

Everett School Employees Benefit Trust
Monday, November 28, 2011
Minutes

Attendance

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

Absent

Also Attending

Gail Buquicchio
Melanie Curtice
Jayson Davidson
Randi Seaberg
Darla Vanduren
Sean White

Recorder

Kellee Newcomb

Call to Order

The meeting was called to order by David Jones at 4:02 p.m.

Adoption of Agenda

A motion was made by Betsy Selders and seconded by John Morrill to approve the agenda as written. The motion passed unanimously.

Approval of Minutes

A motion was made by Mike Gunn and seconded by Molly Ringo to approve the minutes from the October 24, 2011 meeting as written. The motion passed unanimously.

Financials – Darla Vanduren

Monthly financials

Darla provided copies of the October 2011 financials for the Trustees. She had previously emailed the financials to the Trustees prior to this meeting. Darla briefly reviewed the financials with the Trustees and stated she is still working to determine what level of financial detail she will present to the Trustees each month.

Balance Sheet – The fund balance for October 2011 decreased \$(246,759) resulting in an overall decrease for the fiscal year of \$(1,326,906). Consultant's fees had a reduction in the credit balance of \$16,869. Corporate obligations (CD's) had sales of \$190,000. Government obligations sales were \$2,096,562 and pay downs were \$5,615.68.

The fund balance comparison was \$8,486,194 compared to \$11,613,112 in October 2010. Overall assets for this fiscal year total \$9,957,194 compared to \$12,955,112 a year ago.

The Statement of Operations and Fund Balance indicates payments to: Stoel Rives for ongoing legal fees for August services in the amount of \$1,931; bank fees for the month in the amount of \$62.00; and Wellness Program expenses for the month in the amount of \$772.00.

HMA claims were \$604,942 less this October than October 2010. ESI claims were \$83,225 more this October than October 2010. Overall HMA claims this year were \$214,969 more than in 2010 and ESI claims were \$20,642 more this year than in 2010.

Things to note: A refund check from Sun Life was received in the amount of \$1,540.06.

Darla provided the Trustees a final bound copy of the ESEBT Independent Auditor's Report and Financial Statements from Toyer, Dietrich & Associates.

Review of annual report & budget for the Office of Financial Management

Darla reported that the Trust will not be submitting a budget to the OFM as it will no longer be self-insured. She will submit the bound copy of the Toyer, Dietrich & Associates audit, as well as the claims audit from Moss Adams from earlier in the year.

Darla stated the OFM is asking for an official letter from the Trust indicating it is no longer self insured. Melanie stated she will review what the Trust must do as a matter of law, in addition to letting the OFM know about the status change. Melanie stated the claims run out will be something for the Trustees to watch. She will draft a letter for the Trustees review prior to the next meeting.

Wellness Program Report – Gail Buquicchio

Gail reviewed with the Trustees the November highlights from the Wellness Program. In an effort to make things more simple and accessible, she shared the new criteria for the 2012 Wellness Challenge. Last month a discussion was delayed regarding incentivizing the Wellness Challenge for all employees, even those who are not benefit eligible. Gail asked the Trustees if they would like to include participation of non benefit eligible employees in the 2012 Wellness Challenge. Sean stated the current budget only assumes the cost for benefit eligible employees. Randi indicated she thought there are about 200-300 employees who are non benefit eligible. Gail said it can sometimes be a challenge to describe the program effectively when not all employees are eligible to participate.

The Trustees discussed the proposal and how the incentives would be distributed. Darla stated eligible employees would receive their incentive via a debit card. She recently spoke with the bank regarding the specifics of the debit cards. Concerns were expressed regarding the current baseline and not knowing what state funding would be next year. Gail indicated a decision would need to be determined at this meeting so that she could promote the program.

The Trustees stated they liked the idea of being inclusive of all employees, but were concerned regarding possible state reductions in educational funding. After hearing the consensus of the Trustees, David indicated Gail should move forward with the 2012 Wellness Challenge promotion to include all employees. The Trustees asked Gail to report back at the February meeting on how things are progressing. Gail continued her report and stated she has talked with Michael Pickett regarding the district's Wellness program and is meeting with the Aeon Wellness Coordinator to discuss program collaboration.

Consultant Report – Jayson Davidson

Investment summary review

Jayson provided the Trustees with an Investment Policy Review and Recommendations portfolio. Due to recent plan changes and potential impacts on the Trust's cash flows, Hyas Group provided a portfolio with an evaluation and recommendation specific to the implementation of the proposed investment policy (IPS) revisions. Revisions are needed to meet the reviewed cash flow and liquidity needs of the Trust. Jayson stated the Hyas Group's analysis of the Trust's portfolio is based on cash flow projections outlined under Mercer's Scenario 3 – Move to the WEA. Jayson reviewed the information with the Trustees and talked about the recommendations. He noted the differences in yield between the Treasury Market and Agency Bonds.

The Hyas Group provided two proposals but recommended Proposal #1. Jayson indicated Proposal #1 is not much different than the Trust's current portfolio but it has a shorter duration. Hyas Group proposed creating a ladder portfolio incorporating the Trust's current investments that mature prior to December 2013. The primary goal of the revised policy would be to meet the liquidity/cash flow needs as projected under Scenario 3. This option would offer a steady cash component each month. An optional consideration for the Trust is Becker Capital Management's suggestion of the inclusion of investment grade corporate bonds to provide incremental yield to the portfolio. Melanie expressed concerns that revisions to the investment policy should contain a proviso stating the IPS would become effective January 1, 2012. A copy of the proposed revised policy was provided in the Investment Policy Review and Recommendations portfolio.

The Trustees reviewed Proposal #2 which offered a strategy to liquidate the current portfolio of individual securities and reinvest the funds into a mutual fund vehicle of similar investment quality. This would allow the Trustees to extend out the potential duration of the portfolio to pick up additional yield while still retaining a very high degree of liquidity. This option has several challenges/risks to consider which Jayson reviewed with the Trustees. The proposed benchmark would be dependent upon the target duration selected by the Trustees.

Regarding the revised IPS, Jayson indicated that if the Trustees were inclined to move forward with Proposal #1, significant revisions would need to be made to the current IPS. The Trustees discussed with Jayson what the Trust's balance would be held to in 2013. Sean indicated what the 2013 reserves should be with a fully insured fund. The Trustees discussed whether or not to put a specific date of 2013 in the policy.

The Trustees discussed the proposals from the Hyas Group and expressed concerns regarding the risk of investing in corporate bonds. The Trustees' consensus was to be as conservative as possible. They agreed not to add the optional corporate bonds. The Trustees requested time to review the proposed IPS revisions and asked Jayson to provide them with a red line copy. Jayson will make the requested revisions to the IPS and provide the draft to the Trustees, Melanie and Sean prior to the next meeting.

Consultant Report – Sean White

Sean provided and reviewed with the Trustees a Paid Claims Experience Report on non-HMO medical coverage for plan year January through December 2011. The report shows a high loss ratio and performs poorly against budget. He reviewed the revised financial projections comparison and stated the revisions were based on decisions made at the last meeting. To allow for run out protection, Sean talked with the Trustees about continuing stop loss insurance after January 1, 2012. He recommended the purchase of 3 months of coverage and stated the Trust's current provider, Sun Life, has agreed to offer a month by month option until the need is gone. Sean also talked with HMA and they have agreed to push claims through as fast as they can. The Trustees reviewed the current deductible level, higher deductible levels, and the associated costs. The Trustees discussed the possibility of claims running out longer than three months. Sean stated the Trust could review options again in February and if it looked like claims would be going longer, the Trust could continue month by month.

A motion was made by John Morrill and seconded by Susan Lindsey to approve the 2012 Stop Loss Renewal Option 1 for 3 months. The motion passed unanimously.

HCA K-12 Health Benefits Update – Molly Ringo

Molly reported that the HCA K-12 Health Benefits Committee has continued to meet and deliberate the state's health care proposal. Sean has also been attending these meetings. A report will be submitted from the committee to the legislature at end of this week. Last week Molly, Sean and Melanie offered guidance to the committee regarding the opt-out provision. Molly will provide the Trustees with the response she gave to John Williams. The HCA has turned to the Trust as a resource. Michael Pickett has been working with the committee regarding wellness programs. The committee is also interested in the district's online open enrollment and will contact Gayla for more information. Molly wanted the Trustees to know their good work is well regarded at the state level. The HCA has done a good job of trying to support the various interests and agendas of school districts and other representatives. The Trustees thanked Molly and Sean for their time and efforts in this area.

Open Enrollment Planning Update – Randi Seaberg

Randi reported that Arlene and Rene are very busy processing the insurance revisions. They have to input multiple transactions per individual and it is very time consuming.

The Open Enrollment data so far shows 100 additional enrollees into Group Health. The majority of these seem to be PacifiCare members. There is also an interesting trend with employees going from PPO 1 to Group Health. These employees tend to live north of Marysville where Group Health provides an option for access to doctors in their area. This option was promoted by the Group Health representative during the site visits. There were 29 different site visits with Premera and Group Health representatives presenting, including evening events with interpreters. There were 40 employees who did not make any changes to their health benefits; however, they have all been contacted individually. One hundred thirty-two new employees have signed up for long-term care which is a huge increase. This number may change if employees do not provide the required corresponding paperwork.

At many sites Randi heard grieving from employees who had PacifiCare and PPO 1. PacifiCare members, more than others, wanted the Group Health option that allowed them to go to the Everett Clinic. There were some complaints about having too many choices. Premera has provided strong customer service to employees and they have commented that they are now more informed health care consumers. Randi will have more information to share at the next meeting. She said this Open Enrollment has been a team effort, not just with Arlene and Rene but with Payroll, IT, etc.

David reported he received questions from staff regarding the employee online message "request pending" after the new insurance was submitted. He wondered if a clearer message could be used next time. Randi indicated there were a number of employees who commented on this. In working with Gayla, the message limitations were determined to be a challenge for the vendor. Gayla is working with the vendor and may be able to change the message for next time.

Trust Support – Molly Ringo

Related to the executive session held at the last meeting, Molly has talked with Kellee and Darla to determine the amount of additional time they spent on Trust related work that was out of the normal. She shared with the Trustees the number of hours and corresponding monetary amount. A motion was made by Molly Ringo and seconded by Mike Gunn that additional compensation be provided to Kellee in the amount of \$341.04 and Darla in the amount of \$2,247.54 for Trust related work beyond the normal. The motion passed unanimously.

Review of Annual Calendar & Meeting Calendar

No changes.

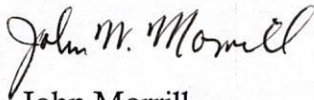
Other

Nothing to report.

Adjournment

A motion was made by John Morrill and seconded by Susan Lindsey to adjourn the meeting. The meeting was adjourned at 6:04 p.m.

Sincerely,



John Morrill
Secretary

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