ERS

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

ACTUARIAL VALUATION OF OTHER POST-EMPLOYMENT BENEFITS PROVIDED UNDER THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 43 FOR THE FISCAL YEAR ENDING AUGUST 31, 2015

Rudd and Wisdom, Inc.
CONSULTING ACTUARIES

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

November 3, 2015

Board of Trustees
Employees Retirement System of Texas
1801 Brazos
Austin, Texas 78701

Attached is our Actuarial Valuation of the Other Post-Employment Benefits (OPEB) provided under the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS) for the Fiscal Year ending August 31, 2015 (GBP OPEB). The purpose of this valuation is to provide accounting information that is required by the Governmental Accounting Standards Board Statement No. 43 (GASB No. 43) which sets forth the financial reporting standards for plans of state and local governments that provide post-employment benefits other than pension benefits. Such benefits are referred to collectively as OPEB. The results of this valuation are appropriate only for purposes of GASB No. 43.

The GBP provides OPEB for retired employees of the State of Texas and certain institutions of higher education and other agencies as specified in Chapter 1551 of the Texas Insurance Code. For purposes of this report, the participating employers are referred to collectively as the Employer.

GASB No. 43 and GASB No. 45 operate together to form the basis of financial reporting for OPEB by the plan (GASB No. 43) and by the employer/plan sponsor (GASB No. 45). Depending upon plan structure, GASB presents several alternatives for coordinated plan and employer/sponsor reporting.

The Office of the Comptroller of Public Accounts (CPA) has determined that the GBP is a cost-sharing multiple employer plan that is administered in accordance with paragraph 4 of GASB No. 43 which applies to trusts, or equivalent arrangements, that meet the following criteria:

a) Employer contributions to the plan are irrevocable,

b) Plan assets are dedicated to providing benefits to their retirees and their beneficiaries in accordance with the terms of the plan, and

c) Plan assets are legally protected from creditors of the employer or the plan administrator.

Therefore, based on the determination of the CPA, ERS reports under paragraphs 16 through 40 of GASB No. 43 and references to GASB No. 43 should be interpreted accordingly.

Please refer to the glossary in Section IX of this report for the definitions of certain GASB No. 43 terms which are indicated below in boldface type the first time they appear.

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Disclosures Required to be Included with the Plan's Financial Statements

Under GASB No. 43 the plan financial statements must disclose the **Annual Required Contribution (ARC)** which is equal to the plan's **Normal Cost** plus an amount to amortize the **Unfunded Actuarial Accrued Liability** over a period that does not exceed 30 years.

Despite the apparent implications of the term ARC, the Employer is not *required* to contribute the ARC to the plan each year; instead, if the Employer contributes an amount less than the ARC, this fact is disclosed as Required Supplementary Information, as described below.

The ARC provides a basis for evaluating whether the employer's contributions for OPEB are adequate to fund the benefits during the working lifetime of current employees (i.e., the Normal Cost) and to amortize existing unfunded obligations (i.e., the obligations for current retirees plus that portion of the current employees' obligations that are attributed to past service) in a systematic manner over the amortization period prescribed by GASB. Per GASB No. 43, the following information is to be disclosed as Required Supplementary Information under the "Schedule of Funding Progress" as shown on page V-1 of this report.

The ARC for the fiscal year ending August 31, 2015 is $2.161 billion. Employer contributions for the period totaled $616 million. Therefore, Employer contributions were equal to about 28% of the ARC.

Consistency with Assumptions Used for Retirement Plan Valuations

Most of the employees and retirees covered by the GBP are also covered by either the ERS or Teacher Retirement System (TRS) retirement plans that are subject to periodic actuarial valuations. Where appropriate, for purposes of this report, we have utilized assumptions previously adopted by the ERS and TRS Boards for use in performing the retirement plan valuations. However, certain aspects of the OPEB valuation process require the use of assumptions that are unique to OPEB; specifically, the investment return assumption and the health benefit cost trend as discussed below.

Changes in Actuarial Assumptions

Since the last valuation was prepared for this plan, assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution Trends have been updated to reflect recent experience and its effects on our short-term expectations. In addition, the percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends. Lastly, assumed salary increases and rates of mortality, termination, disability and retirement for Higher Education members were updated to remain consistent with the assumptions which were adopted by the TRS Board earlier this year for use by the TRS retirement plan actuary.

For a complete list of assumptions, see Section VII of this report.

Investment Return Assumption (Discount Rate)

In accordance with GASB No. 43, the investment return assumption (discount rate) is the estimated long-term investment yield on investments expected to be used to finance the payment of benefits with consideration given to the nature and mix of current and expected investments. For this purpose, the investments expected to be used to finance the benefits are:

(i) the plan assets, if the employer's funding policy is to contribute an amount at least equal to the ARC,

(ii) assets of the employer, for plans that have no plan assets, or

(iii) a combination of (i) and (ii), for plans being partially funded.

Presently, the amount that the Employer contributes to the plan each year is equal to the expected cost of providing the benefits incurred during that year. This amount is determined on a pay-as-you-go basis (PAYGO) and does not accumulate funds in advance of retirement as ARC-level contributions would. Therefore, the PAYGO amount is significantly less than the ARC. As a result of this funding policy and because the plan has no material level of assets held under a different investment policy that would materially affect the determination of the discount rate, under GASB No. 43 the investment return assumption must be based upon the expected yield of the "assets of the employer," as indicated in Item (ii) above. For the State of Texas, the "assets of the employer" are the assets held in the State Treasury Pool and managed by the Comptroller of Public Accounts.

Based upon the investment policy of the Treasury Pool, the historical returns of the Treasury Pool, and the long-term inflation assumption used in this report, we have utilized an investment return assumption (discount rate) of 5.50%.

If a policy was implemented to consistently fund the ARC or a significant portion thereof, the discount rate discussed above could be higher than the current 5.50% assumption if the underlying investments of the plan assets were expected to yield a return in excess of 5.50%. This higher discount rate would produce a smaller ARC.

Health Benefit Cost Trend

For purposes of this valuation, the health benefit cost trend represents the expected annual rate of increase in health benefit costs, excluding the effects of changes in demographics and changes in plan provisions.

The health benefit cost trend has exceeded the rate of price increases in the general economy, as measured by changes in the Consumer Price Index (CPI), for many decades. Although this pattern is expected to continue for the foreseeable future, many economists anticipate that the degree to which the health benefit cost trend exceeds general inflation will eventually abate. These economists believe that the health benefit cost trend will reach an ultimate level that still exceeds general inflation, but not by as wide a margin as in past decades.

The health benefit cost trend assumption used in this report begins with our short term expectations of expected health benefit cost increases in the next year and gradually declines to a rate that exceeds the assumed rate of general price inflation by 2.0%.

Changes in Plan Provisions

Under Q/A #49 of GASB's Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that became effective September 1, 2015 (except as noted below), since these changes were communicated to plan members in advance of the preparation of this report. The benefit changes include: (a) an increase to the total network annual out-of-pocket maximum, (b) an elimination of the requirement for referrals in order to see ophthalmologists and optometrists, (c) a copay reduction for a mental health office visit and (d) effective January 1, 2016, the inclusion of medical and pharmacy deductibles, coinsurance and copays in the total network out-of-pocket maximum. These minor benefit changes have been reflected in the FY 2016 Assumed Per Capita Health Benefit Costs.

For a complete description of the benefit provisions, see Section VIII of this report.

High-Cost Plan Excise Tax

Consistent with the prior valuation, the effects of the High-Cost Plan Excise Tax imposed by the ACA under Internal Revenue Code Section 4980I (sometimes referred to as the "Cadillac Tax") have been included in this valuation. The Excise Tax becomes effective in 2018, but the plan is not expected to be subject to the tax until 2063 based on current plan provisions, assumptions and participant demographics. The Unfunded Actuarial Accrued Liability is increased by the $129 million present value of the estimated Excise Taxes in future years, and the associated increase to the ARC is $6 million.

Medicare Part D

The Medicare Prescription Drug Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the basic coverage provided under Medicare Part D (the Retiree Drug Subsidy).

For purposes of GASB No. 43, the valuation of future OPEB may not reflect the anticipated receipt of future federal government subsidy payments under the Medicare Part D Prescription Drug Program as required under GASB Technical Bulletin No. 2006-1. The Bulletin requires that Retiree Drug Subsidy payments to an employer be reported by the employer as revenue, rather than being netted against the employer's OPEB cost for prescription drug coverage.

ERS implemented an Employer Group Waiver Plan plus Commercial Wrap (EGWP plus Wrap) on January 1, 2013 in order to provide the plan with the benefit of increased subsidies and discounts available under such an arrangement. The Retiree Drug Subsidy is being phased out as a result of the implementation of the EGWP plus Wrap. The Retiree Drug Subsidies are excluded from this valuation in accordance with GASB Technical Bulletin No. 2006-1.

The projected cost of the EGWP plus Wrap reflects the subsidies to SilverScript Insurance Company, the administrator of the plan, which are expected to be provided by the Federal government under Medicare Part D and the discounts expected to be provided by drug manufacturers as required under the ACA.

New Governmental Accounting Standard

In June of 2015, the Governmental Accounting Standards Board adopted a new accounting standard that will replace GASB No. 43. GASB No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will replace GASB No. 43 effective for fiscal years starting after June 15, 2016 (i.e., FY17 for the GBP OPEB), although GASB encourages earlier adoption.

GASB No. 74 will require a number of significant accounting changes. The primary changes are summarized below:

- Discount Rate: For unfunded plans like the GBP OPEB, the discount rate is based on yields of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Funded plans, however, may continue to use an assumption similar to the current discount rate. Given the current PAYGO funding approach, the expected discount rate in FY17 could be lower than the current discount rate, depending on the assumptions used for the yields of these tax-exempt bonds.

- Notes to Financial Statement and RSI: The Net OPEB Liability will be shown in the Notes to the Financial Statement and the RSI. This liability is equal to difference between the OPEB liability (i.e., the Actuarial Accrued Liability determined using the new discount rate) and the fair value of plan assets. Because GBP OPEB has no plan assets and uses the PAYGO approach, the Net OPEB Liability will be equal to the GBP OPEB Actuarial Accrued Liability.

  Additionally, there will be increased note disclosures and supplementary information which include:

  - a sensitivity analysis of:
    - the Net OPEB Liability to ±1% changes in the discount rate, and
    - the Net OPEB Liability to ±1% changes in the health benefit cost trend rate

  - a 10-year schedule of:
    - the Net OPEB Liability reconciliation, and
    - investment returns.

At the request of ERS, we can prepare a study that analyzes the effect of this new accounting standard.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements 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); and
- Changes in plan provisions, applicable law or applicable accounting standards.

We have not been asked to perform and have not performed any stochastic or deterministic sensitivity analyses of the potential ranges of such future measurements. If you have an interest in the results of any such analysis, please let us know.

Please let us know if you have any questions or need additional information concerning this report.

Respectfully submitted,

Philip S. Dial, F.S.A.

Mitchell L. Bilbe, F.S.A.

Christopher S. Johnson, F.S.A.

PSD/MLB/CSJ:ec

Enclosures

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GASB STATEMENT NO. 43
ACTUARIAL VALUATION

AS OF AUGUST 31, 2015
FOR THE FISCAL YEAR ENDING AUGUST 31, 2015

FOR THE
OTHER POST-EMPLOYMENT BENEFITS UNDER THE
TEXAS EMPLOYEES
GROUP BENEFITS PROGRAM

RUDD AND WISDOM, INC.
AUSTIN, TEXAS

NOVEMBER 2015

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Section I - Certification of GASB No. 43 Actuarial Valuation

At the request of the Employees Retirement System of Texas (ERS), we have performed an actuarial valuation of the Other Post-Employment Benefits provided under the Texas Employees Group Benefits Program (GBP) for the twelve-month period ending August 31, 2015 (GBP OPEB). The purpose of this report is to present the results of our valuation and provide the information necessary to determine financial statement entries consistent with the Governmental Accounting Standards Board Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans (GASB No. 43).

Actuarial computations under GASB No. 43 are for purposes of fulfilling governmental plan financial accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB No. 43 and the GBP. The information presented in this report is solely for purposes of compliance with GASB No. 43. This report does not provide any advice with respect to the manner in which the benefits are funded (i.e., pay-as-you go funding as opposed to prefunding the benefits).

We have based our valuation on employee data as of August 31, 2015 provided by ERS and the Teachers Retirement System (TRS) and plan provisions provided by ERS. We have used the actuarial methods and assumptions described in Section VII of this report. The actuarial valuation has been performed on the basis of the plan benefits described in Section VIII.

To the best of our knowledge, all current active and retired employees eligible to participate in the plan as of the valuation date and all other individuals who have a vested benefit under the plan have been included in the valuation. Furthermore, to the best of our knowledge and belief, all plan benefits have been considered in the development of costs.

ERS and TRS remain solely responsible for the accuracy and comprehensiveness of the respective data provided. However, to the best of our knowledge, no material biases exist with respect to any imperfections in the data provided by these sources. To the extent that any imperfections exist in the data records, we have relied on best estimates provided by ERS and TRS. We have not audited the data provided, but have reviewed it for reasonableness and consistency relative to previously provided information.

To the best of our knowledge, the actuarial information supplied in this report is complete and accurate. In our opinion, each of the assumptions used is reasonably related to the experience of the plan and to reasonable expectations and represents our best estimate of anticipated experience under the plan solely with respect to that individual assumption.

Rudd and Wisdom, Inc. prepared and presented in Section V of this report the Schedule of Funding Progress and the Schedule of Employer Contributions that are to be included in the Required Supplementary Information.

The undersigned individuals are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Mitchell L. Bilbe, F.S.A.
Member of American Academy of Actuaries

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Member of American Academy of Actuaries

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Member of American Academy of Actuaries

Section II - Summary of Valuation Results

All employer liabilities and costs presented throughout this report are net of any member contributions, member cost sharing and formulary rebates. For convenience, the information presented in Item D on page II-3 combines the information presented in Items A, B and C below.

A. Number of Group Benefits Program Members as of August 31, 2015

	Members	Covered Spouses	Covered Dependent Children	Total
Actives	230,023[1]	41,567[2]	125,205[2]	396,795[2]
Deferred Vesteds	11,443	0[2]	0[2]	11,443[2]
Retirees and Nominees	109,311[3]	28,541	9,589	147,441
Total	**350,777**	**70,108**	**134,794**	**555,679**

[1] Includes return-to-work retirees and employees who have not yet satisfied the waiting period.
[2] Rather than use current spouse/dependent child coverage information, actuarial assumptions are used to estimate the future number of spouses and dependent children that will be covered at retirement.
[3] Includes 3,767 retirees who receive the Opt-Out Credit in lieu of health benefits.

B. Liabilities as of August 31, 2015

The **Actuarial Present Value of Total Projected Benefits** is the amount of assets that would have to be invested on the valuation date so that the amount invested plus future investment earnings would provide sufficient assets to pay total projected benefits when due.

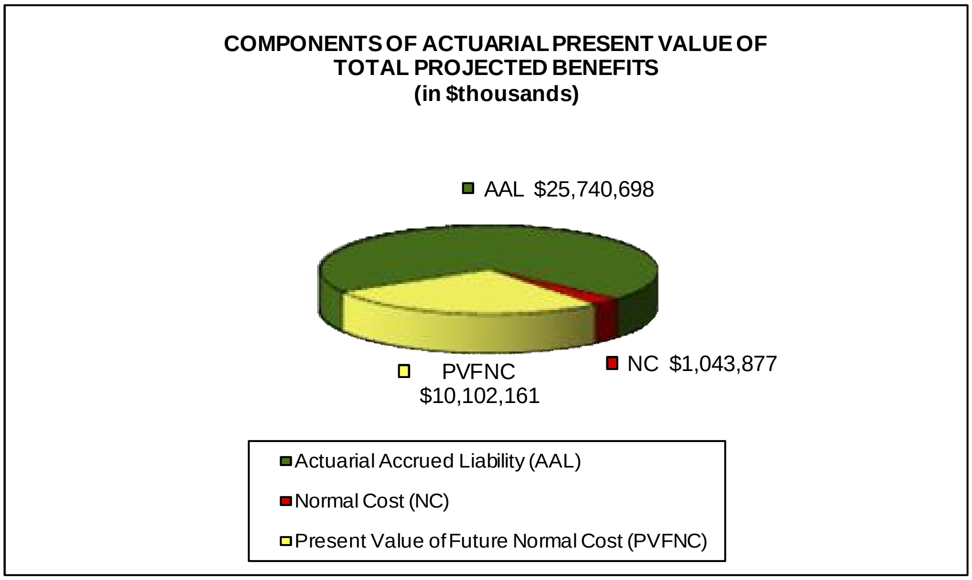
The **Actuarial Accrued Liability** is the portion of the Actuarial Present Value of Total Projected Benefits that is attributed to the plan members' past employment service as of the valuation date.

The **Normal Cost** is the portion of the Actuarial Present Value of Total Projected Benefits that is attributed to the plan members' current year of employment service.

The **Actuarial Present Value of Future Normal Costs** is the portion of the Actuarial Present Value of Total Projected Benefits expected to be attributed to plan members' future years of employment service. (As shown below, it does not include the current year Normal Cost.)

	Actuarial Present Value of Total Projected Benefits ($ thousands)	Actuarial Accrued Liability ($ thousands)	Normal Cost ($ thousands)	Actuarial Present Value of Future Normal Costs ($ thousands)
Actives	$ 25,510,788	$ 14,364,750	$ 1,043,877	$ 10,102,161
Deferred Vesteds	1,317,487	1,317,487	0	0
Retirees and Nominees	10,058,461	10,058,461	0	0
Total	**$ 36,886,735**[a]	**$ 25,740,698**	**$ 1,043,877**	**$ 10,102,161**

[a] Adjusted due to rounding error caused by rounding individual components.



C. Actuarial Value of Plan Assets, Unfunded Actuarial Accrued Liability and Annual Required Contribution for FY 2015

The **Actuarial Value of Plan Assets** is the fair market value of plan assets available as of the valuation date to pay for plan benefits.

The **Unfunded Actuarial Accrued Liability** is excess of the Actuarial Accrued Liability over the Actuarial Value of Plan Assets.

The **Annual Required Contribution** (ARC) represents the amount of the contribution that would be required to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over a period of 30 years. Details of the development of the ARC may be found in the next section of this report.

Actuarial Valuation Date	Actuarial Value of Plan Assets ($ thousands)	Unfunded Actuarial Accrued Liability ($ thousands)	Annual Required Contribution (ARC) ($ thousands)
August 31, 2015	**$ 0**	**$ 25,740,698**	**$ 2,160,951[1]**

[1] Comprised of Normal Cost of $1,043,877,401 and $1,117,073,563 to amortize the Unfunded Actuarial Accrued Liability over a period of 30 years.

D. Summary of Results for FY 2015

Actuarial Valuation Results as of August 31, 2015		
	($ thousands)	As a % of Payroll
1. Number of Members (actual count, not in thousands)		
a. Actives	230,023	
b. Deferred Vesteds	11,443	
c. Retirees and Nominees	109,311	
d. Total Number of Members	350,777	
2. Payroll of Active Members for FY 2015	$ 11,176,584	
3. Actuarial Present Value of Total Projected Benefits		
a. Actives	$ 25,510,788	
b. Deferred Vesteds	1,317,487	
c. Retirees and Nominees	10,058,461	
d. Total	$ 36,886,735[1]	330.0%
4. Actuarial Accrued Liability		
a. Actives	$ 14,364,750	
b. Deferred Vesteds	1,317,487	
c. Retirees and Nominees	10,058,461	
d. Total	$ 25,740,698	230.3%
5. Actuarial Value of Assets	$ 0	0.0%
6. Unfunded Actuarial Accrued Liability [4.d. – 5.]	$ 25,740,698	230.3%
7. Annual Required Contribution for FYE August 31, 2015		
a. Normal Cost	$ 1,043,877	9.3%
b. Amortization of UAAL	1,117,074	10.0%
c. Total ARC for FYE August 31, 2015	$ 2,160,951	19.3%

[1] Adjusted due to rounding error caused by rounding individual components.

E. Changes in Liabilities Since the Prior Valuation

The Actuarial Accrued Liability and the Normal Cost have both increased since the prior valuation due to the combined effect of growth due to passage of time, Actuarial Gains, changes to the Actuarial Assumptions, and changes to the plan provisions.

An **Actuarial Gain or Loss** occurs from one valuation to the next if the experience of the plan differs from that anticipated by the actuarial assumptions. The plan experienced gains during the fiscal year ending August 31, 2015 as shown in the table below.

The **Actuarial Assumptions** are used to project the demographic events and economic forces that affect the cost of the plan. Since the last valuation was prepared for this plan, the assumptions for Expenses and Per Capita Health Benefit Costs have been updated to reflect recent health plan experience and its effects on our short-term expectations. In addition, the percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends. Lastly, assumed salary increases and rates of mortality, termination, disability and retirement for Higher Education members were updated to remain consistent with the assumptions which were adopted by the TRS Board earlier this year for use by the TRS retirement plan actuary.

Since the last valuation was prepared for this plan, the following benefit changes have been adopted: (a) an increase to the total network annual out-of-pocket maximum, (b) an elimination of the requirement for referrals in order to see ophthalmologists and optometrists, (c) a copay reduction for a mental health office visit and (d) effective January 1, 2016, the inclusion of medical and pharmacy deductibles, coinsurance and copays in the total network out-of-pocket maximum. These minor benefit changes have been reflected in the FY 2016 Assumed Per Capita Health Benefit Costs.

The table below summarizes the effects of significant factors affecting the Actuarial Accrued Liability and the Normal Cost. Because 100% of the Normal Cost is attributable to Active plan members while only 56% of the Actuarial Accrued Liability is attributable to Active plan members, these factors affect the total Actuarial Accrued Liability and the Normal Cost differently. Additionally, due to the mechanics of the Entry Age Normal cost method, some factors affect the Active Actuarial Accrued Liability and Normal Cost differently as well.

Changes to Liability Since the Prior Valuation		
	Approximate Increase / (Decrease)	
Factor	Actuarial Accrued Liability (in $ thousands)	Normal Cost (in $ thousands)
Growth due to passage of time[1]	$ 1,623,599	$ 34,453
Actuarial Gains	(187,980)	1,027
Assumption Changes[2]	(396,825)	24,301
Plan Changes	0	0
Total	$ 1,038,794	$ 59,781

[1] Since OPEB is funded on a PAYGO basis, the excess of (a) the Normal Cost plus (b) interest over (c) the PAYGO contribution increases the Actuarial Accrued Liability. Since the Normal Cost is determined as a level percentage of payroll, it will increase due to payroll growth resulting from growth in the number of active employees and inflationary increases in the salaries.

[2] Includes plan benefit changes as reflected in the FY 2016 Assumed Per Capita Health Benefit Costs.

Section III - Accounting Information

A. Development of the Annual Required Contribution (ARC)

Under GASB No. 43, the ARC[1] is sum of: (1) the value of benefits accrued during the year (the Normal Cost) and (2) the amortization of the Unfunded Actuarial Accrued Liability. We have computed the ARC amortizing the Unfunded Actuarial Accrued Liability over the maximum period of 30 years as a level percentage of projected payroll.

The Employer is not ***required*** to contribute the ARC, as the name implies. The ARC represents the amount of the contribution that would be required to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over a period of 30 years.

1. Normal Cost	$ 1,043,877,401
2. Amortization of Unfunded Actuarial Accrued Liability[2]	1,117,073,563
3. ARC for Fiscal Year Ending August 31, 2015 [1. + 2.]	**$ 2,160,950,964**

B. Contribution Deficiencies/(Excess Contributions)

Contribution Deficiencies/(Excess Contributions) occur when the Employer makes contributions that are less than (that exceed) the ARC. Amortization of a Contribution Deficiency/(Excess Contribution) is delayed until the next actuarial valuation[3]. Such amortization occurs in the development of the following year's ARC.

1. Annual Required Contribution (ARC)	$ 2,160,950,964
2. Employer Contributions for Fiscal Year Ending August 31, 2015	615,638,063[4]
3. Contribution Deficiency/(Excess Contribution) [1. – 2.]	**$ 1,545,312,901**

[1] Defined in Paragraph No. 34.f. of GASB No. 43.
[2] Amortized over 30 years as a level percentage of projected payroll.
[3] Pursuant to Paragraph No. 34.g. of GASB No. 43.
[4] Includes Medicare Part D Retiree Drug Subsidies.

Section IV - Notes to the Financial Statements

Pursuant to Paragraphs No. 30 of GASB No. 43 the following information should be included in the Notes to the Financial Statements.

A. Plan Description

1. Plan Name

   Other Post-Employment Benefits provided under the Texas Employees Group Benefits Program (GBP)

2. Plan Type

   The GBP is a cost-sharing multiple-employer defined benefit OPEB plan. Employers participating in the GBP include:

   a. the State of Texas which is the employer for all state agency employees and employees of senior colleges and universities,

   b. 50 Texas junior and community colleges,

   c. the Texas Municipal Retirement System, Texas County and District Retirement System and the Texas Turnpike Authority,

   d. Community Supervision and Corrections Departments.

3. Employees Covered

   a. State agency and higher education employees must meet the following classification requirements in order to be eligible for OPEB provided they also meet certain age and service conditions.

      i. State Agency or Higher Education Employee

      An individual must be an elected or appointed officer or employee who performs service (other than an independent contractor) for the State of Texas, including an institution of higher education, other than the University of Texas or Texas A&M University Systems, and who:

      a) receives compensation for the service performed pursuant to a payroll certified by a state agency or by an elected or appointed officer, or

      b) receives compensation for service performed for an institution of higher education pursuant to a payroll certified by an institution of higher education or by an elected or appointed officer of the State.

ii. Employees of Certain Other Entities

a) Officers or employees of Texas Municipal Retirement System or Texas County and District Retirement System

b) Certain employees or officers of the Texas Turnpike Authority

c) Employees of the Community Supervision and Corrections Departments

b. Number of Plan Members as of August 31, 2015

	Members	**Covered Spouses**	**Covered Dependent Children**	**Total**
Actives	230,023[1]	41,567[2]	125,205[2]	396,795[2]
Deferred Vesteds	11,443	0[2]	0[2]	11,443[2]
Retirees and Nominees	109,311[3]	28,541	9,589	147,441
Total	**350,777**	**70,108**	**134,794**	**555,679**

[1] Includes return-to-work retirees and employees who have not yet satisfied the waiting period.
[2] Rather than use current spouse/dependent child coverage information, actuarial assumptions are used to estimate the future number of spouses and dependent children that will be covered at retirement.
[3] Includes 3,767 retirees who receive the Opt-Out Credit in lieu of health benefits.

4. Brief Description of Benefit Provisions

a. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan. An eligible retiree who has retired from full-time employment does not contribute toward the cost of coverage for himself/herself, but he/she pays a portion of the cost if he/she covers an eligible spouse or dependent child*. An eligible retiree who has retired from part-time employment contributes toward the cost of coverage for himself/herself, as well as paying a portion of the cost if he/she covers an eligible spouse or dependent child.

b. The GBP also provides life insurance benefits to eligible retirees via a minimum premium funding arrangement.

* SB 1459 requires employees who have less than 5 years of eligible service credit on September 1, 2014 to pay a larger portion of the cost of insurance if they retire with less than 20 years of eligible service credit on or after September 1, 2014.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

The GBP financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when related expenses are incurred.

2. Method Used to Value Investments

   Investments are reported at fair value.

C. Contributions and Reserves

1. The authority under which the obligations of the plan members and Employer are established and/or may be amended is Chapter 1551, Texas Insurance Code.

2. The Employer and member contribution rates are determined annually by the ERS Board Trustees based on the recommendations of the ERS staff and consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

3. There are no long-term contracts for contributions to the plan.

D. Funded Status of the Plan as of Current Valuation Date

(Although this information is repeated in the RSI, it is required to be included in the Notes to the Financial Statements.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**Unfunded Actuarial Accrued Liability (UAAL) {(3) - (2)}**	**Funded Ratio {(2)/(3)}**	**Annual Covered Payroll**	**Ratio of UAAL to Covered Payroll {(4)/(6)}**
August 31, 2015	**$ 0**	**$ 25,740,697,653**	**$ 25,740,697,653**	**0.0%**	**$ 11,176,584,198**	**230.3%**

E. Statement of Plan Net Assets

Statement of Plan Net Assets as of August 31, 2015		
Investment Category	**Fair Value**	
1. Current Assets		
a. Cash and Cash Equivalents		
i) Cash on Hand	**$ 2,125**	
ii) Cash in State Treasury	**12,934,828**	
iii) Certificates of Deposit	**0**	
iv) Total Cash and Cash Equivalents	**$ 12,936,953**	
b. Securities Lending Collateral	**$ 0**	
c. Short-Term Investments	**$ 386,704,158**	
d. Receivables		
i) Interest Receivable	**$ 3,401**	
ii) Contributions/Accounts Receivable	**6,860,896**	
iii) Due from Other Funds	**285,777**	
iv) Federal Receivable	**79,200,529**	
v) Total Receivables	**$ 86,350,603**	
e. Total Current Assets [1.a.iv.+ 1.b. + 1.c. + 1.d.v.]		**$ 485,991,714**
2. Non-Current Assets		
a. Investments		
i) U.S. Government and Agency Obligations	**$ 0**	
ii) Corporate Obligations	**0**	
iii) Total Investments	**$ 0**	
b. Capital Assets, Depreciable		
i) Furniture and Equipment	**$ 0**	
ii) Less: Accumulated Depreciation	**0**	
iii) Net Capital Assets	**$ 0**	
c. Total Non-Current Assets [2.a.iii. + 2.b.iii.]		**$ 0**
3. Liabilities		
a. Claims Payable	**$ 165,281,432**	
b. Payables Due to Other Funds	**320,256,366**	
c. Unearned Revenue	**453,916**	
d. Total Liabilities [3.a. + 3.b. + 3.c.]		**$ 485,991,714**
4. Total Fair Value of Plan Net Assets as of August 31, 2015 [1.e. + 2.c. - 3.d.]		**$ 0**

F. Statement of Changes in Plan Net Assets

Statement of Changes in Plan Net Assets for FYE August 31, 2015		
1. Plan Net Assets as of September 1, 2014		**$ 0**
2. Additions		
a. Contributions		
i. Employer[1]	**$ 615,638,063**	
ii. Plan Members	**169,075,158**	
iii. Federal Revenue – Medicare Part D - EGWP	**83,184,567**	
iv. Total Contributions		**$ 867,897,788[2]**
b. Net Investment Income		
i. Net appreciation/(depreciation) in Fair Value of Plan Investments	**$ 0**	
ii. Interest income, dividend income, and other income	**324,244**	
iii. Total Investment Expense	**0**	
iv. Net Investment Income		**$ 324,244**
c. Other Additions		**$ 3,969,064**
d. Total Additions [2.a.iv. + 2.b.iv. + 2.c.]		**$ 872,191,096**
3. Deductions		
a. Benefits	**$ 863,926,547**	
b. Refunds to Plan Members	**0**	
c. Total Administrative Expense	**8,264,549**	
d. Total Deductions		**$ 872,191,096[3]**
4. Plan Net Assets as of August 31, 2015 [1. + 2.d. – 3.d.]		**$ 0**

[1] Includes Federal Revenues of $2,869,003 for Medicare Part D Retiree Drug Subsidies.
[2] Includes changes in receivables and amounts due from other funds.
[3] Includes changes in payables and unearned revenue.

G. Disclosure of Information about Actuarial Methods and Assumptions

The following information is required to be disclosed in accordance with Paragraph No. 30.d. of GASB 43.

1. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

2. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. GASB No. 43 calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes ***does not*** explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

4. Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the amounts in this report include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

5. The information presented in the required supplementary schedules was determined as part of the actuarial valuation using the actuarial methods and assumptions summarized below. (For a complete description of all actuarial methods and assumptions, see Section VII of this report.)

Summary of Actuarial Methods and Assumptions	
Actuarial cost method	Entry Age Normal (Level percent of pay)
Asset valuation method	Market
Actuarial assumptions:	
Annual investment return assumption (discount rate)[1]	5.50%
Projected annual salary increases[1]	3.50% to 11.50%
Weighted-average at valuation date[1]	6.51%
Annual Healthcare Trend Rates[1]	8.50% in FY 2017 declining to 5.50% in FY 2023
Amortization method	Level percent of pay
Amortization period	30 year open period

[1] Includes inflation assumption of 3.50%.

Section V - Required Supplementary Information

Per Paragraph Nos. 17 and 31 of GASB No. 43, the following information should be presented immediately after the notes to the financial statements. GASB No. 43 requires that the notes illustrate the most recent three (3) years of historical data.

A. Schedule of Funding Progress

The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates.

Schedule of Funding Progress						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3) - (2)}	Funded Ratio {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
08/31/13	$ 0	$ 23,030,469,060	$ 23,030,469,060	0.0%	$ 10,478,117,095	219.8%
08/31/14	$ 0	$ 24,701,903,876	$ 24,701,903,876	0.0%	$ 10,963,773,005	225.3%
08/31/15	$ 0	$ 25,740,697,653	$ 25,740,697,653	0.0%	$ 11,176,584,198	230.3%

B. Schedule of Employer Contributions

The Schedule of Employer Contributions presents contribution information as of the current valuation date and the two preceding valuation dates.

Schedule of Contributions from the Employer and Other Contributing Entities[1]			
Fiscal Year	Contribution[2]	ARC	Percentage of ARC Contributed
09/01/12 to 08/31/13	$ 549,510,157	$ 1,935,921,646	28.4%
09/01/13 to 08/31/14	$ 620,640,622	$ 2,056,089,003	30.2%
09/01/14 to 08/31/15	$ 615,638,063	$ 2,160,950,964	28.5%

[1] Title of table required by Paragraph No. 36 of GASB No. 43.
[2] Includes Medicare Part D Retiree Drug Subsidies for all years.

C. Notes to the Required Schedules

Per Paragraph No. 37 of GASB No. 43, the employer should disclose factors that significantly affect the identification of trends in the amounts reported above. For example, changes in benefit provisions or changes in actuarial methods and assumptions should be identified.

The following assumptions have been changed since the previous valuation:

- the Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect recent health plan experience;

- the percentage of future retirees electing to participate in the HealthSelect Medicare Advantage program at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;

- assumed salary increases and rates of mortality, termination, disability and retirement for Higher Education members were updated to remain consistent with the assumptions which were adopted by the TRS Board earlier this year for use by the TRS retirement plan actuary; and

- the Health Benefit Cost and Retiree Contribution Trends have been updated to reflect changes in short-term expectations due to recent health plan experience.

The following benefit revisions have been adopted since the prior valuation: (a) an increase to the total network annual out-of-pocket maximum, (b) an elimination of the requirement for referrals in order to see ophthalmologists and optometrists, (c) a copay reduction for a mental health office visit and (d) effective January 1, 2016, the inclusion of medical and pharmacy deductibles, coinsurance and copays in the total network out-of-pocket maximum. These changes became effective September 1, 2015 (unless otherwise noted) and are incorporated into this valuation in accordance with Question Number 49 of the *Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits*. These minor benefit changes have been reflected in the FY 2016 Assumed Per Capita Health Benefit Costs.

Section VI - Detailed Valuation Results

A. Actuarial Valuation Date: August 31, 2015

B. Summary of Results as of August 31, 2015

	Number of Members	Actuarial Present Value of Total Projected Benefits	Actuarial Accrued Liability	Normal Cost	Payroll
Actives	**230,023**	**$ 25,510,787,846**	**$ 14,364,750,099**	**$1,043,877,401**	**$11,176,584,198**
Deferred Vesteds	**11,443**	**1,317,486,937**	**1,317,486,937**	**-**	**-**
Retirees & Nominees	**109,311**	**10,058,460,617**	**10,058,460,617**	**-**	**-**
Total	**350,777**	**$ 36,886,735,400**	**$ 25,740,697,653**	**$1,043,877,401**	**$ 11,176,584,198**

Annual Required Contribution (ARC) for FY 15	Employer Contributions[1] for FY 15	Percentage of ARC Contributed
$ 2,160,950,964	**$ 615,638,063**	**28.5%**

[1] Includes Medicare Part D Retiree Drug Subsidies.

C. Summary of Active Member Census

State Agency Employees[1]

Age and Service Table for Actives as of August 31, 2015

	Current Years of Benefit Service									Age	Percent
Current Age	*t < 5*	*5 <= t < 10*	*10 <= t < 15*	*15 <= t < 20*	*20 <= t < 25*	*25 <= t < 30*	*30 <= t < 35*	*35 <= t < 40*	*40 <= t*	*Totals*	*of Total*
x < 20	571									571	0.39%
20 <= x < 25	7,670	76								7,746	5.23%
25 <= x < 30	12,317	2,103	69							14,489	9.79%
30 <= x < 35	9,908	5,784	1,369	109						17,170	11.60%
35 <= x < 40	7,203	4,857	3,028	1,447	55					16,590	11.21%
40 <= x < 45	6,159	4,337	2,956	3,360	1,462	70				18,344	12.39%
45 <= x < 50	5,463	4,229	2,779	3,463	3,557	1,514	80			21,085	14.24%
50 <= x < 55	4,676	3,782	2,678	3,146	3,005	2,332	595	26		20,240	13.67%
55 <= x < 60	3,657	3,523	2,440	2,804	2,160	1,235	641	208	5	16,673	11.26%
60 <= x < 65	2,032	2,571	1,798	1,847	1,155	616	310	146	43	10,518	7.11%
65 <= x < 70	587	968	695	487	398	186	91	48	44	3,504	2.37%
x >= 70	182	262	220	190	127	58	26	12	18	1,095	0.74%
Service Totals	60,425	32,492	18,032	16,853	11,919	6,011	1,743	440	110	148,025	100.00%
Percent of Total	40.82%	21.95%	12.18%	11.39%	8.05%	4.06%	1.18%	0.30%	0.07%	100.00%	

1) Excludes 2,678 Return-to-Work Retirees.

Higher Education Employees[1]

Age and Service Table for Actives as of August 31, 2015

	Current Years of Benefit Service									*Age*	*Percent*
Current Age	***t < 5***	***5 <= t < 10***	***10 <= t < 15***	***15 <= t < 20***	***20 <= t < 25***	***25 <= t < 30***	***30 <= t < 35***	***35 <= t < 40***	***40 <= t***	***Totals***	***of Total***
x < 20	22									22	0.03%
20 <= x < 25	1,175	3								1,178	1.62%
25 <= x < 30	4,302	629	7							4,938	6.80%
30 <= x < 35	4,600	2,420	450	20						7,490	10.31%
35 <= x < 40	3,787	2,544	1,503	528	14					8,376	11.53%
40 <= x < 45	2,843	2,228	1,593	1,387	278	25				8,354	11.50%
45 <= x < 50	2,430	2,095	1,672	1,830	624	163	19			8,833	12.16%
50 <= x < 55	2,283	1,958	1,527	2,528	746	174	128	30		9,374	12.91%
55 <= x < 60	1,889	1,848	1,489	2,945	784	124	128	143		9,350	12.87%
60 <= x < 65	1,344	1,489	1,357	2,957	574	79	94	114	23	8,031	11.06%
65 <= x < 70	535	794	765	1,374	881	36	47	40	25	4,497	6.19%
x >= 70	211	306	327	239	607	474	9	12	5	2,190	3.02%
Service Totals	25,421	16,314	10,690	13,808	4,508	1,075	425	339	53	72,633	100.00%
Percent of Total	35.00%	22.46%	14.72%	19.01%	6.21%	1.48%	0.59%	0.47%	0.07%	100.00%	

1) Excludes 96 Return-to-Work Retirees.

Other Employees (i.e., Employees of TMRS, TCDRS, TTA and CSCD)[1]

Age and Service Table for Actives as of August 31, 2015

	Current Years of Benefit Service									Age	Percent
Current Age	*t < 5*	*5 <= t < 10*	*10 <= t < 15*	*15 <= t < 20*	*20 <= t < 25*	*25 <= t < 30*	*30 <= t < 35*	*35 <= t < 40*	*40 <= t*	*Totals*	*of Total*
x < 20	28									28	0.43%
20 <= x < 25	290	3								293	4.47%
25 <= x < 30	537	71	2							610	9.30%
30 <= x < 35	456	251	48	4						761	11.59%
35 <= x < 40	343	226	122	56	2					749	11.41%
40 <= x < 45	280	204	118	129	45	3				779	11.87%
45 <= x < 50	241	208	115	148	132	60	5			908	13.85%
50 <= x < 55	208	177	125	140	138	110	31	3		932	14.21%
55 <= x < 60	167	157	121	128	100	61	36	15	0	787	11.99%
60 <= x < 65	94	117	90	83	51	36	16	10	3	499	7.61%
65 <= x < 70	27	41	34	22	18	9	5	3	2	161	2.45%
x >= 70	8	12	11	10	6	3	1	1	1	52	0.80%
Service Totals	2,679	1,468	788	719	492	282	94	31	6	6,559	100.00%
Percent of Total	40.85%	22.38%	12.01%	10.96%	7.51%	4.30%	1.43%	0.47%	0.09%	100.00%	

1) Excludes 32 Return-to-Work Retirees.

D. Summary of Deferred Vested Member Census by Age and Employer

Vested Members By Age and Employer as of August 31, 2015

	Employer			Age	Percent
Current Age	*State Agency*	*Higher Education*	*Other*[1]	*Totals*	*of Total*
x < 35	93	40	0	133	1.16%
35 <= x < 40	392	304	0	696	6.08%
40 <= x < 45	963	491	0	1,454	12.71%
45 <= x < 50	1,549	611	0	2,160	18.88%
50 <= x < 55	2,039	817	0	2,856	24.96%
55 <= x < 60	1,742	847	2	2,591	22.64%
60 <= x < 65	559	649	1	1,209	10.57%
x >=65	96	248	0	344	3.01%
Employer Totals	7,433	4,007	3	11,443	100.00%
Percent of Total	64.96%	35.02%	0.03%	100.00%	

[1] *Employees of TMRS, TCDRS, TTA and CSCD.*

E. Summary of Retiree and Nominee Member Census by Age and Employer

Retirees and Nominees By Age and Employer as of August 31, 2015[1]

	Employer			*Age*	*Percent*
Current Age	*State Agency[2]*	*Higher Education*	*Other[3]*	*Totals*	*of Total*
x < 40	**60**	**6**	**0**	**66**	**0.06%**
40 <= x < 45	**77**	**9**	**3**	**89**	**0.08%**
45 <= x < 50	**394**	**25**	**29**	**448**	**0.41%**
50 <= x < 55	**4,035**	**165**	**110**	**4,310**	**3.94%**
55 <= x < 60	**8,970**	**847**	**276**	**10,093**	**9.23%**
60 <= x < 65	**15,649**	**2,442**	**491**	**18,582**	**17.00%**
65 <= x < 70	**19,962**	**5,176**	**494**	**25,632**	**23.45%**
70 <= x < 75	**13,931**	**5,318**	**240**	**19,489**	**17.83%**
75 <= x < 80	**9,234**	**4,254**	**74**	**13,562**	**12.41%**
80 <= x < 85	**6,135**	**2,945**	**18**	**9,098**	**8.32%**
85 <= x < 90	**3,387**	**1,715**	**8**	**5,110**	**4.67%**
90 <= x < 95	**1,532**	**678**	**4**	**2,214**	**2.03%**
95 <= x < 100	**381**	**169**	**0**	**550**	**0.50%**
x >= 100	**55**	**13**	**0**	**68**	**0.06%**
Employer Totals	**83,802**	**23,762**	**1,747**	**109,311**	**100.00%**
Percent of Total	**76.66%**	**21.74%**	**1.60%**	**100.00%**	

1) Comprised of 50,052 retirees and nominees enrolled in HealthSelect Medicare Advantage, 55,492 retirees and nominees enrolled in HealthSelect and 3,767 retirees who receive the Opt-Out Credit in lieu of health benefits.

2) Includes 3,106 State Agency Retirees, 617 Higher Education Retirees and 44 Other Retirees receiving the Opt-Out Annuity.

3) Employees of TMRS, TCDRS, TTA and CSCD.

Section VII - Actuarial Methods and Assumptions

A. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal actuarial funding method is used in determining the contribution requirements for the plan. The actuarial funding method is the procedure by which the actuary determines a series of annual contributions which, along with current assets and future investment earnings, will fund the expected plan benefits. The Entry Age Normal funding method compares the excess of the present value of expected future plan benefits over the current value of plan assets. This difference represents the expected present value of current and future contributions that will be paid into the plan. The contributions are divided into two components: an annual Normal Cost and an amortization charge for the unfunded accrued liability.

The Normal Cost for the plan is the sum of individually determined Normal Costs for each active member. Each active member's Normal Cost is the current annual contribution in a series of annual contributions which, if made throughout the member's total period of employment, would fund his expected benefits from the plan. Each member's Normal Cost is calculated to be a constant percentage of his expected compensation in each year of employment.

The plan's current accrued liability is the excess of the present value of expected future benefits over the present value of all future remaining Normal Cost contributions for all active members. The unfunded accrued liability is the amount by which the accrued liability exceeds the current plan assets. The unfunded accrued liability is recalculated each time a valuation is performed and is amortized as a level percentage of projected payroll in accordance with employer funding goals and GASB guidelines. Experience gains and losses, which represent deviations of the unfunded accrued liability from its expected value based on the prior valuation, are determined at each valuation and are amortized as part of the unfunded accrued liability.

2. Actuarial Value of Assets

The Actuarial Value of Assets is equal to the fair market value of plan assets as determined by the plan administrator, including any receivable contributions made for a prior plan year which were not recognized by the plan administrator as of the asset valuation date.

B. Actuarial Assumptions

The actuarial valuation of the GBP OPEB requires the use of numerous actuarial assumptions many of which are similar to the assumptions used in performing the actuarial valuations of the retirement plans in which the GBP members participate. State agency members participate in the ERS retirement plan while many higher education members participate in the TRS retirement plan. For consistency with those valuations, for purposes of our valuation of the GBP OPEB we have utilized the applicable assumptions previously adopted by the Trustees of the respective systems at the time our valuation is performed. In other words, we have used applicable ERS retirement plan assumptions for the valuation of OPEB for state agency members and, except as indicated below, we have used TRS retirement plan assumptions for the valuation of OPEB for higher education members. It should be noted that we have applied the TRS assumptions to all higher education members including those who have opted to participate in the optional retirement plan (ORP) instead of TRS. Although it may be preferable to eventually develop a body of data that would enable ORP specific assumptions to be used, such data does not presently exist. In the absence of such data, it is our opinion that the TRS demographic and pay-related assumptions can be reasonably applied to ORP participants.

In addition to the assumptions used in the retirement plan valuations, the OPEB valuation requires certain unique assumptions, specifically, the health benefit cost trend and the discount rate, both of which are described below.

The assumptions used in this report are summarized below.

1. **Demographic Assumptions**

The tables of decrements below contain rates (not probabilities) of decrement.

a. **Mortality**: The members of the GBP are expected to exhibit mortality in accordance with the following mortality tables:

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

a) Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):
Generational Mortality using 1994 Group Annuity Mortality tables without adjustment for males and set forward 2 years for females and Projection Scale AA from the year 2000

b) Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):
RP-2000 Disabled Retiree Mortality set forward 6 years for males and set back one year for females

c) Active Members*:
Generational Mortality using 1994 Group Annuity Mortality tables without adjustment for males and set forward 2 years for females and Projection Scale AA from the year 2000

* For Regular Employee Class and CPO/CO Class members, 2.0% of active male deaths and 0.3% of active female deaths are assumed to be occupational.

ii. Higher Education Members[1] (assumptions used in valuing the TRS retirement plan)

a) Service Retirees, Survivors and other Inactive Members:
Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014. Illustrative base rates before applying the projection scale are shown in the table below.

Annual Rates of Inactive Member
Mortality per 100 Members

Age	Male	Female
50	0.4247	0.2791
60	0.5584	0.3882
70	1.5547	0.9613
80	5.3691	3.5591
90	16.2983	13.3727
100	40.7509	28.4047

b) Disability Retirees:
The same mortality as described in B.1.a.ii.a. above but using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.

c) Active Members:
Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB.

b. **Retirement**: A member is assumed to retire in accordance with the following annual rates:

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

a) Active Regular Employee Class Members hired before September 1, 2009:
ERS Decrement Service is used to determine when the rates apply:
- Age 60 with 5 years of service
- Rule of 80 with 5 years of service

Sample rates for eligible members:

Annual Service Retirement Rates Per 100
Regular Employee Class Members Hired Before September 1, 2009

	Males – Years of ERS Decrement Service							Females – Years of ERS Decrement Service						
Age	5	10	15	20	25	30	35	5	10	15	20	25	30	35
50						35	40						45	40
55					23	25	25					40	25	25
60	10	15	18	38	20	28	28	10	15	15	35	20	20	20
65	20	45	45	35	35	35	35	20	45	45	33	33	33	33
70	20	38	28	33	33	33	33	20	38	28	33	33	33	33
75	100	100	100	100	100	100	100	100	100	100	100	100	100	100

b) Active Regular Employee Class Members hired after August 31, 2009:
ERS Decrement Service is used to determine when the rates apply:

- Age 65 with 10 years of service
- Rule of 80 with 5 years of service

Sample rates for eligible members:

Annual Service Retirement Rates Per 100
Regular Employee Class Members Hired After August 31, 2009

	Males – Years of ERS Decrement Service							Females – Years of ERS Decrement Service						
Age	5	10	15	20	25	30	35	5	10	15	20	25	30	35
50						15	13						20	15
55					25	8	8					30	10	10
60				25	58	68	68				25	45	45	45
65		85	38	30	45	40	40		85	38	18	35	30	30
70		80	60	90	35	35	35		80	60	90	33	33	33
75	100	100	100	100	100	100	100	100	100	100	100	100	100	100

c) Active Elected Class Members:
ERS Decrement Service is used to determine when the rates apply:

- Age 60 with 8 years of service
- Rule of 50 with 12 years of service

Sample rates for eligible members:

Annual Service Retirement Rates Per 100
Elected Class Members

Age	Male and Female
50-64	10
65-74	20
75+	100

d) Active CPO/CO Employee Class Members hired before September 1, 2009:
CPO/CO Decrement Service is used to determine when the rates apply:

- Any age with 20 years CPO/CO service
- Age 55 with 10 years CPO/CO service

Sample rates for eligible members for both males and females:

Annual Service Retirement Rates Per 100 CPO/CO
Employee Class Members Hired Before September 1, 2009

	Years of CPO/CO Decrement Service					
Age	5	10	15	20	25	30
45				5	5	5
50				45	55	55
55		12	12	45	35	35
60		16	16	55	35	35
65		35	35	50	60	60
70		50	50	50	50	50
75	100	100	100	100	100	100

e) Active CPO/CO Employee Class Members hired after August 31, 2009:
CPO/CO Decrement Service is used to determine when the rates apply:

- Any age with 20 years CPO/CO service
- Age 55 with 10 years CPO/CO service

Sample rates for eligible members for both males and females:

Annual Service Retirement Rates Per 100 CPO/CO
Employee Class Members Hired After August 31, 2009

	Years of CPO/CO Decrement Service					
Age	5	10	15	20	25	30
45				5	5	5
50				5	5	5
55		12	12	83	65	65
60		16	16	55	35	35
65		35	35	50	60	60
70		50	50	50	50	50
75	100	100	100	100	100	100

f) JRS Members:
JRS I and II Decrement Service is used to determine when the rates apply:

- Age 65 with 10 years of service, if member currently holding judicial office.
- Age 65 with 12 years of service.
- 20 years of service.
- Age plus service equal to or greater than 70, if member has at least 12 years of service on an appellate court.

Sample rates for eligible members:

Age	Annual Service Retirement Rates Per 100 Members
50-69	20
70-74	25
75+	100

ii. Higher Education Members (assumptions used in valuing the TRS retirement plan)

	Early Retirement Annual Service Retirement Rates Per 100 Members	
Age	Male	Female
45	1	1
46	1	1
47	1	2
48	2	3
49	3	4
50	1	1
51	1	1
52	1	1
53	1	1
54	1	1
55	1	1
56	1	1
57	1	1
58	1	1
59	1	2
60	2	2
61	2	2
62	5	4
63	5	5
64	6	6
65	5	5

	Normal Retirement Annual Service Retirement Rates Per 100 Members	
Age	Male	Female
50	13	30
51	13	12
52	13	13
53	13	14
54	14	15
55	15	16
56	16	17
57	17	18
58	18	19
59	18	20
60	22	21
61	20	22
62	24	23
63	20	23
64	20	23
65	22	23
66	22	23
67	22	23
68	22	23
69	22	23
70	22	23
71	22	23
72	22	23
73	22	23
74	22	23
75	100	100

For members hired after August 31, 2007 and who are vested as of August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 60 are increased 10% for each year the member is beyond the Rule of 80 (i.e., if the member reached the Rule of 80 at age 58, then the probability of retirement at age 60 is 120% of the rate shown above).

For members hired after August 31, 2007 and who are not vested as of August 31, 2014, or, for members hired after August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10% for each year the member is beyond the Rule of 80 (i.e., if the member reached the Rule of 80 at age 58, then the probability of retirement at age 62 is 140% of the rate shown above).

Non-grandfathered members who receive a reduced benefit upon attaining Rule of 80 but prior to normal retirement age have a 1% probability of retirement.

c. **Disability Retirement**: Active members are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below.

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

ERS Decrement Service is used to determine when the rates apply:

- The rates do not apply before member is eligible for the benefit.
- Service greater than zero is required for occupational disability retirement.
- For Regular, CPO/CO, and JRS I members, 10 years of service is required for non-occupational disability retirement.
- For JRS II members, 7 years of service is required for non-occupational disability retirement.
- For Elected Class members, 8 years of service is required for non-occupational disability retirement.
- Regular Class and JRS II Members are not eligible for non-occupational disability retirement if they are eligible for service retirement under the Rule of 80. Members who suffer a non-occupational disability after satisfying the Rule of 80 are therefore assumed to retire on service retirement.
- JRS I Members are not eligible for non-occupational disability retirement if they are eligible for service retirement under the Rule of 70. Members who suffer a non-occupational disability after satisfying the Rule of 70 are therefore assumed to retire on service retirement.
- Elected Class Members are not eligible for non-occupational disability retirement if they are eligible for service retirement (age 60 with 8 years of service; or age 50 with 12 years of service). Members who suffer a non-occupational disability after becoming eligible for service retirement are therefore assumed to retire on service retirement.
- CPO/CO Members are not eligible for non-occupational disability retirement if they are eligible for service retirement under the Rule of 80, or under the age 55 with at least 10 years of CPO/CO service provisions.

- For a member with 20 years CPO/CO service the combined ERS/LECO service retirement annuity is much greater than the ERS non-occupational disability retirement annuity. Therefore, the rates of non-occupational disability retirement are zero for members with 20 years of CPO/CO service.

Annual Disability Retirement Rates Per 100 Members

Age	Regular Class[1], Elected Class, JRS Male	Regular Class[1], Elected Class, JRS Females	CPO/CO Class[2] Males/Females
25	0.0006	0.0006	0.0003
30	0.0366	0.0180	0.0123
35	0.0867	0.0589	0.0418
40	0.0999	0.1195	0.0781
45	0.1369	0.1940	0.1307
50	0.1979	0.2762	0.2365
55	0.3302	0.4651	0.3280
60	0.4986	0.7444	0.4200

1 99% of all disabilities are assumed to be non-occupational and 1% are assumed to be occupational. No occupational disabilities are assumed for JRS I, JRS II or the Elected classes.
2 95% of all disabilities are assumed to be non-occupational, 4% are assumed to be occupational but not total disability, and 1% are assumed to be occupational and total disability.

ii. Higher Education Members (assumptions used in valuing the TRS retirement plan)

Annual Disability Retirement Rates Per 100 Members

	Years of Service < 10		Years of Service >= 10	
Age	Male	Female	Male	Female
20	0.0037	0.0055	0.0184	0.0276
30	0.0037	0.0055	0.0184	0.0276
40	0.0086	0.0094	0.0430	0.0469
50	0.0399	0.0363	0.1993	0.1817
55	0.0573	0.0493	0.2866	0.2465
60	0.0701	0.0551	0.3505	0.2754
65	0.0740	0.0551	0.3699	0.2754
70	0.0740	0.0551	0.3699	0.2754

d. **Termination**: The active members are assumed to terminate their employment for causes other than death, disability or retirement in accordance with annual rates as illustrated below.

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

a) Regular Class Members hired before September 1, 2009:
Graded Tables Based on ERS Experience.

Sample rates for members not eligible for service retirement:

Annual Rates of Termination Per 100 Regular Employee Class Members Hired Before September 1, 2009*

Attained	Male and Females – Years of ERS Decrement Service								
Age	0	1	2	3	4	5	10	15	20+
20	50	40	30	30	30	30			
25	35	30	26	22	20	15	15		
30	28	23	19	15	14	12	6	6	
35	27	21	16	14	11	10	6	3	3
40	25	18	13	11	10	9	6	3	3
45	25	18	13	11	9	8	4	3	1
50	22	17	13	10	9	7	4	2	1
55	21	15	11	9	7	7	4	2	1
60	20	15	10	8	7	6	4	2	1

b) Regular Class Members hired after August 31, 2009:
Graded Tables Based on ERS Experience.

Sample rates for members not eligible for service retirement:

Annual Rates of Termination Per 100 Regular Employee Class Members Hired After August 31, 2009*

Attained	Male and Females – Years of ERS Decrement Service								
Age	0	1	2	3	4	5	10	15	20+
20	52	42	32	27	27	27			
25	42	32	29	25	22	18	18		
30	32	27	21	18	15	14	6	6	
35	31	25	19	16	12	11	6	4	4
40	30	21	15	13	11	9	6	2	2
45	27	21	13	12	10	8	4	2	1
50	26	19	13	11	10	7	4	2	1
55	25	17	12	10	7	7	4	2	1
60	24	17	11	9	6	6	4	1	1
65	22	16	10	6	6	6	4	1	1

* Rates of termination are zero for members eligible for service retirement.

c) CPO/CO Class Members hired before September 1, 2009:

Annual Rates of Termination Per 100 CPO/CO Employee Class Members Hired Before September 1, 2009*

Attained	Male and Females – Years of ERS Decrement Service							
Age	0	1	2	3	4	5	10	15
20	23	19	17	17	17	17		
25	20	17	14	14	14	13		
30	16	13	12	11	10	10	8	8
35	16	11	9	9	8	7	6	4
40	14	10	8	7	7	7	5	2
45	13	10	7	6	6	6	3	2
50	12	9	7	6	6	6	3	2
55	12	7	5	5	4	4	1	1
60	13	7	5	5	4	4	1	1

d) CPO/CO Class Members hired after August 31, 2009:

Annual Rates of Termination Per 100 CPO/CO Employee Class Members Hired After August 31, 2009*

Attained	Male and Females – Years of ERS Decrement Service							
Age	0	1	2	3	4	5	10	15
20	24	20	17	17	17	17		
25	22	19	16	16	16	15		
30	17	15	14	12	12	12	8	8
35	18	12	11	11	10	8	6	4
40	15	11	9	8	8	8	5	2
45	14	11	8	7	7	7	3	2
50	13	11	8	7	7	6	3	2
55	13	8	5	5	4	4	1	1
60	15	8	5	5	4	4	1	1
65	15	8	5	5	4	4	1	1

* Rates of termination are zero for members eligible for service retirement.

e) Elected ERS Members:

Four per 100 for members not eligible for service retirement.

f) JRS I and II Members:

Four per 100 for members not eligible for service retirement.

ii. Higher Education Members (assumptions used in valuing the TRS retirement plan)

a) Select Period:

Rate of Decrement Due to Termination Per 100 Members Based on First 10 Years of Service

Years of Service	Male	Female
1	14.9027	14.3098
2	11.9756	11.7329
3	9.6637	9.7896
4	7.2275	7.6765
5	6.2453	6.8443
6	5.5556	6.0368
7	4.7176	4.9631
8	4.1464	4.3108
9	3.6978	3.8477
10	3.3777	3.5264

b) Ultimate Rates after the first 10 Years of Service:

Rate of Decrement Due to Termination Per 100 Members Based on Years from Normal Retirement

Years from Normal Retirement	Male	Female	Years from Normal Retirement	Male	Female
1	1.2140	0.9500	17	2.4208	2.7793
2	1.4373	1.2353	18	2.4547	2.8402
3	1.5865	1.4405	19	2.4873	2.8990
4	1.7017	1.6064	20	2.5185	2.9559
5	1.7968	1.7481	21	2.5487	3.0110
6	1.8783	1.8731	22	2.5777	3.0646
7	1.9502	1.9858	23	2.6058	3.1166
8	2.0147	2.0888	24	2.6329	3.1673
9	2.0733	2.1842	25	2.6592	3.2166
10	2.1273	2.2731	26	2.6848	3.2648
11	2.1772	2.3567	27	2.7096	3.3118
12	2.2239	2.4357	28	2.7337	3.3578
13	2.2676	2.5107	29	2.7571	3.4027
14	2.3090	2.5822	30	2.7800	3.4467
15	2.3481	2.6506	31	2.8023	3.4898
16	2.3853	2.7162	32	2.8241	3.5320

e. **Withdrawal of Contribution**:

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

Annual Rates of Withdrawal of Employee Contributions Per 100 New Vested Terminations Male and Female

	Regular Employee Class ERS Decrement Service				CPO/CO Employee Class ERS Decrement Service				Elected Class Members and JRS*			
Age	5-10	10-15	15-20	20+	5-10	10-15	15-20	20+	5-10	10-15	15-20	20+
20-24	100	100			100							
25-29	75	65	60		75	60	60					
30-34	65	60	50		75	60	50					
35-39	65	50	50	35	70	60	50					
40-44	65	50	45	35	70	60	50					
45-49	60	45	35	25	60	40	20					
50-54	55	40	30	20	55	40	20					
55+	50	30	25	15	50	30	20					

* Elected Class and JRS Members are assumed not to withdraw employee contributions.

100% of Non-vested terminations are assumed to withdraw their employee contributions.

ii. Higher Education Members

Members eligible to receive a deferred annuity are assumed to withdraw their contributions in accordance with the rates illustrated below.

Annual Rates of Withdrawal
of Employee Contributions per 100 New
Vested Terminations Male and Female

	Years of Service			
Age	5-10	10-15	15-20	20+
20-24	100	100		
25-34	80	80	60	
35-44	50	40	30	25
45-54	28	28	25	18
55+	0	0	0	0

f. **Salary Increases**: Increases are assumed to occur at the beginning of the valuation year and vary by employee group. The components of the annual increases are:

i. State Agency Members (assumptions used in valuing the applicable ERS retirement plan)

Employee Group	Inflation	Real Wage Growth (Productivity)	Merit, Promotion and Longevity
Legislators	0%	0%	0%
Elected Class (other than Legislators)	3.5%	0%	0%
Regular Employee Class	3.5%	0%	See sample rates
CPO/CO Class	3.5%	0%	See sample rates
JRS I & II	3.5%	0%	0%

a) Regular Employee Class: Merit, Promotion and Longevity Sample Rates:

Annual Salary Increases for Merit, Promotion and Longevity
Male and Female Regular Employee Class Members

	Years of ERS Decrement Service						
Age	0	1	2-4	5-9	10-14	15-19	20+
20	6.80%	5.25%	4.75%	4.30%			
25	6.40	5.25	4.75	3.50	2.50%		
30	5.90	5.25	4.75	3.00	2.50	2.00%	
35	5.40	4.75	4.00	3.00	2.50	2.00	1.90%
40	4.90	4.75	4.00	3.00	2.50	1.90	1.80
45	4.40	4.25	3.75	3.00	2.40	1.90	1.70
50	3.90	3.70	3.20	2.70	2.20	1.70	1.60
55	3.40	3.20	2.80	2.40	1.90	1.60	1.50
60	2.90	2.70	2.30	2.00	1.60	1.40	1.30

b) CPO/CO Employee Class: Merit, Promotion and Longevity Sample Rates:

Annual Salary Increases for Merit, Promotion and Longevity
Male and Female CPO/CO Employee Class Members

	Years of ERS Decrement Service						
Age	0	1	2	3	4	5-9	10+
All	8.0%	5.0%	4.5%	4.0%	3.5%	2.0%	1.5%

ii. Higher Education Members (assumptions used in valuing the TRS retirement plan)

Years of Service	Merit, Promotion, Longevity	General[1]	Total
1	6.0%	4.5%	10.5%
2	2.5	4.5	7.0
3	1.9	4.5	6.4
4	1.7	4.5	6.2
5	1.5	4.5	6.0
6	1.4	4.5	5.9
7	1.2	4.5	5.7
8-12	1.0	4.5	5.5
13	0.8	4.5	5.3
14	0.7	4.5	5.2
15	0.6	4.5	5.1
16-17	0.5	4.5	5.0
18	0.4	4.5	4.9
19-20	0.3	4.5	4.8
21-22	0.2	4.5	4.7
23-24	0.1	4.5	4.6
25 or more	0	4.5	4.5

[1] The inflationary component of this assumption varies from the inflation assumption used in the TRS retirement valuation in order to be consistent with all other inflation-related assumptions that are used in this report.

g. **Payroll Growth**: For purposes of total member projected payroll, payroll is assumed to increase 3.50% per year.

h. **Dependency Status**: Marital status and spouse/dependent children coverage elections in accordance with GBP records were used for current retired members.

For future retired members and their spouses:

i. a) State Agency Members
For Male members, female spouse is assumed to be 3 years younger. For Female members, male spouse is assumed to be the same age.

b) Higher Education Members
Female spouses are assumed to be 3 years younger than their male counterparts.

ii. 38% of the male members are assumed to be married and electing coverage for their spouse, and 21% of the female members are assumed to be married and electing coverage for their spouse.

iii. The proportion of future retirees covering dependent children is based upon the retiree's age at retirement as follows:

Age at Retirement	Percentage of Retirees Covering Dependent Children
<50	36%
50-54	33%
55-59	17%
60-64	7%
65-69	2%
>70	1%

iv. Current retirees covering dependent children are assumed to continue such coverage until the child reaches age 23. Future retirees who cover dependent children are expected to cover dependent children for a period of seven years on average.

v. 40% of current and future retiree spouses are assumed to continue health coverage for their lifetime after the death of the retiree. No dependent children are assumed to continue health coverage after the death of the retiree.

i. **Declinations**:

98% of future Service Retirees are assumed to elect health coverage at retirement and remain covered until death. The remaining 2% of future Service Retirees are expected to demonstrate outside health coverage and receive an Employer contribution towards certain other optional benefits (i.e., Opt-Out Credit).

100% of future retirees who decrement for causes other than Service Retirement (e.g., Disability and Termination–without account balance withdrawal) are assumed to elect health coverage at retirement and remain covered until death.

j. **HealthSelect Medicare Advantage Participation**:

i. For current retirees and retiree spouses eligible for participation in the HealthSelect Medicare Advantage Plan: based on actual election.

ii. For current retirees and retiree spouses not yet eligible for HealthSelect Medicare Advantage participation and for future retirees and retiree spouses: 68% are assumed to participate in HealthSelect Medicare Advantage at the earliest date at which coverage can commence under this program.

k. **Tobacco Usage**:

i. For current retirees and retiree spouses, tobacco usage is based on records of the System.

ii. 10.0% of future retirees are assumed to use tobacco, and 9.0% of future retiree spouses are assumed to use tobacco.

2. **Economic Assumptions**

a. **Administrative Expenses**: The expenses to administer the GBP health benefits are (i) $229.80 ($213.36 for medical plus $16.44 for prescription drugs) per year per covered member for external HealthSelect administrative expenses for FY 2016 and (ii) approximately $55.63 per year per covered member for internal administrative expenses for FY 2016 (including the ACA Patient-Centered Outcomes Research Institute (PCORI) fee). The external and internal administrative expenses per covered member are the same regardless of whether the member covers dependents. In addition, the ACA Transitional Reinsurance Program Fee on each non-Medicare Primary participant ($44 per year in 2015 (for 4 months), $27 per year in 2016 and $0 thereafter) is included in this valuation.

b. **Stop-loss Reinsurance:** Stop-loss reinsurance is not purchased for the GBP.

c. **Discount Rate**: Equal to the assumed return on assets of the Employer of 5.50%.

d. **Health Benefit Cost Trend**: The assumed Per Capita Health Benefit Cost assumptions shown in items 2.i., 2.j., and 2.k. below are assumed to increase at the rates shown below.

Fiscal Year	Annual Rate of Increase
2017	8.50%
2018	8.00%
2019	7.50%
2020	7.00%
2021	6.50%
2022	6.00%
2023 and beyond	5.50%

e. **Trend Rate for Retiree Contributions**: The portions of retiree contributions attributable to non-life insurance benefits for both HealthSelect and HealthSelect Medicare Advantage Plan are assumed to increase from their amounts in FY 2016 at the rates shown below.

Fiscal Year	Annual Rate of Increase*
2017	7.00%
2018	8.00%
2019	7.50%
2020	7.00%
2021	6.50%
2022	6.00%
2023 and beyond	5.50%

* The retiree contribution rates are assumed to increase at the same rate as the Health Benefit Cost Trend except for FY17 for which the increase is limited in accordance with the increase included in the Legislative Appropriation.

f. **Expense Trend Rate**: Internal and external administrative expenses are assumed to increase 3.50% per annum.

g. **Trend Rate for the Opt-Out Credit**: The monthly benefit of $60 in FY 2016 is not assumed to increase in the future.

h. **Health Coverage by Governmental Plans**: There has been no consideration of anticipated changes in laws concerning health costs covered by governmental programs. However, presently enacted changes in the law that take effect in future periods that will affect future benefit coverages are considered. The proportion of health benefits which are currently covered by governmental programs has been assumed to remain constant in the future.

i. **Assumed HealthSelect Per Capita Health Benefit Cost (Medical and Prescription Drugs) for Fiscal Year 2016 for Covered Retirees and Spouses* (reflects benefits in effect September 1, 2015)**

Age	Assumed Annual Claims Cost per Retiree		Age	Assumed Annual Claims Cost per Retiree		Age	Assumed Annual Claims Cost per Retiree	
	Male	Female		Male	Female		Male	Female
22	$ 2,104	$ 4,448	52	$ 7,126	$ 7,777	82	$ 4,597	$ 4,173
23	2,125	4,493	53	7,591	8,097	83	4,633	4,198
24	2,147	4,539	54	8,056	8,417	84	4,671	4,223
25	2,168	4,585	55	8,521	8,737	85	4,708	4,249
26	2,190	4,631	56	8,986	9,058	86	4,746	4,274
27	2,212	4,678	57	9,452	9,378	87	4,784	4,300
28	2,320	4,829	58	9,778	9,598	88	4,822	4,326
29	2,427	4,981	59	10,105	9,817	89	4,860	4,351
30	2,534	5,132	60	10,432	10,037	90	4,899	4,378
31	2,641	5,284	61	10,759	10,257	91	4,938	4,404
32	2,748	5,436	62	11,086	10,476	92	4,978	4,430
33	2,813	5,490	63	11,529	10,895	93	5,018	4,457
34	2,878	5,544	64	11,991	11,331	94	5,058	4,484
35	2,944	5,598	65	4,971	3,813	95	5,098	4,511
36	3,009	5,653	66	5,022	3,851	96	5,139	4,538
37	3,074	5,707	67	5,072	3,890	97	5,180	4,565
38	3,265	5,827	68	4,982	3,904	98	5,222	4,592
39	3,457	5,948	69	4,891	3,918	99	5,263	4,620
40	3,648	6,069	70	4,800	3,932	100	5,306	4,647
41	3,840	6,189	71	4,710	3,946	101	5,348	4,675
42	4,031	6,310	72	4,619	3,960	102	5,391	4,703
43	4,309	6,466	73	4,529	3,974	103	5,434	4,732
44	4,586	6,621	74	4,438	3,988	104	5,477	4,760
45	4,864	6,777	75	4,347	4,002	105	5,521	4,789
46	5,142	6,933	76	4,382	4,026	106	5,565	4,817
47	5,419	7,088	77	4,417	4,050	107	5,610	4,846
48	5,761	7,226	78	4,452	4,074	108	5,655	4,875
49	6,102	7,364	79	4,488	4,099	109	5,700	4,905
50	6,443	7,501	80	4,524	4,123	110	5,746	4,934
51	6,785	7,639	81	4,560	4,148			

* Spouses' per capita costs are assumed to be 122% of the amounts shown in this table.

j. **Assumed HealthSelect Medicare Advantage Plan Per Capita Health Benefit Cost (Medical and Prescription Drugs) for Fiscal Year 2016 for Covered Retirees and Spouses* (reflects benefits in effect September 1, 2015)**

	Assumed Annual Claims Cost per Retiree			Assumed Annual Claims Cost per Retiree	
Age	Male	Female	Age	Male	Female
65	$ 3,323	$ 3,405	88	$ 3,599	$ 3,498
66	3,339	3,421	89	3,613	3,508
67	3,354	3,437	90	3,628	3,519
68	3,363	3,429	91	3,643	3,529
69	3,371	3,421	92	3,658	3,540
70	3,379	3,412	93	3,673	3,550
71	3,387	3,404	94	3,688	3,561
72	3,396	3,395	95	3,703	3,571
73	3,404	3,387	96	3,718	3,582
74	3,412	3,378	97	3,734	3,593
75	3,420	3,370	98	3,749	3,604
76	3,433	3,379	99	3,765	3,615
77	3,447	3,389	100	3,781	3,626
78	3,460	3,399	101	3,797	3,637
79	3,473	3,408	102	3,813	3,648
80	3,487	3,418	103	3,829	3,659
81	3,500	3,428	104	3,846	3,670
82	3,514	3,438	105	3,862	3,682
83	3,528	3,448	106	3,879	3,693
84	3,542	3,458	107	3,896	3,704
85	3,556	3,468	108	3,912	3,716
86	3,570	3,478	109	3,929	3,728
87	3,584	3,488	110	3,947	3,739

* The prescription drug components of spouses' per capita costs are assumed to be 122% of the prescription drug amounts included in this table.

k. **Dependent Children: Assumed Per Capita Health Benefit Cost for Fiscal Year 2016 (reflects benefits in effect September 1, 2015)**:

$5,942 annual per capita benefit cost for each retiree covering dependent children irrespective of the number of children covered.

l. **Dental Benefits**: The present value of future expected dental benefits is assumed to be equal to the present value of future retiree contributions towards dental benefits.

m. **Cost Sharing Provisions:** Deductibles, copayments and coinsurance levels and retiree contribution levels are assumed to increase at the same rate as the health benefit cost trend, consistent with the expected operation of the substantive plan (i.e., the proportion of non-Medicare expenses covered by the employer/employee is assumed to remain constant).

n. **General Price Inflation**: Both the health benefit cost trend and the discount rate include the same inflationary element attributable to changes in general price levels, 3.50%.

3. **Other Assumptions**

a. **Valuation Payroll**

Valuation Payroll (earnings applied to the current valuation year) is the payroll for the fiscal year ending on the valuation date. It is based on reported payroll determined from August member contributions.

b. **Missing Data**

i. Service for Non-ERS Members

Service for all employees who are not members of ERS (except as indicated in (ii) below) is determined as follows: (i) for employees hired before September 1, 2003, service is calculated as the elapsed time from original date of hire to the valuation date, and (ii) for employees hired after August 31, 2003, service is calculated as the elapsed time from completion of the waiting period to the valuation date.

ii. Pre-September 1, 1992 Higher Education Hires

Service for pre-September 1, 1992 Higher Education hires, whose date of hire was reported as September 1, 1992, is assumed to have the same service distribution as State Agency employees.

iii. ORP Vested Terminated Employees

Census data for vested terminated higher education employees participating in the ORP was not available at the time of this valuation. As a result, the ORP vested terminated employees liability is assumed to have the same ratio to the ORP retiree liability as the ratio of TRS vested terminated employee liability to the TRS retiree liability. In other words, the ORP retiree liability is multiplied by this TRS ratio to determine the ORP vested terminated liability. The estimated number of ORP vested terminated members is determined in the same manner.

c. **Demographic Assumptions for TMRS, TCDRS, TTA and CSCD**

Employees of Texas Municipal Retirement System, Texas County and District Retirement System, Texas Turnpike Authority and Community Supervision and Corrections Departments are assumed to exhibit the same demographic decrements as Regular Class ERS members.

d. **Eligibility Service Adjustments**

Eligibility Service at Service Retirement and Death-in-Service is assumed to be increased due to purchase of Additional Service Credits and/or Accumulated Sick and Annual Leave by:

i. 0 years for members retiring from the Elected Class;
ii. 2.0 years for members retiring from regular employee class service who were hired before September 1, 2009 if age plus service, prior to adjustment, are greater than or equal to 78;
iii. 1.0 year for members retiring from regular employee class service who were hired before September 1, 2009 if age plus service, prior to adjustment, are less than 78;
iv. 1.0 year for members retiring from regular employee class service who were hired after August 31, 2009;
v. 2.0 years for members retiring from CPO/CO class service who were hired before September 1, 2009 if service, prior to adjustment, is at least 18 years;
vi. 1.0 year for members retiring from CPO/CO class service who were hired before September 1, 2009 if service, prior to adjustment, is less than 18 years; and
vii. 1.0 year for members retiring from CPO/CO class service who were hired after August 31, 2009.

e. **Graduate Students**

Graduate students are excluded from this valuation because none of the graduate students are assumed to satisfy the eligibility criteria for benefits under this plan during the period of their employment as a graduate student.

4. **Changes in Assumptions**

a. **Demographic Assumptions**

The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.

- Assumed salary increases and rates of mortality, termination, disability and retirement for Higher Education members were updated to remain consistent with the assumptions used by the TRS retirement plan actuary.

b. **Economic Assumptions**

Assumptions for Administrative Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

Minor benefit changes have been reflected in the FY 2016 Assumed Per Capita Health Benefit Costs.

Please see our previous valuation report dated November 3, 2014 for a complete list of our previous economic assumptions.

Section VIII - Outline of Principal Eligibility and Benefit Provisions

A. Plan Identification

1. Plan Name

   Other Post-Employment Benefits provided under the Texas Employees Group Benefits Program (GBP)

2. Plan Type

   The GBP is a cost-sharing multiple-employer defined benefit OPEB plan. Employers participating in the GBP include:

   a. the State of Texas which is the employer for all state agency employees and employees of senior colleges and universities,

   b. 50 Texas junior and community colleges,

   c. the Texas Municipal Retirement System, Texas County and District Retirement System and the Texas Turnpike Authority,

   d. Community Supervision and Corrections Departments.

3. Contributions and Reserves

   a. The authority under which the obligations of the plan members and Employer are established and or may be amended is Chapter 1551, Texas Insurance Code.

   b. The Employer and member contribution rates are determined annually by the ERS Board Trustees based on the recommendations of the ERS staff and consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

   c. There are no long-term contracts for contributions to the plan.

B. Employee Classification Requirements for Future Benefit Eligibility

State agency and higher education employees must meet the following classification requirements in order to be eligible for OPEB provided they also meet the age and service conditions described in item C. below.

1. State Agency or Higher Education Employee

   An individual must be an elected or appointed officer or employee who performs service (other than an independent contractor) for the State of Texas, including an institution of higher education, other than the University of Texas or Texas A&M University Systems, and who:

   a. receives compensation for the service performed pursuant to a payroll certified by a state agency or by an elected or appointed officer, or

   b. receives compensation for service performed for an institution of higher education pursuant to a payroll certified by an institution of higher education or by an elected or appointed officer of the State.

2. Employees of Certain Other Entities

   a. Officers or employees of Texas Municipal Retirement System or Texas County and District Retirement System

   b. Certain employees or officers of the Texas Turnpike Authority

   c. Employees of the Community Supervision and Corrections Departments

C. Eligibility for OPEB

The employee's eligibility for GBP OPEB is dependent upon the event which initiates the employee's severance from employment.

Event		GBP OPEB Eligibility			
		At Least			Commencement of GBP Benefits
1. Service Retirement or Death		Age	Service	Age + Service	Age
a. ERS - Regular Class		60	10		65
	or		10	80	Immediately upon Retirement
b. ERS - CPO/CO		55	10		Immediately upon Retirement
	or		20		Immediately upon Retirement
	or		10	80	Immediately upon Retirement
c. ERS - Elected Class		60	8		Immediately upon Retirement
	or	50	12		Immediately upon Retirement
d. TRS (Higher Education)		55	10		65
	or		30		65
	or		10	80	Immediately upon Retirement
e. ORP (Higher Education)			10	80	Immediately upon Retirement
f. JRS I and II		60	10*		Immediately upon Retirement
	or		20		Immediately upon Retirement
	or		12**	70	Immediately upon Retirement

* 10 years required if holding a judicial office at the time of retirement; otherwise 12 years.
** 12 years of service on an appellate court.

Event	GBP OPEB Eligibility			
	At Least			Commencement of GBP Benefits
2. Disability	Age	Service	Age + Service	Age
a. ERS - Regular Class		10*		Immediately upon Disability
b. ERS - CPO/CO		10*		Immediately upon Disability
c. ERS - Elected Class		8*		Immediately upon Disability
d. TRS (Higher Education)		10		Immediately upon Disability
e. ORP (Higher Education)		10		Immediately upon Disability
f. JRS I and II		7		Immediately upon Disability

* Service Requirement is waived if the disability is an occupational disability.

3. Termination

   a. Same Age/Service/Age+Service requirements as Service Retirement in item 2.a. above, provided at the time of termination the employee has at least:

      1. 10 service years for Regular, CPO/CO, TRS and ORP classes
      2. 8 service years for Elected class members
      3. 12 service years for the JRS I and II classes

   b. Only eligible for benefits at commencement age if employee contributions are not withdrawn prior to commencement age.

D. Post-Employment Health Benefits

1. For purposes of the valuation, all retirees, including those presently enrolled in HMOs, are assumed to have GBP health coverage under HealthSelect (unless they elect or are assumed to elect the HealthSelect Medicare Advantage Plan for Medicare-primary years of coverage), a self-funded health plan providing medical and prescription drug coverage. (See chart at end of this section for details.) We have adopted this assumption due to the small number of retirees enrolled in HMOs and the similarity between the cost of HealthSelect and HMO coverage.
2. For benefit years prior to the date on which Medicare becomes primary, HealthSelect (Medical and Prescription Drug) is primary. (See chart at end of this section for details.)
3. For benefit years after the date on which Medicare becomes primary:
   a. For retirees and spouses participating in HealthSelect:
      (i) HealthSelect medical coverage is secondary to Medicare (secondary via Coordination of Benefits method) (See chart at end of this section for details.)
      (ii) HealthSelect prescription drug coverage remains primary.
   b. For retirees and spouses participating in the HealthSelect Medicare Advantage Plan:
      (i) HealthSelect Medicare Advantage Plan medical coverage is provided in lieu of Medicare and HealthSelect medical coverage. (See chart at end of this section for details.)
      (ii) HealthSelect prescription drug coverage remains primary.
4. Covered Retirees are eligible for coverage until death.
5. Retiree Spouses may be covered until death provided the applicable monthly contribution is paid on behalf of the covered spouse.
6. Dependent Children may be covered provided the applicable monthly contribution is paid on behalf of the dependent children.
   a. Coverage ceases when the child reaches age 26 or when the child marries, if earlier. However, a child who is mentally retarded or physically incapacitated may continue coverage beyond age 26 provided such child remains a dependent of the retired member.
   b. The term child includes an adopted child, a foster child, a stepchild or other child in a parent-child relationship.

E. Post-Employment Life Insurance Coverage

1. Retirees participating in GBP health coverage are eligible for $2,500 life insurance coverage funded by the Employer.
2. Retirees who opt-out of health coverage are not eligible for Employer-funded life insurance.
3. Employer-funded life insurance coverage is not available for spouses or other dependent children.

F. Opt-Out Credit

Applicable to certain optional benefits for retirees who opt out of GBP health coverage provided they demonstrate that they have health coverage outside of the GBP.

1. Retirees who opt out of the GBP health benefits are eligible.
2. Opt-Out credit is up to $60 per month for full-time retirees and $30 per month for part-time retirees. Retirees may use the credit only to purchase dental coverage.
3. The retiree qualifies for a $60 credit without regard to whether the retiree has a spouse or dependent children.

G. Other Optional Benefits Available at Cost to Eligible Retirees

1. Dental Options
   a. State of Texas Dental Choice Plan
   b. Dental HMO
2. Optional Group Term Life Insurance with a face value of $10,000 or up to two times salary.
3. Optional Dependent Group Term Life Insurance with a face value of $2,500.

H. Retiree Contributions

1. Health Coverage
   a. HealthSelect

Annually, ERS determines the uniform contribution rates for members participating in HealthSelect. The monthly member contribution rates for FY16 are:

	100% State Contributions Current Retirees and Future Retirees with 5+ YOS on September 1, 2014[1]		Future Retirees with Fewer than 5 YOS on September 1, 2014					
			50% State Contributions Less than 15 YOS at Retirement[2]		**75% State Contributions** At least 15 YOS but less than 20 YOS at Retirement[3]		**100% State Contributions** 20+ YOS at Retirement[4]	
	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time
Member	$ 0.00	$ 287.16	$ 287.16	$ 430.74	$ 143.58	$ 358.95	$ 0.00	$ 287.16
Member plus Spouse	$ 330.24	$ 782.52	$ 782.52	$ 1,008.66	$ 556.38	$ 895.59	$ 330.24	$ 782.52
Spouse, if Retiree is deceased	$ 660.48	$ 660.48	$ 660.48	$ 660.48	$ 660.48	$ 660.48	$ 660.48	$ 660.48
Member plus Dependent Children	$ 221.12	$ 618.84	$ 618.84	$ 817.70	$ 419.98	$ 718.27	$ 221.12	$ 618.84
Dependent Children, if Retiree is deceased	$ 442.24	$ 442.24	$ 442.24	$ 442.24	$ 442.24	$ 442.24	$ 442.24	$ 442.24
Member plus Family, if Retiree is alive	$ 551.36	$ 1,114.20	$ 1,114.20	$ 1,395.62	$ 832.78	$ 1,254.91	$ 551.36	$ 1,114.20
Spouse plus Children, if Retiree is deceased	$ 1,102.72	$ 1,102.72	$ 1,102.72	$ 1,102.72	$ 1,102.72	$ 1,102.72	$1,102.72	$ 1,102.72

[1] Actual Retiree Contribution Rates for FY16. Tobacco users pay an additional $30 per month. These rates will also apply to ERS - Elected Class members, JRS I and II members, and disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[2] Hypothetical Retiree Contribution Rates for FY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-FY16 increases) will not be used until FY19 since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 10 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[3] Hypothetical Retiree Contribution Rates for FY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-FY16 increases) will not be used until FY24, since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 15 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[4] Hypothetical Retiree Contribution Rates for FY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-FY16 increases) will not be used until FY29, since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 20 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

b. HealthSelect Medicare Advantage Plan

Annually, ERS determines the uniform contribution rates for members participating in the HealthSelect Medicare Advantage Plan option. The monthly member contribution rates for calendar year 2016 are:

	100% State Contributions Current Retirees and Future Retirees with 5+ YOS on September 1, 2014[1]		Future Retirees with Fewer than 5 YOS on September 1, 2014					
			50% State Contributions Less than 15 YOS at Retirement[2]		**75% State Contributions** At least 15 YOS but less than 20 YOS at Retirement[3]		**100% State Contributions** 20+ YOS at Retirement[4]	
	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time
Member	$ 0.00	$ 157.08	$ 157.08	$ 235.62	$ 78.54	$ 196.35	$ 0.00	$ 157.08
Member plus Spouse	$ 157.08	$ 392.70	$ 392.70	$ 510.51	$ 274.89	$ 451.61	$ 157.08	$ 392.70
Spouse, if Retiree is deceased	$ 314.16	$ 314.16	$ 314.16	$ 314.16	$ 314.16	$ 314.16	$ 314.16	$ 314.16
Member plus Dependent Children	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dependent Children, if Retiree is deceased	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member plus Family, if Retiree is alive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Spouse plus Children, if Retiree is deceased	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2. Annually, ERS determines the retiree contribution rate for basic life insurance. The monthly member contribution rates for FY16 are:

Basic Life Insurance ($2,500 of Coverage) for	All Retirees Except Part-time Retirees	Part-time Retirees
Retiree	$ 0	$ 1.11

[1] Actual Retiree Contribution Rates for CY16. Tobacco users pay an additional $30 per month. These rates will also apply to ERS - Elected Class members, JRS I and II members, and disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[2] Hypothetical Retiree Contribution Rates for CY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-CY16 increases) will not be used until FY19 since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 10 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[3] Hypothetical Retiree Contribution Rates for CY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-CY16 increases) will not be used until FY24, since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 15 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

[4] Hypothetical Retiree Contribution Rates for CY16. Tobacco users pay an additional $30 per month. These rates (adjusted for post-CY16 increases) will not be used until FY29, since that will be the first time an employee with less than 5 YOS on September 1, 2014 could retire with 20 YOS. These rates will not apply to ERS-Elected Class members, JRS I and II members or disabled members from any class, irrespective of those members' YOS at September 1, 2014.

I. Funding Mechanism

1. HealthSelect Medical and Prescription Drug benefits are self-funded. Medical benefits under the HealthSelect Medicare Advantage Plan are fully insured.
2. Basic Life Insurance benefits are fully insured under a minimum premium funding arrangement.
3. Dental
   a. State of Texas Dental Choice Plan is self-funded through contributions made by employees and retirees.
   b. Dental HMO is fully insured through contributions made by employees and retirees.
   c. The State does not contribute toward dental coverage.
4. Optional Group Term Life Insurance and Dependent Group Term Life Insurance are fully insured under a minimum premium funding arrangement. Such coverages are fully funded by employee and retiree contributions. The State does not contribute toward these coverages.

J. Health Benefits Chart Out-of-Pocket Expenses in effect September 1, 2015

1. Medical Benefits
   a. HealthSelect (Non-Medicare primary)

Benefits	HealthSelect[1]			HMOs	
	In-Area		Out-of-Area[2]	Community First, Scott & White	KelseyCare powered by Community Health Choice
	Network	Non-Network			
Calendar year deductible	None	$500 per person $1,500 per family	$200 per person $600 per family	None	None
Out-of-pocket coinsurance maximum[4,11]	$2,000 per person per calendar year	$7,000 per person per calendar year	$3,000 per person per calendar year	$2,000 per person[3]	$2,000 per person[3]
Total out-of-pocket maximum[11] (including deductibles, coinsurance and copays)[12]	$6,450 per person $12,900 per family	None	$6,450 per person $12,900 per family	$6,450 per person $12,900 per family[3]	$6,450 per person $12,900 per family[3]
Primary care physician required	Yes	No	No	Contact your HMO	No
Primary care physicians' office visits	$25	40%	30%	$25	$15
Mental health office visits	$25	40%	30%	$25	$25
Physicals*	No charge	40%	Network provider - No charge; Non-network provider - 30%	No charge	No charge
Specialty physicians' office visits	$40	40%	30%	$40	$25
Routine eye exam, one per year per participant*	$40	40%	30%	$40[3,6]	$25
Family planning services*	20%	40%	30%	$40[3,6]	$25
Routine preventive care*	No Charge	40%	Network provider - No charge; Non-network provider - 30%	No charge	No charge
Speech and hearing testing/therapy	20% without office visit; $40 copay plus 20% with office visit	40%	30%	20% without office visit; $40 copay plus 20% with office visit	$15 PCP or $25 Specialist
Allergy antigens/serum, injections, and testing	No charge without office visit; $25 or $40 with office visit[5]	40%	30%	20%	Allergy testing - $15 PCP or $25 Specialist Allergy serum - No charge
Diagnostic x-rays, lab tests, and mammography	20%	40%	30%	20%	No charge (physician office)
Office surgery and diagnostic procedures	20%	40%	30%	20%	$15 PCP or $25 Specialist
High-tech radiology (CT scan, MRI, and nuclear medicine)[7,8,10]	$100 copay plus 20%	$100 copay plus 40%	$100 copay plus 30%	$100 copay plus 20% coinsurance	$150 copay per scan type per day (Outpatient testing only)
Urgent care clinic	$50 plus 20% copay	$50 plus 40% copay	30% copay	$50 plus 20% copay	$50 copayment plus 20%
Chiropractic care					
a. Coinsurance	20%; $40 copay plus 20% with office visit	40%	30%	Not covered	Not covered
b. Maximum benefit per visit	$75	$75	$75		
c. Maximum visits each participant each calendar year	30	30	30		

See footnotes on following page.

Benefits	HealthSelect[1]			HMO	
	In-Area		Out-of-Area[2]	Community First, Scott & White	KelseyCare powered by Community Health Choice
	Network	Non-Network			
Immunizations all ages* **Meningitis childhood, beginning in 7th grade**	No charge	40%	Network provider - No charge; Non-network provider - 30%	No charge	No charge
Maternity Care doctor charges only*; inpatient hospital copays will apply	$0 for routine prenatal appointments $25 or $40 for first post-natal visit[5]	40%	30%	$0 for routine prenatal appointments $25 or $40 for first post-natal visit[5]	No charge
Inpatient hospital (semi-private room and day's board, and intensive care unit)[7]	$150/day copay plus 20% ($750 copay max-up to 5 days per hospital stay, $2,250 copay max per calendar year per person)	$150/day copay plus 40% ($750 copay max-up to 5 days per hospital stay, $2,250 copay max per calendar year per person)	$150/day copay plus 30% ($750 copay max- up to 5 days per hospital stay, $2,250 copay max per calendar year per person).	$150/day copay plus 20% ($750 copay max-up to 5 days per hospital stay, $2,250 copay max per plan year per person[3])	$150 per day copayment per admission, up to $750 copayment max. per admission, $2,250 copayment max per person per year plus 20%
Emergency care	$150 plus 20% (if admitted copay will apply to hospital copay)	$150 plus 20% (if admitted copay will apply to hospital copay)	30%	$150 plus 20% (if admitted copay will apply to hospital copay)	$150 copayment plus 20% (In-area and out-of-area covered at listed copayment. Copay is waived if admitted.)
Outpatient surgery other than in physician's office	$100 plus 20%	$100 plus 40%	$100 plus 30%	$100 plus 20%	$150
Bariatric surgery[7,9]	a. Deductible $5,000 b. Coinsurance 20% c. Lifetime max $13,000	Not Covered	a. Deductible $5,000 b. Coinsurance 20% c. Lifetime max $13,000	Not covered	Not covered
Skilled nursing facility[7]	20%	40%	No charge (no deductible)	20%; 60-day max. per plan year[3]	20%
Hospice[7]	20%	40%	30% (no deductible)	20%	20%
Home health care[7]	20%	40%; 100 visits max. per calendar year	No charge; 100 visits max. per calendar year (no deductible)	20%	20%
Hearing aids	Plan pays up to $1,000 per ear every three years (no deductible).				
Durable medical equipment[7]	20%	40%	30%	20%	20%
Ambulance services (non-emergency)[7]	20%	20%	30%	20%	20%

[1] Benefits are paid on allowable amounts; using providers who contract with UnitedHealthcare will protect you from liability for amounts over the allowable amount.
[2] Out-of-area applies to members living outside of Texas, retirees 65 and over, and disabled retirees with Medicare.
[3] Applies to plan year, September 1 - August 31.
[4] Does not include copays.
[5] Copay depends on whether treatment is given by PCP or specialist.
[6] For treatment charges, one visit per plan year.
[7] Preauthorization required.
[8] Outpatient testing only. Does not apply to inpatient services.
[9] Active employees only; see health plan for additional requirements/limitations.
[10] No copay if high-tech radiology is performed during ER visit or inpatient admission.
[11] Out-of-pocket maximums are not mutually exclusive from other out-of-pocket limits. This means that a participant's total network out-of-pocket maximum could contain a combination of coinsurance and/or copayments. (For example, a participant could pay up to $6,450 in copayments alone if there was no coinsurance paid throughout the year. If a participant met the $2,000 coinsurance out-of-pocket maximum, he/she would pay $4,450 in copayments, totaling $6,450 in overall out-of-pocket expense.)
[12] Includes medical and prescription drug copays, coinsurance and deductibles. Excludes non-network and bariatric services.

Mental Health Benefits follow those of medical and surgical benefits listed in this chart. This comparison chart offers a general overview of benefits and their associated out-of- pocket expenses under HealthSelect and the HMOs. Contact the plan's customer service department for specific questions.

*Under the Affordable Care Act, certain preventive and women's health services are paid at 100% (at no cost to the participant) dependent upon physician billing and diagnosis. In some cases, the participant will still be responsible for payment on some services.

b. HealthSelect (Medicare primary) and HealthSelect Medicare Advantage Plan (Medicare primary)

Benefit	You pay with Original Medicare[4] (Medicare rates are subject to change)	You pay with HealthSelect Medicare Advantage (No coordination with Medicare is necessary)	You pay with HealthSelect Secondary and Medicare (HealthSelect and Medicare coordinate benefits for you)	You pay with a GBP HMO secondary and Medicare (Both Community First Health Plans and Scott & White Health Plan coordinate benefits with Medicare for you)	You pay with KelseyCare Advantage HMO (No coordination with Medicare is necessary)
Calendar year deductible	$147	None	$200 per individual $600 per family	None	None
Office visits in conjunction with an illness or injury	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / $25[7] copay	$0
Specialty physician office visit	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / $40[7] copay	$0
Diagnostic tests and x-rays, including allergy testing	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / 20%[7] coinsurance	$0
Diagnostic mammography	$0	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / 20%[7] coinsurance	$0
Diagnostic lab services	$0	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / 20%[7] coinsurance	$0
Screening mammogram*	$0[1]	$0[1]	$0[1]	$0[1]	$0[1]
Physical*	$0[1] Does not cover lab tests	$0[1] Covers screening lab tests	$0[1]	$0[1]	$0[1]
Well woman exam*	$0 for pelvic exam[3]	$0[1,3]	$0[1]	$0[1]	$0[1,3]
Prostate cancer screening*	$0[1]	$0[1]	$0[1]	$0[1]	$0
Office surgery and diagnostic procedures	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 / $25 or $40 copay[6,7]	$0
High-tech radiology (CT scan, MRI, nuclear medicine)	20%	$0	$100 copay plus 30%[7] coinsurance	$0 copay / $100[7] copay plus 20%	$0
Allergy injections and serum	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / 20%[7] coinsurance	$0
Routine eye exam	Does not cover	$0[1]	30%[1]	$40 copay[2]	$0[1]
Vision (Contact lens fitting exams are not covered)	Eye exam: Does not cover**	Eye exam: $5 off retail price[9]**	Eye exam: 30% **	Community First: Eye Exam: $40 copay[2]** Scott & White: Eye Exam: $40 copay[2]**	$150 plan coverage limit for eyewear, glasses, and/or contact lenses every two years unrelated to post-cataract surgery.[10] Allowance can only be used on date of service.**
	Frames: You pay 100% for non-covered services 20% for one pair of of eyeglasses after each cataract surgery with an intraocular lens.	$0 for one pair of eyeglasses or contact lenses after each cataract surgery that includes insertion of an intraocular lens.	Frames: Does not cover	Community First: You receive a $125 allowance every 2 years in lieu of contacts[9] Scott & White: Does not cover	
	Contacts: You pay 100% for non-covered services 20% for one set of contact lenses after each cataract surgery with an intraocular lens.	$0 for one pair of eyeglasses or contact lenses after each cataract surgery that includes insertion of an intraocular lens.	Contacts: Does not cover	Community First: You receive a $125 allowance every 2 years in lieu of glasses[9] Scott & White: Does not cover	

Benefit	You pay with Original Medicare[4] (Medicare rates are subject to change)	You pay with HealthSelect Medicare Advantage (No coordination with Medicare is necessary)	You pay with HealthSelect Secondary and Medicare (HealthSelect and Medicare coordinate benefits for you)	You pay with a GBP HMO secondary and Medicare (Both Community First Health Plans and Scott & White Health Plan coordinate benefits with Medicare for you)	You pay with KelseyCare Advantage HMO (No coordination with Medicare is necessary)
Routine hearing test	Does not cover	Does not cover	30%	Without office visit: 20% coinsurance, With office visit: $40 copay plus 20% coinsurance	$0 copay for up to one supplemental routine hearing exam every year[1,2]
Diagnostic speech and hearing testing	20%	$0	$0[4] copay/30%[7] coinsurance	Without office visit: $0 copay / 20%[7] coinsurance With office visit: $0 copay / $40 copay[7] plus 20% coinsurance	$0 for Medicare-covered diagnostic hearing exams
Speech and hearing therapy	20%	$0	$0[4] copay/30%[7] coinsurance	Without office visit: $0 copay / 20%[7] coinsurance With office visit: $0 copay / $40 copay[7] plus 20% coinsurance	$0
Hearing aids	Does not cover	$1,000 benefit allowance per ear every 3 years	$1,000 benefit allowance per ear every 3 years	$1,000 benefit allowance per ear every 3 years (Repairs not covered)	$1,500 plan coverage limit for hearing aids every 2 years (Does not include battery replacement) $0 copayment for up to one hearing aid fitting/evaluation every 2 years[2]
Chiropractic care	20% for Medicare-covered chiropractic services	30% for specialist office visit for routine services, up to a maximum of a $75 benefit per visit. Benefit is limited to 30 visits per plan year.	$0[4] copay / 30%[7] coinsurance	Does not cover	$0 for each Medicare-covered visit
Immunizations*	$0	$0	$0	$0	$0
Urgent care clinic	20%	$0	$0[4] copay / 30%[7] coinsurance	$0 copay / $50 copay[7] + 20% coinsurance	$0
Emergency room care	20% Plus emergency room copay (waived if admitted to hospital within 3 days of emergency room visit)	• In U.S.: $0 • Outside U.S. and Puerto Rico: 20% after $100 deductible. Limited to $25,000 per plan year or 60 consecutive days, which ever is greater.	$0[4] copay/30%[7] coinsurance	$0 copay / $150 copay[7] plus 20% In area and out-of-area covered at listed copayment	• In U.S.: $0 • Outside U.S.: 20% after $250 deductible
Inpatient hospital (semi-private room and days board, and intensive care unit)	$0 after the following amounts for each benefit period[5]: • $1,184 deductible for days 1-60; • $296 copay per day (days 61-90); • $592 copay per lifetime reserve day (days 91-150)	$0	$0[8] If provider doesn't accept Part A, then coverage is $150 copay/day up to $750 per admission and $2,250 per Calendar Year. 30% after copay	$0[8] If provider doesn't accept Part A, then coverage is $150 copay/day up to $750 per admission and $2,250 per Calendar Year. 20% after copay	$0 • No limit to the number of days covered by the plan each benefit period[5]
Outpatient surgery	20% Specified copay for outpatient hospital facility charges	$0	$0 or $100[4] copay – 30%[7] coinsurance	$0 copay / $100 copay[7] plus 20%	$0

Benefit	You pay with Original Medicare[4] (Medicare rates are subject to change)	You pay with HealthSelect Medicare Advantage (No coordination with Medicare is necessary)	You pay with HealthSelect Secondary and Medicare (HealthSelect and Medicare coordinate benefits for you)	You pay with a GBP HMO secondary and Medicare (Both Community First Health Plans and Scott & White Health Plan coordinate benefits with Medicare for you)	You pay with KelseyCare Advantage HMO (No coordination with Medicare is necessary)
Skilled nursing facility	• Days 1-20: $0 (3-day hospital stay required); • Days 21-100: $141.50 coinsurance per day • Per benefit period[5]	• $0 up to 100 days per benefit period (no 3-day hospital stay is required) • You pay 100% after 100 days	• No deductible • Plan pays 100%	$0 copay / 20%[7] coinsurance • 60-day max per plan year • You pay 100% after 60 days	• Days 1-100: $0 copayment per day • Plan covers up to 100 days each benefit period[5] • No prior hospital stay is required
Home health care	$0	$0	$0[4] copay/30%[7] coinsurance for home infusion therapy Plan pays 100% for all other home health care services with a maximum of 100 visits per calendar year	$0 copay / 20%[7] coinsurance	$0
Hospice	• 5% of the Medicare-approved amount for inpatient respite care • $5 copay for pain management drugs	Same benefits as under Original Medicare	$0[4] copay / 30%[7] coinsurance	$0 copay / 20%[7] coinsurance	• Same benefits as under Original Medicare • You must receive care from a Medicare-certified hospice
Ambulance	20%	$0	$0[4] copay/30%[7] coinsurance Emergency care only. Not applicable to non-emergent transpotration services.	$0 copay / 20%[7] coinsurance	$0
Private duty nursing	Does not cover	30% Pays a maximum benefit of $8,000 per calendar year	30% • Unlimited hours • Network only • Preauthorization is required	$0 copay / 20%[7] coinsurance	Does not cover

*Under the Affordable Care Act, certain preventive health and women's services are paid at 100% (at no cost to the member) conditioned upon physician billing and diagnosis. In some cases, you may still be responsible for payment on some services. Some age requirements may apply.

**Contact lens fitting exams are not covered.

[1] One per calendar year.

[2] One per plan year.

[3] No copayment for a pap smear once every 24 months; once every 12 months for those at high risk.

[4] After payment of deductible. HealthSelect note: Medicare and HealthSelect deductibles run concurrently. Member may be responsible for some charges when the provider does not accept Medicare assignment.

[5] A "benefit period" starts the day you go into the hospital. It ends after 60 days in a row without returning to hospital care. If you go into the hospital after one benefit period has ended, a new benefit period will begin. You must pay the inpatient hospital deductible for each benefit period. There is no limit to the number of benefit periods you may have.

[6] Copayment amount depends on whether treatment is provided by a primary care physician (PCP) or specialist.

[7] Payment amount is dependent upon the coordination of benefits (COB) between your carrier (HealthSelect, Community First, Scott & White) and Original Medicare. Sometimes this means your expense is $0, but charges will vary depending upon COB. Please reference your Summary of Benefits for more information.

[8] In the event that the provider/facility does not accept Medicare assignment (so the charges are not covered by Medicare and therefore not subject to COB), you may be responsible for copay(s) and/or a coinsurance. Please see your Summary of Benefits for more information.

[9] ERS cannot and does not guarantee the length of time that a specific type of "Value-Added" product shall be offered. Any questions or concerns about these products should be directed to your carrier.

[10] Does not count toward out-of-pocket maximum.

2. Prescription Drug Benefits (HealthSelect and HealthSelect Medicare Advantage)

Deductible	Each participant must pay a $50 annual deductible before copays apply (for the calendar year, January 1 to December 31).	HMO deductibles are for the plan year, September 1 to August 31.
Participating pharmacies	Copays for up to a 30-day supply of non-maintenance medications are $10 for Tier 1 drugs, $35 for Tier 2 drugs, and $60 for Tier 3 drugs. For up to a 30-day supply of maintenance medication, you will be charged a retail maintenance copay of $10 for Tier 1 drugs, $45 for Tier 2 drugs, and $75 for Tier 3 drugs.	
Non-participating pharmacies	For up to a 30-day supply, you will be reimbursed 60% of the lesser of the amount you pay for the prescription, minus your copay OR the average wholesale price of the drug, plus a dispensing fee, minus your copay. The deductible will be subtracted if not met.	HMOs may not provide benefits at non-participating pharmacies.
Extended Days Supply (EDS) network	If you order prescription drugs through an EDS network pharmacy, you pay the following copays for a 90-day supply: $30 for Tier 1 drugs, $105 for Tier 2 drugs, and $180 for Tier 3 drugs.	Does not apply to HMOs.
Mail order	If you order prescription drugs through the mail service program offered by your health plan, you pay the following copays for a 90-day supply: $30 for Tier 1 drugs, $105 for Tier 2 drugs, and $180 for Tier 3 drugs.	

Section IX - Glossary

Actuarial Accrued Liability (Past Service Liability): This is computed differently under different actuarial cost methods. Generally, the actuarial accrued liability represents the portion of the Actuarial Present Value of Total Projected Plan Benefits attributed to periods of service preceding the valuation date.

Actuarial Gain or Loss: From one plan year to the next, if the experience of the plan differs from that anticipated by the actuarial assumptions, an actuarial gain or loss occurs.

Actuarial Present Value of Total Projected Plan Benefits: Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Value of Assets: The value of Plan Assets used by an actuary for an actuarial valuation. *(See the Actuarial Methods and Assumptions section of this report for a description of the methodology used to determine the Actuarial Value of Assets used in this report.)*

Annual Required Contribution (ARC): A cost measurement related to a defined benefit postemployment benefits plan (other than pensions) calculated under the parameters of GASB No. 43 using actuarially determined information and assumptions. Notably, there is no requirement for a plan sponsor to actually contribute an amount equal to the ARC. It serves only as a basis for recognizing cost and recording financial statement entries.

Normal Cost: Computed differently under different actuarial cost methods, the Normal Cost generally represents the portion of the Actuarial Present Value of Total Projected Plan Benefits attributed to the current year of service for active employees.

Plan Assets: Under GASB No. 43, Plan Assets are defined to be resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Unfunded Actuarial Accrued Liability: This is the excess of the Actuarial Accrued Liability over the Actuarial Value of Plan Assets.