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**GASB STATEMENT NO. 74 REPORT**  
**FOR THE**  
**MISSISSIPPI STATE AND SCHOOL EMPLOYEES'**  
**LIFE AND HEALTH INSURANCE PLAN**  
**PREPARED AS OF JUNE 30, 2019**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

November 1, 2019

Board of Trustees

Mississippi State and School Employees' Health Insurance Management Board

P. O. Box 24208

Jackson, MS 39225

Members of the Board:

Presented in this report is information to assist the Mississippi State and School Employees' Life and Health Insurance Plan's (SSELHIP) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 74 for the Life and Health Insurance Plan (Plan). GASB Statement No. 74 (GASB 74) is the accounting standard that applies to the financial reports issued by other postemployment benefits (OPEB) plans. This report has been prepared by the SSELHIP's actuary, Cavanaugh Macdonald Consulting (CMC), as of June 30, 2019 (Measurement Date).

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of June 30, 2019 (Valuation Date). The valuation was based on data, provided by the Public Employees' Retirement System (PERS) and Plan staff for active, inactive and retired members along with pertinent financial information. This information was reviewed for completeness and internal consistency, but was not audited by us. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the System and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System and, in our opinion, meet the requirements of GASB 74.

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Board of Trustees  
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The calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB 74 for accounting valuation purposes and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 74 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

If you have any questions, please call us at 678-388-1700.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

Edward J. Koebel, FCA, EA, MAAA  
Chief Executive Officer

A handwritten signature in blue ink that reads 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA  
Consulting Actuary



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**Section I – Summary of Principal Results**

**REPORT OF THE ANNUAL GASB STATEMENT NO. 74  
REQUIRED INFORMATION FOR THE  
MISSISSIPPI STATE AND SCHOOL EMPLOYEES’  
LIFE AND HEALTH INSURANCE PLAN**

**PREPARED AS OF JUNE 30, 2019**

<b>Valuation Date (VD):</b>	June 30, 2019
<b>Prior Measurement Date:</b>	June 30, 2018
<b>Measurement Date (MD):</b>	June 30, 2019
<b>Membership Data as of Valuation Date:</b>	
Covered Retirees in Medical	26,260
Covered Retirees in Life Only	6,950
Active Members	<u>109,653</u>
Total Membership	142,863
<b>Discount Rate:</b>	
Municipal Bond Index Rate at Prior Measurement Date	3.89%
Municipal Bond Index Rate at Measurement Date	3.50%
Year in which Fiduciary Net Position is Projected to be Depleted	2019
Single Equivalent Interest Rate (SEIR) at Prior Measurement Date	3.89%
Single Equivalent Interest Rate (SEIR) at Measurement Date	3.50%
<b>Net OPEB Liability as of Measurement Date (\$ thousands):</b>	
Total OPEB Liability (TOL)	\$ 849,559
Fiduciary Net Position (FNP)	<u>1,018</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 848,541
FNP as a percentage of TOL	0.12%



## ***Section II – Introduction***

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The Governmental Accounting Standards Board issued Statement No. 74 (GASB 74), “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*” in June 2015. GASB 74’s effective date is for a plan’s fiscal year beginning after June 15, 2016. Under GASB 75, if a cost-sharing employer provides OPEB through a defined benefit plan for which financial statements are not publicly available on the Internet, the employer is required to disclose information about the OPEB plan’s fiduciary net position in its own financial statements. For the purposes of reporting under GASB 74, the Plan is assumed to be a cost sharing-employer, defined benefit OPEB plan where assets are accumulated in a trust that meets the criteria in paragraph 3 of GASB 74. This report, prepared as of June 30, 2019 (Measurement Date or MD), presents information to assist the Plan in meeting the requirements of GASB 74.

This report uses the same actuarial demographic assumptions as adopted by the Public Employees’ Retirement System of Mississippi (PERS). Subsequent to their June 30, 2018 valuation, the PERS Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The results of this study was presented to the PERS Board in April, 2019 and the PERS Board adopted all of the demographic assumption recommendations (e.g. rates of mortality, retirement and withdrawal) and the wage inflation assumption recommendation from 3.25% to 3.00% at its August, 2019 meeting.

GASB 74 replaced GASB 43, which was more closely tied to funding efforts in that it required OPEB plans to report items consistent with the results of a plan’s actuarial valuations, as long as those valuations met certain parameters. GASB 74 basically separates accounting from funding by creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the plan.

GASB 74 requires the determination of the Total OPEB Liability (TOL) utilizing the Entry Age Normal (EAN) actuarial cost method. The Net OPEB Liability (NOL) is then set equal to the TOL minus the plan’s Fiduciary Net Position (FNP) (basically the market value of assets as of the Measurement Date). The plan provisions recognized in the calculation of the TOL are summarized in Schedule B.

Among the items needed for the liability calculation is the discount rate, as defined by GASB, or a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provisions applicable to the membership and beneficiaries of the Plan on the Measurement Date. Future contributions are to be projected in accordance with a plan’s funding policy and/or the application of professional judgment to consider the recent contribution history of the employers and non-employer contributing entities. If the FNP is not projected to be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.



## ***Section II – Introduction***

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If, however, at a future measurement date, the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System). Using the test as described above, we have determined the trust will be depleted in 2019, so the Municipal Bond Index Rate is used in the determination of the SEIR. Please see Paragraph 35(b) in the GASB 74 section for more explanation into the development of the SEIR.

The funded status measurements included in this report are based on the assumptions and methods used to determine the Plan's obligations and asset values as of the Valuation Date and/or Measurement Date under GASB accounting rules. Funded status measurements for financial accounting purposes may not be appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. Likewise, funded status measurements for financial accounting purposes may not be appropriate for assessing the need for or the amount of future actuarially determined contributions.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 74, for note disclosure and Required Supplementary Information (RSI).



### Section III – Financial Statement Notes

The material presented herein will follow the order presented in GASB 74. There are non-actuarial items required which are not included in this report. Paragraph numbers are provided for ease of reference.

**Paragraphs 34(a)(1)-(3):** CMC was not expected to supply this information.

**Paragraph 34(a)(4):** The data required regarding the membership of the Plan was furnished by the System. The following table summarizes the membership of the Plan as of June 30, 2019, the Valuation Date.

#### Membership

Group	Total
Retired members and surviving spouses currently receiving retiree health benefits	26,260
Retired members receiving life insurance only	6,950
Active Participants	<u>109,653</u>
Total	142,863

Active Employees by Employer Group			
Employers	Number of Employers	Number	Annual Payroll
CAFR State Agencies	97	17,175	\$721,195,966
Other State Agencies	10	5,775	239,294,483
State Universities	8	16,506	914,938,827
Public Schools	144	63,906	2,410,466,234
Community/Junior Colleges	15	5,541	273,711,015
Library	54	750	19,819,687
Total	328	109,653	\$4,579,426,212

**Paragraphs 34(a)(5)-(6) and 34(b)-(e):** CMC was not expected to supply this information.





### Section III – Financial Statement Notes

**Paragraph 35(a)(1)-(4):** The information is provided in the following table. As stated previously, the NPL is equal to the TOL minus the FNP. That result as of June 30, 2019, the Measurement Date, is presented in the table below (\$ thousands).

Measurement Date of June 30, 2019	
TOL	\$ 849,559
FNP	<u>1,018</u>
NOL	\$ 848,541
Ratio of FNP to TOL	0.12%

**Paragraph 35(b):** Listed below is the information to be disclosed regarding the actuarial assumptions and other inputs used to measure the TOL. The complete set of actuarial assumptions and other inputs utilized in developing the TOL are outlined in Schedule C. Subsequent to the June 30, 2018 valuation, the PERS Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The TOL was determined by an actuarial valuation as of June 30, 2019, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Salary increases, including wage inflation	3.00% - 18.25%
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.75% by 2028



### ***Section III – Financial Statement Notes***

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Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected return on plan assets is reviewed as part of the GASB 74 valuation process. Since there were very little assets in a trust fund on the Measurement Date, there is no long-term expected return determination. We have assumed the Municipal Bond Index of 3.50% as of the Measurement Date.

*Discount rate (SEIR).* The discount rate used to measure the TOL as of the Measurement Date was 3.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2019.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate, 3.50%, was used in the determination of the SEIR.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.



### ***Section III – Financial Statement Notes***

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**Paragraphs 35(b)(1) and 35(b)(2)(g):** These paragraphs require disclosure of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate. The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. Similarly, the exhibit presents the NOL of the Plan, calculated using the discount rate of 3.50%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (\$ thousands):

<b>Net OPEB Liability</b>			
<b>Discount Rate</b>	<b>Health Care Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
1% Increase (4.50%)		\$ 768,081	
Current (3.50%)	\$ 786,304	\$ 848,541	\$ 919,045
1% Decrease (2.50%)		\$ 942,581	



### Section III – Financial Statement Notes

**Paragraph 35(c):** The date of the actuarial valuation upon which the TOL is based is June 30, 2019, so no roll forward is needed. However, the expected TOL as of June 30, 2019 using last year's SEIR is determined using standard roll forward techniques. The roll forward calculation adds the normal cost for the fiscal year ending in 2019 (also called the service cost), subtracts the actual benefit payments and refunds for the same period, and then applies the expected SEIR for the period. This procedure was used to determine the expected TOL as of June 30, 2019, as shown in the following table. The impact of measuring the liabilities using a discount rate of 3.89% as opposed to the 3.50% used at the end of the period and the impact of the demographic assumption changes adopted by the PERS Board is shown as an assumption loss.

<b>TOL Roll-Forward</b> <b>(\$ thousands)</b>	
(a) Interest Rate (SEIR)	3.89%
(b) TOL as of June 30, 2018	\$774,550
(c) Entry Age Service Cost for the period July 1, 2018 – June 30, 2019	18,966
(d) Actual Benefit Payments for the period July 1, 2018 – June 30, 2019	\$34,012
(e) Expected TOL as of June 30, 2019 = [(b) x (1 + (a))] + (c) – [(d) x (1 + (a)) <sup>1/2</sup> ]	\$788,979
(f) Actual TOL as of June 30, 2019 at 3.89% using old assumptions	\$774,584
(g) Final TOL as of June 30, 2019 at 3.50% using new assumptions	\$849,559
(h) Experience (Gain)/Loss: (f) – (e)	\$(14,395)
(i) Assumption Change (Gain)/Loss: (g) – (f)	\$74,975



## ***Section IV – Required Supplementary Information***

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The material presented herein will follow the order presented in GASB 74. Paragraph numbers are provided for ease of reference.

**Paragraphs 36(a)-(c):** The required tables of schedules are provided in Schedule A.

**Paragraph 36(d):** CMC was not expected to supply this information.

**Paragraph 38:** Information regarding changes to benefit terms and changes to assumptions or other inputs should be noted regarding the RSI. The information should be listed by the date for which the indicated change was first reflected in reported amounts.

***Changes to benefit terms:*** None.

***Changes in actuarial assumptions and methods:*** The SEIR was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date. In addition, the following changes were made in the actuarial assumptions due to the PERS experience study for the four-year period ending June 30, 2018:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.



#### ***Section IV – Required Supplementary Information (continued)***

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***Methods and assumptions used in calculations of Actuarially Determined Contributions.*** The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions (Schedule A) are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims – Pre Medicare	7.25%
Ultimate health care cost trend rates	
Medicare Supplement Claims – Pre Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims – Pre Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.89%



**Schedule A – Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
GASB 74 Paragraph 36(a)  
(\$ thousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total OPEB Liability</b>										
Service Cost at end of year	\$18,966	\$20,467	\$21,841							
Interest	29,475	27,337	24,112							
Changes of benefit terms	0	0	0							
Difference between expected and actual experience	(14,395)	1,867	0							
Changes of assumptions or other inputs	74,975	(26,281)	(46,961)							
Benefit payments	(34,012)	(33,449)	(30,872)							
<b>Net change in Total OPEB Liability</b>	\$75,009	\$(10,059)	\$(31,880)							
<b>Total OPEB Liability – beginning</b>	\$774,550	\$784,609	\$816,489							
<b>Total OPEB Liability – ending (a)</b>	\$849,559	\$774,550	\$784,609							
<b>Plan Fiduciary Net Position</b>										
Contributions – employer	\$34,012	\$34,449	\$30,872							
Contributions – active member	0	0	0							
Net investment income	18	0	0							
Benefit payments	(34,012)	(33,449)	(30,872)							
Administrative expense	0	0	0							
Other	0	0	0							
<b>Net change in Plan Fiduciary Net Position</b>	\$18	\$1,000	\$0							
<b>Plan Fiduciary Net Position – beginning</b>	\$1,000	\$0	\$0							
<b>Plan Fiduciary Net Position –ending (b)</b>	\$1,018	\$1,000	\$0							
<b>Net OPEB Liability –ending (a) – (b)</b>	\$848,541	\$773,550	\$784,609							



**Schedule A – Required Supplementary Information**

**SCHEDULE OF THE NET OPEB LIABILITY  
GASB 74 Paragraph 36(b)  
(\$ thousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability	\$849,559	\$774,550	\$784,609							
Plan Fiduciary Net Position	1,018	1,000	0							
Net OPEB Liability	\$848,541	\$773,550	\$784,609							
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.12%	0.13%	0.00%							
Covered payroll	\$4,579,426	\$4,522,932	\$4,492,725							
Net OPEB Liability as a percentage of covered payroll	18.53%	17.10%	17.46%							





***Schedule A – Required Supplementary Information***

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GASB 74 Paragraph 36(c)  
(\$ thousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Employer Contribution	\$46,417	\$47,070	\$43,673	\$47,297	\$48,308	\$43,939	\$44,906	\$46,131	\$51,735	\$55,991
Contributions in relation to the Actuarially Determined Contribution	34,012	34,449	30,872	32,270	32,245	30,503	29,490	20,570	18,365	35,154
Annual contribution deficiency (excess)	\$12,405	\$12,621	\$12,801	\$15,027	\$16,063	\$13,436	\$15,416	\$25,561	\$33,370	\$20,837
Covered Payroll	\$4,579,426	\$4,522,932	\$4,492,725	\$4,552,979	\$4,617,302	\$4,406,047	\$4,425,943	\$4,312,956	\$4,238,716	\$4,470,558
Actual contributions as a percentage of covered payroll	0.74%	0.76%	0.69%	0.71%	0.70%	0.69%	0.67%	0.48%	0.43%	0.79%



## ***Schedule B – Summary of Main Plan Provisions***

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**ELIGIBILITY:** Eligible retirees will include State and School employees retiring from the State of Mississippi and electing coverage at retiree contribution rates.

**RETIREMENT:**

**Highway Safety Patrol\*:** Any age with 25 years of service  
Age 55 with at least 5 years of service, or  
Age 45 with at least 20 years of service.

**General State and School Employees Hired before July 1, 2011:**  
Hired before 7/1/2007 Any age with 25 years of service or  
Age 60 with at least 4 years of service.  
Hired after 7/1/2007 Age 60 with at least 8 years of service.

**General State and School Employees Hired on or after July 1, 2011:**  
Any age with 30 years of service or  
Age 60 with at least 8 years of service.

\*Any Highway Safety Patrolman who has attained age 60 shall be retired forthwith. Effective January 1, 2000, the Commissioner of Public Safety is authorized to allow a member who has attained age 60 to continue in active service. Such continued service may be authorized annually until the member attains age 65.

**DUTY DISABILITY RETIREMENT:** No age or service requirements.

**NON-DUTY DISABILITY RETIREMENT:**

**Highway Safety Patrol:** Any age with 5 years of service

**General State and School Employees:**  
Hired before 7/1/2007 Any age with 4 years of service  
Hired after 7/1/2007 Any age with 8 years of service



**Schedule B – Summary of Main Plan Provisions**

**RETIREE CONTRIBUTIONS:** No contributions towards postemployment benefits are made while in active service. At retirement contributions vary based on plan election, dependent coverage, and Medicare eligibility and date of hire. The following tables show the schedule of monthly retiree contributions as of January 1, 2020.

**Legacy Employees (initially hired prior to January 1, 2006)**

	Not Medicare Eligible (healthy or disabled)		Medicare Eligible (healthy or disabled)
	Base Coverage	Select Coverage	Select Coverage*
Retiree	\$ 434	\$ 458	\$ 192
Retiree + Spouse (Non-Medicare)	908	998	732
Retiree + Spouse + Child(ren) (Non-Medicare)	1,157	1,247	981
Retiree + Child	557	623	357
Retiree + Children	749	789	523
Retiree + Spouse (Medicare)	N/A	650	384
Retiree + Spouse + Child(ren) (at least one Medicare)	N/A	815	549

**Horizon Employees (initially hired January 1, 2006 and later)**

	Not Medicare Eligible (healthy or disabled)		Medicare Eligible (healthy or disabled)
	Base Coverage	Select Coverage	Select Coverage*
Retiree	\$ 693	\$ 717	\$ 192
Retiree + Spouse (Non-Medicare)	1,389	1,479	954
Retiree + Spouse + Child(ren) (Non-Medicare)	1,553	1,643	1,118
Retiree + Child	816	882	357
Retiree + Children	1,008	1,048	523
Retiree + Spouse (Medicare)	N/A	909	384
Retiree + Spouse + Child(ren) (at least one Medicare)	N/A	1,074	549

\* Medicare eligible members do not have the Base Coverage option.



***Schedule B – Summary of Main Plan Provisions***

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**Life Insurance**

Rates vary by age. The following table shows monthly rates per \$1,000 of benefit at selected ages.

<b>Age</b>	<b>Rate</b>
40	\$ 0.20
45	0.31
50	0.52
55	0.85
60	1.50
65	2.25
70 and above	3.00



**Schedule B – Summary of Main Plan Provisions**

**SUMMARY OF KEY HEALTH CARE BENEFITS  
(Calendar Year 2020)**

**Base Coverage**

Benefits	In-Network Benefit Level	Out-of-Network Benefit Level
Deductible (single/family):	\$1,800/\$3,000 (per calendar year)	\$1,800/\$3,000 (per calendar year)
Coinsurance Maximum (single/family):	\$2,500/\$5,000 (per calendar year)	\$3,500/\$7,000 (per calendar year)
Coinsurance	Plan Pays 80% after deductible	Plan Pays 60% after deductible
Prescription Drugs:	\$12 Generic/\$30 Non-Preferred Generic \$45 Brand Formulary/\$100 Brand Non-Formulary	

**Select Coverage**

Benefits	In-Network Benefit Level	Out-of-Network Benefit Level
Deductible (single/family):	\$1,000/\$2,000 (per calendar year)	\$2,000/\$4,000 (per calendar year)
Coinsurance Maximum (per individual):	\$2,500 (per calendar year)	\$3,500 (per calendar year)
Coinsurance	Plan Pays 80% after deductible	Plan Pays 60% after deductible
Prescription Drugs:	\$12 Generic/\$30 Non-Preferred Generic \$45 Brand Formulary/\$100 Brand Non-Formulary	

Medicare eligible members are not offered the Base Coverage option. These members do not receive prescription drug coverage. Their benefits are coordinated with Medicare, but are not subject to the Select Coverage annual deductible.



## ***Schedule B – Summary of Main Plan Provisions***

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**LIFE INSURANCE FOR SERVICE RETIREES:** Service retirees are allowed to participate in the Life Insurance Plan at the rates shown in this report. Since July 1, 1999, retirees have been allowed to select a benefit of \$5,000, \$10,000 or \$20,000. Retirees who retired between May 1, 1987 and June 30, 1999, were allowed to select a benefit of \$2,000, \$4,000 or \$10,000. Prior to May 1, 1987, retirees were limited to a \$2,000 benefit.

**LIFE INSURANCE FOR DISABLED RETIREES:** Employees who participate in the Life Insurance Plan are covered under a waiver of contribution provision in the event of disability. The benefit provided to disabled retirees is equal to the amount of life insurance in effect at disability, after a nine month waiting period. At age 65, coverage converts to the same benefits provided to service retirees.



### ***Schedule C - Statement of Actuarial Assumptions and Methods***

**VALUATION DATE:** June 30, 2019

**HEALTH CARE COST TREND RATES:** The following table shows assumed annual increases in medical and drug claims, as well as member contributions.

Year	Medical and Drug Claims	Member Contribution
2019-20	7.00%	5.25%
2020-21	6.75%	5.25%
2021-22	6.50%	5.00%
2022-23	6.25%	5.00%
2023-24	6.00%	5.00%
2024-25	5.75%	5.00%
2025-26	5.50%	5.00%
2026-27	5.25%	5.00%
2027-28	5.00%	5.00%
2028-29	4.75%	5.00%

**ANNUAL EXPECTED MEDICAL/RX CLAIMS (AGE 65):** Assumed claims costs will vary by Select and Base (HDHP) plans. A distinction is made between retirees and spouses in determining expected claims costs.

Plan	Annual Claims at Age 65 for non-Medicare members	
	Retirees	Spouses
Select	\$11,668	\$11,523
Base	\$11,283	\$10,527

Once eligible for Medicare, the Plan charges retirees and spouses contributions sufficient to fund the cost of coverage. This has been done historically and is expected to continue. Contributions have been set close to the full cost; so there is no negative liability and there is no positive liability. This applies to healthy post-65 retirees/spouses and disabled retirees on Medicare.



### ***Schedule C - Statement of Actuarial Assumptions and Methods***

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For current retirees, actual life insurance benefit elections were provided by the Plan and were used to determine the liability for active employees. For future retirees, the following benefit elections were assumed for service retirement and disability retirement.

	<b>Benefit Amount</b>
Service Retirement	\$15,000
Disability Retirement	\$40,000

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

<b>Participant Age</b>	<b>Annual Increase</b>
29 and below	0.0%
30 - 34	1.0
35 - 39	1.5
40 - 44	2.0
45 - 49	2.6
50 - 54	3.3
55 - 59	3.6
60 - 64	4.2
65 and over	N/A





### ***Schedule C - Statement of Actuarial Assumptions and Methods***

**ANTICIPATED PLAN PARTICIPATION:** Current inactive are assumed to maintain current plan and coverage elections. For current active employees, the following rates of participation will be assumed:

Coverage	At Retirement	Upon Disability
Medical/Rx	50%	50%
Life Insurance	25%	100%

Those electing coverage are assumed to have the following plan and spouse coverage elections:

Plan	Election Rate (Retirement)*	Spouse Coverage Rate
<b>Legacy Employees</b>		
Select Coverage	100%	25%
Base Coverage	0%	25%
<b>Horizon Employees</b>		
Select Coverage	80%	25%
Base Coverage	20%	25%

\* 100% Select elections are assumed at disability (Horizon and Legacy)

**ASSUMED AGE DIFFERENTIAL:** For current inactive, actual spouse ages were used; for current active employees, wives are assumed to be three years younger than their husbands.

**ACTUARIAL METHOD:** Costs were determined using the Entry Age Normal Actuarial Cost Method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his anticipated covered service, would fund the cost of all benefits payable on his behalf. Service from hire date through date of last retirement eligibility was used in allocating costs.

**BENEFITS VALUED:** Life Insurance and Medical and Prescription Drug Benefits were valued in accordance with GASB 74 and 75. COBRA, while subject to evaluation under GASB 74/75, is assumed to result in a negligible liability. Benefits determined to produce a negligible liability are an allowable exclusion under GASB 74/75. Therefore, this valuation does not include an explicit COBRA liability.



**Schedule C - Statement of Actuarial Assumptions and Methods**

**Public Employees Retirement System of Mississippi**

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

Annual Rates of						
Age	Withdrawal and Vesting*		Death		Disability	
	Male	Female	Male	Female	Male	Female
20	26.50%	32.50%	0.0483%	0.0126%	0.010%	0.009%
25	18.50	18.50	0.0567	0.0189	0.012	0.011
30	11.75	12.00	0.0630	0.0259	0.017	0.014
35	8.50	8.75	0.0714	0.0350	0.036	0.017
40	6.75	7.00	0.0893	0.0483	0.110	0.070
45	6.25	6.00	0.1218	0.0665	0.230	0.140
50	6.25	6.00	0.1764	0.0917	0.290	0.220
55	6.25	6.00	0.2594	0.1274	0.500	0.380
60	6.25	6.00	0.3980	0.1757	0.530	0.410
65	6.25	6.00	0.6353	0.2429	0.200	0.150
70	6.25	6.00	1.1655	0.4739	0.200	0.150
74	6.25	6.00	1.8942	0.8092	0.200	0.150

Annual Rates of Service Retirements				
Age	Male		Female	
	Under 25 Years of Service**	25 Years of Service and Over**	Under 25 Years of Service**	25 Years of Service and Over**
45		22.50%		18.00%
50		15.00		13.00
55		18.25		19.00
60	10.50%	19.50	13.25%	22.25
62	20.75	32.00	19.00	37.50
65	25.00	29.50	29.25	42.50
70	20.00	25.00	24.00	25.50
75	100.00	100.00	100.00	100.00

\* For all ages, rates of 33.5% for 1<sup>st</sup> year of employment and 24.0% for 2<sup>nd</sup> year.

\*\* For Tier 4 members, 30 years of service.



## ***Schedule C - Statement of Actuarial Assumptions and Methods***

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### **Public Employees Retirement System of Mississippi**

**DEATH AFTER RETIREMENT:** The mortality table, for post-retirement mortality, used in evaluating allowances to be paid is the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The PubT.H-2010 Disabled Retiree Table is used for disabled retirees with the following adjustments - 137% of male rates at all ages and 115% of female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.



**Schedule C - Statement of Actuarial Assumptions and Methods**

**Retirement System for the Mississippi Highway Safety Patrol**

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

Age	Withdrawal and Vesting	Death		Disability		Service Service	Retirement*
		Males	Females	Non-Duty	Duty		
25	5.60%	0.06%	0.02%	0.07%	0.00%	5	5%
30	4.00	0.06	0.03	0.09	0.01	10	5%
35	3.00	0.07	0.04	0.12	0.04	15	5%
40	2.00	0.09	0.05	0.15	0.05	20	5%
45	1.00	0.12	0.07	0.22	0.05	25	10%
50	1.00	0.18	0.09	0.38	0.04	30	25%
55	0.00	0.26	0.13	0.68	0.01	35	25%
60	0.00	0.40	0.18	1.16	0.00	40+	100%

\* The annual rate of service retirement is 100% at age 61.

**DEATH AFTER RETIREMENT:** The mortality table, for post-retirement mortality, used in evaluating allowances to be paid is the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The PubT.H-2010 Disabled Retiree Table is used for disabled retirees with the following adjustments - 137% of male rates at all ages and 115% of female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.



### ***Schedule D – Actuarial Cost Method***

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The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement, disability or death. The calculations are based on the member's age, years of service, sex, and an assumed future investment rate of return. The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to current benefit recipients to obtain the present value of all expected benefits payable to the present group of members and survivors.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an actuarial accrued liability contribution.

The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made for OPEB benefits to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.