



**Cavanaugh Macdonald**  
**CONSULTING, LLC**

*The experience and dedication you deserve*



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

**Prepared as of June 30, 2013**





# Cavanaugh Macdonald CONSULTING, LLC

*The experience and dedication you deserve*

November 4, 2013

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

Dear Members of the Board:

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations of retiree medical and other post employment benefit plans. We have submitted the results of the annual actuarial valuation of the Retiree Health Care Valuation of the School Employees Retirement System of Ohio (SERS) prepared as of June 30, 2013. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that the Annual Required Contribution (ARC) required by GASB Statement 45 is 6.90% of active payroll payable for the fiscal year ending June 30, 2014. Any net claims or premiums paid for retiree health care are considered contributions toward the ARC. Your attention is directed particularly to the summary of results on page 1 and the comments on page 6.

The medical and drug benefits of the Plan are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method with the normal cost rate determined as a level percentage of payroll. GASB requires the discount rate used to value a plan be based on the likely return of the assets held in trust to pay benefits. The discount rate used in this valuation is 5.25%. Gains and losses are reflected in the unfunded accrued liability that is amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 4.00% annually. The assumptions recommended by the actuary are, in the aggregate, reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB 43 and 45.

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

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November 4, 2013  
Board of Trustees  
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To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Thomas J. Cavanaugh'.

Thomas J. Cavanaugh, FSA, FCA, EA, MAAA  
Chief Executive Officer

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

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

TJC/AB:lb



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

**PREPARED AS OF JUNE 30, 2013**

**SECTION I – SUMMARY OF PRINCIPAL RESULTS**

1. This report, prepared as of June 30, 2013, presents the results of the annual actuarial valuation of retiree health care offered to SERS members. For convenience of reference, the principal results of the valuation and a comparison with the preceding valuation results are summarized in the following table.

	June 30, 2013	June 30, 2012
<b>Active members included in valuation</b>		
Number	121,642	121,811
Annual Compensation	\$2,746,827,535	\$2,788,153,585
<b>Service Retirees</b>		
Number	31,615	32,039
<b>Disability Retirees</b>		
Number	3,669	3,739
<b>Spouses of Retirees</b>		
Number	6,413	6,816
<b>Spouses of Deceased Retirees</b>		
Number	2,093	2,183
<b>Survivor Benefit Recipients</b>		
Number	1,048	1,135
<b>Children</b>		
Number	494	527
<b>Deferred Vesteds</b>		
Number	4,336	4,063
<b>Assets</b>		
Market Value	\$379,181,026	\$355,110,407
<b>Unfunded Accrued Liability</b>	\$2,539,118,459	\$2,336,371,101
<b>Actuarial Accrued Liability</b>	\$2,918,299,485	\$2,691,481,508
<b>Funded Ratio (MVA/AAL)</b>	12.99%	13.19%
<b>Employer Contribution Rate</b>		
Normal	3.26%	2.94%
Accrued Liability	<u>3.64%</u>	<u>3.30%</u>
Total	6.90%	6.24%
Employer Contribution Toward Health Care*	1.64%	1.66%
Accrued liability amortization period	30	30

\* Includes 1.50% of payroll surcharge



2. The employer health contribution rate is set at 1.64%. This rate includes the anticipated revenue from the minimum surcharge level for the 2013-2014 fiscal year of \$20,250.
3. The valuation balance sheet showing the results of the valuation is given in Schedule A.
4. Comments on the valuation results are given in Section IV, comments on the experience and actuarial gains during the valuation year are given in Section V, and the rates of contribution payable by the employer are given in Section VI.
5. There were no changes in decrement, interest rate, or age related morbidity assumptions since the last valuation. The following changes were reflected in this valuation:
  - 2014 Medicare Plan coverage changes include changes to office visit co-pays in the Aetna Medicare<sup>SM</sup> and Kaiser Permanente plans, an increase to the emergency room visit co-pay, changes to hospital admission co-pays, and the removal of deductibles for Aetna, Paramount and PrimeTime enrollees.
6. Schedule B details the actuarial assumptions and methods employed. Schedule C gives a summary of the benefit and contribution provisions of the plan.



## **SECTION II – MEMBERSHIP DATA**

Data regarding the membership of the System for use as a basis for the valuation were furnished by the System's office. The following tables summarize the membership of the system as of June 30, 2013 upon which the valuation was based. Detailed tabulations of the data are given in Schedule D.

### **Active Members**

Number	Payroll	Group Averages		
		Salary	Age	Service
121,642	\$2,746,827,535	\$22,581	48.6	10.0

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

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

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
6/30/2008	124,370	\$2,651,800,981	\$21,322	0.8%
6/30/2009	125,465	2,787,390,954	22,216	4.2
6/30/2010	126,015	2,842,660,159	22,558	1.5
6/30/2011	125,337	2,852,378,614	22,758	0.9
6/30/2012	121,811	2,788,153,585	22,889	0.6
6/30/2013	121,642	2,746,827,535	22,581	(1.3)



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

**Retired Lives**

Type of Benefit Recipient	Number	Average Age
Service Retirees	31,615	76.1
Disability Retirees	3,669	66.5
Spouses	9,554	77.7
Children	494	26.6
<b>Total</b>	<b>45,332</b>	<b>75.1</b>

This valuation also includes 4,336 inactive members eligible for health care.





**SECTION III – ASSETS**

1. As of June 30, 2013 the total market value of assets amounted to \$379,181,026.

Asset Summary Based on Market Value			
(1)	Assets at June 30, 2012	\$	355,110,407
(2)	Contributions and Misc. Revenue		181,194,489
(3)	Investment Gain (Loss)		33,345,121
(4)	Benefit Payments		<u>(190,468,991)</u>
(5)	Assets at June 30, 2013	\$	379,181,026
	(1) + (2) + (3) + (4)		
(6)	Annualized Rate of Return*		9.5 %

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

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



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

Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of June 30, 2013.

1. The total valuation balance sheet on account of health care shows that the System has total prospective health care liabilities of \$3,941,427,526, of which \$1,142,242,620 is for the prospective benefits payable on account of present retired members and beneficiaries of deceased members, \$14,335,142 is for the prospective benefits payable to current deferred vested members, and \$2,784,849,764 is for the prospective benefits payable on account of present active members. Against these health care liabilities the System has a total market value of assets of \$379,181,026 as of June 30, 2013. The difference of \$3,562,246,500 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future on account of health care. Of this amount, \$0 is the present value of future contributions expected to be made by members, and the balance of \$3,562,246,500 represents the present value of future contributions payable by SERS.
2. SERS' contributions on account of health care consists of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions at the rate of 3.26% of payroll are required to provide the benefits of the System for the average new member of SERS.
3. Prospective employer normal contributions on account of health care at the above rates have a present value of \$1,023,128,041. When this amount is subtracted from \$3,562,246,500, which is the present value of the total future contributions to be made by the employer, there remains \$2,539,118,459 as the amount of future accrued liability contributions.
4. It is recommended that the accrued liability contribution rate payable by SERS on account of health care be set at 3.64% of payroll. This rate is sufficient to liquidate the unfunded accrued liability of \$2,539,118,459 over 30 years on the assumption that the aggregate payroll for members will increase by 4.00% each year.



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

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) for the year ended June 30, 2013 is shown below (\$ thousands).

### **Experience Gain/(Loss)**

(1)	UAAL* as of 6/30/12	\$	2,336,371
(2)	Normal cost from last valuation		82,030
(3)	Expected employer contributions		171,402
(4)	Interest accrual: [(1) + (2) - (3)] x .0525		<u>117,967</u>
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	\$	2,364,966
(6)	Change due to plan amendments		0
(7)	Change due to new actuarial assumptions		0
(8)	Change due to claims and retiree premiums		143,862
(9)	Expected UAAL after changes: (5) + (6) + (7) + (8)	\$	2,508,828
(10)	Actual UAAL as of 6/30/13	\$	2,539,118
(11)	Total gain/(loss): (9) - (10)	\$	(30,290)
	(a) Contribution shortfall and investment loss		(114,273)
	(b) Experience gain/(loss) (11) - (11a)	\$	83,983
(12)	Accrued liabilities as of 6/30/12	\$	2,691,482
(13)	Experience gain/(loss) as percent of actuarial accrued liabilities at start of year (11b) / (12)		3.1%

\* unfunded actuarial accrued liability



**SECTION VI – REQUIRED CONTRIBUTION RATES**

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Retirement System. The following tables show the rates of contribution payable by employers as determined from the present valuation for the 2013/2014 fiscal year.

**Required Contribution Rates**

Contribution for	Amount	% of Payroll
A. Normal Cost	\$ 89,481,803	3.26%
B. Member Contributions*	\$ 0	0.00%
C. Employer Normal Cost: [A - B]	\$ 89,481,803	3.26%
D. Unfunded Actuarial Accrued Liability**	\$ 100,110,384	3.64%
E. Total Recommended Employer Contribution Rate: [C+D]	\$ 189,592,187	6.90%
F. Employer Contribution Toward Health Care <sup>+</sup>	\$ 45,047,972	1.64%

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

\*\* Based on 30-year amortization of the UAAL from June 30, 2013.

+ Includes 1.50% of payroll surcharge.

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

Fiscal Year Ending June 30	Employer Health Care Contribution Rate	Surcharge Percentage	Total Health Care Contribution Rate
2004	4.91%	1.50%	6.41%
2005	3.43	1.50	4.93
2006	3.42	1.50	4.92
2007	3.32	1.50	4.82
2008	4.18	1.50	5.68
2009	4.16	1.50	5.66
2010	0.46	1.50	1.96
2011	1.43	1.50	2.93
2012	0.55	1.50	2.05
2013	0.16	1.50	1.66



**SECTION VII - ACCOUNTING INFORMATION**

Governmental Accounting Standards Board Statements 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2013. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2013
Actuarial cost method	Entry Age
Amortization	Level Percent Open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return*	5.25%
* Includes price inflation at	3.25%
Wage increases	4.00%
Medical Trend Assumption	
Pre-Medicare	8.50% - 5.00%
Medicare	6.75% - 5.00%
Year of Ultimate Trend	2017 - 2018

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



**SCHEDULE OF FUNDING PROGRESS**  
(\$ in millions)

Actuarial Valuation Date	Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
6/30/2008	\$393	\$4,859	\$4,466	8.1%	\$2,652	168.4%
6/30/2009	376	4,280	3,904	8.8	2,787	140.1
6/30/2010	325	2,369	2,044	13.7	2,843	71.9
6/30/2011	356	2,410	2,054	14.8	2,852	72.0
6/30/2012	355	2,691	2,336	13.2	2,788	83.8
6/30/2013	379	2,918	2,539	13.0	2,747	92.4

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution (ARC) (a)	Employer Contribution (b)	Retiree Drug Subsidy (RDS) Contribution (c)	Total Contribution (d) = (b)+(c)	Percentage of ARC Contributed (e) = (d)/(a)
June 30, 2008	\$307,874,094	\$158,393,761	\$21,953,659	\$180,347,420	58.6%
June 30, 2009	373,789,127	163,411,488	23,504,101	186,915,589	50.0
June 30, 2010	315,535,278	60,142,014	24,414,855	84,556,869	26.8
June 30, 2011	169,146,052	86,908,283	0	86,908,283	51.4
June 30, 2012	155,857,785	56,476,230	0	56,476,230	36.2
June 30, 2013	171,402,038	45,489,443	0	45,489,443	26.5



## SCHEDULE A

### Valuation Balance Sheet

The following valuation balance sheet shows the assets and liabilities of the retirement system as of the current valuation date of June 30, 2013 and, for comparison purposes, as of the immediately preceding valuation date of June 30, 2012.

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

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
Current market value of assets	\$ 379,181,026	\$ 355,110,407
Prospective contributions		
Employer normal contributions	1,023,128,041	946,112,852
Unfunded accrued liability contributions	<u>2,539,118,459</u>	<u>2,336,371,101</u>
Total prospective contributions	<u>\$ 3,562,246,500</u>	<u>\$ 3,282,483,953</u>
 Total assets	 <u>\$ 3,941,427,526</u>	 <u>\$ 3,637,594,360</u>
<b>LIABILITIES</b>		
Present value of benefits payable on account of present retired members and beneficiaries	\$ 1,142,242,620	\$ 1,062,337,847
 Present value of benefits payable on account of active members	 2,784,849,764	 2,563,103,741
 Present value of benefits payable on account of deferred vested members	 <u>14,335,142</u>	 <u>12,152,772</u>
 Total liabilities	 <u>\$ 3,941,427,526</u>	 <u>\$ 3,637,594,360</u>



The following table provides the solvency test for SERS members.

**Solvency Test  
(\$ in millions)**

Valuation Date	Aggregate Accrued Liabilities For				Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1)	(2)	(3)			(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Financed Portion)					
6/30/2008	\$0	\$2,148	\$2,711	\$393	100.0%	18.3%	0.0%	
6/30/2009	0	1,895	2,385	376	100.0	19.8	0.0	
6/30/2010	0	970	1,399	325	100.0	33.5	0.0	
6/30/2011	0	897	1,513	356	100.0	39.7	0.0	
6/30/2012	0	1,074	1,617	355	100.0	33.1	0.0	
6/30/2013	0	1,157	1,761	379	100.0	32.8	0.0	





**SCHEDULE B**

**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

The decremental assumptions used in the valuation were adopted by the Board in April, 2011.

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

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

Calendar Year	Non-Medicare	Medicare
2013	8.50%	6.75%
2014	7.50	6.50
2015	6.50	6.00
2016	6.00	5.50
2017	5.50	5.00
2018 and beyond	5.00	5.00

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

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

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

Retiree Gender	Spouse Coverage
Male	50.0%
Female	40.0%

Wives are assumed to be three years younger than husbands.



**ANTICIPATED PLAN PARTICIPATION (continued):**

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

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

Plan Type	Future Retirees	
	Non-Medicare	Medicare
PPO	94.4%	94.0%
HMO	5.6%	6.0%

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

Plan Type	Future Retirees*	
	Non-Medicare	Medicare
<b><u>PPO</u></b>		
Medical Mutual PPO	95.8%	0.0%
Aetna Medicare <sup>SM</sup> Plan	0.0%	100.0%
AultCare PPO	4.2%	0.0%
<b><u>HMO</u></b>		
PrimeTime	0.0%	34.5%
Kaiser HMO	79.4%	41.2%
Paramount HMO	20.6%	24.3%

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

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

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

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



**MONTHLY EXPECTED MEDICAL/PRESCRIPTION DRUG CLAIMS (INCLUDES ADMINISTRATIVE EXPENSES):** Following are charts detailing expected claims for the year following the valuation date:

Retiree Costs						
Medicare Status	Aetna Choice POS II and Aetna Indemnity	Medical Mutual PPO	Aetna Medicare <sup>SM</sup>	AultCare PPO and PrimeTime	Kaiser HMO	Paramount HMO
Non-Medicare	\$1,206	\$1,206	n/a	\$925	\$1,008	\$1,406
Medicare A	\$486	n/a	\$218	\$166	\$308	\$238
Medicare B Only	n/a	n/a	\$571	\$925	\$1,192	\$590

Spouse Costs						
Medicare Status	Aetna Choice POS II and Aetna Indemnity	Medical Mutual PPO	Aetna Medicare <sup>SM</sup>	AultCare PPO and PrimeTime	Kaiser HMO	Paramount HMO
Non-Medicare	\$1,025	\$1,025	n/a	\$739	\$809	\$1,122
Medicare A	\$486	n/a	\$218	\$166	\$308	\$238
Medicare B Only	n/a	n/a	\$571	\$739	\$1,192	\$590

Children Costs						
Medicare Status	Aetna Choice POS II and Aetna Indemnity	Medical Mutual PPO	Aetna Medicare <sup>SM</sup>	AultCare PPO and PrimeTime	Kaiser HMO	Paramount HMO
Non-Medicare	\$241	\$241	n/a	\$163	\$180	\$241
Medicare A	\$486	n/a	\$218	\$166	\$308	\$238

The above amounts are shown as average costs.



MONTHLY EXPECTED MEDICAL/PRESCRIPTION DRUG CLAIMS (INCLUDES ADMINISTRATIVE EXPENSES) (continued): In the valuation, the claims costs are converted to age 65 amounts, age adjusted and blended based on actual elections for current retirees and based on projected elections for actives. The age adjusted and blended amounts are as follows:

Pre-65 Blended Claims Costs Age Adjusted to 65						
Pre-65 Claims Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses
Medical	\$13,556	\$11,664	\$11,487	\$13,395	\$11,319	\$8,250
Prescription Drug	2,335	2,180	1,986	2,335	2,142	1,804

65 & Older Blended Claims Costs Age Adjusted to 65						
65 & Older Claims Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses
Medical	\$ 946	\$ 946	\$ 912	\$ 940	\$1,065	\$ 837
Prescription Drug	1,298	1,298	1,283	1,282	1,303	1,259



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

Service	Annual Rates of Withdrawal
0	45.00%
1	31.00
2	23.00
3	17.00
4	13.00
5	9.00
10	4.00
15	2.00
20	2.00
25	1.50

Age	Annual Rates of			
	Death		Disability	
	Male	Female	Male	Female
20	.013%	.007%	.020%	.020%
25	.017	.007	.038	.020
30	.020	.009	.068	.026
35	.021	.012	.122	.054
40	.027	.018	.210	.100
45	.040	.024	.310	.168
50	.065	.036	.410	.260
55	.111	.057	.510	.360
60	.199	.111	.550	.400
65	.363	.216	.550	.400
70	.593	.343	.550	.400
74	.851	.510	.550	.400

Annual Rates of Normal Retirements		
Age	Male	Female
50	28.0%	25.0%
55	20.0	21.0
60	18.0	17.0
62	20.0	20.0
65	25.0	25.0
70	14.0	14.0
75	100.0	100.0

For members retiring after August 1, 2017 under the new eligibility requirements, the rates of retirement in the first year of eligibility are assumed to increase to 28% at age 67 and it is assumed that no one retires before their first normal retirement eligibility. The assumed rates of early retirement for members who retire prior to August 1, 2017 are 14% for males and 13% for females aged 55 to 59, and 8.5% for males and 9.5% for females aged 60 to 64.



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

Service	Annual Rates of		
	Merit & Seniority	Base (Economy)	Increase Next Year
0	18.00%	4.00%	22.00%
1	8.00	4.00	12.00
2	5.50	4.00	9.50
3	4.00	4.00	8.00
4	3.00	4.00	7.00
5	2.00	4.00	6.00
6	1.25	4.00	5.25
7	1.00	4.00	5.00
8	0.50	4.00	4.50
9	0.25	4.00	4.25
10-14	0.00	4.00	4.00
15 & over	0.00	4.00	4.00

**PAYROLL GROWTH:** 4.00% per annum, compounded annually.

**PRICE INFLATION:** 3.25% per annum, compounded annually.

**DEATH AFTER RETIREMENT:** The mortality table, for post-retirement mortality, used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table, set back one year for both men and women. Special tables are used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement. There is sufficient margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

**ASSET VALUATION METHOD:** Market value.



## SCHEDULE C

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO Summary of Main Plan Provisions as of June 30, 2013

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

**Service Retirement:** SB 341 grandfathers SERS members who will have attained 25 years of service as of August 1, 2017. Members in this group may continue to retire under the existing eligibility requirements.

*Members hired prior to May 14, 2008; Attainment of age 60 with at least ten years of creditable service, or completion of 30 years of creditable service, regardless of age, or has attained age 55 with at least 25 years of service.*

*Members hired after May 13, 2008; Attainment of age 62 with at least ten years of creditable service, or attainment of age 55 with at least 30 years of creditable service or attainment of age 60 with at least 25 years of creditable service.*

*Members retiring after August 1, 2017; Attainment of age 62 with at least ten years of creditable service, or attainment of age 57 with at least 30 years of creditable service or attainment of age 60 with at least 25 years of creditable service.*

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

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

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

#### **PREMIUM PAYMENTS:**

Retirees, spouses and dependent children pay either all or a portion of the cost of health care and prescription drug coverage. The remainder of the cost is paid by SERS.

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



**PREMIUM PAYMENTS (Continued):**

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

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

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

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

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

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

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

Dependent children pay 70.0% of the child premium.

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





## 2014 RETIREE GROUP HEALTH CARE PLAN OPTIONS:

### Options available to members without Medicare

- ◇ Aetna Choice POS II with Express Scripts prescription drug coverage (only available to members with special circumstances)
- ◇ AultCare PPO with AultCare prescription drug coverage
- ◇ Kaiser Permanente HMO with Kaiser prescription drug coverage
- ◇ Medical Mutual of Ohio PPO with Express Scripts prescription drug coverage
- ◇ Paramount HMO with Express Scripts prescription drug coverage

### Options available to members with Medicare:

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

The following pages contain information that was provided by SERS in the 2014 Open Enrollment Guide and the 2014 Member Health Care Guide.



**2014 Contribution Rates**

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Service Retirement Date on or before July 1, 1989 Premiums</b>						
<b>5-9.999 years</b>						
Without Medicare	\$638	\$638		\$498	\$539	\$738
With Medicare A & B	\$278		\$144	\$118	\$189	\$154
With Medicare B Only			\$320	\$498	\$631	\$330
<b>10-24.999 years &amp; over</b>						
Without Medicare	\$246	\$246		\$197	\$211	\$281
With Medicare A & B	\$120		\$73	\$64	\$89	\$77
With Medicare B Only			\$135	\$197	\$244	\$138
<b>25 years &amp; over</b>						
Without Medicare	\$246	\$246		\$197	\$211	\$281
With Medicare A & B	\$120		\$73	\$64	\$89	\$77
With Medicare B Only			\$73	\$64	\$89	\$77

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Service Retirement Date August 1, 1989 through July 1, 2008 Premiums</b>						
<b>10-14.999 years</b>						
Without Medicare	\$1,241	\$1,241		\$960	\$1,043	\$1,441
With Medicare A & B	\$521		\$253	\$201	\$343	\$273
With Medicare B Only			\$606	\$960	\$1,227	\$625
<b>15-19.999 years</b>						
Without Medicare	\$638	\$638		\$498	\$539	\$738
With Medicare A & B	\$278		\$144	\$118	\$189	\$154
With Medicare B Only			\$320	\$498	\$631	\$330
<b>20-24.999 years</b>						
Without Medicare	\$337	\$337		\$266	\$287	\$386
With Medicare A & B	\$157		\$89	\$76	\$112	\$94
With Medicare B Only			\$178	\$266	\$333	\$182
<b>25 years &amp; over</b>						
Without Medicare	\$246	\$246		\$197	\$211	\$281
With Medicare A & B	\$120		\$73	\$64	\$89	\$77
With Medicare B Only			\$73	\$64	\$89	\$77



**2014 Contribution Rates  
(continued)**

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Service Retirement Date on or after August 1, 2008 Premiums</b>						
<b>10-19.999 years</b>						
Without Medicare	\$1,241	\$1,241		\$960	\$1,043	\$1,441
With Medicare A & B	\$521		\$253	\$201	\$343	\$273
With Medicare B Only			\$606	\$960	\$1,227	\$625
<b>20-24.999 years</b>						
Without Medicare	\$638	\$638		\$498	\$539	\$738
With Medicare A & B	\$278		\$144	\$118	\$189	\$154
With Medicare B Only			\$320	\$498	\$631	\$330
<b>25-29.999 years</b>						
Without Medicare	\$397	\$397		\$313	\$338	\$457
With Medicare A & B	\$181		\$100	\$85	\$127	\$106
With Medicare B Only			\$100	\$85	\$127	\$106
<b>30-34.999 years*</b>						
Without Medicare	\$276	\$276		\$220	\$237	\$316
With Medicare A & B	\$132		\$79	\$68	\$97	\$83
With Medicare B Only			\$79	\$68	\$97	\$83

\* Further reductions for each year over 35.

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Disability Benefit Recipient Premiums</b>						
<b>5-9.999 years</b>						
Without Medicare	\$638	\$638		\$498	\$539	\$738
With Medicare A & B	\$278		\$144	\$118	\$189	\$154
With Medicare B Only			\$320	\$498	\$631	\$330
<b>10-24.999 years</b>						
Without Medicare	\$433	\$433		\$340	\$368	\$499
With Medicare A & B	\$195		\$107	\$90	\$137	\$113
With Medicare B Only			\$223	\$340	\$428	\$230
<b>25 years &amp; over</b>						
Without Medicare	\$246	\$246		\$197	\$211	\$281
With Medicare A & B	\$120		\$73	\$64	\$89	\$77
With Medicare B Only			\$73	\$64	\$89	\$77



**2014 Contribution Rates  
(continued)**

<b>Years of Service</b>	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Spouse Premiums (Service Retiree, Disability Recipient, or Member's Qualified Service)</b>						
<b>Up to 25 years</b>						
Without Medicare	\$1,060	\$1,060		\$774	\$844	\$1,157
With Medicare A & B	\$521		\$253	\$201	\$343	\$273
With Medicare B Only			\$606	\$774	\$1,227	\$625
<b>25-29.999 years</b>						
Without Medicare	\$958	\$958		\$700	\$763	\$1,045
With Medicare A & B	\$472		\$231	\$184	\$312	\$249
With Medicare B Only			\$231	\$184	\$312	\$249
<b>30 years &amp; over</b>						
Without Medicare	\$855	\$855		\$626	\$683	\$933
With Medicare A & B	\$424		\$209	\$167	\$282	\$225
With Medicare B Only			\$209	\$167	\$282	\$225

	<b>Aetna Choice POS II and Aetna Indemnity</b>	<b>Medical Mutual PPO</b>	<b>Aetna Medicare<sup>SM</sup></b>	<b>AultCare PPO and PrimeTime</b>	<b>Kaiser HMO</b>	<b>Paramount HMO</b>
<b>Child Premiums</b>						
<b>Child w/o Medicare A</b>	\$204	\$204		\$149	\$161	\$204
<b>Child with Medicare A &amp; B</b>	\$375		\$187	\$151	\$251	\$201



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

### **2014 Aetna Choice POS II**

The Aetna Choice POS II plan is not available for optional enrollment. It is available only if a benefit recipient, or one or more covered family members, is enrolled in the SERS Aetna Medicare<sup>SM</sup> Plan PPO, and eligible dependents are not eligible for Medicare and are under age 65. Prescription drug coverage is administered through Express Scripts.

### **2014 AultCare PPO**

The AultCare PPO plan is available to a benefit recipient if the benefit recipient is under age 65 and not eligible for Medicare and lives in an AultCare PPO service area. The AultCare PPO plan is a Preferred Provider Organization (PPO) plan. Recipients enrolled in the AultCare PPO plan may use out-of-network providers at a potentially increased cost. Prescription drug coverage is administered through AultCare.

The AultCare PPO plan is available in the following Ohio counties: Ashland, Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Knox, Mahoning, Medina, Muskingum, Portage, Richland, Stark, Summit, Tuscarawas, and Wayne.

### **2014 Kaiser Permanente HMO**

The Kaiser Permanente HMO plan is available to a benefit recipient if the benefit recipient is under age 65 and not eligible for Medicare and lives in a Kaiser Permanente HMO service area. The Kaiser Permanente HMO plan is a Health Maintenance Organization (HMO) plan. Recipients enrolled in the Kaiser Permanente HMO plan must use Kaiser Permanente HMO providers. Prescription drug coverage is administered through Kaiser Pharmacy.

The Kaiser HMO plan is available in the following Ohio counties: Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Stark, Summit, and Wayne.



**SERS' Non-Medicare Plans  
(continued)**

**2014 Medical Mutual of Ohio PPO**

The Medical Mutual of Ohio (MMO) PPO plan is available to a benefit recipient if the benefit recipient is under age 65 and not eligible for Medicare and lives in a MMO service area. The MMO PPO plan is a Preferred Provider Organization (PPO) plan. Recipients enrolled in the MMO PPO plan may use out-of-network providers at a potentially increased cost. Prescription drug coverage is administered through Express Scripts.

The MMO PPO plan is available throughout Ohio. The MMO PPO is also available in most other states.

**2014 Paramount HMO**

The Paramount HMO plan is available to a benefit recipient if the benefit recipient is under age 65 and not eligible for Medicare and lives in a Paramount HMO service area. The Paramount HMO plan is a Health Maintenance Organization (HMO) plan. Recipients enrolled in the Paramount HMO plan must use Paramount HMO providers. Prescription drug coverage is administered through Express Scripts.

The Paramount HMO plan is available in the following Ohio counties: Allen, Defiance, Erie, Fulton, Hancock, Henry, Huron, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Williams, and Wood, and in the following Michigan counties: Lenawee and Monroe.



## **SERS' Medicare Plans**

### **2014 Aetna Medicare<sup>SM</sup> Plan (PPO)**

The Aetna Medicare<sup>SM</sup> Plan (PPO) is available to a benefit recipient if the benefit recipient has Medicare Part A and/or Medicare Part B. The Aetna Medicare<sup>SM</sup> Plan (PPO) is a Medicare Advantage (MA) plan. MA plans have a contract with Medicare to provide Medicare coverage. This plan is a Preferred Provider Organization (PPO) plan with an Extended Service Area (ESA) that allows members to use medical providers, such as doctors and hospitals, which may or may not be in the Aetna provider network as long as the provider accepts Medicare patients, and the provider will file claims with Aetna. Medicare Part D prescription drug coverage is administered through Express Scripts.

The Aetna Medicare<sup>SM</sup> Plan (PPO) is available throughout the U.S.

### **2014 Aetna Indemnity Plan**

The Aetna Indemnity Plan is not available for optional enrollment. It is available only under special circumstances. SERS determines when enrollment is appropriate. Medicare Part D prescription drug coverage is administered through Express Scripts.

### **2014 AultCare PPO**

The AultCare PPO plan is available to a benefit recipient if the recipient has Medicare Part B only and lives in an AultCare PPO service area. The AultCare PPO plan is not a Medicare Advantage plan. Prescription drug coverage is administered through AultCare.

The AultCare PPO plan is available in the following Ohio counties: Ashland, Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Knox, Mahoning, Medina, Muskingum, Portage, Richland, Stark, Summit, Tuscarawas, and Wayne.



## **SERS' Medicare Plans (continued)**

### **2014 Kaiser Permanente Medicare Plus**

The Kaiser Permanente Medicare Plus plan is available to a benefit recipient if the recipient has Medicare Part A and/or Medicare Part B and lives in a Kaiser Permanente Medicare Plus service area. This plan allows members to use Kaiser Permanente HMO providers or out-of-network providers who accept Original Medicare. Out-of network claims must be submitted directly to Medicare by the provider. Medicare Part D prescription drug coverage is administered through Kaiser Pharmacy.

The Kaiser Permanente Medicare Plus plan is available in the following Ohio counties: Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, and Summit.

### **2014 Paramount Elite Medicare Advantage**

The Paramount Elite Medicare Advantage plan is available to a benefit recipient if the recipient has Medicare Part A and Medicare Part B and lives in a Paramount Elite Medicare Advantage service area. The Paramount Elite plan is a Medicare Advantage plan. Recipients enrolled in the Paramount Elite Medicare Advantage must use Paramount HMO providers. Medicare Part D prescription drug coverage is administered through Express Scripts.

The Paramount Elite Medicare Advantage plan is available in the following Ohio counties: Fulton, Henry, Lucas, Ottawa, Williams, and Wood, and in the following Michigan counties: Lenawee and Monroe.

### **2014 PrimeTime Health Plan**

The PrimeTime Health Plan is available to a benefit recipient if the recipient has Medicare Part A and Part B and lives in a PrimeTime Health Plan service area. The PrimeTime Health Plan is a Medicare Advantage plan through AultCare. Recipients enrolled in the PrimeTime Health Plan must use PrimeTime HMO providers. Medicare Part D prescription drug coverage is administered through PrimeTime.

The PrimeTime Health Plan is available in the following Ohio counties: Carroll, Columbiana, Harrison, Holmes, Jefferson, Mahoning, Stark, Summit, Tuscarawas, and Wayne.





## Prescription Drug Coverage

### Express Scripts Prescription Plan

Prescription drug coverage is administered through Express Scripts for members enrolled in the following health plans:

- ◇ Aetna Choice POS II (members without Medicare)
- ◇ Medical Mutual of Ohio PPO (members without Medicare)
- ◇ Paramount HMO (members without Medicare)
- ◇ Aetna Medicare<sup>SM</sup> Plan (PPO) (members with both Medicare Part A and Medicare Part B and members with Medicare Part B only)
- ◇ Aetna Indemnity Plan (members with both Medicare Part A and Medicare Part B)
- ◇ Paramount Elite Medicare Advantage (members with both Medicare Part A and Medicare Part B and members with Medicare Part B only)

Members that are enrolled in a Non-Medicare plan may receive up to a 30-day supply per retail prescription. Members enrolled in a Medicare plan (members who have Medicare Part A and/or Medicare Part B) may receive up to a 90-day supply per retail prescription. Members pay \$5 for generic, 25% of formulary (\$25 minimum and \$100 maximum) for preferred brand and 100% for a non-preferred brand prescription (50% if enrolled in a Medicare plan). Members may also receive a 90-day supply of their prescriptions via mail-order with a co-pay of \$12 for generic, 25% of formulary (minimum \$45 and maximum \$200) for preferred brand, and 100% of the cost for a non-preferred brand prescription (50% if enrolled in a Medicare plan).

Members pay special co-payments for insulin prescriptions. Members pay 25% or \$30 maximum for preferred brand, and 25% or \$45 maximum for a non-preferred brand retail 30-day supply prescription. Mail-order copayments are 25% or \$60 maximum for preferred brand, and 25% or \$115 maximum for a non-preferred brand 90-day supply prescription.

Members filling prescriptions at a pharmacy outside of the Express Scripts network are required to pay 100% of SERS' cost of the drug.

Members with Medicare Part B that are enrolled in the Aetna Medicare<sup>SM</sup> Plan (PPO) or Paramount Elite Medicare Advantage may have some supplies and medicines covered through their health plan rather than the Express Scripts prescription drug plan.



## **Prescription Drug Coverage (continued)**

### **AultCare and PrimeTime Pharmacy**

Members enrolled in the AultCare PPO plan (members without Medicare and members with Medicare Part B only) and members enrolled in the PrimeTime Health Plan (members with both Medicare Part A and Medicare Part B), may receive up to a 30-day supply per retail prescription. The co-pay is \$5 for generic, 25% of formulary (\$25 minimum and \$100 maximum) for preferred brand and 100% for a non-preferred brand prescription (50% if enrolled in a Medicare plan). Members may also receive a 90-day supply of their prescriptions via mail-order with a co-pay of \$12 for generic, 25% of formulary (minimum \$45 and maximum \$200) for preferred brand, and 100% of the cost for a non-preferred brand prescription (50% if enrolled in a Medicare plan).

Members pay special co-payments for insulin prescriptions. Members pay \$30 for preferred brand, and \$45 for a non-preferred brand retail 30-day supply prescription. Mail-order copayments are \$60 for preferred brand, and \$115 for a non-preferred brand 90-day supply prescription.

### **Kaiser Pharmacy**

Members enrolled in the Kaiser Permanente HMO (members without Medicare) plan may receive up to a 31-day supply per retail prescription with a co-pay of \$10. Members may also receive a 90-day supply of their prescriptions via mail-order with a co-pay of \$25. Members pay 100% for non-preferred brand prescriptions.

Members enrolled in Kaiser Permanente Medicare Plus plan (members with both Medicare Part A and Medicare Part B and members with Medicare Part B only) may receive up to a 31-day supply per retail prescription. The co-pay is \$15 for generic and \$30 for brand formulary prescriptions. Members may also receive a 90-day supply of their prescriptions via mail-order with a co-pay of \$15 for generic and a co-pay of \$30 for brand formulary prescriptions. Members pay 100% for non-preferred brand prescriptions.

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

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



**Non-Medicare Plan Benefits**

	<b>Aetna Choice POS II &amp; MMO PPO</b>	<b>AultCare PPO</b>	<b>Kaiser Permanente HMO</b>	<b>Paramount HMO</b>
Deductible (Annual)	\$1,000/person \$2,000/family	\$1,000/person \$2,000/family	\$1,000/person \$2,000/family	\$1,000/person \$2,000/family
Coinsurance (Annual Limit)	\$1,500/person \$3,000/family	\$1,500/person \$3,000/family	\$1,500/person \$3,000/family	\$1,500/person \$3,000/family
Office visit	\$25 co-pay	\$25 co-pay	\$15 co-pay	\$15 co-pay
Specialist	\$25 co-pay	\$25 co-pay	\$15 co-pay	\$30 co-pay
Surgeon Fee	20% coinsurance	20% coinsurance	\$15 co-pay, 80% after deductible	\$30 co-pay
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay	20% coinsurance	20% coinsurance
Emergency Room	20% coinsurance	20% coinsurance	\$50 co-pay, waived if admitted	\$50 co-pay, waived if admitted
Ambulance	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Urgent Care	\$25 co-pay	20% coinsurance	\$35 co-pay	\$35 co-pay
Outpatient Diagnostic X-Ray	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Outpatient Diagnostic Lab	20% coinsurance	20% coinsurance	N/A	20% coinsurance
Outpatient Surgery (Facility Only)	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	\$25 co-pay	Not covered	\$30 co-pay
Durable Medical Equipment	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Skilled Nursing Facility	20% coinsurance (365 day maximum)	20% coinsurance (365 day maximum)	20% coinsurance (100 day maximum)	Co-pay: \$0 per day 1-15, \$95 per day 16-100
Home Health Care	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Hospice	Inpatient 100% coverage after deductible, 30 day lifetime limit. Outpatient: 20% coinsurance after deductible	20% coinsurance after deductible; 30-day inpatient lifetime maximum	100% coverage	20% coinsurance
Prescription Drugs	<b>Express Scripts</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max) <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 100% of SERS' cost <u>Insulin Retail</u> 25% or \$30 max preferred brand, \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand	<b>AultCare</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max) <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 100% <u>Insulin Retail</u> \$30 preferred brand, \$45 non-preferred brand <u>Insulin Mail Order</u> \$60 preferred brand, \$115 non-preferred brand	<b>Kaiser</b> <u>Retail 31-day max:</u> \$10 co-pay <u>Mail order 90-day max:</u> \$25 co-pay Non-preferred at 100%	<b>Express Scripts</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max) <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 100% of SERS' cost <u>Insulin Retail</u> 25% or \$30 max preferred brand, \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand



### Medicare Plan Benefits

	Aetna Medicare <sup>SM</sup> Plan (PPO)	PrimeTime Health Plan	Kaiser Permanente Medicare Plus	Paramount Elite Medicare Advantage
Deductible (Annual)	\$0	\$0	\$0	\$0
Coinsurance (Annual Limit)	\$6,700 per person	\$6,700 per person	\$3,400 per person	\$6,700 per person
Office visit	\$20 co-pay	\$20 co-pay	\$20 co-pay	\$20 co-pay
Specialist visit	\$40 co-pay	\$40 co-pay	\$40 co-pay	\$40 co-pay
Surgeon Fee	\$40 co-pay	100% coverage	100% coverage	100% coverage
Inpatient Hospital	\$150 per day 1-5, then 100%	\$150 per day 1-5, then 100%	\$100 per day 1-5, then 100%	\$150 per day 1-5, then 100%
Emergency Room	\$65 co-pay, waived if admitted	\$65 co-pay, waived if admitted	\$65 co-pay, waived if admitted	\$65 co-pay, waived if admitted
Ambulance	20% coinsurance	\$75 co-pay	\$50 co-pay	100% coverage
Urgent Care	\$40 co-pay	\$40 co-pay	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray	\$25 co-pay	100% coverage	100% coverage	100% coverage
Outpatient Diagnostic Lab	100% coverage	100% coverage	100% coverage	100% coverage
Outpatient Surgery (Facility Only)	\$200 co-pay per surgery	\$200 co-pay per surgery	\$200 co-pay per surgery	\$200 co-pay per surgery
Chiropractic	\$15 co-pay limited to Medicare coverage	\$15 co-pay limited to Medicare coverage	\$20 co-pay for manual manipulations/sublux	\$20 co-pay limited to Medicare coverage
Durable Medical Equipment	20% coinsurance	20% coinsurance	20% coinsurance	20% coinsurance
Skilled Nursing Facility	Co-pay: \$0 per day 1-10, \$25 per day 11-20, \$50 per day 21-100 (100 day maximum)	Co-pay: \$0 per day 1-15, \$20 per day 16-30, \$0 per day 31-100 (100 day maximum)	100% coverage (100 day maximum)	Co-pay: \$0 per day 1-15, \$95 per day 16-100 (100 day maximum)
Home Health Care	100% coverage	100% coverage	100% coverage	100% coverage
Hospice	Covered per Medicare rules	100% coverage	Covered per Medicare rules	Covered per Medicare rules
Prescription Drugs	<b>Express Scripts Medicare D PDP</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max), 50% non-preferred brand <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 50% of SERS' cost <u>Insulin Retail</u> 25% or \$30 max preferred brand, \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand	<b>PrimeTime</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max), 50% non-preferred brand <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max), 50% non-preferred brand <u>Insulin Retail</u> \$30 preferred brand, \$45 non-preferred brand <u>Insulin Mail Order</u> \$60 preferred brand, \$115 non-preferred brand	<b>Kaiser</b> <u>Retail 31-day max:</u> \$15 generic, \$30 brand formulary <u>Mail order 90-day max:</u> \$15 generic, \$30 brand formulary Non-preferred at 100%	<b>Express Scripts Medicare D PDP</b> <u>Retail 30-day max:</u> \$5 generic, 25% preferred brand (\$25 min, \$100 max), 50% non-preferred brand <u>Mail order 90-day max:</u> \$12 generic, 25% preferred brand (\$45 min, \$200 max) Non-preferred at 50% of SERS' cost <u>Insulin Retail</u> 25% or \$30 max preferred brand, \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, \$115 max non-preferred brand



**SCHEDULE D**

**DETAILED TABULATIONS OF THE DATA**

**All Retirees, Spouses and Dependents Receiving Health Care  
Male and Female Demographic Breakdown  
June 30, 2013  
Tabulated by Attained Ages**

Attained Age	Number of		Total
	Males	Females	Number
Under 20	86	99	185
20-24	90	80	170
25-29	11	30	41
30-34	4	1	5
35-39	2	5	7
40-44	16	17	33
45-49	47	68	115
50-54	277	289	566
55-59	755	980	1,735
60-64	1,161	2,260	3,421
65-69	1,643	4,369	6,012
70-74	2,562	5,873	8,435
75-79	2,749	5,910	8,659
80-84	2,081	4,796	6,877
85-89	1,326	4,126	5,452
90-94	560	2,269	2,829
95-99	111	587	698
100	3	32	35
101	4	28	32
102	2	7	9
103	0	5	5
104	0	4	4
105 & Over	1	6	7
<b>Total</b>	<b>13,491</b>	<b>31,841</b>	<b>45,332</b>



**Terminated Vested Members Eligible for Health Care  
Male and Female Demographic Breakdown  
June 30, 2013  
Tabulated by Attained Ages**

Attained Age	Number of		Total
	Males	Females	Number
Under 35	12	11	23
35-39	35	52	87
40-44	79	163	242
45-49	120	360	480
50-54	233	771	1,004
55-59	270	1,297	1,567
60 & Over	153	780	933
<b>Total</b>	<b>902</b>	<b>3,434</b>	<b>4,336</b>



**Total Active Members as of June 30, 2013  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	727							727
Avg Pay	\$5,577							\$4,054,759
20-24	5,231	106	1					5,338
Avg Pay	\$7,888	\$19,608	\$43,525					\$43,385,534
25-29	5,172	815	48					6,035
Avg Pay	\$12,313	\$26,664	\$36,422					\$87,163,155
30-34	4,577	1,652	584	53				6,866
Avg Pay	\$14,167	\$27,888	\$35,697	\$35,759				\$133,656,277
35-39	4,919	2,137	1,179	366	29			8,630
Avg Pay	\$13,234	\$25,089	\$35,651	\$38,206	\$42,811			\$175,969,331
40-44	6,255	3,663	2,400	964	295	33		13,610
Avg Pay	\$12,339	\$22,341	\$30,437	\$39,320	\$43,347	\$49,032		\$284,377,255
44-49	5,750	4,579	4,192	2,090	798	473	71	17,953
Avg Pay	\$12,954	\$21,294	\$26,910	\$33,014	\$41,967	\$44,346	\$45,914	\$411,525,145
50-54	4,671	4,373	5,379	4,086	1,845	1,111	443	21,908
Avg Pay	\$13,521	\$21,906	\$26,506	\$29,156	\$35,924	\$43,411	\$46,381	\$555,711,233
55-59	3,577	3,044	4,119	4,174	2,989	1,745	752	20,400
Avg Pay	\$14,133	\$22,519	\$27,330	\$28,524	\$31,625	\$36,799	\$44,306	\$542,793,552
60-64	2,028	1,816	2,084	2,035	2,136	1,862	737	12,698
Avg Pay	\$13,447	\$22,316	\$26,689	\$29,778	\$31,260	\$34,194	\$37,470	\$342,072,028
65-69	966	780	773	533	612	733	564	4,961
Avg Pay	\$9,699	\$18,885	\$25,606	\$29,133	\$30,736	\$31,068	\$31,428	\$118,729,335
70 & over	548	500	398	233	174	227	436	2,516
Avg Pay	\$8,455	\$12,828	\$19,504	\$24,058	\$25,930	\$26,568	\$28,513	\$47,389,931
<b>Totals</b>	<b>44,421</b>	<b>23,465</b>	<b>21,157</b>	<b>14,534</b>	<b>8,878</b>	<b>6,184</b>	<b>3,003</b>	<b>121,642</b>
<b>Avg Pay</b>	<b>\$12,282</b>	<b>\$22,538</b>	<b>\$27,833</b>	<b>\$30,460</b>	<b>\$33,613</b>	<b>\$36,790</b>	<b>\$38,261</b>	<b>\$22,581</b>

**Averages:**

Age: 48.6

Service: 10.0

Annual Pay: \$22,581



**Male Active Members as of June 30, 2013  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	421							421
Avg Pay	\$5,845							\$2,460,796
20-24	2,555	48	1					2,604
Avg Pay	\$8,070	\$26,497	\$43,525					\$21,934,876
25-29	2,380	424	34					2,838
Avg Pay	\$12,257	\$29,806	\$40,657					\$43,190,565
30-34	1,897	698	284	22				2,901
Avg Pay	\$15,033	\$32,788	\$42,362	\$42,088				\$64,360,056
35-39	1,758	603	417	171	16			2,965
Avg Pay	\$14,011	\$32,506	\$46,769	\$44,592	\$45,084			\$72,081,085
40-44	1,965	768	515	348	137	14		3,747
Avg Pay	\$13,341	\$30,647	\$44,543	\$50,747	\$47,450	\$54,663		\$97,617,617
44-49	1,988	883	655	451	302	220	36	4,535
Avg Pay	\$13,565	\$29,981	\$40,312	\$48,388	\$51,771	\$49,262	\$48,425	\$129,883,969
50-54	1,750	997	836	551	390	447	227	5,198
Avg Pay	\$14,450	\$29,310	\$39,417	\$45,163	\$49,916	\$51,305	\$49,701	\$166,030,252
55-59	1,607	951	890	576	447	420	332	5,223
Avg Pay	\$15,463	\$28,171	\$37,667	\$42,134	\$45,406	\$47,694	\$49,794	\$166,291,582
60-64	1,036	753	607	387	338	326	190	3,637
Avg Pay	\$14,537	\$25,986	\$34,200	\$41,513	\$44,678	\$47,866	\$50,482	\$111,749,389
65-69	513	434	349	164	114	104	72	1,750
Avg Pay	\$11,367	\$21,663	\$30,054	\$37,603	\$41,007	\$41,461	\$43,113	\$43,979,910
70 & over	278	255	228	97	41	41	38	978
Avg Pay	\$10,120	\$15,792	\$22,335	\$30,319	\$32,118	\$35,705	\$43,001	\$19,288,426
<b>Totals</b>	<b>18,148</b>	<b>6,814</b>	<b>4,816</b>	<b>2,767</b>	<b>1,785</b>	<b>1,572</b>	<b>895</b>	<b>36,797</b>
<b>Avg Pay</b>	<b>\$12,807</b>	<b>\$28,679</b>	<b>\$38,439</b>	<b>\$44,222</b>	<b>\$46,898</b>	<b>\$48,313</b>	<b>\$49,036</b>	<b>\$25,515</b>

Averages:  
Age: 46.7  
Service: 8.1  
Annual Pay: \$25,515





**Female Active Members as of June 30, 2013  
Tabulated by Attained Ages and Years of Service**

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	306							306
Avg Pay	\$5,209							\$1,593,963
20-24	2,676	58						2,734
Avg Pay	\$7,715	\$13,906						\$21,450,658
25-29	2,792	391	14					3,197
Avg Pay	\$12,362	\$23,256	\$26,138					\$43,972,591
30-34	2,680	954	300	31				3,965
Avg Pay	\$13,554	\$24,304	\$29,386	\$31,268				\$69,296,221
35-39	3,161	1,534	762	195	13			5,665
Avg Pay	\$12,801	\$22,174	\$29,567	\$32,607	\$40,013			\$103,888,246
40-44	4,290	2,895	1,885	616	158	19		9,863
Avg Pay	\$11,880	\$20,138	\$26,584	\$32,864	\$39,789	\$44,882		\$186,759,639
44-49	3,762	3,696	3,537	1,639	496	253	35	13,418
Avg Pay	\$12,632	\$19,218	\$24,429	\$28,783	\$35,998	\$40,072	\$43,332	\$281,641,175
50-54	2,921	3,376	4,543	3,535	1,455	664	216	16,710
Avg Pay	\$12,964	\$19,719	\$24,130	\$26,661	\$32,173	\$38,098	\$42,892	\$389,680,980
55-59	1,970	2,093	3,229	3,598	2,542	1,325	420	15,177
Avg Pay	\$13,048	\$19,951	\$24,481	\$26,346	\$29,201	\$33,346	\$39,967	\$376,501,970
60-64	992	1,063	1,477	1,648	1,798	1,536	547	9,061
Avg Pay	\$12,309	\$19,717	\$23,602	\$27,023	\$28,738	\$31,292	\$32,950	\$230,322,639
65-69	453	346	424	369	498	629	492	3,211
Avg Pay	\$7,809	\$15,401	\$21,944	\$25,369	\$28,384	\$29,350	\$29,718	\$74,749,425
70 & over	270	245	170	136	133	186	398	1,538
Avg Pay	\$6,740	\$9,743	\$15,708	\$19,593	\$24,022	\$24,554	\$27,130	\$28,101,505
<b>Totals</b>	<b>26,273</b>	<b>16,651</b>	<b>16,341</b>	<b>11,767</b>	<b>7,093</b>	<b>4,612</b>	<b>2,108</b>	<b>84,845</b>
<b>Avg Pay</b>	<b>\$11,920</b>	<b>\$20,025</b>	<b>\$24,707</b>	<b>\$27,224</b>	<b>\$30,270</b>	<b>\$32,863</b>	<b>\$33,686</b>	<b>\$21,309</b>

Averages:  
 Age: 49.5  
 Service: 10.9  
 Annual Pay: \$21,309



**Active Members as of June 30, 2013  
By Annual Pay**

Annual Pay	Number of Active Members			Portion of Total Number	
	Men	Women	Totals	Group	Cumulative
Less than \$1,000	210	251	461	0.4%	0.4%
\$1,000 - 1,999	1,222	1,230	2,452	2.0%	2.4%
2,000 - 2,999	2,201	2,102	4,303	3.5%	5.9%
3,000 - 3,999	2,243	2,250	4,493	3.7%	9.6%
4,000 - 4,999	1,788	2,365	4,153	3.4%	13.0%
5,000 - 5,999	1,341	2,212	3,553	2.9%	16.0%
6,000 - 6,999	990	2,212	3,202	2.6%	18.6%
7,000 - 7,999	854	2,139	2,993	2.5%	21.1%
8,000 - 8,999	767	2,268	3,035	2.5%	23.5%
9,000 - 9,999	633	2,289	2,922	2.4%	26.0%
10,000 - 11,999	1,320	4,400	5,720	4.7%	30.7%
12,000 - 13,999	1,175	4,536	5,711	4.7%	35.3%
14,000 - 15,999	1,189	5,327	6,516	5.4%	40.7%
16,000 - 17,999	1,209	6,448	7,657	6.3%	47.0%
18,000 - 19,999	1,164	6,281	7,445	6.1%	53.1%
20,000 - 24,999	2,344	12,103	14,447	11.9%	65.0%
25,000 - 29,999	2,051	7,890	9,941	8.2%	73.2%
30,000 - 35,999	3,103	6,862	9,965	8.2%	81.4%
36,000 and over	10,993	11,680	22,673	18.6%	100.0%
<b>Totals</b>	<b>36,797</b>	<b>84,845</b>	<b>121,642</b>		



## **SCHEDULE E**

### **GLOSSARY**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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