

Washington State 2015 Other Post-Employment Benefits Actuarial Valuation Report



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July 2015



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Letter of Introduction Other Post-Employment Benefits Actuarial Valuation Report July 2015

In accordance with the reporting requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB), this report documents the results of an actuarial valuation of the employer-provided subsidies associated with post-employment medical benefits provided through the Public Employee Benefits Board (PEBB). PEBB was created within the Washington State Health Care Authority (HCA) to administer medical, dental, and life insurance plans for public employees and retirees.

The primary purpose of this valuation is to determine the PEBB plan liability as of January 1, 2015. This liability belongs to the participating employers of the plan, which include the state, K-12 school districts, and political subdivisions of the state. The valuation determines the total liability for the retiree medical and life insurance benefits and the Annual Required Contribution needed to pre-fund them (although this funding policy is not required).

The report is organized into the following sections:

- ❖ Background.
- ❖ Actuarial Exhibits.
- ❖ Sensitivity Analysis.
- ❖ Participant Data.
- ❖ Appendices.

The **Background** section discusses the nature of the Other Post-Employment Benefits (OPEB) liabilities, who is affected by the GASB requirements, and how the liabilities are calculated. The **Actuarial Exhibits** section provides the results of this valuation and the necessary exhibits to satisfy the requirements of GASB Statement No. 45. The **Sensitivity Analysis** section provides further information about the impact of the methods and assumptions used in our calculations. The **Participant Data** section provides detailed information about the retired members who receive the subsidies and the active members who are potentially eligible for the subsidies. The **Appendices** provide a summary of the principal actuarial assumptions and methods, a summary of plan provisions, and a glossary of actuarial terms used throughout this report.

With the exception of employers noted in the appendix, employers should not use this report to satisfy their individual employer reporting requirements under GASB Statement No. 45. The Office of the State Actuary created an online tool to help small employers calculate their individual reporting requirements. This online tool is meant to



perform an alternative measurement method mentioned in GASB Statement No. 45 and can be used by employers with fewer than one hundred total plan members. The online tool is available on our website (osa.leg.wa.gov).

We encourage you to submit any questions you might have concerning this report to our regular e-mail address: actuary.state@leg.wa.gov. We invite you to visit our web site for more information regarding the actuarial funding of the Washington State retirement systems.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

Michael Harbour
Senior Actuarial Analyst



Key Results

KEY RESULTS

This section documents the key Governments Accounting Standards Board (GASB) Statement No. 45 (GASB 45) valuation and accounting results related to the Public Employee Benefits Board (PEBB) employer-provided subsidies in Washington State. GASB 45 requires the disclosure of the following key measurements.

Actuarial Accrued Liability (AAL) – The amount of subsidies expected to be paid to current retirees and current active members (future retirees) that have already been earned, measured in today’s dollars. This is also referred to as the GASB 45 liability. Consistent with GASB 45, we assume continuation of the current plan provisions for purposes of this measurement.

Annual Required Contribution (ARC) – The annual amount required under the actuarial cost method to fully fund the liability. It is made up of the normal cost (the amount earned in the next year) plus the amortization of the unfunded AAL (unfunded past liability).

Annual Other Post-Employment Benefits (OPEB) Cost – The ARC plus the amortization of the Net OPEB Obligation (NOO, see below). The Annual OPEB Cost is the “expense” for financial reporting.

Net OPEB Obligation (NOO) – The cumulative difference between the Annual OPEB Cost and actual employer contributions. The NOO is the “balance sheet liability” for financial reporting.

The table below shows these key measurements for the PEBB employers by major category. The State category contains all state agency and higher education employers. K-12 employers (school districts) are split from the state because they are legally separate corporate entities. The Political Subdivision category includes local governments who have applied and been accepted to join PEBB. Together, these three groups comprise the PEBB employers.

Please read the rest of the report for a detailed description of what these measures represent, how they are calculated, and how they should be used. Please review the Sensitivity Analysis section for more information on how these numbers change with small changes in our assumptions.

GASB 45 Key Results				
<i>(Dollars in Thousands)</i>	State	K-12	Political Subdivisions	Total
Actuarial Accrued Liability (AAL)	\$5,273,530	\$5,085,158	\$519,928	\$10,878,616
Annual Required Contribution (ARC)	498,399	473,393	55,181	1,026,974
Annual OPEB Cost	502,376	476,907	55,653	1,034,936
Net OPEB Obligation (NOO)*	\$2,322,888	\$2,138,488	\$290,605	\$4,751,981

*Estimated NOO, projected to 6/30/2015.

COMMENTS ON 2015 RESULTS

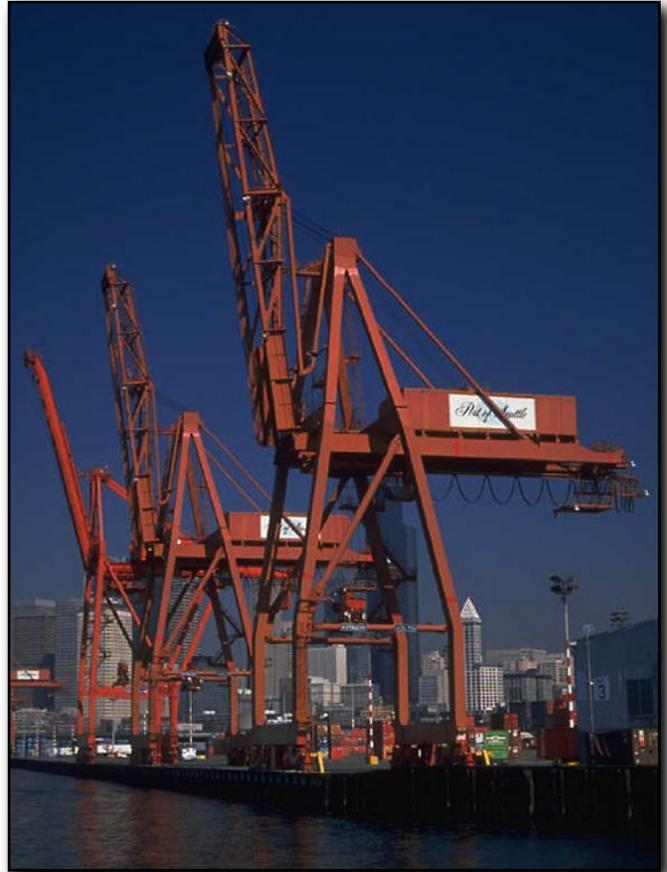
Short-term actuarial gains or losses occur when actual economic and demographic experience differs from what we assume in the valuation. Actuarial gains reduce the GASB 45 liability; actuarial losses increase the GASB 45 liability. Under a reasonable set of actuarial assumptions and methods, actuarial gains and losses offset over long-term experience periods.

Significant changes in plan provisions or actuarial assumptions and methods also impact the GASB 45 liability. Significant factors that impacted the results of this valuation include the following:

- We updated our demographic assumptions consistent with the *2007-12 Demographic Experience Study*. This includes our assumptions for termination, disability, retirement, and the most significant assumption change, mortality. These assumption changes increased liabilities by approximately 19 percent from the prior valuation.
- The medical assumption and data changes increased liabilities by approximately 24 percent from the prior valuation. This increase is roughly comprised of an 18 percent increase for updating the membership data, a 10 percent increase for updating the medical costs and premiums, and about a 4 percent decrease for updating the medical trend inflation.
- With the assistance of a healthcare actuary, we developed new healthcare assumptions for this valuation. These assumptions include the expected impact of an excise tax paid by affected employers on “Cadillac” health care plans as defined under the Patient Protection and Affordable Care Act (PPACA). This excise tax, which does not go into effect until the year 2018, represents about 2.2 percent of all liabilities. The inclusion of this tax does not represent tax advice or an opinion that this tax applies to this medical plan. Please see the **Sensitivity Analysis** section for the results of this valuation without the excise tax.

A more detailed analysis of the gain/loss can be found in the Actuarial Exhibits section.

New reporting rules under GASB Statements No. 74 and 75 go into effect for future reporting cycles. These statements will replace GASB Statements No. 43 and 45. The changes will be similar to the recent changes made with GASB Statements No. 67 and 68, for pension plan financial reporting and accounting, and we anticipate a shift in how these costs are presented and allocated to employers. For more information, please refer to [GASB’s website](#).





I. Background

OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits (OPEB) are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. The Public Employees Benefits Board (PEBB) offers retirees access to all of these benefits. However, PEBB employers provide monetary assistance, or subsidies, only for medical, prescription drug, life, and vision insurance.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

SUBSIDIES

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

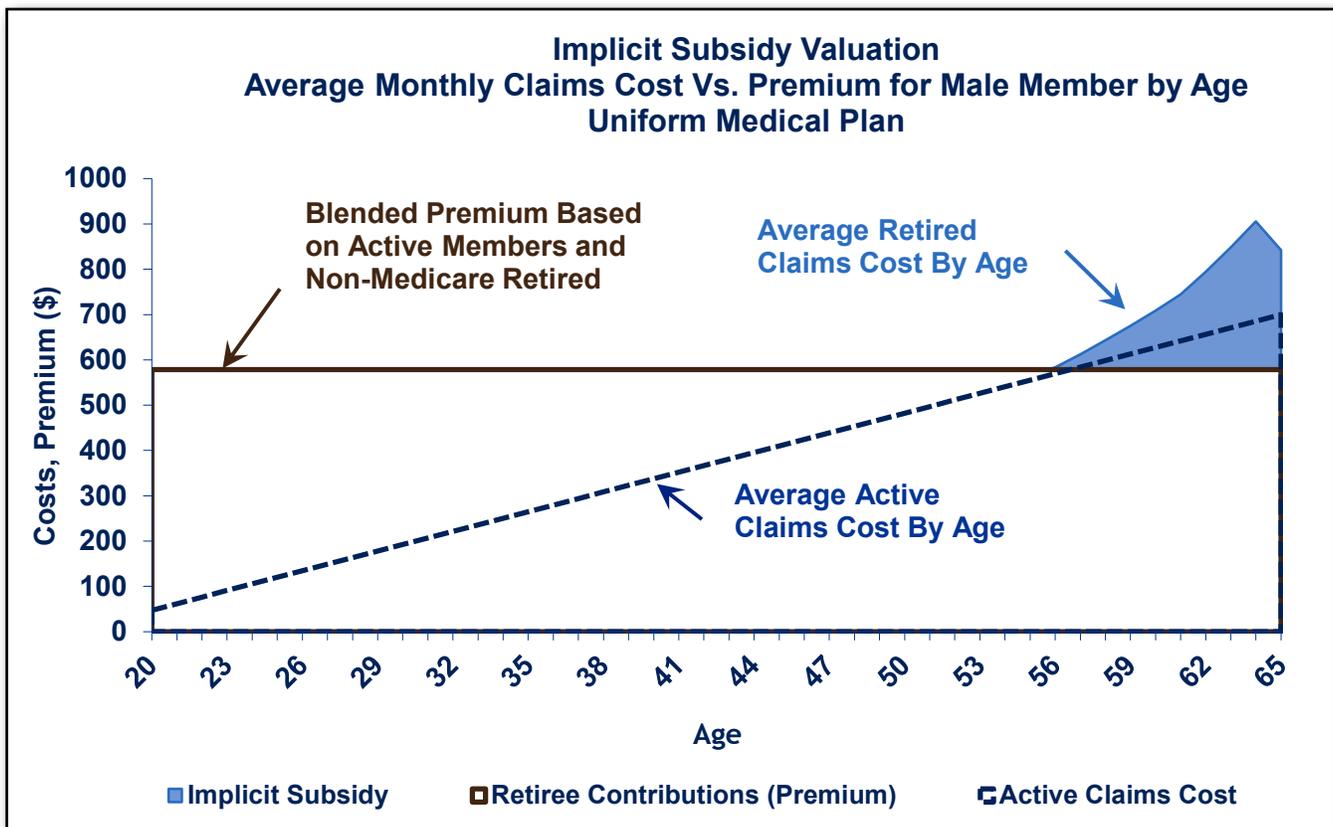
The **explicit subsidy**, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The table below shows the amount of the monthly explicit subsidy in recent years. The explicit subsidy is the lesser of 50 percent of the monthly premium and the amount on the left side.

Year	Explicit Subsidy Per Month	Increase Over Prior Year
2015	\$150.00	0.00%
2014	150.00	0.00%
2013	150.00	0.00%
2012	150.00	(17.98)
2011	182.89	0.00%
2010	182.89	0.00%
2009	182.89	11.46%
2008	164.08	9.63%
2007	149.67	13.50%
2006	131.87	13.50%
2005	116.19	13.52%
2004	102.35	10.36%
2003	92.74	8.04%
2002	85.84	22.66%
2001	69.98	12.00%
2000	\$62.48	N/A

The **implicit subsidy**, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees. The graph below shows an example of the average monthly claims costs and the blended premium for the Uniform Medical Plan (UMP).

The horizontal line shows the constant premium for all members participating in the employee and non-Medicare eligible retiree pool. The upward sloping lines show the average monthly claims cost for each age. Whenever the retirees' upward sloping line is above the horizontal line there is an implicit subsidy (the shaded area in the graph). The value of the implicit subsidy is the difference between the higher sloped line and the horizontal line. As a theoretical example, an average monthly claims cost for 60-year-old retirees could be \$700, whereas an average monthly premium for 60-year-old retirees could be \$550. As a result, there would be an average implicit subsidy of \$150 per month for each 60-year-old PEBB retiree.

I. BACKGROUND



GASB STATEMENTS NO. 43 AND 45

Before 2007 these subsidies were not projected and accounted for under an accrual basis. Accrual accounting is meant to match the timing between when something occurs and when it is accounted for. In this case, it is meant to match the expense to the year in which the benefits are earned by the member.

Pay-as-you-go funding occurs when an employer chooses to contribute (pay) for benefits only when they occur or become due (after retirement). Before 2007 this cost was expensed as PEBB plan employers paid the current year's subsidies. However, the unfunded liability, the difference between what members accrue (assuming on-going future payments) and what the PEBB plan employers currently pay, was growing and was not accounted for under the pay-as-you-go method.

According to Governmental Accounting Standard Board (GASB) Statements No. 43 and 45 were created in an attempt to:

- Create financial transparency.
- Create better alignment between public and private sector accounting.
- Provide clarity among bargaining groups to show the true cost of benefits over time.
- Provide employers knowledge of the true cost of benefits over time.
- Provide investors knowledge of the true long-term liabilities.
- Show the decision makers a cost that they need to recognize.

GASB Statement No. 43 requires disclosure of information related to the entire plan. In the case of the PEBB plan, since it is considered an agent multiple-employer plan, GASB does not require a calculation of liability at the plan level.

GASB Statement No. 45 requires each employer to calculate their OPEB liability. In addition to the overall liability, GASB requires a calculation of the Annual Required Contribution (ARC). The ARC is the annual amount required under the actuarial cost method and funding policy for amortizing the Unfunded Actuarial Accrued

Liability (UAAL). GASB does not require that PEBB plan employers actually contribute the ARC each year, just that it is recognized so that all stakeholders can see the difference in the current and long-term cost of benefits.

In addition, the state discloses GASB Statements No. 43 and 45 information in the Treasury Bond Prospectus. Rating agencies, such as Moody's, Fitch, and Standard & Poor's, analyze OPEB liabilities. Bond ratings, and the related cost of capital, may be impacted by a government's unfunded OPEB liabilities. However, the resulting analyses will not necessarily have a negative impact on ratings. These agencies will consider whether a plan is in place to manage these liabilities, look at the entity's ability to meet their budget, and analyze the size of the unfunded actuarial accrued liability compared to payroll, budget, and tax base when making their determinations.

ACTUARIAL VALUATION

We perform an actuarial valuation to determine the GASB 45 liabilities. An actuary performs an actuarial valuation to estimate what benefits will be paid throughout the future lifetimes of current members and discounts those payments back to the present. The result is the present value of future benefits. For example, if you had a dollar amount today, which equaled the present value of future benefits, you could invest that amount, accrue earnings during the current plan members' lifetimes, and use the original investment plus earnings to pay all future benefits when the members are eligible. The total amount remaining when there are no more benefits being paid would be zero. In this case, the benefit payments are the subsidies provided to PEBB retirees.

Under an actuarial valuation, an actuary needs inputs such as participant data (who is receiving the benefits), benefit provisions (what are the benefits), and assumptions (how do we expect the members and the economy to behave). Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive – in this case, the subsidies supporting retiree medical benefits. Assumptions include the interest rate (investment return), health care inflation rates, general inflation rates, decrement rates, participation rates, Medicare coverage, etc.

An actuary values these inputs using an actuarial cost method. The cost method chosen allocates costs between past and future plan membership service. Distinct actuarial cost methods produce somewhat different allocations since each method allocates cost differently. An actuary uses this information in valuation software to determine the liability and ARC. Essentially, the valuation software uses the inputs to estimate when a benefit will be paid, how much the benefit will be, and how long it will be paid to each member.

FUNDING POLICY

In Washington State, the implicit and explicit subsidies have been funded on a pay-as-you-go basis, meaning that PEBB employers have paid these costs as they occurred. This generally means today's taxpayers are paying for benefits that were earned in the past. This funding policy is in conflict with the principle of intergenerational equity, which requires that a member's benefits be funded over the member's working lifetime. Intergenerational equity occurs when the member's benefits are paid by the taxpayers who benefit from that member's service, as opposed to making future taxpayers, who do not benefit from that member's service, pay for the member's benefits.

In the future, employers can continue to fund these liabilities on a pay-as-you-go basis, or they can be pre-funded. If employers continue pay-as-you-go funding, then a NOO (Net OPEB Obligation) will accrue as the annual contributions fall short of the ARC. The results are lower current contributions in the short-run, a growing liability, and continued conflict with the principle of intergenerational equity. In addition, under pay-as-you-go funding policy, there are no assets to invest; therefore, the interest discount rate must be lower, in the range of 3 to 5 percent. A lower interest discount rate will mean a larger reported overall liability.

If, instead, employers fully pre-fund these liabilities, then annual contributions equal to the ARC are made and placed in an irrevocable trust. If the employers choose to fully pre-fund benefits, then a NOO will not accrue. The results are larger current contributions in the short-run, a lower unfunded liability, and adherence to the principle

I. BACKGROUND

of intergenerational equity. In addition, under pre-funding there will be assets to invest; the investment return applied to the liabilities will reflect the expected long-term yield of the assets used to finance the payment of the benefits. If these assets are invested similarly to those in a typical retirement plan, an interest discount rate in the range of 7 to 8 percent can be used. A higher interest discount rate will mean a smaller reported overall liability.

An employer must consider many complicated issues when creating a trust fund under pre-funding policy. Such considerations include:

- Determining the level of pre-funding.
- Contractualizing retiree health subsidies (pro or con).
- Making it difficult for school districts and political subdivisions to join or leave PEBB.
- Making larger contributions today (lower contributions later).

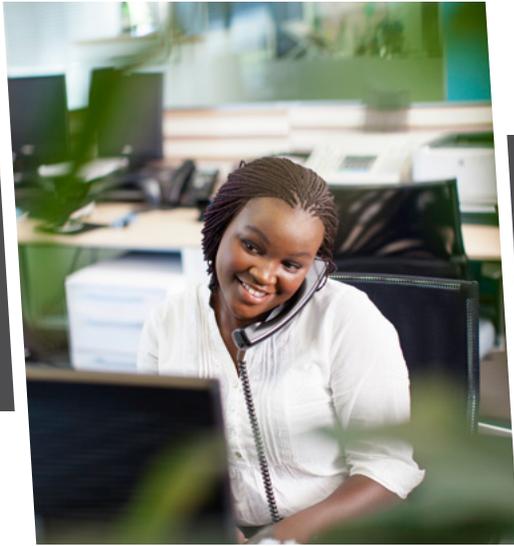
Employers could also choose a combination of the two funding policies. Partially pre-funding the liabilities will allow for an interest discount rate of 5 to 7 percent. A NOO will accrue, but not as fast as under a pay-as-you-go funding method. Choosing this combination of funding methods allows for decision-makers to keep current contributions manageable, while still pre-funding part of the liability and being able to earn some investment returns from the assets.

Lastly, partial or full pre-funding could occur under a non-dedicated fund. Under this approach, future benefit payments are partially offset by anticipated investment earnings. A NOO would still accrue, however, since GASB requires funding under an irrevocable and dedicated trust. This approach would not contractualize retiree health subsidies.

COST-SHARING POLICY

Cost-sharing policy determines the amount that the employee pays versus the employer. It is measured in terms of the percentage of the total amount that each pays. GASB requires that the cost-sharing policy be determined from the substantive plan. The substantive plan reveals the plan terms as understood by the employer(s) and the plan members. However, a comprehensive plan document does not always exist. In this case, GASB requires that the cost-sharing policy be determined from what is communicated between the employer and employees and the historical pattern of practice with regard to the sharing of benefit costs between the employer and plan members. We must assume continuation of the current cost-sharing policy, since that is the best estimate of what policy will be in place in the future.

In the actuarial valuation, this cost-sharing policy is used to project the retiree contributions and average retiree claims costs into the future using the same medical inflation trend rate for each. Generally, we use the same medical inflation trend rate for future contributions and claims costs, so the percentage of the total cost that the employer pays will remain constant throughout the lives of the current active and inactive members. For this valuation, however, we have altered the inflation assumption for contributions to reflect the reduction in future explicit Medicare subsidies. Projections could also be run to show policy decision makers what changing the cost-sharing policy further will do to the liability. As a frame of reference, reducing cost-sharing policy by half will cut the liability in half since the subsidies would all be half of their current amount.



II. Actuarial Exhibits



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Actuarial Certification Letter Other Post-Employment Benefits Actuarial Valuation Report July 2015

This report documents the results of an actuarial valuation of the post-retirement medical subsidies offered to employees by the employers participating in the Public Employee Benefits Board's (PEBB) plan. The primary purpose of this valuation is to determine the liability under Governmental Accounting Standards Board (GASB) accounting requirements, as of January 1, 2015, for the subsidies associated with retiree medical benefits provided by PEBB plan employers. This valuation should not be used for other purposes.

The valuation results summarized in this report involve calculations that require assumptions about future economic and demographic events. We believe that the assumptions and methods used in the underlying valuation are reasonable and appropriate for the primary purposes stated above. The use of another set of assumptions and methods, however, could also be reasonable and could result in materially different results. Please replace this report with a future report when available.

Consistent with GASB reporting requirements, we assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 4 percent. The expected long-term yield on the assets used to finance the payment of benefits determines the investment return. General and salary inflation are the same as those used in the June 30, 2014, Actuarial Valuation Report (AVR). Participation percentage, percentage of spouses covered, and Medicare coverage were determined by the Office of the State Actuary based on a review of past experience when we performed our first actuarial valuation. We plan to complete an updated experience study on these assumptions before our next actuarial valuation. Demographic assumptions are the same as those used in the June 30, 2014, AVR, which were developed from the 2007-2012 Experience Study performed by the Office of the State Actuary. The Office of Financial Management is responsible for the selection of the actuarial cost method, asset valuation method, and funding policy for amortizing the UAAL.

The medical trend, claims costs, and aging factors were provided by Robert Schmidt, a healthcare actuary in Milliman's Boise office. We relied on these assumptions provided by Milliman for purposes of performing this valuation. Milliman also performed analysis on the impact of the excise tax on "Cadillac" plans under the Patient Protection and Affordable Care Act. As a result, Milliman prepared two sets of medical trend assumptions, one with the excise tax and one without. We prepared the results of this report using assumptions that include the excise tax, but also illustrated the liability impact of not including the excise tax assumptions as part of the **Sensitivity Analysis** section. The inclusion of this excise tax in the report does not represent tax advice or an



opinion that this tax applies to this plan.

In our opinion, all methods, assumptions, and calculations are reasonable and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this publication.

The Health Care Authority and the Department of Retirement Systems provided the member data used in this report. The census data is reported as of June 30, 2014, and was projected forward to match the open enrollment medical plan choices as of January 1, 2015. We have checked the data for reasonableness as appropriate based on the purpose of the valuation. There are currently no assets as the liability has not been pre-funded. An audit of the participant data was not performed. We have relied on all the information provided as complete and accurate. In our opinion, these data are adequate and complete for the purposes of this valuation.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this report is intended to be complete, we are available to offer extra advice and explanations as needed.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

Luke Masselink, ASA, EA, MAAA
Actuary

PRESENT VALUE OF FUTURE BENEFITS

The Present Value of Future Benefits (PVFB) is the present value of future medical subsidies paid on behalf of the current employees (actives/future retirees) and current retirees of the employers participating in the Public Employees Benefits Board (PEBB) plan. The PVFB is based on all service currently earned and all service projected to be earned in the future. In other words, this is the present value of all subsidies expected to be paid out, whereas the Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB 45) liability is the present value of all subsidies expected to be paid out that have already been earned.

The table below shows the PVFB as of the valuation date, January 1, 2015, split among PEBB plan employers by major category, grouped by current active and inactive members, and shows what portions are attributable to the explicit subsidy and implicit subsidy for medical insurance; the table is broken into gross costs (total cost), cost sharing (member contributions), and net subsidy (cost minus member contributions).

Present Value of Future Benefits (PVFB)				
<i>(Dollars in Thousands)</i>	State	K-12	Political Subdivisions	Total
Gross Costs				
Active Members				
Explicit Medical Subsidy	\$14,502,799	\$13,669,498	\$1,724,901	\$29,897,199
Implicit Medical Subsidy	2,799,152	2,257,324	314,776	5,371,251
Total Active	17,301,951	15,926,822	2,039,677	35,268,451
Inactive Members				
Explicit Medical Subsidy	3,614,505	4,202,977	193,175	8,010,657
Implicit Medical Subsidy	195,850	118,890	16,171	330,910
Total Inactive	3,810,355	4,321,867	209,345	8,341,567
Gross Costs Total	21,112,306	20,248,690	2,249,022	43,610,018
Cost Sharing (Retiree Contributions)				
Active Members				
Explicit Medical Subsidy	7,850,360	7,587,914	933,246	16,371,520
Implicit Medical Subsidy	2,006,515	1,602,912	221,458	3,830,885
Total Active	9,856,875	9,190,825	1,154,704	20,202,404
Inactive Members				
Explicit Medical Subsidy	1,979,987	2,332,845	107,378	4,420,210
Implicit Medical Subsidy	139,285	83,897	11,464	234,646
Total Inactive	2,119,272	2,416,742	118,842	4,654,855
Cost Sharing Total	11,976,147	11,607,567	1,273,546	24,857,260
Net Subsidy (Gross Costs - Cost-Sharing)				
Active Members				
Explicit Medical Subsidy	6,652,440	6,081,585	791,655	13,525,680
Implicit Medical Subsidy	792,637	654,412	93,318	1,540,367
Total Active	7,445,076	6,735,997	884,973	15,066,046
Inactive Members				
Explicit Medical Subsidy	1,634,518	1,870,132	85,797	3,590,447
Implicit Medical Subsidy	56,565	34,993	4,707	96,265
Total Inactive	1,691,083	1,905,125	90,503	3,686,712
Net PVFB (1/1/2015)	\$9,136,159	\$8,641,122	\$975,476	\$18,752,758

II. ACTUARIAL EXHIBITS

GASB STATEMENT NO. 45 LIABILITY (AAL)

The GASB Statement No. 45 (GASB 45) liabilities are employer's total accrued liability from the medical insurance subsidies offered through the PEBB plan. It is the present value of future subsidies paid on behalf of current employees (actives/future retirees) and current retirees. The GASB 45 liabilities are based on all service currently earned. The GASB 45 liability is also referred to as the actuarial accrued liability or the projected unit credit liability.

The next table shows the GASB 45 liabilities as of January 1, 2015, split among the PEBB plan employees by major category, grouped by current active and inactive members, and shows what portions are attributable to the explicit subsidy and implicit subsidy for medical insurance; the table is broken into gross costs (total cost), cost sharing (member contributions), and net subsidy (cost minus member contributions).

GASB 45 Actuarial Accrued Liability (AAL)				
<i>(Dollars in Thousands)</i>	State	K-12	Political Subdivisions	Total
Gross Costs				
Active Members				
Explicit Medical Subsidy	\$7,020,853	\$6,481,553	\$845,015	\$14,347,420
Implicit Medical Subsidy	1,296,555	1,029,155	146,800	2,472,510
Total Active	8,317,409	7,510,708	991,814	16,819,930
Inactive Members				
Explicit Medical Subsidy	3,614,505	4,202,977	193,175	8,010,657
Implicit Medical Subsidy	195,850	118,890	16,171	330,910
Total Inactive	3,810,355	4,321,867	209,345	8,341,567
Gross Costs Total	12,127,763	11,832,575	1,201,159	25,161,498
Cost Sharing (Retiree Contributions)				
Active Members				
Explicit Medical Subsidy	3,811,066	3,601,297	459,442	7,871,805
Implicit Medical Subsidy	923,895	729,378	102,948	1,756,222
Total Active	4,734,961	4,330,675	562,390	9,628,027
Inactive Members				
Explicit Medical Subsidy	1,979,987	2,332,845	107,378	4,420,210
Implicit Medical Subsidy	139,285	83,897	11,464	234,646
Total Inactive	2,119,272	2,416,742	118,842	4,654,855
Cost Sharing Total	6,854,233	6,747,417	681,232	14,282,882
Net Subsidy (Gross Costs - Cost-Sharing)				
Active Members				
Explicit Medical Subsidy	3,209,788	2,880,255	385,573	6,475,616
Implicit Medical Subsidy	372,660	299,777	43,851	716,288
Total Active	3,582,448	3,180,032	429,424	7,191,904
Inactive Members				
Explicit Medical Subsidy	1,634,518	1,870,132	85,797	3,590,447
Implicit Medical Subsidy	56,565	34,993	4,707	96,265
Total Inactive	1,691,083	1,905,125	90,503	3,686,712
Net AAL (1/1/2015)	\$5,273,530	\$5,085,158	\$519,928	\$10,878,616

ARC, ANNUAL OPEB COST, AND NOO

The Annual Required Contribution (ARC) is the annual amount that would need to be contributed to fully fund the GASB 45 liability under acceptable actuarial methods. The ARC is made up of the normal cost plus the 30-year amortization as a level percentage of payroll of the actuarial accrued liability that has not been funded. In other words, it is the amount of liability that will be earned in the next year, plus a portion of the unpaid liability that has already been earned. The following table shows the ARC and its components as of January 1, 2015. The components are split among the largest employers and broken down by active and inactive members. The table also shows what portions are attributable to the explicit subsidy and the implicit subsidy.

Annual Required Contribution (ARC)				
(Dollars in Thousands)	State	K-12	Political Subdivisions	Total
Normal Cost				
Active Members				
Explicit Subsidy	\$252,187	\$241,509	\$30,628	\$524,323
Implicit Subsidy	28,260	24,390	3,385	56,035
Total Normal Cost	280,447	265,899	34,013	580,358
Amortization of UAAL				
Inactive Members				
Explicit Subsidy	195,990	188,462	19,062	403,514
Implicit Subsidy	21,963	19,033	2,106	43,102
Total Amortization*	217,953	207,495	21,169	446,616
ARC	\$498,399	\$473,393	\$55,181	\$1,026,974

**See the following sub-section of this report for the Amortization Schedule.*

The annual Other Postemployment Benefits (OPEB) cost is made up of the ARC, the interest on the Net OPEB Obligation (NOO), and the amortization of the NOO. The NOO is the ongoing balance sheet item that shows the difference between the annual OPEB cost and what the employers have actually contributed. In other words, it is the liability for “deficient” contributions that has accrued since the ARC was first calculated including interest at the assumed discount rate. The tables below show the estimated annual OPEB cost and NOO for the PEBB plan employers by major category as of the fiscal year end, June 30, 2015.

Annual OPEB Cost				
(Dollars in Thousands)	State	K-12	Political Subdivisions	Total
ARC	\$498,399	\$473,393	\$55,181	\$1,026,974
Interest on NOO	75,783	69,381	9,541	154,705
Amortization of NOO*	(71,806)	(65,868)	(9,069)	(146,743)
Annual OPEB Cost	\$502,376	\$476,907	\$55,653	\$1,034,936

**See the following sub-section of this report for the Amortization Schedule.*

Net OPEB Obligation				
(Dollars in Thousands)	State	K-12	Political Subdivisions	Total
NOO (6/30/2013)	\$1,613,775	\$1,483,513	\$204,915	\$3,302,203
Annual OPEB Cost	358,442	321,143	37,639	717,225
(7/1/2013 - 6/30/2014) Contributions	(77,650)	(70,121)	(4,027)	(151,798)
NOO (6/30/2014)	\$1,894,567	\$1,734,535	\$238,527	\$3,867,629
Annual OPEB Cost	502,376	476,907	55,653	1,034,936
(7/1/2014 - 6/30/2015) Contributions*	(74,056)	(72,954)	(3,574)	(150,584)
NOO (6/30/2015)*	\$2,322,888	\$2,138,488	\$290,605	\$4,751,981

**Estimated.*

II. ACTUARIAL EXHIBITS

AMORTIZATION SCHEDULE

The annual changes to the Unfunded Actuarial Accrued Liability (UAAL) and NOO are amortized as a percentage of payroll over a closed thirty-year period. These tables show what makes up this year's amortization of the UAAL and NOO separately for the state, K-12, and political subdivisions. The level percentage of pay Amortization Factor equals the remaining years of amortization because the assumed rate of investment return equals the assumed rate of total salary growth (general salary growth plus merit or service-based salary increases).

State Amortization of UAAL						
(Dollars in Thousands)	Beginning UAAL	Previous Amortization	Accrued Interest	Current UAAL	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$3,799,530	\$1,020,137	\$1,129,795	\$3,909,188	23	\$169,965
2009	118,829	26,273	27,729	120,285	24	5,012
2010	(244,154)	(44,081)	(47,469)	(247,542)	25	(9,902)
2011	(305,268)	(43,210)	(47,447)	(309,504)	26	(11,904)
2013	\$213,172	\$14,496	\$16,519	\$215,195	28	\$7,686
2015	\$1,585,908	\$0	\$0	\$1,585,908	30	\$52,864
Total						\$213,720
Interest on Contributions						\$4,232
Total UAAL Amortization						\$217,953

K-12 Amortization of UAAL						
(Dollars in Thousands)	Beginning UAAL	Previous Amortization	Accrued Interest	Current UAAL	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$3,355,826	\$901,007	\$997,859	\$3,452,678	23	\$150,116
2009	101,266	22,390	23,631	102,507	24	4,271
2010	(100,788)	(18,197)	(19,595)	(102,187)	25	(4,087)
2011	(328,294)	(46,470)	(51,025)	(332,849)	26	(12,802)
2013	\$194,220	\$13,207	\$15,051	\$196,064	28	\$7,002
2015	\$1,768,945	\$0	\$0	\$1,768,945	30	\$58,965
Total						\$203,465
Interest on Contributions						\$4,029
Total UAAL Amortization						\$207,495

Political Subdivision Amortization of UAAL						
(Dollars in Thousands)	Beginning UAAL	Previous Amortization	Accrued Interest	Current UAAL	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$339,972	\$91,279	\$101,091	\$349,784	23	\$15,208
2009	(7,777)	(1,719)	(1,815)	(7,872)	24	(328)
2010	33,534	6,054	6,520	34,000	25	1,360
2011	(70,332)	(9,955)	(10,931)	(71,308)	26	(2,743)
2013	\$34,475	\$2,344	\$2,672	\$34,802	28	\$1,243
2015	\$180,522	\$0	\$0	\$180,522	30	\$6,017
Total						\$20,758
Interest on Contributions						\$411
Total UAAL Amortization						\$21,169

II. ACTUARIAL EXHIBITS

State Amortization of NOO						
(Dollars in Thousands)	Beginning NOO	Previous Amortization	Accrued Interest	Current NOO	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$0	\$0	\$0	\$0	0	\$0
2009	245,855	55,435	63,376	253,797	24	10,575
2010	241,490	45,071	58,553	254,973	25	10,199
2011	271,944	39,711	54,894	287,127	26	11,043
2012	235,362	25,179	37,952	248,135	27	9,190
2013	\$294,764	\$20,467	\$35,578	\$309,875	28	\$11,067
2014	\$261,871	\$8,729	\$21,019	\$274,161	29	\$9,454
2015	\$266,500	\$0	\$0	\$266,500	30	\$8,883
Total						\$70,411
Interest on Contributions						\$1,394
Total NOO Amortization						\$71,806

K-12 Amortization of NOO						
(Dollars in Thousands)	Beginning NOO	Previous Amortization	Accrued Interest	Current NOO	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$0	\$0	\$0	\$0	0	\$0
2009	228,570	51,537	58,921	235,953	24	9,831
2010	244,602	45,651	59,308	258,259	25	10,330
2011	242,563	35,421	48,963	256,105	26	9,850
2012	209,844	22,449	33,837	221,232	27	8,194
2013	\$268,215	\$18,623	\$32,374	\$281,966	28	\$10,070
2014	\$231,791	\$7,726	\$18,605	\$242,670	29	\$8,368
2015	\$238,350	\$0	\$0	\$238,350	30	\$7,945
Total						\$64,589
Interest on Contributions						\$1,279
Total NOO Amortization						\$65,868

Political Subdivision Amortization of NOO						
(Dollars in Thousands)	Beginning NOO	Previous Amortization	Accrued Interest	Current NOO	Amortization Factor	Amortization Amount
	(a)	(b)	(c)	(d) = a - b + c	(e)	(f) = d / e
2008	\$0	\$0	\$0	\$0	0	\$0
2009	31,258	7,048	8,058	32,268	24	1,344
2010	33,180	6,193	8,045	35,033	25	1,401
2011	37,758	5,514	7,622	39,866	26	1,533
2012	28,218	3,019	4,550	29,749	27	1,102
2013	\$34,936	\$2,426	\$4,217	\$36,727	28	\$1,312
2014	\$31,515	\$1,051	\$2,530	\$32,995	29	\$1,138
2015	\$31,889	\$0	\$0	\$31,889	30	\$1,063
Total						\$8,893
Interest on Contributions						\$176
Total NOO Amortization						\$9,069

II. ACTUARIAL EXHIBITS

ASSETS

Currently, Washington State does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan subsidies are paid for on a pay-as-you-go basis the plan has no assets to invest. If the decision was made to switch from a pay-as-you-go funding policy to any level of pre-funding, assets would accumulate in a fund and earn investment returns that would lower future contributions and shift part of the burden from future taxpayers to current taxpayers. This policy would be more in line with the principle of intergenerational equity. Under GASB, the market value of assets is the total monetary value of all assets held in an irrevocable trust. The actuarial value of assets has gains and losses smoothed over time so that some of the volatility associated with investment returns can be minimized; thus minimizing the volatility of contributions required by PEBB plan employers. However, there is currently no smoothing policy since there are no assets. Under GASB, an irrevocable, dedicated, and protected trust is required in order to accumulate assets for accounting purposes (not required for funding). The table below shows the market value of assets and the actuarial value of assets as of the valuation date.

Assets as of January 1, 2015 (Dollars in Thousands)	
Market Value of Assets	\$0
Amortization of Gains/(Losses)	0
Actuarial Value of Assets	\$0

FUNDED RATIO

The funded ratio is the ratio of the present value of contributions that have been made for current members (and associated investment return, if applicable) to the present value of the liability that has already been accrued (as defined by the funding method), also known as the Actuarial Accrued Liability (AAL). A funded ratio of 100 percent indicates that all benefits that have been accrued have been funded as of the valuation date. A ratio of less than 100 percent indicates that all benefits that have been accrued have not been funded as of the valuation date. The next table shows the funded status of PEBB plan employers' OPEB liabilities.

Funded Status as of January 1, 2015				
(Dollars in Thousands)	State	K-12	Political Subdivisions	Total
Actuarial Accrued Liability	\$5,273,530	\$5,085,158	\$519,928	\$10,878,616
Assets	0	0	0	0
Unfunded Liability (1/1/2015)	\$5,273,530	\$5,085,158	\$519,928	\$10,878,616
Funded Ratio				
1/1/2015	0.00%	0.00%	0.00%	0.00%
1/1/2013	0.00%	0.00%	0.00%	0.00%
1/1/2011	0.00%	0.00%	0.00%	0.00%
1/1/2009	0.00%	0.00%	0.00%	0.00%
1/1/2008	0.00%	0.00%	0.00%	0.00%
1/1/2007	0.00%	0.00%	0.00%	0.00%

COVERED PAYROLL

The covered payroll is the total payroll of all current members that are eligible to receive subsidies from PEBB plan employers. Contributions

Covered Payroll				
(Dollars in Thousands)	State	K-12	Political Subdivisions	Total
Total Payroll	\$6,218,744	\$6,171,210	\$700,947	\$13,090,902

made by the employers are considered on a percentage of payroll basis, similar to the pension systems. The ARC is calculated as a percent of the covered payroll. The estimated current covered payroll can be seen in the table below, and is assumed to grow by the General Salary Increase assumption per year.

UNFUNDED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

We will look at the unfunded liability as a percentage of covered payroll as a measure of the relative magnitude of the unfunded liability. The table below shows the state's unfunded liability as a percentage of the state's total covered annual payroll. In other words, if this percentage of payroll were contributed to fund the subsidies, all accrued subsidies would be fully funded.

Unfunded Liability as a Percentage of Covered Payroll				
<i>(Dollars in Thousands)</i>	State	K-12	Political Subdivisions	Total
Unfunded Liability (1/1/2015)	\$5,273,530	\$5,085,158	\$519,928	\$10,878,616
Total Payroll	\$6,218,744	\$6,171,210	\$700,947	\$13,090,902
Unfunded Liability as a % of Covered Payroll	84.80%	82.40%	74.17%	83.10%

PERCENTAGE OF ARC CONTRIBUTED

The following table shows the estimated percentage of the state's ARC contributed during the last fiscal year, on a pay-as-you-go basis. A percent below 100 relates to how much of the present value of the benefit being earned in the current year is being shifted to future periods.

Percentage of ARC Contributed				
<i>(Dollars in Thousands)</i>	State	K-12	Political Subdivisions	Total
(7/1/2014 - 6/30/2015) Contributions*	\$74,056	\$72,954	\$3,574	\$150,584
ARC	\$498,399	\$473,393	\$55,181	\$1,026,974
Percentage of ARC Contributed*	14.86%	15.41%	6.48%	14.66%

*Estimated.

GAIN/LOSS ANALYSIS

The results of this report are based on assumptions about future economic and demographic events. It is important to note over time how actual events differed from those assumptions. An event that causes the plan to cost less than was expected is described as a gain to the plan. An event that causes the plan to cost more than was expected is described as a loss to the plan. An analysis of the gains and losses between last year's valuation and this year's valuation shows what events are attributable to the change in expected cost of the plan.

The first table shows the development of the expected change in the liability over the two-year period. The second table shows the difference between the prior liability and this year's liability by major source. The Correction Changes are attributable to the correction of an error we identified when applying the cost and premium inflation assumptions.

II. ACTUARIAL EXHIBITS

Expected Change in Projected Unit Credit (PUC) Liability			
(Dollars in Thousands)	State	K-12	Political Subdivisions
2013 PUC Liability	\$3,706,856	\$3,333,222	\$341,056
Normal Cost	186,916	166,066	21,590
Interest	152,013	136,650	14,074
Disbursements	(70,483)	(64,802)	(3,132)
2014 Expected PUC Liability	3,975,301	3,571,136	373,588
Normal Cost	183,014	163,680	21,065
Interest	162,672	146,119	15,365
Disbursements	(79,188)	(71,510)	(4,107)
2015 Expected PUC Liability	4,241,798	3,809,425	405,910
Expected Change in PUC Liability	\$534,943	\$476,203	\$64,855

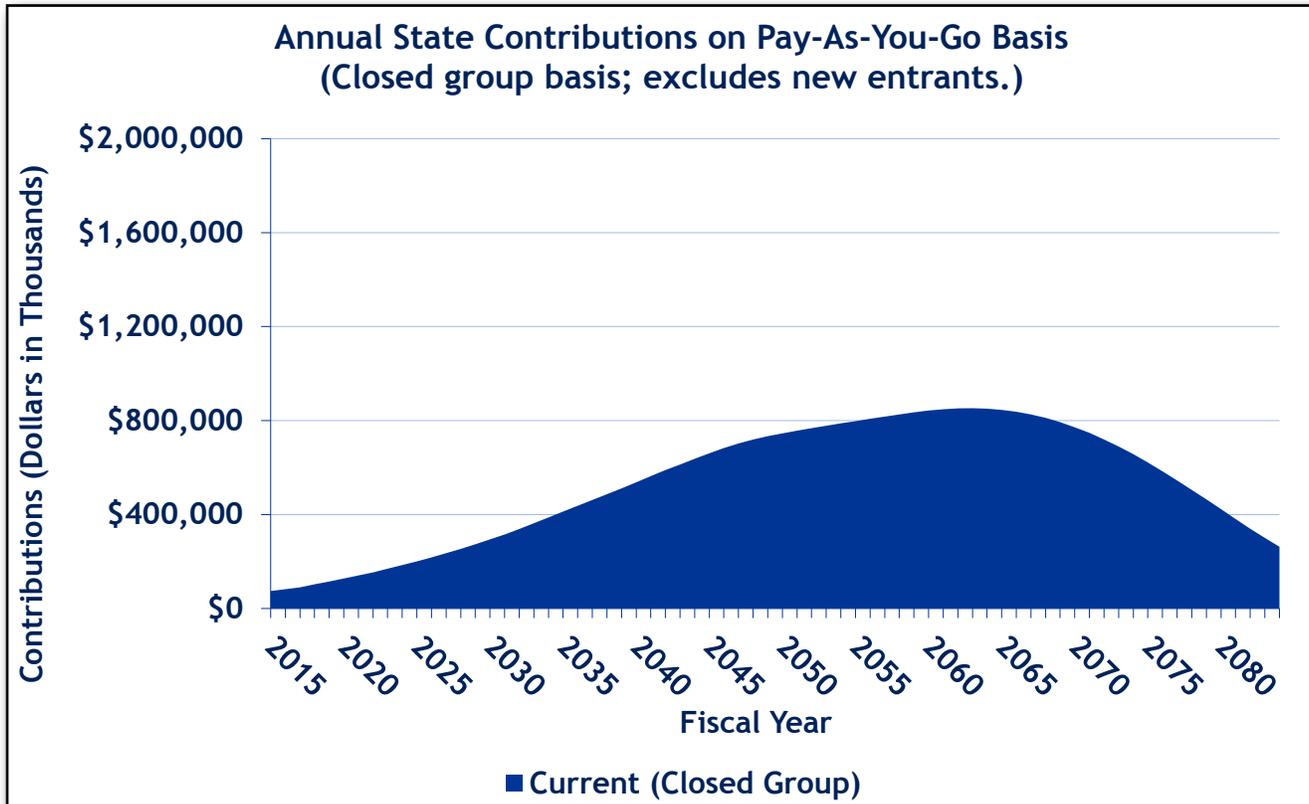
Change in PUC Liability by Source			
(Dollars in Thousands)	State	K-12	Political Subdivisions
2013 PUC Liability	\$3,706,856	\$3,333,222	\$341,056
Expected Change in Liability	\$534,943	\$476,203	\$64,855
Liability (Gain) / Loss			
Termination	(\$118,464)	(\$34,315)	(\$19,201)
Retirement	(21,500)	(21,165)	1,660
Mortality	(67,048)	(28,370)	(3,014)
Disability	(4,995)	(2,629)	(614)
New Entrants	209,677	80,652	52,975
Other Liabilities*	(28,193)	300,186	(27,686)
Total Liability (Gains) / Losses	(\$30,522)	\$294,359	\$4,120
Incremental Changes			
Plan Changes	\$0	\$0	\$0
Method Changes	0	0	0
Medical Assumption Changes	302,299	300,649	31,942
Mortality Assumption Change	882,605	841,003	91,276
Other Demographic Assumption Changes	(19,826)	(43,918)	(2,826)
Correction Changes	(102,824)	(116,361)	(10,495)
Total Incremental Changes	\$1,062,255	\$981,374	\$109,897
Total Change	\$1,566,675	\$1,751,935	\$178,872
2015 PUC Liability	\$5,273,530	\$5,085,158	\$519,928

*Includes members who changed medical plans and/or family coverage.

PROJECTIONS

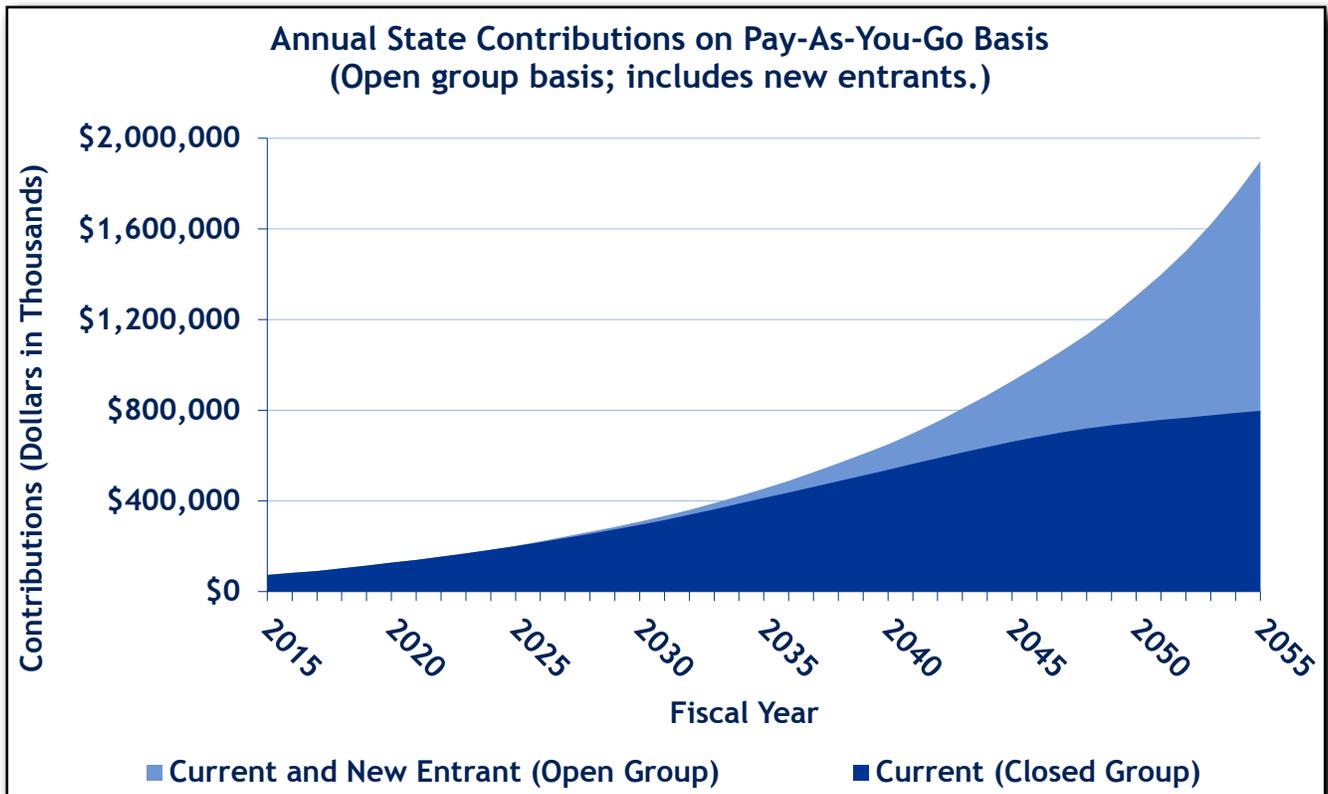
It is important to look at the projections of the contributions and the liability in order to determine if the contributions are manageable. Projections allow policy decision makers to determine the best funding policy for the state and their constituents while providing investors and stakeholders knowledge of what lies ahead.

First, we observe what the stream of payments will look like with a pay-as-you-go funding policy for the current participants for the next 70 years. Over the next 45 years, as the large number of current members and high assumed medical inflation dominate in the early years, the annual contributions (or benefit payments) increase. After 45 years, as projected medical inflation slows down and the closed current active population starts to dwindle, the annual payments will reach a peak and decrease to zero in the long-run.



Thus far, we have only looked at contributions for a closed group. In other words, we have only looked at the contributions that would pay the benefits of the current population of active and inactive members. However, new entrants will likely enter the plan, which would result in steady contribution increases into the future. These contributions are also considered when choosing how to fund the current liabilities since they represent real cash flows in the future. The following graph shows expected state contributions on both an open and closed-group basis.

II. ACTUARIAL EXHIBITS



Note that the contributions in this graph are higher than those in the prior graph because they include contributions for new entrants. We assumed that 20 percent of the new entrants are age 24; 20 percent are age 30; 20 percent are age 37; 10 percent are age 42; 10 percent are age 43; 10 percent are age 52; and 10 percent are age 53. Further, we assumed that the total active population will increase by the Annual Growth in Membership Assumption.



III. Sensitivity Analysis

A single point estimate is only the start of understanding the Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB 45) liabilities. This estimate will only be realized if future economic and demographic experience matches our assumptions. It is equally important to understand what will happen if the economic and demographic experience is different than we assumed.

MEDICAL TREND ASSUMPTION

In this section we determined how much the state's liability would change due to small changes in the medical trend assumption. The medical cost inflation trend assumption varies by medical plan and Medicare coverage. With the adoption of lower explicit subsidies beginning in 2012, the medical premium inflation assumptions for Medicare plans differ from the cost inflation assumptions for the first two years into the future, then match the cost inflation assumptions each year thereafter. The medical premium inflation assumptions for non-Medicare plans match the medical cost inflation assumptions in all years.

For the detailed medical trend assumptions, refer to the Appendices. Although this is our best estimate, it is reasonable that the medical inflation trend could be higher or lower. We will look at a medical inflation trend 1.0 percent higher or lower in each year to determine how sensitive the results are to medical inflation. The table at the right shows the results of changing the medical trend assumption by 100 basis points, or 1.0 percent per year for the state, as a Public Employees' Benefits Board (PEBB) plan employer.

Sensitivity Analysis (State) - Medical Trend			
<i>(Dollars in Thousands)</i>	High (+1.0%)	Expected*	Low (-1.0%)
PVFB	\$12,341,484	\$9,136,159	\$6,910,303
GASB 45 Liability (AAL)	\$6,687,659	\$5,273,530	\$4,230,809
Normal Cost	383,753	280,447	208,489
Amortization	266,024	217,953	182,507
ARC	\$649,777	\$498,399	\$390,996
Interest on NOO	75,783	75,783	75,783
Amortization of NOO	(71,806)	(71,806)	(71,806)
Annual OPEB Cost	\$653,754	\$502,376	\$394,972
Beginning NOO (6/30/2014)	1,894,567	1,894,567	1,894,567
Contributions**	(74,056)	(74,056)	(74,056)
Ending NOO**	\$2,474,265	\$2,322,888	\$2,215,484

**Cost Inflation generally decreases over time. By comparison, premium inflation starts higher than cost inflation for the first two years.*

***Estimated.*

III. SENSITIVITY ANALYSIS

DISCOUNT RATE ASSUMPTION AND IMPACT OF EXCISE TAX

We also prepared sensitivity analysis assuming 0.5 percent higher and lower investment rate of return, and illustrated the impact of the Patient Protection and Affordable Care Act (PPACA) excise taxes.

Sensitivity Analysis (State) - Discount Rate			
<i>(Dollars in Thousands)</i>	High (+0.5%)	Expected	Low (-0.5%)
PVFB	\$7,893,671	\$9,136,159	\$10,648,487
GASB 45 Liability (AAL)	\$4,696,949	\$5,273,530	\$5,954,148

Sensitivity Analysis (State) - Impact of Excise Tax		
<i>(Dollars in Thousands)</i>	w/o Excise Tax	Expected
PVFB	\$8,803,176	\$9,136,159
GASB 45 Liability (AAL)	\$5,170,220	\$5,273,530

It is important to realize that economic assumptions, such as medical inflation, can vary based on random events such as wars, medical breakthroughs, and legislation. Knowing the variability in our best estimate is just as important as knowing the best estimate itself.



IV. Participant Data

OVERVIEW OF PEBB MEMBERSHIP

The Health Care Authority (HCA) administers Public Employees Benefits Board (PEBB) benefits for eligible active and inactive members. The table below shows the active and inactive member counts by employer type. This is the current count of members enrolled in PEBB (subscribers) and current members either receiving a subsidy, or eligible to receive a subsidy in the future (eligible). Dependents are assumed to not have a subsidy and are excluded. The “% Subscribing” column shows how many members, who are eligible for post-employment subsidies, are currently enrolled in PEBB.

Membership By Employer			
Active Members	Subscribers	Eligible	% Subscribing
State*	110,007	120,524	91%
K-12	2,727	121,075	2%
Political Subdivision*	12,038	18,520	65%
Total Active Members	124,772	260,119	48%
Inactive Members			
State	33,244	33,244	100%
K-12	26,527	26,527	100%
Political Subdivision	1,347	1,347	100%
Total Inactive Members	61,118	61,118	100%
Total	185,890	321,237	58%

**Eligible counts were estimated.*

Retirees' access to PEBB depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), Public Safety Employees' Retirement Systems (PSERS), Washington State Patrol Retirement System (WSPRS), Judicial Retirement System, and Higher Education. The next table shows the active and inactive member counts by retirement system.

IV. PARTICIPANT DATA

Eligible Membership By Retirement System						
	Active		Inactive		Total	
	Subscribers	Eligible	Subscribers	Eligible	Subscribers	Eligible
PERS						
PERS 1	2,291	2,291	18,761	18,761	21,052	21,052
PERS 2	62,458	62,458	8,394	8,394	70,852	70,852
PERS 3	18,813	18,813	800	800	19,613	19,613
Total PERS	83,562	83,562	27,955	27,955	111,517	111,517
TRS						
TRS 1	85	1,824	19,019	19,019	19,104	20,843
TRS 2	224	13,632	1,564	1,564	1,788	15,196
TRS 3	1,183	51,837	2,624	2,624	3,807	54,461
Total TRS	1,492	67,293	23,207	23,207	24,699	90,500
SERS						
SERS 2	578	22,950	1,747	1,747	2,325	24,697
SERS 3	657	30,832	1,573	1,573	2,230	32,405
Total SERS	1,235	53,782	3,320	3,320	4,555	57,102
PSERS						
Total PSERS	2,711	4,820	12	12	2,723	4,832
WSPRS						
WSPRS 1	590	590	585	585	1,175	1,175
WSPRS 2	425	425	0	0	425	425
Total WSPRS	1,015	1,015	585	585	1,600	1,600
Judicial						
Total Judicial	0	0	73	73	73	73
Higher Education						
Total Higher Education*	27,652	42,542	4,746	4,746	32,398	47,288
Other						
Total Other	7,105	7,105	1,220	1,220	8,325	8,325
Total Membership	124,772	260,119	61,118	61,118	185,890	321,237

*Eligible counts were estimated.

All school district employees are provided access to PEBB upon retirement even if their employer did not offer PEBB medical coverage during their employment. Most school districts offer medical plans outside of PEBB for their employees prior to retirement. On the other hand, PERS active members (along with other retirement systems), generally have access to PEBB upon retirement only if their current employer offers PEBB medical plans.

SUMMARY OF PEBB PLAN PARTICIPANTS

The following table shows summary information for the average eligible active and inactive members by major employer category.

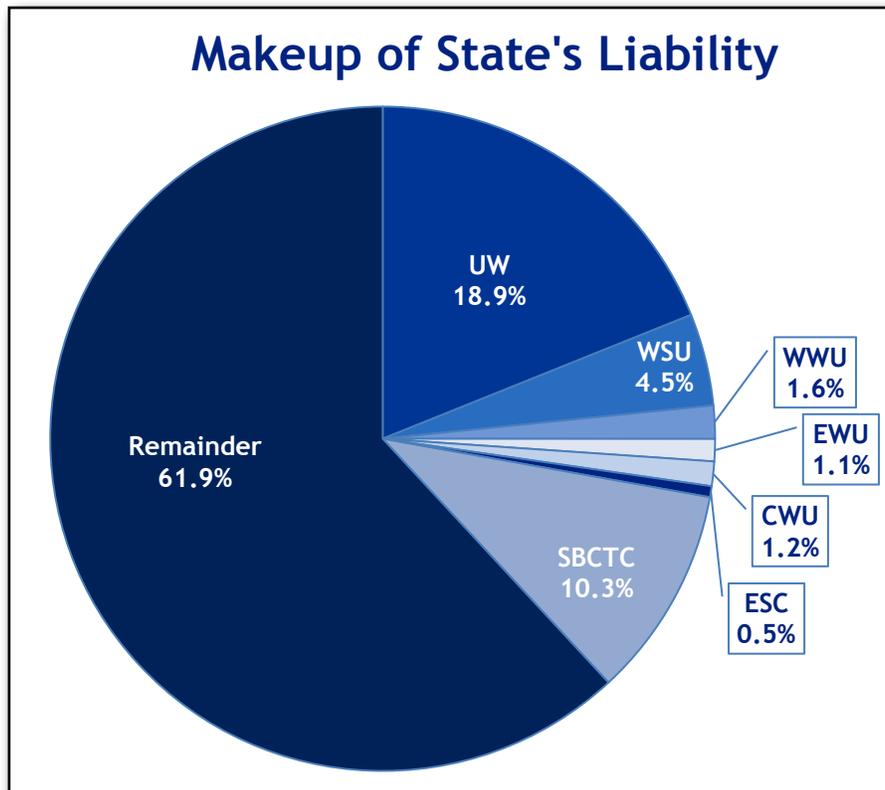
Summary of Plan Participants				
	State	K-12	Political Subdivisions	Total
Active Members				
Number	120,524	121,075	18,520	260,119
Total Salary (In Thousands, 000)	\$6,218,744	\$6,171,210	\$700,947	\$13,090,902
Average Age	46.9	48.1	47.8	47.5
Average Service	12.2	12.1	12.4	12.2
Average Salary	\$51,598	\$50,970	\$37,848	\$50,327
Inactive Members				
Number	33,244	26,527	1,347	61,118
Average Age	73.2	71.6	69.6	72.4
Average Monthly Subsidy (current year)	\$186	\$229	\$221	\$205



V. Appendices

HIGHER EDUCATION

Public employers preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) are required to comply with the reporting and disclosure requirements of Governmental Accounting Standards Board (GASB) 45. Washington State's four-year institutions of higher education, while part of the state, issue separate financial reports. The pie chart below shows the portion of the state's liability attributable to the four-year institutions and the State Board for Community and Technical Colleges (SBCTC).



The next table shows each of the six four-year state college's and SBCTC's GASB 45 liability (AAL), Annual Required Contribution (ARC), Annual OPEB Cost, and Net OPEB Obligation (NOO).

Higher Education GASB 45 Measurements							
	University of Washington	Washington State University	Western Washington University	Eastern Washington University	Central Washington University	Evergreen State College	State Board for Community and Technical Colleges
<i>(Dollars in Thousands)</i>							
PVFB	\$2,056,078	\$438,255	\$145,530	\$99,999	\$109,128	\$48,735	\$947,868
GASB 45 Liability (AAL)	\$997,469	\$236,354	\$85,007	\$57,007	\$62,947	\$28,086	\$543,110
Normal Cost	68,256	14,436	5,067	3,421	3,677	1,725	33,643
Amortization	40,383	9,704	3,447	2,324	2,551	1,155	19,426
ARC	\$108,639	\$24,140	\$8,514	\$5,745	\$6,228	\$2,881	\$53,069
Interest on NOO	17,960	3,976	1,309	913	951	488	1,282
Amortization of NOO	(16,984)	(3,771)	(1,241)	(866)	(901)	(464)	(1,089)
Annual OPEB Cost	\$109,615	\$24,345	\$8,582	\$5,792	\$6,278	\$2,905	\$53,261
Beginning NOO (6/30/2013)	380,952	84,828	27,879	19,449	20,187	10,496	0
Annual OPEB Cost	76,642	17,265	5,804	4,020	4,256	2,032	37,665
(7/1/2013 - 6/30/2014) Contributions	(8,603)	(2,689)	(960)	(643)	(667)	(324)	(7,087)
NOO (6/30/2014)	448,990	99,403	32,723	22,826	23,776	12,204	30,578
2014 Adjustment	0	0	0	0	0	0	1,466
Annual OPEB Cost	109,615	24,345	8,582	5,792	6,278	2,905	53,261
(7/1/2014 - 6/30/2015) Contributions*	(7,928)	(2,675)	(878)	(604)	(668)	(279)	(6,672)
Ending NOO (6/30/2015)*	\$550,677	\$121,073	\$40,426	\$28,013	\$29,387	\$14,829	\$78,633

*Estimated.

We estimated the liabilities for the active members covered under the higher education institutions' retirement plans (non-Public Employees Retirement System eligible) based on the liabilities for the active members in higher education covered under PERS.

DEPARTMENT OF LABOR AND INDUSTRIES

The table below shows the accounting results for the Department of Labor and Industries (L&I). L&I, while part of the state, issues separate financial statements.

L&I GASB 45 Measurements	
<i>(Dollars in Thousands)</i>	
PVFB	\$235,047
GASB 45 Liability	145,715
Normal Cost	6,826
Amortization	5,619
ARC	\$12,446
Interest on NOO	1,292
Amortization of NOO	1,180
Annual OPEB Cost	\$12,558
Beginning NOO (6/30/2013)	25,763
Annual OPEB Cost	8,732
(7/1/2013 - 6/30/2014) Contributions	(2,196)
NOO (6/30/2014)	32,299
Annual OPEB Cost	12,558
(7/1/2014 - 6/30/2015) Contributions*	(2,284)
Ending NOO (6/30/2015)*	\$42,573
<i>*Estimated.</i>	
Other L&I Information	
Active Members	2,752
Inactive Members	818
Total Members	3,570
Average Implicit Subsidy Per Retiree (Under 65)	\$350
Average Explicit Subsidy Per Retiree (65 and Older)	\$208

ACTUARIAL METHODS

The actuarial funding method chosen will determine the allocation of costs. For example, one method may allocate all costs between now and the time a member is fully eligible to retire, whereas another method may allocate all costs between now and the time a member is expected to retire (several years after retirement eligibility). One method might allocate costs as a level dollar amount while another might allocate costs as a level percentage of payroll. Using a different method will provide slightly different results. In short, different methods will relatively frontload the costs or backload the costs.

GASB allows the selection of one of six different actuarial methods. The method selected for this report was Projected Unit Credit (PUC). PUC is known to backload the costs; however, for OPEB liabilities, which are “soft liabilities” (non-contractual liabilities, highly sensitive to assumption changes) in Washington State, this is reasonable to do because it allows for the realization of the assumptions before most payments are made.

Currently, there is no asset valuation method since there are no assets invested in an irrevocable, dedicated, and protected trust.

The unfunded actuarial accrued liability is amortized over a closed thirty-year period as a level percent of payroll. GASB also allows for the selection of the amortization period (not to exceed thirty years). A longer amortization period means that the unfunded liability is being smoothed, and funded, over a longer period of time. This can be compared to a mortgage being paid off over a longer period of time (lower payments, but more interest).

ECONOMIC ASSUMPTIONS

The economic assumptions are used in the actuarial valuation to determine liabilities and contributions in the future. For presentation purposes, they are broken into non-medical and medical economic assumptions. The non-medical economic assumptions specify how we expect membership and salaries to grow. We also used the interest discount rate in order to convert future cash flows into today's dollars. Aside from the interest discount rate these are consistent with the assumptions used in the *June 30, 2014, Actuarial Valuation Report (AVR)*.

The Investment Return Assumption (interest discount rate) is chosen based on the expected long-term yield of assets anticipated to finance the payment of benefits. The subsidies are paid from the state's Concentration Account. The Concentration Account is the state's primary bank account that is invested in short-term products such as repurchase agreements, FNMA instruments, and U.S. Treasury obligations. We have determined that the expected long-term yield is reasonable for purposes of this report.

Non-Medical Economic Assumptions		
	State and Political	
	Subdivisions	K-12
Annual Growth in Membership ²	0.95%	0.80% ¹
Investment Return Assumption (Discount Rate) ³	4.00%	4.00%
Inflation ⁴	3.00%	3.00%
General Salary Increases (due to inflation) ⁵	3.75%	3.75%

¹ Only applies to K-12 members in TRS.

² This assumption is used for open group projections only; does not impact GASB accounting results.

³ Annual rate, compounded annually.

⁴ Based on the CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.

⁵ Excludes step salary increases that usually apply to members in the early part of their careers.

The medical economic assumptions specify how we expect the benefit (subsidies) will behave in the future. We relied on Robert Schmidt, a healthcare actuary in Milliman's Boise office, contracted through the HCA, to determine the medical trend rates.

Medical Inflation Trend - Claims Costs with Excise Tax					
Calendar Year(s)	UMP		Insured Medical		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare Supplement
2015	4.5%	8.5%	7.1%	8.4%	8.4%
2016	3.7%	8.5%	6.3%	8.8%	8.8%
2017	4.6%	8.5%	6.5%	8.4%	8.4%
2018	5.5%	5.5%	5.5%	5.4%	5.4%
2019	5.5%	5.5%	5.5%	5.4%	5.4%
2020	5.6%	5.5%	5.7%	5.5%	5.5%
2021	5.6%	5.6%	5.7%	5.6%	5.6%
2022	5.7%	5.6%	5.8%	5.6%	5.6%
2023	5.7%	5.7%	5.8%	5.6%	5.6%
2024	5.8%	5.7%	5.9%	5.7%	5.7%
2025	5.8%	5.7%	5.9%	5.7%	5.7%
2026	5.9%	5.7%	6.0%	5.7%	5.7%
2027	6.1%	5.8%	6.0%	5.7%	5.7%
2028	6.1%	5.8%	6.3%	5.7%	5.7%
2029	6.1%	5.8%	6.3%	5.8%	5.8%
2030	6.2%	5.8%	6.3%	5.8%	5.8%
2031	6.1%	5.8%	6.3%	5.8%	5.8%
2032	6.2%	5.8%	6.3%	5.8%	5.8%
2033	6.1%	5.8%	6.4%	5.8%	5.8%
2034	6.2%	5.8%	6.4%	5.8%	5.8%
2035	6.7%	5.9%	6.5%	5.8%	5.8%
2036	6.9%	5.9%	6.5%	5.8%	5.8%
2037	6.7%	5.7%	6.3%	5.7%	5.7%
2038	6.6%	5.7%	6.2%	5.7%	5.7%
2039	6.5%	5.6%	6.1%	5.6%	5.6%
2040	6.5%	6.0%	6.1%	5.6%	5.6%
2041	6.4%	6.0%	6.3%	5.6%	5.6%
2042	6.4%	6.0%	6.3%	5.5%	5.5%
2043	6.3%	5.9%	6.3%	5.5%	5.5%
2044	6.3%	5.9%	6.2%	5.5%	5.5%
2045	6.2%	5.9%	6.2%	5.5%	5.5%
2046	6.2%	5.8%	6.2%	5.5%	5.5%
2047	6.2%	5.8%	6.1%	5.5%	5.5%
2048	6.1%	5.8%	6.1%	5.5%	5.5%
2049	6.1%	5.8%	6.1%	5.5%	5.5%
2050	6.1%	6.2%	6.0%	5.5%	5.5%
2051	6.0%	6.3%	6.0%	5.5%	5.4%
2052	6.0%	6.3%	6.0%	5.7%	5.4%
2053	6.0%	6.3%	6.0%	5.9%	5.4%
2054	6.0%	6.2%	6.0%	5.8%	5.4%
2055	6.0%	6.2%	6.0%	5.8%	5.4%
2056	5.9%	6.2%	5.9%	5.8%	5.4%
2057	5.9%	6.1%	5.9%	5.8%	5.4%

Medical Inflation Trend - Claims Costs with Excise Tax					
Calendar Year(s)	UMP		Insured Medical		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare Supplement
2058	5.9%	6.1%	5.9%	5.8%	5.4%
2059	5.9%	6.1%	5.9%	5.8%	5.4%
2060	5.9%	6.1%	5.9%	5.8%	5.4%
2061	5.9%	6.0%	5.8%	5.7%	5.4%
2062	5.7%	5.9%	5.7%	5.7%	5.3%
2063	5.6%	5.8%	5.6%	5.7%	5.2%
2064	5.5%	5.7%	5.5%	5.6%	5.3%
2065	5.5%	5.6%	5.4%	5.7%	5.5%
2066	5.4%	5.5%	5.4%	5.7%	5.4%
2067	5.3%	5.4%	5.3%	5.6%	5.3%
2068	5.2%	5.3%	5.2%	5.5%	5.2%
2069	5.1%	5.2%	5.1%	5.4%	5.2%
2070	5.0%	5.2%	5.0%	5.3%	5.1%
2071	5.0%	5.1%	5.0%	5.2%	5.0%
2072	5.0%	5.1%	4.9%	5.2%	5.0%
2073	5.0%	5.1%	4.9%	5.2%	5.0%
2074	5.0%	5.0%	4.9%	5.2%	5.0%
2075	4.9%	5.0%	4.9%	5.2%	5.0%
2076	4.9%	5.0%	4.9%	5.2%	5.0%
2077	4.9%	5.0%	4.9%	5.2%	5.0%
2078	4.9%	5.0%	4.9%	5.2%	5.0%
2079	4.9%	5.0%	4.9%	5.2%	5.0%
2080	4.9%	5.0%	4.9%	5.1%	5.0%
2081	4.9%	5.0%	4.9%	5.1%	5.0%
2082	4.9%	5.0%	4.9%	5.1%	5.3%
2083	4.9%	5.0%	4.9%	5.1%	5.3%
2084	4.9%	5.0%	4.9%	5.1%	5.3%
2085	4.9%	5.0%	4.9%	5.1%	5.3%
2086	4.9%	5.0%	4.9%	5.1%	5.2%
2087	4.9%	5.0%	4.9%	5.1%	5.2%
2088	4.9%	5.0%	4.9%	5.1%	5.2%
2089	4.9%	5.0%	4.9%	5.1%	5.2%
2090	4.9%	5.0%	4.9%	5.1%	5.2%
2091	4.9%	5.0%	4.9%	5.1%	5.2%
2092	4.9%	5.0%	4.9%	5.1%	5.2%
2093	4.9%	5.0%	4.9%	5.0%	5.2%
2094	4.9%	4.9%	4.9%	5.0%	5.2%
2095	4.9%	4.9%	4.9%	5.0%	5.2%
2096	4.9%	4.9%	4.9%	5.0%	5.1%
2097	4.9%	4.9%	4.9%	5.0%	5.1%
2098	4.9%	4.9%	4.9%	5.0%	5.1%
2099	4.9%	4.9%	4.9%	5.0%	5.1%
2100+	4.9%	4.9%	4.9%	5.0%	5.1%

V. APPENDICES

Medical Inflation Trend - Subscriber Premiums					
Calendar Year(s)	UMP		Insured Medical		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare Supplement
2015	4.5%	14.1%	7.1%	11.2%	8.4%
2016	3.7%	13.4%	6.3%	17.2%	8.8%
2017+	Identical to underlying Claims Cost medical inflation trend.				

Note: Subscriber Premiums trend the same for first two years, w/ and w/o Excise Tax.

Milliman also prepared medical cost and premium trend rates without effect of the excise tax. We analyzed the impact of this assumption as part of the Sensitivity Analysis section.

Medical Inflation Trend - Claims Costs without Excise Tax					
Calendar Year(s)	UMP		Insured Medical		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare Supplement
2015	4.5%	8.5%	7.1%	8.4%	8.4%
2016	3.7%	8.5%	6.3%	8.8%	8.8%
2017	4.6%	8.5%	6.5%	8.4%	8.4%
2018	5.5%	5.5%	5.5%	5.4%	5.4%
2019	5.5%	5.5%	5.5%	5.4%	5.4%
2020	5.6%	5.5%	5.6%	5.5%	5.5%
2021	5.6%	5.6%	5.6%	5.6%	5.6%
2022	5.7%	5.6%	5.7%	5.6%	5.6%
2023	5.7%	5.7%	5.7%	5.6%	5.6%
2024	5.8%	5.7%	5.8%	5.7%	5.7%
2025	5.8%	5.7%	5.8%	5.7%	5.7%
2026	5.8%	5.7%	5.8%	5.7%	5.7%
2027	5.8%	5.8%	5.8%	5.7%	5.7%
2028	5.8%	5.8%	5.8%	5.7%	5.7%
2029	5.8%	5.8%	5.8%	5.8%	5.8%
2030	5.8%	5.8%	5.8%	5.8%	5.8%
2031	5.9%	5.8%	5.8%	5.8%	5.8%
2032	5.9%	5.8%	5.9%	5.8%	5.8%
2033	5.9%	5.8%	5.9%	5.8%	5.8%
2034	5.9%	5.8%	5.9%	5.8%	5.8%
2035	5.9%	5.9%	5.9%	5.8%	5.8%
2036	5.9%	5.9%	5.9%	5.8%	5.8%
2037	5.8%	5.7%	5.8%	5.7%	5.7%
2038	5.7%	5.7%	5.7%	5.7%	5.7%
2039	5.7%	5.6%	5.7%	5.6%	5.6%
2040	5.6%	5.6%	5.6%	5.6%	5.6%
2041	5.6%	5.6%	5.6%	5.6%	5.6%
2042	5.6%	5.6%	5.6%	5.5%	5.5%
2043	5.6%	5.5%	5.6%	5.5%	5.5%
2044	5.6%	5.5%	5.6%	5.5%	5.5%
2045	5.6%	5.5%	5.5%	5.5%	5.5%
2046	5.5%	5.5%	5.5%	5.5%	5.5%
2047	5.5%	5.5%	5.5%	5.5%	5.5%
2048	5.5%	5.5%	5.5%	5.5%	5.5%
2049	5.5%	5.5%	5.5%	5.5%	5.5%
2050	5.5%	5.5%	5.5%	5.5%	5.5%
2051	5.5%	5.5%	5.5%	5.4%	5.4%
2052	5.5%	5.5%	5.5%	5.4%	5.4%
2053	5.5%	5.5%	5.5%	5.4%	5.4%
2054	5.5%	5.5%	5.5%	5.4%	5.4%
2055	5.5%	5.4%	5.5%	5.4%	5.4%
2056	5.5%	5.4%	5.5%	5.4%	5.4%
2057	5.5%	5.4%	5.5%	5.4%	5.4%

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Medical Inflation Trend - Claims Costs without Excise Tax					
Calendar Year(s)	UMP		Insured Medical		
	Non-Medicare	Medicare	Non-Medicare	Medicare	Medicare Supplement
2058	5.5%	5.4%	5.5%	5.4%	5.4%
2059	5.5%	5.4%	5.5%	5.4%	5.4%
2060	5.5%	5.4%	5.5%	5.4%	5.4%
2061	5.4%	5.4%	5.4%	5.4%	5.4%
2062	5.4%	5.3%	5.4%	5.3%	5.3%
2063	5.3%	5.3%	5.3%	5.2%	5.2%
2064	5.2%	5.2%	5.2%	5.2%	5.2%
2065	5.1%	5.1%	5.1%	5.1%	5.1%
2066	5.1%	5.0%	5.1%	5.0%	5.0%
2067	5.0%	5.0%	5.0%	5.0%	5.0%
2068	4.9%	4.9%	4.9%	4.9%	4.9%
2069	4.9%	4.9%	4.9%	4.8%	4.8%
2070	4.8%	4.8%	4.8%	4.8%	4.8%
2071	4.7%	4.7%	4.7%	4.7%	4.7%
2072	4.7%	4.7%	4.7%	4.7%	4.7%
2073	4.7%	4.7%	4.7%	4.7%	4.7%
2074	4.7%	4.7%	4.7%	4.7%	4.7%
2075	4.7%	4.7%	4.7%	4.7%	4.7%
2076	4.7%	4.7%	4.7%	4.7%	4.7%
2077	4.7%	4.7%	4.7%	4.7%	4.7%
2078	4.7%	4.7%	4.7%	4.7%	4.7%
2079	4.7%	4.7%	4.7%	4.7%	4.7%
2080	4.7%	4.7%	4.7%	4.7%	4.7%
2081	4.7%	4.7%	4.7%	4.7%	4.7%
2082	4.7%	4.7%	4.7%	4.7%	4.7%
2083	4.7%	4.7%	4.7%	4.7%	4.7%
2084	4.7%	4.7%	4.7%	4.7%	4.7%
2085	4.7%	4.7%	4.7%	4.7%	4.7%
2086	4.7%	4.7%	4.7%	4.7%	4.7%
2087	4.7%	4.7%	4.7%	4.7%	4.7%
2088	4.7%	4.7%	4.7%	4.7%	4.7%
2089	4.7%	4.7%	4.7%	4.7%	4.7%
2090	4.7%	4.7%	4.7%	4.7%	4.7%
2091	4.7%	4.7%	4.7%	4.7%	4.7%
2092	4.7%	4.7%	4.7%	4.7%	4.7%
2093	4.7%	4.7%	4.7%	4.7%	4.7%
2094	4.7%	4.7%	4.7%	4.7%	4.7%
2095	4.7%	4.7%	4.7%	4.7%	4.7%
2096	4.7%	4.7%	4.7%	4.7%	4.7%
2097	4.7%	4.7%	4.7%	4.7%	4.7%
2098	4.7%	4.7%	4.7%	4.7%	4.7%
2099	4.7%	4.7%	4.7%	4.7%	4.7%
2100+	4.7%	4.7%	4.7%	4.7%	4.7%

Robert Schmidt, a healthcare actuary in Milliman's Boise office provided us with the age 65 medical cost and aging factors. The age 65 medical cost is shown in the table below. This represents the average claims cost for a 65-year-old retiree and is broken down by each plan for non-Medicare and Medicare separately, by gender. On average, younger retirees cost less and older retirees cost more, prior to any Medicare offsets.

Age 65 Annual Medical Cost				
Medical Plan	Non-Medicare		Medicare	
	Males	Females	Males	Females
Group Health Classic	\$15,510	\$13,787	\$3,210	\$3,327
Group Health CDHP	6,588	5,856	N/A	N/A
Group Health Medicare	N/A	N/A	2,559	2,653
Group Health Value	12,224	10,866	3,208	3,325
Kaiser Permanente Classic	13,808	12,274	2,667	2,764
Kaiser Permanente CDHP	7,704	6,848	N/A	N/A
Uniform Medical Plan Classic	11,306	10,050	3,476	3,603
Uniform Medical Plan CDHP	\$7,538	\$6,701	N/A	N/A
Supplements	Non-Medicare		Medicare	
	Males	Females	Males	Females
Plan F Retired	N/A	N/A	\$1,829	\$1,896
Plan F Disabled	N/A	N/A	\$3,109	\$3,222

We use aging factors to determine the average claims cost at different ages. As an illustrative example, to determine the average claims cost for a 66-year-old, apply an example aging factor of 4 percent to a 65-year-old hypothetical cost [$\$10,000 * (1 + 0.04)$]. This formula results in a 66-year-old theoretical retiree cost of \$10,400. The actual aging factors can be seen below.

Aging Factors		
Age	Males	Females
0-26	12.16%	18.48%
27-31	4.59%	-2.25%
32-36	7.40%	4.87%
37-41	3.11%	1.30%
42-46	-2.99%	-2.00%
47-51	-0.07%	-1.19%
52-56	3.12%	1.41%
57-61	5.00%	3.61%
62-64	6.75%	3.88%
65-71	4.05%	3.05%
72-76	2.56%	2.43%
77-81	1.58%	1.67%
82-88	0.51%	0.49%
89+	0.00%	0.00%

DEMOGRAPHIC ASSUMPTIONS

Demographic assumptions include rates of decrement (reasons members would exit the plan: retirement, termination, disability, and mortality) as well as participation percentage, percentage of spouses covered, and Medicare coverage. The rates of decrement are the same as those used in the *June 30, 2014, AVR*; the state and political subdivision members use the PERS decrement rates, whereas K-12 members in TRS use the TRS decrement rates and K-12 members in SERS use the SERS decrement rates.

We looked at the valuation data to determine the other demographic assumptions including participation percentage, percentage of spouses covered, and Medicare coverage. Participation percentage refers to how many

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current active members will elect to enroll in PEBB as a retiree. Percentage of spouses covered and Medicare coverage refer to how many current active members will cover their spouse or be Medicare eligible as a retiree. These assumptions can be seen in the table below.

Demographic Assumptions		
	State and Political Subdivisions	K-12
Participation Percentage	65.0%	50.0%
Percentage of Spouses Covered	45.0%	45.0%
Medicare Coverage After Initial Participation	100.0%	100.0%

PLAN ELIGIBILITY AND PREMIUMS

Retirees' access to PEBB depends on meeting the retirement eligibility of their respective retirement system at the time of retirement. PEBB members are covered in the following retirement systems: Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), School Employees' Retirement System (SERS), Public School Employees' Retirement System (PSERS), Washington State Patrol Retirement System (WSPRS), Judicial, and Higher Education. The following table shows the retirement eligibility for each system and plan. For example, PERS 2 members are eligible for retirement with five years of service at age 65, or with twenty years of service at age 55.

Retirement Eligibility By System		
System	Years of Service	Age
PERS 1	5	60
	25	55
	30	Any
PERS 2/3	5	65
PERS 2	20	55
PERS 3	10	55
TRS 1	5	60
	25	55
	30	Any
TRS 2/3	5	65
TRS 2	20	55
TRS 3	10	55
SERS 2/3	5	65
SERS 2	20	55
SERS 3	10	55
PSERS 2	5 Total	65
	10 PSERS	60
	20 Total	53
WSPRS 1	Any	55
	25	Any
WSPRS 2	Any	55
	25	Any
Judicial	15	60
Higher Education	10	55
	Any	62

HCA administers the medical plans in PEBB. The premium a retiree pays depends on:

- The plan chosen by the retiree; and,
- Whether the retiree is enrolled in Parts A and B of Medicare.

Note that a retiree's age does not affect the premium. The explicit subsidy is for all retirees that are enrolled in Parts A and B of Medicare, while the implicit subsidy is for all retirees not enrolled in Parts A and B of Medicare. A more detailed explanation of the subsidies can be found in the Background section. The following tables show the different medical plans administered by PEBB and the monthly premium for each medical plan, broken into non-Medicare and Medicare rates. For each medical plan's complete provisions please visit [HCA's website](#).

2015 Non-Medicare Retiree Monthly Rates				
Medical Plans	Retiree	Retiree & Spouse		Full Family
		or SRDP*	Retiree & Children	
Group Health Classic	\$600.80	\$1,195.35	\$1,046.71	\$1,641.26
Group Health Value	569.38	1,132.51	991.73	1,554.86
Group Health CDHP	530.10	1,044.74	930.66	1,386.97
Kaiser Permanente Classic	619.65	1,233.05	1,079.70	1,693.10
Kaiser Permanente CDHP	540.35	1,064.74	948.23	1,414.29
Uniform Medical Plan Classic	578.51	1,150.77	1,007.71	1,579.97
Uniform Medical Plan CDHP	\$535.82	\$1,056.18	\$940.67	\$1,402.70

* State-Registered Domestic Partner.

2015 Medicare Retiree Monthly Rates								
Medical Plans	Retiree	Retiree & Spouse		Retiree &			Full Family	
		or SRDP*		Number Eligible for Medicare				
		1	2	1	2	1	2	3
Group Health Medicare Plan	\$148.14	N/A	\$290.03	N/A	\$290.03	N/A	N/A	\$431.92
Group Health Classic	N/A	742.69	N/A	594.05	N/A	1,188.60	735.94	N/A
Group Health Value	N/A	711.27	N/A	570.49	N/A	1,133.62	712.38	N/A
Kaiser Permanente Classic	153.02	766.42	299.79	613.07	299.79	1,226.47	759.84	446.56
Uniform Medical Plan Classic	\$234.69	\$806.95	\$463.13	\$663.89	\$463.13	\$1,236.15	\$892.33	\$691.57

* State-Registered Domestic Partner.



VI. Glossary

ACTIVES

Members who are currently employed.

ACTUARIAL ACCRUED LIABILITY (AAL)

Computed differently under different funding methods, the Actuarial Accrued Liability generally represents the portion of the Present Value of Fully Projected Benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

ACTUARIAL GAIN OR LOSS

Experience, from one year to the next, which differs from that assumed will result in an actuarial gain or loss. For example, an actuarial gain would occur if less members retired than assumed.

ACTUARIAL VALUE OF ASSETS

The value of pension plan investments and other property used by the actuary for the purpose of an actuarial valuation (sometimes referred to as valuation assets). It is common for actuaries to select an actuarial valuation method that smooths the effects of short term volatility in the market value of assets.

ANNUAL REQUIRED CONTRIBUTION (ARC)

This refers to a GASB disclosure requirement. The ARC is the annual contribution that will fund the current active and inactive members' subsidies by the end of their working lifetimes. It can be calculated as a level dollar amount or a percent of payroll on a year to year basis.

ACTUARIAL VALUATION REPORT (AVR)

Created biannually to monitor the state's pension plans.

DECREMENT

The mode in which a member leaves employment. Examples include retirement, termination, disability, or death.

ENTRY AGE NORMAL (EAN) FUNDING METHOD

The EAN funding method is a standard actuarial funding method. The annual cost of benefits under EAN is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability.

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

FUNDED RATIO

The ratio of a plan's assets to its liabilities. There are several acceptable methods of measuring a plan's assets and liabilities. In financial reporting, funded status is reported using consistent measures by all governmental entities. According to GASB, the funded ratio is the actuarial value of assets divided by the actuarial accrued liability calculated under PUC (see below).

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

Refers to the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting to the public.

INACTIVES

Retired members, beneficiaries, or terminated members entitled to a benefit.

NET OPEB OBLIGATION (NOO)

Refers to the GASB disclosure requirement on the balance sheet. It is the cumulative difference between the annual OPEB cost and the actual contributions.

NORMAL COST

Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

VI. GLOSSARY

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Refers to benefits offered to retirees besides a pension and includes, among other benefits, medical insurance, prescription drug insurance, dental insurance, and long-term care insurance.

PRESENT VALUE OF FULLY PROJECTED BENEFITS (PVFB)

Computed by projecting the total future benefit cash flows from the plan, using actuarial assumptions (i.e., probability of death, retirement, salary increases, etc.), and discounting the cash flows to the valuation date using the assumed valuation interest rate to determine the present value (today's value).

PROJECTED UNIT CREDIT (PUC) ACTUARIAL COST METHOD

The PUC cost method is a standard actuarial funding method. The annual cost of benefits under PUC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded actuarial accrued liability.

The PUC normal cost is the estimated present value of projected benefits current plan members will earn in the year following the valuation date. It represents today's value of one year of earned benefits.

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date not covered by plan assets.



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