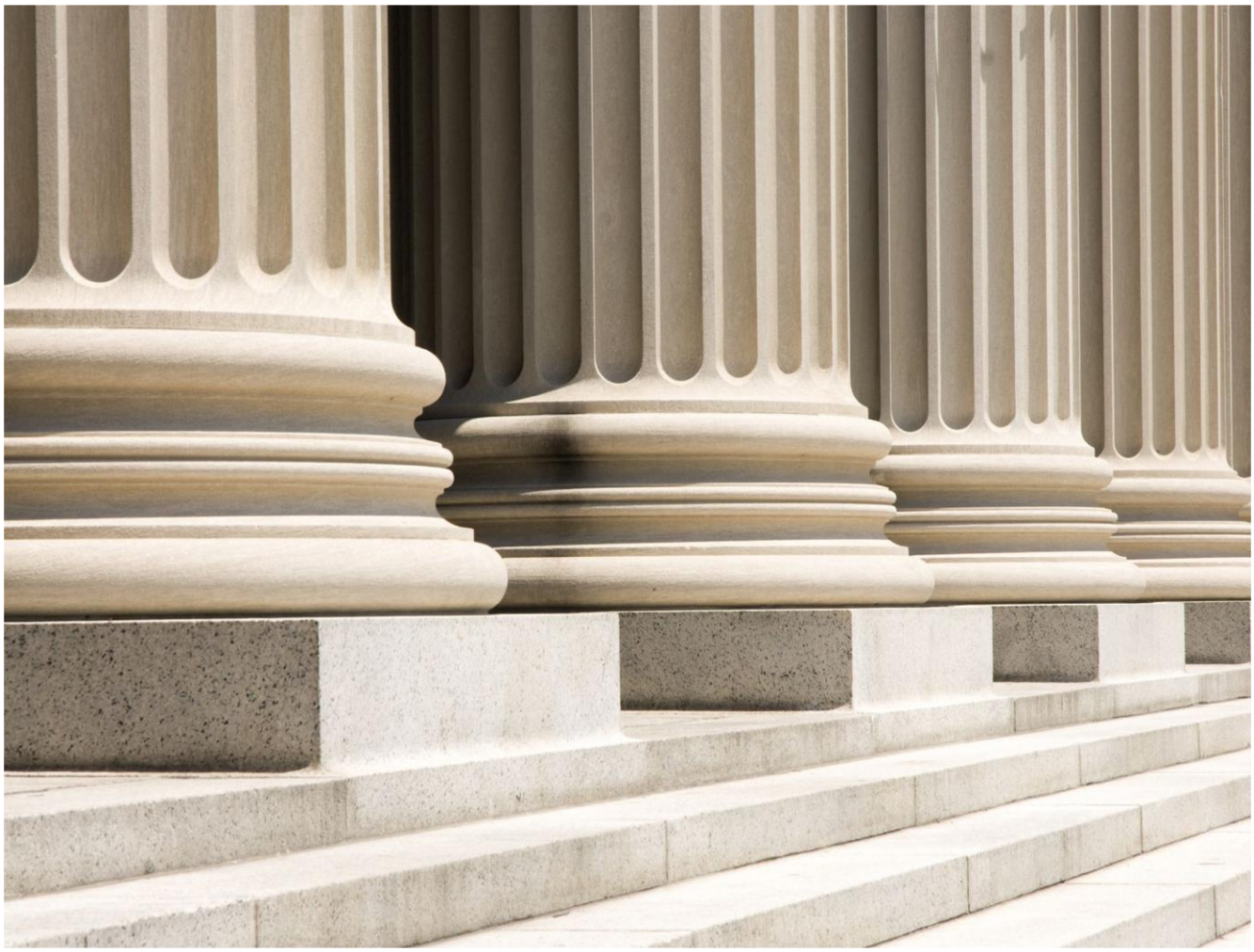
State of Utah Employee Other Postemployment Benefit Plan

December 31, 2014 Actuarial Valuation
GASB Statements No. 43 and 45

HayGroup®



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1. Executive Summary

The State of Utah (the State) sponsors the State Employee Other Postemployment Benefit Plan (State Employee OPEB Plan) in which retirees participate in health insurance and life insurance benefits. Eligible retirees and their dependents may continue health care coverage through the State plan upon retirement.

The updated calculations in this GASB 43/45 report were made as of December 31, 2014 using census data which was provided by the State and health care premium information and plan provisions in effect as of the date of the 2014 valuation.

The ending Net OPEB Obligation/(Asset) was ($5,667,558) as of June 30, 2015.

GASB Accounting Standard

The Governmental Accounting Standards Board in 2004 finalized an accounting standard (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This standard requires the State to account for these benefits on an accrual basis. A brief description of the GASB accounting standard can be found in Section 2. The purpose of this report is to provide the State with the Actuarial Accrued Liability and the accrual costs that the State will book as the Annual OPEB Cost for the fiscal years beginning in 2015 and 2016.

Amortization Periods

The GASB standard also allows a choice of amortization periods, with a maximum amortization period of 30 years. The results are presented using a 10-year open amortization period for the Unfunded Actuarial Accrued Liability; the prior valuation in 2012 used a 20-year open amortization period.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. The current GASB 45 standard requires the choice of one of six different actuarial cost methods.

Health Care Trend Rates

The accounting standard requires employers to anticipate future health care costs by adjusting today's premiums with projected health care trend rates. Health care costs have outpaced general inflation and the annual rate of change has fluctuated significantly over time. It is difficult to accurately predict health care cost increases even one or two years into the future, so to provide the State with an indication of the likely cost, we have determined the liability using a best estimate set of health care trend rates over time. The following table shows the health care cost trend rates used in the current and prior valuation.

Table 1.1
Medical Trend Rate Assumptions
Annual Trend

Year	Current Valuation (Combined)	Prior Valuation Trend Rates		
		Pre-Medicare Trend	Post-Medicare Trend	Administrative Expenses Trend
2014	5.2%	7.5%	6.3%	3.0%
2015	5.7	7.0	5.9	3.0
2016	6.1	6.5	5.6	3.0
2017	6.1	6.0	5.2	3.0
2018	6.0	5.5	4.9	3.0
2019	6.0	4.5	4.5	3.0
2020	6.0	4.5	4.5	3.0
2025	5.8	4.5	4.5	3.0
2030	6.0	4.5	4.5	3.0
2035	5.9	4.5	4.5	3.0
2040	5.3	4.5	4.5	3.0
2050	5.0	4.5	4.5	3.0
2060	4.9	4.5	4.5	3.0
2070	4.8	4.5	4.5	3.0
2084 & Ultimate	4.2	4.5	4.5	3.0

Funding

The State established an irrevocable retiree health trust fund in 2007 to begin advance funding the benefits. A description of the proposed funding policy and source of funds is provided in Section 4.

Key Valuation Results

We have measured the post-employment medical liabilities for the retirees currently covered by the post-employment health plans and for active employees covered under the State Employees' Other Postemployment Benefit Plan as of December 31, 2014. The liabilities were calculated using a discount rate of 4.5 percent, which is the same discount rate used in the prior valuation.

In Table 1.2 we have shown three measures of the liability: the present value of future benefits, the actuarial accrued liability, and the normal cost. The present value of future benefits is the discounted present value of all future employer-paid health premiums for both current and future retirees. The actuarial accrued liability is the portion of the present value of future benefits attributable to employee service rendered prior to measurement date. The normal cost is the portion of the present value of benefits earned in the fiscal year. The table also shows the market value of assets and the unfunded actuarial accrued liability.

The present value of future benefits, actuarial accrued liability, and normal cost has decreased significantly since the prior valuation. The key reasons for the decrease are:

- Decrease in number of active employees who were hired prior to 2006;
- Decrease in average Program I balances for remaining retirees and active employees;
- Increase in Trust assets

The complete valuation results are shown Section 3.

Table 1.2 shows the valuation results for the current and prior valuations.

Table 1.2 Postemployment Benefit Valuation Results State of Utah State Employees		
	As of December 31, 2012	**As of December 31, 2014**
Assumptions		
Discount rate	**4.50%**	**4.50%**
Rate of Inflation included in discount rate	**2.50%**	**2.50%**
Healthcare cost trend rates:		
Medical/Rx Pre-Medicare Trend - Current Yr	**8.50%**	**5.20%**
Medical/Rx Medicare Trend	**6.90%**	**5.20%**
Administrative trend rate	**3.00%**	**3.00%**
Ultimate trend rate	**4.50%**	**4.20%**
Year Ultimate trend rate is reached	**2019**	**2084**
Valuation Results		
Present Value of Future Benefits	**$492,608,617**	**$430,302,616**
Actuarial Accrued Liability (AAL)	**$408,661,169**	**$386,532,391**
Assets as of Valuation Date	**$150,107,498**	**$205,498,084**
Unfunded Actuarial Accrued Liability (UAAL)	**$258,553,671**	**$181,034,307**
AAL Funded Status as of Valuation Date	**37%**	**53%**
Normal Cost as of Valuation Date (beginning of year)	**$10,018,164**	**$5,946,102**

Annual Required Contribution

The Annual OPEB Cost is the sum of four parts:

(i) the Normal Cost with interest to end of year
(ii) the Amortization payment on the Unfunded Actuarial Accrued Liability,
(iii) interest on the Net OPEB Obligation/(Asset) if any, and
(iv) an adjustment to the ARC to prevent double accrual of principal payments on the unfunded Actuarial Accrued Liability

For an organization that fully funds the OPEB Cost each year, the OPEB Cost is simply the ARC, which is the sum of (i) and (ii).

The State has decided beginning in fiscal year 2016 to amortize the unfunded actuarial accrued liability over 10 years as a level dollar amount and an open amortization method. In the previous valuation, a 20 year level dollar open amortization method was used.

Table 1.3 shows the derivation of the Annual Required Contribution and the Annual OPEB Cost for the current and prior valuations.

Table 1.3
Postemployment Benefit Valuation Results
State of Utah State Employees

	Fiscal Year Ending 6/30/14	Fiscal Year Ending 6/30/16
Normal Cost	**$10,468,981**	**$6,213,677**
Amortization Cost	**$19,873,457**	**$22,886,764**
Annual Required Contribution (ARC)	**$30,342,438**	**$29,100,441**
Interest on Net OPEB Obligation NOO/(NOA)	**($272,104)**	**($255,040)**
ARC adjustment	**$464,778**	**$716,505**
Annual OPEB Cost	**$30,535,112**	**$29,561,906**

Table 1.3 shows the development of the Net OPEB Liability/(Asset). The Net OPEB Liability is the excess of the Annual Required Contribution over the amount funded by the employer. In FY 2014 and FY 2015, the State contributed an amount equal to the ARC as determined in the 12/31/2012 valuation.

Table 1.4
Postemployment Benefit Valuation Results
Net OPEB Obligation/(Asset) for State of Utah State Employees

	FY2014	FY2015
Net OPEB Liability (Asset) as of July 1	**($6,046,766)**	**($5,854,092)**
Annual OPEB Cost	**$30,535,112**	**$30,528,972**
State Contribution to Trust Fund	**$30,342,438**	**$30,342,438**
Net OPEB Liability/(Asset) as of June 30	**($5,854,092)**	**($5,667,558)**

Actuarial Certification

The State selected Hay Group to perform an actuarial valuation of the Post-Employment Benefits Plans to provide an estimate of the Actuarial Accrued Liability, the Annual Required Contribution (ARC), and the Annual OPEB Cost under the GASB 45 accounting standard. Use of the valuation results for other purposes may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results. The reason for this is that actuarial standards of practice describe a "best-estimate range" for each assumption, rather than a single best-estimate value. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for each of the various assumptions.

The actuary certifying to this valuation is a member of the Society of Actuaries and other professional actuarial organizations, and meets the General Qualification Standards of the American Academy of Actuaries for purposes of issuing Prescribed Statements of Actuarial Opinion.

By: 

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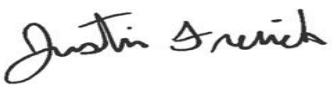
By: 

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2. Description of GASB 45

Governmental Accounting Standards Board (GASB)

In June, 2004, the Governmental Accounting Standards Board (GASB) issued its standard on *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs).

The standard covers post-employment benefits other than pension benefits. The types of benefits covered include:

- Medical
- Dental
- Vision
- Hearing
- Life insurance
- Long term disability
- Long term care

If any of these benefits are provided through a pension plan they would be accounted for under GASB 25 — otherwise they will be accounted for under GASB 45.

The effective date for the new standard depends on the size of the employer. For entities with revenues in FY 2000 over $100 million, the effective date is the fiscal year beginning after December 15, 2006, although earlier adoption was encouraged. Entities with smaller revenues have later effective dates.

The purpose of the standard is to treat post-retirement benefit costs in a manner similar to pension costs. Governmental employers should recognize that OPEBs constitute compensation for employee service and they should recognize the cost of benefits during the periods when employee service is rendered. By accounting for OPEBs, GASB believes the accounting statement will improve the relevance and usefulness of financial reporting, provide information about the size of the liabilities and the extent to which they are funded, and ensure systematic accrual-basis measurement over employee service.

While the standard will require governmental employers to adopt accrual accounting, the standard sets out a broad range of valuation options for employers. These options include the ability to choose, within limits, the:

- Actuarial cost method,
- Period for amortizing the unfunded actuarial accrued liability
- Amortization method,
- Measurement date, and
- Frequency of valuations

The most common and most expensive of the OPEBs are retiree medical benefits, which provide a valuable component in employees' retirement benefits program. Most governmental employers currently fund their retiree medical plans on a pay-as-you-go basis. The GASB standard does not require employers to advance fund these benefits; however employers who do not advance fund these benefits must begin to report OPEB liabilities in their full accrual financial statements.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution.

Under the Entry Age Normal cost method, the actuarial present value of each individual's projected benefits is allocated on a level basis over the earnings or service of the individual between the individual's entry age and the assumed exit ages. The portion of the actuarial present value that is allocated to the year immediately following the valuation date is called the Normal Cost under the actuarial cost method.

Actuarial Accrued Liability

The actuarial accrued liability is that portion of the present value of projected benefits which has been attributed to the employee's working life from the date of hire to the valuation date. Another way of viewing this liability is as the portion of the present value of projected benefits that will not be funded by future normal costs. Therefore, as long as participants enter the system with no past service credit (as is assumed in this case), there is no actuarial liability for a new entrant. Furthermore, the full present value of benefits is funded by the end of each employee's working life.

The difference between the actuarial accrued liability and the value of trust assets accumulated as of the valuation date is referred to as the Unfunded Actuarial Accrued Liability. Unfunded actuarial accrued liabilities generally exist when (1) the liabilities are not funded, (2) benefits have been earned for periods in which no normal cost has been paid or (3) the amounts that have been funded were inadequate because of losses, changes in assumptions, changes in the funding

method, or benefit improvements. The unfunded actuarial accrued liability equals the actuarial accrued liability less the value of the trust assets.

Development of the Normal Cost

The normal cost represents the present value of future benefits allocated to the current reporting period. The Entry Age Normal actuarial cost method is used in determining the normal cost, as a level percentage of pay. When projected benefits are not related to an employee's pay, a rate of inflation is used instead of an assumed rate of pay increases.

Amortization Method

GASB 45 allows for the use of either a level dollar amortization or a level percentage of pay amortization, over either an open or closed amortization period. The maximum amortization period is 30 years.

Recent Changes in GASB Accounting Standard

The Governmental Accounting Standards Board (GASB) recently issued new statements that will replace the requirements of GASB 43 (related to OPEB Plans) and GASB 45 (related to Employers who provide OPEB benefits to employees). The new requirements will apply to plans starting fiscal years beginning after June 15, 2016, and will apply to governmental employers starting with fiscal years beginning after June 15, 2017. The new standards will require recognition of the Net OPEB Liability in the statement of financial position. In addition, the new statements will require a more extensive set of footnote disclosures and required supplementary information.

3. The Valuation Results

Table 3.1 shows the combined present value of future benefits, actuarial accrued liability, assets, unfunded actuarial accrued liability and the normal cost, as of December 31, 2012 and as of December 31, 2014. The table also shows the Annual Required Contribution and the Annual OPEB Cost.

Table 3.1 Post-Retirement Medical State of Utah State Employees	Valuation As of December 31, 2012	Valuation As of December 31, 2014
Actuarial Accrued Liability (AAL)		
Medical		
Actives	$215,577,154	$217,782,030
Retirees	191,176,650	166,729,242
Total Medical	406,753,804	384,511,272
Life Insurance	1,907,366	2,021,119
Total AAL	**$408,661,170**	**$386, 532,391**
Fair Value Assets	**$150,107,498**	**$205,498,084**
Unfunded AAL (UAAL)	$258,553,672	$181,034,307
Funded Percentage	**36.7%**	**53.2%**
Normal Cost (boy)	$10,018,164	$5,946,102
Normal Cost with interest	$10,468,981	$6,213,677
10 year amortization factor (2012 is 20 year amortization)	13.01	7.91
Amortization Payment	19,873,457	22,886,764
Annual Required Contribution (ARC)	**$30,342,438***	**$29,100,441****
Net OPEB Obligation/(Asset)	(6,046,766)	(5,667,558)
Interest on NOO/NOA	(272,104)	(255,040)
ARC Adjustment	464,778	716,505
Annual OPEB Cost	**$30,535,112**	**$29,561,906**

* ARC for fiscal years ending in 2014 and 2015
** ARC for fiscal years ending in 2016 and 2017

Allocation of the Annual Required Contribution

For financial planning and reporting purposes, the State required that the valuation report include an allocation of the Net OPEB Obligation. A separate cost for the State employees was developed for each OPEB trust fund: Office of Education, Office of Transportation, Public Safety, and Other State Employees.

Table 3.2 Post-Retirement Medical State Employees	Office of Education	Office of Transportation	Public Safety	Other State Employees	Total As of December 31, 2014
Actuarial Accrued Liability (AAL)					
Medical					
Actives	$8,197,779	$30,473,528	$11,979,289	$167,131,434	$217,782,030
Retirees	4,485,692	24,273,158	17,973,910	119,996,482	166,729,242
Total Medical	$1,268,471	$54,746,686	$29,953,199	$287,127,916	$384,511,272
Life Insurance	65,918	242,739	202,927	1,509,535	2,021,119
Total AAL	**$12,749,389**	**$54,989,425**	**$30,156,126**	**$288,637,451**	**$386,532,391**
Fair Value Assets	**$8,523,473**	**$23,344,045**	**$14,511,851**	**$159,118,714**	**$205,498,083**
Unfunded AAL (UAAL)	$4,225,916	$31,645,380	$15,644,275	$129,518,737	$181,034,308
Funded Percentage	**66.9%**	**42.5%**	**48.1%**	**55.1%**	**53.2%**
Normal Cost (boy)	$263,142	$680,153	$299,712	$4,703,095	$5,946,102
Normal Cost with interest	274,983	710,760	313,199	4,914,735	6,213,677
10 year amortization factor	7.91	7.91	7.91	7.91	7.91
Amortization Payment (eoy)	$534,250	$4,000,680	$1,977,784	$16,374,050	$22,886,764
Annual Required Contribution (ARC)*	**$809,233**	**$4,711,440**	**$2,290,983**	**$21,288,785**	**$29,100,441**
Net OPEB Obligation/(Asset)	**($32,161)**	**($808,841)**	**($882,942)**	**($3,943,613)**	**($5,667,558)**
Interest on NOO/NOA	(1,447)	(36,398)	(39,732)	(177,463)	(255,040)
ARC Adjustment	4,066	102,255	111,624	498,560	716,505
Annual OPEB Cost	**$811,852**	**$4,777,297**	**$2,362,875**	**$21,609,882**	**$29,561,906**

*ARC for fiscal years ending in 2016 and 2017

4. Funding

The State established a State Post-Retirement Benefits Trust Fund for purposes of advance funding retiree health benefits of current and future retirees.

Table 4.1 shows the State contributions to the Trust Fund for the fiscal years ended June 30, 2014 and June 30, 2015.

Table 4.1
Employer Contribution to Trust Fund

Period Ending	Office of Education	Office of Transportation	Public Safety	Other State Employees	Total
June 30, 2014	$894,860	$4,342,197	$2,151,644	$22,953,737	$30,342,438
June 30, 2015	$894,860	$4,342,197	$2,151,644	$22,953,737	$30,342,438

Table 4.2 shows the market value of assets as of December 31, 2012 and December 31, 2014.

Table 4.2
Market Value of Assets

	Office of Education	Office of Transportation	Public Safety	Other State Employees	Total
As of December 31, 2012	$6,090,990	$16,376,452	$11,197,345	$116,442,711	$150,107,498
As of December 31, 2014	$8,523,473	$23,344,045	$14,511,851	$159,118,714	$205,498,083

5. Actuarial Assumptions

The selection of all actuarial assumptions, in valuations of post-retirement health care plans including the health care cost trend rate, should be guided by Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefit Obligations*, as revised from time to time by the Actuarial Standards Board. Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups: economic assumptions, medical assumptions, and demographic assumptions

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The investments expected to be used to finance the payment of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a combination of the two for plans that are being partially funded. The valuation discount rate is 4.50 percent.

Health Care Cost Trend Rates

The following table shows the health care cost trend rates that were used for the actuarial valuation of the State of Utah Employees' Retiree Health Care Plan.

The medical trend assumptions used in the valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model (Version 12.2). The SOA model was first released in December 2007. The following assumptions were used as input variables into this model:

Rate of Inflation	2.5%
Rate of Growth in Real Income/ GDP per capita	1.7%
Income Multiplier for Health Spending	1.4
Extra Trend due to Technology and other factors	1.1%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Getzen Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group.

Table 5.1 shows the health care cost trends used in the valuation, which are outputs of the SOA Long-Run Medical Cost Trend Getzen Model. The Table also shows the health care cost trend used in the prior valuation. The set of health care trend rates has an initial health care cost trend rate of 5.2 percent, increases smoothly to 6.1 percent in 2016, and declines gradually, over 70 years, to an ultimate rate of 4.2 percent in 2084 and later years.

Table 5.1 Medical Trend Rate Assumptions
Annual Trend

Year	Current Valuation (Combined)	Prior Valuation Trend Rates		
		Pre-Medicare Trend	Post-Medicare Trend	Administrative Expenses Trend
2014	5.2%	7.5%	6.3%	3.0%
2015	5.7	7.0	5.9	3.0
2016	6.1	6.5	5.6	3.0
2017	6.1	6.0	5.2	3.0
2018	6.0	5.5	4.9	3.0
2019	6.0	4.5	4.5	3.0
2020	6.0	4.5	4.5	3.0
2025	5.8	4.5	4.5	3.0
2030	6.0	4.5	4.5	3.0
2035	5.9	4.5	4.5	3.0
2040	5.3	4.5	4.5	3.0
2050	5.0	4.5	4.5	3.0
2060	4.9	4.5	4.5	3.0
2070	4.8	4.5	4.5	3.0
2084 & Ultimate	4.2	4.5	4.5	3.0

Medical Assumptions

A fundamental building block of the actuarial valuation is the current per capita cost of benefits.

The per capita costs for pre-65 retirees were developed based upon 30 consecutive months of claims and enrollments in the medical plans, as provided by PEHP. Medicare supplement claims costs were based on total premium rates in effect as of the 2014 valuation date. The per capita rates were then spread across five year age categories using actuarial morbidity factors that reflect the average increase in utilization due to aging.

Table 5.2 shows the baseline per capita claims costs that were used in the valuation for current retirees.

Table 5.2 State of Utah Per Capita Claims Costs for 12/31/14 Valuation			
Age	Preferred	Advantage/Summit	Medicare Supplement
<45	$7,513	$5,252	
45 - 49	$7,922	$5,538	
50 - 54	$9,156	$6,421	
55 - 59	$10,880	$7,606	
60 - 61	$12,260	$8,570	
62 - 64	$13,430	$9,388	
65 - 70			$2,907
70 - 75			$3,289
75 - 80			$3,722
80 - 85			$4,109
>85			$4,319

Demographic Assumptions

The demographic assumptions used for valuing the liabilities of the post-retirement medical plan are those used for the actuarial valuation of the State Employees' Retirement System.

The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions include the age of female spouses, coverage rates, and participation rates. The complete set of demographic assumptions is included in Appendix B.

6. Financial Accounting Information

In addition to establishing the Annual Required Contribution (ARC), this report shows the progress toward funding of the plan benefits. This section includes a schedule of the funding progress, which is a statement of disclosure to report the information required by Governmental Accounting Standards Board (GASB) Statements No. 43 and 45.

Also included is a schedule of employer contributions. This schedule compares the expected contribution to the plan with the Annual Required Contribution. Since there is a lag-period between the determination of the ARC and the determination of the amounts actually funded, the tables show estimated amounts based on the funding policy as of the measurement date.

GASB 43/45 Disclosures

Table 6.1 shows the schedule of funding progress for the State of Utah Employee Other Postemployment Benefit Plan.

Table 6.1
Postretirement Medical Benefit Valuation Results
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) = (b-a)	Funded Ratio (d) = (a/b)	Estimated Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (f) = (c)/(e)
12/31/2010	$106,604,713	$481,392,530	$374,787,817	22%	$589,817,000	64%
12/31/2012	$150,107,498	$408,661,170	$258,553,672	37%	$496,491,000	52%
12/31/2014	$205,498,084	$386,532,391	$181,034,307	53%	$440,029,325	41%

Table 6.2 shows the Annual OPEB Cost for FY 2011 through FY 2015 and the actual employer contributions to the Trust Fund.

Table 6.2

Postretirement Medical Benefit Valuation Results
Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
2011	$43,819,000	$43,819,000	100%
2012	$37,594,000	$43,293,000	115%
2013	$37,721,835	$38,069,538	101%
2014	$30,535,112	$30,342,438	99%
2015	$30,528,972	$30,342,438	99%

Required Supplemental Information

Table 6.3
Development of Net OPEB Obligation / (Asset)

Fiscal Year ending June 30	Annual Required Contribution (a)	Interest on Unfunded ARC (b)	Adjustment of the ARC (c)	Annual OPEB Cost (d) = (a) + (b) + (c)	Actual Contribution (e)	Increase in OPEB obligation (f) = (d) – (e)	Net OPEB Obligation (Asset) at end of year (g) = prior year (g) + (f)
2012	$37,594,000	($0)	($0)	$37,594,000	$43,293,063	($5,699,063)	($5,699,063)
2013	$37,594,000	($256,458)	$384,293	$37,721,835	$38,069,538	($347,703)	($6,046,766)
2014	$30,342,438	($272,104)	$464,778	$30,535,112	$30,342,438	$192,674	($5,854,092)
2015	$30,342,438	($263,434)	$449,969	$30,528,973	$30,342,438	$186,535	($5,667,557)

7. Summary of Plan Provisions

State of Utah Employees Other Postemployment Benefit Plan

State employees hired prior to January 1, 2006 who retire from the state are eligibile for post-retiree medical and life insurance benefits. The following retirement eligibility criteria applies:

State Employees		Judges	
Age	**Years of Service**	**Age**	**Years of Service**
60	20	55	20
62	10	62	10
65	4	70	6
Any age	25	Any age	25

Retiree Medical Benefits

Employees who retire under the plan are eligible to use Program I sick leave balances to purchase retiree health care coverage. 75% of Program I balances, both converted and non-converted, as of 12/31/2005 may be used to purchase retiree health care coverage at the rate of eight hours of sick leave for one month of medical coverage.

Pre-65 retirees are eligible to choose from six different medical plan designs of the Utah Public Employees Health Program (PEHP): Preferred Care, Preferred Care STAR, Advantage Care, Advantage Care STAR, Summit Care, Summit Care STAR. Program I balances purchase access to these medical plans with cost-sharing for the retiree. In addition, dental and vision plans are offered but the cost is fully paid by the retiree.

Post-65 retirees are eligible to choose from three separate Medicare Supplement plans (100, 75, and 50) offered through PEHP, as well as three Pharmacy plans (basic pharmacy, basic plus pharmacy, and enhanced pharmacy).

Retirees may elect spouse coverage both before and after age 65. However, a retiree who elects spouse coverage prior to age 65 is only required to use 8 hours of sick leave for one month of employee plus spouse medical coverage; at age 65 and after, a retiree electing spouse coverage must use 16 hours of sick leave to purchase employee plus spouse coverage. If an active employee or retiree is eligible for retiree medical benefits and dies with a Program I balance, the surviving spouse may continue medical coverage using the retiree's balance at the rate of eight hours for one month of coverage.

Retiree Life Insurance Benefits:
Participants who are hired prior to January 1, 2006 are also eligibile for life insurance benefits while receiving medical coverage up to age 65.

Participants who retire prior to July 1, 1999 receive $18,000 in life insurance.
Participants who retire after July 1, 1999 receive $25,000 in life insurance.

Retiree Contributions

The following monthly contributions apply for pre-65 retirees for the July 1, 2014 – June 30, 2015 year:

Tier	Retiree Share	
	First 18 months of retirement	After 18 months of retirement
Advantage Care / Summit Care		
Single	$46.29	$59.00
Double	$95.45	$121.66
Family	$127.43	$162.41
Preferred Care		
Single	$192.66	$245.55
Double	$397.22	$506.26
Family	$530.27	$675.83
Advantage STAR / Summit STAR		
Single	$0.00	$0.00
Double	$0.00	$0.00
Family	$0.00	$0.00
Preferred STAR		
Single	$114.65	$146.13
Double	$236.41	$301.32
Family	$315.61	$402.25

Judges – Rule for Retiree Health Benefits

Under State Rule 3-501, justices, judges, and court commissioners are eligible for the following benefits:

- Earned benefits:
  - Participants who use less than four sick leave days in a year can accumulate 8 months of medical, dental, and life insurance benefits at retirement. These benefits do not require retiree contributions.

- Automatic benefits:
  - Regardless of the preceding benefits, retired judges are eligible for 5 years of medical, dental, and life insurance benefits at retirement.

Earned benefits and automatic benefits are subject to a 7 year combined maximum payment period. A qualifying senior judge and spouse will pay 50% of the cost of medical and dental insurance premiums under this program.

Office of Education Plan

An employee of the Office of Education Plan may elect to retire either under the State plan or the Office of Education plan. Eligibility requirements for the Office of Education plan are as follows:

- At least five years of service with the Office of Education
- Eligible to participate in the State Retirement System
- Hired before July 1, 2012

Plan benefits include:

- 7.6% of annual salary ("stipend") at retirement per year
- Medical and life insurance benefits, subject to cost-sharing as under the State Employee Retiree Health Care Plan

Benefits continue until the earlier of:

- 5 years
- The employee becomes eligible for unreduced Social Security benefits

8. Participant Data

The following tables shows a historical comparison of enrollment in the State Employees' Retiree Health Care Plan.

Number of Lives			
	12/31/2010	12/31/2012	12/31/2014
Actives	**11,875**	**10,864**	**9,150**
Retirees	3,272	3,327	3,411
Dependents	2,600	2,235	2,432
Total Inactives	**5,872**	**5,562**	**5,843**
Total	**17,747**	**16,426**	**14,993**

Inactives	12/31/2012			12/31/2014		
	Under 65	65 and Over	Total	Under 65	65 and Over	Total
Retirees						
Count	1,911	1,416	3,327	1,743	1,668	3,411
Average Age	59.9	68.7	63.7	60.0	69.0	64.4
Dependents						
Count	1,478	757	2,235	1,281	1,151	2,432
Average Age	58.6	69.1	62.2	59.6	66.5	62.9

Active State Employees - Age and Service*

Age	Years of Service										Grand Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
25-29	0	1	13	4	0	0	0	0	0	0	18
30-34	0	0	123	216	11	0	0	0	0	0	350
35-39	0	0	135	589	263	4	0	0	0	0	991
40-44	0	1	95	496	607	138	7	0	0	0	1,344
45-49	0	1	48	339	460	388	120	2	0	0	1,358
50-54	0	0	61	316	394	432	331	82	5	0	1,621
55-59	0	0	67	279	370	436	374	169	35	2	1,732
60-64	0	0	46	221	278	277	266	103	49	5	1,245
65-69	0	0	15	81	90	85	71	35	17	8	402
70+	0	0	4	20	27	18	11	6	0	3	89
Grand Total	**0**	**3**	**607**	**2,561**	**2,500**	**1,778**	**1,180**	**397**	**106**	**18**	**9,150**
Average Age		**51.0**									
Average Service		**18.6**									

*Above counts exclude employees hired after 1/1/2006.

9. Appendices

9.1. Actuarial Assumptions

The demographic assumptions used are the same ones as are used in the State of Utah Retirement System actuarial valuation. As the timing of an employee's decision as to when to retire is driven primarily on their financial security, the use of consistent assumptions ensures any changes made in the retirement system assumptions are reflected in both the annuitant costs and cost of their retiree medical coverage.

DEMOGRAPHIC ASSUMPTIONS – REPRESENTATIVE RATES

Pre-Retirement Mortality Rates: See tables below.
Post-Retirement: **Public educators** (see table below)
All Others Post-Retirement: 80% of RP-2000 Combined, Males; 85% of RP-2000 Combined, Females.

	Public Educators		Public Safety and Firefighters		Local Government/Public Employees	
Age	Male	Female	Male	Female	Male	Female
20	0.00013	0.00049	0.00044	0.00044	0.00050	0.00028
25	0.00013	0.00021	0.00044	0.00044	0.00039	0.00028
30	0.00020	0.00007	0.00044	0.00044	0.00044	0.00028
35	0.00020	0.00021	0.00044	0.00044	0.00066	0.00033
40	0.00039	0.00042	0.00061	0.00061	0.00083	0.00044
45	0.00065	0.00084	0.00105	0.00105	0.00105	0.00066
50	0.00130	0.00126	0.00176	0.00176	0.00154	0.00105
55	0.00234	0.00175	0.00275	0.00275	0.00259	0.00154
60	0.00371	0.00238	0.00374	0.00374	0.00418	0.00220

Rates of Disability:

	Public Safety	Public Employees	Public Educators	Firefighters
Age	Unisex	Unisex	Unisex	Unisex
20	0.00040	0.00024	0.00012	0.00045
25	0.00060	0.00036	0.00018	0.00068
30	0.00120	0.00072	0.00036	0.00135
35	0.00180	0.00108	0.00054	0.00203
40	0.00240	0.00144	0.00072	0.00270
45	0.00400	0.00240	0.00120	0.00450
50	0.00520	0.00312	0.00156	0.00585
55	0.00820	0.00492	0.00246	0.00923
60	0.01120	0.00672	0.00336	0.01260

Post-Retirement Mortality Rates:

	Disabled	Public Educators		Public Employees, Firefighters, Public Safety, Judges	
Age	Unisex	Male	Female	Male	Female
35	0.01272	0.00073	0.00046	0.00062	0.00040
40	0.01508	0.00092	0.00069	0.00086	0.00060
45	0.01787	0.00136	0.00094	0.00121	0.00096
50	0.02081	0.00222	0.00138	0.00171	0.00143
55	0.02443	0.00381	0.00339	0.00290	0.00231
60	0.02844	0.00358	0.00425	0.00540	0.00430
65	0.03256	0.00457	0.00392	0.01019	0.00825
70	0.03784	0.01198	0.00807	0.01777	0.01423
75	0.04911	0.01993	0.01280	0.03027	0.02389
80	0.07857	0.03945	0.02856	0.05149	0.03900
85	0.11770	0.07826	0.06656	0.08861	0.06583
90	0.16658	0.13702	0.12473	0.14673	0.11193

Withdrawal Rates:

	Public Safety					Public Employees											
	Years of Service					Years of Service											
	0	1	2	3	4	0		1		2		3		4		5+	
Age	Unisex					M	F	M	F	M	F	M	F	M	F	M	F
30	0.10	0.08	0.05	0.05	0.05	0.29	0.27	0.24	0.24	0.19	0.20	0.15	0.17	0.12	0.15	0.08	0.12
35	0.11	0.08	0.05	0.04	0.04	0.25	0.24	0.20	0.19	0.16	0.15	0.12	0.13	0.09	0.11	0.06	0.08
40	0.14	0.09	0.04	0.03	0.03	0.23	0.21	0.17	0.16	0.12	0.12	0.09	0.10	0.08	0.08	0.04	0.05
45	0.17	0.10	0.04	0.03	0.02	0.21	0.18	0.14	0.13	0.09	0.10	0.07	0.08	0.08	0.07	0.03	0.04
50	0.22	0.12	0.05	0.02	0.02	0.18	0.16	0.12	0.12	0.08	0.10	0.06	0.08	0.08	0.07	0.02	0.03
55	0.28	0.15	0.05	0.02	0.02	0.16	0.15	0.10	0.12	0.07	0.10	0.06	0.09	0.08	0.09	0.02	0.03
60	0.34	0.18	0.06	0.02	0.02	0.13	0.16	0.11	0.13	0.09	0.11	0.08	0.11	0.08	0.11	0.03	0.04
65	0.37	0.21	0.06	0.03	0.03	0.14	0.18	0.11	0.15	0.09	0.13	0.08	0.13	0.08	0.15	0.03	0.05
70	0.41	0.24	0.07	0.04	0.04	0.14	0.22	0.12	0.18	0.10	0.16	0.09	0.16	0.08	0.20	0.04	0.06

	Firefighters					Public Educators											
	Years of Service					Years of Service											
	0	1	2	3	4	0		1		2		3		4		5+	
Age	Unisex					M	F	M	F	M	F	M	F	M	F	M	F
30	0.09	0.03	0.03	0.03	0.03	0.13	0.16	0.12	0.14	0.10	0.14	0.08	0.13	0.06	0.11	0.04	0.08
35	0.09	0.03	0.03	0.03	0.03	0.12	0.12	0.10	0.11	0.09	0.10	0.08	0.09	0.07	0.09	0.03	0.05
40	0.09	0.03	0.03	0.03	0.03	0.11	0.12	0.09	0.09	0.08	0.07	0.08	0.06	0.07	0.06	0.02	0.03
45	0.09	0.03	0.03	0.03	0.03	0.12	0.11	0.09	0.08	0.07	0.06	0.07	0.05	0.07	0.05	0.02	0.03
50	0.09	0.03	0.03	0.03	0.03	0.13	0.10	0.10	0.08	0.07	0.06	0.07	0.05	0.07	0.04	0.01	0.02
55	0.09	0.03	0.03	0.03	0.03	0.18	0.08	0.11	0.08	0.07	0.07	0.07	0.06	0.06	0.04	0.01	0.02
60	0.09	0.03	0.03	0.03	0.03	0.19	0.09	0.12	0.08	0.08	0.08	0.07	0.06	0.07	0.05	0.01	0.03
65	0.09	0.03	0.03	0.03	0.03	0.19	0.09	0.12	0.09	0.08	0.08	0.08	0.07	0.07	0.05	0.01	0.03
70	0.09	0.03	0.03	0.03	0.03	0.21	0.10	0.14	0.09	0.09	0.09	0.08	0.07	0.08	0.05	0.01	0.03

Rates of Retirement:

	Public Safety						
	Years of Service						
	0	5	10	15	20	25	30
Age	Unisex						
52	-	-	-	-	0.16	0.16	0.33
55	-	-	-	-	0.18	0.20	0.35
57	-	-	-	-	0.18	0.20	0.35
60	-	-	0.12	0.12	0.30	0.30	0.38
62	-	-	0.12	0.12	0.30	0.30	0.38
65	1.00	1.00	1.00	1.00	1.00	1.00	1.00
67	-	-	-	-	-	-	-
70	-	-	-	-	-	-	-

	Public Employees													
	Years of Service													
	0		5		10		15		20		25		30	
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F
52	-	-	-	-	-	-	-	-	-	-	0.03	0.03	0.16	0.20
55	-	-	-	-	-	-	-	-	-	-	0.03	0.04	0.18	0.20
57	-	-	-	-	-	-	-	-	-	-	0.03	0.04	0.18	0.20
60	-	-	-	-	-	-	-	-	0.05	0.15	0.10	0.15	0.23	0.40
62	-	-	-	-	0.15	0.20	0.20	0.20	0.20	0.30	0.25	0.30	0.40	0.60
65	-	-	0.40	0.45	0.40	0.45	0.40	0.45	0.40	0.45	0.50	0.45	0.50	0.45
67	-	-	0.20	0.25	0.20	0.25	0.20	0.25	0.20	0.25	0.20	0.25	0.20	0.25
70	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

	Judges						
	Years of Service						
	0	5	10	15	20	25	30
Age	Unisex						
52	-	-	-	-	-	0.12	0.25
55	-	-	-	-	-	0.12	0.25
57	-	-	-	-	-	0.12	0.25
60	-	-	-	-	-	0.12	0.25
62	-	-	0.15	0.15	0.15	0.15	0.25
65	-	-	0.15	0.15	0.15	0.15	0.25
67	-	-	0.15	0.15	0.15	0.15	0.25
70	1.00	1.00	1.00	1.00	1.00	1.00	1.00

	Public Educators													
	Years of Service													
	0		5		10		15		20		25		30	
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F
52	-	-	-	-	-	-	-	-	-	-	0.01	0.01	0.25	0.20
55	-	-	-	-	-	-	-	-	-	-	0.02	0.03	0.25	0.30
57	-	-	-	-	-	-	-	-	-	-	0.02	0.03	0.25	0.30
60	-	-	-	-	-	-	-	-	0.05	0.15	0.05	0.15	0.35	0.50
62	-	-	-	-	0.15	0.20	0.15	0.20	0.25	0.20	0.25	0.25	0.65	0.70
65	-	-	0.25	0.45	0.25	0.45	0.30	0.45	0.40	0.45	0.50	0.50	0.70	0.60
67	-	-	0.20	0.30	0.20	0.30	0.25	0.35	0.25	0.35	0.25	0.35	0.30	0.35
70	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

	Firefighters						
	Years of Service						
	0	5	10	15	20	25	30
Age	Unisex						
52	-	-	-	-	0.12	0.12	0.16
55	-	-	-	-	0.14	0.14	0.18
57	-	-	-	-	0.14	0.14	0.18
60	-	-	0.12	0.16	0.24	0.24	0.24
62	-	-	0.12	0.16	0.24	0.24	0.24
65	1.00	1.00	1.00	1.00	1.00	1.00	1.00
67	-	-	-	-	-	-	-
70	-	-	-	-	-	-	-

Spouse Age Difference: Females are assumed to be 3 years younger than males.

Spouse Coverage: 80% of future retirees will elect spouse coverage

ECONOMIC ASSUMPTIONS

Interest Rate: 4.5 percent compounded annually.

Inflation Rate: 2.5 percent compounded annually

Pay Rate

Pay rates were provided by the State. Annual salary for Public Educators was estimated using 2,080 total annual hours. This salary was only used for purposes of estimating the 7.6% stipend benefit under the Office of Education plan.

Ancillary Demographic Assumptions

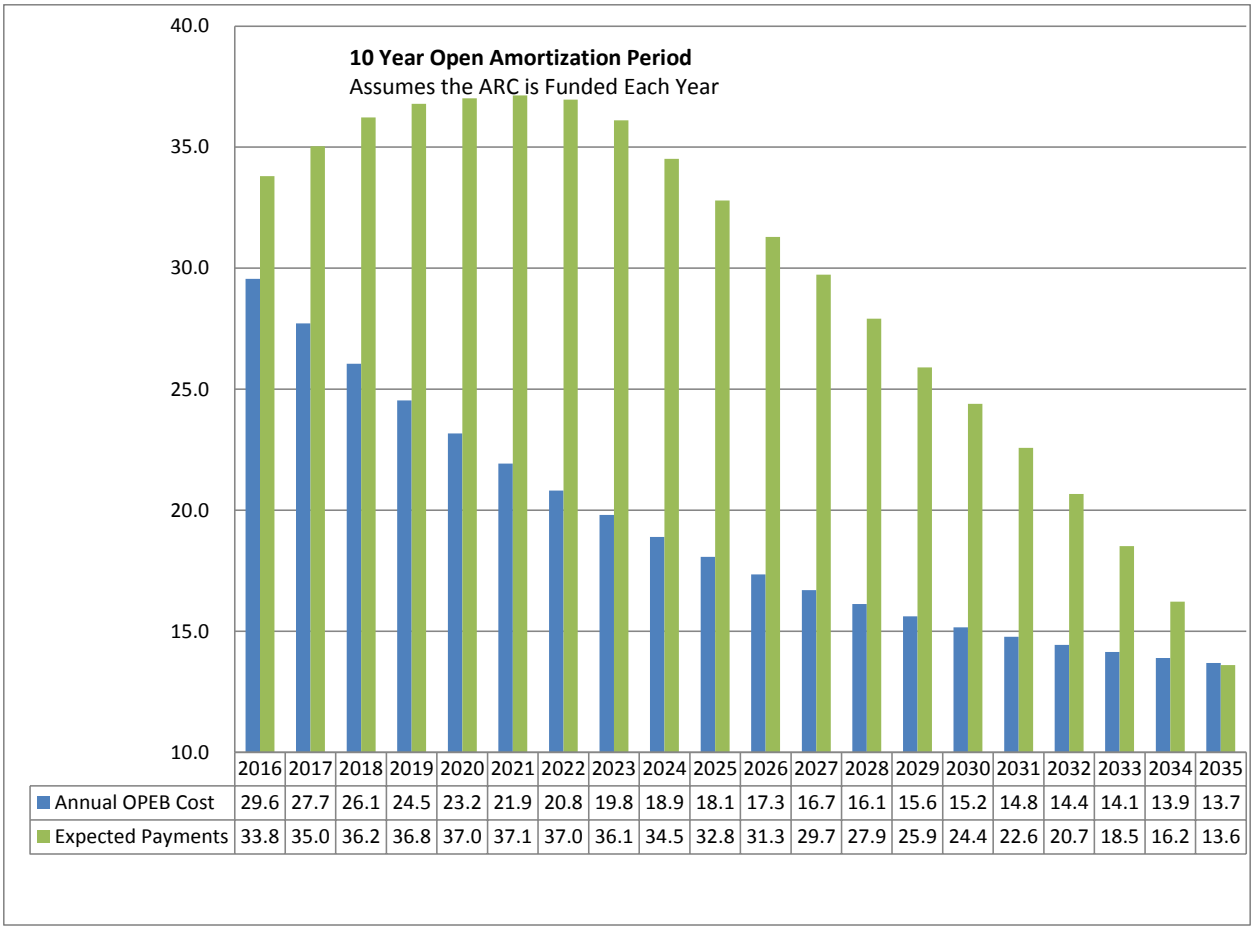
Participation Rates

This valuation assumes 100% of future eligible retirees will elect participation in post-retirement benefits. For Public Educators eligible to participate in the Office of Education plan, it is assumed 50% of Public Educators with a Program I balance will participate in the Office of Education plan. If a Public Education employee has a zero Program I balance, the valuation assumes 100% participation in the Office of Education plan.

20 Year Projection of OPEB Cost and Net Cash Flow (retiree claims costs less retiree contributions)

Assumptions:

1. Assets will earn 4.5% return each year
2. Employer contributes 100% of ARC to the Trust every year
3. No actuarial gains or losses
4. 10 year open amortization



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual OPEB Cost	29.6	27.7	26.1	24.5	23.2	21.9	20.8	19.8	18.9	18.1	17.3	16.7	16.1	15.6	15.2	14.8	14.4	14.1	13.9	13.7
Expected Payments	33.8	35.0	36.2	36.8	37.0	37.1	37.0	36.1	34.5	32.8	31.3	29.7	27.9	25.9	24.4	22.6	20.7	18.5	16.2	13.6