

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, 2013

Fiscal Year Ending: June 30, 2014

Date of Report: September 2014



September 9, 2014

This report contains the results of the Fiscal Year 2014 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, 2014.
- 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 'Timothy N. Nimmer', is written over a light gray rectangular background.

Timothy N. Nimmer, FSA, MAAA
Chief Actuary & Chief Broking Officer
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.

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.

This summary illustrates the OPEB value of benefits for Fiscal Year 2013 and 2014 based upon a 4.00% discount rate and the Projected Unit Cost Method.

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>
Present Value of Benefits (PVB)	\$1,951,424,000	\$2,025,895,000
Actuarial Accrued Liability (AAL)	\$1,182,766,000	\$1,271,752,000
Annual Required Contribution (ARC)	\$142,455,000	\$140,846,000
Annual OPEB Cost (AOC)*	\$130,049,000	\$127,019,000

* The FYE 2014 AOC is based upon the Net OPEB Obligation of \$775,457,000 disclosed in the fiscal year ending June 30, 2013 GASB actuarial report

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 2014 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.

Timothy N. Nimmer, FSA, MAAA
Chief Actuary & Chief Broking Officer
Date: September 9, 2014



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 \$2,025,895,000. 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 \$1,271,752,000.
- 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 2014 Normal Cost is \$67,361,000.
- The Annual Required Contribution (ARC) of \$140,846,000 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, 2014. The (UAAL) is equal to the AAL less assets. PEBP utilizes the maximum amortization period allowed under GASB 45 which is 30 years



Summary of Principal Valuation Results

	Fiscal Year Ending June 30, 2013	Fiscal Year Ending June 30, 2014		
		Before Changes ¹	Assumption Changes ²	Plan Design & Assumption Changes ³
Discount Rate	4.00%	4.00%	4.00%	4.00%
Present Value of Benefits (Beginning of Year)				
Retirees	\$570,508,000	\$561,577,000	\$564,787,000	\$621,252,000
Terminated Vesteds	\$46,063,000	\$34,478,000	\$34,985,000	\$36,909,000
Actives	\$1,334,853,000	\$1,262,521,000	\$1,293,791,000	\$1,367,734,000
Total	\$1,951,424,000	\$1,858,576,000	\$1,893,563,000	\$2,025,895,000
Incremental \$ change		(\$92,848,000)	\$34,987,000	\$132,332,000
Total \$ change			(\$57,861,000)	\$74,471,000
Actuarial Accrued Liability (Beginning of Year)				
Retirees	\$570,508,000	\$561,577,000	\$564,787,000	\$621,252,000
Terminated Vesteds	\$46,063,000	\$34,478,000	\$34,985,000	\$36,909,000
Actives	\$566,195,000	\$564,566,000	\$575,615,000	\$613,591,000
Total	\$1,182,766,000	\$1,160,621,000	\$1,175,387,000	\$1,271,752,000
Incremental \$ change		(\$22,145,000)	\$14,766,000	\$96,365,000
Total \$ change			(\$7,379,000)	\$88,986,000
Assets (Beginning of Year)*	\$1,278,000	\$1,061,000	\$1,061,000	\$1,061,000
Unfunded Actuarial Accrued Liability (Beginning of Year)	\$1,181,488,000	\$1,159,560,000	\$1,174,326,000	\$1,270,691,000
Incremental \$ change		(\$21,928,000)	\$14,766,000	\$96,365,000
Total \$ change			(\$7,162,000)	\$89,203,000
Annual Required Contribution				
Normal Cost (End of Year)	\$74,130,000	\$61,604,000	\$63,064,000	\$67,361,000
Amortization of UAAL	\$68,325,000	\$67,058,000	\$67,912,000	\$73,485,000
Total ARC	\$142,455,000	\$128,662,000	\$130,976,000	\$140,846,000
Incremental \$ change		(\$13,793,000)	\$2,314,000	\$9,870,000
Total \$ change			(\$11,479,000)	(\$1,609,000)
Expected Benefit Payments	\$50,368,000	\$50,698,000	\$50,694,000	\$53,237,000
Participants				
Actives**	19,657	18,639	18,639	18,639
Terminated Vested	1,688	2,004	2,004	2,004
Retirees and disableds	8,693	9,056	9,056	9,056
Total	30,038	29,699	29,699	29,699

*As reported by the State

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

¹ Reflects updated census data, new premiums for the Plan Year 2015 and claims experience.

² Reflects updated trend, excise tax and mortality assumptions, in addition to updated census data, new premiums for the Plan Year 2015 and claims experience.

³ Reflects updated plan designs, in addition to updated trend, excise tax and mortality assumptions, census data, new premiums for the Plan Year 2015 and claims experience.



Experience

Overall, the plan experienced an 8% loss from the previous valuation. The components of this gain/loss are shown below:

Actuarial Accrued Liability (AAL) as of July 1, 2012	\$	1,182,766,000
Changes due to:		
1. New Experience	\$	(22,145,000)
2. Assumption Changes	\$	14,766,000
3. Plan Design	\$	<u>96,365,000</u>
Net Change	\$	88,986,000
Actuarial Accrued Liability (AAL) as of July 1, 2013	\$	1,271,752,000

1. Reflects expected increase in liability due to the passage of time, census data as of July 1, 2014, updated claims experience, and retiree premiums for the Plan Year 2015.
2. Reflects updated trend, excise tax and mortality assumptions.
3. Reflects the impact associated with changes in the plan designs.

Of the \$88.9M loss, the plan experienced a decrease in liabilities of about \$22.1M associated with demographic changes in the population of Plan participants, reflecting the most current claims experience data, and changes in retiree premium rates from the prior plan year. Changes in actuarial assumptions such as the health care cost trend rates, mortality, and the excise tax assumptions generated an estimated loss of approximately \$14.7M. Finally, changes made to the plan design resulted in an increase in liabilities of approximately \$96.3M. The changes made to the plan design are included in the "Summary of Plan Provisions" section of this report.



Accounting Information

This section illustrates the Annual OPEB Cost (AOC), Net OPEB Obligation (NOO), funding status, and required supplementary information for PEBP for applicable Fiscal Years through 2014 using a 4% discount rate. Note that the AOC and NOO are estimated based upon expected benefit payments.

Annual OPEB Cost (AOC)

<u>Annual OPEB Cost (AOC)</u>	<u>Fiscal Year Ending June 30, 2013</u>	<u>Fiscal Year Ending June 30, 2014</u>
Annual Required Contribution (ARC)	\$142,455,000	\$140,846,000
Interest on NOO	27,831,000	31,018,000
Amortization of NOO	<u>(40,237,000)</u>	<u>(44,845,000)</u>
Total	<u>\$130,049,000</u>	<u>\$127,019,000</u>

Net OPEB Obligation (NOO)

<u>Net OPEB Obligation (NOO)</u>	<u>Fiscal Year Ending June 30, 2013¹</u>	<u>Fiscal Year Ending June 30, 2014²</u>
Annual OPEB Cost (AOC)	\$130,049,000	\$127,019,000
Expected Benefit Payments	(50,368,000)	(53,237,000)
Additional Contributions	<u>0</u>	<u>0</u>
Increase in NOO	\$79,681,000	\$73,782,000
Estimated NOO – beginning of year	<u>695,776,000</u>	<u>775,457,000</u>
Estimated NOO – end of year	<u>\$775,457,000</u>	<u>\$849,239,000</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>
6/30/2011	\$109,802,000	42.99%	\$632,259,000
6/30/2013 ¹	\$130,049,000	38.73%	\$775,457,000
6/30/2014 ²	\$127,019,000	41.91%	\$849,239,000

^{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.

^{2.} The NOO as of June 30, 2014 is based upon the NOO as of June 30, 2013 disclosed in the fiscal year ending June 30, 2013 GASB actuarial report.



Funded Status

PEBP must show the funded status as of the valuation date. The funded status for the valuation dates of July 1, 2012 and July 1, 2013 are shown below:

	<u>July 1, 2012</u>	<u>July 1, 2013</u>
Actuarial Accrued Liability (AAL)	\$1,182,766,000	\$1,271,752,000
Actuarial Value of Plan Assets	<u>\$1,278,000</u>	<u>\$1,061,000</u>
Unfunded AAL (UAAL)	<u>\$1,181,488,000</u>	<u>\$1,270,691,000</u>
Funded Ratio (Assets/AAL)	0.1%	0.1%
Covered Payroll	\$1,414,681,000	\$1,374,462,188
UAAL as a % of Covered Payroll	83.5%	92.5%
Normal Cost (Beginning of Year)	\$71,279,000	\$64,770,000

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
07/01/10	\$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%
07/01/13	\$1,061,000	\$1,271,752,000	\$1,270,691,000	0.1%	\$1,374,462,188	92.5%



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.

<u>Fiscal</u> <u>Year Ending</u>	Expected Medical and Life Insurance <u>Payments</u>
2014	\$ 53,237,000
2015	\$ 57,020,000
2016	\$ 60,883,000
2017	\$ 65,207,000
2018	\$ 67,899,000
2019	\$ 72,345,000
2020	\$ 77,256,000
2021	\$ 82,037,000
2022	\$ 86,131,000
2023	\$ 90,675,000
2024	\$ 94,893,000
2025	\$ 100,039,000
2026	\$ 104,998,000
2027	\$ 110,318,000
2028	\$ 115,166,000
2029	\$ 120,381,000
2030	\$ 126,033,000
2031	\$ 130,620,000
2032	\$ 134,635,000
2033	\$ 137,777,000
2034	\$ 140,623,000
2035	\$ 142,228,000
2036	\$ 142,127,000
2037	\$ 143,615,000
2038	\$ 144,188,000
2039	\$ 144,235,000
2040	\$ 144,641,000
2041	\$ 143,751,000
2042	\$ 141,197,000
2043	\$ 138,502,000
2044	\$ 132,642,000



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 the proportion of a retiree's total service that is State and Non-State service. Per guidance from PEBP, we have applied factors of 93% and 9% to total service for State and Non-State retirees, respectively, which represents the percentage of a retiree's total service that is attributable to service with the State.
- The census provided did not include gender for every terminated vested participant, so it was assumed that the percentage of males among the terminated vested population is consistent with the percentage of males among the retiree population.
- 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, 2014 valuation.

Demographics

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

NUMBER OF LIVES		
	<u>July 1, 2013</u>	<u>July 1, 2014</u>
Actives*	19,657	18,639
Inactives:		
Terminated Vested	1,688	2,004
Retiree**	<u>8,693</u>	<u>9,056</u>
Total Inactives	10,381	11,060
Total	30,038	29,699

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

**Includes healthy and disabled retirees



Demographics (cont'd)

The following charts provide detailed active demographic characteristics of the data used to perform the July 1, 2013 valuation¹.

HTH ACTIVES (AS OF JULY 1, 2014)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 to 4	5-10	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 25	0	6	2	0	0	0	0	0	0	0	8
25-29	0	46	49	1	0	0	0	0	0	0	96
30-34	0	60	121	24	0	0	0	0	0	0	205
35-39	0	56	144	59	25	0	0	0	0	0	284
40-44	0	67	166	117	73	13	0	0	0	0	436
45-49	0	59	188	119	97	41	12	0	0	0	516
50-54	0	62	204	114	102	46	21	3	0	0	552
55-59	0	51	187	120	107	50	26	7	0	0	548
60-64	0	46	104	73	63	27	18	3	0	0	334
65-69	0	4	44	37	26	12	10	3	0	0	136
70+	0	2	8	8	9	5	4	1	0	0	37
Total	0	459	1,217	672	502	194	91	17	0	0	3,152

Average Age:

49.66

Average Service:

12.09

HPN ACTIVES (AS OF JULY 1, 2014)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 to 4	5-10	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 25	0	9	0	0	0	0	0	0	0	0	9
25-29	0	77	54	1	0	0	0	0	0	0	132
30-34	0	83	126	29	2	0	0	0	0	0	240
35-39	0	67	162	69	13	0	0	0	0	0	311
40-44	0	84	185	94	81	10	1	0	0	0	455
45-49	0	63	162	121	65	28	8	0	0	0	447
50-54	0	65	139	100	82	47	13	1	0	0	447
55-59	0	49	121	107	83	44	13	5	0	0	422
60-64	0	30	98	78	53	40	17	1	0	0	317
65-69	0	9	45	29	21	16	2	3	0	0	125
70+	0	4	11	11	9	5	5	1	1	0	47
Total	0	540	1,103	639	409	190	59	11	1	0	2,952

Average Age:

48.55

Average Service:

10.9

PPO ACTIVES (AS OF JULY 1, 2014)

Age	COMPLETED YEARS OF SERVICE										Total
	Under 1	1 to 4	5-10	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 25	0	66	11	0	0	0	0	0	0	0	77
25-29	0	299	186	3	0	0	0	0	0	0	488
30-34	0	363	568	135	4	0	0	0	0	0	1,070
35-39	0	278	642	252	72	2	0	0	0	0	1,246
40-44	0	312	692	395	238	46	3	0	0	0	1,686
45-49	0	273	667	425	317	155	48	3	0	0	1,888
50-54	0	231	682	424	294	184	81	6	2	0	1,904
55-59	0	191	619	418	323	193	111	25	3	0	1,883
60-64	0	151	434	299	239	163	94	29	13	0	1,422
65-69	0	50	155	141	112	83	46	16	25	3	631
70+	0	14	46	59	44	18	26	11	7	15	240
Total	0	2,228	4,702	2,551	1,643	844	409	90	50	18	12,535

Average Age:

49.10

Average Service:

11.74

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



Demographics (cont'd)

The following chart provides demographic information on the inactive population used to perform the July 1, 2012 and July 1, 2013 valuations:

Group	July 1, 2013		July 1, 2014	
	Count	Average Age	Count	Average Age
Retirees & Survivors Under Age 65*	3,378	59.3	3,325	59.3
Retirees & Survivors Age 65 and Older*	5,315	71.7	5,731	73.4
Terminated Vested	1,688	58.5	2,004	49.9
Total Inactive	10,381	66.4	11,060	64.9

*Includes healthy and disabled retirees



Summary of Plan Provisions

Plan This valuation reflects plan design changes made as of July 1, 2014 since they were communicated to plan participants during fiscal year 2014.

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, 2014:				
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*	\$1,500	\$1,500		
Family*	\$3,000 (\$2,500 Indiv.)	\$3,000		
Out-of-Pocket Maximum				
Individual	\$3,900	\$10,600	\$6,200 Medical, \$6,350 Prescription Drug	\$6,800 per person
Family	\$7,800, excludes Inv. Family OOP	\$21,200	\$12,400 Medical, \$12,700 Prescription Drug	
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)	\$80% 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)	\$80% after deductible	50% U&C after plan year deductible	\$45 copay	\$25 copay
Diagnostic X-ray & Laboratory (other than physician's office)	80% 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



Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Ambulance	80% PPO after plan year deductible	80% U&C after plan year deductible	\$150/\$200 copay	\$0
Hospital Services	80% after deductible	50% U&C after deductible	\$500 per admission	\$300 copay per admission
Inpatient Coverage				
Outpatient Coverage	80% after deductible	50% U&C after plan year deductible	\$350 copay per admit	\$50 per admission
Emergency Room	80% after deductible U&C applies	80% after deductible U&C applies	\$300 copay unless admitted	\$150 copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	No charge	No charge
Urgent Care Facility	80% after deductible	50% U&C after plan year deductible	\$50 copay	\$30 copay
Skilled Nursing Facility	80% after deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$500 copay (100 days per calendar year)	\$300 per admission (100 days per calendar year)
Home Health Care	80% PPO after deductible	50% of U&C or 110% of the Medi Span AWP; after plan year deductible	\$25/visit	No charge
Rehabilitation Services	80% PPO after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$500 copay (60 days per calendar year)	\$25 copay
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	No charge Orthopedic & Prosthetic \$25 Copay	\$100 or 50% of DME of purchase or rental, whichever is less
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: 50% after plan year deductible	-	-
Vision Care	One exam per rolling 12 months; 100% U&C.		N/A	N/A
	Hardware not covered		N/A	N/A



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	80% after deductible	80% 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	\$14 Preferred generic \$70 Preferred Brand Non-Formulary drugs not available through mail order. Applicable retail copay applies to mail order specialty drugs.
	80% after deductible	80% after deductible on eligible prescriptions	\$80 Formulary Brand	
	Participant responsible for 100% of non-preferred non-generic brands		Greater of \$150 or 40%. Specialty drugs not available through mail order.	

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

*Effective with the July 1, 2014 Plan Year PEBP board decided to provide the following additional HRA contributions to the HDHP plan, effective for the plan years 2015 through 2017:

- \$400 for both state and non-state retirees
- \$100 for state retirees for each dependent to a maximum of three dependents for the HDHP Plan.



Medicare Eligible retirees may 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.
- (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.
- (3) A one-time contribution \$2 per year of service per month for PY 2014 and 2015.

Effective July 1, 2014, PEBP will contribute an additional one-time contribution of \$2 per year of service per month for Plan Years 2015 through 2017.

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	\$1,500	\$1,500
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

Effective July 1, 2014, PEBP increased the life insurance benefit from \$5,000 to \$12,500. The life insurance retiree contribution for non-Medicare retirees is included in the medical premium. For Medicare retirees, the premium is paid by PEBP. No retiree contributions were modeled in the life insurance valuation.



State Retiree Medical Contributions

Rates Effective 7/1/2014 – 6/30/2015	State Non-Medicare Retirees and Survivor Rates	
Coverage	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$195.81	\$358.65
Retiree + Spouse	\$438.89	\$829.51
Surviving Spouse	\$543.91	\$703.23

Rates Effective 7/1/2014 – 6/30/2015	Non-State Non-Medicare Retirees and Survivor Rates	
Coverage	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$899.16	\$733.17
Retiree + Spouse	\$1,688.44	\$1,426.29
Surviving Spouse	\$899.16	\$733.17

PY 2014 Coverage	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
	State Retiree Rate	Non-State Retiree Rate
Retiree	\$34.51	\$33.55
Retiree + Spouse/DP	\$69.03	\$67.09
Surviving Spouse/DP	\$34.51	\$33.55



**State Retiree Medical
CDHP Plan Retiree
Subsidy**

Years of Service	7/1/2013	7/1/2014
5	+\$342.15	+\$346.65
6	+307.94	+311.98
7	+273.72	+277.32
8	+239.51	+242.65
9	+205.29	+207.99
10	+171.08	+173.33
11	+136.86	+138.66
12	+102.65	+104.00
13	+68.43	+69.33
14	+34.22	+34.67
15	0.00	0.00
16	-34.22	-34.67
17	-68.43	-69.33
18	-102.65	-104.00
19	-136.86	-138.66
20	-171.08	-173.33

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

Years of Service	7/1/2013	7/1/2014
5	-114.05	-115.55
6	-148.27	-150.22
7	-182.48	-184.88
8	-216.70	-219.55
9	-250.94	-254.21
10	-285.13	-288.88
11	-319.34	-323.54
12	-353.56	-358.21
13	-387.77	-392.87
14	-421.99	-427.54
15	-456.20	-462.20
16	-490.42	-496.87
17	-524.63	-531.53
18	-558.85	-566.20
19	-593.06	-600.86
20	-627.28	-635.53



Valuation Assumptions

Actuarial Cost Method	Projected Unit Credit.
Discount Rate	4.00%
Amortization Methodology	The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level dollar open amortization for a period of 30 years.
Valuation Date	The census data was provided as of July 1, 2014. The liabilities are calculated as of July 1, 2014 and discounted back to July 1, 2013.

Health Care Trend

Year	Medical / Rx / PEBP Subsidy
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	5.75%
7/1/2020	5.50%
7/1/2021	5.25%
2022 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	We incorporated the demographic assumptions approved by the PERS board in the September 2013 Meeting
Healthy Mortality	<p><i>Regular:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females.</p> <p><i>Police / Fire:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set forward one year.</p>
Disabled Mortality	RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.



Retirement Rates

Retirement rates vary by employee group and are shown below:

<u>Age</u>	<u>Regular Years of Service (%)</u>				
	<u>5 - 9</u>	<u>10 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30+</u>
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

<u>Age</u>	<u>Police / Fire Years of Service (%)</u>				
	<u>5 - 9</u>	<u>10 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30+</u>
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:

<u>Years of Service</u>	<u>% Regular</u>	<u>% Police / Fire</u>
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. Additionally, 60% of future retirees who have declined coverage as of July 1, 2014 are assumed to elect to participate in the plan upon retirement. 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.

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. 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 7% increase to PEBP's Actuarial Accrued Liability as of July 1, 2013.

Administrative Fees (on a per employee basis)
HDHP: \$652.68
HMOs: \$333.84
Medicare Exchange Without Dental: \$222.18
Medicare Exchange With Dental: \$248.82

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, 2014. 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. The



per capita costs for the PPO plan were based on the claims and enrollment for the time period July 1, 2011 – May 31, 2014, separately for state versus non-state and male versus female. The experience was adjusted for demographics, plan design changes, rebates, and trended to the valuation period. The per capita HMO rates were based on rates provided for state versus non-state, and adjusted for demographics. The per capita costs for the dental plan were based on the claims and enrollment for the time period July 1, 2011 – May 31, 2014, separately for male versus female. The experience was adjusted for plan design changes and trended to the valuation period. No aging was assumed. Administrative costs were based on actual fees provided by the State.

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, 2014 is \$104.90 per month.

Dental Claims Cost

	<u>Male</u>	<u>Female</u>
Pre-65	\$540	\$490
Post-65	\$500	\$470

Life Insurance Retention Load

10%



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	\$3,420	\$3,420	\$4,016	\$4,016	\$3,598	\$3,598	\$3,536	\$3,536
31	\$3,438	\$3,438	\$4,037	\$4,037	\$3,617	\$3,617	\$3,555	\$3,555
32	\$3,456	\$3,456	\$4,058	\$4,058	\$3,636	\$3,636	\$3,574	\$3,574
33	\$3,474	\$3,474	\$4,079	\$4,079	\$3,655	\$3,655	\$3,593	\$3,593
34	\$3,492	\$3,492	\$4,101	\$4,101	\$3,674	\$3,674	\$3,612	\$3,612
35	\$3,510	\$3,510	\$4,123	\$4,123	\$3,693	\$3,693	\$3,631	\$3,631
36	\$3,544	\$3,544	\$4,163	\$4,163	\$3,729	\$3,729	\$3,666	\$3,666
37	\$3,578	\$3,578	\$4,203	\$4,203	\$3,765	\$3,765	\$3,701	\$3,701
38	\$3,613	\$3,613	\$4,244	\$4,244	\$3,801	\$3,801	\$3,737	\$3,737
39	\$3,648	\$3,648	\$4,285	\$4,285	\$3,838	\$3,838	\$3,773	\$3,773
40	\$3,683	\$3,683	\$4,326	\$4,326	\$3,875	\$3,875	\$3,809	\$3,809
41	\$3,782	\$3,782	\$4,442	\$4,442	\$3,979	\$3,979	\$3,911	\$3,911
42	\$3,883	\$3,883	\$4,561	\$4,561	\$4,086	\$4,086	\$4,016	\$4,016
43	\$3,987	\$3,987	\$4,683	\$4,683	\$4,195	\$4,195	\$4,124	\$4,124
44	\$4,094	\$4,094	\$4,808	\$4,808	\$4,307	\$4,307	\$4,234	\$4,234
45	\$4,204	\$4,204	\$4,937	\$4,937	\$4,422	\$4,422	\$4,347	\$4,347
46	\$4,366	\$4,366	\$5,127	\$5,127	\$4,592	\$4,592	\$4,514	\$4,514
47	\$4,534	\$4,534	\$5,324	\$5,324	\$4,769	\$4,769	\$4,688	\$4,688
48	\$4,708	\$4,708	\$5,529	\$5,529	\$4,952	\$4,952	\$4,868	\$4,868
49	\$4,889	\$4,889	\$5,742	\$5,742	\$5,143	\$5,143	\$5,055	\$5,055
50	\$5,077	\$5,077	\$5,963	\$5,963	\$5,341	\$5,341	\$5,250	\$5,250
51	\$5,245	\$5,245	\$6,160	\$6,160	\$5,517	\$5,517	\$5,423	\$5,423
52	\$5,418	\$5,418	\$6,363	\$6,363	\$5,699	\$5,699	\$5,602	\$5,602
53	\$5,597	\$5,597	\$6,573	\$6,573	\$5,887	\$5,887	\$5,787	\$5,787
54	\$5,782	\$5,782	\$6,790	\$6,790	\$6,081	\$6,081	\$5,978	\$5,978
55	\$5,973	\$5,973	\$7,014	\$7,014	\$6,282	\$6,282	\$6,175	\$6,175
56	\$6,188	\$6,188	\$7,267	\$7,267	\$6,508	\$6,508	\$6,397	\$6,397
57	\$6,411	\$6,411	\$7,529	\$7,529	\$6,742	\$6,742	\$6,627	\$6,627
58	\$6,642	\$6,642	\$7,800	\$7,800	\$6,985	\$6,985	\$6,866	\$6,866
59	\$6,881	\$6,881	\$8,081	\$8,081	\$7,236	\$7,236	\$7,113	\$7,113
60	\$7,129	\$7,129	\$8,372	\$8,372	\$7,497	\$7,497	\$7,369	\$7,369
61	\$7,428	\$7,428	\$8,724	\$8,724	\$7,812	\$7,812	\$7,678	\$7,678
62	\$7,740	\$7,740	\$9,090	\$9,090	\$8,140	\$8,140	\$8,000	\$8,000
63	\$8,065	\$8,065	\$9,472	\$9,472	\$8,482	\$8,482	\$8,336	\$8,336
64	\$8,404	\$8,404	\$9,870	\$9,870	\$8,838	\$8,838	\$8,686	\$8,686
65	\$8,757	\$3,065	\$10,285	\$3,600	\$9,209	\$3,223	\$9,051	\$3,168
66	\$9,020	\$3,157	\$10,594	\$3,708	\$9,485	\$3,320	\$9,323	\$3,263
67	\$9,291	\$3,252	\$10,912	\$3,819	\$9,770	\$3,420	\$9,603	\$3,361
68	\$9,570	\$3,350	\$11,239	\$3,934	\$10,063	\$3,522	\$9,891	\$3,462
69	\$9,857	\$3,450	\$11,576	\$4,052	\$10,365	\$3,628	\$10,188	\$3,566
70	\$10,153	\$3,554	\$11,923	\$4,173	\$10,676	\$3,737	\$10,494	\$3,673
71	\$10,407	\$3,642	\$12,221	\$4,277	\$10,943	\$3,830	\$10,756	\$3,765
72	\$10,667	\$3,733	\$12,527	\$4,384	\$11,217	\$3,926	\$11,025	\$3,859
73	\$10,934	\$3,827	\$12,840	\$4,494	\$11,497	\$4,024	\$11,301	\$3,955
74	\$11,207	\$3,922	\$13,161	\$4,606	\$11,784	\$4,124	\$11,584	\$4,054
75	\$11,487	\$4,020	\$13,490	\$4,722	\$12,079	\$4,228	\$11,874	\$4,156



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	\$795	\$795	\$878	\$878	\$1,194	\$1,194	\$687	\$687
31	\$799	\$799	\$883	\$883	\$1,200	\$1,200	\$691	\$691
32	\$803	\$803	\$888	\$888	\$1,206	\$1,206	\$695	\$695
33	\$807	\$807	\$893	\$893	\$1,212	\$1,212	\$699	\$699
34	\$811	\$811	\$898	\$898	\$1,218	\$1,218	\$703	\$703
35	\$815	\$815	\$903	\$903	\$1,224	\$1,224	\$707	\$707
36	\$823	\$823	\$912	\$912	\$1,236	\$1,236	\$714	\$714
37	\$831	\$831	\$921	\$921	\$1,248	\$1,248	\$721	\$721
38	\$839	\$839	\$930	\$930	\$1,260	\$1,260	\$728	\$728
39	\$847	\$847	\$939	\$939	\$1,272	\$1,272	\$735	\$735
40	\$855	\$855	\$948	\$948	\$1,284	\$1,284	\$742	\$742
41	\$878	\$878	\$973	\$973	\$1,318	\$1,318	\$762	\$762
42	\$902	\$902	\$999	\$999	\$1,353	\$1,353	\$782	\$782
43	\$926	\$926	\$1,026	\$1,026	\$1,389	\$1,389	\$803	\$803
44	\$951	\$951	\$1,053	\$1,053	\$1,426	\$1,426	\$825	\$825
45	\$976	\$976	\$1,081	\$1,081	\$1,464	\$1,464	\$847	\$847
46	\$1,014	\$1,014	\$1,123	\$1,123	\$1,520	\$1,520	\$880	\$880
47	\$1,053	\$1,053	\$1,166	\$1,166	\$1,578	\$1,578	\$914	\$914
48	\$1,093	\$1,093	\$1,211	\$1,211	\$1,639	\$1,639	\$949	\$949
49	\$1,135	\$1,135	\$1,258	\$1,258	\$1,702	\$1,702	\$986	\$986
50	\$1,179	\$1,179	\$1,306	\$1,306	\$1,767	\$1,767	\$1,024	\$1,024
51	\$1,218	\$1,218	\$1,349	\$1,349	\$1,825	\$1,825	\$1,058	\$1,058
52	\$1,258	\$1,258	\$1,394	\$1,394	\$1,885	\$1,885	\$1,093	\$1,093
53	\$1,300	\$1,300	\$1,440	\$1,440	\$1,947	\$1,947	\$1,129	\$1,129
54	\$1,343	\$1,343	\$1,488	\$1,488	\$2,011	\$2,011	\$1,166	\$1,166
55	\$1,387	\$1,387	\$1,537	\$1,537	\$2,077	\$2,077	\$1,204	\$1,204
56	\$1,437	\$1,437	\$1,592	\$1,592	\$2,152	\$2,152	\$1,247	\$1,247
57	\$1,489	\$1,489	\$1,649	\$1,649	\$2,229	\$2,229	\$1,292	\$1,292
58	\$1,543	\$1,543	\$1,708	\$1,708	\$2,309	\$2,309	\$1,339	\$1,339
59	\$1,599	\$1,599	\$1,769	\$1,769	\$2,392	\$2,392	\$1,387	\$1,387
60	\$1,657	\$1,657	\$1,833	\$1,833	\$2,478	\$2,478	\$1,437	\$1,437
61	\$1,727	\$1,727	\$1,910	\$1,910	\$2,582	\$2,582	\$1,497	\$1,497
62	\$1,800	\$1,800	\$1,990	\$1,990	\$2,690	\$2,690	\$1,560	\$1,560
63	\$1,876	\$1,876	\$2,074	\$2,074	\$2,803	\$2,803	\$1,626	\$1,626
64	\$1,955	\$1,955	\$2,161	\$2,161	\$2,921	\$2,921	\$1,694	\$1,694
65	\$2,037	\$2,037	\$2,252	\$2,252	\$3,044	\$3,044	\$1,765	\$1,765
66	\$2,098	\$2,098	\$2,320	\$2,320	\$3,135	\$3,135	\$1,818	\$1,818
67	\$2,161	\$2,161	\$2,390	\$2,390	\$3,229	\$3,229	\$1,873	\$1,873
68	\$2,226	\$2,226	\$2,462	\$2,462	\$3,326	\$3,326	\$1,929	\$1,929
69	\$2,293	\$2,293	\$2,536	\$2,536	\$3,426	\$3,426	\$1,987	\$1,987
70	\$2,362	\$2,362	\$2,612	\$2,612	\$3,529	\$3,529	\$2,047	\$2,047
71	\$2,421	\$2,421	\$2,677	\$2,677	\$3,617	\$3,617	\$2,098	\$2,098
72	\$2,482	\$2,482	\$2,744	\$2,744	\$3,707	\$3,707	\$2,150	\$2,150
73	\$2,544	\$2,544	\$2,813	\$2,813	\$3,800	\$3,800	\$2,204	\$2,204
74	\$2,608	\$2,608	\$2,883	\$2,883	\$3,895	\$3,895	\$2,259	\$2,259
75	\$2,673	\$2,673	\$2,955	\$2,955	\$3,992	\$3,992	\$2,315	\$2,315



Health Care Claims Cost (cont)

Age	HMO			
	State		Non-State	
	Medical		Medical	
	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$4,180	\$4,180	\$4,167	\$4,167
31	\$4,202	\$4,202	\$4,189	\$4,189
32	\$4,224	\$4,224	\$4,211	\$4,211
33	\$4,246	\$4,246	\$4,233	\$4,233
34	\$4,268	\$4,268	\$4,255	\$4,255
35	\$4,291	\$4,291	\$4,277	\$4,277
36	\$4,332	\$4,332	\$4,318	\$4,318
37	\$4,374	\$4,374	\$4,360	\$4,360
38	\$4,416	\$4,416	\$4,402	\$4,402
39	\$4,459	\$4,459	\$4,445	\$4,445
40	\$4,502	\$4,502	\$4,488	\$4,488
41	\$4,623	\$4,623	\$4,608	\$4,608
42	\$4,747	\$4,747	\$4,731	\$4,731
43	\$4,874	\$4,874	\$4,858	\$4,858
44	\$5,005	\$5,005	\$4,988	\$4,988
45	\$5,139	\$5,139	\$5,122	\$5,122
46	\$5,337	\$5,337	\$5,319	\$5,319
47	\$5,542	\$5,542	\$5,524	\$5,524
48	\$5,755	\$5,755	\$5,737	\$5,737
49	\$5,976	\$5,976	\$5,958	\$5,958
50	\$6,206	\$6,206	\$6,187	\$6,187
51	\$6,411	\$6,411	\$6,391	\$6,391
52	\$6,623	\$6,623	\$6,602	\$6,602
53	\$6,842	\$6,842	\$6,820	\$6,820
54	\$7,068	\$7,068	\$7,045	\$7,045
55	\$7,301	\$7,301	\$7,278	\$7,278
56	\$7,564	\$7,564	\$7,540	\$7,540
57	\$7,836	\$7,836	\$7,811	\$7,811
58	\$8,118	\$8,118	\$8,092	\$8,092
59	\$8,410	\$8,410	\$8,383	\$8,383
60	\$8,713	\$8,713	\$8,685	\$8,685
61	\$9,079	\$9,079	\$9,050	\$9,050
62	\$9,460	\$9,460	\$9,430	\$9,430
63	\$9,857	\$9,857	\$9,826	\$9,826
64	\$10,271	\$10,271	\$10,239	\$10,239
65	\$10,702	\$3,746	\$10,669	\$10,669
66	\$11,023	\$3,858	\$10,989	\$10,989
67	\$11,354	\$3,974	\$11,319	\$11,319
68	\$11,695	\$4,093	\$11,659	\$11,659
69	\$12,046	\$4,216	\$12,009	\$12,009
70	\$12,407	\$4,342	\$12,369	\$12,369
71	\$12,717	\$4,451	\$12,678	\$12,678
72	\$13,035	\$4,562	\$12,995	\$12,995
73	\$13,361	\$4,676	\$13,320	\$13,320
74	\$13,695	\$4,793	\$13,653	\$13,653
75	\$14,037	\$4,913	\$13,994	\$13,994



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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