eligibility

All groups except ARP Retire with a Normal, Early or Disability Retirement under the applicable retirement system. 10 years of service required if do not retire directly from active service. Terminated vested Teachers are not eligible for benefits.

ARP Age 55 with 10 years of service.

Life Insurance

Pay-related coverage, equal to 50% of the basic coverage amount immediately before retirement. The basic coverage amount is a function of the employee's salary and the position held by the employee (collectively bargained or not). The minimum post-retirement coverage amount is \$10,000.

For retirees with less than 25 years of service, the above coverage amount is proportionately reduced based on years of service, and is not subject to the \$10,000 minimum.

Members who retire under the hazardous duty provisions of C.G.S. 5-173 receive coverage equal to 50% of the basic coverage amount immediately before retirement, regardless of the number of years of service.

Retired members who are totally and permanently disabled before age 60 receive coverage equal to 100% of the basic coverage amount.

Probate Judges and Probate Employees are not eligible for post-retirement life insurance.

Terminated vested participants are not eligible for post-retirement life insurance.

Dental Benefits

Retirees are able to select one of the following plan options:

United Healthcare: basic plan

United Healthcare: enhanced plan

Aetna: dental HMO

Retirees pay 80% of the premium for dental benefits.

Pre-Retirement Death Benefits

All groups except Teachers and Terminated Vested members are eligible for OPEB benefits for pre-retirement death.

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SUMMARY OF PLAN PROVISIONS

Medical Benefits

Retirees are able to select a plan option and a medical vendor as summarized below. Each plan option provides hospital, medical and pharmacy coverage. Medicare is primary and the State plan is administered as a carveout to Medicare. For Medicare eligibles, the State also provides Medicare Part B premium reimbursement for both the retiree and dependent.

Gated Point of Enrollment (POE): Oxford, Health Net, Anthem

Non-gated Point of Enrollment (POE): Oxford, Health Net, Anthem

Point of Service (POS): Oxford, Health Net, Anthem

PPO: Anthem

Out-of-Area PPO: Oxford, Anthem

Retirees pay a portion of the medical premium as follows:

Retired before July 1, 1997 or under 1997 ERIP: retiree pays 0%

Retired July 1, 1997 to June 30, 1999: retiree pays 0%, except those who elected the Anthem State Preferred PPO option pay up to a maximum of approximately 3%.

Retired July 1, 1999 or later:

POE/out of Area PPO: retiree pays 0%

Pre-65 POS/PPO: retiree pays a variable amount for retiree and dependent coverage up to a maximum of approximately 3%

Post-65 POS/PPO: retiree pays 0% for retiree coverage and pays a variable amount for dependent coverage up to a maximum of approximately 3%

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided by the State to future retirees. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

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APPENDIX: DISCOUNT RATE SENSITIVITY ANALYSIS

The discount rate is based on the long-term earnings potential of the investments available to fund these benefits, and therefore depends on the State's OPEB funding policy. Per GASB 45, the discount rate should be based on the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments. To demonstrate the effect that the State's OPEB funding policy has on the Accrued Liability and the Annual Required Contribution, we analyzed the sensitivity of our results to the discount rate for the following two alternative scenarios:

Comptroller's proposal, including impact of employee contributions 6.11%

The Comptroller's proposal is to make a one-time contribution to an OPEB trust of \$100 million plus 10% of budget surpluses thereafter in addition to ongoing payment of the annual OPEB payouts. Based on historical budget surplus figures, the Comptroller has estimated that the budget surplus contributions would start at \$50 million and increase by 5% thereafter. In addition, employee contributions starting July 1, 2010 per the SEBAC 2009 agreement would be deposited into the OPEB trust. Estimated initial employee contributions are assumed to be \$23 million, growing by 4% a year. Using the blended discount rate methodology discussed in the Actuarial Assumptions section of the report, this funding policy generates a blended discount rate of 6.11%.

Unfunded scenario, but including employee contributions 5.10%

In this scenario, the State does not establish an OPEB trust but continues to fund the OPEB benefits on a pay-as-you-go basis. In addition, employee contributions starting July 1, 2010 per the SEBAC 2009 agreement would be deposited into the OPEB trust. Initial employee contributions are assumed to be \$23 million, growing by 4% a year. Using the blended discount rate methodology discussed in the Actuarial Assumptions section of the report, this funding policy generates a blended discount rate of 5.10%.

The exhibits on the following pages present the same liability measures and contributions contained in this report but using the above discount rates.

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APPENDIX: SUMMARY OF RESULTS

We have calculated the Accrued Liability and Annual Required Contribution for each of the two discount rate scenarios discussed on the prior page. A detailed breakdown of the Accrued Liability and Annual Required Contribution can be found on the following pages.

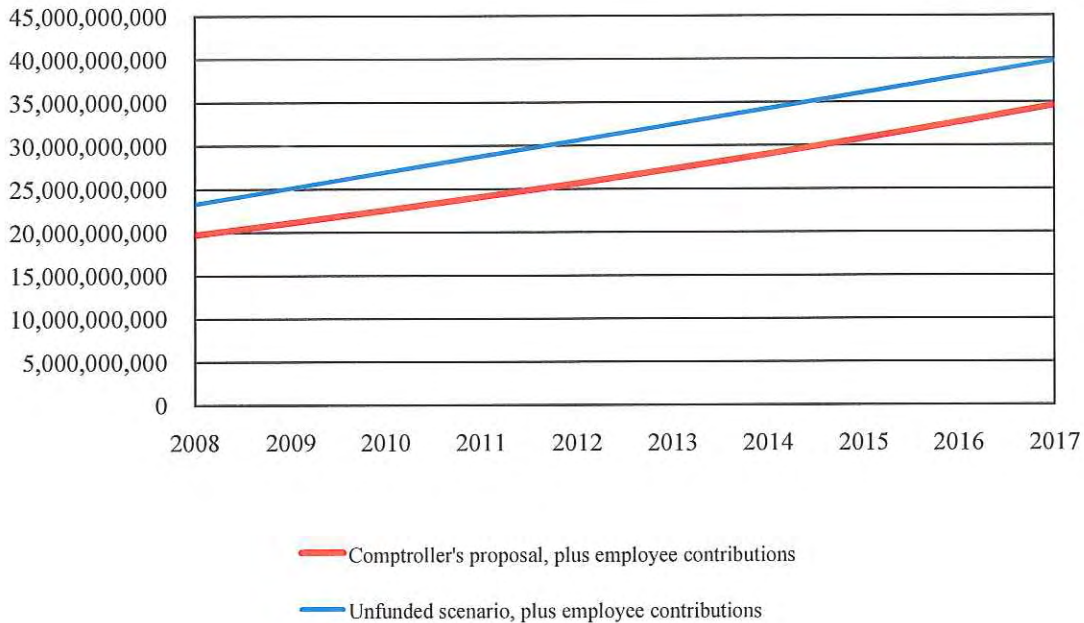
(\$ 000s)

<u>Discount rate scenario</u>		<u>Accrued Liability as of April 1, 2008</u>
Comptroller's proposal, plus employee contributions	6.11%	\$19,711,156
Unfunded scenario, plus employee contributions	5.10%	23,659,233
		<u>Annual Required Contribution for FY 2009</u>
Comptroller's proposal, plus employee contributions	6.11%	\$1,530,300
Unfunded scenario, plus employee contributions	5.10%	1,765,591

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APPENDIX: PROJECTED LIABILITIES

The graph below illustrates how the State's Accrued Liability is expected to grow over the next 10 years for each of the two discount rate scenarios discussed on the prior pages.



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APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2008 (\$ 000s)

Discount rate	Comptroller's proposal plus employee contributions					6.11%
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$332,700	\$1,098,276	\$411,880	\$0	\$0	\$1,842,855
Employees over age 65	669,431	1,715,828	657,620	0	0	3,042,879
Dependents under age 65	244,817	854,130	328,800	0	0	1,427,747
Dependents over age 65	<u>555,004</u>	<u>1,434,295</u>	<u>550,241</u>	<u>0</u>	<u>0</u>	<u>2,539,540</u>
Total	1,801,952	5,102,529	1,948,540	0	0	8,853,021
Retired members						
Employees under age 65	0	0	0	1,090,181	615,317	1,705,498
Employees over age 65	0	0	0	3,355,879	788,576	4,144,455
Dependents under age 65	0	0	0	607,450	490,593	1,098,043
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,546,695</u>	<u>613,146</u>	<u>2,159,840</u>
Total	0	0	0	6,600,205	2,507,632	9,107,837
Total SERS	1,801,952	5,102,529	1,948,540	6,600,205	2,507,632	17,960,858
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,369	\$2,811	\$184,245	\$10,364	\$5,646	\$204,435
Employees over age 65	12,396	23,334	432,243	33,527	14,649	516,149
Dependents under age 65	1,339	2,759	170,077	7,343	4,430	185,950
Dependents over age 65	<u>11,423</u>	<u>22,352</u>	<u>441,918</u>	<u>25,881</u>	<u>12,849</u>	<u>514,423</u>
Total	26,527	51,257	1,228,484	77,115	37,574	1,420,957
Retired members						
Employees under age 65	\$3,673	\$2,667	\$18,733	\$5,102	\$384	\$30,559
Employees over age 65	10,571	23,559	81,866	38,506	1,182	155,685
Dependents under age 65	1,507	2,550	12,513	4,326	2,584	23,479
Dependents over age 65	<u>18,873</u>	<u>15,027</u>	<u>45,484</u>	<u>25,849</u>	<u>14,384</u>	<u>119,618</u>
Total	34,624	43,803	158,595	73,784	18,535	329,341
Total Non-SERS	61,151	95,060	1,387,079	150,899	56,109	1,750,298
Grand Total						19,711,156

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2008 (\$ 000s)

Discount rate	Unfunded plus employee contributions					5.10%
	SERS Members					
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$367,215	\$1,262,584	\$495,134	\$0	\$0	\$2,124,933
Employees over age 65	834,712	2,229,958	883,786	0	0	3,948,457
Dependents under age 65	266,456	975,970	394,103	0	0	1,636,529
Dependents over age 65	<u>691,797</u>	<u>1,867,859</u>	<u>740,898</u>	<u>0</u>	<u>0</u>	<u>3,300,554</u>
Total	2,160,180	6,336,371	2,513,922	0	0	11,010,473
Retired members						
Employees under age 65	0	0	0	1,166,486	688,328	1,854,814
Employees over age 65	0	0	0	3,819,227	1,035,118	4,854,345
Dependents under age 65	0	0	0	651,356	548,777	1,200,133
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,802,551</u>	<u>802,758</u>	<u>2,605,309</u>
Total	0	0	0	7,439,619	3,074,981	10,514,601
Total SERS	2,160,180	6,336,371	2,513,922	7,439,619	3,074,981	21,525,074
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,619	\$3,151	\$214,402	\$11,753	\$6,585	\$237,510
Employees over age 65	14,844	29,022	554,046	42,035	18,788	658,735
Dependents under age 65	1,446	3,072	195,954	8,236	5,142	213,850
Dependents over age 65	<u>13,920</u>	<u>27,585</u>	<u>565,243</u>	<u>32,444</u>	<u>16,628</u>	<u>655,821</u>
Total	31,828	62,830	1,529,646	94,468	47,144	1,765,917
Retired members						
Employees under age 65	\$3,965	\$2,834	\$19,647	\$5,396	\$415	\$32,257
Employees over age 65	11,479	26,414	93,094	43,242	1,328	175,556
Dependents under age 65	1,578	2,756	13,079	4,574	2,737	24,724
Dependents over age 65	<u>20,916</u>	<u>16,987</u>	<u>52,277</u>	<u>29,369</u>	<u>16,157</u>	<u>135,705</u>
Total	37,939	48,990	178,097	82,581	20,636	368,243
Total Non-SERS	69,767	111,821	1,707,743	177,049	67,780	2,134,159
Grand Total						23,659,233

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2009 (\$ 000s)

Discount rate	Comptroller's proposal plus employee contributions					6.11%
SERS Members						
	Active Tier I	Active Tier II	Active Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$1,801,952	\$5,102,528	\$1,948,541	\$6,600,205	\$2,507,632	\$17,960,858
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	1,801,952	5,102,528	1,948,541	6,600,205	2,507,632	17,960,858
Amortization Period	29	29	29	29	29	
Past Service Cost	81,162	229,823	87,764	297,280	112,946	808,975
Normal Cost	33,771	201,423	265,474	0	0	500,668
Interest to start of FY	1,756	6,587	5,396	4,541	1,725	20,005
ARC for FY 2009	116,689	437,833	358,634	301,821	114,671	1,329,648
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$61,152	\$95,060	\$1,387,079	\$150,899	\$56,109	\$1,750,299
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	61,152	95,060	1,387,079	150,899	56,109	1,750,299
Amortization Period	29	29	29	29	29	
Past Service Cost	2,754	4,282	62,476	6,797	2,527	78,836
Normal Cost	2,644	4,568	101,882	3,738	5,965	118,797
Interest to start of FY	82	135	2,511	161	130	3,019
ARC for FY 2009	5,480	8,985	166,869	10,696	8,622	200,652
 Grand Total ARC						 1,530,300

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APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2009 (\$ 000s)

Discount rate	Unfunded plus employee contributions					5.10%
SERS Members						
	Active Tier I	Active Tier II	Active Tier IIIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,160,180	\$6,336,371	\$2,513,922	\$7,439,619	\$3,074,981	\$21,525,073
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,160,180	6,336,371	2,513,922	7,439,619	3,074,981	21,525,073
Amortization Period	29	29	29	29	29	
Past Service Cost	85,977	252,193	100,056	296,103	122,387	856,716
Normal Cost	41,361	256,241	350,237	0	0	647,839
Interest to start of FY	1,624	6,483	5,741	3,775	1,560	19,183
ARC for FY 2009	128,962	514,917	456,034	299,878	123,947	1,523,738
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$69,767	\$111,821	\$1,707,743	\$177,049	\$67,781	\$2,134,161
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	69,767	111,821	1,707,743	177,049	67,781	2,134,161
Amortization Period	29	29	29	29	29	
Past Service Cost	2,777	4,451	67,970	7,047	2,698	84,943
Normal Cost	3,231	5,856	132,148	4,865	7,765	153,865
Interest to start of FY	77	131	2,552	152	133	3,045
ARC for FY 2009	6,085	10,438	202,670	12,064	10,596	241,853
 Grand Total ARC						 1,765,591

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OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ESTIMATED IMPACT OF SEBAC 2009 CHANGES

The SEBAC 2009 Agreement included several changes related to OPEB benefits. The estimated impact of those changes are shown below. Page A-9 contains a summary of the SEBAC 2009 changes related to OPEB.

	Discount Rate #	April 1, 2008		FY 2009 ARC (\$ millions)	% change versus baseline
		Accrued Liability (\$ millions)	% change versus baseline		
1. Baseline valuation results	8.25%	\$14,025		\$1,203	
	6.11%	19,711		1,530	
	5.10%	23,659		1,766	
	4.50%	26,567		1,942	
2. With SEBAC 2009 change: Rx/preventive co-pay changes only	8.25%	13,736	-2.1%	1,178	-2.1%
	6.11%	19,308	-2.0%	1,499	-2.0%
	5.10%	23,177	-2.0%	1,729	-2.1%
	4.50%	26,026	-2.0%	1,902	-2.1%
3. With SEBAC 2009 change effective July 1, 2010: actives with less than 5 years of service contribute 3% of salary *	8.25%	14,025	0.0%	1,186	-1.4%
	6.11%	19,711	0.0%	1,513	-1.1%
	5.10%	23,659	0.0%	1,749	-1.0%
	4.50%	26,567	0.0%	1,925	-0.9%
4. With SEBAC 2009 change: Actives with less than 10 years of service contribute 3% of salary **	8.25%	14,025	0.0%	1,166	-3.1%
	6.11%	19,711	0.0%	1,493	-2.4%
	5.10%	23,659	0.0%	1,729	-2.1%
	4.50%	26,567	0.0%	1,905	-1.9%
5. With SEBAC 2009 change: Rule of 75 ***	8.25%	13,115	-6.5%	1,128	-6.2%
	6.11%	18,543	-5.9%	1,444	-5.6%
	5.10%	22,334	-5.6%	1,672	-5.3%
	4.50%	25,136	-5.4%	1,844	-5.0%

8.25% is fully funded scenario; 6.11% is Comptroller's proposal plus employee contributions scenario; 5.10% is unfunded plus employee contributions scenario; 4.50% is unfunded scenario.

* Based on estimated \$577 million total salaries for actives with less than 5 years of service. Does not reflect additional Accrued Liability and Normal Cost resulting from refund of employee contribution provision.

** Based on estimated \$1.238 billion total salaries for actives with less than 10 years of service. Reflects effect after this change has been fully phased-in, but does not reflect additional Accrued Liability and Normal Cost resulting from refund of employee contribution provision.

*** Assumes that Rule of 75 is applied to existing terminated vesteds and current actives who terminate with at least 10 years of service. These estimates are a proxy for the estimated long-term impact on the Accrued Liability and ARC.

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APPENDIX: SUMMARY OF SEBAC 2009 CHANGES RELATED TO OPEB

Prescription Co-pays

Implement Three-Tier Prescription Drug Formulary for employees who retire on or after July 1, 2009 (except such employees who retire under the 2009 Retirement Incentive).

Preferred Plan

Closed to new admissions, except for 2009 Retirement Incentive retirees who selected the Preferred Plan, and employees who are enrolled in the Preferred Plan immediately prior to retirement and who elect to remain in the Preferred Plan upon retirement.

Co-pays for Preventive Care

Effective July 1, 2009, certain preventive care visits have their co-pays decreased to \$5 per visit.

Retiree Health Care

Retiree insurance for employees who have less than ten years of actual state service as of July 1, 2009: Need seventy-five points (years of age plus years of service) to receive retiree health insurance. Eligibility for The Rule of 75 requires ten years of service and attainment of age fifty-five. However, employees who retire on or after July 1, 2009 and who directly transition from employment to retirement, and who begin receiving a Normal or Early Retirement Benefit are entitled to retiree health insurance. Also, any employee who is at least age fifty-two as of July 1, 2009 and directly transitions from employment to retirement, and who begins receiving a Normal or Early Retirement Benefit, shall be entitled to retiree health insurance in accordance with existing practice.

For this estimate, current and future terminated vested participants were assumed to retire at the same rates as active employees retiring directly from service, except 100% were assumed to retire at age 65. For SERS, the non-hazardous retirement rates were also assumed to apply to hazardous duty employees.

An employee who receives a work-related Disability Retirement Benefit shall be entitled to retiree health insurance, regardless of number of years of state service. Terminated vesteds are entitled to the same health insurance benefits as active employees receive at the time they begin to receive pension payments.

Employee Contributions

Effective July 1, 2009, all new health care eligible employees shall, during their first ten years of employment, contribute three percent of their salaries to a retiree health care fund. Effective July 1, 2010, all health care eligible employees with fewer than five years of service shall also make such contributions until they reach ten years of employment. Contributions are refundable to employees who leave state employment prior to completing ten years of service.