

# **City of Stockton**

## **Fiscal Year 2009/2010 Actuarial Evaluation of Health Benefit Plans As of June 30, 2009**

Prepared for: City of Stockton  
Stockton, California

Prepared by: Tracey Aumiller, MAAA

August 31, 2009

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## **MANAGEMENT SUMMARY**

### **Purpose of Study**

The City of Stockton (“the City”) has asked Tracey Aumiller, Consulting Actuary, to perform an actuarial evaluation of the City’s health benefit plans. I prepared this study for the City of Stockton the previous year also. In the interest of consistency and ease of comparison with past reports, I have retained most of the same structure for reporting the results of this actuarial evaluation

The following objectives will be addressed with this report:

1. Estimate the liability for runout claims (claims incurred but not paid or “IBNP”) as of June 30, 2009;
2. Review the adequacy of the current composite budget rates in the aggregate for fiscal year 2009/2010;
3. Evaluate health claims expenses for active employees and retirees;
4. Project health claims, expenses, funding rates, and fund balance for fiscal year 2009/2010, and 2010/2011.

### **Background**

The City offers medical, dental, and vision benefits to its employees and COBRA participants. There are two self-insured medical plans, an original plan that is closed to new enrollment, and a current plan where all new retirees and active employees are enrolled. Zenith Administrators administers the medical plans. A self-insured vision plan is administered by VSP and a self-insured dental plan is administered by Delta.

The funding rate for the self-insured plans was set at \$1,875 per budgeted employee per month for the 2009/2010 fiscal year. The fiscal year runs from July to June.

An insured dental plan is also offered, a Dental DMO by United Healthcare, and it has only 22 enrollees.

## Summary of Results

The following table provides a summary of valuation results for the current year:

**TABLE 1.**

<i>Key Funding Statistics as of June 30, 2009</i>				
<b>Number of Participants (Exhibit 7)</b>				
	Actives	COBRA	Retirees	Total
<b>Medical</b>	1,566	8	831	2,405
<b>Dental</b>	1,544	67		1,611
<b>Vision</b>	1,566	35		1,601
<b>Projected Contributions (Exhibit 1)</b>				
	Divisions	COBRA	Retirees	Total
All Products	\$ 33,872,100	\$ 183,398	\$ 264,627	\$ 34,320,125
<b>Projected PEPM Claims Costs (Exhibit 3)</b>				
	Actives/COBRA	Retirees	Total	
<b>Medical</b>	\$ 896.27	\$ 1,049.56	\$ 949.24	
<b>Dental</b>	\$ 87.90	\$ -	\$ 87.90	
<b>Vision</b>	\$ 10.96	\$ -	\$ 10.96	
<b>Administration Expense</b>	\$ 44.14	\$ 31.22	\$ 41.02	
<b>Total</b>	\$ 1,039.27	\$ 1,080.78	\$ 1,089.11	
	Funding Rate per Active EE	Actives Only	Retiree Only (Subsidy)	
<b>Funding Breakdown - Current</b>	\$ 1,875.00	\$ 1,207.28	\$ 667.72	
<b>Funding Breakdown - Recommended</b>	\$ 1,961.00	\$ 1,207.28	\$ 753.72	
<b>Current Funding Rate (2009/2010) per Active EE</b>				\$1,875
<b>Recommended Funding Rate</b>				\$1,961
(to eliminate deficit position by end of year 09/10)				
<b>Runout Liability (Exhibit 10)</b>				
Fund Balance @ 6/30/2009				\$ 1,105,524
Estimated Claim Runout Liability @ 6/30/2009				\$ 2,735,000
Net Fund Position @ 6/30/2009				\$ (1,629,476)
(1) Actives Only = Total Actives Cost / Active Enrollees				
Retiree Only (Subsidy) = Total Retiree Cost / Actives Enrollment				

A summary of the key results of this study are described below:

1. **Runout Liability:** I estimate the City’s liability for runout (IBNP) claims at June 30, 2009 to be \$2,735,000. The corresponding net fund balance at June 30, 2009 was reported by the City to be \$1,105,524. Thus, the fund balance appears to be in a net *deficit* position in the amount of \$(1,629,476) as of June 30, 2009.
  
2. **Current Budgeted Rates:** I believe that the current budgeted funding rates combined with the fund balance will be *adequate* to cover the fiscal year 2009/2010 health plan costs. Based on the given assumptions, including the current budgeted funding rate of \$1,875 per budgeted employee per month (“PBEPM”), I project that the fund balance at June 30, 2010 will be \$1,395,000, which is \$1,553,000 less than the projected IBNP liability of \$2,948,000 as of June 30, 2010.
  
3. **Cash Flow Projection:** Exhibit 1 provides a summary of the projected revenue, expenses, and balances of the health fund for fiscal year 2009/2010 and 2010/2011, if a budgeted rate of \$1,875 per active employee were maintained for the remainder of the current fiscal year.
  
4. **FY2009/2010 Funding Rates and Resulting Fund Balances:** A summary of recommended funding rates per active budgeted position per month and our estimates of the fund balances as of June 30, 2010 are summarized in the following table:

**TABLE 2a.**

<i>Condition</i>	<i>PBEPM FY 2009/10 Funding Rate</i>	<i>Est. Fund Balance at 6/30/2010</i>	<i>Est. Liability of Runout Claims at 6/30/2010</i>	<i>Est. Net Fund Position at 6/30/2010</i>
Current FY 2009/10 funding rate	\$ 1,875	\$1,395,000	\$2,948,000	(\$ 1,533,000)
Funded liability for runout claims	1,875	2,948,000	2,948,000	0
Funded liability for runout claims, with 10% margin	1,875	3,243,000	2,948,000	295,000

5. FY 2010/2011 Funding Rates and Resulting Fund Balances: A summary of recommended funding rates per active budgeted position per month and our estimates of the fund balances as of June 30, 2011 are summarized in the following table:

**TABLE 2b.**

<i>Condition</i>	<i>PBEPM FY 2010/11 Funding Rate</i>	<i>Est. Fund Balance at 6/30/2011</i>	<i>Est. Liability of Runout Claims at 6/30/2011</i>	<i>Est. Net Fund Position at 6/30/2011</i>
Current FY 2009/10 funding rate	\$ 1,875	(\$3,178,000)	\$3,178,000	(\$ 5,326,000)
Funded liability for runout claims	1,961	3,178,000	3,178,000	0
Funded liability for runout claims, with 10% margin	1,977	3,496,000	3,178,000	318,000

### Recommendations

I recommend that the City establish budget rates at a level that will maintain a fund balance at least equal to the City's IBNP liability. I project that the current budget rates (i.e., **\$1,875** PBEPM) will produce a net fund deficit of \$1,553,000 as of June 30, 2010. The City could increase the funding level to \$1,961 to produce a projected fund balance of \$2,948,000 as of June 30, 2010, which is projected to be sufficient to fund the liabilities for projected IBNP.

The funding levels I recommend for fiscal year 2009/2010, by funding objective, are as follows:

- Fund IBNP: An increase of \$86 PBEPM (for a total of **\$1,961** PBEPM) would cover the projected IBNP liability.
- Fund IBNP and 10% Margin: An increase of \$102 PBEPM (for a total of **\$1,977** PBEPM) would cover the projected IBNP liability plus an additional 10% margin. The projected fund balance would increase to approximately \$3,243,000, producing an expected 10% margin in the June 30, 2010 fund balance.

## Comments on Calculations

1. **Runout Liability:** A summary of the development of the IBNP claim liability, or runout liability, is presented in Exhibit 9. The detailed development of this liability is shown in Exhibit 11. The IBNP liability was determined as follows:

- a. Medical: I analyzed claims experience for claims paid and incurred from July 2007 through June 2009. The City has asked for an analysis of runout liability as of June 30, 2009. This estimate is reduced by 2.4% for expected stop loss reimbursements and increased by 3.6% for claims administration. Therefore, I estimate the liability including claims expenses for claims incurred but not paid at \$2,480,000 as of June 30, 2009.

Although I used actuarial models to analyze the lagged claims, I combined multiple approaches with our actuarial judgment to develop the rounded estimate. Exhibit 11 illustrates the development of medical claims IBNP as of June 30, 2009, before administrative fees and adjustments for pending claims. Using claims payments through July 2009, I estimated total claims incurred on or before June 30, 2009. Our estimate for claims incurred in each month was calculated as the amount of the claims incurred in that month already paid divided by our estimate of the percentage of the total incurred that has been paid (or the "completion factor"). From total estimated incurred claims, I subtracted the portion that was paid through June 30, 2009, to yield estimated IBNP claims as of June 30, 2009.

There was one exception to this process. May and June 2009 incurred claims were calculated not with a completion factor but as the product of the number of employees enrolled and the average amount of estimated claims incurred per employee per month during the period May 2009 through June 2009.

- b. Dental/Vision: I assumed 1.5 months of vision and dental claims incurred but not paid, in keeping with prior valuations. I estimate the total liability for incurred but not paid vision claims as \$33,000 and those for dental claims at \$222,000.

- c. Expenses: I assumed a liability of approximately 3.6%, 22.30% and 9.40% of the IBNP claims for the cost of administering the runout claims for self-insured medical, vision and dental plans, respectively. These percentages were developed from the relationship between fiscal year 2008/2009 administrative expenses and claims paid. The total administrative load to adjudicate, process and pay runout claims is \$111,000.
2. Paid Claim Basis (Self-funded Plans): The basis of our paid claims estimate for fiscal year 2009/2010 is the paid claim experience from July 1, 2008 to June 30, 2009. Paid claims were analyzed on a per employee enrollee per month (“PEPM”) basis. Exhibit 3 presents a summary of the health benefit claim experience for fiscal year 2008/2009.

A summary of prior self-funded claims and enrollment is presented in Exhibit 4. It is important to note that this Exhibit is a simplified summary, which does not recognize any changes in benefit provisions, is inclusive of large claims (where the City is reimbursed by Stop Loss), and does not adjust to an incurred claim basis.

3. Projected Costs: The development of the projected self-insured plan costs PEPM is presented in Exhibit 5. Below is a summary of the PEPM projected incurred costs for fiscal year 2009/2010:

**TABLE 3.**  
**Projected FY 2009/2010 PEPM Costs**  
**Including Administration and Stop-Loss Premiums**

	<i>Projected PEPM Cost</i>
Medical Plan 1 (Original Plan)	\$860
Medical Plan 2 (Modified Plan)	1,149
Medical Plan (Weighted Average)	1,138
Vision	14
Dental Plan 1	103
Dental Plan - Insured	51

*\*Estimated FY 2009/2010 incurred claims are based on claims incurred and paid through June 30, 2009.*

4. **Trend:** Trend is the rate at which per-capita health costs are expected to increase. The assumed 12-month trends for the self-funded claim projections shown in Exhibit 5 are 8.0% for medical, 5.0% for dental, and 3.0% for vision. The City's paid medical claims cost have increased by 9.8% over the 2007/2008 fiscal year.
5. **Stop Loss:** Medical claims paid in a policy year in excess of the stop loss limit are reimbursed to the City. Stop loss reinsurance claims are netted out of gross claims in the projected claims analysis (in Exhibit 5) to reflect net claims cost. Also, reinsurance premiums are included to reflect the cost of insurance (also in Exhibit 5).

During the most recent stop-loss contract period (12 months from July 2008 through June 2009), there were eight individuals with paid claims reported in excess of the then current individual threshold. Total stop loss claims in excess of the individual deductible thresholds were calculated to be \$691,276 for the Original and Modified medical plans. Results for the eight individual claimants are summarized in the following chart:

**TABLE 4.**

	<b>Total Claims</b>	<b>Deductible</b>	<b>Excess of</b>
<b>Claimant</b>	<b>July 2008 - June 2009</b>	<b>Amount</b>	<b>Deductible</b>
1	\$508,266	\$ 250,000	\$ 258,266
2	\$402,936	\$ 250,000	\$ 152,936
3	\$255,833	\$ 250,000	\$ 5,833
4	\$281,612	\$ 250,000	\$ 31,612
5	\$265,314	\$ 250,000	\$ 15,314
6	\$394,175	\$ 250,000	\$ 144,175
7	\$274,306	\$ 250,000	\$ 24,306
8	\$308,834	\$ 250,000	\$ 58,834
<b>Total</b>	<b>\$2,691,276</b>	<b>\$2,000,000</b>	<b>\$691,276</b>

6. The recommended rates for non-COBRA enrollees for fiscal year 2009/2010 for the self-funded benefit plans are presented in Exhibit 6a. Rate development for Actives Only and Retirees Only are included in Exhibits 6a-1 and 6a-2.
7. **COBRA Rates:** The recommended COBRA rates for fiscal year 2009/2010 for the self-funded benefit plans are presented in Exhibit 6c. These rates are developed from the incurred PEPM

composite rates in Exhibit 5 (line 14) plus a 2% COBRA administrative fee. The adjusted composite rate is used to develop the rates for the four tiers (employee only, employee plus spouse, employee plus child(ren), and employee plus spouse and child(ren)) assuming the family enrollment distribution as provided by the City and a relative value weighting of the family coverage categories as used in the prior actuarial report.

8. Projected Cash Flow: Exhibit 1 presents a projection of the fund balance from the beginning to the end of fiscal year 2009/2010. Assumptions for developing this projection are provided in Exhibits 7 and 8.
9. Margin: Actual results may differ materially from the actuarially derived estimates. The extent of reserve margin should be based on the risks being assumed and the City's risk tolerance level. I recommend a margin between 5% and 10% based on our understanding of the program's risks.

Exhibit 9 includes recommended reserves assuming target margins of 5% and 10% of the IBNP liability.

10. Fund Balance Position: The net fund position (net fund balance less IBNP liability) is presented in Exhibit 10. The projected fund position at June 30, 2010 reflects the IBNP liability as of June 30, 2009, developed in Exhibit 9, increased by 7.8% (the weighted average of the projected trends in each plan).
11. Data Reliance: For this analysis, I have relied on data and other information provided to me by the City and Zenith Administrators. A list of the materials I reviewed and relied on is shown in Exhibit 12. I have not audited or verified this data. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete, and this report may need to be revised.

I have performed a limited review of the data used directly in our analysis for reasonableness and consistency, and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the

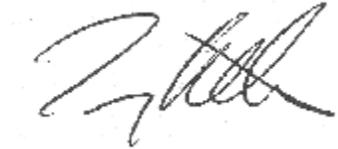
data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our investigation.

Exhibit 7 includes a summary of participants by plan and revenue basis. For example, the operating departments are assumed to contribute \$1,875 PBEPM for fiscal year 2009/2010 for each of the 1,566 occupied positions in July 2009. The budget rates are set by the City and are the same for all departments.

12. Basis and Assumptions for Projection: Our analysis is based on information provided by the City. A summary of the basis and the assumptions used for these calculations is presented in Exhibit 8.

**Actuarial Certification**

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I would be pleased to answer any questions concerning this report, or to provide any additional information or analysis that may be required.



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Tracey Aumiller, ASA, MAAA  
Consulting Actuary

Exhibit 1

City of Stockton  
Actuarial Evaluation of Health Benefit Plans

Health Benefits Fund Cash Flow Projection - Fiscal Year 2009/10

Month	REVENUE					EXPENDITURES						FUND BALANCE	
	PLAN 1 (Orig.)		PLAN 2 (Modified)			Self-Funded Plans				Insured	Consultant & Internal Admin.	Interest Earnings at 2.75%	Ending Cash Balance
	Retirees	Divisions	Retirees	SPMA SPOA	COBRA	Paid Claims: 2 Medical 1 Dental 1 Vision	Third Party Admin. Fees	Stop Loss & Conversion Policy					
							Plan 1 (Original)	Plan 2 (Modified)					
	Estimated Fund Balance on 6/30/09:											\$	1,105,524
Jul-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,531,453	\$ 97,635	\$ 1,338	\$ 44,537	1,330	\$ 74,266	2,732	\$ 1,311,458
Aug-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,547,327	\$ 97,635	\$ 1,338	\$ 44,537	1,432	\$ 74,266	3,180	\$ 1,501,864
Sep-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,563,302	\$ 97,635	\$ 1,338	\$ 44,537	1,483	\$ 74,266	3,593	\$ 1,676,656
Oct-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,579,378	\$ 97,635	\$ 1,338	\$ 44,537	1,586	\$ 74,266	3,970	\$ 1,835,648
Nov-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,595,556	\$ 97,635	\$ 1,338	\$ 44,537	1,586	\$ 74,266	4,312	\$ 1,978,803
Dec-09	\$ 2,913	\$ 2,878,125	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,611,837	\$ 97,635	\$ 1,338	\$ 44,537	1,586	\$ 74,266	4,617	\$ 2,105,983
Jan-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,628,220	\$ 97,635	\$ 1,338	\$ 44,537	1,535	\$ 74,266	4,674	\$ 2,029,388
Feb-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,644,707	\$ 97,635	\$ 1,338	\$ 44,537	1,228	\$ 74,266	4,483	\$ 1,936,421
Mar-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,661,299	\$ 97,635	\$ 1,338	\$ 44,537	1,228	\$ 74,266	4,254	\$ 1,826,633
Apr-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,677,996	\$ 97,635	\$ 1,338	\$ 44,537	1,228	\$ 74,266	3,986	\$ 1,699,880
May-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,694,799	\$ 97,635	\$ 1,338	\$ 44,537	1,228	\$ 74,266	3,680	\$ 1,556,019
Jun-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,711,708	\$ 97,635	\$ 1,338	\$ 44,537	1,228	\$ 74,266	3,336	\$ 1,394,904
Total	\$ 34,955	\$ 33,412,500	\$ 229,672	\$ 459,600	\$ 183,398	\$ 31,447,584	\$ 1,171,616	\$ 16,053	\$ 534,443	\$ 16,675	\$ 891,192	\$ 46,817	\$ 1,394,904

\* The City of Stockton estimated a Fund balance of \$1,105,524 as of 6/30/09.

Health Benefits Fund Cash Flow Projection - Fiscal Year 2010/11

Month	REVENUE					EXPENDITURES						FUND BALANCE	
	PLAN 1 (Orig.)		PLAN 2 (Modified)			Self-Funded Plans				Insured	Consultant & Internal Admin.	Interest Earnings at 2.75%	Ending Cash Balance
	Retirees	Divisions	Retirees	SPMA SPOA	COBRA	Paid Claims: 2 Medical 1 Dental 1 Vision	Third Party Admin. Fees	Stop Loss & Conversion Policy					
							Plan 1 (Original)	Plan 2 (Modified)					
	Estimated Fund Balance on 6/30/10:											\$	1,394,904
Jul-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,728,802	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,434	\$ 80,056	2,932	\$ 1,199,109
Aug-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,745,913	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,544	\$ 80,056	2,470	\$ 985,629
Sep-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,763,134	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,599	\$ 80,056	1,967	\$ 754,371
Oct-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,780,463	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,709	\$ 80,056	1,424	\$ 505,130
Nov-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,797,902	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,709	\$ 80,056	840	\$ 237,866
Dec-10	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,815,452	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,709	\$ 80,056	215	\$ (47,572)
Jan-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,833,112	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,654	\$ 80,056	(451)	\$ (351,282)
Feb-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,850,885	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,323	\$ 80,056	(1,158)	\$ (673,140)
Mar-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,868,770	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,323	\$ 80,056	(1,907)	\$ (1,013,633)
Apr-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,886,769	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,323	\$ 80,056	(2,698)	\$ (1,372,915)
May-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,904,882	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,323	\$ 80,056	(3,531)	\$ (1,751,144)
Jun-11	\$ 2,913	\$ 2,690,625	\$ 19,139	\$ 38,300	\$ 15,283	\$ 2,923,109	\$ 105,246	\$ 1,442	\$ 48,009	\$ 1,323	\$ 80,056	(4,408)	\$ (2,148,476)
Total	\$ 34,955	\$ 32,287,500	\$ 229,672	\$ 459,600	\$ 183,398	\$ 33,899,192	\$ 1,262,954	\$ 17,305	\$ 576,107	\$ 17,975	\$ 960,668	\$ (4,305)	\$ (2,148,476)

**Exhibit 2a**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans  
Computation of Necessary Funding Rates for 2009/10 Fiscal Year**

Fund Balance on June 30, 2009:	<u>\$ 1,105,524</u>	Interest rate per month:	<u>0.226%</u>
Projected Fund Balance on June 30, 2010:	<u>1,395,000</u>		
Fund Balance on June 30, 2010 required to fund estimated IBNP liabilities on that date:	<u>\$ 2,948,000</u>	Mean accumulation factor for interest on funds received evenly, once at the midpoint of each month:	<u>1.013688</u>
Projected net fund deficit on June 30, 2010:	<u>\$ 1,553,000</u>		
Additional monthly income needed to achieve a Fund deficit of zero on June 30, 2010:	<u>\$ 128,000</u>	Additional income needed to achieve a Fund surplus of 10% on June 30, 2010:	<u>\$ 151,904</u>
Number of active budgeted positions:	<u>1,485</u>		
Additional income needed per active budgeted position per month to achieve a Fund deficit of zero on June 30, 2010:	<u>\$ 86</u>	Additional income needed per active budgeted position per month to achieve a Fund surplus of 10% on June 30, 2010:	<u>\$ 102</u>
Current budgeted funding per active budgeted position per month:	<u>\$ 1,875</u>		
Required funding level per active budgeted position per month to achieve a Fund deficit of zero on June 30, 2010:	<u>\$ 1,961</u>	Required funding level per active budgeted position per month to achieve a Fund surplus of 10% on June 30, 2010:	<u>\$ 1,977</u>

**Exhibit 2b**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans  
Computation of Necessary Funding Rates for 2010/11 Fiscal Year**

Projected Fund Balance on June 30, 2010:	<u>\$ 1,395,000</u>	Interest rate per month:	<u>0.226%</u>
Projected Fund Balance on June 30, 2011:	<u>(2,148,476)</u>		
Fund Balance on June 30, 2011 required to fund estimated IBNP liabilities on that date:	<u>\$ 3,177,822</u>	Mean accumulation factor for interest on funds received evenly, once at the midpoint of each month:	<u>1.013688</u>
Projected net fund deficit on June 30, 2011:	<u>\$ 5,326,298</u>		
Additional monthly income needed to achieve a Fund deficit of zero on June 30, 2011:	<u>\$ 438,000</u>	Additional income needed to achieve a Fund surplus of 10% on June 30, 2011:	<u>\$ 463,989</u>
Number of active budgeted positions:	<u>1,485</u>		
Additional income needed per active budgeted position per month to achieve a Fund deficit of zero on June 30, 2011:	<u>\$ 295</u>	Additional income needed per active budgeted position per month to achieve a Fund surplus of 10% on June 30, 2011:	<u>\$ 312</u>
Current budgeted funding per active budgeted position per month:	<u>\$ 1,875</u>		
Required funding level per active budgeted position per month to achieve a Fund deficit of zero on June 30, 2011:	<u>\$ 2,170</u>	Required funding level per active budgeted position per month to achieve a Fund surplus of approximately 10% on June 30, 2011:	<u>\$ 2,187</u>

**Exhibit 3**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Health Benefit Fund Expenditures for Fiscal Year 2009**

Period	SELF-FUNDED HEALTH CLAIMS EXPERIENCE								
	MEDICAL PLAN 2 - ACTIVES + COBRA Modified Employee Medical Plan			RETIREES					
		Paid	Average PC/EE <sup>1</sup>	Original Medical Plan 1			Modified Medical Plan 2		
				Enrollees	Paid Claims	Average PC/EE <sup>1</sup>		Paid	Average PC/EE <sup>1</sup>
May-08	1,685			68			649		
Jun-08	1,686			68			653		
Jul-08	1,693	\$ 1,700,695	\$ 1,009.31	68	\$ 68,645	\$ 1,009.48	685	\$ 702,187	\$ 1,081.95
Aug-08	1,704	1,301,570	771.99	68	33,432	491.65	689	707,013	1,082.72
Sep-08	1,712	1,943,252	1,147.82	67	49,786	732.15	691	1,061,863	1,550.17
Oct-08	1,705	1,954,195	1,146.83	67	43,906	645.68	691	669,859	972.22
Nov-08	1,698	1,179,275	688.83	67	43,592	650.63	695	839,131	1,214.37
Dec-08	1,688	1,501,606	880.71	67	41,542	620.02	703	635,266	919.34
Jan-09	1,605	1,103,524	649.90	67	58,773	877.20	763	651,206	936.99
Feb-09	1,598	2,051,613	1,215.41	65	35,530	530.30	763	705,608	1,003.71
Mar-09	1,596	1,378,772	859.05	65	38,295	571.56	766	721,528	945.65
Apr-09	1,585	1,563,288	978.28	65	46,492	715.27	767	773,520	1,013.79
May-09	1,578	1,308,305	819.74	65	54,586	839.78	764	821,271	1,072.16
Jun-09	1,574	1,590,225	1,003.30	64	54,970	845.69	767	920,762	1,200.47
FY 08/09	19,955	\$ 18,576,319	\$ 930.91	802	\$ 569,548	\$ 710.16	8,515	\$ 9,209,214	\$ 1,081.53
Stop Loss Reimbursements		\$ 691,276			\$ -			\$ -	
Adjusted FY 08/09 Total	19,955	\$ 17,885,043	\$ 896.27	802	\$ 569,548	\$ 710.16	8,515	\$ 9,209,214	\$ 1,081.53
Admin. Fees	19,247	\$ 666,378			\$ 24,205			\$ 264,580	
Stop Loss Premiums		\$ 905,811			\$ 16,053			\$ 319,907	

<sup>1</sup> Average paid claims per enrollee are illustrated as equal to the respective month's paid claims divided by lagged enrollment(2 months).

**Exhibit 3**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Health Benefit Fund Expenditures for Fiscal Year 2009**

SELF-FUNDED HEALTH CLAIMS EXPERIENCE									
Period	MEDICAL PLAN 2 - ACTIVES + COBRA Modified Employee Medical Plan			RETIREES					
		Paid	Average PC/EE <sup>1</sup>	Original Medical Plan 1			Modified Medical Plan 2		
				Enrollees	Paid Claims	Average PC/EE <sup>1</sup>		Paid	Average PC/EE <sup>1</sup>
May-08	1,685			68			649		
Jun-08	1,686			68			653		
Jul-08	1,693	\$ 1,700,695	\$ 1,009.31	68	\$ 68,645	\$ 1,009.48	685	\$ 702,187	\$ 1,081.95
Aug-08	1,704	1,301,570	771.99	68	33,432	491.65	689	707,013	1,082.72
Sep-08	1,712	1,943,252	1,147.82	67	49,786	732.15	691	1,061,863	1,550.17
Oct-08	1,705	1,954,195	1,146.83	67	43,906	645.68	691	669,859	972.22
Nov-08	1,698	1,179,275	688.83	67	43,592	650.63	695	839,131	1,214.37
Dec-08	1,688	1,501,606	880.71	67	41,542	620.02	703	635,266	919.34
Jan-09	1,605	1,103,524	649.90	67	58,773	877.20	763	651,206	936.99
Feb-09	1,598	2,051,613	1,215.41	65	35,530	530.30	763	705,608	1,003.71
Mar-09	1,596	1,378,772	859.05	65	38,295	571.56	766	721,528	945.65
Apr-09	1,585	1,563,288	978.28	65	46,492	715.27	767	773,520	1,013.79
May-09	1,578	1,308,305	819.74	65	54,586	839.78	764	821,271	1,072.16
Jun-09	1,574	1,590,225	1,003.30	64	54,970	845.69	767	920,762	1,200.47
FY 08/09	19,955	\$ 18,576,319	\$ 930.91	802	\$ 569,548	\$ 710.16	8,515	\$ 9,209,214	\$ 1,081.53
Stop Loss Reimbursements		\$ 691,276			\$ -			\$ -	
Adjusted FY 08/09 Total	19,955	\$ 17,885,043	\$ 896.27	802	\$ 569,548	\$ 710.16	8,515	\$ 9,209,214	\$ 1,081.53
Admin. Fees	19,247	\$ 666,378			\$ 24,205			\$ 264,580	
Stop Loss Premiums		\$ 905,811			\$ 16,053			\$ 319,907	

<sup>1</sup> Average paid claims per enrollee are illustrated as equal to the respective month's paid claims divided by lagged enrollment (2 months).

Exhibit 4

City of Stockton  
Actuarial Evaluation of Health Benefit Plans

Historical Paid Claims per Enrollee - Self-Funded Experience  
(unadjusted for benefit changes, stop loss reimbursements, and date incurred)

Fiscal Year	MEDICAL CLAIMS				VISION CLAIMS				DENTAL CLAIMS <sup>(2)</sup>			
	Enrollees <sup>(1)</sup>	Paid Claims	Average PC/EE	Change to Avg PC/EE	Enrollees <sup>(1)</sup>	Paid Claims	Average PC/EE	Change to Avg PC/EE	Enrollees <sup>(1)</sup>	Paid Claims	Average PC/EE	Change to Avg PC/EE
08/09	29,272	\$ 28,355,081	968.68	9.8% increase	20,191	\$ 221,334	10.96	5.8% increase	20,202	\$ 1,775,725	87.90	6.4% increase
07/08	27,930	\$ 24,646,031	882.42	20.3% increase	19,475	\$ 201,852	10.36	1.1% increase	19,111	\$ 1,579,014	82.62	3.8% increase
06/07	26,842	\$ 19,686,498	733.42	-4.3% decrease	18,604	\$ 190,709	10.25	-14.7% decrease	18,485	\$ 1,471,498	79.60	4.7% increase
05/06	26,493	20,306,543	766.49	2.4% increase	18,687	\$ 224,553	12.02	-0.7% decrease	18,349	\$ 1,395,043	76.03	1.2% increase
04/05	25,815	\$ 19,330,682	748.82	2.8% increase	18,518	\$ 223,983	12.10	-6.0% decrease	18,426	\$ 1,384,846	75.16	16.1% increase
03/04	25,563	\$ 18,629,592	728.77	2.8% increase	18,981	\$ 244,270	12.87	-0.3% decrease	18,859	\$ 1,221,156	64.75	1.1% increase
02/03	25,070	17,766,381	708.67	22.9% increase	19,509	251,918	12.91	3.7% increase	19,158	1,227,308	64.06	7.6% increase
01/02	24,397	\$ 14,072,381	576.81	17.6% increase	19,279	\$ 240,012	12.45	3.6% increase	18,719	\$ 1,114,453	59.54	-1.9% decrease
00/01	23,256	\$ 11,411,381	490.69	18.4% increase	18,477	222,123	12.02	0.6% increase	17,628	1,069,788	60.69	-8.3% decrease
99/00	22,645	\$ 9,387,071	414.53	0.4% increase	18,331	219,031	11.95	-9.3% decrease	16,782	1,110,901	66.20	15.6% increase
98/99	22,031	9,095,901	412.87	-1.4% decrease	18,050	237,709	13.17	14.2% increase	16,300	933,473	57.27	4.4% increase
97/98	21,863	9,151,659	418.59	23.4% increase	18,125	208,956	11.53	-3.1% increase	16,194	888,541	54.87	5.1% increase
96/97	21,352	7,245,777	339.35	3.1%	17,720	210,886	11.90	5.0% increase	15,827	826,616	52.23	4.0% increase
95/96	20,703	6,813,698	329.12	5.5% increase	17,118	194,003	11.33	-3.0% decrease	15,274	767,265	50.23	-4.8% decrease
94/95	19,662	6,135,242	312.04	12.6% increase	16,302	190,505	11.69	-3.2% decrease	14,342	756,940	52.78	2.8% increase
93/94	19,315	5,354,636	277.23	-2.3% decrease	16,154	195,007	12.07	16.6% increase	14,258	732,030	51.34	7.0% increase
92/93	19,191	5,445,540	283.75	2.2% increase	16,147	167,191	10.35	-11.5% decrease	14,303	686,314	47.98	6.6% increase

<sup>(1)</sup>Enrollment reflects employee months lagged by two months.

<sup>(2)</sup>The City's insured dental plan is not included in this table.

**Exhibit 5**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Composite Self-Funded Rate Development - Fiscal Year 2009-10**

	<u>Medical Plan 1</u>	<u>Medical Plan 2</u>	<u>Vision</u>	<u>Delta Dental</u>
1. Gross Paid Claims (Fiscal Year 2008-09)	\$ 569,548	\$ 27,785,533	\$ 221,334	\$ 1,775,725
2. Expected Stop Loss Reimbursements (@ \$250,000)	-	(691,276)	n/a	n/a
3. Claims Offset	-	-	n/a	n/a
4. Net Paid Claims (Fiscal Year 2008-09)	<u>\$ 569,548</u>	<u>\$ 27,094,257</u>	<u>\$ 221,334</u>	<u>\$ 1,775,725</u>
5. Enrollees - average monthly (lagged)	67	2,373	1,670	1,684
6. Average Paid Claims Per Enrollee Per Month (PEPM)	\$ 710.16	\$ 951.68	\$ 11.04	\$ 87.90
7. Annual Trend	8.0%	8.0%	3.0%	5.0%
8. Benefit Changes	0.0%	0.0%	0.0%	0.0%
9. Projected FY 2009-10 Paid Claims PEPM	\$ 766.97	\$ 1,027.81	\$ 11.37	\$ 92.29
10. Claims Administration Fees	\$ 31.77	\$ 31.77	\$ 1.65	\$ 7.30
11. Stop Loss Premium	20.42	45.04	-	-
12. Eligibility Admin	1.25	1.25	0.25	0.50
13. Internal Administration and Consultants <sup>1</sup>	28.92	28.92	0.32	2.61
14. Total	<u>\$ 82.36</u>	<u>\$ 106.99</u>	<u>\$ 2.22</u>	<u>\$ 10.41</u>
13. Projected FY 2009-10 Cost PEPM - Paid Basis	\$ 849.33	\$ 1,134.80	\$ 13.60	\$ 102.71
14. Projected FY 2009-10 Cost PEPM - Incurred Basis <sup>2</sup>	\$ 860.29	\$ 1,149.45	\$ 13.65	\$ 103.34
15. Current Enrollment (June 2009)	64	2,341	1,620	1,602

<sup>1</sup> Costs for internal administration and consultants are allocated as an equal percentage of claims for medical, vision, and dental claims, and expressed as a per enrollee per month fee.

<sup>2</sup> Incurred claims PEPM are equal to paid claims PEPM trended for an assumed difference in average date of incurred claims (2 months for medical, 1.5 months for vision and dental).

**Exhibit 6a**  
**City of Stockton**

**Actuarial Evaluation of Health Benefit Plans**

**Active Enrollee Rate Development - Fiscal Year 2009-2010**

		<u>Medical Plan 2</u>	<u>Vision</u>	<u>Dental</u>
1. Assumed Family Enrollment Distribution <sup>1</sup>				
Employee only		11%	11%	11%
Employee plus spouse		17%	17%	17%
Employee plus child(ren)		61%	61%	61%
Employee plus spouse and child(ren)		11%	11%	11%
		<u>100%</u>	<u>100%</u>	<u>100%</u>
2. Monthly Premium Rates (Fiscal Year 2009-2010)				
Employee only	1.00	\$ 557.34	\$ 6.99	\$ 52.90
Employee plus spouse	2.00	1,114.69	13.97	105.79
Employee plus child(ren)	2.00	1,114.69	13.97	105.79
Employee plus spouse and child(ren)	2.60	1,449.09	18.16	137.53
Composite		\$ 1,088.83	\$ 13.65	\$ 103.34
3. Monthly Premium Rates (Fiscal Year 2010-2011)				
Employee only	1.00	\$ 601.93	\$ 7.20	\$ 55.54
Employee plus spouse	2.00	\$ 1,203.86	\$ 14.39	\$ 111.08
Employee plus child(ren)	2.00	\$ 1,203.86	\$ 14.39	\$ 111.08
Employee plus spouse and child(ren)	2.60	\$ 1,565.02	\$ 18.71	\$ 144.40
Composite		\$ 1,175.94	\$ 14.06	\$ 108.50

<sup>1</sup> Assumed Family Distribution percentages provided by City of Stockton.

**Exhibit 6b**  
**City of Stockton**

**Actuarial Evaluation of Health Benefit Plans**  
**Retiree Rate Development - Fiscal Year 2009-2010**

		Medical <u>Plan 1</u>	Medical <u>Plan 2</u>
1. Assumed Family Enrollment Distribution <sup>1</sup>			
Employee only		50%	35%
Employee plus spouse		47%	65%
Employee plus child(ren)		3%	0%
Employee plus spouse and child(ren)		0%	0%
		<hr/> 100%	<hr/> 100%
2. Monthly Premium Rates (Fiscal Year 2009-2010)			
Employee only	1.00	\$ 572.13	\$ 782.12
Employee plus spouse	2.00	1,144.26	1,564.23
Employee plus child(ren)	2.00	1,144.26	1,564.23
Employee plus spouse and child(ren)	2.60	1,487.53	2,033.50
Composite		\$ 860.29	\$ 1,291.50
3. Monthly Premium Rates (Fiscal Year 2010-2011)			
Employee only	1.00	\$ 617.90	\$ 844.68
Employee plus spouse	2.00	\$ 1,235.80	\$ 1,689.37
Employee plus child(ren)	2.00	\$ 1,235.80	\$ 1,689.37
Employee plus spouse and child(ren)	2.60	\$ 1,606.54	\$ 2,196.18
Composite		\$ 929.12	\$ 1,394.82

<sup>1</sup> Assumed Family Distribution percentages provided by City of Stockton.

**Exhibit 6c**  
**City of Stockton**  
**Actuarial Evaluation of Health Benefit Plans**  
**COBRA Rate Development - Fiscal Year 2009-2010**

		<u>Medical Plan 1</u>	<u>Medical Plan 2</u>	<u>Vision</u>	<u>Dental</u>
1. Assumed Family Enrollment Distribution <sup>1</sup>					
Employee only		50%	19%	19%	19%
Employee plus spouse		47%	33%	33%	33%
Employee plus child(ren)		3%	7%	7%	7%
Employee plus spouse and child(ren)		0%	41%	41%	41%
		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
2. COBRA Rates (hypothetical) - 102% of average group costs (FY 2009-2010)					
Employee only	1.00	\$ 583.57	\$ 570.27	\$ 6.77	\$ 51.27
Employee plus spouse	2.00	1,167.14	1,140.54	13.54	102.54
Employee plus child(ren)	2.00	1,167.14	1,140.54	13.54	102.54
Employee plus spouse and child(ren)	2.60	1,517.28	1,482.70	17.60	133.30
Composite		\$ 877.50	\$ 1,172.44	\$ 13.92	\$ 105.40
3. COBRA Rates (hypothetical) - 102% of average group costs (FY 2010-2011)					
Employee only	1.00	\$ 630.26	\$ 615.89	\$ 6.97	\$ 53.83
Employee plus spouse	2.00	\$ 1,260.51	\$ 1,231.78	\$ 13.95	\$ 107.66
Employee plus child(ren)	2.00	\$ 1,260.51	\$ 1,231.78	\$ 13.95	\$ 107.66
Employee plus spouse and child(ren)	2.60	\$ 1,638.67	\$ 1,601.32	\$ 18.13	\$ 139.96
Composite		\$ 947.70	\$ 1,266.23	\$ 14.34	\$ 110.67

<sup>1</sup> Assumed Family Distribution percentages provided by City of Stockton.

**Exhibit 7**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Summary of Participants - June 30, 2009**

	<u>Active</u>	<u>COBRA</u>	<u>Retirees</u>			<u>Total</u>
			<u>Under 65</u>	<u>Age 65 &amp; Over</u>	<u>Total</u>	
<b>A. <u>Plan Enrollment</u></b>						
1. Self-Insured Plans						
Medical Plan 1	0	0	10	54	64	64
Medical Plan 2	1,566	8	547	220	767	2,341
Dental Plan 1	1,544	67	17		17	1,628
Dental Plan 2 (PPA)	0	0			0	
Vision Plan	1,566	35			0	1,601
2. Insured Plans						
Dental Plan	22	0			0	22
<b>B. <u>Revenue Basis (for FY 2009-10) - per enrollee per month</u></b>						
From Plan 1	N/A	N/A			9	
Original Medical Plan					@ \$323.66	
From Plan 2:	1,485	80			86	
Modified Medical Plan (plus dental and vision)	@ \$1,875.00	@ \$191.04			@ \$222.55	
Stockton Police Management Association (SPMA)	22	@ \$100.00				
Stockton Police Officers Association (SPOA)	361	@ \$100.00				

\* 1,535 Active Enrollees in Plan 2 from Jul 2009 - Dec 2009; 1,435 enrollees from Jan 2010 - Jun 2010.

## Exhibit 8

### **CITY OF STOCKTON HEALTH BENEFIT PLAN** **FISCAL YEAR 2009-2010 BASIS AND ASSUMPTIONS**

1. Monthly Self-Insured Claims expected expenditures (reflecting cost increase trend) to be determined by Actuary
2. Administration Expenses (Self-Insured Plans):
  - A. Medical Plan  
3<sup>rd</sup> Party Claims/Eligibility Admin & Blue Cross PPO:  
Assume a total of \$33.02 per enrollee per month (PEPM)  
Claims: \$19.28, Eligibility Transmission (assume \$1.25 PEPM) &  
Blue Cross PPO Network Fees: (\$12.49 PEPM)
  - B. Delta Dental Plan Administration  
3<sup>rd</sup> Party Claims & Eligibility Admin: Assume a total of \$7.80 PEPM  
Claims: \$7.30 & Eligibility \$.50 PEPM
  - D. Vision Plan Administration: Assume a total of \$1.90 PEPM  
Claims: \$1.65 & Eligibility: \$.25 PEPM
3. All active bargaining units are enrolled in the Modified Employee Medical Plan. The only people remaining in the Original Plan are approximately 64 retirees from several bargaining units. All new retirees will be under the Modified Employee Medical Plan.
4. Medical Stop Loss – Deductible: \$250,000  
  
Modified Plan Premium: 2,114 Actives/COBRA & Retirees under 65 @ \$48.27 per month  
227 retirees over 65 @ \$15.00 per month  
  
Original Plan Premium: 10 retirees under 65 @ \$48.80 per month  
54 retirees over 65 @ \$15.16 per month
5. Premium - Insured Dental: Assume \$51.15 per enrollee per month July 2009 – June 2010 (22 members)
6. Internal (City of Stockton) Administration and Consultants: Assume \$74,266 per month
7. Contribution (Revenue) for July 1, 2009 through June 30, 2010:
  - A. Active Employees: Departments will contribute \$1,875 per employee per month for 1,535 occupied positions from July through December, 2009 and 1,435 occupied positions from January through June, 2010.  
  
Employees in the Stockton Police Management Association (SPMA) and Stockton Police Officers Association (SPOA) will contribute to their health benefit coverage during FY 2009-10. Assume 22 SPMA employees and 361 SPOA employees will contribute \$100.00 per month.
  - B. Retirees: Revenue collected for active employees includes a “surcharge” to fund retiree benefits. Some retirees pay a monthly premium contribution, based on a tiered rate structure or they pay a small contribution to cover more than one dependent (City provides coverage for retiree and one dependent):
    - ◆ Original Employee Medical Plan: Assume 64 retirees. Assume 9 retirees pay an average of \$323.66 each per month.

## Exhibit 8

- ◆ Modified Employee Medical Plan: Assume 798 retirees. Assume 86 retirees pay an average of \$225.55 each per month.

C. COBRA Participants:

For Modified Employee Medical Plan and/or Dental/Vision COBRA coverage, participants are assumed to contribute an average of \$191.04 per month. Assume 86 COBRA participants per month.

8. Interest on Fund Balance: Assume FY 2009-2010 interest earned will be 2.75%.

**Exhibit 9**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Development of Incurred But Not Paid Claim Liability at 6/30/09**

	<u>Medical</u>	<u>Vision</u>	<u>Dental</u>	<u>Total</u>
A. Estimated Claim Liability	\$ 2,394,000	\$ 27,000	\$ 203,000	\$ 2,624,000
B. Administrative Load	\$ 86,000	\$ 6,000	\$ 19,000	\$ 111,000
C. Pended claims	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. Estimated Incurred But Not Paid (IBNP) Liability: Claims and Expenses <sup>(1)</sup>	\$ 2,480,000	\$ 33,000	\$ 222,000	\$ 2,735,000
E. Recommended Reserves:				
With 5% Margin	\$ 2,604,000	\$ 35,000	\$ 233,000	\$ 2,872,000
With 10% Margin	\$ 2,728,000	\$ 36,000	\$ 244,000	\$ 3,009,000

<sup>(1)</sup> IBNP Liability excludes margin. We recommend a margin between 5% to 10% based on our understanding of the risks of the program.

**Exhibit 10**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Summary of Fund Balance Position**

A. Estimated Fund Position at 6/30/2009

1. Fund Balance	\$	1,105,524
2. Estimated Claim Runout Liability <sup>1,2,3</sup>		<u>2,735,000</u>
3. Net Fund Position (1 - 2)	\$	(1,629,476)

B. Estimated Fund Position at 6/30/2010

1. Fund Balance	\$	1,394,904
2. Estimated Claim Runout Liability		<u>2,948,217</u>
3. Net Fund Position (1 - 2)		(1,553,313)

---

<sup>1</sup> Estimate is offset by estimated stop-loss reinsurances recoveries for fiscal year 2008-2009 that had not been received as of 6/30/09.

<sup>2</sup> Includes claims processed and pending payment as of 6/30/09.

<sup>3</sup> Runout claim liability excludes margin.

**Exhibit 11**

**City of Stockton  
Actuarial Evaluation of Health Benefit Plans**

**Development of Medical Claims Incurred But Not Paid at June 30, 2009  
Health Benefit Fund Expenditures for Fiscal Year 2009**

<b>CITY OF STOCKTON IBNP Analysis</b>		<b>All Medical Plans</b>			<b>Projection Method:</b>			<b>6 Month Rolling</b>	
<b>Date</b>	<b>Enrollee Exposure</b>	<b>Completion Factor</b>	<b>Paid and Incurred</b>	<b>Incurred Claims \$PMPM</b>	<b>3 Month Rolling Average</b>	<b>6 Month Rolling Average</b>	<b>12 Month Rolling Average</b>	<b>Estimated Incurred</b>	<b>IBNP</b>
Jun-09	2,405	0.207325	\$376,569	968.03	833.31	905.80	950.19	\$2,178,453	\$1,801,884
May-09	2,407	0.728953	\$2,137,046	965.82	870.11	917.35	951.20	\$2,208,071	\$71,025
Apr-09	2,417	0.897490	\$2,031,307	936.42	843.26	876.71	939.30	\$2,263,319	\$232,012
Mar-09	2,427	0.943876	\$1,991,262	869.25	837.74	898.97	920.70	\$2,109,665	\$118,403
Feb-09	2,426	0.963386	\$1,692,368	724.11	860.52	890.59	919.60	\$1,756,687	\$64,319
Jan-09	2,435	0.976895	\$2,188,080	919.85	910.16	954.09	944.91	\$2,239,832	\$51,752
Dec-08	2,458	0.986911	\$2,274,477	937.61	960.21	968.81	947.16	\$2,304,641	\$30,164
Nov-08	2,460	0.990724	\$2,127,715	873.02	920.66	988.10	950.87	\$2,147,636	\$19,921
Oct-08	2,463	0.992982	\$2,616,906	1,070.00	998.02	1,001.88	951.37	\$2,635,403	\$18,497
Sep-08	2,470	0.994258	\$2,011,226	818.96	977.41	942.43	938.39	\$2,022,842	\$11,616
Aug-08	2,461	0.995312	\$2,706,894	1,105.10	1,055.54	948.61	922.07	\$2,719,644	\$12,750
Jul-08	2,446	0.997307	\$2,459,345	1,008.17	1,005.75	935.73	905.17	\$2,465,986	\$6,641
Jun-08	2,407	0.997918	\$2,530,175	1,053.37	907.44	925.52	895.65	\$2,535,454	\$5,279
May-08	2,435	0.999137	\$2,325,141	955.71	841.67	913.65	882.95	\$2,327,150	\$2,009
Apr-08	2,421	0.999241	\$1,725,481	713.26	865.72	900.86	868.82	\$1,726,792	\$1,311
Mar-08	2,389	0.999303	\$2,043,653	856.04	943.59	934.36	866.64	\$2,045,078	\$1,425
Feb-08	2,343	0.999480	\$2,407,011	1,027.86	985.63	895.53	857.87	\$2,408,264	\$1,253
Jan-08	2,323	0.999522	\$2,198,565	946.89	936.00	874.61	836.48	\$2,199,617	\$1,052
Dec-07	2,315	0.999585	\$2,272,697	982.13	925.12	865.77	831.22	\$2,273,640	\$943
Nov-07	2,323	0.999614	\$2,041,047	878.97	805.43	852.25	803.54	\$2,041,836	\$789
Oct-07	2,315	0.999680	\$2,115,858	914.27	813.22	836.79	796.78	\$2,116,535	\$677
Sep-07	2,305	1.000000	\$1,436,157	623.06	806.42	798.91	777.78	\$1,436,157	\$0
Aug-07	2,311	1.000000	\$2,085,288	902.33	899.06	820.21	786.02	\$2,085,288	\$0
Jul-07	2,295	1.000000	\$2,051,458	893.88	860.35	798.34	767.91	\$2,051,458	\$0
			<b>\$49,845,726</b>					<b>\$52,299,448</b>	<b>\$2,453,722</b>

## Exhibit 12

### City of Stockton Actuarial Evaluation of Health Benefit Plans

#### Materials Reviewed

1. **Description of Health Benefits Plan**  
Plan Documents for the City of Stockton Modified Employee Medical Plan and the Original Employee Medical Plan, together with benefit summaries the self-funded dental plan and vision program.
2. **Lagged Claim Experience Data**  
AR-BC320\_20080816\_1.pdf
3. **Claim Summary – Member Status**  
Health Claims Experience and Enrollment.xls
4. **Monthly Member Counts**  
Enrollment by Rate Tier.xls
5. **Membership – Snapshot**  
Summary of Plan Participants.doc
6. **Claim Backlog**  
There was no large backlog of claims or claim inventory during the experience period.
7. **Claim System**  
There were no changes to the claim administration system that would affect the time to process a claim, the lag in payment of claims, the amount of claims returned or pending for additional information, how stop loss recoveries were processed, or any other aspect of claim payment that may affect the Plan's liability.
8. **Pending Claims**  
There are no large pending claims.

## Exhibit 12

### City of Stockton Actuarial Evaluation of Health Benefit Plans

#### Materials Reviewed

**9. Stop Loss**

For the experience period, Specific Stop Loss policy with a self-insured retention (SIR) of \$250,000 applies.

**10. Large Claims**

Stop Loss-Large Claim Overview.xls

**11. Claim Administrative Costs**

Administrative costs during the experience period are reflected in the FY Summary of Results.xls. Projected administrative expenses are reflected in the FY 2008-09 Basis and Assumptions.doc

**12. Contribution Rates**

The composite contribution for active employees/dependents are included in “Basis & Assumptions”.

**13. Fund Balance**

The final Cash Balance for Fiscal Year ending June 30, 2009, was \$1,105,524.

**14. Aggregate Revenue and Expense**

Summary of Fiscal Year Results including revenue, claims and administrative expenses for the FY 2008-09. City of Stockton does not charge/pay additional premiums for mental health or prescription drug coverage/capitated provider payments.