

Appendix A

Exhibit 1 Employer Costs

Net Cost

We estimate the per person monthly net costs to the employer for the year beginning July 1, 1998 to be:

Medical

	H M S A	Health Fund		Union
		Kaiser	Kapiolani/HMO	
<u>Single Coverage</u>				
Active				
Regular Employees Units	\$80.58	\$80.58	\$80.58	\$80.58
01, 10, 61, 70, 20, 90 & 33	\$120.88	\$120.88	\$120.88	\$120.88
Retiree				
Non-Medicare	\$190.36	\$209.56	\$159.76	N/A
Medicare	\$64.04	\$82.56	\$76.24	N/A
<u>Family Coverage</u>				
Active				
Regular Employees Units	\$247.98	\$247.98	\$247.98	\$247.98
01, 10, 61, 70, 20, 90 & 33	\$288.28	\$288.28	\$288.28	\$288.28
Retiree				
Non-Medicare	\$531.00	\$628.64	\$479.28	N/A
Medicare	\$210.24	\$247.64	\$228.72	N/A

Prescription Drugs

	H M S A	Health Fund		Union
		Kaiser		
<u>Single Coverage</u>				
Active Employees				
	\$12.72	\$11.24		\$12.72
Retiree				
Non-Medicare	\$34.28	\$15.72		N/A
Medicare	\$42.28	\$21.72*		N/A
<u>Family Coverage</u>				
Active Employees				
	\$39.16	\$33.72		\$39.16
Retiree				
Non-Medicare	\$95.60	\$47.16		N/A
Medicare	\$138.96	\$65.08*		N/A

*Based on expected future rates rather than current year rates.

**Exhibit 1
Employer Costs (continued)**

Vision Care

	<u>Health Fund</u>	<u>Union</u>
Single Coverage		
Active Employees	\$3.10	\$3.10
Retiree		
Non-Medicare	\$3.92	N/A
Medicare	\$3.92	N/A
Family Coverage		
Active Employees	\$6.06	\$6.06
Retiree		
Non-Medicare	\$7.72	N/A
Medicare	\$7.72	N/A

Adult Dental

	<u>Health Fund</u>		<u>Union</u>
	HDS	Denticare	
Single Coverage			
Active Employees	\$11.58	\$11.58	\$11.58
Retiree			
Non-Medicare	\$21.20	\$19.32	N/A
Medicare	\$21.20	\$19.32	N/A
Family Coverage			
Active Employees	\$23.18	\$23.18	\$23.18
Retiree			
Non-Medicare	\$42.44	\$37.16	N/A
Medicare	\$42.44	\$37.16	N/A

Childrens Dental

	<u>Health Fund</u>		<u>Union</u>
	HDS	Denticare	
Per child under age 19	\$11.80	\$11.08	\$11.80

Life Insurance

	<u>Health Fund</u>	<u>Union</u>
Grand Pacific Life	\$4.30	\$4.30

Exhibit 1
Employer Costs (continued)

Part B Premiums

	<u>Health Fund</u>	<u>Union</u>
Medicare	\$43.80	N/A

Employees hired before July 1, 1996 with ten or more years of service at retirement receive a benefit equal to 100 percent of the medical, prescription drug, vision, and adult dental premiums shown above. Employees hired before July 1, 1996 with less than ten years of service receive a benefit at retirement equal to 50 percent of the rates shown above. Employees hired on or after July 1, 1996 receive benefits at retirement subsidized by the employer according to the following schedule:

Years of Service at Retirement	Percentage of Cost Shown Above
25 or more	100%
15 or more, but less than 25	75%
10 or more, but less than 15	50%
Less than 10	0%

Trend rates applicable to these costs are shown in Exhibit 2 of this appendix.

**Exhibit 2
Economic Assumptions**

Valuation Date July 1, 1998 through July 1, 2013
 Discount Rate 7.00%
 Trend Rates We calculated projected benefits and liabilities based on three trend rate scenarios. The percentages below represent the percentage increase in the employers' cost under the low trend scenario.

Low Trend Scenario

Year	Medical	Drug	Dental	Vision
1998	6.0%	12.0%	5.0%	2.0%
1999	6.0	11.6	4.9	2.0
2000	6.0	11.2	4.8	2.0
2001	6.0	10.8	4.7	2.0
2002	6.0	10.4	4.6	2.0
2003	6.0	10.0	4.5	2.0
2004	6.0	9.6	4.5	2.0
2005	6.0	9.2	4.5	2.0
2006	6.0	8.8	4.5	2.0
2007	6.0	8.4	4.5	2.0
2008	6.0	8.0	4.5	2.0
2009	6.0	7.6	4.5	2.0
2010	6.0	7.2	4.5	2.0
2011	6.0	6.8	4.5	2.0
2012	6.0	6.4	4.5	2.0
2013 and Later	6.0	6.0	4.5	2.0

Trend Rates We calculated projected benefits and liabilities based on three trend rate scenarios. The percentages below represent the percentage increase in the employers' cost under the intermediate trend scenario.

Intermediate Trend Scenario

Year	Medical	Drug	Dental	Vision
1998	9.0%	13.5%	7.0%	3.0%
1999	8.8	13.1	6.9	3.0
2000	8.6	12.7	6.8	3.0
2001	8.4	12.3	6.7	3.0
2002	8.2	11.9	6.6	3.0
2003	8.0	11.5	6.5	3.0
2004	7.8	11.1	6.4	3.0
2005	7.6	10.7	6.3	3.0
2006	7.4	10.3	6.2	3.0
2007	7.2	9.9	6.1	3.0
2008	7.0	9.5	6.0	3.0
2009	6.9	9.1	6.0	3.0
2010	6.8	8.7	6.0	3.0
2011	6.7	8.3	6.0	3.0
2012	6.6	7.9	6.0	3.0
2013 and Later	6.5	7.5	6.0	3.0

Exhibit 2
Economic Assumptions (continued)

Trend Rates We calculated projected benefits and liabilities based on three trend rate scenarios. The percentages below represent the percentage increase in the employers' cost under the high trend scenario.

High Trend Scenario

Year	Medical	Drug	Dental	Vision
1998	12.0%	15.0%	9.0%	4.0%
1999	11.8	14.7	8.9	4.0
2000	11.6	14.4	8.8	4.0
2001	11.4	14.1	8.7	4.0
2002	11.2	13.8	8.6	4.0
2003	11.0	13.5	8.5	4.0
2004	10.8	13.2	8.4	4.0
2005	10.6	12.9	8.3	4.0
2006	10.4	12.6	8.2	4.0
2007	10.2	12.3	8.1	4.0
2008	10.0	12.0	8.0	4.0
2009	9.8	11.7	7.9	4.0
2010	9.6	11.4	7.8	4.0
2011	9.4	11.1	7.7	4.0
2012	9.2	10.8	7.6	4.0
2013 and Later	9.0	10.5	7.5	4.0

Medicare Part B premiums are trended at the same rate as medical benefits.

**Exhibit 3
Demographic Assumptions**

Retirement Rates The assumed retirement rates per 100 for employees eligible to retire at selected ages are as follows:

Age	<u>General Employees</u>		<u>Teachers</u>		<u>Police, Fire and Correction Officers</u>	
	Male	Female	Male	Female	Male	Female
45	N/A	N/A	N/A	N/A	35.0	35.0
50	N/A	N/A	N/A	N/A	20.0	20.0
55	7.0	7.0	8.0	10.0	35.0	35.0
60	7.0	10.0	5.0	10.0	90.0	90.0
65	60.0	40.0	20.0	30.0	100.0	100.0
70	100.0	100.0	100.0	100.0	100.0	100.0

Mortality Rates The life expectancies projected by the assumed mortality tables at selected ages are shown below:

Age	<u>General Employees</u>		<u>Teachers</u>		<u>Police, Fire and Correction Officers</u>	
	Male	Female	Male	Female	Male	Female
40	38.4	43.6	42.3	44.5	37.4	43.6
45	33.7	38.7	37.5	39.9	32.7	38.7
50	29.1	34.0	32.8	34.9	28.2	34.0
55	24.7	29.3	28.3	30.2	23.9	29.3
60	20.6	24.8	24.0	25.7	19.8	24.8
65	16.6	20.5	19.8	21.3	15.9	20.5
70	13.1	16.4	16.0	17.1	12.4	16.4
75	10.1	12.7	12.5	13.4	9.5	12.7
80	7.5	9.6	9.6	10.2	7.1	9.6

Withdrawal Rates The withdrawal rates are dependent on both the age of the employee and the number of years of service the employee has completed. For this purpose, we have used a 3-year select and ultimate withdrawal table, with higher rates used for the first three years for employment, followed by an ultimate rate. The assumed ultimate withdrawal rates per 100 for employees at selected ages are as follows:

Age	<u>General Employees</u>		<u>Teachers</u>		<u>Police, Fire and Correction Officers</u>	
	Male	Female	Male	Female	Male	Female
22	9.21	8.99	4.36	7.62	2.80	2.80
27	6.00	7.20	4.32	6.53	3.79	3.79
32	5.00	6.05	4.25	5.35	3.40	3.40
37	3.86	4.17	4.14	3.98	2.08	2.08
42	2.92	2.93	3.65	2.63	1.27	1.27
47	2.47	2.55	2.45	1.72	1.16	1.16
52	2.08	2.12	1.84	1.32	1.33	1.33

Exhibit 3
Demographic Assumptions (continued)

Disability Rates The disability rates project the percentage of employees at each age who are assumed to become disabled before retirement. All disabilities are assumed to be ordinary disability rather than accidental disability. The assumed total disability rates at select ages are as follows:

Age	<u>General Employees</u>		<u>Teachers</u>		<u>Police, Fire and Correction Officers</u>	
	Male	Female	Male	Female	Male	Female
22	0.02%	0.02%	0.01%	0.01%	0.02%	0.02%
27	0.02	0.02	0.01	0.01	0.02	0.02
32	0.02	0.02	0.01	0.01	0.02	0.02
37	0.02	0.02	0.01	0.01	0.03	0.03
42	0.04	0.04	0.02	0.02	0.05	0.05
47	0.08	0.08	0.04	0.04	0.10	0.10
52	0.18	0.18	0.09	0.09	0.22	0.22

Marriage 55 percent for both male and female employees while active.
60 percent for both male and female active employees upon retirement.
Actual spouse information used for current retirees.

Spouse Age Difference Males are assumed to be three years older than their spouses for active employees. Actual spouse information used for current retirees.

Spouse Coverage Continues for lifetime of spouse.

Eligibility Employees are assumed to be eligible for benefits at the same time that they are eligible for pension benefits. Service is credited beginning at date of hire.

Part B premiums are reimbursed for all retirees (and their spouses) who have ten or more years of service at retirement.

Participation 85 percent for future retirees.

Coverage Active and current retiree coverage is determined by current plan of benefits with the exception of life coverage (extended to all employees) and children's dental (based on average enrollment for 1997).

Future retirees are assumed to remain in current plan with exception of union employees who are assumed to have benefits in the HMSA medical and drug plans, the VSP vision plan, the HDS dental plan, and Grand Pacific Life Plan at retirement.