## Exhibit 11

### STATE OF EXAMPLE

History of Actual and Needed Rate Increases

| | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Calculated | Actual | Calculated | Actual | Calculated | Actual | Calculated | Actual | Calculated | Actual | Calculated | Actual |
| PPO Plans | | | | | | | | | -0.082% | 0.10% | 0.6% | 0.1% |
| ABC | 15.04% | | 6.80% | 6.80% | 6.71% | 6.71% | -1.39% | 2.13% | | | | |
| DEF | 11.20% | | 14.26% | 14.26% | 6.27% | 6.27% | 0.63% | 2.13% | | | | |
| *Industry Standards* [1] | *13.0%* | | *13.0%* | | *11.2%* | | *9.7%* | | *9.4%* | | *9.4%* | |
| POS Plans | | | | | | | | | | | | |
| MNO | 20.81% | | -3.40% | -3.40% | 11.02% | 11.02% | 11.74% | 11.74% | 1.2% | 0.8% | 2.5% | 2.5% |
| GHI | 11.88% | | 12.38% | 12.38% | -0.75% | -0.75% | -11.18% | 2.16% | -8.1% | 0.1% | 11.1% | 11.1% |
| JKL | 19.94% | | 8.69% | 8.69% | 5.14% | 5.14% | -7.49% | 2.18% | -17.4% | 0.1% | 3.6% | 3.6% |
| *Industry Standards* [1] | *12.0%* | | *12.0%* | | *9.9%* | | *8.1%* | | *7.8%* | | *5.8%* | |
| Prescription Drug | 20.23% | | 17.16% | 17.16% | 42.67% | 42.67% | 65.00% | 40.70% | 51.0% | 20.0% | 40.0% | 20.0% |
| *Industry Standards* [1] | *20.0%* | | *20.0%* | | *20.0%* | | *18.0%* | | *16.6%* | | *13.2%* | |

Actual Monthly Family Rates

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|---|
| All PPOs | | | $121.17 | $118.80 | $118.72 | $118.59 |
| ABC | $136.97 | $128.91 | | | | |
| DEF | 145.74 | 128.39 | | | | |
| POS Plans | | | | | | |
| MNO | 79.03 | 82.10 | 74.32 | 66.84 | 66.34 | 64.72 |
| GHI | 82.02 | 73.58 | 74.24 | 72.78 | 72.72 | 65.47 |
| JKL | 72.74 | 67.46 | 64.40 | 63.14 | 63.08 | 60.87 |
| Prescription Drug | 53.34 | 45.53 | 31.91 | 22.65 | 18.90 | 15.75 |

Note: PPO rate increases were combined until the year 2000.

[1] Industry Standards based on annual Segal Health Plan Cost Trend Surveys

# Exhibit 10

## STATE OF EXAMPLE

## IBNR as of December 31, 2002

| Type | Vendor | Estimated 2002 Claims | Reserve Factor | December 31, 2002 Reserve | December 31, 2001 Reserve |
|---|---|---|---|---|---|
| PPO | ABC | $ 185,411,928 | 14.92% | $27,663,460 | $23,000,084 |
| PPO | DEF | 20,770,147 | 15.44% | 3,206,911 | 2,995,416 |
| POS | MNO | 58,895,401 | 18.48% | 10,883,870 | 8,558,046 |
| POS | GHI | 57,521,451 | 13.25% | 7,621,592 | 6,878,627 |
| POS | JKL | 18,236,453 | 11.00% | 2,005,990 | 1,523,798 |
| MH/SA | ABCD | 8,987,469 | 18.00% | 1,617,744 | 1,422,422 |
| Drugs | EFGH | 226,452,160 | 3.85% | 8,709,698 | 7,282,920 |
| TOTAL | | | | $61,709,265 | $51,661,313 |

## Exhibit 9

# STATE OF EXAMPLE

## Cost Growth by Major Category

| | CY 97 Actuals | | CY 98 Actuals | | CY 99 Actuals | | CY 2000 Actuals | | CY 2001 Actual | | CY 2002 Projected | | CY 2003 Projected | | CY 2004 Projected | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change |
| **Actives** | | | | | | | | | | | | | | | | |
| PPO | $79,355,040 | -2.9% | $81,746,454 | 3.0% | $85,952,348 | 5.1% | $100,938,513 | 22.4% | $117,215,616 | 16.1% | $137,991,604 | 17.7% | 152,466,924 | 10.5% | $167,118,995 | 9.6% |
| POS | 80,213,689 | -0.2% | 80,883,659 | 0.8% | 83,894,510 | 3.7% | 84,995,923 | 5.6% | 107,009,738 | 25.9% | 124,305,456 | 16.2% | 135,865,863 | 9.3% | 148,093,791 | 9.0% |
| HMO | 60,377,819 | 4.9% | 65,439,932 | 8.4% | 69,633,308 | 6.4% | 66,449,410 | -4.6% | 60,446,662 | -9.0% | 60,955,164 | 0.8% | 64,091,453 | 5.1% | 66,655,111 | 4.0% |
| MH/SA | 8,352,770 | 10.5% | 7,662,291 | -8.3% | 8,001,921 | 4.4% | 7,120,444 | -11.0% | 9,206,668 | 29.3% | 8,903,020 | -3.3% | 9,578,995 | 7.6% | 10,536,895 | 10.0% |
| Prescription | 43,867,947 | 3.2% | 55,107,339 | 25.6% | 70,704,975 | 28.3% | 83,664,845 | 24.1% | 100,543,552 | 20.2% | 114,894,335 | 14.3% | 137,873,202 | 20.0% | 165,447,843 | 20.0% |
| Administrative | 2,496,784 | 155.1% | 3,417,237 | 36.9% | 4,410,674 | 29.1% | 7,126,622 | 61.6% | 6,711,383 | -5.8% | 6,946,281 | 3.5% | 7,189,401 | 3.5% | 7,441,030 | 3.5% |
| Dental | | | | | | | 15,686,862 | | 17,847,863 | | 18,753,763 | 5.1% | 19,316,376 | 3.0% | 20,089,031 | 4.0% |
| Vision | 2,210,996 | 6.2% | 1,888,328 | -14.6% | 2,420,547 | 28.2% | | | | | | | | | | |
| **Subtotal Actives** | **$276,875,045** | **1.5%** | **$296,145,240** | **7.0%** | **$325,018,283** | **9.7%** | **$377,958,492** | **16.3%** | **$418,981,481** | **10.9%** | **$472,749,624** | **12.8%** | **$526,382,214** | **11.3%** | **$585,382,696** | **11.2%** |
| **Retirees** | | | | | | | | | | | | | | | | |
| PPO | $44,273,553 | 12.7% | $47,597,569 | 7.5% | $49,247,932 | 3.5% | $53,611,522 | 8.9% | $67,951,101 | 26.7% | $79,995,155 | 17.7% | $88,386,647 | 10.5% | $96,880,603.74 | 9.6% |
| POS | 14,700,751 | 16.8% | 16,581,679 | 12.8% | 17,659,287 | 6.5% | 16,813,455 | -4.8% | 27,685,830 | 64.7% | 32,160,622 | 16.2% | 35,151,560 | 9.3% | 38,315,200 | 9.0% |
| HMO | 6,472,233 | 20.5% | 7,322,375 | 13.1% | 8,077,112 | 10.3% | 8,680,388 | 7.5% | 8,561,470 | -1.4% | 8,611,992 | 0.6% | 9,055,100 | 5.1% | 9,417,304 | 4.0% |
| MH/SA | 617,314 | -62.4% | 447,726 | -27.5% | 446,606 | -0.3% | 461,875 | 3.4% | 2,102,976 | 355.3% | 2,033,617 | -3.3% | 2,188,023 | 7.6% | 2,406,825 | 10.0% |
| Prescription | 33,908,291 | 16.2% | 43,788,028 | 29.1% | 57,644,954 | 31.6% | 67,372,268 | 16.9% | 96,190,211 | 42.8% | 109,919,633 | 14.3% | 131,903,559 | 20.0% | 158,284,271 | 20.0% |
| Administrative | | | | | | | | | | | | | | | | |
| Dental | | | | | | | 2,671,962 | | 3,153,390 | | 3,392,599 | 7.6% | 3,494,377 | 3.0% | 3,634,152 | 4.0% |
| Vision | 510,869 | | 436,314 | | 559,289 | | | | | | | | | | | |
| **Subtotal Retirees** | **$100,483,011** | **13.4%** | **$116,173,691** | **15.6%** | **$133,635,180** | **15.0%** | **$149,611,470** | **12.0%** | **$205,644,978** | **37.5%** | **$236,113,618** | **14.8%** | **$270,179,265** | **14.4%** | **$308,938,356** | **14.3%** |
| **Total** | | | | | | | | | | | | | | | | |
| PPO | $123,628,593 | 2.2% | $129,344,023 | 4.6% | $135,200,280 | 4.5% | $158,826,566 | 17.5% | $185,166,717 | 16.6% | $217,986,760 | 17.7% | $240,853,571 | 10.5% | $263,999,599 | 9.6% |
| POS | 94,914,440 | 2.1% | 97,465,338 | 2.7% | 101,553,797 | 4.2% | 105,427,045 | 3.8% | $134,695,568 | 27.8% | 156,466,078 | 16.2% | 171,017,423 | 9.3% | 186,408,991 | 9.0% |
| HMO | 66,850,052 | 6.2% | 72,762,307 | 8.8% | 77,710,420 | 6.8% | 75,129,798 | -3.3% | 69,008,132 | -8.1% | 69,567,156 | 0.8% | 73,146,553 | 5.1% | 76,072,415 | 4.0% |
| MH/SA | 8,970,084 | -2.5% | 8,110,017 | -9.6% | 8,448,527 | 4.2% | 7,582,319 | -10.3% | $11,309,644 | 49.2% | 10,936,638 | -3.3% | 11,767,018 | 7.6% | 12,943,720 | 10.0% |
| Prescription | 77,776,238 | 8.5% | 98,895,367 | 27.2% | 128,349,929 | 29.8% | 155,118,789 | 20.9% | $196,733,763 | 26.8% | 224,813,968 | 14.3% | 269,776,762 | 20.0% | 323,732,114 | 20.0% |
| Administrative | 2,496,784 | 155.1% | 3,417,237 | 36.9% | 4,410,674 | 29.1% | 7,126,622 | 61.6% | 6,711,383 | -5.8% | 6,946,281 | 3.5% | 7,189,401 | 3.5% | 7,441,030 | 3.5% |
| Dental | | | | | | | 18,358,824 | | 21,001,253 | | 22,146,361 | 5.5% | 22,810,752 | 3.0% | 23,723,182 | 4.0% |
| Vision | 2,721,865 | 5.2% | 2,324,642 | -14.6% | 2,979,836 | 28.2% | | | | | | | | | | |
| **Total** | **$377,358,056** | **4.4%** | **$412,318,931** | **9.3%** | **$458,653,463** | **11.2%** | **$527,569,962** | **15.0%** | **$624,626,459** | **18.4%** | **$708,863,242** | **13.5%** | **$796,561,480** | **12.4%** | **$894,321,051** | **12.3%** |
| **Active Enrollment** | | | | | | | | | | | | | | | | |
| PPO | 21,372 | -3.0% | 21,649 | 1.3% | 22,459 | 3.7% | 24,614 | 9.6% | 26,600 | 8.1% | 27,879 | 4.8% | | | | |
| POS | 23,474 | -1.5% | 23,722 | 1.1% | 24,157 | 1.8% | 25,750 | 6.6% | 27,649 | 7.4% | 28,962 | 4.7% | | | | |
| HMO | 18,992 | 1.3% | 19,336 | 1.8% | 19,195 | -0.7% | 17,168 | -10.6% | 14,666 | -14.6% | 13,469 | -8.2% | | | | |
| Vision | 66,127 | -1.5% | 66,797 | 1.0% | 68,000 | 1.8% | | | | | | | | | | |
| Prescription | 60,755 | -0.4% | 61,735 | 1.6% | 63,188 | 2.4% | 64,984 | 2.8% | 66,469 | 2.3% | 67,871 | 2.1% | | | | |

*Notes:*

(1) Does not include xxxxxxx and Direct Pay as premiums are paid 100% by xxxxxxx agency or individual

(2) Administrative for CY99 includes the cost of implementing the IVR system

(3) Beginning in CY 2000 the vision benefits are included with the medical (PPO, POS, and HMO) categories

(4) Beginning in CY 2000 the dental benefits became subsidized by the State. Dental benefits were no longer included with the medical (POS or HMO) categories

(5) Projections based on June 2002 enrollment

# SAMPLE GASB OPEB VALUATION REPORT
# For Illustration Purposes Only

University ABC

*SAMPLE REPORT*
*Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of July 1, 2006*
*In accordance with GASB Statements No. 43 and No. 45*

Copyright© 2006

THE SEGAL GROUP, INC.,
THE PARENT OF THE SEGAL COMPANY
ALL RIGHTS RESERVED

SEGAL

THE SEGAL COMPANY
2018 Powers Ferry Road, Suite 850 Atlanta, GA 30339
T 678.306.3100 F 678.306.3190 www.segalco.com

*August 30, 2006*

SAMPLE –
For Illustration Purposes Only

*Mr. Mark Jones*
*University ABC*
*Washington, DC*

*Dear Mr. Jones:*

*We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of July 1, 2006 under GASB. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB for the current year and summarizes the actuarial data.*

*This report is based on information received from the University and the related pension plans. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.*

*We look forward to discussing this material with you at your convenience.*

*Sincerely,*

*THE SEGAL COMPANY*

*By:*

*K. Eric Fredén, FSA, MAAA, EA*
*Consulting Actuary*

*Howard Atkinson, ASA, MAAA, FCA*
*Health Actuary*

*cc: J. Richard Johnson*
*Senior Vice President*

## SECTION 1

### INTRODUCTION


Purpose ..... 1

Accounting Requirements ..... 2


## SECTION 2

### VALUATION RESULTS


Highlights of the Valuation ..... 3

Summary of Valuation Results..... 4

Actuarial Certification ..... 5


## SECTION 3

### VALUATION DETAILS


CHART 1
Actuarial Accrued Liability (AAL) ..... 6

CHART 2
Statement of Plan Net Assets.... 7

CHART 3
Statement of Changes in Plan Net Assets ..... 8

CHART 4
Determination of Annual Required Contribution ..... 9

CHART 5
Required Supplementary Information – Schedule of Employer Contributions ..... 10

CHART 6
Required Supplementary Information – Schedule of Funding Progress ..... 11

CHART 7
Required Supplementary Information – Net OPEB Obligation (NOO)..... 12

CHART 8
Required Supplementary Information ..... 13

CHART 9
Cash Flow Projection..... 14


## SECTION 4

### SUPPORTING INFORMATION


EXHIBIT I
Summary of Participant Data.. 15

EXHIBIT II
Actuarial Assumptions and Actuarial Cost Method..... 16

EXHIBIT III
Summary of Plan ..... 26

## PURPOSE

This report presents the results of our actuarial valuation of University ABC (the "University") postemployment welfare benefit program as of July 1, 2006. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of postemployment welfare benefits over participants' active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare fund accounting requirements. The calculations reported in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the University is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

This report does not address asset valuation or funding. The Segal Company would be pleased to assist the University in determining alternative strategies for funding these benefits.

## ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statements include postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit III of Section 4.

## HIGHLIGHTS OF THE VALUATION

The results of the valuation show a significant increase in expense for OPEB compared to the current accounting method.

During 2005, the University paid claims and expenses (net of retiree contributions) on behalf of retired employees of about $12,653,000. Under current accounting rules, this is the University's "cost" of those benefit programs for retirees. Under new accounting rules, the annual "cost" will increase to $26,400,000 (pre-funded) or $47,600,000 (pay-as-you-go), depending on how the University decides to finance the benefits as discussed in the following paragraph.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are pre-funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing continues to be pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. For the purpose of this valuation, we use 7.5% and 3%, respectively, for pre-funded and pay-as-you-go.

Because pay-as-you-go accounting assumes a lower interest rate discount to the liabilities, the liabilities appear larger and the expense allocated to the current fiscal year is higher. The lower expense shown for the pre-funded approach is based on the assumption of a higher rate of investment return, which ultimately means more benefits are provided by investment earnings and fewer benefits are provided by University contributions.

Recently released GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the University is eligible to receive for plan years beginning in 2006.

GASB requires that governments with total annual revenues of $100 million or more, such as the University, comply with the new Standard for fiscal years beginning after December 15, 2006. The University fiscal year ending June 30, 2008 is the first fiscal year of compliance with the Standard. The University has elected to amortize its Unfunded Actuarial Accrued Liability over a 30-year period as a level dollar amount to satisfy that portion of its ARC.

On a pay-as-you-go basis, about 28% of the actuarial accrued liability is due to explicit subsidies, while the remainder is due to implicit subsidies. For the pre-funded liabilities, the explicit subsidy portion is 37%.