



The State of Louisiana
Postretirement Benefit Plan
for the Office of Group Benefits

GASB 45 Actuarial Valuation
As of July 1, 2016

July 25, 2017

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Executive Summary

Scope

This report presents the results of the actuarial valuation of the State of Louisiana (“State”) postemployment benefit plan (other than pensions) as of the valuation date of July 1, 2016 under the Governmental Accounting Standards Board Statement No. 45 (GASB 45) at the request of the Office of Group Benefits (OGB).

The purpose of the report is to:

- Determine the plan’s liabilities as of July 1, 2016,
- Determine the Annual Required Contributions (“ARC”) and annual OPEB expense for the period July 1, 2016 to June 30, 2017 under GASB 45,
- Provide an estimate of the June 30, 2017 net OPEB obligation; and
- Document actuarial assumptions and plan provisions used in the July 1, 2016 actuarial valuation.

Postemployment Benefits

The State provides postemployment benefits for eligible participants enrolled in State sponsored plans. The benefits are provided in the form of an implicit and explicit subsidy where the State contributes towards the retiree health premiums for life.

Pages 7 through 10 describe the postemployment benefits and plan provisions.

Methods and Assumptions

GASB 45 allows the use of one of several actuarial cost methods. These cost methods allocate the OPEB costs differently. The method used in this valuation is the **Projected Unit Credit** method.

The valuation results are developed assuming a **discount rate** of 3.80%. Under GASB 45, the discount rate to be used for the valuation is determined based on the long term investment yield on the investments used to finance the payment of benefits. For this valuation it is assumed that postemployment benefits are paid from general assets which generally consist of short-term investments. Since future long term rates of return on these assets cannot be meaningfully represented, we have determined the discount rate by looking at (i) current interest rate yields for CD’s under a 90 day treasury index (approximately 1.0%) and (ii) expected long term expected inflation rate through 2026 (2.8%). Under GASB 75, the discount rate will be based on a tax-exempt general obligation bond with an average rating of AA/Aa or higher. Currently these rates are in line with the expected discount rate of 3.8%, therefore we believe this is a reasonable assumption for the current discount rate.

If the State is considering prefunding or transferring assets to a trust, or equivalent arrangement, in which plan assets are established and dedicated to providing benefits to retirees and beneficiaries in accordance with the terms of the plan, the determination of the discount rate would be based on the nature and mix of current and expected investments. Alternative valuation results are provided in exhibit 5 in the event the State wishes to determine the impact of a change in the discount rate on its annual OPEB expense.

Executive Summary

Other critical assumptions used in the actuarial valuation are the **health care cost trend rate** and participation assumptions. The health care cost trend assumption is used to project the cost of health care to future years. The valuation uses a health care cost trend rate assumption of 7.0% (6.0% post Medicare) in the year July 1, 2016 to June 30, 2017 grading down by 0.5% each year until an ultimate health care cost trend rate of 4.5% is reached.

The **participation assumption** is the assumed percentage of future retirees that participate and enroll in the health plan. The participation is based on 3 years of historical participation information provided by the state.

Years of Service	Participation %
< 10	56%
10-14	78%
15-19	90%
20+	93%

The life insurance participation is assumed to be 52%. The State should continue to monitor the postemployment plan participant enrollment in future years in case this assumption needs to be revised.

Liabilities

Future benefits include all benefits estimated to be payable to plan members as a result of their service through the valuation date and their expected future service. The **present value of future benefits** as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

The **actuarial accrued liability** is the present value of future benefits which is attributable to past service. The unfunded actuarial accrued liability is the difference between the actuarial accrued liability and the actuarial value of plan assets. Plan assets are financial assets that are segregated and restricted in a trust (or equivalent arrangement). Assets in this trust are dedicated to providing benefits to plan participants and are legally protected from creditors of employers. The **unfunded actuarial accrued liability** for the State's postemployment benefit plan is the actuarial accrued liability less any assets in the trust.

The **normal cost** is the portion of the present value of future benefits that is allocated to the current year for active plan members. The table below summarizes the State's postemployment benefit plan liabilities.

	July 1, 2016 Liabilities (\$1000s)
Present Value of Future Benefits	\$8,452,192
Accrued Actuarial Liability	\$6,560,342
Plan Assets	\$0
Unfunded Accrued Actuarial Liability	\$6,560,342
Normal Cost	\$177,197

Executive Summary**Annual OPEB Cost and Annual Required Contribution**

The major component of the **annual OPEB cost** is the **annual required contribution** (“ARC”). The ARC is the sum of the normal cost and the amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over the maximum allowable period of 30 years on an open basis.

The other components of the annual OPEB cost are one year’s interest on the net OPEB obligation (defined below) at the beginning of the year and adjustment to the ARC. The adjustment to the ARC is the one year amortization of the beginning of year net OPEB obligation.

The table below summarizes the annual OPEB cost for State’s postemployment benefit plan for the period July 1, 2016 to June 30, 2017.

	Annual OPEB Cost (\$1000s)
ARC	\$437,297
Interest on Net OPEB Obligation	\$160,677
Adjustment to ARC	(\$157,325)
Total	\$440,649

It is important to note that GASB 45 does not require the State to prefund an amount equal to the ARC. The ARC represents an accounting expense. The State should report the OPEB expense for the year equal to the annual OPEB cost.

Net OPEB Obligation and Recognition in Financial Statements

The **net OPEB obligation** (“NOO”) is the cumulative difference between the annual OPEB cost and the employer’s contributions to the plan since the State’s adoption date of GASB 45. A positive (negative) year-end balance in the net OPEB obligation should be recognized as a year-end liability (asset) in the State’s financial statements.

The State’s contribution is estimated to be the pay-as-you-go or expected postemployment benefit payments less participant contributions (including trust contributions, if applicable) from the valuation for the period July 1, 2016 to June 30, 2017. The development of the year-end net OPEB obligation is below.

	Postemployment Benefit Plan (\$1000s)
Net OPEB Obligation – Beginning of Year	\$4,228,341
Annual OPEB Cost	\$440,649
Employer Contributions: pay-as-you-go	\$211,924
Increase in Net OPEB Obligation	\$228,725
Net OPEB Obligation – End of Year	\$4,457,066

Executive Summary

Under GASB 45, an employer has made contributions if the employer has done one or more of the following:

1. Made payments of benefits directly to or on behalf of a retiree or beneficiary
2. Made premium payments to an insurer
3. Irrevocably transferred assets to a trust, or equivalent arrangements, in which plan assets are dedicated to providing benefits to retirees and beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or plan administrator.

Earmarking of employer assets or other means of financing that do not meet the conditions above do not constitute employer contributions. The actual year-end net OPEB obligation can be determined once the contribution information is available later in the year. If the State needs assistance in determining the year-end net OPEB obligation, they would be advised to contact Healthcare Analytics.

Patient Protection and Affordable Care Act

The results presented in this report incorporate some provisions of the Patient Protection and Affordable Care Act ("Act"). Among the major provisions of the Act are the individual mandate, affordability subsidies for exchange based coverage and an excise tax on high cost coverage.

Starting in 2014, individuals who fail to maintain coverage face financial penalties. Due to these penalties, it is possible that more retirees will elect to stay on the State plan. The Exchanges may be a more attractive offer for some retirees, however no changes have been made to the pre-65 participation assumption.

The affordability subsidies are provided to individuals below 400% of the federal poverty level to purchase health coverage from state run exchanges. The decision to opt out of the State's postemployment health plan due to the affordability subsidies may affect future participation in the State's plan, however no adjustments have been made since we do not believe State employees would qualify for subsidies under the current program.

The Act also imposes an excise tax on providers of high cost health coverage. Starting in 2020, a 40% excise tax is applied to the value of retiree health coverage exceeding \$11,850 limit. The limit is indexed by CPI each year thereafter. We have included an estimate of the value of the excise tax in our liability and expense calculations.

Executive Summary**Reconciliation to Prior Valuation**

Healthcare Analytics Consulting prepared a previous valuation with an effective date of July 1, 2014 for the State. The table below shows differences between the expected AAL using the prior valuation assumptions and the current AAL.

Expected AAL	\$7.9B
Current AAL	\$6.6B
% Difference	-16%

A projection of the results from the July 1, 2014 valuation would have suggested the liability to increase to \$7.9 billion as of July 1, 2016, compared to the actual result of \$6.6 billion.

The main reasons for this decrease are (1) a smaller active population, (2) better claims experience than expected, (3) lower than expected spousal coverage for future retirees, (4) incorporating disabled mortality rates to current disabled retirees, and (5) an update to the participation assumptions based on more recent information.

While the above factors decreased the liability, additional factors that increased it include: (1) a lower discount rate assumption reflecting more appropriate market conditions, (2) improved mortality tables being applied to the population, reflecting members living longer (RP 2014 scaling with MP-16), (3) higher than expected contributions for retirees, and (4) addition of a post Medicare excise tax.

The remaining variances include census changes, a change in the age based curves and inclusion of DROP participant information.

Actuarial Certification

At the request of the State of Louisiana and the Office of Group Benefits, Healthcare Analytics Consulting, a division of Arthur J. Gallagher, has completed an actuarial valuation as of July 1, 2016 under Statement No. 45 of the Governmental Accounting Standards Board. The calculations derived for this report have been made on a basis consistent with our understanding of GASB 45. The valuation has been conducted in accordance with generally accepted actuarial principles and practices as set forth in the following Actuarial Standards of Practice:

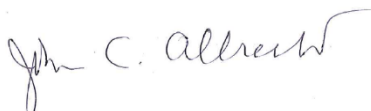
- ASOP No. 6 – Measuring Retiree Group Benefit Obligations
- ASOP No. 21 – Responding to or Assisting Auditors of Examiners in Connection With Financial Statements for All Practice Areas
- ASOP No. 23 – Data Quality
- ASOP NO. 41 – Actuarial Communications

The results of this report are to be used solely for the purpose of meeting employer financial accounting requirements.

In preparing the results of this report, we have relied on employee data, plan information and claims data provided by OGB, the State, and each pension system (LASERS, TRSL, LSPRS, LSERS). While the scope of the engagement did not call for us to perform an audit or independent verification of this information, we reviewed it for reasonableness. The accuracy of the results presented in the report is dependent upon the accuracy and completeness of the underlying information.

The undersigned are members of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,
Healthcare Analytics Consulting



John Albrecht, ASA, MAAA
Consulting Actuary
July 25, 2017



Christopher Diorio, ASA, MAAA
Consulting Actuary
July 25, 2017

Plan Provisions**Summary of Plan Provisions****Eligibility**

The eligibility for benefits relies upon age, years of service, hire date and employee type. These eligibilities are described below:

State Retirement Plan	
Appellate Law Clerk	Age 65 with 10 years of service or 18 years of service or age 55 with 12 years of service or age 70
Alcohol and Tobacco Control	Age 60 with 10 years of service or 25 years of service
Bridge Police	Age 60 with 10 years of service or 25 years of service
Correctional (hired before 8/15/1986)	Age 60 with 10 years of service or 20 years of service
Correctional (hired between 8/15/1986 and 12/31/2001)	Age 60 with 10 years of service or age 50 with 20 years of service or 25 years of service
Correctional (hired on or after 1/1/2002)	Age 60 with 10 years of service or 25 years of service
Hazardous Duty	Age 55 with 12 years of service or 25 years of service
Judicial (hired before 1/1/2011)	Age 65 with 10 years of service or 18 years of service or age 55 with 12 years of service or age 70
Judicial (hired on or after 1/1/2011)	Age 60 with 5 years of service
Judicial (hired on or after 7/1/2015)	Age 62 with 5 years of service
Legislature	Age 55 with 12 years of service or age 50 with 20 years of service or 16 years of service
Peace Officers	Age 60 with 10 years of service or age 55 with 25 years of service or 30 years of service
Regular Employees (hired before 7/1/2006)	Age 60 with 10 years of service or age 55 with 25 years of service or 30 years of service
Regular Employees (hired on or after 7/1/2006)	Age 60 with 5 years of service
Regular Employees (hired on or after 7/1/2015)	Age 62 with 5 years of service
Wildlife Officer (hired before 7/1/2003)	Age 55 with 10 years of service or 20 years of service
Wildlife Officer (hired on or after 7/1/2003)	Age 60 with 10 years of service or 25 years of service

Plan Provisions

Teachers Plan	
Hired on or after 7/1/2015	Age 62 with 5 years of service
Hired between 1/1/2011 and 7/1/2015	Age 60 with 5 years of service
Hired between 7/1/1999 and 1/1/2011	Age 60 with 5 years of service or age 55 with 25 years of service or 30 years of service
Hired before 7/1/1999	Age 65 with 20 years of service or age 55 with 25 years of service or 30 years of service
School Plan	
Hired on or after 7/1/2015	Age 62 with 5 years of service
Hired between 7/1/2010 and 7/1/2015	Age 60 with 5 years of service
Hired before 7/1/2010	Age 60 with 10 years of service or age 55 with 25 years of service or 30 years of service
Police Plan	
Hired after 1/1/2011	Age 55 with 12 years of service or 25 years of service
Hired before 1/1/2011	Age 50 with 10 years of service or 25 years of service

Benefit Design**Medical/Prescription Drug**

Retiree health care coverage is available to eligible retirees of any age. The type of benefits is dependent on whether the retiree is eligible for Medicare. A summary of the key plan design features for each plan as of 1/1/2016 is provided in the tables below. The retiree plans with minimal membership are not shown below.

Retirees prior to 3/1/15

BC Magnolia OAP	Non-Medicare		With Medicare
	In Network	Out of Network	In or Out of Network
Deductible	\$300 per individual, up to 3 individuals		
Out of Pocket Maximum			
Employee Only	\$1,300	\$3,300	\$2,300
Employee + 1	\$2,600	\$6,600	\$4,600
Coinurance	10%	30%	20%

BC Magnolia Local	Non-Medicare		With Medicare
	In Network	Out of Network	In Network
Deductible (3X Family)	\$0	No Coverage	\$0
Out of Pocket Maximum (3X Family)	\$1,000 per person	No Coverage	\$1,000 per person
Office Visits	\$25 PCP, \$50 Specialist	No Coverage	\$25 PCP, \$50 Specialist
Inpatient Hospital	\$100 per day, \$300 max per admission	No Coverage	\$100 per day, \$300 max per admission

Plan Provisions**Retirees on or after 3/1/15**

BC Magnolia OAP	Non-Medicare		With Medicare
	In Network	Out of Network	In or Out of Network
Deductible	\$900 per individual, up to 3 individuals		
Out of Pocket Maximum			
Employee Only	\$2,500	\$3,700	\$2,500/\$3,700
Employee + 1	\$5,000	\$7,500	\$5,000/\$7,500
Coinsurance	10%	30%	20%

BC Magnolia Local	Non-Medicare		With Medicare
	In Network	Out of Network	In or Out of Network
Deductible (3X Family)	\$400	No Coverage	\$400
Out of Pocket Maximum (3X Family)	\$2,500 per person	No Coverage	\$2,500 per person
Office Visits	\$25 PCP, \$50 Specialist	No Coverage	\$25 PCP, \$50 Specialist
Inpatient Hospital	\$100 per day, \$300 max per admission	No Coverage	\$100 per day, \$300 max per admission

Prescription Drugs	
Maximum Copayment	Generic - 50% up to \$30 Preferred - 50% up to \$55 Non Preferred - 65% up to \$80 Specialty - 50% up to \$80
Out of Pocket Maximum	\$1,500 per person
Copayment After Max is Reached	Generic - \$0 Preferred - \$20 Non Preferred - \$40 Specialty - \$40

Life Insurance

Benefits	Basic	Supplemental Max
Under Age 65	\$5,000	\$50,000
Ages 65-70	\$4,000	\$38,000
After Age 70	\$3,000	\$25,000

Age Reductions:

In force life insurance amounts are reduced to 75% of the initial value at age 65 and to 50% of the original amount at age 70. Spouse life insurance amounts of \$1,000, \$2,000 or \$4,000 are available. It is assumed that pre 65 retirees elect \$45,000 of basic and supplemental life coverage and spouses elect \$2,000 on average.

Plan Provisions**Retiree Contributions****Medical/Prescription Drug - Current Retiree Plan**

Employees that participated in OGB medical coverage starting before January 1, 2002 pay 25% of the cost of active coverage in retirement. Employees with an OGB medical participation start (or re-start) date after December 31, 2001 pay a percentage of the total retiree premium rate (active premium if over 20 years of service) based on the following schedule:

<u>OGB Participation</u>	<u>Retiree Share</u>	<u>State Share</u>
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

The full monthly premium equivalents as of 1/1/2017 for each plan are shown below:

Rate Tier	BC Magnolia OAP	BC Magnolia Local
Active		
Single	\$702.38	\$572.64
With Spouse	\$1,491.98	\$1,216.40
Retired without Medicare		
Single	\$1,306.62	\$1,065.44
With Spouse	\$2,307.62	\$1,881.36
Retired with 1 Medicare		
Single	\$424.96	\$346.46
Retired with 2 Medicare		
With Spouse	\$763.88	\$622.78

All members who retire on or after July 1, 1997 must have Medicare Parts A and B in order to qualify for the reduced premium rate.

Total monthly premium rates for the Medicare Advantage Plans as of 1/1/2017 are shown below:

Rate Tier	Peoples Health HMO	Vantage HMO	MHHMO (Vantage Medical Home)
1 Medicare	\$247.00	\$197.44	\$414.30
2 Medicare	\$494.00	\$394.88	\$742.66

Life Insurance

Retiree pays \$0.54 monthly for each \$1,000 of life insurance.

Retiree pays \$0.98 monthly for each \$1,000 of spouse life insurance.

Summary of Actuarial Assumptions

Valuation Date

July 1, 2016

Discount Rate

A 3.8% annual discount rate is assumed.

Census Data

The census was provided by OGB as of January 2017.

Actuarial Cost Method

Projected Unit Credit

Amortization Method

The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll.

Health Care Cost Trend Rate

The following annual trend rates are applied on a select and ultimate basis:

Benefit	Select	Ultimate
Pre 65 Medical/Rx benefits	7.0%	4.5%
Post Medicare benefits	6.0%	4.5%
Administrative Fees	4.5%	4.5%

Select trend is reduced 0.5% each year until reaching the ultimate trend.

Per Capita Health Claim Cost

Costs used in the determination of the actuarial accrued liability for the self-insured plans were developed from reported incurred medical and prescription drug claims experience and administrative costs during the period from October 1, 2014 through September 30, 2016 less retiree premiums. Costs for the fully insured plans were developed from the employer share of monthly premiums without adjustment for age. The age 60 and 70 age adjusted claim costs are presented in the table below:

Per Capita Cost	Retire before 3/1/2015			Retire on or after 3/1/2015		
	Age 60	Age 70	Age 70 (No Medicare)	Age 60	Age 70	Age 70 (No Medicare)
Retiree/Spouse	\$13,034	\$4,140	\$17,065	\$12,255	\$3,971	\$16,055

Actuarial Assumptions

Age Based Morbidity

The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study, with sample rates shown below:

Sample Age	Male	Female
45	4.6%	1.6%
50	6.2%	4.2%
55	5.4%	2.4%
60	4.7%	3.6%
65	1.7%	2.4%
70	1.8%	2.0%
75	1.2%	1.3%
80	0.8%	1.1%

Non-Claim Expenses

Non-claim expenses are based on the current amounts charged per retired employee and are \$13.18 PEPM.

Mortality

RP-2014 Generational Table using MP 2016 Projection Scale and applied on a gender-specific basis.

Termination

The rate of withdrawal for reasons other than death and retirement is dependent on an employee’s age and years of service. Sample rates are provided below.

LASERS

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana State Employees’ Retirement System Actuarial Valuation.

Regular

Age	Years of Service								
	<1	1	2-3	4-5	6	7	8	9	10+
20	45.0%	30.0%	22.0%	14.0%	10.0%	8.0%	7.0%	6.0%	5.0%
30	29.0%	19.2%	17.0%	10.8%	10.0%	8.0%	7.0%	6.0%	5.0%
40	26.5%	16.2%	11.0%	8.8%	10.0%	8.0%	7.0%	6.0%	5.0%
45	24.0%	14.7%	8.0%	7.8%	8.0%	7.0%	6.0%	5.0%	4.0%
50	21.5%	13.2%	8.0%	6.8%	8.0%	7.0%	6.0%	5.0%	4.0%
55	19.0%	11.7%	8.0%	5.8%	8.0%	7.0%	6.0%	5.0%	4.0%
60	16.5%	10.2%	8.0%	4.8%	8.0%	7.0%	6.0%	5.0%	4.0%

DUR	Judicial
0	0.0%
1	3.0%
2	4.0%
3	3.0%
4	2.0%
5+	1.0 %

DUR	Wildlife
0-3	8.0%
4-5	5.0%
6+	3.0%

Corrections / Hazardous

DUR	Years of Service	
	<10	10+
0-19	50.0%	0.0%
20	46.0%	0.0%
21	42.0%	0.0%
22	38.0%	0.0%
23	35.0%	10.0%
24	32.0%	10.0%
25	29.0%	10.0%
26	27.0%	10.0%
27	25.0%	10.0%
28	23.0%	10.0%
29	21.0%	10.0%
30-32	20.0%	10.0%
33-35	20.0%	8.0%
36-39	18.0%	6.0%
40+	18.0%	5.0%

TRSL

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Teachers' Retirement System of Louisiana Actuarial Valuation.

Age	Years of Service			
	<=1	2	3	>=4
20	20.0%	20.0%	9.5%	18.0%
30	19.0%	12.0%	10.9%	5.3%
40	16.5%	12.3%	9.0%	3.7%
45	16.3%	9.9%	9.0%	4.0%
50	17.5%	11.2%	9.0%	4.0%
55	17.5%	10.6%	9.0%	4.0%
60	20.0%	10.6%	9.0%	4.0%

LSERS

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana School Employees' Retirement System Actuarial Valuation.

Age	
20	15.0%
30	10.0%
35	7.0%
40	6.5%
45	4.5%
50+	4.0%

Actuarial Assumptions

LSPRS

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Louisiana State Police Retirement System Actuarial Valuation.

Age	
20-30	2.5%
31-37	2.0%
38-42	1.5%
43-60	1.0%
61+	0.0%

Retirement Age

Sample retirement ages and associated probabilities are provided in the tables below.

LASERS

These values are based on the 2016 Louisiana State Employees' Retirement System Actuarial Valuation.

Age	Regular Members				
	Years of Service				
	<10	10-19	20-24	25-49	30+
55	0%	0%	8%	55%	30%
60	10%	33%	55%	30%	24%
65	25%	24%	25%	25%	25%
66	25%	16%	25%	20%	30%
67	25%	23%	30%	18%	35%
68	25%	23%	10%	18%	20%
69	25%	23%	25%	40%	20%
70-74	75%	23%	25%	35%	25%
75	100%	100%	100%	100%	100%

Age	Judicial			Corrections / Hazardous		Wildlife	
	Years of Service			Years of Service		Years of Service	
	<15	15-19	<25	<25	25+	<25	25+
55	5%	20%	10%	30%	35%	30%	35%
60	10%	2%	8%	45%	50%	45%	50%
65	50%	10%	6%	35%	50%	35%	50%
66	10%	10%	11%	35%	50%	35%	50%
67	10%	10%	10%	35%	50%	35%	50%
68	10%	10%	10%	35%	50%	35%	50%
69	10%	10%	10%	35%	50%	35%	50%
70	10%	10%	10%	50%	50%	50%	50%
71-74	5%	40%	40%	50%	50%	50%	50%
75	100%	100%	100%	100%	100%	100%	100%

TRSL

These values are based on the 2016 Teachers' Retirement System of Louisiana Actuarial Valuation.

Age	<25	25-29	30+
50	3%	5%	30%
55	15%	75%	30%
60	25%	30%	20%
65	20%	20%	30%
70	20%	30%	40%
74	20%	30%	25%

LSERS

These values are based on the 2016 Louisiana School Employees' Retirement System Actuarial Valuation.

Hired Before 7/1/2010:

Age	
47	80%
48	70%
49-53	55%
54-57	37%
58	45%
59-60	30%
61-73	25%
74	99%

Hired Between 7/1/2010 and 6/30/2015:

Age	
59	0%
60	48%
61-73	25%
74	99%

Hired After 6/30/2015:

Age	
61	0%
62	48%
63-73	25%
74	99%

LSPRS

These values are based on the 2016 Louisiana State Police Retirement System Actuarial Valuation.

Age	
46	0%
47-49	10%
50-56	25%
57-62	50%
63+	99%

Actuarial Assumptions**Disability**

Sample disability probabilities are provided in the table below. These values are based on the 2016 Retirement System Actuarial Valuation's mentioned above.

Age	TRSL	LASERS	LSERS	LSPRS
40	0.11%	0.04%	0.20%	0.20%
45	0.22%	0.22%	0.30%	0.20%
50	0.25%	0.28%	0.50%	0.20%
55	0.40%	0.36%	0.70%	0.20%
60	0.55%	0.00%	0.30%	0.20%

Plan Participation Percentage

The percentage of employees and their dependents who are eligible for early retiree benefits that will participate in the retiree medical plan is outlined in the table below. This assumes that a one-time irrevocable election to participate is made at retirement. Retirees are assumed to participate in the life insurance benefit at a 52% rate.

Years of Service	Participation %
< 10	56%
10-14	78%
15-19	90%
20+	93%

Plan Election Percentage

It is assumed that 75% all of future pre 65 retirees elect the BC Magnolia Local Plus plan, 20% elect the BC Magnolia OAP plan, and the remainder elect the other plans available. Once attaining Medicare eligibility, it is assumed that 98% of future retirees elect the various BC plans, and the remainder elect the Medicare Advantage plans available.

Spousal Coverage

The assumed number of eligible dependents for current retirees is based on the retiree's actual plan tier election. It is assumed that 35% of future retirees will have a spouse at retirement. If spouse date of birth was not given, it is assumed that males were 3 years older than their spouse.

Salary Increase Assumption

3.0% per Annum

Valuation of Excise Tax

An active/retiree blended pre-65 claim cost is projected at health care cost trend and compared to the excise tax cost threshold beginning in 2020 and continuing thereafter. The State will be liable for 40% of the difference between plan costs and the cost threshold, when the plan costs are greater than the cost threshold. We have included excise tax for post 65 retirees that are not eligible for Medicare, a change in methodology from the prior valuation.

Pre-65 Plan Costs

The annual plan costs assumed in the valuation of excise tax are based on State's current premium information and plan enrollment. The current averages for employees and spouses are based upon the premium equivalents for each plan.

Excise Tax Threshold

The 2020 annual threshold costs for excise tax are as follows:

Active Single	\$10,200
Active Family	\$27,500
Pre-65 Retiree Single	\$11,850
Pre-65 Retiree Family	\$30,950

The active and pre-65 retiree thresholds have been weighted by current census headcounts. The threshold is assumed to increase at health CPI trend each year.

Inflation Rate

We have assumed an inflation rate of 2.8% per year.

Medicare Eligibility

All current and future retirees are assumed to be eligible for Medicare at age 65. Approximately 86% of current post-Medicare retirees were receiving Medicare Part A and B.

Medicare Part D Prescription Drug Subsidy

Based on GASB Technical Bulletin No. 2006-1, an employer should apply the measurement requirements of GASB Statement 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost *without reduction* for RDS payments. For this reason, we have excluded the Medicare Part D employer subsidy from this valuation.

Census Summary**Census Summary**

A summary of the current active employee and retired population for the State is provided in the tables below:

Age Group	ACTIVE POPULATION			RETIRED POPULATION	
	Fully Eligible	Not Fully Eligible	Total	Employees	Spouses
<40	10	17,151	17,161	17	3
40-44	151	6,150	6,301	57	15
45-49	722	6,465	7,187	347	113
50-54	1,408	6,043	7,451	1,407	456
55-59	1,845	4,978	6,823	4,163	1344
60-64	3,443	1,066	4,509	7,454	2240
65-69	1,617	402	2,019	9,236	2672
70-74	556	92	648	7,050	2147
75-79	147	19	166	5,580	1640
80-84	28	6	34	4,045	995
85+	8	1	9	3,826	532
Total	9,935	42,373	52,308	43,182	12,157

A summary of the current active employees (who are eligible for postemployment benefits) based on years of service is provided in the table below:

Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
<40	11,228	3,959	1,689	275	7	1	2	17,161
40-44	2,262	1,739	1,429	720	140	11	0	6,301
45-49	2,132	1,688	1,710	963	501	181	12	7,187
50-54	1,904	1,730	1,695	961	536	440	185	7,451
55-59	1,500	1,549	1,452	859	562	486	415	6,823
60-64	826	970	1,040	618	337	340	378	4,509
65-69	270	409	441	271	173	182	273	2,019
70-74	67	83	145	98	63	66	126	648
75-79	14	18	34	26	16	25	33	166
80-84	3	4	3	3	1	4	16	34
85+	0	3	1	0	0	1	4	9
Total	20,206	12,152	9,639	4,794	2,336	1,737	1,444	52,308

Census Summary

Plan	Active	Retired*
BC Magnolia OAP	2,748	13,541
BC Magnolia Local/Plus	35,222	17,758
BC Pelican HSA/HRA	3,897	793
LSU HMO	7,716	2,990
Peoples Health HMO	2	1,100
Towers Extend HIX	1	348
Vantage HMO	0	625
Vantage MHHP	1,143	280
Waived	1,579	5,599
Total	52,308	43,034

*There are 75 retirees in the vantage zero plan

Count of Retirees with Life Insurance	26,586
Total Life Insurance Coverage (in force) (thousands)	\$758,767

Pension	OGB Participation YoS
LASERS	9.3
TRSL	8.1
LSPRS	12.6
LSERS	10.2
Total	9.0

Retirement System	Active
LASERS	39,251
Appellate Law Clerk	128
Alcohol and Tobacco Control	11
Bridge Police 1	4
Bridge Police 2	1
Correctional 1	295
Correctional 2	1,838
Hazardous Duty	1,750
Judicial 1	53
Judicial 2	2
Peace Officer	54
Regular Employee 1	18,649
Regular Employee 2	5,780
Regular Employee 3	7,745
Regular Employee 4	2,774
Legislature	5
Special Legislature	3
Wildlife 2	159
TRSL	11,871
LSPRS	1,115
LSERS	71
Total	52,308

Summary of Governmental Accounting Standards Board Statements No. 43 and No. 45

Applicability of Accounting Standards

The Governmental Accounting Standards Board released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (“GASB 43”) in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (“GASB 45”) in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pensions.

The required effective date for adoption of the standards by an employer varies depending on their total annual revenue. For the purposes of defining the effective date of the standards, GASB 43 and 45 use the terms phase 1 government, phase 2 government, and phase 3 government. The following table shows the definition of the three phases for plans and employers and their respective effective dates. The employer is required to report under the standards no later than the first fiscal year beginning after the date shown.

Phase	Total Annual Revenues	Plans	Employers
1	\$100,000,000 or more	12/15/05	12/15/06
2	\$10,000,000 - \$100,000,000	12/15/06	12/15/07
3	Less than \$10,000,000	12/15/07	12/15/08

Actuarial Cost Methods

One of the following actuarial cost methods can be used: Unit Credit, Projected Unit Credit, Attained Age, Aggregate, Frozen Entry Age, or Frozen Attained Age. These methods can be used on a service (level dollar) or earnings (level percentage) basis.

Calculation Definitions

- Actuarial Accrued Liability (“AAL”) – The AAL is the portion of the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date.
- Unfunded Actuarial Accrued Liability (“UAAL”) – The UAAL is the difference between the AAL and the actuarial value of plan assets.

Reporting Requirements

- Annual Required Contribution (“ARC”) – The ARC is equal to the normal cost and the amortization of the Unfunded Actuarial Accrued Liability plus interest. The normal cost is equal to the actuarial present value (“APV”) allocated to one year of service.
- Net OPEB Obligation (“NOO”) – The NOO is the cumulative difference between the ARC and employer’s contributions to the plan. For unfunded plans, the employer’s contribution would be equal to the annual benefit payments less employee contributions. At transition, the NOO may be set at zero.
- Required Supplementary Information (“RSI”) – The RSI will require historical trend information from the last three valuations, including disclosure information about the UAAL

Summary of Governmental Accounting Standards Board Statements No. 43 and No. 45

and the progress in funding the plan. At transition, the RSI may include only the first year of information.

Disclosures

The following information is required to be disclosed:

- Plan description, including:
 - Type of employer – single employer, multiple-employer, etc.
 - Class of employees covered and the number of plan members
 - Brief description of benefit provisions
- Summary of significant accounting policies, including a brief description of how fair value of investments is determined.
- Contributions and reserves, including:
 - Board under which the obligations of plan members, employer(s), and other contributing entities who contribute to the plan are established or may be amended.
 - Funding policy.
 - Required contribution rates of actives and retirees in accordance with the funding policy.
 - Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.
 - The balance in the plan's legally required reserves at the reporting date.
- Funded status and progress
 - Information about the funded status as of the most recent valuation date, including:
 - Actuarial Valuation Date
 - Actuarial Value of Assets
 - Actuarial Accrued Liability
 - Total Unfunded Actuarial Accrued Liability
 - Funded ratio – actuarial value of assets as a percentage of the actuarial accrued liability
 - Annual Covered Payroll
 - Ratio of unfunded Actuarial Liability to Annual Covered Payroll
- Disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC and the funded status and funding progress of OPEB plans are based.

Exhibit 1

Postemployment Benefit Plan

Present Value of Future Benefits (PVFB) (\$1000s)

BY EMPLOYEE TYPE	
Actives (Fully Eligible)	\$848,718
Actives (Not Fully Eligible)	\$2,825,004
TOTAL ACTIVES	\$3,673,722
Retirees	\$4,778,470
TOTAL	\$8,452,192

BY SUBSIDY TYPE	
Explicit Subsidy	\$6,833,263
Implicit Subsidy	\$1,074,262
Excise Tax	\$544,667
TOTAL	\$8,452,192

BY AGE	
Actives (<65)	\$1,205,418
Actives (65+)	\$2,468,304
TOTAL ACTIVES	\$3,673,722
Retirees (<65)	\$645,439
Retirees (65+)	\$4,133,031
TOTAL RETIREES	\$4,778,470
TOTAL	\$8,452,192

BY BENEFIT	
Medical Claims	\$11,304,586
Administration	\$285,449
Medical Contributions	(\$10,851,449)
Medical Subsidy	\$6,833,263
Life Insurance	\$335,676
Excise Tax	\$544,667
TOTAL	\$8,452,192

NUMBER OF PARTICIPANTS	
Actives (Fully Eligible)	9,935
Actives (Not Fully Eligible)	42,373
Retirees*	43,182
TOTAL	95,490



Exhibit 2

Postemployment Benefit Plan

Actuarial Accrued Liability (AAL) (\$1000s)

BY EMPLOYEE TYPE	
Actives (Fully Eligible)	\$725,982
Actives (Not Fully Eligible)	\$1,055,890
TOTAL ACTIVES	\$1,781,872
Retirees	\$4,778,470
TOTAL	\$6,560,342

BY SUBSIDY TYPE	
Explicit Subsidy	\$5,220,306
Implicit Subsidy	\$1,004,398
Excise Tax	\$335,638
TOTAL	\$6,560,342

BY AGE	
Actives (<65)	\$565,767
Actives (65+)	\$1,216,105
TOTAL ACTIVES	\$1,781,872
Retirees (<65)	\$645,439
Retirees (65+)	\$4,133,031
TOTAL RETIREES	\$4,778,470
TOTAL	\$6,560,342

BY BENEFIT	
Medical Claims	\$8,498,125
Administration	\$212,207
Medical Contributions	(\$8,009,954)
Medical Subsidy	\$5,220,306
Life Insurance	\$304,020
Excise Tax	\$335,638
TOTAL	\$6,560,342

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	
Actuarial Accrued Liability	\$6,560,342
Plan Assets	\$0
Unfunded Actuarial Accrued Liability	\$6,560,342



Exhibit 3

Postemployment Benefit Plan	
Annual Required Contribution (ARC) (\$1000s)	
Normal Cost	\$177,197
Interest on Normal Cost	\$6,733
Amortization Payment	\$244,092
Interest on Amortization Payment	\$9,275
TOTAL	\$437,297

NET OPEB OBLIGATION	
Net OPEB Obligation - Beginning of Year	\$4,228,341
ARC	\$437,297
Interest on prior year NOO	\$160,677
Adjustment to ARC	(\$157,325)
Annual OPEB Cost	\$440,649
Employer Contributions *	\$211,924
Increase in Net OPEB Obligation	\$228,725
Net OPEB Obligation – End of Year	\$4,457,066
Percentage of OPEB Cost Contributed	48.09%

*Estimated as pay as you go

Exhibit 4

	Plus 1%	Minus 1%
Trend Sensitivities (\$1000s)		

ACTUARIAL ACCRUED LIABILITY (AAL)		
TOTAL	\$7,639,366	\$5,696,086

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)		
TOTAL	\$7,639,366	\$5,696,086

ANNUAL REQUIRED CONTRIBUTION (ARC)		
Normal Cost	\$224,607	\$141,359
Interest on Normal Cost	\$8,535	\$5,372
Amortization of Unfunded Accrued Liability	\$284,239	\$211,935
Interest on Amortization	\$10,801	\$8,054
TOTAL	\$528,182	\$366,720

IMPACT OF TREND CHANGE

ACTUARIAL ACCRUED LIABILITY (AAL)		
TOTAL	\$1,079,024	(\$864,256)
% CHANGE	16.45%	-13.17%

TOTAL	\$1,079,024	(\$864,256)
% CHANGE	16.45%	-13.17%

Normal Cost	\$47,410	(\$35,838)
Interest on Normal Cost	\$1,802	(\$1,361)
Amortization Payment	\$40,147	(\$32,157)
Interest on Amortization Payment	\$1,526	(\$1,221)
TOTAL	\$90,885	(\$70,577)
% CHANGE	20.78%	-16.14%



Exhibit 5

	Discount Rate 6.00%	Discount Rate 8.00%
Discount Rate Sensitivities (\$1000s)		

ACTUARIAL ACCRUED LIABILITY (AAL)		
TOTAL	\$4,763,585	\$3,730,510

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)		
TOTAL	\$4,763,585	\$3,730,510

ANNUAL REQUIRED CONTRIBUTION (ARC)		
Normal Cost	\$107,337	\$72,037
Interest on Normal Cost	\$6,440	\$5,763
Amortization of Unfunded Accrued Liability	\$233,497	\$227,612
Interest on Amortization	\$14,010	\$18,209
TOTAL	\$361,284	\$323,621

IMPACT OF DISCOUNT RATE CHANGE

ACTUARIAL ACCRUED LIABILITY (AAL)		
TOTAL	(\$1,796,757)	(\$2,829,832)
% CHANGE	-27.39%	-43.14%

TOTAL	(\$1,796,757)	(\$2,829,832)
% CHANGE	-27.39%	-43.14%

Normal Cost	(\$69,860)	(\$105,160)
Interest on Normal Cost	(\$293)	(\$970)
Amortization Payment	(\$10,595)	(\$16,480)
Interest on Amortization Payment	\$4,735	\$8,934
TOTAL	(\$76,013)	(\$113,676)
% CHANGE	-17.38%	-26.00%



Exhibit 6

20 Year Cash Flows (\$1000s)					
Year	Benefit Payments	Medical Contributions	Explicit	Excise Tax	Total
1st Year	\$380,032	(\$364,487)	\$196,379	\$0	\$211,924
2nd Year	\$397,319	(\$379,391)	\$207,570	\$0	\$225,498
3rd Year	\$420,904	(\$400,395)	\$222,378	\$0	\$242,887
4th Year	\$441,364	(\$417,889)	\$235,150	\$16,755	\$275,380
5th Year	\$451,289	(\$424,239)	\$243,005	\$33,543	\$303,598
6th Year	\$460,337	(\$430,024)	\$250,435	\$33,290	\$314,038
7th Year	\$468,591	(\$435,103)	\$257,567	\$32,616	\$323,671
8th Year	\$478,204	(\$442,497)	\$265,675	\$32,309	\$333,691
9th Year	\$489,705	(\$451,926)	\$274,713	\$32,156	\$344,648
10th Year	\$499,769	(\$460,319)	\$283,320	\$31,818	\$354,588
11th Year	\$510,854	(\$469,659)	\$291,818	\$31,701	\$364,714
12th Year	\$523,535	(\$480,734)	\$300,597	\$32,017	\$375,415
13th Year	\$536,742	(\$492,363)	\$309,511	\$32,305	\$386,195
14th Year	\$550,544	(\$504,568)	\$318,201	\$32,888	\$397,065
15th Year	\$563,591	(\$515,761)	\$326,339	\$33,325	\$407,494
16th Year	\$577,228	(\$527,279)	\$334,318	\$33,979	\$418,246
17th Year	\$591,081	(\$539,048)	\$342,106	\$34,756	\$428,895
18th Year	\$603,247	(\$549,517)	\$348,998	\$35,343	\$438,071
19th Year	\$613,746	(\$558,697)	\$355,143	\$35,790	\$445,982
20th Year	\$624,301	(\$567,827)	\$361,061	\$36,352	\$453,887



Exhibit 7

Schedule of Funding

Historical information about the plan is presented herein as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government OPEB plans.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a) / (c)
7/1/2014	\$0	\$7,355,687	\$7,355,687	0%	\$2,261,140	325.3%
7/1/2015	\$0	\$7,603,850	\$7,603,850	0%	\$2,283,542	333.0%
7/1/2016	\$0	\$6,560,342	\$6,560,342	0%	\$2,320,543	282.7%

The University currently is funding on a pay as you go basis and therefore has no assets.

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution*	Percentage of AOC Contributed
6/30/2015	\$498,014	\$212,927	42.76%
6/30/2016	\$516,300	\$229,553	44.46%
6/30/2017	\$440,649	\$211,924	48.09%

*Estimated Fiscal Year 2017 pay as you go cost