

Everett School Employees Benefit Trust
Wednesday, May 14, 2014
Minutes

Attendance

Gregg Elder
Mike Gunn
Jared Kink
Susan Lindsey
Molly Ringo
Kelly Shepherd

Absent

Randi Seaberg

Also Attending

Cris Bosket
Gail Buquicchio
Melanie Curtice
Aanya Lee
Darla Vanduren
Arlene Vollema-Rich
Sean White

Recorder

Kellee Newcomb

Call to Order

The meeting was called to order by Molly Ringo at 4:04 p.m.

Adoption of Agenda

Randi was not able to attend tonight's meeting. As a result, the Trustees removed the EAP Report from the agenda. A motion was made by Gregg Elder and seconded by Jared Kink to approve the modified agenda. The motion passed unanimously.

The Trustees took a short break for refreshments in honor of Mike Gunn who is resigning from the Trust effective after tonight's meeting. The Trustees thanked Mike for his service and dedication as a Trustee since September 2004. Mike thanked the Trustees for their kind words and said he was confident that the Trust was in good hands with the guidance of the Trustees and advisors.

Approval of Minutes

A motion was made by Kelly Shepherd and seconded by Mike Gunn to approve the minutes from the April 9, 2014 meeting as written. The motion passed unanimously.

Financials

Darla was not able to provide the financials in advance of this meeting. However, she reviewed the preliminary numbers with the group. Detailed information will be provided at the next meeting.

Review Auditor Engagement for Annual Audit

Darla shared that the Trust's financials are a component of the district's financials during the state audit. Because the Trust and district have different fiscal years and financials, the state auditors had some difficulties with this year's audit. Areas that were noted in the state audit that the Trustees may want to consider are: 1) the Trust and district are on different fiscal years; 2) the Trust works on a cash basis while the district works on an accrual basis; and 3) whether to continue with an independent auditor or have the state auditors perform the annual audit.

Darla talked about why the Trust moved to a cash basis several years ago. She noted there were a lot of references in the audit to the differences in accrual and cash. The auditors tend to like accrual rather than cash and the Trust could easily switch to an accrual basis if that is what the Trustees would like to do.

The Trust's fiscal year ends June 30 and the district's ends August 31. There are a lot of things tied to the Trust's current fiscal year that would have to be changed.

Darla said the cost to have the state auditors perform the Trust's audit would be \$8,300. Last year the Trust paid \$9,100 for the independent auditor. Darla said she thinks it would be beneficial to continue with an independent audit. She has had a conversation with Bruce Dietrich of Toyer, Dietrich and Associates about changing from a cash to accrual basis if the Trustees choose. He said the fee would roughly be the same amount as last year and doesn't feel it would be much more time consuming than the usual audit.

Melanie talked about reasons why the Trust should stay with current fiscal year. It would have to be taken into consideration if the Trust decides to go back to being self-funded and is a requirement under RCW 48.62. The group reviewed the Trust Agreement and discussed the possibility of changing the fiscal year. The Trustees agreed to not change the Trust's fiscal year.

Regarding changing from a cash basis to an accrual basis, Darla would recommend the change because it provides a cleaner view and is the predominant approach. The group discussed the option of moving from a cash basis to an accrual basis. A motion was made by Jared Kink and seconded by Mike Gunn to change the Trust's financials from a cash basis to an accrual basis effective June 30, 2014. The motion passed unanimously.

Regarding the auditor, Darla said the state auditors will always review the Trust's financials because the Trust is tied to district. She explained why she thinks having an independent audit is still important. Her recommendation would be to continue to maintain the outside auditor. Darla said there may be a need to take on the cost with the focus of this entity. Melanie agreed the separation is important. The Trustees agreed to continue with the independent auditor. Darla will follow up with Bruce Dietrich to get an official quote for the annual audit.

Employer Shared Responsibility of the Affordable Care Act

Melanie previously provided the Trustees with information on the final regulations issued by the federal government on February 10, 2014 implementing the statute for employer shared responsibility under health reform. While it is true that technically the district is the "employer" subject to the regulations, there are potential impacts on the Trust. The district will have to decide how to deal with the penalties that could be imposed in 2016.

Starting January 1, 2015, any employer employing less than 50 full-time employees must offer health coverage to full-time employees by the first day of the month after three full calendar months of employment or pay a penalty. Employees in part-time positions and volunteers need not be offered coverage. Melanie explained some possible areas that might be of concern but noted it was a small population, well with the 5% margin. On May 5, 2014 she provided information to superintendent's cabinet regarding possible implications to the district. Benefit staff have also been analyzing the numbers and it is a very small group that would be impacted. The group discussed the potential impact and issues that would have to be addressed. The district has to take the next step. This topic will continue to be monitored.

Wellness Program Update

Gail said she will provide a year-in-review report and Wellness Program update next month. She recently returned from being out of town on a family matter.

Consultant Report – 2015 Renewal Proposals

Sean provided copies of 2015 Renewal Proposals. At the last meeting the Trustees directed Sean to pursue alternative medical proposals due to significant cost increases through the WEA (both historical and projected). Sean reviewed the information with the group. The assumed WEA increase used was 10%. The actual 2014-15 WEA renewal rates will be announced in June. Sean will provide updated information in August, including vision and dental.

Sean sought medical proposals from Aetna, CIGNA, Regence, United Health Care (UHC) and Group Health (GHC). He was able to get proposals from GHC, UHC and CIGNA. The Trustees had requested quotes include a second year rate cap because WEA regulations require that any district carving out from the WEA would have to be out for a minimum of two years. Due to a lack of current claims data, the first year rates are based on age/gender, geographic factors and the current WEA premiums. Aetna and Regence declined to provide a quote due to the Trust's age/gender factors and service area. CIGNA provided a quote but only for one year. They quoted a one year premium increase of 21% above current rates. The quote was also on a refund accounting basis meaning the Trust could be required to pay back deficits on the plan if claims experience is poor. In light of the favorable proposals from GHC and UHC, Sean did not negotiate further with CIGNA but can do so if directed by the Trust.

GHC provided a total replacement quote comprised of nine plan designs, with set criteria on the number and type of plans the Trust can offer (two HMOs; six PPOs; and one HSA/PPO). The quote is firm and not subject to change based on the 2014-15 WEA renewal announcement in June. GHC is offering a 12% cap on second year premium increases (barring any federally mandated benefit changes or significant changes to the demographics). The group reviewed the information provided and talked about the potential for significant disruption in moving back to self-insured options. Sean shared that the Bethel School District moved from the WEA to GHC last year and are happy they made the change, but it is work. The group discussed concerns about the GHC practitioner network. Arlene said they have not had any issues with GHC; however, they continue to have daily issues with Aon Hewitt, the administrator for the WEA medical plans. She also felt staff were more comfortable using Employee Online now which is how they would complete any changes to medical benefits.

The group reviewed the UHC proposal. They also provided a total replacement quote comprised of seven plan options, designed closely to match the current WEA plans 2, 3, 5, QHDHP and EasyChoice A, B and C. They did not have an option for the Trust's current GHC HMO plan; however, the Trust could renew the HMO product with GHC or cease to offer it. The initial proposed premiums are illustrative and subject to modification once the WEA renewal is announced, which means they may increase or decrease. No second year rate cap was provided in their initial proposal; however, if the Trust would like to pursue this proposal further, Sean would look into negotiating a guarantee.

The group talked about the illustrative rates and agreed to wait to see what the WEA does. Sean will continue to monitor and provide updates in August.

EAP Report

This item was removed from agenda.

Appointment of New Trustee

On May 13, 2014 the Everett Public Schools Board of Directors appointed Jeff Moore as the successor to Mike Gunn. Jeff's first meeting will be June 11, 2014.

Review of Annual Meeting Calendar & Annual Calendar

The group reviewed agenda items for the June meeting.

Review of Performance of Investment Advisor – Executive Session

This item was not discussed. It will be added to the June meeting agenda.

Other

Kellee shared that the first Aquasox game will be on June 11, the same day as the next Trust meeting. Parking may be an issue.

Adjournment

The meeting was adjourned at 5:30 p.m.

Sincerely,

Gregg Elder
Secretary

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