



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, 2017





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

November 7, 2017

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

Dear Members of the Board:

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, 2017. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that an actuarially determined contribution of 5.31% of active payroll payable for the fiscal year ending June 30, 2018 is required to fund the benefits.

On June 2, 2015, GASB Statement No. 74 and GASB Statement No. 75 (GASB 74 and 75) were unanimously adopted by the GASB Board. The disclosure requirements of GASB 74 and 75 will be similar to the disclosure requirements for pension benefits under GASB Statement No. 67 and GASB Statement No. 68. GASB 74 relates to accounting disclosures for plan sponsors and, as such, replaces GASB 43 beginning with fiscal years ending September 30, 2017. GASB 75 relates to accounting disclosures for contributing employers and, as such, replaces GASB 45 beginning with fiscal years ending September 30, 2018. GASB 74 and 75 will require applicable OPEB plan sponsors and contributing employers to disclose the net OPEB liability on the statement of financial position and book an accounting expense based upon the entry age normal actuarial cost method. Beyond the use of a specified actuarial cost method, GASB's new disclosure standards will also require the discount rate used to calculate liabilities to be based upon the yield of 20-year, tax-exempt municipal bonds and the expected rate of return on plan assets, to the extent plan assets are projected to be available for the payment of future benefits. Additionally, GASB 74 and 75 will bring about many other changes in the liability valuation and accounting disclosure processes currently in place which are expected to significantly impact data collection, timing, and effort. As details for the new GASB OPEB disclosure standards emerge, planning and coordination between plan sponsors, contributing employers, actuaries, and auditors is recommended. Separate reports will be prepared to provide accounting information under Governmental Accounting Standards Board Statements No. 74 and 75, when applicable.

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

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

www.CavMacConsulting.com

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



November 7, 2017
Board of Trustees
Page 2

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 2020 (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.

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

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

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

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

Respectfully submitted,

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

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

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

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

AB/JJG:bvb



TABLE OF CONTENTS

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Summary of Principal Results	1
II	Membership Data	4
III	Assets	6
IV	Comments on Valuation	7
V	Derivation of Experience Gains and Losses	8
VI	Required Contribution Rates	10
VII	Accounting Information	11
<u>Schedule</u>		
A	Valuation Balance Sheet	13
B	Statement of Actuarial Assumptions and Methods	16
C	Summary of Plan Provisions	23
D	Detailed Tabulations of the Data	35
E	Glossary	41



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

PREPARED AS OF JUNE 30, 2017

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of June 30, 2017, 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, 2017	June 30, 2016
Active members included in valuation		
Number *	157,981	124,540
Annual Compensation	\$3,303,055,969	\$2,932,236,551
Service Retirees		
Number	32,085	32,006
Disability Retirees		
Number	3,208	3,362
Spouses of Retirees		
Number	5,566	5,704
Spouses of Deceased Retirees		
Number	1,808	1,916
Survivor Benefit Recipients		
Number	803	849
Children		
Number	388	440
Deferred Vesteds		
Number	4,860	4,943
Assets		
Market Value	\$382,109,560	\$370,204,515
Unfunded Accrued Liability	\$2,014,376,745	\$2,037,076,321
Actuarial Accrued Liability	\$2,396,486,305	\$2,407,280,836
Funded Ratio (MVA/AAL)	15.94%	15.38%
Employer Contribution Rate		
Normal	2.76%	2.48%
Accrued Liability	<u>2.55%</u>	<u>2.91%</u>
Total	5.31%	5.39%
Employer Contribution Toward Health Care**	2.00%	1.50%
Accrued liability amortization period	30	30

* The active member headcount reflects 32,641 members who have been re-categorized as active who previously were reported as inactive members. This group earned less than 0.25 of a year of service during fiscal year ending 2017, and had average annual earnings of \$7,518.

** Includes 1.50% of payroll surcharge



2. The valuation assumes an allocation of 13.50% allocated to the basic benefits and 0.50% allocated to health care consistent with SERS' funding policy. The funding policy requires at least 13.50% of the employers' contributions be allocated to SERS' basic benefits when the funded ratio is 70% but less than 80%, with the remainder allocated to the health care fund. Therefore, the employer health contribution rate is set at 1.50% plus 0.50%, or 2.00%. This rate includes the anticipated revenue from the minimum surcharge level for FY2018 of \$23,700.
3. The valuation balance sheet showing the results of the valuation is given in Schedule A.
4. Comments on the valuation results are given in Section IV, comments on the experience and actuarial gains during the valuation year are given in Section V, and the rates of contribution payable by the employer are given in Section VI.
5. There were no changes in interest rate, or age related morbidity assumptions since the last valuation. The following changes were reflected in this valuation:

Medicare Eligible

Premiums

Premiums will remain the same in 2018 for Aetna Medicare Plan (PPO) enrollees. There will be a premium increase for enrollees in the Paramount Elite Medicare and PrimeTime plans.

Emergency Room Co-Pay

The emergency room co-pay for all plans will be increasing to \$100 from \$75. The co-pay will be waived if you are admitted to the hospital.

Outpatient Surgery/Procedures

Outpatient surgery/procedures will change from a \$200 co-pay to a 15% coinsurance, up to a \$200 maximum under the Aetna and Paramount Elite Medicare plans. As a result, plan enrollees undergoing less costly procedures will pay less than the maximum amount.

This change does not apply to the PrimeTime plan, which remains at a \$200 co-pay for outpatient surgery/procedures.

Non-Medicare Eligible

Premiums

Aetna Choice POS II plan participants will see an increase in premiums. AultCare premiums will remain the same. Premium information for Marketplace plans will not be available until October.



Out-of-Pocket Maximum

The combined medical and prescription drug out-of-pocket maximums will increase under the Aetna Choice POS II and AultCare PPO plans.

Payments made toward the deductible, co-insurance, and co-pays count toward the out-of-pocket maximum.

The out-of-pocket maximum limits how much members pay for covered expenses each year. Once the member has met the out-of-pocket maximum for a calendar year, the medical and prescription plans pay the covered expenses in full.

Maintenance Medication Refills Require Home Delivery Express Scripts and AultCare Pharmacy enrollees who take maintenance medications **must** use home delivery for refills beginning January 1, 2018. Refills requested at a retail pharmacy will **not** be covered. The switch to exclusive home delivery will lower SERS' costs and retirees will pay less overall in co-pays.

Maintenance medications are prescriptions used to treat chronic or long-term conditions. Some examples are medications used to treat high blood pressure, heart disease, asthma, and diabetes.

A prescription for a new maintenance medication may be filled for the first time at retail, but after that, home delivery must be used in order to be covered.

6. The statute sets a contribution cap of 24% of payroll; 14% from employers and 10% from employees. The funding policy states that employer contributions in excess of those required to support the basic benefits may be allocated to retiree health care funding. If the funded ratio is less than 70%, the entire 14% employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70% but less than 80%, at least 13.50% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 80% but less than 90%, at least 13.25% of the employers' contribution shall be allocated to SERS' basic benefits, with the remainder (if any) allocated to the Health Care Fund. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund SERS' basic benefits.



SECTION II – MEMBERSHIP DATA

Data regarding the membership of the System for use as a basis for the valuation were furnished by the System’s office. The following tables summarize the membership of the system as of June 30, 2017 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
157,981	\$3,303,055,969	\$20,908	46.7	7.5

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
6/30/2012	121,811	2,788,153,585	22,889	0.6%
6/30/2013	121,642	2,746,827,535	22,581	(1.3)
6/30/2014	121,251	2,759,281,606	22,757	0.8
6/30/2015	122,855	2,845,443,802	23,161	1.8
6/30/2016	124,540	2,932,236,551	23,545	1.7
6/30/2017	157,981	3,303,055,969	20,908	(11.2) *

** Average pay has decreased due to addition of 32,641 members who have been re-categorized as active who previously were reported as inactive members. This group earned less than 0.25 of a year of service during fiscal year ending 2017, and had average annual earnings of \$7,518.*



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

Retiree Lives

Type of Benefit Recipient	Number	Average Age
Service Retirees	32,085	75.9
Disability Retirees	3,208	68.0
Spouses	8,177	78.3
Children	388	29.2
Total	43,858	75.4

This valuation also includes 4,860 inactive members eligible for health care.



SECTION III – ASSETS

1. As of June 30, 2017 the total market value of assets amounted to \$382,109,560.

Asset Summary Based on Market Value			
(1)	Assets at June 30, 2016	\$	370,204,515
(2)	Contributions and Misc. Revenue		145,863,410
(3)	Investment Gain (Loss)		33,148,543
(4)	Benefit Payments		<u>(167,106,908)</u>
(5)	Assets at June 30, 2017	\$	382,109,560
	(1) + (2) + (3) + (4)		
(6)	Annualized Rate of Return*		9.2 %

*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, 2017.

1. The total health care valuation balance sheet shows that the System has total future health care liabilities of \$3,275,404,923 of which \$902,506,385 is for the future benefits payable for present retiree members and beneficiaries of deceased members; \$13,470,154 is for the future benefits payable for current deferred vested members; and \$2,359,428,384 is for the future benefits payable for present active members. Against these health care liabilities the System has a total market value of assets of \$382,109,560 as of June 30, 2017. The difference of \$2,893,295,363 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future for health care. Of this amount, no future contributions are expected to be made by members, and the balance of \$2,893,295,363 represents the present value of future contributions payable by SERS.
2. SERS' contributions on account of health care consists of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions at the rate of 2.76% 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 \$878,918,618. When this amount is subtracted from \$2,893,295,363 which is the present value of the total future contributions to be made by the employer, there remains \$2,014,376,745 as the amount of future accrued liability contributions.
4. It is recommended that the accrued liability contribution rate payable by SERS on account of health care be set at 2.55% of payroll. This rate is sufficient to liquidate the unfunded accrued liability of \$2,014,376,745 over 30 years on the assumption that the aggregate payroll for members will increase by 3.50% each year.



SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) for the year ended June 30, 2017 is shown below.

Experience Gain/(Loss) (\$ Thousands)

(1)	UAAL* as of 6/30/16	\$ 2,037,076
(2)	Normal cost from last valuation	73,084
(3)	Expected employer contributions	178,035
(4)	Interest accrual: [(1) + (2)] x .0525- (3) x .0525/2	<u>106,110</u>
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ 2,038,235
(6)	Change due to claims and retiree premiums	123,966
(7)	Expected UAAL after changes: (5) - (6)	\$ 1,914,269
(8)	Actual UAAL* as of 6/30/17	\$ 2,014,377
(9)	Total gain/(loss): (7) - (8)	\$ (100,108)
	(a) Contribution shortfall	(115,988)
	(b) Investment Gain/(Loss)	14,270
	(c) Experience Gain/(Loss) (9) - (9a) - (9b)	\$ 1,610
(10)	Accrued Liabilities as of 6/30/17	\$ 2,396,486
(11)	Experience Gain/(Loss) as percent of actuarial accrued liabilities at start of year (9c) / (10)	0.1%

* *unfunded actuarial accrued liability*



ANALYSIS OF FINANCIAL EXPERIENCE

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

Type of Activity	\$ Gain (or Loss) For Year Ending 6/30/17
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (4.8)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	(5.1)
Death-in Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(2.4)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	3.4
Claims Increases (Including Wrap Plan). If there are smaller claims increases than assumed creates a gain; larger, a loss.	124.0
New Members. Additional accrued liability attributable to members who entered the plan since the last valuation.	(39.0)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	14.3
Contribution Shortfall. If there are more contributions than the ARC, there is a gain. If less contributions, a loss.	(116.0)
Death After Retirement. If retiree members live longer than assumed, there is a loss. If not as long, a gain.	18.4
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	<u>31.1</u>
Gain (or Loss) During Year From Financial Experience	\$ 23.9
Non-Recurring Items. Adjustments for plan amendments, assumption changes and method changes	0.0
Composite Gain (or Loss) During Year	<u>\$ 23.9</u>



SECTION VI – REQUIRED CONTRIBUTION RATES

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Retirement System. The following tables show the rates of contribution payable by employers as determined from the present valuation for FY2018.

Required Contribution Rates

Contribution for	Amount	% of Payroll
A. Normal Cost	\$ 93,840,809	2.76%
B. Member Contributions*	\$ 0	0.00%
C. Employer Normal Cost: [A - B]	\$ 93,840,809	2.76%
D. Unfunded Actuarial Accrued Liability**	\$ 86,954,949	2.55%
E. Total Recommended Employer Contribution Rate: [C+D]	\$ 180,795,758	5.31%
F. Employer Contribution Toward Health Care ⁺	\$ 68,085,656	2.00%

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

** Based on 30-year amortization of the UAAL from June 30, 2017.

+ Includes 1.50% 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
2007	3.32%	1.50%	4.82%
2008	4.18	1.50	5.68
2009	4.16	1.50	5.66
2010	0.46	1.50	1.96
2011	1.43	1.50	2.93
2012	0.55	1.50	2.05
2013	0.16	1.50	1.66
2014	0.14	1.50	1.64
2015	0.82	1.50	2.32
2016	0.00	1.50	1.50
2017	0.00	1.50	1.50



SECTION VII - ACCOUNTING INFORMATION

Governmental Accounting Standards Board Statement 45 sets forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2017. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2017
Actuarial cost method	Entry Age
Amortization	Level Percent Open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return*	5.25%
* Includes price inflation at	3.00%
Wage increases	3.50%
Medical Trend Assumption	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%
Year of Ultimate Trend	2019 - 2022

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



**Schedule of Funding Progress
(\$ Millions)**

Actuarial Valuation Date	Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c))
6/30/2012	355	2,691	2,336	13.2%	2,788	83.8%
6/30/2013	379	2,918	2,539	13.0	2,747	92.4
6/30/2014	414	2,476	2,062	16.7	2,759	74.7
6/30/2015	408	2,425	2,016	16.8	2,845	70.9
6/30/2016	370	2,407	2,037	15.4	2,932	69.5
6/30/2017	382	2,396	2,014	15.9	3,303	61.0

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC) (a)	Employer Contribution (b)	Federal Subsidies and Other Receipts (c)	Total Contribution (d) = (b)+(c)	Percentage of ARC Contributed (e) = (d)/(a)
June 30, 2012	\$155,857,785	\$56,476,230	\$0	\$56,476,230	36.2%
June 30, 2013	171,402,038	45,489,443	0	45,489,443	26.5
June 30, 2014	190,390,431	46,097,206	29,200,200	75,297,406	39.5
June 30, 2015	164,182,107	68,904,867	20,084,826	88,989,693	54.2
June 30, 2016	161,566,234	44,855,441	32,493,250	77,348,691	47.9
June 30, 2017	178,034,717	47,672,886	17,341,005	65,013,891	36.5



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, 2017 and, for comparison purposes, as of the immediately preceding valuation date of June 30, 2016.

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

	June 30, 2017	June 30, 2016
ASSETS		
Current market value of assets	\$ 382,109,560	\$ 370,204,515
Prospective contributions		
Employer normal contributions	878,918,618	740,055,998
Unfunded accrued liability contributions	<u>2,014,376,745</u>	<u>2,037,076,321</u>
Total prospective contributions	<u>\$ 2,893,295,363</u>	<u>\$ 2,777,132,319</u>
Total assets	<u>\$ 3,275,404,923</u>	<u>\$ 3,147,336,834</u>
LIABILITIES		
Present value of benefits payable on account of present retiree members and beneficiaries	\$ 902,506,385	\$ 903,199,693
Present value of benefits payable on account of active members	2,359,428,384	2,229,459,796
Present value of benefits payable on account of deferred vested members	<u>13,470,154</u>	<u>14,677,345</u>
Total liabilities	<u>\$ 3,275,404,923</u>	<u>\$ 3,147,336,834</u>



The following table provides the solvency test for SERS members.

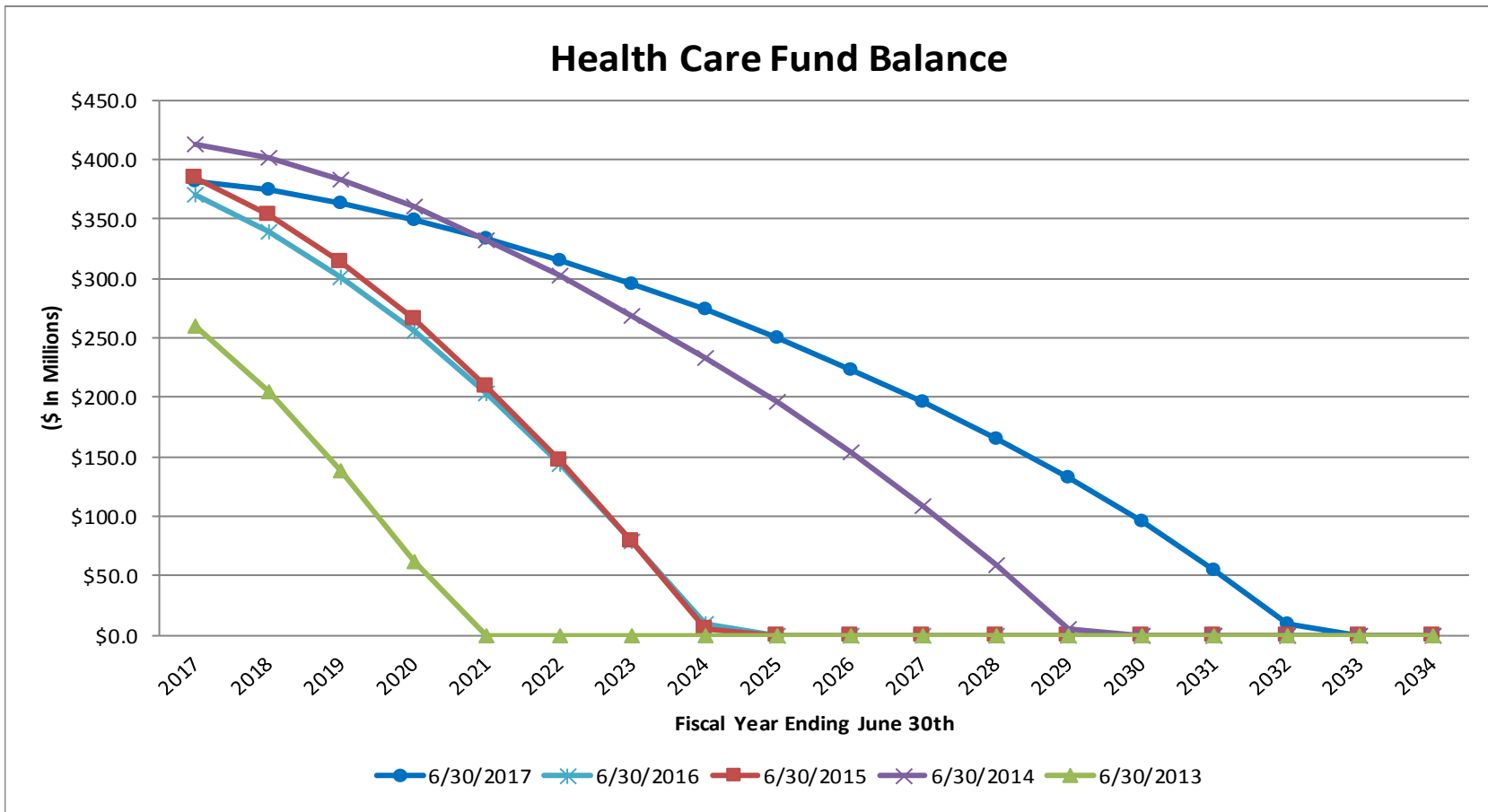
**Solvency Test
(\$ Millions)**

Valuation Date	Aggregate Accrued Liabilities For				Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retiree Members & Beneficiaries	(3) Active Members (Employer Financed Portion)			(1)	(2)	(3)
6/30/2012	\$0	\$1,074	\$1,617	\$355	100.0%	33.1%	0.0%	
6/30/2013	0	1,157	1,761	379	100.0	32.8	0.0	
6/30/2014	0	968	1,508	414	100.0	42.8	0.0	
6/30/2015	0	979	1,507	408	100.0	41.7	0.0	
6/30/2016	0	918	1,489	370	100.0	40.3	0.0	
6/30/2017	0	916	1,480	382	100.0	41.7	0.0	



Solvency Chart

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





SCHEDULE B

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

Calendar Year	Non-Medicare	Medicare
2017	7.50%	5.50%
2018	6.75	5.25
2019	6.25	5.00
2020	5.75	5.00
2021	5.25	5.00
2022 and beyond	5.00	5.00

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

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

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

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

Wives are assumed to be three years younger than husbands.



ANTICIPATED PLAN PARTICIPATION (continued):

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

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

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

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

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

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

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

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

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



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

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

Retiree Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$1,286	n/a	\$924	N/A
Medicare A	\$190	\$782	\$244	\$263
Medicare B Only	\$523	n/a	\$924	\$574

Spouse Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$1,157	n/a	\$738	N/A
Medicare A	\$190	\$782	\$244	\$263
Medicare B Only	\$523	n/a	\$738	\$574

Children Costs				
Medicare Status	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Non-Medicare	\$385	n/a	\$163	N/A
Medicare A	\$190	\$782	\$244	\$263

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



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

Annual Pre-65 Blended Costs Age Adjusted to 65							
Pre-65 Cost Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses	Current Dependent Children
Medical	\$12,540	\$10,735	\$11,220	\$12,996	\$9,952	\$7,368	\$6,060
Prescription Drug	2,736	2,565	2,472	2,748	2,404	2,124	1,236

Annual 65 & Older Blended Costs Age Adjusted to 65						
65 & Older Cost Type	Future Service Retirees	Future Disabled Retirees	Future Spouses	Current Service Retires	Current Disabled Retirees	Current Retiree Spouses
Medical	\$504	\$504	\$480	\$504	\$660	\$420
Prescription Drug	1,596	1,596	1,560	1,560	1,572	1,524



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

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

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

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



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

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

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

PAYROLL GROWTH: 3.50% per annum, compounded annually.

PRICE INFLATION: 3.00% per annum, compounded annually.

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



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

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

ASSET VALUATION METHOD: Market value.



SCHEDULE C

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO Summary of Main Plan Provisions as of June 30, 2017

ELIGIBILITY FOR ACCESS TO RETIREE HEALTH CARE:

Normal Retirement:

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

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

Early Retirement:

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

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

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

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

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

PREMIUM PAYMENTS:

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

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



PREMIUM PAYMENTS (Continued):

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

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

* Additional 1% reduction for each year over 35.

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

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

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

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

Dependent children pay 70.0% of the child premium.

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



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

2018 RETIREE GROUP HEALTH CARE PLAN OPTIONS:

Options available to members without Medicare

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

Options available to members with Medicare:

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

The following pages contain information that was provided by SERS in the 2018 Open Enrollment Guide and the 2018 Member Health Care Guide.



2018 Contribution Rates

Years of Service	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
Service Retirement Date on or before July 1, 1989 Premiums				
5-9.999 years				
Without Medicare	\$678		\$500	N/A
With Medicare A & B	\$144	\$426	\$157	\$167
With Medicare B Only	\$297		\$500	\$322
10-24.999 years & over				
Without Medicare	\$260		\$198	N/A
With Medicare A & B	\$73	\$172	\$78	\$81
With Medicare B Only	\$127		\$198	\$135
25 years & over				
Without Medicare	\$260		\$198	N/A
With Medicare A & B	\$73	\$172	\$78	\$81
With Medicare B Only	\$73		\$78	\$81

Years of Service	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount HMO
Service Retirement Date August 1, 1989 through July 1, 2008 Premiums				
10-14.999 years				
Without Medicare	\$1,321		\$965	N/A
With Medicare A & B	\$253	\$817	\$280	\$298
With Medicare B Only	\$558		\$965	\$609
15-19.999 years				
Without Medicare	\$678		\$500	N/A
With Medicare A & B	\$144	\$426	\$157	\$167
With Medicare B Only	\$297		\$500	\$322
20-24.999 years				
Without Medicare	\$357		\$267	N/A
With Medicare A & B	\$89	\$231	\$96	\$101
With Medicare B Only	\$166		\$267	\$178
25 years & over				
Without Medicare	\$260		\$198	N/A
With Medicare A & B	\$73	\$172	\$78	\$81
With Medicare B Only	\$73		\$78	\$81



**2018 Contribution Rates
(continued)**

Years of Service	Aetna Choice POS II and Aetna MedicareSM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
Service Retirement Date on or after August 1, 2008 Premiums*				
10-19.999 years				
Without Medicare	\$1321		\$965	N/A
With Medicare A & B	\$253	\$817	\$280	\$298
With Medicare B Only	\$558		\$965	\$609
20-24.999 years				
Without Medicare	\$678		\$500	N/A
With Medicare A & B	\$144	\$426	\$157	\$167
With Medicare B Only	\$297		\$500	\$322
25-29.999 years				
Without Medicare	\$421		\$314	N/A
With Medicare A & B	\$100	\$270	\$108	\$114
With Medicare B Only	\$100		\$108	\$114
30-34.999 years*				
Without Medicare	\$292		\$221	N/A
With Medicare A & B	\$79	\$191	\$84	\$88
With Medicare B Only	\$79		\$84	\$88

* Further reductions for each year over 35.

Years of Service	Aetna Choice POS II and Aetna MedicareSM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
Disability Benefit Recipient Premiums				
5-9.999 years				
Without Medicare	\$678		\$500	N/A
With Medicare A & B	\$144	\$426	\$157	\$167
With Medicare B Only	\$297		\$500	\$322
10-24.999 years & over				
Without Medicare	\$459		\$342	N/A
With Medicare A & B	\$107	\$293	\$116	\$122
With Medicare B Only	\$208		\$342	\$244
25 years & over				
Without Medicare	\$260		\$198	N/A
With Medicare A & B	\$73	\$172	\$78	\$81
With Medicare B Only	\$73		\$78	\$81



**2018 Contribution Rates
(continued)**

Years of Service	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
Spouse Premiums (Service Retiree, Disability Recipient, or Member's Qualified Service)				
Up to 25 years				
Without Medicare	\$1,192		\$778	N/A
With Medicare A & B	\$253	\$817	\$280	\$298
With Medicare B Only	\$558		\$778	\$609
25-29.999 years				
Without Medicare	\$1,076		\$703	N/A
With Medicare A & B	\$231	\$739	\$255	\$272
With Medicare B Only	\$231		\$255	\$272
30 years & over				
Without Medicare	\$961		\$629	N/A
With Medicare A & B	\$209	\$661	\$231	\$245
With Medicare B Only	\$209		\$231	\$245

Years of Service	Aetna Choice POS II and Aetna Medicare SM	Aetna Indemnity	AultCare PPO and PrimeTime	Paramount Elite HMO
Child Premiums				
Child w/o Medicare A	\$305		\$150	N/A
Child with Medicare A & B	\$187	\$583	\$206	\$219



SERS' Non-Medicare Plans

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

Aetna Choice POS II

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

To enroll in this plan, a member must:

- Be under age 65 and not eligible for Medicare

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

AultCare PPO

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

To enroll in this plan, a member must:

- Be under age 65 and not eligible for Medicare.
- Live in one of the Ohio counties listed on the map in the 2018 Open Enrollment Guide.

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

2017 SERS Marketplace Wraparound Plan

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



SERS' Medicare Plans

Aetna Medicare Plan (PPO)

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

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

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

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

- Medicare Part B
- Medicare Part A, if eligible

Aetna Indemnity Plan

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

Paramount Elite Medicare Advantage

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

To enroll in this plan, members must:

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

PrimeTime Health Plan

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

To enroll in this plan, members must:

- Have Medicare Part A and Part B.
- Live in one of the Ohio counties listed on the map in the 2018 Open Enrollment Guide.

AultCare PPO

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

To enroll in this plan, members must:

- Have Medicare Part B only.
 - Live in one of the Ohio counties listed on the map in the 2018 Open Enrollment Guide.



Prescription Drug Coverage

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

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

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

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

All prescription plans include these common coverage rules:

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

Medicare Part D Prescription Drugs

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



Non-Medicare Plan Benefits

	Aetna Choice POS II (In-Network)	AultCare PPO
Annual Combined Medical & Prescription Drug Out-of-Pocket Maximum	\$7,350/person \$14,700/family	\$7,350/person \$14,700/family
Deductible	\$2,000/person \$4,000/family	\$2,000/person \$4,000/family
Primary Care Office Visit	\$20 co-pay	\$20 co-pay
Specialist Office Visit	\$40 co-pay	\$40 co-pay
Outpatient Diagnostic X-Ray and Lab	20% coinsurance	20% coinsurance
Retail Walk-In Clinic	\$20 co-pay	Not covered
Urgent Care	\$40 co-pay	\$40 co-pay
Emergency Room	20% coinsurance	20% coinsurance
Ambulance	20% coinsurance	20% coinsurance
Inpatient Hospital	20% coinsurance after \$250 co-pay	20% coinsurance after \$250 co-pay
Outpatient Surgery	20% coinsurance	20% coinsurance
Skilled Nursing Facility (100-day max)	20% coinsurance	20% coinsurance
Home Health Care	20% coinsurance	20% coinsurance
Hospice Health Care	100% coverage	Inpatient: 100% coverage (30-day lifetime limit) Outpatient: 20% coinsurance
Outpatient Short-Term Rehab	20% coinsurance	20% coinsurance
Chiropractic	20% coinsurance	20% coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance
Prescription Drugs	Express Scripts <u>Retail</u> <u>30-day max:</u> \$7.50 generic, 25% preferred brand (\$25 min, \$100 max) <u>Mail order 90-day max:</u> \$15 generic, 25% preferred brand (\$45 min, \$200 max) <u>Insulin Retail</u> 25% or \$30 max preferred brand, 25% or \$45 max non-preferred brand <u>Insulin Mail Order</u> 25% or \$60 preferred brand, 25% or \$115 max non-preferred brand	AultCare <u>Retail 30-day max:</u> \$7.50 generic, 25% preferred brand (\$25 min, \$100 max) <u>Mail order 90-day max:</u> \$15 generic, 25% preferred brand (\$45 min, \$200 max) 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



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

2018 Wraparound Benefits	Maximum Reimbursement
Deductible	Up to \$2,000*
Covered Prescription Drugs co-payment/coinsurance	50% of the Marketplace plan's prescription drug co-payment/coinsurance (up to \$200 per prescription)*
Physician Office Visit co-payment	Up to \$50 per visit*
Inpatient Hospital Admission co-payment/coinsurance	Up to \$300 per admission*
Imaging (X-rays, CT/PET scans, MRI) co-payment or coinsurance	Up to \$100 per service*
Hearing Aid	One hearing aid per year; up to \$1,500**
<p>*This is the maximum amount that the Wraparound Plan will reimburse each participant for each benefit category. Reimbursement is limited to cost-sharing after the participant's Marketplace plan has adjudicated any claim(s). Actual reimbursement may vary according to the participant's Marketplace plan's terms, but will in no event exceed the participant's actual out-of-pocket expenses under the applicable Marketplace plan.</p> <p>**The Wraparound Plan will reimburse each participant on a first dollar basis up to this limit</p> <p>The 2018 SERS Marketplace Wraparound Plan benefits noted above only apply to covered services under your Marketplace plan. Claims for non-covered services are not eligible for reimbursement, except for hearing aids.</p>	



Medicare Plan Benefits

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



SCHEDULE D

DETAILED TABULATIONS OF THE DATA

**All Retirees, Spouses and Dependents Receiving Health Care
Male and Female Demographic Breakdown
As of June 30, 2017
Tabulated by Attained Ages**

Attained Age	Number of		Total Number
	Males	Females	
Under 20	49	45	94
20-24	67	87	154
25-29	34	20	54
30-34	0	4	4
35-39	6	1	7
40-44	2	7	9
45-49	24	33	57
50-54	147	162	309
55-59	598	777	1,375
60-64	1,311	2,380	3,691
65-69	2,024	4,811	6,835
70-74	2,126	5,414	7,540
75-79	2,408	5,679	8,087
80-84	2,075	4,901	6,976
85-89	1,272	3,606	4,878
90-94	555	2,220	2,775
95-99	133	752	885
100	10	42	52
101	4	29	33
102	0	20	20
103	1	13	14
104	0	4	4
105 & Over	0	5	5
Total	12,846	31,012	43,858



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

Year Ended	Added to Rolls		Removed from Rolls*		Rolls at Year-End		% Increase in Projected Benefits	Average Projected Benefits
	Number	Projected Benefits	Number	Projected Benefits	Number	Projected Benefits		
6/30/2012	2,073	9,280,779	3,785	5,391,796	46,439	90,708,513	11.49%	1,953
6/30/2013	2,110	8,977,566	3,217	4,370,993	45,332	100,514,730	10.81%	2,217
6/30/2014	2,251	8,658,731	2,873	4,834,922	44,710	87,007,272	(13.44)%	1,946
6/30/2015	2,329	8,897,861	2,932	4,682,901	44,107	90,855,858	4.42%	2,060
6/30/2016	2,820	10,209,470	2,650	4,258,016	44,277	90,484,518	(0.41)%	2,044
6/30/2017	2,355	10,099,985	2,774	4,834,866	43,858	91,554,056	1.18%	2,088

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

**Terminated Vested Members Eligible for Health Care
Male and Female Demographic Breakdown
As of June 30, 2017
Tabulated by Attained Ages**

Attained Age	Number of		Total Number
	Males	Females	
Under 35	11	7	18
35-39	51	92	143
40-44	77	204	281
45-49	155	440	595
50-54	214	866	1,080
55-59	270	1,392	1,662
60 & Over	180	901	1,081
Total	958	3,902	4,860



**Total Active Members as of June 30, 2017
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	3,383							3,383
Avg Pay	\$8,713							\$29,476,566
20-24	10,646	69						10,715
Avg Pay	\$9,521	\$23,726						\$103,001,982
25-29	9,840	678	45					10,563
Avg Pay	\$13,586	\$27,697	\$38,635					\$154,200,081
30-34	8,791	1,339	462	41				10,633
Avg Pay	\$15,025	\$30,086	\$39,185	\$46,468				\$192,383,717
35-39	9,955	1,995	968	496	32			13,446
Avg Pay	\$14,596	\$27,608	\$38,416	\$43,592	\$54,081			\$260,924,179
40-44	10,570	2,593	1,475	964	287	25		15,914
Avg Pay	\$13,636	\$25,036	\$33,190	\$43,407	\$46,055	\$54,297		\$314,424,396
44-49	10,815	3,730	2,692	2,107	781	303	18	20,446
Avg Pay	\$13,810	\$23,497	\$29,639	\$36,328	\$46,121	\$51,081	\$61,497	\$445,931,542
50-54	8,701	3,629	3,667	3,918	1,769	813	301	22,798
Avg Pay	\$13,842	\$23,310	\$27,941	\$32,626	\$38,298	\$47,455	\$51,050	\$557,017,692
55-59	6,935	3,028	3,367	4,869	3,352	1,504	672	23,727
Avg Pay	\$13,514	\$23,727	\$27,848	\$30,466	\$33,853	\$40,831	\$49,116	\$615,558,864
60-64	4,632	1,880	1,782	2,580	2,252	1,834	931	15,891
Avg Pay	\$12,052	\$23,399	\$28,794	\$32,464	\$34,216	\$36,019	\$41,483	\$416,617,116
65-69	2,576	835	663	749	647	729	682	6,881
Avg Pay	\$9,719	\$20,180	\$26,197	\$31,251	\$34,098	\$34,591	\$37,142	\$155,271,545
70 & over	1,604	485	339	280	183	207	486	3,584
Avg Pay	\$7,395	\$14,222	\$19,524	\$23,844	\$28,154	\$31,719	\$29,785	\$58,248,288
Totals	88,448	20,261	15,460	16,004	9,303	5,415	3,090	157,981
Avg Pay	\$12,915	\$24,309	\$29,579	\$33,237	\$36,167	\$39,643	\$41,394	\$20,908

Averages:
Age: 46.7
Service: 7.5
Annual Pay: \$20,908



**Male Active Members as of June 30, 2017
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	1,956							1,956
Avg Pay	\$9,197							\$17,989,729
20-24	4,946	39						4,985
Avg Pay	\$9,677	\$26,559						\$48,900,159
25-29	4,078	324	29					4,431
Avg Pay	\$13,898	\$31,444	\$43,115					\$68,113,582
30-34	3,177	610	263	24				4,074
Avg Pay	\$16,498	\$33,994	\$43,647	\$52,622				\$85,892,813
35-39	2,963	682	405	245	13			4,308
Avg Pay	\$16,453	\$34,254	\$47,139	\$53,106	\$62,722			\$105,030,542
40-44	3,150	677	366	331	140	14		4,678
Avg Pay	\$14,445	\$31,958	\$46,077	\$56,759	\$51,625	\$55,428		\$110,792,843
44-49	3,556	805	494	439	301	149	6	5,750
Avg Pay	\$14,052	\$30,990	\$45,132	\$51,771	\$60,131	\$55,576	\$70,245	\$146,739,699
50-54	3,135	888	639	574	360	307	137	6,040
Avg Pay	\$14,356	\$29,933	\$40,597	\$49,741	\$55,458	\$55,440	\$55,667	\$170,691,898
55-59	2,635	938	721	703	425	320	294	6,036
Avg Pay	\$15,124	\$28,701	\$38,957	\$45,066	\$51,969	\$55,198	\$56,796	\$182,989,363
60-64	1,944	815	557	521	325	283	249	4,694
Avg Pay	\$13,465	\$27,238	\$37,052	\$45,531	\$49,658	\$50,158	\$54,411	\$136,616,457
65-69	1,223	442	256	177	114	101	107	2,420
Avg Pay	\$10,906	\$21,780	\$31,889	\$39,311	\$44,451	\$51,069	\$50,148	\$53,678,194
70 & over	760	254	167	111	50	38	43	1,423
Avg Pay	\$8,623	\$16,850	\$23,862	\$28,353	\$33,811	\$37,583	\$39,674	\$22,790,232
Totals	33,523	6,474	3,897	3,125	1,728	1,212	836	50,795
Avg Pay	\$13,426	\$29,582	\$40,492	\$47,951	\$52,715	\$53,235	\$54,265	\$22,644

Averages:
Age: 44.6
Service: 5.7
Annual Pay: \$22,644



**Female Active Members as of June 30, 2017
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	1,427							1,427
Avg Pay	\$8,050							\$11,486,837
20-24	5,700	30						5,730
Avg Pay	\$9,386	\$20,043						\$54,101,823
25-29	5,762	354	16					6,132
Avg Pay	\$13,365	\$24,268	\$30,515					\$86,086,499
30-34	5,614	729	199	17				6,559
Avg Pay	\$14,192	\$26,817	\$33,288	\$37,781				\$106,490,904
35-39	6,992	1,313	563	251	19			9,138
Avg Pay	\$13,810	\$24,156	\$32,140	\$34,305	\$48,169			\$155,893,638
40-44	7,420	1,916	1,109	633	147	11		11,236
Avg Pay	\$13,292	\$22,591	\$28,937	\$36,425	\$40,751	\$52,858		\$203,631,554
44-49	7,259	2,925	2,198	1,668	480	154	12	14,696
Avg Pay	\$13,691	\$21,435	\$26,156	\$32,264	\$37,335	\$46,733	\$57,123	\$299,191,843
50-54	5,566	2,741	3,028	3,344	1,409	506	164	16,758
Avg Pay	\$13,553	\$21,164	\$25,271	\$29,688	\$33,913	\$42,611	\$47,193	\$386,325,794
55-59	4,300	2,090	2,646	4,166	2,927	1,184	378	17,691
Avg Pay	\$12,527	\$21,494	\$24,821	\$28,003	\$31,222	\$36,948	\$43,143	\$432,569,501
60-64	2,688	1,065	1,225	2,059	1,927	1,551	682	11,197
Avg Pay	\$11,030	\$20,462	\$25,039	\$29,158	\$31,611	\$33,439	\$36,764	\$280,000,659
65-69	1,353	393	407	572	533	628	575	4,461
Avg Pay	\$8,646	\$18,380	\$22,617	\$28,757	\$31,884	\$31,941	\$34,722	\$101,593,351
70 & over	844	231	172	169	133	169	443	2,161
Avg Pay	\$6,290	\$11,332	\$15,312	\$20,882	\$26,028	\$30,400	\$28,825	\$35,458,055
Totals	54,925	13,787	11,563	12,879	7,575	4,203	2,254	107,186
Avg Pay	\$12,603	\$21,833	\$25,902	\$29,667	\$32,392	\$35,724	\$36,620	\$20,085

Averages:

Age: 47.8
 Service: 8.4
 Annual Pay: \$20,085



**Active Members as of June 30, 2017
Tabulated by Annual Pay**

Annual Pay	Number of Active Members			Portion of Total Number	
	Men	Women	Totals	Group	Cumulative
Less than \$1,000	2,153	3,669	5,822	3.7%	3.7%
\$1,000 - 1,999	2,637	3,159	5,796	3.7%	7.4%
2,000 - 2,999	3,472	3,314	6,786	4.3%	11.6%
3,000 - 3,999	3,228	3,212	6,440	4.1%	15.7%
4,000 - 4,999	2,497	3,143	5,640	3.6%	19.3%
5,000 - 5,999	1,882	3,067	4,949	3.1%	22.4%
6,000 - 6,999	1,601	3,077	4,678	3.0%	25.4%
7,000 - 7,999	1,269	3,023	4,292	2.7%	28.1%
8,000 - 8,999	1,117	3,102	4,219	2.7%	30.8%
9,000 - 9,999	1,045	3,177	4,222	2.7%	33.4%
10,000 - 11,999	2,212	6,549	8,761	5.5%	39.0%
12,000 - 13,999	2,014	6,003	8,017	5.1%	44.1%
14,000 - 15,999	1,850	5,836	7,686	4.9%	48.9%
16,000 - 17,999	1,552	6,490	8,042	5.1%	54.0%
18,000 - 19,999	1,452	6,484	7,936	5.0%	59.0%
20,000 - 24,999	2,970	12,994	15,964	10.1%	69.2%
25,000 - 29,999	2,277	8,660	10,937	6.9%	76.1%
30,000 - 35,999	3,009	7,270	10,279	6.5%	82.6%
36,000 and over	12,558	14,957	27,515	17.4%	100.0%
Totals	50,795	107,186	157,981		



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.