Alabama Retired Education Employees' Health Care Trust

(A Component Unit of the State of Alabama)

FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Public Education Employees'
Health Insurance Board of Control

Report on the Financial Statements

We have audited the accompanying financial statements of the Alabama Retired Education Employees' Health Care Trust (a component unit of the State of Alabama), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which comprise the Alabama Retired Education Employees' Health Care Trust's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Alabama Retired Education Employees' Health Care Trust, as of September 30, 2016, and the changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alabama Retired Education Employees' Health Care Trust's financial statements for the year ended September 30, 2015, from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and contributions made from the employers and other contributing entities be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on Alabama Retired Education Employees' Health Care Trust's basic financial statements. The claims development information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The claims development information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Carr, Riggs & Ingram, L.L.C.

Montgomery, Alabama
May 1, 2017

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2016

The Alabama Retired Education Employees' Health Care Trust (Trust) is a multiple-employer cost-sharing defined benefit postemployment healthcare plan. The Trust was established in 2007 to provide healthcare benefits to retirees of state and local educational institutions. The contributions and benefit payments related to retirees that are processed through the Public Education Employees' Health Insurance Fund (PEEHIF) are segregated from the PEEHIF and reported as part of the Trust.

The following discussion provides an overview of the financial position and results of operation for the Trust as of and for the fiscal year ended September 30, 2016. For more detailed information, please refer to the financial statements, including the Notes to the Financial Statements, the Required Supplementary Information, and the Supplementary Information.

Overview of the Financial Statements

The financial statements include the Statement of Plan Net Position and the Statement of Changes in Plan Net Position. The Notes to the Financial Statements are considered an integral part of the financial statements and should be read in conjunction with the financial statements. The financial statements are prepared under the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or expended. Investments are reported at fair value.

The Statement of Plan Net Position includes the assets and liabilities of the Trust and provides a snapshot of the Trust's financial position as of the end of the fiscal year. The Trust's assets primarily consist of investments and receivables. Liabilities are primarily made up of claims-related payables.

The Statement of Changes in Plan Net Position includes the additions and deductions of the Trust for the fiscal year. Additions primarily consist of employer contributions, employee contributions, investment income, and monies received as a result of participating in the Employer Group Waiver Plan (EGWP). Deductions are primarily made up of claims.

The Notes to the Financial Statements include a description of the Trust, a summary of significant accounting policies, a description of contract administrators and their respective fees, credit risk disclosures for cash and investments, concentration of investments disclosures, securities lending disclosures, funded status, actuarial valuation information, and disclosures related to unpaid claim liabilities.

The Required Supplementary Information following the Notes to the Financial Statements includes a Schedule of Funding Progress and a Schedule of Employer Contributions. The Schedule of Funding Progress provides trend data on the level of funding for the Trust. The Schedule of Employer Contributions provides trend data on the annual required employer contributions and the percentage contributed during the fiscal year.

The Supplementary Information following the Required Supplementary Information provides a claims development table illustrating historical trend information on how the Trust's earned revenues and interest income compare to the related costs of claims and other expenses assumed by the Trust as of the end of the fiscal year.

Comparative Financial Statements

Summary Comparative Statement of Plan Net Position
As of September 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015	Variance	% Increase/ (Decrease)
Assets				
Receivables	$ 96,957	$ 86,145	$ 10,812	12.55
Deposit with Claims-Paying Agent	2,491	11,116	(8,625)	(77.59)
Investments	1,182,948	1,097,545	85,403	7.78
Invested Securities Lending Collateral	83,253	78,299	4,954	6.33
Total Assets	1,365,649	1,273,105	92,544	7.27
Liabilities				
Payables	16,268	14,102	2,166	15.36
Claims Incurred but Not Reported	25,928	26,312	(384)	(1.46)
Securities Lending Collateral	83,253	78,299	4,954	6.33
Total Liabilities	125,449	118,713	6,736	5.67
Net Position Restricted for Other Postemployment Benefits	**$ 1,240,200**	**$ 1,154,392**	**$ 85,808**	**7.43**

Summary Comparative Statement of Changes in Plan Net Position
For the Fiscal Years Ended September 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015	Variance	% Increase/ (Decrease)
Additions				
Contributions	$ 486,431	$ 434,258	$ 52,173	12.01
Net Change in Fair Value of Investments	88,960	(25,372)	114,332	(450.62)
Interest and Dividend Income	29,742	28,736	1,006	3.50
Securities Lending Income, Net	615	647	(32)	(4.95)
Total Additions	605,748	438,269	167,479	38.21
Deductions				
Benefits	517,610	489,747	27,863	5.69
Fees and Assessments	712	1,268	(556)	(43.85)
Administrative Expenses	1,618	1,263	355	28.11
Total Deductions	519,940	492,278	27,307	5.55
Change in Net Position	85,808	(54,009)	140,172	(259.53)
Net Position Restricted for Other Postemployment Benefits				
Beginning of Year	1,154,392	1,208,401	(54,009)	(4.47)
End of Year	**$ 1,240,200**	**$ 1,154,392**	**$ 85,808**	**7.43**

Financial Highlights

- Investment sales receivable and investment purchases payable occur as a result of trade date accounting. The increased sales receivable for fiscal year 2016 was due to securities sold in the current fiscal year and settling the following fiscal year having greater value compared to prior fiscal year trade date accounting sales. The decreased purchase payable for fiscal year 2016 was due to securities purchased in the current fiscal year and settling the following fiscal year having lower value compared to the value of securities purchased using trade date accounting in the previous fiscal year.

- The Trust's annual rate of return on investments as calculated by State Street Bank and Trust Company, the Trust's investment custodian, was 10.79% for fiscal year 2016.

- The Trust's benefit expenses increased slightly during the fiscal year, primarily as a result of increases in the number of retirees participating in the healthcare plan.

- The Patient Protection and Affordable Care Act (ACA) levies certain fees and assessments upon group health insurance plans. During fiscal year 2016, the Trust was subject to the Transitional Reinsurance Fee and the Patient-Centered Outcomes Research Institute Fee. The expense for these items is included in Fees and Assessments in the Statement of Changes in Plan Net Position and the corresponding liability is included in Due to Other Governments in the Statement of Plan Net Position. Fees and Assessments decreased by 43.85% due to the Transitional Reinsurance Fee for 2016 being $27 per covered life compared to $44 per covered life in 2015.

- The Trust liquidated $32 million of investments in fiscal year 2016 to pay retirees' claims.

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Statement of Plan Net Position
September 30, 2016 with comparative amounts shown for 2015

(Amounts in Thousands)

	2016	2015
Assets		
Receivables		
Rebates - Prescription Drug Plan Manufacturer Rebates	**$ 13,763**	$ 14,479
Interest and Dividends	**4,337**	4,157
Investment Sales Receivable	**29**	3
Employer Group Waiver Plan (EGWP)	**78,828**	67,506
Total Receivables	**96,957**	86,145
Deposit with Claims-Paying Agent	**2,491**	11,116
Investments, at Fair Value (Note 7)		
Commercial Paper	**5,000**	22,997
Money Market Funds	**34,916**	17,456
U.S. Government Guaranteed Bonds	**118,648**	115,062
U.S. Agency Securities	**25,526**	29,064
Mortgage-backed Securities	**64,257**	60,716
Corporate Bonds	**182,005**	168,384
International Securities	**108,376**	105,250
Common Stocks	**640,079**	574,813
Preferred Stocks	**4,141**	3,803
Total Investments	**1,182,948**	1,097,545
Invested Securities Lending Collateral (Note 7)	**83,253**	78,299
Total Assets	**1,365,649**	1,273,105
Liabilities		
Reported Claims Payable	**14,916**	10,526
Investment Purchases Payable	**274**	1,982
Due to Other Governments	**1,078**	1,594
Claims Incurred but Not Reported	**25,928**	26,312
Securities Lending Collateral (Note 7)	**83,253**	78,299
Total Liabilities	**125,449**	118,713
Net Position Restricted for Other Postemployment Benefits	**$ 1,240,200**	$ 1,154,392

See accompanying Notes to the Financial Statements.

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Statement of Changes in Plan Net Position
For the Fiscal Year Ended September 30, 2016 with comparative amounts shown for 2015

(Amounts in Thousands)

	2016	2015
Additions		
Contributions		
Employee (Note 3)	**$ 119,840**	$ 106,776
Employer (Note 3)	**305,865**	271,634
Employer Group Waiver Plan (EGWP)	**60,726**	55,848
Total Contributions	**486,431**	434,258
Investment Income (Note 7)		
From Investing Activities		
Net Increase/(Decrease) in Fair Value of Investments	**88,960**	(25,372)
Interest and Dividends	**29,742**	28,736
Total Investment Income from Investing Activities	**118,702**	3,364
From Securities Lending Activities		
Securities Lending Income	**936**	883
Less Securities Lending Expenses:		
Borrower Rebates	**143**	15
Management Fees	**178**	221
Total Securities Lending Expenses	**321**	236
Income from Securities Lending Activities, Net	**615**	647
Total Investment Income	**119,317**	4,011
Total Additions	**605,748**	438,269
Deductions		
Benefits	**517,610**	489,747
Fees and Assessments	**712**	1,268
Administrative Expenses	**1,618**	1,263
Total Deductions	**519,940**	492,278
Change in Net Position	**85,808**	(54,009)
Net Position Restricted for Other Postemployment Benefits		
Beginning of Year	**1,154,392**	1,208,401
End of Year	**$ 1,240,200**	$ 1,154,392

See accompanying Notes to the Financial Statements.

1) Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Fund (PEEHIF). In order to comply with the reporting requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the contributions and benefit payments related to retirees that are processed through the PEEHIF are segregated from the PEEHIF and reported as part of the Trust. In accordance with the Governmental Accounting Standards Board (GASB), the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIF was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. At this time, only two universities have elected to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIF are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIF and, consequently, serves as the administrator of the Trust.

The assets of the Trust may not be used for any purpose other than to acquire permitted investments, pay administrative expenses, and provide postemployment healthcare benefits to or for retired employees and their dependents. The Alabama Legislature has no authority or power to appropriate the assets of the Trust. The Board periodically reviews the funds available in the PEEHIF and determines if excess funds are available. If excess funds are determined to be available in the PEEHIF, the Board authorizes a transfer of funds from the PEEHIF to the Trust.

As of September 30, 2016, there were 187 participating employers and 11 participating universities, and as of the latest actuarial valuation, there were 135,986 active members, 699 DROP members, 80,892 retired members, 24,245 spouses of retirees, and 1,864 survivors.

The Public Education Employees' Health Insurance Plan (PEEHIP) offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

1) Plan Description, Continued

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

2) Summary of Significant Accounting Policies

A. Basis of Accounting

The Trust's financial statements are prepared under the accrual basis of accounting using the economic resources measurement focus. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

B. Cash

Cash consists of deposits held by the State Treasurer in the Trust's name. Deposits are entirely insured by the Federal Deposit Insurance Corporation or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

C. Investments

The Board has elected to have the Trust's assets invested by the Investment Staff of the TRS under the direction of the Secretary-Treasurer of the TRS. The Board has the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other investment vehicles with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals or cost, when cost approximates fair value. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an independent appraisal is performed to determine the fair value of the private placements.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from these estimates.

E. Employer Group Waiver Plan (EGWP)

The PEEHIF received funds for its participation in the Employer Group Waiver Plan (EGWP) during fiscal year 2016. The funds received are a result of the PEEHIF continuing prescription drug coverage for Medicare eligible retirees and dependents. The EGWP payments not received by the end of the coverage period are recorded on the Statement of Plan Net Position as an Employer Group Waiver Plan (EGWP) receivable and are as follows:

Employer Group Waiver Plan (EGWP) Receivable
(Amounts in Thousands)

Coverage Gap Discount	$ 17,376
Federal Catastrophic Reinsurance Subsidy	57,762
Federal Low Income Cost Subsidy (LICS)	3,690
Total Employer Group Waiver Plan (EGWP) Receivable	**$ 78,828**

F. Fees and Assessments

The Patient Protection and Affordable Care Act (ACA) levies certain fees and assessments upon group health insurance plans. During fiscal year 2016, the Trust was subject to the Patient-Centered Outcomes Research Institute Fee (PCORI Fee) and the Transitional Reinsurance Program Fee (Reinsurance Fee). These fees are calculated based on the number of covered lives under the plan. The expense for these items is included in Fees and Assessments in the Statement of Changes in Plan Net Position. The total fees due but not yet paid by the Trust as of September 30, 2016, were recorded as Due to Other Governments in the Statement of Plan Net Position and amounted to $1,078,304.

G. Unpaid Claims Liabilities

Claims liabilities are established based on the actual cost of claims reported but not settled and estimates of claims that have been incurred but not reported. Actual claims costs ultimately incurred may vary from estimated claims liabilities should the nature and frequency of actual claims vary from historical claims experience on which the estimates are based. Adjustments to claims liabilities are charged to expense in the periods in which they are made.

Unpaid claims liabilities are material estimates that are particularly susceptible to changes in the near term. Management believes the liabilities established for unpaid claims at September 30, 2016, are adequate to cover the ultimate net cost of claims, but the liabilities are necessarily based on estimates and accordingly, the amount ultimately paid will be more or less than such estimates.

H. Comparative Statements

The basic financial statements include the prior fiscal year Statement of Plan Net Position and the Statement of Changes in Plan Net Position for comparative purposes only. Prior fiscal year note disclosures are not included. Therefore, the prior fiscal year basic financial statement presentation does not meet the minimum level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior fiscal year statements should be read in conjunction with the Trust's prior fiscal year financial report from which the prior fiscal year statements were derived.

I. New Accounting Pronouncements

GASB Statement No. 72, Fair Value Measurement and Application, became effective for financial statements for periods beginning after June 15, 2015, and was implemented by the Trust for the fiscal year ended September 30, 2016. The statement addresses accounting and reporting issues related to fair value measurements and requires disclosures be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

3) Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. The monthly employer rate for fiscal year 2016 was $780 per active participant. In accordance with the 2016 budget established by the Alabama Legislature, participating school systems paid the required monthly employer rate of $780 on behalf of each active employee. Approximately, 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016. Act 2003-473 requires universities that do not participate in the PEEHIP to pay the required monthly rate for each university retiree who participates in the plan. The required monthly employer rate for fiscal year 2016 was $399 per university retiree. In addition to the employer payments each month, retirees are required to pay certain premium amounts. The required monthly contribution rates for fiscal year 2016 are as follows:

Retired Member Rates
-Individual Coverage: Non-Medicare Eligible Retired Member – $151
-Family Coverage: Non-Medicare Eligible Retired Member without Spouse & Non-Medicare Eligible Dependents(s) – $391
-Family Coverage: Non-Medicare Eligible Retired Member with Spouse & Non-Medicare Eligible Dependents(s) – $416
-Family Coverage: Non-Medicare Eligible Retired Member without Spouse & Medicare Eligible Dependent(s) – $250
-Family Coverage: Non-Medicare Eligible Retired Member with Spouse & Medicare Eligible Dependent(s) – $260
-Individual Coverage: Medicare Eligible Retired Member – $10
-Family Coverage: Medicare Eligible Retired Member without Spouse & Non-Medicare Eligible Dependents(s) – $250
-Family Coverage: Medicare Eligible Retired Member with Spouse & Non-Medicare Eligible Dependents(s) – $275
-Family Coverage: Medicare Eligible Retired Member without Spouse & Medicare Eligible Dependent(s) – $109
-Family Coverage: Medicare Eligible Retired Member with Spouse & Medicare Eligible Dependent(s) – $119
-Tobacco surcharge - $50 per month
-PEEHIP Supplemental Plan - $0

3) Contributions, Continued

-Optional Plans (Hospital Indemnity, Cancer, Dental, Vision) – up to two optional plans can be taken by retirees at no cost if the retiree is not also taking one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of $38 or $50 for family dental.
-Members who retired on or after October 1, 2005, and before January 1, 2012, pay 2% of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by 2%.
-Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012, are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premiums no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five-year period.

Surviving Spouse Rates
-Non-Medicare Eligible Surviving Spouse – $740
-Non-Medicare Eligible Surviving Spouse & Non-Medicare Eligible Dependent(s) – $987
-Non-Medicare Eligible Surviving Spouse & Medicare Eligible Dependent(s) – $1,033
-Medicare Eligible Surviving Spouse – $425
-Medicare Eligible Surviving Spouse & Non-Medicare Eligible Dependent(s) – $679
-Medicare Eligible Surviving Spouse & Medicare Eligible Dependent(s) – $725

The rates above do not reflect any discounts, waivers, or retiree sliding scale adjustments.

4) Funding Status and Funding Progress

As of the most recent actuarial valuation, the funded status of the plan was as follows:

FUNDED STATUS
(Amounts 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)
9/30/2015	$ 1,154,392	$ 7,462,934	$ 6,308,542	15.5%	$ 6,350,786	99.3%

§ Entry Age Normal

The required schedule of funding progress immediately following the Notes to the Financial Statements presents multi-year trend information related to the changes in the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits.

5) Actuarial Method and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Therefore, the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The valuation does not anticipate future changes in the pattern of sharing of costs between employers and plan members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. Information related to the most recent actuarial valuation, including the actuarial method and assumptions is as follows:

Valuation Date	9/30/2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	26 years, closed
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Investment Rate of Return*	5.00%
Medical Cost Trend Rate*	
Pre-Medicare	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate*	
Pre-Medicare	5.00% in 2021
Medicare Eligible	5.00% in 2018
Optional Plans Trend Rate	2.00%

* Includes inflation at 3.00%

6) Contract Administrators

Blue Cross and Blue Shield of Alabama (BCBS), under contract with the Board, administered medical claims incurred in accordance with the plan. The BCBS administrative fee was $11.50 per month per contract.

MedImpact, under contract with the Board, administered claims under the prescription drug plan. The MedImpact administrative fee was $0.75 per prescription.

Southland Benefit Solutions, LLC (Southland) under contract with the Board, administered claims under the optional plans. The processing fees per month per contract were $0.78 for Group Hospital Indemnity, $0.63 for Group Cancer, $1.12 for Group Vision, and $1.45 for Group Dental.

7) Investments

A. Investment Risks

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, and foreign currency risk. The following describes those risks and the Trust's policies regarding those risks:

Interest Rate Risk – The fair value of fixed-maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in the fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

Custodial Credit Risk – Custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The Trust's custodial credit risk policy requires the custodial agent to hold or direct its agents or sub custodians to hold, for the account of the Trust, all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The Trust's safekeeping agent holds all investments of the Trust in the Trust's name with the exception of securities purchased with securities lending cash collateral.

Credit Quality – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. Domestic fixed-maturity investments may consist of rated or non-rated securities. The Trust may hedge against the possible adverse effects of currency fluctuations on its portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In order for an international security to be eligible for purchase by the Trust, the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed above, and the fair value of the aggregate outstanding equity of the issuing company must be at least $100 million.

Concentration of Credit Risk – The investment policies limit the aggregate amount that can be invested in each class of investments. The policy limits are as follows:

- Domestic Fixed Income – Limited to 50% of the fair value of the Trust's aggregate portfolio.
- International Fixed Income – Limited to 10% of the fair value of the Trust's total portfolio.
- Domestic Equity – Limited to 65% of the fair value of the Trust's aggregate portfolio.
- International Equity – Limited to 25% of the aggregate fair value of the Trust's total portfolio. The Trust may not purchase or hold more than 5% of any class of the outstanding stock of a company.
- Real Estate – Limited to 15% of the book value of the Trust's portfolio.
- Alternative Investments (mezzanine financing, LBO's, venture capital, limited partnerships, futures, commodities, and derivative investments) - Limited to 5% of the book value of the Trust's aggregate portfolio.
- Short-term Investments – Limited to 20% of the fair value of the Trust's aggregate portfolio.

A. Investment Risks, Continued

The following table provides information concerning the fair value and interest rate risk of the Trust's investments as of September 30, 2016.

INVESTMENTS
(Amounts in Thousands)

	Maturity in Years at Fair Value					
Type of Investment	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Total Fair Value**	**Cost**
Fixed Maturity						
Money Market Funds	$ 34,916	$ -	$ -	$ -	$ 34,916	$ 34,916
Commercial Paper	5,000	-	-	-	5,000	5,000
U.S. Agency	6,388	9,636	9,502	-	25,526	25,074
U.S. Government Guaranteed	10,392	48,771	42,820	16,665	118,648	114,310
Corporate Bonds	51,964	46,504	47,375	36,162	182,005	174,651
GNMAs	-	-	-	3,802	3,802	3,765
Collateralized Mortgage Obligations	-	1,364	985	58,106	60,455	59,241
Total Fixed Maturity	$ 108,660	$ 106,275	$ 100,682	$ 114,735	430,352	416,957
Equities						
Preferred					4,141	3,476
Domestic					640,079	413,759
International						
United Kingdom - Pound Sterling					20,630	23,087
Japan - Yen					26,507	23,646
France - Euro					10,267	11,380
Germany - Euro					9,663	9,461
Switzerland - Franc					10,461	7,940
Netherlands - Euro					3,379	3,099
Italy - Euro					1,981	3,605
Ireland - Euro					472	337
Spain - Euro					2,860	4,948
Australia - Dollar					7,701	7,949
Singapore - Dollar					1,406	1,509
Belgium - Euro					1,669	1,135
Finland - Euro					1,062	1,643
Hong Kong - Dollar					3,858	2,938
Sweden - Krona					3,129	2,454
Denmark - Krone					1,619	898
Israel - Shekel					652	679
Norway - Krone					683	880
Austria - Euro					261	343
New Zealand - Dollar					116	87
Total International Equities					108,376	108,018
Total Equities					752,596	525,253
Total Investments					**$ 1,182,948**	**$ 942,210**

A. Investment Risks, Continued

The following table provides information concerning the credit risk of the Trust's investments as of September 30, 2016.

RATINGS OF FIXED MATURITIES

(Amounts in Thousands)

Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
Aaa [1]	$ 198,935	$ 205,087	47.66
Aa1	8,330	8,590	2.00
Aa2	751	888	0.21
Aa3	2,161	2,399	0.56
P-2	5,000	5,000	1.16
A1	13,458	14,138	3.29
A2	6,847	6,698	1.56
A3	20,978	22,285	5.18
Baa1	33,137	35,151	8.17
Baa2	20,208	20,956	4.87
Baa3	19,166	19,685	4.57
Ba1	8,429	8,779	2.04
Ba2	4,055	4,191	0.97
B1	3,090	2,951	0.69
B2	1,010	830	0.19
B3	485	515	0.12
Not Rated [2]	70,917	72,209	16.76
Total Fixed Maturity	**$ 416,957**	**$ 430,352**	**100.00**

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 2,466	$ 2,617	0.61
AA+ [1]	198,344	204,484	47.52
AA	751	888	0.21
AA-	13,738	14,702	3.42
A-2	5,000	5,000	1.16
A+	2,094	2,349	0.55
A	14,077	14,247	3.31
A-	16,402	17,323	4.03
BBB+	32,082	33,904	7.88
BBB	32,111	33,192	7.71
BBB-	17,069	17,598	4.09
BB+	936	1,021	0.24
BB	1,249	1,253	0.29
BB-	3,564	3,301	0.77
B-	485	515	0.12
Not Rated [2]	76,589	77,958	18.09
Total Fixed Maturity	**$ 416,957**	**$ 430,352**	**100.00**

[1] Includes securities guaranteed by the U.S. Gov't

[2] Primarily consists of private placements

B. Fair Value Measurement

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes the inputs to valuation used to measure the fair value of the asset, giving the highest priority to quoted prices in an active market for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities.

Level 2: Significant other inputs which are observable either directly or indirectly, including quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in a less active market, or other market-corroborated inputs.

Level 3: Valuations derived from valuation techniques using significant unobservable inputs for the asset or liabilities.

The categorization of investments within the hierarchy is based upon pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments in equity securities classified as Level 1 are valued using quoted prices in an active market for those securities.

Investments in securities classified as Level 2 are valued using non-proprietary information that is readily available to market participants from multiple independent sources, which are known to be actively involved in the market. Pricing inputs may include market quotation, yields, maturities, call features, and ratings.

Investments in private equity, debt, and direct investments in real estate are classified as Level 3 due to lack of observable pricing inputs and are valued using annual appraisals based on a combination of market data and projected cash flows.

The following table provides information as of September 30, 2016, concerning fair value measurement:

		Fair Value Measurements Using		
	9/30/2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Fixed Maturity				
Money Market Funds	$ 34,916	$ -	$ 34,916	$ -
Commercial Paper	5,000	-	5,000	-
U.S. Agency	25,526	-	25,526	-
U.S. Government Guaranteed	118,648	-	118,648	-
Corporate Bonds	182,005	35,764	146,241	-
GNMAs	3,802	-	3,802	-
CMOs	60,455	-	60,455	-
Total Domestic Fixed Maturity	430,352	35,764	394,588	-
Equities				
Preferred	4,141	4,141	-	-
Domestic	640,079	618,120	21,959	-
International	108,376	108,376	-	-
Total Equities	752,596	730,637	21,959	-
Total Investments	**1,182,948**	**766,401**	**416,547**	**-**
Securities Lending Collateral	83,253	-	83,253	-
Total Fair Value	**$ 1,266,201**	**$ 766,401**	**$ 499,800**	**$ -**

C. Concentration of Investments

As of September 30, 2016, the Trust had no securities that constituted more than 5% of the total fair value of investments.

D. Securities Lending Program

The Trust is authorized to participate in a securities lending program. The Trust's custodian, State Street Bank and Trust Company (State Street), administers the program. Certain securities from the Trust are loaned to borrowers approved by the Trust for collateral that will be returned for the same security in the future. Approved borrowers provide acceptable collateral in the form of cash (U.S. dollar and foreign currency), U.S. and non U.S. equities, assets permissible under Rule 15c3-3 under the Exchange Act of 1934, and other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the Trust or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of 102% or 105% of the fair value of the loaned securities, or such other value, not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of business, employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The Trust cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Global Securities Lending Trust (GSLT). The collateral fund is separated into two pools, a liquidity pool and a duration pool. The split allows greater flexibility in managing the available liquidity of the investment in the fund and the outstanding balance of securities on loan.

The following describes the GSLT's guidelines for the liquidity pool: The GSLT's Investment Manager shall maintain the dollar-weighted average maturity of GSLT in a manner that the Investment Manager believes is appropriate to the objective of the GSLT, provided that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e. the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the GSLT not to exceed 75 calendar days, and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of GSLT not to exceed 180 calendar days. Additionally, at the time of purchase, all eligible securities with maturities of 13 months or less shall be rated at least A1, P1, or F1 by at least two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or be determined by the Investment Manager to be of comparable quality. Additionally, all eligible securities with maturities in excess of 13 months shall be rated at least A-, A3, or A- by at least two of the following nationally recognized statistical rating organizations: S & P, Moody's, or Fitch, or be determined by the Investment Manager to be of comparable quality. The GSLT may invest up to 10% of its assets at the time of purchase in commingled vehicles managed by the Trustee or its affiliates that conform to the Investment Policy Guidelines.

The following describes the GSLT's guidelines for the duration pool: The GSLT duration pool includes all GSLT asset-backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each GSLT investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The GSLT duration pool will not make additional investments.

As of September 30, 2016, the average loan term was 19 days. Cash collateral investments in the GSLT are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

D. Securities Lending Program, Continued

The fair value of the securities on loan was $266,058 and the fair value of the collateral pledged by the borrowers was $280,673, as of September 30, 2016 (dollar amounts in thousands). Since the amounts owed by the Trust exceeded the amounts the borrowers owed to the Trust, there was no credit risk exposure as of September 30, 2016. Additionally, there were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the fiscal year.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the Trust. Securities pledged as collateral are held by the custodial agent, but not in the name of the Trust. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. Tri Party Collateral is held by a third party bank in the name of the custodial agent. State Street, as custodial agent, is authorized to request a third party bank to undertake certain custodial functions in connection with holding of the collateral provided by a borrower.

The following table provides information as of September 30, 2016, concerning securities lent:

SECURITIES LENDING - INVESTMENTS LENT AND COLLATERAL RECEIVED
(at Fair Value in Thousands)

Type of Investment Lent	Amounts
For Cash Collateral	
Domestic Fixed Maturities	$ 4,905
Domestic Equity	69,617
International Equity	7,108
Total Lent for Cash Collateral	81,630
For Non-cash Collateral	
Domestic Fixed Maturities	89,470
Domestic Equity	85,902
International Equity	9,056
Total Lent for Non-cash Collateral	184,428
Total Securities Lent	**$ 266,058**

Type of Collateral Received	
Cash Collateral - Invested in State Street Global Securities Lending Trust	$ 83,253
Non-cash Collateral	
Domestic Fixed Securities	
Canadian Dollar	3,630
U.S. Dollar	50,063
Domestic Equity Securities	
EURO	5
U.S. Dollar	93,297
International Fixed Maturities & Equity	
EURO	1,459
GBP	997
U.S. Dollar	47,969
Total Non-cash Collateral	197,420
Total Collateral Received	**$ 280,673**

8) Unpaid Claims Liabilities

As discussed in Note 1, the Trust establishes a liability for both reported and unreported insured claims. This liability includes provisions for the future payment of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Trust during fiscal year 2016.

UNPAID CLAIMS LIABILITIES
(Amounts in Thousands)

Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$ 36,838
Incurred Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Year	521,119
Increase in Provision for Insured Events for Prior Years	(3,509)
Total Incurred Claims and Claim Adjustment Expenses	517,610
Payments:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	480,275
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	33,329
Total Payments	513,604
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	$ 40,844

9) Future Accounting Pronouncements

GASB issued Statement No. 85, *Omnibus 2017,* in March 2017 and is effective for reporting periods beginning after June 15, 2017. GASB Statement No. 85 addresses a variety of issues including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits) identified during implementation and application of certain GASB Statements.

The Trust will be subject to the provisions of GASB Statement No. 85 beginning with the fiscal year ending September 30, 2018.

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Required Supplementary Information
For the Fiscal Year Ended September 30, 2016

SCHEDULE OF FUNDING PROGRESS
(Amounts 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)
9/30/2006	$ -	$ 12,532,330	$ 12,532,330	-	$ 5,458,443	229.6%
9/30/2007 *	400,783	12,965,398	12,564,615	3.1%	5,897,772	213.0%
9/30/2008	579,813	13,224,411	12,644,598	4.4%	6,294,341	200.9%
9/30/2009	670,004	11,915,692	11,245,688	5.6%	6,236,922	180.3%
9/30/2010	750,384	11,584,965	10,834,581	6.5%	6,183,204	175.2%
9/30/2011	777,933	9,081,335	8,303,402	8.6%	6,159,562	134.8%
9/30/2012	930,278	8,957,154	8,026,876	10.4%	6,222,316	129.0%
9/30/2013	1,074,940	8,993,967	7,919,027	12.0%	6,263,364	126.4%
9/30/2014	1,208,401	9,523,792	8,315,391	12.7%	6,335,161	131.3%
9/30/2015	1,154,392	7,462,934	6,308,542	15.5%	6,350,786	99.3%

* Restated assets as of 9/30/2007 are $410,071,000

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES
(Amounts in Thousands)

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2016	$ 669,569	45.7
2015	678,314	40.1
2014	689,427	48.5
2013	814,622	42.0
2012	864,503	38.6
2011	1,006,034	29.9
2010	970,330	37.0
2009	962,762	33.9
2008	1,086,442	46.3

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Supplementary Information
For the Fiscal Year Ended September 30, 2016

Claims Development Information
(Amounts in Thousands)

The table below illustrates the historical trend information designed to provide information on how the Trust's earned revenues and interest income compare to the related claims costs and other expenses assumed by the Trust as of the end of the fiscal year. (1) This line shows the total earned contribution and investment revenues for each fiscal year. (2) This line shows the other operating costs of the Trust including overhead and claims expenses not allocable to individual claims for each fiscal year. (3) This line shows the Trust's incurred claims and allocated claims adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This line shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This line shows how the incurred claims for each policy year increased or decreased as of the end of successive years. The annual re-estimated amount results from new information received on known claims, the re-evaluation of existing information on known claims as well as the emergence of previously unknown claims. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether it is greater or less than originally thought. As data for each policy year matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of estimated incurred claims currently recognized.

	Fiscal & Policy Year Ended									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
1) Net Earned Required Contribution										
& Investment Revenue	605,748	438,269	582,660	552,541	557,225	399,790	486,599	445,826	506,402	729,253
2) Unallocated Expenses	1,618	1,263	-	-	-	-	-	-	-	-
3) Estimated Incurred Claims & Expense,										
End of Policy Year	521,119	489,299	446,550	408,943	405,257	371,964	405,082	358,293	335,601	328,470
4) Paid (Cumulative) As Of:										
End of Policy Year	480,275	452,461	411,745	378,341	370,538	337,554	369,699	325,011	302,514	301,214
One Year Later		485,790	446,998	409,705	404,193	371,587	405,359	359,430	332,943	329,529
5) Reestimated Incurred Claims										
& Expense:										
End of Policy Year	521,119	489,299	446,550	408,943	405,257	371,964	405,082	358,293	335,601	328,470
One Year Later		485,790	446,998	409,705	404,193	371,587	405,359	359,430	332,943	329,529
6) Increase/(Decrease) in Estimated										
Incurred Claims & Expenses:										
End of Policy Year		(3,509)	448	762	(1,064)	(377)	277	1,137	(2,658)	1,059