

Everett School Employee Benefit Trust

Minutes of
May 23, 2005
Boardroom
3:30 p.m.

Attendance

Trustees

Molly Ringo
Mike Gunn
John Morrill
Betsy Selders
Kay Nickel

Also Attending

Darla Van Duren
Tom Pursley
Jill Mehner
Curt Halderson

Recorder

Susan Sacha

Absent

Sue McCann

I. Call to Order:

The meeting was called to order by John Morrill at 3:32 p.m.

II. Adoption of agenda:

The agenda was approved as written.

III. Approval of Minutes:

Minutes from the April 25th meeting were approved as written.

IV. Financial Report

Darla distributed and reviewed the April 30th financial report. She said that the fund balance increased \$140,000 since March for a total increase of approximately \$1,600,000 since last April. Overall revenues are higher than expenditures. HMA claims were about average with the exception of one week when they were higher due to several large claims.

Curt Halderson distributed two handouts and reviewed them with the trustees. The bond maturity chart showed a representation of what asset amounts were due in the coming year through 2011. He explained that because of only a ¼ or ½ point increase in interest farther out, there was no reward in taking longer risks. Tom Pursley expressed concern about having only short-term investments. Molly suggested revisiting this issue in a couple of months. It was decided to have Curt give the trustees an update at the August meeting.

V. Old Business

A. Any Follow-up Regarding Increasing Fiduciary Insurance

Darla reported that the current amount is \$1 million costing \$8,700 annually. The premium for \$2 million would be \$13,920. The current policy will be in place until January 12, 2006. Mike suggested increasing the insurance to \$5 million. Darla was not given that information but will check and report back.

Tom suggested having the fiduciary bond and fiduciary insurance reviewed. The bond is for a three year period and the insurance is annual. Darla doesn't think it's with the same carrier. Tom suggested getting advice as to the need for \$5 million from Melanie Curtice. Molly will check with Melanie and report back to the group. This item will be added to the next agenda.

Note: Item C and B were reversed for discussion.

C. Follow-up Regarding School Board Eligibility

Discussion was held regarding board eligibility. Molly informed the group that board members would pay all costs and would sign up during the normal open enrollment period. John questioned the fact that board members were not employees and that the trust had been set up for employees. He asked whether the trust wanted to include them. Discussion followed. It was agreed that the District's Board of Directors would be able to participate in the trust (Section 1.5d). John wanted it on record that he personally didn't feel the board should be included due to the fact they were not employees.

B. Finalization of Trust Document

The trust document was reviewed. It was decided that the effective date should be changed to the date the document was adopted. Mike asked about whether 1.4D should read the same as the others i.e. "entity selected by the trustees" rather than "entity selected by the Washington Education Association". A motion was made to change the effective date to June 8, 2005 and reword section 1.4D to read the same as 1.4B except for dental coverage instead of medical and that the document would be presented to the respective boards for approval. The motion was approved.

D. Employee Medical Rates for Part-time Employees

Mercer will provide additional information and this item will be added to the June agenda.

VI. Flex Plan and IRS Changes

Jill reported that the IRS regulation was changed to include a grace period (two months + 15 days). The grace period would immediately follow the end of each plan year when unused benefits or contributions could be paid or reimbursed to plan participants for qualified benefit expenses incurred during the grace period. Discussion followed. A motion was made to adopt the extension of the reimbursement timeline for flex plan expenditures for an additional two months + 15 days

Darla reported that flex plan members have forfeited \$1,640 for the 2004 calendar year. She suggested that trustees may wish to revisit the Benny Card. Molly will check with Penny and get some additional information for the trustees to consider.

VII. Pharmaceutical Lawsuits

A motion was made to have PCN represent the trust on any approved pharmaceutical lawsuits. The motion passed. Mike asked to be notified when these lawsuits come in.

VIII. Consultant

Tom suggested that it would be a good idea to have an investment consultant as well as an investment manager and that it should be a different person. A third party could do an annual examination of the investment portfolio and the consulting services. Tom will provide a recommendation for the next meeting.

A. Experience Report

Jill distributed the paid claims experience report which includes the PPO plans as well as pharmaceutical claims. During the period of January 05 through April 05 the recommended plan funding was \$2.7 million but cost for this period were less leaving a surplus of \$106,000. She reported that a few employees (20) from the PPO plan were lost. There was a 23% change in claims cost per employee (over \$100 per employee) caused by several large claims.

B. Stop Loss Renewal

Stop loss insurance renewal prices from Symetra show an increase is about 25% which Mercer isn't happy with. The rate is too high to support the six month renewal and they would like to go to bid. The cost for going to market would be \$10,000 to \$13,000 depending on how many carriers were involved. The current premium is \$250,000 and is projected to be over \$215,000 next year. A motion was made and seconded to go out for bids for stop loss providers. The motion carried.

C. Market Trends

Jill provided a handout on market trends which she and Tom reviewed with trustees, including healthcare consumerism and account-based consumer driven health plans (CDHP's). With regard to the nurse advice line, etc. for PPO they felt it may be a good idea for the trustees to look into more proactive ways to keep health benefit costs low. The cost is \$4.00 per employee per month to implement some of these services such as disease management, etc. Mercer wants to keep these ideas in front of the trustees because at some point they feel the trust will have to adopt a more aggressive strategy.

IX. Thoughts Regarding Renewals for Next Year

Decisions about the formula of the PCN \$30,000 savings along with the discussion on part-time employees will be brought back for further discussion. Tom asked what the trustees wanted to do -- standard formula might be a good idea. Molly mentioned rate changes that need to be made. There are seventeen people who pay \$100 for spouses. Mike would like to discuss this. Kay would like to find out about disease management program.

X. Trust Calendar

Molly distributed an annual working calendar and discussion followed. Kay would like to move some things from June into May. Molly would like to review the calendar as a group in January so trustees know what they needed to do and when. She will e-mail a copy of the calendar to trustees.

XI. Other

None

XII. Agenda Items for June 20th meeting

1. Annual calendar
2. Increase Fiduciary Amount
3. Investment consultant
4. Employee Medical Rates (part-time employees)

XIII. Adjournment

The meeting was adjourned at 6:40 p.m.

Sincerely,

Mike Gunn
Acting Secretary

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