

State of Nevada

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

Actuarial Report for GASB OPEB Valuation - Final

Valuation Date: July 1, 2010

Fiscal Year Ending: June 30, 2011

Date of Report: September 21, 2011



September, 2011

This report contains the results of the Fiscal Year 2011 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, 2011.
- Provide information needed by the Plan's auditors for financial statement entries and footnote disclosures to conform to the disclosure requirements under GASB 43 and GASB 45.

This report is prepared for the sole use of the Nevada Public Employees' Benefits Program's (PEBP) and supplies information consistent with the stated purposes of the report. It may not be appropriate to use this report for other business applications.

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

Respectfully submitted,

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. The plan design changes had a significant impact to reduce liabilities, please see the experience section of the report for details.

In addition to the plan design changes, Aon Hewitt reviewed all assumptions this year and recommended a number of assumption changes to align with the new plan design and updates to reflect current behavior patterns. Lastly, the valuation method was changed from Entry Age Normal to Projected Unit Credit.

This summary illustrates the OPEB value of benefits for Fiscal Year 2010 and 2011 based upon a 4% discount rate and the Projected Unit Cost Method.

	Fiscal Year 2010	Fiscal Year 2011
Present Value of Benefits (PVB)	\$3,263,363,000	\$1,768,710,000
Actuarial Accrued Liability (AAL)	\$1,874,005,000	\$977,045,000
Annual Required Contribution (ARC)	\$220,709,000	\$119,959,000
Annual OPEB Cost (AOC)	\$213,537,000	\$109,802,000

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 2011 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 actuaries whose signatures appear below are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuaries are available to answer any questions with regard to the matters enumerated in this report.

Aon 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.

Justin M. Kindy, FSA, MAAA
Vice President



Date: 9/21/11

Timothy N. Nimmer, FSA, MAAA
Senior Vice President



Date: 9/21/11

Deborah L. Donaldson, FSA, MAAA
Vice President



Date: 9/21/11

Principal Valuation Results

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

- The Present Value of Benefits (PVB) is the total present value of all expected future benefits, based upon certain actuarial assumptions. Benefits are defined as paid claims and expenses from the plan, net of retiree contributions. The PVB is a measure of total liability or obligation. It is the value (on the valuation date) of the benefits, as described in this report, for retirees, both currently retired and currently active. The plan's PVB is \$1,768,710,000. Of this PVB, 70% 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 \$977,045,000.
- 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 2011 Normal Cost is \$65,185,000.
- The Annual Required Contribution (ARC) of \$119,959,000 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, 2011. The (UAAL) is equal to the AAL less assets. For the method change which resulted in a reduction in AAL, PEBP utilizes the minimum amortization period allowed by GASB 45 which is ten years. For all other purposes, PEBP utilizes the maximum amortization period allowed under GASB 45 which is 30 years.



Summary of Principle Valuation Results

State of Nevada Public Employees Benefit Plan (PEBP)

GASB 43/45 Valuation Results for Fiscal Year Ending June 30, 2011

As of July 1, 2010

Discount Rate = 4%

	7/1/2009	7/1/10 Pre Plan Chg	7/1/10 Post Plan Chg	7/1/10 Assumptions/ Method Change
Present Value of Benefits				
Retirees	\$863,386,000	\$1,075,605,000	\$468,803,000	\$493,453,000
Terminated Vesteds	25,022,000	34,670,000	981,000	34,639,000
Actives	2,374,955,000	2,496,046,000	959,774,000	1,240,618,000
Total	\$3,263,363,000	\$3,606,321,000	\$1,429,558,000	\$1,768,710,000
--\$ change			(\$2,176,763,000)	339,152,000
--Total \$ change				(\$1,494,653,000)
Actuarial Accrued Liability				
Retirees	\$863,386,000	\$1,075,605,000	\$468,803,000	\$493,453,000
Terminated Vesteds	25,022,000	34,670,000	981,000	34,639,000
Actives	985,597,000	1,124,250,000	420,549,000	448,953,000
Total	\$1,874,005,000	\$2,234,525,000	\$890,333,000	\$977,045,000
Assets				
	\$24,209,000	\$29,895,000	\$29,895,000	\$29,895,000
Unfunded AAL				
	\$1,849,796,000	\$2,204,630,000	\$860,438,000	\$947,150,000
--\$ change			(\$1,344,192,000)	\$86,712,000
--Total \$ change				(\$902,646,000)
Annual Required Contribution				
Normal Cost	\$113,736,000	\$114,818,000	\$43,441,000	\$65,185,000
Amortization of UAL-30 Years	106,974,000	127,494,000	49,759,215	58,707,000
Amortization of UAL-10 Years	0	0	0	-3,933,000
Total ARC	\$220,710,000	\$242,312,000	\$93,200,215	\$119,959,000
--\$ change			(\$149,111,785)	\$26,758,785
--Total \$ change				(\$100,751,000)
Expected Benefit Payments				
	\$46,104,000	\$52,574,000	\$42,721,000	\$47,209,000
Participants				
Actives	27,068	26,085	26,085	26,085
Terminated Vested	1,311	1,688	1,688	1,688
Retirees and disableds	8,211	8,569	4,036	4,036
Total	36,590	36,342	31,809	31,809



Experience

Overall, the plan experienced an \$896,960,000 gain from the previous valuation. The components of this gain are shown below:

Expected AAL, 6/30/09		\$1,874,005,000
Changes during Fiscal Year 2011 Due to:		
Benefit Accrual	\$163,679,000	
Assumption/Method Changes	40,178,000	
Plan Changes	(1,297,658,000)	
Experience	<u>196,841,000</u>	
Total Change		<u>(\$896,960,000)</u>
Actuarial Accrued Liability (AAL), 7/1/10		\$977,045,000

Of the \$896,960,000 gain, \$1,297,658,000 is due to plan changes. Of the \$40,178,000 loss due to assumption changes, a \$68,008,000 gain is associated with the change in funding method from the Entry Age Normal to the Projected Unit Credit Cost Method. The offsetting loss of \$108,186,000 is primarily due to the assumption change for the number of Terminated Vesteds who would participate in the PEBP program upon reaching retirement eligibility. The assumption was changed from 25% to 50%. The experience loss of \$196,841,000 represents experience changes such as demographic, turnover, retirement, claim, contribution and subsidy trend, and other experience which occurred differently than expected.



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 Year 2010 and 2011 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, 2010</u>	<u>Fiscal Year Ending June 30, 2011</u>
Annual Required Contribution (ARC)	\$220,709,000	\$119,959,000
Interest on NOO	16,089,000	22,787,000
Adjustment to ARC	<u>(23,261,000)</u>	<u>(32,944,000)</u>
Total	<u>\$213,537,000</u>	<u>\$109,802,000</u>

Net OPEB Obligation (NOO)

<u>Net OPEB Obligation (NOO)</u>	<u>Fiscal Year Ending June 30, 2010</u>	<u>Fiscal Year Ending June 30, 2011</u>
Annual OPEB Cost (AOC)	\$213,537,000	\$109,802,000
Expected Benefit Payments	(46,104,000)	(47,209,000)
Additional Contributions	<u>0</u>	<u>0</u>
Increase in NOO	\$167,433,000	\$62,593,000
Estimated NOO – beginning of year	<u>402,233,000</u>	<u>569,666,000</u>
Estimated NOO – end of year	<u>\$569,666,000</u>	<u>\$632,259,000</u>

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$235,264,000	21.60%	\$402,233,000
6/30/2010	\$213,537,000	21.59%	\$569,666,000
6/30/2011	\$109,802,000	42.99%	\$632,259,000



Funded Status

PEBP must show the funding status at the end of each year. The funded status as of June 30, 2010 and 2011 are shown below:

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Actuarial Accrued Liability (AAL)	\$1,706,543,000	\$1,071,800,000
Actuarial Value of Plan Assets	<u>\$29,895,000</u>	<u>TBD</u>
Unfunded AAL (UAAL)	<u>\$1,676,648,000</u>	<u>TBD</u>
Funded Ratio (Assets/AAL)	1.8%	TBD
Covered Payroll	\$1,556,892,493	\$1,398,962,830
UAAL as a % of Covered Payroll	107.7%	TBD
Normal Cost	\$113,735,000	\$65,185,000

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
07/01/08	\$25,665,000	\$1,815,501,000	\$1,789,836,000	1.4%	\$1,488,847,000	120.2%
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%



Demographic Information

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

Number of Lives		
	7/1/2009	7/1/2010
Actives	27,068	26,085
Inactives		
Terminated Vesteds	1,311	1,688
Retiree	8,206	8,075
Disabled	5	471
Total Inactives	9,522	10,234
Total	36,590	36,319

The following charts provide detailed active demographic characteristics of the data used to perform the July 1, 2010 valuation.

HPN Actives										
Age	Completed Years of Service									Total
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
15 - 19	7	-	-	-	-	-	-	-	-	7
20 - 24	127	8	-	-	-	-	-	-	-	135
25 - 29	347	86	6	-	-	-	-	-	-	439
30 - 34	317	160	40	1	-	-	-	-	-	518
35 - 39	311	187	109	31	7	-	-	-	-	645
40 - 44	254	191	139	66	29	5	-	-	-	684
45 - 49	195	157	123	72	45	19	1	-	-	612
50 - 54	163	147	126	83	57	14	5	-	-	595
55 - 59	120	135	115	82	52	21	3	1	-	529
60 - 64	71	99	50	55	21	15	2	-	-	313
65 - 69	15	26	22	15	8	1	-	-	-	87
70+	5	7	4	6	1	-	-	-	-	23
Total	1,932	1,203	734	411	220	75	11	1	0	4,587

Average Age 44.31

Average Service: 7.98

Demographics (cont.)

HTH Actives

Age	Completed Years of Service									Total
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
15 - 19	5	-	-	-	-	-	-	-	-	5
20 - 24	88	9	-	-	-	-	-	-	-	97
25 - 29	191	78	1	-	-	-	-	-	-	270
30 - 34	189	140	44	5	-	-	-	-	-	378
35 - 39	187	170	115	33	8	-	-	-	-	513
40 - 44	171	181	130	93	40	9	-	-	-	624
45 - 49	156	171	151	108	69	24	5	-	-	684
50 - 54	153	168	156	103	78	37	6	1	-	702
55 - 59	112	124	130	88	75	36	2	-	-	567
60 - 64	72	100	67	50	40	18	4	1	-	352
65 - 69	13	15	28	10	15	3	-	-	-	84
70+	1	2	7	1	3	2	1	1	-	18
Total	1,338	1,158	829	491	328	129	18	3	-	4,294

Average Age: 46.3

Average Service: 9.72

HDHP Actives

Age	Completed Years of Service									Total
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
15 - 19	32	-	-	-	-	-	-	-	-	32
20 - 24	513	19	-	-	-	-	-	-	-	532
25 - 29	1,101	243	7	-	-	-	-	-	-	1,351
30 - 34	1,054	473	143	8	-	-	-	-	-	1,678
35 - 39	952	533	360	116	21	1	-	-	-	1,983
40 - 44	771	545	412	264	145	30	-	1	-	2,168
45 - 49	828	582	484	306	255	110	6	-	-	2,571
50 - 54	666	536	465	367	263	123	32	-	1	2,453
55 - 59	515	490	453	366	256	145	40	5	-	2,270
60 - 64	313	359	282	257	158	54	34	9	4	1,470
65 - 69	84	104	82	92	58	22	23	12	10	487
70+	46	53	28	30	15	10	9	5	13	209
Total	6,875	3,937	2,716	1,806	1,171	495	144	32	28	17,204

Average Age: 46.05

Average Service: 8.94



The following chart provides demographic information on the inactive population used to value liabilities as of July 1, 2009 and July 1, 2010.

	Inactives			
	<u>7/1/2009</u>		<u>7/1/2010</u>	
	Count	Average Age	Count	Average Age
Retirees & Survivors Under Age 65	3,970	59.1	3,211	59.6
Retirees & Survivors Age 65 and Older	4,236	73.6	4,887	73.7
Terminated Vesteds	1,311	54.9	1,688	56.5
Disableds	5	57.9	471	60.1
Total Inactive	9,522		10,257	



Summary of Plan Provisions

Plan This valuation reflects plan design changes made as of July 1, 2011 since they were communicated to plan participants during fiscal year 2011.

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.

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



State Retiree Medical Expense Coverage Plan Features

The following plan features are effective as of July 1, 2011:

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 <i>(per calendar year)</i>			None	None
Individual*	\$1,900	\$1,900		
Family*	\$3,800	\$3,800		
Out-of-Pocket Maximum				
Individual	\$3,900	\$10,600	\$6,200	\$6,800 per person
Family	\$7,800	\$21,200	\$12,400	
Lifetime Maximum <i>(per covered person)</i>	Unlimited		Unlimited	Unlimited
HRA Account Contributions				
Individual	\$700		NA	NA
Family	\$700 + \$200/dependant (max 3)			
Physician Services <i>(except Mental Health/Alc/Drug)</i>	\$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 <i>(other than physician's office)</i>	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	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
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



	(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%	



For the July 1, 2010 – June 30, 2011, plan year, the following provisions apply:

State Retiree Medical Expense Coverage Plan Features				
The following plan features are effective July 1, 2010:				
All 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)			\$250	\$750
Individual*	\$800	\$800		
Family*	\$1,600	\$1,600		
Out-of-Pocket Maximum				
Individual	\$3,700	\$10,000	\$6,200	\$6,200 per person
Family	\$7,400	\$21,000	\$12,400	
Lifetime Maximum (per covered person)	\$2,000,000		\$400,000 for transplant services	\$1,000,000 for transplant services
Physician Services (except Mental Health/AIc/Drug)	\$20 copay PCP/\$30 copay specialist then 100%	50% U&C after plan year deductible	\$25 copay	\$15 copay
Office Visits				
Routine Physical	100% up to plan year maximum of \$2,500, no ded.	Not Covered	\$25 copay PCP/\$45 specialist	\$15 copay
Routine OB/GYN Exam				
Well Child exams and immunizations				
Mammography/Pap Test				
Prostate Screening				
Specialist (office visits)	\$30 copay then 100%	50% U&C after plan year deductible	\$45 copay	\$15 copay
Diagnostic X-ray & Laboratory (other than physician's office)	80% after plan year deductible; 100% for pre-admission testing, no ded.	50% U&C after plan year deductible; 100% for pre-admission testing, no ded.	\$0 copay	\$0 copay
Ambulance	80% after plan year deductible	80% U&C after plan year deductible	\$150/\$200 copay	\$0
Maternity	80% after plan year deductible	50% U&C after plan year deductible	\$25 copay	\$15 copay



Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Hospital Services	\$105 copay per admission; 80% after plan year deductible	\$600 copay per admission; 50% U&C after plan year deductible	\$1,500 per admit, subject to deductible	\$200 per admission
Inpatient Coverage				
Outpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	\$1,000 per admit and subject to deductible	\$50 per admission
Emergency Room	\$70 copay then 80% U&C after plan year deductible	\$70 copay then 80% U&C after plan year deductible	\$300 copay unless admitted and subject to deductible	\$50 copay; \$25 physician copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	100%	100%
Urgent Care Facility	\$45 copay then 100%	50% U&C after plan year deductible	\$50 copay and subject to deductible	\$15 copay
Skilled Nursing Facility	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$1500 copay per admit (30 days per calendar year) and subject to deductible	\$200 per admission (100 days per calendar year)
Home Health Care	80% after plan year deductible (60 visits per plan year)	50% U&C after plan year deductible (60 visits per plan year)	\$20/visit (Limited to \$5,000 per calendar year)	-
Rehabilitation Services	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$150 per admission (30 days per calendar year) and subject to deductible	-
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	100% (\$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: 80% after plan year deductible	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible	100% (\$3,500 limit per calendar year.)	-
Vision Care	One exam per rolling 12 months; 80% U&C.		\$15 exam copay	\$10 exam copay
	\$125 hardware allowance per rolling 2-year period.		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	\$50 annual deductible			
Retail	\$5 Generic (no deductible)		\$7 Formulary generic	\$7 Formulary generic
	\$40 Preferred brand		\$40 Formulary Brand	\$35 Formulary Brand
	100% Copay Non-preferred brand		Greater of \$70 Non-formulary or 40%	\$55 Non-formulary
Mail	\$15 Generic (no deductible)		\$14 Formulary Generic	\$14 Formulary generic
	\$120 Preferred brand		\$80 Formulary Brand	\$70 Formulary Brand
	100% Copay Non-preferred brand		Greater of \$150 or 40% Non-Formulary	N/A

For Medicare retirees, the standard coordination of Benefits applies.



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

HRA Benefit

The following monthly amount will be credited on behalf of Medicare Eligible Retirees

- (1) For those who retired prior to January 1, 1994, the dollar amount is equal to \$150.
- (2) For those who retired on or after January 1, 1994, the dollar amount is equal to the base amount (\$10) multiplied by the years of service credit up to a maximum of 20 years of service.

State Retiree Dental Expense Plan Features

Funding

PEBP shall credit Exchange HRA Accounts of Eligible Retirees with Benefit Credits on the first business day of each calendar month.

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

The following plan features are effective July 1, 2011.

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

State Retiree Life Insurance Plan Contributions

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



**State Retiree Medical
Expense Coverage Plan
Retiree Contributions**

The following retiree contributions are effective July 1, 2011.

FY 2012 Coverage	State Non-Medicare Retirees and Survivor Rates (Based on 15 Years of Service)	
	Self-Funded PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$220.70	\$268.85
Retiree + Spouse	\$539.93	\$642.72
Surviving Spouse	\$609.68	\$525.10

FY 2012 Coverage	Non-State Non-Medicare Retiree and Survivor Rates	
	Self-Funded PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$750.65	\$495.37
Retiree + Spouse/DP	\$1,459.63	\$990.74
Surviving Spouse/DP	\$750.65	\$495.37



State Retiree Medical Expense Coverage Plan Retiree Contributions (cont)

FY 2012 Coverage	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
	State Retiree Rate	Non-State Retiree Rate
Retiree	\$33.09	\$29.27
Retiree + Spouse/DP	\$66.17	\$58.54
Surviving Spouse/DP	\$33.09	\$29.27

HRA Contribution for Retirees Enrolled in an Extend Health Plan	
Years of Service	Contribution
5	\$50
6	\$60
7	\$70
8	\$80
9	\$90
10	\$100
11	\$110
12	\$120
13	\$130
14	\$140
15 (Base)	\$150
16	\$160
17	\$170
18	\$180
19	\$190
20+	\$200



Summary of Plan Provisions (cont.)

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

Years of Service	7/1/2010	7/1/2011
5	+\$258.23	+313.81
6	+232.40	+282.43
7	+206.58	+251.05
8	+180.76	+219.67
9	+154.94	+188.28
10	+129.11	+156.90
11	+103.29	+125.52
12	+77.47	+94.14
13	+51.65	+62.76
14	+25.82	+31.38
15	\$0.00	\$0.00
16	-\$25.82	-31.38
17	-51.65	-62.76
18	-77.47	-94.14
19	-103.29	-125.52
20	-129.11	-156.90

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

Years of Service	7/1/2010	7/1/2011
5	-86.08	-104.60
6	-111.90	-135.98
7	-137.72	-167.36
8	-163.54	-198.74
9	-189.37	-230.13
10	-215.19	-261.51
11	-241.01	-292.89
12	-266.83	-324.27
13	-292.66	-355.65
14	-318.48	-387.03
15	-344.30	-418.41
16	-370.12	-449.79
17	-395.95	-481.17
18	-421.77	-512.55
19	-447.59	-543.93
20	-473.41	-573.31



Valuation Methods and Assumptions

Actuarial Cost Method: Projected Unit Cost Method

Valuation Date: Data was provided June 30, 2011. The liabilities are calculated as of June 30, 2011 and discounted back to July 1, 2010

Funding Method: Projected Unit Credit

Discount Rate: 4%

Trends:

Year	Medical/ Subsidy/ HMOs	Rx
7/1/2010	9.75%	11.0%
7/1/2011	9.5%	10.0%
7/1/2012	9.0%	9.0%
7/1/2013	8.5%	8.5%
7/1/2014	8.0%	8.0%
7/1/2015	7.5%	7.5%
7/1/2016	7.0%	7.0%
7/1/2017	6.5%	6.5%
7/1/2018	6.0%	6.0%
7/1/2019	5.5%	5.5%
7/1/2020 and beyond	5.0%	5.0%

HRA Account: 0.0%
 Dental: 4.5%
 Administrative: 3.0%

Mortality:

Healthy Lives

Regular Employees

RP-2000 Combined Health Table, set forward one year for females

Police & Fire

RP-2000 combined Healthy Table, set forward one year

Disabled Members

Regular Employees

Males: RP-2000 Disabled Retiree Table, set back three years

Females: RP-2000 Disabled Retiree Table, set forward eight years

Police & Fire

Males: RP-2000 Combined Healthy Table, set forward ten years

Females: RP-2000 Disabled Retiree Table, set forward eight years

Retirement

Retirement rates vary by employee group and are shown below.

Rates:

Regular Employees				
Years of Service				
Age	5-19	20-24	25-29	30 or more
45-49	0%	1%	8%	0%
50-54	2%	2%	10%	25%
55-59	4%	7%	15%	30%
60-61	13%	20%	25%	30%
62-64	15%	20%	25%	30%
65-69	22%	25%	30%	30%
70 & Older	100%	100%	100%	100%

Police & Fire					
Years of Service					
Age	5-9	10-19	20-24	25-29	30 or more
40-44	0%	1%	1%	0%	0%
45-49	0%	1%	3%	15%	15%
50-54	1%	5%	12%	15%	25%
55-59	5%	12%	20%	25%	35%
60-64	10%	20%	25%	25%	35%
65 & Older	100%	100%	100%	100%	100%

Withdrawal Rates:

Withdrawal rates vary by employee group and are shown below.

Regular Employees	
Years of Service	Rate
0	18.25%
1	13.00%
2	9.80%
3	7.75%
4	6.50%
5	6.00%
6	5.00%
7	4.65%
8	3.90%
9	3.70%
10	3.30%
11 or more	2.00%

Police & Fire	
Years of Service	Rate
0	13.00%
1	6.50%
2	5.50%
3	4.00%
4	3.90%
5	3.75%
6 or more	2.00%

Disability Rates: Disability rates vary by employee group and are shown below.

Age	Regular Employees	Police & Fire
22	0.01%	0.05%
27	0.02%	0.05%
32	0.06%	0.06%
37	0.09%	0.09%
42	0.18%	0.37%
47	0.31%	0.53%
52	0.50%	0.66%
57	0.69%	0.60%
62	0.50%	0.60%

PERS Assumptions: The mortality, retirement, withdrawal and disability are the same as those used for the June 30, 2010 actuarial valuation for the Public Employees Retirement system (PERS) for the State of Nevada.

Participation Rate: 90% of current eligible actives and 50% of current terminated vested employees will elect retiree plan coverage. In addition, 50% of actives decrement 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

Non-State Employees: Non-State employees with State service credit of 5 years or more were valued assuming a pro rata distribution of the state subsidy adjustment.

- Medical Plans:** **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 each move to the Exchange when Medicare eligible.
Terminated Vested: 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 actives enrolled in the HPN Plan will participate in the HDHP upon retirement. Likewise, it is assumed 20% of 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 and 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 41% 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.
- Health Care Reform** The impact of the Patient Protection and Affordable Care Act (PPACA) was reflected in this valuation, including the impact of the Excise Tax which was estimated to be no increase in liability.
- Missing/Incomplete Data:** Missing or incomplete data (e.g., salary, hire date, retirement date, class, relationship, eligibility) will be substituted by averages determined from complete records.
- Health Care Claims 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, 2010. 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.

Admin Fees

Admin Fees		
HDHP	\$430	
HMO	\$138	
Dental	Male	Female
	\$374	\$440



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	\$2,541	\$2,541	\$3,228	\$3,228	\$2,755	\$2,755	\$2,699	\$2,699
31	\$2,584	\$2,584	\$3,248	\$3,248	\$2,802	\$2,802	\$2,716	\$2,716
32	\$2,628	\$2,628	\$3,269	\$3,269	\$2,849	\$2,849	\$2,733	\$2,733
33	\$2,673	\$2,673	\$3,290	\$3,290	\$2,898	\$2,898	\$2,751	\$2,751
34	\$2,718	\$2,718	\$3,311	\$3,311	\$2,947	\$2,947	\$2,769	\$2,769
35	\$2,764	\$2,764	\$3,333	\$3,333	\$2,997	\$2,997	\$2,786	\$2,786
36	\$2,825	\$2,825	\$3,369	\$3,369	\$3,063	\$3,063	\$2,817	\$2,817
37	\$2,886	\$2,886	\$3,406	\$3,406	\$3,129	\$3,129	\$2,847	\$2,847
38	\$2,949	\$2,949	\$3,443	\$3,443	\$3,198	\$3,198	\$2,878	\$2,878
39	\$3,014	\$3,014	\$3,480	\$3,480	\$3,268	\$3,268	\$2,910	\$2,910
40	\$3,080	\$3,080	\$3,518	\$3,518	\$3,339	\$3,339	\$2,941	\$2,941
41	\$3,185	\$3,185	\$3,615	\$3,615	\$3,453	\$3,453	\$3,023	\$3,023
42	\$3,294	\$3,294	\$3,715	\$3,715	\$3,572	\$3,572	\$3,106	\$3,106
43	\$3,407	\$3,407	\$3,817	\$3,817	\$3,694	\$3,694	\$3,192	\$3,192
44	\$3,523	\$3,523	\$3,923	\$3,923	\$3,820	\$3,820	\$3,280	\$3,280
45	\$3,644	\$3,644	\$4,031	\$4,031	\$3,951	\$3,951	\$3,370	\$3,370
46	\$3,788	\$3,788	\$4,168	\$4,168	\$4,107	\$4,107	\$3,485	\$3,485
47	\$3,938	\$3,938	\$4,310	\$4,310	\$4,269	\$4,269	\$3,603	\$3,603
48	\$4,093	\$4,093	\$4,457	\$4,457	\$4,438	\$4,438	\$3,726	\$3,726
49	\$4,255	\$4,255	\$4,609	\$4,609	\$4,613	\$4,613	\$3,853	\$3,853
50	\$4,423	\$4,423	\$4,766	\$4,766	\$4,796	\$4,796	\$3,984	\$3,984
51	\$4,569	\$4,569	\$4,923	\$4,923	\$4,954	\$4,954	\$4,116	\$4,116
52	\$4,720	\$4,720	\$5,085	\$5,085	\$5,118	\$5,118	\$4,252	\$4,252
53	\$4,876	\$4,876	\$5,253	\$5,253	\$5,286	\$5,286	\$4,392	\$4,392
54	\$5,037	\$5,037	\$5,427	\$5,427	\$5,461	\$5,461	\$4,537	\$4,537
55	\$5,203	\$5,203	\$5,606	\$5,606	\$5,641	\$5,641	\$4,687	\$4,687
56	\$5,390	\$5,390	\$5,808	\$5,808	\$5,844	\$5,844	\$4,856	\$4,856
57	\$5,584	\$5,584	\$6,017	\$6,017	\$6,055	\$6,055	\$5,030	\$5,030
58	\$5,785	\$5,785	\$6,233	\$6,233	\$6,273	\$6,273	\$5,211	\$5,211
59	\$5,993	\$5,993	\$6,458	\$6,458	\$6,498	\$6,498	\$5,399	\$5,399
60	\$6,209	\$6,209	\$6,690	\$6,690	\$6,732	\$6,732	\$5,593	\$5,593
61	\$6,470	\$6,470	\$6,971	\$6,971	\$7,015	\$7,015	\$5,828	\$5,828
62	\$6,742	\$6,742	\$7,264	\$7,264	\$7,310	\$7,310	\$6,073	\$6,073
63	\$7,025	\$7,025	\$7,569	\$7,569	\$7,617	\$7,617	\$6,328	\$6,328
64	\$7,320	\$7,320	\$7,887	\$7,887	\$7,937	\$7,937	\$6,594	\$6,594
65	\$7,627	-	\$8,218	-	\$8,270	-	\$6,871	-
66	\$7,856	-	\$8,465	-	\$8,518	-	\$7,077	-
67	\$8,092	-	\$8,719	-	\$8,774	-	\$7,289	-
68	\$8,335	-	\$8,980	-	\$9,037	-	\$7,508	-
69	\$8,585	-	\$9,250	-	\$9,308	-	\$7,733	-
70	\$8,842	-	\$9,527	-	\$9,587	-	\$7,965	-
71	\$9,063	-	\$9,765	-	\$9,827	-	\$8,164	-
72	\$9,290	-	\$10,009	-	\$10,072	-	\$8,368	-
73	\$9,522	-	\$10,260	-	\$10,324	-	\$8,578	-
74	\$9,760	-	\$10,516	-	\$10,582	-	\$8,792	-
75	\$10,004	-	\$10,779	-	\$10,847	-	\$9,012	-



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	\$518	\$518	\$883	\$883	\$507	\$507	\$753	\$753
31	\$527	\$527	\$889	\$889	\$516	\$516	\$758	\$758
32	\$536	\$536	\$895	\$895	\$525	\$525	\$763	\$763
33	\$545	\$545	\$900	\$900	\$534	\$534	\$768	\$768
34	\$554	\$554	\$906	\$906	\$543	\$543	\$773	\$773
35	\$563	\$563	\$912	\$912	\$552	\$552	\$777	\$777
36	\$576	\$576	\$922	\$922	\$564	\$564	\$786	\$786
37	\$588	\$588	\$932	\$932	\$576	\$576	\$795	\$795
38	\$601	\$601	\$942	\$942	\$589	\$589	\$803	\$803
39	\$614	\$614	\$952	\$952	\$602	\$602	\$812	\$812
40	\$628	\$628	\$963	\$963	\$615	\$615	\$821	\$821
41	\$649	\$649	\$989	\$989	\$636	\$636	\$843	\$843
42	\$671	\$671	\$1,017	\$1,017	\$658	\$658	\$867	\$867
43	\$694	\$694	\$1,045	\$1,045	\$680	\$680	\$891	\$891
44	\$718	\$718	\$1,073	\$1,073	\$704	\$704	\$915	\$915
45	\$743	\$743	\$1,103	\$1,103	\$728	\$728	\$940	\$940
46	\$772	\$772	\$1,141	\$1,141	\$757	\$757	\$972	\$972
47	\$803	\$803	\$1,179	\$1,179	\$786	\$786	\$1,005	\$1,005
48	\$834	\$834	\$1,220	\$1,220	\$818	\$818	\$1,040	\$1,040
49	\$867	\$867	\$1,261	\$1,261	\$850	\$850	\$1,075	\$1,075
50	\$901	\$901	\$1,304	\$1,304	\$883	\$883	\$1,112	\$1,112
51	\$931	\$931	\$1,347	\$1,347	\$913	\$913	\$1,149	\$1,149
52	\$962	\$962	\$1,392	\$1,392	\$943	\$943	\$1,186	\$1,186
53	\$994	\$994	\$1,438	\$1,438	\$974	\$974	\$1,226	\$1,226
54	\$1,026	\$1,026	\$1,485	\$1,485	\$1,006	\$1,006	\$1,266	\$1,266
55	\$1,060	\$1,060	\$1,534	\$1,534	\$1,039	\$1,039	\$1,308	\$1,308
56	\$1,099	\$1,099	\$1,589	\$1,589	\$1,077	\$1,077	\$1,355	\$1,355
57	\$1,138	\$1,138	\$1,646	\$1,646	\$1,115	\$1,115	\$1,404	\$1,404
58	\$1,179	\$1,179	\$1,706	\$1,706	\$1,155	\$1,155	\$1,454	\$1,454
59	\$1,221	\$1,221	\$1,767	\$1,767	\$1,197	\$1,197	\$1,507	\$1,507
60	\$1,265	\$1,265	\$1,831	\$1,831	\$1,240	\$1,240	\$1,561	\$1,561
61	\$1,319	\$1,319	\$1,908	\$1,908	\$1,292	\$1,292	\$1,626	\$1,626
62	\$1,374	\$1,374	\$1,988	\$1,988	\$1,347	\$1,347	\$1,695	\$1,695
63	\$1,432	\$1,432	\$2,071	\$2,071	\$1,403	\$1,403	\$1,766	\$1,766
64	\$1,492	\$1,492	\$2,158	\$2,158	\$1,462	\$1,462	\$1,840	\$1,840
65	\$1,554	-	\$2,249	-	\$1,523	-	\$1,917	-
66	\$1,601	-	\$2,316	-	\$1,569	-	\$1,975	-
67	\$1,649	-	\$2,386	-	\$1,616	-	\$2,034	-
68	\$1,699	-	\$2,457	-	\$1,665	-	\$2,095	-
69	\$1,750	-	\$2,531	-	\$1,715	-	\$2,158	-
70	\$1,802	-	\$2,607	-	\$1,766	-	\$2,223	-
71	\$1,847	-	\$2,672	-	\$1,810	-	\$2,278	-
72	\$1,893	-	\$2,739	-	\$1,855	-	\$2,335	-
73	\$1,941	-	\$2,807	-	\$1,902	-	\$2,393	-
74	\$1,989	-	\$2,878	-	\$1,949	-	\$2,453	-
75	\$2,039	-	\$2,950	-	\$1,998	-	\$2,515	-



Health Care Claims Cost (cont)

HMO		
Age	Medical	
	Non-Medicare	Medicare
30	\$3,555	\$3,555
31	\$3,578	\$3,578
32	\$3,601	\$3,601
33	\$3,624	\$3,624
34	\$3,647	\$3,647
35	\$3,670	\$3,670
36	\$3,710	\$3,710
37	\$3,751	\$3,751
38	\$3,792	\$3,792
39	\$3,833	\$3,833
40	\$3,875	\$3,875
41	\$3,982	\$3,982
42	\$4,091	\$4,091
43	\$4,204	\$4,204
44	\$4,320	\$4,320
45	\$4,439	\$4,439
46	\$4,590	\$4,590
47	\$4,747	\$4,747
48	\$4,909	\$4,909
49	\$5,076	\$5,076
50	\$5,249	\$5,249
51	\$5,422	\$5,422
52	\$5,601	\$5,601
53	\$5,786	\$5,786
54	\$5,977	\$5,977
55	\$6,174	\$6,174
56	\$6,396	\$6,396
57	\$6,626	\$6,626
58	\$6,865	\$6,865
59	\$7,112	\$7,112
60	\$7,368	\$7,368
61	\$7,678	\$7,678
62	\$8,000	\$8,000
63	\$8,336	\$8,336
64	\$8,686	\$8,686
65	\$9,051	-
66	\$9,322	-
67	\$9,602	-
68	\$9,890	-
69	\$10,187	-
70	\$10,493	-
71	\$10,755	-
72	\$11,024	-
73	\$11,299	-
74	\$11,582	-
75	\$11,871	-

Glossary

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

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

Allocating Costs (Attribution)

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

Defining the Plan

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.

Transition Issues

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



Effective Dates

The new standard will have staggered effective dates as follows:

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

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.

Actuarial Value of Assets

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

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.

Deferred Inactives

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



Defined Benefit OPEB Plan

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

Discount Rate (Investment Return Assumption)

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

Employer Contributions

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

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.



Level Dollar Amortization Method

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

Level Percentage of Projected Payroll Amortization Method

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

Market-Related Value of Plan Assets

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

Net OPEB Obligation (NOO)

The cumulative difference since the effective date of this Statement between Annual OPEB Cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost

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

OPEB Assets

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

OPEB Expenditures

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

OPEB Expense

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

OPEB Liabilities

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

Other Postemployment Benefits (OPEB)

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

Pay-As-You-Go

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

Plan Assets

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

Plan Members

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

Postemployment

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

Postemployment Healthcare Benefits

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

Postretirement Benefit Increase

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

Projected Benefits

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

Projected Unit Credit Actuarial Cost Method

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

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

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a proration of service-to-date over total projected service.

Required Supplementary Information (RSI)

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

Single-Employer Plan

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

Sponsor

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

Substantive Plan

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

Transition Year

The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

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



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