

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT
BENEFITS PROGRAM**

APRIL 1, 2006 VALUATION

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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OVERVIEW OF GASB 43 AND GASB 45

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. These benefits are collectively referred to as Other Post-Employment Benefits, or OPEB. The benefits provided by the State to retirees include medical insurance, dental and vision benefits, and life insurance. The philosophy driving the accounting standard is that these OPEB benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

GASB 43 requires OPEB **plans** to disclose information about asset and liability levels and show historical contribution information. GASB 45 requires **employers** to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 is effective starting in FY 2006-07 for a Phase I government such as the State, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 is effective for the fiscal year following implementation of GASB 43.

Glossary of Terms

The **Accrued Liability** is the present value of OPEB benefits accrued to date. For active members, the Accrued Liability is a pro-rata portion of the present value of OPEB benefits based on service to date compared to service at the member's expected retirement date. For inactive members, the Accrued Liability is the present value of future OPEB benefits.

The **Normal Cost** is the present value of the portion of the projected OPEB benefits attributable to the current year.

The **Annual Required Contribution (ARC)** consists of three pieces: Normal Cost plus a Past Service Cost (to amortize the Unfunded Accrued Liability over a period of years) plus Interest from the valuation date to the beginning of the Fiscal Year.

The **discount rate** is used to express future amounts in today's dollars. GASB 45 requires the discount rate to be based on the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments.

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DISCUSSION OF KEY ASSUMPTIONS

The Accrued Liability and Annual Required Contribution are highly dependent on two key assumptions: the rate at which we assume medical costs will increase over time, and the discount rate we use to translate future payments into current dollars.

Medical inflation

Baseline rates 9% grading down to 5% over 4 years

While the baseline medical inflation rates are reasonable in our view, it is important to recognize that there is significant uncertainty with respect to this important assumption. That is, there are many forces that affect medical trends. For example, changes in medical technology, governmental healthcare programs, healthcare crises (e.g. avian bird flu), and other forces all affect the rate of growth in healthcare costs over time. To demonstrate the effect that the medical inflation rate assumption has on the GASB 45 valuation results, the appendix to this report contains a sensitivity analysis to indicate the significant effect of less favorable assumptions regarding the rate of decline in medical inflation rates from recent levels (i.e., 9%) to an ultimate, more economically stable, medical inflation rate (i.e., 5%) .

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DISCUSSION OF KEY ASSUMPTIONS

Discount rate

The discount rate is based on the long-term earnings potential of the investments available to fund these benefits, and therefore depends on the State's OPEB funding policy. Per GASB 45, the discount rate should be based on the estimated long-term yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments. At the Comptroller's direction, we have used the following discount rates for four different scenarios with respect to the State's OPEB funding policy.

Unfunded scenario 4.50%

If the State decides not to prefund the OPEB benefits, GASB 45 requires the discount rate to reflect the expected earnings of the State's general fund. For this purpose, we used a discount rate of 4.50%.

Governor's proposal 4.70%

The Governor's proposal submitted as part of the biennial budget is to make a one-time contribution to an OPEB trust of \$21 million in addition to ongoing payment of the annual OPEB payouts. Using the blended discount rate methodology discussed in the Actuarial Assumptions section of the report, this funding policy equates to a discount rate of 4.70%.

Comptroller's proposal 6.08%

The Comptroller's proposal is to make a one-time contribution to an OPEB trust of \$100 million plus 10% of budget surpluses thereafter in addition to ongoing payment of the annual OPEB payouts. Based on historical budget surplus figures, the Comptroller has estimated that the budget surplus contributions would start at \$50 million and increase by 5% thereafter. Using the blended discount rate methodology discussed in the Actuarial Assumptions section of the report, this funding policy equates to a discount rate of 6.08%.

Fully funded scenario 8.50%

A discount rate of 8.50% assumes the State establishes an OPEB trust with an investment strategy similar to the SERS trust and adopts a funding policy to prefund the OPEB benefits by paying the Annual Required Contribution. 8.50% is the interest rate set by the Retirement Commission for purposes of the SERS valuation.

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SUMMARY OF RESULTS

We have calculated the Accrued Liability and Annual Required Contribution for each of the four discount rate scenarios discussed on the prior page. A detailed breakdown of the Accrued Liability and Annual Required Contribution can be found on the following pages.

(\$ 000s)

<u>Discount rate scenario</u>		<u>Accrued Liability as of April 1, 2006</u>
Unfunded	4.50%	\$21,681,444
Governor's proposal	4.70%	20,877,101
Comptroller's proposal	6.08%	16,361,670
Fully funded	8.50%	11,369,303

		<u>Annual Required Contribution for FY 2007</u>
Unfunded	4.50%	\$1,597,631
Governor's proposal	4.70%	1,544,072
Comptroller's proposal	6.08%	1,252,983
Fully funded	8.50%	955,291

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GASB 45 SCHEDULE OF FUNDING PROGRESS

Certain information regarding the funded status of the OPEB plan is required to be disclosed in the State's financial statement once the State has implemented GASB 45. For this illustration, we have used the discount rate for the Comptroller's proposal scenario.

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
04/01/2006	\$0	\$16,361,670	\$16,361,670	0%	N/A	N/A

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GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Certain information regarding funding of the OPEB plan is required to be disclosed in the State's financial statement once the State has implemented GASB 45. For this illustration, we have used the discount rate for the Comptroller's proposal scenario.

(\$ 000s)

Year Ended June 30	Annual Required Contribution	Actual Contribution Made *	Percentage Contributed
2007	\$1,252,983	\$532,256	42%

* This figure includes a deposit of \$100 million plus payment of the annual OPEB benefit payouts.

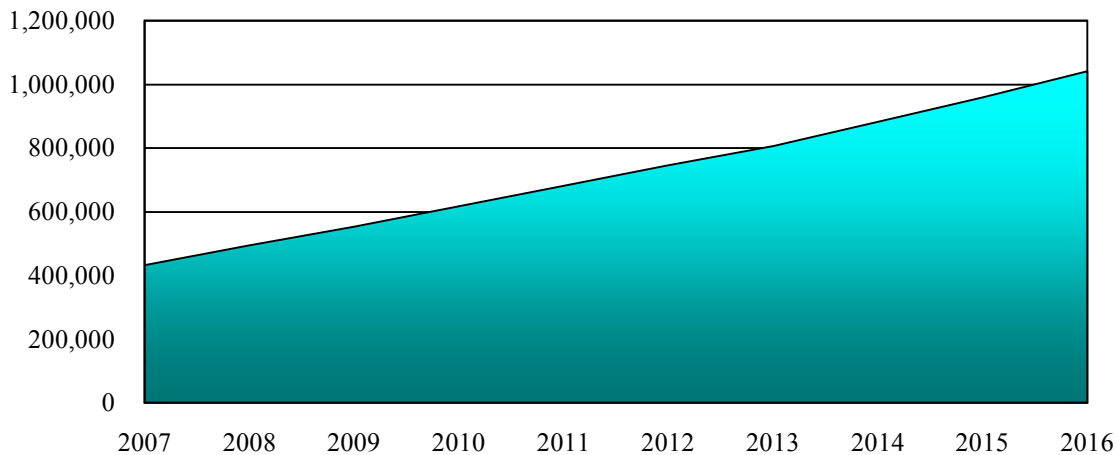
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PROJECTED PAYOUTS

The annual State payments for OPEB benefits are expected to rise sharply in coming years, both because medical and dental costs are expected to rise over time and because more employees will retire and start to receive State-paid OPEB benefits. The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

(\$ 000s)

Fiscal Year	Annual Payments
2007	\$432,255
2008	493,893
2009	553,440
2010	616,915
2011	682,068
2012	744,817
2013	806,948
2014	882,179
2015	957,933
2016	1,041,164

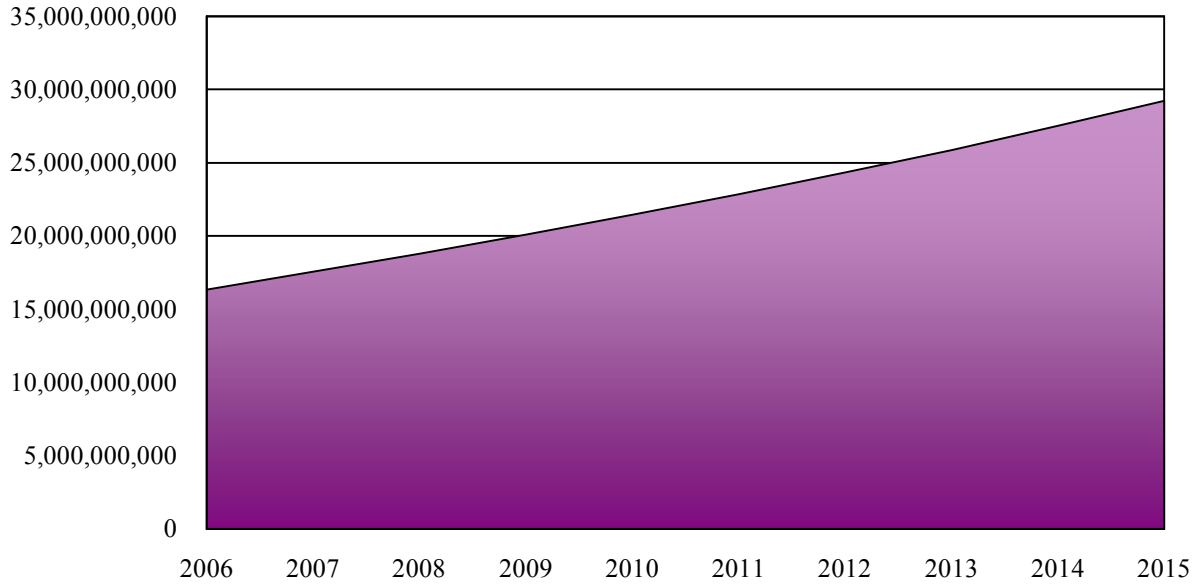


Please note that these figures represent the true economic cost to the State of providing OPEB benefits, net of any cost-sharing payments made by retirees. These figures may be higher or lower than the premiums paid for these benefits in any given year.

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PROJECTED LIABILITIES

The graph below illustrates how the State's Accrued Liability is expected to grow over the next 10 years. For this illustration, we have used the discount rate for the Comptroller's proposal scenario.



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DETAILED BREAKDOWN OF ACCRUED LIABILITY

On the following pages we provide a detailed breakdown of the Accrued Liability as of April 1, 2006 for each of the four discount rate scenarios discussed previously. We have identified the Accrued Liability separately for several groups of State employees. We have further broken the Accrued Liability into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits.

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ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Discount rate	Unfunded scenario	4.50%				
SERS Members						
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$442,084	\$1,340,194	\$268,937	\$0	\$0	\$2,051,216
Employees over age 65	920,199	2,290,943	718,347	0	0	3,929,489
Dependents under age 65	316,522	1,011,698	207,255	0	0	1,535,475
Dependents over age 65	<u>674,070</u>	<u>1,670,157</u>	<u>517,409</u>	<u>0</u>	<u>0</u>	<u>2,861,636</u>
Total	2,352,875	6,312,993	1,711,948	0	0	10,377,816
Retired members						
Employees under age 65	0	0	0	1,024,822	797,672	1,822,493
Employees over age 65	0	0	0	3,230,407	1,178,307	4,408,715
Dependents under age 65	0	0	0	578,506	402,806	981,312
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,831,826</u>	<u>580,697</u>	<u>2,412,523</u>
Total	0	0	0	6,665,560	2,959,482	9,625,043
Total SERS	2,352,875	6,312,993	1,711,948	6,665,560	2,959,482	20,002,858
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$2,394	\$3,831	\$174,615	\$9,858	\$1,825	\$192,522
Employees over age 65	14,176	24,628	449,010	35,170	8,476	531,460
Dependents under age 65	2,007	886	154,080	7,290	1,398	165,660
Dependents over age 65	<u>14,763</u>	<u>20,502</u>	<u>407,308</u>	<u>29,066</u>	<u>6,214</u>	<u>477,852</u>
Total	33,340	49,846	1,185,012	81,383	17,913	1,367,495
Retired members						
Employees under age 65	4,102	1,916	21,134	6,801	5,863	39,816
Employees over age 65	10,361	21,048	77,077	28,822	19,959	157,267
Dependents under age 65	1,366	1,082	11,492	2,383	2,887	19,210
Dependents over age 65	<u>19,518</u>	<u>10,844</u>	<u>42,777</u>	<u>16,555</u>	<u>5,104</u>	<u>94,799</u>
Total	35,347	34,890	152,480	54,562	33,812	311,092
Total Non-SERS	68,688	84,737	1,337,492	135,945	51,725	1,678,586
Grand Total						21,681,445

Note: totals may reflect rounding differences

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ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Discount rate Governor's proposal 4.70%

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$432,546	\$1,300,731	\$258,300	\$0	\$0	\$1,991,577
Employees over age 65	877,748	2,167,136	674,427	0	0	3,719,311
Dependents under age 65	310,627	983,291	199,228	0	0	1,493,145
Dependents over age 65	<u>644,082</u>	<u>1,581,971</u>	<u>486,638</u>	<u>0</u>	<u>0</u>	<u>2,712,690</u>
Total	2,265,002	6,033,129	1,618,593	0	0	9,916,724
Retired members						
Employees under age 65	0	0	0	1,011,754	779,227	1,790,980
Employees over age 65	0	0	0	3,147,410	1,113,366	4,260,776
Dependents under age 65	0	0	0	571,647	393,503	965,150
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,782,641</u>	<u>548,973</u>	<u>2,331,614</u>
Total	0	0	0	6,513,452	2,835,069	9,348,521
Total SERS	2,265,002	6,033,129	1,618,593	6,513,452	2,835,069	19,265,245
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$2,317	\$3,760	\$169,221	\$9,607	\$1,768	\$186,673
Employees over age 65	13,643	23,634	426,001	33,642	8,111	505,032
Dependents under age 65	1,972	865	149,703	7,131	1,356	161,026
Dependents over age 65	<u>14,152</u>	<u>19,772</u>	<u>387,327</u>	<u>27,774</u>	<u>5,957</u>	<u>454,981</u>
Total	32,085	48,031	1,132,252	78,153	17,192	1,307,713
Retired members						
Employees under age 65	4,037	1,895	20,883	6,719	5,717	39,251
Employees over age 65	10,187	20,603	74,993	28,135	19,451	153,368
Dependents under age 65	1,353	1,073	11,409	2,366	2,835	19,036
Dependents over age 65	<u>19,110</u>	<u>10,614</u>	<u>41,676</u>	<u>16,157</u>	<u>4,930</u>	<u>92,488</u>
Total	34,687	34,186	148,960	53,376	32,934	304,143
Total Non-SERS	66,772	82,216	1,281,212	131,529	50,126	1,611,856
Grand Total						20,877,101

Note: totals may reflect rounding differences

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ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Discount rate Comptroller's proposal 6.08%

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$374,273	\$1,065,999	\$197,437	\$0	\$0	\$1,637,709
Employees over age 65	641,100	1,500,696	446,016	0	0	2,587,812
Dependents under age 65	273,614	812,607	153,065	0	0	1,239,286
Dependents over age 65	<u>475,695</u>	<u>1,104,987</u>	<u>325,627</u>	<u>0</u>	<u>0</u>	<u>1,906,309</u>
Total	1,764,681	4,484,290	1,122,146	0	0	7,371,116
Retired members						
Employees under age 65	0	0	0	930,363	666,200	1,596,563
Employees over age 65	0	0	0	2,656,455	762,423	3,418,878
Dependents under age 65	0	0	0	528,597	336,496	865,093
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,493,806</u>	<u>377,203</u>	<u>1,871,009</u>
Total	0	0	0	5,609,220	2,142,322	7,751,543
Total SERS	1,764,681	4,484,290	1,122,146	5,609,220	2,142,322	15,122,659
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,874	\$3,326	\$137,583	\$8,117	\$1,436	\$152,336
Employees over age 65	10,589	18,056	301,271	25,101	6,111	361,128
Dependents under age 65	1,754	738	123,635	6,161	1,110	133,397
Dependents over age 65	<u>10,700</u>	<u>15,610</u>	<u>277,999</u>	<u>20,581</u>	<u>4,536</u>	<u>329,426</u>
Total	24,917	37,731	840,488	59,960	13,192	976,287
Retired members						
Employees under age 65	3,636	1,764	19,328	6,207	4,877	35,813
Employees over age 65	9,115	17,919	62,658	24,021	16,571	130,285
Dependents under age 65	1,269	1,017	10,864	2,254	2,518	17,922
Dependents over age 65	<u>16,645</u>	<u>9,225</u>	<u>35,114</u>	<u>13,772</u>	<u>3,947</u>	<u>78,703</u>
Total	30,665	29,926	127,963	46,255	27,914	262,723
Total Non-SERS	55,582	67,657	968,451	106,215	41,106	1,239,010
Grand Total						16,361,669

Note: totals may reflect rounding differences

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ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Discount rate Fully funded scenario 8.50%

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$296,518	\$773,297	\$128,190	\$0	\$0	\$1,198,004
Employees over age 65	387,022	839,080	235,641	0	0	1,461,743
Dependents under age 65	221,571	595,619	100,033	0	0	917,223
Dependents over age 65	<u>291,964</u>	<u>626,202</u>	<u>175,223</u>	<u>0</u>	<u>0</u>	<u>1,093,388</u>
Total	1,197,075	2,834,197	639,086	0	0	4,670,358
Retired members						
Employees under age 65	0	0	0	816,786	515,712	1,332,498
Employees over age 65	0	0	0	2,048,075	412,311	2,460,385
Dependents under age 65	0	0	0	467,481	260,589	728,070
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,140,935</u>	<u>205,062</u>	<u>1,345,998</u>
Total	0	0	0	4,473,277	1,393,674	5,866,951
Total SERS	1,197,075	2,834,197	639,086	4,473,277	1,393,674	10,537,309
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,349	\$2,755	\$99,233	\$6,249	\$1,036	\$110,622
Employees over age 65	7,089	11,921	174,919	15,819	4,004	213,754
Dependents under age 65	1,448	575	91,041	4,878	808	98,751
Dependents over age 65	<u>6,864</u>	<u>10,862</u>	<u>164,942</u>	<u>12,837</u>	<u>3,015</u>	<u>198,520</u>
Total	16,751	26,114	530,136	39,782	8,864	621,647
Retired members						
Employees under age 65	3,082	1,574	17,181	5,504	3,882	31,223
Employees over age 65	7,664	14,455	47,382	18,804	13,224	101,530
Dependents under age 65	1,146	931	10,025	2,088	2,090	16,281
Dependents over age 65	<u>13,442</u>	<u>7,418</u>	<u>26,875</u>	<u>10,748</u>	<u>2,831</u>	<u>61,314</u>
Total	25,335	24,378	101,464	37,144	22,027	210,348
Total Non-SERS	42,086	50,492	631,599	76,926	30,891	831,995
Grand Total						11,369,304

Note: totals may reflect rounding differences

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DETAILED BREAKDOWN OF ANNUAL REQUIRED CONTRIBUTION

The Annual Required Contribution (ARC) consists of three pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability) plus **Interest** from the valuation date to the beginning of the Fiscal Year.

The amortization period should be reasonably related to the period of service over which OPEB benefits are earned. We have selected a 30 year amortization period, which is the longest period permitted by GASB 45. We have used an amortization method that produces annual payments that are designed to increase over time as payroll grows.

On the following pages we provide a detailed breakdown of the Annual Required Contribution for FY 2007 for each of the four discount rate scenarios discussed previously. As with the Accrued Liability, we have calculated the Annual Required Contribution separately for several groups of State employees.

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ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Discount rate	Unfunded scenario	4.50%				
SERS Members						
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,352,875	\$6,312,992	\$1,711,948	\$6,665,560	\$2,959,482	\$20,002,857
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,352,875	6,312,992	1,711,948	6,665,560	2,959,482	20,002,857
Amortization Period	30	30	30	30	30	
Past Service Cost	73,122	196,194	53,203	207,151	91,974	621,644
Normal Cost	62,152	343,653	346,892	0	0	752,697
Interest to start of FY	1,522	6,073	4,501	2,330	1,035	15,461
ARC for FY 2007	136,796	545,920	404,596	209,481	93,009	1,389,802
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$68,688	\$84,737	\$1,337,492	\$135,945	\$51,725	\$1,678,587
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	68,688	84,737	1,337,492	135,945	51,725	1,678,587
Amortization Period	30	30	30	30	30	
Past Service Cost	2,135	2,633	41,566	4,225	1,607	52,166
Normal Cost	2,574	4,981	132,294	7,777	5,725	153,351
Interest to start of FY	53	86	1,956	135	82	2,312
ARC for FY 2007	4,762	7,700	175,816	12,137	7,414	207,829
 Grand Total ARC						 1,597,631

Note: totals may reflect rounding differences

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ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Discount rate	Governor's proposal	4.70%				
SERS Members						
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,265,002	\$6,033,129	\$1,618,593	\$6,513,452	\$2,835,069	\$19,265,245
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,265,002	6,033,129	1,618,593	6,513,452	2,835,069	19,265,245
Amortization Period	30	30	30	30	30	
Past Service Cost	72,410	192,872	51,745	208,228	90,634	615,889
Normal Cost	59,586	326,874	326,782	0	0	713,242
Interest to start of FY	1,551	6,107	4,448	2,447	1,065	15,618
ARC for FY 2007	133,547	525,853	382,975	210,675	91,699	1,344,749
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$66,772	\$82,216	\$1,281,212	\$131,530	\$50,126	\$1,611,856
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	66,772	82,216	1,281,212	131,530	50,126	1,611,856
Amortization Period	30	30	30	30	30	
Past Service Cost	2,135	2,628	40,959	4,205	1,602	51,529
Normal Cost	2,471	4,765	125,377	7,400	5,467	145,480
Interest to start of FY	54	87	1,954	136	83	2,314
ARC for FY 2007	4,660	7,480	168,290	11,741	7,152	199,323
 Grand Total ARC						 1,544,072

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Discount rate	Comptroller's proposal		6.08%			
	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$1,764,681	\$4,484,289	\$1,122,146	\$5,609,220	\$2,142,322	\$15,122,658
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	1,764,681	4,484,289	1,122,146	5,609,220	2,142,322	15,122,658
Amortization Period	30	30	30	30	30	
Past Service Cost	67,965	172,708	43,218	216,033	82,509	582,433
Normal Cost	45,133	235,141	220,914	0	0	501,188
Interest to start of FY	1,719	6,199	4,015	3,284	1,254	16,471
ARC for FY 2007	114,817	414,048	268,147	219,317	83,763	1,100,092
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$55,582	\$67,658	\$968,451	\$106,215	\$41,106	\$1,239,012
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	55,582	67,658	968,451	106,215	41,106	1,239,012
Amortization Period	30	30	30	30	30	
Past Service Cost	2,141	2,606	37,299	4,091	1,583	47,720
Normal Cost	1,887	3,568	88,047	5,329	4,051	102,882
Interest to start of FY	61	94	1,905	143	86	2,289
ARC for FY 2007	4,089	6,268	127,251	9,563	5,720	152,891
Grand Total ARC						1,252,983

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Discount rate Fully funded scenario 8.50%

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$1,197,075	\$2,834,197	\$639,086	\$4,473,277	\$1,393,674	\$10,537,309
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	1,197,075	2,834,197	639,086	4,473,277	1,393,674	10,537,309
Amortization Period	30	30	30	30	30	
Past Service Cost	61,679	146,030	32,929	230,483	71,808	542,929
Normal Cost	29,152	140,271	120,364	0	0	289,787
Interest to start of FY	1,930	6,084	3,257	4,898	1,526	17,695
ARC for FY 2007	92,761	292,385	156,550	235,381	73,334	850,411
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$42,086	\$50,492	\$631,599	\$76,926	\$30,891	\$831,994
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	42,086	50,492	631,599	76,926	30,891	831,994
Amortization Period	30	30	30	30	30	
Past Service Cost	2,168	2,602	32,543	3,964	1,592	42,869
Normal Cost	1,234	2,287	50,566	3,177	2,565	59,829
Interest to start of FY	72	104	1,766	152	88	2,182
ARC for FY 2007	3,474	4,993	84,875	7,293	4,245	104,880
 Grand Total ARC						 955,291

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

CENSUS DATA

Census data was provided by the State of Connecticut Retirement & Benefit Services Division as of April 1, 2006 for the following groups: SERS (active and retired members), JFSMCCRS (active members), PJERS (retired members), Teachers (active and retired members), ARP (active and retired members), and Others (active and retired members). The data included face amounts of life insurance for retired members. For the following groups, census data from the most recent actuarial valuation of the applicable pension plan was used: JFSMCCRS (retired members - July 1, 2006 valuation), PJERS (active members - January 1, 2006 valuation), SERS (terminated vested members with at least 10 years of service – July 1, 2006 valuation).

Assumptions Regarding Incomplete Data

For any active member who was reported with missing compensation, compensation was set equal to the average compensation for the active members in the applicable group who were reported with complete data.

Gender was not reported for current retired members for the following groups: Teachers, ARP, Widows and Specials (the latter two are subsets of the Others group). Based on our review of the gender information reported for the respective active member groups, we assumed that 50% of current retired Teachers, 60% of current retired ARP members, and 100% of current retired Widows and Specials members are female.

The actual reported dependent coverage election (medical and dental) for each current retired member was used, with female spouses assumed to be the same age as male spouses.

Continuation of Medical and Dental Benefits after Retiree's Death

It is our understanding that retiree medical and dental benefits continue after the retiree's death only if the dependent is receiving a survivor pension (Joint Annuitant or Certain and Life form of payment). Based on our analysis of the pension forms of payment and retiree medical dependent coverage elected by current retired members, we assumed that 64% of current and future retired members have medical and dental benefits that continue after the retiree's death, and 36% have medical and dental benefits that stop upon the retiree's death.

Unreported Terminated Vested Members

It is our understanding that records for terminated vested members are maintained by the Retirement Division only for members who submit a retirement application. There are an unknown number of former employees who are eligible for OPEB benefits upon retirement but who have not submitted a retirement application and were therefore not reported to us for purposes of this valuation. In order to approximate the size of this unreported population, we studied SERS census records for the past ten years to identify the probable number of entrants to, and exits from, this unreported population. On this basis, we determined that the ratio of total terminated vested members who are eligible for OPEB benefits to the number of such members that were reported to us is 6.77. We further assumed that the demographic profile of unreported members is the same as for reported terminated vested members.

Summary of Census Data

The following pages provide key statistics about the members included in this valuation.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

CENSUS DATA

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Number of members						
Active	7,978	23,978	17,956	0	0	49,912
Retired members	0	0	0	32,325	8,530	40,855
Spouses of retirees	0	0	0	19,530	6,824	26,354
Total	7,978	23,978	17,956	51,855	15,354	117,121
Average age						
Active	52.9	47.3	40.9	0.0	0.0	45.9
Retired	0.0	0.0	0.0	69.4	48.2	65.0
Average retirement age						
Active	56.5	58.2	59.5	0.0	0.0	58.4
Retired	0.0	0.0	0.0	57.6	56.5	57.3
Expected lifetime						
Active [to retirement]	7.5	10.2	13.8	0.0	0.0	11.1
Retired [lifetime]	0.0	0.0	0.0	16.5	34.9	20.3

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

CENSUS DATA

	Non-SERS Members					Total
	JFSMCCRS	JPERS	ARP	Teachers	Others	
Number of members						
Active	211	386	7,730	675	433	9,435
Retired members	136	223	640	278	263	1,540
Spouses of retirees	201	110	404	149	48	912
Total	548	719	8,774	1,102	744	11,887
Average age						
Active	56.9	51.3	45.7	50.7	46.1	46.6
Retired	76.4	74.3	66.1	70.4	78.5	71.1
Average retirement age						
Active	65.5	63.9	56.7	64.8	62.3	58.0
Retired	67.4	64.0	61.5	61.6	64.5	62.9
Expected lifetime						
Active [to retirement]	10.2	13.7	13.4	12.7	13.5	13.3
Retired [lifetime]	11.0	14.1	17.4	14.7	12.7	15.1

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

CENSUS DATA

	Total SERS Members	Total Non-SERS Members	Grand Total
Number of members			
Active	49,912	9,435	59,347
Retired members	40,855	1,540	42,395
Spouses of retirees	26,354	912	27,266
Total	117,121	11,887	129,008
Average age			
Active	45.9	46.6	46.0
Retired	65.0	71.1	65.2
Average retirement age			
Active	58.4	58.0	58.3
Retired	57.3	62.9	57.5
Expected lifetime			
Active [to retirement]	11.1	13.3	11.4
Retired [lifetime]	20.3	15.1	20.1

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

MEDICAL AND DENTAL COST DATA

We received information regarding the State's claims experience, plan designs, and census. We augmented and normalized this data with information from the Milliman Health Cost Guidelines. The adjusted cost figures were utilized to smooth claims projections for the valuation.

Medical Benefits

Based on information provided by the State regarding the matrix of 2006-2007 retiree medical premiums and current retirees' medical plan elections, the following 2006-2007 weighted average monthly blended medical premiums and retiree contribution percentages were used for MedPlan codes* K, S, P, Q, and R:

	<u>Monthly Blended Medical Premiums</u>		<u>Retiree Contribution Percentages</u>	
	Retiree	Spouse #	Retiree	Spouse #
Pre-65	671.57	860.25	2.77%	2.53%
Post-65	507.70	463.16	0.00%	0.04%

* For all other MedPlan codes (D, O, A, B, E, I, J, G, L, N, M, H), the retiree and spouse contributions are zero (both pre and post-65).

Includes amounts for any additional dependents.

Medicare Part B

For calendar year 2006, the Medicare Part B premium for Medicare eligibles is \$88.50 per month. Starting in 2007, the Medicare Part B premium that is charged varies by income level. For purposes of this valuation, we have assumed that the State will reimburse the Medicare Part B premium at the basic level and that there is no additional reimbursement due to the income surcharge.

Dental Benefits

Based on information provided by the State regarding current retirees' dental plan elections and monthly dental premiums (retiree contributions), the following 2006-2007 weighted average monthly blended dental premiums (retiree contributions) were used.

	<u>Monthly Blended Dental Premiums (retiree contributions)</u>	
	Retiree	Spouse #
Pre-65	18.86	19.05
Post-65	17.39	17.54

Includes amounts for any additional dependents.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

MEDICAL AND DENTAL COST DATA

A fundamental element of the valuation of retiree medical and dental benefits is to establish the current total annual cost per beneficiary to provide the State's retiree plans of benefits. Since the valuation system works from the cost for a person age 65, we had to adjust actual experience to normalize for demographics and Medicare eligibility. This analysis is complicated by the fact that some Medicare-eligible beneficiaries have non-Medicare eligible spouses and vice versa, requiring a reallocation of spouses into their proper Medicare-eligibility category.

The first step in our calculation for determining the cost adjustment factor curves for the State was to determine the demographic factors that would be used to normalize the State's retiree population to produce a value for a retiree age 65. We used a census file that contained both the Medicare retirees and non-Medicare retirees. Using Milliman's *Health Cost Guidelines* we estimated the dependent counts for the non-Medicare retirees based on their demographics, since the data provided did not separately identify dependents. We then used membership counts from the census file and Milliman's *Health Cost Guidelines* to determine the demographic adjustment factors to normalize the costs for this population to be representative of a 65 year old beneficiary.

We also used the census to determine a reallocation factor. Reallocation means the assignment of the dependent of a Medicare-eligible beneficiary's spouse that is not Medicare-eligible to the non-Medicare category, and vice versa. The claim totals and membership that we used for our calculation were grouped based on the retiree's status (Medicare vs. non-Medicare). This grouping put non-Medicare dependents in the Medicare retiree totals and Medicare dependents in the non-Medicare retiree total. We were able to calculate the reallocation factors using the census at a member level because we had an age for each retiree and dependent in the census file. The reallocation factor assigns the membership and claim totals based on each beneficiary's Medicare or non-Medicare status.

We calculated a per member per month cost for Medicare and non-Medicare retirees for Medical and Pharmacy, Pharmacy only, and Dental. Using a claims and membership file, we calculated the average monthly total paid claims for the experience period and then applied an annual trend rate of 9% for medical and pharmacy and 3.5% for dental to put the claims on an incurred basis for a July 1, 2006 effective date. We then used an 81% loss ratio to gross up the claims to a premium equivalent, as the State's cost is based on a fully insured premium. 81% was based on an average of the pricing loss ratios for the insurers that provide the retiree coverage to the State.

We then used the reallocation factors to reallocate the cost and membership of the dependents that were grouped by their spouse's status to the appropriate group based on the beneficiary's status. This cost was then demographically adjusted using the demographic factors that we calculated from the census file and denominated by the membership to produce the cost for an age 65 beneficiary. That cost serves as the starting point for the State's cost to provide retiree benefits. The cost is adjusted for each person's age and is trended over time to produce the cost curves. The end result of this analysis was a set of factors that express the expected relationship of the true cost of medical and dental benefits across age and gender. Representative factors are shown below.

Age	<u>Medical (with Rx)</u>		Age	<u>Dental</u>	
	Retiree	Spouse		Retiree	Spouse
40	2.35%	2.09%	40	1.47%	1.50%
50	4.63%	4.48%	50	0.65%	0.67%
60	4.36%	4.25%	60	0.14%	0.14%
70	2.14%	2.21%	70	0.00%	0.00%
80	1.25%	1.13%	80	0.00%	0.00%

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL METHOD

The actuarial funding method used is the **Projected Unit Credit Cost Method**. The Annual Required Contribution consists of three pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability plus interest from the valuation date to the start of the fiscal year.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date compared to service at the member's expected retirement date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

At the direction of the Comptroller, we have used the following assumptions for this valuation:

Eligible Groups	Employees of the State of Connecticut who are covered by the following retirement systems: SERS: State Employees Retirement System JFSMCCRS: Judges, Family Support Magistrates, and Compensation Commissioners Retirement System PJERS: Probate Judges and Employees Retirement System Teachers: State Teachers' Retirement System ARP: Alternate Retirement Program In addition, there are a small number of " Other " State employees who are not covered by the retirement systems listed above but who are eligible for OPEB.
Salary Scale	
SERS	Rates used in the 2006 SERS valuation.
JFSMCCRS	5.50%
PJERS	6.00%
Teachers	Rates used in the 2004 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.
ARP	Rates used in the 2006 SERS valuation.
Others	Rates used in the 2006 SERS valuation.
Healthy Mortality	
All groups except Teachers	1994 Group Annuity Mortality Table.
Teachers	Retiree: 1994 Group Annuity Mortality Table, set back 2 years for males and 1 years for females. Active: 1994 Group Annuity Mortality Table, set back 2 years for males, and 75% of 1994 Group Annuity Mortality Table for females.
Disabled Mortality	
SERS	Male: 80% of PBGC Disabled Mortality with Soc. Security Female: 60% of PBGC Disabled Mortality with Soc. Security
JFSMCCRS	Same as SERS.
PJERS	1994 Group Annuity Mortality Table.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Teachers	1994 Group Annuity Mortality Table, set forward 8 years for males and 9 years for females.	
ARP	Same as SERS.	
Others	Same as SERS.	
Turnover		
SERS	Rates used in the 2006 SERS valuation.	
JFSMCCRS	Rates used in the 2006 JFSMCCRS valuation.	
PJERS	Rates used in the 2006 PJERS valuation.	
Teachers	Rates used in the 2004 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.	
ARP	<u>Age</u>	<u>Rate</u>
	20	14.00%
	25	10.20
	30	7.07
	35	5.53
	40	4.55
	45	3.85
	50	2.70
	55	0.00
Others	Rates used in the 2006 SERS valuation.	

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Retirement

SERS Rates used in the 2006 SERS valuation.

JFSMCCRS Rates used in the 2006 JFSMCCRS valuation.

PJERS Rates used in the 2006 PJERS valuation.

Teachers Rates used in the 2004 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.

ARP

	<u>Rate</u>	
	<u>First Year Eligible</u>	<u>All Other Ages</u>
<u>Age</u>		
55	15%	6%
56	15	6
57	15	7
58 - 59	15	7
60 - 61	15	10
62 - 64	15	15
65	25	25
66 - 69	20	20
70	100	100

Others Rates used in the 2006 SERS valuation.

Disability

SERS In Service: Hazardous – 0.11% at all ages
All Others – 0.03% at all ages
Non Service: 25% of United Auto Workers Disability Table

Teachers Rates used in the 2004 valuation of the Connecticut State Teachers' Retirement System by Gabriel, Roeder, Smith and Company.

All Other Groups Same as SERS.

Future Retiree Coverage 100% of current active and terminated vested members are assumed to elect coverage under the OPEB program.

Future Dependent Coverage 80% of current active and terminated vested members are assumed to elect dependent coverage at retirement, with female spouses assumed to be the same age as male spouses.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Health Care Inflation Rate We determined our long term trend rates by using health cost projections released by the Office of the Actuary at the Centers for Medicare and Medicaid Services (CMS). The release contained projections of the medical and pharmacy cost and population growth for 2004, 2005, 2006, and 2014. Using these cost and population projections, we determined the year over year trend for both cost and population growth. We then annualized the trend in cost and adjusted for population growth.

Using the annualized trend and an assumed 3% annual trend in administrative costs, we determined the total trend over the 8 year period from 2006 through 2014 for both medical costs and administrative costs. We then blended the total cost trend and the total administrative trend to determine the total overall trend for this period. We then determined year over year trend rates to match the total 8 year trend rate.

Our resulting health care inflation rate assumption is shown below:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
2006-2007	9.0%	4.0%
2007-2008	8.0%	3.5%
2008-2009	7.0%	3.0%
2009-2010	6.0%	3.0%
2010-2011 and thereafter	5.0%	3.0%

**STATE OF CONNECTICUT
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ACTUARIAL ASSUMPTIONS

Discount Rate

A discount rate of 4.50% was used for the scenario in which the State does not establish an OPEB trust but continues to fund the OPEB benefits on a pay-as-you-go basis. 4.50% reflects the expected long-term investment returns on the State's general assets.

A discount rate of 8.50% was used for the scenario in which the State establishes an OPEB trust with an investment strategy similar to the SERS trust and adopts a funding policy to fully prefund the OPEB benefits by paying the Annual Required Contribution. 8.50% is the interest rate set by the Connecticut State Employees Retirement Commission for the SERS funding valuation.

If the State adopts a funding policy to contribute more than the annual benefits as they come due but less than the full ARC, GASB 45 requires the discount rate to be a blend of the discount rates for the full prefunding policy and the pay-as-you-go policy. The following methodology was used to determine the blended discount rate for the Governor's proposal and the Comptroller's proposal to establish funding policies to make contributions to an OPEB trust in addition to paying the pay-as-you-go cost:

- The expected return on trust assets for each of the next ten years was calculated assuming that trust assets earn 8.50%, except that pay-as-you-go amounts were assumed to reside in the trust for an average of 3 months and be invested in funds similar to the State's general assets (i.e., earn 4.50% annually).
- The expected asset level in the trust was then determined for each of the next ten years, based on any initial deposits plus any ongoing contributions.
- A weighted average blended rate was determined for each of the next ten years based on 8.50% weighted by the expected asset level in the trust and 4.50% weighted by the annual pay-as-you-go levels.
- The weighted average blended rates for the ten year period were then averaged to arrive at the final blended discount rates of 4.70% for the Governor's proposal and 6.08% for the Comptroller's proposal.

**STATE OF CONNECTICUT
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SUMMARY OF PLAN PROVISIONS

Eligibility

All groups except ARP Retire with a Normal, Early or Disability Retirement under the applicable retirement system.

ARP Age 55 with 10 years of service.

Life Insurance

Pay-related coverage, equal to 50% of the basic coverage amount immediately before retirement. The minimum post-retirement coverage amount is \$10,000.

For retirees with less than 25 years of service, the above coverage amount is proportionately reduced based on years of service, and is not subject to the \$10,000 minimum.

Members who retire under the hazardous duty provisions of C.G.S. 5-173 receive coverage equal to 50% of the basic coverage amount immediately before retirement, regardless of the number of years of service.

Retired members who are totally and permanently disabled before age 60 receive coverage equal to 100% of the basic coverage amount.

Probate Judges are not eligible for post-retirement life insurance.

Terminated vested participants are not eligible for post-retirement life insurance.

Dental Benefits

Retirees are able to select one of the following plan options:

United Healthcare: basic plan

United Healthcare: enhanced plan

Aetna: dental HMO

Retirees pay 80% of the premium for dental benefits on the basis of subsidized premiums. Retirees who initially do not elect dental coverage and subsequently enroll for dental coverage cost share on the basis of unsubsidized premiums.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Medical Benefits

Retirees are able to select a plan option and a medical vendor as summarized below. Each plan option provides hospital, medical and pharmacy coverage. Medicare is primary and the State plan is administered as a carveout to Medicare. For Medicare eligibles, the State also provides Medicare Part B premium reimbursement for both the retiree and dependent.

Gated Point of Enrollment (POE): Oxford, Health Net, Anthem

Non-gated Point of Enrollment (POE): Oxford, Health Net, Anthem

Point of Service (POS): Oxford, Health Net, Anthem

PPO: Anthem

Out-of-Area PPO: Oxford, Anthem

Retirees pay a portion of the medical premium as follows:

Retired before July 1, 1997 or under 1997 ERIP: retiree pays 0%

Retired July 1, 1997 to June 30, 1999: retiree pays 0%, except those who elected the Anthem State Preferred PPO option pay up to a maximum of approximately 3%.

Retired July 1, 1999 or later:

POE/out of Area PPO: retiree pays 0%

Pre-65 POS/PPO: retiree pays a variable amount for retiree and dependent coverage up to a maximum of approximately 3%

Post-65 POS/PPO: retiree pays 0% for retiree coverage and pays a variable amount for dependent coverage up to a maximum of approximately 3%

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided by the State to future retirees. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

**STATE OF CONNECTICUT
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APPENDIX: MEDICAL TREND SENSITIVITY ANALYSIS

To demonstrate the effect that medical trend has on the Accrued Liability and the Annual Required Contribution, we analyzed the sensitivity of our results to this assumption by using an alternative medical inflation rate shown below:

<u>Sensitivity Analysis Medical Trend Rate</u>	
2006-2011	9.0%
2011-2012	8.6%
2012-2013	8.2%
2013-2014	7.8%
2014-2015	7.4%
2015-2016	7.0%
2016-2017	6.6%
2017-2018	6.2%
2018-2019	5.8%
2019-2020	5.4%
2020-2021 and thereafter	5.0%

The exhibits on the following pages present the same liability measures and contributions contained in this report but using the above trend rates as the basis for projecting future medical costs.

**STATE OF CONNECTICUT
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APPENDIX: SUMMARY OF RESULTS

We have calculated the Accrued Liability and Annual Required Contribution using the sensitivity medical trend rate scenario and each of the four discount rate scenarios discussed in the assumptions section of the report. A detailed breakdown of the Accrued Liability and Annual Required Contribution can be found on the following pages.

(\$ 000s)

Discount rate scenario	Accrued Liability as of April 1, 2006
Unfunded	4.50% \$26,927,687
Governor's proposal	4.70% 25,895,452
Comptroller's proposal	6.08% 20,110,682
Fully funded	8.50% 13,745,126
<hr/>	
	Annual Required Contribution for FY 2007
Unfunded	4.50% \$2,026,030
Governor's proposal	4.70% 1,955,875
Comptroller's proposal	6.08% 1,573,597
Fully funded	8.50% 1,179,195

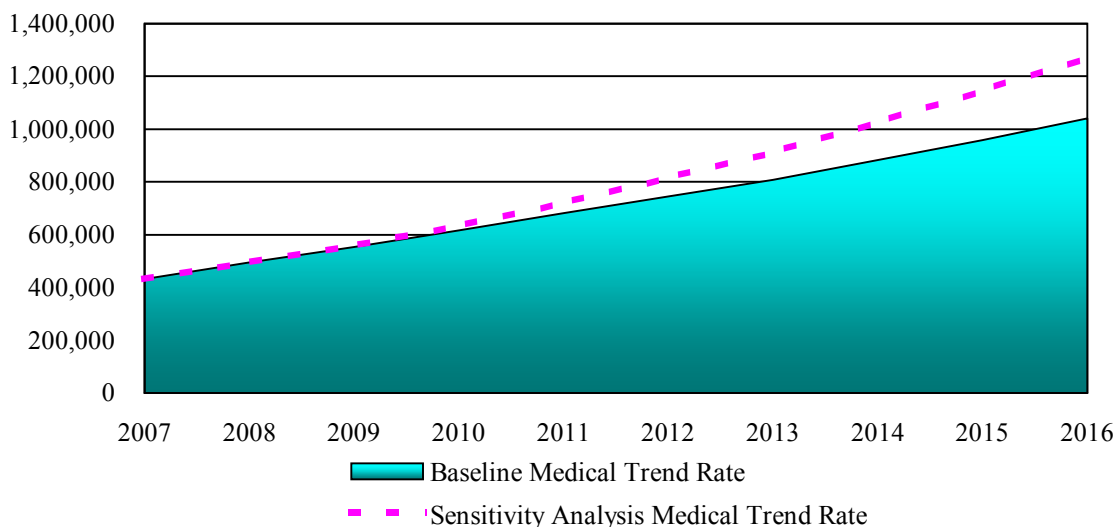
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OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: PROJECTED PAYOUTS

The annual State payments for OPEB benefits are expected to rise sharply in coming years, both because medical and dental costs are expected to rise over time and because more employees will retire and start to receive State-paid OPEB benefits. The table and graph below show the expected annual payments for OPEB benefits for the next 10 years under the baseline medical trend rates and the sensitivity analysis medical trend rates described in the report.

(\$ 000s)

Fiscal Year	Baseline Medical Trend Rate	Sensitivity Analysis Medical Trend Rate
2007	\$432,255	\$432,255
2008	493,893	494,019
2009	553,440	558,593
2010	616,915	633,906
2011	682,068	719,978
2012	744,817	815,081
2013	806,948	912,337
2014	882,179	1,026,911
2015	957,933	1,144,064
2016	1,041,164	1,271,291

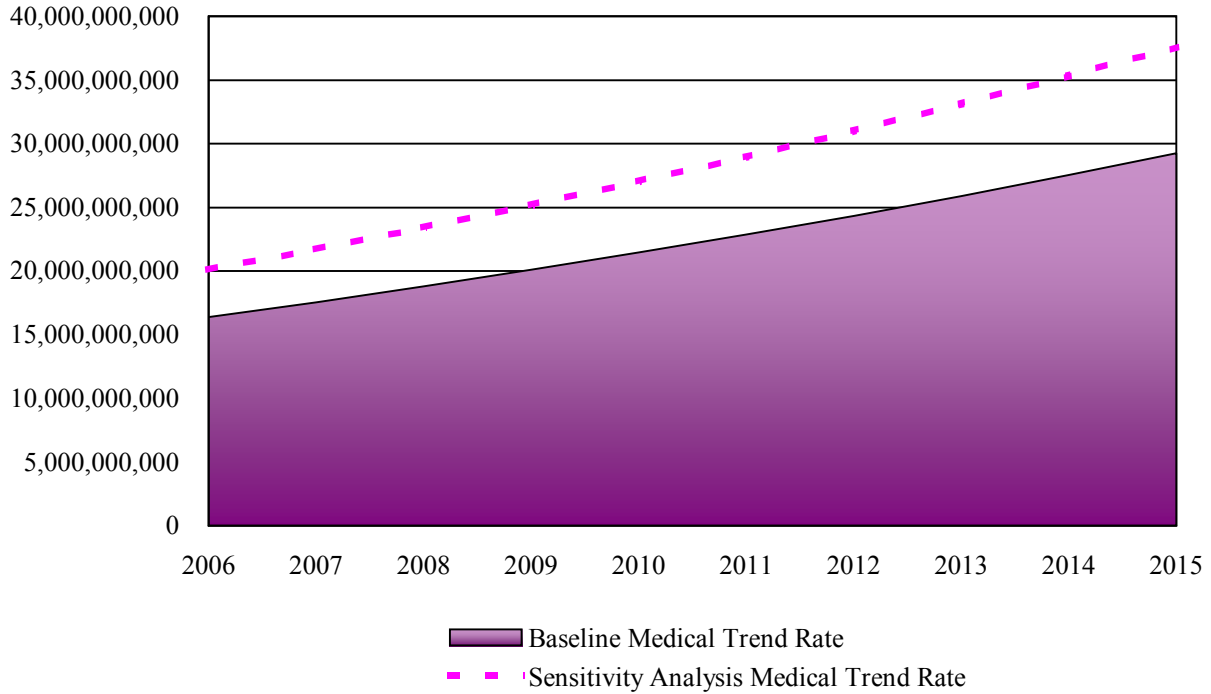


Please note that these figures represent the true economic cost to the State of providing OPEB benefits, net of any cost-sharing payments made by retirees. These figures may be higher or lower than the premiums paid for these benefits in any given year.

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: PROJECTED LIABILITIES

The graph below illustrates how the State's Accrued Liability is expected to grow over the next 10 years. For this illustration, we have used the discount rate for the Comptroller's proposal scenario along with the sensitivity analysis medical trend rate.



**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Unfunded scenario	4.50%

SERS Members

	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$522,046	\$1,656,559	\$340,120	\$0	\$0	\$2,518,724
Employees over age 65	1,186,509	2,960,479	928,404	0	0	5,075,392
Dependents under age 65	380,949	1,265,371	264,557	0	0	1,910,877
Dependents over age 65	<u>868,362</u>	<u>2,156,745</u>	<u>668,077</u>	<u>0</u>	<u>0</u>	<u>3,693,184</u>
Total	2,957,865	8,039,154	2,201,158	0	0	13,198,177
Retired members						
Employees under age 65	0	0	0	1,101,112	979,135	2,080,248
Employees over age 65	0	0	0	3,905,517	1,530,342	5,435,860
Dependents under age 65	0	0	0	639,868	494,308	1,134,176
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,222,500</u>	<u>754,117</u>	<u>2,976,617</u>
Total	0	0	0	7,868,998	3,757,903	11,626,901
Total SERS	2,957,865	8,039,154	2,201,158	7,868,998	3,757,903	24,825,078

Non-SERS Members

	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$2,511	\$4,455	\$211,644	\$11,460	\$2,241	\$232,310
Employees over age 65	18,001	31,190	579,124	45,067	10,700	684,082
Dependents under age 65	2,367	1,071	191,521	8,782	1,736	205,477
Dependents over age 65	<u>18,880</u>	<u>25,654</u>	<u>524,701</u>	<u>37,280</u>	<u>7,827</u>	<u>614,342</u>
Total	41,759	62,370	1,506,990	102,589	22,503	1,736,211
Retired members						
Employees under age 65	4,146	2,108	22,142	7,044	6,814	42,254
Employees over age 65	11,957	24,893	94,183	34,657	23,517	189,205
Dependents under age 65	1,482	1,161	12,167	2,516	3,368	20,694
Dependents over age 65	<u>23,077</u>	<u>12,870</u>	<u>52,055</u>	<u>19,942</u>	<u>6,299</u>	<u>114,243</u>
Total	40,662	41,032	180,546	64,159	39,998	366,397
Total Non-SERS	82,421	103,402	1,687,536	166,747	62,501	2,102,608
Grand Total						26,927,686

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Governor's proposal	4.70%

	SERS Members					
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$510,740	\$1,607,176	\$326,558	\$0	\$0	\$2,444,474
Employees over age 65	1,131,437	2,799,601	871,272	0	0	4,802,310
Dependents under age 65	373,631	1,229,023	254,181	0	0	1,856,835
Dependents over age 65	<u>829,476</u>	<u>2,042,188</u>	<u>628,063</u>	<u>0</u>	<u>0</u>	<u>3,499,727</u>
Total	2,845,283	7,677,988	2,080,075	0	0	12,603,346
Retired members						
Employees under age 65	0	0	0	1,086,530	955,811	2,042,341
Employees over age 65	0	0	0	3,800,069	1,445,875	5,245,944
Dependents under age 65	0	0	0	631,636	482,546	1,114,182
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,159,888</u>	<u>712,857</u>	<u>2,872,746</u>
Total	0	0	0	7,678,123	3,597,089	11,275,213
Total SERS	2,845,283	7,677,988	2,080,075	7,678,123	3,597,089	23,878,558
	Non-SERS Members					
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$2,433	\$4,366	\$205,042	\$11,165	\$2,169	\$225,175
Employees over age 65	17,313	29,907	549,248	43,088	10,229	649,785
Dependents under age 65	2,325	1,044	185,930	8,582	1,682	199,563
Dependents over age 65	<u>18,089</u>	<u>24,715</u>	<u>498,768</u>	<u>35,607</u>	<u>7,495</u>	<u>584,674</u>
Total	40,159	60,032	1,438,988	98,442	21,576	1,659,197
Retired members						
Employees under age 65	4,081	2,083	21,874	6,957	6,634	41,629
Employees over age 65	11,741	24,333	91,529	33,786	22,873	184,262
Dependents under age 65	1,467	1,151	12,073	2,496	3,304	20,490
Dependents over age 65	<u>22,565</u>	<u>12,581</u>	<u>50,655</u>	<u>19,438</u>	<u>6,077</u>	<u>111,315</u>
Total	39,853	40,149	176,132	62,677	38,887	357,697
Total Non-SERS	80,012	100,181	1,615,120	161,119	60,463	2,016,894
Grand Total						25,895,453

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Comptroller's proposal	6.08%

SERS Members						
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$441,458	\$1,313,185	\$248,936	\$0	\$0	\$2,003,579
Employees over age 65	824,568	1,933,989	574,301	0	0	3,332,858
Dependents under age 65	327,755	1,010,890	194,556	0	0	1,533,201
Dependents over age 65	<u>611,235</u>	<u>1,422,855</u>	<u>418,800</u>	<u>0</u>	<u>0</u>	<u>2,452,890</u>
Total	2,205,017	5,680,919	1,436,593	0	0	9,322,529
Retired members						
Employees under age 65	0	0	0	995,718	813,113	1,808,831
Employees over age 65	0	0	0	3,177,814	989,499	4,167,312
Dependents under age 65	0	0	0	580,186	410,582	990,768
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,793,089</u>	<u>489,501</u>	<u>2,282,590</u>
Total	0	0	0	6,546,807	2,702,694	9,249,501
Total SERS	2,205,017	5,680,919	1,436,593	6,546,807	2,702,694	18,572,030
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,974	\$3,827	\$166,272	\$9,412	\$1,753	\$183,238
Employees over age 65	13,376	22,712	387,376	32,037	7,648	463,148
Dependents under age 65	2,057	885	152,682	7,367	1,367	164,357
Dependents over age 65	<u>13,626</u>	<u>19,368</u>	<u>356,961</u>	<u>26,297</u>	<u>5,663</u>	<u>421,915</u>
Total	31,032	46,790	1,063,291	75,114	16,431	1,232,658
Retired members						
Employees under age 65	3,674	1,928	20,215	6,420	5,597	37,834
Employees over age 65	10,421	20,970	75,848	28,593	19,239	155,072
Dependents under age 65	1,367	1,087	11,462	2,368	2,909	19,193
Dependents over age 65	<u>19,476</u>	<u>10,839</u>	<u>42,337</u>	<u>16,427</u>	<u>4,816</u>	<u>93,895</u>
Total	34,938	34,824	149,862	53,809	32,561	305,994
Total Non-SERS	65,970	81,614	1,213,153	128,922	48,992	1,538,652
Grand Total						20,110,682

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ACCRUED LIABILITY AS OF APRIL 1, 2006 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Fully funded scenario	8.50%

SERS Members						
	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Active members						
Employees under age 65	\$348,535	\$946,276	\$160,622	\$0	\$0	\$1,455,434
Employees over age 65	495,509	1,075,723	301,179	0	0	1,872,412
Dependents under age 65	263,499	734,456	126,193	0	0	1,124,148
Dependents over age 65	<u>373,413</u>	<u>801,998</u>	<u>223,626</u>	<u>0</u>	<u>0</u>	<u>1,399,037</u>
Total	1,480,957	3,558,454	811,620	0	0	5,851,031
Retired members						
Employees under age 65	0	0	0	869,135	623,877	1,493,012
Employees over age 65	0	0	0	2,411,540	534,434	2,945,974
Dependents under age 65	0	0	0	507,862	315,142	823,004
Dependents over age 65	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,347,756</u>	<u>265,776</u>	<u>1,613,532</u>
Total	0	0	0	5,136,293	1,739,228	6,875,522
Total SERS	1,480,957	3,558,454	811,620	5,136,293	1,739,228	12,726,552
Non-SERS Members						
	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Active members						
Employees under age 65	\$1,428	\$3,121	\$119,187	\$7,208	\$1,253	\$132,196
Employees over age 65	8,877	14,823	223,650	20,053	4,940	272,344
Dependents under age 65	1,683	681	111,280	5,770	984	120,397
Dependents over age 65	<u>8,679</u>	<u>13,292</u>	<u>210,562</u>	<u>16,292</u>	<u>3,711</u>	<u>252,536</u>
Total	20,667	31,916	664,678	49,324	10,887	777,472
Retired members						
Employees under age 65	3,111	1,704	17,920	5,681	4,378	32,795
Employees over age 65	8,647	16,660	56,534	22,048	15,062	118,951
Dependents under age 65	1,224	990	10,527	2,180	2,379	17,300
Dependents over age 65	<u>15,495</u>	<u>8,589</u>	<u>31,948</u>	<u>12,631</u>	<u>3,394</u>	<u>72,058</u>
Total	28,477	27,942	116,930	42,541	25,214	241,104
Total Non-SERS	49,144	59,858	781,608	91,864	36,101	1,018,576
Grand Total						13,745,128

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Unfunded scenario	4.50%

SERS Members

	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,957,864	\$8,039,155	\$2,201,158	\$7,868,998	\$3,757,903	\$24,825,078
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,957,864	8,039,155	2,201,158	7,868,998	3,757,903	24,825,078
Amortization Period	30	30	30	30	30	
Past Service Cost	91,924	249,839	68,407	244,551	116,787	771,508
Normal Cost	79,195	442,030	448,028	0	0	969,253
Interest to start of FY	1,925	7,784	5,810	2,751	1,314	19,584
ARC for FY 2007	173,044	699,653	522,245	247,302	118,101	1,760,345

Non-SERS Members

	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$82,421	\$103,403	\$1,687,536	\$166,748	\$62,501	\$2,102,609
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	82,421	103,403	1,687,536	166,748	62,501	2,102,609
Amortization Period	30	30	30	30	30	
Past Service Cost	2,561	3,214	52,445	5,182	1,942	65,344
Normal Cost	3,247	6,337	170,507	10,002	7,293	197,386
Interest to start of FY	65	107	2,508	171	104	2,955
ARC for FY 2007	5,873	9,658	225,460	15,355	9,339	265,685

Grand Total ARC 2,026,030

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Governor's proposal	4.70%

SERS Members

	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,845,283	\$7,677,987	\$2,080,075	\$7,678,123	\$3,597,089	\$23,878,557
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,845,283	7,677,987	2,080,075	7,678,123	3,597,089	23,878,557
Amortization Period	30	30	30	30	30	
Past Service Cost	90,961	245,457	66,498	245,461	114,995	763,372
Normal Cost	75,893	420,310	421,914	0	0	918,117
Interest to start of FY	1,961	7,823	5,739	2,884	1,351	19,758
ARC for FY 2007	168,815	673,590	494,151	248,345	116,346	1,701,247

Non-SERS Members

	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$80,012	\$100,181	\$1,615,120	\$161,119	\$60,463	\$2,016,895
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	80,012	100,181	1,615,120	161,119	60,463	2,016,895
Amortization Period	30	30	30	30	30	
Past Service Cost	2,558	3,203	51,634	5,151	1,933	64,479
Normal Cost	3,115	6,057	161,547	9,514	6,959	187,192
Interest to start of FY	67	109	2,505	172	104	2,957
ARC for FY 2007	5,740	9,369	215,686	14,837	8,996	254,628

Grand Total ARC 1,955,875

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Comptroller's proposal	6.08%

SERS Members

	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$2,205,018	\$5,680,919	\$1,436,593	\$6,546,807	\$2,702,694	\$18,572,031
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	2,205,018	5,680,919	1,436,593	6,546,807	2,702,694	18,572,031
Amortization Period	30	30	30	30	30	
Past Service Cost	84,924	218,794	55,329	252,143	104,091	715,281
Normal Cost	57,301	301,624	284,508	0	0	643,433
Interest to start of FY	2,162	7,910	5,166	3,833	1,582	20,653
ARC for FY 2007	144,387	528,328	345,003	255,976	105,673	1,379,367

Non-SERS Members

	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$65,970	\$81,614	\$1,213,153	\$128,922	\$48,992	\$1,538,651
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	65,970	81,614	1,213,153	128,922	48,992	1,538,651
Amortization Period	30	30	30	30	30	
Past Service Cost	2,541	3,143	46,723	4,965	1,887	59,259
Normal Cost	2,370	4,511	113,215	6,837	5,130	132,063
Interest to start of FY	75	116	2,431	179	107	2,908
ARC for FY 2007	4,986	7,770	162,369	11,981	7,124	194,230

Grand Total ARC 1,573,597

Note: totals may reflect rounding differences

**STATE OF CONNECTICUT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

APPENDIX: ANNUAL REQUIRED CONTRIBUTION FOR FY 2007 (\$ 000s)

Medical inflation rate	Sensitivity Trend Rate	9% for 5 years then grading down to 5% over 10 years
Discount rate	Fully funded scenario	8.50%

SERS Members

	Tier I	Tier II	Tier IIA	In Pay Status	Term Vested	Total
Accrued Liability	\$1,480,957	\$3,558,453	\$811,620	\$5,136,293	\$1,739,228	\$12,726,551
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	1,480,957	3,558,453	811,620	5,136,293	1,739,228	12,726,551
Amortization Period	30	30	30	30	30	
Past Service Cost	76,305	183,347	41,818	264,645	89,613	655,728
Normal Cost	36,787	179,053	154,185	0	0	370,025
Interest to start of FY	2,403	7,701	4,165	5,624	1,904	21,797
ARC for FY 2007	115,495	370,101	200,168	270,269	91,517	1,047,550

Non-SERS Members

	JFSMCCRS	JPERS	ARP	Teachers	Others	Total
Accrued Liability	\$49,144	\$59,858	\$781,608	\$91,864	\$36,101	\$1,018,575
Assets	0	0	0	0	0	0
Unfunded Accrued Liability	49,144	59,858	781,608	91,864	36,101	1,018,575
Amortization Period	30	30	30	30	30	
Past Service Cost	2,532	3,084	40,272	4,733	1,860	52,481
Normal Cost	1,538	2,861	64,749	4,059	3,218	76,425
Interest to start of FY	86	126	2,232	187	108	2,739
ARC for FY 2007	4,156	6,071	107,253	8,979	5,186	131,645

Grand Total ARC 1,179,195

Note: totals may reflect rounding differences