

MONTGOMERY COUNTY GOVERNMENT

Post-Employment Benefits (Other than Pension)

Actuarial Valuation
as of July 1, 2012

May 9, 2013



May 9, 2013

Montgomery County
101 Monroe St
Rockville, MD 20850

This report presents the July 1, 2012 Actuarial Valuation results for the **Montgomery County Government and its Participating Agencies (the County)** Post-Employment Benefit (Other than Pension) Plans. The purposes of this report are to:

- (1) Determine the Plan's 2013 Fiscal Year obligations;
- (2) Determine the County's 2013 and projected 2014 Fiscal Year accruals for the *Governmental Accounting Standards Board (GASB) Standard Statement 45*;
- (3) Determine the County's additional contributions for the 2014 Fiscal Year; and
- (4) Provide information that may be helpful in future planning for the Post-Employment Benefit Plans.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes *GASB Other Post-Employment Benefit (OPEB)* accounting treatment including the 2013 Fiscal Year accrual, projected 2014 Fiscal Year accrual and projected June 30, 2013 and June 30, 2014 Net OPEB Obligation.

This report's costs and liabilities are based upon the data and plan provisions provided by the County, as summarized in the Demographic Information and Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Post-Employment Benefit Plans in accordance with accepted actuarial principles and our understanding of GASB Statement 45.



Actuarial Certification

Aon Hewitt, a firm of independent actuarial consultants, was retained by Montgomery County Government (the County) to prepare this information. Michael Schooley and Tom Vicente are the principal authors of this report and are responsible for its content. We are Members of the American Academy of Actuaries, and meet the Academy's education and experience requirements for preparing this report.

The valuation is based on participant data and plan provisions as of July 1, 2012, provided by the County, and on claims and enrollment information received from the County's health plan vendors. We have accepted the data without audit and have relied upon the sources for the accuracy of the data; however, we did review the information for reasonableness. On the basis of our review of the data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

To the best of our knowledge, this report is complete and accurate and conforms to generally accepted actuarial principles and methodology.

This report is intended for the sole use of the addressee. It is intended only to supply sufficient information for the County to comply with the stated purposes of the report, and may not be appropriate for other business purposes. Reliance on information contained in the report by anyone for other than the intended purposes puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions.

Respectfully submitted,

Handwritten signature of Michael J. Schooley in black ink.

Michael J. Schooley, ASA, EA, MAAA

Handwritten signature of Tom Vicente in black ink.

Tom Vicente, FSA, EA, MAAA

Handwritten signature of Mary Chandler in black ink.

Mary Chandler, FSA, MAAA



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Executive Summary

Montgomery County Government (the County) provides healthcare, prescription drug and life insurance benefits to retirees and their dependents. The County pays a portion of the cost for retirees, disabled retirees, spouses and dependents. All full time active employees who retire under a normal, early, disability or discontinued service retirement are eligible for benefits.

Information on Plan Provisions and participation was obtained from the County. Where information provided was incomplete, we have made assumptions. Please see the Methods and Assumptions Section for a full list of the assumptions used.

We have utilized the Phased-In approach to funding. The County has adopted a policy to phase-in to fully funding the *Annual Required Contributions (ARC)* over a period of 8 years. The Fiscal Year ending June 30, 2013 (FY2013) will be the sixth year of this phase-in period. While the County has made contributions of less than the scheduled amounts in the past (and expects to make less than scheduled in FY2013), the County hopes to be able to get back on schedule in the near future.

The discount rate used for the Fiscal Year 2013 Valuation and Fiscal Year 2014 projection is 7.5%, increased from 6.0% for the prior valuation. The discount rate selection is based on the argument that, if a written policy is adopted by a Plan Sponsor to phase-in full funding of the ARC over a period of years, then it is reasonable to utilize a discount rate based on the weighting of the present value of benefits using applicable discount rates throughout the phase-in period.

Since the majority of future benefits become payable after the phase-in period, the majority of liabilities are based on the discount rate after fully funding the ARC is in place.

The following tables summarize the valuation results. These results have been calculated based upon assumptions as to current claim cost, projected increases in health care costs, morbidity, mortality, disability, turnover, and interest discount.



Executive Summary (cont.)

This table identifies the value of benefits at July 1, 2012 and GASB 45 OPEB accrual and budgeted additional contributions for funding purposes for the 2013 Fiscal Year, reflecting the *Unfunded Liability (UAAL)* amortized as a level percentage of pay over an open 30-year period:

RESULTS AS OF JULY 1, 2012 (2013 Fiscal Year)	
(\$ thousands)	
Present Value of all Projected Benefits (PVPB)	\$1,834,130
Actuarial Accrued Liability (AAL)	\$1,403,693
Assets	<u>\$92,610</u>
Unfunded AAL	\$1,311,083
Annual Required Contribution (ARC)	
- Administrative Expenses	\$150
- Amortization of Unfunded AAL	\$75,935
- Normal Cost	\$47,067
- Interest on above to End of Year	<u>\$9,236</u>
- Total ARC	\$132,388
Adjustment to ARC	<u>\$6,503</u>
Annual OPEB Cost (AOC)	\$138,891
FY2013 Expected Pay-Go Benefit Payments ¹	\$36,280
FY2013 Expected Implicit Subsidy	\$15,548
FY2013 Total Budgeted Additional Contributions ²	\$52,793
Actual FY2012 Net OPEB Obligation (NOO) ³	\$380,694
Expected FY2013 Net OPEB Obligation (NOO)	<u>\$414,964</u>

¹ Based on premium equivalent rates developed for the County's Health Benefit Plans. Expected Medicare Part D Subsidy of \$2.2 million will be used to offset pay-go costs. Expected pay-go (and implicit subsidy) includes an estimate (\$3.7 million for pay-go, \$1.7 million for implicit subsidy) for employees projected to retire during the year.

² Total Budgeted Additional Contributions, per the County's FY2013 budget.

³ Per FY2012 CAFR.



Executive Summary (cont.)

The following is a reconciliation of this year's results with expected results based on the last Valuation:

RESULTS AS OF July 1, 2012 (2013 Fiscal Year)		
(\$ thousands)		
	AAL	ARC
Expected July 1, 2012 Results ¹	\$1,985,653	\$163,565
Actual July 1, 2012 Results ²	\$1,403,693	\$132,388
Difference	(\$581,960)	(\$31,177)
Factors Contributing to Difference:		
New Demographics and Experience	(\$39,834)	(\$779)
New Claims and Premiums ³	(\$186,268)	(\$16,412)
New GRIP & RSP Assumptions ⁴	(\$61,843)	(\$9,611)
Change in Participation Assumption ⁵	(\$9,608)	(\$1,149)
New Trend Rates ⁶	\$56,624	\$5,989
Healthcare Reform Excise Tax ⁷	\$24,810	\$2,956
New Discount Rate ⁸	(\$365,841)	(\$12,171)
	(\$581,960)	(\$31,177)

AAL: Actuarial Accrued Liability; ARC: Annual Required Contribution.

¹ Expected 2012 results based on the 07/01/2010 Valuation actuarially projected to 07/01/2012. i.e., results (a) assume no change in the population or assumptions from the 2010 Valuation, (b) reflect the expected increase in GASB OPEB costs due to employees accruing two additional years of service and (c) also reflect the expected increase in costs because future benefits are now two years closer to being paid. Expected ARC reflects the expected assets at 07/01/2012 assuming contributions were made according to the phase-in schedule and assets earned a return equal to 6.0%.

² That is, a valuation based on census, claims, retiree contributions and assumptions as of 07/01/2012.

³ Claims and retiree contributions were updated to reflect more recent experience.

⁴ Reflects changes in retirement and withdrawal assumptions for both GRIP and RSP participants.

⁵ Reflects change in future retiree participation assumption from 88% to 87%.

⁶ Reflects new trend rates for medical benefits.

⁷ The excise tax established by healthcare reform legislation is a tax on high cost plans effective beginning in 2018. The general assumption is that the tax will be shared between the plan sponsor and the retiree in the same way that future health costs are assumed to be shared.

⁸ The discount rate was increased from 6.0% to 7.5% to better reflect the phase-in funding schedule.



Executive Summary (cont.)

This table identifies the value of benefits projected to July 1, 2013 (the 2014 Fiscal Year), and the expected GASB 45 OPEB accrual and additional contributions for the 2014 Fiscal Year (based on the July 1, 2012 results projected to the FY2014), reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay over an open 30-year period:

PROJECTED RESULTS AS OF JULY 1, 2013 (2014 Fiscal Year)	
(\$ thousands)	
	Total
Present Value of all Projected Benefits (PVPB)	\$1,917,954
Actuarial Accrued Liability (AAL)	\$1,505,831
Assets	\$154,293
Unfunded AAL	\$1,351,538
Annual Required Contribution (ARC)	
- Administrative Expenses	\$150
- Amortization of Unfunded AAL	\$78,278
- Normal Cost	\$49,420
- Interest on above to End of Year	\$9,589
- Total ARC	\$137,437
Adjustment to ARC	\$7,088
Annual OPEB Cost (AOC)	\$144,525
FY2014 Estimated Pay-go Benefit Payments ¹	\$40,937
FY2014 Estimated Implicit Subsidy	\$17,544
FY2014 Total Expected Additional Contributions ²	\$69,226
Expected FY2013 Net OPEB Obligation	\$414,964
Projected FY2014 Net OPEB Obligation (NOO)	\$431,782

The balance of this report provides greater details for the above results.

¹ Estimated pay-go benefits to retirees, based on premium equivalent rates developed for the County's Health Benefit Plans.

² Total Expected Additional Contributions calculated based on the 07/01/2012 Valuation projected to the 2014 Fiscal Year, and represents the contributions for the 7th year of an 8-year phase-in to fully funding the ARC.

Principal Valuation Results

This section presents detailed valuation results for the County's retiree Post-Employment Benefits Programs.

- The *Present Value of all Projected Benefits (PVPB)* is the total present value of all expected future benefits, based on certain actuarial assumptions. The PVPB is a measure of total liability or obligation. Essentially, the PVPB is the value (on the Valuation Date) of the benefits promised to current and future retirees. The Plan's PVPB at July 1, 2012 is \$1,834,130,000. The majority of this liability (61%) is for current active employees (future retirees).
- The *Actuarial Accrued Liability (AAL)* is the liability or obligation for benefits earned through the Valuation Date, based on certain actuarial methods and assumptions. The Plan's AAL at July 1, 2012 is \$1,403,693,000. Approximately half of this liability is for future retirees. The AAL represents 77% of the PVPB.
- Normal Cost is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions. The Normal Cost at July 1, 2012 is \$47,067,000.

This report develops the AAL and Normal Cost using the Projected Unit Credit Actuarial Cost Method.

The following highlights the County's recognition of key items:

- The July 1, 2012 assets¹ are \$92,610,000 (the asset value was provided to Aon Hewitt by the County).
- The County has decided to phase-in to fully funding the *Annual Required Contributions (ARC)* over a period of 8 years. The Fiscal Year ending June 30, 2013 (FY2013) will be the sixth year of this phase-in period. While the County has made contributions of less than the scheduled amounts in the past (and expects to make less than scheduled in FY2013), the County hopes to be able to get back on schedule in the near future.
- Budgeted contributions to the OPEB Trust are \$52,793,000 for FY2013.
- Expected FY2013 pay-go benefit payments (net of retiree contributions) are \$36,280,000.
- The retiree drug subsidy received from Medicare will be used to satisfy part of the above benefit payments.

The tables on the following pages show results by future retirees (actives) and current retirees for the 2013 Fiscal Year, and projected results for the 2014 Fiscal Year.

¹ Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



Principal Valuation Results (cont.)

	July 1, 2012 (Fiscal Year 2013)	Projected July 1, 2013 (Fiscal Year 2014)
	(\$ thousands)	
Present Value of Projected Benefits (PVPB)		
Future Retirees (Actives)	\$1,119,021	\$1,197,179
Current Retirees	\$715,109	\$720,775
TOTAL PVPB	\$1,834,130	\$1,917,954
Actuarial Accrued Liability (AAL)		
Future Retirees (Actives)	\$688,584	\$785,056
Current Retirees	\$715,109	\$720,775
TOTAL AAL	\$1,403,693	\$1,505,831
Assets¹	\$92,610	\$154,293
Unfunded AAL	\$1,311,083	\$1,351,538
Normal Cost (Beginning of Year)	\$47,067	\$49,420

¹ Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.

Accounting Information

The GASB OPEB Accounting Standard was first adopted by the County for the fiscal year ending June 30, 2008. The following tables show the *Annual Required Contribution (ARC)*, *Annual OPEB Cost (AOC)* and *Net OPEB Obligation (NOO)* for the fiscal years ending June 30, 2013 and June 30, 2014. The NOO for the 2013 and 2014 Fiscal Years and the ARC and AOC for the 2014 Fiscal Year are projections, using the results of the July 1, 2012 valuation as a starting point.

Annual Required Contribution (ARC)

The Standard sets the method for determining the County's Post-Retirement Benefits (other than pensions) accrual to include both the value of benefits earned during the year (Normal Cost) and an amortization of the *Unfunded Actuarial Accrued Liability (AAL)*. Accordingly, the following table shows the County's 2013 Fiscal Year accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay, and shows the County's projected 2014 Fiscal Year accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay.

Annual Required Contribution (\$ thousands)						
Funding Approach	Discount Rate	Administrative Expenses	Normal Cost	Unfunded AAL Amortization	Interest to EOY	Total Accrual
FYE 06/30/2013	7.50%	\$150	\$47,067	\$75,935	\$9,236	\$132,388
Projection to FYE 06/30/2014	7.50%	\$150	\$49,420	\$78,278	\$9,589	\$137,437

Accounting Information (cont.)

Annual OPEB Cost (AOC)

The *Annual OPEB Cost (AOC)* is the accounting expense, and is made up of the ARC, plus an adjustment to the ARC, consisting of interest on the *Net OPEB Obligation (NOO)* at the beginning of the period, less an amortization of the NOO.

(\$ thousands)				
Funding Approach	ARC	Interest on NOO	Amortization of NOO	Total AOC
FYE 06/30/2013	\$132,388	\$28,552	(\$22,049)	\$138,891
Projected FYE 06/30/2014	\$137,437	\$31,122	(\$24,034)	\$144,525

Accounting Information (cont.)

Revised Net OPEB Obligation (NOO) Summary:

The *Net OPEB Obligation (NOO)* is the cumulative difference between the AOC and the County's total contributions. An adjustment is needed for the difference between Reported and Determined AOC.

(\$ thousands)					
Fiscal Year	Annual Required Contributions	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Reported Annual OPEB Cost	Reported NOO End of Year
07/08	\$103,401	\$0	\$0	\$102,320	\$58,599
08/09	\$101,770	\$4,774	(\$3,284)	\$113,139	\$113,535
09/10	\$107,397	\$8,379	(\$5,764)	\$109,738	\$180,713
10/11	\$147,582	\$10,331	(\$7,231)	\$150,836	\$287,497
11/12	\$156,167	\$16,729	(\$11,709)	\$161,060	\$380,694

Reported Net OPEB Obligation (NOO) Summary:

The Chart below shows the Reported NOO and AOC. To be Determined (TBD) items are calculated at fiscal year end. The Adjustment to the AOC will flow through to the NOO in Fiscal Year 12/13.

(\$ thousands)						
Fiscal Year	Annual Required Contributions	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Actual Contribution	NOO End of Year
07/08	\$102,320	\$0	\$0	\$102,320	\$43,721	\$58,599
08/09	\$111,677	\$4,688	(\$3,226)	\$113,139	\$58,203	\$113,535
09/10	\$107,397	\$2,341	\$0	\$109,738	\$42,560	\$180,713
10/11	\$147,582	\$3,254	\$0	\$150,836	\$44,051	\$287,497
11/12	\$156,167	\$16,308	(\$11,415)	\$161,060	\$67,864	\$380,694
12/13	\$132,388	\$28,552	(\$22,049)	\$138,891	TBD	TBD
13/14	\$137,437	TBD	TBD	TBD	TBD	TBD



Accounting Information (cont.)

Required Supplementary Information

Below is the Projected Schedule of Funding Progress:

(\$ thousands)							
Fiscal Year Ending June 30,	Discount Rate	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
2009	8.0%	\$13,710	\$1,076,582	\$1,062,872	1.3%	\$667,400	159.3%
2010 ¹	8.0%	\$35,279	\$1,161,222	\$1,125,943	3.0%	\$681,544	165.2%
2011	6.0%	\$38,168	\$1,737,436	\$1,699,268	2.2%	\$665,746 ²	255.2%
2012	6.0%	\$47,962	\$1,859,450	\$1,811,488	2.6%	\$694,040 ²	261.0%
2013	7.5%	\$92,610	\$1,403,693	\$1,311,083	6.6%	\$618,227 ³	212.1%
Projection to 2014	7.5%	\$154,293	\$1,505,831	\$1,351,538	10.2%	\$636,774 ³	212.2%

¹ Based on a projection of results from the 07/01/2008 Valuation.

² Based on employee census provided for the 07/01/2010 Valuation. Payroll to FYE 06/30/2012 based on FY2011 payroll projected at 4.25%

³ Based on employee census provided for the 07/01/2012 Valuation. Payroll to FYE 06/30/2014 based on FY2013 payroll projected at 3.00%

Payout Projection

Future annual payouts are based on the assumptions and contributions detailed in the Methods and Assumptions Section, including the trend rates, the claims costs, and the mortality, retirement and disability rates. The payouts below include expected payments to current retirees, current employees who retire by the dates shown, and their dependents.

That is, for current retirees and dependents, we start with the baseline costs and adjust them for future years based on the trend assumptions in the Method and Assumptions Section of this report. Then we multiply the costs by the number of retirees and dependents expected to be receiving benefits each year, based on the mortality rates. We then subtract retiree contributions per the Method and Assumptions Section, adjusted for future years based on the trend assumptions.

For future retirees (current actives), we apply retirement and disability rates to determine when we expect they will retire, and then multiply the number of retirees by the baseline costs, adjusted for retiree contributions, and trended to future years using the trend rates, all per the Method and Assumptions Section of the report. The number of future retirees and dependents expected to continue receiving benefits each year will be determined by retiree mortality rates.

Year Ending	Total (\$ thousands)
06/30/2013	\$51,827
06/30/2014	\$58,481
06/30/2015	\$65,620
06/30/2016	\$72,528
06/30/2017	\$79,222
06/30/2018	\$86,332
06/30/2019	\$93,806
06/30/2020	\$100,684
06/30/2021	\$108,245
06/30/2022	\$115,773



Demographic Information

The following table summarizes active and retiree Demographic Information.

Number of Active Employees		
	07/01/2012[†]	07/01/2010
Count	9,511	9,624
Average Age	46.82	46.01
Average Service		
Past	12.83	13.74
Future	<u>18.18</u>	<u>19.00</u>
Total	31.01	32.74

Number of Inactive Employees as of July 1, 2012			
	Retirees and Survivors	Retiree Spouses²	Total (Including Active)
Medical	4,713	2,511	16,735
Prescription	3,546	2,014	15,071
Dental	5,051	2,739	17,301
Life	5,092	N/A	14,603

Number of Inactive Employees as of July 1, 2010				
	Retirees and Survivors	Retiree Spouses	Retiree Dependents	Total (Including Active)
Medical	4,433	2,498	1,152	17,707
Prescription ³	3,208	1,930	983	15,745
Dental	4,704	2,688	1,196	18,212
Life	4,881	N/A	N/A	14,505

¹ We assumed that 83% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement (88% at 7/1/2010)

² Industry ratios of spouses and children per tier in a 3-tier structure were used to estimate the number of dependents (reflected implicitly in the claims costs).

³ The counts for retiree members with prescription drugs do not reflect the retiree members in the Kaiser or CareFirst Indemnity plans. Prescription drugs are not a separate election for these members.



Methods and Assumptions

Actuarial Method

Projected Unit Credit Cost Method.

Normal Cost

Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan's benefit formula. This allocation is based on each individual's service between date of hire and date of exit.

Actuarial Accrued Liability (AAL)

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year. The attribution period is from the date of hire to the date of exit.

Discount Rate

The discount rate used for the July 1, 2012 (Fiscal Year 2013) Valuation and Fiscal Year 2014 projection was 7.5% (6.0% at the last Valuation). This is based on the argument that, if a written policy is adopted by a Plan Sponsor to phase-in full funding of the ARC over a period of years, then it is reasonable to utilize a discount rate based on the weighting of the present value of benefits using applicable discount rates throughout the phase-in period.

Since the majority of future benefits become payable after the phase-in period, the majority of liabilities are based on the discount rate after fully funding the ARC is in place.

Payroll Growth and Salary Scale

3.00% for amortization of the Unfunded Liability (4.25% had been used in the prior valuation).

Salary scale used for valuation of Life Insurance benefits is assumed to be:

Service	Non Public Safety	Public Safety
0 – 4	6.00%	9.25%
5 – 9	6.00%	8.25%
10 – 14	6.00%	6.25%
15 – 19	6.00%	5.50%
20 – 24	4.25%	5.00%
25 – 29	4.00%	4.50%
30+	4.00%	4.25%



Methods and Assumptions (cont.)

Medical, Prescription Drug and Dental Trends (reflecting Excise Tax)

ANNUAL RATE OF INCREASE											
Fiscal Year Beginning in	Dental	Active Medical and Rx		POS Medical without Rx		POS Medical with Standard Plan		POS Medical with High Plan		Indemnity Medical with Rx	
		Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+
2012	5.50%	8.69%	6.99%	9.00%	6.50%	8.52%	7.03%	8.52%	7.03%	8.00%	8.00%
2013	5.00%	8.19%	6.61%	8.50%	6.25%	8.02%	6.64%	8.02%	6.64%	7.50%	7.50%
2014	4.50%	7.69%	6.24%	8.00%	6.00%	7.52%	6.26%	7.52%	6.26%	7.00%	7.00%
2015	4.50%	7.19%	5.87%	7.50%	5.75%	7.02%	5.88%	7.02%	5.88%	6.50%	6.50%
2016	4.50%	6.69%	5.50%	7.00%	5.50%	6.52%	5.50%	6.52%	5.50%	6.00%	6.00%
2017	4.50%	6.43%	5.27%	6.50%	5.25%	6.02%	5.12%	6.89%	5.12%	6.14%	5.50%
2018	4.50%	5.91%	5.02%	6.00%	5.00%	5.75%	5.00%	5.81%	5.00%	5.15%	5.00%
2019	4.50%	5.62%	5.13%	5.50%	5.00%	5.55%	5.00%	5.51%	5.17%	5.19%	5.00%
2020	4.50%	5.22%	5.16%	5.00%	5.00%	5.17%	5.00%	5.15%	5.24%	5.16%	5.00%
2021	4.50%	5.12%	5.16%	5.00%	5.00%	5.14%	5.00%	5.12%	5.23%	5.13%	5.00%
2022	4.50%	5.12%	5.16%	5.00%	5.00%	5.14%	5.00%	5.12%	5.23%	5.13%	5.00%
2023	4.50%	5.12%	5.15%	5.00%	5.00%	5.14%	5.00%	5.12%	5.22%	5.12%	5.00%
2024	4.50%	5.12%	5.15%	5.00%	5.00%	5.13%	5.00%	5.12%	5.22%	5.12%	5.00%
2025	4.50%	5.23%	5.15%	5.00%	5.00%	5.13%	5.00%	5.49%	5.21%	5.12%	5.00%
2026	4.50%	5.30%	5.15%	5.00%	5.00%	5.13%	5.00%	5.74%	5.21%	5.12%	5.00%



ANNUAL RATE OF INCREASE (cont'd)

Fiscal Year Beginning in	Dental	Active Medical and Rx		POS Medical without Rx		POS Medical with Standard Plan		POS Medical with High Plan		Indemnity Medical with Rx	
		Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+
2027	4.50%	5.30%	5.15%	5.00%	5.00%	5.13%	5.00%	5.72%	5.20%	5.75%	5.00%
2028	4.50%	5.29%	5.17%	5.00%	5.00%	5.12%	5.00%	5.70%	5.20%	5.73%	5.00%
2029	4.50%	5.28%	5.17%	5.00%	5.00%	5.12%	5.00%	5.68%	5.19%	5.71%	5.00%
2030	4.50%	5.30%	5.17%	5.08%	5.00%	5.12%	5.00%	5.67%	5.19%	5.69%	5.03%
2031	4.50%	5.42%	5.18%	5.15%	5.00%	5.22%	5.00%	5.65%	5.19%	5.68%	5.24%
2032	4.50%	5.67%	5.23%	5.15%	5.00%	5.75%	5.00%	5.63%	5.18%	5.66%	5.23%
2033	4.50%	5.65%	5.22%	5.14%	5.00%	5.73%	5.00%	5.62%	5.18%	5.64%	5.23%
2034	4.50%	5.63%	5.27%	5.14%	5.00%	5.71%	5.01%	5.60%	5.28%	5.63%	5.22%
2035	4.50%	5.62%	5.56%	5.14%	5.00%	5.69%	5.24%	5.59%	5.71%	5.61%	5.22%
2036	4.50%	5.60%	5.55%	5.14%	5.00%	5.67%	5.23%	5.57%	5.70%	5.60%	5.21%
2037	4.50%	5.59%	5.53%	5.13%	5.00%	5.66%	5.23%	5.56%	5.68%	5.58%	5.21%
2038	4.50%	5.57%	5.52%	5.13%	5.00%	5.64%	5.22%	5.55%	5.66%	5.57%	5.21%
2039	4.50%	5.66%	5.54%	5.13%	5.00%	5.62%	5.22%	5.53%	5.64%	5.55%	5.20%
2040	4.50%	5.66%	5.53%	5.12%	5.00%	5.61%	5.21%	5.52%	5.63%	5.54%	5.20%
2041	4.50%	5.64%	5.52%	5.12%	5.00%	5.59%	5.21%	5.51%	5.61%	5.53%	5.19%
2042	4.50%	5.63%	5.50%	5.12%	5.00%	5.58%	5.21%	5.50%	5.60%	5.51%	5.19%
2043	4.50%	5.61%	5.49%	5.12%	5.00%	5.57%	5.20%	5.48%	5.58%	5.50%	5.19%
2044	4.50%	5.60%	5.48%	5.52%	5.00%	5.55%	5.20%	5.47%	5.57%	5.49%	5.18%
2045 & Later	4.50%	5.59%	5.47%	5.92%	5.00%	5.54%	5.19%	5.46%	5.55%	5.48%	5.18%



ANNUAL RATE OF INCREASE								
Fiscal Year Beginning in	UHC Medical without Rx		UHC Medical with Standard Plan		UHC Medical with High Plan		Kaiser Medical	
	Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+
2012	9.00%	6.50%	8.58%	7.07%	8.58%	7.07%	9.50%	6.50%
2013	8.50%	6.25%	8.08%	6.68%	8.08%	6.68%	9.00%	6.25%
2014	8.00%	6.00%	7.58%	6.29%	7.58%	6.29%	8.50%	6.00%
2015	7.50%	5.75%	7.08%	5.89%	7.08%	5.89%	8.00%	5.75%
2016	7.00%	5.50%	6.58%	5.50%	6.58%	5.50%	7.50%	5.50%
2017	6.50%	5.25%	6.08%	5.11%	6.08%	5.92%	7.11%	6.59%
2018	6.00%	5.00%	5.72%	5.00%	5.86%	5.18%	6.65%	5.11%
2019	5.50%	5.00%	5.36%	5.00%	5.66%	5.35%	6.19%	5.21%
2020	5.00%	5.00%	5.00%	5.00%	5.26%	5.34%	5.67%	5.20%
2021	5.00%	5.00%	5.00%	5.00%	5.22%	5.33%	5.14%	5.20%
2022	5.00%	5.00%	5.00%	5.00%	5.21%	5.32%	5.14%	5.20%
2023	5.00%	5.00%	5.00%	5.00%	5.21%	5.32%	5.13%	5.19%
2024	5.00%	5.00%	5.00%	5.00%	5.20%	5.31%	5.13%	5.19%
2025	5.00%	5.00%	5.17%	5.17%	5.20%	5.30%	5.13%	5.18%
2026	5.00%	5.00%	5.23%	5.23%	5.20%	5.30%	5.13%	5.18%



ANNUAL RATE OF INCREASE (cont'd)

Fiscal Year Beginning in	UHC Medical without Rx		UHC Medical with Standard Plan		UHC Medical with High Plan		Kaiser Medical	
	Pre-65	65+	Pre-65	65+	Pre-65	65+	Pre-65	65+
2027	5.00%	5.00%	5.22%	5.22%	5.19%	5.29%	5.12%	5.18%
2028	5.00%	5.00%	5.22%	5.22%	5.19%	5.28%	5.12%	5.63%
2029	5.00%	5.00%	5.22%	5.22%	5.18%	5.28%	5.12%	5.70%
2030	5.00%	5.00%	5.21%	5.21%	5.18%	5.27%	5.30%	5.68%
2031	5.00%	5.00%	5.21%	5.21%	5.36%	5.44%	5.75%	5.67%
2032	5.00%	5.00%	5.20%	5.20%	6.14%	6.08%	5.73%	5.65%
2033	5.00%	5.00%	5.20%	5.20%	6.11%	6.05%	5.71%	5.63%
2034	5.00%	5.00%	5.19%	5.19%	6.07%	6.02%	5.69%	5.62%
2035	5.00%	5.00%	5.19%	5.19%	6.04%	5.99%	5.67%	5.60%
2036	5.00%	5.00%	5.19%	5.19%	6.01%	5.96%	5.66%	5.59%
2037	5.00%	5.00%	5.18%	5.18%	5.98%	5.93%	5.64%	5.57%
2038	5.00%	5.00%	5.18%	5.18%	5.96%	5.91%	5.62%	5.56%
2039	5.02%	5.00%	6.01%	6.01%	5.93%	5.88%	5.61%	5.55%
2040	5.23%	5.00%	6.12%	6.12%	5.90%	5.86%	5.59%	5.53%
2041	5.23%	5.00%	6.08%	6.08%	5.88%	5.84%	5.58%	5.52%
2042	5.22%	5.00%	6.05%	6.05%	5.85%	5.81%	5.56%	5.51%
2043	5.22%	5.00%	6.02%	6.02%	5.83%	5.79%	5.55%	5.49%
2044	5.21%	5.00%	5.99%	5.99%	5.81%	5.77%	5.54%	5.48%
2045 & Later	5.21%	5.00%	5.96%	5.96%	5.79%	5.75%	5.52%	5.47%

Methods and Assumptions (cont.)

The following demographic assumptions (with the exception of the retirement rates for RSP) were updated from the last Valuation, and are based on a recent experience study performed by the actuary for the Retirement Plan. These rates were not reviewed by Aon Hewitt; we relied upon the rates provided by the other actuary in preparing this Valuation.

General Inflation

3.00% (Used to in development of base assumptions).

Mortality

- **Pre-Retirement: Healthy Retirees and Beneficiaries**
RP-2000 Mortality Table, projected 30 years, with separate tables for males and females.
- **Disabled Retirees**
RP-2000 Mortality Table projected to 2010 and set forward 5 years, with separate tables for males and females.

Turnover

Sample rates are shown below:

ASSUMED ANNUAL TERMINATIONS PER 1,000 MEMBERS			
Years of Service	Non-Public Safety (ERS)	Public Safety (ERS)	Non-Public Safety and Public Safety (RSP & GRIP)
0 - 4	52	80 - 35	95 - 50
5 - 9	43	31 - 22	43 - 25
10 - 14	33	20 - 10	25
15 - 19	31 - 20	9 - 6	25
20 - 23	17 - 11	6	25
24+	9	6	25
ERS = Employees' Retirement System RSP = Retirement Savings Plan GRIP = Guaranteed Retirement Income Plan			

Methods and Assumptions (cont.)

Retirement

Sample rates are shown below:

Non-Public Safety (ERS)

Age	OPT/SLT First Eligibility for Normal Retirement	Non-OPT/SLT First Eligibility for Normal Retirement	Early Retirement and Ultimate Normal Retirement Rates
45 – 49	16%	20%	2%
50 – 54	16%	20%	6%
55 – 59	20%	20%	9%
60 – 64	20%	15%	16%
65 – 66	50%	50%	30%
67	75%	75%	30%
68 – 69	100%	100%	30%
70+	100%	100%	100%

Public Safety (ERS)

Age	Group G First Eligibility for Normal Retirement	Group E First Eligibility for Normal Retirement	Early Retirement and Ultimate Normal Retirement Rates
Under 45	20%	3.5%	3% for G, 3.5% E
46 - 49	20%	15%	7% for G, 8.0% E
50 - 51	20%	20%	10% for G, 10.0% E
52 - 54	30%	20%	15% for G, 18% E
55- 59	40%	50%	40% for G, 50% E
60+	100%	100%	100% for G, 100% E

Methods and Assumptions (cont.)

Retirement (cont.)

Public Safety (ERS)

Age	Early Retirement Rates for Group F	Ultimate Normal Rates for F	
		Excluding 30 – 35 Years of service	Years of Service 30 - 35
41 - 45	3.75%	5.00%	5.00%
46 - 49	7.50%	9.00%	5.00%
50 - 51	15.00%	15.00%	7.00%
52 - 54	20.00%	15.00%	17.00%
55 - 59	50.00%	40.00%	45.00%
60+	100.00%	100.00%	100.00%

Non-Public Safety & Public Safety (RSP & GRIP)

Age	Assumed Annual Retirements
60 - 61	5%
62 - 64	15%
65 - 69	40%
70+	100%

Methods and Assumptions (cont.)

Disability

Sample rates are shown below:

ANNUAL DISABILITIES PER 1,000 MEMBERS AT SAMPLE AGES								
Age	Non-Public Safety		Public Safety Group F		Public Safety Group G		Public Safety Group E	
	Male	Female	Male	Female	Male	Female	Male	Female
20	1	1	1	1	1	2	1	1
25	2	1	3	3	2	4	2	2
30	2	2	6	8	4	11	4	5
35	3	3	8	12	5	16	5	7
40	3	3	10	16	7	23	6	10
45	6	3	19	44	13	31	11	13
50	7	5	40	59	22	41	19	18
55	5	6	48	62	27	43	23	19
60	9	6	59	63	47	44	28	19
65	0	0	68	65	54	45	33	19

Methods and Assumptions (cont.)

Age Difference/ % Married

Males are assumed to be 3 years older than females;
60% of active members are assumed to cover a spouse at retirement.

Coverage

We assumed that 87% (100% for life insurance) of current active employees will be covered at retirement, and that they will elect the benefit plans in the same proportion as current retirees. 88% of future retirees were assumed to elect medical coverage at the last valuation. For current retirees, we valued only those who have current coverage elections, with the assumption that retirees without coverage will not elect coverage in the future.

Morbidity

Expected claims are assumed to increase as participants age as follows:

Medical and Prescription Drugs

Age	Annual Increase
30 - 34	0.8%
35 - 39	1.2%
40 - 44	2.8%
45 - 49	4.0%
50 - 54	3.3%
55 - 59	3.6%
60 - 64	4.2%
65 - 69	3.0%
70 - 74	2.5%
75 - 79	2.0%
80 - 84	1.0%
85 - 89	0.5%
90+	0.0%

Methods and Assumptions (cont.)

Valuation Methodology and Terminology

The post-retirement healthcare benefit obligations were developed within the parameters prescribed by the GASB Statement.

Amortization of UAAL

The UAAL amortization is calculated over an *open period* of 30 years, as a level percentage of pay.

Reflection of Changes Required under HealthCare Form

The results in this report reflect changes required under HealthCare Reform Legislation enacted in 2010, namely extending dependent coverage to age 26, and removal of lifetime maximums where applicable.

Life Insurance Coverage

All participants are assumed to have life insurance coverage upon retirement.

Excise Tax

The excise tax established by healthcare reform legislation is a tax on high cost plans effective beginning in 2018. The general assumption is that the tax will be shared between the plan sponsor and the retiree in the same way that future health costs are assumed to be shared.



Methods and Assumptions (cont.)

Initial Baseline Cost (2013 Fiscal Year)

Age	UnitedHealthcare HMO	Kaiser	CareFirst Indemnity	CareFirst POS	Future Retirees' Medical ¹	Dental	Prescription Drug Standard Option	Prescription Drug High Option	Prescription Drug Future Retirees'
40	\$3,486	\$3,673	\$3,895	\$4,187	\$4,146	\$481	\$1,244	\$1,912	\$1,387
45	\$4,002	\$4,217	\$4,471	\$4,807	\$4,760	\$481	\$1,428	\$2,195	\$1,592
50	\$4,869	\$5,130	\$5,440	\$5,849	\$5,791	\$481	\$1,738	\$2,670	\$1,937
55	\$5,727	\$6,034	\$6,399	\$6,880	\$6,812	\$481	\$2,044	\$3,141	\$2,278
60	\$6,835	\$7,202	\$7,637	\$8,210	\$8,130	\$481	\$2,439	\$3,749	\$2,719
65	\$2,943	\$3,540	\$2,747	\$2,427	\$2,403	\$481	\$2,512	\$3,704	\$3,340
70	\$3,411	\$4,104	\$3,185	\$2,813	\$2,785	\$481	\$2,912	\$4,294	\$3,872
75	\$3,860	\$4,643	\$3,603	\$3,183	\$3,151	\$481	\$3,294	\$4,858	\$4,381

NOTE: Prescription drugs are included in the claims shown for the Kaiser and Indemnity plans. Members in these plans cannot make a separate prescription drug election.

The above claims were developed using paid claims and membership data for the period July 1, 2011 to June 30, 2012, received from the County's Health Plan vendors. Claims were trended from the mid-point of the payment period to the mid-point of the Valuation year, and were then age adjusted based on the morbidity factors shown in this section.

¹ Weighted average reflecting Health Plan elections of current retirees.



Methods and Assumptions (cont.)

Average Annual Baseline Retiree Contributions (2013 Fiscal Year)

Current Retirees

For current retirees, we applied individual cost-sharing percentages to the following total premium rates¹:

	UnitedHealthcare HMO	Kaiser	CareFirst Indemnity	CareFirst POS	Prescription Drugs²	Dental
Pre-65	\$4,906	\$5,928	\$11,313	\$5,595	\$2,139	\$481
Post-65	\$4,315	\$3,790	\$5,841	\$3,015	\$2,650	\$481

¹ These are a blend of 2012 and 2013 premium equivalent rates. Premium rates used for spouses are lower than the above rates.

² For drugs, retirees in the High Option pay a percentage of the Standard Option premium, plus the full difference between the High Option and Standard Option premiums.



Methods and Assumptions (cont.)

Average Annual Baseline Retiree Contributions (2013 Fiscal Year) (cont.)

Future Retirees

Future retirees will pay the following service-based cost-sharing percentages of the rates below (see note below for retirees hired before January 1, 1987):

Service at Retirement	Retiree Contribution
5 Years	50%
6 Years	48%
7 Years	46%
8 Years	44%
9 Years	42%
10 Years	40%
11 Years	38%
12 Years	36%
13 Years	34%
14 Years	32%
15 Years and Over	30%
Or if Hired Prior to 01/01/1987 ¹	20%

	Medical	Prescription Drugs	Dental
Pre-65	\$5,494	\$2,139	\$481
65 +	\$3,417	\$2,650	\$481

Rates for medical represent a weighted average of the rates for UHC HMO, Kaiser HMO and CareFirst POS, based on the enrollment of current retirees.

Rates for prescription drugs are weighted 38% towards the Standard Option and 62% towards the High Option.

¹ Retirees hired prior to January 1, 1987 pay 20% for the period of time equal to the number of years of their eligibility under the group insurance plan beginning from their Retirement Date. At the time of retirement, retirees may elect the cost sharing arrangement available to employees hired after December 31, 1986



Summary of Plan Provisions

Plan

CareFirst Blue Cross–Blue Shield POS, CareFirst Blue Cross–Blue Shield Indemnity (closed to new members), Kaiser HMO, United Healthcare HMO, Caremark Prescription Drug, UCCI Dental PPO, and NVA Vision Plans (see the following pages for plan designs).

Eligibility

County employees are eligible to continue each group insurance coverage after retirement provided that:

- (a) Employees in the Montgomery County Employees' Retirement System retire directly from County service.
- (b) Employees in the Montgomery County Retirement Savings Plan meet certain age and service requirements.

Group	Early Retirement		Normal Retirement	
	Credited Service (Years)	Age	Credited Service (Years)	Age
A, H	15	50	5 ¹ , 10 ² 30	60
	20	45		55 ³
E	15	45	15	55
	20	41	25	46
F	15	45	15	55
	20	41	25	Any Age
G	Not Eligible	Not Eligible	15	55
			20	Any Age

Coverage of Spouse and Dependent After Death of Retiree

The surviving spouses and dependent children who are covered under any of the County sponsored health plans have the right to continue coverage upon the death of the County employee/retiree.

¹ RSP & GRIP employees hired before July 1, 2011

² RSP & GRIP employees hired after June 30, 2011

³ Must be Group H and member of SLT Bargaining Unit or in Group A or H and assigned to a supervisory or non-supervisory position in the Police Telecommunicator occupational class series



Plan Provisions (cont.)

Life Insurance Benefits

Prior to age 65, when an employee retires, the basic life insurance amount will equal the annual base pay before retirement limited to \$200,000. Five years after retirement, the life insurance will be reduced 10% on each anniversary of retirement. However, the insurance amount will never be less than 25% of annual base pay immediately prior to retirement.

At age 65, the amount of insurance is 25% of the annual base pay immediately prior to retirement.



Plan Provisions (cont.)

Health Plan	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		
			POS High and Standard Option Plans		Indemnity Plan (closed to new members)
			In Service Area	Out of Area	
Allergy Testing	\$5 copay.	\$10 copay.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	80% after deductible.
Deductible	Copay where applicable.	Copay where applicable.	High Option - In network: none; Out-of-network: \$300 individual; \$600 family. Standard Option - Same as High Option	High Option - In network: none; Out-of-network: \$250 individual; \$500 family. Standard Option - Same as High Option	\$200 individual deductible; \$400 family deductible.
Diagnostic/Lab/X-Ray	Covered in full.	Applicable copay applies.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	100% up to \$500 for services related to an illness in a calendar year (there is a separate limit of \$500 for services related to an accident in a calendar year); 80% for services in excess of the \$500 limit for either an illness or an accident in a calendar year.
Dr. Office Visits	\$5 copay.	\$5 copay.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible. Standard Option - In network: \$15 copay; Out-of-network: same as High Option.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible. Standard Option - In network: \$15 copay; Out-of-network: same as High Option.	80% after deductible.



Plan Provisions (cont.)

Health Plan	CareFirst Blue Cross Blue Shield				
	Kaiser Permanente	United Healthcare Select	POS High and Standard Option Plans	POS High and Standard Option Plans	Indemnity Plan (closed to new members)
			In Service Area	Out of Area	
Emergency Room	\$50 copay – waived if admitted to hospital.	\$25 copay (plan definition of emergency must be met) – waived if admitted to hospital; \$15 copay for Urgent Care Centers.	High Option - In network: \$25 copay waived if admitted to hospital; Out-of-network: 80% after deductible. Standard Option – In network: \$35 copay waived if admitted to hospital; Out-of-network: same as High Option.	High Option - In network: \$50 copay, waived if admitted; Out-of-network: 80% after deductible. Standard Option – Same as High Option.	Covered in full if life-threatening or accidental injury; 80% after deductible for illness.
Hearing Screening	\$5 copay for hearing exam (hearing aids are excluded).	\$5 copay Primary Care Physician; \$10 copay Specialist.	High Option - In network: childhood hearing screening covered in full; Out-of-network: childhood hearing screening, 80% not subject to deductible. Standard Option – Same as High Option.	High Option - In network: childhood hearing screening covered in full; Out-of-network: childhood hearing screening, 80% not subject to deductible. Standard Option – Same as High Option.	Not covered.
Home Health Care Services	Covered in full if medically necessary.	Covered in full if medically necessary; \$5 copay/PCP visits; \$10 specialist/visit.	High Option - In network: covered in full (90 visits max/calendar year); Out-of-network: 80% after deductible (90 visits max/calendar year). Standard Option – Same as High Option.	High Option - In network: covered in full (40 visits per calendar year); Out-of-network: 80% after deductible (40 visits per calendar year). Standard Option – Same as High Option.	Covered in full; 40 visits maximum/calendar year.
Hospice	Covered in full.	Covered in full.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option – Same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option – Same as High Option.	Covered in full; \$5,000 maximum.



Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		
			POS High and Standard Option Plans		Indemnity Plan (closed to new members)
			In Service Area	Out of Area	
Hospital	Covered in full.	Covered in full.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - In network: covered in full after \$150 copay per admission; Out-of-network: same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - In network: covered in full after \$150 copay per admission; Out-of-network: same as High Option.	Covered in full; 180 day maximum per confinement.
Immunizations	\$5 copay. Included in well child care visits up to age 5 at no charge.	\$5 copay Primary Care Physician; \$10 copay Specialist.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	High Option - In network: covered in full when billed with office visit; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	Maximum \$15 per immunization (\$45 per calendar year maximum per member); balance paid at 80% after deductible.
Mammography - Preventive Screening Schedule	Schedule consistent with the current recommendations of the American College of Physicians.	Age 40+: mammogram calendar year.	One per High Option - Covered in full. Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year. Standard Option - Same as High Option	High Option - Covered in full. Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year. Standard Option - Same as High Option	Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year.



Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		
			POS High and Standard Option Plans	POS High and Standard Option Plans	Indemnity Plan (closed to new members)
			In Service Area	Out of Area	
Maternity	Covered in full once pregnancy is diagnosed.	No copayment applies after the first visit.	High Option - In network: first visit 100% after \$10 copay; other visits 100%; Out-of-network: 80% after deductible. Standard Option - In network: first visit 100% after \$30 copay; other visits 100%; Out-of-network: same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - In network: first visit 100% after \$30 copay; other visits 100%; Out-of-network - Same as High Option.	100% up to amount allowed by plan.
Maximum Lifetime Benefit	Unlimited Maximum.	Unlimited Maximum.	High Option - Unlimited Maximum. Standard Option - Same as High Option	High Option - Unlimited Maximum. Standard Option - Same as High Option	Unlimited Maximum.
Out-of-Pocket Annual Maximum	N/A	Individual: \$1,100; Individual plus one: \$2,200; Family: \$3,600	High Option - Per Individual: \$1,000 plus the annual deductible. Standard Option - Same as High Option	High Option - In network: Individual: \$1,000 plus the annual deductible; Family: \$2,000 plus the annual deductible; Out-of-network: Individual: \$2,000 plus the annual deductible; Family: \$4,000 plus the annual deductible. Standard Option - Same as High Option	Individual: \$1,000 plus the annual deductible; Family: \$2,000 plus the annual deductible



Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		
			POS High and Standard Option Plans	POS High and Standard Option Plans	Indemnity Plan (closed to new members)
			In Service Area	Out of Area	
Physical	\$5 copay.	\$5 copay Primary Care Physician; \$10 copay Specialist.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible (limit 1/calendar year). Standard Option - In network: \$15 copay Primary Care Physician; \$30 copay Specialist; Out-of-network: same as High Option.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible (limit 1/calendar year). Standard Option - In network: \$15 copay Primary Care Physician; \$30 copay Specialist; Out-of-network: same as High Option.	Up to \$75/exam every 2 years - employee and spouse only; balance is paid at 80% after deductible.
Prescriptions	Kaiser Prescription Plan (included with Kaiser HMO Medical Plan): \$5 at on-site pharmacies and for mail order; \$15 at participating community pharmacies.	No Prescription Plan included; diabetic supplies covered under a pharmacy rider.	High and Standard Option – No Prescription Plan included; diabetic supplies covered under a pharmacy rider.	High and Standard Option – No Prescription Plan included; diabetic supplies covered under a pharmacy rider.	80% after deductible. Prescription discount program included with mail order feature.
Rehabilitation Services	Inpatient: Covered in full (Unlimited). Outpatient: \$5 copay; outpatient services for physical therapy are limited to up to 30 visits; occupational and speech therapy per injury, incident or condition are covered for a period not to exceed 90 days.	\$10 copay/visit. 60 combined visits per year (short-term non-chronic conditions only).	High Option - In network: 100%; Out-of-network: 80% after deductible. Standard Option – Same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option – Same as High Option.	80% after deductible.



Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		Indemnity Plan (closed to new members)
			POS High and Standard Option	POS High and Standard Option	
			Plans	Plans	
			In Service Area	Out of Area	
Skilled Nursing Facility	Covered in full; 100 days maximum.	Covered in full 60 days maximum.	High Option - In network: covered in full (100 days max/calendar year); Out-of-network: 80% after deductible (100 days max/calendar year). Standard Option - Same as High Option.	High Option - In network: covered in full (60 days max/calendar year); Out-of-network: 80% after deductible (60 days max/calendar year). Standard Option - Same as High Option.	\$30/day, up to 360 days per calendar year; \$10,800 calendar year maximum.
Specialists	\$5 copay.	\$10 copay.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible. Standard Option - In network: \$30 copay; Out-of-network: same as High Option.	High Option - In network: \$10 copay; Out-of-network: 80% after deductible. Standard Option - In network: \$30 copay; Out-of-network: same as High Option.	80% after deductible.
Substance Abuse/ Mental Health	Inpatient: Covered in full; Outpatient/individual visits: \$20 copay per visit; group visits: \$10 copay per visit.	Inpatient: Covered in full; Outpatient visits: 1-5 20% copay; 6-30 35% copay; 31+ 50% copay.	High Option - In network: Inpatient- covered in full; Outpatient- visits 1-5 100%; 70% thereafter; Out-of-network: Inpatient- 80% after deductible; Outpatient- 80% first 5 visits; 65% next 25 visits; 50% each thereafter (all outpatient visits subject to deductible). Standard Option - Same as High Option.	High Option - In network: Inpatient - covered in full; Outpatient- visits 1-5 100%; visits 6-30 80%; 31+ 50%; Out-of-network: Inpatient- 80% after deductible; Outpatient- visits 1-5 80%; visits 6-30 65%; visits 31+ 50% (all outpatient visits subject to deductible). Standard Option - Same as High Option.	Inpatient- 100% to 180 days (lifetime maximum does not apply); Outpatient- 80% after deductible.



Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield		Indemnity Plan (closed to new members)
			POS High and Standard Option Plans	POS High and Standard Option Plans	
			In Service Area	Out of Area	
Surgery	Covered in full.	Inpatient: covered in full; Outpatient: \$25 copay.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	High Option - In network: covered in full; Out-of-network: 80% after deductible. Standard Option - Same as High Option.	100% up to amount allowed by plan.
Vision (Routine)	\$5 copay for exams; 25% discount on lenses/frames at Kaiser centers; 15% discount off the cost of contact lenses.	\$25 copay/exam; 15%-20% discount through participating optical centers.	High Option - In network: refraction not covered; (pediatric visual screening - covered in full under well child care). Out-of-network: refraction not covered (pediatric visual screening - 80% not subject to deductible under well child care). Standard Option - Same as High Option	High Option - In network: refraction not covered (pediatric visual screening - covered in full under well child care); Out-of-network: refraction not covered (pediatric visual screening - 80% not subject to deductible under well childcare). Standard Option - Same as High Option	None.
Well Child Care	Well baby/well child covered in full up to age 5.	\$5 copay Primary Care Physician; \$10 copay Specialist.	High Option - In network: \$10 copay; Out-of-network: 80% not subject to deductible (up to age 18). Standard Option - In network: \$15 copay; Out-of-network: same as High Option.	High Option - In network: \$10 copay; Out-of-network: 80% not subject to deductible (up to age 18). Standard Option - In network: \$15 copay; Out-of-network: same as High Option.	100% for child wellness (including related lab tests and X-rays) up to age 18.



Plan Provisions (cont.)

Prescription Drugs

There are two Caremark prescription drug plan options for retirees who are not in the CareFirst Indemnity plan or the Kaiser HMO Plans.

High Option Prescription Plan

For prescriptions purchased through the retail program at a participating pharmacy for up to a 34 day supply, or through the mail service program for up to a 102 day supply, the following copayments apply: \$5 for generic and \$10 for brand name prescriptions. Retirees who elect the High Option plan will receive a County subsidy based on the cost of the Standard Option plan, and will pay 100% of the difference between the cost of the Standard Option and High Option plans.

Standard Option Prescription Plan

For prescriptions purchased through the retail program at a participating pharmacy for up to a 34 day supply, or through the mail service program for up to a 102 day supply, there is a \$10 copayment for generic prescriptions, a \$20 copayment for preferred brand or "formulary" prescriptions and a \$35 copayment for brand name prescriptions, for up to a 34 day supply. There is a \$50 annual deductible which must be satisfied before benefits are received under the Standard Option plan.



Plan Provisions (cont.)

Dental

The Traditional Dental Plan (Dental PPO) provides payment for the following covered services, subject to the plan maximums and limitations:

- Class I Services - Diagnostic and Preventive; Payable at 100% of reasonable and customary charges (no more than two in any calendar year).
- Class II Services - Basic Restorative, Endodontics, Periodontics, Maintenance of Prosthodontics and Oral Surgery; Payable at 80% of reasonable and customary charges.
- Class III Services - Major Restorative, Installation of Prosthodontics; Payable at 60% of reasonable and customary charges.
- Class IV Services - Orthodontics; Payable at 60% of reasonable and customary charges.

The maximum benefit, excluding Class IV Services, is \$2,000 per person each year. The lifetime maximum for Class IV Services (orthodontics) is \$1,000 per person.

The annual deductible is \$50 per person, or \$150 for family. The deductible does not apply to Class I Services.