



**Nevada Public Employees'
Benefits Program's Retiree Health
and Life Insurance Plans
Actuarial Report for GASB OPEB
Valuation – Final**

Valuation Date: July 1, 2007

Fiscal Year Ending: June 30, 2008

Date of Report: June 30, 2008

June 2008

This report contains the results of the July 1, 2007 actuarial valuation of the Nevada Public Employees' Benefits Program's Retiree Health and Life Insurance Plans (the Plan). It provides results regarding accounting requirements for the Plan.

The accounting results are prepared in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43) and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). The purposes of the accounting results are to:

- Develop the Annual Required Contribution (ARC) and the Annual OPEB Cost (AOC) for the fiscal year ending June 30, 2008.
- Provide information needed by your PEBP's auditors for financial statement entries and footnote disclosures to conform to the disclosure requirements under GASB 43 and GASB 45.

This report is prepared for the sole use of the Nevada Public Employees' Benefits Program's (PEBP) and supplies information consistent with the stated purposes of the report. It may not be appropriate to use this report for other business applications. Accordingly, additional discussion may be helpful in understanding the assumptions, methodologies, and limitations applied in the report.

Aon Consulting is pleased to present this report, and we look forward to discussing it with you.

Respectfully submitted,

Aon Consulting



Eric Gary, FSA, MAAA
Vice President

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SECTION I EXECUTIVE SUMMARY

GASB 43 and GASB 45 require government entities that sponsor Other Postemployment Benefits (OPEB) to account for these benefits on an accrual basis. PEBP is required to adopt GASB 43 and GASB 45 for the fiscal year beginning July 1, 2007.

PEBP provides health and life insurance benefits to participating retirees, spouses, and survivors. Also, participants on long-term disability and their spouses can qualify for retiree health insurance benefits. The benefits considered under this valuation were medical, prescription drug, dental, and life insurance coverage.

PEBP pays a portion of the coverage while the retirees and disabled participants pay a contribution for their coverage. The details of the monthly participant contributions are provided in Section VII.

There are two tiers of participants for the Plan's purpose – primary retirees and spouses. The results of the valuation are presented in Sections III and IV on a combined basis.

It is expected that approximately 90% of all of the active employees who retire directly from PEBP and meet the eligibility criteria, including receipt of a pension benefit provided by the Public Employees' Retirement System (PERS), the Legislative Retirement System (LRS), the Judges Retirement System (JRS), or the Retirement Plan Alternative Program (RPA), will participate in the health insurance component of the Plan.

The table on the next page summarizes the valuation results. The results have been calculated based upon the actuarial assumptions as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate.

These results also assume, in recognizing the liability associated with those retirees eligible for Medicare, the current plan design remains unchanged.

Additionally, the results incorporate the creation of the State Retirees' Health and Welfare Benefits Trust Fund (the Trust). It is Aon's understanding the Trust contains assets in the form of stocks, bonds, and other classes of investments that are to be invested in a manner similar to the PERS' Investment Program. The Trust's assets are segregated and restricted such that the State of Nevada contributions to the Trust are irrevocable, assets are dedicated to providing benefits to retirees and their beneficiaries, and assets are legally protected from creditors of the State of Nevada or the Plan Administrator, solely for the payment of benefits in accordance with the terms of the Plan. Furthermore, as of June 2008 the State of Nevada has contributed \$19.7 million to the Trust in excess of fiscal year to date benefit payments. The State of Nevada has no plan to contribute additional funds to the Trust for the fiscal years beyond 2008.

SECTION I
EXECUTIVE SUMMARY

This summary identifies the value of benefits on July 1, 2007 and costs for the 2008 fiscal year based on three possible cost methods: the Unit Credit (UC), Entry Age Normal (EAN), and the Aggregate cost methods. Note that under GASB 43 and GASB 45 PEBP has a possible choice of six cost methods. Also, results here are presented in total for all classes, and assume a discount rate of 4.00%. Both retiree health insurance and life insurance benefits are included in the valuation.

	Cost Method		
	<u>Unit Credit</u>	<u>Entry Age Normal</u>	<u>Aggregate</u>
Present Value of Benefits (PVB)	\$4,001,638,000	\$4,001,638,000	\$4,001,638,000
Actuarial Accrued Liability (AAL) ¹	2,247,154,000	2,211,439,000	0
Annual Required Contribution (ARC) ²	286,130,000	287,217,000	373,316,000
Annual OPEB Cost (AOC) ³	286,130,000	287,217,000	373,316,000

¹The Aggregate cost method defines the AAL to be equal to the Plan's assets; while PEBP plans to fund retiree health and life insurance benefits under an OPEB trust, assets as of 7/1/2007 are \$0.

²The ARC reflects a 30-year, level dollar amortization of the Unfunded AAL. 30 years is the maximum period allowed under GASB 43 and GASB 45.

³The Annual OPEB Cost for the GASB OPEB adoption fiscal year 7/1/2007-6/30/2008 (the 2008 fiscal year) is equal to the ARC.

The balance of this report provides greater detail for the above results.

This valuation was performed using a 4.00% discount rate. In Section V (which shows the sensitivity of results to certain assumptions), we also provide results using discount rates of 4.75% and 8.00%. The 4.00% rate is appropriate for the current funding arrangement for the Plan, noting, while plan assets have been placed in an irrevocable trust specifically segregated for future retiree benefits, there is currently no plan for future year investments. The 8.0% and 4.75% discount rate scenarios were provided to reflect the OPEB valuation results under a fully funded and partially funded scenario, respectively.

SECTION II ACTUARIAL CERTIFICATION

This report presents the results of the actuarial valuation for the Nevada Public Employees' Benefits Program's Retiree Health and Life Insurance Plans as of July 1, 2007 for development of the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and other disclosure items under Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

The employee data and financial and claims information used in this valuation were submitted to us by the plan sponsor, or at the plan sponsor's direction. Aon Consulting did not audit the employee data and financial information used in this valuation but did review it for reasonableness and consistency. On the basis of this review, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 43 and 45 are for purposes of fulfilling Plan and PEBP accounting requirements, respectively. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations for purposes other than meeting Plan or PEBP financial accounting or disclosure requirements may be different from these results. As required by GASB 43 and 45, this valuation assumes the Plan will be an ongoing plan. However, this assumption does not imply any obligation by PEBP to continue the plan.

This report is intended for the sole use of the Nevada Public Employees' Benefits Program. It is intended only to supply information for the Nevada Public Employees' Benefits Program to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the Nevada Public Employees' Benefits Program should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuaries are available to answer any questions with regard to the matters enumerated in this report.

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.



Eric H. Gary, FSA, MAAA
Vice President



Timothy N. Nimmer, FSA, MAAA
Senior Vice President



Justin M. Kindy, FSA, MAAA
Vice President

Date: 6/30/2008

Date: 6/30/2008

Date: 6/30/2008

SECTION III PRINCIPAL VALUATION RESULTS

This section presents detailed valuation results for PEBP's retiree health and life insurance benefits program.

- The Present Value of Benefits (PVB) is the total present value of all expected future benefits, based upon certain actuarial assumptions. Benefits are defined as paid claims and expenses from the plan, net of retiree contributions. The PVB is a measure of total liability or obligation. Essentially, the PVB is the value (on the valuation date) of the benefits, as they exist today, for retirees, both currently retired and currently active. The plan's PVB is \$4,001,638,000. A good portion of this liability (80%) is for the currently active employees (future retirees).
- The Actuarial Accrued Liability (AAL) is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The plan's AAL under the "Unit Credit" method is \$2,247,154,000. Under the "Entry Age Normal" method it is \$2,211,439,000. The identified cost methods allocate the PVB to past and future periods in different ways. Note, for purposes of this valuation, the UC method is not a true "Projected Unit Credit" (PUC) method as health insurance benefits accumulated for past service are not based on projected salaries. Under the Aggregate cost method the AAL is equal to Plan assets. Plan assets are \$0 for PEBP as of July 1, 2007. However, the Aggregate cost method has the highest Normal Cost in future years for the three methods presented here.
- Normal Cost is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions. The fiscal year 2008 Normal Cost under the UC cost method is \$156,177,000, under the EAN cost method is \$159,329,000, and under the Aggregate Cost method is \$373,316,000.
- The Annual Required Contribution (ARC) is a combination of the Normal Cost at the beginning of fiscal year 2008 (July 1, 2007) and an amortization payment of the Unfunded AAL (UAAL). Since there are no segregated assets as of July 1, 2007 to fund the retiree health insurance and life insurance benefits, the Unfunded AAL (UAAL) is equal to the AAL. Using the maximum amortization period allowed under GASB 43 and GASB 45 (30 years), the ARC for PEBP is \$286,130,000 under the UC method, \$287,217,000 under the EAN method, and \$373,316,000 under the Aggregate method. PEBP may adopt a shorter amortization period than 30 years, however, this will increase the ARC from the amounts noted here. Note that for the Aggregate method there is no component for the amortization of the UAAL as it is equal to \$0. The amortization payment for the UAAL is assumed to be at the end of the fiscal year.

This report develops the AAL and Normal Cost using the UC, EAN, and Aggregate cost methods, but ultimately only one method will need to be chosen. Currently, PERS utilizes the Entry Age Normal Cost funding method. Note that, according to GASB 43 and GASB 45 sample disclosures, you may be allowed to adopt different cost methods for different classes (e.g., regular employees, police/fire employees), however Aon we recommends PEBP consult its auditors before adopting this strategy. We anticipate that most organizations like PEBP will adopt only one cost method for their GASB OPEB liability.

SECTION III
PRINCIPAL VALUATION RESULTS

The following tables show results by cost method, employee tier and active and retired employee groups.

Discount Rate = 4.00%

<u>Unit Credit Cost Method</u>	<u>Total</u>
PVB	
Retirees	\$800,378,000
Actives	<u>3,201,260,000</u>
Total	\$4,001,638,000
AAL	
Retirees	\$800,378,000
Actives	<u>1,446,776,000</u>
Total	\$2,247,154,000
Assets	\$0
Unfunded AAL	\$2,247,154,000
Annual Required Contribution	
Normal Cost	\$156,177,000
Amortization of Unfunded AAL ¹	<u>\$129,953,000</u>
Total ARC	\$286,130,000
Expected Benefit Payments (pay-as-you- go) ²	\$43,534,000
Covered Payroll	\$1,523,268,000
ARC as a % of pay-as- you-go	657.3%
ARC as a % of Covered Payroll	18.8%

¹ At the beginning of the year; includes interest charge at the discount rate

² Net of retiree contributions

SECTION III
PRINCIPAL VALUATION RESULTS

Discount Rate = 4.00%

<u>Entry Age Normal Cost Method</u>	<u>Total</u>
PVB	
Retirees	\$800,378,000
Actives	<u>3,201,260,000</u>
Total	\$4,001,638,000
AAL	
Retirees	\$800,378,000
Actives	<u>1,411,061,000</u>
Total	\$2,211,439,000
Assets	\$0
Unfunded AAL	\$2,211,439,000
Annual Required Contribution	
Normal Cost	\$159,329,000
Amortization of Unfunded AAL ¹	<u>\$127,888,000</u>
Total ARC	\$287,217,000
Expected Benefit Payments (pay-as-you- go) ²	\$43,534,000
Covered Payroll	\$1,523,268,000
ARC as a % of pay-as- you-go	659.8%
ARC as a % of Covered Payroll	18.9%

¹ At the beginning of the year; includes interest charge at the discount rate

² Net of retiree contributions

SECTION III
PRINCIPAL VALUATION RESULTS

Discount Rate = 4.00%

<u>Aggregate Cost Method</u>	<u>Total</u>
PVB	
Retirees	\$800,378,000
Actives	<u>3,201,260,000</u>
Total	\$4,001,638,000
AAL ¹	
Retirees	\$0
Actives	<u>0</u>
Total	\$0
Assets	\$0
Unfunded AAL	\$0
Annual Required Contribution	
Normal Cost	\$373,316,000
Amortization of Unfunded AAL ²	<u>\$0</u>
Total ARC	\$373,316,000
Expected Benefit Payments (pay-as-you- go) ³	\$43,534,000
Covered Payroll	\$1,523,268,000
ARC as a % of pay-as- you-go	857.5%
ARC as a % of Covered Payroll	24.5%

¹ By definition the Aggregate cost method AAL = Assets; since Assets = \$0 as of July 1, 2007, the AAL = \$0

² At the beginning of the year; includes interest charge at the discount rate

³ Net of retiree contributions

SECTION IV
ACCOUNTING INFORMATION

The effective date for the GASB OPEB accounting standards for PEBP is the fiscal year beginning July 1, 2007. The following shows the Annual OPEB Cost (AOC), estimated Net OPEB Obligation (NOO), funding status, and required supplementary information for PEBP's adoption of the statements as of July 1, 2007. All amounts are shown using a discount rate of 4.00%.

Annual OPEB Cost (AOC)

If there is no OPEB obligation on PEBP's financial statements at transition, then the Annual OPEB Cost (AOC) is equal to the ARC. However, if there is an initial obligation at transition, the AOC should reflect an adjustment for the transition obligation. Note the GASB OPEB statements in general direct sponsors to set their initial OPEB obligation to zero at transition (July 1, 2007). However, this may result in awkward accounting results. We recommend you discuss this issue with your auditors if there is currently any amount recorded on your financial statements for retiree health and life insurance benefits. If the transition obligation is \$0 at July 1, 2007, then the AOC for the year ending June 30, 2008 is the ARC for the year. The amounts shown below are for the fiscal year ending June 30, 2008.

Unit Credit Cost Method

AOC	Fiscal Year Ending June 30, 2008
ARC	\$286,130,000
Interest on NOO	0
Adjustment to ARC	0
Total	<u>\$286,130,000</u>

Entry Age Normal Cost Method

AOC	Fiscal Year Ending June 30, 2008
ARC	\$287,217,000
Interest on NOO	0
Adjustment to ARC	0
Total	<u>\$287,217,000</u>

Aggregate Cost Method

AOC	Fiscal Year Ending June 30, 2008
ARC	\$373,316,000
Interest on NOO	0
Adjustment to ARC	0
Total	<u>\$373,316,000</u>

SECTION IV
ACCOUNTING INFORMATION

Net OPEB Obligation (NOO)

With PEBP's adoption of GASB 43 and GASB 45 on July 1, 2007, the NOO is \$0. As of June 30, 2008 the NOO will depend on the portion of the AOC paid by that date. As an example, if 100% of the AOC is paid, then the NOO is \$0. However, if less than 100% is paid, the NOO is the AOC less the amount actually paid. Since the fiscal year 2008 State of Nevada contribution towards the cost of retiree benefits has not been finalized, we have not valued the NOO as of June 30, 2008.

Unit Credit Cost Method

	Fiscal Year Ending June 30, 2008
NOO	
AOC	\$286,130,000
Contributions Made	(TBD)
Increase in NOO	<u>TBD</u>
NOO – beginning of year	<u>0</u>
NOO – end of year	<u><u>TBD</u></u>

Entry Age Normal Cost Method

	Fiscal Year Ending June 30, 2008
NOO	
AOC	\$287,217,000
Contributions Made	(TBD)
Increase in NOO	<u>TBD</u>
NOO – beginning of year	<u>0</u>
NOO – end of year	<u><u>TBD</u></u>

Aggregate Cost Method

	Fiscal Year Ending June 30, 2008
NOO	
AOC	\$373,316,000
Contributions Made	(TBD)
Increase in NOO	<u>TBD</u>
NOO – beginning of year	<u>0</u>
NOO – end of year	<u><u>TBD</u></u>

**SECTION IV
ACCOUNTING INFORMATION**

The typical disclosure at the end of the first year of adoption (for example, as of June 30, 2008) will show the AOC, the percentage of AOC actually contributed, and the NOO. A three-year history must be shown (when there are at least 3 years after the adoption date).

Fiscal Year Ended	Annual OPEB Cost (Entry Age Normal Cost Method)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$287,217,000	TBD	TBD

Funded Status

PEBP must show the funding status at the end of each year after adoption. For June 30, 2008, the funded status would be as follows:

Unit Credit Cost Method

Actuarial Accrued Liability (AAL)	\$2,247,154,000
Actuarial Value of Plan Assets	<u>0</u>
Unfunded AAL (UAAL)	<u>\$2,247,154,000</u>
Funded Ratio (Assets/AAL)	0.0%
Covered Payroll	1,523,268,000
UAAL as a % of Covered Payroll	147.5%

Entry Age Normal Cost Method

Actuarial Accrued Liability (AAL)	\$2,211,439,000
Actuarial Value of Plan Assets	<u>0</u>
Unfunded AAL (UAAL)	<u>\$2,211,439,000</u>
Funded Ratio (Assets/AAL)	0.0%
Covered Payroll	1,523,268,000
UAAL as a % of Covered Payroll	145.2%

Note the Aggregate funding method does not separately identify or amortize unfunded actuarial liabilities. Therefore the disclosure amounts for the aggregate funding method would be the same as the EAN method (for illustrative purposes as required by GASB OPEB disclosure) except for the ARC as a % of Covered Payroll (since the ARC is different for the Aggregate and EAN methods).

SECTION IV
ACCOUNTING INFORMATION

Required Supplementary Information

A schedule of funding progress for the three years prior to the valuation date must be provided. The information is essentially a summary of the same information as shown on the previous page. However, we are providing you a sample here for the year-end disclosure as of June 30, 2008. Since we are only showing a sample, we provide the results for all employee groups in total.

Unit Credit Cost Method:

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)
7/1/2007	\$0	\$2,247,154,000	\$2,247,154,000	0.0%	\$1,523,268,000	147.5%

Entry Age Normal Cost Method:

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)
7/1/2007	\$0	\$2,211,439,000	\$2,211,439,000	0.0%	\$1,523,268,000	145.2%

As with the disclosure information for the funded status, the aggregate cost method would use the same amounts here as the EAN method.

With PEBP's adoption of GASB 43 and GASB 45 on July 1, 2007, the amounts for the above disclosure on June 30, 2008 and each subsequent year will depend on the amount of the AOC that is contributed.

It is important to note that if PEBP does not wish to contribute towards the AOC but pays only the current pay-as-you go cost, then at the end of each year a NOO will arise which will further increase the ARC and AOC for the following year (as the UAAL increases and interest on the NOO is accrued). In this case, the funding progress disclosure will show a funded ratio of 0% (since funding assets aren't contributed). However, the percentage of AOC contributed will not be 0%, since the pay-as-you-go cost is a portion of the AOC. For example, for the year ending June 30, 2008, the expected pay-as-you-go cost is 15.2% of the AOC for all groups combined, under the Entry Age Normal Cost funding method. At the conclusion of the fiscal year, the actual pay-as-you-go cost would be reflected on the June 30, 2008 disclosure.

SECTION V
SENSITIVITY ANALYSIS

Results in this report are based on a 4.00% discount rate. This rate was estimated based upon PEBP's Funding Policy. However, if PEBP decides to fund the benefits in a manner different from its Funding Policy (e.g., pay-as-you-go funding), an alternative return (and therefore an alternative discount rate) rate may be appropriate.

The following results show the impact of the two discount assumptions of 4.75% and 8.00%. For the sensitivity analysis shown here, we are providing results under the Unit Credit, Entry Age Normal, and Aggregate cost methods.

July 1, 2007			
4.00%			
	<u>Unit Credit</u>	<u>EAN</u>	<u>Aggregate</u>
PVB	\$4,001,638,000	\$4,001,638,000	\$4,001,638,000
AAL	\$2,247,154,000	\$2,211,439,000	\$0
ARC			
Normal Cost	\$156,177,000	\$159,329,000	\$373,316,000
Amortization of UAL	129,953,000	127,888,000	0
Total ARC	<u>\$286,130,000</u>	<u>\$287,217,000</u>	<u>\$373,316,000</u>
4.75%			
	<u>Unit Credit</u>	<u>EAN</u>	<u>Aggregate</u>
PVB	\$3,378,004,000	\$3,378,004,000	\$3,378,004,000
AAL	\$1,971,219,000	\$1,974,895,000	\$0
ARC			
Normal Cost	\$131,404,000	\$134,852,000	\$336,068,000
Amortization of UAL	124,600,000	124,832,000	0
Total ARC	<u>\$256,004,000</u>	<u>\$259,684,000</u>	<u>\$336,068,000</u>
8.00%			
	<u>Unit Credit</u>	<u>EAN</u>	<u>Aggregate</u>
PVB	\$1,810,357,000	\$1,810,357,000	\$1,810,357,000
AAL	\$1,208,221,000	\$1,272,855,000	\$0
ARC			
Normal Cost	\$68,456,000	\$68,603,000	\$230,995,000
Amortization of UAL	107,323,000	113,064,000	0
Total ARC	<u>\$175,779,000</u>	<u>\$181,667,000</u>	<u>\$230,995,000</u>

SECTION V

SENSITIVITY ANALYSIS

If PEBP chooses to fund the retiree health insurance and life insurance benefits in a separate trust (i.e., paying an amount in excess of a given year's benefit payments each year), then the appropriate discount rate to use for each fiscal year should be based on a blended rate of return reflecting the proportionate amounts of Plan and assets expected to be used. Note GASB 43 and GASB 45 describe possible methodologies for setting the discount rate but do not specifically prescribe any one methodology.

SECTION V
SENSITIVITY ANALYSIS

In addition to the sensitivity of results based upon the discount rate assumption, the results are also volatile due to the benefit cost (e.g. health insurance claims) trend assumption as well. Below, we show the amounts at 4.00% discount rate using our assumed trend assumptions (as detailed in Section VIII) along with a 1% increase in trend rates for each projected year and a 1% decrease in trend rates. Results for all cost methods are provided for all groups combined.

July 1, 2007			
4.00%			
Valuation Trend			
	<u>Unit Credit</u>	<u>EAN</u>	<u>Aggregate</u>
PVB	\$4,001,638,000	\$4,001,638,000	\$4,001,638,000
AAL	\$2,247,154,000	\$2,211,439,000	\$0
ARC			
Normal Cost	\$156,177,000	\$159,329,000	\$373,316,000
Amortization of UAL	129,953,000	127,888,000	0
Total ARC	<u>\$286,130,000</u>	<u>\$287,217,000</u>	<u>\$373,316,000</u>
Trend +1%			
	Unit Credit	EAN	Aggregate
PVB	\$5,078,671,000	\$5,078,671,000	\$5,078,671,000
AAL	\$2,706,431,000	\$2,677,535,000	\$0
ARC			
Normal Cost	\$201,126,000	\$206,866,000	\$473,793,000
Amortization of UAL	156,513,000	154,842,000	0
Total ARC	<u>\$357,639,000</u>	<u>\$361,708,000</u>	<u>\$473,793,000</u>
Trend -1%			
	Unit Credit	EAN	Aggregate
PVB	\$3,211,797,000	\$3,211,797,000	\$3,211,797,000
AAL	\$1,896,482,000	\$1,856,389,000	\$0
ARC			
Normal Cost	\$123,376,000	\$125,336,000	\$299,631,000
Amortization of UAL	109,674,000	107,355,000	0
Total ARC	<u>\$233,050,000</u>	<u>\$232,691,000</u>	<u>\$299,631,000</u>

SECTION VI DEMOGRAPHIC INFORMATION

In the following pages we summarize the demographic information for the retiree health insurance plan.

The first and second tables show a distribution of age, service, and salary for all active employees who currently participate in PEBP's health insurance plan. All groups in total are shown.

Age	COMPLETED YEARS OF SERVICE										Total	
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	37	7	-	-	-	-	-	-	-	-	-	44
20-24	336	366	12	-	-	-	-	-	-	-	-	714
25-29	532	1,047	250	9	1	-	-	-	-	-	-	1,839
30-34	472	1,183	665	160	9	-	-	-	-	-	-	2,489
35-39	422	1,067	1,086	474	185	19	1	-	-	-	-	3,254
40-44	366	921	996	604	434	168	16	1	-	-	-	3,506
45-49	354	942	952	724	564	274	158	8	-	-	-	3,976
50-54	284	833	908	776	607	308	219	45	1	-	-	3,981
55-59	240	705	731	731	594	333	248	76	9	-	-	3,667
60-64	98	382	414	447	303	153	104	64	23	3	-	1,991
65-69	31	101	123	151	113	57	41	35	31	1	-	684
70+	10	35	35	45	26	14	13	9	9	5	-	201
Total	3,182	7,589	6,172	4,121	2,836	1,326	800	238	73	9	-	26,346

Average Age: 46.1

Average Service: 8.6

Age	SALARY	
	Total	Average
15-19	1,435,909	32,239
20-24	25,596,405	35,866
25-29	79,270,429	43,092
30-34	126,398,022	50,793
35-39	179,581,659	55,192
40-44	204,194,931	58,220
45-49	238,346,363	59,941
50-54	244,171,985	61,304
55-59	231,462,910	63,112
60-64	130,300,161	65,477
65-69	48,015,916	70,277
70+	14,493,392	71,414
Total	1,523,268,082	57,818

SECTION VI
DEMOGRAPHIC INFORMATION

The next table shows headcounts by group. Note in this table the retiree and disabled counts do not include spouses.

NUMBER OF LIVES	
Active	26,346
Inactive	
Retiree	6,542
Disabled	480
Survivor	104
Total	7,126
Total	33,472

The final table shows total counts and average ages for the inactive. All groups combined are shown. Spouses of retirees and disabled lives are not included.

GROUP	COUNT	AVERAGE AGE
Retirees Under Age 65	2,486	58.9
Retirees Age 65 and Over	4,056	73.8
Disableds	480	60.0
<u>Survivor</u>	<u>104</u>	<u>72.2</u>
Total Inactive	7,126	67.7

SECTION VII SUMMARY OF PLAN PROVISIONS

Plan Plan provisions in effect as of July 1, 2008 are shown.

Eligibility For a retiree to participate in the PEBP program, the participant must be receiving a PERS, LRS, JRS, or RPA benefit. PERS eligibility requirements vary by employee group and benefit type.

Unreduced Benefit - Regular Employees

Minimum age of 65 with 5+ years of service

Minimum age of 60 with 10+ years of service

Minimum 30 years of service, regardless of age

Unreduced Benefit – Police & Fire

Minimum age 65 and 5+ years of service

Minimum age 55 and 10+ years of service

Minimum age 50 and 20+ years of service

Minimum 25 years of service, regardless of age

Disability Benefit

Minimum 5 years of service, regardless of age

Reduced Benefit

Minimum 5 years of service, regardless of age

For this valuation, Regular Employees were considered eligible for retirement at a minimum age of 50 with 5 years of service and Police & Fire Employees were considered eligible for retirement at a minimum age of 45 with 5 years of service. The impact of Vested Terminations was deemed to be de minimis and omitted from the valuation.

SECTION VII
SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective July 1, 2008.

Non-Medicare Retirees

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Plan Deductible <i>(per calendar year)</i>						
Individual	\$2,000	\$2,000	\$500	\$500		
Family	\$4,000	\$4,000	\$1,000	\$1,000	None	None
Out-of-Pocket Maximum						
Individual	\$3,500	\$10,000	\$3,500	\$10,000	\$3,500	
Family	\$7,000	\$20,000	\$7,000	\$20,000	\$7,000	\$6,000 per person
Lifetime Maximum <i>(per covered person)</i>	\$2,000,000		\$2,000,000		\$400,000 for transplant services	-
Physician Services <i>(except Mental Health/Alc/Drug)</i>						
Office Visits	80% after plan year deductible	50% U&C after plan year deductible	100% after \$20 copay	50% U&C after plan year deductible	\$15 copay	\$15 copay
Routine Physical						
Well Child exams and immunizations						
Routine OB/GYN Exam	100% up to plan year maximum ¹	Not Covered	100% up to plan year maximum ¹	Not Covered	\$0 copay	\$15 copay
Mammography/Pap Test						
Prostate Screening						
Specialist (office visits)	100% up to plan year maximum ¹	Not Covered	\$30 copay then 100%	50% U&C after plan year deductible	\$15 copay	\$15 copay
Diagnostic X-ray & Laboratory <i>(other than physician's office)</i>						
	80% after plan year deductible	50% U&C after plan year deductible	Pre-admission testing: 100%, no deductible; all other services: 80% after plan year deductible.	Pre-admission testing: 100%, no deductible; all other services: 50% U&C after plan year deductible.	\$0 copay	\$0 copay
Ambulance	80% after plan year deductible	80% U&C after plan year deductible	80% after plan year deductible	80% U&C after plan year deductible	\$100 copay	\$0
Maternity	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	\$15 copay	\$15 copay

SECTION VII
SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective July 1, 2008.

Non-Medicare Retirees, cont'd

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Hospital Services						
Inpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	\$105 copay per admission, 80% after plan year deductible	\$600 copay per admission, 50% U&C after plan year deductible	\$200 per admission	\$200 per admission
Outpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	\$100 per visit	\$50 per admission
Emergency Room	80% after plan year deductible	50% U&C after plan year deductible	Medical emergency: \$70 copay, 80% after plan year deductible	Medical emergency: \$70 copay, 80% after plan year deductible	\$75 copay	\$50 copay; \$25 physician copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	100%	100%
Urgent Care Facility	80% after plan year deductible	50% U&C after plan year deductible	\$45 copay then 100%.	50% U&C after plan year deductible	\$15 copay	\$15 copay
Skilled Nursing Facility	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$200 per admission (30 days per calendar year)	-
Home Health Care	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$15/visit (Limited to \$5,000 per calendar year)	-
Rehabilitation Services	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$200 per admission (30 days per calendar year)	-
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	100% (\$3,500 limit per calendar year.)	-
Corrective Appliances	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	100% (\$3,500 limit per calendar year.)	-
Vision Care	One exam per rolling 12 months; 80% U&C. \$125 hardware allowance per rolling 2-year period.		One exam per rolling 12 months; 80% U&C. \$125 hardware allowance per rolling 2-year period.		\$15 exam copay 15%-20% discount on eye wear	\$10 exam copay \$10 lens copay, \$100 eye wear allowance

**SECTION VII
SUMMARY OF PLAN PROVISIONS**

State Retiree Medical Expense Coverage Plan Features The following plan features are effective July 1, 2008.

Non-Medicare Retirees, cont'd

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Precertification	Required for genetic testing		Required for genetic testing		N/A	N/A
Medical Claim Submission	Provider initiated	Member initiated	Provider initiated	Member initiated	Provider initiated	Provider initiated
Prescription Drugs	\$50 annual deductible		\$50 annual deductible			
Retail	\$5 Generic (no deductible) \$40 Preferred brand 100% Copay Non-preferred brand		\$5 Generic (no deductible) \$40 Preferred brand 100% Copay Non-preferred brand		\$7 Formulary generic \$30 Formulary Brand \$50 Non-formulary	\$7 Formulary generic \$30 Formulary Brand \$50 Non-formulary
Mail	\$10 Generic (no deductible) \$70 Preferred brand 100% Copay Non-preferred brand		\$10 Generic (no deductible) \$70 Preferred brand 100% Copay Non-preferred brand		\$14 Formulary Generic \$60 Formulary Brand \$100 Non-Formulary	\$14 Formulary generic \$60 Formulary Brand \$100 Non-formulary

SECTION VII
SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features The following plan features are effective July 1, 2008.

Medicare Retirees

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Plan Deductible <i>(per calendar year)</i>						
Individual	\$2,000	\$2,000	\$500	\$500		
Family	\$4,000	\$4,000	\$1,000	\$1,000	None	None
Out-of-Pocket Maximum						
Individual	\$3,500	\$10,000	\$3,500	\$10,000	\$3,500	
Family	\$7,000	\$20,000	\$7,000	\$20,000	\$7,000	\$6,000 per person
Lifetime Maximum <i>(per covered person)</i>	\$2,000,000		\$2,000,000		\$400,000 for transplant services	-
Physician Services <i>(except Mental Health/Alc/Drug)</i>						
Office Visits	80% after plan year deductible	50% U&C after plan year deductible	100% after \$20 copay	50% U&C after plan year deductible	\$15 copay	\$15 copay
Routine Physical						
Well Child exams and immunizations						
Routine OB/GYN Exam	100% up to plan year maximum ¹	Not Covered	100% up to plan year maximum ¹	Not Covered	\$15 copay	\$15 copay
Mammography/Pap Test						
Prostate Screening						
Specialist (office visits)	100% up to plan year maximum ¹	Not Covered	\$30 copay then 100%	50% U&C after plan year deductible	\$15 copay	\$15 copay
Diagnostic X-ray & Laboratory <i>(other than physician's office)</i>						
	80% after plan year deductible	50% U&C after plan year deductible	Pre-admission testing: 100%, no deductible; all other services: 80% after plan year deductible.	Pre-admission testing: 100%, no deductible; all other services: 50% U&C after plan year deductible.	\$0 copay	\$0 copay
Ambulance	80% after plan year deductible	80% U&C after plan year deductible	80% after plan year deductible	80% U&C after plan year deductible	\$100 copay	\$0
Maternity	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	\$15 copay	\$15 copay

SECTION VII SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective July 1, 2008.

Medicare Retirees, cont'd

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Hospital Services						
Inpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	\$105 copay per admission, 80% after plan year deductible	\$600 copay per admission, 50% U&C after plan year deductible	\$200 per admission	\$200 per admission
Outpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	\$100 per visit	\$50 per admission
Emergency Room	80% after plan year deductible	50% U&C after plan year deductible	Medical emergency: \$70 copay, 80% after plan year deductible	Medical emergency: \$70 copay, 80% after plan year deductible	\$75 copay	\$50 copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	100%	100%
Urgent Care Facility	80% after plan year deductible	50% U&C after plan year deductible	\$45 copay then 100%.	50% U&C after plan year deductible	\$15 copay	\$15 copay
Skilled Nursing Facility	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$200 per admission (30 days per calendar year)	-
Home Health Care	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$15/visit (Limited to \$5,000 per calendar year)	-
Rehabilitation Services	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$200 per admission (30 days per calendar year)	-
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	80% after plan year deductible	50% U&C after plan year deductible	100% (\$3,500 limit per calendar year.)	-
Corrective Appliances	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible)	100% (\$3,500 limit per calendar year.)	-
Vision Care	One exam per rolling 12 months; 80% U&C. \$125 hardware allowance per rolling 2-year period.		One exam per rolling 12 months; 80% U&C. \$125 hardware allowance per rolling 2-year period.		N/A	-

**SECTION VII
SUMMARY OF PLAN PROVISIONS**

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective July 1, 2008.

Medicare Retirees, cont'd

Plan Features	High Deductible PPO		Low Deductible PPO		Hometown Health Plan (Northern HMO)	Health Plan of Nevada (Southern HMO)
	(In-Network)	(Out- Of-Network)	(In-Network)	(Out- Of-Network)		
Precertification	Required for genetic testing		Required for genetic testing		N/A	N/A
Medical Claim Submission	Provider initiated	Member initiated	Provider initiated	Member initiated	Provider initiated	Provider initiated
Prescription Drugs	\$50 annual deductible		\$50 annual deductible			
Retail	\$5 Generic (no deductible) \$40 Preferred brand 100% Copay Non-preferred brand		\$5 Generic (no deductible) \$40 Preferred brand 100% Copay Non-preferred brand		\$7 Formulary generic \$30 Formulary Brand \$50 Non-formulary	\$7 Formulary generic \$30 Formulary Brand \$50 Non-formulary
Mail	\$10 Generic (no deductible) \$70 Preferred brand 100% Copay Non-preferred brand		\$10 Generic (no deductible) \$70 Preferred brand 100% Copay Non-preferred brand		\$14 Generic \$60 Formulary Brand \$100 Non-Formulary	\$14 Formulary generic \$60 Formulary Brand \$100 Non-formulary

SECTION VII SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features The following plan features are effective July 1, 2008.

Medicare Retirees, cont'd

Plan Features	PPO Value Plan ²		Senior Dimensions (Southern MA-HMO)	Senior Care Plus (Northern MA-HMO)
	(In-Network)	(Out- Of-Network)		
Plan Deductible <i>(per calendar year)</i>				
Individual				
Family	None	None	As shown below	None
Out-of-Pocket Maximum				
Individual				\$3,500
Family	None	None	\$2,500	\$7,500
Lifetime Maximum <i>(per covered person)</i>	None		None	None
Physician Services <i>(except Mental Health/Alc/Drug)</i>				
Office Visits	Not applicable	Not applicable	\$10 to \$25 copay for Medicare covered benefits	\$15 copay
Routine Physical			\$10 copay for routine physicals	\$0 copay
Well Child exams and immunizations			\$0 copay for immunizations	\$0 copay
Routine OB/GYN Exam	Not applicable	Not applicable	\$0 copay	\$0 copay
Mammography/Pap Test			\$0 copay	\$0 copay
Prostate Screening			\$0 copay in-network; 80% out-of-network	\$0 copay
Specialist (office visits)	Not applicable	Not applicable	\$20 copay for Medicare covered benefits	\$40 copay
Diagnostic X-ray & Laboratory <i>(other than physician's office)</i>				
	Not applicable	Not applicable	\$0 copay for Medicare-covered lab services, simple x-rays, and radiological diagnostic services; \$50 copay for Medicare covered complex x-rays, radiological diagnostic services \$200 copay for PET scans	\$50 copay lab \$0 - \$50 copay x-ray
Ambulance	Not applicable	Not applicable	80%	\$150
Maternity	Not applicable	Not applicable	\$10 to \$25 copay for Medicare covered benefits	\$15 copay

SECTION VII
SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective July 1, 2008.

Medicare Retirees, cont'd

Plan Features	PPO Value Plan ²		Senior Dimensions (Southern MA-HMO)	Senior Care Plus (Northern MA-HMO)
	(In-Network)	(Out- Of-Network)		
Hospital Services				
Inpatient Coverage	Not applicable	Not applicable	\$250 per Medicare covered hospital stay	Days 1 – 4: \$200 copay per day Days 5 – 9: \$0 copay
Outpatient Coverage	Not applicable	Not applicable	\$10 to \$20 copay for Medicare covered benefits	\$200 copay
Emergency Room	Not applicable	Not applicable	\$50 copay	\$50 copay
Physician In-Hospital Services	Not applicable	Not applicable	100%	100%
Urgent Care Facility	Not applicable	Not applicable	80%	\$20 copay
Skilled Nursing Facility				
	Not applicable	Not applicable	Days 1-10: \$0 copay Days 11-100: \$50 copay per day 100 days covered for each benefit period	N/A
Home Health Care	Not applicable	Not applicable	\$0 for Medicare covered benefits	N/A
Rehabilitation Services	Not applicable	Not applicable	\$10 copay for Medicare covered benefits	N/A
Durable Medical Equipment	Not applicable	Not applicable	100% (\$3,500 limit per calendar year.)	N/A
Corrective Appliances	Not applicable	Not applicable	100% - 80%	N/A
Vision Care	One exam per rolling 12 months; 80% U&C. \$125 hardware allowance per rolling 2-year period.		\$20 copay for exams \$30 limit for eye wear every 2-year period	\$20 copay for exams 100% for eye wear (\$125 limit) every 2-year period
Precertification	Not applicable		N/A	N/A
Medical Claim Submission	Not applicable	Not applicable	Provider initiated	Provider initiated
Prescription Drugs	\$50 annual deductible			
Retail	\$5 Generic (no deductible) \$40 Preferred brand 100% Copay Non-preferred brand		\$3 Formulary generic \$30 Formulary Brand \$60 Non-formulary	\$4 Formulary generic \$40 Formulary Brand \$70 Non-formulary
Mail	\$10 Generic (no deductible) \$70 Preferred brand 100% Copay Non-preferred brand		\$6 Generic \$75 Formulary Brand Non-Formulary – N/A	\$10 Formulary generic \$100 Formulary Brand \$175 Non-formulary

SECTION VII
SUMMARY OF PLAN PROVISIONS

**State Retiree Dental Expense
Plan Features**

The following plan features are effective July 1, 2008.

Plan Features	Dental PPO Plan	
	(In-Network)	(Out-of-Network)
Annual Deductible		
Individual	\$50	\$50
Family	\$150	\$150
Annual Maximum	\$1,500 \$2,000 with completion of HRA	\$1,000
Preventive Services	100%; No deductible	80% U&C; No deductible
Basic Services	80% after deductible	50% U&C after deductible
Major Services	50% after deductible	50% U&C after deductible

**State Retiree Life Insurance
Plan Features**

The following plan features are effective July 1, 2008.

Retirees of the State of Nevada receiving PERS, TIAA or CREF or judge retirement benefits and legislators qualifying under Chapter 242 of the Sessions Law of the sixty-third Session of the Nevada State Legislature are eligible to receive retiree life insurance/ADD coverage up to a maximum amount of \$10,000. Retirees who enrolled in an even year Late Enrollment do not qualify for life insurance.

**State Retiree Life Insurance
Plan Contributions**

Retirees contribute \$6.24 per month for retiree life insurance/ADD coverage. This contribution is included in the monthly medical premium

SECTION VII
SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan
Retiree Contributions

The following total funding rates / premiums for retirees are effective July 1, 2008.

Coverage	Non-Medicare Retirees			
	High Deductible Health Plan	Low Deductible Health Plan	Hometown Health Plan	Health Plan of Nevada
Retiree	\$131.78	\$180.17	\$175.37	\$108.35
Retiree + Spouse	\$452.16	\$583.98	\$541.17	\$296.56
Surviving Spouse	\$481.82	\$539.74	\$525.18	\$322.09

Coverage	Medicare Retirees ¹						
	High Deductible Health Plan	Low Deductible Health Plan	Value Plan	Hometown Health Plan	Health Plan of Nevada	Senior Care Plus	Senior Dimensions
Retiree	\$47.82	\$73.45	\$11.97	\$66.83	\$41.95	\$26.29	\$30.34
Retiree + Spouse	\$201.45	\$268.48	\$90.82	\$235.39	\$136.67	\$70.22	\$76.88
Surviving Spouse	\$252.74	\$277.81	\$97.75	\$257.74	\$182.35	\$73.44	\$85.69

The following total funding rates / premiums for retirees are effective July 1, 2007

Coverage	Non-Medicare Retirees			
	High Deductible Health Plan	Low Deductible Health Plan	Anthem HMO Nevada	Health Plan of Nevada
Retiree	\$125.66	\$177.38	\$160.05	\$104.50
Retiree + Spouse	\$386.07	\$518.07	\$502.70	\$289.57
Surviving Spouse	\$429.11	\$472.64	\$478.47	\$310.14

Coverage	Medicare Retirees ¹				
	High Deductible Health Plan	Low Deductible Health Plan	Anthem Health Plan	Health Plan of Nevada	Senior Dimensions
Retiree	\$4.56	\$56.28	\$160.05	\$104.50	\$26.42
Retiree + Spouse	\$143.87	\$275.87	\$502.70	\$289.57	\$69.77
Surviving Spouse	\$271.95	\$315.47	\$478.47	\$310.14	\$73.53

¹ The state retiree rates listed are subsidized rates for those who retired prior to January 1, 1994. For participants who retired on or after January 1, 1994, refer the State Retiree Subsidy Adjustment table below.

SECTION VII
SUMMARY OF PLAN PROVISIONS

**State Retiree Medical Expense
Coverage Plan Retiree Subsidy**

The following Years Of Service subsidy for retirees are effective July 1, 2008

Years of Service	Subsidy
5	\$307.86
6	\$277.07
7	\$246.29
8	\$215.50
9	\$184.72
10	\$153.93
11	\$123.14
12	\$92.36
13	\$61.57
14	\$30.79
15	\$0.00
16	-\$30.79
17	-\$61.57
18	-\$92.36
19	-\$123.14
20	-\$153.93

**State Retiree Medical Expense
Coverage Plan Retiree Subsidy**

The following Years Of Service subsidy for retirees are effective July 1, 2007

Years of Service	Subsidy
5	\$274.23
6	\$246.81
7	\$219.38
8	\$191.96
9	\$164.54
10	\$137.12
11	\$109.69
12	\$82.27
13	\$54.85
14	\$27.42
15	\$0.00
16	-\$27.42
17	-\$54.85
18	-\$82.27
19	-\$109.69
20	-\$137.12

SECTION VIII
VALUATION METHODS AND ASSUMPTIONS

Actuarial Cost Method For comparison purposes, the Entry Age Normal and Aggregate cost methods have been used in this analysis.

Valuation Date July 1, 2007

Discount Rate 4.00%

Assumed Trends on Retiree Costs

Year Beginning	Medical				Pharmacy	Dental	Admin Costs	State Subsidy ¹
	PPO	HMON	HMOS	HMOSr				
7/1/2007	10.0%	8.2%	2.7%	12.6%	11.3%	6.5%	3.0%	12.3%
7/1/2008	9.5%	9.5%	9.5%	9.5%	10.8%	6.0%	3.0%	9.5%
7/1/2009	9.0%	9.0%	9.0%	9.0%	10.3%	5.5%	3.0%	9.0%
7/1/2010	8.5%	8.5%	8.5%	8.5%	8.8%	5.0%	3.0%	8.5%
7/1/2011	8.0%	8.0%	8.0%	8.0%	8.3%	4.5%	3.0%	8.0%
7/1/2012	7.0%	7.0%	7.0%	7.0%	7.3%	4.5%	3.0%	7.0%
7/1/2013	6.0%	6.0%	6.0%	6.0%	6.3%	4.5%	3.0%	6.0%
7/1/2014	5.0%	5.0%	5.0%	5.0%	5.3%	4.5%	3.0%	5.0%
7/1/2015	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	3.0%	5.0%

(1) Includes all HMOs

(2) Also applied to base retiree contributions (before service adjustments)

Mortality Mortality rates vary by employee group.

Regular Employees

1994 Group Annuity Mortality Table set-forward one year

Police & Fire

1983 Group Annuity Mortality Table (while actively employed)

Disabled Members

1983 Railroad Retirement Board Disabled Annuity Mortality Table set-back six years

Retirement Rates Retirement rates vary by employee group and are shown below.

Regular Employees				
Years of Service				
Age	5-19	20-24	25-29	30 or more
50-54	3%	3%	5%	30%
55-59	5%	10%	10%	30%
60-61	15%	20%	25%	30%
62-64	20%	20%	25%	30%
65-69	25%	25%	25%	30%
70 & Older	100%	100%	100%	100%

**SECTION VIII
VALUATION METHODS AND ASSUMPTIONS**

Retirement Rates (continued)

Police & Fire					
Years of Service					
Age	5-9	10-19	20-24	25-29	30 or more
45-49	0%	0%	0%	15%	15%
50-54	5%	5%	15%	15%	35%
55-59	5%	15%	20%	25%	35%
60-64	5%	25%	25%	25%	35%
65 & Older	100%	100%	100%	100%	100%

Withdrawal Rates

Withdrawal rates vary by employee group and are shown below.

Regular Employees	
Years of Service	Rate
0	18.50%
1	14.00%
2	10.25%
3	8.50%
4	6.50%
5	6.25%
6	5.25%
7	4.75%
8	4.25%
9	4.00%
10	3.50%
11 or more	3.00%

Police & Fire	
Years of Service	Rate
0	14.00%
1	7.00%
2	6.00%
3	4.50%
4	4.00%
5	3.50%
6 or more	3.00%

Disability Rates

Disability rates vary by employee group and are shown below.

Age	Regular Employees	Police & Fire
20-29	0.03%	0.05%
30-34	0.05%	0.06%
35-39	0.07%	0.09%
40-44	0.14%	0.37%
45-49	0.25%	0.53%
50-54	0.40%	0.66%
55-59	0.55%	0.96%
60-65	0.40%	1.40%

SECTION VIII VALUATION METHODS AND ASSUMPTIONS

Salary Salary data as of December 31, 2006 was provided by the State. Actual data was used. Note that benefits do not depend on salary, however, this data is needed to produce results under both the Entry Age Normal (level % of pay) and Aggregate cost methods.

Salary Scale The salary increase assumption varies by employee group and years of service. Total increases include both a promotional (merit) component and a general inflation component (3.5% per year), shown below.

Regular Employees	
Years of Service	Rate
1	9.50%
2	8.00%
3	7.50%
4	7.25%
5	7.00%
6	6.75%
7	6.50%
8	5.75%
9	5.50%
10	5.25%
11	5.00%
12	4.75%
13 or more	4.50%

Police & Fire	
Years of Service	Rate
1	14.75%
2	10.75%
3	10.50%
4	10.25%
5	10.00%
6	8.50%
7	7.75%
8	7.25%
9	6.75%
10 or more	6.25%

PERS Assumptions The mortality, retirement, withdrawal, disability and salary scale assumptions are the same as those used for the 6/30/06 pension valuation.

Participation Rate It was assumed that 90% of future eligible retirees will elect the plan coverage.

Spouse Coverage Based upon the retiree data, it was assumed that 43% of active males will elect retiree spouse coverage while 18% of active females will elect retiree spouse coverage. Actual spousal data was used for current retirees. It was assumed that all surviving spouses retained coverage until their death.

Age Difference Based upon the retiree data, it was assumed that male participants were 4 years older than spouses, and female participants were 2 years younger than spouses.

SECTION VIII VALUATION METHODS AND ASSUMPTIONS

Employees Covered	The impact of active employees, current retirees, and current survivors that waived medical coverage was deemed to be de minimis and omitted from the valuation. For life insurance, we valued all active employees and current retirees that elected healthcare coverage.
Non-State Employees	Non-State employees with State service credit of 5 years or more were valued assuming a pro rata distribution of the state subsidy adjustment.
Medical Plans	<p>It was assumed that all current retirees and current survivors continue as participants in their current medical plan.</p> <p>For active employees enrolled in the PPO, we assumed their continuance in this plan upon retirement.</p> <p>For active employees enrolled in an HMO plan, it was assumed that pre-Medicare coverage was continued in a participant's respective plan. Upon attainment of age 65, we assumed 59% enrolled in the PPO (10% in the high option and 90% in the low option), 25% continued in the HPN HMO plan (those eligible for Medicare moving to Sr. Dimensions), and 16% continued in the HMO plan offered in the North</p>
Medicare Eligibility	<p>Certain retirees are over age 65 and not eligible for Medicare Parts A and/or B, as indicated on the data. For these participants we have assumed they will not become eligible for Medicare Part A and/or B at any time in the future.</p> <p>If not specifically defined for active employees or current retirees, we have assumed that each participant will be eligible for Medicare Part A upon attainment of age 65.</p> <p>If not specifically defined, it was assumed all members aged 65+ were enrolled in Medicare Part B.</p>
Missing/Incomplete Data	Missing or incomplete data (e.g., salary, hire date, retirement date, class, relationship, eligibility) will be substituted by averages determined from complete records.
Health Care Claims Cost	<p>Annual per capita medical and prescription drug claims costs are shown on the following pages. The costs represent claims based on the plan design in effect on July 1, 2007 and July 1, 2008. They are blended for healthy and disabled lives. Expenses are shown separately. Costs at sample ages are provided. Younger ages are shown due to the coverage of disabled lives. Finally, the Medicare costs for active employees currently enrolled in an HMO plan are a blend of their current HMO plan (Sr Dimensions for those who are Medicare eligible and enrolled in HPN) and the PPO plan, using the blending percentages stated above.</p> <p>For inactive participants that are over age 65 and not eligible for Medicare, a separate post-65 claims cost is used. On the following page we show both the non-Medicare and Medicare participant costs.</p>

**SECTION VIII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	HMO (North)				
	Medical				Admin
	Male		Female		
	Non-Medicare	Medicare	Non-Medicare	Medicare	
30	3,658.90	3,658.90	6,454.08	6,454.08	
31	3,795.69	3,795.69	6,403.77	6,403.77	37.80
32	3,937.59	3,937.59	6,353.84	6,353.84	37.80
33	4,084.80	4,084.80	6,304.31	6,304.31	37.80
34	4,237.51	4,237.51	6,255.16	6,255.16	37.80
35	4,395.93	4,395.93	6,206.40	6,206.40	37.80
36	4,575.24	4,575.24	6,173.73	6,173.73	37.80
37	4,761.86	4,761.86	6,141.23	6,141.23	37.80
38	4,956.09	4,956.09	6,108.90	6,108.90	37.80
39	5,158.24	5,158.24	6,076.74	6,076.74	37.80
40	5,368.64	5,368.64	6,044.76	6,044.76	37.80
41	5,606.37	5,606.37	6,144.53	6,144.53	37.80
42	5,854.63	5,854.63	6,245.95	6,245.95	37.80
43	6,113.89	6,113.89	6,349.05	6,349.05	37.80
44	6,384.63	6,384.63	6,453.85	6,453.85	37.80
45	6,667.35	6,667.35	6,560.38	6,560.38	37.80
46	7,004.71	7,004.71	6,759.47	6,759.47	37.80
47	7,359.13	7,359.13	6,964.60	6,964.60	37.80
48	7,731.49	7,731.49	7,175.95	7,175.95	37.80
49	8,122.68	8,122.68	7,393.72	7,393.72	37.80
50	8,533.68	8,533.68	7,618.09	7,618.09	37.80
51	8,815.29	8,815.29	7,869.49	7,869.49	37.80
52	9,106.19	9,106.19	8,129.18	8,129.18	37.80
53	9,406.70	9,406.70	8,397.45	8,397.45	37.80
54	9,717.12	9,717.12	8,674.56	8,674.56	37.80
55	10,037.78	10,037.78	8,960.82	8,960.82	37.80
56	10,399.14	10,399.14	9,283.41	9,283.41	37.80
57	10,773.51	10,773.51	9,617.62	9,617.62	37.80
58	11,161.36	11,161.36	9,963.85	9,963.85	37.80
59	11,563.17	11,563.17	10,322.55	10,322.55	37.80
60	11,979.44	11,979.44	10,694.16	10,694.16	37.80
61	12,482.58	12,482.58	11,143.31	11,143.31	37.80
62	13,006.84	13,006.84	11,611.33	11,611.33	37.80
63	13,553.13	13,553.13	12,099.01	12,099.01	37.80
64	14,122.36	14,122.36	12,607.17	12,607.17	37.80
65	14,715.50	5,425.24	13,136.67	5,183.36	37.80
66	15,156.97	5,587.99	13,530.77	5,338.86	37.80
67	15,611.68	5,755.63	13,936.69	5,499.03	37.80
68	16,080.03	5,928.30	14,354.79	5,664.00	37.80
69	16,562.43	6,106.15	14,785.44	5,833.92	37.80
70	17,059.30	6,289.34	15,229.00	6,008.94	37.80
71	17,485.78	6,446.57	15,609.72	6,159.16	37.80
72	17,922.93	6,607.73	15,999.97	6,313.14	37.80
73	18,371.00	6,772.93	16,399.97	6,470.97	37.80
74	18,830.28	6,942.25	16,809.97	6,632.74	37.80
75	19,301.03	7,115.81	17,230.22	6,798.56	37.80

**SECTION VIII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	HPN HMO (South)				
	Medical				Admin
	Male		Female		
	Non-Medicare	Medicare	Non-Medicare	Medicare	
30	2,287.92	2,287.92	4,031.61	4,031.61	
31	2,373.45	2,373.45	4,000.18	4,000.18	37.80
32	2,462.18	2,462.18	3,968.99	3,968.99	37.80
33	2,554.23	2,554.23	3,938.05	3,938.05	37.80
34	2,649.72	2,649.72	3,907.35	3,907.35	37.80
35	2,748.78	2,748.78	3,876.89	3,876.89	37.80
36	2,860.90	2,860.90	3,856.48	3,856.48	37.80
37	2,977.59	2,977.59	3,836.18	3,836.18	37.80
38	3,099.05	3,099.05	3,815.99	3,815.99	37.80
39	3,225.45	3,225.45	3,795.90	3,795.90	37.80
40	3,357.01	3,357.01	3,775.92	3,775.92	37.80
41	3,505.67	3,505.67	3,838.25	3,838.25	37.80
42	3,660.91	3,660.91	3,901.60	3,901.60	37.80
43	3,823.02	3,823.02	3,966.00	3,966.00	37.80
44	3,992.31	3,992.31	4,031.46	4,031.46	37.80
45	4,169.10	4,169.10	4,098.01	4,098.01	37.80
46	4,380.05	4,380.05	4,222.37	4,222.37	37.80
47	4,601.67	4,601.67	4,350.51	4,350.51	37.80
48	4,834.51	4,834.51	4,482.53	4,482.53	37.80
49	5,079.12	5,079.12	4,618.56	4,618.56	37.80
50	5,336.12	5,336.12	4,758.72	4,758.72	37.80
51	5,512.21	5,512.21	4,915.76	4,915.76	37.80
52	5,694.11	5,694.11	5,077.98	5,077.98	37.80
53	5,882.02	5,882.02	5,245.55	5,245.55	37.80
54	6,076.12	6,076.12	5,418.66	5,418.66	37.80
55	6,276.64	6,276.64	5,597.47	5,597.47	37.80
56	6,502.59	6,502.59	5,798.98	5,798.98	37.80
57	6,736.69	6,736.69	6,007.74	6,007.74	37.80
58	6,979.21	6,979.21	6,224.02	6,224.02	37.80
59	7,230.46	7,230.46	6,448.09	6,448.09	37.80
60	7,490.76	7,490.76	6,680.22	6,680.22	37.80
61	7,805.37	7,805.37	6,960.79	6,960.79	37.80
62	8,133.19	8,133.19	7,253.14	7,253.14	37.80
63	8,474.79	8,474.79	7,557.77	7,557.77	37.80
64	8,830.73	8,830.73	7,875.20	7,875.20	37.80
65	9,201.62	3,399.59	8,205.96	4,039.91	37.80
66	9,477.67	3,501.58	8,452.13	4,161.11	37.80
67	9,762.00	3,606.62	8,705.70	4,285.94	37.80
68	10,054.86	3,714.82	8,966.87	4,414.52	37.80
69	10,356.50	3,826.27	9,235.88	4,546.96	37.80
70	10,667.20	3,941.06	9,512.95	4,683.37	37.80
71	10,933.88	4,039.58	9,750.78	4,800.45	37.80
72	11,207.23	4,140.57	9,994.55	4,920.46	37.80
73	11,487.41	4,244.09	10,244.41	5,043.47	37.80
74	11,774.59	4,350.19	10,500.52	5,169.56	37.80
75	12,068.96	4,458.94	10,763.03	5,298.80	37.80

**SECTION VIII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	Senior Dimensions HMO (South)		
	Medical		Admin
	Medicare		
	Male	Female	
30	2,287.92	4,031.61	37.80
31	2,373.45	4,000.18	37.80
32	2,462.18	3,968.99	37.80
33	2,554.23	3,938.05	37.80
34	2,649.72	3,907.35	37.80
35	2,748.78	3,876.89	37.80
36	2,860.90	3,856.48	37.80
37	2,977.59	3,836.18	37.80
38	3,099.05	3,815.99	37.80
39	3,225.45	3,795.90	37.80
40	3,357.01	3,775.92	37.80
41	3,505.67	3,838.25	37.80
42	3,660.91	3,901.60	37.80
43	3,823.02	3,966.00	37.80
44	3,992.31	4,031.46	37.80
45	4,169.10	4,098.01	37.80
46	4,380.05	4,222.37	37.80
47	4,601.67	4,350.51	37.80
48	4,834.51	4,482.53	37.80
49	5,079.12	4,618.56	37.80
50	5,336.12	4,758.72	37.80
51	5,512.21	4,915.76	37.80
52	5,694.11	5,077.98	37.80
53	5,882.02	5,245.55	37.80
54	6,076.12	5,418.66	37.80
55	6,276.64	5,597.47	37.80
56	6,502.59	5,798.98	37.80
57	6,736.69	6,007.74	37.80
58	6,979.21	6,224.02	37.80
59	7,230.46	6,448.09	37.80
60	7,490.76	6,680.22	37.80
61	7,805.37	6,960.79	37.80
62	8,133.19	7,253.14	37.80
63	8,474.79	7,557.77	37.80
64	8,830.73	7,875.20	37.80
65	770.50	769.43	37.80
66	793.62	792.51	37.80
67	817.43	816.28	37.80
68	841.95	840.77	37.80
69	867.21	866.00	37.80
70	893.23	891.98	37.80
71	915.56	914.27	37.80
72	938.45	937.13	37.80
73	961.91	960.56	37.80
74	985.95	984.57	37.80
75	1,010.60	1,009.19	37.80

**SECTION VIII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	Self Insured PPO				
	Medical				Admin
	Male		Female		
	Non-Medicare	Medicare	Non-Medicare	Medicare	
30	1,890.00	1,890.00	3,621.00	3,621.00	
31	1,961.00	1,961.00	3,593.00	3,593.00	357.60
32	2,034.00	2,034.00	3,565.00	3,565.00	357.60
33	2,110.00	2,110.00	3,537.00	3,537.00	357.60
34	2,189.00	2,189.00	3,510.00	3,510.00	357.60
35	2,271.00	2,271.00	3,482.00	3,482.00	357.60
36	2,363.00	2,363.00	3,464.00	3,464.00	357.60
37	2,460.00	2,460.00	3,446.00	3,446.00	357.60
38	2,560.00	2,560.00	3,428.00	3,428.00	357.60
39	2,665.00	2,665.00	3,410.00	3,410.00	357.60
40	2,773.00	2,773.00	3,392.00	3,392.00	357.60
41	2,896.00	2,896.00	3,448.00	3,448.00	357.60
42	3,024.00	3,024.00	3,504.00	3,504.00	357.60
43	3,158.00	3,158.00	3,562.00	3,562.00	357.60
44	3,298.00	3,298.00	3,621.00	3,621.00	357.60
45	3,444.00	3,444.00	3,681.00	3,681.00	357.60
46	3,618.00	3,618.00	3,793.00	3,793.00	357.60
47	3,801.00	3,801.00	3,908.00	3,908.00	357.60
48	3,994.00	3,994.00	4,026.00	4,026.00	357.60
49	4,196.00	4,196.00	4,148.00	4,148.00	357.60
50	4,408.00	4,408.00	4,274.00	4,274.00	357.60
51	4,554.00	4,554.00	4,415.00	4,415.00	357.60
52	4,704.00	4,704.00	4,561.00	4,561.00	357.60
53	4,859.00	4,859.00	4,712.00	4,712.00	357.60
54	5,019.00	5,019.00	4,867.00	4,867.00	357.60
55	5,185.00	5,185.00	5,028.00	5,028.00	357.60
56	5,372.00	5,372.00	5,209.00	5,209.00	357.60
57	5,565.00	5,565.00	5,396.00	5,396.00	357.60
58	5,765.00	5,765.00	5,591.00	5,591.00	357.60
59	5,973.00	5,973.00	5,792.00	5,792.00	357.60
60	6,188.00	6,188.00	6,000.00	6,000.00	357.60
61	6,448.00	6,448.00	6,252.00	6,252.00	357.60
62	6,719.00	6,719.00	6,515.00	6,515.00	357.60
63	7,001.00	7,001.00	6,789.00	6,789.00	357.60
64	7,295.00	7,295.00	7,074.00	7,074.00	357.60
65	7,514.00	1,489.00	7,286.00	1,195.00	357.60
66	7,739.00	1,533.00	7,504.00	1,231.00	357.60
67	7,971.00	1,579.00	7,730.00	1,268.00	357.60
68	8,211.00	1,627.00	7,961.00	1,306.00	357.60
69	8,457.00	1,676.00	8,200.00	1,345.00	357.60
70	8,711.00	1,726.00	8,446.00	1,386.00	357.60
71	8,928.00	1,769.00	8,657.00	1,420.00	357.60
72	9,152.00	1,813.00	8,874.00	1,456.00	357.60
73	9,380.00	1,859.00	9,096.00	1,492.00	357.60
74	9,615.00	1,905.00	9,323.00	1,530.00	357.60
75	9,855.00	1,953.00	9,556.00	1,568.00	357.60

SECTION VIII
VALUATION METHODS AND ASSUMPTIONS

Health Care Claims Cost (continued)

Age	Self Insured PPO	
	Pharmacy	
	Male	Female
30	271.00	663.00
31	281.00	658.00
32	292.00	653.00
33	302.00	648.00
34	314.00	643.00
35	326.00	638.00
36	339.00	634.00
37	353.00	631.00
38	367.00	628.00
39	382.00	624.00
40	398.00	621.00
41	415.00	631.00
42	434.00	642.00
43	453.00	652.00
44	473.00	663.00
45	494.00	674.00
46	519.00	694.00
47	545.00	715.00
48	573.00	737.00
49	602.00	760.00
50	632.00	783.00
51	653.00	808.00
52	674.00	835.00
53	697.00	863.00
54	720.00	891.00
55	743.00	921.00
56	770.00	954.00
57	798.00	988.00
58	827.00	1,024.00
59	856.00	1,060.00
60	887.00	1,099.00
61	924.00	1,145.00
62	963.00	1,193.00
63	1,004.00	1,243.00
64	1,046.00	1,295.00
65	1,179.00	1,229.00
66	1,214.00	1,266.00
67	1,251.00	1,304.00
68	1,288.00	1,343.00
69	1,327.00	1,383.00
70	1,367.00	1,425.00
71	1,401.00	1,460.00
72	1,436.00	1,497.00
73	1,472.00	1,534.00
74	1,509.00	1,573.00
75	1,547.00	1,612.00

SECTION VIII
VALUATION METHODS AND ASSUMPTIONS

Health Care Claims Cost (continued)

Age	Self Insured PPO	
	Dental	
	Male	Female
30	633.24	544.55
31	633.24	544.55
32	633.24	544.55
33	633.24	544.55
34	633.24	544.55
35	633.24	544.55
36	633.24	544.55
37	633.24	544.55
38	633.24	544.55
39	633.24	544.55
40	633.24	544.55
41	633.24	544.55
42	633.24	544.55
43	633.24	544.55
44	633.24	544.55
45	633.24	544.55
46	633.24	544.55
47	633.24	544.55
48	633.24	544.55
49	633.24	544.55
50	633.24	544.55
51	633.24	544.55
52	633.24	544.55
53	633.24	544.55
54	633.24	544.55
55	633.24	544.55
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57	633.24	544.55
58	633.24	544.55
59	633.24	544.55
60	633.24	544.55
61	633.24	544.55
62	633.24	544.55
63	633.24	544.55
64	633.24	544.55
65	379.36	349.59
66	379.36	349.59
67	379.36	349.59
68	379.36	349.59
69	379.36	349.59
70	379.36	349.59
71	379.36	349.59
72	379.36	349.59
73	379.36	349.59
74	379.36	349.59
75	379.36	349.59

SECTION IX GASB OPEB SUMMARY

The Government Accounting Standards Board (GASB) has issued Statements No. 43 and 45 for the recognition and disclosure for public entities sponsoring other (than pensions) post-retirement benefit plans.

This Exhibit summarizes pertinent issues from the above statements and includes comments about GASB's OPEB standard.

Why Pay-As-You-Go Accounting Will Be Unacceptable

The FASB believes, and GASB agrees, other post-retirement benefits such as retiree medical benefits, like pensions, are a form of deferred compensation. Accordingly, it is GASB's direction that these benefits should be recognized (in an organization's financial statement) when earned by employees, rather than when paid out. Under SFAS 106, pay-as-you-go accounting is replaced with accrual accounting for these benefits. *This approach is similar to (although more restrictive than) GASB's approach under Statement No. 27.* In many respects GASB 43 and GASB 45 follow the Statement No. 27 approach.

Allocating Costs (Attribution)

The FASB defines attribution as the process of assigning other post-retirement benefit cost to periods of employee service. SFAS 106 specifies how (the attribution method) and over what accounting periods (the attribution period) the postretirement benefits promise must be allocated.

The attribution (actuarial cost) method specified by SFAS 106 is the "projected unit credit actuarial cost method". This method attributes an equal amount of the total postretirement benefit to each year of service during the "attribution period".

The attribution period is the period over which the total postretirement benefit is earned. Unless the plan states that post-retirement benefits are not earned until a later date (i.e., if retiree contributions are not based on years of service at retirement), the attribution period is from the employee's hire date until the employee is first eligible for the benefit. *The GASB statements do not restrict entities to a single attribution method, but instead allows sponsors (and actuaries) to choose from several acceptable methods (similar to GASB 27).* GASB allows all six funding methods shown in the statement. GASB allows attribution to the expected retirement age rather than the earliest eligibility age.

Defining the Plan

SFAS 106 refers to the substantive plan as the basis for accounting. The substantive plan may differ from the written plan in that it reflects the employer's cost sharing policy based on past practice or communication of intended changes, or a past practice of cost increases in monetary benefits. Under SFAS 106, the substantive plan is the basis for allowing recognition of potential future changes to the plan. *GASB follows FASB's lead on this issue, requiring entities to recognize the underlying promise, not just the written plan.*

SECTION IX GASB OPEB SUMMARY

An important area where the GASB and FASB statements are similar relates to the implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience. Under SFAS 106 the plan sponsor must recognize this implied subsidy. Under the GASB standard this is true as well.

Actuarial Assumptions

SFAS 106 says actuarial assumptions should be explicit. This means each individual assumption should represent the actuary's best estimate. GASB also, generally, requires explicit assumptions.

In the statement GASB requires the discount rate be based on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. However, since the source of funds for unfunded plans is usually the agency's general fund, and agencies are usually restricted by State law as to what investments they can have in their general fund, unfunded plans will need to use a relatively low discount rate. For PEBP, we have examined historical returns in the portfolio of funds from which benefits are currently being paid to set the discount rate assumption.

Transition Issues

Because historical annual required contribution information will rarely be available, *GASB is taking a prospective approach on transition issues.* This means there will be no requirement for any initial transition obligation.

Effective Dates

The new standard will have staggered effective dates as follows:

		Effective for Fiscal Years Beginning After	
		GASB 43	GASB 45
Phase I	≥ \$100 million	December 15, 2005	December 15, 2006
Phase II	≥ \$10 million, but < \$100 million	December 15, 2006	December 15, 2007
Phase III	< \$10 million	December 15, 2007	December 15, 2008

SECTION IX GASB OPEB SUMMARY

Differences Between SFAS 106 and GASB OPEB

Conceptually, Statements No. 43 and No. 45 are similar to SFAS 106. They all require current recognition of the promise to pay future benefits. However, they differ somewhat in how that recognition should occur. Specifically:

Concept	SFAS 106	GASB 43 and GASB 45
1. Attribution Method	<ul style="list-style-type: none"> ■ Mandates use of a particular method, regardless of method used to determine contribution. 	<ul style="list-style-type: none"> ■ Allows sponsor to use same method used to determine contribution, provided it meets certain criteria.
2. Assumptions (excluding discount rate)	<ul style="list-style-type: none"> ■ Requires each assumption stand on its own – Explicit assumptions. 	<ul style="list-style-type: none"> ■ Requires each assumption stand on its own and, in addition, meet certain other criteria.
3. Discount Rate	<ul style="list-style-type: none"> ■ Long term high quality bond rates (e.g., Moody Aa). 	<ul style="list-style-type: none"> ■ Expected long term rate of return on source used to pay benefits (e.g. sponsor’s general fund).
4. Benefit Cost	<ul style="list-style-type: none"> ■ Mandates use of a specific method, regardless of method used to determine contribution. 	<ul style="list-style-type: none"> ■ Provides that if entity always contributes Annual Required Contribution (ARC) then benefit cost equals ARC. If entity does not contribute ARC, then benefit cost equals ARC, adjusted for the difference.
5. Annual Required Contribution	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ The Plan’s funding contribution, with actuarial assumptions and methods (including amortization periods) restricted as indicated above.
6. Liability Recognition	<ul style="list-style-type: none"> ■ The historical difference between actual contributions and benefit costs become an accrued liability (or prepaid asset) on the sponsor’s financial statement. 	<ul style="list-style-type: none"> ■ If sponsor consistently contributes the ARC, then no recognition is required. However, if sponsor has not historically contributed the ARC, then difference becomes a Net Pension Obligation on the sponsor’s financial statement.

SECTION X GLOSSARY

Actuarial Accrued Liability (AAL)

As determined by a particular Actuarial Cost Method, the portion of the Actuarial Present Value of plan benefits and expenses which is attributable to past service, and thus not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting benefit costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and employer provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items. The Actuarial Assumptions are used in connection with the Actuarial Cost Method to allocate plan costs over the working lifetime of plan participants.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods (e.g., past service, future service), 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.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.).
- b. multiplied by the probability of the occurrence of an event (such as survival, death disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

SECTION X GLOSSARY

Actuarial Present Value of Total Projected Benefits or Present Value of Benefits (PVB)

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected 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 (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Valuation

The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a benefit plan.

Actuarial Valuation Date

The date as of which an actuarial valuation is performed.

Actuarial Value of Assets

The value of cash, investments, and other property belonging to a benefit plan, as used by the actuary for the purpose of an Actuarial Valuation.

Aggregate Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation over the Actuarial Value of Assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The Actuarial Accrued Liability is equal to the Actuarial Value of Assets

Amortization (of Unfunded Actuarial Accrued Liability)

The portion of benefit plan costs or contributions which is designed to pay off principal and interest on the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost (AOC)

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 required contributions to a Defined Benefit OPEB Plan, which is the basis for determining an employer's Annual OPEB Cost.

SECTION X GLOSSARY

Covered Group

Plan members included in an actuarial valuation.

Deferred Inactives

Former employees, not yet receiving retirement benefits, who are eligible for plan benefits in the future.

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).

Discount Rate (Investment Return Assumption)

The rate used to adjust a series of future payments to determine the present value by reflecting the time value of money.

Employer Contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer contributions generally do not necessarily equate to benefits paid.

Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Funded Ratio

The actuarial value of assets expressed as a percentage of the Actuarial Accrued Liability.

Funding Excess

The excess of the Actuarial Value of Assets over the Actuarial Accrued Liability.

SECTION X GLOSSARY

Funding Policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities 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.

Implicit Rate Subsidy

The differential between utilizing a blend of active and non-Medicare retiree experience for cost of benefits, and utilizing solely the expected retiree experience. Blending a lower cost active cohort with retirees results in an implicit rate subsidy for the retirees of the entire group.

Inactives

Certain former employees with a minimum amount of years of creditable service who have benefits payable from the retirement system.

Level Dollar Amortization Method

The dollar 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 (e.g., due to inflation); in dollars adjusted for inflation, the payments can be expected to remain level.

Market-Related Value of Plan Assets

A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

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.

SECTION X GLOSSARY

Normal Cost

The portion of the Actuarial Present Value of plan benefits and expenses that is allocated to a valuation year by the Actuarial Cost Method.

OPEB Assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB Expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other Postemployment Benefits (OPEB)

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 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.

Plan Assets

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

SECTION X GLOSSARY

Plan Members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment Healthcare Benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement Benefit Increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

Projected Benefits

Those plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's Projected Benefit allocated to service to date, determined in accordance with the terms of a plan and based on future compensation as projected to retirement, is called the Credited Projected Benefit.

Projected Unit Credit Actuarial Cost Method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (or Losses), as they occur, generally reduce (or increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at

SECTION X GLOSSARY

each future point in time are allocated to past service based on a proration of service-to-date over total projected service.

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.

Single-Employer Plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees and employees of other employers.

Substantive Plan

The terms of an OPEB plan as understood by the employer(s) and plan members.

Transition Year

The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.