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April 17, 2008

Mr. Ted Cheatham
Executive Director
West Virginia Public Employees Insurance
State Capitol Complex
Building 5, Room 1001
1900 Kanawha Boulevard, East
Charleston, WV 25305

Dear Ted,

CCRC Actuaries, LLC (“CCRC Actuaries”) was engaged by the Public Employees Insurance Agency (“PEIA”) on behalf of the WV Retiree Health Benefits Trust Fund Finance Board to develop the projected FY 2009 Annual Required Contribution (“ARC”) as well as the Annual OPEB Cost and the Net OPEB Obligation for 2009 for active employee and retiree health care and life insurance liabilities for Other Postemployment Benefits (“OPEB”) for the participating employers of the West Virginia defined benefit cost sharing multi-employer plans. These calculations include the OPEB liability of state agencies, state colleges and universities, West Virginia county school boards and non-state employers, as of June 30, 2008.

GASB 43 and 45 address the liabilities associated with the rising cost of health care. Health costs continue to grow faster than national income and, despite research indicating that the employees get good value for the increased spending, it is questionable whether governments and private employers can continue to finance the current benefit levels.

In addition to the retiree health care liability, CCRC Actuaries performed an analysis of the current liability of the SAL Program, a subset of OPEB, offered to public employees of the State as of June 30, 2007. OPEB plans are subject to compliance requirements as described in Statements 43 and 45 of the Governmental Accounting Standards Board (“GASB”). The SAL analysis was conducted for employees covered under the Public Employees Retirement System (“PERS”), Teachers Retirement System (“TRS”), Teachers Defined Contribution Plan (“TDC”), West Virginia Death, Disability and Retirement Fund (“Plan A”) and West Virginia State Police Retirement System (“Plan B”).

For the current OPEB calculations, we used data from the June 2007 billing file provided by PEIA. For the analysis of the current liability of the Sick and Annual Leave (“SAL”) Program, a subset of OPEB, we used data provided by the Department of Administration through June 30, 2007.

The liability for the OPEB and the Sick and Annual Leave Calculation was developed under a baseline “MAPD scenario” assuming the MAPD plan continues. MAPD is a Medicare Advantage/Prescription Drug plan. This is a plan that’s licensed by the federal government through the Centers for Medicare and Medicaid Services (CMS). This plan will provide both medical and prescription drug benefits to Medicare-eligible retirees through a fee-for-service plan. CMS pays the MAPD plan to provide coverage for Medicare members, and the MAPD takes full responsibility for paying for benefits for the member. In Fiscal Year 2008, PEIA is paying a capitated rate of \$198 per member per month (“PMPM”) for all Retiree Assistance Program retirees and \$114 PMPM for all other retirees. PEIA will retain all retiree premiums.


The charts below details the FY 2009 ARC as well as the Annual OPEB Cost and the Net OPEB Obligation for 2009 as defined by GASB 43 and GASB 45. These numbers will be adjusted as the final fiscal year end 2008 numbers are developed.

FY 2009 ARC	
Normal Cost	213,322
<u>Amortization of the UAAL</u>	<u>124,844</u>
FY 2009 ARC	338,166

FY 2009 Annual OPEB Cost	
FY 2009 ARC	338,166
Interest on NOO	(559)
<u>Amortization of NOO</u>	<u>413</u>
FY 2009 Annual OPEB Cost	338,020

6/30/2009 Net OPEB Obligation	
NOO 6/30/2008	(10,705)
FY 2009 Annual OPEB Cost	338,020
<u>7/1/2008 - 6/30/2009 Contributions</u>	<u>(222,085)</u>
NOO 6/30/2009	105,230

Please review this information and we look forward to working with you on this very important issue facing the State of West Virginia.

Sincerely yours,


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