

**Everett School Employees Benefit Trust**  
**Monday, August 22, 2011**  
**Minutes**

**Attendance**

Mike Gunn  
David Jones  
Susan Lindsey  
John Morrill  
Molly Ringo  
Betsy Selders

**Absent**

**Also Attending**

Rene Boswell  
Gail Buquicchio  
Jayson Davidson  
Tom Pursley  
Randi Seaberg  
Darla Vanduren  
Arlene Vollema-Rich  
Sean White

**Recorder**

Kellee Newcomb

**Call to Order**

The meeting was called to order by David Jones at 8:04 a.m.

**Adoption of Agenda**

A motion was made by Molly Ringo and seconded by Susan Lindsey to approve the agenda as written. The motion passed unanimously.

**Approval of Minutes**

The minutes of the June 20, 2011 meeting were presented for approval. A motion was made by Mike Gunn and seconded by John Morrill to approve the minutes as written. The motion passed unanimously.

**Financial Report**

Darla reviewed the draft June 2011 financials with the group. She stated the financials are not complete at this time. She will email the financials to the Trustees once they are completed.

Darla provided copies of the completed Moss Adams Medical Claims Review of Claims Paid and Incurred January 1, 2010 through December 31, 2010. She reported that Moss Adams did not identify any exceptions or findings in the review of the claims processing performance of HMA or ESI. In reviewing the document it was noted that pages were missing. Darla will email the document in its entirety to the Trustees.

**Update on the Trust Audit**

Darla reported that the annual audit is underway with a goal for completion by September 1<sup>st</sup>. She stated that Toyer & Associates has been purchased by Bruce Dietrich and is now Toyer, Dietrich and Associates. Because of the change in ownership, the Trustees requested a bio on the new owner. Darla will provide this information at a future meeting.

**Annual Investment Report – Jayson Davidson**

Jayson provide the Trustees with a portfolio review. He stated the portfolio will be formally reviewed at the Trust meeting in November. Jayson reviewed the Trust's investment guidelines and rules with the group. He stated that the recent down grade of the United States credit rating by Standard and Poor should not impact the Trust's portfolio.

Jayson reviewed the U.S. Treasury yield curve with the group and noted that while the yield keeps falling and is at unprecedented lows, treasuries are still in demand as investors feel this is a safe option for their money. The price of treasury bonds is going up and that will be reflected in the Trust's portfolio. Jayson reviewed the historical market returns with the group and stated the area of the market that the Trust's portfolio is in has been doing well.

He reviewed the total account performance as of June 30, 2011 and noted that it is the same as what was reported at the June 13, 2011 meeting. He stated the portfolio is underperforming due to the direction of the Trust to Becker not to purchase treasuries longer than the 10-year mark. They have been in a holding pattern in terms of what they can and cannot purchase. There have been major changes in CDs, and holdings continue to roll off but are only about half of the portfolio which remains very liquid.

In summary, the Trust's portfolio's overall allocation, credit quality, duration (interest rate risk) and general portfolio diversification are consistent with the Trust's current investment objectives and policy. However, the portfolio's underperformance relative to its policy index deserves discussion as the two primary management components are credit risk and interest rate risk. Jayson recommended that the Trust's investment policy be reviewed. The Trustees discussed the information provided including concerns such as keeping the portfolio liquid, spending down reserves and potential further changes in state allocations.

Tom Pursley commented that the Trust has never been aggressive in its investment objectives. The investments have not been an opportunity to grow assets but rather a preservation of capital. He stated the interest rate risk is a concern because the Trust does not want to take a loss, and that now may be the time to liquidate the longer term investments and not worry about making money but to sit on it for safety. Jayson stated that was true; however, the expectation is that interest rates will be going up. Unfortunately, over the past two years that has not happened. Tom suggested that every time the Trust needs cash the longest duration securities should be sold first and work back from there. Jayson stated that would reduce the yield of the portfolio further, but that might not be a concern.

Jayson will edit the investment policy for the Trust's review at a future date and provide instructions to Becker regarding longer term maturities for the interest rate perspective. The Trust portfolio will be reviewed again in November.

### **Consultant Report – Sean White**

Sean provided a report to the Trustees of the current health and welfare benefit plans and three scenarios for comparing benefit options for 2012. The group reviewed the projections for the coming plan year based on estimated revenues and expenses. The group discussed possible reasons for the increase in expenses including medical conditions with large claims and an older work force. The Trustees requested some data on the average age of employees and to see the trends over the last few years. Sean will provide the data at a future meeting.

Sean reviewed the deficit reduction scenarios with the group. The scenarios are based on what employees are currently used to seeing, but more radical scenarios can be provided such as those offered in the private sector. The group noted that school districts are different than the private sector which may drive design options. Tom commented that in his mind the ultimate solution is whether or not the Trust wants to stay in the same mold as far as options, go to the WEA, or have a major departure of current offerings to be consistent to what is going on in the broader market.

The group discussed changes in plan options, such as the flex plan due to the Health Care Reform Act. Sean stated there are not a lot of changes for 2012 other than standardizing communications. He indicated 2014 will be when bigger changes take effect. The group discussed the pressure from the state to move into collective health care. Tom commented that the state seems to be open to some pilot plans in the public sector. If the Trust wanted to fight and not go along with the state, they could offer a pilot as the Everett School Employee Benefit Trust has a strong and unique story to tell. Sean and Tom will find out who is on the state committee and report back to the Trustees.

Gail reported that some organizations are penalizing their employees for non participation in company wellness programs. She suggested that the Trustees might want to consider this as an option for Everett Public Schools if the wellness program is to be impactful in terms of an aging work force and changing behavior. Organizations that are rewarding their employees for participating are seeing larger numbers of participation and changes in costs. She suggested this option might be included in a pilot presentation to the state.

The group continued to review and discuss the scenarios. They provided Sean with some suggestions for additional scenarios which he will provide at the next meeting. At the next meeting a communication plan for employees and leadership groups will be discussed.

Due to a conflict in schedules, the meeting time for the August 29, 2011 meeting was changed from 8:00-11:00 a.m. to 4:00 p.m.

#### **Quarterly EAP Report – Randi Seaberg**

Randi reported that nothing has been received at this time. This item will be discussed at the September meeting.

Randi provided information regarding the usage of Carena by Everett Public Schools staff. While the usage is low, the Trust does not pay unless it is used. Usage has been higher in the winter and usually occurs at night. There has been no negative feedback reported. Carena is very willing to provide data and materials in communications to employees. Randi continues to promote this option to staff.

#### **Wellness Report**

Gail provided a draft Wellness Program Strategic Plan for the Trustees review. Due to the shortness of time she highlighted her main goals for the year. Also provided was her draft fall poster which she stated would need approval at the next meeting.

### **Review of Annual Calendar & Meeting Calendar**

At the June 20<sup>th</sup> meeting the Trustees discussed scheduling a special meeting in January to review the state's report due to be released on December 15<sup>th</sup> regarding a possible state take over. A special meeting will not be scheduled at this time.

### **Other**

✓ **Update on the letter from the Trustees to benefit eligible employees**

Susan Lindsey reported that she had received an envelope in the mail from the Trust; however, the letter was inadvertently left out of the envelope. Other attendees also reported hearing from some employees who did not receive the letter. The Trustees discussed options for communicating to staff who did not receive the letter. They asked everyone who knew about an employee who did not receive the letter to contact Kellee Newcomb or refer the staff member to the letter on the Trust's web page. Susan also expressed concern that employees would focus on the letter referring to a 15% increase and assume that is what they would pay when in reality it may be more. The group agreed that they will have to communicate with the President's Council on how to clarify this with staff members. Communication plans will be discussed at the next meeting.

### **Adjournment**

A motion was made by Molly Ringo and seconded by Mike Gunn to adjourn the meeting. The meeting was adjourned at 11:19 a.m.

Sincerely,

John Morrill  
Secretary

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