



# State of Nevada

Postretirement Health and Life Insurance Plan

For the Fiscal Year Ending June 30, 2017

Measurement Date June 30, 2017

GASB 74 Accounting Results

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# Executive Summary

## Executive Summary

The Program offers health, prescription drug, dental, and life insurance coverage to retirees and their covered dependents. 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. All active employees who retire from the State of Nevada (the "State") and meet the eligibility criteria to participate in the Program will receive these benefits.

The following table summarizes key valuation results:

<b>Liability Summary</b>	June 30, 2016	June 30, 2017
<b>Total OPEB Liability (Ending)</b>	\$ 1,549,665,000	\$ 1,510,781,400
<b>Plan Fiduciary Net Position (Ending)*</b>	\$ 1,331,900	\$ 1,476,200
<b>Net OPEB Liability (Ending)</b>	\$ 1,548,333,100	\$ 1,509,305,300
<b>Net Position as a Percentage of OPEB Liability</b>	0%	0%

\*Data for Fiscal Years Ending June 30, 2016 and June 30, 2017 is based on the Fiscal Year Ending June 30, 2017 Financial Statements provided by the State on October 23, 2017.

	<b>June 30, 2017</b>
<b>Present Value of Benefits</b>	
Active	\$ 1,485,227,000
Inactive	<u>780,277,400</u>
Total	\$ 2,265,504,400
<b>Total OPEB Liability</b>	
Active	\$ 730,504,000
Inactive	<u>780,277,400</u>
Total	\$ 1,510,781,400

The results displayed above were calculated based upon plan provisions and census data provided by the State, along with certain demographic and other actuarial assumptions as recommended by Aon, in conjunction with the State and guidance from the GASB statement.

The GASB 74 valuation results were determined using the Entry Age Normal (Level Percentage of Payroll) actuarial costing method. Previously under GASB 43, the valuation results were determined using the Projected Unit Credit actuarial costing method. The discount rate has been updated to be 3.58% from 4.00% in the Fiscal Year Ending June 30, 2016 final GASB 43 valuation which is consistent with the GASB 74 statement.

Fiscal Year Ending June 30, 2016 GASB 74 results have been shown for comparison purposes.

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

## Actuarial Certification

This report documents the results of the actuarial valuation for the fiscal year ending June 30, 2017 of the Retiree Benefits Program for the State of Nevada. These results are based on a Measurement Date of June 30, 2017. The information provided in this report is intended strictly for documenting information relating to the State and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 74 (GASB 74) including any guidance or interpretations provided by the State and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the Plan Sponsor's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to (but not limited to) such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

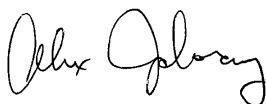
These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and the funded status measurements for the plan sponsor and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by the Plan Sponsor as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

## Actuarial Certification (continued)

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. The Plan Sponsor selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 74. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to the Plan Sponsor has any material direct or indirect financial interest in the Plan Sponsor. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Plan Sponsor.



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# Accounting Requirements

# Accounting Requirements

## Net OPEB Liability

The components of the Net OPEB Liability as of June 30, 2016 and June 30, 2017 are as follows:

<b>Liability Summary</b>	June 30, 2016	June 30, 2017
<b>Total OPEB Liability (Ending)</b>	\$ 1,549,665,000	\$ 1,510,781,400
<b>Plan Fiduciary Net Position (Ending)*</b>	\$ 1,331,900	\$ 1,476,200
<b>Net OPEB Liability (Ending)</b>	\$ 1,548,333,100	\$ 1,509,305,300
<b>Net Position as a Percentage of OPEB Liability</b>	0%	0%

\*Data for Fiscal Years Ending June 30, 2016 and June 30, 2017 is based on the Fiscal Year Ending June 30, 2017 Financial Statements provided by the State on October 23, 2017. Numbers may not add due to rounding.

## Gain-Loss Summary

	<b>Liability</b>
GASB 43 Actuarial Accrued Liability as of July 1, 2016	\$ 1,499,224,000
Expected Actuarial Accrued Liability as of June 30, 2017	\$ 1,602,304,700
<b>Implementation of GASB 74</b>	
Update Discount Rate from 4.00% to 3.58%	\$ 1,669,751,400
Updated Actuarial Cost Method	\$ 1,510,781,400
Total Change due to GASB 74 Implementation	(6%)

The actuarial (gain) / loss is a measure of the difference between the actual experience and the expected experience based on the set of actuarial assumptions. The (gains) / losses occur during the period between two actuarial valuation dates and are determined in accordance with a particular Actuarial Cost Method.

In general, the Total OPEB Liability will increase annually with interest and the Service Cost (portion of the Present Value of Benefits that is allocated to the valuation year by the Actuarial Cost Method) and will reduce by the actual benefit payments.

The discount rate basis under GASB 74 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The discount rate used to determine the fiscal year ending June 30, 2017 Total OPEB Liability is 3.58%, a decrease from the discount rate of 4.00% used under GASB 43 as of July 1, 2016. This decrease in the discount rate resulted in an increase in the Total OPEB Liability under GASB 74.

The Government Accounting Standards Board Statement 74 (GASB 74) became effective for the fiscal year ending June 30, 2017, replacing the GASB 43 accounting standard. With the implementation of GASB 74, the Total OPEB Liability (referred to as the Actuarial Accrued Liability under GASB 43) must be determined using the Entry Age Normal actuarial cost method as opposed to the Projected Unit Credit actuarial cost method used under GASB 43. This change in actuarial cost method resulted in a decrease in the Total OPEB Liability.



# Accounting Requirements

## Accounting Requirements

### Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table illustrates the impact of discount rate sensitivity on the Net OPEB Liability for the fiscal year ending June 30, 2017:

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
<b>Total OPEB Liability (Ending)</b>	\$ 1,670,452,500	\$ 1,510,781,400	\$ 1,370,043,500
<b>Plan Fiduciary Net Position (Ending)*</b>	\$ 1,476,200	\$ 1,476,200	\$ 1,476,200
<b>Net OPEB Liability (Ending)</b>	\$ 1,668,976,300	\$ 1,509,305,300	\$ 1,368,567,400

Numbers may not add due to rounding.

\*Data for Fiscal Years Ending June 30, 2016 and June 30, 2017 is based on the Fiscal Year Ending June 30, 2017 Financial Statements provided by the State on October 23, 2017.

### Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2017:

	1% Decrease	Trend Rate	1% Increase
<b>Total OPEB Liability (Ending)</b>	\$ 1,391,891,900	\$ 1,510,781,400	\$ 1,649,245,700
<b>Plan Fiduciary Net Position (Ending)*</b>	\$ 1,476,200	\$ 1,476,200	\$ 1,476,200
<b>Net OPEB Liability (Ending)</b>	\$ 1,390,415,800	\$ 1,509,305,300	\$ 1,647,769,500

Numbers may not add due to rounding.

\*Data for Fiscal Years Ending June 30, 2016 and June 30, 2017 is based on the Fiscal Year Ending June 30, 2017 Financial Statements provided by the State on October 23, 2017.

### Plan Membership

At July 1, 2016, the Program membership consisted of the following:

	<b>July 1, 2016</b>
Active Plan Members*	15,166
Inactive Plan Members or Beneficiaries Currently Receiving Benefits**	11,745
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments**	2,134
<b>Total Plan Members</b>	<b>29,045</b>

\*Active counts reflect those hired prior to January 1, 2012.

\*\*Inactive counts include terminated vested participants and reflect State retirees only.

## Accounting Requirements (continued)

### Disclosure—Changes in the Net OPEB Liability and Related Ratios

	<b>Fiscal Year Ending June 30,</b>	
	<b>2016</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service Cost	\$ 55,253,800	\$ 68,731,100
Interest Cost	52,007,100	45,585,600
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experiences	-	-
Changes of Assumptions	147,182,600	(115,131,000)
Benefit Payments*	(35,932,000)	(38,069,200)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 218,511,500</b>	<b>\$ (38,883,500)</b>
<b>Total OPEB Liability (Beginning)</b>	<b>\$ 1,331,153,500</b>	<b>\$ 1,549,665,000</b>
<b>Total OPEB Liability (Ending)</b>	<b>\$ 1,549,665,000</b>	<b>\$ 1,510,781,400</b>
<b>Plan Fiduciary Net Position</b>		
Contributions: Employer*	\$ 32,213,100	\$ 38,048,600
Contributions: Member	-	-
Net Investment Income*	54,600	164,800
Benefit Payments*	(35,932,000)	(38,069,200)
Administrative Expenses	-	-
Other	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ (3,664,300)</b>	<b>\$ 144,300</b>
<b>Plan Fiduciary Net Position (Beginning)*</b>	<b>\$ 4,996,200</b>	<b>\$ 1,331,900</b>
<b>Plan Fiduciary Net Position (Ending)*</b>	<b>\$ 1,331,900</b>	<b>\$ 1,476,200</b>
<b>Net OPEB Liability (Ending)</b>	<b>\$ 1,548,333,100</b>	<b>\$ 1,509,305,300</b>
<b>Net Position as a Percentage of OPEB Liability</b>	<b>0%</b>	<b>0%</b>
<b>Covered Employee Payroll*</b>	<b>\$ 1,627,516,900</b>	<b>\$ 1,663,856,400</b>
<b>Net OPEB Liability as a Percentage of Payroll</b>	<b>95%</b>	<b>91%</b>

\* Data for Fiscal Years Ending June 30, 2016 and June 30, 2017 is provided by the State.

\*\* Numbers may not add due to rounding.

Notes to Schedule:

*Benefit Changes:* None

*Changes in Assumptions:* The \$147,182,600 increase in the liability from June 30, 2015 to June 30, 2016 is due to the decrease in the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The \$115,131,000 decrease in the liability from June 30, 2016 from June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

All Total OPEB Liability numbers reflect the plan provisions that are currently in effect as disclosed in this report. The Total OPEB Liabilities prior to June 30, 2017 are shown for illustrative purposes and differ solely due to the discount rate in effect at each date.

## Accounting Requirements (continued)

### Disclosure—Contribution Schedule

#### Contributions

	Fiscal Year Ending June 30,	
	2016	2017
Actuarially Determined Contribution	N/A	N/A
Contributions Made in Relation to the Actuarially Determined Contribution	N/A	N/A
Contribution Deficiency (Excess)	N/A	N/A
Covered Employee Payroll*	\$ 1,627,516,900	\$ 1,663,856,400
Contributions as a Percentage of Payroll	N/A	N/A

\* Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 were provided by the State.

#### Notes to Schedule:

Valuation Date July 1, 2016

#### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal - Level % of Salary

Asset Valuation Method Market Value of Assets

Retirement Age\*\* 63

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

\*\*Weighted average retirement age based on July 1, 2016 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report.

## Accounting Requirements (continued)

The results in the table in the previous page were developed based on the following:

### Actuarial Valuation Date

The actuarial valuation date is the date on which the Total OPEB liability is determined. The actuarial valuation date for the GASB 74 valuation is July 1, 2016. GASB 74 Total OPEB liability results at July 1, 2015, June 30, 2016, and June 30, 2017 were all initially determined as of the actuarial valuation date and adjusted to the applicable date. The Total OPEB liability was adjusted by using roll-forward procedures to determine the liability at the measurement date. The actuarial valuation date is required to be a date at most 24 months prior to the fiscal year ending date.

### Measurement Date

The measurement date under GASB 74 is the date on which the discount rate, the balance sheet liabilities and income statement entries are reported. The GASB 74 statement requires that the measurement date is equal to the last day of the Fiscal Year. The measurement date for the Fiscal Year Ending June 30, 2017 GASB 74 valuation is June 30, 2017.

The Total OPEB Liabilities for each fiscal year are based on valuation results as of the actuarial valuation date (July 1, 2016) and are adjusted to the measurement date using actual benefit payments (provided by the State). They reflect changes in the discount rate as of the end of each fiscal year.

### Fiscal Year Ending June 30, 2016 GASB 74 Results

Fiscal Year Ending June 30, 2016 GASB 74 results have been calculated and shown for comparison purposes. The actuarial valuation date is July 1, 2016 and the measurement date is June 30, 2016 for the Fiscal Year Ending June 30, 2016 results. All Total OPEB Liability numbers reflect the plan provisions that are currently in effect as disclosed in this report. The Total OPEB Liabilities prior to June 30, 2017 are shown for illustrative purposes and differ solely due to the discount rates in effect at each date.

### Plan Provisions

The results provided in this report reflect the plan provisions in effect as of July 1, 2016. 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. Further detail is provided in the "Plan Provisions" section of this report.

### Demographic Assumptions

Census data was provided by the State as of July 1, 2016, and salary data used for the fiscal year ending June 30, 2017 valuation was provided by the State as of July 1, 2015 and rolled-forward one year by salary scale. Further detail regarding demographic assumptions used in this valuation is provided in the "Actuarial Assumptions and Methods" section of this report.

# Accounting Requirements (continued)

## Economic Assumptions

### Discount Rate

The discount rate basis under GASB 74 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The assets in the trust as of June 30, 2017 are less than the expected benefit payments in the first year; therefore, the crossover period is assumed to be in the first year, which provides additional support for continuing the discount rate at the 20-Year Municipal Bond Index rate.

The discount rates used for fiscal years ending June 30, 2015, June 30, 2016, and June 30, 2017 are 3.80%, 2.85%, and 3.58% respectively. Additional detail regarding the discount rates as of June 30, 2015, June 30, 2016, and June 30, 2017 are provided in the "Actuarial Assumptions and Methods" section of this report.

### Salary Scale

The salary scale assumption in the calculation of the Entry Age Normal (Level Percent of Payroll) liability and service cost results will be consistent with the salary scale assumptions provided by the State.

### Health Care Trend

The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients.

The health care trend assumption was based on our internal trend guidance that was developed using national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data plan renewal data and vendor Rx report with adjustments based on the specific cost sharing provisions of the benefits offered by the State.

For medical and prescription drug benefits, this amount initially is at 6.50% and decreases to a 5.00% long-term trend rate after six years. For dental benefits, the trend rate is 4.00%.

### Funding Policy

The Plan is funded on a pay-as-you-go basis and there is no pre-funding of the Total OPEB Liability. The Plan Fiduciary Net Position represents assets associated with the HRA benefits.

### Claims Cost Development

Detailed information regarding the development of the per capita is provided in the "Health Care Claims Development" section of this report.

## Accounting Requirements (continued)

### Health Care Reform – Excise Tax

Certain provisions of health care legislation that are effective in future years have the potential to impact the GASB 74 liabilities. As a result of the Affordable Care Act of 2010, there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. On December 18, 2015, the implementation of the excise tax was delayed from 2018 to 2020. As a result of the excise tax, we estimate that the Program's Net OPEB Liability and Service Cost as of June 30, 2016 and June 30, 2017 will increase approximately 4.0% and 6.2% respectively.

Detailed information regarding excise tax are provided in the "Health Care Claims Development" section of this report.

# Projection Results



## Projected Cash Flows

The following table summarizes the annual expected payments for benefits provided by the Program based on assumptions and contributions described in the “Plan Provisions” and “Actuarial Assumptions and Methods” sections:

<b>Fiscal Year Ending June 30,</b>	<b>Expected Medical and Life Insurance Payments</b>
2017*	\$ 38,069,000
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

\*Actual benefit payments for Fiscal Year Ending June 30, 2017 were provided by the State.

# Appendix

## Participant Data

The actuarial valuation was based on personnel information provided by the State as of July 1, 2016. Below are some of the pertinent characteristics from the personnel data as of that date. Both age and service have been determined using years and months as of the valuation date. Salary data was provided by the State as of July 1, 2015 and rolled forward one year by salary scale.

**July 1, 2016**

<b>Health Care Participants</b>	
<b>Active Participants*</b>	
Number	15,166
Average Age	50.51
Average Service	12.94
<b>Inactive Participants**</b>	
State Retirees and Surviving Spouses Under Age 65	
Average Age	59.36
State Retirees and Surviving Spouses Age 65 and Older	
Average Age	73.48
Terminated Vested	
Average Age	50.03
State Covered Spouses	
Average Age	67.39
<b>Total Participants</b>	
Number	29,045
<b>Life Insurance Participants</b>	
<b>Active Participants*</b>	
Number	15,166
Average Age	50.51
Average Service	12.94
State Inactive Participants	
Number	9,439
Average Age	68.72
<b>Non-State Inactive Participants</b>	
Number	7,707
Average Age	70.32

\*Active counts reflect those hired prior to January 1, 2012.

\*\* Inactive counts include terminated vested participants.

## Age / Service Scatter

The following table summarizes the distribution of the future retiree population by age and service as of July 1, 2016:

**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
<b>Total</b>	<b>0</b>	<b>84</b>	<b>866</b>	<b>659</b>	<b>482</b>	<b>230</b>	<b>94</b>	<b>17</b>	<b>3</b>	<b>0</b>	<b>2,435</b>

**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
<b>Total</b>	<b>0</b>	<b>84</b>	<b>759</b>	<b>648</b>	<b>420</b>	<b>187</b>	<b>74</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>2,185</b>

**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
<b>Total</b>	<b>0</b>	<b>456</b>	<b>3,974</b>	<b>2,719</b>	<b>1,844</b>	<b>870</b>	<b>477</b>	<b>134</b>	<b>55</b>	<b>17</b>	<b>10,546</b>

Note: Active Counts reflect those hired prior to January 1, 2012.

# Health Care Claims Development

## Applicability of Health Care Reforms to Valuation

### Background

On March 23, 2010, the “Patient Protection and Affordable Care Act” was signed into law, followed by the passage of the “Health Care and Education Affordability Reconciliation Act of 2010” on March 30, 2010 (“Acts”). The health care reforms contained in these Acts have wide-spread impact on corporate health care programs, including those covering retirees. This valuation reflects Aon’s interpretation of the Acts based on information currently available. Future regulations on each aspect of the Acts may be different than Aon’s initial interpretations.

Key issues in Health Care Reform that have an effect on the Plan Sponsor valuation include:

- Excise tax on high-cost health plans
- Group market reforms
- Early Retiree Reimbursement Program
- Taxation of Retiree Drug Subsidy for Post-65 Coverage

The valuation issues related to each of these topics are discussed below.

### Excise Tax on High-Cost Health Plans

The excise tax on high cost plans becomes effective in 2020. However, the expected additional cost needs to be reflected in OPEB valuations and disclosures. Key features of the law include:

- Imposes a non-deductible excise tax of 40% on plans with an aggregate value of health insurance coverage exceeding specified dollar thresholds beginning in 2020
  - Aggregate value includes medical, pharmacy, and employer HSA/HRA contributions (excludes standalone dental and vision plans)
- 2018 thresholds for high-risk professions are:
  - \$11,850 for single coverage and \$30,950 for family coverage for age 55 to 64 retirees
  - \$10,200 for single coverage and \$27,500 for family coverage for Medicare retirees.
- Thresholds will be increased if the increase in the cost of the Federal Employees Health Benefit Plan (FEHBP) increases by more than 55% from 2010 to 2018
  - Thresholds indexed at general inflation (CPI-U) plus 1 % from 2018 to 2019, and to CPI-U only thereafter
- Excise tax applies only to portion of cost that exceeds threshold amount
- The law provides for blending of pre-65 and post-65 retirees.

The pre-65 and the post-65 retirees were blended together to determine the overall value of the benefit relative to the excise tax threshold. The values of the benefits were assumed to increase with the valuation trend and the excise tax thresholds were assumed to increase by 2.5% per year.

## Health Care Claims Development (continued)

### Group Market Reforms

- **Requirement to Cover Children to Age 26**—The Acts requires that a group health plan that provides dependent coverage of children shall continue to make such coverage available for an adult child until the child turns 26 years of age. Current and future dependent children are valued implicitly in the valuation. Per capita claims costs were developed using claims information for all covered lives and adult headcounts. As such, the impact of child coverage is built into the per capita claims for retirees and spouses.
- **Elimination of Benefit Limitations**—The Acts include a number of other provisions that may increase the cost of retiree health care including the elimination of lifetime maximum benefits and “restrictive” annual benefit limitations. We have made no adjustment for these additional benefits because there are no material limits in the plans.

Medicare Part D reimbursements and the Early Retiree Reinsurance program do not fall under GASB 74.

### Claims Cost Development

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.

A sample of the resulting age related annual claims rates, including administrative expenses are shown below:

Dental Claims Costs		<u>Claim Costs</u>
As of July 1, 2016	<b>Pre-65</b>	\$525
	<b>Post-65</b>	\$525

The claims table above was projected to each future year using the health care cost trend rates described below:

### Health Care Cost Trend Rates

Medical, Prescription Drug, & Admin

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%

## Health Care Claims Development (continued)

HRA Accounts Trend: 0.00%

Dental Plan Trend: 4.00%

Trend on Part B Premiums: 5.00%

### Aging Factors

<b>Age</b>	<b>Medical</b>	<b>Rx</b>
Less than 44	3.0%	4.8%
45 - 49	3.7%	4.7%
50 - 54	4.2%	4.7%
55 - 59	4.4%	4.6%
60 - 64	3.7%	4.6%
64 - 69	2.7%	3.8%
70 - 74	1.8%	2.5%
75 - 79	2.2%	0.8%
80 - 84	2.8%	0.2%
86 - 90	1.4%	0.1%
90 and over	0.0%	0.0%

# Health Care Claims Development (continued)

Health Care Claims Cost as of July 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 Development (continued)

Health Care Claims Cost as of July 1, 2016 (continued)

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 Development (continued)

Health Care Claims Cost as of July 1, 2016 (continued)

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

## Actuarial Assumptions and Methods

Actuarial Method	Entry Age Normal – Level % of Salary Method																																								
Measurement Date	Last day of the fiscal year (i.e. – June 30, 2017)																																								
Measurement Period	July 1, 2016 to June 30, 2017																																								
Actuarial Valuation Date	July 1, 2016																																								
Census Data	As of July 1, 2016																																								
Service Cost	The Actuarial Present Value of benefits is allocated as a level percentage over the earnings of an individual between entry age (i.e. – age at hire) and assumed retirement age(s).																																								
Discount Rates	For the Fiscal Year Ending June 30, 2017: 3.58% For the Fiscal Year Ending June 30, 2016: 2.85% For the Fiscal Year Ending June 30, 2015: 3.80%																																								
Municipal Bond Rate Basis	Bond Buyer General Obligation 20-Bond Municipal Bond Index																																								
CPI	2.50%																																								
Life Insurance Administrative Load	10.0%																																								
Salary Scale	<table border="0"> <tr> <td><i>Inflation:</i></td> <td>2.75%</td> </tr> <tr> <td><i>Productivity Pay Increases:</i></td> <td>0.50%</td> </tr> <tr> <td colspan="2"><i>Promotional and Merit Salary Increases:</i></td> </tr> <tr> <td><b>Years of Service</b></td> <td><b>Regular</b>                      <b>Police/Fire</b></td> </tr> <tr> <td>&lt; 1</td> <td>5.90%                      10.65%</td> </tr> <tr> <td>1</td> <td>4.80%                      7.15%</td> </tr> <tr> <td>2</td> <td>4.00%                      5.20%</td> </tr> <tr> <td>3</td> <td>3.60%                      4.60%</td> </tr> <tr> <td>4</td> <td>3.30%                      4.30%</td> </tr> <tr> <td>5</td> <td>3.00%                      4.15%</td> </tr> <tr> <td>6</td> <td>2.80%                      3.90%</td> </tr> <tr> <td>7</td> <td>2.70%                      3.50%</td> </tr> <tr> <td>8</td> <td>2.50%                      3.15%</td> </tr> <tr> <td>9</td> <td>2.35%                      2.90%</td> </tr> <tr> <td>10</td> <td>2.15%                      2.50%</td> </tr> <tr> <td>11</td> <td>1.75%                      1.90%</td> </tr> <tr> <td>12</td> <td>1.50%                      1.50%</td> </tr> <tr> <td>13</td> <td>1.25%                      1.30%</td> </tr> <tr> <td>14</td> <td>1.10%                      1.30%</td> </tr> <tr> <td>15 or more</td> <td>1.00%                      1.30%</td> </tr> </table>	<i>Inflation:</i>	2.75%	<i>Productivity Pay Increases:</i>	0.50%	<i>Promotional and Merit Salary Increases:</i>		<b>Years of Service</b>	<b>Regular</b> <b>Police/Fire</b>	< 1	5.90%                      10.65%	1	4.80%                      7.15%	2	4.00%                      5.20%	3	3.60%                      4.60%	4	3.30%                      4.30%	5	3.00%                      4.15%	6	2.80%                      3.90%	7	2.70%                      3.50%	8	2.50%                      3.15%	9	2.35%                      2.90%	10	2.15%                      2.50%	11	1.75%                      1.90%	12	1.50%                      1.50%	13	1.25%                      1.30%	14	1.10%                      1.30%	15 or more	1.00%                      1.30%
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14	1.10%                      1.30%																																								
15 or more	1.00%                      1.30%																																								
Health Benefits 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																																								

## Actuarial Assumptions and Methods (continued)

	retirement. 60% of actives decremented to withdrawal from the plan with at least five years of service will elect retiree medical and dental coverage.
Life Insurance Participation	All active employees and current retirees that elected healthcare coverage. Reinstated retirees and survivors are not eligible to receive the life insurance benefit.
Plan Election Percentage	Future retiree election percentage is based on the current retiree plan enrollment distribution.
Demographic Assumptions	<p>Census data was provided by the State and adjustments were made for missing data, which have an insignificant effect on the liability.</p> <p>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.</p> <p>All actives are assumed to accumulate State service only. A factor has been applied to total service for State and Non-State retirees which represents the percentage of a retiree's total service that is attributable to service with the State:</p> <ul style="list-style-type: none"><li>- State - 94%</li><li>- Non-State Retiree – 13%</li></ul>
Spouse Age Difference & Marriage Percentage	<p>Male participants are assumed to be four years older than spouses; female participants are assumed to be two years younger than spouses.</p> <p>30% of active males and 15% of active females will elect retiree spouse coverage. This assumption was determined using PEBP census.</p>
Healthy Mortality	<p><i>Regular:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females.</p> <p><i>Police / Fire:</i> RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set forward one year.</p>
Disabled Mortality	RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.

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## Actuarial Assumptions and Methods (continued)

### Retirement Rates

Retirement rates vary by employee group and are shown below:

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

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

### Withdrawal Rates

Withdrawal rates vary by employee group and are shown below:

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

## Actuarial Assumptions and Methods (continued)

### 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

## Plan Provisions

### 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; or
- 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; or
- Minimum age 50 and 20+ years of service; or
- 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.

### Benefits

#### Medical / Prescription Drug

*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.

*Medicare Retirees:* 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.

*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.

## Plan Provisions (continued)

*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**

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.

### **State Retiree Life Insurance Plan**

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.

### **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.

More detail regarding the benefit plans offered through the Plan are provided below.



## Plan Provisions (continued)

### State Retiree Medical Contributions

Rate Effective 7/1/2016 - 6/30/2017	State Non-Medicare Retirees and Survivor Rates	
Coverage	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

Rate Effective 7/1/2016 - 6/30/2017	Non-State Non-Medicare Retirees and Survivor Rates	
Coverage	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

Rate Effective 7/1/2016 - 6/30/2017	Voluntary Dental Insurance Rates for Medicare Exchange Retirees	
Coverage	PPO HDHP	Hometown Health Plan & Health Plan of Nevada
Retiree	\$36.78	\$36.84
Retiree + Spouse	\$73.56	\$73.68
Surviving Spouse	\$36.78	\$36.84

## Plan Provisions (continued)

### State Retiree Medical CDHP Plan Retiree Subsidy

<b>Years of Service</b>	<b>7/1/2014</b>	<b>7/1/2016</b>
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	(69.34)	(64.54)
18	(104.01)	(96.82)
19	(138.68)	(129.09)
20	(173.35)	(161.36)

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

<b>Years of Service</b>	<b>7/1/2014</b>	<b>7/1/2016</b>
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)

## Plan Provisions (continued)

**Part B Premium** 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.

**Administrative Fees (on a per employee basis)** Effective as of July 1, 2016  
HDHP: \$660.60  
HMOs: \$334.44

**HRA Account Reversions** Pre-65 CDHP: 5.0%  
Medicare HRA: 0.5%

## Plan Provisions (continued)

The following tables provide concise summaries of each of the benefit plan designs available to eligible retirees as of July 1, 2015:

<b>State Retiree Medical Expense Coverage Plan Features</b>				
The following plan features are effective as of July 1, 2015:				
<b>Non-Medicare Retirees</b>				
Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
<b>Plan Deductible</b> <i>(per calendar year)</i>			None	None
Individual*	\$1,500	\$1,500		
Family*	\$3,000 (\$2,600 Indiv.)	\$3,000 (\$2,600 Indiv.)		
<b>Out-of-Pocket Maximum</b>				
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
<b>Lifetime Maximum</b> <i>(per covered person)</i>	Unlimited		Unlimited	Unlimited
<b>HRA Account Contributions</b>				
Individual	\$700		NA	NA
Family	\$700 + \$200/dependent (max 3)*			
<b>Physician Services</b> <i>(except Mental Health/Alc/Drug)</i>	\$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
<b>Diagnostic X-ray &amp; Laboratory</b> <i>(other than physician's office)</i>	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 Provisions (continued)

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out-Of-Network)	(Northern HMO)	(Southern HMO)
<b>Ambulance</b>	80% PPO after plan year deductible	80% U&C after plan year deductible	\$150/\$200 copay	\$0
<b>Hospital Services</b>	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
<b>Skilled Nursing Facility</b>	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)
<b>Home Health Care</b>	80% PPO after deductible	50% of U&C or 110% of the Medi Span AWP; after plan year deductible	\$25/visit	No charge
<b>Rehabilitation Services</b>	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)
<b>Durable Medical Equipment</b>	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
<b>Corrective Appliances</b>	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	-	-
<b>Vision Care</b>	One exam per rolling 12 months; 100% U&C.		N/A	N/A
	Hardware not covered		N/A	N/A

## Plan Provisions (continued)

\*Effective with the July 1, 2014 Plan Year PEBP board decided to provide the following additional HRA contributions to the HDHP plan, effective

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out-Of-Network)	(Northern HMO)	(Southern HMO)
<b>Pre-certification</b>	Required for genetic testing		N/A	N/A
<b>Medical Claim Submission</b>	Provider initiated	Member initiated	Provider initiated	Provider initiated
<b>Prescription Drugs</b>				
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.	

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.

### State Retiree Dental Plan Features

Plan Features	Dental PPO Plan	
	(In-Network)	(Out-of-Network)
<b>Annual Deductible</b>		
Individual	\$100	\$100
Family	\$300	\$300
<b>Annual Maximum</b>	\$1,500	\$1,500
<b>Preventive Services</b>	100%; No deductible	80% U&C; No deductible
<b>Basic Services</b>	80% after deductible	50% U&C after deductible
<b>Major Services</b>	50% after deductible	50% U&C after deductible