March 3, 2020

To: All Potential Respondents
From: Nancy Wheelock, Purchasing Agent
Subject: RFP1120005058 – Employee Benefits Consultant

**Addendum Three**

**Please amend the subject RFP to include answers to the following timely received questions:**

Q1. Please provide the latest renewals for all benefit lines.
A1. The State has attached a copy of the current renewal contracts for medical benefits for SPOC, dental benefits for the State of Iowa and SPOC, and the Life and LTD benefits. A copy of the medical benefits contract for the State of Iowa is available upon request to nancy.wheelock@iowa.gov.

Q2. Please provide a copy of the 1/1/18 OPEB Valuation report.
A2. A copy of the 1/1/18 OPEB Valuation report is attached to the bottom of this document.

Q3. Please provide a copy of the latest renewal for the minimum premium medical and dental plans.
A3. Please see A1. above.

Q4. The "Response Checklist" includes "Financials". Please clarify what financial items you would like to see.
A4. This RFP does not require financials. The State is deleting "Financials" from the Response Checklist.

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**Please acknowledge receipt of this addendum by signing in the space provided below, and <u>return this letter with your offer (do not send back separately).</u>**

I hereby acknowledge receipt of this addendum.

________________________________ ____________________
Signature Date

________________________________
Typed or Printed Name

Deloitte.


# State of Iowa Postretirement Medical Plan
## Actuarial Valuation Report

**January 1, 2018**
**Prepared by Deloitte Consulting LLP** **July 2018**

# Table of Contents

# Actuarial Valuation Opinion

This report presents the results of the actuarial valuation of the State of Iowa Postretirement Medical Plan ("the Plan") as of January 1, 2018. In our opinion, this report is complete and accurate and represents fairly the actuarial position of the Plan for the purposes stated herein.

The actuarial valuation has been prepared based on participant data, financial information and plan descriptions as of January 1, 2018. The actuary has analyzed the data and other information provided for reasonableness, but has not independently audited the data. Estimates were made where data was missing or unavailable. The actuary has no reason to believe the data and other information is not accurate and knows of no further information that is essential to the preparation of the actuarial valuation.

In our opinion, all costs, liabilities, rates of interest, and other factors underlying these actuarial computations have been determined on the basis of actuarial assumptions and methods, which are each reasonable (or consistent with authoritative guidance) for the purposes described herein taking into account the experience of the Plans and future expectations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operations of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law.

Our scope did not include analyzing the potential range of such future measurements, and we did not perform that analysis.

The undersigned with actuarial credentials collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This report was prepared solely for the benefit and internal use of the plan sponsor. This report is not intended for the benefit of any other party and may not be relied upon by any third party for any purpose, and Deloitte Consulting accepts no responsibility or liability with respect to any party other than the plan sponsor.

To the best of our knowledge, no employee of the Deloitte U.S. Firms is an officer or director of the employer. In addition, we are not aware of any relationship between the Deloitte U.S. Firms and the employer that may impair or appear to impair the objectivity of the work detailed in this report.

DELOITTE CONSULTING LLP

Michael de Leon, FCA, ASA, EA, MAAA
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# Section 1 - Background and Comments

The Governmental Accounting Standards Board released the Statement of Governmental Accounting Standards No. 75 in June 2015. GASB No. 75 details the reporting and disclosure requirements for employers with payables (OPEB liabilities) to employees of state and local governmental employers through defined benefit OPEB plans that are administered through trusts or equivalent arrangements. The State of Iowa will adopt GASB 75 in the fiscal year ending June 30, 2018.

The purpose of this actuarial valuation report is to provide information that will serve as the basis for The State of Iowa's employer financial reporting for the fiscal year ended June 30, 2018 GASB 75 disclosures, which will be provided under separate cover.

**Plan Overview**

The State of Iowa provides access to postretirement medical benefits to all retirees. The retirees generally must pay 100% of the premium rate. Retirees that have a sick leave bank only pay the active employee portion of the premium and the sick leave dollars are used to pay the State's portion of the premiums. Once the sick leave bank is exhausted, the retiree pays 100% of the premium rate. The substantive plan benefits are described in the Summary of Substantive Plan Provisions section of this report.

**Implicit Rate Subsidy**

GASB 75 requires that trusts and employers recognize the Implicit Rate Subsidy that exists in many postretirement medical plans provided by governmental employers. The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e., not eligible for Medicare) generate higher claims on average than active participants.

When a medical plan is self-insured through a third-party administrator or fully insured, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

**Medical Costs for Medicare–Eligible Retirees**

Medical coverage for retirees over the age of 65 was not considered in this valuation. Medicare eligible retirees are charged a different premium than non-Medicare eligible retirees. While these retirees are in the same risk pool as all other retirees, their premiums will be determined in future years such that they will fully cover the estimated cost of a Medicare eligible population. Since these premiums will be rated only for Medicare eligible retirees and the retirees pay 100% of the premium, no implicit rate subsidy exists for this group.

## Section 1 – Background and Comments (continued)

**Health Care Reform**

The Patient Protection and Affordable Care Act ("PPACA") was signed into law on March 23, 2010. The primary objective of the act is to increase the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. The provisions of PPACA applicable to retiree health benefits were considered in this valuation.

The provisions of PPACA considered and included in the development of expected claims costs are as follows:

- prohibiting lifetime and annual limits on the dollar value of coverage for "essential health benefits";
- increasing the dependent child age limit to age 26;
- elimination of cost sharing for in-network preventative services;
- reflecting manufacturer discounts available to certain Medicare beneficiaries receiving applicable covered Part D drugs (mostly brand) while in the coverage gap;
- transitional reinsurance fee; and
- out-of-pocket limit includes both medical and Rx expenses.

We also included the expected costs associated with the excise tax on "Cadillac Plans" effective in 2022. Due to the expectation that the medical trend rate will significantly exceed inflation over the long-term, most retiree health plans will be affected by the excise tax at some point in the future. After adjusting the thresholds for the age and gender characteristics of the District's policy holders, the excise tax is projected to only have a minor impact on the liabilities (less than 1% increase in liability).

**Assumptions**

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the individual salary increase, mortality, withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System (IPERS) actuarial valuation report as of June 30, 2017. The plan participation and coverage election at retirement assumptions are based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The State of Iowa elected to use a discount rate of 3.44%. This rate is based on a broad 20-year municipal bond index (Bond Buyer GO 20) as of the valuation date. The selection of this discount rate is consistent with the rate to be used for purposes of GASB 75. Since the State's postretirement medical plan is not being funded by assets in a separate trust, GASB 75 requires that the discount rate be based on the municipal bond index.

Effective with the January 1, 2018 actuarial valuation, the following methodology and assumption changes were made:

- Medical claim costs and premiums were updated based on recent experience;
- Annual medical trends were updated based on industry observations and the current SOA-Getzen model;
- The potential costs associated with the excise tax on "Cadillac Plans" effective in 2022 due to the implementation of the Patient Protection and Affordable Care Act ("PPACA") were included; the effective date was updated from 2018 to 2022 due to recent legislative changes to further delay the implementation of the excise tax.
- The coverage election at retirement assumption was updated based on recent experience of the plan.
    - 65% of active members are assumed to elect single coverage at retirement and 35% are assumed to elect family coverage. The prior valuation assumed 70% and 30%, respectively.

## Section 1 – Background and Comments (continued)

- The salary scale was updated to be consistent with the assumption used for “State Employees” in the June 30, 2017 IPERS actuarial valuation.
- The future expectation of inflation was updated from 3.00% to 2.60% to be consistent with the assumption used in the June 30, 2017 IPERS actuarial valuation
- The discount rate methodology was updated based on a 20-year municipal bond yield as of January 1, 2018
    - This resulted in a change in discount rate from 4.50% to 3.44%

These assumption changes increased the Actuarial Accrued Liability by about $17 million. The effect of each change on the Actuarial Accrued Liability is summarized in the Actuarial Experience section of the report.

The actuarial methods and assumptions are described in more detail in the Summary of Actuarial Methods and Assumptions section of this report.

**Demographic Experience**

Effective January 1, 2018 the three State Universities (University of Iowa, Iowa State University, and University of Northern Iowa) were no longer covered under the Plan. The active and retired members of each University are covered separately. Due to this, the Plan experienced a reduction in liability of approximately $40 million.

After adjusting for the Universities no longer being covered by the Plan, the Plan experienced a small actuarial liability loss of approximately $0.2 million during the year. This small loss was primarily due to an increase in the number of inactive participants, offset by fewer than expected covered active participants and a reduction in the average age of covered active participants of approximately one year.

**Actuarial Value of Assets**

There are no assets held in an irrevocable trust for paying these retiree health benefits.

# Section 2 – Summary of Actuarial Valuation Results

| | | January 1, 2018 | July 1, 2016 |
|---|---|---|---|
| 1. | Actuarial Accrued Liability | $187,213 | $191,539 |
| 2. | Actuarial Value of Assets | 0 | 0 |
| 3. | Unfunded Actuarial Accrued Liability (UAAL): (1) – (2) | $187,213 | $191,539 |
| 4. | Funded Ratio: (2) / (1) | 0.00% | 0.00% |
| 5. | UAAL as a percentage of covered payroll (3) / (9b) | 9.83% | 10.48% |
| 6. | Normal Cost | $13,025 | $14,194 |
| 7. | Discount Rate | 3.44% | 4.50% |
| 8. | Census Data Used | | |
| | a. Count of Covered Participants | | |
| | Actives* | 17,516 | 24,129 |
| | Retirees and Beneficiaries | 2,412 | 2,324 |
| | Total | 19,928 | 26,453 |
| | b. Covered Payroll | $1,904,413 | $1,827,410 |
| 9. | Expected Benefit Payments | $10,489 | $10,776 |

* Counts exclude active employees who are over age 65 because they do not create a liability for the plan.

# Section 3 – Actuarial Experience

Actuarial gains and losses arise from experience different from that assumed, changes in actuarial assumptions and methods, and changes in plan provisions. The following summarizes the changes in the Actuarial Accrued Liability due to these sources from July 1, 2016 to January 1, 2018. Dollar amounts are in thousands.

| | | | |
|---|---|---|---|
| 1. | Actuarial Accrued Liability as of July 1, 2016 | | $191,539 |
| 2. | Normal Cost for the year ended June 30, 2017 | | 14,194 |
| 3. | Expected Benefit Payments for the year ended June 30, 2017 | | (10,776) |
| 4. | Interest at 4.50% on (1), (2) and (3) | | 9,016 |
| 5. | Expected Actuarial Accrued Liability as of July 1, 2017<br>(1) + (2) + (3) + (4) | | $203,973 |
| 6. | Expected Normal Cost for the period ended January 1, 2018 | | 7,416 |
| 7. | Expected Benefit Payments: July 1, 2017 through December 31, 2017 | | (6,332) |
| 8. | Interest at 4.50% on (5), (6), and (7) | | 4,685 |
| 9. | Expected Actuarial Accrued Liability as of January 1, 2018<br>(5) + (6) + (7) + (8) | | $209,742 |
| 10. | (Gain)/Loss for the period ended December 31, 2017: | | |
| i. | Universities no longer being covered | (39,879) | |
| ii. | Demographic Experience | 164 | |
| iii. | Medical Claims and Premiums Experience | (6,578) | |
| iv. | Change in Medical Trend Rate | 2,239 | |
| v. | Change in Coverage Election at Retirement | 2,640 | |
| vi. | Change in Salary Scale | 6,118 | |
| vii. | Change in Discount Rate | 12,767 | |
| viii. | Total (Gain)/Loss | | (22,529) |
| 11. | Actual Actuarial Accrued Liability as of January 1, 2018<br>(9) + (10)(viii) | | $187,213 |

# Section 4 – Development of Unfunded Actuarial Accrued Liability

Presented below is the development of the Unfunded Actuarial Accrued Liability as of January 1, 2018, which is the Actuarial Accrued Liability minus the Actuarial Value of Assets. The Actuarial Accrued Liability is the portion of the Present Value of Future Benefits accrued to date. The Present Value of Future Normal Costs represents the portion of the Present Value of Future Benefits expected to accrue in the future, based on the current population. Dollar amounts are in thousands.

| | | |
|---|---|---|
| 1. | Present Value of Future Benefits | |
| | Actives | $331,668 |
| | Retirees and Beneficiaries | 41,208 |
| | Total | 372,876 |
| 2. | Present Value of Future Normal Costs | $185,663 |
| 3. | Actuarial Accrued Liability | |
| | Actives | $146,005 |
| | Retirees and Beneficiaries | 41,208 |
| | Total | $187,213 |
| 4. | Actuarial Value of Assets | $0 |
| 5. | Unfunded Actuarial Accrued Liability (3) – (4) | $187,213 |

# Section 5 – 10-Year Projection of Employer Benefit Payments

Presented below are the projected employer benefit payments for the next ten years based on the current plan design. These projected benefit payments are based on the actuarial assumptions shown in Section 6. If actual experience differs from that expected by the actuarial assumptions, the actual employer benefit payments will vary from those presented below. Dollar amounts are in thousands.

| Year | Amount |
|---|---|
| 2018 | $ 10,489 |
| 2019 | 11,754 |
| 2020 | 12,738 |
| 2021 | 13,674 |
| 2022 | 14,374 |
| 2023 | 15,031 |
| 2024 | 15,278 |
| 2025 | 15,826 |
| 2026 | 15,978 |
| 2027 | 15,937 |

# Section 6 – Summary of Actuarial Methods & Assumptions

**Actuarial Cost Method**

The Actuarial Cost Method used in this valuation to determine the Actuarial Accrued Liability was the Entry Age Normal Percent of Pay method.

This method is one of the family of projected benefit cost methods. An estimate of the projected benefit payable at retirement is initially required to determine costs and liabilities under this method.

The Normal Cost is the sum of the annual contributions required for each participant from his entry date to his assumed retirement date so that the accumulated contribution at retirement is equal to the liability for the projected benefit. The projected benefits are based on estimates of future years of service. The normal cost is developed as a level percentage of pay.

The Present Value of Future Benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. Discounts include such items as interest and mortality. The Present Value of Future Normal Costs is equal to the discounted value of the normal costs payable from the member's current age to retirement age.

The difference between the present value of future benefits and the present value of future normal costs represents the actuarial liability at the participant's current age.

The Actuarial Accrued Liability for participants currently receiving benefits is calculated as the actuarial present value of future benefits expected to be paid. No normal cost is payable for these participants.

This actuarial cost method is required by GASB 75.

**Assets**

There are currently no plan assets held in an irrevocable trust or equivalent arrangement.

## Section 6 – Summary of Actuarial Methods & Assumptions (continued)

**Normal Retirement Eligibility**

Earliest of the first day of the month of the member's 65th birthday, age 62 with 20 years of service or Rule of 88 (age plus service equals or exceeds 88), with a minimum of age 55.

**Early Retirement Eligibility**

Age 55.

**Discount Rate**

3.44%

**Inflation**

2.60%

**Mortality**

Based on IPERS Actuarial Valuation Report ("State Employees" only) as of June 30, 2017.

- Pre-Retirement
  - Males: RP2000 Employee Table with generational improvements using projection scale AA, set back 3 years
  - Females: RP2000 Employee Table with generational improvements using projection scale AA, set back 8 years
- Post-Retirement
  - Males: RP2000 Healthy Annuitant Table with generational improvements using projection scale AA
  - Females: RP2000 Healthy Annuitant Table with generational improvements using projection scale AA, set back 1 year with a 5% increase above age 75

**Withdrawal**

Based on IPERS Actuarial Valuation Report ("State Employees" only) as of June 30, 2017. A selection of the rates is shown below:

| Years of Service | Males | Females |
|---|---|---|
| 1 | 15.4% | 15.4% |
| 5 | 5.5 | 5.5 |
| 10 | 2.2 | 2.2 |
| 15 | 1.7 | 1.7 |
| 20 | 1.1 | 1.1 |
| 25 | 1.1 | 1.1 |
| 30 | 1.1 | 1.1 |

**Retirement**

Based on IPERS Actuarial Valuation Report ("State Employees" only) as of June 30, 2017.

Upon meeting the requirements for early retirement, the following rates apply:

| Age | Assumed Retirement Rate |
|---|---|
| 55-60 | 5% |
| 61-64 | 15 |

Upon meeting the requirements for normal retirement, the following rates apply:

| Age | 1st Year Eligible | After 1st Year |
|---|---|---|
| 55 | 20% | 15% |
| 56-60 | 15 | 15 |
| 61 | 20 | 20 |
| 62 | 40 | 40 |
| 63 | 35 | 30 |
| 64 | 30 | 30 |

**Salary Scale**

Based on IPERS Actuarial Valuation Report ("State Employees" only) as of June 30, 2017. A selection of the rates is shown below:

| Years of Service | Increase Rate |
|---|---|
| 1 | 14.25% |
| 5 | 6.85 |
| 10 | 5.55 |
| 15 | 4.45 |
| 20 | 4.05 |
| 25 | 3.80 |
| 30 | 3.55 |
| 35+ | 3.25 |

## Section 6 – Summary of Actuarial Methods & Assumptions (continued)

| | |
|---|---|
| **Incidence of Disability** | None. Employees who became disabled are assumed to be eligible for Medicare coverage and to be rated with the post-65 retirees. Therefore, there is no implicit subsidy since they are no longer part of the pre-65 active and retiree blended group. |
| **Age of Spouse** | Based on actual age. If actual age is unavailable, males are assumed to be three years older than females. |
| **Plan Participation** | 90% of future retirees eligible for an implicit subsidy are assumed to elect coverage. |
| **Coverage at Retirement** | 65% of active members are assumed to elect single coverage at retirement, and 35% are assumed to elect family coverage. |
| **Plan at Retirement** | Members are assumed to elect the same medical plan in retirement that they currently elect. |
| **Dependent Coverage** | No dependent children are assumed to be covered at retirement. |
| **Annual Medical Trend Assumptions** | Medical trend rates were developed using a combination of trend surveys and the SOA-Getzen trend rate model, with initial trend rates start at 6.4% (managed care plans) or 6.6% (non-managed care plans) in 2018 based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates beginning in year 2022 and thereafter, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy. The trend rates shown below do not include the impact of the Excise Tax. |

| Year | Managed Care Plans | Non-Managed Care Plans | Year | Managed Care Plans | Non-Managed Care Plans |
|---|---|---|---|---|---|
| 2018 | 6.40% | 6.60% | 2056 | 4.98% | 4.98% |
| 2019 | 6.20% | 6.30% | 2057 | 4.96% | 4.96% |
| 2020 | 6.00% | 6.10% | 2058 | 4.94% | 4.94% |
| 2021 | 5.90% | 6.00% | 2059 | 4.93% | 4.93% |
| 2022 | 5.85% | 5.90% | 2060 | 4.91% | 4.91% |
| 2023 | 5.73% | 5.73% | 2061 | 4.90% | 4.90% |
| 2024 | 5.64% | 5.64% | 2062 | 4.89% | 4.89% |
| 2025 | 5.56% | 5.56% | 2063 | 4.87% | 4.87% |
| 2026 | 5.47% | 5.47% | 2064 | 4.86% | 4.86% |
| 2027 - 2045 | 5.39% | 5.39% | 2065 | 4.85% | 4.85% |
| 2046 | 5.26% | 5.26% | 2066 | 4.77% | 4.77% |
| 2047 | 5.20% | 5.20% | 2067 | 4.69% | 4.69% |
| 2048 | 5.16% | 5.16% | 2068 | 4.62% | 4.62% |
| 2049 | 5.13% | 5.13% | 2069 | 4.54% | 4.54% |
| 2050 | 5.10% | 5.10% | 2070 | 4.47% | 4.47% |
| 2051 | 5.08% | 5.08% | 2071 | 4.40% | 4.40% |
| 2052 | 5.05% | 5.05% | 2072 | 4.34% | 4.34% |
| 2053 | 5.03% | 5.03% | 2073 | 4.27% | 4.27% |
| 2054 | 5.01% | 5.01% | 2074 | 4.20% | 4.20% |
| 2055 | 4.99% | 4.99% | 2075+ | 4.14% | 4.14% |

## Section 6 – Summary of Actuarial Methods & Assumptions (continued)

**Starting Claims Costs**

State of Iowa currently offers three plans, which are available to participants: Iowa Choice, National Choice, and SPOC (Alliance Select).

Starting claims costs were developed based on premium information provided by State of Iowa. The premiums for each plan were blended based on the percentage of participants in each plan and the coverage elected by each participant, resulting in an average claim cost per member.

Annual costs by age were developed by applying appropriate age factors to average annual costs per member. The average annual cost per member reflects the average age of pre-65 employees and retirees currently participating in the plans.

The aging factors are based on based on the Society of Actuaries Yamamoto study.

**Starting Annual Medical Claims and Administrative Costs as of January 1, 2018**

| Age | Managed Care Claims Cost | Non-Managed Care Claims Cost |
|---|---|---|
| 48 | $7,375 | $6,903 |
| 49 | 7,625 | 7,137 |
| 50 | 7,914 | 7,407 |
| 51 | 8,242 | 7,714 |
| 52 | 8,606 | 8,055 |
| 53 | 8,996 | 8,420 |
| 54 | 9,400 | 8,798 |
| 55 | 9,810 | 9,182 |
| 56 | 10,225 | 9,570 |
| 57 | 10,648 | 9,966 |
| 58 | 11,082 | 10,372 |
| 59 | 11,531 | 10,793 |
| 60 | 12,001 | 11,233 |
| 61 | 12,494 | 11,695 |
| 62 | 13,014 | 12,182 |
| 63 | 13,578 | 12,709 |
| 64 | 14,179 | 13,272 |

## Section 6 – Summary of Actuarial Methods & Assumptions (continued)

| | |
|---|---|
| **Health Care Reform** | The Patient Protection and Affordable Care Act ("PPACA") was signed into law on March 23, 2010. The primary objective of the act is to increase the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. The provisions of PPACA applicable to retiree health benefits were considered in this valuation.<br><br>The provisions of PPACA considered and included in the development of expected claims costs are as follows:<br>• prohibiting lifetime and annual limits on the dollar value of coverage for "essential health benefits";<br>• increasing the dependent child age limit to age 26;<br>• elimination of cost sharing for in-network preventative services;<br>• reflecting manufacturer discounts available to certain Medicare beneficiaries receiving applicable covered Part D drugs (mostly brand) while in the coverage gap;<br>• transitional reinsurance fee; and<br>• out-of-pocket limit includes both medical and Rx expenses.<br><br>We also included the expected costs associated with the excise tax on "Cadillac Plans" effective in 2022. Due to the expectation that the medical trend rate will significantly exceed inflation over the long-term, most retiree health plans will be affected by the excise tax at some point in the future. After adjusting the thresholds for the age and gender characteristics of Iowa's policy holders, the excise tax is projected to only have a minor impact on the liabilities (less than 1% increase in liabilities). |

# Section 7 - Rationale for Assumptions

| | |
|---|---|
| **Discount Rate** | Discount rate is based on the 20-year municipal bond yield as of January 1, 2018. |
| **Inflation** | Inflation is consistent with the assumption used in the June 30, 2017 IPERS actuarial valuation. The assumptions prescribed in the actuarial valuation are based on the 2017 Economic Experience Study, dated March 24, 2017. |
| **Mortality** | Mortality is consistent with the assumptions used for ("State Employees" only) in the June 30, 2017 IPERS actuarial valuation.<br>The assumptions prescribed in the actuarial valuation are based on the last experience study prepared for IPERS that covered the four-year period from June 30, 2009 through June 30, 2013, dated May 27, 2014. |
| **Withdrawal** | Withdrawal is consistent with the assumptions used for ("State Employees" only) in the June 30, 2017 IPERS actuarial valuation.<br>The assumptions prescribed in the actuarial valuation are based on the last experience study prepared for IPERS that covered the four-year period from June 30, 2009 through June 30, 2013, dated May 27, 2014. |
| **Retirement** | Retirement is consistent with the assumptions used for ("State Employees" only) in the June 30, 2017 IPERS actuarial valuation.<br>The assumptions prescribed in the actuarial valuation are based on the last experience study prepared for IPERS that covered the four-year period from June 30, 2009 through June 30, 2013, dated May 27, 2014. |
| **Salary Scale** | The Salary Increase rates are consistent with the assumptions used for ("State Employees" only) in the June 30, 2017 IPERS actuarial valuation.<br>The assumptions prescribed in the actuarial valuation are based on the 2017 Economic Experience Study, dated March 24, 2017. |
| **Age of Spouse** | Based on recent experience of the plan. |
| **Plan Participation** | Based on recent experience of the plan. |
| **Coverage at Retirement** | Based on recent experience of the plan. |
| **Plan at Retirement** | Based on recent experience of the plan. |
| **Dependent Coverage** | Based on recent experience of the plan. |
| **Annual Medical Trend** | Rationale described in Section 6. |
| **Starting Claims Costs** | Rationale described in Section 6. |
| **Health Care Reform** | Rationale described in Section 6. |

# Section 8 – Summary of Substantive Plan Provisions

**Medical Benefits**

Plan participants are covered by one of three medical plans, one of which is managed care (Iowa Choice). Retirees that have a sick leave bank only pay the active employee portion of the premium and the sick leave dollars are used to pay the State's portion of the premiums. Once the sick leave bank is exhausted, the retiree pays 100% of the premium rate with no explicit subsidy from the State. The monthly costs for each plan for fiscal year 2018 are determined using 2018 premiums and are as follows:

| | Single | Family |
|---|---|---|
| Iowa Choice | $712.00 | $1,668.00 |
| National Choice | 766.00 | 1,794.00 |
| SPOC | 459.49 | 1,410.17 |

**Managed Care Plan (Iowa Choice)**

| | |
|---|---|
| Deductible Single/Family: | $250/$500 |
| Coinsurance Percentage: | 10% in-network |
| Out-of-Pocket Limit Single/Family: | $1,000/$2,000 (except for prescription drugs), $5,850/$11,700 for prescription drugs |
| Lifetime Benefit Maximum: | Hospice Respite 15 Days Inpatient/15 Days Outpatient<br>Infertility - $25,000 |
| Physician Services: | $15-$30 copayment per visit |
| Hospital Services: | 10% |
| Behavioral Health Services: | 10% for inpatient/outpatient, $15 copayment for office visit |
| Retail Prescription Drugs (30-day supply): | $10 generic, $25 preferred brand, $50 non-preferred brand, $100/$200 preferred specialty/non-preferred specialty |
| Mail Order Prescription Drugs (90-day supply): | $30 generic, $75 preferred brand, $150 non-preferred brand |

**National Choice**

| | |
|---|---|
| Deductible Single/Family: | $250/$500 |
| Coinsurance Percentage: | 10% in-network/20% out-of-network |
| Out-of-Pocket Limit Single/Family: | $1,000/$2,000 (except for prescription drugs), $5,850/$11,700 for prescription drugs |
| Lifetime Benefit Maximum: | Hospice Respite 15 Days Inpatient/15 Days Outpatient<br>Infertility - $25,000 |
| Physician Services: | $15-$30 copayment per visit |
| Hospital Services: | 10% in-network, 20% out-of-network |
| Behavioral Health Services: | 10% in-network, 20% out-of-network for inpatient/ outpatient, $15 copayment for office visit |
| Retail Prescription Drugs (30-day supply): | $10 generic, $25 preferred brand, $50 non-preferred brand, $100/$200 preferred specialty/non-preferred specialty |
| Mail Order Prescription Drugs: | $30 generic, $75 preferred brand, $150 non-preferred brand |

## Section 8 – Summary of Substantive Plan Provisions (continued)

**Medical Benefits**

**SPOC (State Police Officer's Council)**

| | |
|---|---|
| Deductible Single/Family: | $250/$500 |
| Coinsurance Percentage: | 10% in-network/20% out-of-network |
| Out-of-Pocket Limit Single/Family: | $750/$1,500 |
| Lifetime Benefit Maximum: | None |
| Physician Services: | 10%/20%, after deductible |
| Hospital Services: | 10%/20%, after deductible |
| Mental Health: | 10%/20%, after deductible |
| Retail Prescription Drugs: | 10%, after deductible |
| Mail Order Prescription Drugs: | 10%, after deductible |

**Plan Provision Changes Since Prior Valuation**

The Iowa Choice and National Choice plans have replaced previously available plans.

# Section 9 – Summary of Participant Demographic Information

The table below presents a summary of the basic participant information as of January 1, 2018 for the active and inactive participants covered under the terms of the Plan. The participant data used in the valuation was provided by the State of Iowa.

| | |
|---|---|
| a. Active participants | 17,516 |
| b. Average age of active participants | 47.6 |
| c. Average past service of active participants | 14.1 |
| d. Inactive participants | 2,412 |
| e. Average age of inactive participants | 62.0 |

*Distribution of Inactive Participants by Age*

| Ages | Count |
|---|---|
| 25-29 | 0 |
| 30-34 | 0 |
| 35-39 | 0 |
| 40-44 | 2 |
| 45-49 | 4 |
| 50-54 | 10 |
| 55-59 | 572 |
| 60-64 | 1,605 |
| 65+ | 219* |
| Total | 2,412 |

* Spouse is under age 65 and covered under the Plan since the participant has elected family coverage.

## Section 9 – Summary of Participant Demographic Information (continued)

*Distribution by Age and Service – Actives*

| | Service Groups | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Age Group** | **0 – 4** | **5 – 9** | **10 - 14** | **15 – 19** | **20 - 24** | **25 – 29** | **30 +** | **All Years** |
| 0-24 | 258 | 5 | 0 | 0 | 0 | 0 | 0 | 263 |
| 25-29 | 821 | 149 | 3 | 0 | 0 | 0 | 0 | 973 |
| 30-34 | 811 | 550 | 223 | 4 | 0 | 0 | 0 | 1,588 |
| 35-39 | 655 | 561 | 736 | 153 | 3 | 0 | 0 | 2,108 |
| 40-44 | 455 | 452 | 597 | 571 | 179 | 2 | 0 | 2,256 |
| 45-49 | 415 | 391 | 525 | 589 | 556 | 128 | 6 | 2,610 |
| 50-54 | 353 | 372 | 467 | 465 | 473 | 490 | 308 | 2,928 |
| 55-59 | 253 | 330 | 460 | 409 | 361 | 385 | 752 | 2,950 |
| 60-64 | 137 | 269 | 282 | 298 | 229 | 186 | 439 | 1,840 |
| **Total** | 4,158 | 3,079 | 3,293 | 2,489 | 1,801 | 1,191 | 1,505 | 17,516 |

*Distribution by Plan and Coverage*

| | Actives | | Retirees | | Total | | |
|---|---|---|---|---|---|---|---|
| | **Single** | **Family** | **Single** | **Family** | **Single** | **Family** | **Grand Total** |
| Iowa Choice | 5,089 | 9,058 | 1,076 | 641 | 6,165 | 9,699 | 15,864 |
| National Choice | 1,019 | 1,818 | 385 | 233 | 1,404 | 2,051 | 3,455 |
| SPOC | 143 | 389 | 39 | 38 | 182 | 427 | 609 |
| **Total** | 6,251 | 11,265 | 1,500 | 912 | 7,751 | 12,177 | 19,928 |