

Alabama Public Education Employees' Health Insurance Plan



Retiree Health Care Valuation Report

**Prepared as of
September 30, 2024**



May 13, 2025

Alabama Public Education Employees' Health Insurance Plan
Board of Control
P.O. Box 302150
Montgomery, AL 36130-2150

Dear Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Public Education Employees' Health Insurance Plan (PEEHIP), prepared as of September 30, 2024. The purpose of this report is to provide a summary of the funded status of the Plan as of September 30, 2024 and to recommend rates of contribution.

The findings in this report are based on data and other information through September 30, 2024. The valuation was based upon information furnished by RSA Staff, concerning RSA benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency but did not audit the data. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. The complete cooperation of the RSA staff in furnishing materials requested is hereby acknowledged with appreciation.

The valuation reflects the 2% salary increase granted to state employees effective October 1, 2024 in accordance with Act 2024-284.

On the basis of the valuation, we have determined an actuarially determined contribution of \$862,260,902 or 9.96% of active payroll payable for the fiscal year ending September 30, 2027. This amount has increased from the prior valuation primarily due to increases in the Medicare Advantage rates due to Medicare Part D plan design changes mandated by the Inflation Reduction Act (IRA).

The promised medical and drug benefits of the Plan, as well as the Optional Plans, are included in the actuarially determined contribution rates, which are developed using the entry age normal actuarial cost method. The discount rate used to value a plan is based on the likely return of the assets held in trust to pay benefits. The Alabama Retired Education Employees' Health Care Trust had \$2,357,479,000 in assets as of the valuation date. The discount rate used in the valuation remains 5.00%. Gains and losses are reflected in the unfunded accrued liability that is assumed amortized by regular annual contributions as a level percentage of payroll within a 17-year closed period, on the assumption that payroll will increase by 2.75% annually. The assumptions recommended by the actuary are reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.



In this report, we provided the following information and supporting schedules in the Actuarial and Statistical Sections of the Annual Comprehensive Financial Report:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Analysis of Actuarial Gains and Losses

The necessary GASB Statement Nos. 74 and 75 disclosure information is provided in separate supplemental reports.

This is to certify that the independent consulting actuaries 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. We certify that we have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the medical plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

Future actuarial results may differ significantly from the current results 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. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the changes to Medicare due to the IRA, which are included in our baseline Medicare costs and trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.



The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

The actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan and are appropriate for the determination of the employer contribution rates herein. The results contained herein are not appropriate for the settlement of liabilities. Use of these computations for purposes other than meeting these requirements may not be appropriate.

If the required contributions to the Trust Fund are made by the employer from year to year in the future at the levels required on the basis of the successive actuarial valuations, the current assets and future anticipated contributions are in our opinion sufficient to meet all the benefit obligations of the Plan for current active and retired members.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Alisa Bennett, FSA, EA, MAAA, FCA
President

Jessica Fain, EA, ACA, MAAA
Associate Actuary

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SECTION I – SUMMARY OF PRINCIPAL RESULTS



- For convenience of reference, the principal results of the valuation are summarized below, along with the previous year's results. Details regarding the split of the current liability between pre-65 and post-65 costs are provided on the page that follows.

ALABAMA PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN (PEEHIP) REPORT OF ACTUARY ON THE RETIREE HEALTH CARE VALUATION PREPARED AS OF SEPTEMBER 30, 2024		
Valuation Date	September 30, 2024	September 30, 2023
Membership Data as of Valuation Date:		
Retired Members Currently Receiving Benefits*	100,192	97,905
Surviving Spouses Currently Receiving Benefits	2,761	2,557
Inactive Members Entitled to Benefits Not Yet Receiving**	6,986	7,223
Active Members	137,358	135,931
Total Membership	247,297	243,616
Covered-Employee Payroll***	\$ 8,655,746,299	\$ 8,242,409,128
Assets:		
Market Value	\$ 2,357,479,000	\$ 1,877,790,000
Actuarial Accrued Liability	\$ 9,995,709,733	\$ 4,829,279,800
Unfunded Actuarial Accrued Liability	\$ 7,638,230,733	\$ 2,951,489,800
Funded Ratio	23.6%	38.9%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Period	17 Years	18 Years
Contribution for Fiscal Year Ending:	September 30, 2027	September 30, 2026
Actuarially Determined Contribution (ADC):		
Normal	\$ 330,934,975	\$ 177,155,662
Accrued Liability	531,325,927	195,881,402
Total	\$ 862,260,902	\$ 373,037,064
ADC as a % of Covered-Employee Payroll	9.96%	4.53%
Discount Rate	5.00%	5.00%
Payroll Growth	2.75%	2.75%

* There were initially 100,335 retired members eligible for benefits. However, 143 were excluded from the headcounts above as they are currently being valued as, and are reflected in the headcounts of, an Active PEEHIP employee. These headcounts do include 16,837 members who are currently waiving coverage. Of those, 6,123 are under the age of 65 and are valued to potentially elect coverage upon reaching Medicare eligibility.

** There were initially 7,081 deferred vested members eligible for benefits. However, 95 were excluded from the headcounts above as they are currently being valued as a spouse or surviving spouse of a PEEHIP eligible retiree.

*** The valuation reflects the 2% salary increase granted to state employees effective October 1, 2023 and October 1, 2024.



SECTION I – SUMMARY OF PRINCIPAL RESULTS



Valuation Date	September 30, 2024
Pre-65 Actuarial Accrued Liability	
Active Members	\$ 2,417,472,816
Deferred Vested Members	28,534,083
Retired Members and Surviving Spouses	685,614,626
Total	<u>\$ 3,131,621,525</u>
Post-65 Actuarial Accrued Liability	
Active Members	\$ 3,333,439,366
Deferred Vested Members	30,522,729
Retired Members and Surviving Spouses	3,500,126,113
Total	<u>\$ 6,864,088,208</u>
Total Actuarial Accrued Liability	
Active Members	\$ 5,750,912,182
Deferred Vested Members	59,056,812
Retired Members and Surviving Spouses	4,185,740,739
Total	<u>\$ 9,995,709,733</u>

- The valuation indicates contributions of \$862,260,902 or 9.96% of active payroll are sufficient to support the current benefits of the Plan. Comments on the valuation results as of September 30, 2024 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
- As of September 30, 2024, the assets of the Plan in the Alabama Retired Education Employees' Health Care Trust total \$2,357,479,000. The discount rate used in the valuation remains 5.00%. The assumed rate of payroll growth is 2.75%.
- Schedule A provides an example of the decrease in the liabilities that could be accomplished if the Plan is fully pre-funded. Results at a 7.00% discount rate are shown for illustrative purposes.
- Schedule E details the actuarial assumptions and methods employed. Schedule F provides a summary of the benefit and contribution provisions of the plan.
- Claims were updated to reflect the most recent claims information available for pre-65 retirees. Claims for post-65 medical and prescription drug benefits are based on the Medicare Advantage Plan with Prescription Drugs (MAPD). Future healthcare trend for the MAPD plan took into consideration actual negotiated premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period. See Schedule E of the report.



SECTION II – MEMBERSHIP DATA



Data regarding the membership and recent claims and enrollment experience of the Plan for use as a basis of the valuation were furnished by the Retirement System office. Pension data was used for active participants with a post-employment health plan participation assumption applied. Data for current retired members with their medical, dental, cancer, indemnity and vision elections were supplied separately from the pension data.

Covered-Employee Payroll			
	Total	Not Eligible for PEEHIP	Eligible for PEEHIP
Active Members	139,806	(2,448)	137,358
Compensation 9/30/2024	\$ 8,840,497,519	\$ (184,751,220)	\$ 8,655,746,299

Member Type	Total Number TRS	Number Not Eligible for or Waiving PEEHIP	Total Number PEEHIP
Retired Members or Surviving Spouses Currently Receiving Benefits	109,312	(6,359)	102,953
Inactive Members Entitled To But Not Yet Receiving Benefits	7,252	(266)	6,986
Non-vested Inactive Members Who Have Not Contributed to TRS For More Than 5 Years	36,195	(36,195)	0
Active Members	139,806	(2,448)	137,358
Total	292,565	(45,268)	247,297

Inactive Membership	Male	Female	Total
Retired Members Currently Receiving Benefits	24,430	75,762	100,192
Surviving Spouses Currently Receiving Benefits	1,233	1,528	2,761
Total	25,663	77,290	102,953



SECTION II – MEMBERSHIP DATA



Retirees, Spouses and Survivors				
Category	Retirees	Spouses ¹	Survivors	Total
No Coverage	16,837	0	0	16,837
Optional Plan Only	14,065	7,527	529	22,121
Supplemental Coverage	1,315	603	5	1,923
Medical Plan, Non-Medicare	9,705	4,882	83	14,670
Medical Plan, Medicare Advantage	58,270	19,290	2,144	79,704
Total	100,192	32,302	2,761	135,255

¹ In addition, 990 retirees elected medical family coverage but have non-spousal dependents or have a spouse working in an active PEEHIP eligible position. Approximately 4,259 retirees have single or non-spousal dependent coverage on a medical plan but do not have spousal coverage on one or more optional plans. These 4,259 spouses are not reflected in the Total Spouses count above.



SECTION III – ASSETS



Schedule B shows information regarding assets for valuation purposes. As of September 30, 2024, plan assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the plan totaled \$2,357,479,000. This valuation was based on an assumed discount rate of 5.00%. Schedule A provides an example of the decrease in the liabilities that could be accomplished if the Plan is fully pre-funded. Results at a 7.00% discount rate are shown for illustrative purposes.



SECTION IV – COMMENTS ON VALUATION



1. Schedule A of this report outlines the results of the actuarial valuation. The results are shown based on a discount rate of 5.00% and at 7.00%. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule E. The Summary of Benefit Provisions Valued is presented in Schedule F.
2. The valuation shows that the Plan has an actuarial accrued liability of \$5,750,912,182 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to retirees, covered spouses and survivors amounts to \$4,185,740,739. The liability on account of benefits payable to deferred vested members amounts to \$59,056,812. The total actuarial accrued liability of the Plan amounts to \$9,995,709,733. Against these liabilities, the Plan has present assets for valuation purposes of \$2,357,479,000. Therefore, the unfunded actuarial accrued liability is equal to \$7,638,230,733.
3. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution is determined to be \$330,934,975.



SECTION V – CONTRIBUTIONS PAYABLE UNDER THE PLAN



ACTUARIALLY DETERMINED CONTRIBUTION FOR FISCAL YEAR ENDING SEPTEMBER 30, 2027		
Normal	\$	330,934,975
Accrued Liability		531,325,927
Total	\$	862,260,902

1. The valuation indicates that a normal contribution of \$330,934,975 is required to meet the cost of benefits currently accruing.
2. The unfunded actuarial accrued liability amounts to \$7,638,230,733 as of the valuation date. An accrued liability contribution of \$531,325,927 is sufficient to amortize the unfunded actuarial accrued liability over a 17-year period, based on a 5.00% investment rate of return and the assumption that the payroll will increase by 2.75% annually.
3. The total actuarially determined contribution is, therefore, \$862,260,902 or 9.96% of total compensation.



SECTION VI – COMMENTS ON LEVEL OF FUNDING



1. The monthly contribution for retirees to opt into the medical plan is based on plan election, dependent coverage, Medicare eligibility and election, tobacco use, and wellness credits. Plan costs are determined for valuation purposes considering claims costs net of member premiums paid. For members retiring October 1, 2005 or after, a Retiree Sliding Scale premium based on years of service is applicable. For members retiring on or after January 1, 2012, Act 2011-704 establishes changes to the sliding scale premium calculation.
2. The valuation indicates that an increase in the recommended employer contribution rate from last valuation's recommended rate of 4.53% of compensation to 9.96% is required to fund the plan. This corresponds to a state contribution of \$862,260,902 required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a period of 17 years. The increase on a percent of payroll basis was primarily due to the Medicare Advantage rate being higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act. The increase was partially offset by investment performance and demographic changes over the one-year period.



SECTION VII – ACCOUNTING INFORMATION



The information required under Governmental Accounting Standards Board (GASB) Statements Nos. 74 and 75 will be issued in separate reports. The following information is provided for informational purposes only.

Valuation Date	9/30/2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	17 years, closed
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Medical Cost Trend Rate*	
Pre-Medicare	6.50%
Medicare Eligible	**
Ultimate Trend Rate*	
Pre-Medicare	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2028 FYE
Optional Plans Trend Rate	2.00%
Retiree Share of Premium Costs	
Pre-Medicare	2.00%
Medicare Eligible	1.00%

* Includes price inflation at 2.50%

** Initial Medicare claims are set based on known rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period

The assumed investment rate of return used to calculate the actuarially determined contribution reflects the fact that as of September 30, 2024 the Plan has \$2,357,479,000 in the Alabama Retired Education Employees' Health Care Trust solely to provide benefits to retirees and their beneficiaries. If the Plan starts fully pre-funding benefits, this discount rate may be increased to reflect equity investment the fund may have after full pre-funding begins. GASB Statements Nos. 74 and 75 require the discount rate used to calculate liabilities to be based upon the yield of 20-year, tax-exempt municipal bonds and the expected rate of return on plan assets, to the extent plan assets are projected to be available for the payment of future benefits.



SECTION VII – ACCOUNTING INFORMATION



SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Market 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)
9/30/2014	\$ 1,208,401,000	\$ 9,523,791,853	\$ 8,315,390,853	12.7%	\$ 6,335,160,505	131.3%
9/30/2015	1,154,392,000	7,462,933,874	6,308,541,874	15.5	6,350,785,964	99.3
9/30/2016	1,240,200,000	7,919,752,285	6,679,552,285	15.7	6,430,999,445	103.9
9/30/2017	1,348,563,000	8,481,843,503	7,133,280,503	15.9	6,698,834,819	106.5
9/30/2018	1,428,803,000	8,666,971,500	7,238,168,500	16.5	6,756,474,151	107.1
9/30/2019	1,477,077,000	5,758,609,221	4,281,532,221	25.6	7,053,038,122	60.7
9/30/2020	1,601,750,000	6,016,481,756	4,414,731,756	26.6	6,872,307,791	64.2
9/30/2021	1,922,098,000	4,135,731,022	2,213,633,022	46.5	7,075,083,864	31.3
9/30/2022	1,633,721,000	4,540,864,358	2,907,143,358	36.0	7,822,618,316	37.2
9/30/2023	1,877,790,000	4,829,279,800	2,951,489,800	38.9	8,242,409,128	35.8
9/30/2024	2,357,479,000	9,995,709,733	7,638,230,733	23.6	8,655,746,299	88.2

These measures do not indicate whether or not the Plan would have sufficient assets if it were terminated, nor do they indicate what level of future contributions will be required.

The 9/30/2015 actuarial accrued liability reflects a change from the Employer Group Waiver Plan (EGWP) to a Medicare Advantage Plan with Prescription Drugs (MAPD). The actuarial accrued liability was determined using the projected unit credit cost method prior to the 9/30/2015 valuation and the entry age normal cost method beginning with the 9/30/2015 valuation.

The 9/30/2016 valuation reflects the updated assumptions from the TRS experience investigation.

The 9/30/2019 valuation reflects the repeal of the ACA Health Insurer Fee, updated pre-Medicare trend rates, and updated participation assumptions. RSA implemented a new pension administration system for contribution reporting within this year, which resulted in larger than expected payroll amounts. This will not occur in subsequent years.

The 9/30/2021 valuation reflects the updated assumptions from the TRS experience investigation.

The 9/30/2022 valuation reflects the impact of Act 2022-222, updated plan participation, and updated tobacco usage assumptions.

The 9/30/2023 valuation reflects the impact of changes in aging factors.

The 9/30/2024 valuation reflects the impact of the application of the prescription drug plan design changes required by the Inflation Reduction Act, which resulted in an increase in the Medicare Advantage rate.



SCHEDULE A – RESULTS OF THE VALUATION



RESULTS OF THE VALUATION AND THE BENEFITS OF ADVANCE FUNDING PREPARED AS OF SEPTEMBER 30, 2024		
	5.00% Discount Rate (Current Funding Level)	7.00% Discount Rate (Contribute Full ADC Annually)
1. Covered-Employee Payroll	\$ 8,655,746,299	\$ 8,655,746,299
2. Actuarial Accrued Liability		
Present Value of Prospective Benefits		
Payable in Respect of:		
(a) Active Members	\$ 5,750,912,182	\$ 4,093,012,504
(b) Deferred Vested Members	59,056,812	41,141,002
(c) Retired Members and Surviving Spouses	4,185,740,739	3,473,609,928
(d) Total	\$ 9,995,709,733	\$ 7,607,763,434
3. Present Assets for Valuation Purposes	\$ 2,357,479,000	\$ 2,357,479,000
4. Unfunded Actuarial Accrued Liability: [2(d) - 3]	\$ 7,638,230,733	\$ 5,250,284,434
5. Amortization Period	17 Years	17 Years
6. Normal Contribution	\$ 330,934,975	\$ 191,865,097
7. Accrued Liability Contribution	531,325,927	418,815,108
8. Total Contribution: [6 + 7]	\$ 862,260,902	\$ 610,680,205
9. Total Contribution as a Percent of Covered-Employee Payroll: [8 ÷ 1]	9.96%	7.06%



SCHEDULE A – RESULTS OF THE VALUATION



Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the (gain)/loss for the year ended September 30, 2024 is shown below.

(GAIN)/LOSS		
1. Unfunded Accrued Liability (UAL) 9/30/2023	\$	2,951,489,800
2. Normal Cost 9/30/2023		177,155,662
3. Expected Employer Contributions		260,056,409
4. Interest Accrual [(1 + 2) x .050 - (3) x .025]		149,930,863
5. Expected UAL 9/30/2024 [1 + 2 - 3 + 4]	\$	3,018,519,916
6. (Gain)/Loss Due to Claims and Premiums ¹		4,952,856,410
7. (Gain)/Loss Due to Employer Contributions Less Than ADC		119,689,669
8. (Gain)/Loss Due to Investments		(384,988,725)
9. (Gain)/Loss Due to Assumption Changes		0
10. Expected UAL 9/30/2024 After Changes [5 + 6 + 7 + 8 + 9]	\$	7,706,077,270
11. Actual UAL as of 9/30/2024	\$	7,638,230,733
12. Experience (Gain)/Loss [11 - 10]	\$	(67,846,537)
13. Experience (Gain)/Loss as % of Actuarial Accrued Liability at 9/30/2023		(1.40%)

¹ The loss is primarily due to the Medicare Advantage rate being higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act.



SCHEDULE A – RESULTS OF THE VALUATION



TOTAL (GAIN)/LOSS BY SOURCE FOR THE YEAR ENDING SEPTEMBER 30, 2024		
Source	Total (\$ Millions)	% of 9/30/2023 Actuarial Accrued Liability
Age and Service Retirements. Generally, earlier retirements cause losses and later retirements cause gains.	\$ (33.6)	(0.70%)
Withdrawal. More withdrawals than expected usually cause gains and fewer withdrawals than expected cause losses.	(8.0)	(0.17%)
Disability Retirements. More disabilities receiving health benefits than expected generally cause losses and fewer disabilities receiving health benefits than expected cause gains.	5.1	0.11%
Death-In-Service Benefits. If survivor claims are less than assumed, there is a gain. If claims are more than assumed, there is a loss.	2.5	0.05%
New Members/Rehires. Any past service causes losses; however, pre-Medicare retirees returning to active service can cause a gain.	28.6	0.59%
Retiree Mortality. More deaths than expected cause gains, fewer than expected cause losses.	(16.3)	(0.34%)
Retiree Coverage Changes. Changes in medical plan election, coverage tier election, or Optionals coverage.	(18.1)	(0.37%)
Active Data Changes. Gains and losses resulting from unexpected changes in age, service, tier, gender, etc.	(1.6)	(0.03%)
Other. Miscellaneous gains and losses resulting from data corrections, timing of financial transactions, actual benefit payments and premiums different from expected, rounding of age and service for sliding scale calculations, changes in valuation software, etc.	(26.4)	(0.54%)
Total (Gain)/Loss	\$ (67.8)	(1.40%)



SCHEDULE B – PLAN ASSETS



Plan assets are resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. The Alabama Retired Education Employees' Health Care Trust has been established and, as of the valuation date, the market value of assets amounted to \$2,357,479,000. The development of the market value of assets is shown in the following table.

MARKET VALUE OF ASSETS AS OF SEPTEMBER 30, 2024	
Asset Summary Based on Market Value	\$ Thousands
Market Value as of September 30, 2023	\$ 1,877,790
Contributions	143,286
Benefit Payments, Administrative Fees, and Other Disbursements	(142,495)
Cash Flow	791
Investment Income	478,898
Market Value as of September 30, 2024	\$ 2,357,479





OVERVIEW

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States. This standard was issued as final in September 2017 with application to measurement dates on or after November 1, 2018.

The term “risk” frequently has a negative connotation, but from an actuarial perspective, it can simply be considered that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so understandably, there is a focus on aspects of risk that are negative.

Risk can usually be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk of accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in US Treasury bonds, which have almost no risk, but also in equities, which are considerably riskier – because they have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called upon to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. While ASOP 51 is not required for OPEB plan funding, we find it to be valuable and instructive and, therefore, in this section, we identify some of the key risks for the System and provide information to help interested parties better understand these risks.





Sensitivity Measures

Valuations are generally performed with a single set of assumptions that reflects the best estimate of future conditions, in the opinion of the actuary and typically the governing board. Note that under actuarial standards of practice, the set of economic assumptions used for funding must be consistent. To enhance the understanding of the importance of an assumption, a sensitivity test can be performed where the valuation results are recalculated using a different assumption or set of assumptions.

The following table contains the key measures for the System using the valuation assumption for investment return of 5.00%, along with the results if the assumption were 4.00% or 6.00%. In this analysis, only the investment return assumption is changed. Consequently, there may be inconsistencies between the investment return and other economic assumptions such as inflation or payroll increases. In addition, simply because the valuation results under alternative assumptions are shown here, it should not be implied that CavMac believes that either assumption (4.00% or 6.00%.) would comply with actuarial standards of practice.

As of September 30, 2024	Current Discount Rate (5.00%)	-1% Discount Rate (4.00%)	+1% Discount Rate (6.00%)
Accrued Liability	\$ 9,995,709,733	\$ 11,633,755,261	\$ 8,678,389,850
Unfunded Liability	\$ 7,638,230,733	\$ 9,276,276,261	\$ 6,320,910,850
Funded Ratio (MVA)	23.6%	20.3%	27.2%
ADEC Rate	9.96%	12.01%	8.35%



SCHEDULE C – RISK ASSESSMENT



The following table contains the key measures for the System using the current healthcare trend rates and premium contribution increase rates disclosed in Schedule E, along with the results if the rates were 1% lower or 1% higher. In this analysis, only the trends on healthcare and premium contribution rates are changed.

As of September 30, 2024	Current Valuation	-1% Healthcare Trends	+1% Healthcare Trends
Accrued Liability	\$ 9,995,709,733	\$ 8,531,119,049	\$ 11,867,783,809
Unfunded Liability	\$ 7,638,230,733	\$ 6,173,640,049	\$ 9,510,304,809
Funded Ratio (MVA)	23.6%	27.6%	19.9%
ADEC Rate	9.96%	7.91%	12.69%

The following table shows the sensitivity to the Medicare Advantage rate negotiations. The Medicare Cost Sensitivity values show the liability if the MA rates were to increase at 4.50% each year instead of the assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period.

As of September 30, 2024	Current Valuation	Medicare Cost Sensitivity
Accrued Liability	\$ 9,995,709,733	\$ 10,965,281,275
Unfunded Liability	\$ 7,638,230,733	\$ 8,607,802,275
Funded Ratio (MVA)	23.6%	21.5%
ADEC Rate	9.96%	11.10%



SCHEDULE D – ACTUARIAL COST METHOD



1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 5.00%), of each participant's expected retiree health benefit at retirement or death is based on age and service. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the probability of terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Using this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of each participant during the entire period of anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable.
4. The present value of future unfunded accrued liability contributions is determined by subtracting the present value of prospective normal contributions, together with the current assets held, from the present value of expected benefits to be paid from the Plan.



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021, and are reasonable expectations of anticipated experience under the Plan. The assumptions were used in the retiree health care valuation for consistency and are under PEEHIP Board jurisdiction. The combined effect of the assumptions is expected to have no significant bias.

VALUATION DATE: September 30, 2024

DISCOUNT RATE: 5.00% per annum, compounded annually.

PAYROLL GROWTH: 2.75% per annum, compounded annually.

HEALTH CARE COST TREND RATES: Health care cost trend rates reflect the change in per capita health costs over time due to factors such as inflation, utilization, plan design, and technology improvements which are detailed in the "Annual Increase in Medical/Prescription Drug/Optional Plan Costs" table below.

Annual Increase in Medical/Prescription Drug/Optional Plan Costs			
Fiscal Year Ending	Pre-Medicare Medical Trend*	Medicare-Eligible Medical Trend	Optional Plans Trend
2025	6.50%	0.00%**	2.00%
2026	6.25	0.00	2.00
2027	6.00	0.00	2.00
2028	5.75	4.50	2.00
2029	5.50	4.50	2.00
2030	5.25	4.50	2.00
2031	5.00	4.50	2.00
2032	4.75	4.50	2.00
2033	4.50	4.50	2.00

* Also applies to sliding scale age and years of service premium to be contributed by retirees, surviving dependent contributions, University Contributions and the PEEHIP Supplemental Plan cost.

** Initial Medicare trend rates are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period.

The "Annual Increase in Base Contributions Received from Covered Members" table details how the expected increase in the amounts contributed from covered retirees and dependents will increase over time. The trend rates are detailed below and apply to the base rate retiree premiums only. The sliding scale premiums are assumed to increase with health care trend. The premiums for surviving dependents are assumed to approximate the assumed claims cost over time.

Annual Increase in Base Contributions Received from Covered Members		
Retiree Share of Premium		Retiree Optional Plans Premium
Pre-Medicare	Medicare Eligible	
2.0%	1.0%	2.0%



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



ANTICIPATED PLAN PARTICIPATION: The assumed annual rates of plan participation and spouse coverage are as follows:

Medical Coverage

Service Retirement Years of Service	Under 65	Over 65
10 – 14	30%	85%
15 – 19	45%	85%
20 – 24	65%	90%
25+	75%	90%

	Under 65	Over 65
Disabled Retirement*	90%	90%
Vested Retirement	10%	10%
Spouse Coverage**	55%	45%

* 100% of current disabled retirees and future disabled retirees who are not also eligible for service retirement are assumed to qualify for Social Security Disability benefits and thus would be exempt from sliding scale contributions.

** Percentage of participating members who are assumed to cover a spouse.

It is assumed 10% of current Pre-Medicare inactive members waiving medical coverage will enroll in medical coverage once attaining Medicare eligibility.

Optional Plan Coverage

Optional Plans	
Plan	Participation
Hospital Indemnity	5%
Dental	55%
Cancer	10%
Vision	15%

Wives are assumed to be three years younger than husbands.

We assume 10% of males and 6% of females pay the \$50 monthly tobacco surcharge. This applies to both retirees and spouses.

We assume 100% of Pre-Medicare eligible retirees and covered spouses will qualify for the wellness credit.



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



ANNUAL EXPECTED MEDICAL/RX DRUGS CLAIMS (AGE ADJUSTED):

Per capita costs are adjusted to reflect expected cost changes related to age. The relative value factors used were developed from the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries. Representative values of the expected annual claims are as follows:

Pre-Medicare Retirees		
Age	Male	Female
40	\$4,640	\$7,572
45	5,751	8,016
50	7,511	9,340
55	9,855	10,881
60	12,695	12,690
64	15,504	14,857

Medicare-Eligible Retirees		
Age	Male	Female
65	\$2,223	\$2,119
70	2,703	2,605
75	3,209	3,042
80	3,725	3,504
85	4,197	3,953
90	4,608	4,293

Claims for Medicare-Eligible retirees are set based on the 2025 plan year known premium rates.

ANNUAL EXPECTED OPTIONAL PLAN CLAIMS: Following is a chart detailing expected Optional Plan claims for the year following the valuation date. Optional Plan claims are not age-adjusted.

Dental Plan	Vision Plan	Cancer Plan	Hospital Indemnity Plan
\$454	\$66	\$111	\$141

ACTUARIAL METHOD: Costs were determined using the Entry Age Normal Cost Method. Under this method, the normal cost is determined as a level percentage of payroll which, if applied for the average new member during the entire period of his/her anticipated covered service from hire date through full retirement eligibility date, would be required to meet the cost of all benefits payable on behalf of the member. The unfunded accrued liability is determined by subtracting the present value of future normal costs together with the actuarial value of assets from the present value of expected benefits to be paid by the Plan.

ASSET VALUATION METHOD: Market value.





FEDERAL LEGISLATION: The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the changes to Medicare due to the IRA, which are included in our baseline Medicare costs and trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

COVID-19: The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows:

Service	Annual Rate*
0	5.00%
1 – 5	4.00
6 – 10	3.75
11 – 15	3.50
16 & Over	3.25

* Includes wage inflation at 2.75% per annum.

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of death and disability are as follows:

AGE	Annual Rates					
	Death*		Disability Retirement**			
	Males	Females	Tier 1		Tier 2	
			Males Years of Service < 25 >= 25	Females Years of Service < 25 >= 25	Males	Females
25	0.0143%	0.0072%	0.1000%	0.0700%	0.1000%	0.0700%
30	0.0195	0.0111	0.1000	0.0700	0.1000	0.0700
35	0.0267	0.0169	0.1000	0.0700	0.1000	0.0700
40	0.0371	0.0260	0.1300	0.1700	0.1300	0.1700
45	0.0585	0.0403	0.2500 0.2000%	0.3200 0.2000%	0.2500	0.3200
50	0.0969	0.0605	0.5000 0.2000	0.5800 0.2000	0.5000	0.5800
55	0.1508	0.0878	0.8000 0.2000	0.9000 0.2250	0.8000	0.9000
60	0.2321	0.1326	0.5000 0.2000	0.6500 0.3000	0.5000	0.6500
65	0.3809	0.2223	0.5000 0.2000	0.6500 0.3000	0.5000	0.6500

* Base mortality rates as of 2010 before application of the improvement scale.

** No rates of disability are assumed for members with less than 10 years of creditable service.



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



TERMINATION RATES:

Values of the assumed annual rates of withdrawal are as follows:

Years of Service	Annual Rates of Withdrawal*	
	Male	Female
0 – 3	12.00%	11.00%
4	10.00	9.00
5	7.25	6.50
6	6.25	5.50
7	5.25	5.00
8	5.00	4.25
9	4.25	3.50
10	3.25	3.25
11	3.25	3.00
12	3.00	2.75
13	3.00	2.50
14	2.75	2.25
15	2.50	2.25
16	2.00	2.00
17	2.00	1.90
18	2.00	1.85
19	2.00	1.70
>= 20	1.00	1.00

* No rates after eligibility for retirement.



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT:

Values of the assumed annual rates of service retirement for Tier 1 are as follows:

AGE	Annual Rates				
	Males		Females		
	Years of Service		Years of Service		
	< 25	>= 25	< 25	25	>= 25
40 – 47		25.00%		25.00%	25.00%
48		22.00		18.00	18.00
49		17.50		15.50	15.50
50		16.00		17.50	12.50
51		16.00		19.00	14.00
52		16.00		19.50	14.50
53		16.00		20.00	15.00
54		16.00		21.50	16.50
55		15.50		22.00	17.00
56		15.50		22.00	17.00
57		15.50		22.50	17.50
58		15.50		23.50	18.50
59		18.00		25.00	20.00
60	12.00%	18.00	15.00%	29.00	24.00
61	9.50	18.00	12.00	29.00	24.00
62	22.00	32.00	21.00	45.00	40.00
63	16.00	27.50	16.00	36.00	31.00
64	14.00	21.50	15.50	32.50	27.50
65	25.00	27.50	27.00	38.00	38.00
66	25.00	27.50	28.00	40.00	40.00
67	22.00	23.50	23.00	33.00	33.00
68	21.00	22.50	25.00	33.00	33.00
69	21.00	22.50	20.50	30.00	30.00
70	21.00	22.50	24.50	30.00	30.00
71 – 74	20.00	22.50	22.00	30.00	30.00
75 – 76	30.00	22.50	30.00	30.00	30.00
77 – 79	30.00	22.50	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



Values of the assumed annual rates of service retirement for Tier 2 (Non-FLC) are as follows:

AGE	Annual Rates									
	Males					Females				
	Years of Service					Years of Service				
	< 25	25 – 29	30	>= 31		< 25	25	26 – 29	30	>= 31
40 – 47			10.00%	10.00%					10.00%	10.00%
48			10.00	10.00					10.00	10.00
49			10.00	10.00					10.00	10.00
50			10.00	10.00					10.00	10.00
51			10.00	10.00					10.00	10.00
52			10.00	10.00					10.00	10.00
53			10.00	10.00					10.00	10.00
54			10.00	10.00					10.00	10.00
55			20.00	10.00					20.00	10.00
56			20.00	10.00					20.00	10.00
57			20.00	10.00					20.00	10.00
58			20.00	10.00					20.00	10.00
59			20.00	10.00					20.00	10.00
60			40.00	40.00					45.00	45.00
61			40.00	40.00					45.00	45.00
62	50.00%	60.00%	60.00	60.00	50.00%	70.00%	70.00%	70.00%	70.00	70.00
63	16.00	27.50	27.50	27.50	16.00	36.00	31.00	31.00	31.00	31.00
64	14.00	21.50	21.50	21.50	15.50	32.50	27.50	27.50	27.50	27.50
65	25.00	27.50	27.50	27.50	27.00	38.00	38.00	38.00	38.00	38.00
66	25.00	27.50	27.50	27.50	28.00	40.00	40.00	40.00	40.00	40.00
67	22.00	23.50	23.50	23.50	23.00	33.00	33.00	33.00	33.00	33.00
68	21.00	22.50	22.50	22.50	25.00	33.00	33.00	33.00	33.00	33.00
69	21.00	22.50	22.50	22.50	20.50	30.00	30.00	30.00	30.00	30.00
70	21.00	22.50	22.50	22.50	24.50	30.00	30.00	30.00	30.00	30.00
71 – 74	20.00	22.50	22.50	22.50	22.00	30.00	30.00	30.00	30.00	30.00
75 – 76	30.00	22.50	22.50	22.50	30.00	30.00	30.00	30.00	30.00	30.00
77 – 79	30.00	30.00	22.50	22.50	30.00	30.00	30.00	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



Values of the assumed annual rates of service retirement for Tier 2 (FLC) (for both males and females) are as follows:

AGE	Annual Rates		
	Years of Service		
	10	11 – 29	>= 30
40 – 47			2.50%
48			2.50
49			5.00
50			5.00
51			10.00
52			10.00
53			10.00
54			10.00
55			10.00
56	15.00%	15.00%	15.00
57	15.00	15.00	15.00
58	15.00	15.00	15.00
59	15.00	15.00	15.00
60	17.00	17.00	17.00
61	40.00	18.50	18.50
62	40.00	30.00	30.00
63	40.00	25.00	25.00
64	40.00	22.00	22.00
65	40.00	27.00	27.00
66	40.00	38.00	38.00
67	40.00	30.00	30.00
68	40.00	30.00	30.00
69	40.00	30.00	30.00
70 – 74	60.00	30.00	30.00
75	100.00	100.00	100.00



SCHEDULE E – ACTUARIAL ASSUMPTIONS AND METHODS



DEATHS AFTER RETIREMENT: Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 through 2018 and scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	SetForward(+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 – 67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69 – 74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None



SCHEDULE F – SUMMARY OF BENEFIT PROVISIONS VALUED



ELIGIBILITY: Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from the Teachers' Retirement System of Alabama.

RETIREE CONTRIBUTIONS: Retiree contributions vary based on plan election, dependent coverage, Medicare eligibility and election, tobacco usage and, for non-Medicare eligible retirees and spouses, wellness credits.

In November 2004, the Alabama Legislature enacted legislation (Act 2004-649) that required the Public Education Employees' Insurance Board to implement a sliding scale premium for all employees retiring after September 30, 2005, based on their years of service at retirement.

The premium for retiree coverage is broken down into the employer share (what PEEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share; however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2%, and the retiree share would be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share would be reduced accordingly.

The sliding scale premium will not apply to disability retirements for twenty-four (24) months from the member's date of retirement, provided the member submits to PEEHIP proof of application for Social Security Disability benefits. The exemption from the sliding scale premium can be extended beyond twenty-four (24) months from the member's date of retirement if the member qualifies for Social Security Disability benefits during the twenty-four (24) months following the member's date of retirement.

For members retiring on or after January 1, 2012, Act 2011-704 establishes changes to the sliding scale premium calculation. Under the law, there are three major changes to the retiree sliding scale premium. These changes are related to a retiree's years of service (Service Premium Component), age at the time of retirement (Age Component), and subsidy premium (Subsidy Component).

- **Service Premium Component:** An employee who retires with less than 25 years of service will contribute 4% of the employer share for each year under 25 years of service instead of 2% under the current law. The Service Premium Component continues for the retiree's lifetime.
- **Age Component:** An employee who retires before becoming Medicare eligible will contribute 1% of the employer share for each year less than 65. Upon Medicare entitlement, the age component will be removed.
- **Subsidy Component:** An employee will contribute the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). The Fiscal Year 2025 subsidy premium amount is \$195.50 per month. Upon Medicare entitlement, the subsidy component will be removed.



SCHEDULE F – SUMMARY OF BENEFIT PROVISIONS VALUED



Retired Members

The following health insurance premiums are the base rates set by the PEEHIP Board. Base rates are before the wellness premiums, tobacco premiums, or the retiree sliding scale adjustments are applied, if applicable. The monthly premiums for members who retired prior to October 1, 2005, or members who retired on or after October 1, 2005, and before January 1, 2012, with 25 years of service are listed in the chart below and show a retiree's out-of-pocket cost after subtracting the retiree insurance contribution.

For the purpose of the sample premium rate charts disclosed below, NME designates "non-Medicare eligible" and ME designates "Medicare-eligible." Effective January 1, 2023, UnitedHealthcare became the administrator for Medicare-eligible retirees and Medicare-eligible dependents of retirees.

Sample Premium Rates Effective October 1, 2024		
Coverage Type	Premium if Retiree Subscriber is NME	Premium if Retiree Subscriber is ME
Individual Coverage	\$200	\$25
Family Coverage:		
NME dependent(s) but no spouse	\$445	\$280
NME dependent(s) and NME spouse	\$555	\$380
NME dependent(s) and ME spouse	\$455	\$280
NME spouse only	\$530	\$355
ME spouse only	\$265	\$90
Non-Spousal ME dependent only	\$265	\$90
Non-Spousal ME dependent and ME spouse	\$330	\$155

These rates apply to the PEEHIP Hospital Medical Plan, the VIVA Health Plan, and the Medicare Advantage PPO Plan for Medicare-eligible retired members and Medicare-eligible dependents and are the monthly amounts that will be deducted from a retiree's benefit. The VIVA Health Plan is not available to retired members who are Medicare-eligible or retired members with dependents who are Medicare-eligible.

The premium rates do not include the \$50 monthly tobacco surcharge for both retirees and their spouses.

Retirees participating in the PEEHIP Supplemental Plan were assumed to cost \$185 monthly effective October 1, 2024.

The University System makes a contribution to PEEHIP for every University retiree participating in PEEHIP plans regardless of age or plan tier election. For Fiscal Year 2025, the monthly amount is \$351 per retiree.



SCHEDULE F – SUMMARY OF BENEFIT PROVISIONS VALUED



The State per member per month funding can be used to purchase the PEEHIP Supplemental Plan or two optional plans at no cost to the retiree if the retiree is not purchasing one of the hospital medical plans. Additional optional plans can be purchased for \$38.00 per month per plan.

Optional Coverage: Active and Retired Members

Cancer	\$38.00/month Individual or Family Coverage
Indemnity	\$38.00/month Individual or Family Coverage
Dental	\$38.00/month Individual Coverage \$50.00/month Family Coverage
Vision	\$38.00/month Individual or Family Coverage

Retiree premiums for the four optional plans, Hospital Indemnity, Dental, Cancer and Vision, are \$38 per retiree per month. Since these plans can be purchased for \$0 in lieu of taking the hospital medical coverage, it is assumed that 75% of future participants in the Dental plan and 50% of future participants in the other optional plans will make the \$38 per month (\$50 for Family Dental) contributions.





SCHEDULE F – SUMMARY OF BENEFIT PROVISIONS VALUED

Surviving Dependent

The following health insurance premiums are the base rates set by law and approved by the PEEHIP Board. Base rates are before wellness and tobacco premiums are applied, if applicable. These rates begin the first of the month following the member's date of death.

For the purpose of the sample premium rate chart disclosed below, NME designates "non-Medicare eligible" and ME designates "Medicare-eligible."

Coverage Type	Effective January 1, 2025
Individual Coverage	
NME Survivor	\$1,001
ME Survivor	\$260
Family Coverage:	
NME Survivor and more than 1 Dependent or Only Dependent NME	\$1,586
NME Survivor and ME dependent only	\$1,367
ME Survivor and more than 1 Dependent or Only Dependent NME	\$1,091
ME Survivor and ME dependent only	\$520
Supplemental Medical Plan (Individual or Family)	\$185
Optional (Each Plan) - Cancer, Indemnity, Vision, and Individual Dental	\$38
Optional - Family Dental Premium	\$50
Tobacco Premium for Survivor Enrolling in Hospital Medical	\$50
Wellness Premium/NME Survivor	\$50





Benefit Policy and Premium Changes

Effective October 1, 2024

(Unless otherwise notated)

Teladoc®

- ◆ All members who are enrolled in the PEEHIP Hospital Medical Plan Group #14000 have access to Teladoc®, which provides consultations with board-certified doctors via phone or video 24 hours a day/7 days a week. This service is available at zero copay and can be used to speak with a doctor about a variety of issues such as cold, flu, allergies, infections, and more. Plus, when necessary, the doctor can even prescribe the appropriate medication needed for treatment. This benefit can be used in place of the emergency room or urgent care for non-emergency situations.

Flexible Spending Account (FSA) Plan Changes

- ◆ The annual maximum Health FSA will increase to **\$3,200** effective October 1, 2024.
- ◆ The Dependent Care Reimbursement Account (DCRA) annual maximum contribution remains unchanged at **\$5,000** (**\$2,500** each if married filing separately).
- ◆ The Carryover Limit will increase to **\$640** effective October 1, 2024.

VIVA Health Plan Benefit Changes

- ◆ PEEHIP members covered by the VIVA Health Plan have access to teleconsultation through Teladoc® just like members covered under the PEEHIP Hospital Medical Plan Group #14000 administered by Blue Cross Blue Shield of Alabama. However, there is a \$25 copayment for primary or urgent care consultation and a \$40 copayment for behavioral health consultation.
- ◆ The calendar year limit on the dental plan will increase to **\$750** for the 2025 calendar year.
- ◆ The \$0 copayment for oral contraceptives will include generics and select brands effective with the 2025 calendar year.
- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts remain unchanged at **\$9,100** for individual and **\$18,200** per family for the 2025 calendar year. The deductible remains unchanged at **\$300** for individual and **\$900** per family contract for the 2025 calendar year.
- ◆ There is an added benefit giving members access to gyms within the state, providing digital exercise guidance, covering certain home fitness related items, access to Live Lifestyle coaching, etc.
- ◆ VIVA began covering ABA therapy effective October 1, 2018, and coverage will be at 80% of the allowed amount after members meet the deductible. ABA therapy is available to those members with a diagnosis of autism, autism spectrum disorder, or pervasive developmental delay.

Maximum Annual Out-of-Pocket Amounts for Medical Plan Group #14000

- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts were **\$9,450** per individual and **\$18,900** per family contract for the 2024 calendar year and are **\$9,200** per individual and **\$18,400** per family contract for the 2025 calendar year. This is a benefit enhancement.





Supplemental Medical Changes

- ♦ The annual maximum amount of claims paid under Group #61000 was **\$9,450** per individual and **\$18,900** per family contract for the 2024 calendar year and is **\$9,200** per individual and **\$18,400** per family contract for the 2025 calendar year.
- ♦ Members enrolled in High Deductible Health Plans (HDHP) are not eligible for the PEEHIP Supplemental Medical Plan. The IRS-defined minimum deductibles for the HDHPs for calendar year 2025 will increase to **\$1,650** for individual and **\$3,300** for family.

Blue Distinction Centers for Bariatric Surgery

- ♦ Since both quality of care and cost of care vary significantly among the broad choice of providers in Alabama, Blue Cross Blue Shield of Alabama has established Blue Distinction Centers as facilities within the state that are proven to show the best healthcare outcomes for certain procedures. To ensure members covered under the PEEHIP Hospital Medical Plan Group receive the safest and highest level of care when seeking treatment for surgery for morbid obesity or related bariatric procedures, coverage for these procedures is available only at Alabama Blue Distinction Center facilities effective January 1, 2018. No coverage is available for these procedures when done at a non-Alabama Blue Distinction Center. By using these facilities with proven results of better outcomes, members will experience less avoidable complications and re-admissions. Higher quality care and less complications equates to lower costs for the plan.
- ♦ Any in-network facility within the state can become a Blue Distinction Center if they meet certain quality of care criteria as set by Blue Cross Blue Shield of Alabama.

Pharmacy Changes

- ♦ Due to the fast-moving nature of both new drugs becoming available and price changes amongst existing drugs, PEEHIP implements various utilization management programs throughout the plan year to the commercial plan formulary, including prior authorizations, step therapy, quantity limits and the exclusion of some drugs to drive utilization to lower cost therapeutic alternative medications. This is to ensure that the PEEHIP formulary covers the most effective drugs at the most reasonable price. No changes were made to the drug copay tiers.

Medicare Advantage PPO Plans

- ♦ UnitedHealthcare® replaced Humana® in administering the PEEHIP Group Medicare Advantage (PPO) Plan for Medicare-eligible retirees and Medicare-eligible dependents of retirees effective January 1, 2023.

Wellness Program

- ♦ For the 2025 fiscal year, the only required activity to earn the \$50 wellness premium waiver is the wellness screening, which members can now receive at an in-network participating pharmacy in addition to the other continued screening location options (ADPH at work site wellness clinics, county health departments, or primary care physician's office). All other activities of the wellness program are on a voluntary basis. The wellness premium applies separately to members and spouses for a potential combined wellness premium of \$100 per month. Dependent children are not required to get a wellness screening.



SCHEDULE F – SUMMARY OF BENEFIT PROVISIONS VALUED



Mental Health and Substance Abuse (MHSA)

- ♦ The following table shows the current plan year MHSA benefits which are in compliance with federal law and/or to provide higher benefits than required by law.

PEEHIP Hospital Medical Plan (PPO)	Mental Health Parity Compliant and Board Approved MHSA Benefit
Inpatient Facility Benefits	
In-Network	100% of the allowance subject to a \$200 per admission deductible and a \$25 copay for days 2-5 (copays and inpatient hospital deductible can be less than but not greater than medical). Precertification required.
Out-of-Network	100% of the allowance subject to a \$200 per admission deductible and a \$25 copay for days 2-5. Precertification required.
Residential Treatment	
In-Network	100% of the allowed amount subject to a \$200 per admission deductible and a \$25 copay for days 2-5. Precertification required.
Out-of-Network	80% of the allowed amount subject to a \$200 per admission deductible and a \$25 copay for days 2-5. Precertification required.
Inpatient Physician	
In-Network	100% of the allowed amount, subject to \$0 copay. No visit limits. Precertification is required.
Out-of-Network	80% of the allowed amount. No visit limits. Precertification is required.
Outpatient Physician	
In-Network	100% of the allowed amount, subject to a \$10 copay at Certified Community Mental Health Centers and \$15 copay at Blue Choice Behavioral Network Providers. No visit limits.
Out-of-Network	80% of the allowed amount, subject to the \$300 calendar year deductible. No visit limits.
Outpatient Facility Intensive Outpatient (IOP) and Partial Hospitalization (PHP)	
In-Network	100% of the allowed amount, subject to \$150 copay per treatment episode. Precertification required.
Out-of-Network	100% of the allowed amount subject to the \$300 calendar year deductible. Precertification required.
Applied Behavioral Analysis (ABA) Therapy	
In-Network	100% of the allowed amount, subject to a \$15 copay per visit. No dollar limits. Precertification required.
Out-of-Network	100% of the allowed amount, subject to the \$300 calendar year deductible. No dollar limits. Precertification required.

