

**City of Stockton**

*Annual Report as of June 30, 2011*

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THE SEGAL COMPANY  
330 North Brand Blvd., Suite 1100  
Glendale, CA 91203

*February 23, 2012*

*Mr. Bob Deis  
City Manager  
City of Stockton  
425 N. El Dorado Street  
Stockton, CA 95202*

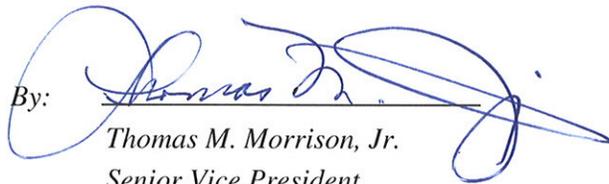
*Dear Mr. Deis:*

*We are pleased to present the City Health Plan Cost Projection for July 1, 2011 - June 30, 2012 and July 1, 2012 - June 30, 2013. This report also reviews the medical plan experience through June 30, 2011.*

*We look forward to reviewing this report with you and answering any questions you may have.*

*Sincerely,*

*THE SEGAL COMPANY*

By:   
*Thomas M. Morrison, Jr.  
Senior Vice President*

This report reviews the projected costs for the City's medical, dental and vision benefits for fiscal years 2011/2012 and 2012/2013.

The City offers two medical plans to its active and retired employees. The City's "Original" plan is a closed plan with an enrollment of 50 Medicare retirees and 1 non-Medicare retiree. The City's predominant plan is the "Modified" plan, which is offered to both active and retired employees. As of September 2011, there were 1,143 actives, 683 non-Medicare retirees, and 327 Medicare retirees enrolled in the Modified plan.

The City approved a new Kaiser plan for its active employees effective September 1, 2011. As of September 2011, there were 87 actives enrolled in this plan.

The City also provides one fully insured dental plan through UnitedHealthCare with a closed enrollment of 17 participants. This report does not include any cost for the fully insured dental plan.

Provided below is our projection methodology and assumptions used in the cost projection for these plans.

### **Medical and Prescription Drug (Rx)**

- Active rates are based on two years of claims experience from July 2009 to June 2011.
- Kaiser premium rates are subject to renewal January 1, 2013. The 2012/2013 Kaiser projection accounted for this.
- Retiree rates are based on:
  - A blend of claims for the Original and Modified plans, segregated by under age 65 and over age 65 retirees. Two years of claims experience from July 2009 to June 2011 was used to develop rates.
  - Due to significant variation in claims experience for the most recent year compared to last year, attributed to system and reporting changes, these cost projections were adjusted further by reviewing the total retiree plan experience for the same time period.
  - The projection based on total retiree experience was adjusted for demographic differences between the two groups using actuarial tools.
- Blending more than one year of data is usually employed for smaller groups as it provides a more reliable base for cost estimates. In the City's case, all three plans, the active, under 65 and over 65 plan enrollments are below the enrollment threshold required to rate, based on one year of experience.

- The weight assigned to each year of experience is dependent on enrollment in the plan. The following weights were used to project the rates, with the higher weight being assigned to the most recent year of claims experience:

	<u>Medical</u>	<u>Rx</u>
Actives	65% / 35%	100%
Under 65	60% / 40%	60%/40%
Over 65	55% / 45%	55%/45%

- The relative value of the Original and Modified plan designs were developed using Segal's underwriting model. This relative value was applied to calculate the retiree rates for the Original and Modified plans.

### **Dental and Vision**

Rates are based on claims experience from July 2009 through June 2011. The dental projection includes 19 retirees currently enrolled in the plan.

### **Data Source**

- Medical and prescription drug paid claims and stop loss reimbursement information as provided by:
  - The City's TPA Delta Health Systems
  - Medco, the pharmacy benefit manager
- Dental claims from Delta Dental
- Vision claims from VSP
- Internal Administrative expense from City

### **Enrollment**

- The average active enrollment for the year ending June 30, 2011 declined by 6.7% from the prior year's average, while the retiree enrollment increased by 8.1%, resulting in an overall medical enrollment decrease of 1%.
- For the year ending June 30, 2011, the average enrollment for both dental and vision declined by about 7.6% from the prior year's average.

- The average enrollment for July through September 2011 was used in the active 2011/2012 rate projection and the September 2011 enrollment was used for the 2012/2013 projection.
- For retirees, we assumed a 7% increase for the under 65 retirees and a 10% increase for the over 65 retirees from the June 2011 enrollment for the 2011/2012 projection. We assumed no change in retiree enrollment for 2012/2013 from the counts estimated for 2011/2012.
- Since dental and vision plan enrollments have been declining, we assumed a 7% decrease of the June 2011 enrollment for both plans in the 2011/2012 and 2012/2013 rate projection.
- The following table compares the September 2011 enrollment used in the 2012/2013 projection to the enrollment in fiscal year 2010/2011.

	As of September 2011	Average Enrollment 2010/2011	Percent Increase / Decrease from Projected 10/11
<b><u>Kaiser</u></b>			
Actives	87	N/A	N/A
<b><u>Modified Plan</u></b>			
Actives*	1,143	1,365	-16.3%
Non-Medicare Retirees	683	629	8.6%
Medicare Retirees	327	300	9.0%
<b><u>Original Plan</u></b>			
Non-Medicare Retirees	1	6	-83.3%
Medicare Retirees	50	52	-3.8%
<b>Total</b>	<b>2,291</b>	<b>2,352</b>	<b>-2.6%</b>
<b>Dental as of June 2011</b>	<b>1,397</b>	<b>1,410</b>	<b>-0.9%</b>
<b>Vision as of June 2011</b>	<b>1,397</b>	<b>1,410</b>	<b>-0.9%</b>

\*Including 11 Cobra participants

**Trend**

The following annual trend assumptions were used:

Medical Claims	10%
Kaiser	10% (effective January 1, 2013)
Prescription Drug Claims	8%
Dental Claims	6%
Vision Claims	4%

Segal trend assumptions are developed annually based on a survey of vendors and take into consideration factors that could impact healthcare costs.

**Margin**

The financial projections include a claims margin of 10% for reserve accumulation. A detailed breakdown of the required and recommended reserves has been provided at the end of Section 1.

**Incurred But Not Reported Reserves (IBNR)**

Delta Health Systems (DHS) took over claims processing on July 1, 2010. The lag reports provided by DHS could not be combined with prior reports provided by Zenith, the City's prior claims administrator, due to reporting differences. Therefore, reserves were estimated based on lag data and claims turnaround time reports for professional and institutional claims provided by DHS and standard Segal Company methodologies and factors. Reserve estimates for pharmacy benefits are based on invoice data provided by Medco. The reserves were developed taking into account the differences in payment pattern between medical and prescription drug claims. The IBNR estimates do not include any estimate for claims processing or administrative fees. The medical IBNR includes estimates for both the reported but not paid claims as of June 30, 2011 and the incurred but not reported claims.

**Medicare Part D Subsidy**

The City participates in the Retiree Drug Subsidy program and these subsidy credits have been included in the projections. The estimated subsidy used in the projections are:

2010/2011 - \$260,135

2011/2012 - \$282,000

2012/2013 - \$288,000

**Prescription Drug Rebates**

The projections reflect a reduction for estimated rebates.

**Early Retiree Reinsurance Program (ERRP)**

No credit for the ERRP reimbursements received by the City has been included in the updated 2011/2012 or the 2012/2013 rate projections. These funds were not a part of the prior actuarial report either.

**Administrative Expenses**

The 2011/2012 administrative fees for Delta Health Systems, Vision and Dental were provided by the vendors. Internal administrative expenses were based on the City's budget for fiscal year ended June 30, 2012.

We have assumed the following increases for 2012/2013:

- 3% increase for Delta Health Systems
- 3% increase in the Anthem Blue Cross PPO network fees
- 3% increase in Delta Dental's ASO fee
- 0% increase in VSP's ASO fee (current fees are guaranteed through December 31, 2012 and assumed to remain the same through June 2013)
- 3% increase for City Internal administrative expense

Table 1 lists the administrative costs per enrollee for each benefit and Table 2 is the aggregate costs based on projected enrollment.

**Tables**

Attached are the following table exhibits:

- Table 1 - Rate projections for the two fiscal years 2011/2012 and 2012/2013 for:
  - Active PPO,
  - Active Kaiser,
  - Under 65 Modified,
  - Under 65 Original,

- Over 65 Modified, and
  - Over 65 Original
- Table 2 – Aggregate Annual Cost for fiscal years 2011/2012 and 2012/2013
  - Table 3 - Three tier rates for active and retiree plans for the 2012/2013 year
  - Table 4 – Weighted Average Benefit Expense, City Contribution and Employee Contribution

**Supporting documents:**

- Table 5A – Updated Cost Projection Actives 2011/2012
- Table 5B - Cost Projection Actives 2012/2013
- Table 6 – Retiree Projection based on total retiree experience
- Table 6A – Updated Cost Projection Retirees Under 65 2011/2012
- Table 6B - Cost Projection Retirees Under 65 2012/2013
- Table 7A – Updated Cost Projection Retirees Over 65 2011/2012
- Table 7B - Cost Projection Retirees Over 65 2012/2013
- Table 8A – Updated Cost Projection Dental and Vision 2011/2012
- Table 8B - Cost Projection Dental and Vision 2012/2013
- Table 9A - Self-Funded Medical Claims Experience
- Table 9B - Self-Funded Prescription Claims Experience
- Table 9C - Vision and Dental Claims Experience

**Rate Tiers**

The three tier rates were based on enrollment splits (single, two-party and family coverage) as of September 2011.

**Important Notes to this Report**

- The projections in this report are estimates of future costs and are based on information available to The Segal Company at the time the projections were made. The Segal Company has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. Nevertheless, we believe this projection serves a purpose for long-term planning and provides an indication of the general progression or regression of active expenses based on the factors currently affecting those expenses. The accuracy and reliability of health projections decrease as the projection period increases.
- Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

**TABLE 1**  
**Summary of Projected Per Participant Self-Funded Costs**

Benefit	7/1/11-6/30/12 with plan changes						7/1/2011-6/30/2012 Updated Projection					
	Active Plan		Retiree Plan				Active Plan		Retiree Plan			
	PPO	Kaiser*	Modified Plan - Under 65 Retirees	Original Plan - Under 65 Retirees	Modified Plan - Over 65 Retirees	Original Plan Over 65 Retirees	PPO	Kaiser*	Modified Plan - Under 65 Retirees	Original Plan - Under 65 Retirees	Modified Plan - Over 65 Retirees	Original Plan Over 65 Retirees
<b>Medical Plan</b>												
Medical incurred claims	\$654.44	\$872.25	\$926.80	\$1,355.62	\$159.28	\$237.73	\$739.59	\$872.25	\$890.80	\$1,037.53	\$286.48	\$289.34
Rx incurred claims	\$137.20		\$315.99	\$532.82	\$218.47	\$361.66	\$161.21		\$302.51	\$516.84	\$262.61	\$451.12
Stop loss premium	\$60.82		\$60.82	\$61.49	\$18.90	\$19.10	\$50.68		\$50.68	\$51.24	\$15.75	\$15.92
Delta Health System	\$19.00		\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$9.50	\$19.00	\$19.00	\$19.00	\$19.00
Eligibility administration	\$1.25		\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
City Administration/Consultants	\$25.19		\$25.19	\$25.19	\$25.19	\$25.19	\$38.04	\$38.04	\$38.04	\$38.04	\$38.04	\$38.04
Anthem PPO network access	\$13.25		\$13.25	\$13.25	\$13.25	\$13.25	\$13.49		\$13.49	\$13.49	\$13.49	\$13.49
Total - no claims margin	\$911.15	\$872.25	\$1,362.30	\$2,008.62	\$455.34	\$677.18	\$1,023.26	\$921.04	\$1,315.77	\$1,677.39	\$636.62	\$828.16
<b>Total - with claims margin (1)</b>	<b>\$990.31</b>	<b>\$872.25</b>	<b>\$1,486.58</b>	<b>\$2,197.46</b>	<b>\$493.12</b>	<b>\$737.12</b>	<b>\$1,113.34</b>	<b>\$921.04</b>	<b>\$1,435.10</b>	<b>\$1,832.83</b>	<b>\$691.53</b>	<b>\$902.21</b>
Projected Enrollment	1,352	73	638	7	289	52	1,165	73	676	1	355	50
<b>Dental</b>												
Incurred claims	\$101.86		\$101.86				\$103.29		\$103.29			
Delta ASO	\$7.79		\$7.79				\$7.79		\$7.79			
Eligibility administration	\$0.50		\$0.50				\$0.50		\$0.50			
City Administration/Consultants	\$2.07		\$2.07				\$2.37		\$2.37			
Total - no claims margin	\$112.22		\$112.22				\$113.95		\$113.95			
<b>Total - with claims margin (2)</b>	<b>\$122.41</b>		<b>\$122.41</b>				<b>\$124.28</b>		<b>\$124.28</b>			
Projected Enrollment	1,388		21				1,281		19			
<b>Vision</b>												
Incurred claims	\$11.82		N/A	N/A	N/A	N/A	\$11.54		N/A	N/A	N/A	N/A
VSP ASO	\$1.65						\$1.56					
Eligibility administration	\$0.25						\$0.25					
City Administration/Consultants	\$0.26						\$0.27					
Total - no claims margin	\$13.98						\$13.62					
<b>Total - with claims margin (3)</b>	<b>\$15.16</b>						<b>\$14.77</b>					
Projected Enrollment	1,406						1,300					
<b>Total Per Participant Cost (1)+(2)+(3)**</b>	<b>\$ 1,127.88</b>	<b>\$ 1,009.82</b>	<b>\$1,486.58</b>	<b>\$ 2,197.46</b>	<b>\$ 493.12</b>	<b>\$ 737.12</b>	<b>\$ 1,252.39</b>	<b>\$1,060.09</b>	<b>\$ 1,435.10</b>	<b>\$ 1,832.83</b>	<b>\$ 691.53</b>	<b>\$ 902.21</b>

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point

Over 65 retiree drug claims projection includes Medicare Part D credit

\* Kaiser effective 10 Months - but adjusted for annual estimate

\*\*Retiree costs are medical only

**TABLE 1 (continued)**  
**Summary of Projected Per Participant Self-Funded Costs**

Benefit	7/1/2012-6/30/2013					
	Active Plan		Retiree Plan			
	PPO	Kaiser	Modified Plan - Under 65 Retirees	Original Plan - Under 65 Retirees	Modified Plan - Over 65 Retirees	Original Plan Over 65 Retirees
<b>Medical Plan</b>						
Medical incurred claims	\$742.02	\$915.86	\$897.54	\$1,153.42	\$297.00	\$299.97
Rx incurred claims	\$157.74		\$296.01	\$505.73	\$261.82	\$449.76
Stop loss premium	\$60.82		\$60.82	\$61.49	\$18.90	\$19.10
Delta Health System	\$19.57	\$9.50	\$19.57	\$19.57	\$19.57	\$19.57
Eligibility administration	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
City Administration/Consultants	\$39.94	\$39.94	\$39.94	\$39.94	\$39.94	\$39.94
Anthem PPO network access	\$13.89		\$13.89	\$13.89	\$13.89	\$13.89
Total - no claims margin	\$1,035.23	\$966.55	\$1,329.02	\$1,795.29	\$652.37	\$843.48
<b>Total - with claims margin (1)</b>	<b>\$1,125.21</b>	<b>\$966.55</b>	<b>\$1,448.38</b>	<b>\$1,961.21</b>	<b>\$708.26</b>	<b>\$918.46</b>
Projected Enrollment	1,145	90	746	1	355	50
<b>Dental</b>						
Incurred claims	\$109.49		\$109.49			
Delta ASO	\$8.02		\$8.02			
Eligibility administration	\$0.50		\$0.50			
City Administration/Consultants	\$2.49		\$2.49			
Total - no claims margin	\$120.50		\$120.50			
<b>Total - with claims margin (2)</b>	<b>\$131.45</b>		<b>\$131.45</b>			
Projected Enrollment	1,281		19			
<b>Vision</b>						
Incurred claims	\$12.00		N/A	N/A	N/A	N/A
VSP ASO	\$1.56					
Eligibility administration	\$0.25					
City Administration/Consultants	\$0.28					
Total - no claims margin	\$14.09					
<b>Total - with claims margin (3)</b>	<b>\$15.29</b>					
Projected Enrollment	1,300					
<b>Total Per Participant Cost (1)+(2)+(3)**</b>	<b>\$1,271.95</b>	<b>\$1,113.29</b>	<b>\$1,448.38</b>	<b>\$1,961.21</b>	<b>\$708.26</b>	<b>\$918.46</b>

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point

Over 65 retiree drug claims projection includes Medicare Part D credit

\*\*Retiree costs are medical only

**TABLE 2**  
**Aggregate Annual Costs**

Benefit	7/1/11-6/30/12 with plan changes								Total Active and Retiree
	Active Plan			Retiree Plan				Total Retiree	
	PPO	Kaiser*	Total Active	Modified Plan - Under 65 Retirees	Original Plan - Under 65 Retirees	Modified Plan - Over 65 Retirees	Original Plan Over 65 Retirees		
<b>Medical Plan</b>									
Medical incurred claims	\$10,617,600	\$764,100	\$11,381,700	\$7,095,600	\$113,900	\$552,400	\$148,300	\$7,910,200	\$19,291,900
Rx incurred claims	2,225,900	0	2,225,900	2,419,200	44,800	757,700	225,700	3,447,400	5,673,300
Stop loss premium	986,700	0	986,700	465,600	5,200	65,500	11,900	548,200	1,534,900
Delta Health System	308,300	0	308,300	145,500	1,600	65,900	11,900	224,900	533,200
Eligibility administration	20,300	0	20,300	9,600	100	4,300	800	14,800	35,100
City Administration/Consultants	408,700	0	408,700	192,900	2,100	87,400	15,700	298,100	706,800
PPO network access	215,000	0	215,000	101,400	1,100	46,000	8,300	156,800	371,800
Total Without Margin	\$14,782,500	\$764,100	\$15,546,600	\$10,429,800	\$168,800	\$1,579,200	\$422,600	\$12,600,400	\$28,147,000
10% Claims Margin	\$1,284,300	\$0	\$1,284,300	\$951,500	\$15,800	\$130,900	\$37,400	\$1,135,600	\$2,419,900
Total - With Claims Margin	\$16,066,800	\$764,100	\$16,830,900	\$11,381,300	\$184,600	\$1,710,100	\$460,000	\$13,736,000	\$30,566,900
Projected Enrollment	1,352	73	1,425	638	7	289	52	986	2,411
<b>Total By Group</b>	<b>\$16,830,900</b>			<b>\$11,565,900</b>		<b>\$2,170,100</b>		<b>\$13,736,000</b>	<b>\$30,566,900</b>
<b>Dental</b>									
Incurred claims			\$1,696,600					\$25,700	\$1,722,300
Delta ASO			129,800					2,000	131,800
Eligibility administration			8,300					100	8,400
City Administration/Consultants			34,500					500	35,000
Total Without Margin			\$1,869,200					\$28,300	\$1,897,500
10% Claims Margin			\$169,700					\$2,600	\$172,300
Total - With Claims Margin			\$2,038,900					\$30,900	\$2,069,800
Projected Enrollment			1,388					21	1,409
<b>Vision</b>									
Incurred claims			\$199,400						\$199,400
VSP ASO			27,800						27,800
Eligibility administration			4,200						4,200
City Administration/Consultants			4,400						4,400
Total Without Margin			\$235,800						\$235,800
10% Claims Margin			\$19,900						\$19,900
Total - With Claims Margin			\$255,700						\$255,700
Projected Enrollment			1,406						1,406
<b>Total All Benefits With Margin</b>	<b>\$19,125,500</b>							<b>\$13,766,900</b>	<b>\$32,892,400</b>

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point  
Prescription drug projection include reduction for rebates in both active and retiree plans  
Over 65 retiree drug claims projection includes Medicare Part D credit  
\* Kaiser effective 10 Months - but adjusted for annual estimate

**TABLE 2 (continued)**  
**Aggregate Annual Costs**

Benefit	7/1/12-6/30/13								
	Active Plan			Retiree Plan					Total Active and Retiree
	PPO	Kaiser	Total Active	Modified Plan - Under 65 Retirees	Original Plan - Under 65 Retirees	Modified Plan - Over 65 Retirees	Original Plan Over 65 Retirees	Total Retiree	
<b>Medical Plan</b>									
Medical incurred claims	\$10,195,400	\$989,100	\$11,184,500	\$8,034,800	\$13,800	\$1,265,200	\$180,000	\$9,493,800	\$20,678,300
Rx incurred claims	2,167,300	0	2,167,300	2,649,900	6,100	1,115,400	269,900	4,041,300	6,208,600
Stop loss premium	835,700	0	835,700	544,500	700	80,500	11,500	637,200	1,472,900
Delta Health System	268,900	10,300	279,200	175,200	200	83,400	11,700	270,500	549,700
Eligibility administration	17,200	1,400	18,600	11,200	0	5,300	800	17,300	35,900
City Administration/Consultants	548,800	43,100	591,900	357,500	500	170,100	24,000	552,100	1,144,000
PPO network access	190,900	0	190,900	124,400	200	59,200	8,300	192,100	383,000
Total Without Margin	\$14,224,200	\$1,043,900	\$15,268,100	\$11,897,500	\$21,500	\$2,779,100	\$506,200	\$15,204,300	\$30,472,400
10% Claims Margin	\$1,236,300	\$0	\$1,236,300	\$1,068,400	\$2,000	\$238,000	\$44,900	\$1,353,300	2,589,600
Total - With Claims Margin	\$15,460,500	\$1,043,900	\$16,504,400	\$12,965,900	\$23,500	\$3,017,100	\$551,100	\$16,557,600	\$33,062,000
Projected Enrollment	1,145	90	1,235	746	1	355	50	1,152	2,387
<b>Total By Group</b>	<b>\$16,504,400</b>			<b>\$12,989,400</b>		<b>\$3,568,200</b>		<b>\$16,557,600</b>	<b>\$33,062,000</b>
<b>Dental</b>									
Incurred claims			\$1,683,100					\$25,000	\$1,708,100
Delta ASO			123,300					1,800	125,100
Eligibility administration			7,700					100	7,800
City Administration/Consultants			38,300					600	38,900
Total Without Margin			\$1,852,400					\$27,500	\$1,879,900
10% Claims Margin			\$168,100					\$2,500	\$170,600
Total - With Claims Margin			\$2,020,500					\$30,000	\$2,050,500
Projected Enrollment			1,281					19	1,300
<b>Vision</b>									
Incurred claims			\$187,200						\$187,200
VSP ASO			24,300						24,300
Eligibility administration			3,900						3,900
City Administration/Consultants			4,400						4,400
Total Without Margin			\$219,800						\$219,800
10% Claims Margin			\$18,700						\$18,700
Total - With Claims Margin			\$238,500						\$238,500
Projected Enrollment			1,300						1,300
<b>Total All Benefits With Margin</b>	<b>\$18,763,400</b>							<b>\$16,587,600</b>	<b>\$35,351,000</b>

Notes: Projected Medical Claims are net of stop loss reimbursements for claims over attachment point  
Prescription drug projection include reduction for rebates in both active and retiree plans  
Over 65 retiree drug claims projection includes Medicare Part D credit

**TABLE 3**  
**Tier Rate Development**  
**2012/2013 Monthly Premium Rates**

**Active - FFS Medical**

<b>Active Monthly Premium Rates (Fiscal Year 2012/2013)</b>	<b>FFS Medical</b>	<b>Vision</b>	<b>Dental</b>	<b>Total</b>
Employee only	\$562.41	\$7.07	\$60.79	\$630.27
Employee plus 1 dependent	\$1,012.34	\$14.14	\$121.58	\$1,148.05
Employee plus 2 or more dependents	\$1,349.78	\$18.39	\$158.04	\$1,526.21

**Active - Kaiser Medical**

<b>Active Monthly Premium Rates (Fiscal Year 2012/2013)</b>	<b>Kaiser Medical</b>	<b>Vision</b>	<b>Dental</b>	<b>Total</b>
Employee only	\$455.25	\$7.07	\$60.79	\$523.11
Employee plus spouse	\$819.45	\$14.14	\$121.58	\$955.16
Employee plus child(ren)*	\$819.45	\$14.14	\$121.58	\$955.16
Employee plus spouse and child(ren)	\$1,092.59	\$18.39	\$158.04	\$1,269.02

**\*Note both employee plus child and employee plus children have the same rate**

**Retiree Under 65**

<b>Retiree Under 65 Monthly Premium Rates (Fiscal Year 2012/2013)</b>	<b>Original</b>	<b>Modified</b>
Employee only	\$1,961.21	\$875.92
Employee plus 1 dependent	\$3,530.18	\$1,576.66
Employee plus 2 or more dependents	\$4,706.93	\$2,102.22

**Retiree Over 65**

<b>Retiree Over 65 Monthly Premium Rates (Fiscal Year 2012/2013)</b>	<b>Original</b>	<b>Modified</b>
Employee only	\$671.39	\$428.63
Employee plus 1 dependent	\$1,208.50	\$771.53
Employee plus 2 or more dependents	\$1,611.34	\$1,028.71

**Table 4**  
**Weighted Average - Benefit Cost, City Contribution and Employee Contribution**

Active PPO		Current PPO			Fiscal 12/13		
	Enrollment	Cost (with benefit cuts)	City Contribution	Employee Contribution	Cost	City Contribution	Employee Contribution
Employee only	220	\$ 570.13	\$ 481.00	\$ 89.13	\$ 630.27	\$ 481.00	\$ 149.27
Employee plus 1 dependent	262	1,039.19	875.00	164.19	1,148.05	875.00	273.05
Employee plus 2 or more dependents	683	1,381.28	1,165.00	216.28	1,526.21	1,165.00	361.21
Composite	1,165	\$ 1,151.17	\$ 970.61	\$ 180.56	\$ 1,271.95	\$ 970.61	\$ 301.34

Active Kaiser		Current Kaiser			Fiscal 12/13		
	Enrollment	Cost*	City Contribution	Employee Contribution	Cost*	City Contribution	Employee Contribution
Employee only	11	\$ 479.76	\$ 479.76	\$ -	\$ 527.63	\$ 481.00	\$ 46.63
Employee plus spouse	10	876.52	875.00	1.52	963.29	875.00	88.29
Employee plus child(ren)*	8	876.52	875.00	1.52	963.29	875.00	88.29
Employee plus spouse and child(ren)	59	1,164.37	1,164.37	-	1,279.87	1,165.00	114.87
Composite	88	\$ 1,019.92	\$ 1,019.61	\$ 0.31	\$ 1,113.29	\$ 1,020.18	\$ 93.11

\*Fiscal Year 2012/2013 included City's operating expenses and Delta Health Systems' fees while current did not include these fees

Weighted Cost (PPO and Kaiser Combined) \$ 1,260.81   \$ 974.09   \$ 286.72

## City of Stockton 2011/2012 Projection

TABLE 5A

## COST PROJECTION ACTIVES

	Medical		Prescription Drug		Total Projected 2011/2012
	June-2010	June-2011	June-2010	June-2011	
Paid Claims	\$ 15,250,591	\$ 15,378,726	\$ 3,231,728	\$ 3,455,048	
Large Claim/Stop-loss Adjustments	\$ (1,316,858)	\$ (1,229,677)	-	-	
Adjusted Paid Claims	\$ 13,933,733	\$ 14,149,049	\$ 3,231,728	\$ 3,455,048	
Ending IBNR Reserves	\$ 2,372,000	\$ 2,204,000	\$ 188,700	\$ 182,600	
Beginning IBNR Reserves	\$ 1,833,400	\$ 2,372,000	\$ 139,400	\$ 188,700	
Adjusted Incurred Claims	\$ 14,472,333	\$ 13,981,049	\$ 3,281,028	\$ 3,448,948	
Member Months	17,551	16,375	17,551	16,375	
Adjusted Incurred Claims PEPM	\$ 824.59	\$ 853.80	\$ 186.94	\$ 210.62	
Increase from Prior Year		3.5%		12.7%	
Trend Factor at 10% for Medical and 8% for Rx	1.21	1.10	1.17	1.08	
Projected PEPM	\$ 997.75	\$ 939.18	\$ 218.05	\$ 227.47	
Weight	35%	65%		100%	
Weighted PEPM	\$ 349.21	\$ 610.47		\$ 227.47	
Blended PEPM		\$ 959.68		\$ 227.47	
Plan Change Factor		0.771		0.762	
Less Prescription Drug Rebate PEPM				(12.13)	
Projected Medical/Rx Incurred Claims PEPM 7/11-6/12		\$ 739.59		\$ 161.21	\$ 900.80
Projected Monthly Enrollment		1,165		1,165	
Annual Total Projected 7/11-6/12 without 10% Margin		\$ 10,339,500		\$ 2,253,700	\$ 12,593,200

## City of Stockton 2012/2013 Projection

TABLE 5B

## COST PROJECTION ACTIVES

	Medical	Prescription Drug	Total Projected 2012/2013
7/11-6/12 Blended PEPM before plan change adjustments	\$ 959.68	\$ 227.47	
Trend Factor at 10% for Medical and 8% for Rx	1.10	1.08	
Plan Change Factor	0.70	0.69	
Less Prescription Drug Rebate PEPM		(11.87)	
Projected Medical/Rx Incurred Claims PEPM 7/12-6/13	\$ 742.02	\$ 157.74	\$ 899.76
Projected Monthly Enrollment	1,145	1,145	
Annual Total Projected 7/12-6/13 without 10% Margin	\$ 10,195,400	\$ 2,167,300	\$ 12,362,700

Table 6

**COST PROJECTION RETIREES (All Retiree Combined Experience)\***

	Medical			Prescription Drug		Total Projected
	June-2009	June-2010	June-2011	June-2010	June-2011	2011/2012
Paid Claims	\$ 6,728,589	\$ 8,968,532	\$ 8,218,111	\$ 4,061,627	\$ 4,820,726	
Large Claim/Stop-loss Adjustments	\$ (52,759)	\$ (148,323)	\$ (97,128)	\$ -	\$ -	
Ending IBNR Reserves	\$ 827,600	\$ 1,394,800	\$ 1,271,600	\$ 254,600	\$ 262,200	
Beginning IBNR Reserves	\$ 1,057,200	\$ 827,600	\$ 1,394,800	\$ 164,900	\$ 254,600	
Adjusted Incurred Claims	\$ 6,446,230	\$ 9,387,409	\$ 7,997,783	\$ 4,151,327	\$ 4,828,326	
Member Months	9,520	10,947	11,831	10,947	11,831	
Adjusted Incurred Claims PEPM	\$ 677.12	\$ 857.53	\$ 676.00	\$ 379.22	\$ 408.11	
Increase from Prior Year		27%	-21%	34.5%	8%	
Trend Factor at 10% for Medical and 8% for Rx	1.33	1.21	1.10	1.17	1.08	
Projected PEPM	\$ 901.25	\$ 1,037.61	\$ 743.60	\$ 442.32	\$ 440.76	
Weight		40%	60%	40%	60%	
Weighted PEPM		\$ 415.05	\$ 446.16	\$ 176.93	\$ 264.45	
Blended PEPM			\$ 861.21		\$ 441.38	
Less Rx Rebate PEPM					\$ (23.24)	
Projected Medical/Rx Incurred Claims PEPM 7/11-6/12			\$ 861.21	\$ 418.14		\$ 1,279.35
Demographic Adjustment/Plan Change Adjustment Under 65 Under 65 Projection 2011/2012			0.932	0.667		\$ 1,081.94
Demographic Adjustment/Plan Change Adjustment Over 65 Over 65 Projection 2011/2012			0.568	0.794		\$ 821.32
			\$ 489.13	\$ 332.19		\$ 821.32
<b>12/13 Projection</b>						
Projected Medical/Rx Incurred Claims PEPM 7/11-6/12			\$ 861.21	\$ 418.14		\$ 1,279.35
Trend 12/13			1.10	1.08		
Demographic Adjustment/Plan Change Adjustment Under 65 Under 65 Projection 2012/2013			0.85	0.60		\$ 1,082.15
Demographic Adjustment/Plan Change Adjustment Over 65 Over 65 Projection 2012/2013			0.54	0.73		\$ 838.47
			\$ 507.10	\$ 331.38		\$ 838.47

\* Rates developed for blending with costs based on plan experience by under and over 65 in Tables 6A to 7B

## City of Stockton 2011/2012 Projection

TABLE 6A

## COST PROJECTION RETIREES UNDER 65 (Blended Modified and Original Plan Experience)

	Medical			Prescription Drug		Total Projected
	June-2009	June-2010	June-2011	June-2010	June-2011	2011/2012
Paid Claims	\$ 6,147,365	\$ 8,173,768	\$ 6,884,474	\$ 2,927,406	\$ 2,852,149	
Large Claim/Stop-loss Adjustments	\$ (52,759)	\$ (148,323)	\$ (30,677)	\$ -	\$ -	
Ending IBNR Reserves	\$ 756,100	\$ 1,271,200	\$ 1,062,300	\$ 186,700	\$ 152,100	
Beginning IBNR Reserves	\$ 909,600	\$ 756,100	\$ 1,271,200	\$ 116,100	\$ 186,700	
Adjusted Incurred Claims	\$ 5,941,105	\$ 8,540,545	\$ 6,644,896	\$ 2,998,006	\$ 2,817,549	
Member Months	6,152	7,136	7,615	7,136	7,615	
Adjusted Incurred Claims PEPM	\$ 965.72	\$ 1,196.83	\$ 872.61	\$ 420.12	\$ 370.00	
Increase from Prior Year		23.9%	-27.1%	-11.9%	-11.9%	
Trend Factor at 10% for Medical and 8% for Rx		1.21	1.10	1.17	1.08	
Projected PEPM		\$ 1,448.16	\$ 959.87	\$ 490.03	\$ 399.60	
Weight		40%	60%	40%	60%	
Weighted PEPM		\$ 579.26	\$ 575.92	\$ 196.01	\$ 239.76	
Blended PEPM			\$ 1,155.18		\$ 435.77	
Plan Change Factor			0.780		0.762	
Less Rx Rebate PEPM					\$ (23.24)	
Projected Medical/Rx Incurred Claims PEPM 7/11-6/12			\$ 900.79		\$ 308.82	
Weight			90%		80%	
<b>Retiree Plan Combined Rate (From Table 6)</b>			<b>\$ 803.07</b>		<b>\$ 278.87</b>	
Weight			10%		20%	
<b>Projected Retiree Under 65 Rate</b>			<b>\$ 891.02</b>		<b>\$ 302.83</b>	<b>\$ 1,193.85</b>
Adjustment for Benefit Variation - Modified Plan			0.9998		0.9990	
Projected Incurred Claims PEPM			\$ 890.80		\$ 302.51	\$ 1,193.31
Projected Monthly Enrollment			676		676	
Annual Total Projected 7/11-6/12 without 10% Margin			\$ 7,226,200		\$ 2,454,000	\$ 9,680,200
Adjustment for Benefit Variation - Original Plan			1.1644		1.7067	
Projected Incurred Claims PEPM			\$ 1,037.53		\$ 516.84	\$ 1,554.37
Projected Monthly Enrollment			1		1	
Annual Total Projected 7/11-6/12 without 10% Margin			\$ 12,500		\$ 6,200	\$ 18,700

## City of Stockton 2012/2013 Projection

TABLE 6B

## COST PROJECTION RETIREES UNDER 65 (Blended Modified and Original Plan Experience)

	Medical	Prescription Drug	Total Projected 2012/2013
7/11-6/12 Blended PEPM before plan change adjustments	\$ 1,155.18	\$ 435.77	
Trend Factor at 10% for Medical and 8% for Rx	1.1	1.08	
Plan Change Factor	0.714	0.690	
Projected Claims 7/12-6/13	\$ 907.77	\$ 324.93	
Less Rx Rebate PEPM		(22.75)	
Projected Medical/Rx Incurred Claims PEPM 7/12-6/13	\$ 907.77	\$ 302.18	
Weight	90%	80%	
<b>Retiree Plan Combined Rate (From Table 6)</b>	<b>\$ 809.29</b>	<b>\$ 272.86</b>	
Weight	10%	20%	
<b>Blended Projected Rates</b>	<b>897.92</b>	<b>296.32</b>	<b>\$ 1,194.24</b>
Adjustment for Benefit Variation - Modified Plan	0.9996	0.9990	
Projected Incurred Claims PEPM	\$ 897.54	\$ 296.01	\$ 1,193.55
Projected Monthly Enrollment	676	676	
Annual Total Projected 7/12-6/13 without 10% Margin	\$ 7,280,800	\$ 2,401,200	\$ 9,682,000
Adjustment for Benefit Variation - Original Plan	1.2800	1.7067	
Projected Incurred Claims PEPM	\$ 1,153.42	\$ 505.73	\$ 1,659.15
Projected Monthly Enrollment	1	1	
Annual Total Projected 7/12-6/13 without 10% Margin	\$ 13,800	\$ 6,100	\$ 19,900

## City of Stockton 2011/2012 Projection

TABLE 7A

## COST PROJECTION RETIREES OVER 65 (Blended Modified and Original Plan Experience)

	Medical			Prescription Drug		Total Projected
	June-2009	June-2010	June-2011	June-2010	June-2011	2011/2012
Paid claims	\$ 581,224	\$ 794,764	\$ 1,333,637	\$ 1,134,221	\$ 1,968,577	
Large Claim/Stop-loss Adjustments	\$ -	\$ -	\$ (66,450)	\$ -	\$ -	
Ending IBNR Reserves	\$ 71,500	\$ 123,600	\$ 209,300	\$ 67,900	\$ 110,100	
Beginning IBNR Reserves	\$ 147,600	\$ 71,500	\$ 123,600	\$ 48,800	\$ 67,900	
Adjusted Incurred Claims	\$ 505,124	\$ 846,864	\$ 1,352,887	\$ 1,153,321	\$ 2,010,777	
Member Months	3,368	3,811	4,216	3,811	4,216	
Adjusted Incurred Claims PEPM	\$ 149.98	\$ 222.22	\$ 320.89	\$ 302.63	\$ 476.94	
Increase from Prior Year		48.2%	44.4%		57.6%	
Trend Factor at 10% for Medical and 8% for Rx	1.33	1.21	1.10	1.17	1.08	
Projected PEPM	\$ 199.62	\$ 268.89	\$ 352.98	\$ 352.99	\$ 515.10	
Weight		45%	55%	45%	55%	
Weighted PEPM		\$ 121.00	\$ 194.14	\$ 158.85	\$ 283.31	
Blended PEPM			\$ 315.14		\$ 442.15	
Plan Change Factor			0.838		0.808	
Less Rx Rebate PEPM + Medicare Part D Subsidy					-83.08	
Projected Medical/Rx Incurred Claims PEPM 7/11-6/12			\$ 263.96		\$ 274.30	
Weight			90%		80%	
<b>Retiree Plan Combined Rate (From Table 6)</b>			<b>\$ 489.13</b>		<b>\$ 332.19</b>	
Weight			10%		20%	
<b>Projected Retiree Over 65 Rate</b>			<b>\$ 286.48</b>		<b>\$ 285.88</b>	<b>\$ 572.36</b>
Adjustment for Benefit Variation - Modified Plan			1.0000		0.9186	
Projected Incurred Claims PEPM			\$ 286.48		\$ 262.61	\$ 549.09
Projected Monthly Enrollment			355		355	
Annual Total Projected 7/11-6/12 without 10% Margin			\$ 1,220,400		\$ 1,118,700	\$ 2,339,100
Adjustment for Benefit Variation - Original Plan			1.0100		1.5780	
Projected Incurred Claims PEPM			\$ 289.34		\$ 451.12	\$ 740.46
Projected Monthly Enrollment			50		50	
Annual Total Projected 7/11-6/12 without 10% Margin			\$ 173,600		\$ 270,700	\$ 444,300

## City of Stockton 2012/2013 Projection

TABLE 7B

## COST PROJECTION RETIREES OVER 65 (Blended Modified and Original Plan Experience)

	Medical	Prescription Drug	Total Projected 2012/2013
7/11-6/12 Blended PEPM before plan change adjustments	\$ 315.14	\$ 442.15	
Trend Factor at 10% for Medical and 8% for Rx	1.1	1.08	
Plan Change Factor	0.789	0.749	
Less Rx Rebate PEPM		(84.26)	
Projected Medical/Rx Incurred Claims PEPM 7/12-6/13	\$ 273.65	\$ 273.44	
Weight	90%	80%	
<b>Retiree Plan Combined Rate (From Table 6)</b>	<b>\$ 507.10</b>	<b>\$ 331.38</b>	
Weight	10%	20%	
<b>Blended Projected Rates</b>	<b>\$ 297.00</b>	<b>\$ 285.02</b>	<b>\$ 582.02</b>
Adjustment for Benefit Variation - Modified Plan	1.0000	0.9186	
Projected Incurred Claims PEPM	\$ 297.00	\$ 261.82	\$ 558.82
Projected Monthly Enrollment	355	355	
Annual Total Projected 7/12-6/13 without 10% Margin	\$ 1,265,200	\$ 1,115,400	\$ 2,380,600
Adjustment for Benefit Variation - Original Plan	1.0100	1.578	
Projected Incurred Claims PEPM	\$ 299.97	\$ 449.76	\$ 749.73
Projected Monthly Enrollment	50	50	
Annual Total Projected 7/12-6/13 without 10% Margin	\$ 180,000	\$ 269,900	\$ 449,900

## City of Stockton 2011/2012 Projection

TABLE 8A

## COST PROJECTION DENTAL AND VISION

	Dental		Vision	
	June-2010	June-2011	June-2010	June-2011
Paid Claims	\$ 1,652,434	\$ 1,688,531	\$ 206,014	\$ 184,912
Ending IBNR Reserves	\$ 159,000	\$ 140,700	\$ 20,000	\$ 18,300
Beginning IBNR Reserves	\$ 170,000	\$ 159,000	\$ 21,500	\$ 20,000
Adjusted Incurred Claims	\$ 1,641,434	\$ 1,670,231	\$ 204,514	\$ 183,212
Member months	18,304	16,918	18,325	16,920
Adjusted Incurred Claims PEPM	\$ 89.68	\$ 98.73	\$ 11.16	\$ 10.83
Trend Factor at 6% for Dental and 4% for Vision	1.12	1.06	1.08	1.04
Projected PEPM	\$ 100.76	\$ 104.65	\$ 12.07	\$ 11.26
Weight	35%	65%	35%	65%
Weighted PEPM	35.27	68.02	4.22	7.32
Projected Blended PEPM 7/11-6/12		\$ 103.29		\$ 11.54
Average Projected Eligibles 7/1/2011 - 6/30/2012		1,300		1,300
Total Projected Claims 7/11-6/12 without Margin		\$ 1,611,400		\$ 180,000

## City of Stockton 2012/2013 Projection

TABLE 8B

## COST PROJECTION DENTAL AND VISION

	<u>Dental</u>	<u>Vision</u>
Projected Blended PEPM 7/11-6/12	\$ 103.29	\$ 11.54
Annual Trend Factor at 6% for Dental and 4% for Vision	1.06	1.04
Average Projected Eligibles	1,300	1,300
Projected Claims 7/12-6/13	\$ 1,708,100	\$ 187,200
Projected Incurred Claims PEPM 7/11-6/12	\$ 109.49	\$ 12.00

TABLE 9A

## SELF-FUNDED MEDICAL CLAIMS EXPERIENCE (Before Stop Loss Claims Adjustments)

Period	Active Employees			Retirees Under 65 (Original and Modified Plans)			Retirees Over 65 (Original and Modified Plans)		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM	Enrollment	Claims	PEPM
Jul-09	1,524	\$1,250,332	\$820.43	546	\$463,784	\$849.42	315	\$44,154	\$140.17
Aug-09	1,507	\$1,101,472	\$730.90	557	\$578,433	\$1,038.48	315	\$102,292	\$324.74
Sep-09	1,499	\$1,021,481	\$681.44	559	\$312,443	\$558.93	316	\$34,837	\$110.24
Oct-09	1,497	\$874,350	\$584.07	563	\$671,025	\$1,191.87	316	\$84,993	\$268.97
Nov-09	1,491	\$1,017,465	\$682.40	568	\$610,942	\$1,075.60	317	\$59,145	\$186.58
Dec-09	1,485	\$1,003,328	\$675.64	570	\$916,748	\$1,608.33	317	\$113,096	\$356.77
Jan-10	1,425	\$1,625,351	\$1,140.60	626	\$618,026	\$987.26	321	\$52,288	\$162.89
Feb-10	1,425	\$1,206,091	\$846.38	628	\$634,360	\$1,010.13	321	\$39,827	\$124.07
Mar-10	1,425	\$1,610,554	\$1,130.21	629	\$617,472	\$981.67	319	\$56,915	\$178.42
Apr-10	1,425	\$1,483,251	\$1,040.88	629	\$662,939	\$1,053.96	319	\$39,791	\$124.74
May-10	1,425	\$1,433,744	\$1,006.14	629	\$1,122,048	\$1,783.86	318	\$53,195	\$167.28
Jun-10	1,423	\$1,656,110	\$1,163.82	632	\$983,201	\$1,555.70	317	\$115,947	\$365.76
<b>Total</b>	<b>17,551</b>	<b>\$15,283,530</b>	<b>\$870.81</b>	<b>7,136</b>	<b>\$8,191,422</b>	<b>\$1,147.90</b>	<b>3,811</b>	<b>\$796,480</b>	<b>\$209.00</b>
Jul-10	1,395	\$87,067	\$62.41	645	\$194,147	\$301.00	328	\$13,088	\$39.90
Aug-10	1,387	\$1,171,768	\$844.82	646	\$547,957	\$848.23	328	\$58,081	\$177.07
Sep-10	1,378	\$1,419,597	\$1,030.19	637	\$582,072	\$913.77	338	\$75,310	\$222.81
Oct-10	1,374	\$1,185,473	\$862.79	631	\$808,742	\$1,281.68	345	\$89,919	\$260.63
Nov-10	1,369	\$1,206,017	\$880.95	633	\$712,397	\$1,125.43	346	\$77,698	\$224.56
Dec-10	1,369	\$1,310,716	\$957.43	626	\$416,205	\$664.86	352	\$73,179	\$207.89
Jan-11	1,360	\$1,177,428	\$865.76	627	\$438,798	\$699.84	359	\$106,794	\$297.48
Feb-11	1,357	\$1,805,177	\$1,330.27	631	\$679,447	\$1,076.78	360	\$177,508	\$493.08
Mar-11	1,354	\$1,366,158	\$1,008.98	633	\$605,769	\$956.98	359	\$174,633	\$486.44
Apr-11	1,340	\$1,484,458	\$1,107.80	638	\$639,715	\$1,002.69	366	\$273,641	\$747.65
May-11	1,343	\$1,615,476	\$1,202.89	635	\$567,986	\$894.47	367	\$116,617	\$317.76
Jun-11	1,349	\$1,557,719	\$1,154.72	633	\$695,835	\$1,099.27	368	\$97,680	\$265.44
<b>Total</b>	<b>16,375</b>	<b>\$15,387,054</b>	<b>\$939.67</b>	<b>7,615</b>	<b>\$6,889,071</b>	<b>\$904.67</b>	<b>4,216</b>	<b>\$1,334,147</b>	<b>\$316.45</b>
<b>Percent Change</b>	<b>-6.7%</b>	<b>0.7%</b>	<b>7.9%</b>	<b>6.7%</b>	<b>-15.9%</b>	<b>-21.2%</b>	<b>10.6%</b>	<b>67.5%</b>	<b>51.4%</b>

TABLE 9B

## SELF-FUNDED PRESCRIPTION DRUG CLAIMS EXPERIENCE

Period	Active Employees			Retirees Under 65 (Original and Modified Plans)			Retirees Over 65 (Original and Modified Plans)		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM
Jul-09	1,524	\$214,613	\$140.82	546	\$191,744	\$351.18	315	\$91,376	\$290.08
Aug-09	1,507	\$288,779	\$191.63	557	\$201,366	\$361.52	315	\$82,071	\$260.54
Sep-09	1,499	\$258,510	\$172.46	559	\$225,021	\$402.54	316	\$82,797	\$262.02
Oct-09	1,497	\$403,322	\$269.42	563	\$385,798	\$685.25	316	\$147,762	\$467.60
Nov-09	1,491	\$248,064	\$166.37	568	\$234,906	\$413.57	317	\$89,568	\$282.55
Dec-09	1,485	\$295,559	\$199.03	570	\$261,709	\$459.14	317	\$91,055	\$287.24
Jan-10	1,425	\$269,676	\$189.25	626	\$273,080	\$436.23	321	\$92,764	\$288.99
Feb-10	1,425	\$275,487	\$193.32	628	\$254,304	\$404.94	321	\$103,467	\$322.33
Mar-10	1,425	\$281,751	\$197.72	629	\$253,491	\$403.01	319	\$97,608	\$305.98
Apr-10	1,425	\$290,144	\$203.61	629	\$261,209	\$415.28	319	\$98,387	\$308.42
May-10	1,425	\$290,314	\$203.73	629	\$268,690	\$427.17	318	\$100,426	\$315.81
Jun-10	1,423	\$294,290	\$206.81	632	\$274,148	\$433.78	317	\$102,630	\$323.75
<b>Total</b>	<b>17,551</b>	<b>\$3,410,511</b>	<b>\$194.32</b>	<b>7,136</b>	<b>\$3,085,466</b>	<b>\$432.38</b>	<b>3,811</b>	<b>\$1,179,912</b>	<b>\$309.61</b>
Jul-10	1,395	\$151,455	\$108.57	645	\$141,089	\$218.74	328	\$52,818	\$161.03
Aug-10	1,387	\$454,709	\$327.84	646	\$423,588	\$655.71	328	\$158,574	\$483.46
Sep-10	1,378	\$409,346	\$297.06	637	\$352,362	\$553.16	338	\$263,407	\$779.31
Oct-10	1,374	\$137,352	\$99.96	631	\$128,218	\$203.20	345	\$87,958	\$254.95
Nov-10	1,369	\$332,185	\$242.65	633	\$308,995	\$488.14	346	\$225,593	\$652.00
Dec-10	1,369	\$285,274	\$208.38	626	\$203,001	\$324.28	352	\$153,243	\$435.35
Jan-11	1,360	\$256,449	\$188.57	627	\$182,091	\$290.42	359	\$147,347	\$410.44
Feb-11	1,357	\$277,627	\$204.59	631	\$259,261	\$410.87	360	\$187,524	\$520.90
Mar-11	1,354	\$275,268	\$203.30	633	\$220,620	\$348.53	359	\$157,039	\$437.44
Apr-11	1,340	\$385,406	\$287.62	638	\$283,444	\$444.27	366	\$241,620	\$660.17
May-11	1,343	\$255,419	\$190.19	635	\$211,801	\$333.55	367	\$172,849	\$470.98
Jun-11	1,349	\$287,791	\$213.34	633	\$184,655	\$291.71	368	\$138,991	\$377.69
<b>Total</b>	<b>16,375</b>	<b>\$3,508,282</b>	<b>\$214.25</b>	<b>7,615</b>	<b>\$2,899,126</b>	<b>\$380.71</b>	<b>4,216</b>	<b>\$1,986,963</b>	<b>\$471.29</b>
<b>Percent Change</b>	<b>-6.7%</b>	<b>2.9%</b>	<b>10.3%</b>	<b>6.7%</b>	<b>-6.0%</b>	<b>-11.9%</b>	<b>10.6%</b>	<b>68.4%</b>	<b>52.2%</b>

TABLE 9C

## VISION AND DENTAL CLAIMS EXPERIENCE

Period	Vision			Dental		
	Enrollment	Paid Claims	PEPM	Enrollment	Paid Claims	PEPM
Jul-09	1,587	\$14,664	\$9.24	1,580	\$149,932	\$94.89
Aug-09	1,574	\$18,782	\$11.93	1,570	\$119,612	\$76.19
Sep-09	1,560	\$19,725	\$12.64	1,558	\$121,508	\$77.99
Oct-09	1,556	\$18,839	\$12.11	1,556	\$172,252	\$110.70
Nov-09	1,552	\$18,557	\$11.96	1,549	\$123,550	\$79.76
Dec-09	1,547	\$16,873	\$10.91	1,542	\$145,730	\$94.51
Jan-10	1,496	\$14,677	\$9.81	1,497	\$139,481	\$93.17
Feb-10	1,492	\$15,347	\$10.29	1,497	\$120,701	\$80.63
Mar-10	1,494	\$14,880	\$9.96	1,493	\$128,783	\$86.26
Apr-10	1,495	\$15,959	\$10.67	1,491	\$174,788	\$117.23
May-10	1,488	\$18,599	\$12.50	1,490	\$140,767	\$94.47
Jun-10	1,484	\$19,112	\$12.88	1,481	\$115,331	\$77.87
<b>Total</b>	<b>18,325</b>	<b>\$206,014</b>	<b>\$11.24</b>	<b>18,304</b>	<b>\$1,652,434</b>	<b>\$90.28</b>
Jul-10	1,465	\$15,491	\$10.57	1,415	\$175,898	\$124.31
Aug-10	1,420	\$14,795	\$10.42	1,417	\$125,090	\$88.28
Sep-10	1,414	\$14,108	\$9.98	1,411	\$125,564	\$88.99
Oct-10	1,414	\$13,744	\$9.72	1,415	\$120,521	\$85.17
Nov-10	1,410	\$17,110	\$12.13	1,406	\$103,871	\$73.88
Dec-10	1,406	\$15,620	\$11.11	1,408	\$146,020	\$103.71
Jan-11	1,409	\$14,219	\$10.09	1,414	\$135,678	\$95.95
Feb-11	1,413	\$13,464	\$9.53	1,415	\$138,571	\$97.93
Mar-11	1,416	\$15,634	\$11.04	1,413	\$168,638	\$119.35
Apr-11	1,403	\$15,424	\$10.99	1,403	\$127,480	\$90.86
May-11	1,353	\$18,665	\$13.80	1,404	\$148,881	\$106.04
Jun-11	1,397	\$16,638	\$11.91	1,397	\$172,320	\$123.35
<b>Total</b>	<b>16,920</b>	<b>\$184,912</b>	<b>\$10.93</b>	<b>16,918</b>	<b>\$1,688,531</b>	<b>\$99.81</b>
<b>Percent Change</b>	<b>-7.7%</b>	<b>-10.2%</b>	<b>-2.8%</b>	<b>-7.6%</b>	<b>2.2%</b>	<b>10.6%</b>

**Reserves**

Segal has estimated the incurred but not reported (IBNR) claims reserve as of June 30, 2011 to be \$4,079,000.

Segal's reserve guidelines for self-funded plans is outlined in the table below.

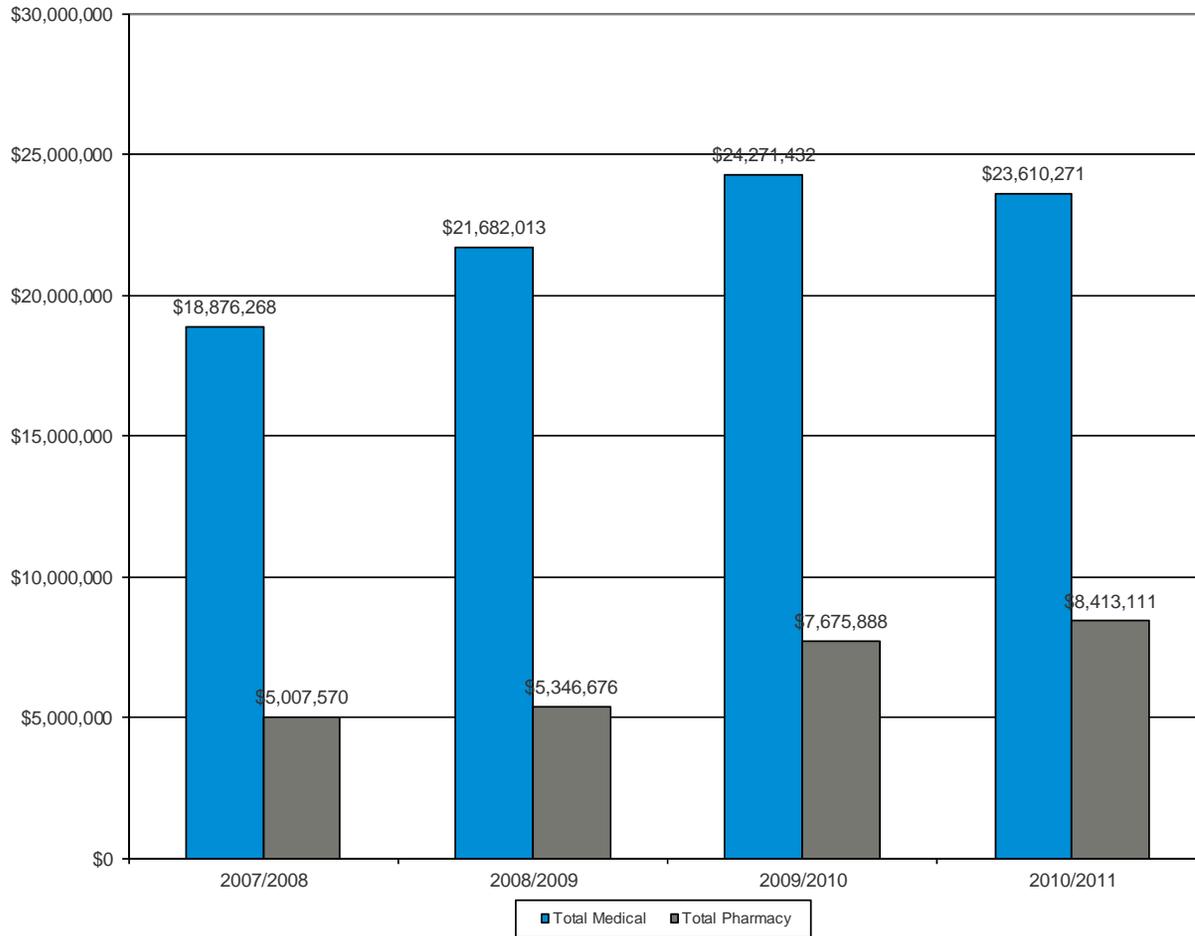
<b>Reserves</b>	<b>Importance</b>	<b>Why</b>	<b>Methodology</b>	<b>%</b>	<b>2010/2011 Reserves</b>
<b>Incurred But Not Reported (IBNR)</b>	Required	To cover expenses for already incurred claims that have not been paid.	Factor or Lag model	12%	\$4,079,000
<b>Claims Fluctuation Reserve (CFR)</b>	Recommended	To cover expenses in excess of projected levels due to:  1) Large Claims - Risk of unexpected increases in the number and/or size of claims incurred by individual participants.  2) Client Claims - Overall plan claims experience developing at a variance from the expected cost per participant.  3) Trend - Risk inherent in a projection that uses a forecast of the overall increase in price and utilization of health care services.	Takes into consideration the Individual Stop Loss Level and is based on the factors from published methodology	24%	\$7,697,000
<b>Economic</b>	Optional	To cover expenses when available sources of revenue develop at less than projected levels due to country and state recession or other changes to expected revenues.	25% minimal  50% optimal	50%	\$15,936,000
<b>Total</b>					\$27,712,000

\* Medical Plan claims only used for these estimates

Projected rates are on an incurred basis and include the IBNR estimates. No other additional adjustments are included in the rates that would fund the recommended CFR and optional economic adjustment.

City of Stockton Experience Analysis

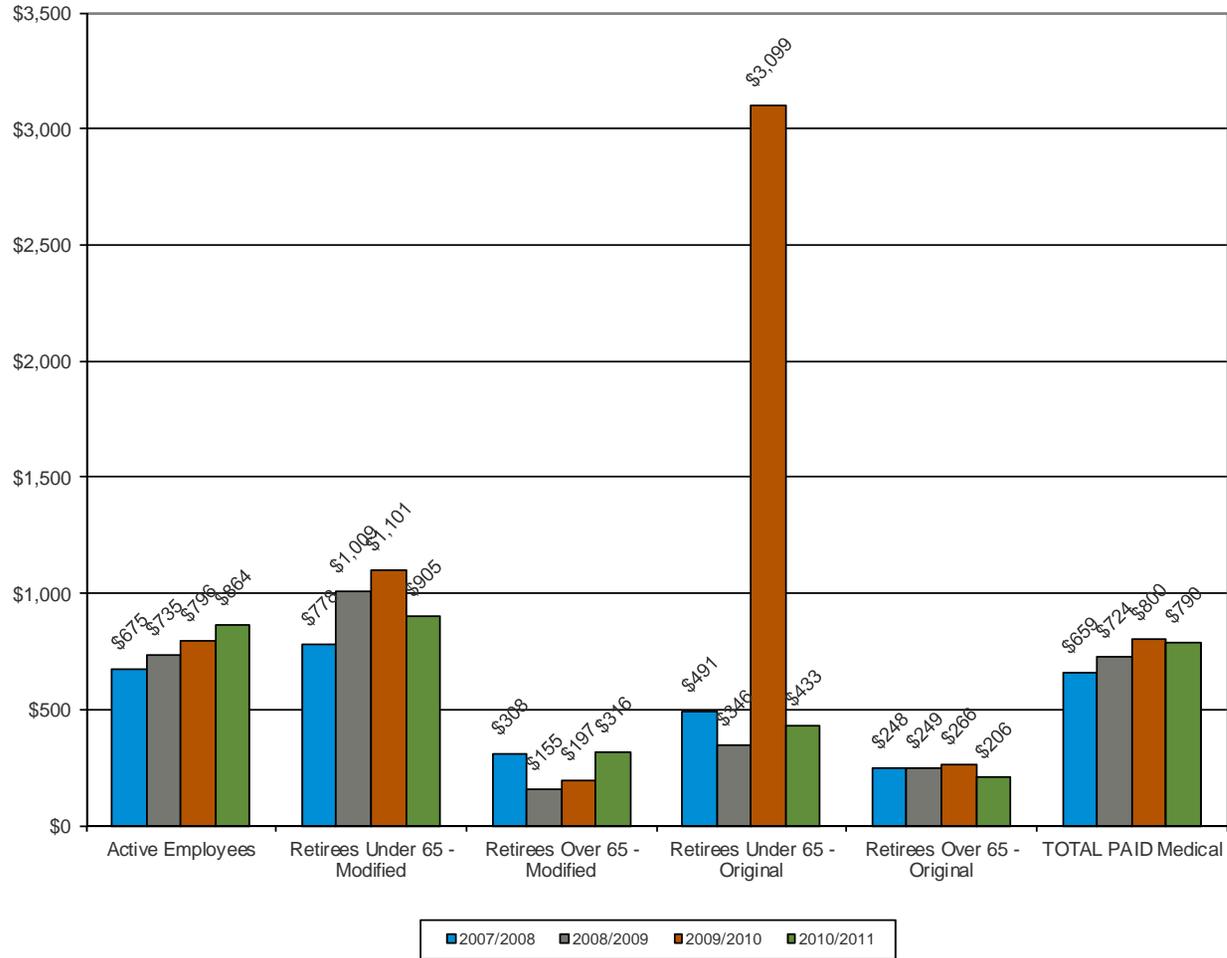
CITY OF STOCKTON - HISTORICAL EXPENDITURES



The total medical costs and prescription drug costs increased by 25% and 68% respectively from 2007/2008 to 2010/2011 while the enrollment remained constant.

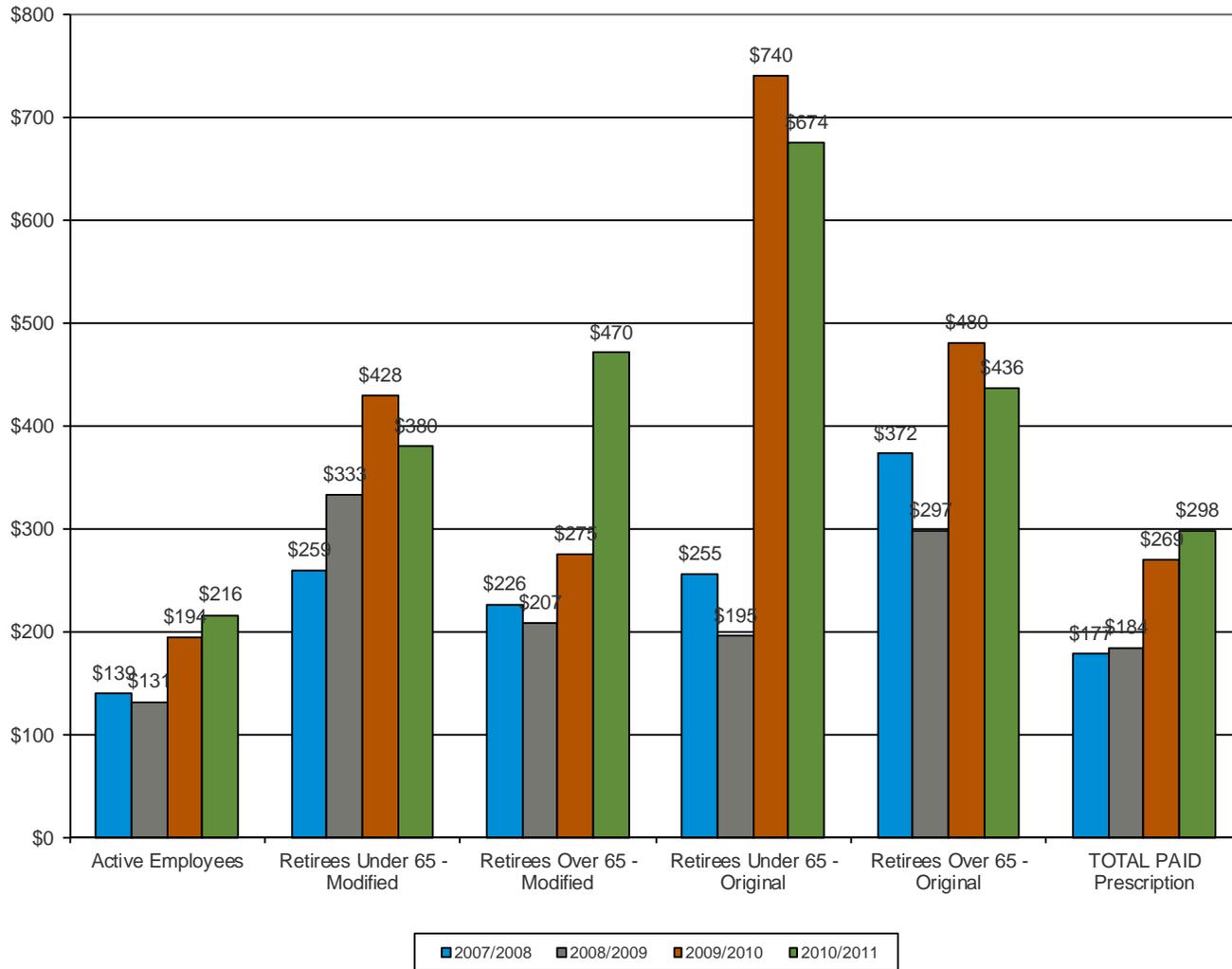
City of Stockton Experience Analysis

CITY OF STOCKTON - PER CAPITA MONTHLY MEDICAL COSTS



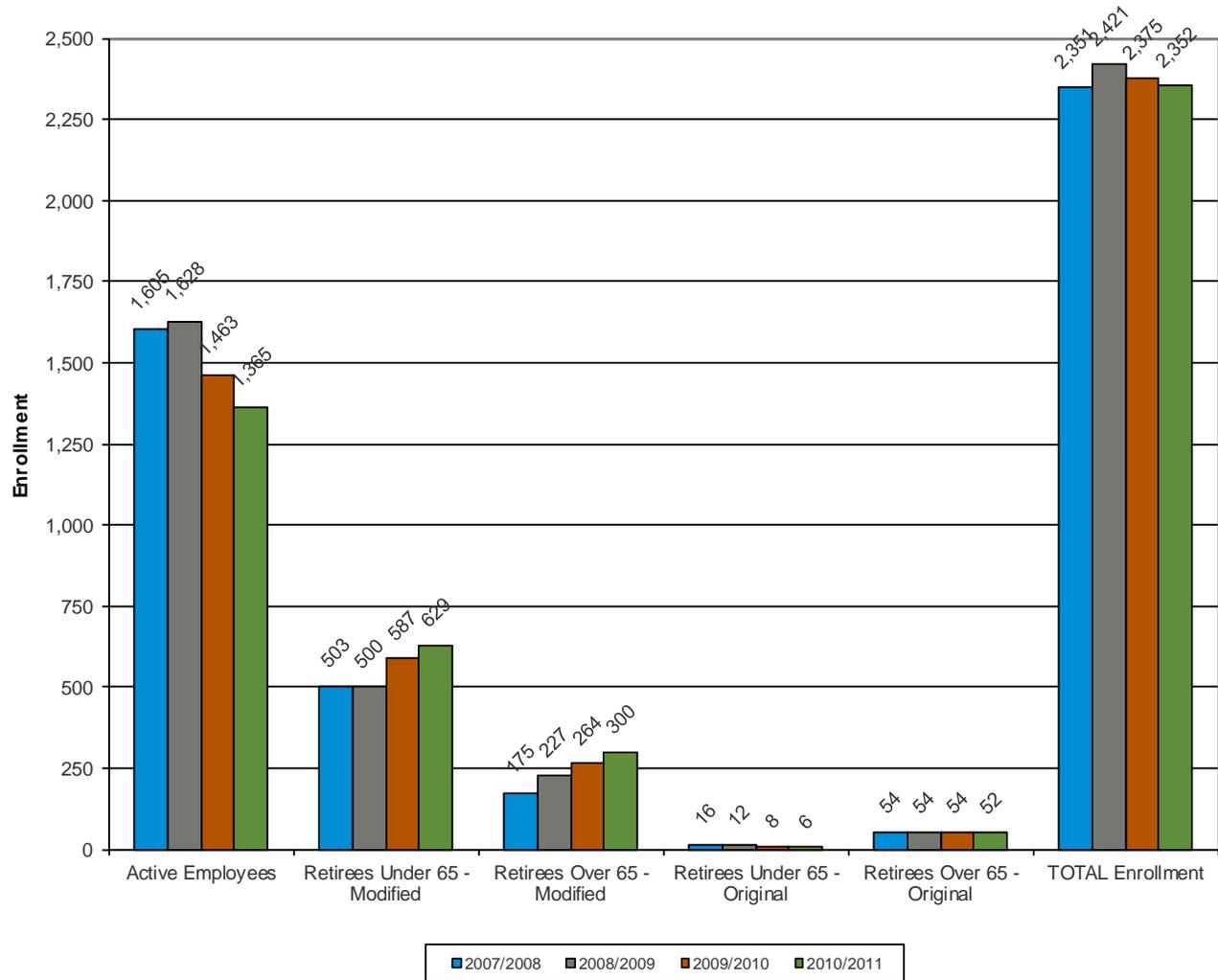
After a steady increase of 10% for the past 2 years, the total overall per employee and per retiree per month (PEPM) medical costs decreased slightly by 1% in 2010/2011.

CITY OF STOCKTON - PER CAPITA MONTHLY PRESCRIPTION DRUG COSTS



After a significant increase of 46% in 2009/2010, the total overall per employee and per retiree per month (PEPM) prescription drug costs increased by 11% in 2010/2011.

CITY OF STOCKTON - ENROLLMENT HISTORY

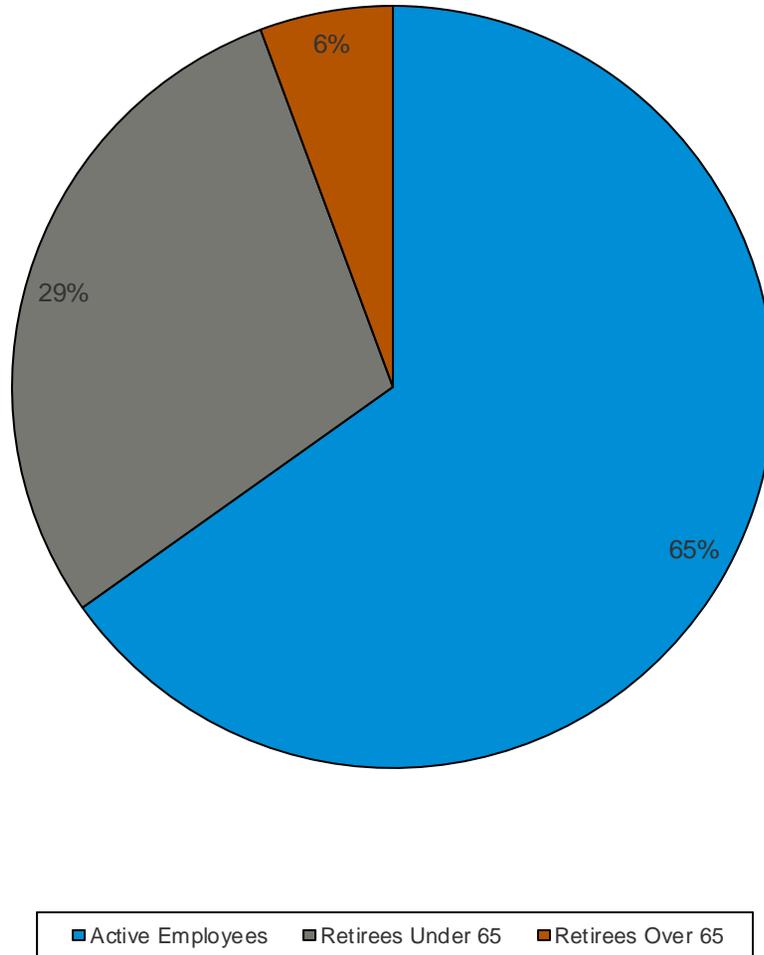


The total enrollment for 2010/2011 is the same as 2007/2008. However active enrollment decreased with a corresponding increase to retiree enrollment

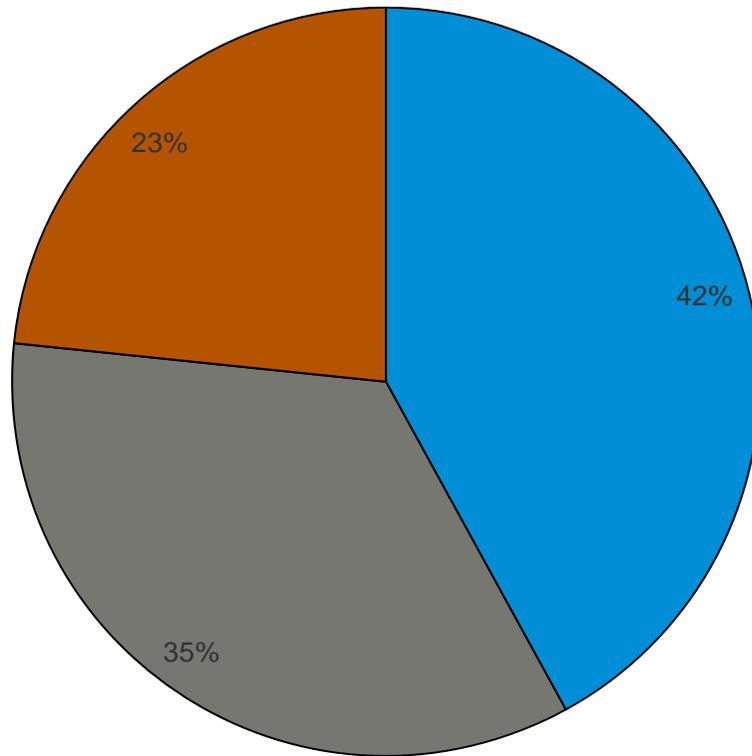
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CITY OF STOCKTON - MEDICAL CLAIMS DISTRIBUTION AS OF JUNE 2011

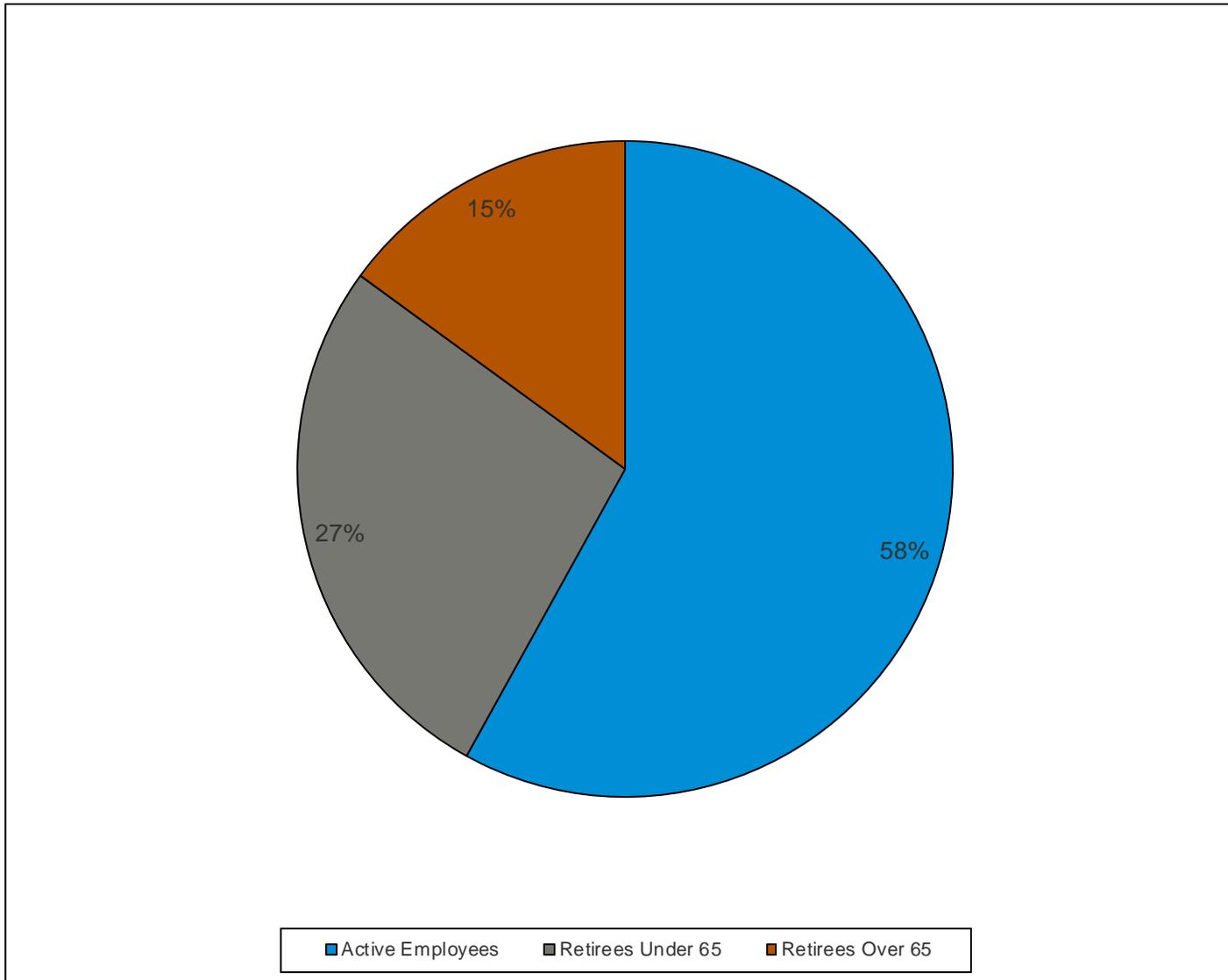
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CITY OF STOCKTON - PRESCRIPTION DRUG CLAIMS DISTRIBUTION AS OF JUNE 2011



CITY OF STOCKTON - ENROLLMENT DISTRIBUTION AS OF JUNE 2011



CITY OF STOCKTON - STOP-LOSS REIMBURSEMENT HISTORY

