REPORT ON THE ACTUARIAL VALUATION OF POST RETIREMENT BENEFITS OF THE VERMONT STATE TEACHERS' RETIREMENT SYSTEM PREPARED AS OF JUNE 30, 2009

November 2009

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TABLE OF CONTENTS

INTRODUCTION

The Board of Trustees of the Vermont State Teachers' Retirement System has engaged Buck to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2009. The State Treasurer's Office provided the employee data and premium information used in the completion of this study.

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

We performed the calculations presented in this study on two bases. Under one, it is assumed the System's post-retirement benefits other than pensions will be funded in a manner similar to that used for pensions, starting with the fiscal year beginning July 1, 2009. Under the second, it is assumed that there will be no pre-funding of such benefits. Section II provides a summary of the principal valuation results. Section VI provides a projection of expense and funding amounts.

The demographic actuarial assumptions were the same as those used in the 2008 valuation. In addition, there were no changes to the discount rate or the healthcare trend rates.

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

Respectfully Submitted,

BUCK CONSULTANTS, LLC

Daniel W. Sherman

Daniel W. Sherman, ASA, MAAA, EA Director and Consulting Actuary	November 6, 2009 Date

David Driscoll

David L. Driscoll, FSA, MAAA, EA Principal, Consulting Actuary	November 6, 2009 Date

SECTION I - OVERVIEW

The System experienced a net increase in its accrued liability for post-retirement benefits over the past year less than expected, primarily due to no increase in the healthcare costs. The increase in liability is primarily due a net increase in the participant population from 15,194 to 15,576.

The economic assumptions used in this valuation are the same as those used last year. All demographic assumptions are the same as those used in the 2009 pension actuarial valuation. The OPEB-specific assumptions are the same as those used last year. The results do not reflect any announced cost rates for 2010.

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

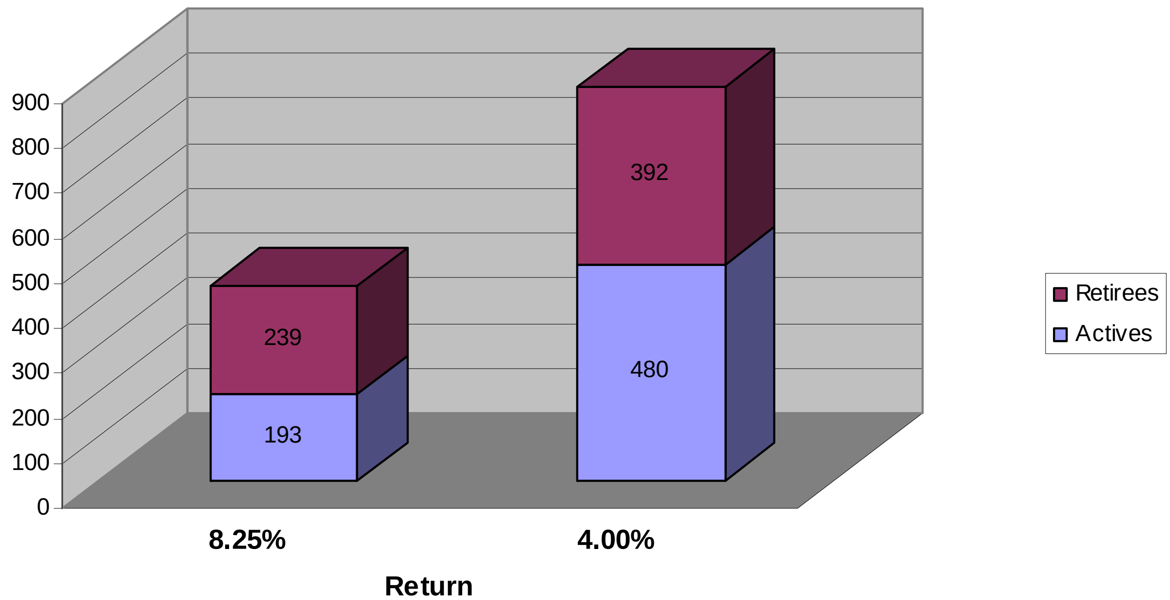
SECTION II – REQUIRED INFORMATION

		Pre-Funding Basis	Pay-as-you-go Basis
a)	Assumed investment return	8.25%	4.00%
b)	Actuarial value of assets	$ 0	$ 0
c)	Actuarial accrued liability		
	Active Participants	$ 192,870,008	$ 480,458,989
	Retired Participants	239,017,971	391,777,332
	Total	$ 431,887,979	$ 872,236,321
d)	Unfunded actuarial liability (c. - b.)	$ 431,887,979	$ 872,236,321
e)	Funded ratio (c. / b.)	0%	0%
f)	Annual covered payroll	$ 561,588,013	$ 561,588,013
g)	Unfunded actuarial liability as percentage of covered payroll	76.9%	155.3%
h)	Normal cost for the 2010 fiscal year	$ 10,559,025	$ 33,745,199
i)	Amortization of unfunded actuarial liability for the 2010 fiscal year (30-year)	$ 21,637,014	$ 25,221,028
j)	Annual Required Contribution (ARC) for the 2010 fiscal year* (h. + i.)	$ 32,196,039	$ 58,966,227
k)	Expected value of premium payments	$ 17,960,564	$ 17,960,564
l)	Increase in annual cost to fund the Plan (j. - k.)	$ 14,235,475	N/A

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

SECTION II – REQUIRED INFORMATION

Actuarial Accrued Liability in $millions



SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Number of participants included in valuation

	2009	2008
Actives	10,799	10,685
Inactives	4,777*	4,509*
Total	15,576	15,194

* Includes 732 and 705 deferred vesteds individuals in 2009 and 2008 respectively.

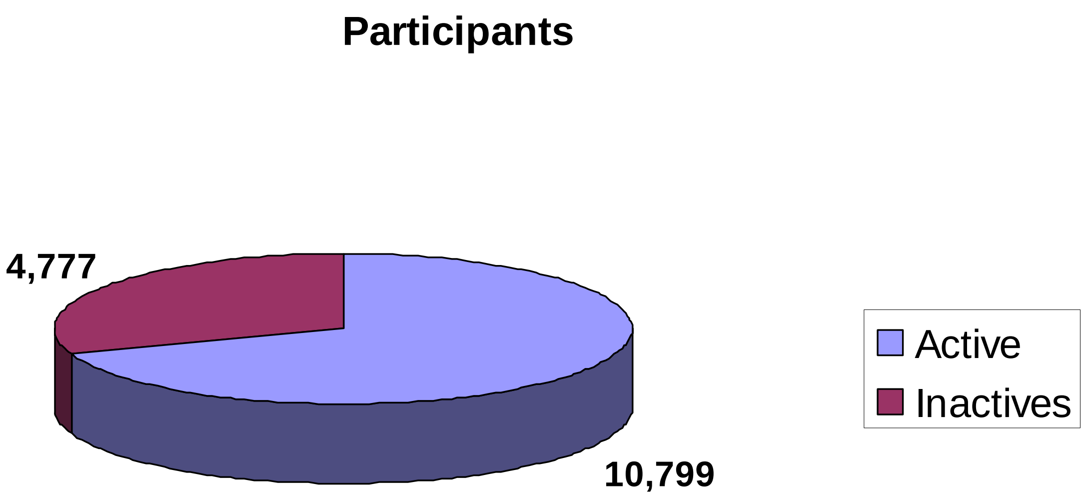


TABLE 1
THE NUMBER OF
ACTIVE MEMBERS DISTRIBUTED BY AGE AND SERVICE
AS OF JUNE 30, 2009

	0 to 4	*5 to 9*	*10 to 14*	*15 to 19*	*20 to 24*	*25 to 29*	*30 to 34*	*35 to 39*	*40 & up*	*Total*
AGE	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Under 20	1	0	0	0	0	0	0	0	0	1
20 to 24	129	0	0	0	0	0	0	0	0	129
25 to 29	583	129	0	0	0	0	0	0	0	712
30 to 34	524	463	101	0	0	0	0	0	0	1,088
35 to 39	378	453	399	57	0	0	0	0	0	1,287
40 to 44	338	285	295	227	64	0	0	0	0	1,209
45 to 49	263	276	270	225	267	61	0	0	0	1,362
50 to 54	232	296	271	241	300	292	83	0	0	1,715
55 to 59	174	242	315	318	325	342	312	86	0	2,114
60 to 64	83	93	111	143	209	135	116	129	9	1,028
65 to 69	14	25	13	14	18	14	12	17	6	133
70 & up	4	6	3	1	1	1	0	4	1	21
TOTAL	2,723	2,268	1,778	1,226	1,184	845	523	236	16	10,799

Monthly State Costs (including expenses) for 2009

Plan	State Share	Increase from 2008	Participants
JY			
Retiree under 65	$423.06	0.0%	232
Retiree over 65	$324.47	0.0%	960
			1192
$250 Comprehensive Plan			
Retiree under 65	$423.06	0.0%	1056
Retiree over 65	$324.47	0.0%	1498
			2554
Vermont Health Partnership			
Retiree under 65	$423.06	0.0%	24
MediComp C Plan			
Medicare Eligible, over 65	$189.45	3.6%	298

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FUNDING PROGRESS

BASED ON A POLICY OF PRE-FUNDING STARTING JULY 1, 2009

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
June 30, 2009	$0	$431,888	$431,888	0%	$561,588	76.9%
June 30, 2008	$0	$863,555	$863,555	0%	$535,807	161.2%
June 30, 2007	$0	$820,212	$820,212	0%	$515,573	159.1%
June 30, 2006	$0	$952,526	$952,526	0%	$499,044	190.9%
June 30, 2005	$0	$890,412	$890,412	0%	$486,857	182.9%

Liabilities above were based on an assumed discount rate of 3.75% prior to 2008, 4.00% in 2008, and 8.25% in 2009.

SCHEDULE OF FUNDING PROGRESS

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

(dollar amounts in thousands)

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

Liabilities above were based on assumed discount rates of 3.75% prior to 2008 and 4.00% after 2007.

SECTION V – NET OPEB OBLIGATION

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

DEVELOPMENT OF OPEB COST AND NET OPEB OBLIGATION (NOO)

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

SECTION VI – FORECASTS

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

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

Also included is a forecast of the pay-as-you-go amount. If the State chooses to not fund the obligation, the difference between the pay-as-you-go amount and the actuarially determined contribution will be recorded as a liability on the financial statements. The liability will grow with interest and net new differences in successive years. The amount shown for the 4% scenario reflects the difference between pay-as-you-go and the ARC as additional liability which is reflected in the amortization of the Unfunded Actuarial Liability.

SECTION VI – FORECASTS

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

Fiscal Year Ending in	Normal Cost	Amortization of the Unfunded Actuarial Liability	Total State ARC	Pay-as-you-go	Difference
2010	10,559,025	21,637,014	32,196,039	17,960,564	14,235,475
2011	11,086,976	22,718,865	33,805,841	19,909,578	13,896,263
2012	11,641,325	23,854,808	35,496,133	21,911,328	13,584,805
2013	12,223,391	25,047,548	37,270,939	23,734,393	13,536,546
2014	12,834,561	26,299,926	39,134,487	25,618,354	13,516,133
2015	13,476,289	27,614,922	41,091,211	27,470,533	13,620,678
2016	14,150,103	28,995,668	43,145,771	29,539,463	13,606,308
2017	14,857,608	30,445,451	45,303,059	31,615,818	13,687,241
2018	15,600,488	31,967,724	47,568,212	33,729,373	13,838,839
2019	16,380,512	33,566,110	49,946,622	36,043,631	13,902,991
2020	17,199,538	35,244,416	52,443,954	38,339,180	14,104,774
2021	18,059,515	37,006,637	55,066,152	40,818,212	14,247,940
2022	18,962,491	38,856,968	57,819,459	43,226,924	14,592,535
2023	19,910,616	40,799,817	60,710,433	45,765,545	14,944,888
2024	20,906,147	42,839,808	63,745,955	48,194,715	15,551,240
2025	21,951,454	44,981,798	66,933,252	50,717,835	16,215,417
2026	23,049,027	47,230,888	70,279,915	53,261,514	17,018,401
2027	24,201,478	49,592,432	73,793,910	55,769,513	18,024,397
2028	25,411,552	52,072,054	77,483,606	58,236,054	19,247,552
2029	26,682,130	54,675,657	81,357,787	60,593,963	20,763,824
2030	28,016,237	57,409,439	85,425,676	63,119,143	22,306,533
2031	29,417,049	60,279,911	89,696,960	65,423,170	24,273,790
2032	30,887,901	63,293,907	94,181,808	67,646,318	26,535,490
2033	32,432,296	66,458,602	98,890,898	69,761,082	29,129,816
2034	34,053,911	69,781,532	103,835,443	71,675,221	32,160,222
2035	35,756,607	73,270,609	109,027,216	73,392,103	35,635,113
2036	37,544,437	76,934,140	114,478,577	74,720,114	39,758,463
2037	39,421,659	80,780,846	120,202,505	75,830,696	44,371,809
2038	41,392,742	84,819,889	126,212,631	76,724,375	49,488,256
2039	43,462,379	89,060,883	132,523,262	77,353,374	55,169,888
2040	45,635,498	0	45,635,498	77,409,329	-31,773,831

SECTION VI – FORECASTS

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

Fiscal Year Ending in	Normal Cost	Amortization of the Unfunded Actuarial Liability	Total State ARC	Pay-as-you-go	Difference
2010	33,745,199	25,221,028	58,966,227	17,960,564	41,005,663
2011	35,432,459	26,714,931	62,147,390	19,909,578	42,237,812
2012	37,204,082	28,261,846	65,465,928	21,911,328	43,554,600
2013	39,064,286	29,864,875	68,929,161	23,734,393	45,194,768
2014	41,017,500	31,534,196	72,551,696	25,618,354	46,933,342
2015	43,068,375	33,273,462	76,341,837	27,470,533	48,871,304
2016	45,221,794	35,089,345	80,311,139	29,539,463	50,771,676
2017	47,482,884	36,981,600	84,464,484	31,615,818	52,848,666
2018	49,857,028	38,956,302	88,813,330	33,729,373	55,083,957
2019	52,349,879	41,019,050	93,368,929	36,043,631	57,325,298
2020	54,967,373	43,171,017	98,138,390	38,339,180	59,799,210
2021	57,715,742	45,420,073	103,135,815	40,818,212	62,317,603
2022	60,601,529	47,768,623	108,370,152	43,226,924	65,143,228
2023	63,631,605	50,226,855	113,858,460	45,765,545	68,092,915
2024	66,813,185	52,799,664	119,612,849	48,194,715	71,418,134
2025	70,153,844	55,499,416	125,653,260	50,717,835	74,935,425
2026	73,661,536	58,333,202	131,994,738	53,261,514	78,733,224
2027	77,344,613	61,310,800	138,655,413	55,769,513	82,885,900
2028	81,211,844	64,444,290	145,656,134	58,236,054	87,420,080
2029	85,272,436	67,746,668	153,019,104	60,593,963	92,425,141
2030	89,536,058	71,233,707	160,769,765	63,119,143	97,650,622
2031	94,012,861	74,913,966	168,926,827	65,423,170	103,503,657
2032	98,713,504	78,808,108	177,521,612	67,646,318	109,875,294
2033	103,649,179	82,933,804	186,582,983	69,761,082	116,821,901
2034	108,831,638	87,310,582	196,142,220	71,675,221	124,466,999
2035	114,273,220	91,961,822	206,235,042	73,392,103	132,842,939
2036	119,986,881	96,912,114	216,898,995	74,720,114	142,178,881
2037	125,986,225	102,193,071	228,179,296	75,830,696	152,348,600
2038	132,285,536	107,832,923	240,118,459	76,724,375	163,394,084
2039	138,899,813	113,861,444	252,761,257	77,353,374	175,407,883
2040	145,844,804	120,311,459	266,156,263	77,409,329	188,746,934

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS

VERMONT STATE TEACHERS

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

Actuarial Cost Method: Projected Unit Credit with benefits attributed from date of hire until eligible for Retirement.

Medical Care and State Share Inflation:

Fiscal Year Ending	Inflation Rate
2010	8.0
2011	7.0
2012	6.0
2013 & After	5.0

Amortization period: Closed basis for prefunding; open basis for pay-as-you-go. Thirty year amortization starting in FYE10 with payments increasing 5% annually.

Retirement Eligibility: Age 55 for Group A. Earlier of (a) age 55 with 5 years of service and (b) 30 years of service for Group C. Participants terminating prior to age 55 with at least 5 years of service, may elect medical coverage beginning at age 55.

Marital status: Spouses of retirees are ineligible for employer subsidized plan benefits. Dependents pay the full additional cost of their coverage, thus are not included in the valuation.

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS

Separations before Normal Retirement: Representative values of the assumed annual rates of withdrawal, vested retirement, early retirement, disability and death are as follows:

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

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

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS

Service Retirements:

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

	Annual Rate of Retirement	
Age	Male	Female
62	25.0%	25.0%
63	20.0	20.0
64	20.0	20.0
65	30.0	30.0
66	30.0	30.0
67	30.0	30.0
68	20.0	20.0
69	30.0	30.0
70	100.0	100.0

Deaths after Retirement:

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

Health Plans:

Retirees without Medicare may select from three plans: JY Plan, $250 Comprehensive, and Vermont Health Partnership. Retirees with Medicare may select from three plans: JY Carve-Out, $250 Comprehensive Carve-Out, and Medi-Comp C.

Pre-Age 65 Retirees:

Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65, at which time they enter the average plan provided to current post-65 retirees.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. The weighted average premium includes an adjustment based on age to account for the implicit subsidy of older employees' true benefit cost.

At age 65, all participants are assumed to participate in post-65 plans in the same proportions as current retirees over age 65.

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS

Retirees remain in their current medical plan until death. Therefore, if the retiree predeceases the beneficiary, the beneficiary will continue to have coverage until his or her death.

Post-Age 65 Retirees: Current retirees over age 65 remain in their current medical plan until death. Beneficiaries remain in their current medical plan until death. Therefore, if the retiree predeceases the beneficiary, the beneficiary will continue to have coverage until his or her death.

Coverage: It is assumed that 60% of current active employees with 10 years of service will elect retiree medical coverage. It is assumed that 30% of terminated vested participants will elect medical coverage.

Medical Plan Costs: Estimated net per capita incurred claim costs for 2009-10 at age 64 and 65 was $5,642 and $2,975, respectively. It is assumed that future retirees are Medicare eligible. Per capita costs were developed from the State-provided monthly premiums. Claims information was not available. The plans are experienced rated.

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

SECTION VIII - GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

SECTION VIII - GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

SECTION VIII - GLOSSARY OF TERMS

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

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

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

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

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

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