MONTGOMERY COUNTY GOVERNMENT

Post-Employment Benefits (Other than Pension)

Actuarial Valuation
as of July 1, 2014

November 19, 2014

Aon Hewitt

November 17, 2014

Montgomery County
101 Monroe St
Rockville, MD 20850

This report presents the July 1, 2014 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 2015 Fiscal Year obligations;

(2) Determine the County's 2015 and projected 2016 Fiscal Year accruals for the *Governmental Accounting Standards Board (GASB*) Standard Statement 45;

(3) Determine the County's additional contributions for the 2016 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 2015 Fiscal Year accrual, projected 2016 Fiscal Year accrual and projected June 30, 2015 and June 30, 2016 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.

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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, 2014, 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,

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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.

The County is using a 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, 2015 (FY2015) will be the eighth 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 FY2015), the County will be funding the full ARC on a long term basis by Fiscal Year ending June 30, 2015 (FY2015).

The discount rate used for the Fiscal Year 2015 Valuation and Fiscal Year 2016 projection is 7.5%. The discount rate selection is based on the current investment policy and a contribution policy of contributing the actuarial recommended contribution.

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, 2014 and GASB 45 OPEB accrual and budgeted additional contributions for funding purposes for the 2014 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, 2014 (2015 Fiscal Year) ($ thousands)	
Present Value of all Projected Benefits (PVPB)	$1,623,090
Actuarial Accrued Liability (AAL)	$1,241,304
Assets	$239,399
Unfunded AAL	$1,001,905
Annual Required Contribution (ARC)	
- Administrative Expenses	$155
- Amortization of Unfunded AAL	$58,028
- Normal Cost	$41,441
- Interest on above to End of Year	$7,472
- Total ARC	$107,096
Adjustment to ARC	$7,274
Annual OPEB Cost (AOC)	$114,370
FY2015 Expected Pay-Go Benefit Payments	$39,207
FY2015 Expected Implicit Subsidy	$16,803
FY2015 Total Budgeted Additional Contributions [1]	$44,634
Actual FY2014 Net OPEB Obligation (NOO)	$425,821
Expected FY2015 Net OPEB Obligation (NOO)	$439,547

[1] Total Budgeted Additional Contributions, per the County's FY2015 budget.

Executive Summary (cont.)

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

Reconciliation of Assets (2015 Fiscal Year) ($ thousands)			
		Expected	**Actual**
(1)	Assets as of 07/01/2013	$153,327	$153,327
(2)	Contributions	$59,429	$59,429
(3)	Investment Earnings	$13,838	$27,369
(4)	Administrative Expenses	($150)	($726)
(5)	Assets as of 07/01/2014	$226,444	$239,399
(6)	Return	7.50%	14.98%

Reconciliation of Unfunded Accrued Liability (2015 Fiscal Year) ($ thousands)			
		Expected	**Actual**
(1)	Assets as of 07/01/2014	$226,444	$239,399
(2)	Actuarial Accrued Liability as of 07/01/2014	$1,161,817	$1,241,304
(3)	Unfunded Accrued Liability as of 07/01/2014	$935,373	$1,001,905

Results as of July 1, 2014 (2015 Fiscal Year) ($ thousands)		
	UAL	**ARC**
Expected July 1, 2014 Results[1]	$935,373	$97,684
Actual July 1, 2014 Results[2]	$1,001,905	$107,096
Difference	$66,532	$9,412
Factors Contributing to Difference:		
New Demographics and Experience	($8,290)	$803
Asset (Gain)/Loss	($12,955)	($801)
New Claims and Premiums[3]	$131,881	$14,105
New Trend Rates[4]	($44,104)	($4,695)
	$66,532	$9,412

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

1 Expected 2014 results based on the 07/01/2013 Valuation actuarially projected to 07/01/2014. i.e., results (a) assume no change in the population or assumptions from the 2013 Valuation, (b) reflect the expected increase in GASB OPEB costs due to employees accruing one additional year of service and (c) also reflect the expected increase in costs because future benefits are now one year closer to being paid. Assets at 07/01/2014 assume phase-in schedule contributions and a return equal to 7.5%.

2 Valuation census data as of 07/01/2014, assets, claims, retiree contributions and assumptions as of 07/01/2014.

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

4 Reflects new trend rates for medical benefits.

Executive Summary (cont.)

This table identifies the value of benefits projected to July 1, 2015 (the 2016 Fiscal Year), and the expected GASB 45 OPEB accrual and additional contributions for the 2016 Fiscal Year (based on the July 1, 2014 results projected to the FY2016), reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay over an open 30-year period:

PROJECTED RESULTS AS OF JULY 1, 2015 (2016 Fiscal Year) ($ thousands)	
	Total
Present Value of all Projected Benefits (PVPB)	$1,686,750
Actuarial Accrued Liability (AAL)	$1,320,879
Assets	$303,631
Unfunded AAL	$1,017,248
Annual Required Contribution (ARC)	
- Administrative Expenses	$160
- Amortization of Unfunded AAL	$58,917
- Normal Cost	$44,549
- Interest on above to End of Year	$7,772
- Total ARC	$111,398
Adjustment to ARC	$7,508
Annual OPEB Cost (AOC)	$118,906
FY2016 Estimated Pay-go Benefit Payments[1]	$42,708
FY2016 Estimated Implicit Subsidy	$18,304
FY2016 Total Expected Additional Contributions[2]	$50,386
Expected FY2015 Net OPEB Obligation	$439,547
Projected FY2016 Net OPEB Obligation (NOO)	$447,055

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 07/01/2014 Valuation projected to the 2016 Fiscal Year, and represents the contributions for the 8th 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, 2014 is $1,623,090,000. The majority of this liability (59%) 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, 2014 is $1,241,304,000. Approximately half of this liability is for future retirees. The AAL represents 76% 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, 2014 is $41,441,000.

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, 2014 assets[1] are $239,399,000 (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, 2015 (FY2015) will be the eighth 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 FY2015), the County hopes to be able to get back on schedule in the near future.

- Budgeted contributions to the OPEB Trust are $44,634,000 for FY2015.

- Expected FY2015 pay-go benefit payments (net of retiree contributions) are $39,207,000.

- Expected FY2015 Implicit Subsidy payments are $16,803,000.

- 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 2015 Fiscal Year, and projected results for the 2016 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, 2014 (Fiscal Year 2015)	Projected July 1, 2015 (Fiscal Year 2016)
	($ thousands)	
Present Value of Projected Benefits (PVPB)		
Future Retirees (Actives)	$954,795	$1,020,581
Current Retirees	$668,295	$666,169
TOTAL PVPB	**$1,623,090**	**$1,686,750**
Actuarial Accrued Liability (AAL)		
Future Retirees (Actives)	$573,009	$654,710
Current Retirees	$668,295	$666,169
TOTAL AAL	**$1,241,304**	**$1,320,879**
Assets[1]	$239,399	$303,631
Unfunded AAL	$1,001,905	$1,017,248
Normal Cost (Beginning of Year)	$41,441	$44,549

[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, 2015 and June 30, 2016. The NOO for the 2015 and 2016 Fiscal Years and the ARC and AOC for the 2016 Fiscal Year are projections, using the results of the July 1, 2014 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 2015 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 2016 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 06/30/2015	7.50%	$155	$41,441	$58,028	$7,472	$107,096
Projection to FYE 06/30/2016	7.50%	$160	$44,549	$58,917	$7,772	$111,398

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 06/30/2015	$107,096	$31,937	($24,663)	$114,370
Projected FYE 06/30/2016	$111,398	$32,966	($25,458)	$118,906

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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%
2014	7.5%	$153,327	$1,093,214	$939,887	14.0%	$636,774[3]	147.6%
2015	7.5%	$239,399	$1,241,304	$1,001,905	19.3%	$649,659[4]	154.2%
Projection to 2016	7.5%	$303,631	$1,320,879	$1,017,248	23.0%	$669,149[4]	152.0%

[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%.
[4] Based on employee census provided for the 07/01/2014 Valuation. Payroll to FYE 06/30/2016 based on FY2015 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)
06/30/2015	$56,009
06/30/2016	$61,012
06/30/2017	$65,175
06/30/2018	$71,301
06/30/2019	$77,904
06/30/2020	$83,902
06/30/2021	$90,291
06/30/2022	$96,439
06/30/2023	$102,890
06/30/2024	$109,093

Demographic Information

The following table summarizes active and retiree Demographic Information.

Number of Active Employees	07/01/2014[1]	07/01/2012[2]
Count	9,942	9,511
Average Age	46.44	46.82
Average Service	11.82	12.83

Number of Inactive Employees as of July 1, 2014	Retirees and Survivors	Retiree Spouses[3]	Total (Including Active)
Medical	4,834	2,729	17,505
Prescription	3,779	2,286	16,007
Dental	5,306	3,067	18,315
Life	5,590	N/A	15,532

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

[1] We assumed that 87% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement

[2] We assumed that 87% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement

[3] 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).

[4] 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, 2014 (Fiscal Year 2015) Valuation and Fiscal Year 2016 projection was 7.5%. 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.

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+
2014	5.00%	7.66%	-1.38%	8.50%	6.00%	8.09%	-2.87%	7.95%	-2.09%	9.21%	1.15%
2015	4.50%	7.36%	-1.62%	8.10%	5.90%	7.73%	-3.14%	7.61%	-2.34%	8.79%	0.90%
2016	4.50%	7.05%	5.58%	7.70%	5.80%	7.38%	5.47%	7.27%	5.61%	8.37%	6.43%
2017	4.50%	6.75%	5.17%	7.30%	5.70%	7.02%	4.99%	6.93%	5.17%	11.62%	5.96%
2018	4.50%	6.44%	4.97%	6.90%	5.60%	6.66%	4.78%	6.58%	4.96%	8.05%	5.77%
2019	4.50%	6.14%	4.73%	6.50%	5.50%	6.31%	4.51%	6.24%	4.70%	7.98%	5.52%
2020	4.50%	5.83%	4.91%	6.10%	5.40%	5.95%	4.78%	5.90%	4.88%	8.28%	5.79%
2021	4.50%	5.52%	5.15%	5.70%	5.30%	5.59%	5.13%	5.56%	5.13%	7.61%	6.17%
2022	4.50%	5.22%	5.09%	5.30%	5.20%	5.24%	5.07%	5.21%	5.05%	6.96%	6.02%
2023	4.50%	5.05%	5.07%	5.00%	5.10%	5.00%	5.04%	5.00%	5.03%	6.50%	5.88%
2024	4.50%	5.04%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	6.04%	5.81%
2025	4.50%	5.02%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	6.00%	5.76%
2026	4.50%	5.00%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.97%	5.71%
2027	4.50%	5.03%	5.03%	5.00%	5.00%	5.00%	5.00%	5.14%	5.00%	5.93%	5.65%
2028	4.50%	5.05%	-1.38%	5.00%	5.00%	5.00%	5.00%	5.26%	5.00%	5.90%	5.60%

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+
2029	4.50%	5.05%	5.02%	5.00%	5.00%	5.00%	5.00%	5.26%	5.00%	5.87%	5.54%
2030	4.50%	5.05%	5.02%	5.00%	5.00%	5.00%	5.00%	5.25%	5.00%	5.84%	5.49%
2031	4.50%	5.06%	5.02%	5.00%	5.00%	5.00%	5.00%	5.25%	5.00%	5.81%	6.06%
2032	4.50%	5.06%	5.02%	5.00%	5.00%	5.00%	5.00%	5.24%	5.00%	5.78%	6.08%
2033	4.50%	5.06%	5.02%	5.00%	5.00%	5.00%	5.00%	5.23%	5.00%	5.75%	6.00%
2034	4.50%	5.06%	5.16%	5.00%	5.00%	5.00%	5.00%	5.23%	5.34%	5.73%	5.92%
2035	4.50%	5.14%	5.18%	5.00%	5.00%	5.20%	5.00%	5.22%	5.39%	5.70%	5.84%
2036	4.50%	5.14%	5.18%	5.00%	5.00%	5.20%	5.00%	5.22%	5.38%	5.68%	5.77%
2037	4.50%	5.13%	5.23%	5.00%	5.00%	5.20%	5.00%	5.21%	5.37%	5.66%	5.69%
2038	4.50%	5.13%	5.23%	5.00%	5.00%	5.19%	5.00%	5.21%	5.36%	5.64%	5.62%
2039	4.50%	5.13%	5.22%	5.00%	5.00%	5.19%	5.00%	5.20%	5.35%	5.62%	5.55%
2040	4.50%	5.28%	5.23%	5.00%	5.00%	5.18%	5.00%	5.91%	5.35%	5.59%	5.53%
2041	4.50%	5.30%	5.22%	5.00%	5.00%	5.18%	5.00%	5.98%	5.34%	5.58%	6.03%
2042	4.50%	5.29%	5.22%	5.00%	5.00%	5.17%	5.00%	5.95%	5.33%	5.56%	6.23%
2043	4.50%	5.29%	5.21%	5.00%	5.00%	5.17%	5.00%	5.92%	5.32%	5.54%	6.18%
2044	4.50%	5.32%	5.21%	5.08%	5.00%	5.17%	5.00%	5.90%	5.31%	5.52%	6.14%
2045 & Later	4.50%	5.35%	5.21%	5.17%	5.00%	5.16%	5.00%	5.87%	5.31%	5.50%	6.09%

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+
2014	8.25%	6.00%	7.77%	0.45%	7.62%	-0.80%	6.20%	6.00%
2015	7.85%	5.90%	7.43%	0.24%	7.30%	-1.03%	6.10%	5.90%
2016	7.45%	5.80%	7.08%	5.67%	6.98%	5.64%	6.00%	5.80%
2017	7.05%	5.70%	6.74%	5.33%	6.65%	5.25%	5.90%	5.70%
2018	6.65%	5.60%	6.40%	5.16%	6.33%	5.06%	5.80%	5.60%
2019	6.25%	5.50%	6.06%	4.95%	6.00%	4.83%	5.70%	5.50%
2020	5.85%	5.40%	5.72%	5.04%	5.68%	4.96%	5.60%	5.40%
2021	5.45%	5.30%	5.38%	5.18%	5.36%	5.16%	5.50%	5.30%
2022	5.05%	5.20%	5.04%	5.10%	5.03%	5.33%	5.40%	5.20%
2023	5.00%	5.10%	5.00%	5.05%	5.00%	5.45%	5.30%	5.10%
2024	5.00%	5.00%	5.00%	5.00%	5.00%	5.41%	5.20%	5.00%
2025	5.00%	5.00%	5.00%	5.00%	5.00%	5.40%	5.10%	5.00%
2026	5.00%	5.00%	5.00%	5.00%	5.00%	5.39%	5.00%	5.00%
2027	5.00%	5.00%	5.00%	5.00%	5.00%	5.38%	5.00%	5.00%
2028	5.00%	5.00%	5.00%	5.00%	5.00%	5.37%	5.00%	5.00%

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+
2029	5.00%	5.00%	5.00%	5.00%	5.00%	5.36%	5.00%	5.00%
2030	5.00%	5.00%	5.00%	5.00%	5.00%	5.35%	5.00%	5.00%
2031	5.00%	5.00%	5.00%	5.00%	5.20%	5.34%	5.00%	5.00%
2032	5.00%	5.00%	5.00%	5.00%	5.26%	5.34%	5.00%	5.00%
2033	5.00%	5.00%	5.00%	5.00%	5.26%	5.33%	5.00%	5.00%
2034	5.00%	5.00%	5.00%	5.00%	5.25%	5.32%	5.00%	5.00%
2035	5.00%	5.00%	5.00%	5.00%	5.24%	5.31%	5.00%	5.00%
2036	5.00%	5.00%	5.00%	5.00%	5.24%	5.31%	5.00%	5.00%
2037	5.00%	5.00%	5.00%	5.00%	5.23%	6.05%	5.00%	5.00%
2038	5.00%	5.00%	5.00%	5.00%	5.23%	6.10%	5.00%	5.00%
2039	5.00%	5.00%	5.00%	5.00%	5.22%	6.07%	5.00%	5.00%
2040	5.00%	5.00%	5.16%	5.16%	5.22%	6.04%	5.00%	5.00%
2041	5.00%	5.00%	5.20%	5.20%	5.21%	6.01%	5.00%	5.00%
2042	5.00%	5.00%	5.20%	5.20%	5.21%	5.98%	5.00%	5.00%
2043	5.00%	5.00%	5.19%	5.19%	5.21%	5.95%	5.00%	5.00%
2044	5.00%	5.50%	5.19%	5.19%	5.28%	5.92%	5.18%	5.00%
2045 & Later	5.00%	6.10%	5.18%	5.18%	5.35%	5.89%	5.37%	5.00%

Methods and Assumptions (cont.)

The following demographic assumptions 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	Ultimate Normal Rates for F: 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. 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.

Trend Development

Aon Hewitt developed separate trend curves for the pre-Medicare and Medicare-eligible participants, and developed separate trend curves for medical and pharmacy benefits. The initial trends were selected to be consistent with the trends used in Montgomery County's financial projections. The trends reflect the leveraging associated with the County's plan designs.

Our analysis of internal and external data sources indicates that, although initial trends may be lower than five years ago, the trend curve has not shortened. Trends grade from initial to ultimate rates over a period not less than eight years. The ultimate trend rates are consistent with our assumption that medical trends in the future will exceed general price inflation by about 2%.

These trends include the impact of indirect costs associated with health care reform, such as

- fees on medical device makers and pharmaceutical companies
- cost-shifting among the newly insured, remaining uninsured, Medicaid, and Medicare populations
- administrative simplification

Methods and Assumptions (cont.)

EGWP Savings

Montgomery County contracted with Caremark to provide pharmacy benefits to Medicare-eligible participants under an Employer Group Waiver Plan (EGWP) effective January 1, 2015. CareFirst is implementing EGWP for the Medicare-eligible members enrolled in the Indemnity plan. Savings to the County will come from several sources:

- Direct federal capitation payments (received on a monthly basis)
- Federal reinsurance payments for catastrophic coverage (received after year-end reconciliation)
- 50% pharmacy manufacturer discount for drug spend within the donut hole, (received quarterly)

Prior to the EGWP arrangement, the County received subsidies for Medicare-eligible Rx claims through the Retiree Drug Subsidy program. GASB accounting standards did not permit the Retiree Drug Subsidy to be reflected in the County's liability for future health care costs. The standards do permit the cost savings from EGWP to offset future health care costs, which reduces the OPEB liability.

Excise Tax on High-Cost Health Plans

The expected impact of the excise tax on high-cost health plans is reflected in the medical and pharmacy trend rates for 2018 and beyond. The excise tax is calculated by trending plan costs used in the valuation and comparing the trended costs to the statutory threshold levels. Starting in 2018, any excess of plan costs over the statutory threshold level is subject to a 40% excise tax. The excise tax amount is further adjusted to reflect the corporate tax rate of the person who administers the plan. We assumed a 35% corporate income tax rate for UHC and Caremark, and 20% for CareFirst.

The statutory threshold levels in 2018 start at $10,200 for self-only coverage and $27,500 for self+other coverage. An additional amount is added to the thresholds for plans that cover pre-Medicare retirees, $1,650 for self-only coverage and $3,450 for self+other coverage. Thresholds are adjusted to reflect the age and gender difference between the sponsor's plan and the national workforce. The age and gender costs of Montgomery County's plans are estimated to be 21.5% higher than the national workforce.

In the event that medical trend between 2010 and 2018 exceeds a specified amount, the thresholds will be increased as defined in the statute. For years beyond 2018, thresholds are increased at the rate of the Consumer Price Index, with an additional 1% added in 2019, per the statute.

Methods and Assumptions (cont.)

Initial Baseline Cost (2015 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 Indemnity	Prescription Drug Future Retirees'
40	$3,415	$3,567	$5,003	$5,152	$4,608	$475	$1,200	$1,771	$1,487	$1,109
45	$3,959	$4,135	$5,800	$5,973	$5,342	$475	$1,516	$2,239	$1,880	$1,401
50	$4,748	$4,959	$6,956	$7,163	$6,406	$475	$1,908	$2,816	$2,366	$1,763
55	$5,832	$6,091	$8,544	$8,799	$7,870	$475	$2,400	$3,543	$2,977	$2,218
60	$7,233	$7,555	$10,597	$10,912	$9,760	$475	$3,006	$4,437	$3,727	$2,778
65	$2,573	$3,196	$3,060	$1,500	$1,790	$475	$2,541	$4,053	$2,427	$3,478
70	$2,939	$3,651	$3,496	$1,714	$2,045	$475	$3,062	$4,884	$2,925	$4,191
75	$3,214	$3,992	$3,822	$1,874	$2,235	$475	$3,464	$5,525	$3,309	$4,742

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, 2013 to June 30, 2014, 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 (2015 Fiscal Year)

Current Retirees

For current retirees, we applied individual cost-sharing percentages to the following total premium rates[1]:

	UnitedHealthcare HMO	Kaiser	CareFirst Indemnity	CareFirst POS	Prescription Drugs[2]	Dental
Pre-65	$5,285	$6,211	$12,676	$6,151	$2,266	$475
Post-65	$4,648	$3,916	$6,078	$3,314	$2,772	$475

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[1] These are a blend of 2014 and 2015 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 (2015 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	$5,973	$2,266	$475
65 +	$3,710	$2,772	$475

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 50% towards the Standard Option and 50% 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

Certain groups (Arts & Humanities, Bethesda Urban Partnership, Chevy Chase View, Volunteer Fire Rescue Association, Television, Parole & Probation, and Town of Somerset) participate while employed, but are not eligible upon retirement. The remaining county employees and internal agencies (County Public Safety, County Non-Public Safety, Circuit Court Judges, District Court, States Attorney's Office, Assessment and Taxation, Credit Union, Housing Opportunities Commission, Revenue Authority, Strathmore Hall, Village Of Friendship Heights, and Washington Suburban Transit Commission) 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]	60
	20	45	30	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

[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

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.

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 — In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans — Out of Area	Indemnity Plan (closed to new members)
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	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans Out of Area	Indemnity Plan (closed to new members)
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 - I**n 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.

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Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield: POS High and Standard Option Plans — In Service Area	CareFirst Blue Cross Blue Shield: POS High and Standard Option Plans — Out of Area	Indemnity Plan (closed to new members)
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+: One mammogram per calendar year.	**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.

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Plan Provisions (cont.)

Health Plan (Assumes Primary Coverage)	Kaiser Permanente	United Healthcare Select	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans — In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans — Out of Area	Indemnity Plan (closed to new members)
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 In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans Out of Area	Indemnity Plan (closed to new members)
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 POS High and Standard Option Plans In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans Out of Area	Indemnity Plan (closed to new members)
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 POS High and Standard Option Plans In Service Area	CareFirst Blue Cross Blue Shield POS High and Standard Option Plans Out of Area	Indemnity Plan (closed to new members)
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.