



**Cavanaugh Macdonald**  
CONSULTING, LLC

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**Report on the Retiree Health Care  
Valuation of the  
School Employees Retirement System of Ohio**

**Prepared as of June 30, 2016**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

November 3, 2016

Board of Trustees  
School Employees Retirement System  
Of Ohio  
300 East Broad Street  
Suite 100  
Columbus, OH 43215-3746

Dear Members of the Board:

Governmental Accounting Standards Board Statement No. 45 requires actuarial valuations of retiree medical and other post-employment benefit plans. We have submitted the results of the annual actuarial valuation of the Retiree Health Care Valuation of the School Employees Retirement System of Ohio (SERS) prepared as of June 30, 2016. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that the Annual Required Contribution (ARC) required by GASB Statement 45 is 5.39% of active payroll payable for the fiscal year ending June 30, 2017. Any net claims or premiums paid for retiree health care are considered contributions toward the ARC. Your attention is directed particularly to the summary of results on page 1 and the comments on page 7.

The medical and drug benefits of the Plan are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method with the normal cost rate determined as a level percentage of payroll. GASB requires the discount rate used to value a plan be based on the likely return of the assets held in trust to pay benefits. The discount rate used in this valuation is 5.25%. Gains and losses are reflected in the unfunded accrued liability that is amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.50% annually. The assumptions recommended by the actuary are, in the aggregate, reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB 45.

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. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

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November 3, 2016  
Board of Trustees  
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To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The valuation was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board.

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 actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the system, and on actuarial assumptions that are, in the aggregate, internally consistent and reasonably based on the actual experience of the system.

Respectfully submitted,

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

Alisa Bennett, FSA, FCA, EA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'John J. Garrett'.

John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary

AB/JJG:bvb



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**REPORT ON THE ANNUAL VALUATION OF THE  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**PREPARED AS OF JUNE 30, 2016**

**SECTION I – SUMMARY OF PRINCIPAL RESULTS**

1. This report, prepared as of June 30, 2016, presents the results of the annual actuarial valuation of retiree health care offered to SERS members. For convenience of reference, the principal results of the valuation and a comparison with the preceding valuation results are summarized in the following table.

	June 30, 2016	June 30, 2015
<b>Active members included in valuation</b>		
Number	124,540	122,855
Annual Compensation	\$2,932,236,551	\$2,845,443,802
<b>Service Retirees</b>		
Number	32,006	31,470
<b>Disability Retirees</b>		
Number	3,362	3,443
<b>Spouses of Retirees</b>		
Number	5,704	5,812
<b>Spouses of Deceased Retirees</b>		
Number	1,916	1,991
<b>Survivor Benefit Recipients</b>		
Number	849	913
<b>Children</b>		
Number	440	478
<b>Deferred Vesteds</b>		
Number	4,943	4,651
<b>Assets</b>		
Market Value	\$370,204,515	\$408,363,598
<b>Unfunded Accrued Liability</b>	\$2,037,076,321	\$2,016,150,191
<b>Actuarial Accrued Liability</b>	\$2,407,280,836	\$2,424,513,789
<b>Funded Ratio (MVA/AAL)</b>	15.38%	16.84%
<b>Employer Contribution Rate</b>		
Normal	2.48%	2.72%
Accrued Liability	<u>2.91%</u>	<u>2.79%</u>
Total	5.39%	5.51%
Employer Contribution Toward Health Care*	1.50%	1.50%
Accrued liability amortization period	30	30

\* Includes 1.50% of payroll surcharge



2. In accordance with the Board-adopted funding policy that became effective June 18, 2015, the employer health contribution rate does not include an additional portion from the basic benefits. The basic benefits funded ratio is less than 70%, thus all 14% of the employers' contribution is allocated to SERS' basic benefits. Therefore, the employer health contribution rate is set at 1.50%. This rate includes the anticipated revenue from the minimum surcharge level for FY2017 of \$23,500.
3. The valuation balance sheet showing the results of the valuation is given in Schedule A.
4. Comments on the valuation results are given in Section IV, comments on the experience and actuarial gains during the valuation year are given in Section V, and the rates of contribution payable by the employer are given in Section VI.
5. There were no changes in interest rate, or age related morbidity assumptions since the last valuation. The following changes were reflected in this valuation:
  - 2017 Medicare Plan Changes include:
    - The HealthSpan Medicare plan will not be offered in 2017 because HealthSpan is ending its insurance operations. HealthSpan Medicare participants will automatically be moved to the Aetna Medicare Plan (PPO).
    - Prescription drug co-pays for Medicare participants will no longer be reduced in the Medicare donut hole.
  - 2017 Non-Medicare Plan Changes include:
    - HealthSpan and Paramount HMO plans will not be offered in 2017. Participants will be moved to the Aetna Choice POS II plan.
    - The deductible will increase for participants in the Aetna Choice POS II and the AultCare PPO plans from \$1,500 to \$2,000 per person and \$3,000 to \$4,000 per family.
    - The medical and prescription drug out-of-pocket maximums will be combined and will increase under the Aetna Choice POS II and the AultCare PPO plans to \$7,150 combined per person and \$14,300 combined per family.
    - Proton Pump Inhibitors taken to control acid reflux will no longer be covered by Express Scripts and AultCare for non-Medicare enrollees.
    - The Health Care Premium Discount Program is being discontinued for non-Medicare participants unless a family member is eligible for Medicare.
    - SERS will offer a new coverage option in 2017, the Marketplace Wraparound Plan. This option is only available to healthcare participants who are not eligible for Medicare and who are not enrolled in Medicaid. Participants will be able to choose insurance from any insurer offering coverage in the federal Marketplace, and if eligible, receive a federal subsidy to lower the premium and cost-sharing amounts. The SERS Marketplace Wraparound Plan will offer additional benefits to help pay for deductibles, co-pays, and other costs.



6. Schedule B details the actuarial assumptions and methods employed. Since the previous valuation, the decremental assumptions used in the valuation have been changed due to the experience study for the five-year period ending June 30, 2015. The new assumptions were adopted by the Board in April, 2016. Schedule C gives a summary of the benefit and contribution provisions of the plan.
7. The statute sets a contribution cap of 24% of payroll; 14% from employers and 10% from employees. The funding policy states that employer contributions in excess of those required to support the basic benefits may be allocated to retiree health care funding. If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.



## **SECTION II – MEMBERSHIP DATA**

Data regarding the membership of the System for use as a basis for the valuation were furnished by the System's office. The following tables summarize the membership of the system as of June 30, 2016 upon which the valuation was based. Detailed tabulations of the data are given in Schedule D.

### **Active Members**

<b>Number</b>	<b>Payroll</b>	<b>Group Averages</b>		
		<b>Salary</b>	<b>Age</b>	<b>Service</b>
124,540	\$2,932,236,551	\$23,545	48.4	9.5

The following table shows a six-year schedule of active member valuation data.

### **SCHEDULE OF SERS ACTIVE MEMBER VALUATION DATA**

<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% Increase in Average Pay</b>
6/30/2011	125,337	2,852,378,614	22,758	0.9%
6/30/2012	121,811	2,788,153,585	22,889	0.6
6/30/2013	121,642	2,746,827,535	22,581	(1.3)
6/30/2014	121,251	2,759,281,606	22,757	0.8
6/30/2015	122,855	2,845,443,802	23,161	1.8
6/30/2016	124,540	2,932,236,551	23,545	1.7





The following table shows the number of retiree members and their beneficiaries receiving health care as of the valuation date as well as average ages.

**Retiree Lives**

Type of Benefit Recipient	Number	Average Age
Service Retirees	32,006	76.0
Disability Retirees	3,362	67.7
Spouses	8,469	78.2
Children	440	27.6
Total	44,277	75.3

This valuation also includes 4,943 inactive members eligible for health care.



**SECTION III – ASSETS**

1. As of June 30, 2016 the total market value of assets amounted to \$370,204,515.

Asset Summary Based on Market Value			
(1)	Assets at June 30, 2015	\$	408,363,598
(2)	Contributions and Misc. Revenue		158,788,344
(3)	Investment Gain (Loss)		(501,827)
(4)	Benefit Payments		<u>(196,445,600)</u>
(5)	Assets at June 30, 2016	\$	370,204,515
	(1) + (2) + (3) + (4)		
(6)	Annualized Rate of Return*		(0.1) %

\*Based on the approximation formula:  $I/[0.5 \times (A + B - I)]$ , where

- I = Investment Gain (Loss)
- A = Beginning of year asset value
- B = End of year asset value



#### **SECTION IV - COMMENTS ON VALUATION**

Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of June 30, 2016.

1. The total health care valuation balance sheet shows that the System has total future health care liabilities of \$3,147,336,834 of which \$903,199,693 is for the future benefits payable for present retiree members and beneficiaries of deceased members; \$14,677,345 is for the future benefits payable for current deferred vested members; and \$ 2,229,459,796 is for the future benefits payable for present active members. Against these health care liabilities the System has a total market value of assets of \$370,204,515 as of June 30, 2016. The difference of \$2,777,132,319 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future for health care. Of this amount, no future contributions are expected to be made by members, and the balance of \$2,777,132,319 represents the present value of future contributions payable by SERS.
2. SERS' contributions on account of health care consists of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions at the rate of 2.48% of payroll are required to provide the benefits of the System for the average new member of SERS.
3. Prospective employer normal contributions on account of health care at the above rates have a present value of \$740,055,998. When this amount is subtracted from \$2,777,132,319 which is the present value of the total future contributions to be made by the employer, there remains \$2,037,076,321 as the amount of future accrued liability contributions.
4. It is recommended that the accrued liability contribution rate payable by SERS on account of health care be set at 2.91% of payroll. This rate is sufficient to liquidate the unfunded accrued liability of 2,037,076,321 over 30 years on the assumption that the aggregate payroll for members will increase by 3.50% each year.



**SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES**

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 experience gain (loss) for the year ended June 30, 2016 is shown below.

**Experience Gain/(Loss)  
(\$ Thousands)**

(1)	UAAL* as of 6/30/15	\$	2,016,150
(2)	Normal cost from last valuation		77,466
(3)	Expected employer contributions		161,566
(4)	Interest accrual: [(1) + (2) - (3)] x .0525		<u>101,433</u>
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	\$	2,033,483
(6)	Change due to Wrap Plan		51,837
(7)	Change due to new actuarial assumptions		(72,078)
(8)	Change due to claims and retiree premiums		118,845
(9)	Expected UAAL after changes: (5) - (6) - (7) - (8)	\$	1,934,879
(10)	Actual UAAL as of 6/30/16	\$	2,037,076
(11)	Total gain/(loss): (9) - (10)	\$	(102,197)
	(a) Contribution shortfall		(86,428)
	(b) Investment loss		(20,952)
	(c) Experience gain/(loss) (11) - (11a) - (11b)	\$	5,183
(12)	Accrued liabilities as of 6/30/15	\$	2,424,514
(13)	Experience gain/(loss) as percent of actuarial accrued liabilities at start of year (11c) / (12)		0.2%

\* unfunded actuarial accrued liability



## ANALYSIS OF FINANCIAL EXPERIENCE

Gains & Losses in Accrued Liabilities  
Resulting from Difference Between  
Assumed Experience & Actual Experience  
(\$ Millions)

Type of Activity	\$ Gain (or Loss) For Year Ending 6/30/16
<b>Age &amp; Service Retirements.</b> If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (10.6)
<b>Disability Retirements.</b> If disability claims are less than assumed, there is a gain. If more claims, a loss.	2.8
<b>Death-in Service Benefits.</b> If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(1.0)
<b>Withdrawal From Employment.</b> If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	29.4
<b>Claims Increases (Including Wrap Plan).</b> If there are smaller claims increases than assumed creates a gain; larger, a loss.	170.7
<b>New Members.</b> Additional accrued liability attributable to members who entered the plan since the last valuation.	(24.7)
<b>Investment Income.</b> If there is a greater investment income than assumed, there is a gain. If less income, a loss.	(21.0)
<b>Contribution Shortfall.</b> If there are more contributions than the ARC, there is a gain. If less contributions, a loss.	(86.4)
<b>Death After Retirement.</b> If retiree members live longer than assumed, there is a loss. If not as long, a gain.	12.2
<b>Other.</b> Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	<u>(2.9)</u>
<b>Gain (or Loss) During Year From Financial Experience</b>	\$ 68.5
<b>Non-Recurring Items.</b> Adjustments for plan amendments, assumption changes and method changes	(72.1)
<b>Composite Gain (or Loss) During Year</b>	<u>\$ (3.6)</u>



**SECTION VI – REQUIRED CONTRIBUTION RATES**

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Retirement System. The following tables show the rates of contribution payable by employers as determined from the present valuation for FY2017.

**Required Contribution Rates**

Contribution for	Amount	% of Payroll
A. Normal Cost	\$ 73,083,949	2.48%
B. Member Contributions*	\$ 0	0.00%
C. Employer Normal Cost: [A - B]	\$ 73,083,949	2.48%
D. Unfunded Actuarial Accrued Liability**	\$ 85,685,579	2.91%
E. Total Recommended Employer Contribution Rate: [C+D]	\$ 158,769,528	5.39%
F. Employer Contribution Toward Health Care <sup>+</sup>	\$ 43,983,548	1.50%

\* The liabilities are net of retiree contributions towards their health care.

\*\* Based on 30-year amortization of the UAAL from June 30, 2016.

+ Includes 1.50% of payroll surcharge.

**Ten-Year History of Employer Contribution Rates**

Fiscal Year Ending June 30	Employer Health Care Contribution Rate	Surcharge Percentage	Total Health Care Contribution Rate
2006	3.42%	1.50%	4.92%
2007	3.32	1.50	4.82
2008	4.18	1.50	5.68
2009	4.16	1.50	5.66
2010	0.46	1.50	1.96
2011	1.43	1.50	2.93
2012	0.55	1.50	2.05
2013	0.16	1.50	1.66
2014	0.14	1.50	1.64
2015	0.82	1.50	2.32
2016	0.00	1.50	1.50



**SECTION VII - ACCOUNTING INFORMATION**

Governmental Accounting Standards Board Statement 45 sets forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2016. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2016
Actuarial cost method	Entry Age
Amortization	Level Percent Open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return*	5.25%
* Includes price inflation at	3.00%
Wage increases	3.50%
Medical Trend Assumption	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%
Year of Ultimate Trend	2018 - 2021

Another required item of disclosure is the Schedule of Funding Progress shown in the following table.



**SCHEDULE OF FUNDING PROGRESS  
(\$ Millions)**

Actuarial Valuation Date	Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
6/30/2011	356	2,410	2,054	14.8	2,852	72.0%
6/30/2012	355	2,691	2,336	13.2	2,788	83.8
6/30/2013	379	2,918	2,539	13.0	2,747	92.4
6/30/2014	414	2,476	2,062	16.7	2,759	74.7
6/30/2015	408	2,425	2,016	16.8	2,845	70.9
6/30/2016	370	2,407	2,037	15.4	2,932	69.5

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution (ARC) (a)	Employer Contribution (b)	Federal Subsidies and Other Receipts (c)	Total Contribution (d) = (b)+(c)	Percentage of ARC Contributed (e) = (d)/(a)
June 30, 2011	\$169,146,052	\$86,908,283	\$0	\$88,908,283	51.4%
June 30, 2012	155,857,785	56,476,230	0	56,476,230	36.2
June 30, 2013	171,402,038	45,489,443	0	45,489,443	26.5
June 30, 2014	190,390,431	46,097,206	29,200,200	75,297,406	39.5
June 30, 2015	164,182,107	68,904,867	20,084,826	88,989,693	54.2
June 30, 2016	161,566,234	44,855,441	32,493,250	77,348,691	47.9





## SCHEDULE A

### Valuation Balance Sheet

The following valuation balance sheet shows the assets and liabilities of the retirement system as of the current valuation date of June 30, 2016 and, for comparison purposes, as of the immediately preceding valuation date of June 30, 2015.

#### VALUATION BALANCE SHEETS SHOWING THE ASSETS AND LIABILITIES OF THE SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

	June 30, 2016	June 30, 2015
<b>ASSETS</b>		
Current market value of assets	\$ 370,204,515	\$ 408,363,598
Prospective contributions		
Employer normal contributions	740,055,998	852,918,952
Unfunded accrued liability contributions	<u>2,037,076,321</u>	<u>2,016,150,191</u>
Total prospective contributions	<u>\$ 2,777,132,319</u>	<u>\$ 2,869,069,143</u>
Total assets	<u>\$ 3,147,336,834</u>	<u>\$ 3,277,432,741</u>
<b>LIABILITIES</b>		
Present value of benefits payable on account of present retiree members and beneficiaries	\$ 903,199,693	\$ 967,925,442
Present value of benefits payable on account of active members	2,229,459,796	2,298,498,203
Present value of benefits payable on account of deferred vested members	<u>14,677,345</u>	<u>11,009,096</u>
Total liabilities	<u>\$ 3,147,336,834</u>	<u>\$ 3,277,432,741</u>



The following table provides the solvency test for SERS members.

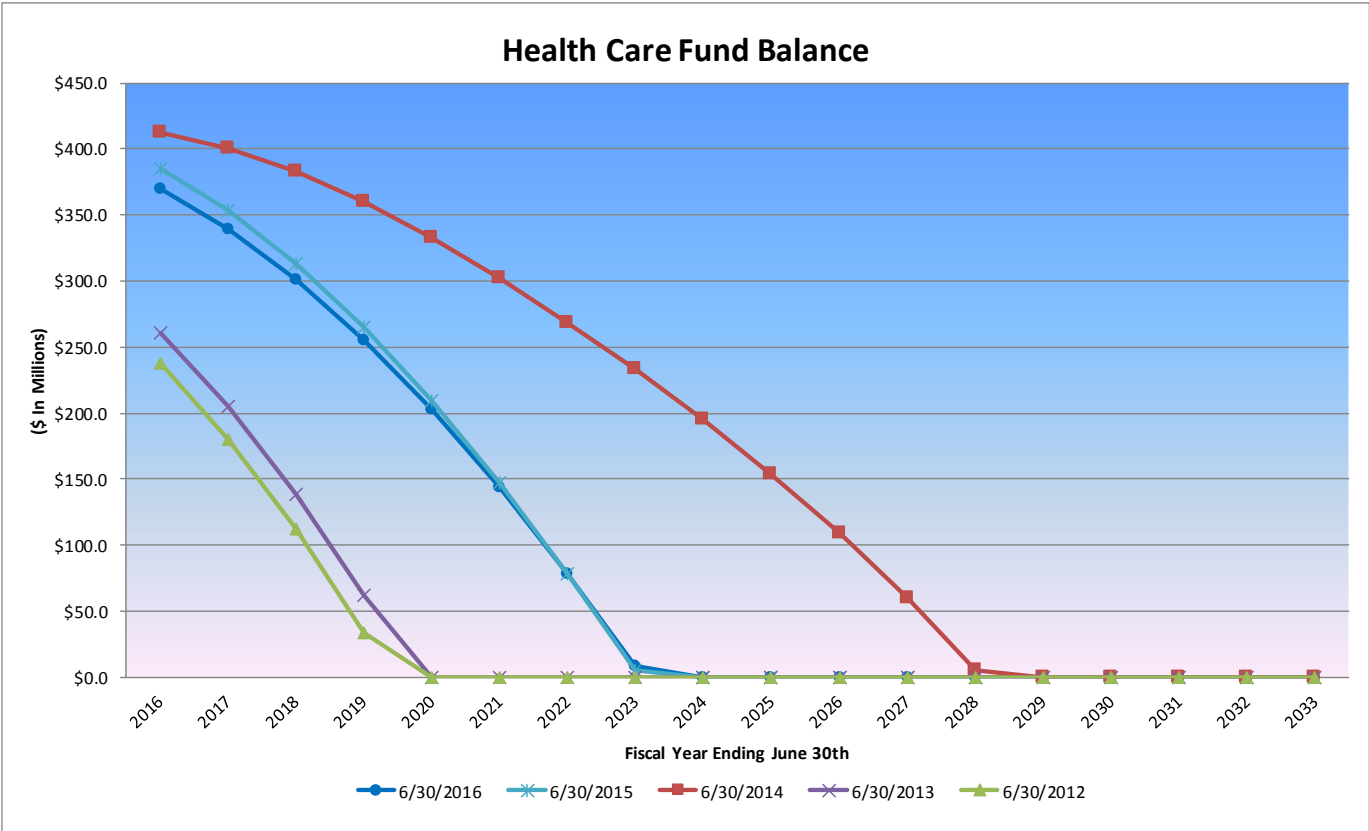
**Solvency Test  
(\$ Millions)**

Valuation Date	Aggregate Accrued Liabilities For				Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retiree Members & Beneficiaries	(3) Active Members (Employer Financed Portion)			(1)	(2)	(3)
6/30/2011	\$0	\$897	\$1,513		\$356	100.0%	39.7%	0.0%
6/30/2012	0	1,074	1,617		355	100.0	33.1	0.0
6/30/2013	0	1,157	1,761		379	100.0	32.8	0.0
6/30/2014	0	968	1,508		414	100.0	42.8	0.0
6/30/2015	0	979	1,446		408	100.0	41.7	0.0
6/30/2016	0	918	1,489		370	100.0	40.3	0.0



### Solvency Chart

The following chart shows the projected Health Care Fund Balances from the five most recent valuations. The prior year projections were based on the funding policy and assumptions in effect on the prior year valuation dates. The projections are based on a 7.75% future asset rate of return assumption for 2012-2015 and 7.50% starting June 30, 2016 and assumed health care contribution rates based on the pension valuation and the surcharge calculation. Starting with the June 30, 2015 valuation, the new funding policy was taken into account. Starting with the June 30, 2016 valuation, 10% participation in the pre-Medicare Wraparound Plan is assumed.





**SCHEDULE B**

**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

The decremental assumptions used in the valuation were adopted by the Board in April, 2016.

INTEREST RATE: 5.25% per annum, compounded annually (net after all System expenses).

HEALTH CARE COST TREND RATES: Following is a chart detailing trend assumptions:

Calendar Year	Non-Medicare	Medicare
2016	7.50%	5.50%
2017	6.75	5.25
2018	6.25	5.00
2019	5.75	5.00
2020	5.25	5.00
2021 and beyond	5.00	5.00

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	
	Medical	Prescription Drug
Under 41	0.00%	0.00%
41 – 45	2.50	1.25
46 – 50	2.60	1.30
51 – 55	3.20	1.60
56 – 60	3.40	1.70
61 – 65	3.70	1.85
66 – 70	3.20	1.60
71 – 75	2.40	1.20
76 – 80	1.80	0.90
81 – 85	1.30	0.65
85 and over	0.00	0.00

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

Retiree Gender	Spouse Coverage	Dependent Child Coverage
Male	50.0%	0.0%
Female	30.0%	0.0%

Wives are assumed to be three years younger than husbands.



ANTICIPATED PLAN PARTICIPATION (continued):

Years of Service	Service Retiree Participation	Disabled Retiree Participation	Deferred Vested Retiree Participation	Death in Service Surviving Spouse Participation
1.5 – 5	N/A	N/A	N/A	100.0%
5 – 9	N/A	50.0%	N/A	100.0
10 – 14	25.0%	50.0	50.0%	100.0
15 – 19	45.0	70.0	50.0	100.0
20 – 24	70.0	75.0	50.0	100.0
25 – 29	75.0	75.0	50.0	100.0
30 – 34	80.0	80.0	50.0	100.0
35 and over	90.0	90.0	50.0	100.0

ANTICIPATED PLAN ELECTIONS: The assumed annual rates of member plan elections are as follows:

Plan Type	Future Retirees	
	Non-Medicare	Medicare
PPO	90.0%	94.0%
HMO	0.0%	6.0%
Wraparound Plan	10.0%	N/A

Anticipated plan elections within the above plan types are further expanded below:

Plan Type	Future Retirees*	
	Non-Medicare	Medicare
<b>PPO</b>		
Aetna Choice POS II	95.8%	0.0%
Aetna Medicare <sup>SM</sup> Plan	0.0%	100.0%
AultCare PPO	4.2%	0.0%
<b>HMO</b>		
PrimeTime	N/A	69.5%
HealthSpan	N/A	0.0%
Paramount HMO	N/A	30.5%

\* Future disabled retirees assumed 85% Non-Medicare coverage and 15% Medicare coverage before age 65.

ANTICIPATED MEDICARE COVERAGE AT AGE 65: The assumed annual rates of future retirees obtaining Medicare coverage at age 65 are as follows:

Medicare Coverage	Percent Covered
No Medicare at age 65	1.0%
Medicare Part A	98.0%
Medicare Part B Only	1.0%

Current service retirees, disabled benefit recipients, spouses and dependent children under age 65 were assumed to have similar Medicare coverage at age 65 as their post-Medicare counterparts.



HEALTH CARE PREMIUM DISCOUNT PROGRAM PARTICIPATION: Current Medicare-eligible service retirees, disabled benefit recipients, spouses and dependent children reported as qualifying for the health care Premium Discount Program were assumed to continue participating in the program for their lifetime. The Health Care premium Discount Program is being discontinued for non-Medicare participants.

MONTHLY EXPECTED MEDICAL/PRESCRIPTION DRUG CLAIMS COSTS (INCLUDES ADMINISTRATIVE EXPENSES): Following are charts detailing expected claims for the year following the valuation date. For the Medicare Advantage plans, the Health Insurance Provider Fee under the Affordable Care Act has been included since the 2017 moratorium is temporary:

Retiree Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare <sup>SM</sup>	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$1,269	n/a	\$920	N/A
Medicare A	\$190	\$768	\$240	\$257
Medicare B Only	\$554	n/a	\$920	\$574

Spouse Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare <sup>SM</sup>	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$1,143	n/a	\$734	N/A
Medicare A	\$190	\$768	\$240	\$257
Medicare B Only	\$554	n/a	\$734	\$574

Children Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare <sup>SM</sup>	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$381	n/a	\$162	N/A
Medicare A	\$190	\$768	\$240	\$257

The above amounts are shown as average costs and represent premiums paid to insurers.



ANNUAL EXPECTED MEDICAL/PRESCRIPTION DRUG COSTS (INCLUDES ADMINISTRATIVE EXPENSES) (continued): In the valuation, the premium costs are converted to age 65 amounts, age adjusted and blended based on actual elections for current retirees, current disabled retirees, current retiree spouses and current dependent children, and based on projected elections for future retirees and future spouses. For this valuation, we have assumed 10% participation in the SERS Marketplace Wraparound Plan for non-disabled pre-Medicare retirees. The age adjusted and blended amounts are as follows:

Annual Pre-65 Blended Costs Age Adjusted to 65							
Pre-65 Cost Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses	Current Dependent Children
Medical	\$12,675	\$11,820	\$11,397	\$12,556	\$10,728	\$7,088	\$5,765
Prescription Drug	2,579	2,608	2,326	2,569	2,496	1,951	1,102

Annual 65 & Older Blended Costs Age Adjusted to 65						
65 & Older Cost Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses
Medical	\$600	\$600	\$576	\$564	\$732	\$480
Prescription Drug	1,476	1,476	1,452	1,476	1,500	1,440



SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed rates of separation from active service are as follows:

Service	Annual Rates of Withdrawal
0	45.00%
1	31.00
2	23.00
3	17.00
4	13.00
5	10.50
10	4.00
15	2.00
20	2.00
25	1.50

Age	Annual Rates of			
	Death *		Disability	
	Male	Female	Male	Female
20	.022%	.013%	.020%	.010%
25	.053	.018	.038	.010
30	.063	.019	.068	.026
35	.059	.024	.122	.055
40	.068	.032	.212	.102
45	.081	.044	.311	.170
50	.126	.074	.411	.300
55	.218	.124	.530	.450
60	.361	.188	.590	.450
65	.607	.274	.550	.300
70	1.071	.415	.300	.200
74	1.570	.629	.300	.200

\* Pre-retirement mortality is based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. The above rates represent the base rates used.





Annual Rates of								
Age	Retirement Eligible prior to 8/1/17				Retirement Eligible after 8/1/17			
	Reduced	Reduced (55/25)	First Eligible Unreduced	Subsequent Unreduced	Reduced	Reduced (60/25)	First Eligible Unreduced	Subsequent Unreduced
50			27%	19%				
55		10%	27%	19%				
60	11%	14%	27%	19%		14%	30%	19%
65			25%	19%	11%	14%	30%	19%
70			20%	22%			30%	22%
75			100%	100%			100%	100%

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

Service	Annual Rates of		
	Merit & Seniority (A)	Base (Economy) (B)	Increase Next Year (1+(A))*(1+(B))
0	14.20%	3.50%	18.20%
1	5.55	3.50	9.25
2	3.14	3.50	6.75
3	2.17	3.50	5.75
4	1.45	3.50	5.00
5	1.20	3.50	4.75
6	0.97	3.50	4.50
7	0.72	3.50	4.25
8	0.48	3.50	4.00
9	0.24	3.50	3.75
10 & over	0.00	3.50	3.50

PAYROLL GROWTH: 3.50% per annum, compounded annually.

PRICE INFLATION: 3.00% per annum, compounded annually.

DEATH AFTER RETIREMENT: The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five



years is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement.

VALUATION METHOD: Entry age normal cost method. Entry age is established on an individual basis.

ASSET VALUATION METHOD: Market value.



## SCHEDULE C

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO Summary of Main Plan Provisions as of June 30, 2016

#### **ELIGIBILITY FOR ACCESS TO RETIREE HEALTH CARE:**

##### **Normal Retirement:**

*Retire before August 1, 2017 or have 25 years of service or more on or before August 1, 2017:* Attainment of age 65 with at least ten years of creditable service, or completion of 30 years of creditable service, regardless of age.

*Members attaining 25 years of service after August 1, 2017:* Attainment of age 67 with at least ten years of creditable service, or attainment of age 57 with at least 30 years of creditable service. Buy-up option available.

##### **Early Retirement:**

*Retire before August 1, 2017 or have 25 years of service or more on or before August 1, 2017:* Not eligible for unreduced service retirement but has attained age 55 with at least 25 years of service, or age 60 with ten years of service.

*Members attaining 25 years of service after August 1, 2017:* Attainment of age 62 with at least ten years of creditable service, or attainment of age 60 with at least 25 years of creditable service.

**Disability Retirement:** Permanently disabled after completion of at least 5 years of total service credit.

**Survivor Allowances:** Beneficiary must be receiving monthly benefits due to the death of a member, age and service retiree or disability benefit recipient.

**Termination:** Members that terminated with at least ten years of creditable service and have attained age 60 (age 62 for those becoming members after May 13, 2008 and for members retiring after August 1, 2017).

#### **PREMIUM PAYMENTS:**

Retirees, spouses and dependent children pay either all or a portion of the cost of health care and prescription drug coverage as well as a \$35 monthly surcharge. The remainder of the cost is paid by SERS.

Medicare-eligible retirees, spouses and dependent children may qualify for the health care Premium Discount Program if their household income falls at or below a specified level. Income limits are updated annually and those wishing to participate in the program must apply every year. Retirees, spouses and dependent children qualifying for the program will receive a 25% discount in their monthly health care premiums.



**PREMIUM PAYMENTS (Continued):**

The following schedule lists the percentage of the retiree premium paid by service retirees:

Years of Service	Retirement Date on or before July 1, 1989	Retirement Date August 1, 1989 through July 1, 2008	Retirement Date on or after August 1, 2008
	Service Retiree Premium Contribution Percentage		
5 – 9	50.0%	N/A	N/A
10 – 14	17.5	100.0%	100.0%
15 – 19	17.5	50.0	100.0
20 – 24	17.5	25.0	50.0
25 – 29	17.5	17.5	30.0
30 – 34	17.5	17.5	20.0
35 and over	17.5	17.5	15.0*

\* Additional 1% reduction for each year over 35.

The following schedule lists the percentage of the retiree premium paid by disability benefit recipients:

Years of Service	Disabled Benefit Recipient Premium Contribution Percentage
5 – 9	50.0%
10 – 24	33.0
25 and over	17.5

The following schedule lists the percentage of the spouse premium paid by spouses of retirees:

Service Retiree, Disability Recipient, or Member's Qualified Service	Spouse Premium Contribution Percentage
1.5 – 24	100.0%
25 – 29	90.0
30 and over	80.0

Dependent children pay 70.0% of the child premium.

In addition, SERS will offer a new coverage option in 2017, the Marketplace Wraparound Plan. This option is only available to healthcare participants who are not eligible for Medicare and who are not enrolled in Medicaid. Participants will be able to choose insurance from any insurer offering coverage in the federal Marketplace, and if eligible, receive a federal subsidy to lower the premium and cost-sharing amounts. The SERS Marketplace Wraparound Plan will offer additional benefits to help pay for deductibles, co-pays, and other costs.



**OTHER POST-EMPLOYMENT BENEFITS:** Health care and prescription drug coverage is provided in all post-employment group health care plan options. Dental and vision coverage are made available to retirees, spouses and dependent children at the full cost.

**2017 RETIREE GROUP HEALTH CARE PLAN OPTIONS:**

**Options available to members without Medicare**

- ◇ Aetna Choice POS II with Express Scripts prescription drug coverage
- ◇ AultCare PPO with AultCare prescription drug coverage

**Options available to members with Medicare:**

- ◇ Aetna Medicare<sup>SM</sup> Plan (PPO) with Express Scripts Medicare Part D Prescription Drug Plan
- ◇ Aetna Indemnity Plan with Express Scripts Medicare Part D Prescription Drug Plan (only available to members with special circumstances)
- ◇ AultCare PPO with AultCare prescription drug coverage (only available to members with Part B Only)
- ◇ Paramount Elite Medicare Advantage with Express Scripts Medicare Part D Prescription Drug Plan
- ◇ PrimeTime Health Plan through AultCare with PrimeTime Medicare Part D prescription drug coverage

The following pages contain information that was provided by SERS in the 2017 Open Enrollment Guide and the 2017 Member Health Care Guide.



**2017 Contribution Rates**

<b>Years of Service</b>	Aetna Choice POS II and Aetna Medicare <sup>SM</sup>	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
<b>Service Retirement Date on or before July 1, 1989 Premiums</b>				
5-9.999 years				
Without Medicare	\$670		\$500	N/A
With Medicare A & B	\$144	\$419	\$155	\$163
With Medicare B Only	\$297		\$495	\$322
10-24.999 years & over				
Without Medicare	\$257		\$198	N/A
With Medicare A & B	\$73	\$169	\$77	\$80
With Medicare B Only	\$127		\$196	\$135
25 years & over				
Without Medicare	\$257		\$198	N/A
With Medicare A & B	\$73	\$169	\$77	\$80
With Medicare B Only	\$73		\$77	\$80

<b>Years of Service</b>	Aetna Choice POS II and Aetna Medicare <sup>SM</sup>	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
<b>Service Retirement Date August 1, 1989 through July 1, 2008 Premiums</b>				
10-14.999 years				
Without Medicare	\$1,304		\$965	N/A
With Medicare A & B	\$253	\$803	\$275	\$292
With Medicare B Only	\$558		\$955	\$609
15-19.999 years				
Without Medicare	\$670		\$500	N/A
With Medicare A & B	\$144	\$419	\$155	\$163
With Medicare B Only	\$297		\$495	\$322
20-24.999 years				
Without Medicare	\$352		\$267	N/A
With Medicare A & B	\$89	\$227	\$95	\$99
With Medicare B Only	\$166		\$265	\$178
25 years & over				
Without Medicare	\$257		\$198	N/A
With Medicare A & B	\$73	\$169	\$77	\$80
With Medicare B Only	\$73		\$77	\$80



**2017 Contribution Rates  
(continued)**

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Medicare<sup>SM</sup></b>	<b>Aetna Indemnity</b>	<b>AultCare PPO and PrimeTime</b>	<b>Paramount Elite HMO</b>
<b>Service Retirement Date on or after August 1, 2008 Premiums*</b>				
10-19.999 years				
Without Medicare	\$1304		\$965	N/A
With Medicare A & B	\$253	\$803	\$275	\$292
With Medicare B Only	\$558		\$955	\$609
20-24.999 years				
Without Medicare	\$670		\$500	N/A
With Medicare A & B	\$144	\$419	\$155	\$163
With Medicare B Only	\$297		\$495	\$322
25-29.999 years				
Without Medicare	\$416		\$314	N/A
With Medicare A & B	\$100	\$265	\$107	\$112
With Medicare B Only	\$100		\$107	\$112
30-34.999 years*				
Without Medicare	\$289		\$221	N/A
With Medicare A & B	\$79	\$189	\$83	\$86
With Medicare B Only	\$79		\$83	\$86

\* Further reductions for each year over 35.

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Medicare<sup>SM</sup></b>	<b>Aetna Indemnity</b>	<b>AultCare PPO and PrimeTime</b>	<b>Paramount Elite HMO</b>
<b>Disability Benefit Recipient Premiums</b>				
5-9.999 years				
Without Medicare	\$670		\$500	N/A
With Medicare A & B	\$144	\$419	\$155	\$163
With Medicare B Only	\$297		\$495	\$322
10-24.999 years & over				
Without Medicare	\$454		\$342	N/A
With Medicare A & B	\$107	\$288	\$114	\$120
With Medicare B Only	\$208		\$338	\$244
25 years & over				
Without Medicare	\$257		\$198	N/A
With Medicare A & B	\$73	\$169	\$77	\$80
With Medicare B Only	\$73		\$77	\$80



**2017 Contribution Rates  
(continued)**

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Medicare<sup>SM</sup></b>	<b>Aetna Indemnity</b>	<b>AultCare PPO and PrimeTime</b>	<b>Paramount Elite HMO</b>
<b>Spouse Premiums (Service Retiree, Disability Recipient, or Member's Qualified Service)</b>				
Up to 25 years				
Without Medicare	\$1,178		\$778	N/A
With Medicare A & B	\$253	\$803	\$275	\$292
With Medicare B Only	\$558		\$769	\$609
25-29.999 years				
Without Medicare	\$1,064		\$703	N/A
With Medicare A & B	\$231	\$726	\$251	\$266
With Medicare B Only	\$231		\$251	\$266
30 years & over				
Without Medicare	\$949		\$629	N/A
With Medicare A & B	\$209	\$649	\$227	\$240
With Medicare B Only	\$209		\$227	\$240

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Medicare<sup>SM</sup></b>	<b>Aetna Indemnity</b>	<b>AultCare PPO and PrimeTime</b>	<b>Paramount Elite HMO</b>
<b>Child Premiums</b>				
<b>Child w/o Medicare A</b>	\$302		\$150	N/A
<b>Child with Medicare A &amp; B</b>	\$187	\$573	\$203	\$215





## **SERS' Non-Medicare Plans**

Non-Medicare plans are available to benefit recipients and dependents under age 65 and not Medicare eligible.

### **Aetna Choice POS II**

This is a Preferred Provider Organization (PPO) plan with prescription drug coverage by Express Scripts. The plan is available throughout the United States.

To enroll in this plan, a member must:

- Be under age 65 and not eligible for Medicare

Use of out-of-network providers will increase out-of-pocket costs.

### **AultCare PPO**

This is a Preferred Provider Organization (PPO) plan with prescription drug coverage by AultCare.

To enroll in this plan, a member must:

- Be under age 65 and not eligible for Medicare.
- Live in one of the Ohio counties listed on the map in the 2017 Open Enrollment Guide.

Use of out-of-network providers will increase out-of-pocket costs.

### **2017 SERS Marketplace Wraparound Plan**

The SERS Marketplace Wraparound Plan is available to participants who are not eligible for Medicare and who are not enrolled in Medicaid. Participants will be able to choose insurance from any insurer offering coverage in the federal Marketplace. If eligible, participants will receive a federal subsidy to lower the premium and cost-sharing amounts. The SERS Market place Wraparound Plan will offer additional benefits to help pay for deductibles, co-pays, and other costs.



## **SERS' Medicare Plans**

### **Aetna Medicare Plan (PPO)**

This is a Medicare Advantage plan with Medicare Part D prescription drug coverage administered by Express Scripts.

**Ohio Residents:** Aetna has a preferred provider network. Use of out-of-network providers will increase out-of-pocket costs.

**Non-Ohio Residents:** Can use any medical provider that accepts Medicare patients and agrees to file claims with Aetna.

This plan is available throughout the United States. To enroll, members must have:

- Medicare Part B
- Medicare Part A, if eligible

### **Aetna Indemnity Plan**

This plan is NOT available for optional enrollment. It is only available in special circumstances. SERS determines when enrollment is appropriate. Medicare Part D prescription drug coverage is administered through Express Scripts.

### **Paramount Elite Medicare Advantage**

This is a Medicare Advantage plan with Medicare Part D prescription drug coverage administered by Express Scripts. Members must use Paramount providers or pay the full cost for services.

To enroll in this plan, members must:

- Have Medicare Part B.
- Have Medicare Part A, if eligible.
- Live in one of the Ohio counties listed or live in the Michigan counties of Lenawee or Monroe.

### **PrimeTime Health Plan**

This is a Medicare Advantage plan with Medicare Part D prescription drug coverage by PrimeTime. Members must use PrimeTime providers or pay the full cost for services.

To enroll in this plan, members must:

- Have Medicare Part A and Part B.
- Live in one of the Ohio counties listed on the map in the 2017 Open Enrollment Guide.

### **AultCare PPO**

This plan is available to individuals who do not have Medicare Part A but have Medicare Part B only. Prescription drug coverage is administered by AultCare.

To enroll in this plan, members must:

- Have Medicare Part B only.
  - Live in one of the Ohio counties listed on the map in the 2017 Open Enrollment Guide.



## **Prescription Drug Coverage**

Prescription drug coverage is included in SERS health care coverage and does not require a separate premium. Express Scripts provides the prescription drug coverage for Aetna and Paramount. PrimeTime and AultCare provide their own prescription coverage. All prescription plans have a formulary of covered medications. These are referred to as preferred medications. Medications not on the formulary are referred to as non-preferred. The amount members are responsible for paying, known as the co-pay, is based on the medication's preferred status. Members pay the least for generic medications. Members pay the most for brand-name medications that are not preferred. Members can get prescriptions at retail pharmacies or through the mail. Members save money by having prescriptions for maintenance medications mailed to their homes.

The following is a partial list of situations or types of medications that are not covered.

- Prescriptions or medications dispensed in a hospital. These are typically covered under the medical plan.
- Prescriptions covered by Workers' Compensation.
- Prescriptions for fertility, erectile dysfunction, or cosmetic drugs.
- Over-the-counter drugs and herbal preparations, including homeopathic preparations.

With the exception of insulin, Express Scripts does not cover non-preferred medications. Members pay the full amount for non-preferred medications, and these costs do not count toward any out-of-pocket maximum or the Medicare coverage gap.

All prescription plans include these common coverage rules:

- Prior Authorization - For some medications, the doctor must contact the drug plan before certain prescriptions can be filled. The prescription is only covered if the doctor is able to confirm that the medication is necessary.
- Quantity Limits - Limits how much of a specific medication members can get at a time.
- Step Therapy - A process where certain medications that have proven to be safe and effective are tried as the first choice rather than starting with a more expensive prescribed medication.

### **Medicare Part D Prescription Drugs**

SERS' health plan participants enrolled in a Medicare plan are automatically covered under a Medicare Part D prescription drug plan through SERS and should not enroll in a separate Medicare Part D plan. Enrolling in another Part D plan would cause cancellation of SERS coverage for both medical and prescription drug benefits per federal law.



### Non-Medicare Plan Benefits

	Aetna Choice POS II (In-Network)	AultCare PPO
Annual Combined Medical & Prescription Drug Out-of-Pocket Maximum	\$7,150/person \$14,300/family	\$7,150/person \$14,300/family
Deductible	\$2,000/person \$4,000/family	\$2,000/person \$4,000/family
Primary Care Office Visit	\$20 co-pay	\$20 co-pay
Specialist Office Visit	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray and Lab	20% coinsurance	20% coinsurance
Retail Walk-In Clinic	\$20 co-pay	Not covered
Urgent Care	\$40 co-pay	\$40 co-pay
Emergency Room	20% coinsurance	20% coinsurance
Ambulance	20% coinsurance	20% coinsurance
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay
Outpatient Surgery	20% coinsurance	20% coinsurance
Skilled Nursing Facility (100-day max)	20% coinsurance	20% coinsurance
Home Health Care	20% coinsurance	20% coinsurance
Hospice Health Care	100% coverage	Inpatient: 100% coverage (30-day lifetime limit) Outpatient: 20% coinsurance
Outpatient Short-Term Rehab	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	20% coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance
Prescription Drugs	<b>Express Scripts <u>Retail</u></b> <b><u>30-day max:</u></b> \$7.50 generic, 25% preferred brand (\$25 min, \$100 max) <b><u>Mail order 90-day max:</u></b> \$15 generic, 25% preferred brand (\$45 min, \$200 max) <b><u>Insulin Retail</u></b> 25% or \$30 max preferred brand, 50% or \$45 max non-preferred brand <b><u>Insulin Mail Order</u></b> 25% or \$60 preferred brand, 50% or \$115 max non-preferred brand	<b>AultCare</b> <b><u>Retail 30-day max:</u></b> \$7.50 generic, 25% preferred brand (\$25 min, \$100 max) <b><u>Mail order 90-day max:</u></b> \$15 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 100% <b><u>Insulin Retail</u></b> \$30 preferred brand, \$45 non-preferred brand <b><u>Insulin Mail Order</u></b> \$60 preferred brand, \$115 non-preferred brand



**Non-Medicare Plan Benefits  
(continued)**

<b>2017 Wraparound Benefits</b>	<b>Maximum Reimbursement</b>
<b>Deductible</b>	Up to \$2,000*
<b>Covered Prescription Drugs co-payment/coinsurance</b>	50% of the Marketplace plan's prescription drug co-payment/coinsurance (up to \$200 per prescription)*
<b>Physician Office Visit co-payment</b>	Up to \$50 per visit*
<b>Inpatient Hospital Admission co-payment/coinsurance</b>	Up to \$300 per admission*
<b>Imaging (X-rays, CT/PET scans, MRI) co-payment or coinsurance</b>	Up to \$100 per service*
<b>Hearing Aid</b>	One hearing aid per year; up to \$1,500**
<p>*This is the maximum amount that the Wraparound Plan will reimburse each participant for each benefit category. Reimbursement is limited to cost-sharing after the participant's Marketplace plan has adjudicated any claim(s). Actual reimbursement may vary according to the participant's Marketplace plan's terms, but will in no event exceed the participant's actual out-of-pocket expenses under the applicable Marketplace plan.</p> <p>**The Wraparound Plan will reimburse each participant on a first dollar basis up to this limit.</p> <p>The 2017 SERS Marketplace Wraparound Plan benefits noted above only apply to covered services under your Marketplace plan. Claims for non-covered services are not eligible for reimbursement, except for hearing aids.</p>	



### Medicare Plan Benefits

	Aetna Medicare <sup>SM</sup> Plan (PPO)	PrimeTime Health Plan	Paramount Elite Medicare Advantage
Annual Out-of-Pocket Maximum	\$3,000 per person	\$3,000 per person	\$3,000 per person
Deductible	None	None	None
Primary Care Office Visit	\$20 co-pay	\$20 co-pay	\$20 co-pay
Specialist Office Visit	\$40 co-pay	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray	\$25 co-pay	100% coverage	100% coverage
Outpatient Diagnostic Lab	100% coverage	100% coverage	100% coverage
Urgent Care	\$40 co-pay	\$40 co-pay	\$40 co-pay
Emergency Room	\$75 co-pay	\$75 co-pay	\$75 co-pay
Ambulance	20% coinsurance	\$75 co-pay	100% coverage
Inpatient Hospital	\$150 co-pay per day 1-5, then 100%	\$150 co-pay per day 1-5, then 100%	\$150 co-pay per day 1-5, then 100%
Outpatient Surgery	\$200 co-pay	\$200 co-pay	\$200 co-pay
Skilled Nursing Facility (100-day max)	Co-pay: \$0 per day 1-10, \$25 per day 11-20, \$50 per day 21-100	Co-pay: \$0 per day 1-15, \$20 per day 16-30, \$0 per day 31-100	Co-pay: \$0 per day 1-20, \$95 per day 21-100
Home Health Care	100% coverage	100% coverage	100% coverage
Hospice	Covered per Medicare	Covered per Medicare	Covered per Medicare
Outpatient Short-Term Rehab	\$20 co-pay	\$5 co-pay (cardiac at 100% coverage)	\$20 co-pay(\$10 co-pay for cardiac/pulmonary rehab)
Chiropractic	\$15 co-pay limited to Medicare coverage	\$15 co-pay limited to Medicare coverage	\$20 co-pay limited to Medicare coverage
Durable Medical Equipment	20% coinsurance	20% coinsurance	20% coinsurance
Prescription Drugs	<b>Express Scripts Medicare D PDP</b> <u>Retail 30-day max:</u> \$7.50 generic, 25% preferred brand (\$25 min,\$100 max) <u>Mail order 90-day max:</u> \$15 generic, 25% preferred brand (\$45 min, \$200 max) <u>Insulin Retail</u> 25% or \$30 max preferred brand, 50% or \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand	<b>PrimeTime</b> <u>Retail 30-day max:</u> \$7.50 generic, 25% preferred brand (\$25 min, \$100 max), 50% non-preferred brand <u>Mail order 90-day max:</u> \$15 generic, 25% preferred brand (\$45 min, \$200 max), 50% non-preferred brand <u>Insulin Retail</u> \$30 preferred brand, \$45 non-preferred brand <u>Insulin Mail Order</u> \$60 preferred brand, \$115 non-preferred brand	<b>Express Scripts Medicare D PDP</b> <u>Retail 30-day max:</u> \$7.50 generic, 25% preferred brand (\$25 min,\$100 max) <u>Mail order 90-day max:</u> \$15 generic, 25% preferred brand (\$45 min, \$200 max) <u>Insulin Retail</u> 25% or \$30 max preferred brand, \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand



**SCHEDULE D**

**DETAILED TABULATIONS OF THE DATA**

**All Retirees, Spouses and Dependents Receiving Health Care  
Male and Female Demographic Breakdown  
As of June 30, 2016  
Tabulated by Attained Ages**

Attained Age	Number of		Total Number
	Males	Females	
Under 20	68	61	129
20-24	75	94	169
25-29	32	23	55
30-34	1	2	3
35-39	5	4	9
40-44	7	6	13
45-49	27	40	67
50-54	192	198	390
55-59	675	868	1,543
60-64	1,237	2,282	3,519
65-69	1,939	4,799	6,738
70-74	2,215	5,476	7,691
75-79	2,471	5,783	8,254
80-84	2,045	4,842	6,887
85-89	1,304	3,753	5,057
90-94	560	2,232	2,792
95-99	123	718	841
100	6	43	49
101	1	30	31
102	1	17	18
103	2	5	7
104	0	8	8
105 & Over	2	5	7
<b>Total</b>	<b>12,988</b>	<b>31,289</b>	<b>44,277</b>



**Schedule of Retiree Members Added to and Removed From Rolls  
Last Six Fiscal Years**

Year Ended	Added to Rolls		Removed from Rolls*		Rolls at Year-End		% Increase in Projected Benefits	Average Projected Benefits
	Number	Projected Benefits	Number	Projected Benefits	Number	Projected Benefits		
6/30/2011	1,842	6,078,819	4,296	6,244,776	48,151	81,358,997	(7.63)%	1,690
6/30/2012	2,073	9,280,779	3,785	5,391,796	46,439	90,708,513	11.49%	1,953
6/30/2013	2,110	8,977,566	3,217	4,370,993	45,332	100,514,730	10.81%	2,217
6/30/2014	2,251	8,658,731	2,873	4,834,922	44,710	87,007,272	(13.44)%	1,946
6/30/2015	2,329	8,897,861	2,932	4,682,901	44,107	90,855,858	4.42%	2,060
6/30/2016	2,820	10,209,470	2,650	4,258,016	44,277	90,484,518	(0.41)%	2,044

\* The benefits removed from rolls do not include subsidies that were changed due to premium changes, plan election changes or reductions due to members obtaining Medicare eligibility.

**Terminated Vested Members Eligible for Health Care  
Male and Female Demographic Breakdown  
As of June 30, 2016  
Tabulated by Attained Ages**

Attained Age	Number of		Total Number
	Males	Females	
Under 35	10	8	18
35-39	57	83	140
40-44	73	206	279
45-49	152	427	579
50-54	209	868	1,077
55-59	259	1,416	1,675
60 & Over	194	981	1,175
<b>Total</b>	<b>954</b>	<b>3,989</b>	<b>4,943</b>





**Total Active Members as of June 30, 2016  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	829							829
Avg Pay	\$6,319							\$5,238,679
20-24	6,091	57						6,148
Avg Pay	\$9,361	\$22,285						\$58,290,788
25-29	6,491	632	42					7,165
Avg Pay	\$14,593	\$27,892	\$36,636					\$113,888,015
30-34	5,839	1,335	454	51				7,679
Avg Pay	\$16,708	\$29,643	\$38,254	\$41,186				\$156,598,282
35-39	6,640	1,814	951	473	31	1		9,910
Avg Pay	\$16,278	\$27,979	\$36,573	\$41,631	\$51,815	\$37,394		\$214,952,712
40-44	7,053	2,699	1,559	1,021	294	29		12,655
Avg Pay	\$15,524	\$24,984	\$32,265	\$40,964	\$44,708	\$46,419		\$283,538,732
44-49	7,058	3,740	2,733	2,192	745	326	25	16,819
Avg Pay	\$15,647	\$22,941	\$29,194	\$34,456	\$45,118	\$50,671	\$52,930	\$403,008,072
50-54	5,449	3,604	3,880	4,145	1,653	897	336	19,964
Avg Pay	\$16,254	\$23,669	\$27,200	\$31,577	\$37,410	\$45,126	\$50,726	\$529,652,440
55-59	4,316	2,917	3,526	4,875	3,195	1,600	697	21,126
Avg Pay	\$16,345	\$23,984	\$27,946	\$30,047	\$33,057	\$39,091	\$47,042	\$586,473,076
60-64	2,644	1,767	1,825	2,732	2,327	1,881	848	14,024
Avg Pay	\$15,094	\$23,190	\$28,582	\$30,584	\$32,513	\$34,601	\$40,551	\$391,730,782
65-69	1,361	793	760	765	630	743	670	5,722
Avg Pay	\$11,265	\$19,978	\$26,127	\$29,506	\$33,172	\$32,766	\$34,363	\$141,869,556
70 & over	713	439	326	234	163	185	439	2,499
Avg Pay	\$8,720	\$14,723	\$19,214	\$23,562	\$26,464	\$28,468	\$29,514	\$46,995,416
<b>Totals</b>	<b>54,484</b>	<b>19,797</b>	<b>16,056</b>	<b>16,488</b>	<b>9,038</b>	<b>5,662</b>	<b>3,015</b>	<b>124,540</b>
<b>Avg Pay</b>	<b>\$14,740</b>	<b>\$24,297</b>	<b>\$29,032</b>	<b>\$32,032</b>	<b>\$35,040</b>	<b>\$38,082</b>	<b>\$40,306</b>	<b>\$23,545</b>

Averages:  
 Age: 48.4  
 Service: 9.5  
 Annual Pay: \$23,545



**Male Active Members as of June 30, 2016  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	473							473
Avg Pay	\$6,529							\$3,088,064
20-24	2,990	28						3,018
Avg Pay	\$9,591	\$24,919						\$29,374,526
25-29	2,760	315	29					3,104
Avg Pay	\$14,473	\$31,694	\$37,049					\$51,003,795
30-34	2,214	590	254	32				3,090
Avg Pay	\$18,294	\$34,007	\$44,496	\$46,723				\$73,363,795
35-39	2,031	620	367	222	18	1		3,259
Avg Pay	\$18,754	\$35,328	\$46,531	\$50,859	\$55,121	\$37,394		\$89,389,665
40-44	2,091	683	398	352	139	15		3,678
Avg Pay	\$16,536	\$32,777	\$45,382	\$51,952	\$52,084	\$48,483		\$101,279,522
44-49	2,291	766	486	450	279	155	5	4,432
Avg Pay	\$16,169	\$30,072	\$44,532	\$50,324	\$57,824	\$54,716	\$70,039	\$129,329,407
50-54	1,912	878	688	595	332	335	162	4,902
Avg Pay	\$17,500	\$30,879	\$39,041	\$48,752	\$54,084	\$53,821	\$54,468	\$161,250,142
55-59	1,635	919	712	684	424	358	307	5,039
Avg Pay	\$18,550	\$28,866	\$39,499	\$44,198	\$50,102	\$51,659	\$54,398	\$171,648,689
60-64	1,223	760	595	514	347	275	246	3,960
Avg Pay	\$16,296	\$26,984	\$37,100	\$42,712	\$47,361	\$49,435	\$50,563	\$126,933,146
65-69	685	418	309	187	117	110	94	1,920
Avg Pay	\$12,678	\$22,213	\$30,695	\$38,952	\$42,836	\$46,162	\$47,459	\$49,288,859
70 & over	361	232	166	103	45	30	40	977
Avg Pay	\$10,543	\$18,079	\$22,926	\$28,153	\$31,687	\$35,648	\$40,103	\$18,805,262
<b>Totals</b>	<b>20,666</b>	<b>6,209</b>	<b>4,004</b>	<b>3,139</b>	<b>1,701</b>	<b>1,279</b>	<b>854</b>	<b>37,852</b>
<b>Avg Pay</b>	<b>\$15,394</b>	<b>\$29,908</b>	<b>\$39,837</b>	<b>\$46,224</b>	<b>\$50,815</b>	<b>\$51,221</b>	<b>\$51,965</b>	<b>\$26,544</b>

Averages:

Age: 46.2

Service: 7.5

Annual Pay: \$26,544



**Female Active Members as of June 30, 2016  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	356							356
Avg Pay	\$6,041							\$2,150,616
20-24	3,101	29						3,130
Avg Pay	\$9,140	\$19,741						\$28,916,262
25-29	3,731	317	13					4,061
Avg Pay	\$14,681	\$24,114	\$35,715					\$62,884,220
30-34	3,625	745	200	19				4,589
Avg Pay	\$15,739	\$26,188	\$30,328	\$31,862				\$83,234,488
35-39	4,609	1,194	584	251	13			6,651
Avg Pay	\$15,186	\$24,163	\$30,315	\$33,469	\$47,238			\$125,563,047
40-44	4,962	2,016	1,161	669	155	14		8,977
Avg Pay	\$15,097	\$22,344	\$27,768	\$35,183	\$38,095	\$44,208		\$182,259,210
44-49	4,767	2,974	2,247	1,742	466	171	20	12,387
Avg Pay	\$15,397	\$21,104	\$25,877	\$30,357	\$37,512	\$47,004	\$48,653	\$273,678,666
50-54	3,537	2,726	3,192	3,550	1,321	562	174	15,062
Avg Pay	\$15,580	\$21,346	\$24,648	\$28,699	\$33,219	\$39,944	\$47,243	\$368,402,297
55-59	2,681	1,998	2,814	4,191	2,771	1,242	390	16,087
Avg Pay	\$15,001	\$21,739	\$25,023	\$27,737	\$30,449	\$35,468	\$41,252	\$414,824,388
60-64	1,421	1,007	1,230	2,218	1,980	1,606	602	10,064
Avg Pay	\$14,060	\$20,326	\$24,462	\$27,773	\$29,911	\$32,061	\$36,460	\$264,797,636
65-69	676	375	451	578	513	633	576	3,802
Avg Pay	\$9,834	\$17,488	\$22,997	\$26,449	\$30,968	\$30,438	\$32,226	\$92,580,697
70 & over	352	207	160	131	118	155	399	1,522
Avg Pay	\$6,851	\$10,963	\$15,364	\$19,951	\$24,472	\$27,078	\$28,453	\$28,190,153
<b>Totals</b>	<b>33,818</b>	<b>13,588</b>	<b>12,052</b>	<b>13,349</b>	<b>7,337</b>	<b>4,383</b>	<b>2,161</b>	<b>86,688</b>
<b>Avg Pay</b>	<b>\$14,341</b>	<b>\$21,733</b>	<b>\$25,442</b>	<b>\$28,695</b>	<b>\$31,382</b>	<b>\$34,248</b>	<b>\$35,699</b>	<b>\$22,235</b>

Averages:  
Age: 49.3  
Service: 10.3  
Annual Pay: \$22,235



**Active Members as of June 30, 2016  
Tabulated by Annual Pay**

Annual Pay	Number of Active Members			Portion of Total Number	
	Men	Women	Totals	Group	Cumulative
Less than \$1,000	203	210	413	0.3%	0.3%
\$1,000 - 1,999	1,134	1,069	2,203	1.8%	2.1%
2,000 - 2,999	2,296	1,671	3,967	3.2%	5.3%
3,000 - 3,999	2,335	2,140	4,475	3.6%	8.9%
4,000 - 4,999	1,773	2,101	3,874	3.1%	12.0%
5,000 - 5,999	1,421	2,219	3,640	2.9%	14.9%
6,000 - 6,999	1,050	2,228	3,278	2.6%	17.5%
7,000 - 7,999	864	2,154	3,018	2.4%	20.0%
8,000 - 8,999	720	2,297	3,017	2.4%	22.4%
9,000 - 9,999	621	2,215	2,836	2.3%	24.7%
10,000 - 11,999	1,254	4,780	6,034	4.8%	29.5%
12,000 - 13,999	1,135	4,693	5,828	4.7%	34.2%
14,000 - 15,999	1,139	5,244	6,383	5.1%	39.3%
16,000 - 17,999	1,258	6,248	7,506	6.0%	45.3%
18,000 - 19,999	1,182	6,119	7,301	5.9%	51.2%
20,000 - 24,999	2,645	12,749	15,394	12.4%	63.6%
25,000 - 29,999	2,137	8,259	10,396	8.3%	71.9%
30,000 - 35,999	2,933	6,902	9,835	7.9%	79.8%
36,000 and over	11,752	13,390	25,142	20.2%	100.0%
<b>Totals</b>	<b>37,852</b>	<b>86,688</b>	<b>124,540</b>		



## **SCHEDULE E**

### **GLOSSARY**

**Actuarial Accrued Liability.** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability".

**Accrued Service.** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Assumptions.** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method.** A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

**Actuarial Equivalent.** A series of payments is called an actuarial equivalent of another series of payments if the two series have the same actuarial present value.

**Actuarial Present Value.** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Age-Related Morbidity.** Assumed increase to the net incurred claims related to increase in age.

**Amortization.** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

**Experience Gain (Loss).** A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

**Health Care Cost Trend Rates.** The annual assumed rate of increase for both claims and contributions.

**Normal Cost.** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost". Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Plan Termination Liability.** The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a "going concern" basis and is not normally determined in a routine actuarial valuation.

**Reserve Account.** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.



Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability".

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on book value plus a portion of unrealized appreciation or depreciation.