

State of Nevada

Nevada Public Employees' Benefits Program's Retiree Health and Life Insurance Plans

Actuarial Report for GASB OPEB Valuation

Valuation Date: July 1, 2012

Fiscal Year Ending: June 30, 2013

Date of Report: October 2013





October, 2013

This report contains the results of the Fiscal Year 2013 actuarial valuation of the State of Nevada Public Employees' Benefits Program's Retiree Health and Life Insurance Plans (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, 2013.
- Provide information needed by the Plan's auditors for financial statement entries and footnote disclosures to conform to the disclosure requirements under 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.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah L. Donaldson", is written over a thin horizontal line.

Deborah L. Donaldson, FSA, MAAA
Vice President
Aon Hewitt



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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 adopted GASB 43 and GASB 45 for the fiscal year beginning July 1, 2007.

The benefits considered under this valuation were medical, prescription drug, dental, and life insurance coverage. PEBP provides these benefits to participating retirees, spouses, and survivors. In addition, participants on long-term disability and their spouses can qualify for retiree health insurance benefits. PEBP contributes a portion of the coverage. Summary of Plan Provisions section of this report provides the monthly participant contributions.

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 PEBP Plan.

The table below summarizes the valuation results. Please see *Principal Valuation Results* and *Accounting Information* for additional details. The results have been calculated based upon the actuarial assumptions including, but not limited to, current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate. Please see *Valuation Methods* and *Assumptions* for details of the actuarial assumptions.

As of July 1, 2011, PEBP significantly changed the medical plan design for both current and future retirees. The pre-Medicare self-insured group now receives benefits under a High Deductible Health Plan arrangement with an accompanying Health Reimbursement Account (HRA). The Medicare eligible retirees now receive benefits through the individual market with PEBP subsidizing the cost by contributing to an HRA. For specific details of these plans, please see the Plan Provisions section.

This summary illustrates the OPEB value of benefits for Fiscal Year 2011 and 2013 based upon a 4.00% discount rate and the Projected Unit Cost Method.

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2013</u>
Present Value of Benefits (PVB)	\$1,768,710,000	\$1,951,424,000
Actuarial Accrued Liability (AAL)	\$977,045,000	\$1,182,766,000
Annual Required Contribution (ARC)	\$119,959,000	\$142,455,000
Annual OPEB Cost (AOC)	\$109,802,000	\$130,049,000

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



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 for Fiscal Year 2013 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 Aon Hewitt by the plan sponsor, or at the plan sponsor's direction. Aon Hewitt 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 the information is sufficiently complete and reliable, and 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 were 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 Hewitt.

The actuary whose signature appears below is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuary is available to answer any questions with regard to the matters enumerated in this report.

Aon Hewitt'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.

Deborah L. Donaldson, FSA, MAAA
Vice President
Date: October 25, 2013



Principal Valuation Results

This section presents detailed valuation results for the 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. It is the value as of the valuation date of the benefits, as described in this report, for retirees, both currently retired and currently active. The plan's PVB is \$1,951,424,000. Of this PVB, 68% 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 is \$1,182,766,000.
- 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 2013 Normal Cost is \$74,130,000.
- The Annual Required Contribution (ARC) of \$142,455,000 is a combination of the Normal Cost and an amortization payment of the Unfunded AAL (UAAL), both with interest to the end of the Fiscal Year, June 30, 2013. The (UAAL) is equal to the AAL less assets. For the method change which resulted in a reduction in AAL, PEBP utilizes the maximum amortization period allowed under GASB 45 which is 30 years



Summary of Principal Valuation Results

State of Nevada Public Employees' Benefit Program (PEBP)
 GASB 43 / 45 Valuation Results
 for Fiscal Year Ending June 30, 2013

	Fiscal Year Ending June 30, 2011	Fiscal Year Ending June 30, 2013			
		Before Changes ¹	Assumption Changes ²	Plan Design & Assumption Changes ³	Excise Tax ⁴
Discount Rate	4.00%	4.00%	4.00%	4.00%	4.00%
Present Value of Benefits (Beginning of Year)					
Retirees	\$493,453,000	\$508,455,000	\$532,008,000	\$553,162,000	\$570,508,000
Terminated Vesteds	\$34,639,000	\$34,302,000	\$42,961,000	\$44,619,000	\$46,063,000
Actives	\$1,240,618,000	\$1,132,364,000	\$1,185,196,000	\$1,204,367,000	\$1,334,853,000
Total	\$1,768,710,000	\$1,675,121,000	\$1,760,165,000	\$1,802,148,000	\$1,951,424,000
<i>Incremental \$ change</i>		<i>(\$93,589,000)</i>	<i>\$85,044,000</i>	<i>\$41,983,000</i>	<i>\$149,276,000</i>
<i>Total \$ change</i>			<i>(\$8,545,000)</i>	<i>\$33,438,000</i>	<i>\$182,714,000</i>
Actuarial Accrued Liability (Beginning of Year)					
Retirees	\$493,453,000	\$508,455,000	\$532,008,000	\$553,162,000	\$570,508,000
Terminated Vesteds	\$34,639,000	\$34,302,000	\$42,961,000	\$44,619,000	\$46,063,000
Actives	\$448,953,000	\$499,659,000	\$513,691,000	\$523,584,000	\$566,195,000
Total	\$977,045,000	\$1,042,416,000	\$1,088,660,000	\$1,121,365,000	\$1,182,766,000
<i>Incremental \$ change</i>		<i>\$65,371,000</i>	<i>\$46,244,000</i>	<i>\$32,705,000</i>	<i>\$61,401,000</i>
<i>Total \$ change</i>			<i>\$111,615,000</i>	<i>\$144,320,000</i>	<i>\$205,721,000</i>
Assets (Beginning of Year)	\$29,895,000	\$1,278,000	\$1,278,000	\$1,278,000	\$1,278,000
Unfunded Actuarial Accrued Liability (Beginning of Year)	\$947,150,000	\$1,041,138,000	\$1,087,382,000	\$1,120,087,000	\$1,181,488,000
<i>Incremental \$ change</i>		<i>\$93,988,000</i>	<i>\$46,244,000</i>	<i>\$32,705,000</i>	<i>\$61,401,000</i>
<i>Total \$ change</i>			<i>\$140,232,000</i>	<i>\$172,937,000</i>	<i>\$234,338,000</i>
Annual Required Contribution					
Normal Cost (End of Year)	\$65,185,000	\$62,248,000	\$66,405,000	\$67,337,000	\$74,130,000
Amortization of UAAL	\$54,774,000	\$60,209,000	\$62,883,000	\$64,775,000	\$68,325,000
Total ARC	\$119,959,000	\$122,457,000	\$129,288,000	\$132,112,000	\$142,455,000
<i>Incremental \$ change</i>		<i>\$2,498,000</i>	<i>\$6,831,000</i>	<i>\$2,824,000</i>	<i>\$10,343,000</i>
<i>Total \$ change</i>			<i>\$9,329,000</i>	<i>\$12,153,000</i>	<i>\$22,496,000</i>
Expected Benefit Payments	\$47,209,000	\$48,222,000	\$48,122,000	\$50,368,000	\$50,368,000
Participants					
Actives*	26,085	19,657	19,657	19,657	19,657
Terminated Vested	1,688	1,688	1,688	1,688	1,688
Retirees and disableds	8,569	8,693	8,693	8,693	8,693
Total	36,342	30,038	30,038	30,038	30,038

* Active counts reflect those hired prior to 1/1/2012

¹ Reflects updated census data and claims experience

² Reflects updated trend, participation and decrement assumptions, in addition to updated census data and claims experience.

³ Reflects updated plan designs, in addition to updated trend, participation and decrement assumptions, census data and claims experience.

⁴ Reflects the impact of the excise tax, in addition to updated plan designs, trend, participation and decrement assumptions, census data and claims experience.



Experience

Overall, the plan experienced a 21% loss from the previous valuation. The components of this gain/loss are shown below:

Actuarial Accrued Liability (AAL) as of July 1, 2010	\$	977,045,000
Changes due to:		
1. Other Experience	\$	137,156,000
2. New Data	\$	(81,666,000)
3. Claims and Premiums	\$	9,881,000
4. Assumption Changes	\$	46,244,000
5. Plan Design	\$	32,705,000
6. Excise Tax	\$	61,401,000
Net Change	\$	205,721,000
Actuarial Accrued Liability (AAL) as of July 1, 2012	\$	1,182,766,000

1. Expected increase in liability.
2. Reflects updated census data as of July 1, 2013.
3. Reflects updated claims experience and retiree premiums.
4. Reflects updated trend, participation and decrement assumptions.
5. Reflects changes in plan designs.
6. Reflects increase due to the excise tax.

Of the \$205.7M loss, the plan experienced an increase in liabilities of about \$32.7M associated with increases in HRA contribution amounts effective July 1, 2012 and July 1, 2013. These additional HRA allocations are described in our "Summary of Plan Provisions" section. The trend, participation and decrement assumptions were updated which generated an estimated loss of \$46.2M. Of this amount, approximately \$31.8M is associated with the change in participation assumptions. The majority of the remaining assumption change loss of \$14.4M is attributable to the change in the decrement assumptions which were updated to be consistent with the State of Nevada Public Employees' Retirement System plan. A gain of \$81.7M was associated with demographic changes different than expected. Lastly, updated claims experience and retiree premiums contributed to a \$9.9M loss. The impact of the Excise Tax effective in 2018 resulted in a loss of \$61.4M. For this valuation, the Excise Tax impact was determined separately for the Medicare Exchange retirees from all other retirees. Please see the Assumption section of this report for more information.



Accounting Information

This page illustrates the Annual OPEB Cost (AOC), Net OPEB Obligation (NOO), funding status, and required supplementary information for PEBP as of Fiscal Years 2011 through 2013 using a 4% discount rate. Note that the AOC and NOO are estimated based upon expected benefit payments.

Annual OPEB Cost (AOC)

Annual OPEB Cost (AOC)	<u>Fiscal Year Ending June 30, 2011</u>	<u>Fiscal Year Ending June 30, 2012</u>	<u>Fiscal Year Ending June 30, 2013</u>
Annual Required Contribution (ARC)	\$119,959,000	\$119,959,000	\$142,455,000
Interest on NOO	22,787,000	25,290,000	27,831,000
Amortization of NOO	<u>(32,944,000)</u>	<u>(36,564,000)</u>	<u>(40,237,000)</u>
Total	\$109,802,000	\$108,685,000	\$130,049,000

Net OPEB Obligation (NOO)

Net OPEB Obligation (NOO)	<u>Fiscal Year Ending June 30, 2011</u>	<u>Fiscal Year Ending June 30, 2012</u>	<u>Fiscal Year Ending June 30, 2013¹</u>
Annual OPEB Cost (AOC)	\$109,802,000	\$108,685,000	\$130,049,000
Expected Benefit Payments	(47,209,000)	(45,168,000)	(50,368,000)
Additional Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Increase in NOO	\$62,593,000	\$63,517,000	\$79,681,000
Estimated NOO – beginning of year	<u>569,666,000</u>	<u>632,259,000</u>	<u>695,776,000</u>
Estimated NOO – end of year	<u>\$632,259,000</u>	<u>\$695,776,000</u>	<u>\$775,457,000</u>

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (NOO)</u>
6/30/2010	\$213,537,000	21.59%	\$569,666,000
6/30/2011	\$109,802,000	42.99%	\$632,259,000
6/30/2013 ¹	\$130,049,000	38.73%	\$775,457,000

¹ The Net OPEB Obligation (NOO) as of June 30, 2013 is based upon the preliminary NOO as of June 30, 2012 of \$695,776,000 developed assuming an annual required contribution of \$119,959,000 for the fiscal year ending June 30, 2012.



Funded Status

PEBP must show the funded status as of the valuation date. The funded status for the valuation dates of July 1, 2010 and July 1, 2012 are shown below:

	<u>July 1, 2010**</u>	<u>July 1, 2012</u>
Actuarial Accrued Liability (AAL)	\$1,706,543,000	\$1,182,766,000
Actuarial Value of Plan Assets	<u>\$29,895,000</u>	<u>\$1,278,000</u>
Unfunded AAL (UAAL)	<u>\$1,676,648,000</u>	<u>\$1,181,488,000</u>
Funded Ratio (Assets/AAL)	1.8%	0.1%
Covered Payroll	\$1,398,963,000	\$1,414,681,000
UAAL as a % of Covered Payroll	119.8%	83.5%
Normal Cost, Beginning of the year	\$113,735,000	\$71,279,000

* Obtained from Nevada's Open Government website

**Prior to plan design change as of July 1, 2011

Required Supplementary Information

A schedule of funding progress for the three years prior to the valuation date must be provided.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b - a) / (c) UAAL as a Percentage of Covered Payroll
07/01/09	\$24,209,000	\$1,874,005,000	\$1,849,796,000	1.3%	\$1,556,892,000	118.8%
07/01/10	\$29,895,000	\$977,045,000	\$947,150,000	3.1%	\$1,398,963,000	67.7%
07/01/12	\$1,278,000	\$1,182,766,000	\$1,181,488,000	0.1%	\$1,414,681,000*	83.5%

* Obtained from Nevada's Open Government website



Payout Projection

The annual expected payments are shown below. They are based on actuarial and demographic assumptions detailed in the “Valuation Assumptions” along with the plan design description in the “Summary of Plan Provisions” sections. The expected payments are the expected claims and expenses for the retiree medical and life insurance benefits, net of retiree contributions.

Fiscal Year Ending	Expected Medical and Life Insurance Payments
2013	\$ 50,368,000
2014	\$ 57,156,000
2015	\$ 59,745,000
2016	\$ 61,111,000
2017	\$ 64,987,000
2018	\$ 70,936,000
2019	\$ 75,175,000
2020	\$ 79,722,000
2021	\$ 83,655,000
2022	\$ 86,822,000
2023	\$ 90,607,000
2024	\$ 94,067,000
2025	\$ 98,468,000
2026	\$ 102,528,000
2027	\$ 107,532,000
2028	\$ 111,947,000
2029	\$ 116,831,000
2030	\$ 121,783,000
2031	\$ 125,690,000
2032	\$ 129,026,000
2033	\$ 131,976,000
2034	\$ 134,256,000
2035	\$ 135,714,000
2036	\$ 135,948,000
2037	\$ 137,313,000
2038	\$ 138,376,000
2039	\$ 138,720,000
2040	\$ 139,234,000
2041	\$ 138,732,000
2042	\$ 136,206,000
2043	\$ 134,247,000



Demographic Information

Data Assumptions

The State of Nevada provided the participant data and the plan descriptions used in this valuation. Aon Hewitt has not audited this information. Aon Hewitt assumes this information is sufficiently complete and accurate for the purposes of this report. Please note the following data assumptions that were used:

- The census provided did not include State and Non-State service for each retiree, only total service. PEBP provided a separate file containing this service information. However, given the de-identified nature of the data provided, we were not able to match this data onto the original census file. Therefore, we applied an average factor of state to total service separately for State and Non-State retiree liability. This factor resulted in a state to total service ratio of .93 for State retirees and .09 for Non-State retirees.
- The census data for terminated vested participants was assumed to be the same population as the terminated vested participants valued to produce liabilities for the fiscal year ending June 30, 2011 GASB valuation.
- All actives are assumed to accumulate State service only. Any active participant that had historically been categorized as both a Regular and as a Police / Fire employee were valued as a Police / Fire employee to produce liabilities for the fiscal year ending June 30, 2013 valuation.

Demographics

The following pages illustrate the demographic information for the retiree health insurance plan.

NUMBER OF LIVES		
	<u>July 1, 2011</u>	<u>July 1, 2013</u>
Actives	26,085	19,657
Inactives:		
Terminated Vested	1,688	1,688
Retiree	8,098	8,219
Disabled	<u>471</u>	<u>474</u>
Total Inactives	10,257	10,381
Total	36,342	30,038



Demographics (cont'd)

The following charts provide detailed active demographic characteristics of the data used to perform the July 1, 2012 valuation.

HTH ACTIVES (AS OF JULY 1, 2013)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 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	
Under 25	0	16	0	0	0	0	0	0	0	0	16
25 to 29	0	84	58	2	0	0	0	0	0	0	144
30 to 34	0	113	136	19	2	0	0	0	0	0	270
35 to 39	0	110	155	77	21	1	0	0	0	0	364
40 to 44	0	113	186	122	80	22	2	0	0	0	525
45 to 49	0	151	161	117	105	49	12	0	0	0	595
50 to 54	0	105	201	118	116	57	18	4	0	0	619
55 to 59	0	111	179	125	109	58	25	5	0	0	612
60 to 64	0	76	122	76	62	33	15	2	0	0	386
65 to 69	0	14	50	30	23	11	10	2	0	0	140
70 & up	0	1	6	10	10	2	1	1	0	0	31
Total	0	894	1,254	696	528	233	83	14	0	0	3,702

Average Age: 48.83

Average Service: 9.29

HPN ACTIVES (AS OF JULY 1, 2013)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 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	
Under 25	0	19	3	0	0	0	0	0	0	0	22
25 to 29	0	144	67	0	0	0	0	0	0	0	211
30 to 34	0	159	161	24	1	0	0	0	0	0	345
35 to 39	0	145	210	66	24	0	0	0	0	0	445
40 to 44	0	146	197	109	77	8	1	0	0	0	538
45 to 49	0	111	198	107	78	31	17	1	0	0	543
50 to 54	0	101	178	103	82	51	15	3	0	0	533
55 to 59	0	83	145	89	83	46	17	5	0	0	468
60 to 64	0	51	130	64	53	47	15	4	1	0	365
65 to 69	0	17	39	26	22	14	4	1	0	0	123
70 & up	0	8	8	5	11	9	2	2	1	0	46
Total	0	984	1,336	593	431	206	71	16	2	0	3,639

Average Age: 47.33

Average Service: 8.64

PPO ACTIVES (AS OF JULY 1, 2013)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 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	
Under 25	0	103	5	0	0	0	0	0	0	0	108
25 to 29	0	444	175	1	0	0	0	0	0	0	620
30 to 34	0	455	507	74	4	0	0	0	0	0	1,040
35 to 39	0	411	569	218	76	3	0	0	0	0	1,277
40 to 44	0	403	587	356	213	47	5	0	0	0	1,611
45 to 49	0	394	556	387	295	156	43	3	0	0	1,834
50 to 54	0	368	580	366	277	178	91	7	0	0	1,867
55 to 59	0	276	541	380	296	215	97	25	1	0	1,831
60 to 64	0	191	400	261	207	180	90	34	11	1	1,375
65 to 69	0	57	133	106	92	71	34	23	22	4	542
70 & up	0	16	44	44	34	19	18	8	9	15	207
Total	0	3,118	4,097	2,193	1,494	869	378	100	43	20	12,312

Average Age: 48.55

Average Service: 9.50



Demographics (cont'd)

The following chart provides demographic information on the inactive population used to perform the July 1, 2010 and July 1, 2012 valuations:

Group	July 1, 2011		July 1, 2013	
	Count	Average Age	Count	Average Age
Retirees & Survivors Under Age 65	3,211	59.6	3,007	59.6
Retirees & Survivors Age 65 and Older	4,887	73.7	5,212	73.4
Terminated Vested	1,688	56.5	1,688	58.5
Disableds	471	60.1	474	59.8
Total Inactive	10,257	65.8	10,381	66.4



Summary of Plan Provisions

Plan This valuation reflects plan design changes made as of July 1, 2013 since they were communicated to plan participants during fiscal year 2013.

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. Actives hired after December 31, 2011 are not eligible for any subsidy from PEBP. In addition, actives hired after December 31, 2009 and who retire with less than 15 years of continuous service (except a disability retirement) are not eligible for a subsidy from PEBP.

Normal Retirement - 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

Normal Retirement – 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.

Surviving spouses are not eligible to receive post-Medicare benefits.



State Retiree Medical Expense Coverage Plan Features

The following plan features are effective as of July 1, 2012:

Non-Medicare Retirees

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out-Of-Network)	(Northern HMO)	(Southern HMO)
Plan Deductible (per calendar year)			None	None
Individual*	\$1,900	\$1,900		
Family*	\$3,800 (\$2,500 Indiv.)	\$3,800		
Out-of-Pocket Maximum				
Individual	\$3,900	\$10,600	\$6,200	\$6,800 per person
Family	\$7,800, excludes Inv. Family OOP	\$21,200	\$12,400	
Lifetime Maximum (per covered person)	Unlimited		Unlimited	Unlimited
HRA Account Contributions				
Individual	\$700		NA	NA
Family	\$700 + \$200/dependent (max 3)*			
Physician Services (except Mental Health/Alc/Drug)	\$75% after deductible	50% U&C after plan year deductible	\$25 copay	\$15 copay
Office Visits				
Routine Physical	100% no deductible	Not Covered	No charge	No charge
Routine OB/GYN Exam				
Well Child exams and immunizations				
Mammography/Pap Test				
Prostate Screening				
Specialist (office visits)	75% after deductible	50% U&C after plan year deductible	\$45 copay	\$15 copay
Diagnostic X-ray & Laboratory (other than physician's office)	75% PPO after plan year deductible	50% after deductible, U&C applies	CT, MRI, & Nuc. Med. -\$250 Pet Scan - \$350 Diagnostic Mammogram - \$45 All other X-ray - \$75 PCP or specialist – included in office visit copay	No charge
Ambulance	75% PPO after plan year deductible	75% U&C after plan year deductible	\$150/\$200 copay	\$0



Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Hospital Services	75% after deductible	50% U&C after deductible	\$1,500 per admission	\$200 copay per admission
Inpatient Coverage				
Outpatient Coverage	75% after deductible	50% U&C after plan year deductible	\$1,000 copay per admit	\$50 per admission
Emergency Room	75% after deductible U&C applies	75% after deductible U&C applies	\$300 copay unless admitted	\$50 copay; \$25 physician copay
Physician In-Hospital Services	75% after plan year deductible	50% U&C after plan year deductible	No charge	No charge
Urgent Care Facility	75% after deductible	50% U&C after plan year deductible	\$50 copay	\$15 copay
Skilled Nursing Facility	75% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$1,500 copay (30 days per calendar year)	\$200 per admission (100 days per calendar year)
Home Health Care	75% PPO after deductible	50% of U&C or 110% of the Medi Span AWP; after plan year deductible	\$25/visit	-
Rehabilitation Services	75% PPO after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$1,500 copay (30 days per calendar year)	-
Durable Medical Equipment	75% after plan year deductible	50% U&C after plan year deductible	No charge (\$3,500 limit per calendar year.)	\$100 or 50% of EME of purchase or rental, whichever is less
Corrective Appliances	Hearing aids: 50% after plan year deductible; all other corrective appliances: 75% after plan year deductible	Hearing aids: 50% after plan year deductible; all other corrective appliances: 50% after plan year deductible	-	-
Vision Care	One exam per rolling 12 months; 75% U&C.		\$15 exam copay	\$10 exam copay
	Hardware not covered		15%-20% discount on eye wear	\$10 lens copay, \$100 eye wear allowance



Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Pre-certification	Required for genetic testing		N/A	N/A
Medical Claim Submission	Provider initiated	Member initiated	Provider initiated	Provider initiated
Prescription Drugs				
Retail	75% after deductible	75% after deductible on eligible prescriptions based on allowable in-Network cost	\$7 Formulary generic	\$7 Preferred generic
	Participant responsible for 100% of non-preferred non-generic brands		\$40 Formulary Brand	\$35 Preferred Brand
			Greater of \$75 or 40%	\$55 Non-preferred
Mail			\$14 Formulary Generic	The Member pays two of the applicable copayments as outlined above for up to a 90-day Maintenance Supply for Preferred Maintenance Covered Drugs
	75% after deductible	75% after deductible on eligible prescriptions	\$80 Formulary Brand	
	Participant responsible for 100% of non-preferred non-generic brands		Greater of \$150 or 40%	

*Effective with the July 1, 2012 Plan Year PEBP board decided to provide the following additional HRA contributions to the HDHP plan, effective only for PY 2013:

- \$400 additional HRA contribution for each retiree
- Increase HRA contribution per dependent \$100
- For those HDHP retirees with 20 or more years of service June 30, 2012, an additional \$200 HRA allocation

*Effective with the July 1, 2013 Plan Year PEBP board decided to provide the following additional HRA contributions to the HDHP plan, effective only for the PY 2014:

- \$400 for both state and nonstate retirees, \$297 for only state retirees for HDHP Plan
- \$100 for both state and nonstate retirees and \$115 for state retirees for each dependent to a maximum of three dependents for HDHP Plan



Medicare Eligible retirees will participate in the individual market. PEBP will contribute to a Health Reimbursement account (Exchange HRA Plan).

HRA Benefit

The following monthly amount will be credited on behalf of Medicare Eligible Retirees, effective July 1, 2013.

- (1) For those who retired prior to January 1, 1994, the dollar amount is equal to \$165 (previously was \$150).
- (2) For those who retired on or after January 1, 1994, the dollar amount is equal to the base amount (\$11) multiplied by the years of service credit up to a maximum of 20 years of service. Prior to this plan year, the base amount was \$10.
- (3) A one-time contribution \$2 per year of service per month for PY 2014 and 2015.

Funding

PEBP shall credit Exchange HRA Accounts of Eligible Retirees with Benefit Credits on the first business day of the plan year for CDHP. HRA for exchange (with exception of \$2 per year per month) the first business day of each month.

State Retiree Dental Plan Features

Plan Features	Dental PPO Plan	
	(In-Network)	(Out-of-Network)
Annual Deductible Individual	\$100	\$100
Family	\$300	\$300
Annual Maximum	\$1,000	\$1,000
Preventive Services	100%; No deductible	80% U&C; No deductible
Basic Services	75% after deductible	50% U&C after deductible
Major Services	50% after deductible	50% U&C after deductible

State Retiree Life Insurance Plan Features

If you participate in a PEBP medical plan, your benefits include \$5,000 life insurance.

State Retiree Life Insurance Plan Contributions

Pre-Medicare Retirees contribute \$2.863 per month for retiree life insurance coverage. This contribution is included in the monthly medical premium. If a Medicare retiree, the premium is \$0 as PEBP pays the premium.

State Retiree Medical Contributions

Plan Year 2013 and 2014	State Non-Medicare Retirees and Survivor Rates	
	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$227.28	\$307.03
Retiree + Spouse	\$557.47	\$734.45
Surviving Spouse	\$631.40	\$602.01 (2013), \$655.83 (2014)



Plan Year 2014	Non-State Non-Medicare Retirees and Survivor Rates	
Coverage	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$1,019.40	\$671.92
Retiree + Spouse	\$1,939.96	\$1,313.23
Surviving Spouse	\$1,019.40	\$671.92

Plan Year 2013	Non-State Non-Medicare Retirees and Survivor Rates	
Coverage	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$836.15	\$602.01
Retiree + Spouse	\$1,630.63	\$1,204.02
Surviving Spouse	\$836.15	\$602.01

PY 2013 Coverage	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
	State Retiree Rate	Non-State Retiree Rate
Retiree	\$38.87	\$30.63
Retiree + Spouse/DP	\$77.73	\$61.27
Surviving Spouse/DP	\$38.87	\$30.63

PY 2014 Coverage	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
	State Retiree Rate	Non-State Retiree Rate
Retiree	\$34.30	\$31.51
Retiree + Spouse/DP	\$68.59	\$63.03
Surviving Spouse/DP	\$34.30	\$31.51



**State Retiree Medical
CDHP Plan Retiree
Subsidy**

Years of Service	7/1/2012	7/1/2013
5	+\$354.48	+\$342.15
6	+319.03	+307.94
7	+283.58	+273.72
8	+248.14	+239.51
9	+212.69	+205.29
10	+177.24	+171.08
11	+141.79	+136.86
12	+106.34	+102.65
13	+70.90	+68.43
14	+35.45	+34.22
15	0.00	0.00
16	-\$35.45	-34.22
17	-70.90	-68.43
18	-106.34	-102.65
19	-141.79	-136.86
20	-177.24	-171.08

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

Years of Service	7/1/2012	7/1/2013
5	-118.16	-114.05
6	-153.61	-148.27
7	-189.06	-182.48
8	-224.50	-216.70
9	-259.95	-250.94
10	-295.40	-285.13
11	-330.85	-319.34
12	-366.30	-353.56
13	-401.74	-387.77
14	-437.19	-421.99
15	-472.64	-456.20
16	-508.09	-490.42
17	-543.54	-524.63
18	-578.98	-558.85
19	-614.43	-593.06
20	-649.88	-627.28



Valuation Assumptions

Actuarial Cost Method Projected Unit Credit.

Valuation Date The census data was provided as of July 1, 2013. The liabilities are calculated as of July 1, 2013 and discounted back to July 1, 2012.

Health Care Trend

Year	Medical/ Rx / PEBP Subsidy
7/1/2012	8.75%
7/1/2013	8.25%
7/1/2014	8.00%
7/1/2015	7.50%
7/1/2016	7.00%
7/1/2017	6.50%
7/1/2018	6.00%
7/1/2019	5.50%
2020 and beyond	5.00%

CDHP HRA Trend: 0.0%
HRA Exchange Trend: 0.0%
Dental Plan Trend: 4.0%
Administrative Expenses Trend: 2.5%
Trend on Part B Premiums: 5.0%

PERS Assumptions The mortality assumption is the same as those used for the June 30, 2012 actuarial valuation for the Public Employees Retirement System (PERS) for the State of Nevada. In addition, we incorporated the demographic assumptions approved by the PERS board in the September 2013 Meeting

Healthy Mortality *Regular:* RP-2000 Combined Healthy Mortality projected to 2013 with Scale AA, set back one year for females.

Police / Fire: RP-2000 Combined Healthy Mortality projected to 2013 with Scale AA, set forward one year.

Disabled Mortality RP-2000 Disabled Retiree Mortality projected to 2013 with Scale AA, set forward three years.



Retirement Rates

Retirement rates vary by employee group and are shown below:

Age	Regular				
	Years of Service (%)				
	5 - 9	10 - 19	20 - 24	25 - 29	30+
45 - 49	0.00	0.00	1.00	7.00	20.00
50 - 54	1.00	2.00	2.00	10.00	20.00
55 - 59	2.00	4.00	6.00	13.00	25.00
60 - 61	8.00	12.00	18.00	25.00	25.00
62 - 64	10.00	14.00	18.00	25.00	25.00
65 - 69	20.00	20.00	22.00	25.00	25.00
70 - 74	40.00	40.00	60.00	60.00	60.00
75+	100.00	100.00	100.00	100.00	100.00

Age	Police / Fire				
	Years of Service (%)				
	5 - 9	10 - 19	20 - 24	25 - 29	30+
Under 40	0.00	0.00	0.00	0.00	0.00
40 - 44	0.00	0.75	3.00	0.00	0.00
45 - 49	0.00	1.00	5.00	15.00	15.00
50 - 54	1.50	5.00	13.00	18.00	27.00
55 - 59	3.50	11.00	20.00	25.00	35.00
60 - 64	10.00	18.00	25.00	32.00	35.00
65 - 69	60.00	60.00	65.00	70.00	70.00
70+	100.00	100.00	100.00	100.00	100.00

Withdrawal Rates

Withdrawal rates vary by employee group and are shown below:

Years of Service	%	
	Regular	Police / Fire
0 - 1	16.50	14.00
1 - 2	12.50	6.50
2 - 3	9.70	5.75
3 - 4	7.30	4.75
4 - 5	6.60	4.25
5 - 6	5.00	3.50
6 - 7	4.00	3.00
7 - 8	3.50	2.25
8 - 9	3.25	1.90
9 - 10	3.00	1.75
10 - 11	2.75	1.50
11 - 12	2.50	1.25
12 - 13	2.25	1.00
13 - 14	2.00	0.90
14 - 15	1.75	0.80
15+	1.50	0.50



Disability Rates

Disability rates vary by employee group and are shown below:

<u>Age</u>	<u>% Regular</u>	<u>% Police / Fire</u>
20 - 24	0.01	0.00
25 - 29	0.02	0.06
30 - 34	0.06	0.10
35 - 39	0.09	0.18
40 - 44	0.21	0.35
45 - 49	0.35	0.56
50 - 54	0.57	0.75
55 - 59	0.75	0.50
60 - 64	0.40	0.50
65+	0.00	0.00

Participation

90% of current eligible actives and 60% of current terminated vested employees will elect retiree plan coverage. 60% of actives decremented to withdrawal from the plan with at least five years of service will elect retiree medical and dental coverage.

Spouse Coverage

30% of active males and 15% of active females will elect retiree spouse coverage. This assumption was determined using PEBP census. Actual spousal data was used for the current retirees.

Age Difference

Male participants are assumed to be four years older than spouses: female participants are assumed to be two years younger than spouses.

Employees Covered

Medical, Dental, Rx: All actives, terminated vesteds, current retirees and survivors electing healthcare coverage;

Life Insurance: All active employees and current retirees that elected healthcare coverage. Reinstated retirees and survivors are not eligible to receive the life insurance benefit

State Service

Non-State retirees with State service credit of 5 years or more were valued assuming a pro rata distribution of the state subsidy adjustment. For State retirees with Non-State service, State service was valued assuming a pro rata distribution of state subsidy. However, to determine the state subsidy amount prior to the pro rata factor being applied, total years of service (both Non-State and State) were used.

Medical Plans

Pre-Medicare Retirees: For retirees with younger spouses, retirees and spouses will move to the exchange once the spouse becomes Medicare eligible (age 65). For retirees with older spouse, retirees and spouses will both move to the Exchange when the retiree becomes Medicare eligible.

Terminated Vesteds: If service is less than 10 years, Terminated Vested (TVs) participants are assumed to retire at age 65 and go directly to the Exchange. If service is ten years or more, TVs are assumed to retire at age 60 and move to the exchange in the same manner as actives outlines above.

Current Actives: Actives enrolled in the HDHP are assumed to participate in this



plan upon retirement. It is assumed 5% of pre-Medicare actives enrolled in the HPN Plan will participate in the HDHP upon retirement. Likewise, it is assumed 20% of pre-Medicare actives enrolled in the HTH Plan will participate in the HDHP upon retirement. The balance of the HMO populations will remain in the HMO plan as early retirees. These assumptions were based upon actual PEBP census. For all plans, when actives retire and then reach age 65, it is assumed they become Medicare eligible. Once both the participant and spouse become Medicare eligible, it is assumed they will both participate in the exchange.

Dental Plan Pre-Medicare retirees will participate in PEBP's Dental Plan. Those enrolled in the EHPD plan will assume to enroll in PEBP's dental plan. For those future Exchange retirees, we assume 55% will participate in PEBP's Dental program.

Medicare Eligibility Certain retirees over age 65 are not eligible for Medicare Part A as indicated on the data. For these participants, we have assumed they will not become eligible for Medicare Part A at any time in the future. Current active employees are assumed to be eligible for Medicare Part A. Medicare eligible retirees will go to the Exchange.

Missing/Incomplete Data It is assumed the averages for the missing data fields will be used.

Health Care Reform Certain provisions of healthcare legislation that are effective in future years have the potential to impact the GASB liabilities. As a result of the Patient Protection and Affordable Care Act (PPACA), beginning in 2018 there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. The 2018 cost thresholds are assumed to be \$10,200 for individual and \$27,500 for family coverage, adjusted to reflect the additional impact of the valuation trend from 2013 to 2018 as compared to a limit on cost increases for a benchmark plan included in the legislation. CPI is assumed to be 2.50% in all future years. For purposes of determining the impact of Excise Tax to PEBP plans, we determined separately the impact associated with the Medicare Exchange from all other plans, per the request of PEBP. The Medicare Exchange did not incur any additional Excise Tax impact. The other plans are anticipated to be impacted by Excise Tax in 2018. The excise tax results in approximately a 6% increase to PEBP's Actuarial Accrued Liability as of July 1, 2012.

Administrative Fees (on a per participant basis) HDHP: \$570
HMOs: \$250
Medicare Exchange: \$182

HRA Account Reversions Pre-65 CDHP: 5.0%
Medicare HRA: 0.5%

Health Care Claims Costs Annual per capita medical and prescription drug claims costs are shown on the following pages. The costs represent estimated claims based on the plan design in effect on July 1, 2013. Expenses are shown separately. The retiree costs for active employees currently enrolled in an HMO plan are a blend of their current



HMO plan and the PPO plan, using the blending percentages stated above.

Part B Premium in CDHP

PEBP pays Part B premium for eligible participants in the CDHP and HMO Plans. If not specifically indicated on the data, it is assumed any retiree over age 65 and participating in these plans will receive the Part B premium and PEBP pays the premium. For retirees indicated on the data file as eligible for Part B, it is assumed they will receive the Part B premium subsidy. The Part B premium subsidy in effect for the fiscal year ending June 30, 2013 is \$104.90 per month.

Dental Claims Cost

	<u>Male</u>	<u>Female</u>
Pre-65	\$410	\$410
Post-65	\$450	\$420



Health Care Claims Cost – After Plan Changes

Age	PPO Medical							
	State				Non-State			
	Male		Female		Male		Female	
	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$3,067	\$3,067	\$3,585	\$3,585	\$3,919	\$3,919	\$3,261	\$3,261
31	\$3,141	\$3,141	\$3,671	\$3,671	\$4,014	\$4,014	\$3,340	\$3,340
32	\$3,217	\$3,217	\$3,760	\$3,760	\$4,111	\$4,111	\$3,421	\$3,421
33	\$3,295	\$3,295	\$3,851	\$3,851	\$4,210	\$4,210	\$3,503	\$3,503
34	\$3,374	\$3,374	\$3,944	\$3,944	\$4,312	\$4,312	\$3,587	\$3,587
35	\$3,455	\$3,455	\$4,039	\$4,039	\$4,416	\$4,416	\$3,673	\$3,673
36	\$3,538	\$3,538	\$4,136	\$4,136	\$4,523	\$4,523	\$3,762	\$3,762
37	\$3,623	\$3,623	\$4,236	\$4,236	\$4,632	\$4,632	\$3,853	\$3,853
38	\$3,710	\$3,710	\$4,338	\$4,338	\$4,744	\$4,744	\$3,946	\$3,946
39	\$3,799	\$3,799	\$4,443	\$4,443	\$4,858	\$4,858	\$4,041	\$4,041
40	\$3,891	\$3,891	\$4,550	\$4,550	\$4,975	\$4,975	\$4,138	\$4,138
41	\$3,985	\$3,985	\$4,660	\$4,660	\$5,095	\$5,095	\$4,238	\$4,238
42	\$4,081	\$4,081	\$4,772	\$4,772	\$5,218	\$5,218	\$4,340	\$4,340
43	\$4,179	\$4,179	\$4,887	\$4,887	\$5,344	\$5,344	\$4,445	\$4,445
44	\$4,280	\$4,280	\$5,005	\$5,005	\$5,473	\$5,473	\$4,552	\$4,552
45	\$4,383	\$4,383	\$5,126	\$5,126	\$5,605	\$5,605	\$4,662	\$4,662
46	\$4,513	\$4,513	\$5,278	\$5,278	\$5,771	\$5,771	\$4,800	\$4,800
47	\$4,647	\$4,647	\$5,435	\$5,435	\$5,942	\$5,942	\$4,943	\$4,943
48	\$4,785	\$4,785	\$5,596	\$5,596	\$6,118	\$6,118	\$5,090	\$5,090
49	\$4,927	\$4,927	\$5,762	\$5,762	\$6,300	\$6,300	\$5,241	\$5,241
50	\$5,073	\$5,073	\$5,933	\$5,933	\$6,487	\$6,487	\$5,397	\$5,397
51	\$5,259	\$5,259	\$6,150	\$6,150	\$6,724	\$6,724	\$5,594	\$5,594
52	\$5,451	\$5,451	\$6,375	\$6,375	\$6,970	\$6,970	\$5,799	\$5,799
53	\$5,650	\$5,650	\$6,608	\$6,608	\$7,225	\$7,225	\$6,011	\$6,011
54	\$5,857	\$5,857	\$6,850	\$6,850	\$7,489	\$7,489	\$6,231	\$6,231
55	\$6,071	\$6,071	\$7,101	\$7,101	\$7,763	\$7,763	\$6,459	\$6,459
56	\$6,328	\$6,328	\$7,401	\$7,401	\$8,092	\$8,092	\$6,732	\$6,732
57	\$6,596	\$6,596	\$7,714	\$7,714	\$8,434	\$8,434	\$7,017	\$7,017
58	\$6,875	\$6,875	\$8,040	\$8,040	\$8,791	\$8,791	\$7,314	\$7,314
59	\$7,166	\$7,166	\$8,380	\$8,380	\$9,163	\$9,163	\$7,623	\$7,623
60	\$7,469	\$7,469	\$8,735	\$8,735	\$9,551	\$9,551	\$7,946	\$7,946
61	\$7,797	\$7,797	\$9,119	\$9,119	\$9,971	\$9,971	\$8,295	\$8,295
62	\$8,140	\$8,140	\$9,520	\$9,520	\$10,410	\$10,410	\$8,660	\$8,660
63	\$8,498	\$8,498	\$9,939	\$9,939	\$10,868	\$10,868	\$9,041	\$9,041
64	\$8,872	\$8,872	\$10,376	\$10,376	\$11,346	\$11,346	\$9,439	\$9,439
65	\$9,262	\$3,242	\$10,832	\$3,791	\$11,845	\$4,675	\$9,854	\$3,365
66	\$9,600	\$3,360	\$11,228	\$3,930	\$12,278	\$4,845	\$10,214	\$3,488
67	\$9,951	\$3,483	\$11,638	\$4,073	\$12,727	\$5,023	\$10,587	\$3,616
68	\$10,315	\$3,610	\$12,063	\$4,222	\$13,192	\$5,206	\$10,974	\$3,747
69	\$10,692	\$3,742	\$12,504	\$4,376	\$13,674	\$5,396	\$11,375	\$3,884
70	\$11,083	\$3,879	\$12,961	\$4,536	\$14,174	\$5,593	\$11,791	\$4,026
71	\$11,377	\$3,982	\$13,305	\$4,657	\$14,550	\$5,741	\$12,104	\$4,133
72	\$11,679	\$4,088	\$13,658	\$4,780	\$14,936	\$5,894	\$12,425	\$4,242
73	\$11,989	\$4,196	\$14,020	\$4,907	\$15,332	\$6,050	\$12,755	\$4,355
74	\$12,307	\$4,307	\$14,392	\$5,037	\$15,739	\$6,211	\$13,093	\$4,471
75	\$12,634	\$4,422	\$14,774	\$5,171	\$16,157	\$6,376	\$13,440	\$4,589



Health Care Claims Cost (cont)

Age	PPO Rx							
	State				Non-State			
	Male		Female		Male		Female	
	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$353	\$353	\$427	\$427	\$596	\$596	\$401	\$401
31	\$370	\$370	\$448	\$448	\$625	\$625	\$420	\$420
32	\$388	\$388	\$470	\$470	\$655	\$655	\$440	\$440
33	\$407	\$407	\$493	\$493	\$687	\$687	\$461	\$461
34	\$427	\$427	\$517	\$517	\$720	\$720	\$483	\$483
35	\$448	\$448	\$542	\$542	\$755	\$755	\$506	\$506
36	\$470	\$470	\$568	\$568	\$791	\$791	\$530	\$530
37	\$493	\$493	\$595	\$595	\$829	\$829	\$556	\$556
38	\$517	\$517	\$624	\$624	\$869	\$869	\$583	\$583
39	\$542	\$542	\$654	\$654	\$911	\$911	\$611	\$611
40	\$568	\$568	\$686	\$686	\$955	\$955	\$640	\$640
41	\$595	\$595	\$719	\$719	\$1,001	\$1,001	\$671	\$671
42	\$624	\$624	\$754	\$754	\$1,049	\$1,049	\$703	\$703
43	\$654	\$654	\$790	\$790	\$1,100	\$1,100	\$737	\$737
44	\$686	\$686	\$828	\$828	\$1,153	\$1,153	\$772	\$772
45	\$719	\$719	\$868	\$868	\$1,208	\$1,208	\$809	\$809
46	\$753	\$753	\$910	\$910	\$1,266	\$1,266	\$848	\$848
47	\$789	\$789	\$954	\$954	\$1,327	\$1,327	\$889	\$889
48	\$827	\$827	\$1,000	\$1,000	\$1,390	\$1,390	\$932	\$932
49	\$867	\$867	\$1,048	\$1,048	\$1,456	\$1,456	\$977	\$977
50	\$908	\$908	\$1,098	\$1,098	\$1,526	\$1,526	\$1,024	\$1,024
51	\$951	\$951	\$1,150	\$1,150	\$1,598	\$1,598	\$1,072	\$1,072
52	\$996	\$996	\$1,204	\$1,204	\$1,673	\$1,673	\$1,123	\$1,123
53	\$1,043	\$1,043	\$1,261	\$1,261	\$1,752	\$1,752	\$1,176	\$1,176
54	\$1,092	\$1,092	\$1,320	\$1,320	\$1,835	\$1,835	\$1,231	\$1,231
55	\$1,144	\$1,144	\$1,382	\$1,382	\$1,922	\$1,922	\$1,289	\$1,289
56	\$1,197	\$1,197	\$1,447	\$1,447	\$2,012	\$2,012	\$1,349	\$1,349
57	\$1,253	\$1,253	\$1,515	\$1,515	\$2,106	\$2,106	\$1,412	\$1,412
58	\$1,312	\$1,312	\$1,586	\$1,586	\$2,204	\$2,204	\$1,478	\$1,478
59	\$1,373	\$1,373	\$1,660	\$1,660	\$2,307	\$2,307	\$1,547	\$1,547
60	\$1,437	\$1,437	\$1,738	\$1,738	\$2,415	\$2,415	\$1,619	\$1,619
61	\$1,502	\$1,502	\$1,817	\$1,817	\$2,525	\$2,525	\$1,693	\$1,693
62	\$1,570	\$1,570	\$1,900	\$1,900	\$2,640	\$2,640	\$1,770	\$1,770
63	\$1,641	\$1,641	\$1,986	\$1,986	\$2,760	\$2,760	\$1,851	\$1,851
64	\$1,716	\$1,716	\$2,076	\$2,076	\$2,886	\$2,886	\$1,935	\$1,935
65	\$1,794	\$1,794	\$2,170	\$2,170	\$3,017	\$3,017	\$2,023	\$2,023
66	\$1,876	\$1,876	\$2,269	\$2,269	\$3,155	\$3,155	\$2,115	\$2,115
67	\$1,962	\$1,962	\$2,373	\$2,373	\$3,299	\$3,299	\$2,212	\$2,212
68	\$2,051	\$2,051	\$2,481	\$2,481	\$3,450	\$3,450	\$2,313	\$2,313
69	\$2,145	\$2,145	\$2,594	\$2,594	\$3,608	\$3,608	\$2,419	\$2,419
70	\$2,243	\$2,243	\$2,713	\$2,713	\$3,773	\$3,773	\$2,530	\$2,530
71	\$2,328	\$2,328	\$2,816	\$2,816	\$3,916	\$3,916	\$2,626	\$2,626
72	\$2,416	\$2,416	\$2,923	\$2,923	\$4,064	\$4,064	\$2,726	\$2,726
73	\$2,508	\$2,508	\$3,034	\$3,034	\$4,218	\$4,218	\$2,829	\$2,829
74	\$2,603	\$2,603	\$3,149	\$3,149	\$4,378	\$4,378	\$2,936	\$2,936
75	\$2,702	\$2,702	\$3,268	\$3,268	\$4,544	\$4,544	\$3,047	\$3,047



Health Care Claims Cost (cont)

Age	HMO	
	Medical	
	Non-Medicare	Medicare
30	\$2,619	\$2,619
31	\$2,706	\$2,706
32	\$2,795	\$2,795
33	\$2,887	\$2,887
34	\$2,982	\$2,982
35	\$3,080	\$3,080
36	\$3,182	\$3,182
37	\$3,287	\$3,287
38	\$3,396	\$3,396
39	\$3,508	\$3,508
40	\$3,624	\$3,624
41	\$3,744	\$3,744
42	\$3,868	\$3,868
43	\$3,996	\$3,996
44	\$4,128	\$4,128
45	\$4,264	\$4,264
46	\$4,468	\$4,468
47	\$4,682	\$4,682
48	\$4,906	\$4,906
49	\$5,141	\$5,141
50	\$5,387	\$5,387
51	\$5,619	\$5,619
52	\$5,861	\$5,861
53	\$6,113	\$6,113
54	\$6,376	\$6,376
55	\$6,651	\$6,651
56	\$6,945	\$6,945
57	\$7,252	\$7,252
58	\$7,573	\$7,573
59	\$7,908	\$7,908
60	\$8,257	\$8,257
61	\$8,587	\$8,587
62	\$8,930	\$8,930
63	\$9,287	\$9,287
64	\$9,658	\$9,658
65	\$10,044	\$3,515
66	\$10,360	\$3,626
67	\$10,686	\$3,740
68	\$11,022	\$3,858
69	\$11,368	\$3,979
70	\$11,725	\$4,104
71	\$11,970	\$4,190
72	\$12,220	\$4,277
73	\$12,475	\$4,366
74	\$12,735	\$4,457
75	\$13,001	\$4,550



Glossary

The Government Accounting Standards Board (GASB) has issued Statement 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.

Defining the Plan

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. GASB requires entities to recognize the underlying promise, not just the written plan. GASB also requires the plan sponsor to recognize any implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience.

Actuarial Assumptions

Generally, GASB requires explicit assumptions.

In the statement GASB requires that 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.

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.

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.

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.



Covered Group

Plan members included in an actuarial valuation.

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.

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.

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.



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.

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 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.

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 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.



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.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

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



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