CITY OF CHICAGO

Projected Annuitant Plan Costs
12-Month Rates Effective
July 1, 2012 - June 30, 2013

April 16, 2012

SEGAL

SEGAL

THE SEGAL COMPANY
101 North Wacker Drive Suite 500 Chicago, IL 60606-1724
T 312.984.8500 F 312.984.8590 www.segalco.com

April 16, 2012

Mr. James Capasso, Jr.
Executive Director
Laborers' and Retirement
Board Employees' Annuity
and Benefit Fund of Chicago

Mr. Kenneth E. Kaczmarz
Executive Director
Firemens' Annuity and
Benefit Fund of Chicago

Ms. Nancy Currier
Benefits Manager
Department of Finance
City of Chicago

Mr. James Mohler
Executive Director
Municipal Employees'
Annuity & Benefit Fund of Chicago

Mr. John Gallagher
Executive Director
Policemen's Annuity and
Benefit Fund of Chicago

Dear Mr. Capasso, Ms. Currier, Mr. Gallagher, Mr. Kaczmarz, and Mr. Mohler:

Enclosed is our report for the projected rating period of July 1, 2012 through June 30, 2013. The calculations are based upon the data provided by BlueCross BlueShield of Illinois, CVS Caremark and the City of Chicago, in accordance with the Korshak Settlement Agreement.

Please let us know if you have any questions.

Sincerely,

THE SEGAL COMPANY

L. Scott Price
Vice President

Christopher Heppner ASA, MAAA
Vice President and Consulting Actuary

Jill E. Whiteman
Health Consultant

lsp/cyh/baa

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SECTION 1
BACKGROUND

The enclosed calculations have been performed in accordance with the Korshak Settlement Agreement (Settlement Agreement), effective September 1, 2003, that specifies how the costs of the Annuitants' hospital, medical and prescription drug benefits are to be paid, and includes specific components that must be used to determine the projected cost of the benefits. The projected costs contained in this report have been determined for the 12-month period beginning July 1, 2012 through June 30, 2013, as authorized by the City of Chicago (the "City") and the Executive Directors.

As a result of the Settlement Agreement provisions, there have been additional changes to the Plan of Benefits that have been reflected in this report. Key changes that impacted the projected costs are as follows:

- Effective each January 1, the Settlement Agreement stipulates annual increases in the medical deductible, medical out-of-pocket limits and mail-order pharmacy benefit copayments for the Non-Medicare Plan of Benefits. The following table outlines these changes for Non-Medicare Eligible participants effective January 1, 2011, January 1, 2012 and January 1, 2013.

Non-Medicare Eligible Participants			
Medical Benefit:	**January 1, 2011**	**January 1, 2012**	**January 1, 2013**
Annual Deductible:			
In-Network and Out-of-Area	$369	$380	$391
Out-of-Network	$861	$887	$914
Annual Out of Pocket Limit:			
In-Network and Out-of-Area	$2,152	$2,217	$2,284
Out-of-Network	$4,304	$4,434	$4,568
Mail-Order Pharmacy Benefit:	**January 1, 2011**	**January 1, 2012**	**January 1, 2013**
Brand Formulary Copayment	$56	$59	$62
Generic Copayment	$22	$23	$24
Brand Non-Formulary Copayment	Not Available at Mail		

- Effective each January 1, the Settlement Agreement also stipulates annual increases in the mail-order pharmacy benefit copayments for the Medicare Plan of Benefits. The following table outlines these changes for the Medicare Eligible participants effective January 1, 2011, January 1, 2012 and January 1, 2013.

Medicare Eligible Participants			
Mail-Order Pharmacy Benefit:	**January 1, 2011**	**January 1, 2012**	**January 1, 2013**
Brand Formulary Copayment	$56	$59	$62
Generic Copayment	$22	$23	$24
Brand Non-Formulary Copayment	Not Available at Mail		

- The City negotiated a multi-year pricing contract with CVS Caremark, the Plan's pharmacy benefits manager (PBM), for improved pricing discounts effective June 1, 2010, April 1, 2011, and April 1, 2012. The improved pricing effective April 1, 2012 is estimated to save the City just under 1.0% for 2012. The savings estimate for the improved pricing is included in our projections in this report.

- The City continues to remain eligible to receive a federal subsidy in accordance with the Medicare Prescription Drug Improvement and Modernization Act of 2003 (also known as Medicare Part D) for providing Creditable Prescription Drug Coverage for Medicare-Eligible Participants. A further discussion of the calculations regarding application of the subsidy as an offset to the cost projections are outlined in the prescription drug section of this report (on Exhibit 2-5A). For the 2010 Calendar Year, the Plan received just under $11.0 million in reimbursements (including a $646,735 reconciliation payment) for applicable Medicare-eligible participants. The 2011 reimbursement is currently $10.1 million and is subject to change based on the final reconciliation processing.

- As a reminder, it has been determined that the health plans under the Settlement Agreement are exempt from the provisions of the Affordable Care Act. Therefore, the projected costs contained in this report do not include any financial impact for complying with any provisions contained in the Act.

- The City's application for participation in the Early Retiree Reinsurance Program (ERRP) was approved by the U.S. Department of Health and Human Services (HHS). To-date, the City has received approximately $8.2 million in ERRP subsidies. This report does not include this receipt as an offset, as all payments will be shared with the annuitants through the City's annual reconciliation process.

SECTION 2
TREND, CLAIMS DATA & COST PROJECTIONS

Trend

The *Segal Standard Health Care Cost Trend Rates* are the results of surveys of local, regional and national groups and are used for such projections by our actuaries.

As in prior years' reports, the trend rate applied is the product of two components. Because two or more consecutive 12-month periods of Settlement Plan experience are available for analysis, we determined an actual year-over-year exhibited trend of claims and eligibility data. That actual year-over-year exhibited trend is then blended with the latest factors from the *Segal Standards for Health Care Cost Trend Rates*, to the extent credible, to smooth the affects of any significant fluctuations in actual trend.

The following table illustrates the actual year-over-year trend rates, the *2012 Segal Standards for Health Care Cost Trend Rates,* and the resultant trend rates used for this report. We used the Non-Medicare adult trend rate (5.1%) for the Children trend rate rather than the formula result due to the relatively small size of the Children group.

Covered Group	1/1/10 – 12/31/10 Over 1/1/09 – 12/31/09 Actual Trend	1/1/11 – 12/31/11 Over 1/1/10 – 12/31/10 Actual Trend	2012 Segal Trend Survey	Resultant 7/1/12 – 6/30/13 Trend Rates
Medical:				
Non-Medicare (Annuitants/Spouses)	10.7%	0.1%	10.0%	5.1%
Medicare (Annuitants/Spouses)	1.5%	2.2%	6.6%	4.4%
Children	15.1%	-8.3%	10.0%	5.1%
Prescription Drug:				
Non-Medicare (Annuitants/Spouses/Children)	10.2%	12.2%	7.2%	9.7%
Medicare (Annuitants/Spouses)	5.3%	5.0%	6.5%	5.7%

In comparison to our last report, 2012 Segal Trend Factors have changed as follows:

- Non-Medicare medical trend is projected to be 10.0%, down from last year's trend estimate of 11.0%. Non-Medicare prescription drug trend is projected to be 7.2%, down from last year's trend estimate of 9.2%.

- Medicare medical trend is projected to be 6.6%, slightly higher than last year's trend estimate of 6.4%. The prescription drug trend is projected to be 6.5%, down from last year's trend estimate of 8.2%.

Claims Data

The cost projections in this report are based on medical and prescription drug claims data through December 31, 2011, using only Settlement Plan claims experience.

Medical Claims Information

BlueCross BlueShield of Illinois (BCBS) provides The Segal Company (Segal) with monthly medical data that includes detailed claims by participant and eligible dependent. Effective September 1, 2003, the Settlement Plans began to participate in *Subscriber Share*. Under *Subscriber Share*, claims are adjudicated net of provider discount amounts. Therefore, all monthly data furnished to Segal by BCBS since September 1, 2003 is net of the "ADP" discounts.

To develop the projected medical cost for July 1, 2012, three 12-month periods of paid Settlement Plan claims experience were used. This data was adjusted from a *paid* basis to an *incurred* basis using actuarial formulae. On the rate development exhibits, the following experience periods are shown on an incurred basis:

- January 1, 2009 through December 31, 2009
- January 1, 2010 through December 31, 2010
- January 1, 2011 through December 31, 2011

The table below illustrates the monthly *incurred* medical per capita cost before trend adjustments but inclusive of all plan change adjustments through 2012:

Monthly Adjusted Cost Per Participant				
Exhibit #	**Group**	**1/1/2009–12/31/2009**	**1/1/2010–12/31/2010**	**1/1/2011–12/31/2011**
2-1	Annuitants / Spouses Non-Medicare	$564.09	$624.52	$624.95
	Percentage Change	-	*10.7%*	*0.1%*
2-2	Annuitants / Spouses Medicare	$136.67	$138.70	$141.76
	Percentage Change	-	*1.5%*	*2.2%*
2-3	Children	$101.98	$117.36	$107.60
	Percentage Change	-	*15.1%*	*-8.3%*

Development of Projected Cost – Medical

As noted, the historical costs shown above were adjusted for plan changes through 2012. This was done to assure that the periods under analysis are on a comparable plan design and cost basis. After these adjustments were made, the historical costs were then trended to the projection period and weighted to develop the projected cost. In general, the greater the average number of participants in the period, the more data available with which to analyze, and therefore, the greater credibility applicable to that period. The specific factors were based upon the underwriting standards used by the actuaries of The Segal Company. The projected costs were then adjusted to account for prospective plan design changes effective January 1, 2013 (discussed in Section 1 of this report).

The projected costs were based upon the most recent two years of Settlement Plan experience for the Non-Medicare and Medicare Annuitant and Spouse medical coverage. Due to the smaller group size and volatility in claims fluctuation, the projected costs for Children were based on three years of Settlement Plan experience. The exhibits that follow illustrate our calculations.

		Projection Period:		
	From:	**07/01/2012**		
	To:	**06/30/2013**		
			Settlement Plans	
Experience Period:	From:	01/01/2009	01/01/2010	01/01/2011
	To:	12/31/2009	12/31/2010	12/31/2011
Experience Months:		12	12	12
Paid Claims:		$80,553,853	$87,583,019	$83,225,775
Estimated Incurred But Not Reported Claims				
Beginning of Period IBNR:		$11,465,259	$10,831,995	$9,668,772
Ending of Period IBNR:		$10,831,995	$9,668,772	$9,070,412
Change in IBNR:		($633,264)	($1,163,223)	($598,360)
Incurred Claims [1]:		$79,920,589	$86,419,796	$82,627,415
Average Eligible Participants: Annuitant / Spouse		11,634	11,417	10,965
Monthly Cost Per Participant:		$572.44	$630.77	$627.97
Plan Change Adjustment [2]:		0.9854	0.9901	0.9952
Adjusted Cost:		$564.09	$624.52	$624.95
Trend Rate:		5.1%	5.1%	5.1%
Trend Months:		42.0	30.0	18.0
Trend Factor:		1.188	1.131	1.077
Trend Adjusted Cost:		$670.24	$706.38	$672.89
Method Weights:		0%	10.0%	90.0%
Projected Cost Before 1/1/2013 Plan Changes:				$676.24
1/1/2013 Plan Change Adjustment Factor:				0.9975
Adjusted July 1, 2012 Plan Cost:				**$674.55**

Trend	Actual [3]	Segal Trend Survey [4]
1/1/10 - 1/1/11	0.1%	10.0%
Trend Weighting	50%	50%
Projected Trend:		
7/1/12 - 6/30/13	5.1%	

[1] Incurred Claims: Paid Claims for a period plus the difference between the IBNR at the Beginning and End of the period.

[2] Reflects indexed benefit increases each January 1 for the calendar year deductible and out-of-pocket limits.

[3] Based on adjusted cost.

[4] See attached Segal Trend Survey.

		Projection Period:		
		From:	**07/01/2012**	
		To:	**06/30/2013**	
			Settlement Plans	
Experience Period:	From:	01/01/2009	01/01/2010	01/01/2011
	To:	12/31/2009	12/31/2010	12/31/2011
Experience Months:		12	12	12
Paid Claims:		$36,125,617	$35,199,211	$37,862,561
Estimated Incurred But Not Reported Claims				
Beginning of Period IBNR:		$5,242,243	$4,603,810	$5,480,080
Ending of Period IBNR:		$4,603,810	$5,480,080	$5,105,563
Change in IBNR:		($638,433)	$876,270	($374,517)
Incurred Claims [1]:		$35,487,184	$36,075,481	$37,488,045
Average Eligible Participants: Annuitant / Spouse		21,638	21,674	22,038
Monthly Cost Per Participant:		$136.67	$138.70	$141.76
Plan Change Adjustment:		1.0000	1.0000	1.0000
Adjusted Cost:		$136.67	$138.70	$141.76
Trend Rate:		4.4%	4.4%	4.4%
Trend Months:		42.0	30.0	18.0
Trend Factor:		1.163	1.114	1.067
Trend Adjusted Cost:		$158.91	$154.47	$151.22
Method Weights:		0%	5%	95%
Adjusted July 1, 2012 Plan Cost:				**$151.38**

Trend	Actual [2]	Segal Trend Survey [3]
1/1/10 - 1/1/11	2.2%	6.6%
Trend Weighting	50%	50%
Projected Trend:		
7/1/12 - 6/30/13	4.4%	

[1] Incurred Claims: Paid Claims for a period plus the difference between the IBNR at the Beginning and End of the period.

[2] Based on adjusted cost.

[3] See attached Segal Trend Survey.

		Projection Period:		
	From:	**07/01/2012**		
	To:	**06/30/2013**		
		Settlement Plans		
Experience Period:	From:	01/01/2009	01/01/2010	01/01/2011
	To:	12/31/2009	12/31/2010	12/31/2011
Experience Months:		12	12	12
Paid Claims:		$1,688,775	$1,854,031	$1,556,083
Estimated Incurred But Not Reported Claims				
Beginning of Period IBNR:		$267,660	$239,272	$172,036
End of Period IBNR:		$239,272	$172,036	$164,244
Change in IBNR:		($28,387)	($67,236)	($7,792)
Incurred Claims [1]:		$1,660,387	$1,786,794	$1,548,291
Average Eligible Participants: Children		1,337	1,256	1,193
Monthly Cost Per Participant:		$103.49	$118.53	$108.12
Plan Change Adjustment [2]:		0.9854	0.9901	0.9952
Adjusted Cost:		$101.98	$117.36	$107.60
Trend Rate:		5.1%	5.1%	5.1%
Trend Months:		42.0	30.0	18.0
Trend Factor:		1.188	1.131	1.077
Trend Adjusted Cost:		$121.17	$132.74	$115.85
Method Weights:		15%	30%	55%
Projected Cost Before 1/1/2013 Plan Changes:				$121.72
1/1/2013 Plan Change Adjustment Factor:				0.9975
Adjusted July 1, 2012 Plan Cost:				**$121.42**

Trend	Actual [3]	Segal Trend Survey [4]
1/1/10 - 1/1/11	-8.3%	10.0%
Projected Trend (same as Non-Medicare Group):		
7/1/12 - 6/30/13	5.1%	

[1] Incurred Claims: Paid Claims for a period plus the difference between the IBNR at the Beginning and End of the period.

[2] Reflects indexed benefit increases each January 1 for the calendar year deductible and out-of-pocket limits.

[3] Based on adjusted cost.

[4] See attached Segal Trend Survey.

Prescription Drug Claims Information and Development of Projected Cost

The City provided Segal with CVS Caremark prescription drug data through December 31, 2011. Unlike medical claims, prescription drug claims do not have a material lag between the time the claims are incurred and when they are paid. In fact, when a participant uses a retail drug card, the claim is almost instantly adjudicated and paid. Also, 12 months of prescription drug experience for a group of this size is considered to be 100% credible. Included in our calculations on Exhibits 2-4 and 2-5 are two 12-month periods of claims experience through December 31, 2011. To determine the projected cost for July 1, 2012, we used the latest 12-month period of claims for both the Non-Medicare and Medicare groups, with adjustments to account for the multi-year contract pricing terms effective June 1, 2010, April 1, 2011 and April 1, 2012, and for the applicable indexed mail-order copayments effective each January 1.

As discussed in Section 1 of this report, the City negotiated the contract pricing terms with CVS Caremark. As a result, effective June 1, 2010, the Plan began receiving greater discounts at the point-of-sale. As part of the multi-year guarantee, the discounts increased again on April 1, 2011 and April 1, 2012.

The projected 2012 Medicare prescription drug cost includes an offset to account for the estimated Medicare Part D Federal subsidy. This projection includes subsidy payments that are expected to be earned during the rating period of July 1, 2012 through June 30, 2013. Note that the subsidy only applies to Medicare-Eligible retirees. Exhibit 2-5A illustrates the calculations involved in estimating the subsidy amount.

			Projection Period:	
			From:	**07/01/2012**
			To:	**06/30/2013**
Plan:			**Non-Medicare**	
Experience Period:		From:	01/01/2010	01/01/2011
		To:	12/31/2010	12/31/2011
Experience Months:			12	12
Paid Claims [1]:			$17,871,585	$18,592,923
Rebates [2]:			-	(15,120)
Paid Claims - Net of Rebates:			$17,871,585	$18,577,803
Average Eligible Participants:	Child		1,256	1,193
	Annuitant / Spouse		11,417	10,965
	Total		12,673	12,158
Monthly Cost Per Participant [3]:			$117.52	$127.34
Plan Change Adjustment [4]:			0.9508	0.9846
Adjusted Cost:			$111.74	$125.38
Trend Months:			30	18
Trend Rate:			9.7%	9.7%
Trend Factors:			1.261	1.149
Trend Adjusted Cost Annuitant / Spouse / Child:			$140.85	$144.07
Method Weights:			0%	100%
Projected Cost Before Plan Changes:				$144.07
1/1/2013 Plan Change Adjustment Factor:				0.9970
Plan Change Adjusted July 1, 2012 Projected Cost:				$143.63
July 1, 2012 Projected Cost [5]:	**Child**			**$38.76**
	Annuitant / Spouse			**$155.04**

Trend	Actual [6]	Segal Trend Survey [7]
1/1/10 - 1/1/11	12.2%	7.2%
Trend Weighting	50%	50%
Projected Trend:		
7/1/12 - 6/30/13	9.7%	

[1] Due to the drug card, paid drug claims are assumed to be equal to incurred drug claims.

[2] As part of the January 1, 2009 pricing change, the City receives higher discounts in lieu of receiving rebate payments. The City received a total rebate amount of $52,108 as part of a rebate reconciliation. An allocation has been estimated across both Medicare and Non-Medicare annuitants.

[3] The eligible participant counts include Annuitants, Spouses & Children.

[4] The plan change adjustment reflects the indexed mail order copayments effective each January 1, and the negotiated CVS Caremark pricing changes.

[5] Assumes that children cost approximately 25% of the annuitant cost.

[6] Based on adjusted cost.

[7] See attached Segal Trend Survey.

		Projection Period:	
		From:	**07/01/2012**
		To:	**06/30/2013**
Plan:		**Medicare**	
Experience Period:	From:	01/01/2010	01/01/2011
	To:	12/31/2010	12/31/2011
Experience Months:		12	12
Paid Claims [1]:		$44,089,764	$45,481,733
Rebates [2]:		-	(36,988)
Paid Claims - Net of Rebates[1,2]:		$44,089,764	$45,444,744
Average Eligible Participants:	Annuitant / Spouse	21,674	22,038
Monthly Cost Per Participant:		$169.52	$171.84
Plan Change Adjustment [3]:		0.9508	0.9846
Adjusted Cost:		$161.18	$169.19
Trend Months:		30	18
Trend Rate:		5.7%	5.7%
Trend Factors:		1.150	1.087
Trend Adjusted Cost Annuitant / Spouse:		$185.29	$183.95
Method Weights:		0%	100%
Projected Cost Before Plan Changes:			$183.95
1/1/2013 Plan Change Adjustment Factor:			0.9970
Plan Change Adjusted July 1, 2012 Projected Cost:			**$183.40**

Trend	Actual [4]	Segal Trend Survey [5]
1/1/10 - 1/1/11	5.0%	6.5%
Trend Weighting	50%	50%
Projected Trend:		
7/1/12 - 6/30/13	5.7%	

[1] Due to the drug card, paid drug claims are assumed to be equal to incurred drug claims.

[2] As part of the January 1, 2009 pricing change, the City receives higher discounts in lieu of receiving rebate payments. The City received a total rebate amount of $52,108 as part of a rebate reconciliation. An allocation has been estimated across both Medicare and Non-Medicare annuitants.

[3] The plan change adjustment reflects the indexed mail order copayments effective each January 1, and the negotiated CVS Caremark pricing changes.

[4] Based on adjusted cost.

[5] See attached Segal Trend Survey.

				Projection Period:	
				From:	**07/01/2012**
				To:	**06/30/2013**
Plan:		**Medicare Part D Subsidy**			
Experience Period:	From:	01/01/2008	01/01/2009	01/01/2010	01/01/2011
	To:	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Experience Months [1]:		9.8	12.0	12.0	12.0
Net Subsidy Received [2/4]:		($9,461,053)	($11,375,272)	($10,992,555)	($10,117,886)
Average Monthly Eligible Annuitant/Spouse		21,414	21,638	21,674	22,038
Monthly Subsidy Per Annuitant/Spouse Participant:		($45.08)	($43.81)	($42.26)	($38.26)
Method Weights:		0%	0%	100%	0%
July 1, 2012 Projected Medicare Part D Subsidy [3]:					($42.26)

[1] The 2008 experience period represents just under 10 months of actual subsidy approved by CMS.

[2] The net subsidy received amounts shown are based on the CMS reports, which provide a summary of monthly subsidy amounts.

[3] The projected July 1, 2012 Medicare Part D Subsidy is based on the final reconciliation amount for 2010.

[4] Calendar years 2008 through 2010 illustrate the final CMS reconciliation amounts. Calendar year 2011 does not include the final reconciliation reimbursement amount, as the reconciliation process has not been finalized.

SECTION 3
ENROLLMENT DATA

The City provided Segal with actual monthly enrollment for each benefit category.

Exhibit 3-1 outlines the average eligibility figures by participant class for calendar years 2004 through 2011. Exhibit 3-2 graphically illustrates the average eligibility by plan for 2004 through 2011.

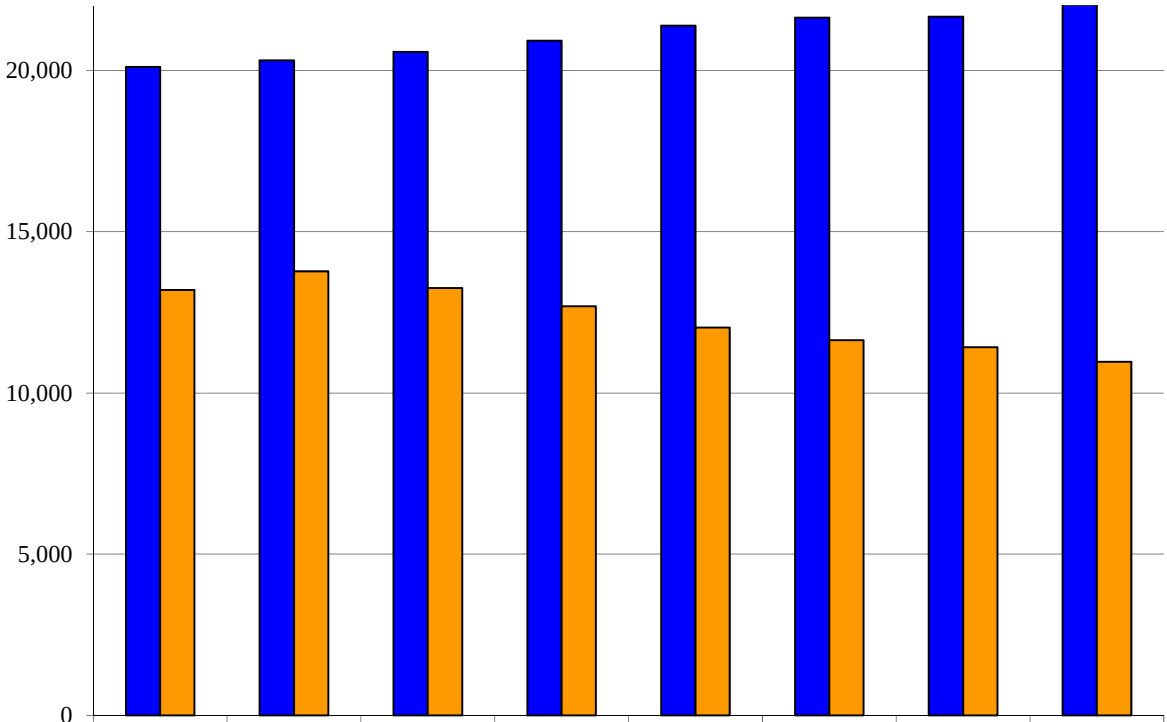
The total number of participants has remained relatively level over the last seven years.

The number of total participants increased in 2005, but has been gradually declining since. During this time, the portion of the participants who are Medicare eligible has been gradually increasing.

FOR CALENDAR YEARS ENDED DECEMBER 31, 2004, 2005, 2006, 2007, 2008, 2009, 2010 AND 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Medicare								
Annuitant	15,437	15,606	15,800	16,113	16,508	16,726	16,754	17,031
Spouse	4,678	4,712	4,778	4,816	4,886	4,912	4,920	5,007
Total	20,115	20,318	20,579	20,929	21,394	21,638	21,674	22,038
Non-Medicare								
Annuitant	8,464	8,901	8,574	8,230	7,814	7,596	7,495	7,221
Spouse	4,730	4,871	4,680	4,462	4,217	4,038	3,922	3,744
Total	13,195	13,772	13,254	12,692	12,031	11,634	11,417	10,965
Children	1,646	1,722	1,602	1,504	1,414	1,337	1,256	1,193
Grand Total	34,956	35,812	35,435	35,125	34,839	34,609	34,347	34,196
Grand Total % Change	--	2.4%	-1.1%	-0.9%	-0.8%	-0.7%	-0.8%	-0.4%
Percentage of the participants Medicare	*57.5%*	*56.7%*	*58.1%*	*59.6%*	*61.4%*	*62.5%*	*63.1%*	*64.4%*

FOR CALENDAR YEARS ENDED DECEMBER 31, 2004, 2005, 2006, 2007, 2008, 2009, 2010 AND 2011



	2004	2005	2006	2007	2008	2009	2010	2011
Medicare - Sett. Plan	20,115	20,318	20,579	20,929	21,394	21,638	21,674	22,038
Non-Medicare - Sett. Plan	13,195	13,772	13,254	12,692	12,031	11,634	11,417	10,965

SECTION 4
SUMMARIZED 2012 COST PROJECTIONS

Exhibit 4-1 provides the cost projections per contract by Medicare status and coverage category for the period July 1, 2012 through June 30, 2013. The cost projections include medical benefit expenses, prescription drug benefit expenses, BCBSIL network access and administrative fees, Telligen care management fees, and CVS Caremark prescription drug fees for the Settlement Plans. The cost projections also include an offset to the Medicare Prescription Drug Cost for the estimated Medicare Part D subsidy for the period July 1, 2012 through June 30, 2013. This calculation is outlined in Exhibit 2-5A.

The fees for BCBSIL, Telligen, and CVS Caremark are as follows:

	BCBSIL Network Access & Administration Fees *(per Annuitant)*	**Telligen Care Management Fees** *(per Annuitant)*	**CVS Caremark Prescription Drug Fees** *(Estimated per Individual)*
Non-Medicare	$27.00	$9.35	$0.00
Medicare	$13.66	$0.00	$0.70

The BCBSIL and Telligen fees are charged per annuitant. If any person in the annuitant family is non-Medicare eligible then the non-Medicare fees apply.

The Medicare Part D processing is charged by CVS Caremark at $0.70 per Medicare eligible individual. Effective January 1, 2011, the City eliminated the CustomCare program provided through CVS Caremark.

The cost developed in the report for Children is on a per child basis. The cost projections in Exhibit 4-1 for coverage in which child(ren) are included assumes that there are on average 1.361 children per contract. The rate is the same whether one child or multiple children are covered.

The costs and fees in Exhibit 4-1 do not take into account Pension Plan subsidies or the amounts paid by the City on behalf of the participants as mandated by the Settlement Agreement.

COST PROJECTIONS PER CONTRACT JULY 1, 2012 THROUGH JUNE 30, 2013

Medicare Status			Medical	Prescription Drug			Fees				Total
Annuitant	Spouse	Child(ren) *	Projected Cost [A]	Projected Cost	Estimated Medicare D Subsidy	Total [B]	BCBSIL	Telligen	CVS Caremark***	Total [C]	[A+B+C]
MED	-	-	$151.38	$183.40	($42.26)	$141.14	$13.66	$0.00	$0.70	$14.36	$306.88
NON	-	-	$674.55	$155.04	$0.00	$155.04	$27.00	$9.35	$0.00	$36.35	$865.94
MED	MED	-	$302.76	$366.80	($84.52)	$282.28	$13.66	$0.00	$1.40	$15.06	$600.10
MED	NON	-	$825.93	$338.44	($42.26)	$296.18	$27.00	$9.35	$0.70	$37.05	$1,159.16
NON	MED	-	$825.93	$338.44	($42.26)	$296.18	$27.00	$9.35	$0.70	$37.05	$1,159.16
NON	NON	-	$1,349.10	$310.08	$0.00	$310.08	$27.00	$9.35	$0.00	$36.35	$1,695.53
MED	MED	Child(ren)	$468.01	$419.55	($84.52)	$335.03	$27.00	$9.35	$1.40	$37.75	$840.79
MED	NON	Child(ren)	$991.18	$391.19	($42.26)	$348.93	$27.00	$9.35	$0.70	$37.05	$1,377.16
NON	MED	Child(ren)	$991.18	$391.19	($42.26)	$348.93	$27.00	$9.35	$0.70	$37.05	$1,377.16
NON	NON	Child(ren)	$1,514.35	$362.83	$0.00	$362.83	$27.00	$9.35	$0.00	$36.35	$1,913.53
MED	-	Child(ren)	$316.63	$236.15	($42.26)	$193.89	$27.00	$9.35	$0.70	$37.05	$547.57
NON	-	Child(ren)	$839.80	$207.79	$0.00	$207.79	$27.00	$9.35	$0.00	$36.35	$1,083.94
-	-	Child(ren)	$165.25	$52.75	$0.00	$52.75	$27.00	$9.35	$0.00	$36.35	$254.35

* The average number of children per contract is 1.361 as provided by the City of Chicago.

AGGREGATE COST PROJECTIONS FOR ANNUITANTS, SPOUSES AND CHILDREN

			Medical	Prescription Drug			Fees				Total
Medicare Status	Annuitants	Covered Participants *	Projected Cost [A]	Projected Cost	Estimated Medicare D Subsidy	Total [B]	BCBSIL **	Telligen **	CVS Caremark***	Total [C]	[A+B+C]
MEDICARE	16,754	22,038	$40,033,300	$48,501,200	($11,175,900)	$37,325,300	$2,584,700	$0	$185,100	$2,769,800	**$80,128,400**
NON-MEDICARE	7,495	10,965	$88,757,300	$20,400,200	$0	$20,400,200	$2,747,800	$951,600	$0	$3,699,400	**$112,856,900**
CHILD(REN)	0	877	$1,739,100	$555,100	$0	$555,100	$0	$0	$0	$0	**$2,294,200**
TOTAL	24,249	33,880	$130,529,700	$69,456,500	($11,175,900)	$58,280,600	$5,332,500	$951,600	$185,100	$6,469,200	**$195,279,500**

* Based on the 12-month average for the period January 1, 2011 through December 31, 2011. The child(ren) participant count represents the number of contracts with child(ren).
** The BCBSIL and Telligen fees are charged based on Medicare Status. In the case of marriages that include both Medicare and Non-Medicare status participants, the Non-Medicare fee applies.
*** The City eliminated the CustomCare program provided through CVS Caremark effective January 1, 2011. The Medicare fees are attributable to the Retiree Drug Subsidy claim submissions.

APPENDIX
Historical Paid Claims

Appendix 1 illustrates the medical claims for the Settlement Plan calendar years ending December 31, 2011.

Appendix 2 graphically illustrates the average monthly medical claims per participant for Medicare, Non-Medicare and an average composite cost for the Settlement Plan calendar years ending December 31, 2011.

Please note that for both Appendix 1 and 2, paid claims incurred on or after September 1, 2003 are net of the BCBS ADP discounts. Also, these exhibits exclude all fees for BCBSIL network access and administration (as described in Section 4), as well as Telligen care management fees.

Appendix 3 illustrates the prescription drug claims for the six calendar years ending December 31, 2011. Note, the paid claims in this exhibit are net of rebates and exclude all fees paid to CVS Caremark for administrative services related to the Medicare Part D Subsidy program and the Custom Care program.

Appendix 4 graphically illustrates the average monthly prescription drug claims per participant for Medicare, Non-Medicare and an average composite cost over the six calendar years ending December 31, 2011.

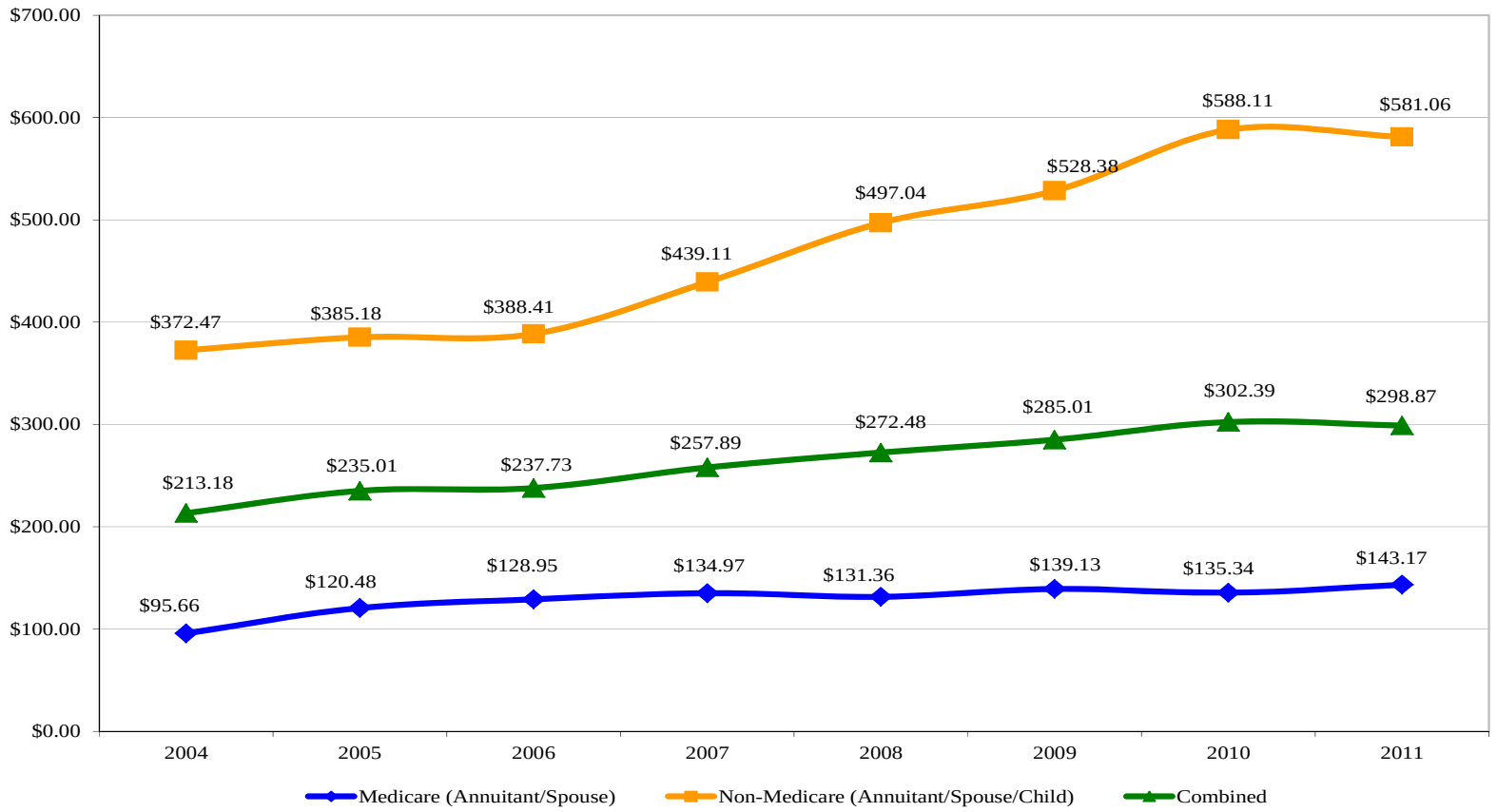
EIGHT YEARS BEGINNING JANUARY 1, 2004 THROUGH DECEMBER 31, 2011

Medical	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Medicare (Annuitant/Spouse):								
Total Medicare Claims	$23,090,967	$29,375,422	$31,844,071	$33,896,444	$33,722,865	$36,125,617	$35,199,216	$37,862,411
Average Monthly Eligibility	20,115	20,318	20,579	20,929	21,394	21,638	21,674	22,038
Monthly Per Participant	$95.66	$120.48	$128.95	$134.97	$131.36	$139.13	$135.34	$143.17
Cumulative Per Participant % Change	--	25.9%	34.8%	41.1%	37.3%	45.4%	41.5%	49.7%
Yearly Per Participant % Change	--	25.9%	7.0%	4.7%	-2.7%	5.9%	-2.7%	5.8%
Non-Medicare (Annuitant/Spouse/Children):								
Total Non-Medicare Claims	$66,328,863	$71,616,619	$69,242,505	$74,803,432	$80,191,828	$82,242,628	$89,437,050	$84,781,858
Average Monthly Eligibility	14,840	15,494	14,856	14,196	13,445	12,971	12,673	12,159
Monthly Per Participant	$372.47	$385.18	$388.41	$439.11	$497.04	$528.38	$588.11	$581.06
Cumulative Per Participant % Change	--	3.4%	4.3%	17.9%	33.4%	41.9%	57.9%	56.0%
Yearly Per Participant % Change	--	3.4%	0.8%	13.1%	13.2%	6.3%	11.3%	-1.2%
Medicare and Non-Medicare Combined								
Total Medical Claims:	$89,419,830	$100,992,041	$101,086,575	$108,699,877	$113,914,693	$118,368,244	$124,636,266	$122,644,269
Average Monthly Eligibility	34,955	35,812	35,435	35,125	34,839	34,609	34,347	34,197
Monthly Per Participant	$213.18	$235.01	$237.73	$257.89	$272.48	$285.01	$302.39	$298.87
Cumulative Per Participant % Change	--	10.2%	11.5%	21.0%	27.8%	33.7%	41.8%	40.2%
Yearly Per Participant % Change	--	10.2%	1.2%	8.5%	5.7%	4.6%	6.1%	-1.2%

Notes:

1. Includes all paid medical claims; Settlement and Non-Settlement.
2. Network access and administration fees and care management fees are excluded.
3. Facility paid claims after September 1, 2003 are net of discounts. Physician claims have always been net of discounts.

EIGHT YEARS BEGINNING JANUARY 1, 2004 THROUGH DECEMBER 31, 2011



Note: Facility paid claims after September 1, 2003 are net of discounts. Physician claims have always been net of discounts.

SIX YEARS BEGINNING JANUARY 1, 2006 THROUGH DECEMBER 31, 2011

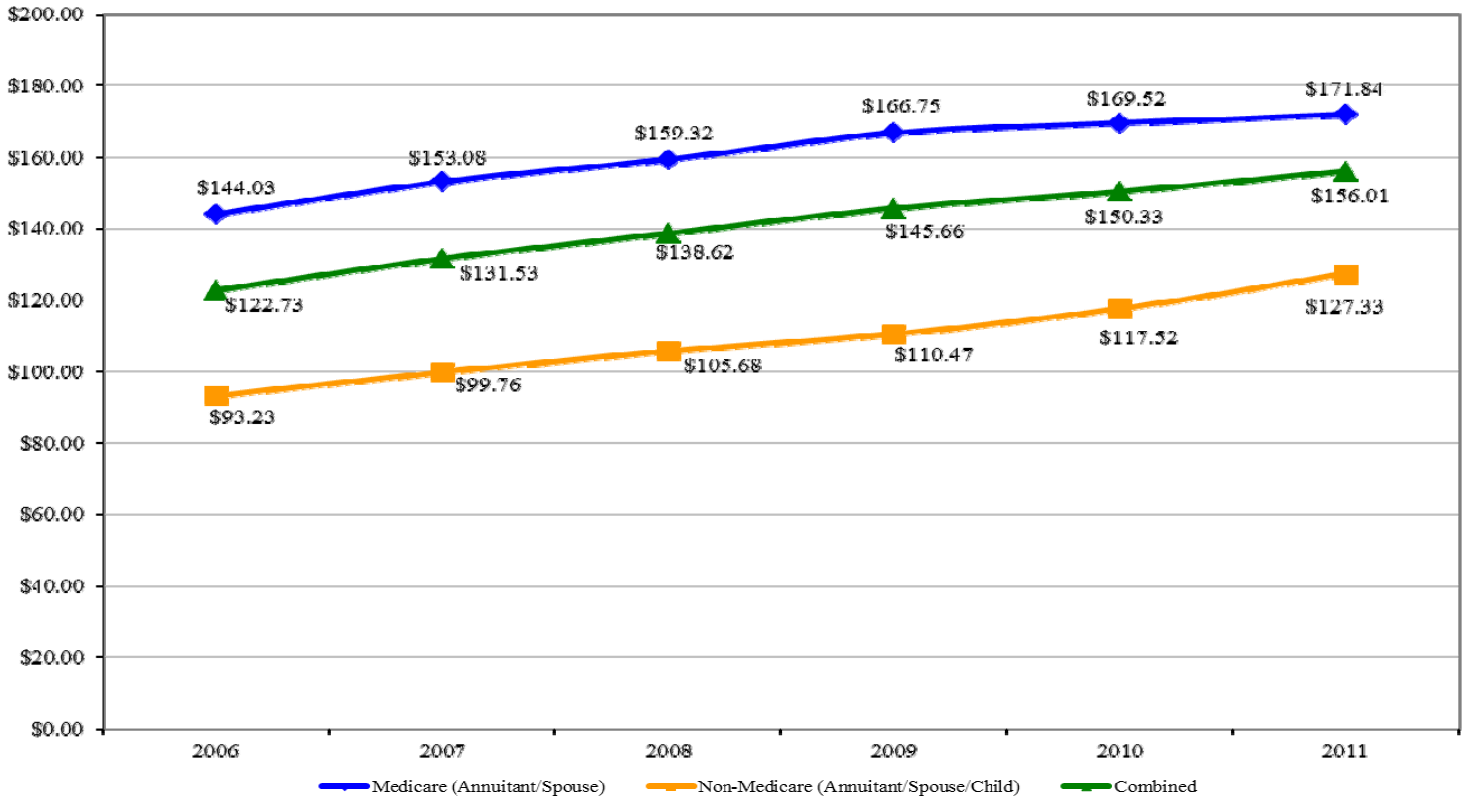
Prescription Drug	**2006**	**2007**	**2008**	**2009** [2]	**2010** [2]	**2011** [2]
Medicare (Annuitant/Spouse):	$35,566,734	$38,445,966	$40,901,984	$43,296,547	$44,089,764	$45,444,745
Average Monthly Eligibility	20,579	20,929	21,394	21,638	21,674	22,038
Monthly Per Participant	$144.03	$153.08	$159.32	$166.75	$169.52	$171.84
Cumulative Per Participant % Change	--	6.3%	10.6%	15.8%	17.7%	19.3%
Yearly Per Participant % Change	--	6.3%	4.1%	4.7%	1.7%	1.4%
Non-Medicare (Annuitant/Spouse/Children):	$16,620,758	$16,995,143	$17,049,757	$17,195,463	$17,871,585	$18,577,803
Average Monthly Eligibility	14,856	14,196	13,445	12,971	12,673	12,159
Monthly Per Participant	$93.23	$99.76	$105.68	$110.47	$117.52	$127.33
Cumulative Per Participant % Change	--	7.0%	13.4%	18.5%	26.1%	36.6%
Yearly Per Participant % Change	--	7.0%	5.9%	4.5%	6.4%	8.3%
Medicare and Non-Medicare Combined						
Total Prescription Drug:	$52,187,493	$55,441,109	$57,951,741	$60,492,009	$61,961,349	$64,022,548
Average Monthly Eligibility	35,435	35,125	34,839	34,609	34,347	34,197
Monthly Per Participant	$122.73	$131.53	$138.62	$145.66	$150.33	$156.01
Cumulative Per Participant % Change	--	7.2%	12.9%	18.7%	22.5%	27.1%
Yearly Per Participant % Change	--	7.2%	5.4%	5.1%	3.2%	3.8%

Notes:

1. All prescription drug fees for CustomCare Rx and Medicare Part D Processing are excluded.

2. Due to the change in the pricing terms effective January 1, 2009, the Plan receives higher discount at the point-of-sale in lieu of rebate payments. Paid claims are shown net of rebates.

SIX YEARS BEGINNING JANUARY 1, 2006 THROUGH DECEMBER 31, 2011



Note: Per capita prescription drug claims exclude all prescription drug fees for CustomCare Rx and Medicare Part D processing. Prescription claims are net of rebates. Due to the change in the pricing terms effective January 1, 2009, the Plan receives higher discounts at the point-of-sale in lieu of rebate payments.