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### **Maximum Annual Out-of-Pocket Amounts**

- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts was **\$8,550** per individual and **\$17,100** per family contract for the 2021 calendar year and is **\$8,700** per individual and **\$17,400** per family contract for the 2022 calendar year.

### **Supplemental Medical Changes**

- ◆ The annual maximum amount of claims paid under Group #61000 was **\$8,550** per individual and **\$17,100** per family contract for the 2021 calendar year and is **\$8,700** per individual and **\$17,400** per family contract for the 2022 calendar year. This is a benefit enhancement.
- ◆ Members enrolled in High Deductible Health Plans (HDHP) are not eligible for the PEEHIP Supplemental Medical Plan. The IRS defined the minimum deductibles for the HDHPs for calendar year 2022 will be remain unchanged at **\$1,400** for individual and **\$2,800** 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**

- ◆ Humana® replaced UnitedHealthcare® in administering the PEEHIP Group Medicare Advantage (PPO) Plan for Medicare-eligible retirees and Medicare-eligible dependents of retirees effective January 1, 2020.

### **Wellness Program**

- ◆ The only required activity to earn the \$50 wellness premium waiver for the 2022 fiscal year 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 sit wellness clinics, county health departments, or primary care physician's office). All other activities of the wellness program are on a voluntary basis.



**Schedule C – Statement of 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.

**VALUATION DATE:** September 30, 2021

**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” below.

Annual Increase in Medical/Prescription Drug/Optional Plan Costs			
Fiscal Year Ending	Pre-Medicare Medical Trend*	Medicare-Eligible Medical Trend*	Optional Plans Trend
2023	6.50%	(36.00)%	2.00%
2024	6.25	0.00	2.00
2025	6.00	0.00	2.00
2026	5.75	4.75	2.00
2027	5.50	4.50	2.00
2028	5.25	4.50	2.00
2029	5.00	4.50	2.00
2030	4.75	4.50	2.00
2031	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 negotiated increases through calendar year 2025.

The “Annual Increase in Base Contributions Received from Covered Members” 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%

\* The premium share for Medicare Eligible spouses decreases by 32% in the first year based on negotiated premium rates.



**Schedule C – Statement of Actuarial Assumptions and Methods (continued)**

**AGE RELATED MORBIDITY:** Per capita costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase*
< 40	0.0%
40 – 44	2.6
45 – 49	2.6
50 – 54	3.2
55 – 59	3.4
60 – 64	3.7
65 – 69	3.2
70 – 74	2.4
75 – 79	1.8
80 – 84	1.3
85 and over	0.0

\* Optional and Supplemental Plan costs are not age adjusted.

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

Medical	Under 65	Over 65
Disabled Retirement*	60%	85%
Service Retirement	60%	85%
Vested Retirement	0%	0%
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.

Optional Plans	
Plan	Participation
Hospital Indemnity	5%
Dental	50%
Cancer	7.5%
Vision	15%





**Schedule C – Statement of Actuarial Assumptions and Methods (continued)**

Wives are assumed to be three years younger than husbands.

We assume 15% 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.

**ANNUAL EXPECTED MEDICAL/PRESCRIPTION DRUGS CLAIMS (AGE 65):** Following is a chart detailing expected per member per year medical/prescription drugs claims for pre-65 members for the year following the valuation date. Post-65 claims are based on the adjusted premium rate for the MAPD plan. Claims are age-adjusted to age 65.

Medical/Prescription Drugs	
Pre-65	\$13,138
Post-65	\$1,370

**MEDICARE ADVANTAGE PREMIUMS:** Claims for Medicare-Eligible retirees are set based on negotiated premium rate increases through calendar year 2025. Premium rates drop beginning with plan year 2021 due to the repeal of the ACA Health Insurer Fee effective January 1, 2021.

**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
\$456	\$68	\$119	\$134

**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.



***Schedule C – Statement of Actuarial Assumptions and Methods (continued)***

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The following 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.

**MORTALITY RATES:**

**Pre-Retirement:**

Pub-2010 Teacher Below Median Employee Rates projected generationally with a MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; 65% of rates for males and females

**Post-Retirement:**

Pub-2010 Teacher Below Median Healthy Retiree Rates projected generationally with a MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 108% of rates for males less than age 63 and 96% of rates for males over age 67 with a phasing down between age 63 and 67; 112% of rates for females less than age 69 and 98% of rates for females over age 74 with a phasing down between age 69 and 74

**Post-Disablement:**

Pub-2010 Teacher Disabled Rates projected generationally with a MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 8 years for males and 3 years for females

**Beneficiaries and Survivors:**

Pub-2010 Contingent Survivor Below Median Rates projected generationally with a MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males



***Schedule C – Statement of Actuarial Assumptions and Methods (continued)***

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**TERMINATION RATES:**

The following are sample withdrawal rates based on years of service (for causes other than death, disability or retirement).

Years of Service	Annual Rate	
	Male	Female
0	12.00%	11.00%
1	12.00	11.00
2	12.00	11.00
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



**Schedule C – Statement of Actuarial Assumptions and Methods (continued)**

**DISABILITY RATES:**

The following are sample disability rates based on years of service and age.

Age	Years of Service*			
	Male		Female	
	< 25**	>= 25	< 25**	>= 25
30	0.1000%		0.0700%	
35	0.1000		0.0700	
40	0.1300		0.1700	
45	0.2500	0.2000%	0.3200	0.2000%
50	0.5000	0.2000	0.5800	0.2000
55	0.8000	0.2000	0.9000	0.2250
60	0.5000	0.2000	0.6500	0.3000
64	0.5000	0.2000	0.6500	0.3000

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

\*\* Rates assumed for all Tier 2 members.



**Schedule C – Statement of Actuarial Assumptions and Methods (continued)**

**SERVICE RETIREMENT:**

For Tier I and non-FLC Tier II members upon attaining 25 years of service, rates are as follows:

Age Group	Male		Female*	
	Tier I	Tier II	Tier I	Tier II
47 & Under	25.0%		25.0%	
48	22.0		18.0	
49	17.5		15.5	
50	16.0		12.5	
51	16.0		14.0	
52	16.0		14.5	
53	16.0		15.0	
54	16.0		16.5	
55 to 56	15.5		17.0	
57	15.5		17.5	
58	15.5		18.5	
59	18.0		20.0	
60 to 61	18.0		24.0	
62	32.0	60.0%	40.0	70.0%
63	27.5	27.5	31.0	31.0
64	21.5	21.5	27.5	27.5
65	27.5	27.5	38.0	38.0
66	27.5	27.5	40.0	40.0
67	23.5	23.5	33.0	33.0
68	22.5	22.5	33.0	33.0
69	22.5	22.5	30.0	30.0
70	22.5	22.5	30.0	30.0
71 to 74	22.5	22.5	30.0	30.0
75 to 79	22.5	22.5	30.0	30.0
80 & Above	100.0	100.0	100.0	100.0

\* Rates of retirement are increased by 5% in the year first attaining age 25 years of service from age 50 through age 64 for Tier I and from age 63 through age 64 for Tier II.



**Schedule C – Statement of Actuarial Assumptions and Methods (continued)**

For Tier I and non-FLC Tier II members first eligible for unreduced pension benefits before attaining 25 years of service, the rates are as follows:

Age Group	Male		Female	
	Tier I	Tier II*	Tier I	Tier II*
60	12.0%		15.0%	
61	9.5		12.0	
62	22.0	50.0%	21.0	50.0%
63	16.0	16.0	16.0	16.0
64	14.0	14.0	15.5	15.5
65	25.0	25.0	27.0	27.0
66	25.0	25.0	28.0	28.0
67	22.0	22.0	23.0	23.0
68	21.0	21.0	25.0	25.0
69	21.0	21.0	20.5	20.5
70	21.0	21.0	24.5	24.5
71 to 74	20.0	20.0	22.0	22.0
75 to 79	30.0	30.0	30.0	30.0
80 & Above	100.0	100.0	100.0	100.0

Tier 2 FLC rates of retirement are the same as for ERS. The following rates apply for both males and females:

Age Group	Rates of Retirement	
	1 <sup>st</sup> Eligible	Subsequent
56	15.0%	
57 to 59	15.0	15.0%
60	17.0	17.0
61	40.0	18.5
62	40.0	30.0
63	40.0	25.0
64	40.0	22.0
65	40.0	27.0
66	40.0	38.0
67 to 69	40.0	30.0
70 to 74	60.0	30.0
75 & Above	100.0	100.0



***Schedule C – Statement of Actuarial Assumptions and Methods (continued)***

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

<b>Service</b>	<b>Annual Rate*</b>
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.

**AFFORDABLE CARE ACT:** The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results 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. Continued monitoring of the ACA’s impact on the Plan’s liability will be required.

**COVID-19:** No explicit changes were incorporated at this time due to COVID-19 because of the level of uncertainty regarding the impact going forward. We will continue to monitor emerging data and advise the Board in the future of any adjustments that we believe would be appropriate.



***Schedule D – Actuarial Cost Method***

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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 7.00%), of each participant's expected retiree health benefit at retirement or death based on his 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 his 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 his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
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.