

## **LOSS TRUST FUND BOARD REGULAR MEETING**

7447 E. Indian School Rd., Suite 210  
Financial Services Conference Room  
or By Telephone  
Scottsdale, AZ 85251

**Call 480-312-7700 PIN 880891**  
**Tuesday, December 1<sup>st</sup>, 2015**  
**8:30 a.m.**

### **NOTICE AND AGENDA**

#### **LOSS TRUST FUND BOARD**

**Jim Stabilito– Chairman**  
**Matthew Kleifield- Vice Chair**

**Pauline Hecker**  
**Paul McKee**  
**Jim Tomlinson**

#### **CALL TO ORDER**

#### **ROLL CALL**

#### **OLD BUSINESS**

1. Approval of January 28, 2015 Meeting Minutes. Action Item: Motion to approve minutes as submitted or with suggested changes.

#### **NEW BUSINESS**

1. Introduction of new Board Member, Paul McKee - Information Item.
2. Review Risk Management Annual Report for fiscal 2014/2015
3. Approve Risk Management Annual Report for fiscal 2014/15 for submission to the City Council as an annual status of the trust fund. Action Item: Motion to approve

#### **OPEN CALL TO THE PUBLIC (A.R.S. § 38-431.02)**

Subject to reasonable time, place and manner restrictions, as determined by the Chairperson, members of the public will be allowed to address the Loss Trust Fund Board on any issue within the jurisdiction of the Board. At the conclusion of the open call to the public, individual members of the Board may respond to comments made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda. Members of the Board shall not discuss or take legal action on matters, however, raised during an open call to the public unless the matters are properly noticed for discussion and legal action.

#### **ADJOURNMENT - Action Item: Motion to adjourn**



Persons with a disability may request a reasonable accommodation by contacting the Risk Management Office at 480-312-2490. Requests should be made 24 hours in advance, or as early as possible, to allow time to arrange the accommodation. For TTY users, the Arizona Relay Service (1-800-367-8939) may contact the Risk Management Office at 480-312-2490.



## **DRAFT MINUTES**

**LOSS TRUST FUND BOARD MEETING  
7447 E. Indian School Rd., Suite 210  
Finance Conference Room  
Scottsdale, AZ**

**January 28, 2015  
8:00 a.m.**

- PRESENT:** James Tomlinson, Chair  
Jim Stabilito, Vice Chair  
Pauline Hecker (telephonic)  
Matthew Kleifield (telephonic)
- STAFF:** Jeff Nichols, City Treasurer  
Lauran Beebe, Human Resources Manager  
Ryan Fielder, Senior Budget Analyst  
Jack Miller, Senior Budget Analyst
- GUESTS:** Charlie Broucek, Hayes Management Consulting  
David Smith, Councilman

### **1) CALL TO ORDER**

Chair Tomlinson called the meeting of the Loss Trust Fund Board to order at 8:08 a.m.

### **2) ROLL CALL**

A formal roll call confirmed the presence of Board Members as stated above. Board Members Hecker and Kleifield attended via telephone.

## **OLD BUSINESS**

- 1) Approval of the October 14, 2014 meeting minutes

**BOARD MEMBER HECKER MOVED TO APPROVE THE MINUTES OF THE OCTOBER 14, 2014 MEETING. VICE CHAIR STABILITO SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

- 2) Approval of the Risk Management Annual Report for FY 2013/2014 for Submission to City Council as an Annual Status of the Trust Fund

**VICE CHAIR STABILITO MOVED APPROVAL OF THE RISK MANAGEMENT ANNUAL REPORT FOR FY 2013/2014. BOARD MEMBER KLEIFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

## **NEW BUSINESS**

- 1) Nomination and Election of Chair and Vice Chair

**CHAIR TOMLINSON NOMINATED VICE CHAIR STABILITO AS CHAIR FOR 2015. BOARD MEMBER HECKER SECONDED THE NOMINATION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

**BOARD MEMBER HECKER NOMINATED BOARD MEMBER KLEIFIELD AS VICE CHAIR FOR 2015. VICE CHAIR STABILITO SECONDED THE NOMINATION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

- 2) Discussion and Approval of FY 2015/16 Medical Plan Premiums

Human Resources Manager Ms. Lauran Beebe noted that the department made many changes last year, as they switched vendors to save administrative costs. They now have six months of claims history. She added that Mr. Charlie Broucek of Hayes Consulting had analyzed the claims.

Mr. Broucek discussed the analysis of claims history. Medical claims have trended upwards at a rate of 7.8 percent and prescription drug claims have trended upwards at 9.7 percent over the last 18 months. He explained that the increase in prescription drug claims is not confined to the City, as a number of specialty drugs have been introduced to the marketplace. They predict annual claims will be around \$25 million.

Mr. Broucek said they have issued an RFP for the stop loss insurance, so the amount of \$325,000 is a placeholder and will change. The City's wellness incentive fees are included in the plan costs. Total cost per employee is \$1,001 per month. The total annualized cost is estimated at \$26,825,000.

In response to a question from Vice Chair Stabilito, Mr. Broucek confirmed that the Aetna run-out claims are included in the most recent time period analyzed. He assured the Board that the stop loss insurance fully covers the City.

Board Member Hecker inquired whether the anticipated increase of 15 percent for stop loss coverage is driven by the marketplace or by the City's experience. Mr. Broucek said it is primarily market driven. No large claims are coming up. His expectation is that the marketplace is competitive and the 15 percent increase is conservative.

Vice Chair Stabilito pointed out that if the levels at which the stop loss claims are triggered remain constant while medical claims inflate at around 8 percent each year, eventually more claims will trigger the stop loss.

Ms. Beebe explained that the Benefits Coordinating Committee, which is composed of staff from Financial Services and Human Resources, has considered the option of a local plus network offered by CIGNA. However about 13 percent of the claims in the past six months of claims history would have been ineligible under this plan. On the other hand the increase would be about 3.4 percent instead of 6.8 percent. The Benefits Coordinating Committee members had intense discussions. They noted that the City had only just switched from Aetna to CIGNA. They had introduced precertification, which was not a feature of the Aetna contract. Co-pays and deductibles had been increased for the first time in five years. Eventually they decided to make no changes until they have a full year of claims history with CIGNA.

City Treasurer Mr. Jeff Nichols asked why the 6.8 percent increase will apply across the board. Mr. Broucek explained that they consider all of the claims and then calculate the relative actuarial value difference between each plan design. Then they apply those values to the actual need for the premium and assign the rates accordingly. Their aim is to create a net neutral environment so that employees do not migrate en masse from one plan to another. He noted that there is a slight incentive for people to migrate from the OAP In-Network to the OAP and from the OAP to the HSA. The plans are appropriately priced and in his opinion it is a mistake to over incent people to migrate.

Councilman Smith asked if there is a goal for how many employees the City would like in the HSA plan. Ms. Beebe pointed out that the Cadillac tax starting in 2018 may affect the in-network plan. It may be necessary to encourage people to move into the PPO plan. She noted that Chandler and Gilbert no longer have EPO plans.

Councilman Smith suggested loading the entire increase onto the OAP In-Network Plan and leave the others unchanged. Mr. Broucek said the challenge with artificially creating a value difference is that the City would lose money on the people who migrate. They are currently looking at a total increase of approximately \$1.7 million. About \$1.5 million is being applied to the OAP In-Network and \$200,000 to the other plans. If the entire \$1.7 million were to be applied to the OAP In-Network this could lead to underfunding.

Chair Tomlinson asked if the OAP plan is subject to the Cadillac tax how the City would handle mass migration. Ms. Beebe agreed that that might happen. Vice Chair Stabilito said if the City had to discontinue the OAP in network plan, the City would contemplate its budget needs prior to eliminating the plan. Mr. Broucek assured the Board that all of the plans are priced in a sustainable manner. He added that they are pretty far from a Cadillac tax situation at this point.

Ms. Beebe told Vice Chair Stabilito that staff will take this proposal to City Council on February 17. She noted that employee contributions will also rise by 6.8 percent.

Vice Chair Stabilito asked for a presentation at a future meeting on how the City is managing costs of the new specialty drugs. Ms. Beebe said staff has looked at this extensively and has discussed increasing co-pays for these. The problem is that then people will stop using the medication which is ultimately worse. Ms. Beebe said they will meet in September to review an in-depth analysis of the full year of claims history.

**VICE CHAIR STABILITO MADE A MOTION TO APPROVE THE FY 2015/2016 MEDICAL PLAN PREMIUMS TO BE PRESENTED TO CITY COUNCIL ON FEBRUARY 17, 2015. BOARD MEMBER KLEIFIELD SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

3) Review and Discussion of the Annual Actuarial Report for Fiscal Year 2013/2014

Vice Chair Stabilito said it is important for City Council to be aware that the Board is discussing its challenges and issues and what its plan should be, in the light of finding a Board Member for the open position.

Mr. Nichols undertook to alert Risk Management Director Ms. Katie Callaway to this addition to the annual report.

Vice Chairman Stabilito requested that the term ending dates for each member be shared, with an indication of whether or not each member can be appointed to a subsequent term. Mr. Nichols noted that members can currently serve for two consecutive three-year terms.

Mr. Nichols summarized that the Board Members had also wondered if the Board could operate with three members; whether previous members whose terms expired could return to the Board, whether a past Chair can continue as a Board Member, whether both current Board Members and staff can reach out to potential Board Members. Mr. Nichols undertook to reach out to a personal acquaintance, Mike Miller of Scottsdale Insurance, to see if anyone on his staff would be interested in joining the Board.

Vice Chair Stabilito suggested discussing the profile for Board Members. He suggested that they consider the expertise the Board has lost with the departure of Mr. Powell and Mr. Petulla and try to replace that missing experience and expertise. Conversely, the current members could take stock of their collective expertise and analyze the gaps to be filled.

Ms. Hecker said the two biggest areas the Board deals with are property casualty and benefits, so recruiting members with those backgrounds would make sense. She pointed out that City staff has financial expertise and a thorough understanding of what the City can and cannot do, which is not the same as in the private sector.

Chair Tomlinson said there should still be some diversity in terms of business and insurance background to ensure the Board is balanced.

Mr. Nichols commented that someone with a background in human resources could be a valuable asset to the Board.

**BOARD MEMBER KLEIFIELD MADE A MOTION TO APPROVE THE ANNUAL ACTUARIAL REPORT TO THE BOARD AS AMENDED. SECONDED BY VICE CHAIR STABILITO, THE MOTION CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).**

**OPEN CALL TO THE PUBLIC**

No members of the public wished to address the Board.

**ADJOURNMENT**

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 8:53 a.m.

***Recorded and Transcribed by AVTronics Inc., d/b/a AVTranz Transcription and Reporting Services***

**Paul J. McKee**

## **Work Experience**

*Salt River Project  
1527 Project Drive  
Tempe, Arizona 85281*

### **Senior Safety and Health Specialist**

11/2007 – 12/2009  
3/2010 - present

Works with staff at all levels to foster an environment where safety is integrated into the organization. Duties include assessing risk, drafting policies and procedures to ensure safety and regulatory compliance, developing and delivering safety training programs and leading safety teams.

### **Acting Safety Manager**

12/2009 – 3/2010

Develops management policies to assure compliance with government regulations and protect loss or injury to SRP employees, property and clients. Advises, instructs, reviews and trains subordinates in the performance of their duties. Plans, prepares and manages yearly manpower and budget requirements. Establishes and oversees accident investigation methods and conducts investigations of serious accidents to employees or property. Oversees development and implementation of fleet safety program for all motor vehicles used in SRP operations. Maintains awareness of current professional practices and trends in safety management.

*City of Scottsdale  
3900 Civic Center Boulevard  
Scottsdale, Arizona 85251*

### **Risk Services Manager**

1994 – 11/2007

Duties include a broad range of Risk Management functions with special emphasis on compliance with laws and regulations affecting employees. Drafts written programs to enable the city to comply with OSHA general industry and construction standards. Shares in after-hour call-outs for accidents involving serious injuries to employees, damage to city property, or possible city liability. Supervises staff, adjusts claims, and handles insurance matters as required. Provides support to the Claims Manager, Loss Control Manager and may serve as acting Risk Management Director. Developed detailed action plans and form cross-departmental team to achieve inclusion in OSHA's Voluntary Protection Program. City of Scottsdale is the first large municipality in the nation to receive OSHA's coveted VPP STAR.

### **Senior Tax Auditor**

1986 -1994

Responsible for conducting audits of large, diversified business firms; functions as experienced lead auditor assisting in the training and supervision of Tax Auditors and Tax Accounting Intern. Conducted comprehensive tax audits of businesses; developed audit schedules to determine tax liability. Position involved extensive contact with city staff and citizens.

Walter O. Boswell Memorial Hospital  
10401 West Thunderbird Road

Sun City, Arizona 85345

1979 - 1986

**Computer Operator II**

Duties included data entry of medication orders and routine computer maintenance.

**Education**

1982 – 1986

Arizona State University - Tempe, Arizona

Bachelor's degree in Accounting.

1984 – 1986

Glendale Community College

5900 West Olive Avenue

Glendale, Arizona

Completed one hundred twenty hours, with emphasis in accounting and business Phi Theta Kappa.

**Accreditations and Professional Memberships**

Certified Public Accountant # 8333-E

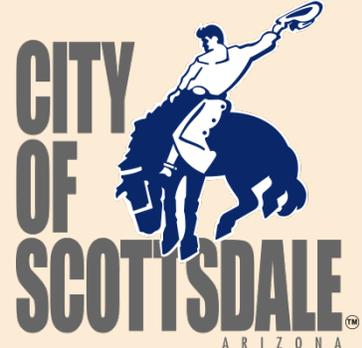
Certified Safety Professional #21556

Certified Utility Safety Professional #85117

ADOSH Advisory Committee Member

Arizona ASSE

Arizona Governmental Safety Association



**DRAFT**

*Working Safely for Our Citizens and Our Families*



**RISK MANAGEMENT  
ANNUAL REPORT  
FISCAL YEAR 2014-2015**

## **Fiscal Year 2014/15 Annual Report Executive Summary**

### Risk Management:

The Annual Report is a reference tool and resource to assist Charter Officers, Department Directors and their staff to better understand and manage their risk-related exposures and losses.

The fiscal year ending June 30, 2015 Annual Report provides an annual snap shot of risk management income and expenses in the cost of risk section. It also provides a year to year severity and frequency comparison in the charts noted as 6 year loss performance. In these charts the claims costs are fully reflected in the year in which the incident, accident or injury occurred.

For many years, Risk Management has set a goal to keep the cost of risk at or below 2 percent of the City's Operating Budget. Looking at Fiscal Year 2014/15, the cost of risk was 2.37 percent of the City's Operating Budget. Unfortunately, we did not meet our goal in FY 2014/15. This is partially the result of the \$1.1 million premium increase for excess liability insurance for law enforcement. The insurance increase was driven by poor loss experience. We are doubtful that law enforcement insurance cost will decrease in the near future. In contrast to FY 2013/14, total claims payments increased approximately \$1.0 million. This is an indication of rising workers' compensation claims and a single lump sum settlement of approximately \$1.6 million. Typically, large claims have payments for defense spread over two or more years resulting in smaller lump sum settlements.

Insurance recoveries continue to play a significant role in reducing our total cost of risk. In FY 2014/15, two Risk Management Department staff members dedicated themselves to finding and recovering for damage done to city property. This effort resulted in our recoveries increasing from \$361,935 to \$547,143.

Risk Management is committed to loss prevention, loss control and compliance programs. The Safety Manager maintains and promotes health and safety plans in every department, assists individual departments with specific program design, assists with site inspections, performs root cause analysis of injuries, and acts as the mentor/director to the City's Safety Steering Committee and City Safety Committee. In the current fiscal year, the Safety Manager has committed to concentrating his efforts on supervisor training and risk identification through the use of Root Cause Injury Analysis. The City's overall OSHA Rate is steadily increasing. In FY 2012/13 it was 5.63, in FY 2013/14 it was 5.20, and in FY 2014/15 it has moved to 6.05. The last published OSHA rate for Arizona governmental agencies was 7.17.

Medical and dental claims expenses incurred in FY 2014/15 were \$1,000,000 less than the revenues collected. Every year the city works with our benefit consultant, Hays, to develop medical and dental plan cost projections and provide recommendations to City

Council concerning funding level and cost sharing strategies. In FY 2013/14 the medical and dental plans were put out for competitive bid and the contract for FY 2014/15 was awarded to Cigna Healthcare (Cigna). Consolidating services with Cigna results in several cost and administrative efficiencies, including: consolidated claims reporting, uniform disease management and wellness programs, and a single prescription drug formulary for all participants. Unfortunately, we experienced an unusually high number of claims in the \$10,000 to \$25,000 range. We will have a full claims analysis on FY 2014/15 and will provide a summary to the board once available.

Employers who have self-insured plans bear the risk associated with paying their plans' covered health expenses. An important component of a self-insured program is plan design, where the employer prepares the schedules of benefits for participating employees. A successful plan design will incorporate cost sharing features between the employee and employer in order to maintain plan affordability and equity. Highlights of the new Cigna plans include availability for tele-medicine consultations at a \$5 co-payment and Cigna Medical Group Primary Care Physicians at a \$10 co-payment. There were no plan design changes made for FY 2015/16.

The Cigna medical plans also incorporate a robust wellness program that incentivizes employees to complete health assessments, establish relationships with their primary care physician, and become more proactive in their healthcare choices. Cigna and Hays utilize the health assessment and claims data to provide programs tailored to prevent the onset or degeneration of a disease or illness and promote healthier lifestyles. We are preparing for a tobacco surcharge in FY 2016/17 and are giving employees the tools to help them quit tobacco products.

## **Purpose and Scope**

The purpose and scope of the Risk Management Annual Report is to provide and publish Property-Casualty and Self-Insured Group Health and Dental Plan information and performance data.

### **Property-Casualty**

- Serve to provide information to the Loss Trust Fund Advisory Trustees to assist in satisfying the requirements of SRC, Section 2-171.
- Outline various category loss performance statistics and comparisons for the year ending June 30, 2015.
- Educate Trustees and other on the costs and trends of risk management programs.
- Focus individual claims frequency and severity by department to identify high risk activities to target for loss control.

### **Self-Insured Group Health and Dental Plans**

- Provide Trustees information and performance data on the Self-Insured Group Health and Dental Plans.

### **Financial**

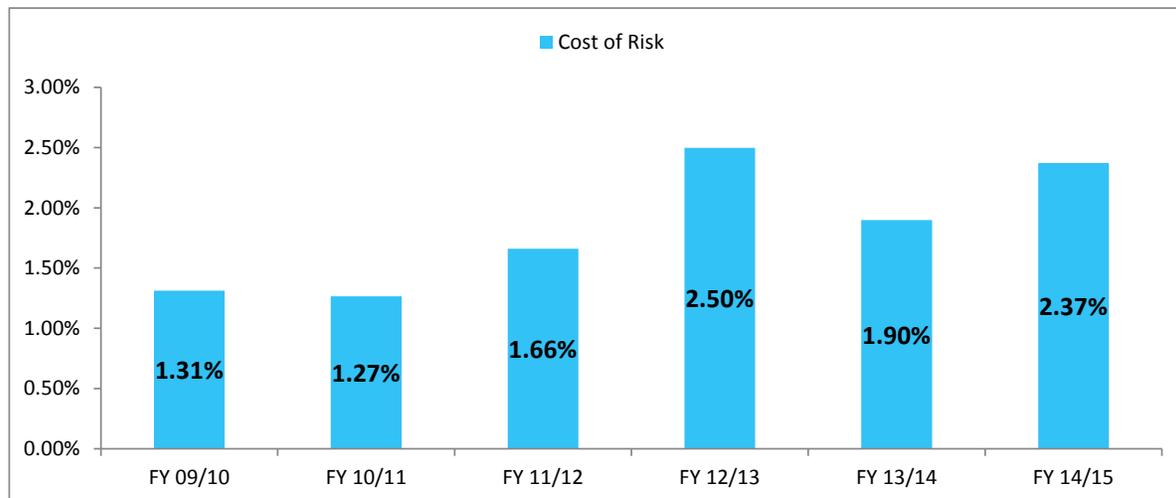
- Provide financial information and standing of Trust Fund for both Property-Casualty and Self-Insured Group Health and Dental areas.

## Cost of Risk

Cost of risk measures total risk management program expense against the City's operating budget for payments made within each fiscal year. The City has historically measured the performance of the program against a 2.0 percent "not to exceed" threshold or benchmark. We did not meet that goal in FY 2014/15 due to a \$1,100,000 increase in excess insurance premiums. Also, contributing to high claims costs were payments of approximately \$1,600,000 on the defense and settlement of one general liability claim.

In this report, "Claim Payments" represent all expense and indemnity payments made on claims within each fiscal year for all lines of coverage as of the end of each fiscal year. "Operating Budget" represents risk management operating expense.

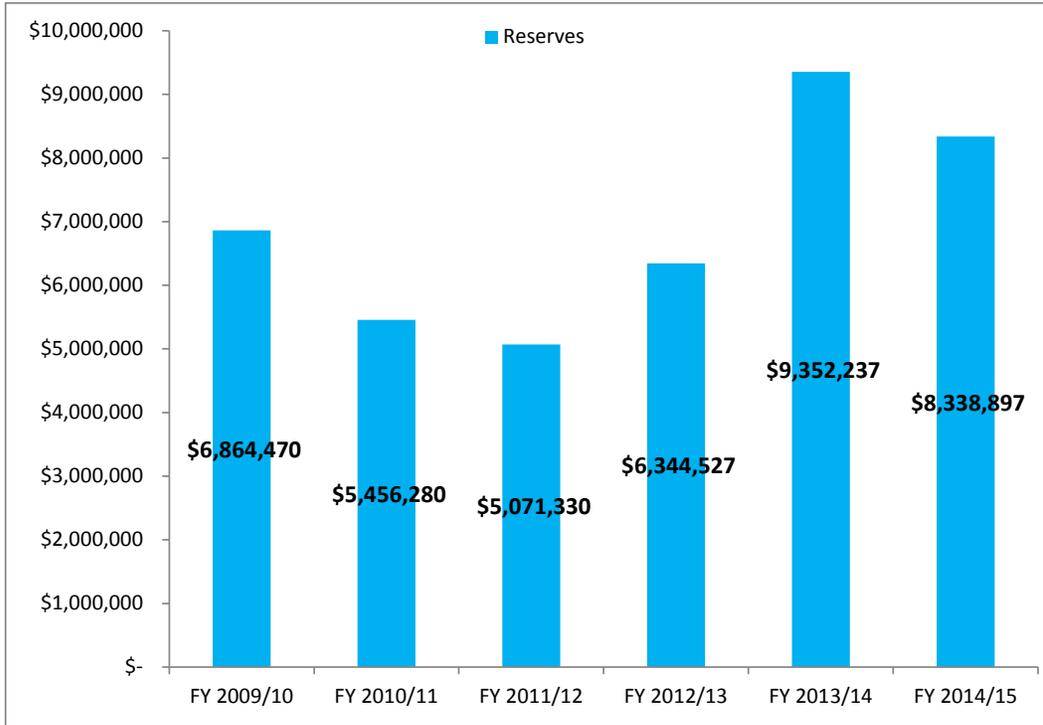
Item	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Claim Payments	\$ 2,869,259	\$ 2,886,237	\$ 3,518,069	\$ 6,789,148	\$ 5,256,752	\$ 6,264,697
Operating Budget	856,740	974,509	1,149,388	1,123,931	952,713	1,006,724
Excess Insurance Premiums	1,220,043	1,067,395	1,224,569	1,475,000	1,379,951	2,488,896
Unemployment Compensation	248,366	185,969	92,386	56,491	37,656	14,965
Special Event Reimbursements				(88,075)	(108,825)	(94,639)
Total Recoveries	(324,067)	(305,566)	(146,474)	(175,361)	(361,935)	(547,143)
Risk Management Program	\$ 4,870,341	\$ 4,808,544	\$ 5,837,937	\$ 9,181,134	\$ 7,156,312	\$ 9,133,500
City Operating Budget	\$ 371,321,861	\$ 380,021,005	\$ 351,520,813	\$ 367,633,085	\$ 377,050,005	\$ 385,044,759
<b>Cost of Risk</b>	<b>1.31%</b>	<b>1.27%</b>	<b>1.66%</b>	<b>2.50%</b>	<b>1.90%</b>	<b>2.37%</b>



## Current Reserve

Current Reserve describes trends in the City's claim reserves. "Reserves" represents a snapshot of claim reserves for all coverage lines as of the end of each fiscal year.

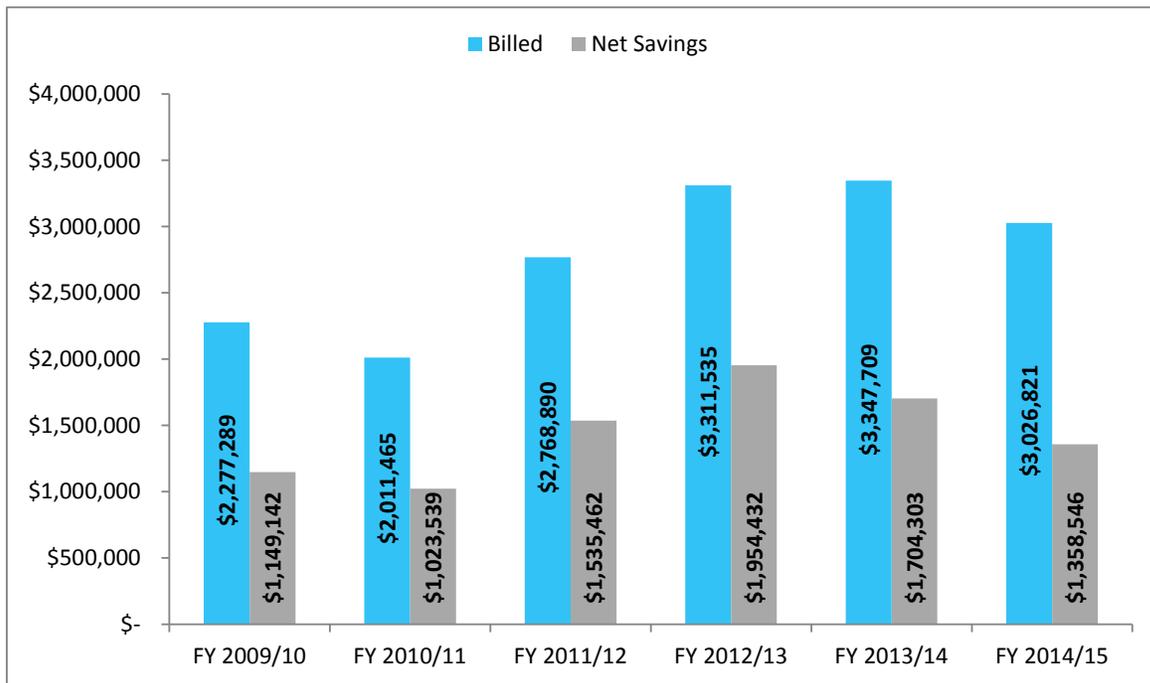
Item	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Reserves	\$ 6,864,470	\$ 5,456,280	\$ 5,071,330	\$ 6,344,527	\$ 9,352,237	\$ 8,338,897



## Medical Bill Review Savings

The City contracts with a third party, CorVel Corporation, to review and adjust workers' compensation medical bills to the 'reasonable' levels. This is allowed by the Industrial Commission of Arizona and is considered a "Best Practice" for controlling the medical costs of workers' compensation claims. Medical bills are reviewed on a line item basis for accuracy, removal of duplicate charges, review of reasonable and customary charges, fee bundling and any other opportunities to ensure maximum savings. The net savings below includes fees charged by the bill review contractor.

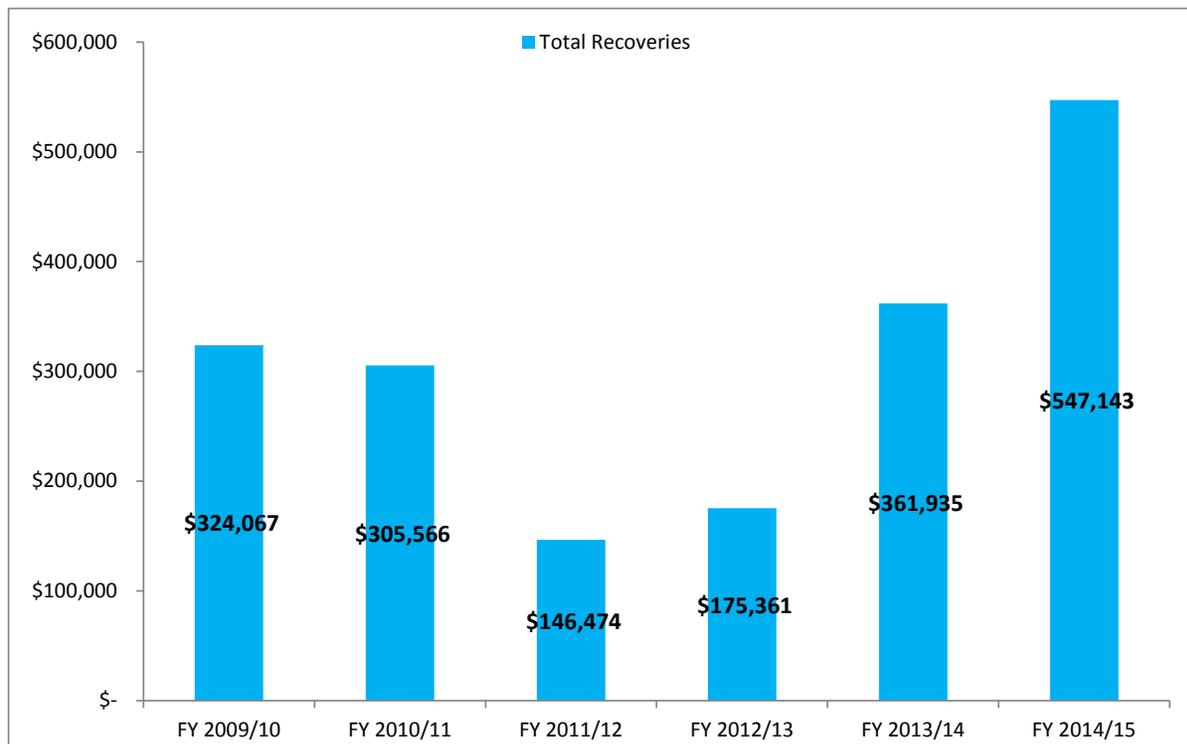
Item	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Billed	\$ 2,277,289	\$ 2,011,465	\$ 2,768,890	\$ 3,311,535	\$ 3,347,709	\$ 3,026,821
Net Savings	\$ 1,149,142	\$ 1,023,539	\$ 1,535,462	\$ 1,954,432	\$ 1,704,303	\$ 1,358,546
% Savings	50%	51%	55%	59%	51%	45%



## Recoveries

In FY 2014/15, the Risk Management Team developed a new subrogation procedure to identify and track collection demands for damages to City property. Two team members worked diligently on collections and successfully recovered \$547,431.

Item	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Total Recoveries	\$ 324,067	\$ 305,566	\$ 146,474	\$ 175,361	\$ 361,935	\$ 547,143



## General Liability Payment Breakdown

The following charts depict year over year spending on general liability and auto liability claims. The legal component is made up of charges from the City Attorney’s office and outside counsel. The City Attorney’s Office provides primary defense for all suits and charges the trust fund a reduced rate of \$143.00 per hour. Infrequently, the City Attorney and Risk Manager will agree to assign outside counsel to defend a suit. In such cases, the assigned City Attorney will continue to perform some work on the case and act as a liaison between the outside counsel, the City Attorney and Risk Management. The miscellaneous category is made up of the litigation costs including but not limited to research, travel, deposition, and testimony of expert witnesses, and costs to obtain medical records.

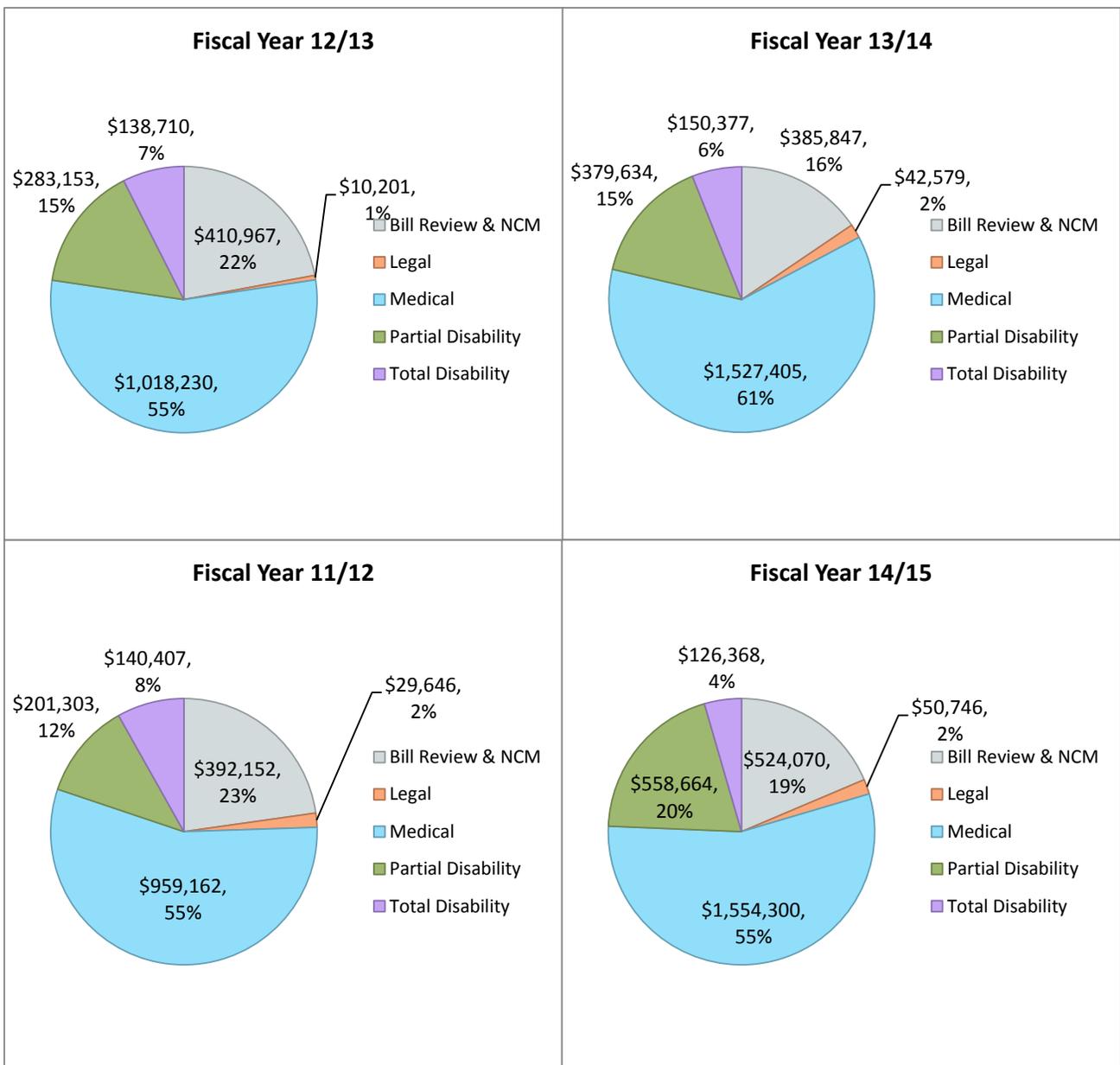
	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
	Paid	Paid	Paid	Paid
Adjuster Fees	\$182	\$34,650	\$0	\$0
Claim Payments	\$482,868	\$2,275,736	\$1,152,983	\$1,726,755
Legal	\$852,367	\$1,640,988	\$1,194,538	\$926,738
Miscellaneous	\$159,348	\$94,070	\$67,845	\$390,598
<b>Total</b>	<b>\$1,494,764</b>	<b>\$4,045,444</b>	<b>\$2,415,366</b>	<b>\$3,044,091</b>



## Workers' Compensation Payment Breakdown

The following fiscal year expense comparisons depict the total payments made for our workers' compensation claims. The Medical Bill Review and Nurse Case Management (NCM) cost components are currently in the competitive bid process.

	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
	Paid	Paid	Paid	Paid
Bill Review & NCM	\$392,152	\$410,967	\$385,847	\$524,070
Legal	\$29,646	\$10,201	\$42,579	\$50,746
Medical	\$959,162	\$1,018,230	\$1,527,405	\$1,554,300
Partial Disability	\$201,303	\$283,153	\$379,634	\$558,664
Total Disability	\$140,407	\$138,710	\$150,377	\$126,368
<b>Total</b>	<b>\$1,722,670</b>	<b>\$1,861,262</b>	<b>\$2,485,841</b>	<b>\$2,814,148</b>



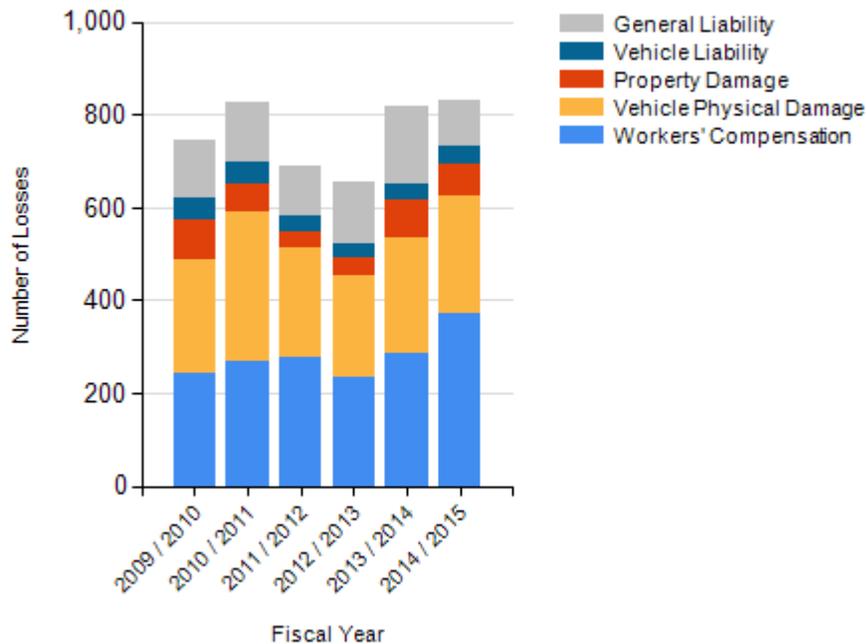


# City Six Year Overall Loss Performance

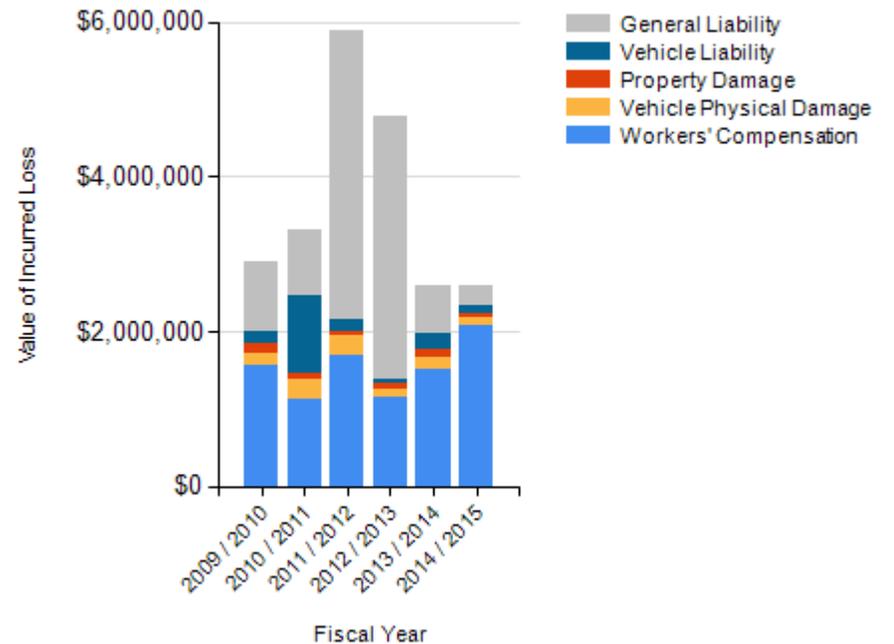
## Claim Frequency and Severity by Date of Loss

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity										
General Liability	126	\$905,310	132	\$849,876	107	\$3,750,654	131	\$3,377,501	168	\$617,047	100	\$268,945
Vehicle Liability	48	\$156,646	46	\$984,127	34	\$143,081	29	\$69,840	34	\$222,195	37	\$86,382
Property Damage	84	\$115,861	61	\$73,993	34	\$48,828	40	\$64,561	79	\$84,115	68	\$65,548
Vehicle Physical Damage	245	\$166,376	321	\$257,465	239	\$254,082	219	\$118,713	251	\$175,337	257	\$101,235
Workers' Compensation	244	\$1,557,344	268	\$1,137,732	276	\$1,700,926	235	\$1,141,686	285	\$1,501,763	370	\$2,071,724
<b>City Total</b>	<b>747</b>	<b>\$2,901,538</b>	<b>828</b>	<b>\$3,303,194</b>	<b>690</b>	<b>\$5,897,570</b>	<b>654</b>	<b>\$4,772,301</b>	<b>817</b>	<b>\$2,600,457</b>	<b>832</b>	<b>\$2,593,834</b>

**Frequency of Claims**



**Severity of Claims**

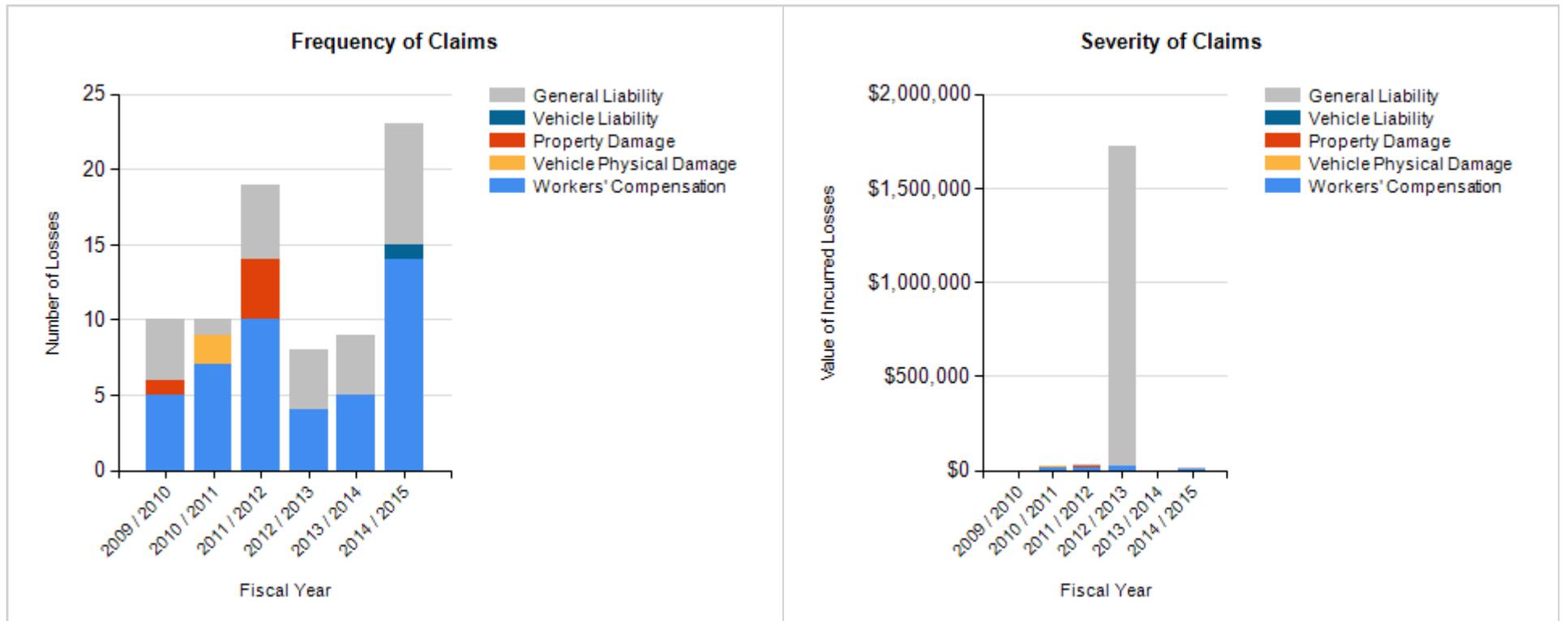




# Charter Officers Six Year Loss Performance

Claim Frequency and Severity by Date of Loss for Mayor & City Council, City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	4	\$1,227	1	\$0	5	\$9,719	4	\$1,694,717	4	\$184	8	\$2,543
Vehicle Liability	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	1	\$0
Property Damage	1	\$0	0	\$0	4	\$4,066	0	\$0	0	\$0	0	\$0
Vehicle Physical Damage	0	\$0	2	\$2,701	0	\$0	0	\$0	0	\$0	0	\$0
Workers' Compensation	5	\$0	7	\$24,071	10	\$16,552	4	\$25,399	5	\$1,210	14	\$9,294
<b>Charter Officers Total</b>	<b>10</b>	<b>\$1,227</b>	<b>10</b>	<b>\$26,773</b>	<b>19</b>	<b>\$30,337</b>	<b>8</b>	<b>\$1,720,116</b>	<b>9</b>	<b>\$1,393</b>	<b>23</b>	<b>\$11,836</b>

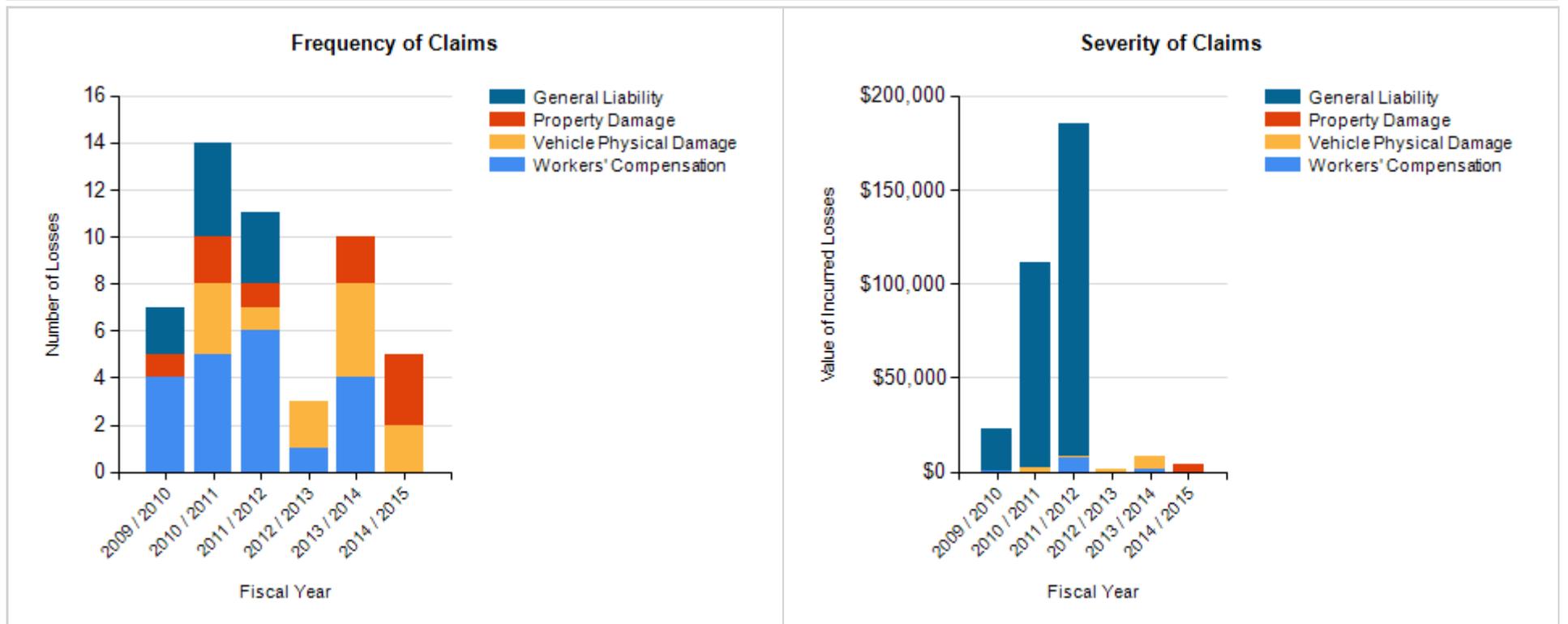




# Administrative Services Six Year Loss Performance

Claim Frequency and Severity by Date of Loss for Communications, Human Resources, Information Technology, and Purchasing

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	2	\$22,816	4	\$109,058	3	\$176,590	0	\$0	0	\$0	0	\$0
Property Damage	1	\$0	2	\$0	1	\$0	0	\$0	2	\$0	3	\$4,370
Vehicle Physical Damage	0	\$0	3	\$2,290	1	\$155	2	\$1,882	4	\$6,961	2	\$0
Workers' Compensation	4	\$254	5	\$0	6	\$8,183	1	\$0	4	\$1,520	0	\$0
<b>Administrative Services Total</b>	<b>7</b>	<b>\$23,070</b>	<b>14</b>	<b>\$111,348</b>	<b>11</b>	<b>\$184,928</b>	<b>3</b>	<b>\$1,882</b>	<b>10</b>	<b>\$8,481</b>	<b>5</b>	<b>\$4,370</b>

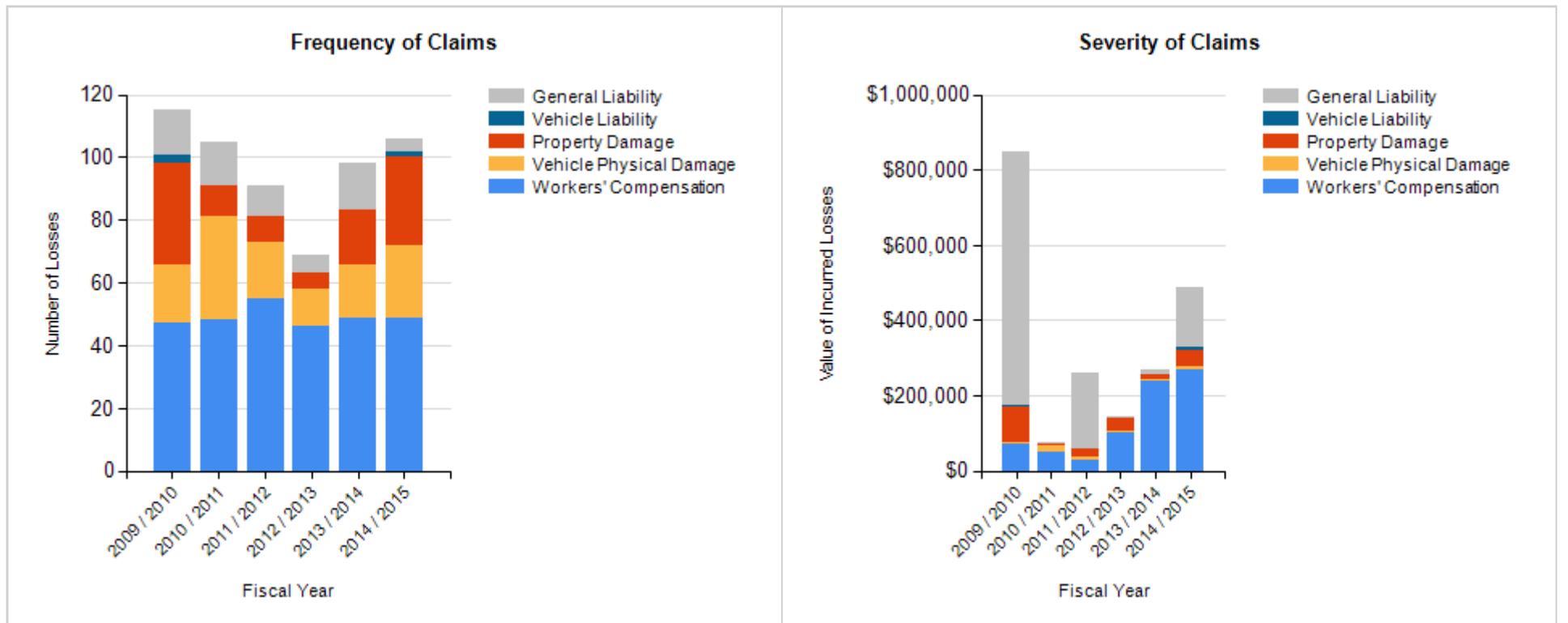




# Community Services Six Year Loss Performance

Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks & Recreation, and Preserve

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	14	\$672,930	14	\$4,229	10	\$201,745	6	\$3,650	15	\$9,950	4	\$159,985
Vehicle Liability	3	\$3,191	0	\$0	0	\$0	0	\$0	0	\$0	2	\$4,909
Property Damage	32	\$93,226	10	\$5,053	8	\$21,223	5	\$35,470	17	\$11,975	28	\$45,451
Vehicle Physical Damage	19	\$7,296	33	\$17,529	18	\$7,346	12	\$3,524	17	\$5,636	23	\$6,924
Workers' Compensation	47	\$70,186	48	\$50,388	55	\$30,459	46	\$103,353	49	\$239,598	49	\$270,236
<b>Community Services Total</b>	<b>115</b>	<b>\$846,829</b>	<b>105</b>	<b>\$77,198</b>	<b>91</b>	<b>\$260,773</b>	<b>69</b>	<b>\$145,997</b>	<b>98</b>	<b>\$267,159</b>	<b>106</b>	<b>\$487,504</b>



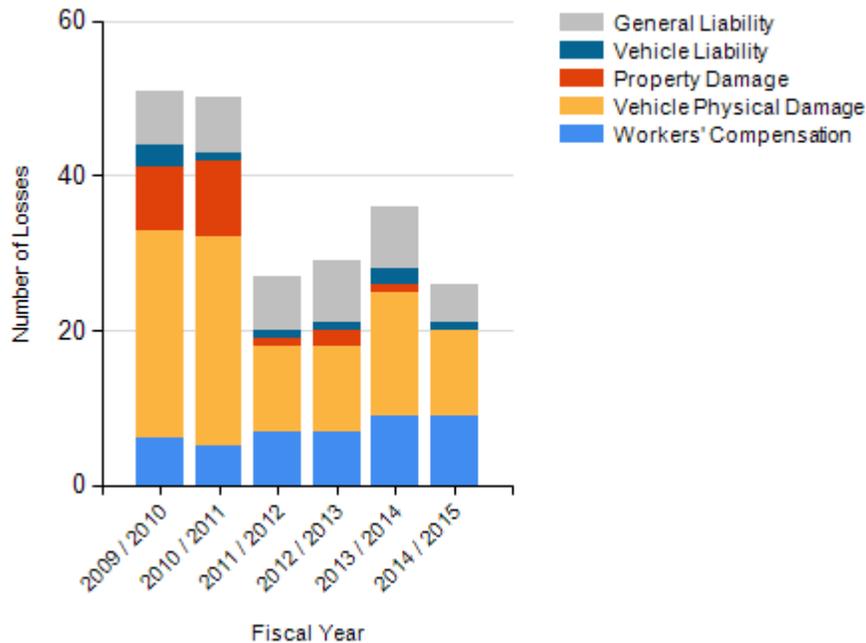


# Community & Economic Development Six Year Loss Performance

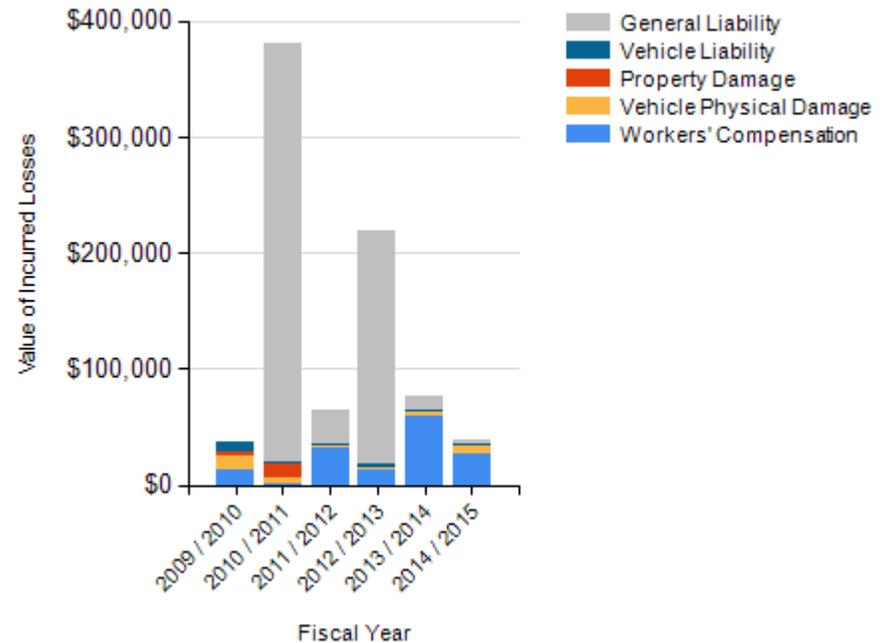
Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning & Development, Tourism & Events, Transportation, and Westworld

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	7	\$0	7	\$359,889	7	\$29,187	8	\$201,746	8	\$10,983	5	\$4,000
Vehicle Liability	3	\$8,923	1	\$148	1	\$1,435	1	\$2,132	2	\$1,113	1	\$192
Property Damage	8	\$2,761	10	\$14,174	1	\$0	2	\$0	1	\$0	0	\$0
Vehicle Physical Damage	27	\$11,326	27	\$5,285	11	\$3,124	11	\$2,996	16	\$3,741	11	\$8,173
Workers' Compensation	6	\$13,901	5	\$1,283	7	\$31,715	7	\$12,869	9	\$60,276	9	\$27,098
<b>Community &amp; Economic Development Total</b>	<b>51</b>	<b>\$36,910</b>	<b>50</b>	<b>\$380,780</b>	<b>27</b>	<b>\$65,461</b>	<b>29</b>	<b>\$219,743</b>	<b>36</b>	<b>\$76,112</b>	<b>26</b>	<b>\$39,463</b>

Frequency of Claims



Severity of Claims



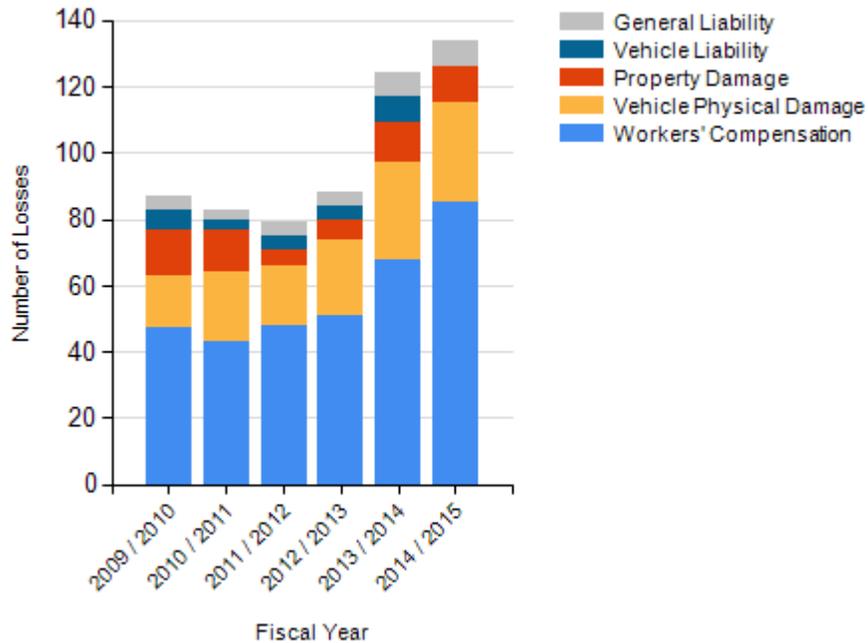


# Fire Department Six Year Loss Performance

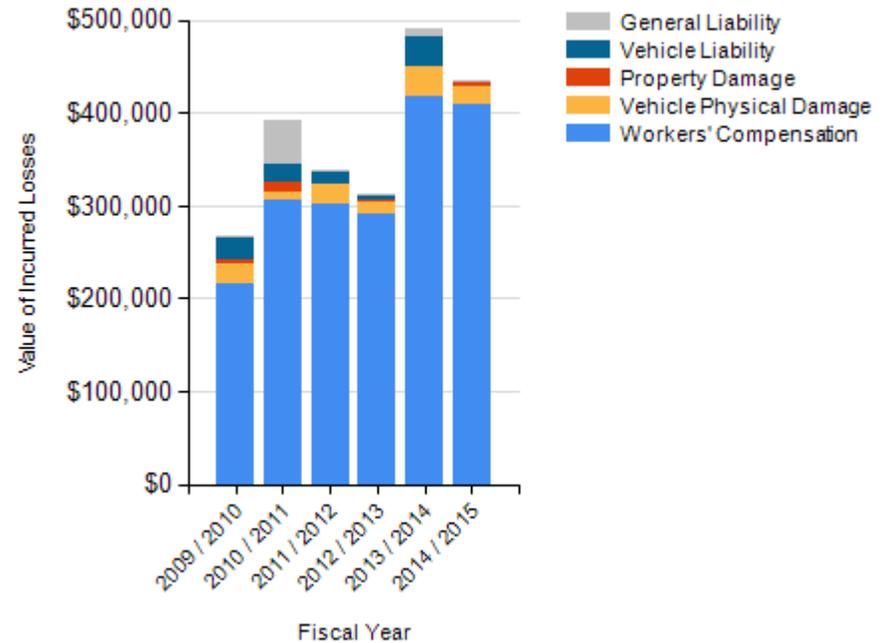
Claim Frequency and Severity by Date of Loss for the Fire Department

	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
Claim Type	Frequency / Severity											
General Liability	4	\$1,509	3	\$46,505	4	\$1,884	4	\$2,905	7	\$9,940	8	\$2,554
Vehicle Liability	6	\$22,932	3	\$19,244	4	\$11,693	4	\$3,919	8	\$30,891	0	\$0
Property Damage	14	\$4,705	13	\$10,722	5	\$0	6	\$265	12	\$0	11	\$3,029
Vehicle Physical Damage	16	\$20,712	21	\$9,261	18	\$22,006	23	\$14,063	29	\$31,406	30	\$19,657
Workers' Compensation	47	\$217,016	43	\$306,480	48	\$302,165	51	\$291,862	68	\$418,717	85	\$409,496
<b>Fire Department Total</b>	<b>87</b>	<b>\$266,874</b>	<b>83</b>	<b>\$392,212</b>	<b>79</b>	<b>\$337,748</b>	<b>88</b>	<b>\$313,014</b>	<b>124</b>	<b>\$490,953</b>	<b>134</b>	<b>\$434,736</b>

**Frequency of Claims**



**Severity of Claims**



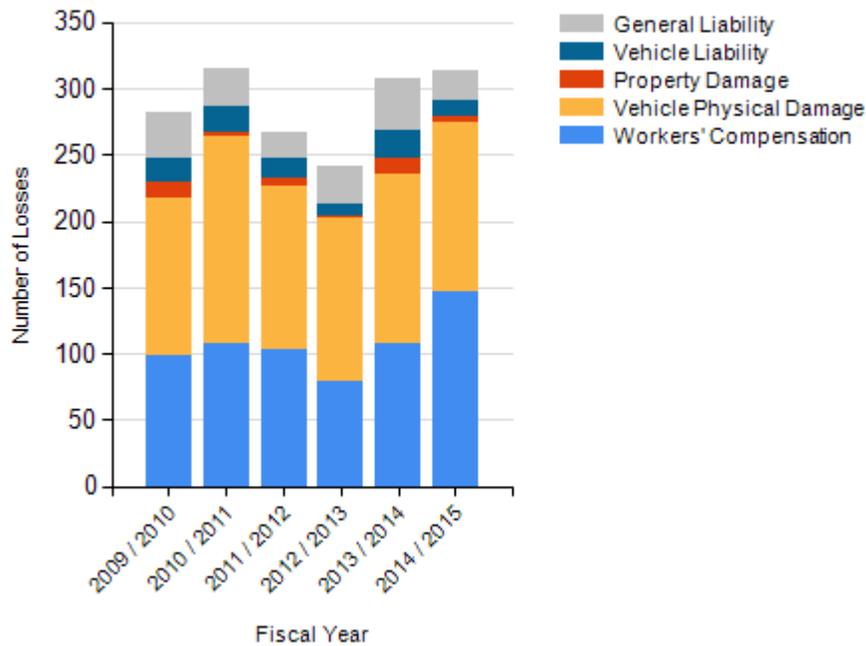


# Police Department Six Year Loss Performance

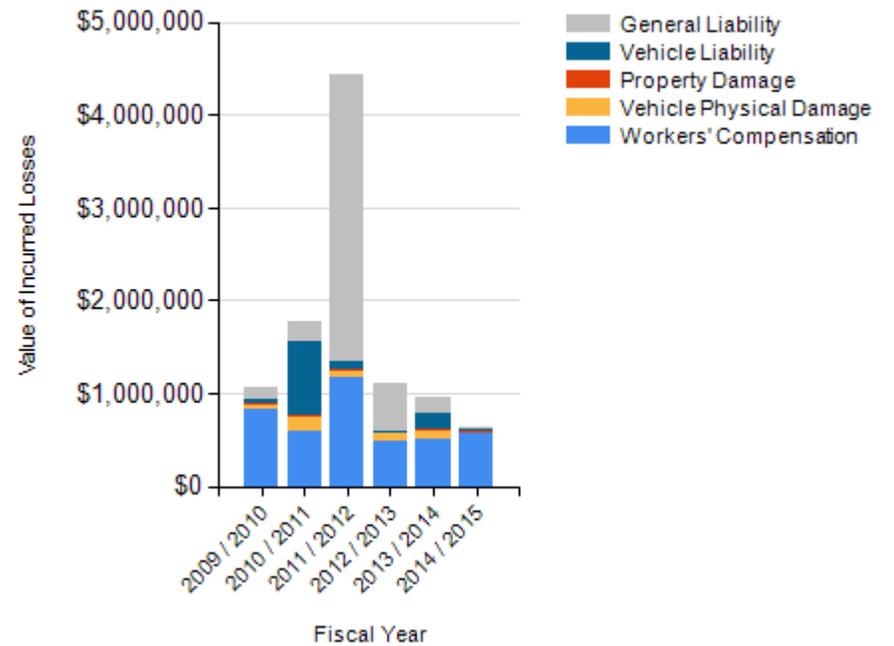
Claim Frequency and Severity by Date of Loss for the Police Department

	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
Claim Type	Frequency / Severity		Frequency / Severity		Frequency / Severity							
General Liability	34	\$120,859	29	\$221,686	20	\$3,083,686	28	\$526,064	40	\$174,500	23	\$14,033
Vehicle Liability	19	\$53,748	19	\$791,112	15	\$83,714	9	\$18,690	21	\$177,862	12	\$36,885
Property Damage	11	\$9,111	3	\$6,461	5	\$1,783	1	\$0	11	\$10,344	5	\$5,000
Vehicle Physical Damage	120	\$57,132	157	\$149,466	124	\$90,426	124	\$70,062	128	\$100,932	128	\$23,117
Workers' Compensation	98	\$824,229	107	\$603,216	103	\$1,163,968	79	\$497,317	108	\$502,441	146	\$568,751
<b>Police Department Total</b>	<b>282</b>	<b>\$1,065,078</b>	<b>315</b>	<b>\$1,771,940</b>	<b>267</b>	<b>\$4,423,578</b>	<b>241</b>	<b>\$1,112,132</b>	<b>308</b>	<b>\$966,079</b>	<b>314</b>	<b>\$647,785</b>

**Frequency of Claims**



**Severity of Claims**



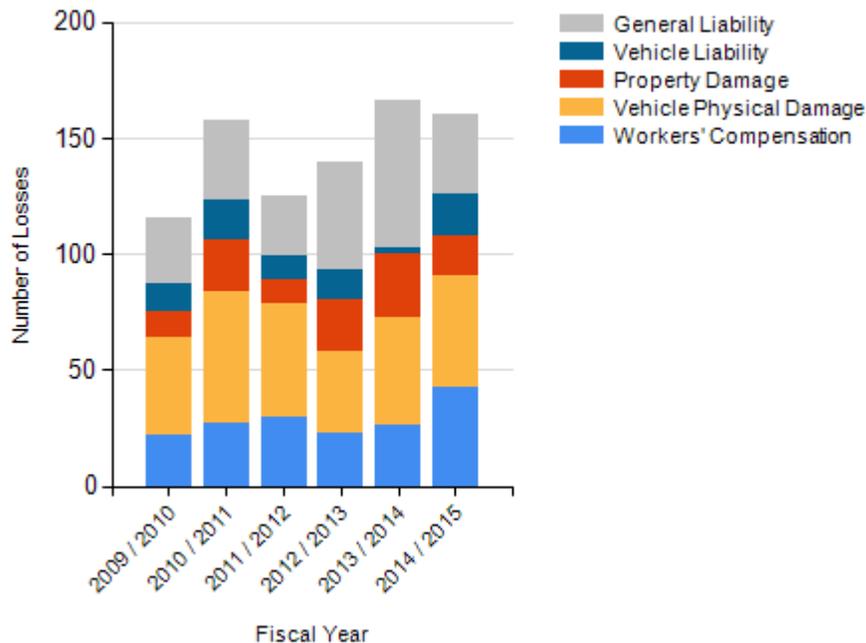


# Public Works Six Year Loss Performance

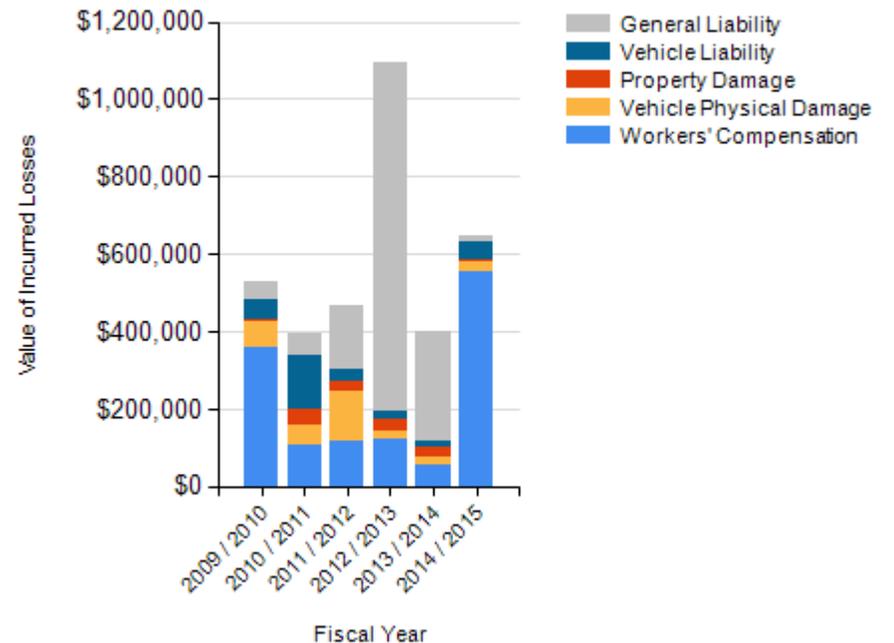
Claim Frequency and Severity by Date of Loss for Capital Projects, Facilities, Fleet, Solid Waste, and Street Operations

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	29	\$46,719	35	\$54,236	26	\$165,074	47	\$903,144	63	\$286,076	34	\$18,551
Vehicle Liability	12	\$52,085	17	\$143,757	10	\$32,604	13	\$18,662	3	\$12,329	18	\$41,596
Property Damage	11	\$6,059	22	\$37,582	10	\$21,756	22	\$28,825	27	\$26,388	17	\$3,876
Vehicle Physical Damage	42	\$64,927	57	\$54,924	49	\$131,432	35	\$23,223	47	\$21,586	48	\$29,930
Workers' Compensation	22	\$360,479	27	\$104,510	30	\$115,775	23	\$122,203	26	\$54,707	43	\$553,830
<b>Public Works Total</b>	<b>116</b>	<b>\$530,268</b>	<b>158</b>	<b>\$395,009</b>	<b>125</b>	<b>\$466,640</b>	<b>140</b>	<b>\$1,096,058</b>	<b>166</b>	<b>\$401,086</b>	<b>160</b>	<b>\$647,784</b>

**Frequency of Claims**



**Severity of Claims**

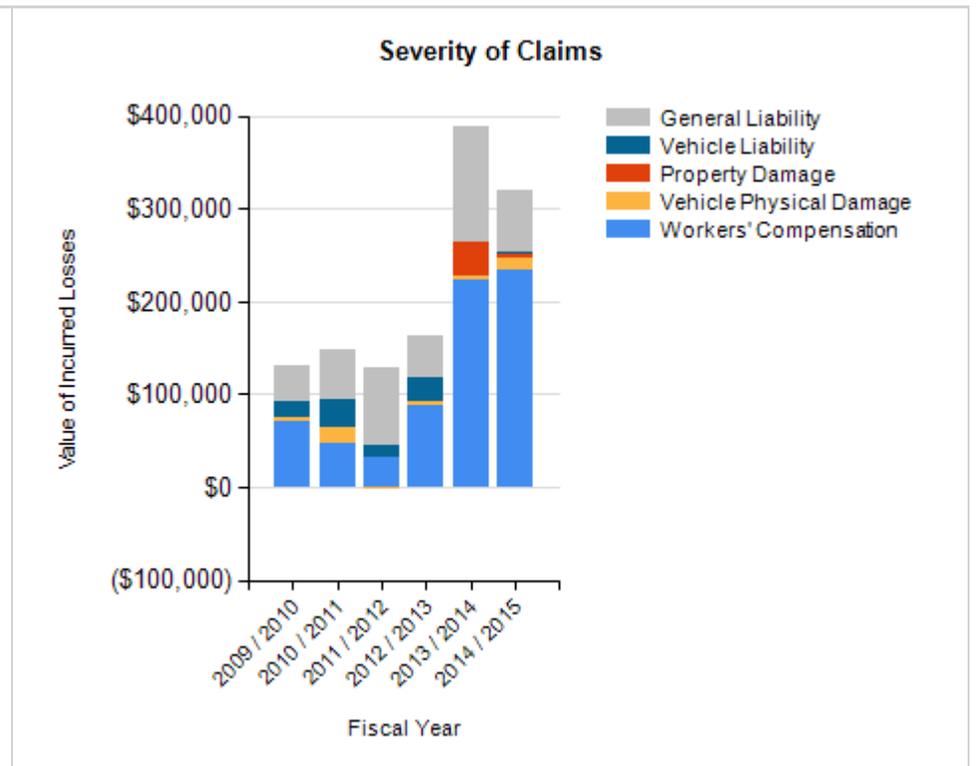
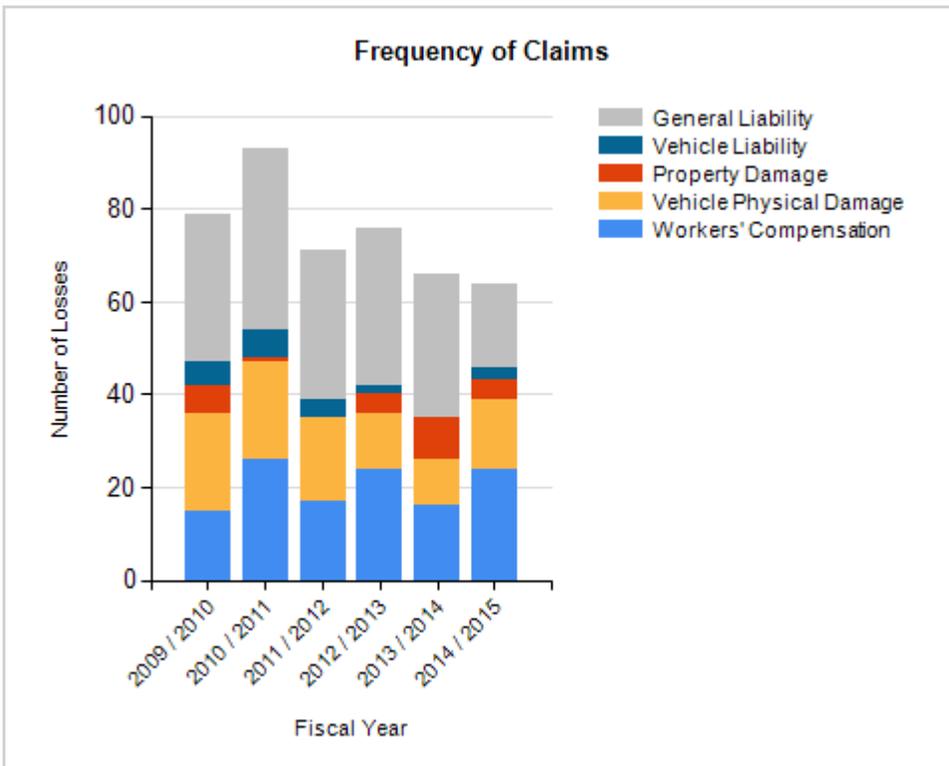




# Water Resources Six Year Loss Performance

Claim Frequency and Severity by Date of Loss for Planning & Engineering, Reclamation Services, Water Quality, and Water Services

Claim Type	2009 / 2010		2010 / 2011		2011 / 2012		2012 / 2013		2013 / 2014		2014 / 2015	
	Frequency	Severity										
General Liability	32	\$39,250	39	\$54,272	32	\$82,770	34	\$45,276	31	\$125,416	18	\$67,280
Vehicle Liability	5	\$15,768	6	\$29,866	4	\$13,634	2	\$26,436	0	\$0	3	\$2,801
Property Damage	6	\$0	1	\$0	0	\$0	4	\$0	9	\$35,409	4	\$3,821
Vehicle Physical Damage	21	\$4,983	21	\$16,010	18	(\$408)	12	\$2,964	10	\$5,075	15	\$13,433
Workers' Compensation	15	\$71,279	26	\$47,785	17	\$32,108	24	\$88,683	16	\$223,295	24	\$233,020
<b>Water Resources Total</b>	<b>79</b>	<b>\$131,280</b>	<b>93</b>	<b>\$147,933</b>	<b>71</b>	<b>\$128,105</b>	<b>76</b>	<b>\$163,359</b>	<b>66</b>	<b>\$389,195</b>	<b>64</b>	<b>\$320,354</b>



## **Loss Trust Fund Annual Report Self-Insured Medical and Dental Plans FY 14/15**

### **Introduction:**

Health benefits are a significant part of the City's compensation package and are important in the recruitment and retention of employees. Responsibility related to the self-insured medical and dental plans, including rate determination and benefit offerings, lies with the City Council, City Manager, City Treasurer, and Human Resources. This report is intended to provide a historical perspective concerning self-funding by the City as well as information concerning current status of the self-insured plans.

### **Background:**

The City has self-insured a portion of its medical and dental benefit plans since 1990. In January 2004, the City expanded its self-insurance programs by introducing predominantly self-insured medical plans along with the already self-insured dental plan. Operationally, a self-insured employer designs its own schedule of benefits, pays for those benefits, and typically utilizes the services of an external organization to provide medical and utilization review services, administer the plans and provide customer service.

Since 2004 claims and administrative services have been performed by Aetna and their contract terminated June 30, 2014. The City worked with its benefit consulting firm, Hays Companies, and selected Cigna to administer medical, dental, behavioral health and the Employee Assistant Plan for the plan year beginning July 1, 2014. Consolidating services with one benefit vendor results in several cost and administrative efficiencies, including: consolidated claims reporting, uniform disease management and wellness programs and a single prescription drug formulary for all participants. In October 2015 Cigna will provide a detailed analysis of the FY 14/15 and we can provide a summary to the Board at the next meeting. The three medical plans that were offered by the City in FY 14/15 are listed below:

#### **Cigna OAP In-Network**

This is an exclusive provider plan similar to an HMO; participants pay specific co-payment for services with no deductibles or co-insurance. Employees may only use in-network providers, but do not need referrals.

#### **Cigna OAP**

This is a hybrid preferred provider plan that combines some HMO features with traditional PPO features; co-payments for primary care and specialist office visits; deductibles for co-insurance payments for most other services (laboratory, x-ray, hospitalizations, etc). Employees have a choice of using either in or out-of-network providers.

#### **Cigna OAP + HSA**

This is a federally qualified high deductible health plan with an optional health savings account feature. This plan offers in-network and out of network benefits, subject to annual deductibles and co-insurance once deductibles are met. Employees have a choice of using either in or out-of-network providers.

An important feature of the Cigna plans is access to a nationwide provider network. This feature provides in-network opportunities for Public Safety Personnel disabled retirees who have relocated and for employees with dependents residing out-of-area. Cigna also provides \$150,000 in a wellness fund to incentivize employees towards healthy behaviors. We have seen increased participation in all of our class offerings, walking program, ICMA 457 participation and plan to implement a tobacco surcharge in FY 16/17. Additionally, Cigna will reimburse the City 100% of any prescription rebates and they are paid on a calendar year basis. We received \$190,000 for July 1, 2014 – December 31, 2014. In January 2016 we

will receive January 1, 2015 – December 31, 2015. Previously, Aetna only reimbursed 20% of any prescription rebates and in FY 2013/14 we received a total of \$110,000 from Aetna.

**Plan Performance and Actuarial Study:**

The following table reflects revenues generated by internal funding rates and claim loss data for the fiscal year ending June 30, 2015, for the self-insured medical plans.

Revenues <sup>(a)</sup>	\$25 M
Expenses <sup>(b)</sup>	\$26 M
\$ Variance Favorable/ (Unfavorable)	(\$1 M)
% Variance Favorable/ (Unfavorable)	(5%)

<sup>(a)</sup> Includes amounts paid by the City, employees and PSPRS disabled retirees

<sup>(b)</sup> Includes medical and prescription drug claim payments, administrative fees and city expenses

The loss ratio (expenses compared to revenue) over the past three years is as follows:

	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>
Aetna Select/Cigna OAP In-Network	93%	98%	103%
Aetna Choice/Cigna OAP	143%	101%	102%
Aetna Choice + HSA/Cigna HSA	55%	52%	29%
Overall (including city expenses)	97%	98%	104%

Each year an actuarial study is conducted to determine the accrued liabilities existing at year-end that carry-over into the next fiscal year. A cash reserve is maintained against these estimated claims run-off liabilities, as well as to provide for any reasonably expected increase in medical claims cost during the ensuing year.

Our Cigna PPO dental plan ran at a favorable 85% loss ratio in FY 14/15.

**Financial Limitations and Controls - Stop-Loss Coverage:**

Under a self-insured arrangement the employer assumes financial risk for claims instead of paying a monthly premium to a carrier who assumes the risk. However, in order to protect the plan from unpredictable, catastrophic claims, an employer may purchase stop-loss insurance from a third party insurer for a fixed premium rate. There are two types of stop loss insurance: Specific Stop-Loss coverage and Aggregate Stop-Loss coverage. Specific stop-loss limits the employer’s liability to a predetermined dollar amount (the deductible) on each covered participant in a fiscal year. Aggregate stop-loss protects an employer from total claims for all participants that exceed the annual aggregate amount in a fiscal year.

The City carries Specific Stop-Loss coverage through Symetra Life Insurance Company which provides protection against individual catastrophic claims that exceed \$325,000 in a fiscal year. The City’s premium for this protection was \$695,000 in FY 14/15. Hays Companies conducted a Request for Proposal for stop-loss coverage and re-selected Symetra Life Insurance Company with around a 20% rate reduction. The estimated premiums for FY 15/16 are \$555,000. The City does not currently carry aggregate stop loss coverage because the health care claims volume is large enough to be relatively predictable from year to year, making it unlikely that the City would benefit from this protection.

**Large Claims**

An important component of the self-insurance program is to identify potential large claims and to provide case management assistance. When an individual participant has a condition that may approach the specific deductible, the stop-loss carrier is notified so they can work with the claims administrator on case management. During FY 2014/15, the City incurred 19 catastrophic claims that resulted in payment of around \$3 million, or nearly 13% of the City’s total medical plan payments for the year.

**Aging Work Force and Retiree Coverage:**

A major area of concern for employers is the aging workforce. The demographics of the workforce reflect a gradual increase in the average age. An older workforce historically incurs greater costs in both prescription drug and medical services utilization. Currently, only the Public Safety Personnel Retirement System (PSPRS) disability retiree medical plan remains and their premium contributions are the same as the full monthly premium for active employees (City and employee contributions).

**Plan Demographics:**

The following reflects medical plan enrollment at the beginning of FY 2015/16

	<u>Employees/COBRA</u>	<u>Disabled Retirees</u>	<u>Total</u>
<b>Cigna OAP In-Network</b>			
Individual Only	636	7	648
Individual & Children	301	3	299
Individual & Spouse	247	2	253
Individual & Family	<u>663</u>	<u>2</u>	<u>695</u>
<b>Total</b>	<b>1,847</b>	<b>14</b>	<b>1,861</b>
<b>Cigna OAP</b>			
Individual Only	139	1	127
Individual & Children	42	0	30
Individual & Spouse	28	3	31
Individual & Family	<u>69</u>	<u>3</u>	<u>61</u>
<b>Total</b>	<b>278</b>	<b>7</b>	<b>285</b>
<b>Cigna OAP + HSA</b>			
Individual Only	57	1	56
Individual & Children	5	0	6
Individual & Spouse	5	2	8
Individual & Family	<u>8</u>	<u>0</u>	<u>10</u>
<b>Total</b>	<b>75</b>	<b>3</b>	<b>78</b>

**Employee Medical Rates** The plan experienced a 6.8 percent rate increase for FY 2015/16. Premium sharing for employee coverage is 80/20 for the Cigna OAP In-Network Plan, 85/15 for the Cigna OAP Plan and 90/10 for the Cigna OAP + HSA Plan. Premium sharing for dependent coverage remains 75/25 for all plans. There were no plan design changes this year.

**Disability Retiree Medical Rates** – In January 2014, the City Council voted to eliminate the retiree medical plans and continue to allow PSPRS disabled retirees to pay the full monthly premium for active employees instead of the retiree rate. There are currently 24 disabled retirees enrolled. We anticipated that these plans would continue to run at a loss ratio. For FY 14/15 the funding loss ratio for the PSPRS disabled retirees was 169%.

The following table reflects the FY 2015/16 rate models for the self-insured medical and dental plans.

## Monthly Benefit Premiums

July 1, 2015 to June 30, 2016	Monthly Premium Employees	Full Time Employee (City Contribution)	Part Time & Job Share Employee (City Contribution)
<b>City of Scottsdale Cigna OAP In-Network</b>			
Enrollee Only	\$509.00	\$101.00 (\$408.00)	\$203.00 (\$306.00)
Enrollee & Child(ren)	\$923.00	\$205.00 (\$718.00)	\$384.00 (\$539.00)
Enrollee & Spouse/Partner	\$1101.00	\$249.00 (\$852.00)	\$462.00 (\$639.00)
Enrollee & Family	\$1581.00	\$370.00 (\$1211.00)	\$673.00 (\$908.00)
<b>City of Scottsdale Cigna OAP</b>			
Enrollee Only	\$445.00	\$67.00 (\$378.00)	\$161.00 (\$284.00)
Enrollee & Child(ren)	\$806.00	\$157.00 (\$649.00)	\$319.00 (\$487.00)
Enrollee & Spouse/Partner	\$963.00	\$197.00 (\$766.00)	\$388.00 (\$575.00)
Enrollee & Family	\$1381.00	\$300.00 (\$1081.00)	\$570.00 (\$811.00)
<b>City of Scottsdale Cigna OAP + HSA</b>			
Enrollee Only	\$425.00	\$42.00 (\$383.00)	\$138.00 (\$287.00)
Enrollee & Child(ren)	\$769.00	\$129.00 (\$640.00)	\$289.00 (\$480.00)
Enrollee & Spouse/Partner	\$918.00	\$166.00 (\$752.00)	\$354.00 (\$564.00)
Enrollee & Family	\$1381.00	\$266.00 (\$1051.00)	\$529.00 (\$788.00)
<b>Cigna PPO Dental</b>			
Enrollee Only	\$38.00	\$4.74 (\$33.26)	\$13.04 (\$24.96)
Enrollee & Child(ren)	\$68.40	\$31.34 (\$37.06)	\$40.60 (\$27.80)
Enrollee & Spouse/Partner	\$83.60	\$44.64 (\$38.96)	\$54.38 (\$29.22)
Enrollee & Family	\$113.06	\$71.26 (\$41.80)	\$81.70 (\$31.36)

### Cost Sharing Components – Self-Insured Medical Plans:

An important component of a self-insured program is plan design. Under a self-insured plan, the employer designs the schedules of benefits for participating employees. A successful plan design will incorporate cost sharing features between the employee and employer in order to maintain plan affordability and equity. Additionally, a self-insured plan should be designed to provide employees an incentive to be careful health care consumers and encourage wellness and prevention. There were no additional plan design changes this year.

Cigna OAP In-Network

- \$5 co-payment for MDLive
- \$10 co-payment for Cigna Medical Group PCP visit
- No co-payment for preventive care
- \$25 co-payment for primary care physician office visits
- \$40 co-payment for specialist office visits
- \$100 co-payment for complex outpatient imaging
- \$500 co-payment for in-patient hospital
- \$250 co-payment for out-patient surgery and emergency room use
- Co-payment or co-insurance for retail prescriptions – employees pay more for brand drugs

Cigna OAP

- \$5 co-payment for MDLive
- \$10 co-payment for Cigna Medical Group PCP visit
- No co-payment for preventive care
- \$25 co-payment for primary care physician office visits
- \$40 co-payment for specialist office visits
- \$750/\$1,500 deductible for in-network services
- Separate out-of-network deductible
- Co-payment or co-insurance for retail prescriptions – employees pay more for brand drugs

Cigna OAP + HSA

- \$1,250/\$2,500 deductible for in-network services
- Separate out-of-pocket of network deductible
- No deductible or co-insurance for preventive care
- Co-payment or co-insurance for retail prescriptions – employees pay more for brand drugs

Our MD Live telemedicine launch was successful, with 136 registered patients and 78 unique consultations.

These cost sharing features were implemented to provide lower monthly premium contributions for all participants, while participants that utilize medical services pay a share of the incurred costs. The following table provides a more comprehensive look at the three medical plan designs:

<b>July 1, 2015 to June 30, 2016</b>	<b>Cigna OAP + HSA</b>		<b>Cigna OAP In-Network</b>	<b>Cigna OAP</b>	
	<b>In-Network Benefits</b>	<b>Out-of- Network Benefits</b>		<b>In-Network Benefits</b>	<b>Out-of- Network Benefits</b>
Choice of Physician	Choice of in-network physician(s) or out-of-network physician(s)		Choice of in-network physician(s) only, no pre-selection of a primary care physician necessary	Choice of in-network physician(s) or out-of-network physician(s)	
Deductible per Plan Year	\$1,250 Individual \$2,500 Family	\$3,500 Individual \$7,000 Family	None	\$750 Individual \$1,500 Family	\$3,500 Individual \$7,000 Family
Annual Out-of-Pocket Maximum	\$4,000 Individual \$8,000 Family	\$6,000 Individual \$12,000 Family	\$2,500 Individual \$5,000 Family	\$4,500 Individual \$9,000 Family	\$4,500 Individual \$9,000 Family

July 1, 2015 to June 30, 2016	Cigna OAP + HSA		Cigna OAP In-Network	Cigna OAP	
	In-Network Benefits	Out-of- Network Benefits		In-Network Benefits	Out-of- Network Benefits
<b>Basic Care</b>					
Primary Physician Office Visits (Family & General Practice, Internal Medicine, OB/GYN & Pediatrician)	90% after deductible	70% after deductible	\$25 co-pay per visit	\$25 co-pay per visit	70% after deductible
Cigna Medical Group	90% after deductible	70% after deductible	\$10 co-pay per visit	\$10 co-pay per visit	No benefit
MDLive (telemedicine service)	\$38 per call	No benefit	\$5 co-pay per call	\$5 co-pay per call	No benefit
Specialist Physician Office Visit	90% after deductible	70% after deductible	\$40 co-pay per visit	\$40 co-pay per visit	70% after deductible
Outpatient X-ray & Laboratory	90% after deductible	70% after deductible	No co-pay/\$100 for complex imaging	90% after deductible	70% after deductible
Physical, Occupational, Speech Therapy (maximum 60 visits per plan year)*	90% after deductible	70% after deductible	\$25 co-pay per visit	90% after deductible	70% after deductible
<b>Hearing &amp; Vision</b>					
Hearing Examinations	100%, no deductible; 1 visit every 12 mths	No benefit	100%, no deductible 1 visit every 12 mths	100%, no deductible; 1 visit every 12 mths	No benefit
Vision Basic Examinations	100%, no deductible; 1 visit every 12 mths	No benefit	100%, no deductible 1 visit every 12 mths	100%, no deductible; 1 visit per plan year, per 12 mths	No benefit
Vision Materials (frames, lenses, contact lens exam/fitting, etc.)	Discounts available		Discounts available	Discounts available	
<b>Wellness</b>					
Routine Physicals, Exams, Pap Smears and Mammograms	100%, no deductible	70% after deductible	100%, No Co-pay	100%, No Co- pay	70% after deductible
Well Baby Care	100%, no deductible	70% after deductible	100%, No Co-pay	100%, No Co- pay	70% after deductible
Chiropractor (maximum 20 visits per plan year)*	90% after deductible	70% after deductible	\$40 co-pay per visit	90% after deductible	70% after deductible
Allergy Injections	90% after deductible	70% after deductible	No charge	No charge	70% after deductible
<b>Maternity Care</b>					
Office Visits	90% after deductible	70% after deductible	\$25 co-pay first visit	\$25 co-pay first visit	70% after deductible
Delivery	90% after deductible	70% after deductible	\$500 co-pay	90% after deductible	70% after deductible
<b>Inpatient Hospital Care &amp; Outpatient Surgery</b>					
Inpatient Hospital	90% after	70% after	\$500 co-pay per	90% after	70% after

July 1, 2015 to June 30, 2016	Cigna OAP + HSA		Cigna OAP In-Network	Cigna OAP	
	In-Network Benefits	Out-of- Network Benefits		In-Network Benefits	Out-of- Network Benefits
	deductible	deductible	admission	deductible	deductible
Outpatient Surgery	90% after deductible	70% after deductible	\$250 co-pay	90% after deductible	70% after deductible
<b>Emergency Care &amp; Urgent Care</b>					
Emergency Room (co-pay waived if admitted)	90% after deductible	90% after deductible	\$150 co-pay	\$150 co-pay, plus 10% co-insurance after deductible	\$150 co-pay, plus 10% co-insurance after in-network deductible
Urgent Care Facility	90% after deductible	90% after deductible	\$50 co-pay per visit	\$50 co-pay, plus 10% co-insurance after deductible	\$50 co-pay, plus 10% co-insurance after in-network deductible
<b>Ambulance</b>					
Ground	90% after deductible	70% after deductible	No co-pay	90% after deductible	90% after deductible
Air	90% after deductible	70% after deductible	No co-pay	90% after deductible	90% after deductible
<b>Extended Care</b>					
Home Health Care (maximum 40 visits per plan year)	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Skilled Nursing (maximum 60 days)	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
Hospice Care	90% after deductible	70% after deductible	No co-pay	90% after deductible	70% after deductible
<b>Prescriptions</b>					
Generic	100% after deductible	50% after deductible	\$10 co-pay	\$10 co-pay	50% co-insurance
Brand Name	100% after deductible and 20% co-insurance (\$30 min-\$50 max)	50% after deductible	20% co-insurance (\$30 min-\$50 max)	20% co-insurance (\$30 min-\$50 max)	50% co-insurance
Non-Formulary	100% after deductible and 40% co-insurance (\$50 min-\$100 max)	50% co-insurance	40% co-insurance (\$50 min-\$100 max)	40% co-insurance (\$50 min-\$100 max)	50% co-insurance
Mail Order Generic	100% after deductible and \$20	No benefit	\$20 (90-day supply)	\$20 (90-day supply)	No benefit
Mail Order Brand Name	100% after deductible and \$60	No benefit	\$60 (90-day supply)	\$60 (90-day supply)	No benefit

July 1, 2015 to June 30, 2016	Cigna OAP + HSA		Cigna OAP In-Network	Cigna OAP	
	In-Network Benefits	Out-of- Network Benefits		In-Network Benefits	Out-of- Network Benefits
Mail Order Non-Formulary	100% after deductible and \$110	No benefit	\$110 (90-day supply)	\$110 (90-day supply)	No benefit
<b>Mental Health</b>					
CIGNA Behavioral Health Outpatient Care	90% after deductible		\$20 co-pay	\$20 co-pay	
Non-CIGNA Behavioral Health Outpatient Care	In-network 90% after deductible, out-of-network 70% after deductible		No benefit	90% after deductible	
CIGNA Behavioral Health Inpatient Care	90% after deductible		\$500 co-pay per admission; covered at 100%	90% after deductible	
<b>Maximum Lifetime Benefit</b>					
Lifetime Maximum	None				

**Live Life Well**

The City realizes that the health of employees and family members and their willingness to adopt healthier lifestyles are major factors influencing health care costs. As such, the City has developed a workplace health promotion program called Live Life Well. The program, modeled after the Wellness Council of America’s Well Workplace initiative, promotes healthy lifestyles through wellness education and participation in results oriented projects. The Live Life Well program is a key component to helping achieve the City’s organizational wellness goals and create a long-term culture of good health. The City firmly believes that investing in wellness pays dividends in decreased health care costs, increased productivity, improved customer service and better job satisfaction.

Through the efforts of Live Life Well and city employees, the city has been recognized by the Phoenix Business Journal as one of the valley’s healthiest employers for the past four years. In 2014, the city of Scottsdale was awarded first place among municipalities and eighth overall among large employers. The city was also selected for the Cigna Well-Being Award and the American Heart Association’s Fit Friendly Gold Award for the second straight year for the organization’s commitment to a health and wellness program.

Two committees are responsible for the administration of the Live Life Well program: the Benefit Coordinating Committee (BCC) and the Employee Benefits and Wellness Team (EBWT). The Benefit Coordinating Committee, comprised of upper level managerial employees, provides program oversight and strategic direction. The EBWT is a larger group that consists of a cross-section of all City divisions. The primary responsibility of the EBWT is to develop, educate and communicate benefit information and wellness programs within the organization.

Specific strategies employed include:

- Annual biometric screenings through an employee’s Primary Care Physician with an HRA (health risk assessment) which provides baseline information on the health of the City’s employee population. Employees receive specific information concerning their health status, establish an important relationship with their Primary Care Physician, and the City receives aggregate information to help identify specific wellness program needs. FY 2015/16 this program has increased both employee and spouse participation rate by almost 15 percent over last year. The incentive given is \$120 per employee for single coverage and \$240 per employee for dependent coverage which will appear on

the October paychecks. For FY 16/17 we plan to bring back on-site screenings to gain additional participation from those workgroups who have difficulties visiting their doctor.

- Wellness classes included walking and weight loss programs, tobacco cessation, fitness, health and cooking education classes. There will continue to be a \$25 incentive for those employees who complete a health coaching goal where they speak on-line or on the phone with a health coach regarding a variety of topics including tobacco cessation, weight loss, nutrition, exercise and depression. We are reviewing bringing on an on-site coach to help reach more employees.
- A monthly employee benefit newsletter is continuing to be emailed to employee and spouse's home email addresses to reach more family members. Membership has increased to 600 email addresses.
- In FY 16/17 we plan to implement a tobacco surcharge on a pay period basis and increase the surcharge each year. This has already been announced to employees through the weekly newsletter, staff meetings and four open meetings.

**CITY OF SCOTTSDALE  
HEALTHCARE SELF-INSURANCE FUND  
FIVE YEAR FINANCIAL FORECAST**

**DRAFT**

	Actual* 2014/15	Adopted 2015/16	Approved 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21
<b>Beginning Fund Balance</b>								
Operating Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Healthcare Claims Reserve	3,616,814	4,222,886	3,146,675	3,414,782	3,712,282	4,049,882	4,427,482	4,848,482
<b>Total Beginning Fund Balance</b>	<b>6,116,814</b>	<b>6,722,886</b>	<b>5,646,675</b>	<b>5,914,782</b>	<b>6,212,282</b>	<b>6,549,882</b>	<b>6,927,482</b>	<b>7,348,482</b>
<b>Revenues and Other Sources</b>								
Healthcare Premiums - COS	19,016,473	20,707,728	20,707,728	22,364,300	24,153,500	26,085,900	28,172,600	28,172,600
Healthcare Premiums- EE	5,784,382	5,870,676	5,870,676	6,340,200	6,847,600	7,395,400	7,986,900	7,986,900
Healthcare Premium Wellness Incentives	212,240	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Healthcare Premiums - Disabled Retiree	241,812	255,288	255,288	275,700	297,700	321,600	347,300	347,300
Dental Premiums - COS	757,304	823,767	823,767	848,500	873,900	900,200	927,200	927,200
Dental Premiums - EE	737,721	732,025	732,025	754,000	776,600	799,900	823,900	823,900
Other - Recovery , Rebates, Interest (Active)	105,532	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Other - Recovery , Rebates, Interest (Disabled Retiree)	14,713	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Subtotal</b>	<b>26,870,177</b>	<b>28,899,484</b>	<b>28,899,484</b>	<b>31,092,700</b>	<b>33,459,300</b>	<b>36,013,000</b>	<b>38,767,900</b>	<b>38,767,900</b>
<b>Total Sources</b>	<b>26,870,177</b>	<b>28,899,484</b>	<b>28,899,484</b>	<b>31,092,700</b>	<b>33,459,300</b>	<b>36,013,000</b>	<b>38,767,900</b>	<b>38,767,900</b>
<b>Expenditures and Other Uses</b>								
Healthcare - Medical/Behavioral Claims- Actives	23,660,134	24,785,242	24,785,242	26,767,900	28,909,600	31,222,200	33,720,200	33,720,200
Provider Administrative Expenses	317,484	436,191	436,191	471,100	508,600	549,400	593,500	593,500
Federal Re-Insurance Fee	377,111	266,000	266,000	266,000	266,000	266,000	266,000	266,000
Stop Loss Insurance	687,827	796,593	796,593	860,400	929,100	1,003,600	1,083,800	1,083,800
COS Administrative Expenses	164,269	216,031	220,005	223,900	224,200	228,100	232,400	232,400
Wellness Incentive	222,927	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Citywide Pay Program / Citywide Pay Program Tail		3,184	-	6,700	9,900	13,100	15,700	15,700
<b>Subtotal Active Employees</b>	<b>25,429,752</b>	<b>26,713,241</b>	<b>26,714,031</b>	<b>28,806,000</b>	<b>31,057,400</b>	<b>33,492,400</b>	<b>36,121,600</b>	<b>36,121,600</b>
Healthcare - Medical/Behavioral Claims - Retirees/Disabled Retirees	570,792	275,670	275,670	297,700	321,500	347,200	375,000	375,000
Provider Administrative Expenses - Retirees/Disabled Retirees	3,562	4,406	4,406	4,800	5,200	5,600	6,000	6,000
Federal Re-Insurance Fee	4,291	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Stop Loss Insurance - Retirees/Disabled Retirees	7,875	8,266	8,266	8,900	9,600	10,400	11,200	11,200
COS Administrative Expenses - Retirees/Disabled Retirees	9,702	1,704	1,704	1,800	1,900	2,000	2,100	2,100
<b>(a) Subtotal Retiree/Disabled Retirees</b>	<b>596,222</b>	<b>294,046</b>	<b>294,046</b>	<b>317,200</b>	<b>342,200</b>	<b>369,200</b>	<b>398,300</b>	<b>398,300</b>
Dental Claims	1,258,126	1,562,000	1,562,000	1,608,900	1,657,100	1,706,800	1,758,000	1,758,000
Dental Administrative Expenses	56,216	61,300	61,300	63,100	65,000	67,000	69,000	69,000
<b>Subtotal Dental</b>	<b>1,314,342</b>	<b>1,623,300</b>	<b>1,623,300</b>	<b>1,672,000</b>	<b>1,722,100</b>	<b>1,773,800</b>	<b>1,827,000</b>	<b>1,827,000</b>
<b>Subtotal</b>	<b>27,340,316</b>	<b>28,630,587</b>	<b>28,631,377</b>	<b>30,795,200</b>	<b>33,121,700</b>	<b>35,635,400</b>	<b>38,346,900</b>	<b>38,346,900</b>
<b>TOTAL OPERATING BUDGET</b>	<b>27,340,316</b>	<b>28,630,587</b>	<b>28,631,377</b>	<b>30,795,200</b>	<b>33,121,700</b>	<b>35,635,400</b>	<b>38,346,900</b>	<b>38,346,900</b>
<b>Total Uses</b>	<b>27,340,316</b>	<b>28,630,587</b>	<b>28,631,377</b>	<b>30,795,200</b>	<b>33,121,700</b>	<b>35,635,400</b>	<b>38,346,900</b>	<b>38,346,900</b>
<b>Sources Over/(Under) Uses</b>	<b>(470,139)</b>	<b>268,897</b>	<b>268,107</b>	<b>297,500</b>	<b>337,600</b>	<b>377,600</b>	<b>421,000</b>	<b>421,000</b>
<b>Ending Fund Balance</b>								
Operating Contingency	2,310,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Healthcare Claims Reserve	3,336,675	4,491,783	3,414,782	3,712,282	4,049,882	4,427,482	4,848,482	5,269,482
<b>Total Ending Fund Balance</b>	<b>5,646,675</b>	<b>6,991,783</b>	<b>5,914,782</b>	<b>6,212,282</b>	<b>6,549,882</b>	<b>6,927,482</b>	<b>7,348,482</b>	<b>7,769,482</b>

<sup>(a)</sup> Beginning in FY 2014/15 retiree healthcare was no longer available through the city's self-insurance fund. The city continues to provide healthcare benefits to public safety disabled retirees. Public Safety disabled retirees pay current employee rates.

\*Unaudited

CITY OF SCOTTSDALE  
RISK MANAGEMENT SELF-INSURANCE FUND  
FIVE YEAR FINANCIAL FORECAST

**DRAFT**

	Actual 2014/15	Adopted 2015/16	Approved 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21
<b>Beginning Fund Balance</b>								
Risk Management Reserve	9,327,819	12,351,226	11,569,634	14,156,727	15,038,300	15,185,500	15,401,600	15,635,700
Contingency	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total Beginning Fund Balance</b>	<b>11,827,819</b>	<b>14,851,226</b>	<b>14,069,634</b>	<b>16,656,727</b>	<b>17,538,300</b>	<b>17,685,500</b>	<b>17,901,600</b>	<b>18,135,700</b>
<b>Revenues and Other Sources</b>								
Property, Liability, Work Comp Rates	9,200,005	9,600,002	9,600,002	8,500,000	8,750,000	9,100,000	9,400,000	9,400,000
Unemployment Taxes	105,624	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Property Tax (Tort Claims)	2,076,849	1,312,809	1,312,809	1,000,000	250,000	250,000	250,000	250,000
Insurance/Claim Recoveries	548,333	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Special Event Reimbursements	113,501	75,000	75,000	75,000	75,000	75,000	75,000	75,000
<b>Subtotal</b>	<b>12,044,312</b>	<b>11,387,811</b>	<b>11,387,811</b>	<b>9,975,000</b>	<b>9,475,000</b>	<b>9,825,000</b>	<b>10,125,000</b>	<b>10,125,000</b>
<b>Total Sources</b>	<b>12,044,312</b>	<b>11,387,811</b>	<b>11,387,811</b>	<b>9,975,000</b>	<b>9,475,000</b>	<b>9,825,000</b>	<b>10,125,000</b>	<b>10,125,000</b>
<b>Expenditures and Other Uses</b>								
Risk Mgmt - Operating Budget	1,015,451	1,120,789	1,138,358	1,162,600	1,148,800	1,164,600	1,180,400	1,180,400
Risk Mgmt - Excess Ins. Premiums	2,475,111	2,321,280	2,321,280	2,437,400	2,559,200	2,687,200	2,821,500	2,821,500
Claims (General Liability)	3,073,528	2,375,191	2,375,191	2,422,700	2,471,100	2,520,600	2,570,800	2,570,800
Claims (Property)	403,959	331,373	331,373	338,100	344,900	351,800	358,700	358,700
Claims (Workers' Compensation)	2,814,984	2,554,116	2,554,116	2,605,200	2,657,300	2,710,300	2,764,800	2,764,800
Claims (Unemployment)	14,965	75,000	75,000	76,500	78,000	79,600	81,200	81,200
Citywide Pay Program	-	21,302	-	44,900	65,900	87,200	108,300	108,300
<b>Subtotal</b>	<b>9,797,998</b>	<b>8,799,051</b>	<b>8,795,318</b>	<b>9,087,400</b>	<b>9,325,200</b>	<b>9,601,300</b>	<b>9,885,700</b>	<b>9,885,700</b>
<b>TOTAL OPERATING BUDGET</b>	<b>9,797,998</b>	<b>8,799,051</b>	<b>8,795,318</b>	<b>9,087,400</b>	<b>9,325,200</b>	<b>9,601,300</b>	<b>9,885,700</b>	<b>9,885,700</b>
<b>Other Uses</b>								
Transfer-Out to CIP Fund (Tech. Replacement)	4,499	5,400	5,400	6,000	2,600	7,600	5,200	5,200
<b>Subtotal</b>	<b>4,499</b>	<b>5,400</b>	<b>5,400</b>	<b>6,000</b>	<b>2,600</b>	<b>7,600</b>	<b>5,200</b>	<b>5,200</b>
<b>Total Uses</b>	<b>9,802,497</b>	<b>8,804,451</b>	<b>8,800,718</b>	<b>9,093,400</b>	<b>9,327,800</b>	<b>9,608,900</b>	<b>9,890,900</b>	<b>9,890,900</b>
<b>Sources Over/(Under) Uses</b>	<b>2,241,815</b>	<b>2,583,360</b>	<b>2,587,093</b>	<b>881,600</b>	<b>147,200</b>	<b>216,100</b>	<b>234,100</b>	<b>234,100</b>
<b>Ending Fund Balance</b>								
Risk Management Reserve	12,569,634	14,934,586	14,156,727	15,038,300	15,185,500	15,401,600	15,635,700	15,869,800
Contingency	1,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total Ending Fund Balance</b>	<b>14,069,634</b>	<b>17,434,586</b>	<b>16,656,727</b>	<b>17,538,300</b>	<b>17,685,500</b>	<b>17,901,600</b>	<b>18,135,700</b>	<b>18,369,800</b>
<b>Actuarial Assessment:</b>								
50%-55% Expected	12,357,985	13,233,678	13,233,678	13,831,478	14,391,581	14,898,043	15,424,052	15,424,052
75% Confidence Level	14,829,582	15,218,730	15,218,730	15,906,200	16,550,318	17,132,749	17,737,660	17,737,660
80% Confidence Level	15,571,061	15,880,414	15,880,414	16,597,774	17,269,897	17,877,652	18,508,862	18,508,862
85% Confidence Level	16,683,280	17,203,781	17,203,781	17,980,921	18,709,055	19,367,456	20,051,268	20,051,268
90% Confidence Level	17,919,078	18,527,149	18,527,149	19,364,069	20,148,213	20,857,260	21,593,673	21,593,673

## Fund Balance Analysis

Achieve 85% Funding

Fund Balance	2011/12			2012/13			Fund Balance Change %	2013/14			Fund Balance Change %	2014/15			Fund Balance Change %	2015/16			Fund Balance Change %
	Adopted	Actuals	Current % Difference	Adopted	Actuals	Current % Difference	from Prior Year	Adopted	Actuals	Current % Difference	from Prior Year	Adopted	Actuals	Current % Difference	from Prior Year	Adopted	Approved	Current % Difference	from Prior Year
<b>Fund Balance</b>	15,597,160	15,428,436	-1.08%	13,879,657	12,189,065	-12.18%	-21.00%	14,884,309	11,827,819	-20.53%	-2.96%	14,562,100	14,069,634	-3.38%	18.95%	17,434,586	16,656,727	-4.46%	18.39%
Actuarial Assessment																			
50%-55% Expected	9,849,543	8,036,023	-18.41%	9,195,168	8,740,852	-4.94%	8.77%	9,303,820	10,532,765	13.21%	20.50%	11,142,330	12,357,985	10.91%	17.33%	12,583,059	13,233,678	5.17%	7.09%
75% Confidence Level	11,819,452	9,643,228	-18.41%	11,034,202	10,489,022	-4.94%	8.77%	11,164,584	12,639,318	13.21%	20.50%	13,370,796	14,829,582	10.91%	17.33%	15,099,671	15,218,730	0.79%	2.62%
80% Confidence Level	12,410,424	10,125,389	-18.41%	11,585,912	11,013,474	-4.94%	8.77%	11,722,813	13,271,284	13.21%	20.50%	14,039,336	15,571,061	10.91%	17.33%	15,854,654	15,880,414	0.16%	1.99%
85% Confidence Level	13,296,883	10,848,631	-18.41%	12,413,477	11,800,150	-4.94%	8.77%	12,560,157	14,219,233	13.21%	20.50%	15,042,146	16,683,280	10.91%	17.33%	16,987,130	17,203,781	1.28%	3.12%
90% Confidence Level	14,281,837	11,652,233	-18.41%	13,332,994	12,674,235	-4.94%	8.77%	13,490,539	15,272,509	13.21%	20.50%	16,156,379	17,919,078	10.91%	17.33%	18,245,436	18,527,149	1.54%	3.39%

This indicates the progress toward the Loss Trust Fund Board’s goal to maintain a Risk Fund Balance equivalent to the actuaries’ 85% confidence interval of projected total outstanding claims liability. The chart is separated into fiscal years starting with each years Adopted Budget and showing the resulting ending Fund Balance for that fiscal year. Below that are the actuary assessments that were reported during the relevant fiscal years using that year’s most recent actuary report (for example for the columns titled “FY 2014/15 Actuals” and “FY 2015/16 Adopted” the most recent actuary was dated as of 6/30/2014). As you look at each fiscal year you will see continued pressure on expenses by the difference between the Adopted columns and Actuals/Approved columns. This trend shows that despite increasing budgets each year the actual costs continue to escalate and the actuarial results are also increasing but much faster than the corresponding expenses for those same periods.

The grey shaded area is the actuary’s projection of the outstanding loss and confidence interval at 85% and shows the required amount needed to achieve that level of funding. The ending Fund Balance would need to meet or exceed this number for the plan to have the level of funding required by the board. There is however, a timing lag while trying to achieve this funding level. Each year when the budget is adopted the most recent actuary is outdated, for example when the FY 2015/16 budget was adopted the most recent actuary was dated 6/30/2014.

Despite this you can see in the column titled “Fund Balance Change % from Prior Year” that each year additional progress is being made towards achieving the funding status set by the board and that unfunded gap continues to decrease.