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Report on the Actuarial Valuation of Post Retirement Benefits of the Vermont State Teachers' Retirement System

Prepared as of June 30, 2010

October 2010

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INTRODUCTION

The Board of Trustees of the Vermont State Teachers' Retirement System has engaged Buck to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2010. The State Treasurer's Office provided the employee data and premium information used in the completion of this study.

The purposes of the valuation are to measure the current liabilities of the System for its post-retirement benefits program, to determine the level of contributions necessary to assure sound funding of such benefits and to provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information that is required for compliance with the Governmental Accounting Standards Board's Statement 45, which relates to accounting and financial reporting for post-employment benefits other than pensions.

The valuation reflects plan changes effective July 1, 2010. The changes affect future retirements only - no changes were adopted for those retired prior to July 1, 2010.

Valuation assumptions were updated as appropriate to reflect the postretirement benefit plans changes and the effects of changes to pension benefits adopted concurrently.

The valuation reflects the fact that there is currently no formal pre-funding policy, although pre-funding remains under consideration. Therefore, results are calculated using a 4.00% discount rate to reflect that benefits are expected to be paid from the general fund. A second scenario is provided which assumes the System's liabilities will be funded in a manner similar to that used for pensions, starting with the fiscal year beginning July 1, 2010. Results under this scenario reflect a discount rate of 8.25%. Section II provides a summary of the principal valuation results. Section VI provides a projection of expense and funding amounts.

We are Fellows of the Society of Actuaries and Members of the American Academy of Actuaries. We meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully Submitted,

BUCK CONSULTANTS, LLC

Hope C. Manion, FSA, MAAA Director and Consulting Actuary	October 22, 2010 Date
David L. Driscoll, FSA, MAAA, EA Principal, Consulting Actuary	October 22, 2010 Date

SECTION I – OVERVIEW

The System experienced a net decrease in its accrued liability for post-retirement benefits over the past year. The decrease in liability is attributable to the following factors:

- an increase in plan premiums smaller than expected (an 8% increase was expected);
- removal of assumed age-morbidity factors;
- changes to eligibility and cost-sharing plan provisions effective July 1, 2010, including associated changes in assumptions and attribution method.

The valuation reflects plan changes effective July 1, 2010. The changes affect future retirements only - no changes were adopted for those retired prior to July 1, 2010. Eligibility criteria and premium sharing levels were revised for active employees who did not attain 10 years of service as of June 30, 2010. In addition, the plan now offers subsidized spouse coverage for the first time. A summary of the plan provisions in effect as of July 1, 2010 is provided in Section IX.

Valuation assumptions were updated as appropriate to reflect the postretirement benefit plans changes and the effects of changes to pension benefits adopted concurrently, as follows:

- Retirement rates were updated in order to reflect expected retirement patterns under the revised pension benefits;
- Assumptions regarding incidence of spouse coverage and spouse age difference are introduced;
- Benefits are attributed to expected date of retirement.

Finally, the valuation no longer reflects age-morbidity factors as it is has been determined that VSTRS liabilities are fully insured and any implicit rate subsidy is completely born by the VEHI health insurance purchasing arrangement. There were no changes to the discount rate or the healthcare trend rates. A summary of valuation assumptions is shown in Section VII.

GASB Staff Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, provides that GASB OPEB calculations cannot reflect offsets for future Medicare Part D payments. Instead, such payments are to be reflected when the drug subsidy is actually earned (i.e., when the drug benefit costs for which the subsidy is due have been incurred by the participants). Thus, our calculations do not reflect the value of future Retiree Drug Subsidy amounts.

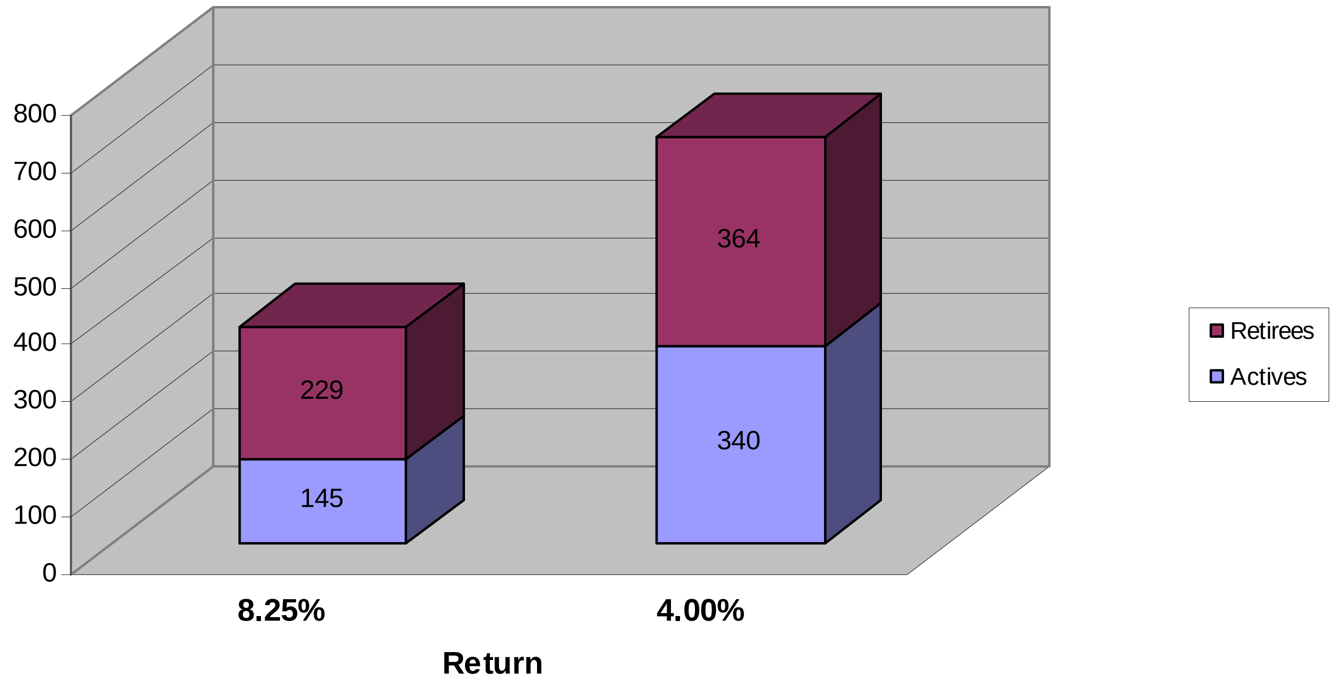
We have made explicit adjustments to the values developed in this report for the fiuture effects of the “Cadillac tax” introduced under federal healthcare reform legislation. We have not made adjustments for other potential effects of health care reform legislation on VSERS liabilities. Please see Section VIII for details.

SECTION II – REQUIRED INFORMATION

		Pre-Funding Basis	Pay-as-you-go Basis
a)	Assumed investment return	8.25%	4.00%
b)	Actuarial value of assets	$ 0	$ 0
c)	Actuarial accrued liability		
	Active Participants	$ 145,349,993	$ 339,738,851
	Retired Participants	228,754,994	364,012,016
	Total	$ 374,104,987	$ 703,750,867
d)	Unfunded actuarial liability (c. - b.)	$ 374,104,987	$ 703,750,867
e)	Funded ratio (c. / b.)	0%	0%
f)	Annual covered payroll	$ 560,763,396	$ 560,763,396
g)	Unfunded actuarial liability as percentage of covered payroll	66.7%	125.5%
h)	Normal cost for the 2011 fiscal year	$ 8,086,636	$ 21,160,218
i)	Amortization of unfunded actuarial liability for the 2011 fiscal year (30-year)	$ 18,742,163	$ 20,349,211
j)	Annual Required Contribution (ARC) for the 2011 fiscal year* (h. + i.)	$ 26,828,799	$ 41,509,429
k)	Expected value of premium payments	$ 19,056,126	$ 19,056,126
l)	Increase in annual cost to fund the Plan (j. - k.)	$ 7,772,673	N/A

*Payment is assumed to be made at the beginning of the fiscal year.

Actuarial Accrued Liability in $millions



SECTION III – MEMBERSHIP DATA AND MEDICAL PREMIUM

Number of participants included in valuation

	2010	2009
Actives	10,509	10,799
Inactives	4,989*	4,777*
Total	15,548	15,576

* Includes 709 and 732 deferred vesteds individuals in 2010 and 2009 respectively.

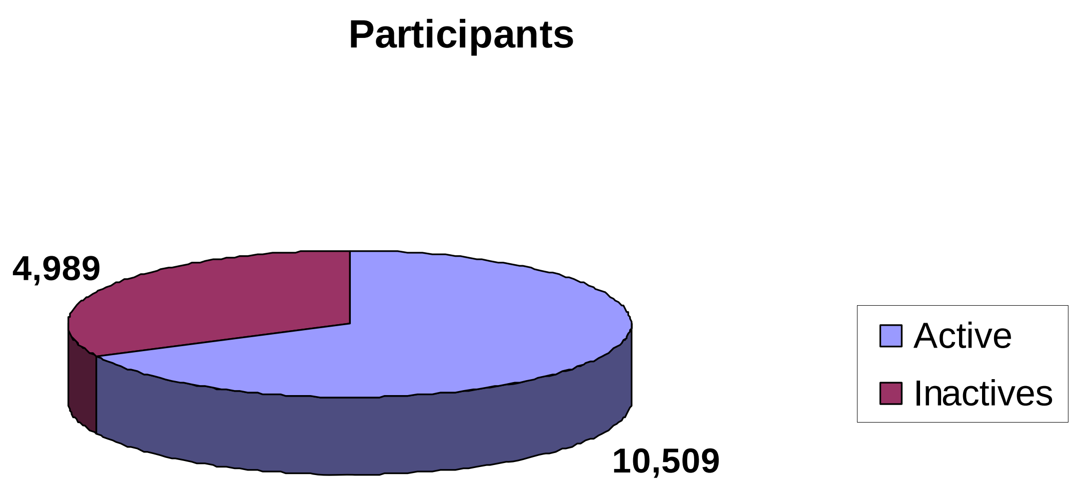


TABLE 1
THE NUMBER OF ACTIVE MEMBERS
DISTRIBUTED BY AGE AND SERVICE
AS OF JUNE 30, 2010

AGE	*0 to 4*	*5 to 9*	*10 to 14*	*15 to 19*	*20 to 24*	*25 to 29*	*30 to 34*	*35 to 39*	*40 & up*	*Total*
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	112	1	0	0	0	0	0	0	0	113
25 to 29	540	121	0	0	0	0	0	0	0	661
30 to 34	511	474	111	0	0	0	0	0	0	1,096
35 to 39	327	437	410	59	0	0	0	0	0	1,233
40 to 44	318	302	345	260	68	0	0	0	0	1,293
45 to 49	239	264	274	241	212	86	1	0	0	1,317
50 to 54	205	265	298	215	278	287	67	0	0	1,615
55 to 59	160	210	316	298	299	288	311	76	0	1,958
60 to 64	79	83	144	134	200	147	122	137	7	1,053
65 to 69	21	12	17	19	22	23	15	17	5	151
70 & up	3	3	4	1	2	0	1	1	4	19
TOTAL	2,515	2,172	1,919	1,227	1,081	831	517	231	16	10,509

Monthly State Costs (including expenses) for 2010

Plan	State Share	Change from 2009	Participants
JY			
Retiree under 65	$435.75	3.0%	174
Retiree over 65	$324.47	0.0%	904
			1078
$250 Comprehensive Plan			
Retiree under 65	$435.75	3.0%	493
Retiree over 65	$324.47	0.0%	1735
			2228
Vermont Health Partnership			
Retiree under 65	$435.75	3.0%	633
Vermont Blue 65 Plan C*			
Medicare Eligible, over 65	$156.28	-17.5%	341

*Formerly Medicomp C Plan

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Funding Progress is required to be included in the State's Financial Statements.

SCHEDULE OF FUNDING PROGRESS

BASED ON CURRENT POLICY OF PAY-AS-YOU-GO FUNDING

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
June 30, 2010	$0	$703,751	$703,751	0%	$560,763	125.5%
June 30, 2009	$0	$872,236	$872,236	0%	$561,588	155.3%
June 30, 2008	$0	$863,555	$863,555	0%	$535,807	161.2%
June 30, 2007	$0	$820,212	$820,212	0%	$515,573	159.1%
June 30, 2006	$0	$952,526	$952,526	0%	$499,044	190.9%
June 30, 2005	$0	$890,412	$890,412	0%	$486,587	182.9%

Liabilities above were based on assumed discount rates of 3.75% prior to 2008 and 4.00% 2008 and after.

SCHEDULE OF FUNDING PROGRESS

BASED ON A POLICY OF PRE-FUNDING STARTING JULY 1, 2010

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
June 30, 2010	$0	$374,105	$374,105	0%	$560,763	66.7%
June 30, 2009	$0	$872,236	$872,236	0%	$561,588	155.3%
June 30, 2008	$0	$863,555	$863,555	0%	$535,807	161.2%
June 30, 2007	$0	$820,212	$820,212	0%	$515,573	159.1%
June 30, 2006	$0	$952,526	$952,526	0%	$499,044	190.9%
June 30, 2005	$0	$890,412	$890,412	0%	$486,587	182.9%

Liabilities above were based on assumed discount rates of 3.75% prior to 2008, 4.00% for 2008 and 2009, and 8.25% for 2010.

SECTION V – NET OPEB OBLIGATION

GASB Statement No. 45 requires the development of Annual OPEB Cost and Net OPEB Obligation (NOO). This development is shown in the following table.

DEVELOPMENT OF OPEB COST AND NET OPEB OBLIGATION (NOO)

Year Ending June 30	Annual Required Contribution	Interest on NOO	Amortization of NOO	OPEB Cost (1)+(2)-(3)	Actual Contribution	Change in NOO (4)-(5)	NOO Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2008	60,220,989	0	0	60,220,989	0	60,220,989	60,220,989
2009	59,124,164	2,408,840	1,741,312	59,791,692	0	59,791,692	120,012,681
2010	58,966,227	4,800,507	3,470,210	60,296,524	0	60,296,524	180,309,206
2011	41,509,429	7,212,368	5,213,706	43,508,091			

Benefit payments are made from the pension assets and recorded as an asset loss as part of the pension plan accounting. Therefore, pay-as-you-go costs are not included in the calculation of the NOO.

SECTION VI – FORECASTS

The Government Accounting Standards Board's Statement 45 on Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as assumed salary increases.

In the amortization schedule shown on the following page, the amortization of the unfunded accrued liability is made in installments that increase annually by 5%. The normal cost is expected to increase at a rate that reflects both the assumed ultimate health care trend rate and a modest amount of growth in the active population for the next few years. The contributions were computed assuming that the contribution is paid on July 1 (i.e., at the beginning of the fiscal year). Below is a comparison of the forecasted Annual Required Contributions, computed under discount rates of 8.25% and 4.00%.

FORECAST OF FUNDING AND GASB ARC UNDER A DISCOUNT RATE OF 8.25%

Fiscal Year Ending in	Normal Cost	Amortization of the Unfunded Actuarial Liability	Total State ARC	Pay-as-you-go	Difference
2011	8,086,636	18,742,163	26,828,799	19,056,126	7,772,673
2012	8,490,968	19,679,271	28,170,239	20,710,318	7,459,921
2013	8,915,516	20,663,235	29,578,751	22,152,420	7,426,330
2014	9,361,292	21,696,396	31,057,688	23,636,871	7,420,817
2015	9,829,357	22,781,216	32,610,573	25,096,730	7,513,843
2016	10,320,825	23,920,277	34,241,102	26,700,011	7,541,091
2017	10,836,866	25,116,291	35,953,157	28,318,049	7,635,108
2018	11,378,709	26,372,105	37,750,814	29,948,251	7,802,563
2019	11,947,644	27,690,710	39,638,354	31,741,525	7,896,830
2020	12,545,026	29,075,246	41,620,272	33,582,548	8,037,724
2021	13,172,277	30,529,008	43,701,285	35,547,027	8,154,258
2022	13,830,891	32,055,459	45,886,350	37,548,386	8,337,964
2023	14,522,436	33,658,232	48,180,668	39,666,805	8,513,863
2024	15,248,558	35,341,143	50,589,701	41,767,044	8,822,657
2025	16,010,986	37,108,200	53,119,186	43,915,900	9,203,286
2026	16,811,535	38,963,610	55,775,145	46,056,591	9,718,554
2027	17,652,112	40,911,791	58,563,903	48,121,897	10,442,006
2028	18,534,718	42,957,380	61,492,098	50,120,331	11,371,768
2029	19,461,454	45,105,250	64,566,704	51,992,632	12,574,071
2030	20,434,527	47,360,512	67,795,039	53,926,631	13,868,408
2031	21,456,253	49,728,538	71,184,791	55,689,786	15,495,005
2032	22,529,066	52,214,964	74,744,030	57,291,159	17,452,872
2033	23,655,519	54,825,713	78,481,232	58,793,791	19,687,441
2034	24,838,295	57,566,998	82,405,293	60,070,286	22,335,008
2035	26,080,210	60,445,348	86,525,558	61,130,349	25,395,209
2036	27,384,221	63,467,616	90,851,837	61,939,016	28,912,821
2037	28,753,432	66,640,996	95,394,428	62,530,233	32,864,196
2038	30,191,104	69,973,046	100,164,150	62,934,913	37,229,237
2039	31,700,659	73,471,699	105,172,358	63,094,586	42,077,772
2040	33,285,692	77,145,284	110,430,976	62,917,483	47,513,493
2041	34,949,977	0	34,949,977	62,588,375	-27,638,398

Note: due to the volatile nature of the actuarial valuation of liabilities from year to year, these projections will no longer be shown in the valuation reports beginning with the 2011 valuation.

FORECAST OF FUNDING AND GASB ARC UNDER A DISCOUNT RATE OF 4.00%

Fiscal Year Ending in	Normal Cost	Amortization of the Unfunded Actuarial Liability	Total State ARC	Pay-as-you-go	Difference
2011	21,160,218	20,349,211	41,509,429	19,056,126	22,453,303
2012	22,218,229	21,237,474	43,455,703	20,710,318	22,745,384
2013	23,329,140	22,144,295	45,473,435	22,152,420	23,321,015
2014	24,495,597	23,078,264	47,573,861	23,636,871	23,936,990
2015	25,720,377	24,040,888	49,761,265	25,096,730	24,664,534
2016	27,006,396	25,035,791	52,042,187	26,700,011	25,342,176
2017	28,356,716	26,061,877	54,418,593	28,318,049	26,100,545
2018	29,774,552	27,121,892	56,896,444	29,948,251	26,948,192
2019	31,263,280	28,218,863	59,482,143	31,741,525	27,740,619
2020	32,826,444	29,351,592	62,178,036	33,582,548	28,595,488
2021	34,467,766	30,522,339	64,990,105	35,547,027	29,443,078
2022	36,191,154	31,731,335	67,922,489	37,548,386	30,374,103
2023	38,000,712	32,981,488	70,982,200	39,666,805	31,315,395
2024	39,900,748	34,273,584	74,174,332	41,767,044	32,407,288
2025	41,895,785	35,612,559	77,508,344	43,915,900	33,592,443
2026	43,990,574	37,001,709	80,992,283	46,056,591	34,935,692
2027	46,190,103	38,446,283	84,636,386	48,121,897	36,514,489
2028	48,499,608	39,953,871	88,453,479	50,120,331	38,333,148
2029	50,924,588	41,532,272	92,456,860	51,992,632	40,464,228
2030	53,470,817	43,191,513	96,662,330	53,926,631	42,735,698
2031	56,144,358	44,936,652	101,081,010	55,689,786	45,391,224
2032	58,951,576	46,779,994	105,731,570	57,291,159	48,440,411
2033	61,899,155	48,734,257	110,633,412	58,793,791	51,839,622
2034	64,994,113	50,811,013	115,805,126	60,070,286	55,734,840
2035	68,243,819	53,026,262	121,270,081	61,130,349	60,139,732
2036	71,656,010	55,396,581	127,052,591	61,939,016	65,113,575
2037	75,238,811	57,940,473	133,179,284	62,530,233	70,649,051
2038	79,000,752	60,676,425	139,677,177	62,934,913	76,742,264
2039	82,950,790	63,623,010	146,573,800	63,094,586	83,479,214
2040	87,098,330	66,801,533	153,899,863	62,917,483	90,982,381
2041	91,453,247	70,237,146	161,690,393	62,588,375	99,102,018

Note: due to the volatile nature of the actuarial valuation of liabilities from year to year, these projections will no longer be shown in the valuation reports beginning with the 2011 valuation.

SECTION VII – ACTUARIAL ASSUMPTIONS AND METHODS

VERMONT STATE TEACHERS

Interest 4.00% per year, the assumed rate of return on general assets of the employer, for a pay-as-you-go plan. Alternatively, 8.25% per year, net of investment expenses for a fully pre-funded plan.

Actuarial Cost Method: Projected Unit Credit with benefits attributed from date of hire until expected retirement date.

Medical Care and State Share Inflation:

Fiscal Year Ending	Inflation Rate
2011	7.0
2012	6.0
2013 & After	5.0

Amortization period: Closed basis for prefunding; open basis for pay-as-you-go. Thirty year amortization starting in FYE11 with payments increasing 5% annually as is consistent with statutory guidelines regarding amortization of pension liabilities.

Grandfathering: Participants who had attained 10 years of service as of June 30, 2010 are considered Grandfathered.

SEPARATIONS BEFORE NORMAL RETIREMENT: Representative values of the assumed annual rates of withdrawal, vested retirement, early retirement, disability and death are as follows:

	Withdrawal and Vested Retirement		Disability		Death	
Age	Males	Females	Males	Females	Males	Females
25	20.00%	20.00%	.010%	.015%	.02%	.02%
30	12.00	14.00	.015	.015	.02	.02
35	8.00	11.30	.020	.015	.02	.02
40	6.50	8.60	.030	.020	.05	.02
45	5.80	6.00	.053	.045	.05	.04
50	5.40	5.00	.180	.180	.07	.06
55	5.40	4.84	.440	.390	.07	.10
59	5.40	4.84	1.170	.710	.09	.14
60	5.40	4.84	1.470	.840	.09	.15
61	5.40	4.84	1.830	1.010	.297	.17

Participants are considered Grandfathered under the pension plan if they were within 5 years of the former Normal Retirement criteria (age 62 and 5 years of service, or completion of 30 years of service at any age) as of July 1, 2010. Retirement rates are then applicable as follows:

	Reduced Early Retirement		Full Early Retirement	
Age	Grandfathered	Non-Grandfathered	Grandfathered	Non-Grandfathered
50	-	-	40.00%	25.00%
55	8.75%	8.75%	20.00	20.00
56	6.25	6.25	10.00	10.00
57	6.25	6.25	10.00	10.00
58	6.25	6.25	10.00	10.00
59	6.25	6.25	10.00	10.00
60	12.50	12.50	30.00	17.00
61	12.50	12.50	17.00	17.00

Prior to age 65, 25% of Non-Grandfathered participants are assumed to retire the first year they satisfy the Rule of 90 eligibility criteria.

SERVICE RETIREMENTS: Occur between ages 62 (60 for Group A) and 70. The assumed rates of service retirement are as follows:

	Annual Rate of Retirement	
Age	Grandfathered	Non-Grandfathered
62	25.0%	20.0%
63	20.0	20.0
64	20.0	20.0
65	30.0	30.0
66	30.0	30.0
67	30.0	30.0
68	20.0	20.0
69	30.0	30.0
70	100.0	100.0

Prior to age 65, 25% of Non-Grandfathered participants are assumed to retire the first year they satisfy the Rule of 90 eligibility criteria.

Deaths after Retirement: The 1995 Buck Mortality Tables, set back one year, are used for the period after service retirement, while the RP-2000 Tables for Disabled Retirees are used for the period following disability retirement.

Per Capita Costs:

Current and future retirees are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees. No age morbidity is assumed as the benefits are fully insured and the System is not liable for any hidden subsidies arising from blending active and retiree experience.

Estimated gross per capita costs for 2010-11 for pre- and post-Medicare coverage were $6,536 and $4,575 respectively. It is assumed that future retirees are Medicare eligible. Per capita costs were developed from the State-provided monthly premiums. Claims information was not available. The plans are fully insured via the Vermont Education Health Initiative purchasing trust.

Future employee cost sharing is assumed to be a constant percentage of total costs.

Coverage:

It is assumed that 60% of those eligible at retirement will elect medical coverage. It is assumed that 30% of terminated vested participants will elect medical coverage.

Marital status:

It is assumed the 85% of males and 70% of females will cover a spouse at retirement. It is assumed that husbands are 3 years older than wives.

SECTION VIII – CONSIDERATION OF HEALTH CARE REFORM

Summary of Effects of Selected Provisions

Early Retiree Reinsurance Program – Effective 6/1/2010: Due to the short-term nature of the payments expected to be received under this program, the impact of this program was not reflected on long-term GASB 45 liabilities.

Removal of Lifetime Maximum – Effective 1/1/2011: As the plans offered by VSTRS do not have Lifetime Maximums, there is no effect on the liabilities.

Medicare Advantage Plans - Effective 1/1/2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. As VSTRS does not provide these plans to retirees, there is no impact.

Expansion of Child Coverage to Age 26 - Effective 1/1/2011: The plan does not subsidize the cost of children, and so there is no impact.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug "Donut Hole"- Starting 1/1/2011– RDS payments are not reflected as an ongoing offsetting item in GASB 45 valuations, and so no impact is reflected.

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective 1/1/2018 - We have estimated additional costs for the high cost plan excise tax (High cost excise tax), and have loaded liabilities 1.50% to reflect the assessment of this tax on plan premiums beginning in 2018.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

SECTION IX – POSTRETIREMENT BENEFIT PLAN PROVISIONS

RETIREE MEDICAL BENEFITS

ELIGIBILITY AND PREMIUM SUBSIDY

·**Retiree Coverage and Subsidy Level**

Years of Service at June 30, 2010

·10 or more:	Age 55 with 10 years of Retirement Service:	80% Subsidy
·Less than 10:	Age 55 & Retirement Service of:	
	·Less than 15 years:	0% Subsidy
	·15-19.99 years:	60% Subsidy
	·20-24.99 years:	70% Subsidy
	·25 years or more:	80% Subsidy

· **Spouse Coverage with 80% Subsidy**

Years of Service at June 30, 2010	*Required Years of Service at Retirement*
·Less than 15:	25 years of service at retirement
·Between 15 and 24.99:	10 additional years from June 30, 2010
·Between 25 and 29.99:	35 years of service at retirement
·30 or more:	5 additional years from June 30, 2010

· Note: there is no subsidy for spouses of current retirees.

RETIREE CONTRIBUTIONS

Retirees must pay all premium costs in excess of the VSTRS subsidy. The VSTRS subsidy is equal to the retiree's subsidy percentage applied to the $250 Comprehensive Plan premium. A retiree's subsidy varies according to their years of service at retirement as shown above.

BENEFIT DURATION

Lifetime for retirees and eligible spouse

STATE OF VERMONT VSTRS MEDICAL PLANS

	JY Plan*	$250 Comprehensive Plan*	Vermont Health Partnership
Primary Care Physician	N/A	N/A	Select upon enrollment
Co-Pay	$15	N/A	$10 for PCP, $20 for Specialist
Deductible	N/A	$250	N/A
Coinsurance (Plan Pays)	100% of Allowed	80%	100% of Allowed
Out of Pocket Maximum	N/A	$500/$1,000	N/A
Lifetime Maximum	None	None	None
Prescription Drugs	Generic - $0 Preferred Brand - $15 Non-Preferred - $40		

Plans fully insured via VEHI purchasing partnership.

*For those eligible, benefits are coordinated with Medicare. Vermont Blue Plan C Medigap plan is also available.

SECTION X – GLOSSARY OF TERMS

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

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

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

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

Amortization (of unfunded actuarial accrued liability)
That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

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

Annual required contributions of the employer (ARC)
The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the starting point in the calculation of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)
A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll
Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

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

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

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

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

Investment return assumption (discount rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method
The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

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

Net OPEB obligation (NOO)
The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost
That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt
All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

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

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

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