



September 11, 2015

State of Nevada

**Re: July 1, 2014 GASB 45 Roll-Forward Valuation for Fiscal Year Ending June 30, 2015**

This letter presents Aon's Fiscal Year Ending June 30, 2015 GASB 45 valuation results for the postretirement health and life insurance benefits provided through the State of Nevada (the "State"). The valuation is rolled forward on an actuarial basis from the July 1, 2013 valuation using census data as of July 1, 2013. The roll forward assumes a "steady state" population.

The Annual Required Contribution for the fiscal year ending June 30, 2015 for the plan is \$157,588,000. The Annual OPEB Cost (i.e. GASB 45 accrual or "expense") for the same period is \$142,446,000.

These calculations assume that the OPEB cost from the July 1, 2013 actuarial report was recognized for the fiscal year ending June 30, 2014. Since the plan is a closed group, the State utilizes a 30-year amortization period of the UAAL. These calculations assume a discount rate of 4.00%.

The Actuarial Accrued Liability (AAL) as of July 1, 2014 includes an adjustment to reflect an increase in the actuarial relative value of the State's health plans resulting from plan design changes affecting the PEBP health insurance and HRA benefits as of July 1, 2014. It is assumed that these plan design changes increase the health insurance liabilities as of July 1, 2014 by approximately 7.5%. All other actuarial and economic assumptions used for the roll forward valuation are the same as disclosed in the July 1, 2013 GASB 45 report.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy N. Nimmer", is written over a horizontal line.

Timothy N. Nimmer, FSA, MAAA  
Global Chief Actuary  
Aon



## Accounting Information

The following tables illustrate the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), Net OPEB Obligation (NOO), funding status, and required supplementary information for the State Plan for the fiscal years ending June 30, 2014 and June 30, 2015. The FY2014 and FY2015 accounting information incorporates a 4% discount rate.

### Annual Required Contribution (ARC)

<b><u>Annual Required Contribution (ARC)</u></b>	<b><u>Fiscal Year Ending June 30, 2014</u></b>	<b><u>Fiscal Year Ending June 30, 2015</u></b>
Normal Cost at End of the Year	\$67,361,000	\$75,059,000
Unfunded Actuarial Accrued Liability Amortization	<u>73,485,000</u>	<u>82,529,000</u>
Total	<u>\$140,846,000</u>	<u>\$157,588,000</u>

### Annual OPEB Cost (AOC)

<b><u>Annual OPEB Cost (AOC)</u></b>	<b><u>Fiscal Year Ending June 30, 2014</u></b>	<b><u>Fiscal Year Ending June 30, 2015</u></b>
Annual Required Contribution (ARC)	\$140,846,000	\$157,588,000
Interest on NOO	31,018,000	33,970,000
Amortization of NOO	<u>(44,845,000)</u>	<u>(49,112,000)</u>
Total	<u>\$127,019,000</u>	<u>\$142,446,000</u>

### Net OPEB Obligation (NOO)

<b><u>Net OPEB Obligation (NOO)</u></b>	<b><u>Fiscal Year Ending June 30, 2014</u></b>	<b><u>Fiscal Year Ending June 30, 2015</u></b>
Annual OPEB Cost (AOC)	\$127,019,000	\$142,446,000
Expected Benefit Payments <sup>1</sup>	(53,237,000)	(61,079,000)
Additional Contributions	<u>0</u>	<u>0</u>
Increase in NOO	\$73,782,000	\$81,367,000
Estimated NOO – beginning of year	<u>775,457,000</u>	<u>849,239,000</u>
Estimated NOO – end of year	<u>\$849,239,000</u>	<u>\$930,606,000</u>

<sup>1</sup> Expected benefit payments for fiscal year ending June 30, 2015 have been adjusted for plan changes.



## Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2013 <sup>1</sup>	\$130,049,000	38.73%	\$775,457,000
6/30/2014 <sup>2</sup>	\$127,019,000	41.91%	\$849,239,000
6/30/2015 <sup>2</sup>	\$142,446,000	42.88%	\$930,606,000

## Funded Status

The State must show the funding status at the end of each year. The funded status for the fiscal years ending June 30, 2014 and 2015 were determined as of July 1, 2013 and July 1, 2014 as shown below:

	<u>July 1, 2013</u>	<u>July 1, 2014</u>
Actuarial Accrued Liability (AAL)	\$1,271,752,000	\$1,428,345,000
Actuarial Value of Plan Assets <sup>3</sup>	<u>\$1,061,000</u>	<u>\$1,253,000</u>
Unfunded AAL (UAAL)	<u>\$1,270,691,000</u>	<u>\$1,427,092,000</u>
Funded Ratio (Assets/AAL)	0.1%	0.1%
Covered Payroll <sup>4</sup>	\$1,374,462,188	\$1,430,970,590
UAAL as a % of Covered Payroll	92.5%	99.7%
Normal Cost (Beginning of Year)	\$64,770,000	\$72,172,000

<sup>1</sup> 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.

<sup>2</sup> 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. The NOO as of June 30, 2015 is based upon the NOO balance calculated as of June 30, 2014.

<sup>3</sup> The actuarial value of plan assets as of July 1, 2014 was provided by the State.

<sup>4</sup> Payroll provided by the State.



## Required Supplementary Information

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

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b)-(a) Unfunded AAL (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>(b - a) / (c) UAAL as a Percentage of Covered Payroll</b>
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%