

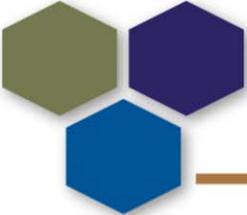
Michigan Public School Employees Retirement System

2009 Health Care Rating

October 23, 2008

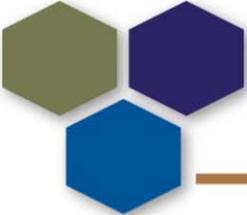
GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com



Health Care Rating – Calendar Year 2009

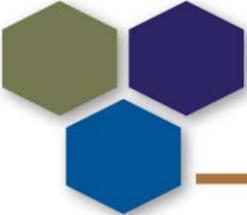
- ◆ The purpose of these rating calculations is to determine what retiree and dependent rates and premiums will be in calendar year 2009 for medical/prescription drug, dental and vision coverages.
- ◆ This is accomplished by projecting the total expected benefit costs and administrative expenses for calendar year 2009.



Medical Rating

Annual Experience Trend Rates

<u>Historical Trends</u>	<u>Hospital</u>	<u>Surgical/Medical</u>	<u>Prescription Drug</u>	<u>Overall Average</u>
2003	8.2%	14.1%	10.3%	10.5%
2004	11.1%	6.2%	6.9%	8.0%
2005	9.0%	9.5%	3.4%	6.3%
2006	6.4%	10.4%	1.1%	4.8%
2007	7.3%	5.5%	2.1%	5.8%
Average Trend 2003 – 2007	8.4%	9.1%	4.8%	7.1%
2009 BCBSM Corporate Trend	10.0%	9.2%	6.0%	9.0%
2009 Trend Assumption	10.5%	10.5%	8.0%	10.0%

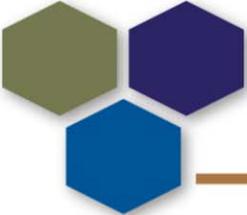


Medical Rating

BCBSM Administrative Fees Per Contract Per Month*

<u>Calendar Year</u>	<u>Administrative Fee</u>
2008	\$43.90
2009	\$43.90
% Increase	0.0%

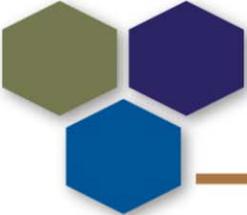
* Contract is defined as the pension recipient plus the pension recipient's dependents, if any.



Medical Rating

Annual Premium Rate Adjustments

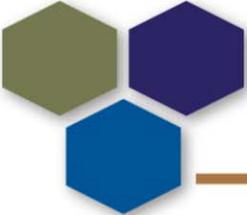
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Historical Average</u>	<u>2009</u>
Hospital	6.3%	8.8%	11.3%	4.1%	3.6%	4.8%	-2.5%
Surgical/Medical	7.8%	17.9%	-1.5%	11.5%	8.3%	8.8%	1.1%
Prescription Drug	7.9%	6.0%	5.1%	-3.3%	-18.9%	-0.6%	-5.6%
Total	7.4%	9.5%	5.4%	2.4%	-4.9%	4.0%	-2.6%



Medical Rating

Contributing Factors for 2009 Rate Adjustments

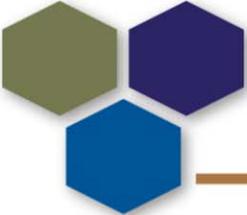
- ◆ Overall rates are down 2.6% due to:
 - ▶ Reflection of the Medicare Advantage and Prescription Drug Program (PDP) savings.
 - ▶ Overall trends are lower than national health care trends.
 - ▶ Strategic planning initiatives approved by the Board.



Medical Rating

Retiree Premium Requirements

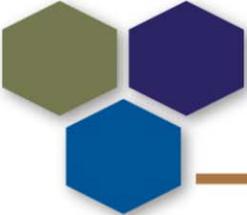
- ◆ Pension recipients with Medicare – no premium.
- ◆ Pension recipients without Medicare – monthly premium equals the Medicare Part B premium.
 - ▶ \$96.40 for calendar year 2009 (unchanged from 2008).
- ◆ Dependents – monthly premium equals 10% of the projected cost for dependent coverage.



Medical Rating

2008 vs. 2009 Monthly Rate & Premium Comparison

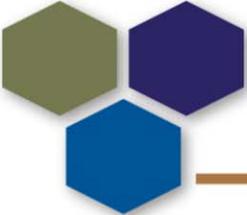
	2008			2009		
	Total Premium	Subsidy	Amount Deducted From Pension	Total Premium	Subsidy	Amount Deducted From Pension
Without Medicare						
Self	\$ 646.38	\$ 549.98	\$ 96.40	\$ 634.31	\$ 537.91	\$ 96.40
Self and Spouse	1,192.37	1,041.37	151.00	1,170.01	1,020.04	149.97
Self and Child(ren)	886.55	766.13	120.42	870.03	750.06	119.97
Self, Spouse & Child(ren)	1,432.54	1,257.52	175.02	1,405.73	1,232.19	173.54
With Medicare						
Self	\$ 278.92	\$ 278.92	\$ 0.00	\$ 269.63	\$ 269.63	\$ 0.00
Self and Spouse	534.18	508.65	25.53	516.22	491.56	24.66
Self and Child(ren)	519.09	495.07	24.02	505.34	481.77	23.57
Self, Spouse & Child(ren)	774.34	724.80	49.54	751.94	703.71	48.23
One With and One Without Medicare						
Self Without & Spouse With	\$ 901.62	\$ 779.69	\$ 121.93	\$ 880.91	\$ 759.85	\$ 121.06
Self With & Spouse Without	824.92	770.32	54.60	805.32	751.75	53.57
Self Without, Spouse With & Child(ren)	1,141.79	995.84	145.95	1,116.63	972.00	144.63
Self With, Spouse Without & Child(ren)	1,065.09	986.47	78.62	1,041.04	963.90	77.14



Dental and Vision Rating

Dental Experience

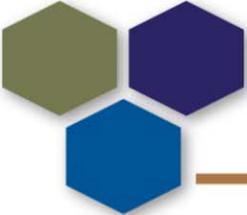
July 2003 - June 2004	\$38.71	5.4%
July 2004 - June 2005	\$40.09	3.6%
July 2005 - June 2006	\$41.65	3.9%
July 2006 - June 2007	\$42.96	3.1%
July 2007 - June 2008	\$43.23	0.6%
Average Trend 2003-2008		3.2%
2009 Trend		4.5%



Dental and Vision Rating

Vision Experience

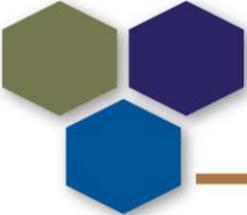
Historical Period	Monthly Per Contract Incurred Claim	Increase
July 2003 - June 2004	\$5.71	3.3%
July 2004 - June 2005	\$5.79	1.4%
July 2005 - June 2006	\$6.37	10.0%
July 2006 - June 2007	\$6.00	-5.8%
July 2007 - June 2008	\$6.14	2.3%
Average Trend 2003-2008		2.2%



Dental Rating

Administrative Fees Per Contract Per Month

Calendar Year	Dental
2008	\$2.98
2009	\$2.75
% Increase	-7.7%

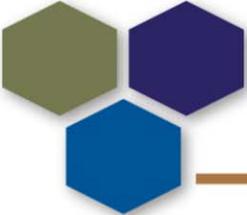


Vision Rating

Average Cost Per Member Per Month*

Calendar Year	Vision
2009	\$2.79

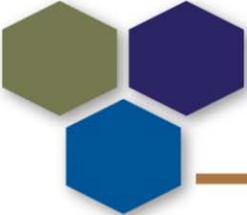
* 2009 is the first year for fully insured vision coverage.



Dental and Vision Rating

Retiree Premium Requirements

- ◆ Pension recipients and dependents – monthly premium equals 10% of the projected per member cost.



Dental and Vision Rating

Monthly Per Member Rates*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	08 vs. 09 % <u>Change</u>
Dental	\$28.38	\$28.91	\$30.26	\$30.83	\$30.16	-2.2%
Vision	\$3.62	\$3.61	\$4.26	\$4.12	\$2.79	-32.3%
Total	\$32.00	\$32.52	\$34.52	\$34.94	\$32.95	-5.7%
Per Member Premium	\$3.20	\$3.25	\$3.45	\$3.49	\$3.30	-5.4%

* Member is defined as either the pension recipient or the pension recipient's dependents.