# MONTGOMERY COUNTY GOVERNMENT

*Post-Employment Benefits (Other than Pension)*

Actuarial Valuation
as of July 1, 2010

March 18, 2011

Aon Hewitt

March 18, 2011

Montgomery County
100 Monroe St
Rockville, MD 20850

This report presents the July 1, 2010 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 2011 Fiscal Year obligations;

(2) Determine the County's 2011 and projected 2012 Fiscal Year accruals for the *Governmental Accounting Standards Board (GASB*) Standard Statement 45;

(3) Determine the County's additional contributions for the 2012 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 2011 Fiscal Year accrual, projected 2012 Fiscal Year accrual and projected June 30, 2011 and June 30, 2012 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.

Aon Hewitt | Retirement Practice
500 East Pratt Street | Baltimore, MD 21202
t: +1.410.547.2800 | f: +1.410.783.4328
w: aonhewitt.com

# Actuarial Certification

Aon Hewitt, a firm of independent actuarial consultants, was retained by Montgomery County Government (the County) to prepare this information. Chet Andrzejewski, Catherine M. Furr and Merson R. Bartlett 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, 2010, 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,


Chet Andrzejewski, FSA, EA, MAAA, FCA
Senior Vice President
Consulting Actuary

Merson R. Bartlett, ASA, MAAA
Assistant Vice President
Certifying Actuary

Catherine M. Furr, FSA, MAAA, FCA
Senior Vice President
Consulting Actuary

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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, 2011 (FY2011) will be the fourth 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 FY2011), the County hopes to be able to get back on schedule in the near future.

The discount rate used for the Fiscal Year 2011 Valuation and Fiscal Year 2012 projection is 6.0%, reduced from 8.0% for the prior valuation, to better reflect the phase-in funding schedule. 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.

While the results reflect some changes due to recently enacted health reform legislation (dependent coverage to age 26, removal of lifetime maximums where applicable, for example), the results in this report do ***not*** reflect any potential income from the Early Retirement Reinsurance Program nor the additional cost due to the Excise Tax on high cost plans.

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, 2010 and GASB 45 OPEB accrual and budgeted additional contributions for funding purposes for the 2011 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, 2010 (2011 Fiscal Year) ($ thousands) | |
|---|---|
| Present Value of all Projected Benefits (PVPB) | $2,388,217 |
| Actuarial Accrued Liability (AAL) | $1,737,436 |
| Assets | $38,168 |
| Unfunded AAL | $1,699,268 |
| Annual Required Contribution (ARC) | |
| - Administrative Expenses | $150 |
| - Amortization of Unfunded AAL | $71,363 |
| - Normal Cost | $67,715 |
| - Interest on above to End of Year | $8,354 |
| - Total ARC | $147,582 |
| Adjustment to ARC | $3,254 |
| Annual OPEB Cost (AOC) | $150,836 |
| FY2011 Expected Pay-Go Benefit Payments [1] | $36,718 |
| FY2011 Expected Implicit Subsidy | $15,741 |
| FY2011 Total Budgeted Additional Contributions [2] | $7,288 |
| Actual FY2010 Net OPEB Obligation (NOO)[3] | $180,713 |
| Expected FY2011 Net OPEB Obligation (NOO) | $271,802 |

[1] Based on premium equivalent rates developed for the County's Health Benefit Plans. Expected Medicare Part D Subsidy of $2.1 million will be used to offset pay-go costs. Expected pay-go (and implicit subsidy) includes an estimate ($3.7 million for pay-go, $1.6 million for implicit subsidy) for employees projected to retire during the year.
[2] Total Budgeted Additional Contributions, per the County's FY2011 budget.
[3] Per FY2010 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, 2010 (2011 Fiscal Year) ($ thousands) | AAL | ARC |
|---|---|---|
| Expected July 1, 2010 Results[1] | $1,248,741 | $113,067 |
| Actual July 1, 2010 Results[2] | $1,737,436 | $147,582 |
| Difference | $488,695 | $34,515 |
| Factors Contributing to Difference: | | |
| Assets lower than expected[3] | N/A | $1,250 |
| Changes in covered population[4] | ($18,030) | $1,808 |
| New Claims and Premiums[5] | ($7,902) | ($1,527) |
| New Demographic Assumptions[6] | $24,733 | $585 |
| New Trend Rates[7] | $45,359 | $4,730 |
| New Discount Rate[8] | $444,535 | $27,669 |
| | $488,695 | $34,515 |

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

[1] Expected 2010 results based on the 07/01/2008 Valuation actuarially projected to 07/01/2010. i.e., results (a) assume no change in the population or assumptions from the 2008 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 07/01/2010 assuming contributions were made according to the phase-in schedule and assets earned a return equal to 8.0%.

[2] That is, a valuation based on census, claims, retiree contributions and assumptions as of 07/01/2010.

[3] This reflects the effect of actual contributions to the Trust and actual returns on assets being lower than expected; about $1,080,000 due to lower contributions, and $170,000 due to returns lower than expected.

[4] Reflects changes from 07/01/2008 to 07/01/2010 in demographic characteristics and in the number of participants valued. We also made a one-time technical adjustment to the method used to calculate the ARC: amortization is now based on an annuity factor at the beginning of the year, plus interest to the end of the year. ARCs for prior years were calculated using an annuity factor at the end of the year. Without the change, this line would have shown ($996,000) for ARC.

[5] Claims and retiree contributions were updated to reflect more recent experience. We also updated the morbidity factors used to age the claims - that is, we updated the assumption for the difference between costs as retirees age.

[6] Demographic assumptions were updated to reflect the results of the experience study performed by the actuaries for the Retirement Plan. The salary scale assumption was also updated and is included here. The salary assumption change applies to life insurance benefits only and is a very small portion of this change.

[7] Reflects new trend rates for medical benefits.

[8] The discount rate was reduced from 8.0% to 6.0% to better reflect the phase-in funding schedule.

## Executive Summary (cont.)

This table identifies the value of benefits projected to July 1, 2011 (the 2012 Fiscal Year), and the expected GASB 45 OPEB accrual and additional contributions for the 2012 Fiscal Year (based on the July 1, 2010 results projected to the FY2012), reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay over an open 30-year period:

| PROJECTED RESULTS AS OF JULY 1, 2011 (2012 Fiscal Year) ($ thousands) | Total |
|---|---|
| Present Value of all Projected Benefits (PVPB) | $2,477,500 |
| Actuarial Accrued Liability (AAL) | $1,859,450 |
| Assets | $47,962 |
| Unfunded AAL | $1,811,488 |
| Annual Required Contribution (ARC) | |
| - Administrative Expenses | $150 |
| - Amortization of Unfunded AAL | $76,076 |
| - Normal Cost | $71,101 |
| - Interest on above to End of Year | $8,840 |
| - Total ARC | $156,167 |
| Adjustment to ARC | $4,893 |
| Annual OPEB Cost (AOC) | $161,060 |
| FY2012 Estimated Pay-go Benefit Payments[1] | $41,288 |
| FY2012 Estimated Implicit Subsidy | $17,700 |
| FY2012 Total Expected Additional Contributions[2] | $60,737 |
| Expected FY2011 Net OPEB Obligation | $271,802 |
| Projected FY2012 Net OPEB Obligation (NOO) | $313,137 |

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. Estimated Medicare Part D subsidy of $2.2 million will be used to offset pay-go costs. Estimated pay-go (and implicit subsidy) includes an estimate for employees projected to retire during the year.

[2] Total Expected Additional Contributions calculated based on the 07/01/2010 Valuation projected to the 2012 Fiscal Year, and represents the contributions for the 5th 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, 2010 is $2,388,217,000. The majority of this liability (65%) 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, 2010 is $1,737,436,000. Approximately half of this liability is for future retirees. The AAL represents 73% 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, 2010 is $67,715,000.

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, 2010 assets[1] are $38,168,000 (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, 2011 (FY2011) will be the fourth 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 FY2011), the County hopes to be able to get back on schedule in the near future.

- Budgeted contributions to the OPEB Trust are $7,288,000 for FY2011.

- Expected FY2011 pay-go benefit payments (net of retiree contributions) are $36,718,000.

- 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 2011 Fiscal Year, and projected results for the 2012 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, 2010 (Fiscal Year 2011) | Projected July 1, 2011 (Fiscal Year 2012) |
|---|---|---|
| | ($ thousands) | |
| **Present Value of Projected Benefits (PVPB)** | | |
| Future Retirees (Actives) | $1,555,997 | $1,643,955 |
| Current Retirees | $832,220 | $833,545 |
| **TOTAL PVPB** | **$2,388,217** | **$2,477,500** |
| **Actuarial Accrued Liability (AAL)** | | |
| Future Retirees (Actives) | $905,216 | $1,025,905 |
| Current Retirees | $832,220 | $833,545 |
| **TOTAL AAL** | **$1,737,436** | **$1,859,450** |
| **Assets**[1] | $38,168 | $47,962 |
| **Unfunded AAL** | $1,699,268 | $1,811,488 |
| **Normal Cost (Beginning of Year)** | $67,715 | $71,101 |

[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, 2011 and June 30, 2012. The NOO for the 2011 and 2012 Fiscal Years and the ARC and AOC for the 2012 Fiscal Year are projections, using the results of the July 1, 2010 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 2011 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 2012 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 06/30/2011 | 6.00% | $150 | $67,715 | $71,363 | $8,354 | $147,582 |
| Projection to FYE 06/30/2012 | 6.00% | $150 | $71,101 | $76,076 | $8,840 | $156,167 |

# 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 06/30/2011 | $147,582 | $10,843 | ($7,589) | $150,836 |
| Projected FYE 06/30/2012 | $156,167 | $16,308 | ($11,415) | $161,060 |

## Net OPEB Obligation (NOO) Summary:

The *Net OPEB Obligation (NOO)* is the cumulative difference between the AOC and the County's total contributions.

| ($ thousands) | | | | |
|---|---|---|---|---|
| **Fiscal Year Ending** | **Discount Rate** | **AOC**<br>**(a)** | **Total Employer Contributions**<br>**(b)** | **NOO**<br>**Prior Year NOO + (a) - (b)** |
| 06/30/2010[1] | 8.00% | $109,738 | $42,560 | $180,713 |
| 06/30/2011 Estimate | 6.00% | $150,836 | $59,747 | $271,802 |
| 06/30/2012 (Projection) | 6.00% | $161,060 | $119,725 | $313,137 |

[1] Per the County's Financial Statements.

# 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 | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| | | (a) | (b) | (b) - (a) | (a) / (b) | (c) | [(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% |
| Projection to 2012 | 6.0% | $47,962 | $1,859,450 | $1,811,488 | 2.6% | $694,040[2] | 261.0% |

[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%

## 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) |
|---|---|
| 06/30/2011 | $52,459 |
| 06/30/2012 | $58,988 |
| 06/30/2013 | $65,253 |
| 06/30/2014 | $71,583 |
| 06/30/2015 | $78,169 |
| 06/30/2016 | $83,832 |
| 06/30/2017 | $89,110 |
| 06/30/2018 | $94,756 |
| 06/30/2019 | $100,385 |
| 06/30/2020 | $105,263 |

# Demographic Information

The following table summarizes active and retiree Demographic Information.

| Number of Active Employees[1] | 07/01/2010 | 07/01/2008 |
|---|---|---|
| Count | 9,624 | 9,949 |
| Average Age | 46.01 | 44.81 |
| Average Service | | |
| Past | 13.74 | 12.91 |
| Future | 19.00 | 20.09 |
| Total | 32.74 | 33.00 |

| 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 | 3,208 | 1,930 | 983 | 15,745 |
| Dental | 4,704 | 2,688 | 1,196 | 18,212 |
| Life | 4,881 | N/A | N/A | 14,505 |

| Number of Inactive Employees as of July 1, 2008 | | | | |
|---|---|---|---|---|
| | Retirees and Survivors | Retiree Spouses | Retiree Dependents | Total (Including Active) |
| Medical | 4,233 | 2,387 | 870 | 17,439 |
| Prescription [2] | 2,939 | 1,777 | 738 | 15,403 |
| Dental | 4,475 | 2,560 | 903 | 17,887 |
| Life | 4,586 | N/A | N/A | 14,535 |

[1] We assumed that 88% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement

[2] 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, 2010 (Fiscal Year 2011) Valuation and Fiscal Year 2012 projection was 6.0% (8.0% 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.

## Salary Scale

4.25% (for amortization of Unfunded Liability).

Table used for valuation of Life Insurance benefits (a flat 4.25% was used at the last Valuation).

| 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

| ANNUAL RATE OF INCREASE | | | | | |
|---|---|---|---|---|---|
| Fiscal Year Beginning in | Dental | Prescription Drugs | Medical | | Indemnity (w/Rx)[1] |
| | | | Pre-65 [1] | 65 + | |
| 2010 | 5.5% | 8.0% | 9.5% | 7.5% | 10.5% |
| 2011 | 5.0% | 7.0% | 9.0% | 7.0% | 10.0% |
| 2012 | 4.5% | 6.5% | 8.5% | 6.5% | 9.5% |
| 2013 | 4.5% | 6.0% | 8.0% | 6.0% | 9.0% |
| 2014 | 4.5% | 5.5% | 7.5% | 5.5% | 8.5% |
| 2015 | 4.5% | 5.0% | 7.0% | 5.0% | 8.0% |
| 2016 | 4.5% | 5.0% | 6.5% | 5.0% | 7.5% |
| 2017 | 4.5% | 5.0% | 6.0% | 5.0% | 7.0% |
| 2018 | 4.5% | 5.0% | 5.5% | 5.0% | 6.5% |
| 2019 | 4.5% | 5.0% | 5.0% | 5.0% | 6.0% |
| 2020 | 4.5% | 5.0% | 5.0% | 5.0% | 5.5% |
| 2021 & Later | 4.5% | 5.0% | 5.0% | 5.0% | 5.0% |

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.

## 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.

[1] Updated from last Valuation.

# Methods and Assumptions (cont.)

## Turnover

Sample rates are shown below:

| ASSUMED ANNUAL TERMINATIONS PER 1,000 MEMBERS | | |
|---|---|---|
| **Years of Service** | **Non-Public Safety (ERS & RSP)** | **Public Safety (ERS& RSP)** |
| 0 - 4 | 52 | 80 - 35 |
| 5 - 9 | 43 | 31 - 22 |
| 10 - 14 | 33 | 20 - 10 |
| 15 - 19 | 31 - 20 | 9 - 6 |
| 20 - 23 | 17 - 11 | 6 |
| 24+ | 9 | 6 |

**ERS = Employees' Retirement System**
**RSP = Retirement Savings Plan**

## Retirement

These rates have been updated since the last valuation, and are expected to be used in the 2010 pension plan valuation. 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% |

# Methods and Assumptions (cont.)

## Retirement (cont.)

### Public Safety (ERS)

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

| | | Ultimate Normal Rates for F | |
|---|---|---|---|
| Age | Early Retirement Rates for Group 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% |

## Methods and Assumptions (cont.)

### Retirement (cont.)

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

| Years of Service | Assumed Annual Retirements |
|---|---|
| 0 - 4 | 7% |
| 5 - 9 | 4% |
| 10 - 14 | 4% |
| 15 - 19 | 4% |
| 20 - 25 | 25% |
| 26+ | 40% |

# Methods and Assumptions (cont.)

## Disability

These rates have been updated since the last Valuation, and are expected to be used in the 2010 Pension Plan Valuation. 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 88% 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 | 0.5% |
| 35 - 39 | 1.0% |
| 40 - 44 | 2.7% |
| 45 - 49 | 3.9% |
| 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.

The results do not reflect any potential income from the temporary Early Retiree Reinsurance Program, nor the cost of the Excise Tax on health plans (40% of costs above certain dollar thresholds), that becomes effective starting in 2018.

## Life Insurance Coverage

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

## Methods and Assumptions (cont.)

### Initial Baseline Cost (2011 Fiscal Year)

| Age | UnitedHealthcare HMO | Kaiser | CareFirst Indemnity | CareFirst POS | Future Retirees' Medical [1] | Dental | Prescription Drugs |
|---|---|---|---|---|---|---|---|
| 40 | $3,099 | $4,735 | $5,585 | $4,361 | $4,046 | $437 | $1,503 |
| 45 | $3,536 | $5,404 | $6,374 | $4,977 | $4,617 | $437 | $1,715 |
| 50 | $4,271 | $6,526 | $7,698 | $6,011 | $5,576 | $437 | $2,071 |
| 55 | $5,024 | $7,677 | $9,055 | $7,071 | $6,560 | $437 | $2,436 |
| 60 | $5,996 | $9,162 | $10,806 | $8,439 | $7,829 | $437 | $2,908 |
| 65 | $2,051 | $3,085 | $3,540 | $1,685 | $1,640 | $437 | $3,572 |
| 70 | $2,377 | $3,577 | $4,104 | $1,954 | $1,901 | $437 | $4,140 |
| 75 | $2,690 | $4,047 | $4,643 | $2,210 | $2,150 | $437 | $4,685 |

**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, 2009 to June 30, 2010, 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 (2011 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 | $4,621 | $5,470 | $10,477 | $5,227 | $2,006 | $437 |
| Post-65 | $4,065 | $3,771 | $5,409 | $2,817 | $2,485 | $437 |

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[1] These are a blend of 2010 and 2011 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. The contribution shown here represents a 15%/85% blend of Standard and High Option premiums.

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# Methods and Assumptions (cont.)

## Average Annual Baseline Retiree Contributions (2011 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 | $5,129 | $2,006 | $437 |
| 65 + | $3,118 | $2,485 | $437 |

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 15% towards the Standard Option and 85% 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.

| ERS Group | Early Retirement | | Normal Retirement | |
|---|---|---|---|---|
| | **Credited Service (Years)** | **Age** | **Credited Service (Years)** | **Age** |
| A, H | 15 | 50 | 5 | 60 |
| | 20 | 45 | 30 | 55[1] |
| 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] 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

# Summary of Plan Provisions

## Life Insurance Benefits

When an employee retires, the basic life insurance amount (equal to annual base pay before retirement) will be reduced on the first day of retirement by 15%. On each of the next four anniversaries of retirement, the insurance amount will be further reduced by that same dollar amount. However, the insurance amount will never be less than 25% of annual base pay immediately prior to retirement, nor less than $5,000.

## 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.<br><br>**Standard Option** – Same as High Option. | **High Option -** In network: covered in full; Out-of-network: 80% after deductible.<br><br>**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.<br><br>**Standard Option** - Same as High Option | **High Option -** In network: none; Out-of-network: $250 individual; $500 family.<br><br>**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.<br><br>**Standard Option** – Same as High Option. | **High Option -** In network: covered in full; Out-of-network: 80% after deductible.<br><br>**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.<br><br>**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.<br><br>**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<br>In Service Area | POS High and Standard Option Plans<br>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.<br>**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.<br>**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.<br>**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.<br>**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).<br>**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).<br>**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.<br>**Standard Option –** Same as High Option. | **High Option -** In network: covered in full; Out-of-network: 80% after deductible.<br>**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 — 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.<br><br>**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.<br><br>**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.<br><br>**Standard Option** – Same as High Option. | **High Option -** In network: covered in full when billed with office visit; Out-of-network: 80% after deductible.<br><br>**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.<br><br>**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.<br><br>**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 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.<br>**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.<br>**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.<br>**Standard Option -** Same as High Option | **High Option -** Unlimited Maximum.<br>**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.<br>**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.<br>**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).<br>**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).<br>**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.<br>**Standard Option** – Same as High Option. | **High Option -** In network: covered in full; Out-of-network: 80% after deductible.<br>**Standard Option** – Same as High Option. | 80% after deductible. |

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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) |
|---|---|---|---|---|---|
| **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).<br>**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).<br>**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.<br>**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.<br>**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).<br>**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).<br>**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.<br><br>**Standard Option** – Same as High Option. | **High Option -** In network: covered in full; Out-of-network: 80% after deductible.<br><br>**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).<br><br>**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).<br><br>**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).<br><br>**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).<br><br>**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.