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GASB STATEMENT NO. 74 REPORT

For the Alabama Retired Education Employees' Health Care Trust

PREPARED AS OF SEPTEMBER 30, 2023





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

November 17, 2023

Retirement Systems of Alabama
P.O. Box 302150
Montgomery, AL 36130-2150

Dear Members of the Board:

Presented in this report is information to assist the Alabama Public Education Employees' Health Insurance Plan (PEEHIP) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 74 for the Alabama Retired Education Employees' Health Care Trust. The information is presented for the one-year period ending September 30, 2023. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

The annual actuarial valuation performed as of September 30, 2022 was used as the basis for much of the information presented as of September 30, 2023 in this report. The valuation was based upon data furnished by the Alabama Teachers' Retirement System and the PEEHIP staff, concerning active, inactive, and retired members along with pertinent claims data and financial information. This information was reviewed for completeness and internal consistency but was not audited. 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.

To the best of our knowledge, the information contained in this report is complete and accurate. These calculations were performed by, and under the supervision of, independent consulting actuaries with experience in performing valuations for public retirement systems and retiree health benefit plans. In addition, the valuation was prepared in accordance with generally accepted actuarial principles and practices as well as with Actuarial Standards of Practice prescribed by the Actuarial Standards Board.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement No. 74. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB No. 74 may produce significantly different results.



Alabama Retired Education Employees' Health Care Trust

November 17, 2023

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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.

Cavanaugh Macdonald Consulting, LLC does not provide legal, investment, or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice and interpretations of PEEHIP or its audit partners.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems and retiree health benefit plans, that the valuations were 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 each plan.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'LL'.

Larry Langer, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

AB/LL:jf



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Section I – Summary of Principal Results

**REPORT OF THE ANNUAL GASB STATEMENT NO. 74
REQUIRED INFORMATION FOR THE
ALABAMA RETIRED EDUCATION EMPLOYEES’ HEALTH CARE TRUST**

PREPARED AS OF SEPTEMBER 30, 2023

Valuation Date (VD):	September 30, 2022	September 30, 2021
Prior Measurement Date:	September 30, 2022	September 30, 2021
Measurement Date (MD):	September 30, 2023	September 30, 2022
Membership Data as of Valuation Date:		
Retired Members Currently Receiving Benefits	96,520	94,449
Surviving Spouses Currently Receiving Benefits	2,367	2,197
Inactive Members Entitled to Benefits but Not Yet Receiving	7,007	6,687
Active Members	<u>133,377</u>	<u>131,615</u>
Total Membership	239,271	234,948
Discount Rate:		
Long-Term Expected Rate of Return	7.00%	7.00%
Municipal Bond Index Rate at Measurement Date	4.53%	4.40%
Municipal Bond Index Rate at Prior Measurement Date	4.40%	2.29%
Year in which Fiduciary Net Position is Projected to be Depleted	N/A	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%	3.97%
Net OPEB Liability:		
Total OPEB Liability (TOL)	\$ 3,799,940,410	\$ 3,376,169,593
Fiduciary Net Position (FNP)	<u>1,877,790,000</u>	<u>1,633,721,000</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 1,922,150,410	\$ 1,742,448,593
FNP as a percentage of TOL	49.42%	48.39%



Section II – Introduction

The Governmental Accounting Standards Board (GASB) issued Statement No. 74 (GASB 74), “*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*,” in June 2015. The effective date for reporting under GASB 74 is plan years beginning after June 15, 2016. This report has been prepared as of September 30, 2023 (the Measurement Date) to assist the Alabama Public Education Employees’ Health Insurance Plan (Plan) in better understanding the requirements of GASB 74 and to identify the information to be provided by the Plan’s actuary, Cavanaugh Macdonald Consulting (CMC). Much of the material provided in this report is based on the data, assumptions, and results of the annual actuarial valuation of the Plan as of September 30, 2022.

GASB 74 requires the determination of the Total OPEB Liability (TOL) utilizing the Entry Age Normal actuarial cost method. The Net OPEB Liability (NOL) is then set equal to the TOL minus the Plan’s Fiduciary Net Position (FNP) (basically, the market value of assets). The benefit provisions recognized in the calculation of the TOL are summarized in Schedule B.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR), as described by GASB 74. To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provisions applicable to the members and beneficiaries of the Plan on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long-term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the Fidelity General Obligation AA 20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index. The rates as of September 30, 2023 were 4.09%, 4.63%, and 4.87% for the Bond Buyer, Fidelity, and S&P Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 4.53%. For the purpose of this report, we have determined that a discount rate of 7.00% as of September 30, 2023 meets the requirements of GASB 74, as it is our understanding that a portion of the health care premium rate paid on behalf of active employees will be used to fund the OPEB plan.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 74 for note disclosure and Required Supplementary Information (RSI).



Section III – Financial Statement Notes

The actuarial related information presented herein will follow the order presented in GASB 74. Paragraph numbers are provided for ease of reference.

Paragraphs 34.a. (1)-(3): This information will be supplied by the Plan.

Paragraph 34.a. (4): The data required regarding the membership of the Plan were furnished by the PEEHIP and the Alabama Teachers’ Retirement System. The following table summarizes the membership of the Fund as of September 30, 2022, the date of the valuation used to determine the September 30, 2023 Total OPEB Liability.

Membership

	Total Number TRS	Number Not Eligible for or Waiving PEEHIP	Total Number PEEHIP
Retired Members or Surviving Spouses Currently Receiving Benefits	105,549	(6,662)	98,887
Inactive Members Entitled To But Not Yet Receiving Benefits	7,157	(150)	7,007
Non-vested Inactive Members Who Have Not Contributed to TRS For More Than 5 Years	34,892	(34,892)	0
Active Members	135,783	(2,406)	133,377
Total	283,381	(44,110)	239,271

	Male	Female	Total
Retired Members Currently Receiving Benefits	23,764	72,756	96,520
Surviving Spouses Currently Receiving Benefits	1,024	1,343	2,367
Total	24,788	74,099	98,887

Paragraphs 34.a. (5)-(6) and Paragraphs 34.b.-e.: This information will be supplied by the Plan.



Section III – Financial Statement Notes (continued)

Paragraphs 35.a. (1)-(4): As stated earlier, the NOL is equal to the TOL minus the FNP. That result, as of September 30, 2023, is presented in the following table.

	Fiscal Year Ending September 30 2023
Total OPEB Liability Pre-Medicare	\$ 2,617,431,377
Total OPEB Liability Post-Medicare	<u>1,182,509,033</u>
Total OPEB Liability	\$ 3,799,940,410
Fiduciary Net Position	1,877,790,000
Net OPEB Liability	\$ 1,922,150,410
Ratio of Fiduciary Net Position to Total OPEB Liability	49.42%

Paragraph 35.b.: This paragraph requires information regarding the actuarial assumptions used to measure the TOL. The actuarial assumptions utilized in developing the TOL are outlined in Schedule C. The Total OPEB Liability as of September 30, 2023 was determined based on an actuarial valuation prepared as of September 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2023, using the following actuarial assumptions:

Inflation	2.50 percent
Salary increases	5.00–3.25 percent, including 2.75 percent wage inflation
Long-term investment rate of return	7.00 percent compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at Measurement Date	4.53 percent
Municipal Bond Index Rate at Prior Measurement Date	4.40 percent
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00 percent
Single Equivalent Interest Rate at Prior Measurement Date	7.00 percent



Section III – Financial Statement Notes (continued)

Healthcare cost trend rate

Initial trend rate	
Pre-Medicare Eligible	7.00 percent
Medicare Eligible	**
Ultimate trend rate	
Pre-Medicare Eligible	4.50 percent in 2033 FYE
Medicare Eligible	4.50 percent in 2033 FYE

Optional Plans Trend Rate 2.00 percent

** Initial Medicare trend rates are set based on negotiated increases through calendar year 2025.

Mortality

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher 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
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: None	None

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.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2022 valuation.



Section III – Financial Statement Notes (continued)

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Alabama Teachers' Retirement System. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are to be summarized in a manner suggested by the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	30%	4.40%
US Large Stocks	38%	8.00%
US Mid Stocks	8%	10.00%
US Small Stocks	4%	11.00%
International Developed Market Stocks	15%	9.50%
Cash	<u>5%</u>	1.50%
Total	100.0%	

* Geometric mean, includes 2.50% inflation

Discount rate (SEIR). For the purpose of this report, we have determined that a discount rate of 7.00% as of September 30, 2023 meets the requirements of GASB 74, because any premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees.



Section III – Financial Statement Notes (continued)

Paragraph 35.b.(1)

Sensitivity analysis: Disclosure of the sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of the Fund, calculated using the current healthcare trend rates, as well as the Net OPEB Liability calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	1,456,969,378	1,922,150,410	2,486,974,171

Paragraph 35.b.(2)

- (a) **Discount rate (SEIR).** The discount rate used to measure the Total OPEB Liability was 7.00%.
- (b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. 15.257% of the employer contributions were used to assist in funding retiree benefit payments in fiscal year 2022. 11.051% of the employer contributions were used to assist in funding retiree benefit payments in fiscal year 2023. It is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in fiscal year 2028. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections.
- (c) **Long term rate of return:** The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns.
- (d) **Municipal bond rate:** The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid.
- (e) **Periods of projected benefit payments:** Projected future benefit payments for all current plan members were projected through 2121.
- (f) **Assumed asset allocation:** The target asset allocation and best estimates of geometric real rates of return for each major asset class were summarized on the prior page.



Section III – Financial Statement Notes (continued)

(g) Sensitivity analysis: This paragraph requires disclosure of the sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability, calculated using the discount rate of 7.00%, as well as the Net OPEB Liability calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	2,372,890,713	1,922,150,410	1,538,511,675

Paragraph 35.c.: September 30, 2022 is the actuarial valuation date upon which the TOL is based. The result is rolled forward using standard actuarial techniques to the measurement date. The roll forward calculation adds the normal cost (also called the service cost) for the period October 1, 2022 through September 30, 2023, subtracts the actual benefit payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the TOL as of the Measurement Date. The procedure was used to determine the TOL as of September 30, 2023, as shown in the following table:

TOL Roll Forward	
(a) TOL as of September 30, 2022*	\$ 3,376,169,593
(b) Actual Benefit Payments and Refunds, for the Period October 1, 2022 - September 30, 2023	(154,346,000)
(c) Interest on TOL = [(a) x (Prior SEIR)] + [(b) x (Prior SEIR * 0.5)]	230,929,762
(d) Service Cost for the Period October 1, 2022 - September 30, 2023 at the End of the Period	79,386,683
(e) Change Due to Change in Experience**	(558,900,710)
(f) Change Due to Change in Assumptions***	752,790,879
(g) Change Due to Change in Benefits****	<u>73,910,203</u>
(h) TOL Rolled Forward to September 30, 2023 = (a) + (b) + (c) + (d) + (e) + (f) + (g)	\$ 3,799,940,410

* The TOL as of September 30, 2022 used in the roll forward was calculated using the discount rate as of the Prior Measurement Date.

** Change due to Experience includes demographic changes such as retirements, terminations, disabilities, and deaths different from expected as well as claims costs different from expected. The major cause of the gain was savings due to pharmacy contract negotiations for pre-Medicare retirees and lower than anticipated premium rate increases for Medicare-Eligible retirees.

*** Assumptions regarding plan participation, tobacco usage, and health care cost increases were updated.

**** Reflects the impact of Act 2022-222



Section IV – Required Supplementary Information

There are several tables of Required Supplementary Information (RSI) that need to be included in the Plan's financial statements. Paragraph numbers are provided for ease of reference.

Paragraphs 36.a.-c.: The required tables of schedules are provided in Schedule A.

Paragraph 36.d. and 37: The required schedule presenting the annual money-weighted rates of return is to be supplied by the Plan.

Paragraph 38: The following information should be noted regarding the RSI, particularly for the *Schedule of Employer Contributions*:

Changes in actuarial assumptions:

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Recent Plan Changes:

The 9/30/2022 valuation reflects the impact of Act 2022-222.

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.



Section IV – Required Supplementary Information (continued)

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2023 is determined based on the actuarial valuation as of September 30, 2020. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market value of assets
Inflation	2.75 percent
Healthcare cost trend rate	
Pre-Medicare eligible	6.50 percent
Medicare eligible	*
Ultimate trend rate	
Pre-Medicare eligible	4.75 percent
Medicare eligible	4.75percent
Year of ultimate trend rate	2027 for pre-Medicare eligible 2024 for Medicare eligible
Optional Plans Trend Rate	2.00 percent
Investment rate of return	5.00 percent, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2022.



Schedule A – Required Supplementary Information Tables

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
GASB 74 Paragraph 36.a.**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability										
Service Cost	\$ 327,568,574	\$ 299,066,115	\$ 219,135,939	\$ 157,316,135	\$ 314,904,634	\$ 162,866,487	\$ 79,386,683			
Interest	366,376,223	399,883,205	421,915,790	283,401,380	244,095,901	277,732,661	230,929,762			
Benefit changes	0	0	0	0	0	0	73,910,203			
Difference between expected and actual experience	0	184,547,248	(3,452,330,157)	81,989,858	(27,975,210)	(2,685,297,272)	(558,900,710)			
Changes of assumptions	(918,644,181)	266,452,038	(1,296,563,101)	2,513,243,548	(1,356,791,705)	(1,281,790,687)	752,790,879			
Benefit payments	(271,746,000)	(278,411,000)	(289,843,000)	(194,185,000)	(176,933,000)	(186,253,000)	(154,346,000)			
Refunds of contributions	0	0	0	0	0	0	0			
Net change in Total OPEB Liability	\$ (496,445,384)	\$ 871,537,606	\$ (4,397,684,529)	\$ 2,841,765,921	\$ (1,002,699,380)	\$ (3,712,741,811)	\$ 423,770,817			
Total OPEB Liability - beginning	\$ 9,272,437,170	\$ 8,775,991,786	\$ 9,647,529,392	\$ 5,249,844,863	\$ 8,091,610,784	\$ 7,088,911,404	\$ 3,376,169,593			
Total OPEB Liability - ending (a)	\$ 8,775,991,786	\$ 9,647,529,392	\$ 5,249,844,863	\$ 8,091,610,784	\$ 7,088,911,404	\$ 3,376,169,593	\$ 3,799,940,410			
Plan Fiduciary Net Position										
Contributions – employer	\$ 243,146,000	\$ 245,545,000	\$ 284,411,000	\$ 198,014,000	\$ 172,676,000	\$ 191,109,000	\$ 155,663,000			
Contributions – non-employer	0	0	0	0	0	0	0			
Contributions – member	0	0	0	0	0	0	0			
Net investment income	138,261,000	114,501,000	55,407,000	122,121,000	325,661,000	(292,022,000)	243,725,000			
Benefit payments*	(271,746,000)	(278,411,000)	(289,843,000)	(194,185,000)	(176,933,000)	(186,253,000)	(154,346,000)			
Administrative expense	(1,354,000)	(1,346,000)	(1,653,000)	(1,226,000)	(1,001,000)	(1,161,000)	(923,000)			
Refund of contributions	0	0	0	0	0	0	0			
Other	56,000	(49,000)	(48,000)	(51,000)	(55,000)	(50,000)	(50,000)			
Net change in Plan Fiduciary Net Position	\$ 108,363,000	\$ 80,240,000	\$ 48,274,000	\$ 124,673,000	\$ 320,348,000	\$ (288,377,000)	\$ 244,069,000			
Plan Fiduciary Net Position – beginning	\$ 1,240,200,000	\$ 1,348,563,000	\$ 1,428,803,000	\$ 1,477,077,000	\$ 1,601,750,000	\$ 1,922,098,000	\$ 1,633,721,000			
Plan Fiduciary Net Position - ending (b)	1,348,563,000	1,428,803,000	1,477,077,000	1,601,750,000	1,922,098,000	1,633,721,000	1,877,790,000			
Net OPEB Liability - ending (a) - (b)	\$ 7,427,428,786	\$ 8,218,726,392	\$ 3,772,767,863	\$ 6,489,860,784	\$ 5,166,813,404	\$ 1,742,448,593	\$ 1,922,150,410			

*Benefit payments are net of member contributions.



Schedule A – Required Supplementary Information Tables (continued)

**SCHEDULE OF THE NET OPEB LIABILITY
GASB 74 Paragraph 36.b.**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability	\$ 8,775,991,786	\$ 9,647,529,392	\$ 5,249,844,863	\$ 8,091,610,784	\$ 7,088,911,404	\$ 3,376,169,593	\$ 3,799,940,410			
Plan Fiduciary Net Position	<u>1,348,563,000</u>	<u>1,428,803,000</u>	<u>1,477,077,000</u>	<u>1,601,750,000</u>	<u>1,922,098,000</u>	<u>1,633,721,000</u>	<u>1,877,790,000</u>			
Net OPEB Liability	\$ 7,427,428,786	\$ 8,218,726,392	\$ 3,772,767,863	\$ 6,489,860,784	\$ 5,166,813,404	\$ 1,742,448,593	\$ 1,922,150,410			
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	15.37%	14.81%	28.14%	19.80%	27.11%	48.39%	49.42%			
Covered-employee payroll	\$ 6,491,805,798	\$ 6,765,826,173	\$ 6,821,741,975	\$ 7,264,629,266	\$ 7,061,296,255	\$ 7,269,648,670	\$ 8,037,740,320			
Net OPEB Liability as a percentage of covered-employee payroll	114.41%	121.47%	55.31%	89.34%	73.17%	23.97%	23.91%			

	Total	Not Eligible for PEEHIP	Eligible for PEEHIP
Active Members	135,783	(2,406)	133,377
Compensation 9/30/2022	\$ 7,982,339,732	\$ (159,721,416)	\$ 7,822,618,316
Compensation rolled forward to 9/30/2023 (2.75% wage growth)			\$ 8,037,740,320



Schedule A – Required Supplementary Information Tables (continued)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 74 Paragraph 36.c.
(\$ in Thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined employer contribution	\$697,677	\$516,343	\$566,237	\$626,062	\$642,141	\$408,740	\$431,224			
Actual employer contributions	<u>243,146</u>	<u>245,545</u>	<u>284,411</u>	<u>198,014</u>	<u>172,676</u>	<u>191,109</u>	<u>155,663</u>			
Annual contribution deficiency (excess)	\$454,531	\$270,798	\$281,826	\$428,048	\$469,465	\$217,631	\$275,561			
Covered-employee payroll	\$6,491,806	\$6,765,826	\$6,821,742	\$7,264,629	\$7,061,296	\$7,269,649	\$8,037,740			
Actual contributions as a percentage of covered-employee payroll	3.75%	3.63%	4.17%	2.73%	2.45%	2.63%	1.94%			



Schedule B – Summary of Main Benefit Provisions

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 will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share is 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 2023 subsidy premium amount is \$108.14 per month. Upon Medicare entitlement, the subsidy component will be removed.



Schedule B – Summary of Main Benefit Provisions (continued)

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.”

Sample Premium Rates Effective October 1, 2022		
Coverage Type	*Premium if Retiree Subscriber is NME	Premium if Retiree Subscriber is ME
Individual Coverage	\$196	\$25
Family Coverage:		
NME dependent(s) but no spouse	\$451	\$280
NME dependent(s) and NME spouse	\$551	\$380
NME dependent(s) and ME spouse	\$481	\$310
NME spouse only	\$526	\$355
ME spouse only	\$335	\$164
Non-Spousal ME dependent only	\$310	\$139
Non-Spousal ME dependent and ME spouse	\$481	\$310

Effective January 1, 2023, UnitedHealthcare will be the administrator for Medicare-eligible retirees and Medicare-eligible dependents of retirees.

Sample Premium Rates Effective January 1, 2023		
Coverage Type	*Premium if Retiree Subscriber is NME	Premium if Retiree Subscriber is ME
Individual Coverage	\$196	\$25
Family Coverage:		
NME dependent(s) but no spouse	\$451	\$280
NME dependent(s) and NME spouse	\$551	\$380
NME dependent(s) and ME spouse	\$451	\$280
NME spouse only	\$526	\$355
ME spouse only	\$261	\$90
Non-Spousal ME dependent only	\$261	\$90
Non-Spousal ME dependent and ME spouse	\$326	\$155

* This rate applies to the PEEHIP Hospital Medical or the VIVA Health Plan and is the monthly amount that will be deducted from a retiree’s check. The VIVA Health Plan is not available to retired members who are Medicare eligible or retired members who have dependents who are Medicare eligible.



Schedule B – Summary of Main Benefit Provisions (continued)

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 \$176 monthly effective October 1, 2022.

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 2023, the monthly amount is \$272 per retiree.

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 B – Summary of Main Benefit Provisions (continued)

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.”

Sample Premium Rates		
Coverage Type	Effective October 1, 2022	Effective January 1, 2023
Individual Coverage		
NME Survivor	\$945	\$945
ME Survivor	\$214	\$65
Family Coverage:		
NME Survivor and more than 1 Dependent or Only Dependent NME	\$1,261	\$1,261
NME Survivor and ME dependent only	\$980	\$980
ME Survivor and more than 1 Dependent or Only Dependent NME	\$627	\$627
ME Survivor and ME dependent only	\$327	\$130
Supplemental Medical Plan (Individual or Family)	\$176	\$176
Optional (Each Plan) - Cancer, Indemnity, Vision, and Individual Dental	\$38	\$38
Optional - Family Dental Premium	\$50	\$50
Tobacco Premium for Survivor Enrolling in Hospital Medical	\$50	\$50
Wellness Premium/NME Survivor	\$50	\$50



Schedule B – Summary of Main Benefit Provisions (continued)

Benefit Policy and Premium Changes

Effective October 1, 2022

(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 exciting new benefit can be used in place of the emergency room or urgent care for non-emergency situations.

Applied Behavior Analysis (ABA) Therapy Copay Reduction

- ◆ PEEHIP covers Applied Behavior Analysis (ABA) Therapy for children ages 0 through 18 at 100% of the Blue Cross Blue Shield of Alabama allowance, subject to a **\$15** copay per visit and the annual dollar maximum limits of \$40,000 for ages 0 through 9, \$30,000 for ages 10 through 13, and \$20,000 for ages 14 through 18, for in-network and out-of-network enrolled providers, **effective retroactively to January 1, 2018.**

Flexible Spending Account (FSA) Plan Changes

- ◆ The annual maximum Health FSA will increase to **\$2,850** effective October 1, 2022.
- ◆ 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 **\$570** effective October 1, 2022.

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. The copay for VIVA members remains unchanged at **\$40** per behavioral health consult.
- ◆ The combined medical and prescription drug in-network maximum annual out-of-pocket amounts will remain at **\$7,350** for individual and **\$14,700** per family for the 2023 calendar year. Maximum out-of-pocket amounts are a benefit to members because they limit the total amount members will pay out-of-pocket for their in-network healthcare expenses.
- ◆ VIVA began covering ABA therapy effective October 1, 2018, and coverage will be at 80% of the allowed amount after members meet the deductible. The deductible remains unchanged at **\$300** for individual and **\$900** per family contract for the 2023 calendar year. ABA therapy is available to those members with a diagnosis of autism, autism spectrum disorder, or pervasive developmental delay.



Schedule B – Summary of Main Benefit Provisions (continued)

VIVA Health Plan Benefit Changes (continued)

- ◆ VIVA benefits have always included Diabetic Self-Management Education (DSME) with no limit. This benefit was previously billed by a hospital as an outpatient claim, causing the applicable member cost-sharing and deductible. DSME will not be a new benefit category, which is a benefit enhancement because the deductible no longer applies.

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 was **\$8,700** per individual and **\$17,400** per family contract for the 2022 calendar year and is **\$9,100** per individual and **\$18,200** per family contract for the 2023 calendar year.

Supplemental Medical Changes

- ◆ The annual maximum amount of claims paid under Group #61000 was **\$8,700** per individual and **\$17,400** per family contract for the 2022 calendar year and is **\$9,100** per individual and **\$18,200** per family contract for the 2023 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 2023 will increase to **\$1,500** for individual and **\$3,000** 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.



Schedule B – Summary of Main Benefit Provisions (continued)

Medicare Advantage PPO Plans

- ◆ UnitedHealthcare® will replace 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 2023 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.



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, 2022

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	7.00%	0.000%	2.00%
2024	6.75	0.083	2.00
2025	6.50	6.500	2.00
2026	6.25	6.250	2.00
2027	6.00	6.000	2.00
2028	5.75	5.750	2.00
2029	5.50	5.500	2.00
2030	5.25	5.250	2.00
2031	5.00	5.000	2.00
2032	4.75	4.750	2.00
2033	4.50	4.500	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.

** MAPD trend rates for fiscal years ending 2023 and 2024 are based on renewal premium rates.

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%



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 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.



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

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.

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	\$13,045
Post-65	\$565

MEDICARE ADVANTAGE PREMIUMS: Claims for Medicare-Eligible retirees are set based on premium rate increases until the 2025 plan year.

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
\$492	\$69	\$106	\$137

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.



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

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 anticipation of potential changes to Medicare due to the IRA, which are included in our 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 C – Statement of Actuarial Assumptions and Methods (continued)

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.

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**					
			Tier 1		Tier 2			
	Males	Females	Males		Females		Males	Females
			Years of Service		Years of Service			
		<25	>=25	<25	>=25			
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 C – Statement of Actuarial Assumptions and Methods (continued)

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 C – Statement of Actuarial Assumptions and Methods (continued)

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	>=26
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 C – Statement of Actuarial Assumptions and Methods (continued)

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	
63	16.00	27.50	27.50	27.50	16.00	36.00	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	
65	25.00	27.50	27.50	27.50	27.00	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	
67	22.00	23.50	23.50	23.50	23.00	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	
69	21.00	22.50	22.50	22.50	20.50	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	
71-74	20.00	22.50	22.50	22.50	22.00	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	
77-79	30.00	30.00	22.50	22.50	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	



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

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 C – Statement of Actuarial Assumptions and Methods (continued)

DEATHS AFTER RETIREMENT: Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using 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% > age 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 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 7.00%), of each participant's expected retiree health benefit at retirement or death is 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.