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June 30, 2010

Mr. Ted Cheatham
Director
West Virginia Public Employees Insurance
601 57th St., SE,
Charleston, WV 25305

Dear Ted:

PEIA has asked CCRC Actuarial, LLC to provide an addendum to the report titled "State of West Virginia Public Employees Insurance Agency, Analysis of State of West Virginia Defined Benefit Cost-Sharing Multiple Employer Other Postemployment Benefit Plans" which satisfies GASB 43 and GASB 45 compliance. The report has a valuation date of June 30, 2009, and is dated December 2009.

This addendum provides an additional year of projections, in order to fulfill the FY 2012 GASB 43 and GASB 45 reporting requirements. These projections include:

- June 30, 2012 Actuarial Accrued Liability
- FY 2012 Annual Required Contribution
- FY 2012 Annual Other Post Employment Benefits Cost
- June 30, 2012 Net OPEB Obligation

Please review this information and let us know if you have any questions or comments.

Sincerely yours,

Dave Bond, F.S.A., M.A.A.A.
Managing Partner

Attachments:

Retiree Subsidy – Fiscal Year 2009 GASB 43 and 45 Calculation

The liability for the OPEB and the Sick and Annual Leave Calculation was developed assuming underlying medical trends consistent with the PEIA Financial Plan as developed in December 2009, ultimately grading down to a trend of 5.5% with age rating. This analysis utilized retirement, withdrawal, mortality and wage-based assumptions currently utilized in the valuation of the various defined benefit plans administered by the Consolidated Public Retirement Board (“CPRB”). The benefit liability for CPRB is currently calculated using a 7.5% investment rate to discount the liabilities.

The annual required contribution is the annual amount required under the actuarial cost method and funding policy for amortizing the unfunded actuarial accrued liability. The ARC is the sum of the normal cost and the thirty-year amortization as a level percentage of payroll of the actuarial accrued liability that has not been funded.

Detailed results, for the OPEB liability and the Sick & Annual Leave liability as well as projected 10 year cash flows can be found in Appendix E. The charts below summarize the OPEB liability for both assumed investment rate assumption scenarios.

Annual Required Contribution FY 2010 (“ARC”)	
<i>(in thousands)</i>	
Normal Cost Component	
Normal Cost	\$478,063
Interest	17,019
Total Normal Cost	\$495,082
Amortization Component	
AAL	\$7,410,241
Less: Assets	397,414
UAAL	7,012,826
Divided by PV factor	29.17
Amortization payment	240,384
Interest	8,558
Total Amortization Payment	\$248,942
Annual Required Contribution	\$744,024

The ARC is the annual amount that needs to be paid to fully pre-fund the subsidies and the Annual OPEB cost is the related annual accounting expense. The annual OPEB cost is made up of the ARC, the interest on the Net OPEB Obligation (“NOO”), and the amortization of the NOO. The NOO is the ongoing balance sheet item that shows the difference between the annual OPEB cost and what the employers have actually contributed. The charts below show the estimated annual OPEB cost and NOO as of July 1, 2009, July 1, 2010, and July 1, 2011:

Annual OPEB Cost	
<i>(in thousands)</i>	
FY 2010 ARC	795,199
Interest on NOO	34,053
Amortization of NOO	<u>(37,309)</u>
FY 2010 Annual OPEB Cost	791,943

Annual OPEB Cost	
<i>(in thousands)</i>	
FY 2011 ARC	822,585
Interest on NOO	66,010
Amortization of NOO	<u>(72,322)</u>
FY 2011 Annual OPEB Cost	816,274

Annual OPEB Cost	
<i>(in thousands)</i>	
FY 2012 ARC	873,751
Interest on NOO	97,980
Amortization of NOO	<u>(107,348)</u>
FY 2012 Annual OPEB Cost	864,383

The following chart shows the historic NOO as of June 30, 2009 and the projected NOO as of July 1, 2009, July 1, 2010, July 1, 2011, and July 1, 2012:

Net OPEB Obligation	
<i>(in thousands)</i>	
NOO 6/30/2008	578,031
FY 2009 Annual OPEB Cost	338,166
7/1/2008 - 6/30/2009 Contributions	<u>(235,137)</u>
NOO 6/30/2009	681,059

Net OPEB Obligation	
	<i>(in thousands)</i>
NOO 6/30/2009	681,059
FY 2010 Annual OPEB Cost	791,943
7/1/2009 - 6/30/2010 Contributions	<u>(152,799)</u>
NOO 6/30/2010	1,320,203

Net OPEB Obligation	
	<i>(in thousands)</i>
NOO 6/30/2010	1,320,203
FY 2011 Annual OPEB Cost	816,274
7/1/2010 - 6/30/2011 Contributions	<u>(176,887)</u>
NOO 6/30/2011	1,959,590

Net OPEB Obligation	
	<i>(in thousands)</i>
NOO 6/30/2011	1,959,590
FY 2012 Annual OPEB Cost	864,383
7/1/2011 - 6/30/2012 Contributions	<u>(205,888)</u>
NOO 6/30/2012	2,618,085

In Fiscal Year 2010, the WVRHBT is projected to total \$218,630,000 in revenues and the chart below illustrates the source of these revenues

Fiscal Year 2010 Contributions and Revenue Sources <i>(in thousands)</i>	
Local Agencies - Pay Go Premiums	\$18,671
State Agencies Employers - Pay Go Premiums	83,630
State Agencies Employees - Pay Go Premiums	20,964
Retiree Premiums - PPB	63,025
Retiree Premiums - MCO	2,806
Non Par Premiums	3,192
<u>Investment Income</u>	<u>26,341</u>
Total	\$218,630

The funded ratio is the ratio of the present value of contributions that have been made for current members to the present value of the liability that has already been accrued based on the funding method. A funded ratio of 100% would indicate that all benefits that have been accrued have been funded as of the valuation date. On the other hand, a funded ratio of less than 100% indicates that all benefits that have been accrued have not been funded as of the valuation date.

Funded Status as of June 30, 2008	
	<i>(in thousands)</i>
AAL	6,362,640
Assets	254,818
Unfunded Liability	6,107,823
Funded Ratio	4.00%

Funded Status as of June 30, 2009	
	<i>(in thousands)</i>
AAL	7,410,241
Assets	397,414
Unfunded Liability	7,012,826
Funded Ratio	5.36%

Funded Status as of June 30, 2010	
	<i>(in thousands)</i>
AAL	8,048,300
Assets	416,534
Unfunded Liability	7,631,766
Funded Ratio	5.18%

Funded Status as of June 30, 2011	
	<i>(in thousands)</i>
AAL	8,718,100
Assets	444,174
Unfunded Liability	8,273,926
Funded Ratio	5.09%

The chart below shows the historic and projected percent of ARC funded. A percent below 100% relates to how much of the present value of the benefit being earned in the current year will be shifted to the future.

Percentage of ARC Contributed	
	<i>(in thousands)</i>
FY 2009 Contributions	235,137
FY 2009 ARC	338,166
Percentage of 2009 ARC Contributed	69.53%
FY 2010 Contributions	152,799
FY 2010 ARC	795,199
Percentage of 2010 ARC Contributed	19.22%
FY 2011 Contributions	176,887
FY 2011 ARC	822,585
Percentage of 2011 ARC Contributed	21.50%
FY 2012 Contributions	205,888
FY 2012 ARC	873,751
Percentage of 2012 ARC Contributed	23.56%

The covered payroll is the total payroll of all current members that are eligible to receive subsidies from OPEB plan employers. Contributions made by the employers are considered on a percentage of payroll basis, similar to the pension systems. The ARC is calculated as a percent of the covered payroll. Note that the State's current ARC is \$795,199,000. This represents 23.79% of current annual payroll for all eligible members.

The unfunded liability as a percentage of covered payroll is a measure of the relative magnitude of the unfunded liability. The table below shows that the State's unfunded liability is 209.83% of the State's total covered annual payroll. In other words, if 209.83% of this year's payroll were contributed to fund the subsidies, all accrued subsidies would be fully funded.

ARC and Unfunded Liability as a Percentage of Covered Payroll	
	<i>(in thousands)</i>
FY 2009 ARC	338,166
FY 2008 Payroll	3,298,252
6/30/2008 Unfunded Liability	6,107,823
ARC as a % of Covered Payroll	10.25%
Unfunded Liability as a % of Covered Payroll	185.18%
FY 2010 ARC	795,199
FY 2009 Payroll	3,342,136
6/30/2009 Unfunded Liability	7,012,826
ARC as a % of Covered Payroll	23.79%
Unfunded Liability as a % of Covered Payroll	209.83%
FY 2011 ARC	822,585
FY 2010 Payroll	3,482,983
6/30/2010 Unfunded Liability	7,631,766
ARC as a % of Covered Payroll	23.62%
Unfunded Liability as a % of Covered Payroll	219.12%
FY 2012 ARC	873,751
FY 2011 Payroll	3,629,766
6/30/2011 Unfunded Liability	8,273,926
ARC as a % of Covered Payroll	24.07%
Unfunded Liability as a % of Covered Payroll	227.95%