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## MEMORANDUM

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Date: July 9, 2010  
To: Bob Dakers  
From: Becky Sielman  
cc: Tom Woodruff  
Re: April 1, 2008 OPEB Valuation – Breakdown of Results

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Bob –

Per our discussion on June 29, 2010, we have broken out the preliminary 2008 OPEB valuation results into several categories – SERS versus non-SERS members, retirees and terminated vested members versus active members, and for active and terminated vested members the cost of pre-65 versus post-65 coverage and member versus dependent coverage. The results are shown on the attached exhibits. There is one exhibit for each of the three discount rate scenarios (4.50%, 6.08%, and 8.25%).

As we discussed, it is important to bear in mind when discussing eliminating dependent coverage that there is a significant difference between removing dependents from access to the State's benefits and allowing dependents to stay on the State's benefits and pay 100% of the premium. In the latter situation, there is still an Accrued Liability per GASB 45 due to the Implicit Rate Subsidy that would be provided to dependents.

### Caveats

The attached exhibits are based on the preliminary results of our April 1, 2008 OPEB valuation, including the data, plan provisions, methods and assumptions contained therein. We expect that our valuation report will be published by the end of the summer. The explanatory notes contained in our April 1, 2006 valuation report, including statements of reliance and limitations on use, continue to apply.

The results of our study depend on future experience conforming to the actuarial assumptions used in this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent future

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Bob Dakers  
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experience deviates from those assumptions, the results of this analysis could vary from the results presented here. Future measurements (for example, of OPEB obligations, costs, contributions, or funded status as applicable) may differ significantly from the current measurements presented in this analysis due to such factors as 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. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such future measurements.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised.

This analysis was prepared exclusively for the Comptroller's Office and the Office of Policy and Management. ~~It is a complex, technical analysis that assumes a~~ high level of knowledge concerning the State's OPEB benefits, and uses the State's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Milliman does not intend to benefit any third party recipient of this analysis and assumes no duty or liability to any such third parties.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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**STATE OF CONNECTICUT OTHER POST-EMPLOYMENT BENEFITS PROGRAM  
04/01/2008 VALUATION PRELIMINARY RESULTS**

**Details of Accrued Liability (\$000s)**

Discount Rate = 4.50%

	SERS			In Pay Status	Term. Vested	Non SERS	Total
	Tier I Actives	Tier II Actives	Tier IIA Actives				
<b>Accrued liability, current employees</b>							
Member pre-65	390,370	1,375,732	554,684	0	0	260,729	2,581,515
Member post-65	956,216	2,622,284	1,062,259	0	0	766,942	5,407,701
Dependent pre-65	280,517	1,058,930	440,586	0	0	233,160	2,013,192
Dependent post-65	792,280	2,199,352	891,622	0	0	762,931	4,646,185
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>2,419,383</b>	<b>7,256,298</b>	<b>2,949,150</b>	<b>0</b>	<b>0</b>	<b>2,023,762</b>	<b>14,648,593</b>
<b>Accrued liability, current retirees</b>							
Member pre-65	0	0	0	0	737,155	0	737,155
Member post-65	0	0	0	0	1,223,080	0	1,223,080
Dependent pre-65	0	0	0	0	587,689	0	587,689
Dependent post-65	0	0	0	0	946,979	0	946,979
Current Retirees	0	0	0	8,028,312	0	395,134	8,423,446
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,028,312</b>	<b>3,494,903</b>	<b>395,134</b>	<b>11,918,349</b>
<b>Total Accrued Liability</b>	<b>2,419,383</b>	<b>7,256,298</b>	<b>2,949,150</b>	<b>8,028,312</b>	<b>3,494,903</b>	<b>2,418,896</b>	<b>26,566,942</b>
<b>Amortization Payment</b>							
<b>Current Employees</b>							
Member pre-65	14,384	50,693	20,439	0	27,163	9,607	122,286
Member post-65	35,235	96,626	39,142	0	45,068	28,260	244,331
Dependent pre-65	10,336	39,019	16,235	0	21,655	8,591	95,836
Dependent post-65	29,194	81,042	32,854	0	34,894	28,112	206,096
Current Retirees	0	0	0	295,827	0	14,560	310,387
<b>Total</b>	<b>89,149</b>	<b>267,380</b>	<b>108,670</b>	<b>295,827</b>	<b>128,780</b>	<b>89,130</b>	<b>978,936</b>
<b>Normal Cost</b>							
<b>Current Employees</b>							
Member pre-65	8,432	61,643	30,064	0	0	25,102	175,241
Member post-65	17,644	101,315	146,352	0	0	66,164	331,475
Dependent pre-65	6,397	48,553	65,014	0	0	23,849	143,813
Dependent post-65	14,452	86,165	124,989	0	0	65,677	291,283
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>46,925</b>	<b>297,676</b>	<b>416,419</b>	<b>0</b>	<b>0</b>	<b>180,792</b>	<b>941,812</b>
<b>Interest</b>							
<b>Current Employees</b>							
Member pre-65	257	1,264	1,131	0	306	390	3,348
Member post-65	595	2,227	2,087	0	507	1,062	6,478
Dependent pre-65	188	985	914	0	244	365	2,696
Dependent post-65	491	1,881	1,776	0	393	1,055	5,596
Current Retirees	0	0	0	3,328	0	164	3,492
<b>Total</b>	<b>1,531</b>	<b>6,357</b>	<b>5,908</b>	<b>3,328</b>	<b>1,450</b>	<b>3,036</b>	<b>21,610</b>
<b>Annual Required Contribution</b>							
<b>Current Employees</b>							
Member pre-65	23,073	113,600	101,634	0	27,469	35,099	300,875
Member post-65	53,474	200,168	187,581	0	45,575	95,486	582,284
Dependent pre-65	16,921	88,557	82,163	0	21,899	32,805	242,345
Dependent post-65	44,137	169,088	159,619	0	35,287	94,844	502,975
Current Retirees	0	0	0	299,155	0	14,724	313,879
<b>Total</b>	<b>137,605</b>	<b>571,413</b>	<b>530,997</b>	<b>299,155</b>	<b>130,230</b>	<b>272,958</b>	<b>1,942,358</b>

This work product was prepared solely for the State for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

**STATE OF CONNECTICUT OTHER POST-EMPLOYMENT BENEFITS PROGRAM**  
**04/01/2008 VALUATION PRELIMINARY RESULTS**

**Details of Accrued Liability (\$000s)**

Discount Rate = 6.08%

	SERS			In Pay Status	Term. Vested	Non SERS	Total
	Tier I Actives	Tier II Actives	Tier IIA Actives				
<b>Accrued liability, current employees</b>							
Member pre-65	333,653	1,102,736	414,086	0	0	205,323	2,055,798
Member post-65	673,737	1,728,910	663,255	0	0	519,793	3,585,695
Dependent pre-65	245,426	857,459	330,535	0	0	186,705	1,620,125
Dependent post-65	558,569	1,445,313	654,985	0	0	518,040	3,076,907
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>1,811,385</b>	<b>5,134,418</b>	<b>1,962,862</b>	<b>0</b>	<b>0</b>	<b>1,429,860</b>	<b>10,338,525</b>
<b>Accrued liability, current retirees</b>							
Member pre-65	0	0	0	0	617,335	0	617,335
Member post-65	0	0	0	0	794,851	0	794,851
Dependent pre-65	0	0	0	0	492,201	0	492,201
Dependent post-65	0	0	0	0	617,978	0	617,978
Current Retirees	0	0	0	6,622,763	0	330,396	6,953,159
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,622,763</b>	<b>2,522,365</b>	<b>330,396</b>	<b>9,475,524</b>
<b>Total Accrued Liability</b>	<b>1,811,385</b>	<b>5,134,418</b>	<b>1,962,862</b>	<b>6,622,763</b>	<b>2,522,365</b>	<b>1,760,256</b>	<b>19,814,049</b>
<b>Amortization Payment</b>							
<b>Current Employees</b>							
Member pre-65	14,975	49,492	18,584	0	27,706	9,215	119,972
Member post-65	30,238	77,595	29,767	0	35,674	23,329	196,603
Dependent pre-65	11,015	38,483	14,835	0	22,090	8,379	94,802
Dependent post-65	25,069	64,867	24,908	0	27,735	23,250	165,829
Current Retirees	0	0	0	297,235	0	14,828	312,063
<b>Total</b>	<b>81,297</b>	<b>230,437</b>	<b>88,094</b>	<b>297,235</b>	<b>113,205</b>	<b>79,001</b>	<b>889,269</b>
<b>Normal Cost</b>							
<b>Current Employees</b>							
Member pre-65	7,063	48,138	57,835	0	0	18,711	131,747
Member post-65	11,783	63,012	87,915	0	0	41,604	204,314
Dependent pre-65	5,450	38,229	47,142	0	0	17,986	108,807
Dependent post-65	9,674	53,448	74,709	0	0	41,385	179,216
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>33,969</b>	<b>202,827</b>	<b>267,601</b>	<b>0</b>	<b>0</b>	<b>119,686</b>	<b>624,083</b>
<b>Interest</b>							
<b>Current Employees</b>							
Member pre-65	335	1,484	1,162	0	421	424	3,826
Member post-65	639	2,137	1,789	0	542	987	6,094
Dependent pre-65	250	1,166	942	0	336	401	3,095
Dependent post-65	528	1,798	1,514	0	422	982	5,244
Current Retirees	0	0	0	4,518	0	225	4,743
<b>Total</b>	<b>1,752</b>	<b>6,585</b>	<b>5,407</b>	<b>4,518</b>	<b>1,721</b>	<b>3,019</b>	<b>23,002</b>
<b>Annual Required Contribution</b>							
<b>Current Employees</b>							
Member pre-65	22,373	99,114	77,581	0	28,127	28,350	255,545
Member post-65	42,660	142,744	119,471	0	36,216	65,920	407,011
Dependent pre-65	16,715	77,878	62,919	0	22,426	26,766	206,704
Dependent post-65	35,271	120,113	101,131	0	28,157	65,617	350,289
Current Retirees	0	0	0	301,753	0	15,053	316,806
<b>Total</b>	<b>117,018</b>	<b>439,849</b>	<b>361,102</b>	<b>301,753</b>	<b>114,926</b>	<b>201,706</b>	<b>1,536,354</b>

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**STATE OF CONNECTICUT OTHER POST-EMPLOYMENT BENEFITS PROGRAM  
04/01/2008 VALUATION PRELIMINARY RESULTS**

**Details of Accrued Liability (\$000s)**

Discount Rate = 8.25%

	SERS						Total
	Tier I Actives	Tier II Actives	Tier IIIA Actives	In Pay Status	Term. Vested	Non SERS	
<b>Accrued liability, current employees</b>							
Member pre-65	273,980	833,293	286,742	0	0	152,805	1,546,820
Member post-65	432,869	1,026,984	371,414	0	0	322,374	2,153,641
Dependent pre-65	206,123	654,218	229,915	0	0	141,374	1,231,630
Dependent post-65	358,994	855,324	309,705	0	0	321,718	1,845,741
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>1,271,966</b>	<b>3,369,819</b>	<b>1,197,776</b>	<b>0</b>	<b>0</b>	<b>938,272</b>	<b>6,777,833</b>
<b>Accrued liability, current retirees</b>							
Member pre-65	0	0	0	0	491,446	0	491,446
Member post-65	0	0	0	0	458,634	0	458,634
Dependent pre-65	0	0	0	0	391,880	0	391,880
Dependent post-65	0	0	0	0	358,331	0	358,331
Current Retirees	0	0	0	5,279,885	0	266,737	5,546,622
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,279,885</b>	<b>1,700,291</b>	<b>266,737</b>	<b>7,246,913</b>
<b>Total Accrued Liability</b>	<b>1,271,966</b>	<b>3,369,819</b>	<b>1,197,776</b>	<b>5,279,885</b>	<b>1,700,291</b>	<b>1,205,009</b>	<b>14,024,746</b>
<b>Amortization Payment</b>							
<b>Current Employees</b>							
Member pre-65	15,658	47,622	16,387	0	28,086	8,733	116,486
Member post-65	24,738	58,691	21,226	0	26,211	18,423	149,289
Dependent pre-65	11,780	37,388	13,139	0	22,396	8,079	92,782
Dependent post-65	20,516	48,881	17,699	0	20,478	18,386	125,960
Current Retirees	0	0	0	301,741	0	15,244	316,985
<b>Total</b>	<b>72,692</b>	<b>192,582</b>	<b>68,451</b>	<b>301,741</b>	<b>97,171</b>	<b>68,865</b>	<b>801,502</b>
<b>Normal Cost</b>							
<b>Current Employees</b>							
Member pre-65	5,626	35,021	38,317	0	0	12,917	91,881
Member post-65	7,008	34,325	46,700	0	0	23,345	111,378
Dependent pre-65	4,410	28,026	31,338	0	0	12,568	76,342
Dependent post-65	5,767	29,025	39,462	0	0	23,258	97,512
Current Retirees	0	0	0	0	0	0	0
<b>Total</b>	<b>22,811</b>	<b>126,397</b>	<b>155,817</b>	<b>0</b>	<b>0</b>	<b>72,088</b>	<b>377,113</b>
<b>Interest</b>							
<b>Current Employees</b>							
Member pre-65	439	1,705	1,128	0	579	447	4,298
Member post-65	655	1,918	1,401	0	541	861	5,376
Dependent pre-65	334	1,349	917	0	462	426	3,488
Dependent post-65	542	1,607	1,179	0	422	859	4,609
Current Retirees	0	0	0	6,223	0	314	6,537
<b>Total</b>	<b>1,970</b>	<b>6,579</b>	<b>4,625</b>	<b>6,223</b>	<b>2,004</b>	<b>2,907</b>	<b>24,308</b>
<b>Annual Required Contribution</b>							
<b>Current Employees</b>							
Member pre-65	21,723	84,348	55,832	0	28,665	22,097	212,665
Member post-65	32,401	94,934	69,327	0	26,752	42,629	266,043
Dependent pre-65	16,524	66,763	45,394	0	22,858	21,073	172,612
Dependent post-65	26,825	79,513	58,340	0	20,900	42,503	228,081
Current Retirees	0	0	0	307,964	0	15,558	323,522
<b>Total</b>	<b>97,473</b>	<b>325,558</b>	<b>228,893</b>	<b>307,964</b>	<b>99,175</b>	<b>143,860</b>	<b>1,202,923</b>

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STATE OF CONNECTICUT  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

2008 VALUATION RESULTS - SENSITIVITY ANALYSIS AND  
ESTIMATED IMPACT OF SEBAC 2009 CHANGES

(\$ millions)

	Discount Rate #	April 1, 2008 Accrued Liability	% Change vs. baseline	FY 2009 ARC	% Change vs. baseline
1. Baseline valuation results	8.25%	14,025		1,203	
	6.08%	19,814		1,536	
	4.50%	26,567		1,942	
2. Valuation results w/ health care trend plus 1%	8.25%	16,256	15.9%	1,428	18.7%
	6.08%	23,566	18.9%	1,886	22.8%
	4.50%	32,297	21.6%	2,451	26.2%
3. Valuation results w/ health care trend minus 1%	8.25%	12,217	-12.9%	1,024	-14.9%
	6.08%	16,852	-14.9%	1,268	-17.4%
	4.50%	22,136	-16.7%	1,561	-19.6%
4. Valuation results w/ health care trend plus 2%	8.25%	19,036	35.7%	1,716	42.6%
	6.08%	28,370	43.2%	2,345	52.7%
	4.50%	39,792	49.8%	3,138	61.6%
5. Valuation results w/ health care trend minus 2%	8.25%	10,738	-23.4%	881	-26.8%
	6.08%	14,488	-26.9%	1,059	-31.1%
	4.50%	18,673	-29.7%	1,272	-34.5%
6. With SEBAC 2009 Rx/preventive co-pay changes only *	8.25%	13,736	-2.1%	1,178	-2.1%
	6.08%	19,409	-2.0%	1,505	-2.0%
	4.50%	26,026	-2.0%	1,902	-2.1%
7. With SEBAC 2009 change effective 7/1/10: actives w/ less than 5 years of service contribute 3% of salary **	8.25%	14,025	0.0%	1,186	-1.4%
	6.08%	19,814	0.0%	1,519	-1.1%
	4.50%	26,567	0.0%	1,925	-0.9%
8. With SEBAC 2009 change actives w/ less than 10 years of service contribute 3% of salary ***	8.25%	14,025	0.0%	1,166	-3.1%
	6.08%	19,814	0.0%	1,499	-2.4%
	4.50%	26,567	0.0%	1,905	-1.9%
9. Valuation results if actives retire one year later than assumed *	8.25%	13,597	-3.1%	1,152	-4.2%
	6.08%	19,249	-2.9%	1,473	-4.1%
	4.50%	25,860	-2.7%	1,866	-3.9%

# 8.25% = fully funded scenario; 6.08% = comptroller's proposal scenario; 4.50% = unfunded scenario

\* Estimated.

\*\* Estimated. Based on estimated \$577 million total salaries for actives with less than 5 years of service. Above estimate does not reflect additional accrued liability and normal cost resulting from refund of employee contribution provision.

\*\*\* Estimated. Based on estimated \$1.238 billion total salaries for actives with less than 10 years of service. Above estimate reflects effect after this change has been fully phased-in, but does not reflect additional accrued liability and normal cost resulting from refund of employee contribution provision.

Except as otherwise indicated in this exhibit, the explanatory notes contained in the April 1, 2008 actuarial valuation report, including statements of reliance and limitations on use, continue to apply.

This work product was prepared solely for the State of Connecticut for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.