

Everett School Employees Benefit Trust
April 20, 2009
Board Room
4:00 pm

Attendance

Betsy Selders
Mike Gunn
Susan Lindsey
Molly Ringo
David Jones

Absent

John Morrill

Also Attending

Darla Van Duren
Randi Seaberg
Curt Haldorson
Jayson Davidson
Arlene Vollema-Rich
Rene' Boswell
Melanie Curtice

1. Call to Order

The meeting was called to order by Betsy Selders at 4:00 pm.

2. Adoption of Agenda

The agenda item on wellness was moved and the revised agenda was approved.

3. Approval of Minutes

The minutes of the February 9th meeting were approved.

4. Introduction of New Trustee and March 24, 2009 Everett Public Schools Board Minutes Approving Appointment

Due to the resignation of Wayne Kettler a new trustee was appointed by the District. Per policy, documentation for the appointment of an incoming trustee is to be provided by the District or Association. Molly provided several documents including the March 24, 2009 board minutes and board agenda request form appointing David Jones. Molly clarified that the trustee signature page signed several meetings ago was not the appropriate step and that this step fit the Trust's board policy.

5. Wellness

Gail provided some program highlights for the trustees.

- Last month she attended the American College of Sports Medicine annual "Health Fitness Summit" where a whole day was devoted to workplace wellness. After attending Gail feels confident that Everett's wellness program is moving in the right direction.
- The "Eight Weeks to Wellness" class concluded with over 65 participants. Gail received positive feedback about the class with 35 people responding to the final survey.

- Currently Gail is doing a four week "Assess Your Stress" class. There was not as much participation as she had hoped for but the group is appreciating some of the information and tools they receive.
- Gail reported that 10% of the district's employees are now involved in some type of physical activities class offered at their worksites.
- Gail has been working with The Massage Team so that every site will be in a position to have seated chair massage once a month. She felt this program has been well received.
- Three active "Weight Watchers at Work" meetings (Jackson, Mill Creek and Eisenhower) are being held.
- Gail is getting ready to launch two seasonal campaigns to get people more physically active. She has collaborated with the Snohomish County "Bike To Work" campaign that starts May 11th. And the District will do their own campaign called "Everett Public Schools Trail Challenge". Participants will have pedometers and will walk the entire length of four of our nation's scenic trails.
- Gail continues to get positive feedback regarding the Hope Health Letter.
- Next month will be Gail's one year anniversary and she plans to give the trustees a more detailed report, a year-end review and talk about goals for next year.

6. Financials

Darla provided the February and March Financials and reviewed them with the trustees.

February

- Trust consultant's January services were offset by the prepaid balance \$(12,905) even though their current balance for March services brings the total up to about \$42,000 in credit. It is normally adjusted at year-end.
- Increase in fund balance is \$257,974 which resulted in an overall increases of \$1,748,000 for the year.
- Comparison for the year – fund balance was \$13,254,974 compared to \$10,733,322 a year ago. The overall totaled \$14,391,997 compared to \$11,954,322 last year.
- One CD was purchased, two matured and two were full call.
- Purchased three government bonds.
- Charge under Other Benefits was \$1,312.50 invoice from HMA for review of an organ transplant case. This is the first time for this type of charge so Darla wanted to put it in a different area because it isn't the premiums or claims.
- The annual payment of \$8,700 was paid for liability insurance.
- HMA claims were \$308,278 less than last February but overall the year's claims are \$60,153 more than 2008.
- ESI/NMHS claims were \$14,758 less than last February and overall claims for the year were \$97,956 more than in 2008.

March

- Increase in fund balance of \$283,751 which resulted in an overall increase for the fiscal year of \$2,032,281.
- Fund balance for this month was \$13,538,748 compared to \$10,885,610 a year ago. Overall assets for this fiscal year were \$14,675,748 compared to \$12,106,610 last year.
- Three CDs matured and one full call.
- Magellan Behavior 2nd quarter payment of \$14,082 was made.
- Carena (home physician visits) first payment of \$450 was made. Sound Health Solutions first payment of \$5,313 was made. This covered five participants over a six month payment plan.
- Legal fees for the month were \$20,914 for a total of \$87,640 for this fiscal year.
- Received a Sun Life stop loss payment in the amount of \$6,164,50 which was an offset for this month's charge of \$121,537.30.
- Received the rebate check from ESI of \$17,164.50 which offset this month's charge of \$121,537.30.
- HMA claims were \$16,759 less than March 2008 and overall this year's claims were \$43,394 more than in 2008.
- ESI/NMHC claims were \$12,065 more than March 2008 and overall this year's claims were \$110,021 more than in 2008.

Darla stated that the Trust received the final report from the Office of Financial Management and everything was great.

7. 3rd Quarter Investment Report

Curt reviewed the schedule of certificate of deposit schedule. He stated that there was not much activity in January and that most of the activity was call features, and new purchases in February. Curt said the take over by FDIC of additional banks has slowed down considerably but is still happening. For the most part the Trust has not received any other notification that any banks within the existing CD portfolio are being compromised, repurchased or redistributed at this point. Most of the activity has been the cash balance building up and looking at new CD purchases where some were callable and some were for relatively short maturities. Most of the smaller CDs are at the \$95,000 limit because they are within a time frame where up until December 31st there is an increase in FDIC coverage of \$250,000 in individual banks. Curt hasn't heard of any other wording or legislation in place that would extend FDIC coverage beyond the end of the year. He said he doesn't go above the \$95,000 when purchasing CDs because the accrued interest would put the Trust over the limit for FDIC coverage.

Curt distributed several handouts and discussed them with the group. He said that if the Trust did absolutely nothing on this monthly cash flow summary it shows exactly what the fixed income yield, cash equivalent yield and then each month what the income would be from each different position. The bar chart shows when maturities were taking place. Curt's goal is to go through and be very careful about where the money is positioned in the

shorter end maybe the three or four year part of the ladder. He doesn't see an advantage in looking at much longer maturities and feels that could be a very dangerous place when interest rates start creeping back up. The strategy at this point as Curt looks at the account is to add investment to 2012, 2013, 2014 and beyond. And again mainly looking at investments that have some call triggers that may give the Trust a short term benefit where it offers a more competitive yield right now.

An additional topic that Curt brought to the attention of the trustees was the discretionary document that he provided to Darla and Jayson. There is concern on Curt's part about what he has been authorized to do with the account and the discretionary document he provided Darla would give him clear directions and allow him to act on CDs, government agency bonds, basically the investment allowed within the investment policy statement. He then provided an overview of institutional style management. He said that if the Trust was looking for institutional style management, permission would be given to act on the Trust's behalf with discretion to trade the account according to very specific parameters. Jayson asked Curt to give a little more detail. Curt said the term discretion was used very freely before and that it was taken for granted. Given the style of account and the scrutiny that is taking place its very important to have a legally binding document. That way he can go through and work proactively to get lower risk, better yield, or better yield to maturity and act on it. In addition there would be a fee benefit to the Trust. By using a fee basis rather than a commission style transaction the commission is billed out through the year.

Jayson asked for an explanation of how the non-discretionary relationship works today. Currently with the non-discretionary status Curt has to contact someone to be able to trade on the account. Molly thought Curt had been given permission and didn't have to consult with Darla. Curt responded that he received a maturity schedule to work with but on a trade basis did not. Molly thought the policy gave him the authority. This will be clarified. Curt said that he currently needs verbal permission to do the trades and would require a different agreement than the letter of direction that had been given. Betsy said the trustees would come to a consensus and get back to him.

NOTE: David Jones arrived at the meeting. Betsy welcomed David and introductions were made.

8. COBRA Regulations Update

Melanie provided information on the COBRA regulations and gave an update. She said she had met with HR and payroll and talked through some of the issues because all of these departments at the district are implicated but how we comply is the Trust's obligation. Melanie said a policy has been developed and that they are very close to having a pretty substantial procedure on how it will work. There have already been a couple of memos drafted to the Trust on particular issues.

When the federal stimulus package was passed in February there were some benefits included with the largest being a subsidy for COBRA qualified beneficiaries who have lost their job involuntarily between September 1, 2008 and December 31, 2009. The law provides that they and their dependents can receive up to 65% subsidy for the cost of the COBRA premium. The subsidy is in the form of a payroll tax credit that the employer sponsoring the plan receives.

What is the obligation of the Trust? The Trust is obligated to provide COBRA and does. The Trust is also obligated when we receive a 35% payment of premium to extend COBRA coverage for the individual. The Trust is also obligated to let the District know how we are interpreting this involuntary termination provision and there is no definition in the statute. Melanie feels the Trust is of like minds with the District so there isn't a conflict as to how this would be done.

What does involuntary termination mean? It means that if an employee is fired and we invoke the gross misconduct exception of COBRA and don't provide COBRA the employee is not eligible for the subsidy. This very rarely happens. If an employee is severed with an enticement to take a package instead of being terminated that would be involuntary termination. If an employee was induced to retire early rather than being terminated or lose their job that would be involuntary termination. There were some specific questions about long-term substitute teachers, temporary hired employees or teachers and how this works for a non-continuing contract. Melanie has provided some advice to the Trust in the form of a memorandum sent to Molly which states that temporarily hired teachers are not an involuntary termination and that long-term substitute teachers and temporary employees are probably not an involuntary termination but they could be. Molly stated that Melanie had prepared a letter so that there would be a document in the payroll files about the arrangement between the Trust and the District but it will reflect the policy and the procedure. Melanie said they've made clear that all of these situations are very factually specific. If there are questions Randi will get them to Melanie.

Melanie pointed out that the Trust is not regulated by the Department of Labor which could be a problem if we had an employee that we didn't believe received an involuntary termination and the employee was not eligible for the subsidy because they would have an expedited review. They can go to the Department of Labor and ask them for an opinion on their particular situation within a short period of time. Melanie says the Trust should be regulated by the Department of Health and Human Services and the IRS. While the IRS doesn't have jurisdiction over this particular issue the Department of Labor does.

Melanie said the subsidy can extend beyond 2009. If an employee loses their job on December 31st the subsidy can go nine months into 2010 but the actual administration of it as of today is through December 31st.

How does the money work? The money is all handled through payroll tax crediting. Each quarter the District files a form 941. The District will report how much money it received from assistance eligible individuals (35% for each of them) and how many. The remaining 65% the District is claiming as a credit and will be sent to the Trust on or before it files its quarterly 941.

9. AARA/COBRA Policy

Melanie discussed the policy outlining the Trust's intent to comply. She said she was very close to having the procedure completed to help those administrating COBRA. In the meantime they've provided advice about notices and written several memos covering these issues.

Molly requested that the trustees take a few minute to read the policy. Then a motion was made and seconded to approve Policy 480 as written. The motion passed.

Adjourn Regular Meeting

The regular meeting was adjourned at 5:00 p.m. so the executive session could be held.

Reconvene Regular Meeting

The regular meeting reconvened at 6:20 p.m..

10. 2010 Renewal Discussion

Molly lead the renewal discussion. She talked about factoring in legal services into the budget. Molly felt the current plans were in pretty good shape. She felt we may not want to make a lot of changes but be clear on how well our newly implemented programs were working or if they needed to be tweaked or revised.

Mike wondered if we'd be faced again with the unusual challenge of having to spend more money in order to avoid growing our reserve. There has been an increase of \$2.6M in the reserves for the year. It was felt that the Trust might want to be cautious and see how things played out. Betsy commented that the financials were only three months into the year and quite a bit more spending has already occurred.

Molly said that the District is looking at significant budget cuts and the District's contribution to the Trust is subject to negotiations. Mike noted that when Sean builds our budget if our current agreement guarantees the payment from the District then its built into the revenue stream of the budget. Since this coming year is not guaranteed Sean didn't build that in. The projections that were used to build the budget for last year didn't assume the contribution would be continued and even so we're having to find

ways to spend down the fund balance. Molly said she'd report to Sean that we'd like to keep things in the current direction and continue with implementing our current plans.

11. Annual Calendar

The May section of the annual calendar was reviewed.

12. New Trust Programs Update

Randi distributed the Paid Claims Experience report that Sean provided for the period of January through March. He will be here at the next meeting to go over it in depth. Highlights from Sean included:

- Medical claims for January and February were down almost 11% from the same time a year ago.
- Pharmacy claims were up 11.5%.
- Our year over year claims are well below the industry benchmark which is good news and probably one of the reasons our fund balance continues to be high. During recession periods we often see a spike in health care costs due to an increase utilization from employees who are dealing with high level stress. We don't see this currently in our plans but Sean will be monitoring.

Randi provided a new programs update and reviewed it with the trustees.

- MAGELLAN ---- From Randi's perspective Magellan has exceeded expectation. They have been very responsive and have been very proactive in providing high quality communications for distribution. Between January and the end of March they had 43 telephone consultations and 41 people used the online system. (726 pages were viewed.)
- FREE & CLEAR --- There were three enrollments, one in February and two relatively recently.
- SOUND HEALTH SOLUTIONS --- Seven employees enrolled and a couple are working out with a trainer in Marysville. Randi reported that several participants have been really open and positive about this program and the changes in their lives. The closure in Redmond was a concern to Randi because they're a new company and their Redmond site is close to Microsoft (one of their clients). They have closed because of low enrollment however none of our employees attended Redmond.
- Carena --- Randi didn't have a written report yet but she said Carena had received a few calls. Some people were a little confused about this program as to whether it was their primary care or if they should contact their regular doctor but they were able to sort that out. There was one evening weekend visit with a physician which was 37 minutes from call to visit. Mike felt it might be a good idea if there was more

communication about Carena for staff so that they would understand the options that were available.

Randi said she had a good number of administrators asking for more brochures on these services.

13. Other

Betsy requested that the trustees receive information on Gail's professional development opportunities and expenditures and suggested a quarterly budget report. It was pointed out that the Wellness expenses are included in the financial statements.

14. Adjournment

The meeting was adjourned at 6:51 pm.

Sincerely,

Molly Ringo
Secretary