



**Nevada Public Employees'
Benefits Program's Retiree Health
and Life Insurance Plans
Actuarial Report for GASB OPEB
Valuation – FINAL**

Fiscal Year Ending: June 30, 2010

Date of Report: October 8, 2010

October, 2010

This report contains the results of the Fiscal Year 2010 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, 2010.
- Provide information needed by the Plan's auditors for financial statement entries and footnote disclosures to conform to the disclosure requirements under GASB 43 and GASB 45.

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Deborah L. Donaldson".

Deborah L. Donaldson, FSA, MAAA
Assistant Vice President
Aon Consulting

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SECTION I 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. Section VII provides the monthly participant contributions

It is expected that approximately 90% of all of the active employees who retire directly from PEBP and meet the eligibility criteria, including receipt of a pension benefit provided by the Public Employees' Retirement System (PERS), the Legislative Retirement System (LRS), the Judges Retirement System (JRS), or the Retirement Plan Alternative Program (RPA), will participate in the PEBP Plan.

The table below summarizes the valuation results. Please see Sections III and IV 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 Section VIII for details of the actuarial assumptions.

Additionally, the results incorporate the value of assets held in the State Retirees' Health and Welfare Benefits Trust Fund (the Trust). It is Aon's understanding the Trust contains assets in the form of stocks, bonds, and other classes of investments that are invested in a manner similar to the PERS' Investment Program. The Trust's assets are segregated and restricted such that the State of Nevada contributions to the Trust are irrevocable; assets are dedicated to providing benefits to retirees and their beneficiaries, and are legally protected from creditors of the State of Nevada or the Plan Administrator, solely for the payment of benefits in accordance with the terms of the Plan. Furthermore, as of June 30, 2009 the State of Nevada held assets of \$23,536,000 in the Trust for Other Postretirement Benefits. It is our understanding that beyond fiscal year 2008, the State of Nevada has no future plans to contribute any additional funds to the Trust in excess of benefit payments.

This summary illustrates the OPEB value of benefits for Fiscal Year 2009 and 2010 based upon a 4% discount rate and the Entry Age Normal (EAN) Cost Method.

	Fiscal Year 2009	Fiscal Year 2010
Present Value of Benefits (PVB)	\$3,598,394,000	\$3,263,363,000
Actuarial Accrued Liability (AAL)	\$1,815,501,000	\$1,874,005,000
Annual Required Contribution (ARC)	\$239,147,000	\$222,109,000
Annual OPEB Cost (AOC)	\$235,264,000	\$214,937,000

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

SECTION II 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 2010 for development of the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and other disclosure items under Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45. This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

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

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

Aon'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.

Deborah L. Donaldson, FSA, MAAA
Assistant Vice President

Timothy N. Nimmer, FSA, MAAA
Senior Vice President

Justin M. Kindy, FSA, MAAA
Vice President



Date: 10/08/2010

Date: 10/08/2010

Date: 10/08/2010

SECTION III PRINCIPAL VALUATION RESULTS

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

- The Present Value of Benefits (PVB) is the total present value of all expected future benefits, based upon certain actuarial assumptions. Benefits are defined as paid claims and expenses from the plan, net of retiree contributions. The PVB is a measure of total liability or obligation. It is the value (on the valuation date) of the benefits, as described in this report, for retirees, both currently retired and currently active. The plan's PVB is \$3,263,363,000. Of this PVB, 73% 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 \$1,874,005,000.
- 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 2010 Normal Cost is \$113,735,000.
- The Annual Required Contribution (ARC) of \$222,109,000 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, 2010. The (UAAL) is equal to the AAL less assets. PEBP utilizes the maximum amortization period allowed under GASB 43 and GASB 45 which is 30 years.

**SECTION III
PRINCIPAL VALUATION RESULTS**

Discount Rate = 4.00%

	<u>July 1, 2008</u>	<u>July 1, 2009</u>
Present Value of Benefits		
Retirees	\$ 742,445,000	\$ 863,386,000
Terminated Vesteds	12,211,000	25,022,000
Actives	<u>2,843,738,000</u>	<u>2,374,955,000</u>
Total	\$ 3,598,394,000	\$ 3,263,363,000
Actuarial Accrued Liability (AAL)		
Retirees	\$ 742,445,000	\$ 863,386,000
Terminated Vesteds	12,211,000	25,022,000
Actives	<u>1,060,845,000</u>	<u>985,597,000</u>
Total	\$ 1,815,501,000	\$ 1,874,005,000
Assets	<u>25,665,000</u>	<u>23,536,000</u>
Unfunded AAL	\$ 1,789,836,000	\$ 1,850,469,000
Annual Required Contribution (ARC)		
Normal Cost	\$ 135,641,000	\$ 113,735,000
Amortization of Unfunded AAL	<u>103,506,000</u>	<u>108,374,000</u>
Total ARC	\$ 239,147,000	\$ 222,109,000
Covered Payroll	\$ 1,488,847,000	\$ 1,556,892,493
ARC as a % of Expected Benefit Payments	470.7%	481.8%
ARC as a % of Covered Payroll	16.1%	14.3%
Expected Benefit Payments (pay-as-you-go)¹	\$ 50,809,000	\$ 46,104,000

¹ Net of employee contribution

**SECTION III
PRINCIPAL VALUATION RESULTS**

Experience

Overall, the plan experienced a \$58,504,000 loss from the previous valuation. The components of this loss are shown below:

Actuarial Accrued Liability (AAL), 7/1/08 \$ 1,815,501,000

Changes during Fiscal Year 2008 Due to:

Assumption Changes	\$ 0	
Plan Changes	0	
Experience	<u>58,504,000</u>	
Total Change		<u>\$ 58,504,000</u>

Actuarial Accrued Liability (AAL), 7/1/09 \$ 1,874,005,000

Of the \$58,504,000 loss, \$97,932,000 is associated with the expected benefit accruals during the year. The remaining gain of \$39,428,000 (or 2% of AAL) represents experience changes such as demographic, turnover, retirement, claim, contribution and subsidy trend, and other experience which occurred differently than expected.

**SECTION IV
ACCOUNTING INFORMATION**

This page illustrates the Annual OPEB Cost (AOC), Net OPEB Obligation (NOO), funding status, and required supplementary information for PEBP as of Fiscal Year 2009 and 2010 using a 4% discount rate. Note that the AOC and NOO are estimated based upon expected benefit payments.

Annual OPEB Cost (AOC)

It is our understanding that PEBP's financial statements reflected a \$0 OPEB obligation at transition, and the July 1, 2007 Annual OPEB Cost (AOC) was set equal to the ARC.

<u>Annual OPEB Cost (AOC)</u>	<u>Fiscal Year Ending June 30, 2009</u>	<u>Fiscal Year Ending June 30, 2010</u>
Annual Required Contribution (ARC)	\$ 239,147,000	\$ 222,109,000
Interest on NOO	8,711,000	16,089,000
Adjustment to ARC	<u>(12,594,000)</u>	<u>(23,261,000)</u>
Total	\$ 235,264,000	\$ 214,937,000

Net OPEB Obligation (NOO)

With PEBP's adoption of GASB 43 and GASB 45 as of July 1, 2007, the NOO was \$0. In future years, the NOO is equal to the NOO at transition (\$0) plus the cumulative difference since the effective date of the AOC and ER contributions.

<u>Net OPEB Obligation (NOO)</u>	<u>Fiscal Year Ending June 30, 2009</u>	<u>Fiscal Year Ending June 30, 2010</u>
Annual OPEB Cost (AOC)	\$ 235,264,000	\$ 214,937,000
Expected Benefit Payments	(50,809,000)	(46,104,000)
Additional Contributions	<u>0</u>	<u>0</u>
Increase in NOO	\$ 184,455,000	\$ 168,833,000
Estimated NOO – beginning of year	<u>217,778,000</u>	<u>402,233,000</u>
Estimated NOO – end of year	\$ 402,233,000	\$ 571,066,000

The typical disclosure at the end of the first year of adoption will show the AOC, the percentage of AOC actually contributed, and the NOO. A three-year history must be shown (when there are at least 3 years after the adoption date).

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$287,217,000	24.18%	\$217,778,000
6/30/2009	\$235,264,000	21.60%	\$402,233,000
6/30/2010	\$214,937,000	21.45%	\$571,066,000

**SECTION IV
ACCOUNTING INFORMATION**

Funded Status

PEBP must show the funding status at the end of each year. The funded status as of June 30, 2009 and 2010 are shown below:

	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Actuarial Accrued Liability (AAL)	\$ 1,971,937,000	\$ 1,706,543,000
Actuarial Value of Plan Assets	<u>\$ 23,536,000</u>	<u>TBD</u>
Unfunded AAL (UAAL)	<u>\$ 1,948,401,000</u>	<u>\$ TBD</u>
Funded Ratio (Assets/AAL)	1.2%	TBD
Covered Payroll	\$ 1,488,847,000	\$ 1,556,892,493
UAAL as a % of Covered Payroll	130.9%	TBD
Normal Cost	\$ 135,641,000	\$ 113,735,000

Required Supplementary Information

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

Schedule of Funding Progress

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
07/01/07	\$0	\$2,211,439,000	\$2,211,439,000	0.0%	\$1,523,268,000	145.2%
07/01/08	\$25,665,000	\$1,815,501,000	\$1,789,836,000	1.4%	\$1,488,847,000	120.2%
07/01/09	\$23,536,000	\$1,874,005,000	\$1,850,469,000	1.3%	\$1,556,892,493	118.9%

**SECTION V
DEMOGRAPHIC INFORMATION**

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

NUMBER OF LIVES		
	<u>7/1/2008</u>	<u>7/1/2009</u>
Actives	26,465	27,068
Inactives:		
Terminated Vested	1,698	1,311
Retiree	7,923	8,206
Disabled	<u>22</u>	<u>5</u>
Total Inactives	9,643	9,522
Total	36,108	36,590

The following charts provide detailed active demographic characteristics of the data used to perform the July 1, 2009 valuation.

HPN Actives

Age	COMPLETED YEARS OF SERVICE								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	
15-19	7	-	-	-	-	-	-	-	7
20-24	198	6	-	-	-	-	-	-	204
25-29	441	73	6	-	-	-	-	-	520
30-34	459	164	24	2	-	-	-	-	649
35-39	441	149	106	33	5	-	-	-	734
40-44	379	163	103	59	34	4	-	-	742
45-49	308	143	106	60	42	17	2	-	678
50-54	251	132	103	64	38	19	4	-	611
55-59	201	117	101	60	53	13	3	2	550
60-64	139	83	65	42	15	10	2	-	356
65-69	35	25	13	13	5	-	1	-	92
70+	10	1	4	6	1	-	-	-	22
Total	2,869	1,056	631	339	193	63	12	2	5,165

Average Age:

45

Average Service:

7

SECTION V DEMOGRAPHIC INFORMATION

HTH Actives

Age	COMPLETED YEARS OF SERVICE								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	
15-19	9	-	-	-	-	-	-	-	9
20-24	147	7	-	-	-	-	-	-	154
25-29	291	61	3	-	-	-	-	-	355
30-34	266	104	34	2	-	-	-	-	406
35-39	246	136	104	26	4	-	-	-	516
40-44	220	134	90	60	30	5	-	-	539
45-49	229	132	95	76	42	26	4	-	604
50-54	211	124	107	60	41	24	4	1	572
55-59	141	94	86	51	45	15	5	-	437
60-64	71	55	55	18	15	8	5	-	227
65-69	23	14	14	7	8	2	-	-	68
70+	1	2	2	2	1	1	-	-	9
Total	1,855	863	590	302	186	81	18	1	3,896

Average Age:

45

Average Service:

7

PPO Actives

Age	COMPLETED YEARS OF SERVICE								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	
15-19	29	-	-	-	-	-	-	-	29
20-24	458	9	-	-	-	-	-	-	467
25-29	1,118	202	10	-	-	-	-	-	1,330
30-34	1,214	349	104	11	-	-	-	-	1,678
35-39	1,202	426	280	123	23	2	-	-	2,056
40-44	1,148	397	349	279	151	21	1	-	2,346
45-49	1,204	452	360	279	227	118	13	-	2,653
50-54	1,108	483	396	310	245	129	46	2	2,719
55-59	1,026	401	371	281	195	125	35	4	2,438
60-64	687	255	231	169	149	46	21	5	1,563
65-69	258	92	66	51	37	14	11	3	532
70+	116	32	16	11	10	6	3	2	196
Total	9,568	3,098	2,183	1,514	1,037	461	130	16	18,007

Average Age:

48

Average Service:

8

SECTION V
DEMOGRAPHIC INFORMATION

The following chart provides demographic information on the inactive population used to value liabilities as of July 1, 2008 and July 1, 2009.

<u>Group</u>	Inactives			
	July 1, 2008		July 1, 2009	
	Count	Average Age	Count	Average Age
Retirees & Survivors Under Age 65	3,175	58.6	3,970	59.1
Retirees & Survivors Age 65 and Older	4,748	73.8	4,236	73.6
Terminated Vested	1,698	49.3	1,311	54.9
Disableds	22	55.9	5	57.9
Total Inactive	9,643		9,522	

SECTION VI SUMMARY OF PLAN PROVISIONS

Plan The plan provisions in effect as of June 30, 2010. PEBP had an extended Plan Year from July 1, 2008 through October 31, 2009. This valuation reflects plan design changes as of July 1, 2010 as communicated to employees prior to the end of Fiscal Year 2010.

Eligibility For a retiree to participate in the PEBP program, the participant must be receiving a PERS, LRS, JRS, or RPA benefit. PERS eligibility requirements vary by employee group and benefit type.

Normal Retirement - Regular Employees

Minimum age of 65 with 5+ years of service
Minimum age of 60 with 10+ years of service
Minimum 30 years of service, regardless of age

Normal Retirement – Police & Fire

Minimum age 65 and 5+ years of service
Minimum age 55 and 10+ years of service
Minimum age 50 and 20+ years of service
Minimum 25 years of service, regardless of age

Disability Benefit

Minimum 5 years of service, regardless of age

Reduced Benefit

Minimum 5 years of service, regardless of age

For this valuation, Regular Employees were considered eligible for retirement at a minimum age of 50 with 5 years of service and Police & Fire Employees were considered eligible for retirement at a minimum age of 45 with 5 years of service

SECTION VI SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective November 1, 2009:

Non-Medicare Retirees				
Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Plan Deductible <i>(per calendar year)</i>			None	None
Individual*	\$725	\$725		
Family*	\$1,450	\$1,450		
Out-of-Pocket Maximum				
Individual	\$3,500	\$10,000	\$3,500	\$6,200 per person
Family	\$7,000	\$20,000	\$7,000	
Lifetime Maximum <i>(per covered person)</i>	\$2,000,000		\$400,000 for transplant services	\$1,000,000 for transplant services
Physician Services <i>(except Mental Health/Alc/Drug)</i>	\$20 copay PCP/\$30 copay specialist then 100%	50% U&C after plan year deductible	\$20 copay	\$15 copay
Office Visits				
Routine Physical	100% up to plan year maximum of \$2,500, no ded.	Not Covered	\$20 copay PCP/\$30 specialist	\$15 copay
Routine OB/GYN Exam				
Well Child exams and immunizations				
Mammography/Pap Test				
Prostate Screening				
Specialist (office visits)	\$30 copay then 100%	50% U&C after plan year deductible	\$30 copay	\$15 copay
Diagnostic X-ray & Laboratory <i>(other than physician's office)</i>	80% after plan year deductible; 100% for pre-admission testing, no ded.	50% U&C after plan year deductible; 100% for pre-admission testing, no ded.	\$0 copay	\$0 copay
Ambulance	80% after plan year deductible	80% U&C after plan year deductible	\$100 copay	\$0
Maternity	80% after plan year deductible	50% U&C after plan year deductible	\$15 copay	\$15 copay

SECTION VI SUMMARY OF PLAN PROVISIONS

Non-Medicare Retirees, continued

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Hospital Services	\$105 copay per admission; 80% after plan year deductible	\$600 copay per admission; 50% U&C after plan year deductible	\$500 per day, max. \$1,500	\$200 per admission
Inpatient Coverage				
Outpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	\$250 copay per admit	\$50 per admission
Emergency Room	\$70 copay then 80% U&C after plan year deductible	\$70 copay then 80% U&C after plan year deductible	\$100 copay unless admitted	\$50 copay; \$25 physician copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	100%	100%
Urgent Care Facility	\$45 copay then 100%	50% U&C after plan year deductible	\$35 copay	\$15 copay
Skilled Nursing Facility	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$500 copay per day (30 days per calendar year)	\$200 per admission (100 days per calendar year)
Home Health Care	80% after plan year deductible (60 visits per plan year)	50% U&C after plan year deductible (60 visits per plan year)	\$20/visit (Limited to \$5,000 per calendar year)	-
Rehabilitation Services	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$200 per admission (30 days per calendar year)	-
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	100% (\$3,500 limit per calendar year.)	\$100 or 50% of EME of purchase or rental, whichever is less
Corrective Appliances	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible	100% (\$3,500 limit per calendar year.)	-
Vision Care	One exam per rolling 12 months; 80% U&C.		\$15 exam copay	\$10 exam copay
	\$125 hardware allowance per rolling 2-year period.		15%-20% discount on eye wear	\$10 lens copay, \$100 eye wear allowance

**SECTION VI
SUMMARY OF PLAN PROVISIONS**

Non-Medicare Retirees, continued

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Pre-certification	Required for genetic testing		N/A	N/A
Medical Claim Submission	Provider initiated	Member initiated	Provider initiated	Provider initiated
Prescription Drugs	\$50 annual deductible			
Retail	\$5 Generic (no deductible)		\$7 Formulary generic	\$7 Formulary generic
	\$40 Preferred brand		\$30 Formulary Brand	\$35 Formulary Brand
	100% Copay Non-preferred brand		\$50 Non-formulary	\$55 Non-formulary
Mail	\$10 Generic (no deductible)		\$14 Formulary Generic	\$14 Formulary generic
	\$70 Preferred brand		\$60 Formulary Brand	\$70 Formulary Brand
	100% Copay Non-preferred brand		\$100 Non-Formulary	\$110 Non-formulary

Effective July 1, 2010 the PPO deductible increased to \$800/\$1,600 (individual/family) and the out-of-pocket maximum increased to \$3,700/\$7,400 (individual/family) in-network and \$10,600/\$21,200 (individual/family) out-of-network.

SECTION VI SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Features

The following plan features are effective November 1, 2009:

Medicare Retirees

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Plan Deductible <i>(per calendar year)</i>			None	None
Individual*	\$725	\$725		
Family*	\$1,450	\$1,450		
Out-of-Pocket Maximum				
Individual	\$3,500	\$10,000	\$3,500	\$6,200 per person
Family	\$7,000	\$20,000	\$7,000	
Lifetime Maximum <i>(per covered person)</i>	\$2,000,000		\$400,000 for transplant services	\$1,000,000 for transplant services
Physician Services <i>(except Mental Health/Alc/Drug)</i>	\$20 copay PCP/\$30 copay specialist then 100%	50% U&C after plan year deductible	\$20 copay	\$15 copay
Office Visits				
Routine Physical	100% up to plan year maximum of \$2,500, no ded.	Not Covered	\$20 copay PCP/\$30 specialist	\$15 copay
Routine OB/GYN Exam				
Well Child exams and immunizations				
Mammography/Pap Test				
Prostate Screening				
Specialist (office visits)	\$30 copay then 100%	50% U&C after plan year deductible	\$30 copay	\$15 copay
Diagnostic X-ray & Laboratory <i>(other than physician's office)</i>	80% after plan year deductible; 100% for pre-admission testing, no ded.	50% U&C after plan year deductible; 100% for pre-admission testing, no ded.	\$0 copay	\$0 copay
Ambulance	80% after plan year deductible	80% U&C after plan year deductible	\$100 copay	\$0
Maternity	80% after plan year deductible	50% U&C after plan year deductible	\$15 copay	\$15 copay

SECTION VI SUMMARY OF PLAN PROVISIONS

Medicare Retirees, continued

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Hospital Services	\$105 copay per admission; 80% after plan year deductible	\$600 copay per admission; 50% U&C after plan year deductible	\$500 per day, max. \$1,500	\$200 per admission
Inpatient Coverage				
Outpatient Coverage	80% after plan year deductible	50% U&C after plan year deductible	\$250 copay per admit	\$50 per admission
Emergency Room	\$70 copay then 80% U&C after plan year deductible	\$70 copay then 80% U&C after plan year deductible	\$100 copay unless admitted	\$50 copay; \$25 physician copay
Physician In-Hospital Services	80% after plan year deductible	50% U&C after plan year deductible	100%	100%
Urgent Care Facility	\$45 copay then 100%	50% U&C after plan year deductible	\$35 copay	\$15 copay
Skilled Nursing Facility	80% after plan year deductible (60 days per plan year)	50% U&C after plan year deductible (60 days per plan year)	\$500 copay per day (30 days per calendar year)	\$200 per admission (100 days per calendar year)
Home Health Care	80% after plan year deductible (60 visits per plan year)	50% U&C after plan year deductible (60 visits per plan year)	\$20/visit (Limited to \$5,000 per calendar year)	-
Rehabilitation Services	80% after plan year deductible (Occupational, physical, speech therapy)	50% U&C after plan year deductible (Occupational, physical, speech therapy)	Rehabilitation facility: \$200 per admission (30 days per calendar year)	-
Durable Medical Equipment	80% after plan year deductible	50% U&C after plan year deductible	100% (\$3,500 limit per calendar year.)	\$100 or 50% of EME of purchase or rental, whichever is less
Corrective Appliances	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible	Hearing aids: 50% after plan year deductible; all other corrective appliances: 80% after plan year deductible	100% (\$3,500 limit per calendar year.)	-
Vision Care	One exam per rolling 12 months; 80% U&C.		\$15 exam copay	\$10 exam copay
	\$125 hardware allowance per rolling 2-year period.		15%-20% discount on eye wear	\$10 lens copay, \$100 eye wear allowance

**SECTION VI
SUMMARY OF PLAN PROVISIONS**

Medicare Retirees, continued

Plan Features	Self-Funded PPO Plan		Hometown Health Plan	Health Plan of Nevada
	(In-Network)	(Out- Of-Network)	(Northern HMO)	(Southern HMO)
Pre-certification	Required for genetic testing		N/A	N/A
Medical Claim Submission	Provider initiated	Member initiated	Provider initiated	Provider initiated
Prescription Drugs	\$50 annual deductible			
Retail	\$5 Generic (no deductible)		\$7 Formulary generic	\$7 Formulary generic
	\$40 Preferred brand		\$30 Formulary Brand	\$35 Formulary Brand
	100% Copay Non-preferred brand		\$50 Non-formulary	\$55 Non-formulary
Mail	\$10 Generic (no deductible)		\$14 Formulary Generic	\$14 Formulary generic
	\$70 Preferred brand		\$60 Formulary Brand	\$70 Formulary Brand
	100% Copay Non-preferred brand		\$100 Non-Formulary	\$110 Non-formulary

Effective July 1, 2010 the PPO deductible increased to \$800/\$1,600 (individual/family) and the out-of-pocket maximum increased to \$3,700/\$7,400 (individual/family) in-network and \$10,600/\$21,200 (individual/family) out-of-network.

**SECTION VI
SUMMARY OF PLAN PROVISIONS**

Medicare Retirees, continued

Plan Features	Senior Dimensions	Senior Care Plus
	(Southern MA-HMO)	(Northern MA-HMO)
Plan Deductible (<i>per calendar year</i>)	As shown below	None
Individual		
Family		
Out-of-Pocket Maximum	\$2,500	
Individual		\$3,500
Family		\$7,500
Lifetime Maximum (<i>per covered person</i>)	None	None
Physician Services	\$10 to \$25 copay for Medicare covered benefits	\$15 copay
(<i>except Mental Health/Alc/Drug</i>)		
Office Visits		
Routine Physical	\$10 copay for routine physicals	\$0 copay
Well Child exams and immunizations	\$0 copay for immunizations	\$0 copay
Routine OB/GYN Exam	\$0 copay	\$0 copay
Mammography/Pap Test	\$0 copay	\$0 copay
Prostate Screening	\$0 copay	\$0 copay
	\$0 copay in-network; 80% out-of-network	\$0 copay
Specialist (office visits)	\$20 copay for Medicare covered benefits	\$40 copay
Diagnostic X-ray & Laboratory	\$5 to \$50 copay for Medicare-covered lab services, simple x-rays, and radiological diagnostic services;	\$50 copay lab
(<i>other than physician's office</i>)	\$5 to \$200 copay for Medicare covered complex x-rays, radiological diagnostic services	\$0 - \$50 copay x-ray
	\$200 copay for PET scans	
Ambulance	80%	\$150
Maternity	\$10 to \$25 copay for Medicare covered benefits	\$15 copay

SECTION VI SUMMARY OF PLAN PROVISIONS

Medicare Retirees, continued

Plan Features	Senior Dimensions	Senior Care Plus
	(Southern MA-HMO)	(Northern MA-HMO)
Hospital Services	Days 1 – 5: \$200 copay per day Days 6-90: \$0 copay	Days 1 – 4: \$200 copay per day Days 5 – 9: \$0 copay
Inpatient Coverage		
Outpatient Coverage	\$10 to \$20 copay for Medicare covered benefits	\$200 copay
Emergency Room	\$50 copay	\$50 copay
Physician In-Hospital Services	100%	100%
Urgent Care Facility	80%	\$20 copay
Skilled Nursing Facility	Days 1-10: \$0 copay Days 11-100: \$50 copay per day 100 days covered for each benefit period	\$200 per admit/\$50 day-35
Home Health Care	\$0 for Medicare covered benefits	N/A
Rehabilitation Services	\$10 copay for Medicare covered benefits	N/A
Durable Medical Equipment	0%-20% of the cost for Medicare-covered items	N/A
Corrective Appliances	100% - 80%	N/A
Vision Care	\$20 copay for exams	\$20 copay for exams
	\$30 limit for eye wear every 2-year period	100% for eye wear (\$125 limit) every 2-year period
Pre-certification	N/A	N/A
Medical Claim Submission	Provider initiated	Provider initiated
Prescription Drugs		
Retail	\$6 Formulary generic \$35 Formulary Brand \$85 Non-formulary	\$4 Formulary generic \$40 Formulary Brand \$70 Non-formulary
Mail	\$18 Generic	\$10 Formulary generic
	\$105 Formulary Brand	\$100 Formulary Brand
	Non-Formulary – N/A	\$175 Non-formulary

SECTION VI SUMMARY OF PLAN PROVISIONS

State Retiree Dental Expense Plan Features

The following plan features are effective November 1, 2009.

Plan Features	Dental PPO Plan	
	(In-Network)	(Out-of-Network)
Annual Deductible		
Individual	\$50	\$50
Family	\$150	\$150
Annual Maximum	\$1,500	\$1,000
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

The following plan features are effective November 1, 2009.

Retirees of the State of Nevada receiving PERS, TIAA or CREF or judge retirement benefits and legislators qualifying under Chapter 242 of the Sessions Law of the sixty-third Session of the Nevada State Legislature are eligible to receive retiree life insurance/ADD coverage up to a maximum amount of \$10,000. Retirees who enrolled in an even year Late Enrollment do not qualify for life insurance.

State Retiree Life Insurance Plan Contributions

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

- Prescription Drug Plan:

Prescription Drugs	\$50 annual deductible
Retail	\$5 Generic (no deductible) \$40 Preferred brand 100% copay Non-preferred brand Greater of \$50 or 25%, not to exceed \$100 Specialty Preferred 100% copay Specialty Non-Preferred
Mail	\$15 Generic (no deductible) \$120 Preferred brand 100% copay Non-preferred brand

SECTION VI SUMMARY OF PLAN PROVISIONS

State Retiree Medical Expense Coverage Plan Retiree Contributions

The following retiree contributions are effective November 1, 2009.

FY 2010 Coverage	Non-Medicare Retirees ¹		
	Self-Funded PPO Plan	Hometown Health Plan	Health Plan of Nevada
Retiree	\$198.70	\$222.62	\$138.93
Retiree + Spouse	\$631.42	\$633.93	\$349.39
Surviving Spouse	\$561.47	\$564.57	\$349.98

FY 2010 Coverage	Medicare Retirees ¹				
	Self-Funded PPO Plan	Hometown Health Plan	Health Plan of Nevada	Senior Care Plus	Senior Dimensions
Retiree	\$103.28	\$112.27	\$81.29	\$42.99	\$39.19
Retiree + Spouse	\$325.96	\$315.52	\$201.20	\$99.88	\$85.01
Surviving Spouse	\$288.85	\$281.63	\$202.20	\$103.99	\$94.24

Fiscal Year 2010 rates (effective July 1, 2010) were reflected in this valuation and are as follows:

FY 2011 Coverage	Non-Medicare Retirees ¹		
	Self-Funded PPO Plan	Hometown Health Plan	Health Plan of Nevada
Retiree	\$217.71	\$274.62	\$136.78
Retiree + Spouse	\$722.01	\$756.29	\$347.23
Surviving Spouse	\$603.74	\$664.57	\$344.48

FY 2011 Coverage	Medicare Retirees ¹				
	Self-Funded PPO Plan	Hometown Health Plan	Health Plan of Nevada	Senior Care Plus	Senior Dimensions
Retiree	\$101.20	\$171.30	\$75.73	\$37.77	\$62.92
Retiree + Spouse	\$334.38	\$427.57	\$190.11	\$89.16	\$146.77
Surviving Spouse	\$277.31	\$381.63	\$187.93	\$90.60	\$155.10

- ¹ The state retiree rates listed are subsidized rates for those who retired prior to January 1, 1994. For participants who retired on or after January 1, 1994, refer the State Retiree Subsidy Adjustment table below.

SECTION VI
SUMMARY OF PLAN PROVISIONS

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

The following Years of Service subsidies for retirees are effective July 1, 2009.

Years of Service	11/1/2009	7/1/2010
5	+\$237.98	+\$258.23
6	+\$214.18	+232.40
7	+\$190.38	+206.58
8	+166.58	+180.76
9	+\$142.79	+154.94
10	+\$118.99	+129.11
11	+\$95.19	+103.29
12	+\$71.39	+77.47
13	+\$47.60	+51.65
14	+\$23.80	+25.82
15	\$0.00	\$0.00
16	-\$23.80	-\$25.82
17	-\$47.60	-51.65
18	-\$71.39	-77.47
19	-\$95.19	-103.29
20	-\$118.99	-129.11

SECTION VII
VALUATION METHODS AND ASSUMPTIONS

Actuarial Cost

Method: Entry Age Normal

Valuation Date: Data was provided as of May 1, 2010. The liabilities were calculated as of June 30, 2010 and discounted back to the valuation date of July 1, 2009.

Discount Rate: 4%

Trends:

Year Beginning	Medical ^{1,2}		Pharmacy	Dental	Admin Costs	State Subsidy
	PPO	HMOs				
7/1/2009	7.0%	5.0%	10.3%	5.5%	3.0%	7.0%
7/1/2010	8.5%	8.5%	8.8%	5.0%	3.0%	8.5%
7/1/2011	8.0%	8.0%	8.3%	4.5%	3.0%	8.0%
7/1/2012	7.0%	7.0%	7.3%	4.5%	3.0%	7.0%
7/1/2013	6.0%	6.0%	6.3%	4.5%	3.0%	6.0%
7/1/2014	5.0%	5.0%	5.3%	4.5%	3.0%	5.0%
7/1/2015 and Beyond	5.0%	5.0%	5.0%	4.5%	3.0%	5.0%

(1) Also applied to base retiree contributions (before State Subsidy service adjustments)

(2) 2009 Medical Trend is net of Board approved PPO provision indexing and HMO cost reduction strategies

Mortality:

Healthy Lives

Regular Employees

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

Police & Fire

RP-2000 combined Healthy Table, set forward one year

Disabled Members

Regular Employees

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

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

Police & Fire

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

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

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

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

**SECTION VII
VALUATION METHODS AND ASSUMPTIONS**

Retirement Rates (con't.)

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

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

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

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

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

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

SECTION VII VALUATION METHODS AND ASSUMPTIONS

Salary Benefits do not depend on salary. Salary is used to produce results under the Entry Age Normal (level % of pay) cost methods. PEBP provided total payroll.

Salary Scale: The salary increase assumption varies by employee group and years of service.

Regular Employees	
Years of Service	Rate
1	9.75%
2	8.25%
3	7.75%
4	7.50%
5	7.25%
6	7.00%
7	6.75%
8	6.25%
9	5.75%
10	5.50%
11	5.10%
12	4.90%
13 or more	4.50%

Police & Fire	
Years of Service	Rate
1	14.75%
2	10.75%
3	10.20%
4	9.80%
5	9.40%
6	9.00%
7	8.25%
8	7.75%
9	7.25%
10 or more	6.50%

PERS Assumptions: The mortality, retirement, withdrawal, disability and salary scale assumptions are the same as those used for the 6/30/09 Public Employees' Retirement System (PERS) for the State of Nevada pension valuation.

Participation Rate: 90% of current eligible actives 25% of current terminated vested employees will elect the retiree plan coverage

Spouse Coverage: 43% of active males will elect retiree spouse coverage; 18% of active females will elect retiree spouse coverage. Actual spousal data was used for current retirees. It is assumed all surviving spouses retained coverage until death.

Age Difference: Male participants are assumed to be 4 years older than spouses; female participants are assumed to be 2 years younger than spouses.

Employees Covered: *Medical, Dental, Rx:* All actives, terminated vesteds, current retirees and survivors electing healthcare coverage;

SECTION VII VALUATION METHODS AND ASSUMPTIONS

Life Insurance: All active employees and current retirees that elected healthcare coverage. Reinstated retirees and survivors are not eligible to receive the life insurance benefit

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

Medical Plans: All current retirees and survivors continue to participate in their current medical plan; actives enrolled in the PPO plan will assume to participate in this plan upon retirement; actives enrolled in an HMO plan, assume 62% of those in the HTH plan will participate in the PPO plan, and 58% of those in the HPN plan will participate in the PPO plan.

Medicare Eligibility: Certain retirees over age 65 are not eligible for Medicare Parts A as indicated on the data. For these participants, we have assumed they will not become eligible for Medicare Part A and/or B at any time in the future. Current active employees are assumed to be eligible for Medicare Part A.

Missing/Incomplete Data: Missing or incomplete data (e.g., salary, hire date, retirement date, class, relationship, eligibility) will be substituted by averages determined from complete records.

Health Care Claims Costs: Annual per capita medical and prescription drug claims costs are shown on the following pages. The costs represent estimated claims based on the plan design in effect on July 1, 2010. Expenses are shown separately. The retiree costs for active employees currently enrolled in an HMO plan are a blend of their current HMO plan and the PPO plan, using the blending percentages stated above.

**SECTION VII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost

Age	HMO-North (HTH)				
	Medical				Admin
	Retiree		Spouse		
	Non- Medicare	Medicare	Non- Medicare	Medicare	
30	4,867	4,867	5,792	5,792	
31	4,856	4,856	5,784	5,784	134
32	4,846	4,846	5,775	5,775	134
33	4,835	4,835	5,767	5,767	134
34	4,825	4,825	5,759	5,759	134
35	4,815	4,815	5,752	5,752	134
36	4,821	4,821	5,764	5,764	134
37	4,828	4,828	5,777	5,777	134
38	4,835	4,835	5,790	5,790	134
39	4,842	4,842	5,804	5,804	134
40	4,849	4,849	5,817	5,817	134
41	4,952	4,952	5,944	5,944	134
42	5,057	5,057	6,074	6,074	134
43	5,165	5,165	6,207	6,207	134
44	5,275	5,275	6,343	6,343	134
45	5,387	5,387	6,482	6,482	134
46	5,571	5,571	6,706	6,706	134
47	5,762	5,762	6,939	6,939	134
48	5,959	5,959	7,179	7,179	134
49	6,163	6,163	7,429	7,429	134
50	6,374	6,374	7,686	7,686	134
51	6,584	6,584	7,940	7,940	134
52	6,802	6,802	8,202	8,202	134
53	7,026	7,026	8,473	8,473	134
54	7,258	7,258	8,752	8,752	134
55	7,498	7,498	9,041	9,041	134
56	7,767	7,767	9,366	9,366	134
57	8,047	8,047	9,704	9,704	134
58	8,337	8,337	10,053	10,053	134
59	8,637	8,637	10,415	10,415	134
60	8,948	8,948	10,790	10,790	134
61	9,324	9,324	11,243	11,243	134
62	9,715	9,715	11,715	11,715	134
63	10,123	10,123	12,207	12,207	134
64	10,548	10,548	12,720	12,720	134
65	10,992	4,387	13,254	5,051	134
66	11,321	4,518	13,652	5,203	134
67	11,661	4,654	14,061	5,359	134
68	12,011	4,794	14,483	5,520	134
69	12,371	4,937	14,918	5,685	134
70	12,742	5,086	15,365	5,856	134
71	13,061	5,213	15,749	6,002	134
72	13,387	5,343	16,143	6,152	134
73	13,722	5,477	16,547	6,306	134
74	14,065	5,613	16,960	6,464	134
75	14,417	5,754	17,384	6,625	134

Health Care Claims Cost (continued)

**SECTION VII
VALUATION METHODS AND ASSUMPTIONS**

Age	HMO-South (HPN)				
	Medical				Admin
	Retiree		Spouse		
	Non- Medicare	Medicare	Non- Medicare	Medicare	
30	2,639	2,639	2,656	2,656	
31	2,632	2,632	2,635	2,635	134
32	2,625	2,625	2,614	2,614	134
33	2,618	2,618	2,594	2,594	134
34	2,611	2,611	2,574	2,574	134
35	2,605	2,605	2,554	2,554	134
36	2,607	2,607	2,540	2,540	134
37	2,609	2,609	2,527	2,527	134
38	2,611	2,611	2,514	2,514	134
39	2,614	2,614	2,500	2,500	134
40	2,616	2,616	2,487	2,487	134
41	2,671	2,671	2,528	2,528	134
42	2,726	2,726	2,570	2,570	134
43	2,783	2,783	2,612	2,612	134
44	2,841	2,841	2,655	2,655	134
45	2,901	2,901	2,699	2,699	134
46	2,999	2,999	2,781	2,781	134
47	3,101	3,101	2,866	2,866	134
48	3,206	3,206	2,953	2,953	134
49	3,315	3,315	3,042	3,042	134
50	3,427	3,427	3,134	3,134	134
51	3,540	3,540	3,238	3,238	134
52	3,657	3,657	3,345	3,345	134
53	3,778	3,778	3,455	3,455	134
54	3,903	3,903	3,569	3,569	134
55	4,031	4,031	3,687	3,687	134
56	4,176	4,176	3,820	3,820	134
57	4,327	4,327	3,957	3,957	134
58	4,483	4,483	4,100	4,100	134
59	4,644	4,644	4,247	4,247	134
60	4,811	4,811	4,400	4,400	134
61	5,013	5,013	4,585	4,585	134
62	5,224	5,224	4,778	4,778	134
63	5,443	5,443	4,978	4,978	134
64	5,672	5,672	5,187	5,187	134
65	5,910	2,215	\$5,405	2,385	134
66	6,087	2,282	\$5,567	2,457	134
67	6,270	2,350	\$5,734	2,531	134
68	6,458	2,421	\$5,906	2,606	134
69	6,652	2,493	\$6,083	2,685	134
70	6,851	2,568	\$6,266	2,765	134
71	7,023	2,632	\$6,423	2,834	134
72	7,198	2,698	\$6,583	2,905	134
73	7,378	2,766	\$6,748	2,978	134
74	7,563	2,835	\$6,916	3,052	134
75	7,752	2,906	\$7,089	3,129	134

SECTION VII
VALUATION METHODS AND ASSUMPTIONS

Health Care Claims Cost (continued)

Age	Senior Dimensions HMO (South)		
	Medical		Admin
	Medicare		
	Retiree	Spouse	
30	2,639	2,363	134
31	2,632	2,364	134
32	2,625	2,365	134
33	2,618	2,367	134
34	2,611	2,369	134
35	2,605	2,371	134
36	2,607	2,381	134
37	2,609	2,392	134
38	2,611	2,404	134
39	2,614	2,415	134
40	2,616	2,427	134
41	2,671	2,484	134
42	2,726	2,542	134
43	2,783	2,602	134
44	2,841	2,664	134
45	2,901	2,727	134
46	2,999	2,824	134
47	3,101	2,926	134
48	3,206	3,031	134
49	3,315	3,140	134
50	3,427	3,253	134
51	3,540	3,361	134
52	3,657	3,472	134
53	3,778	3,586	134
54	3,903	3,705	134
55	4,031	3,827	134
56	4,176	3,965	134
57	4,327	4,107	134
58	4,483	4,255	134
59	4,644	4,408	134
60	4,811	4,567	134
61	5,013	4,759	134
62	5,224	4,959	134
63	5,443	5,167	134
64	5,672	5,384	134
65	1,056	745	134
66	1,087	767	134
67	1,120	790	134
68	1,154	814	134
69	1,188	838	134
70	1,224	863	134
71	1,254	885	134
72	1,286	907	134
73	1,318	930	134
74	1,351	953	134
75	1,385	977	134

**SECTION VII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	PPO				
	Medical				Admin
	Male		Female		
	Non- Medicare	Medicare	Non- Medicare	Medicare	
30	2,664	2,639	4,591	4,591	
31	2,710	2,632	4,555	4,555	417
32	2,756	2,625	4,520	4,520	417
33	2,803	2,618	4,485	4,485	417
34	2,850	2,611	4,450	4,450	417
35	2,899	2,605	4,415	4,415	417
36	2,962	2,607	4,392	4,392	417
37	3,027	2,609	4,369	4,369	417
38	3,093	2,611	4,346	4,346	417
39	3,161	2,614	4,323	4,323	417
40	3,230	2,616	4,300	4,300	417
41	3,340	2,671	4,371	4,371	417
42	3,454	2,726	4,443	4,443	417
43	3,573	2,783	4,517	4,517	417
44	3,695	2,841	4,591	4,591	417
45	3,821	2,901	4,667	4,667	417
46	3,972	2,999	4,809	4,809	417
47	4,129	3,101	4,954	4,954	417
48	4,293	3,206	5,105	5,105	417
49	4,462	3,315	5,260	5,260	417
50	4,639	3,427	5,419	5,419	417
51	4,792	3,540	5,598	5,598	417
52	4,950	3,657	5,783	5,783	417
53	5,113	3,778	5,974	5,974	417
54	5,282	3,903	6,171	6,171	417
55	5,456	4,031	6,374	6,374	417
56	5,653	4,176	6,604	6,604	417
57	5,856	4,327	6,842	6,842	417
58	6,067	4,483	7,088	7,088	417
59	6,285	4,644	7,343	7,343	417
60	6,512	4,811	7,608	7,608	417
61	6,785	5,013	7,927	7,927	417
62	7,070	5,224	8,260	8,260	417
63	7,367	5,443	8,607	8,607	417
64	7,676	5,672	8,968	8,968	417
65	1,404	2,215	9,345	1,433	417
66	1,447	2,282	9,625	1,476	417
67	1,490	2,350	9,914	1,520	417
68	1,535	2,421	10,212	1,566	417
69	1,581	2,493	10,518	1,613	417
70	1,628	2,568	10,834	1,661	417
71	1,669	2,632	11,104	1,702	417
72	1,711	2,698	11,382	1,745	417
73	1,753	2,766	11,667	1,789	417
74	1,797	2,835	11,958	1,833	417
75	1,842	2,906	12,257	1,879	417

**SECTION VII
VALUATION METHODS AND ASSUMPTIONS**

Health Care Claims Cost (continued)

Age	PPO			
	Pharmacy		Dental	
	Male	Female	Male	Female
30	467	1,151	703	673
31	475	1,142	703	673
32	483	1,133	703	673
33	492	1,124	703	673
34	500	1,115	703	673
35	508	1,106	703	673
36	520	1,101	703	673
37	531	1,095	703	673
38	542	1,089	703	673
39	554	1,083	703	673
40	566	1,078	703	673
41	586	1,095	703	673
42	606	1,113	703	673
43	627	1,132	703	673
44	648	1,151	703	673
45	670	1,170	703	673
46	697	1,205	703	673
47	724	1,242	703	673
48	753	1,279	703	673
49	783	1,318	703	673
50	814	1,358	703	673
51	840	1,403	703	673
52	868	1,449	703	673
53	897	1,497	703	673
54	926	1,546	703	673
55	957	1,597	703	673
56	991	1,655	703	673
57	1,027	1,715	703	673
58	1,064	1,776	703	673
59	1,102	1,840	703	673
60	1,142	1,906	703	673
61	1,190	1,987	703	673
62	1,240	2,070	703	673
63	1,292	2,157	703	673
64	1,346	2,248	703	673
65	1,282	1,310	434	673
66	1,320	1,350	434	368
67	1,360	1,390	434	368
68	1,401	1,432	434	368
69	1,443	1,475	434	368
70	1,486	1,519	434	368
71	1,523	1,557	434	368
72	1,561	1,596	434	368
73	1,600	1,636	434	368
74	1,640	1,677	434	368
75	1,681	1,718	434	368

SECTION VIII GLOSSARY

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

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

Allocating Costs (Attribution)

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

Defining the Plan

The substantive plan may differ from the written plan in that it reflects the employer's cost sharing policy based on past practice or communication of intended changes, or a past practice of cost increases in monetary benefits. GASB requires entities to recognize the underlying promise, not just the written plan. GASB also requires the plan sponsor to recognize any implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience.

Actuarial Assumptions

Generally, GASB requires explicit assumptions.

In the statement GASB requires that the discount rate be based on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. However, since the source of funds for unfunded plans is usually the agency's general fund, and agencies are usually restricted by State law as to what investments they can have in their general fund, unfunded plans will need to use a relatively low discount rate. For PEBP, we have examined historical returns in the portfolio of funds from which benefits are currently being paid to set the discount rate assumption.

Transition Issues

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

SECTION VIII GLOSSARY

Effective Dates

The new standard will have staggered effective dates as follows:

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

Actuarial Accrued Liability (AAL)

As determined by a particular Actuarial Cost Method, the portion of the Actuarial Present Value of plan benefits and expenses which is attributable to past service, and thus not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting benefit costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and employer provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items. The Actuarial Assumptions are used in connection with the Actuarial Cost Method to allocate plan costs over the working lifetime of plan participants.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods (e.g., past service, future service), usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Experience Gain or Loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation Dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.).

SECTION VIII GLOSSARY

- b. multiplied by the probability of the occurrence of an event (such as survival, death disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Total Projected Benefits or Present Value of Benefits (PVB)

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Valuation

The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a benefit plan.

Actuarial Valuation Date

The date as of which an actuarial valuation is performed.

Actuarial Value of Assets

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

Amortization (of Unfunded Actuarial Accrued Liability)

The portion of benefit plan costs or contributions which is designed to pay off principal and interest on the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost (AOC)

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contributions of the Employer (ARC)

The employer's periodic required contributions to a Defined Benefit OPEB Plan, which is the basis for determining an employer's Annual OPEB Cost.

SECTION VIII GLOSSARY

Covered Group

Plan members included in an actuarial valuation.

Deferred Inactives

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

Defined Benefit OPEB Plan

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

Discount Rate (Investment Return Assumption)

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

Employer Contributions

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

Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

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.

SECTION VIII GLOSSARY

Funding Policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities to provide the benefits specified by an OPEB plan.

Healthcare Cost Trend Rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Implicit Rate Subsidy

The differential between utilizing a blend of active and non-Medicare retiree experience for cost of benefits, and utilizing solely the expected retiree experience. Blending a lower cost active cohort with retirees results in an implicit rate subsidy for the retirees of the entire group.

Inactives

Certain former employees with a minimum amount of years of creditable service who have benefits payable from the retirement system.

Level Dollar Amortization Method

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

Level Percentage of Projected Payroll Amortization Method

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

Market-Related Value of Plan Assets

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

Net OPEB Obligation (NOO)

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

SECTION VIII GLOSSARY

Normal Cost

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

OPEB Assets

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

OPEB Expenditures

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

OPEB Expense

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

OPEB Liabilities

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

Other Postemployment Benefits (OPEB)

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

Pay-As-You-Go

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

Plan Assets

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

SECTION VIII GLOSSARY

Plan Members

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

Postemployment

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

Postemployment Healthcare Benefits

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

Postretirement Benefit Increase

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

Projected Benefits

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

Required Supplementary Information (RSI)

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

Single-Employer Plan

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

SECTION VIII GLOSSARY

Sponsor

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

Substantive Plan

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

Transition Year

The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

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