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FELRA and UFCW Health and Welfare Fund

FASB ASC 965
(Previously SOP 92-6 (as amended))
Actuarial Valuation Report
as of December 31, 2016

Produced by Cheiron

October 2017

www.cheiron.us 1.877.CHEIRON (243.4766)

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Via Electronic Mail

October 4, 2017

Trustees of the FELRA and UFCW
Health and Welfare Fund
10626 York Road
Cockeysville, Maryland 21030-2341

Re: FASB ASC 965 (previously SOP 92-6 (as amended)) Actuarial Valuation Report

Dear Trustees:

As requested, we have completed an actuarial valuation to determine the Postretirement Benefit Obligations as of December 31, 2016 for the FELRA and UFCW Health and Welfare Fund ("Plan"). The following sections contain the information the auditors need to prepare the disclosure section of the annual report.

Section I contains the summary of the results for the fiscal years ending December 31, 2015 and December 31, 2016.

Section II contains the Postretirement Benefit Obligations financial statement information for the fiscal years ending December 31, 2015 and December 31, 2016, including a statement of changes in the Postretirement Benefit Obligations during the year ending December 31, 2016. This section contains most of the information about the Plan that is needed for the preparation of the disclosure section of the annual report.

Section III contains an exhibit showing the next 15 years of expected benefit payments from the Plan, net of retiree contributions.

The appendices contain a summary of the participant data, a description of assumptions and methods used in calculating the disclosure items, a summary of the substantive plan provisions, and definitions of some of the terms used in the FASB ASC 965 (previously SOP 92-6 (as amended)).

For this Plan, the liabilities show a net decrease from the prior year of around 1.5%, as shown in Section I and II of this report. The liabilities decreased primarily due to the Plan being closed to new actives and the population aging. This caused the expected benefit payments to be larger than increase in liability from passage of time.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

In preparing our report, we relied on information (some oral and some written) supplied by Associated Administrators, LLC, the Plan's third-party administrator. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The December 31, 2016 figures presented in this report are the result of a full roll forward, meaning that a seriatim actuarial valuation report was completed using the previous year's census and assumptions, including a review of claims and trend assumptions developed last year. In aggregate, the claims were below what we had expected in the prior year. The claims and trend assumptions were updated to reflect current and expected experience. However, the liability increased primarily because the discount rate was lowered to reflect the lower interest rate environment as of the valuation date.

Actuarial computations provided in this report are for purposes of fulfilling employee benefit plan financial disclosure requirements. The calculations reported in the enclosed exhibits have been made on a basis consistent with our understanding of the AICPA Statement of Position 92-6 (as amended) and with the associated Actuarial Standards of Practice. Determinations for purposes other than meeting the employee benefit plan's financial disclosure requirements (for example, establishing a long-term funding strategy) may be significantly different from the results in this report.

The results of this report rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

This report was prepared solely for the FELRA and UFCW Health and Welfare Fund for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

To the best of our knowledge, this report has been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we collectively meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Please call if we can be of further assistance.

Sincerely,
Cheiron

John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary

Charles Sceiford, ASA
Associate Actuary

cc: Gene Kalwarski, FSA, EA, FCA, MAAA
Kevin Woodrich, FSA, EA, MAAA

SECTION I – SUMMARY OF RESULTS

We have completed a valuation of the FELRA and UFCW Health and Welfare Fund as of December 31, 2016. In this section of the report, we compare key results from this valuation with those from the previous valuation as of December 31, 2015.

Table 1
FELRA and UFCW Health and Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations

	December 31, 2015	December 31, 2016	Percent Change
Number of Participants			
• Eligible Actives	997	927	-7.0%
• Retirees and Dependents	5,090	4,897	-3.8%
• Total	6,087	5,824	-4.3%
Postretirement Benefit Obligations (in thousands)	**$ 454,973**	**$ 448,133**	-1.5%
Actual Benefits Paid (net of part. contrib.) for FYE	**$ 26,077**	**$ 21,831**	-16.3%
Estimated Net Benefits Paid for next year	**$ 22,462**	**$ 23,589**	5.0%
Incurred But Not Paid Claims (in thousands)	**$ 15,367**	**$ 16,608**	8.1%
Selected Assumptions			
- Discount Rate	3.50%	3.50%	
- Medical Non-Medicare	N/A	N/A	
- Medical Medicare Trends	5.75% for 2017 graded down to 3.5%	5.75% for 2017 graded down to 3.5%	
- Prescription Trends	10.0% for 2017 graded down to 3.5%	10.0% for 2017 graded down to 3.5%	

SECTION I – SUMMARY OF RESULTS

Changes in Participation

This is a closed group of active employees, the majority of which are now eligible to retire immediately. The retirees and dependents have also slightly decreased.

Benefit Changes

None

Changes in Actuarial Assumptions

None

SECTION II – FINANCIAL STATEMENT INFORMATION

Table 2A
FELRA and UFCW Health and Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations

	December 31, 2015 Total	December 31, 2016 Non-ERISA Fund	December 31, 2016 ERISA Fund	December 31, 2016 Total	Percent Change
Accumulated Postretirement Benefit Obligations (Assumed Medical Trend)					
Current Retirees	$ 366,282,000	$ 30,360,000	$ 331,167,000	$ 361,527,000	-1.3%
Other Participants fully eligible for benefits	86,274,000	14,196,000	70,061,000	84,257,000	-2.3%
Other Participants not yet fully eligible for benefits	2,417,000	484,000	1,865,000	2,349,000	-2.8%
Total (Portion Not Paid by Retiree Contributions)	**$ 454,973,000**	**$ 45,040,000**	**$ 403,093,000**	**$ 448,133,000**	**-1.5%**
Impact of 1% Increase in Medical Trend	**$ 52,898,000**	**N/A**	**$ 52,770,000**	**$ 52,770,000**	**-0.2%**
Impact of 1% Decrease in Medical Trend	**$ (44,673,000)**	**N/A**	**$ (44,564,000)**	**$ (44,564,000)**	**-0.2%**
Statement of Changes in Postretirement Benefit Obligations:					
Balance at Beginning of Year		**$ 50,897,000**	**$ 404,076,000**	**$ 454,973,000**	
Increase/Decrease due to :					
• Benefits Earned (Net of Participant Contributions)		$ 16,000	$ 70,000	$ 86,000	
• Estimated Claims and Expenses Paid (Net of Participant Contributions)		(7,525,000)	(14,938,000)	(22,463,000)	
• Changes in Actuarial Assumptions		-	-	-	
• Plan Amendments		-	-	-	
• Passage of Time		1,652,000	13,885,000	15,537,000	
• Other Changes		-	-	-	
Net Increase/Decrease:		$ (5,857,000)	$ (983,000)	$ (6,840,000)	
Balance at End of Year		**$ 45,040,000**	**$ 403,093,000**	**$ 448,133,000**	

SECTION II – FINANCIAL STATEMENT INFORMATION

Table 2B
FELRA and UFCW Health and Welfare Fund
FASB ASC 965 Postretirement Benefit Obligations
Calculation of Accumulated Postretirement Health & Welfare Benefit Obligation (APBO)

	Projected Cost of Benefits	*less* Projected Participant Contributions	Net APBO
As of December 31, 2016			
Non-ERISA Fund			
Current Retirees	$ 30,360,000	$ 0	$ 30,360,000
Other Participants fully eligible for benefits	14,196,000	0	14,196,000
Other Participants not yet fully eligible for benefits	484,000	0	484,000
Total	**$ 45,040,000**	**$ 0**	**$ 45,040,000**
ERISA Fund			
Current Retirees	$ 413,810,000	$ 82,643,000	$ 331,167,000
Other Participants fully eligible for benefits	87,561,000	17,500,000	70,061,000
Other Participants not yet fully eligible for benefits	2,331,000	466,000	1,865,000
Total	**$ 503,702,000**	**$ 100,609,000**	**$ 403,093,000**
As of December 31, 2015			
Non-ERISA Fund			
Current Retirees	$ 34,308,000	$ 0	$ 34,308,000
Other Participants fully eligible for benefits	16,042,000	0	16,042,000
Other Participants not yet fully eligible for benefits	547,000	0	547,000
Total	**$ 50,897,000**	**$ 0**	**$ 50,897,000**
ERISA Fund			
Current Retirees	$ 414,818,000	$ 82,844,000	$ 331,974,000
Other Participants fully eligible for benefits	87,775,000	17,543,000	70,232,000
Other Participants not yet fully eligible for benefits	2,337,000	467,000	1,870,000
Total	**$ 504,930,000**	**$ 100,854,000**	**$ 404,076,000**

SECTION III – BENEFIT PAYMENTS

Below are the projected benefit payments for medical and pharmacy benefits that we anticipate for the current retirees and current active participants after they retire for the next 15 years. Our actual postretirement benefit obligation is based on the next hundred plus years of benefit payments for participants currently employed or retired.

Table 3
FELRA and UFCW Health and Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations
Expected Benefit Payments

Fiscal Year Ending December 31st	Non-ERISA Gross Benefit	ERISA Gross Benefits	Participant Contributions	Net Benefits
2017	$ 7,284,000	$ 20,362,000	$ 4,057,000	$ 23,589,000
2018	6,853,000	22,077,000	4,400,000	24,530,000
2019	6,446,000	23,563,000	4,696,000	25,313,000
2020	5,934,000	24,951,000	4,973,000	25,912,000
2021	5,230,000	26,455,000	5,275,000	26,410,000
2022	4,614,000	27,670,000	5,522,000	26,762,000
2023	3,886,000	28,954,000	5,779,000	27,061,000
2024	3,145,000	30,159,000	6,023,000	27,281,000
2025	2,609,000	30,981,000	6,187,000	27,403,000
2026	2,069,000	31,655,000	6,326,000	27,398,000
2027	1,519,000	32,227,000	6,441,000	27,305,000
2028	1,094,000	32,524,000	6,502,000	27,116,000
2029	755,000	32,530,000	6,503,000	26,782,000
2030	507,000	32,208,000	6,439,000	26,276,000
2031	261,000	31,685,000	6,336,000	25,610,000

APPENDIX A – PARTICIPANT DATA

Participant Data

Actives	12/31/2015	12/31/2016
Fully Eligible Actives	961	900
Not Yet Eligible Actives	36	27
Total Actives	997	927
Average Age	58.0	58.8
Average Years of Service	35.9	36.8

Retirees & Dependents	12/31/2015	12/31/2016
Retirees		
Non-Medicare	1,688	1,372
Medicare	3,402	3,525
Total	5,090	4,897
Average Age		
Non-Medicare	60.2	60.1
Medicare	74.8	75.2
Total	69.9	70.9
Dependents		
Non-Medicare	712	801
Medicare	1,063	1,092
Total	1,775	1,893
Average Age		
Non-Medicare	59.2	58.0
Medicare	73.5	73.5
Total	67.7	67.0

The counts shown below reflect the active participants as of 12/31/2016. These are illustrative only as the liability is based on the census as of 12/31/2015.

Attained Age	Service 0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	Total
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	1	1	0	0	2
50 to 54	0	1	1	2	1	13	152	44	0	214
55 to 59	0	1	2	3	2	7	90	240	32	377
60 to 64	0	0	1	1	1	3	26	83	119	234
65 to 69	0	0	0	0	0	1	2	28	48	79
70 & up	0	0	0	0	0	2	1	2	16	21
Total	0	2	4	6	4	27	272	397	215	927

APPENDIX B – ASSUMPTIONS AND METHODS

Economic Assumptions

1. *Measurement Date:* December 31, 2016

2. *Discount Rate:* 3.50% per annum

3. *Per Person Cost Trends:*

Calendar Year	ME Medical	Rx	Capitated
2017	5.75%	10.00%	3.50%
2018	5.60%	9.00%	3.50%
2019	5.45%	8.00%	3.50%
2020	5.30%	7.00%	3.50%
2021	5.15%	6.71%	3.50%
2022	5.00%	6.42%	3.50%
2023	4.85%	6.13%	3.50%
2024	4.70%	5.83%	3.50%
2025	4.55%	5.54%	3.50%
2026	4.40%	5.25%	3.50%
2027	4.25%	4.96%	3.50%
2028	4.10%	4.67%	3.50%
2029	3.95%	4.38%	3.50%
2030	3.80%	4.08%	3.50%
2031	3.65%	3.79%	3.50%
2032+	3.50%	3.50%	3.50%

No trend is applied to the pre-Medicare stipend amount.

4. *Participant Contribution Trend:*
Since retiree contributions are assumed to cover a percentage of total (or Medicare only) costs, the trend is a mixture of the trends in the table above eventually reaching an ultimate rate of 3.5% per annum.

Demographic Assumptions

1. *Rates of Disability:*
Terminations of employment for disability are assumed to be equal to 50% of the Group Long-Term Disability Insurance Crude Rates of Disablement for males published in the Transactions of the Society of Actuaries, 1979.

Illustrative rates follow.

Number Expected to Become Disabled Annually Per 1,000	
Age	
25	0.3
30	0.3
35	0.4
40	0.7
45	1.4
50	2.7

APPENDIX B – ASSUMPTIONS AND METHODS

2. *Rates of Turnover:*

Terminations of employment for reasons other than death, disability, or retirement are assumed to be in accordance with annual rates as shown below.

Number Expected to Terminate Annually Per 1,000		
Service	Males	Females
0	400	400
1	220	220
2	180	180
3	150	150
4	130	130
5	120	120
6	110	110
7	105	105
8	90	90
9	90	90
10	90	90
11	80	80
12	80	80
13	80	80
14	70	70
15	70	70
16	70	70
17	50	50
18	50	50
19	50	50
20	40	40
21	30	30
22 and over	25	25

3. *Rates of Retirement*:

Tier I rates of retirement depend on whether a participant has fewer than 30 years of service or more than 30 years of service.

Number Expected to Retire Annually Per 1,000		
Age	Less than 30 years	Over 30 years
50	0	200
51	0	200
52	0	200
53	0	200
54	0	200
55	85	200
56	85	200
57	85	200
58	85	200
59	85	200
60	150	200
61	150	250
62	300	350
63	200	400
64	200	400
65	300	400
66	300	400
67	200	400
68	200	400
69	200	400
70 and over	1,000	1,000

APPENDIX B – ASSUMPTIONS AND METHODS

4. *Rates of Mortality:*
Active mortality is based on the sex distinct RP-2000 Combined Healthy tables.

Active:

RP-2000 Combined Healthy mortality table for males and females.

Healthy Inactive:

RP-2000 Healthy Annuitant mortality table set forward one year for males and no adjustment for females. The mortality table for active lives is used prior to age 49 for males and age 50 for females, but set forward one year for males.

Disabled:

RP-2000 Disabled Annuitant for ages prior to 65. The same mortality as Healthy Inactives for ages 65 and older.

Past experience has shown more deaths have occurred than assumed, which has yielded liability gains attributable to this experience. Therefore, the current assumption includes a margin for future mortality improvements. This will continue to be monitored on an annual basis and adjustments will be made when necessary.

5. *Disabled Participants:*
Members were considered to be disabled retirees if they were disabled as of 2015 medical information.

6. *Retiree dependent coverage:*
Dependent coverage was provided to all members who had a spouse in the 2015 census information.

7. *Percent of Retirees Electing Coverage:*
We assume that 100% of new Non-Medicare retirees and 80% of new Medicare eligible retirees elect to join this program.

8. *Retiree Contributions:*
Retiree contributions are assumed to cover 20% of total costs of the ERISA fund.

9. *Dependent Age:*
For future retirees, a male spouse is assumed to be three years older than the female spouse. Actual ages are used for dependents of current retirees.

10. *Family Composition:*

50% of future retirees are assumed to be married and elect spouse coverage. Male spouses are assumed to be three years older than female spouses.

11. *Pre-Medicare Subsidy Population:*

Members receiving a pre-Medicare Subsidy were matched up to the retiree data to determine continuing of coverage after entering Medicare. Members who were not matched up to the retiree health file were assumed to be single and to stop coverage at age 65. Pre-Medicare Subsidy Members who did not match to known health or pension information were assumed to have an average age of 59.5.

APPENDIX B – ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. *Claims Costs:*
   The claims cost was based on actual retiree experience for 2015 and on actual 2015 per capita expenses. Kaiser claim costs are based on the actual 2015 premium rates. Kaiser HMO Medicare rates are assumed to be 50% medical and 50% pharmacy.

Category	Age	Total*	Medical	Drug	Capitated
Participant**	60	$ 4,242.00	n/a	n/a	n/a
HMO Participant Disabled	60	2,817.56	1,263.47	1,071.69	482.40
Non-HMO Participant Disabled	60	8,898.18	3,327.96	4,455.02	1,115.19
HMO Dependent**	60	4,242.00	n/a	n/a	n/a
Participant**	64	4,242.00	n/a	n/a	n/a
HMO Participant Disabled	64	3,168.00	1,478.94	1,206.66	482.40
Non-HMO Participant Disabled	64	10,026.78	3,895.50	5,016.09	1,115.19
Dependent**	64	4,242.00	n/a	n/a	n/a
Participant	65	2,870.03	1,156.04	1,713.99	-
Participant Disabled	65	5,426.81	1,851.83	2,977.94	597.05
Dependent	65	2,258.11	966.05	1,292.06	-
Participant	70	3,279.83	1,375.07	1,904.76	-
Participant Disabled	70	6,109.12	2,202.68	3,309.39	597.05
Dependent	70	2,577.21	1,141.34	1,435.87	-
Participant	75	3,613.47	1,599.54	2,013.93	-
Participant Disabled	75	6,658.37	2,562.25	3,499.08	597.05
Dependent	75	2,837.52	1,319.35	1,518.17	-
Participant	80	3,794.96	1,746.76	2,048.20	-
Participant Disabled	80	6,953.74	2,798.08	3,558.61	597.05
Dependent	80	2,978.75	1,434.76	1,544.00	-

* 1% load added to pre-Medicare stipend amount to account for children of Medicare retirees

**Effective January 2016, each retiree household receives $350 per month until each member becomes Medicare eligible. Dependent amount applies only if retiree is Medicare eligible. Surviving spouses receive $200 per month until Medicare eligible.

2. *Expense Load:*
   Expenses are included in the capitated rates. The pre-Medicare subsidy is loaded 2.5% to account for taxes and expenses.

3. *Medicare Part D Subsidy:*
   2015 Actual RDS subsidy was used to estimate the future subsidies. Claim costs shown are net of subsidies.

4. *Medicare Part B Premiums:*
   We assume that each Medicare eligible person pays their own Medicare Part B premium.

5. *Medicare Eligibility*
   100% of retirees and dependents age 65 or older plus all disabled members.

6. *Annual Limitations:*
   Assumed to increase at the same rates as trends.

7. *Lifetime Maximum:*
   We assumed no one would reach their lifetime maximum.

8. *Area:*
   For Medicare retirees, we assume the 45% will elect the Out- of-Area plan and 55% will elect the HMO plan.

APPENDIX B – ASSUMPTIONS AND METHODS

Summary of Changes Since Last Valuation

None

Methodology

Standard actuarial procedures were used to calculate the figures in this report. These procedures are described in the AICPA's Statement of Position (SOP) 92-6 as modified by SOP 01-2.

The Projected Unit Credit Funding Method as described in paragraph 45 of SOP 92-6 was used to calculate liabilities in this report.

We completed a roll forward valuation this year, meaning that we used the same data, methods, and assumptions as the prior year. We verified that the claims and census experience during Fiscal Year 2016 was within reason of our expectation from the previous report.

Claims were calculated using the experience through 12/31/2015 provided by Associated Administrators, LLC. We had to make an assumption in order to split the premiums for Medicare eligible retirees into medical and pharmacy costs. Medical and pharmacy costs were projected forward to 2016 using 10.0% for Pharmacy, and 6.0% for Medicare Medical. Expenses were assumed to be priced on a per subscriber basis.

Trend assumptions are based on general industry trends. In performing a cursory review of this Plan's trends, we saw nothing that would indicate that the past or future trends are different than general industry trends

Incurred but not paid claims are based on claims lags provided by the administrator through May 2017 plus 1/3 of pharmacy claims for the first quarter 2017 plus 2/3 of CIGNA claims for the first quarter 2017 as reported in the Administrative Manager's Report.

We did not make any adjustments or comments for future changes that may be required by the Patient Protection and Affordable Care Act of 2010 or related legislation or regulations.

Demographic assumptions are based on the latest experience study review performed in 2007 for the retirement plan. The assumptions continue to be closely monitored and Cheiron is proposing that an experience study be performed concurrent with the 2016 retirement plan actuarial valuation.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

This section summarizes the current plan provisions; however, benefits are subject to bargaining and could change.

Eligibility

Eligible:

- Majority of service Tier I immediate retirees who meet the age and service requirement for pension benefits and are at least age 55 and have 20 years of service or have 30 years of service regardless of age.
- Members receiving a disability pension benefit from the FELRA and UFCW Pension Plan.
- Dependents of covered retirees if covered while active.
- Widow(er)s of pre-1/1/1984 meat department retirees.
- Special rules apply for part-time retirees who retired prior to 10/1/1992.

Ineligible:

- Tier II participants.
- Terminated vested participants.
- Participants who retire frozen credited service, but do not meet the requirement above.
- Dependents of deceased retirees except COBRA and pre-1/1/1984 meat department retirees.
- Effective 8/1/2011, SuperFresh retirees with the exception of those currently employed by two stores.

Current Retiree Contribution Amounts

Retirees must make a monthly copayment to maintain eligibility for health and welfare benefits. The monthly copayments are negotiated by the Trustees. The current agreement is that the retiree will pay 20% of the total cost. If experience demonstrates that the retirees pay more or less than 20%, then that experience is accounted for in future retiree copayment calculations at the Trustees' discretion.

Effective January 1, 2016, the non-Medicare retiree benefit changes to a flat dollar subsidy ($350 per non-Medicare family, $200 per surviving spouse), and retiree contributions are no longer applicable.

Conversions and/or COBRA self pays that pay 100% of their costs have been excluded from these calculations.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Plan Provisions

Plan Last Modified:	1/1/2016	1/1/2016
Provider Network:	**HMO (Kaiser)**	**Out of Area (OOA)**
Medicare Benefits	**Kaiser Medicare Advantage**	**Medicare Supplement**
Prescription Drugs		
Retail (INN)	$ 15 copay	11% (Dependents $200 ded + 25%)
Retail (OON)	$ 25 copay	18% (Dependents $200 ded + 25%)
Mail Order	$ 10 copay	
Vision Care Services		
Exam	Covered at 100%; 1 exam / 24 months	Covered at 100%; 1 exam / 24 months
Lens	1 pair lenses / 24 months	1 pair lenses / 24 months
Frames	1 frame / 24 months	1 frame / 24 months
Contacts	Not Covered	Not Covered
Dental:		
Annual Deductible	N/A	N/A
Coinsurance (Preventive / Prosthotic / Restoration)	Copay based on schedule	Copay based on schedule
Annual Maximum Covered	N/A	N/A
Orthodontics	$425 per year + $75 completion	$425 per year + $75 completion

Vendors

General and Claims Administrator:	Associated Admin.
Medical Provider Network:	Kaiser; Well Care
Pharmacy Benefit Manager:	Express Scripts
Vision Provider:	Advantica
Actuary (for Retiree calculations):	Cheiron
Auditor:	Salter & Co, LLC
Counsel:	Slevin & Hart; Morgan Lewis

Summary of Changes Since Last Valuation

None

APPENDIX D – DEFINITION OF TERMS

Definition of Terms

Postretirement Benefit Obligation (PBO):

The PBO is the same as the APBO defined below.

Expected Postretirement Benefit Obligation (EPBO):

The EPBO is the actuarial present value of the benefits expected to be paid to or for an employee, the employee's beneficiaries, and any covered dependents, pursuant to the terms of the Postretirement Benefit Plan.

Accumulated Postretirement Benefit Obligation (APBO):

The APBO is the portion of the EPBO allocated to service rendered prior to the measurement date, based on the accrual period defined by the accounting standards. (This is equivalent to the "projected benefit obligation" of SFAS 87.) For an employee who is not fully eligible for the postretirement non-pension benefits, the APBO will be less than the EPBO. After the date of becoming fully eligible, the APBO and the EPBO will be the same.

Substantive Plan:

The terms of the Postretirement Benefit Plan as understood by a fund that provides postretirement benefits and the participants who render services in exchange for those benefits. The substantive plan is the basis for the accounting for that exchange transaction. In some situations, an employer's cost-sharing provisions, or past practice of regular increases in certain monetary benefits, may indicate that the substantive plan differs from the extant written plan. Minor negotiated benefit changes that occur after the valuation date are not considered. An example would be changing providers or HMOs.

Plan Amendment:

A change in the existing terms of a plan. A plan amendment may increase or decrease benefits, including those attributed to years of service already rendered. Our understanding of the substantive plan is that there are typically periodic changes to the dollar limits to keep up with inflation, and to the level of care management depending upon market availability. We have not considered such changes to be plan amendments. We would, however, consider plan amendments to include changes such as modifications to the eligibility requirements or changes to the retiree copay policy.

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