EXHIBIT C

State of Arkansas

PSE Adequacy Review

Funding Projections

August 2026 / Patrick Klein and Olga Ronsini

Segal

Overview

- Segal was asked to review the fund balance reserve projections and determine the adequacy of the PSE funding for 2027 and beyond
- Expenses shown utilized projections calculated by EBD's actuary, Public Consulting Group and deemed reasonable by Segal
- The minimum district contribution (MDC) was reduced from $300.00 to $234.50 in FY 2024 due to surplus
- MDC was increased from $234.50 to $350.00 in January 2026, followed by increase to $400.00 in July 2026
- Actual expenses came in 17% above projection for CY 2024 and 2025
- CY 2026 projected expenses slightly exceed projected revenue
- A deficit of $31 million is projected for CY 2027
- Without material increase in funding reserves are going to be depleted by 2029
- Ran various funding scenarios to illustrate necessary funding changes to reach target reserve

PSE fund currently has a surplus. In the upcoming years funding will have to grow to keep up with expenses. Increases can be moderated by spreading the load across all funding components

Expenses: 2024 Projection vs. Current

EBD's actuary projection for claim expenses increased sharply between 2024 and 2026

Calendar Year	2024	2025	2026	2027	2028	2029
Projection for Plan Expenses (Milliman)						
Medical Claims	$ 317.8	$ 339.2	$ 364.6	$ 392.3	$ 422.0	$ 453.6
Rx Claims	$ 102.6	$ 110.2	$ 121.3	$ 133.6	$ 147.2	$ 162.1
Administrative Fees	$ 37.4	$ 36.0	$ 37.7	$ 39.3	$ 41.1	$ 42.8
Plan Administration	$ 1.7	$ 1.9	$ 1.9	$ 1.9	$ 2.0	$ 2.1
MAPD Premium Cost	$ 7.9	$ 10.0	$ 12.3	$ 15.0	$ 18.2	$ 21.8
Total Expenses	**$ 467.5**	**$ 497.2**	**$ 537.8**	**$ 582.3**	**$ 630.4**	**$ 682.3**
	Actual Expenses		**Current Projection (PCG)**			
Medical Claims	$ 355.6	$ 363.6	$ 414.8	$ 450.6	$ 489.3	$ 531.0
Rx Claims	$ 142.1	$ 158.5	$ 175.1	$ 194.6	$ 216.4	$ 240.5
Administrative Fees	$ 37.9	$ 40.7	$ 42.6	$ 44.5	$ 46.5	$ 48.6
Plan Administration	$ 2.7	$ 3.3	$ 3.4	$ 3.4	$ 3.5	$ 3.5
MAPD Premium Cost	$ 12.0	$ 17.6	$ 22.1	$ 27.5	$ 33.9	$ 41.5
Total Expenses	**$ 550.3**	**$ 583.7**	**$ 657.9**	**$ 720.7**	**$ 789.5**	**$ 865.1**
CY 2024 to 2026 Increase	**17.7%**	**17.4%**	**22.3%**	**23.8%**	**25.3%**	**26.8%**

All values are shown in millions

Change in CY 2026 Expenses:

- Prescription drug claims grew 45%
- Medicare Advantage premiums almost doubled
- Medical claims increased 15%

Financial Projection – Baseline

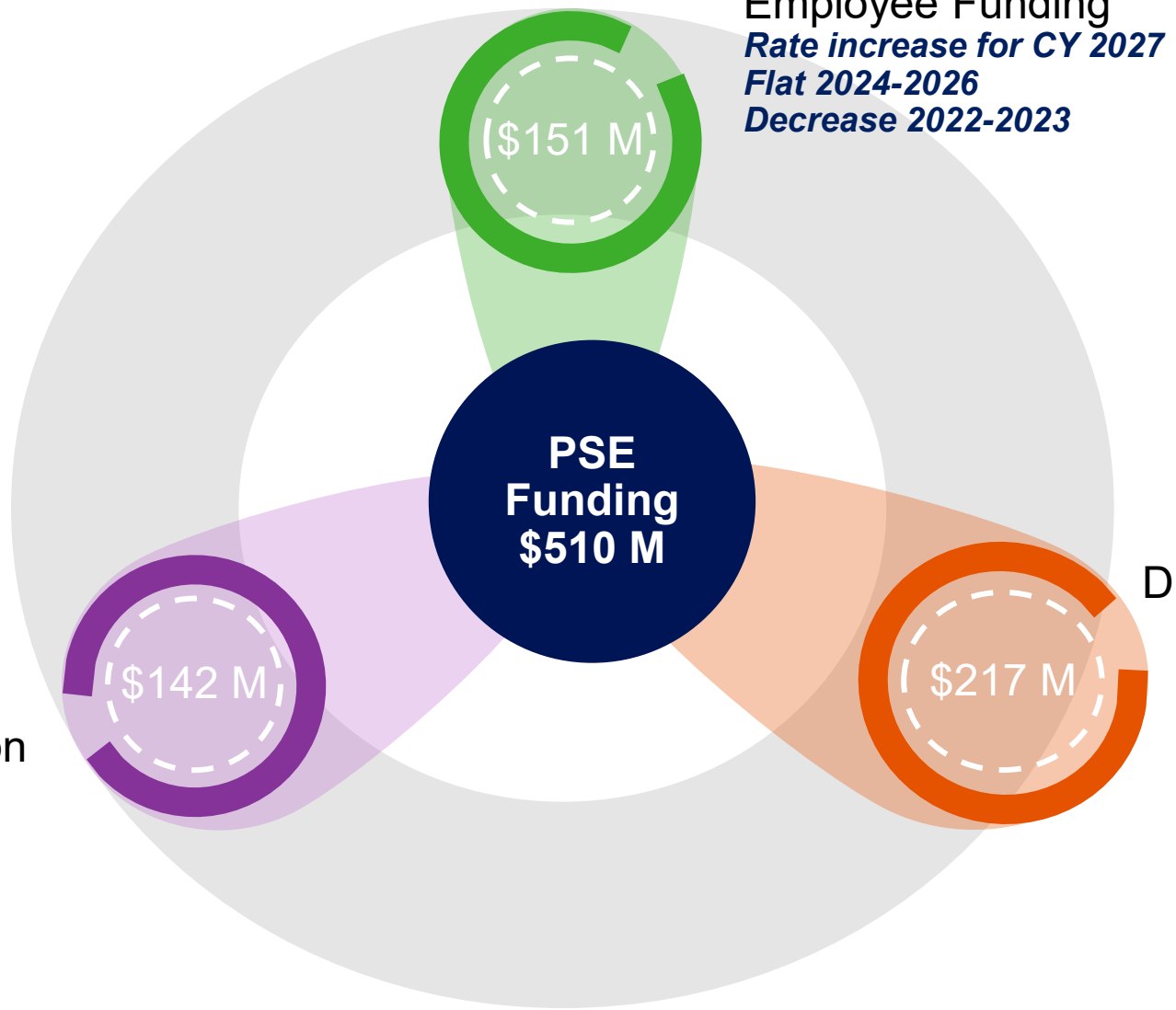
$400 Minimum District Contribution continues indefinitely:

Calendar Year	2024	2025	2026	2027	2028	2029	2030	2031
Avg. Minimum District Contribution (Calendar Year)	*$234.50*	*$234.50*	*$ 375.00**	*$ 400.00*	*$ 400.00*	*$ 400.00*	*$ 400.00*	*$ 400.00*
All values below in millions								
District Contribution	$ 132.8	$ 114.4	$ 216.7	$ 236.4	$ 241.2	$ 246.0	$ 250.9	$ 255.9
Employee Funding	$ 139.2	$ 162.2	$ 151.3	$ 162.2	$ 164.7	$ 167.1	$ 169.5	$ 171.9
Dept of Education Funding	$ 157.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0
Other	$ 69.3	$ 71.7	$ 72.0	$ 84.0	$ 86.4	$ 92.3	$ 100.3	$ 109.1
Total Revenue	**$ 498.2**	**$ 490.4**	**$ 582.0**	**$ 624.7**	**$ 634.3**	**$ 647.3**	**$ 662.7**	**$ 678.9**
Medical Claims	$ 317.1	$ 355.5	$ 363.6	$ 414.8	$ 450.6	$ 489.3	$ 531.0	$ 576.3
Rx Claims	$ 125.3	$ 142.1	$ 158.5	$ 175.1	$ 194.6	$ 216.4	$ 240.5	$ 267.3
Administration Fees	$ 39.9	$ 37.9	$ 40.7	$ 42.6	$ 44.5	$ 46.5	$ 48.6	$ 50.7
Plan Administration	$ 2.3	$ 2.7	$ 3.3	$ 3.4	$ 3.4	$ 3.5	$ 3.5	$ 3.5
MAPD Premium Cost	$ 8.8	$ 12.0	$ 7.6	$ 22.1	$ 27.5	$ 33.9	$ 41.5	$ 50.7
Total Expenses	**$ 493.4**	**$ 550.3**	**$ 583.7**	**$ 657.9**	**$ 720.7**	**$ 789.5**	**$ 865.1**	**$ 948.6**
Net Income / (Loss)	**$4.8**	**($59.9)**	**($1.7)**	**($33.2)**	**($86.4)**	**($142.2)**	**($202.4)**	**($269.7)**
Total Assets	**$247.8**	**$189.7**	**$187.9**	**$154.7**	**$68.3**	**($73.9)**	**($276.3)**	**($546.0)**
Target Reserve (12-16%; Midpoint 14%)	**$61.9**	**$69.7**	**$73.1**	**$82.6**	**$90.3**	**$98.8**	**$108.0**	**$118.1**

** Calculated as average of $350.00 for January – June 2026 and $400.00 thereafter*

- Target Reserve = 14% of projected medical and pharmacy claims
- Expenses exceed revenue for the entire projection period
- Assets are depleted by 2029

PSE Funding Components CY 2026



Employee Funding
Rate increase for CY 2027
Flat 2024-2026
Decrease 2022-2023

District Contribution
Contingent on MDC amount

Department of Education
Historically Fixed Amount

Financial Projection – Increase applied to MDC only

Annual MDC increase of 21.3% is necessary to bring assets to target level by the end of 2031

Calendar Year	2026	2027	2028	2029	2030	2031
Assumed Minimum District Contribution	*$ 375.00*	*$ 400.00*	*$ 485.39*	*$ 589.00*	*$ 714.73*	*$ 867.30*
All values below in millions						
District Contribution	$ 216.7	$ 236.4	$ 292.6	$ 362.2	$ 448.3	$ 554.9
Employee Funding	$ 151.3	$ 162.2	$ 164.7	$ 167.1	$ 169.5	$ 171.9
Dept of Education Funding	$ 142.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0	$ 142.0
Other	$ 72.0	$ 84.0	$ 86.4	$ 92.3	$ 100.3	$ 109.1
Total Revenue	**$ 582.0**	**$ 624.7**	**$ 685.7**	**$ 763.6**	**$ 860.1**	**$ 977.9**
Medical Claims	$ 363.6	$ 414.8	$ 450.6	$ 489.3	$ 531.0	$ 576.3
Rx Claims	$ 158.5	$ 175.1	$ 194.6	$ 216.4	$ 240.5	$ 267.3
Administration Fees	$ 40.7	$ 42.6	$ 44.5	$ 46.5	$ 48.6	$ 50.7
Plan Administration	$ 3.3	$ 3.4	$ 3.4	$ 3.5	$ 3.5	$ 3.5
MAPD Premium Cost	$ 17.6	$ 22.1	$ 27.5	$ 33.9	$ 41.5	$ 50.7
Total Expenses	**$ 583.7**	**$ 657.9**	**$ 720.7**	**$ 789.5**	**$ 865.1**	**$ 948.6**
Net Income / (Loss)	**($1.7)**	**($33.2)**	**($34.9)**	**($26.0)**	**($4.9)**	**$29.2**
Total Assets	**$187.9**	**$154.7**	**$119.8**	**$93.8**	**$88.9**	**$118.1**
Target Reserve (12-16%; Midpoint 14%)	**$73.1**	**$82.6**	**$90.3**	**$98.8**	**$108.0**	**$118.1**

- Fixed / slow growing funding components make up more than a half of revenue
- To keep up with expenses MDC has to grow twice as fast as claim trend

Financial Projection – Increases apply to MDC, DE and Employee Funding

Annual increase of 12.5% is necessary to bring assets to target level by the end of 2031

Calendar Year	2026	2027	2028	2029	2030	2031
Assumed Minimum District Contribution	*$ 375.00*	*$ 400.00*	*$ 449.92*	*$ 506.08*	*$ 569.24*	*$ 640.28*
All values below in millions						
District Contribution	$ 216.7	$ 236.4	$ 271.3	$ 311.2	$ 357.1	$ 409.7
Employee Funding	$ 151.3	$ 162.2	$ 185.2	$ 187.9	$ 190.6	$ 217.4
Dept of Education Funding	$ 142.0	$ 142.0	$ 159.7	$ 179.7	$ 202.1	$ 227.3
Other	$ 72.0	$ 84.0	$ 86.4	$ 92.3	$ 100.3	$ 109.1
Total Revenue	**$ 582.0**	**$ 624.7**	**$ 702.6**	**$ 771.1**	**$ 850.1**	**$ 963.5**
Medical Claims	$ 363.6	$ 414.8	$ 450.6	$ 489.3	$ 531.0	$ 576.3
Rx Claims	$ 158.5	$ 175.1	$ 194.6	$ 216.4	$ 240.5	$ 267.3
Administration Fees	$ 40.7	$ 42.6	$ 44.5	$ 46.5	$ 48.6	$ 50.7
Plan Administration	$ 3.3	$ 3.4	$ 3.4	$ 3.5	$ 3.5	$ 3.5
MAPD Premium Cost	$ 17.6	$ 22.1	$ 27.5	$ 33.9	$ 41.5	$ 50.7
Total Expenses	**$ 583.7**	**$ 657.9**	**$ 720.7**	**$ 789.5**	**$ 865.1**	**$ 948.6**
Net Income / (Loss)	**($1.7)**	**($33.2)**	**($18.0)**	**($18.4)**	**($15.0)**	**$14.9**
Total Assets	**$187.9**	**$154.7**	**$136.7**	**$118.2**	**$103.2**	**$118.1**
Target Reserve (12-16%; Midpoint 14%)	**$73.1**	**$82.6**	**$90.3**	**$98.8**	**$108.0**	**$118.1**

- Year to year contribution increases are more reasonable and can be mitigated, if plan can manage trends below market expectations

Q&A

Assumptions and Caveats

Assumptions

- Projections through CY 2030 including medical claims, pharmacy claims, rebates, employee & retiree contributions, and administrative costs were based off baseline Public Consulting Group projections
- Segal extrapolated expenses for CY 2031
- No future plan design changes assumed
- Trend: Medical 7%, Rx 9%, based on Public Consulting Group projections
- Enrollment assumed to increase by approximately 2% per year for actives and pre-65 retirees, and by 6% per year for post-65 retirees based on Public Consulting Group projections

Caveats

- The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases.