



COMMONWEALTH OF MASSACHUSETTS

**Postemployment Benefits
Other Than Pensions
Actuarial Valuation
Fiscal Year Ending June 30, 2011
January 1, 2011 Valuation Date**

September 2011

*Submitted by:
Aon Hewitt
One Federal Street
Boston, Massachusetts 02110*



September 30, 2011

The Honorable Martin J. Benison
Comptroller
The Commonwealth of Massachusetts
One Ashburton Place, Room 901
Boston, MA 02108

This report presents the January 1, 2011 Actuarial Valuation results for the **Commonwealth of Massachusetts** ("**the Commonwealth**") for the retiree benefits (health and life insurance) that are provided through the Group Insurance Commission ("the GIC"). The purposes of this report are to:

- (1) Determine the Commonwealth's January 1, 2011 obligations;
- (2) Determine the Commonwealth's Fiscal Year End June 30, 2011 accrual under the *Governmental Accounting Standards Board (GASB)* standard based on GASB Statement 45;
- (3) Provide disclosure information for the Fiscal Year End June 30, 2011; and
- (4) Provide information that may be helpful in future planning for the Commonwealth.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB Other Postemployment Benefit (OPEB) accounting treatment including the Fiscal Year End June 30, 2011 Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and Net OPEB Obligation (NOO).

This report's costs and liabilities are based upon the data and plan provisions provided by the Commonwealth, as summarized in the Demographic Information and Summary of Principal Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Plan in accordance with accepted actuarial principles and our understanding of GASB Statement 45.

Respectfully,

Aon Hewitt

Handwritten signature of Thomas Vicente in black ink.

Handwritten signature of Michael Morfe in black ink.

Thomas Vicente, FSA, MAAA
Member of the American Academy of Actuaries
Senior Vice President

Michael Morfe, ASA, MAAA
Member of the American Academy of Actuaries
Senior Vice President



Table Of Contents

	<u>Page</u>
Executive Summary	1
Actuarial Certification	7
Principal Valuation Results	8
Trust Information	9
Accounting Information	10
10-Year Payout Projection	15
10-Year Projection of Annual OPEB Cost	16
Sensitivity Analysis	17
Demographic Information	18
Summary of Principal Plan Provisions	21
Methods and Assumptions	31
Glossary	45
Appendices	
A: Health Plan Providers	53
B: Detailed Breakdown of Per Member Claim Costs for Calendar Year 2011	54



Executive Summary

The Commonwealth provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. The Commonwealth pays a portion of the cost for retirees, spouses and dependents. All active employees who retire from the Commonwealth and meet the eligibility criteria will receive these benefits.

The Commonwealth also offers dental and vision care to retirees. Since these benefits are completely paid by the retirees, there is no GASB 45 liability for the Commonwealth.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, employers that provide Medicare eligible members with prescription drug coverage that is at least actuarially equivalent to the standard benefit provided by Medicare are eligible to receive a federal subsidy (the "Retiree Drug Subsidy") starting January 1, 2006.

It has been determined that the Commonwealth's prescription drug coverage for retirees is better than actuarially equivalent to Medicare's standard coverage in the Fiscal Year Ending June 30, 2011. The Commonwealth has opted to receive the Retiree Drug Subsidy (RDS) and is complying with the requirements to do so.

Actuarial Liabilities are shown without a reduction in liability for the Retiree Drug Subsidy. In June 2006, the GASB issued the proposed Technical Memorandum on accounting for the Retiree Drug Subsidy. The Technical Memorandum requires that plan sponsors do not reduce their liability to reflect the Retiree Drug Subsidy, but rather that the RDS payment be treated as a third party payment with treatment determined by GASB 33. The effect of this accounting treatment is to have two sources of funding of the expense (Annual Required Contribution), one being the federal government.

This summary identifies the value of benefits as of January 1, 2011 and costs for the Fiscal Year End June 30, 2011. GASB requires that the most recent actuarial valuation be used in the determination of costs and liabilities. Therefore, this report provides Fiscal Year End June 30, 2011 costs and liabilities.

In 2006, the Office of the State Comptroller contracted with Aon Hewitt to produce an actuarial valuation which calculated the liability of the present value of benefits if the Commonwealth chose to continue to fund that liability on a pay-as-you-go basis (using a discount rate of 4.50%) and what the liability would be should the Commonwealth choose to fully fund the liability over the next 30 years (using a discount rate of 8.25%).

With this information, the Commonwealth formed a Commission to study the issue. The Commission issued its report in July 2008 with a number of recommendations including a recommendation to dedicate a revenue stream toward partially funding the liability until the pension system is fully funded. However, legislation implementing these recommendations has not yet been enacted. Therefore, the January 1, 2011 valuation has been run at the unfunded discount rate of 4.50%, the estimate of the Commonwealth's uninvested or "free" cash flow rate. This rate is only a benchmark and should be adjusted as trends warrant.



Executive Summary (continued)

The Commonwealth determined that based on legislative action pushing back the ability to fund the obligation an appropriate discount rate would be 4.50%. They requested that Aon Hewitt produce an updated liability with January 1, 2011 data for the Fiscal Year Ending June 30, 2011 at discount rates of 4.50%, 6.40%, and 8.25%. The table that follows shows the results of these valuations:

Discount Rate	2011 Results (in millions)	2010 Results (in millions)
4.50%	\$16,568.6	\$15,166.3
6.40%	\$12,449.7	\$11,364.9
8.25%	\$9,829.2	\$8,950.4

The Accumulated Postretirement Benefit Obligation (APBO) increased from \$15,166.3 million as of January 1, 2010 to \$16,568.6 million as of January 1, 2011. The main reasons for this increase were the benefits earned over time, demographic changes due to the inclusion of Massachusetts Turnpike Authority (MTA) and Sheriffs Department employees, and recognition of the Excise Tax brought on by Healthcare Reform. These increases were partially offset by favorable claims experience and plan design changes.

The liability was developed as follows:

	Liability
2010 Valuation (in millions)	\$15,166.3
Expected Increase	\$804.9
Demographic Changes	\$719.6
Per Capita Adjustments	(\$703.8)
Excise Tax	<u>\$581.6</u>
2011 Results (in millions)	\$16,568.6

The following table shows the impact of various discount rates on the Annual Required Contribution (ARC) & Annual OPEB Cost (AOC) calculations as of January 1, 2011:

Discount Rate	4.50%	6.40%	8.25%
ARC (in millions)	\$1,276.0	\$1,035.7	\$897.3
Adjustment (in millions)	<u>\$19.9</u>	<u>\$36.1</u>	<u>\$48.9</u>
AOC (in millions)	\$1,295.9	\$1,071.8	\$946.2

For purposes of this valuation, Aon Hewitt included 3,714 active employees from the MTA and Sheriffs Department whom were not included in previous valuations. There were also 854 retired Sheriffs included as well as an estimated 979 retirees from MTA. The MTA was consolidated into the Massachusetts Department of Transportation (MassDOT) effective January 1, 2010. Prior to consolidation with MassDOT, the MTA had established an irrevocable trust to fund OPEB liabilities. The trust had a balance of \$59.4 million as of June 30, 2010. The trust has not been consolidated with the Commonwealth's OPEB trust and it is being independently managed and reported on the MassDOT's financial statements.



Executive Summary (continued)

Summary of Benefit Obligations

GASB 45 Results for Fiscal Year End June 30,	2011 * (\$ millions)	2010 ** (\$ millions)
Present Value of all Projected Benefits	\$22,836.3	\$21,070.5
Present Value of Benefits		
Earned to Date (Actuarial Accrued Liability)	\$16,568.6	\$15,166.3
FY Annual Required Contribution (ARC)***	\$1,276.0	\$1,163.0
FY Annual OPEB Cost	\$1,295.9	\$1,176.0
Expected Benefit Premiums	\$532.2	\$372.0
* The Fiscal Year End June 30, 2011 Present Value of Benefits was calculated on 1/1/2011 using a 4.50% discount rate.		
** The Fiscal Year End June 30, 2010 Present Value of Benefits was calculated on 1/1/2010 using a 4.50% discount rate.		
*** The Annual Required Contribution reflects a closed 30-year, 4.5% annual increasing amortization of the Unfunded Actuarial Accrued Liability. Please note that an ARC of \$1,153.1 million for FYE 2010 was determined by Aon Hewitt for the Commonwealth only. The FYE 2010 Comprehensive Annual Financial Report (CAFR) documented an ARC of \$1,163.0 million which was a combination of both the Commonwealth and Massachusetts Turnpike Authority (MTA) liabilities. Historical reference to the FYE 2010 ARC will reflect the CAFR number in our valuation report.		

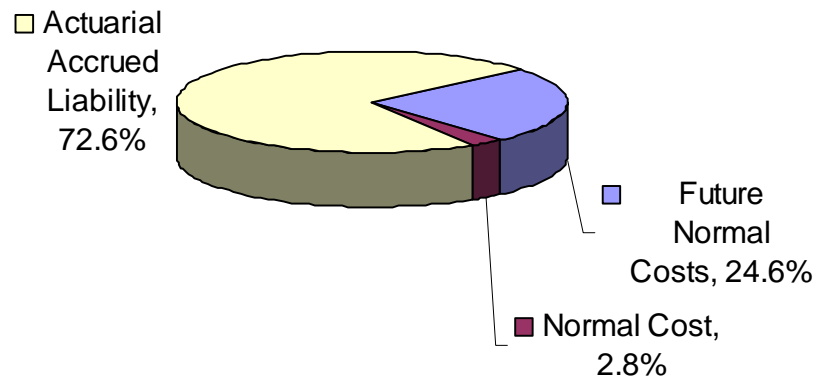
- The **Present Value of all Projected Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all projected benefits is a measure of total liability or obligation. Essentially, the Present Value of all projected benefits is the value (on the valuation date) of the benefits promised to current and future retirees. The Plan's present value of all projected benefits (at January 1, 2011) is \$22,836.3 million. The majority of this liability is for current active employees (future retirees).
- The **Actuarial Accrued Liability** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Actuarial Accrued Liability (at January 1, 2011) is \$16,568.6 million assuming no prefunding of obligations. Approximately 51.2% of this obligation is for active employees. The Actuarial Accrued Liability represents approximately 72.6% of the present value of all projected benefits.



Executive Summary (continued)

- **Normal Cost** is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The Fiscal Year End June 30, 2011 Normal Cost is \$631.0 million as of the beginning of the plan year. In pension accounting, this is also known as “**service cost**.”
- **Future Normal Costs** represent the present value of the remaining balance of all projected benefits to be earned in future years.

The following graph illustrates (for the scenario assuming no prefunding) the Present Value of all Projected Benefits, the yellow area representing the Actuarial Accrued Liability in total:





Executive Summary (continued)

The results were calculated based upon plan provisions, as provided by the Commonwealth, along with certain demographic and economic assumptions as recommended by Aon Hewitt, in conjunction with the Commonwealth with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the Commonwealth as of January 1, 2011. Demographic assumptions used to project the data are the same as those used to value the Commonwealth's pension liabilities under GASB 27. There is no assumption for future new hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be the estimated long-term yield on investments that are expected to be used to finance the payment of benefits. If the Commonwealth decided not to prefund the retiree healthcare and life insurance liabilities, the discount rate would be based on the portfolio of the Commonwealth's "general assets" used to pay these benefits. Historical monthly yields for this portion of the portfolio are derived from the rate of return of the Massachusetts Municipal Depository Trust (MMDT) which is an investment pool managed by the Treasurer and Receiver - General not only on behalf of the Commonwealth, but various other governments. The rate of return calculated on a monthly basis from the inception of MMDT in September of 1978 to the present suggests a 4.0% to 5.0% discount rate. Conversely, if the Commonwealth prefunded the full obligation, we recommended using the same rate as used for valuing the Commonwealth's pension liabilities, which is 8.25%.

The Commonwealth has established a retiree benefits trust fund. In developing the 2009 budget, the Commonwealth funded OPEB initially with a transfer from the General Fund of \$372 million, which was subsequently reduced to \$352 million by legislative action reflecting actual cost of benefits for 2009. In fiscal 2008, the Commonwealth funded transfers from the General Fund including federally approved cost recovery on fringe benefits and a supplemental budget totaling approximately \$355 million. Furthermore, the corpus of unspent master settlement agreement proceeds were also transferred amounting to approximately \$329 million. The current asset value as of January 1, 2011, after adjusting for payments and investment return, is \$350.5 million.

Based on its initial expected funding policy over a nine (9) year span, the Commonwealth originally assumed to fund approximately 80% of the ARC. Therefore, it was the Commonwealth's view that a percentage of ARC approach be used to determine the discount rate assumption. However, legislation to prefund this liability has not yet been enacted and the Commonwealth has decided on a 4.50% discount rate for Fiscal Year Ending June 30, 2011 representing the unfunded discount rate assumption.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased."



Executive Summary (continued)

Aon Hewitt developed the trend assumption utilizing the short-term rates expected on the Commonwealth plan along with information in published papers from other industry experts (actuaries, health economists, etc.). This amount initially is at 8.0% and decreases to a 5.0% long-term trend rate for all healthcare benefits after six years.

Healthcare Reform

Certain provisions of healthcare legislation that are effective in future years have the potential to impact the GASB 45 liabilities. As a result of the recent healthcare legislation, beginning in 2018 there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. We estimate that the excise tax results in a 3.64% and 5.00% increase to the portion of the Commonwealth of Massachusetts's Actuarial Accrued Liability and Normal Cost, respectively, associated with medical and prescription drug coverage as of January 1, 2011. Further detail of the excise tax calculation is included in the Methods and Assumptions section of this report.

The per member claim costs used in this valuation do not reflect any potential savings due to the Early Retiree Reinsurance Program (ERRP).

The balance of this report provides greater detail for the above results.



Actuarial Certification

This report presents the results of the Actuarial Valuation for the Commonwealth of Massachusetts' Postemployment Benefits Other Than Pensions (the Plan) as of January 1, 2011 for development of accounting and financial reporting information under Statement No. 45 of the Governmental Accounting Standards Board.

This report has been prepared using generally accepted actuarial practices and methods. The actuarial assumptions (other than those strictly applicable to valuing the Plan, or as otherwise explicitly specified) used in the calculations are consistent with those used by the Commonwealth's Actuary for the pension valuation for the State Retirement System. We have discussed Plan-specific assumptions with the Commonwealth and believe them to be reasonable.

Aon Hewitt did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the accounting standard. Determinations for purposes other than meeting governmental financial accounting requirements may be different from these results. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination.

This report is intended for the sole use of the Commonwealth. It is intended only to supply information for the Commonwealth to comply with the stated purposes of the report and may not be appropriate for other purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the Commonwealth should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Hewitt.

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and together meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are available to answer any questions with regard to the matters enumerated in this report.

We further certify that this report is in compliance with Actuarial Standard of Practice No. 41, "Actuarial Communications."

Aon Hewitt's relationship with the Plan and the Commonwealth is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Thomas G. Vicente, FSA, MAAA

Michael E. Morfe, ASA, MAAA



Principal Valuation Results

The following highlights the Commonwealth's recognition of its GASB 45 obligations:

- The January 1, 2011 assets are \$350.5 million.
- The FYE June 30, 2011 Annual Required Contribution (ARC) is \$1,276.0 million.
- The FYE June 30, 2011 Annual OPEB Cost (AOC) is \$1,295.9 million.
- Expected Fiscal Year Ending June 30, 2011 benefit payments are \$532.2 million.

The following table shows results by active, inactive and retired employee groups as compared to what was reported in January 2010:

GASB Results (\$ millions)	January 1, 2011			January 1, 2010
	(1) Health	(2) Life Insurance	Total = (1) + (2)	Total
Present Value of Projected Benefits				
Active	\$14,680.5	\$72.1	\$14,752.6	\$13,617.1
Inactive ¹	\$577.7	\$2.2	\$579.9	\$527.3
Retirees	\$7,387.5	\$116.3	\$7,503.8	\$6,926.1
Total	\$22,645.7	\$190.6	\$22,836.3	\$21,070.5
Actuarial Accrued Liability				
Active	\$8,435.5	\$49.4	\$8,484.9	\$7,712.9
Inactive ¹	\$577.7	\$2.2	\$579.9	\$527.3
Retirees	\$7,387.5	\$116.3	\$7,503.8	\$6,926.1
Total	\$16,400.7	\$167.9	\$16,568.6	\$15,166.3
Assets	\$347.0	\$3.5	\$350.5	\$309.8
Unfunded Actuarial Accrued Liability	\$16,053.7	\$164.4	\$16,218.1	\$14,856.5
Normal Cost at beginning of year	\$628.2	\$2.8	\$631.0	\$578.4

¹ Inactives are certain former employees with at least the minimum required years of creditable service who have left contributions in the state retirement system.

2011 figures are based on a 4.50% discount rate.

2010 figures are based on a 4.50% discount rate.



Trust Information

An OPEB Trust was established effective June 30, 2008 by an Appropriations bill. The activity of this trust from January 1, 2010 through January 1, 2011 is as follows:

Market Value of Assets	
January 1, 2010 (\$ millions)	\$309.8
(1) Contributions	(\$0.5)
(2) Investment Change	
(a) Gross Investment Income	\$11.8
(b) Less Management Fees	<u>(\$3.0)</u>
(c) Net Investment Income = (2a) + (2b)	\$8.8
(d) Net Unrealized Gains / Losses	\$27.6
(e) Net Realized Gains / Losses	<u>\$4.8</u>
(f) Total = (2c) + (2d) + (2e)	\$41.2
(3) Disbursements	
(a) Benefit Payments	\$0.0
(4) Net Change = (1) + (2f) + (3a)	\$40.7
January 1, 2011 (\$ millions)	\$350.5



Accounting Information

The effective date for the new GASB OPEB Accounting Standard is the Fiscal Year beginning July 1, 2007. The following shows the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected June 30, 2011 Net OPEB Obligation (NOO).

Annual Required Contribution (ARC)

The Standard sets the method for determining the Commonwealth's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the Commonwealth's Fiscal Year End June 30, 2011 Annual Required Contribution (ARC) based on a closed 30-year amortization of the Unfunded Actuarial Accrued Liability as an increasing 4.5% annual amortization compared to what was reported for Fiscal Year End June 30, 2010.

Fiscal Year Ending June 30,	2011	2010
	(\$ millions)	(\$ millions)
Normal Cost at End of Year	\$659.4	\$604.4
Unfunded Actuarial Accrued Liability Amortization	<u>\$616.6</u>	<u>\$548.7</u>
Annual Required Contribution (ARC)	\$1,276.0	\$1,153.1

Please note that the ARC of \$1,153.1 million for FYE 2010 was determined by Aon Hewitt for the Commonwealth only. The FYE 2010 Comprehensive Annual Financial Report (CAFR) documented an ARC of \$1,163.0 million which was a combination of both the Commonwealth and Massachusetts Turnpike Authority (MTA) liabilities. Historical reference to the FYE 2010 ARC will reflect the CAFR number from this point forward in our valuation report. The FYE 2011 liabilities reflect the combined liabilities of the Commonwealth and MTA groups.



Accounting Information (continued)

Schedule of Amortization Bases

For each year the Annual Required Contribution (ARC) is calculated, a new amortization base is established. The sum of all amortization bases is shown on page 8 as the Unfunded Actuarial Accrued Liability Amortization. The chart below illustrates the development of the total amortization calculation, when each base was established, the original amount of the base, and the payment associated with each for the current fiscal year.

Original Amount	Year Established	Years Left	Unamortized Amount	BOY Annual Payment
\$9,812.2	1/1/2008	27	\$10,160.7	\$376.3
\$5,037.9	1/1/2009	28	\$5,134.7	\$183.4
(\$315.9)	1/1/2010	29	(\$319.0)	(\$11.0)
\$1,241.7	1/1/2011	30	\$1,241.7	\$41.4
Total			\$16,218.1	\$590.1

Calculation of 2011 Amortization Base	
Prior Contribution Deficiency	\$804.0
Prior AOC Adjustment	(\$13.0)
Adjustment for Accounting Entries	(\$9.9)
Asset (Gain) / Loss	(\$26.8)
Demographic (Gain) / Loss	\$719.6
Per Capita (Gain) / Loss	(\$703.8)
Excise Tax (Gain) / Loss	\$581.6
Expected vs. Actual Experience	
- Benefit Payments & Contributions	<u>(\$110.0)</u>
Total	\$1,241.7



Accounting Information (continued)

Determination of Actuarial Gain / Loss

The following chart illustrates the development of the Actuarial Liability from January 1, 2010 through January 1, 2011.

		Total (\$ Millions)
(1)	Liability at 1/1/2010	\$15,166.3
(2a)	Service Cost	\$604.4
(2b)	Interest Cost	\$682.5
(2c)	Expected Benefit Payments	<u>(\$482.0)</u>
(2d)	Total Increase	\$804.9
(3)	Expected Liability at 12/31/2010: (1) + (2d)	\$15,971.2
(4a)	Demographic (Gain) / Loss	\$719.6
(4b)	Per Capita (Gain) / Loss	(\$703.8)
(4c)	Excise Tax (Gain) / Loss	<u>\$581.6</u>
(4d)	Total (Gain) / Loss	\$597.4
(5)	Actual Liability at 1/1/2011: (3) + (4d)	\$16,568.6



Accounting Information (continued)

Summary of Total Annual OPEB Cost (AOC)

The initial Net OPEB Obligation at July 1, 2007 was \$0. Therefore, in Fiscal Year Ending June 30, 2008, or the first year of implementation of GASB 45, there is no adjustment to the Annual Required Contribution (ARC). As the years go forth, any cumulative unpaid ARC will result in an adjustment to the ARC.

Fiscal Year Ending June 30,	2011 (\$ millions)	2010 (\$ millions)
Annual Required Contribution (ARC)	\$1,276.0	\$1,163.0
Adjustment to Annual Required Contribution		
- Interest on Net OPEB Obligation (NOO)	\$87.9	\$53.0
- Amortization of Net OPEB Obligation (NOO)	(\$68.0)	(\$40.0)
Total Annual OPEB Cost (AOC)	\$1,295.9	\$1,176.0

Please note that the FYE 2010 ARC represents what was reported in the 2010 CAFR and not what was calculated in Aon Hewitt's 2010 valuation report.

Annual OPEB Cost Summary (After adoption, a 3-year display will be shown):

Fiscal Year Ending	Annual OPEB Cost (\$ millions)	Percentage of Annual OPEB Cost Contributed *	Net OPEB Obligation (\$ millions) *
6/30/2009	\$1,345.0	26.2%	\$1,148.7
6/30/2010	\$1,176.0	31.6%	\$1,952.7
6/30/2011	\$1,295.9	43.0%	\$2,691.4

* Based on expected benefit payments & contributions plus the Retiree Drug Subsidy for the applicable fiscal year end. The Retiree Drug Subsidy is not an offset to the liability, but rather another funding source that is available to the Commonwealth to fund the Annual OPEB Cost (AOC) should the Commonwealth decide to use it.



Accounting Information (continued)

Projected June 30, 2011 Net OPEB Obligation (NOO)

Based on the Annual OPEB Cost developed above, the following is the projected June 30, 2011 Net OPEB Obligation (NOO):

	Total (\$ Millions)
July 1, 2009 Net OPEB Obligation (NOO)	\$1,148.7
<i>Plus: FYE 2010 Annual OPEB Cost (AOC)</i>	\$1,176.0
<i>Less: FYE 2010 Contributions *</i>	\$372.0
Equals: Actual June 30, 2010 Net OPEB Obligation (NOO)	\$1,952.7
<i>Plus: FYE 2011 Annual OPEB Cost (AOC)</i>	\$1,295.9
<i>Less: Schedule of contributions from the employer and other contributing entities *</i>	\$557.2
Equals: Expected June 30, 2011 Net OPEB Obligation (NOO)	\$2,691.4

* Contributions include estimated Retiree Drug Subsidy payments.

Required Supplementary Information

Below is the projected schedule of funding progress:

Valuation Date	Actuarial Value of Assets at Fiscal Year End (\$ millions)	Actuarial Accrued Liability - Projected Unit Credit (\$ millions)	Unfunded Actuarial Accrued Liability (\$ millions)	Funded Ratio	Covered Payroll (\$ millions)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	[(b) - (a)] / (c)
1/1/2009	\$273.5	\$15,305.1	\$15,031.6	2%	\$3,686.7	407.7%
1/1/2010	\$309.8	\$15,166.3	\$14,856.5	2%	\$3,684.1	403.3%
1/1/2011	\$350.5	\$16,568.6	\$16,218.1	2%	\$3,791.1	427.8%



10-Year Payout Projection

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

I. Total Benefit Payments

Fiscal Year Ending	Health (\$ millions)	Life Insurance (\$ millions)	Total (\$ millions)
6/30/2011	524.0	8.2	532.2
6/30/2012	565.2	8.4	573.6
6/30/2013	609.4	8.5	617.9
6/30/2014	653.3	8.6	661.9
6/30/2015	696.4	8.7	705.1
6/30/2016	737.1	8.8	745.9
6/30/2017	774.2	8.9	783.1
6/30/2018	807.4	9.0	816.4
6/30/2019	838.5	9.1	847.6
6/30/2020	868.0	9.1	877.1

II. Estimated Retiree Drug Subsidy Payments

Fiscal Year Ending	Medicare Part D Subsidy (\$ millions)
6/30/2011	25.0
6/30/2012	27.9
6/30/2013	30.8
6/30/2014	33.9
6/30/2015	37.0
6/30/2016	40.3
6/30/2017	43.6
6/30/2018	46.8
6/30/2019	50.2
6/30/2020	53.7



10-Year Projection of Annual OPEB Cost (AOC)

Projections assume a closed group population (i.e., no new hires). We also assume that assets grow at a 4.50% annual rate of investment return.

Fiscal Year Ending	ARC (\$ millions)	Adjustment to ARC* (\$ millions)	Total AOC (\$ millions)	Expected Contributions** (\$ millions)	Net OPEB Obligation at end of FY (\$ millions)
6/30/2011	\$1,276.0	\$19.9	\$1,295.9	\$557.2	\$2,691.4
6/30/2012	\$1,361.9	\$27.4	\$1,389.3	\$601.5	\$3,479.2
6/30/2013	\$1,453.1	\$35.4	\$1,488.5	\$648.7	\$4,319.0
6/30/2014	\$1,550.2	\$43.9	\$1,594.1	\$695.8	\$5,217.3
6/30/2015	\$1,653.5	\$53.0	\$1,706.5	\$742.1	\$6,181.7
6/30/2016	\$1,763.7	\$62.8	\$1,826.5	\$786.2	\$7,222.0
6/30/2017	\$1,881.4	\$73.4	\$1,954.8	\$826.7	\$8,350.1
6/30/2018	\$2,007.2	\$84.9	\$2,092.1	\$863.2	\$9,579.0
6/30/2019	\$2,145.0	\$97.4	\$2,242.4	\$897.8	\$10,923.6
6/30/2020	\$2,293.2	\$111.1	\$2,404.3	\$930.8	\$12,397.1

* Including interest on Net OPEB Obligation.

** Based on expected benefit payments & contributions plus the Retiree Drug Subsidy for the applicable fiscal year end. The Retiree Drug Subsidy is not an offset to the liability, but rather another funding source that is available to the Commonwealth to fund the Annual OPEB Cost (AOC) should the Commonwealth decide to use it.



Sensitivity Analysis

Impact of 1% Change in Health Trend Rates

	4.50% Discount Rate (\$ millions)	Impact of 1% Health Trend Rate	
		Plus 1% trend (\$ millions)	Minus 1% trend (\$ millions)
Funded Status:			
Actuarial Accrued Liability	\$16,568.6	\$19,486.7	\$14,256.7
Assets	\$350.5	\$350.5	\$350.5
Unfunded Actuarial Accrued Liability	\$16,218.1	\$19,136.2	\$13,906.2
Annual Required Contribution (ARC):			
Normal Cost at End of Year	\$659.4	\$842.0	\$366.3
Unfunded Accrued Liability Amortization	<u>\$616.6</u>	<u>\$718.3</u>	<u>\$536.1</u>
Annual Required Contribution (ARC)	\$1,276.0	\$1,560.3	\$902.4



Demographic Information

The following tables summarize active, inactive participant, and retiree demographic information.

	Participants	Spouses	Total	1/1/2010 Totals
Actives	74,803	N/A	74,803	73,646
Inactive participants¹	2,371	N/A	2,371	2,255
Retirees	42,959	22,760	65,719	62,306
Survivors	N/A	8,120	8,120	7,764
	120,133	30,880	151,013	145,971

¹ Inactives are certain former employees with a minimum amount of years of creditable service who have left contributions in the state retirement system.

Actives: Counts by Job Group					
Sex	1	2	3	4	Total
Female	34,932	1,572	116	1,078	37,698
Male	26,255	2,603	1,596	6,651	37,105
Total	61,187	4,175	1,712	7,729	74,803

Actives: Average Age by Job Group					
Sex	1	2	3	4	Total
Female	48.21	46.65	45.91	39.44	47.89
Male	49.00	46.07	46.12	41.35	47.30
Total	48.55	46.29	46.11	41.08	47.60

Actives: Average Service by Job Group					
Sex	1	2	3	4	Total
Female	13.62	14.84	20.02	9.94	13.59
Male	14.19	14.38	19.28	12.48	14.12
Total	13.86	14.55	19.33	12.13	13.85



Demographic Information (continued)

Actives: Age-Service Scatter

Age	Service							Total
	0: 4	5: 9	10:14	15:19	20:24	25:29	30+	
< 25	829	12	0	0	0	0	0	841
25:29	4,099	818	6	1	0	0	0	4,924
30:34	3,389	2,292	573	8	0	0	0	6,262
35:39	2,455	2,048	2,090	403	23	0	0	7,019
40:44	2,172	2,128	2,500	1,721	961	81	0	9,563
45:49	1,896	1,868	2,105	1,504	2,141	1,186	126	10,826
50:54	1,690	1,785	1,946	1,328	2,015	2,103	1,251	12,118
55:59	1,303	1,545	1,740	1,171	1,635	1,739	2,450	11,583
60:64	755	1,074	1,227	878	1,170	1,164	1,849	8,117
65:69	158	365	476	324	438	371	530	2,662
70+	31	94	146	90	102	107	318	888
Total	18,777	14,029	12,809	7,428	8,485	6,751	6,524	74,803



Demographic Information (continued)

Inactives and Retirees: Participant Counts			
Sex	Inactives	Retirees	Total
Female	1,411	20,510	21,921
Male	960	22,449	23,409
Total	2,371	42,959	45,330

Inactives and Retirees: Participant Average Age			
Sex	Inactives	Retirees	Total
Female	50.54	72.56	71.14
Male	50.91	70.22	69.43
Total	50.69	71.34	70.26

Spouses: Participant Counts		
Sex	Spouses of Retirees	Survivors
Female	15,092	7,299
Male	7,668	821
Total	22,760	8,120

Spouses: Participant Average Age		
Sex	Spouses of Retirees	Survivors
Female	65.92	78.91
Male	69.07	76.64
Total	66.98	78.68



Summary of Principal Plan Provisions

PARTICIPATION

Participation in the health and life insurance programs administered by the GIC is voluntary, but requires membership in the State Retirement System. Participation in the State Retirement System is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

Differences in participation between the State Retirement System and the GIC are:

- Certain employees and retirees, who are eligible for GIC benefits, are covered by separate retirement boards and thus do not participate in the State Retirement System.
- Certain authorities, and other entities, participate in the State Retirement System, but are billed in full for their GIC benefits.

There are 4 classes of membership in the State Retirement System:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 3:

State police officers and inspectors.

Group 4:

Corrections officers, and other specified hazardous positions.



Summary of Principal Plan Provisions (continued)

RETIREMENT AGE CONSTRAINTS

In 2 of the 4 groups (Groups 2 and 4) there is a small subset of positions that have a mandatory retirement age of age 65. There is no subset with mandatory retirement age for employees in Groups 1 and 3. The actuarial assumptions used for this valuation were developed taking into account the small portion of the population subject to mandatory retirement provisions.

SUPERANNUATION RETIREMENT

Eligibility

A member is eligible for superannuation retirement (service retirement) upon meeting the following conditions:

- Completion of 20 years of service, or
- Attainment of age 55 if hired prior to 1978, or if classified in Group 3 or Group 4, or
- Attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

Health and Basic Life Insurance Benefits

Retirees can achieve Medicare status by virtue of achieving age 65 with 40 quarters of Social Security service, by being approved for a disability, or being in a disease state that qualifies one for Medicare. The GIC provides health coverage to a small subset of retired employees who are age 65 or older who are not Medicare eligible because the Commonwealth's retirement pension system does not participate with the Social Security Administration's pension system. The retired employees are enrolled in the same health plans available to active employees under age 65. However, these employees may be covered by Medicare through a spouse's eligibility.

Both Medicare and Non-Medicare retirees, who retired on or before July 1, 1994, contribute 10% of the cost of the plan, as determined by the GIC. Those who retired after July 1, 1994 but on or before October 1, 2009 contribute 15% of the cost of the plan as determined by the GIC. Those who retired after October 1, 2009 contribute 20% of the cost of the plan as determined by the GIC. Certain supplemental benefits are fully paid for by the participant.

Upon the retirees' death, all survivors, regardless of their deceased spouse's retirement date, contribute 10% of the cost of their health coverage. Survivor health coverage continues until the survivor remarries or dies. Survivors are not eligible for life insurance benefits.



Summary of Principal Plan Provisions (continued)

For Non-Medicare retirees, the total cost of the plan, for each option, is a blend of active and retiree claims and non-claims costs. Retiree contributions to these plans, at 10%, 15% or 20% of plan cost, depending on the date of retirement, are favorably influenced by this blending. The blending of active and retired experience results in an implicit rate subsidy, and results in these retirees paying less than 10%, 15% or 20% of their cohort's expected cost. As shown below, Aon Hewitt has valued the age appropriate claims costs, and the dollar amount of retiree contributions, to effectively capture the resulting costs and liabilities to the Commonwealth.

TERMINATION WITH 10 OR MORE YEARS OF SERVICE (CONTINGENT STATUS)

Eligibility

A participant who has completed 10 or more years of creditable service may be eligible for benefits on a contingent basis. Elected officials and others who were hired prior to 1978 may be eligible after 6 years in accordance with G.L. c. 32, s. 10.

If a participant does not withdraw their member pension contributions for retirement benefits upon termination of employment, the participant continues with their ability to receive retirement coverage through the GIC. If the participant withdraws their retirement contributions, their subsidized benefit eligibility ends.

Health and Basic Life Insurance Benefits

During the time period between termination of employment and retirement, the participant may continue coverage by paying 100% of the cost of coverage. Upon retirement, the participant may elect coverage. The participant contributes 10%, 15% or 20% of the cost of coverage, depending on the date of retirement.

If the participant has not yet retired, and dies, the survivor may apply for health coverage (if the participant had health and life coverage or life only coverage through the GIC, i.e. was paying 100% of the cost). The survivor would contribute at the 10% rate. If the participant has retired, and then dies, the survivor may elect to continue health coverage, and contribute at the 10% rate. Survivor health coverage continues until the survivor remarries or dies.



Summary of Principal Plan Provisions (continued)

TERMINATION OF EMPLOYMENT WITH LESS THAN TEN YEARS OF SERVICE

No subsidized GIC health or life benefits available. Therefore, no liability will be valued upon this event.

DISABILITY RETIREMENT

Eligibility

- Ordinary Disability: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(l) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age."

- Accidental Disability: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Health and Basic Life Insurance Benefits

If the retiree receives an ordinary or accidental disability pension, health and basic life insurance coverage will continue, and participants will contribute either 10%, 15% or 20% of the cost of coverage (subject to the statement below regarding life insurance coverage), depending on when the disability occurred.

If under age 60 at disability, basic life insurance coverage will continue, and the participant can apply for a waiver of premium within 24 months of the disability.



Summary of Principal Plan Provisions (continued)

DEATH IN ACTIVE SERVICE

Eligibility

Survivors of active employees who had GIC health coverage are eligible to continue health coverage.

Health and Basic Life Insurance Benefits

Health coverage is provided, and survivors contribute at the 10% rate. Survivor health coverage continues until the survivor remarries or dies. Survivors are not eligible for Basic Life Insurance.



Summary of Principal Plan Provisions (continued)

SUMMARY OF PLAN DESIGNS – MEDICAL (MEDICARE)

	UniCare State Indemnity Plan Medicare Extension	Fallon Senior Plan	Harvard Pilgrim Medicare Enhance	Health New England MedPlus	Tufts Health Plan Medicare Complement	Tufts Health Plan Medicare Preferred
Deductible	none	none	none	none	none	none
Out-Of-Pocket Max	none	none	none	none	none	none
Physicians						
Office Visit	\$35 ded/yr	\$10 copay	\$10 copay	\$10 copay	\$10 copay	\$10 copay
Preventive Care	100%	100%	100%	100%	100%	100%
Hospitalization	\$50 ded/qtr	100%	100%	100%	100%	100%
Surgery	100%	100%	100%	100%	100%	100%
Diagnostic / X-Ray	100%	100%	100%	100%	100%	100%
ER	\$25 copay	\$50 copay	\$50 copay	\$50 copay	\$50 copay	\$50 copay
Outpatient Mental Health	Visit 1-4:\$0; Visit 5+:\$10	\$10 copay	\$10 copay	\$10 copay	\$10 copay	\$10 copay
Outpatient Substance Abuse	Visit 1-4:\$0; Visit 5+:\$10	\$10 copay	\$10 copay	\$10 copay	\$10 copay	\$10 copay



Summary of Principal Plan Provisions (continued)

SUMMARY OF PLAN DESIGNS – MEDICAL (NON-MEDICARE)

	UniCare State Indemnity Plan / Basic with CIC	UniCare State Indemnity Plan / Community Choice	UniCare State Indemnity Plan / Plus	Harvard Pilgrim Independence Plan
		In-Network Benefits Shown	In-Network Benefits Shown	In-Network Benefits Shown
Deductible (single/family)	\$250/\$750	\$250/\$750	\$250/\$750	\$250/\$750
Out-Of-Pocket Max	none	none	none	none
Physicians				
Primary Care Office Visit (Tier 1/2/3)	\$15/\$30/\$35 copay	\$15/\$30/\$35 copay	\$15/\$30/\$35 copay	\$20 copay
Specialist Office Visit (Tier 1/2/3)	\$20/\$30/\$40 copay	\$25/\$30/\$45 copay	\$25/\$30/\$45 copay	\$20/\$35/\$45 copay
Inpatient Care (Tier 1/2/3)*	\$200	\$250	\$250/\$500/\$750	\$250/\$500/\$750
Outpatient Surgery (Tier 1/2/3)*	\$110 copay	\$110 copay	\$110/\$110/\$250 copay	\$150 copay
ER	\$100 copay	\$100 copay	\$100 copay	\$100 copay
Outpatient Mental Health	\$20 copay	\$20 copay	\$20 copay	\$20 copay

*Copay per admission; max one copay / quarter or four copays per year, depending on plan



Summary of Principal Plan Provisions (continued)

SUMMARY OF PLAN DESIGNS – MEDICAL (NON-MEDICARE)

	Navigator by Tufts Health Plan	Harvard Pilgrim Primary Choice Plan	Spirit by Tufts Health Plan	Fallon Community Health Plan Direct Care
In-Network Benefits Shown				
Deductible (single/family)	\$250/\$750	\$250/\$750	\$250/\$750	\$250/\$750
Out-Of-Pocket Max	none	none	none	none
Physicians				
Primary Care Office Visit (Tier 1/2/3)	\$20 copay	\$20 copay	\$20 copay	\$15 copay
Specialist Office Visit (Tier 1/2/3)	\$25/\$35/\$45 copay	\$20/\$35/\$45 copay	\$25/\$35/\$45 copay	\$25 copay
Inpatient Care (Tier 1/2/3)*	\$300/\$700	\$250/\$500	\$300/\$700	\$200
Outpatient Surgery (Tier 1/2/3)*	\$150 copay	\$150 copay	\$150 copay	\$110 copay
ER	\$100 copay	\$100 copay	\$100 copay	\$100 copay
Outpatient Mental Health	\$20 copay	\$20 copay	\$20 copay	\$15 copay

**Copay per admission; max one copay / quarter or four copays per year, depending on plan*



Summary of Principal Plan Provisions (continued)

SUMMARY OF PLAN DESIGNS – MEDICAL (NON-MEDICARE)

	Fallon Community Health Plan Select Care	Health New England	NHP Care (Neighborhood Health Plan)
Deductible (single/family)	\$250/\$750	\$250/\$750	\$250/\$750
Out-Of-Pocket Max	none	none	none
Physicians			
Primary Care Office Visit (Tier 1/2/3)	\$20 copay	\$20 copay	\$15/\$25/\$30 copay
Specialist Office Visit (Tier 1/2/3)	\$25/\$35/\$45 copay	\$25/\$35/\$45 copay	\$25/\$35/\$45 copay
Inpatient Care (Tier 1/2/3)*	\$100	\$250	\$250
Outpatient Surgery (Tier 1/2/3)*	\$125 copay	\$110 copay	\$110 copay
ER	\$100 copay	\$100 copay	\$100 copay
Outpatient Mental Health	\$20 copay	\$20 copay	\$25 copay

**Copay per admission; max one copay / quarter or four copays per year, depending on plan*



Summary of Principal Plan Provisions (continued)

SUMMARY OF PLAN DESIGNS – PRESCRIPTION DRUG (MEDICARE AND NON-MEDICARE)

	All Plans
Generic	
Retail	\$ 10
Mail	\$ 20
Formulary	
Retail	\$ 25
Mail	\$ 50
Non-Formulary	
Retail	\$ 50
Mail	\$110

Dental/Vision Care

Upon retirement these benefits are available to participants, but the cost of these benefits are paid in full by the participants. These benefits are not included in the valuation results presented herein.

Basic Life Insurance

Retirees are eligible for \$5,000 Basic Life Insurance. The plan provides for a \$5,000 payment upon the death of the participant. Surviving spouses are not eligible for Basic Life Insurance.



Methods and Assumptions

Actuarial Method	Projected Unit Credit Cost Method
Normal Cost	Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan provisions. This allocation is based on each individual's service between date of hire and date the individual becomes fully eligible for benefits.
Accumulated Postretirement Benefit Obligation	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	As of January 1, 2011 4.50% As of January 1, 2010 4.50%

Medical Trend

Medicare Medical assumed to increase with Medical Trend

Calendar Year	Annual Rate of Increase		
	Indemnity %	PPO & POS %	HMO %
2011	8.0%	8.0%	8.0%
2012	7.5%	7.5%	7.5%
2013	7.0%	7.0%	7.0%
2014	6.5%	6.5%	6.5%
2015	6.0%	6.0%	6.0%
2016	5.5%	5.5%	5.5%
2017 & Later	5.0%	5.0%	5.0%



Methods and Assumptions (continued)

Prescription Drug Trend

Annual Rate of Increase	
Calendar Year	%
2011	8.0%
2012	7.5%
2013	7.0%
2014	6.5%
2015	6.0%
2016	5.5%
2017 & Later	5.0%

Medicare Prescription
Drug Subsidy assumed
to increase with
Prescription Drug Trend

Administrative Expenses

Assumed to increase at 5.0% per year



Methods and Assumptions (continued)

Morbidity/Aging

Medical and Prescription Drug

The following assumptions are assumed to follow the annual increase due to aging:

Medical and prescription drug claims costs
Medical and prescription drug Medicare offsets
Retiree contributions

Age	Annual Increase
18 - 49	3.3%
50 - 54	3.3%
55 - 59	3.6%
60 - 64	4.2%
65 - 69	3.0%
70 - 74	2.5%
75 - 79	2.0%
80 - 84	1.0%
85 - 89	0.5%
90 or Older	0.0%

GASB requires that the costs for retiree benefits be separately identified. Currently, the Commonwealth provides benefits for actives and retirees not eligible for Medicare under one rating structure. As we see in the morbidity table above, retirees utilize benefits at a greater rate than the active population, due to their age. The active employees are "implicitly" subsidizing the retiree cost of the plan of benefits in the GIC rate basis. GASB requires that the Commonwealth utilize actual experience or actuarial adjustments in order to calculate the true cost of retiree benefits in order to calculate the present value of the retiree benefits. The actuarial assessment of the best estimate of retiree cost of benefits is premised on utilizing the morbidity/aging table above and the claims costs by age shown in the tables below.



Methods and Assumptions (continued)

Excise Tax (“Cadillac Tax”) on High Cost Plans

For purposes of estimating the excise tax, per capita plan costs (separately for Traditional, PPO/POS, and HMO) are developed on a two-tier basis (employee only and employee plus family) and are blended between Medicare and Non-Medicare participants.

These composite costs are then compared to the thresholds stipulated in the Patient Protection and Affordable Care Act (PPACA). The 2018 cost thresholds are assumed to be \$10,200 for individual and \$27,500 for family coverage, adjusted to reflect the additional impact of the valuation trend from 2011 to 2018 as compared to a limit on cost increase for a benchmark plan included in the legislation.

After 2018, the cost thresholds are indexed by CPI (CPI +1% in 2019 only). CPI is assumed to be 3% in all future years.

The excise tax is paid by the plan administrator and is not tax deductible. Therefore, a gross-up factor is applied to the result assuming a 35% tax rate.

Other Requirements of the Patient Protection and Affordable Care Act

For purposes of this valuation, the following aspects of Health Reform have been incorporated in our development of the underlying claim costs:

- Extended coverage for children
- 100% coverage of preventive care

Other aspects of Health Reform, noted below, result in no additional employer liability:

- Elimination of lifetime maximum benefits
- Removal of the limits on essential healthcare



Methods and Assumptions (continued)

Cost assumptions were developed from actual GIC data for retirees. Data for the entirety of the GIC retired population was utilized, analyzed, and projected forward to Calendar Year 2011. As detailed in Appendix B, the data was aggregated into three categories of like plans (called blends): The Indemnity Plans (including the GIC rider), POS and PPO plans (for non-Medicare retirees), and HMOs.

Per Member Claim Costs for Calendar Year 2011

Age	Indemnity / Blend 1								
	Total Cost of Healthcare Before Subsidies and Retiree Cost Sharing	Medicare Adjustment	Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After 10/1/09	Contributions for Spouses of Retirees who Retired After 10/1/09
25	\$4,624	\$0	\$4,624	(\$462)	(\$614)	(\$618)	(\$823)	(\$774)	(\$1,031)
30	\$5,341	\$0	\$5,341	(\$543)	(\$723)	(\$727)	(\$968)	(\$911)	(\$1,213)
35	\$6,186	\$0	\$6,186	(\$639)	(\$850)	(\$855)	(\$1,139)	(\$1,071)	(\$1,427)
40	\$7,179	\$0	\$7,179	(\$751)	(\$1,000)	(\$1,006)	(\$1,339)	(\$1,260)	(\$1,679)
45	\$8,346	\$0	\$8,346	(\$884)	(\$1,176)	(\$1,183)	(\$1,575)	(\$1,482)	(\$1,974)
50	\$9,721	\$0	\$9,721	(\$1,039)	(\$1,383)	(\$1,392)	(\$1,853)	(\$1,743)	(\$2,322)
55	\$11,337	\$0	\$11,337	(\$1,223)	(\$1,627)	(\$1,637)	(\$2,179)	(\$2,050)	(\$2,732)
60	\$13,423	\$0	\$13,423	(\$1,459)	(\$1,942)	(\$1,953)	(\$2,601)	(\$2,447)	(\$3,260)
65	\$16,364	(\$12,639)	\$3,725	(\$393)	(\$393)	(\$544)	(\$544)	(\$694)	(\$694)
70	\$18,793	(\$14,581)	\$4,212	(\$454)	(\$454)	(\$627)	(\$627)	(\$801)	(\$801)
75	\$21,090	(\$16,417)	\$4,673	(\$511)	(\$511)	(\$706)	(\$706)	(\$902)	(\$902)
80	\$23,005	(\$17,948)	\$5,057	(\$558)	(\$558)	(\$772)	(\$772)	(\$986)	(\$986)
85	\$24,034	(\$18,770)	\$5,264	(\$584)	(\$584)	(\$807)	(\$807)	(\$1,031)	(\$1,031)
90	\$24,507	(\$19,148)	\$5,359	(\$596)	(\$596)	(\$824)	(\$824)	(\$1,052)	(\$1,052)



Methods and Assumptions (continued)

Per Member Claim Costs for Calendar Year 2011

POS / PPO / Blend 2									
Age	Total Cost of Healthcare Before Subsidies and Retiree Cost Sharing	Medicare Adjustment	Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After 10/1/09	Contributions for Spouses of Retirees who Retired After 10/1/09
25	\$3,211	\$0	\$3,211	(\$228)	(\$326)	(\$343)	(\$488)	(\$456)	(\$652)
30	\$3,700	\$0	\$3,700	(\$268)	(\$383)	(\$403)	(\$574)	(\$536)	(\$767)
35	\$4,276	\$0	\$4,276	(\$315)	(\$451)	(\$474)	(\$675)	(\$631)	(\$902)
40	\$4,953	\$0	\$4,953	(\$371)	(\$530)	(\$558)	(\$794)	(\$742)	(\$1,061)
45	\$5,749	\$0	\$5,749	(\$436)	(\$624)	(\$656)	(\$934)	(\$873)	(\$1,247)
50	\$6,686	\$0	\$6,686	(\$513)	(\$734)	(\$772)	(\$1,099)	(\$1,027)	(\$1,467)
55	\$7,787	\$0	\$7,787	(\$603)	(\$863)	(\$908)	(\$1,292)	(\$1,208)	(\$1,726)
60	\$9,209	\$0	\$9,209	(\$720)	(\$1,030)	(\$1,084)	(\$1,542)	(\$1,441)	(\$2,060)
65	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
80	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
85	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Methods and Assumptions (continued)

Per Member Claim Costs for Calendar Year 2011

HMO / Blend 3									
Age	Total Cost of Healthcare Before Subsidies and Retiree Cost Sharing	Medicare Adjustment	Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After 10/1/09	Contributions for Spouses of Retirees who Retired After 10/1/09
25	\$3,050	\$0	\$3,050	(\$178)	(\$263)	(\$267)	(\$395)	(\$356)	(\$527)
30	\$3,520	\$0	\$3,520	(\$209)	(\$310)	(\$314)	(\$464)	(\$419)	(\$619)
35	\$4,075	\$0	\$4,075	(\$246)	(\$364)	(\$370)	(\$546)	(\$493)	(\$729)
40	\$4,727	\$0	\$4,727	(\$290)	(\$428)	(\$435)	(\$643)	(\$580)	(\$857)
45	\$5,493	\$0	\$5,493	(\$341)	(\$504)	(\$512)	(\$756)	(\$682)	(\$1,008)
50	\$6,396	\$0	\$6,396	(\$401)	(\$593)	(\$602)	(\$889)	(\$802)	(\$1,186)
55	\$7,457	\$0	\$7,457	(\$471)	(\$697)	(\$708)	(\$1,046)	(\$944)	(\$1,395)
60	\$8,826	\$0	\$8,826	(\$562)	(\$832)	(\$845)	(\$1,248)	(\$1,126)	(\$1,664)
65	\$10,756	(\$7,704)	\$3,052	(\$287)	(\$287)	(\$430)	(\$430)	(\$573)	(\$573)
70	\$12,351	(\$8,888)	\$3,463	(\$331)	(\$331)	(\$496)	(\$496)	(\$661)	(\$661)
75	\$13,858	(\$10,007)	\$3,851	(\$372)	(\$372)	(\$558)	(\$558)	(\$744)	(\$744)
80	\$15,116	(\$10,940)	\$4,176	(\$407)	(\$407)	(\$610)	(\$610)	(\$814)	(\$814)
85	\$15,791	(\$11,441)	\$4,350	(\$425)	(\$425)	(\$638)	(\$638)	(\$851)	(\$851)
90	\$16,102	(\$11,672)	\$4,430	(\$434)	(\$434)	(\$651)	(\$651)	(\$868)	(\$868)



Methods and Assumptions (continued)

Data Assumptions

*Age Difference/
% Married*

Males are assumed to be 3 years older than females. Active employees are assumed to be 80% married and choose family coverage at retirement.

Coverage

We have assumed that:

- 100% of all retirees who currently have healthcare coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect healthcare benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and will be assumed to have the following coverage:

Retirement Age:	<u>Under 65</u>	<u>Age 65 +</u>
Indemnity	40%	85%
POS/PPO	50%	0%
HMO	10%	15%



Methods and Assumptions (continued)

Mortality	Annual rates of mortality are shown on the following pages.
Retirement Age	Retirement rates are shown on the following pages.
Turnover	Turnover rates are shown on the following pages.
Disability	Disability rates are shown on the following pages.
Valuation Methodology and Terminology	We have used GASB accounting methodology to determine the postretirement medical benefit obligations. Actuarial Liabilities are shown without a reduction in liability for the Retiree Drug Subsidy. As of June 2006, the GASB has adopted the proposed Technical Memorandum on accounting for the Retiree Drug Subsidy. The Technical Memorandum requires that plan sponsors do not reduce their liability to reflect the Retiree Drug Subsidy, but rather that the RDS payment be treated as a third party payment with treatment determined by GASB 33. The effect of this accounting treatment is to have two sources of funding of the expense (Annual Required Contribution), one being the federal government.
Amortization Period	The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level percentage of payroll for a closed period of 30 years. This has been calculated assuming the amortization payment increases at a rate of 4.5% per year.
Salary Scale	Assumed at a rate of 4.5% per year.



Methods and Assumptions (continued)

Pre-Retirement Mortality: RP-2000 Employees table projected forward 10 years with Scale AA (gender distinct).

Post-Retirement Mortality: RP-2000 Healthy Annuitant table projected forward 10 years with Scale AA (gender distinct).

Disabled Mortality: RP-2000 (gender distinct) set forward 3 years for males.

The following tables show sample annual rates of mortality at selected ages:

RATES OF MORTALITY – Active Members (Number of Deaths per 10,000 Members)										
	AGE									
	25	30	35	40	45	50	55	60	65	69
<i>Active Members</i>										
Male	3	4	7	10	13	18	25	42	66	83
Female	2	2	4	6	10	14	23	37	55	69

RATES OF MORTALITY – Retired Members (Number of Deaths per 10,000 Members)									
	AGE								
	50	55	60	65	70	75	80	85	
<i>Healthy Retirees</i>									
Male	45	49	70	117	191	329	582	1,032	
Female	20	33	59	99	159	259	428	729	
<i>Disabled Retirees</i>									
Male	57	69	110	182	304	521	897	1,506	
Female	23	35	62	104	167	281	459	774	



Methods and Assumptions (continued)

The following table shows annual rates of retirement at selected ages:

	RATES OF RETIREMENT (Number Retiring per 1,000 Members)				
	AGE				
	50	55	60	65	70
<i>Job Group 1</i>					
Male	15	40	80	250	1,000
Female	30	50	80	250	1,000
<i>Job Group 2</i>					
Male	20	100	150	200	1,000
Female	20	100	150	200	1,000
<i>Job Group 3</i>					
Male	50	80	110	250	1,000
Female	50	80	110	250	1,000
<i>Job Group 4</i>					
Male	50	250	200	650	1,000
Female	50	250	200	650	1,000



Methods and Assumptions (continued)

The following table shows sample annual rates of withdrawal for Job Groups 1 and 2:

RATES OF WITHDRAWAL (Number of Withdrawals Per 1,000 Members)											
YEARS OF SERVICE											
Age	0	1	2	3	4	5	6	7	8	9	10+
20	270	250	220	150	150	120	100	95	85	80	60
25	250	220	190	140	130	110	100	95	85	80	60
30	230	180	150	130	120	100	95	95	90	80	55
35	180	140	130	120	110	90	85	80	75	65	50
40	160	120	110	95	90	80	65	70	65	50	40
45	150	100	85	80	70	70	55	55	50	40	30
50	140	90	80	70	65	60	45	50	40	40	30
55	100	100	80	60	60	50	45	35	35	35	0
60	100	100	80	75	75	50	50	45	45	45	0
65+	100	100	80	75	75	75	75	70	70	70	0



Methods and Assumptions (continued)

The following table shows sample annual rates of withdrawal for Job Groups 3 and 4:

RATES OF WITHDRAWAL (Number of Withdrawals per 1,000 Members)					
All Ages	YEARS OF SERVICE				
	1	5	10	15	20+
<i>Job Group 3</i>					
Unisex	8	8	6	6	6
<i>Job Group 4</i>					
Unisex	70	45	30	25	40



Methods and Assumptions (continued)

The following table shows sample annual rates of disability at selected ages:

		RATES OF DISABILITY (Number becoming disabled per 10,000 Members)						
		AGE						
		25	30	35	40	45	50	55
<i>Job Group 1</i>								
	Unisex	1	1	5	8	10	14	17
<i>Job Group 2</i>								
	Unisex	7	8	12	17	24	43	55
<i>Job Group 3</i>								
	Unisex	11	16	30	80	90	140	190
<i>Job Group 4</i>								
	Unisex	20	40	70	70	100	100	90



Glossary

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial present value of total projected 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.



Glossary (continued)

Actuarial valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for an OPEB plan.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Actuarial value of assets

The value of cash, investments and other property belonging to a plan, as used by the actuary for the purpose of an Actuarial Valuation.

Amortization (of unfunded actuarial accrued liability)

The portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB Cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contributions of the employer (ARC)

The employer's periodic required contributions to a defined benefit OPEB plan.

Covered Group

Plan members included in an actuarial valuation.



Glossary (continued)

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Employer's contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer's contributions generally *do not equate* to benefits paid.

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding excess

The excess of the actuarial value of assets over the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.



Glossary (continued)

Implicit Rate Subsidy

The differential between utilizing a blend of active and non-Medicare retiree experience for cost of benefits, and utilizing solely the expected retiree experience. Blending a lower cost active cohort with retirees' results in an implicit rate subsidy for the retirees of the entire group.

Inactives

Certain former employees with a minimum amount of years of creditable service who have left contributions in the State Retirement System.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Market-related value of plan assets

A term used with reference to the actuarial value of assets. A market-related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

Net OPEB Obligation

The cumulative difference since the effective date of this Statement between Annual OPEB Cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.



Glossary (continued)

Normal cost

That portion of the Actuarial Present Value of OPEB plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. In GASB 45, the term refers to employer normal cost.

OPEB assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.



Glossary (continued)

Pay-as-you-go

A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Plan assets

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, (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.

Plan members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment healthcare benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement benefit increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.



Glossary (continued)

Projected Unit Credit actuarial cost method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a prorate of service-to-date over projected service.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Single-employer plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.



Glossary (continued)

Substantive plan

The terms of an OPEB plan as understood by the employer(s) and plan members.

Transition year

The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.



Appendix A

Commonwealth of Massachusetts Health Plan Providers

The following chart summarizes the various health plan providers (by type, i.e., Indemnity, POS/PPO, and HMO) utilized by the participants included in this valuation.

Indemnity (Blend 1)

Commonwealth Indemnity Plan

POS/PPO (Blend 2)

Commonwealth Indemnity Plan PLUS
Commonwealth Indemnity Plan Community CHOICE
Commonwealth PPO – Tufts Health Plan Navigator
Harvard Pilgrim POS

HMO (Blend 3)

Fallon Senior Plan
Harvard Pilgrim Medicare Enhance
Health New England MedPlus
Tufts Health Plan Medicare Complement
Tufts Health Plan Medicare Preferred
Harvard Pilgrim Primary Choice Plan
Spirit by Tufts Health Plan
Fallon Community Health Plan Direct Care
Fallon Community Health Plan Select Care
Health New England
NHP Care (Neighborhood Health Plan)



Appendix B

Detailed Breakdown of Per Member Claim Costs for Calendar Year 2011

Age	Indemnity / Blend 1										
	(1) Medical Cost	(2) Medicare Adjustment	(3) Prescription Cost	(4) Administrative Cost	(5) = (1) + (2) + (3) + (4) Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After to 10/1/09	Contributions for Spouses of Retirees who Retired After to 10/1/09
25	\$3,392	\$0	\$681	\$551	\$4,624	(\$462)	(\$614)	(\$618)	(\$823)	(\$774)	(\$1,031)
30	\$3,989	\$0	\$801	\$551	\$5,341	(\$543)	(\$723)	(\$727)	(\$968)	(\$911)	(\$1,213)
35	\$4,693	\$0	\$942	\$551	\$6,186	(\$639)	(\$850)	(\$855)	(\$1,139)	(\$1,071)	(\$1,427)
40	\$5,520	\$0	\$1,108	\$551	\$7,179	(\$751)	(\$1,000)	(\$1,006)	(\$1,339)	(\$1,260)	(\$1,679)
45	\$6,492	\$0	\$1,303	\$551	\$8,346	(\$884)	(\$1,176)	(\$1,183)	(\$1,575)	(\$1,482)	(\$1,974)
50	\$7,637	\$0	\$1,533	\$551	\$9,721	(\$1,039)	(\$1,383)	(\$1,392)	(\$1,853)	(\$1,743)	(\$2,322)
55	\$8,983	\$0	\$1,803	\$551	\$11,337	(\$1,223)	(\$1,627)	(\$1,637)	(\$2,179)	(\$2,050)	(\$2,732)
60	\$10,720	\$0	\$2,152	\$551	\$13,423	(\$1,459)	(\$1,942)	(\$1,953)	(\$2,601)	(\$2,447)	(\$3,260)
65	\$13,169	(\$12,639)	\$2,644	\$551	\$3,725	(\$393)	(\$393)	(\$544)	(\$544)	(\$694)	(\$694)
70	\$15,192	(\$14,581)	\$3,050	\$551	\$4,212	(\$454)	(\$454)	(\$627)	(\$627)	(\$801)	(\$801)
75	\$17,105	(\$16,417)	\$3,434	\$551	\$4,673	(\$511)	(\$511)	(\$706)	(\$706)	(\$902)	(\$902)
80	\$18,700	(\$17,948)	\$3,754	\$551	\$5,057	(\$558)	(\$558)	(\$772)	(\$772)	(\$986)	(\$986)
85	\$19,557	(\$18,770)	\$3,926	\$551	\$5,264	(\$584)	(\$584)	(\$807)	(\$807)	(\$1,031)	(\$1,031)
90	\$19,951	(\$19,148)	\$4,005	\$551	\$5,359	(\$596)	(\$596)	(\$824)	(\$824)	(\$1,052)	(\$1,052)



Appendix B

Detailed Breakdown of Per Member Claim Costs for Calendar Year 2011

POS / PPO / Blend 2											
Age	(1) Medical Cost	(2) Medicare Adjustment	(3) Prescription Cost	(4) Adminis- trative Cost	(5) = (1) + (2) + (3) + (4) Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After to 10/1/09	Contributions for Spouses of Retirees who Retired After to 10/1/09
25	\$2,191	\$0	\$584	\$436	\$3,211	(\$228)	(\$326)	(\$343)	(\$488)	(\$456)	(\$652)
30	\$2,577	\$0	\$687	\$436	\$3,700	(\$268)	(\$383)	(\$403)	(\$574)	(\$536)	(\$767)
35	\$3,032	\$0	\$808	\$436	\$4,276	(\$315)	(\$451)	(\$474)	(\$675)	(\$631)	(\$902)
40	\$3,566	\$0	\$951	\$436	\$4,953	(\$371)	(\$530)	(\$558)	(\$794)	(\$742)	(\$1,061)
45	\$4,194	\$0	\$1,119	\$436	\$5,749	(\$436)	(\$624)	(\$656)	(\$934)	(\$873)	(\$1,247)
50	\$4,934	\$0	\$1,316	\$436	\$6,686	(\$513)	(\$734)	(\$772)	(\$1,099)	(\$1,027)	(\$1,467)
55	\$5,803	\$0	\$1,548	\$436	\$7,787	(\$603)	(\$863)	(\$908)	(\$1,292)	(\$1,208)	(\$1,726)
60	\$6,926	\$0	\$1,847	\$436	\$9,209	(\$720)	(\$1,030)	(\$1,084)	(\$1,542)	(\$1,441)	(\$2,060)
65	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
80	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
85	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



Appendix B

Detailed Breakdown of Per Member Claim Costs for Calendar Year 2011

HMO / Blend 3											
Age	(1) Medical Cost	(2) Medicare Adjustment	(3) Prescription Cost	(4) Administrative Cost	(5) = (1) + (2) + (3) + (4) Total Cost of Healthcare Before Retiree Cost Sharing	Contributions for Retirees who Retired Prior to 7/1/94	Contributions for Spouses of Retirees who Retired Prior to 7/1/94	Contributions for Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Spouses of Retirees who Retired Between 7/1/94 and 10/1/09	Contributions for Retirees who Retired After to 10/1/09	Contributions for Spouses of Retirees who Retired After to 10/1/09
25	\$2,147	\$0	\$527	\$376	\$3,050	(\$178)	(\$263)	(\$267)	(\$395)	(\$356)	(\$527)
30	\$2,525	\$0	\$619	\$376	\$3,520	(\$209)	(\$310)	(\$314)	(\$464)	(\$419)	(\$619)
35	\$2,970	\$0	\$729	\$376	\$4,075	(\$246)	(\$364)	(\$370)	(\$546)	(\$493)	(\$729)
40	\$3,494	\$0	\$857	\$376	\$4,727	(\$290)	(\$428)	(\$435)	(\$643)	(\$580)	(\$857)
45	\$4,109	\$0	\$1,008	\$376	\$5,493	(\$341)	(\$504)	(\$512)	(\$756)	(\$682)	(\$1,008)
50	\$4,834	\$0	\$1,186	\$376	\$6,396	(\$401)	(\$593)	(\$602)	(\$889)	(\$802)	(\$1,186)
55	\$5,686	\$0	\$1,395	\$376	\$7,457	(\$471)	(\$697)	(\$708)	(\$1,046)	(\$944)	(\$1,395)
60	\$6,785	\$0	\$1,665	\$376	\$8,826	(\$562)	(\$832)	(\$845)	(\$1,248)	(\$1,126)	(\$1,664)
65	\$8,335	(\$7,704)	\$2,045	\$376	\$3,052	(\$287)	(\$287)	(\$430)	(\$430)	(\$573)	(\$573)
70	\$9,616	(\$8,888)	\$2,359	\$376	\$3,463	(\$331)	(\$331)	(\$496)	(\$496)	(\$661)	(\$661)
75	\$10,826	(\$10,007)	\$2,656	\$376	\$3,851	(\$372)	(\$372)	(\$558)	(\$558)	(\$744)	(\$744)
80	\$11,836	(\$10,940)	\$2,904	\$376	\$4,176	(\$407)	(\$407)	(\$610)	(\$610)	(\$814)	(\$814)
85	\$12,378	(\$11,441)	\$3,037	\$376	\$4,350	(\$425)	(\$425)	(\$638)	(\$638)	(\$851)	(\$851)
90	\$12,628	(\$11,672)	\$3,098	\$376	\$4,430	(\$434)	(\$434)	(\$651)	(\$651)	(\$868)	(\$868)