



State of Nevada

Actuarial Report for GASB OPEB Valuation

Retiree Health and Life Insurance Plans

Fiscal Year Ending June 30, 2016





September 27, 2016

This report contains the results of the Fiscal Year 2016 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, 2016.
- 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 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
Global Chief Actuary
Aon



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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 2015 and 2016 based upon a 4.00% discount rate and the Projected Unit Cost Method.

	<u>FYE June 30, 2015</u>	<u>FYE June 30, 2016</u>
Present Value of Benefits (PVB)	\$2,196,933,000	\$2,062,594,000
Actuarial Accrued Liability (AAL)	\$1,428,345,000	\$1,446,629,000
Annual Required Contribution (ARC)	\$157,588,000	\$142,683,000
Annual OPEB Cost (AOC)*	\$142,446,000	\$126,090,000

* The FYE 2016 AOC is based upon the Net OPEB Obligation of \$930,606,000 disclosed in the fiscal year ending June 30, 2015 GASB roll-forward.

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



Executive Summary (continued)

In general, the Actuarial Accrued Liability (AAL) is expected to increase by approximately 4% to 5% each year. The Experience section on page 8 shows the gains and losses separately by the experience and assumption changes. Gains and losses arise due to differences in expected assumptions and actual experience.

The Plan was closed to new entrants on January 1, 2012 and active employees hired after December 31, 2011 are not eligible for a subsidy from PEBP. The Plan's active population will only decrease and represents only the active participants who were hired prior to January 1, 2012. The plan's active participant count reduced by approximately 20% from the prior full valuation (performed two years ago for Fiscal Year Ending June 30, 2014). This reduction in active headcount is consistent with historical Plan experience and this change decreased the active AAL and Normal Cost by the same percentage.

The retiree participant count increased slightly by 2% and the current under age 65 retiree population is younger than expected because new retirees are younger. This change in the retiree population demographics increased the retiree AAL by about 30%. The gain in the active AAL was offset by the loss in the retiree AAL which produced an overall loss of 1% due to demographics.

The AAL had a gain of 3% due to new per capita claims and new premiums. There was a small 1% gain due to the combination of the new subsidy amounts, new excise tax assumptions and the new trend assumptions. Overall, this produced a 1% loss in the AAL as compared to the prior year.

The Annual Required Contribution (ARC) and the Annual OPEB Cost (AOC) have reduced due to the \$16 million reduction in the Normal Cost because of the 20% reduction in the active participant headcount. The Normal Cost is directly related to the number of active participants as it is defined as the additional benefit expected to be earned during the year for active participants.



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 2016 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.

This report has been prepared using generally accepted actuarial practices and methods. The actuarial assumptions and accounting methods and policies are the responsibility of the Plan Sponsor. Aon believes the actuarial assumptions used in the calculations are individually reasonable and reasonable in the aggregate. It should be noted, however, that Actuarial Standards of Practice defines an actuary's best estimate assumption as one that falls within a "range" of potentially reasonable assumptions. Thus, a different set of actuarial assumptions drawn from the best estimate range could result in reasonable valuation results different from those presented herein.

The employee data and financial and claims information used in this valuation were submitted to Aon by the plan sponsor, or at the plan sponsor's direction. Aon 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.

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'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
Global Chief Actuary

Date: September 27, 2016



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 \$2,062,594,000. Of this PVB, 62% 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 \$1,446,629,000.
- 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 2016 Normal Cost is \$59,099,000.
- The Annual Required Contribution (ARC) of \$142,683,000 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, 2016. 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, 2015	Fiscal Year Ending June 30, 2016	
		Updated Experience ¹	Actuarial Assumption Changes ²
Discount Rate	4.00%	4.00%	4.00%
Present Value of Benefits (Beginning of Year)			
Retirees	\$634,825,000	\$731,195,000	\$746,394,000
Terminated Vesteds	\$40,729,000	\$41,764,000	\$42,813,000
Actives	\$1,521,379,000	\$1,265,152,000	\$1,273,387,000
Total	\$2,196,933,000	\$2,038,111,000	\$2,062,594,000
<i>Incremental \$ change</i>		(\$158,822,000)	\$24,483,000
<i>Total \$ change</i>			(\$134,339,000)
Actuarial Accrued Liability (Beginning of Year)			
Retirees	\$634,825,000	\$731,195,000	\$746,394,000
Terminated Vesteds	\$40,729,000	\$41,764,000	\$42,813,000
Actives	\$752,791,000	\$650,070,000	\$657,422,000
Total	\$1,428,345,000	\$1,423,029,000	\$1,446,629,000
<i>Incremental \$ change</i>		(\$5,316,000)	\$23,600,000
<i>Total \$ change</i>			\$18,284,000
Assets (Beginning of Year)*	\$1,253,000	\$1,296,000	\$1,296,000
Unfunded Actuarial Accrued Liability (Beginning of Year)	\$1,427,092,000	\$1,421,733,000	\$1,445,333,000
<i>Incremental \$ change</i>		(\$5,359,000)	\$23,600,000
<i>Total \$ change</i>			\$18,241,000
Annual Required Contribution			
Normal Cost (End of Year)	\$75,059,000	\$58,569,000	\$59,099,000
Amortization of UAAL	\$82,529,000	\$82,219,000	\$83,584,000
Total ARC	\$157,588,000	\$140,788,000	\$142,683,000
<i>Incremental \$ change</i>		(\$16,800,000)	\$1,895,000
<i>Total \$ change</i>			(\$14,905,000)
Expected Benefit Payments	\$61,079,000	\$62,081,000	\$63,077,000
Participants			
Actives**	18,639	15,166	15,166
Terminated Vested	2,004	2,134	2,134
Retirees and disableds	9,056	9,816	9,816
Total	29,699	27,116	27,116

*As reported by the State

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

¹ Reflects updated census data, premiums, claims experience, and subsidy amounts.

² Reflects updated census data, premiums, claims experience, subsidy amounts, trend and excise tax assumptions.



Experience

Overall, the plan experienced a 1% loss from the previous valuation. The components of this gain/loss are shown below:

Actuarial Accrued Liability (AAL) as of July 1, 2014	\$	1,428,345,000
Changes due to:		
1. New Experience	\$	(5,316,000)
2. Assumption Changes	\$	23,600,000
Net Change	\$	<u>18,284,000</u>
Actuarial Accrued Liability (AAL) as of July 1, 2015	\$	1,446,629,000

1. Reflects the expected increase in liability, updated census data as of July 1, 2016, updated claims experience and retiree premiums, and updated subsidy amounts.
2. Reflects updated trend and excise tax assumptions



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 2016 using a 4% discount rate. Note that the AOC and NOO are estimated based upon expected benefit payments.

Annual Required Contribution (ARC)

<u>Annual Required Contribution (ARC)</u>	<u>Fiscal Year Ending June 30, 2015</u>	<u>Fiscal Year Ending June 30, 2016</u>
Normal Cost at End of the Year	\$75,059,000	\$59,099,000
Unfunded Actuarial Accrued Liability Amortization	<u>82,529,000</u>	<u>83,584,000</u>
Total	<u>\$157,588,000</u>	<u>\$142,683,000</u>

Annual OPEB Cost (AOC)

<u>Annual OPEB Cost (AOC)</u>	<u>Fiscal Year Ending June 30, 2015</u>	<u>Fiscal Year Ending June 30, 2016</u>
Annual Required Contribution (ARC)	\$157,588,000	\$142,683,000
Interest on NOO	33,970,000	37,224,000
Amortization of NOO	<u>(49,112,000)</u>	<u>(53,817,000)</u>
Total	<u>\$142,446,000</u>	<u>\$126,090,000</u>

Net OPEB Obligation (NOO)

<u>Net OPEB Obligation (NOO)</u>	<u>Fiscal Year Ending June 30, 2015</u>	<u>Fiscal Year Ending June 30, 2016</u>
Annual OPEB Cost (AOC)	\$142,446,000	\$126,090,000
Expected Benefit Payments	(61,079,000)	(63,077,000)
Additional Contributions	<u>0</u>	<u>0</u>
Increase in NOO	\$81,367,000	\$63,013,000
Estimated NOO – beginning of year	<u>849,239,000</u>	<u>930,606,000</u>
Estimated NOO – end of year	<u>\$930,606,000</u>	<u>\$993,619,000</u>



Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2014 ¹	\$127,019,000	41.91%	\$849,239,000
6/30/2015 ²	\$142,446,000	42.88%	\$930,606,000
6/30/2016 ²	\$126,090,000	50.03%	\$993,619,000

^{1.} 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.

^{2.} The NOO as of June 30, 2016 is based upon the NOO as of June 30, 2015 disclosed in the fiscal year ending June 30, 2015 GASB rollforward letter.

Funded Status

PEBP must show the funded status as of the valuation date. The funded status for the valuation dates of July 1, 2014 and July 1, 2015 are shown below:

	July 1, 2014	July 1, 2015
Actuarial Accrued Liability (AAL)	\$1,428,345,000	\$1,446,629,000
Actuarial Value of Plan Assets ³	<u>\$1,253,000</u>	<u>\$1,296,000</u>
Unfunded AAL (UAAL)	<u><u>\$1,427,092,000</u></u>	<u><u>\$1,445,333,000</u></u>
Funded Ratio (Assets/AAL)	0.1%	0.1%
Covered Payroll ⁴	\$1,430,970,590	\$1,308,321,617
UAAL as a % of Covered Payroll	99.7%	110.5%
Normal Cost (Beginning of Year)	\$72,172,000	\$56,826,000

³ The actuarial value of plan assets as of July 1, 2015 was provided by the State.

⁴ The covered payroll as of July 1, 2015 was provided by the State



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
07/01/12	\$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%
07/01/15	\$1,296,000	\$1,446,629,000	\$1,445,333,000	0.1%	\$1,308,321,617	110.5%



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>Expected</u>
<u>Year Ending</u>	<u>Medical and</u>
	<u>Life Insurance</u>
	<u>Payments</u>
2016	\$ 63,077,000
2017	\$ 68,133,000
2018	\$ 69,373,000
2019	\$ 73,624,000
2020	\$ 79,978,000
2021	\$ 84,688,000
2022	\$ 88,728,000
2023	\$ 93,537,000
2024	\$ 97,623,000
2025	\$ 102,380,000
2026	\$ 106,634,000
2027	\$ 111,479,000
2028	\$ 115,734,000
2029	\$ 120,517,000
2030	\$ 125,587,000
2031	\$ 129,502,000
2032	\$ 132,937,000
2033	\$ 135,403,000
2034	\$ 138,046,000
2035	\$ 138,867,000
2036	\$ 138,412,000
2037	\$ 138,722,000
2038	\$ 138,012,000
2039	\$ 137,192,000
2040	\$ 136,900,000
2041	\$ 134,980,000
2042	\$ 131,819,000
2043	\$ 128,125,000
2044	\$ 122,049,000
2045	\$ 115,247,000
2046	\$ 106,503,000



Demographic Information

Data Assumptions

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

- Data was provided by the State as of July 1, 2016
- 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 94% and 13% 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.

Demographics

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

NUMBER OF LIVES		
	<u>July 1, 2014</u>	<u>July 1, 2016</u>
Actives*	18,639	15,166
Inactives:		
Terminated Vested	2,004	2,134
State Retiree**	<u>9,056</u>	<u>9,816</u>
Total Inactives	11,060	11,950
Total	29,699	27,116

*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, 2015 valuation¹.

HTH ACTIVES (AS OF JULY 1, 2016)

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	0	2	0	0	0	0	0	0	0	2
25-29	0	6	22	2	0	0	0	0	0	0	30
30-34	0	7	72	25	2	0	0	0	0	0	106
35-39	0	9	101	75	27	0	0	0	0	0	212
40-44	0	9	105	96	75	17	3	0	0	0	305
45-49	0	14	134	121	96	49	6	0	0	0	420
50-54	0	9	144	100	100	59	22	4	0	0	438
55-59	0	15	146	120	86	59	28	5	0	0	459
60-64	0	13	95	81	61	29	14	4	2	0	299
65-69	0	2	38	33	22	14	16	3	1	0	129
70+	0	0	7	6	13	3	5	1	0	0	35
Total	0	84	866	659	482	230	94	17	3	0	2,435

Average Age: 51.15

Average Service: 13.82

HPN ACTIVES (AS OF JULY 1, 2016)

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	1	1	0	0	0	0	0	0	0	2
25-29	0	12	30	3	0	0	0	0	0	0	45
30-34	0	11	89	32	2	0	0	0	0	0	134
35-39	0	15	94	75	25	1	0	0	0	0	210
40-44	0	8	124	104	55	12	0	0	0	0	303
45-49	0	6	126	114	92	30	6	0	0	0	374
50-54	0	14	106	95	77	47	19	0	0	0	358
55-59	0	10	89	94	78	44	23	3	0	0	341
60-64	0	2	66	84	58	34	18	3	0	0	265
65-69	0	3	30	38	24	12	4	3	1	0	115
70+	0	2	4	9	9	7	4	2	0	1	38
Total	0	84	759	648	420	187	74	11	1	1	2,185

Average Age: 50.25

Average Service: 12.87

PPO ACTIVES (AS OF JULY 1, 2016)

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	9	0	0	0	0	0	0	0	15
25-29	0	48	174	7	0	0	0	0	0	0	229
30-34	0	66	478	137	7	0	0	0	0	0	688
35-39	0	66	584	324	90	6	0	0	0	0	1,070
40-44	0	61	591	391	273	53	2	0	0	0	1,371
45-49	0	62	568	463	340	167	39	1	0	0	1,640
50-54	0	44	560	439	355	192	102	19	1	0	1,712
55-59	0	49	485	433	344	201	141	28	4	0	1,685
60-64	0	36	358	305	279	137	108	43	11	1	1,278
65-69	0	14	132	152	110	80	64	28	24	5	609
70+	0	4	35	68	46	34	21	15	15	11	249
Total	0	456	3,974	2,719	1,844	870	477	134	55	17	10,546

Average Age: 50.41

Average Service: 13.54

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, 2014 and July 1, 2015 valuations:

<u>Group</u>	July 1, 2014		July 1, 2016	
	<u>Count</u>	<u>Average Age</u>	<u>Count</u>	<u>Average Age</u>
State Retirees & Survivors Under Age 65*	3,325	59.3	3,310	59.4
State Retirees & Survivors Age 65 and Older*	5,731	73.4	6,506	73.5
Terminated Vested	2,004	49.9	2,134	50.0
Total Inactive	11,060	64.9	11,950	65.4

*Includes healthy and disabled retirees



Summary of Plan Provisions

Plan This valuation reflects plan design changes made as of July 1, 2016 since they were communicated to plan participants during fiscal year ending 2016.

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 retires 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, 2015:

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 (\$2,600 Indiv.)	\$3,000 (\$2,600 Indiv.)		
Out-of-Pocket Maximum				
Individual	\$3,900	\$10,600	\$6,600 Medical, \$6,600 Prescription Drug	\$6,000
Family	\$7,800, excludes Inv. Family OOP	\$21,200	\$13,200 Medical, \$13,200 Prescription Drug	\$12,000
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 – depends on site of service PCP or specialist – included in office visit copay	PET Scan -\$475 MRI, CT - \$15



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 plan year 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% PPO after deductible	80% U&C after deductible	\$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 (120 days/visits per calendar year)
Durable Medical Equipment	80% PPO 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	\$17.50 Preferred generic \$87.50 Preferred Brand \$137.50 Non-Formulary Specialty drugs not available through mail order
	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, 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, 2016

- (1) For those who retired prior to January 1, 1994, the dollar amount is equal to \$180 (previously was \$165)
- (2) For those who retired on or after January 1, 1994, the dollar amount is equal to the base amount (\$12) multiplied by the years of service credit up to a maximum of 20 years of service. Prior to this plan year, the base amount was \$11.
- (3) A one-time contribution \$2 per year of service per month for PY 2016 and 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	80% after deductible	50% U&C after deductible
Major Services	50% after deductible	50% U&C after deductible

State Retiree Life Insurance Plan Features

If you participate in a PEBP medical plan, your benefits include \$12,500 life insurance. Zero retiree contributions have been assumed for the life insurance. The life insurance retiree contribution for non-Medicare retirees is included in the medical premium. For Medicare retirees, the premium is paid by PEBP.



State Retiree Medical Contributions

Rates Effective 7/1/2016 – 6/30/2017	State Non-Medicare Retirees and Survivor Rates	
	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$209.08	\$380.52
Retiree + Spouse	\$477.86	\$890.48
Surviving Spouse	\$580.78	\$746.12

Rates Effective 7/1/2016 – 6/30/2017	Non-State Non-Medicare Retirees and Survivor Rates	
	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$344.54	\$403.84
Retiree + Spouse	\$824.04	\$946.26
Surviving Spouse	\$957.06	\$791.84

Rates Effective 7/1/2016 – 6/30/2017	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
	State Retiree Rate	Non-State Retiree Rate
Retiree	\$36.78	\$36.84
Retiree + Spouse/DP	\$73.56	\$73.68
Surviving Spouse/DP	\$36.78	\$36.84



**State Retiree Medical
CDHP Plan Retiree
Subsidy**

Years of Service	7/1/2014	7/1/2016
5	+\$346.65	+\$322.72
6	+311.98	+290.45
7	+277.32	+258.18
8	+242.65	+225.91
9	+207.99	+193.63
10	+173.33	+161.36
11	+138.66	+129.09
12	+104.00	+96.82
13	+69.33	+64.54
14	+34.67	+32.27
15	0.00	0.00
16	-34.67	-32.27
17	-69.33	-64.54
18	-104.00	-96.82
19	-138.66	-129.09
20	-173.33	-161.36

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

Years of Service	7/1/2014	7/1/2016
5	-\$115.55	+\$322.72
6	-150.22	+290.45
7	-184.88	+258.18
8	-219.55	+225.91
9	-254.21	+193.63
10	-288.88	+161.36
11	-323.54	+129.09
12	-358.21	+96.82
13	-392.87	+64.54
14	-427.54	+32.27
15	-462.20	0.00
16	-496.87	-32.27
17	-531.53	-64.54
18	-566.20	-96.82
19	-600.86	-129.09
20	-635.53	-161.36



Valuation Assumptions

Actuarial Cost Method	Projected Unit Credit.
Discount Rate	4.00%
CPI Assumption	2.5%
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, 2016. The liabilities are calculated as of July 1, 2016 and discounted back to July 1, 2015.

Health Care Trend

Year	Medical/ Rx / PEBP Subsidy
2016	7.00%
2017	6.50%
2018	6.25%
2019	6.00%
2020	5.75%
2021	5.50%
2022	5.25%
2023+	5.00%

HRA Accounts Trend:	0.0%
Dental Plan Trend:	4.0%
Trend on Part B Premiums:	5.0%

Healthy Mortality	<i>Regular:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females. <i>Police / Fire:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set forward one year.
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:

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

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

Withdrawal Rates

Withdrawal rates vary by employee group and are shown below:

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



Disability Rates

Disability rates vary by employee group and are shown below:

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

Participation

90% of current eligible actives and 60% of current terminated vested employees will elect retiree plan coverage. Additionally, 60% of future retirees who have declined coverage as of July 1, 2016 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

To determine the state subsidy amount, 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.

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), there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. On December 18, 2015 the President signed Consolidated Appropriations Act, 2016 into law. The new law includes provisions which impact the excise tax on high-cost group health plans introduced by the Affordable Care Act, as it will delay implementation of the excise tax for two years (i.e., from 2018 to 2020) and allow the excise tax to be deductible to the taxpayer. The 2018 cost thresholds are assumed to be \$10,200 for individual and \$27,500 for family coverage and are assumed to increase at CPI+1% in 2018 and at CPI in all future years. 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 2020. The excise tax results in approximately a 4.8% increase to PEBP's Actuarial Accrued Liability as of July 1, 2015.



**Administrative Fees
(on a per employee
basis)
Effective as of 7/1/2016**

HDHP: \$660.60
HMOs: \$333.44

**HRA Account
Reversions**

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

**Health Care Claims
Costs**

The preliminary per capita costs were developed as follows:

- For the PPO plan the per capita costs were based on the claims and enrollment for the time period June 1, 2013 – May 31, 2016, separately for state versus non-state. The experience was adjusted for demographics, historical plan design changes, rebates, and trended to the valuation period.
- The per capita HMO rates were based on the retiree premium 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 June 1, 2013 – May 31, 2016. The experience was adjusted for historical plan design changes and trended to the valuation period. No aging was assumed.

The final per capita costs for all the plans were based on a blend of the preliminary claim costs and the prior valuation's claim costs trended forward to the valuation period.

Administrative costs were based on actual FY2016 per retiree monthly ASO fees of \$55.55 for CDHP/PPO and \$27.87 for HMO.

**Part B Premium in
CDHP**

The State of Nevada pays Part B premium for eligible participants in the PPO 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 the State 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, 2016 is \$104.90 per month

**Dental Claims Cost
Effective as of
7/1/2016**

	<u>Claim Costs</u>
Pre-65	\$525
Post-65	\$525

**Life Insurance
Retention Load**

10%



Health Care Claims Cost as of 7/1/2016

Age	PPO Medical			
	State		Non-State	
	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$3,040	\$3,040	\$3,021	\$3,021
31	\$3,131	\$3,131	\$3,112	\$3,112
32	\$3,225	\$3,225	\$3,205	\$3,205
33	\$3,322	\$3,322	\$3,301	\$3,301
34	\$3,422	\$3,422	\$3,400	\$3,400
35	\$3,525	\$3,525	\$3,502	\$3,502
36	\$3,631	\$3,631	\$3,607	\$3,607
37	\$3,740	\$3,740	\$3,715	\$3,715
38	\$3,852	\$3,852	\$3,826	\$3,826
39	\$3,968	\$3,968	\$3,941	\$3,941
40	\$4,087	\$4,087	\$4,059	\$4,059
41	\$4,210	\$4,210	\$4,181	\$4,181
42	\$4,336	\$4,336	\$4,306	\$4,306
43	\$4,466	\$4,466	\$4,435	\$4,435
44	\$4,600	\$4,600	\$4,568	\$4,568
45	\$4,738	\$4,738	\$4,705	\$4,705
46	\$4,913	\$4,913	\$4,879	\$4,879
47	\$5,095	\$5,095	\$5,060	\$5,060
48	\$5,283	\$5,283	\$5,247	\$5,247
49	\$5,478	\$5,478	\$5,441	\$5,441
50	\$5,681	\$5,681	\$5,642	\$5,642
51	\$5,920	\$5,920	\$5,879	\$5,879
52	\$6,169	\$6,169	\$6,126	\$6,126
53	\$6,428	\$6,428	\$6,383	\$6,383
54	\$6,698	\$6,698	\$6,651	\$6,651
55	\$6,979	\$6,979	\$6,930	\$6,930
56	\$7,286	\$7,286	\$7,235	\$7,235
57	\$7,607	\$7,607	\$7,553	\$7,553
58	\$7,942	\$7,942	\$7,885	\$7,885
59	\$8,291	\$8,291	\$8,232	\$8,232
60	\$8,656	\$8,656	\$8,594	\$8,594
61	\$8,976	\$8,976	\$8,912	\$8,912
62	\$9,308	\$9,308	\$9,242	\$9,242
63	\$9,652	\$9,652	\$9,583	\$9,583
64	\$10,009	\$10,009	\$9,938	\$9,938
65	\$10,379	\$3,633	\$10,306	\$3,607
66	\$10,659	\$3,731	\$10,584	\$3,704
67	\$10,947	\$3,831	\$10,870	\$3,805
68	\$11,243	\$3,935	\$11,163	\$3,907
69	\$11,547	\$4,041	\$11,464	\$4,012
70	\$11,859	\$4,151	\$11,774	\$4,121
71	\$12,072	\$4,225	\$11,986	\$4,195
72	\$12,289	\$4,301	\$12,202	\$4,271
73	\$12,510	\$4,379	\$12,422	\$4,348
74	\$12,735	\$4,457	\$12,646	\$4,426
75	\$12,964	\$4,537	\$12,874	\$4,506



Health Care Claims Cost as of 7/1/2016 (cont)

Age	PPO Rx			
	State		Non-State	
	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$587	\$587	\$535	\$535
31	\$615	\$615	\$561	\$561
32	\$645	\$645	\$588	\$588
33	\$676	\$676	\$616	\$616
34	\$708	\$708	\$646	\$646
35	\$742	\$742	\$677	\$677
36	\$778	\$778	\$709	\$709
37	\$815	\$815	\$743	\$743
38	\$854	\$854	\$779	\$779
39	\$895	\$895	\$816	\$816
40	\$938	\$938	\$855	\$855
41	\$983	\$983	\$896	\$896
42	\$1,030	\$1,030	\$939	\$939
43	\$1,079	\$1,079	\$984	\$984
44	\$1,131	\$1,131	\$1,031	\$1,031
45	\$1,185	\$1,185	\$1,081	\$1,081
46	\$1,241	\$1,241	\$1,132	\$1,132
47	\$1,299	\$1,299	\$1,185	\$1,185
48	\$1,360	\$1,360	\$1,241	\$1,241
49	\$1,424	\$1,424	\$1,299	\$1,299
50	\$1,491	\$1,491	\$1,360	\$1,360
51	\$1,561	\$1,561	\$1,424	\$1,424
52	\$1,634	\$1,634	\$1,491	\$1,491
53	\$1,711	\$1,711	\$1,561	\$1,561
54	\$1,791	\$1,791	\$1,634	\$1,634
55	\$1,875	\$1,875	\$1,711	\$1,711
56	\$1,961	\$1,961	\$1,790	\$1,790
57	\$2,051	\$2,051	\$1,872	\$1,872
58	\$2,145	\$2,145	\$1,958	\$1,958
59	\$2,244	\$2,244	\$2,048	\$2,048
60	\$2,347	\$2,347	\$2,142	\$2,142
61	\$2,455	\$2,455	\$2,241	\$2,241
62	\$2,568	\$2,568	\$2,344	\$2,344
63	\$2,686	\$2,686	\$2,452	\$2,452
64	\$2,810	\$2,810	\$2,565	\$2,565
65	\$2,939	\$2,939	\$2,683	\$2,683
66	\$3,051	\$3,051	\$2,785	\$2,785
67	\$3,167	\$3,167	\$2,891	\$2,891
68	\$3,287	\$3,287	\$3,001	\$3,001
69	\$3,412	\$3,412	\$3,115	\$3,115
70	\$3,542	\$3,542	\$3,233	\$3,233
71	\$3,631	\$3,631	\$3,314	\$3,314
72	\$3,722	\$3,722	\$3,397	\$3,397
73	\$3,815	\$3,815	\$3,482	\$3,482
74	\$3,910	\$3,910	\$3,569	\$3,569
75	\$4,008	\$4,008	\$3,658	\$3,658



Health Care Claims Cost (cont)

Age	HMO			
	State		Non-State	
	Non-Medicare	Medicare	Non-Medicare	Medicare
30	\$3,449	\$3,449	\$3,436	\$3,436
31	\$3,552	\$3,552	\$3,539	\$3,539
32	\$3,659	\$3,659	\$3,645	\$3,645
33	\$3,769	\$3,769	\$3,754	\$3,754
34	\$3,882	\$3,882	\$3,867	\$3,867
35	\$3,998	\$3,998	\$3,983	\$3,983
36	\$4,118	\$4,118	\$4,102	\$4,102
37	\$4,242	\$4,242	\$4,225	\$4,225
38	\$4,369	\$4,369	\$4,352	\$4,352
39	\$4,500	\$4,500	\$4,483	\$4,483
40	\$4,635	\$4,635	\$4,617	\$4,617
41	\$4,774	\$4,774	\$4,755	\$4,755
42	\$4,917	\$4,917	\$4,898	\$4,898
43	\$5,065	\$5,065	\$5,045	\$5,045
44	\$5,217	\$5,217	\$5,196	\$5,196
45	\$5,373	\$5,373	\$5,352	\$5,352
46	\$5,572	\$5,572	\$5,550	\$5,550
47	\$5,778	\$5,778	\$5,755	\$5,755
48	\$5,992	\$5,992	\$5,968	\$5,968
49	\$6,214	\$6,214	\$6,189	\$6,189
50	\$6,444	\$6,444	\$6,418	\$6,418
51	\$6,715	\$6,715	\$6,688	\$6,688
52	\$6,997	\$6,997	\$6,969	\$6,969
53	\$7,291	\$7,291	\$7,262	\$7,262
54	\$7,597	\$7,597	\$7,567	\$7,567
55	\$7,916	\$7,916	\$7,885	\$7,885
56	\$8,264	\$8,264	\$8,232	\$8,232
57	\$8,628	\$8,628	\$8,594	\$8,594
58	\$9,008	\$9,008	\$8,972	\$8,972
59	\$9,404	\$9,404	\$9,367	\$9,367
60	\$9,818	\$9,818	\$9,779	\$9,779
61	\$10,181	\$10,181	\$10,141	\$10,141
62	\$10,558	\$10,558	\$10,516	\$10,516
63	\$10,949	\$10,949	\$10,905	\$10,905
64	\$11,354	\$11,354	\$11,308	\$11,308
65	\$11,774	\$4,121	\$11,726	\$4,104
66	\$12,092	\$4,232	\$12,043	\$4,215
67	\$12,418	\$4,346	\$12,368	\$4,329
68	\$12,753	\$4,464	\$12,702	\$4,446
69	\$13,097	\$4,584	\$13,045	\$4,566
70	\$13,451	\$4,708	\$13,397	\$4,689
71	\$13,693	\$4,793	\$13,638	\$4,773
72	\$13,939	\$4,879	\$13,883	\$4,859
73	\$14,190	\$4,967	\$14,133	\$4,947
74	\$14,445	\$5,056	\$14,387	\$5,035
75	\$14,705	\$5,147	\$14,646	\$5,126



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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