



October 9, 2017

Re: July 1, 2016 GASB 45 Roll-Forward Valuation for Fiscal Year Ending June 30, 2017

Ms. Celestena Glover
Chief Financial Officer
State of Nevada
Public Employees' Benefits Program
901 S. Stewart Street, Suite 1001
Carson City, NV 89701

Dear Tena,

This letter presents Aon's Fiscal Year Ending June 30, 2017 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, 2015 valuation using census data as of July 1, 2016. The roll forward assumes a "steady state" population.

The Annual Required Contribution for the fiscal year ending June 30, 2017 for the plan is \$148,087,000. The Annual OPEB Cost (i.e. GASB 45 accrual or "expense") for the same period is \$130,371,000.

These calculations assume that the OPEB cost from the July 1, 2015 actuarial report was recognized for the fiscal year ending June 30, 2016. 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%.

All other actuarial and economic assumptions used for the roll forward valuation are the same as disclosed in the fiscal year ending June 30, 2016 GASB 45 report dated September 27, 2016. Plan provisions are also the same as disclosed in the fiscal year ending June 30, 2016 report.

Sincerely,

Alex Jaloway, FSA, MAAA
Vice President
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, 2016 and June 30, 2017. The FY2016 and FY2017 accounting information incorporates a 4% discount rate.

Annual Required Contribution (ARC)

Annual Required Contribution (ARC)	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2017
Normal Cost at End of the Year	\$59,099,000	\$61,463,000
Unfunded Actuarial Accrued Liability Amortization	83,584,000	86,624,000
Total	\$142,683,000	\$148,087,000

Annual OPEB Cost (AOC)

Annual OPEB Cost (AOC)	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2017
Annual Required Contribution (ARC)	\$142,683,000	\$148,087,000
Interest on NOO	37,224,000	39,745,000
Amortization of NOO	(53,817,000)	(57,461,000)
Total	\$126,090,000	\$130,371,000

Net OPEB Obligation (NOO)

Net OPEB Obligation (NOO)	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2017
Annual OPEB Cost (AOC)	\$126,090,000	\$130,371,000
Benefit Payments ¹	(63,077,000)	(38,027,000)
Additional Contributions	0	0
Increase in NOO	\$63,013,000	\$92,344,000
Estimated NOO – beginning of year	930,606,000	993,619,000
Estimated NOO – end of year	\$993,619,000	\$1,085,963,000

¹ The fiscal year ending June 30, 2016 NOO is based on expected benefit payments. The fiscal year ending June 30, 2017 NOO is based on actual benefit payments provided by the State on August 10, 2017.



Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2015 ¹	\$142,446,000	42.88%	\$930,606,000
6/30/2016 ¹	\$126,090,000	50.03%	\$993,619,000
6/30/2017 ²	\$130,371,000	29.17%	\$1,085,963,000

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, 2016 and 2017 were determined as of July 1, 2015 and July 1, 2016 as shown below:

	July 1, 2015	July 1, 2016
Actuarial Accrued Liability (AAL)	\$1,446,629,000	\$1,499,224,000
Actuarial Value of Plan Assets ³	<u>\$1,296,000</u>	<u>\$1,317,000</u>
Unfunded AAL (UAAL)	<u><u>\$1,445,333,000</u></u>	<u><u>\$1,497,907,000</u></u>
Funded Ratio (Assets/AAL)	0.1%	0.1%
Covered Payroll ⁴	\$1,627,516,929	\$1,663,856,385
UAAL as a % of Covered Payroll	88.8%	90.0%
Normal Cost (Beginning of Year)	\$56,826,000	\$59,099,000

¹ The Net OPEB Obligation (NOO) as of June 30, 2015 is based upon the NOO as June 30, 2014 disclosed in the fiscal year ending June 30, 2016 GASB actuarial report. The NOO as of June 30, 2016 is based upon the NOO balance calculated as of June 30, 2015.

² The NOO as of June 30, 2017 is based upon the NOO balance calculated as of June 30, 2016.

³ The actuarial value of plan assets as of July 1, 2016 was provided by the State on July 6, 2017.

⁴ Fiscal year 2016 and fiscal year 2017 covered payroll provided by the State on August 8, 2017.



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 Payroll¹	(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%	\$1,627,516,929	88.8%

¹ Fiscal year 2016 covered payroll provided by the State on August 8, 2017.