

Everett School Employees Benefit Trust

November 16, 2009

Minutes

Attendance

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

Absent

Also Attending

Darla Van Duren
Randi Seaberg
Gail Buquicchio
Sean White
Jayson Davidson

Recorder

Kellee Newcomb

1. Call to Order

The meeting was called to order by Molly Ringo at 3:59 p.m.

2. Adoption of Agenda

Molly called for any additions/revisions to the agenda. The agenda was modified to move the Investment Consultant Report ahead of the Consultant Report. A motion was made by Betsy Selders and seconded by John Morrill to accept the revisions and approve the agenda. The motion passed unanimously.

3. Approval of Minutes

A motion was made by John Morrill and seconded by David Jones to approve the minutes from the October 19, 2009 and November 2, 2009 meetings as written. The motion passed unanimously.

4. Financial Report

Darla provided copies of a financial report for October 2009. The fund balance for the month decreased by \$45,707 resulting in an overall decrease for the fiscal year of \$186,588. There is a credit balance for consultant fees. Corporate obligations (CDs) sold \$193,954 and government obligations sold \$3,954.37. Overall assets for this fiscal year total \$14,250,874 compared to \$12,839,717 a year ago.

The State of Operations and Fund Balance indicate payments to Sound Health Solutions in the amount of \$5,313 for the last five participants in the program. There are two more participants to pay for. \$18,810 was paid to Wellness Programs including flu shots which totaled \$14,075; \$3,475 was paid to Toyer & Associates for ongoing audit work; \$2,544 was paid to Becker Capital for managing September investments; and \$9,120 was paid to Stoel Rives for ongoing legal fees. HMA claims were \$120,132 more this October compared to October 2008. ESI claims were \$37,468 more this October compared to October 2008. Overall claims this year are \$102,905 more than in 2008.

5. Review of Annual Report and Budget for the Office of Financial Management

Darla provided copies of the Annual Report for Local Government Self-Insured Employee Health Benefit Programs. The Trustees reviewed the report. There have been no changes in premiums and coverage. The report will be finalized next month and sent to the State Office of Financial Management in December.

6. Review Auditor Engagement for Annual Audit

Darla provided copies of an engagement letter from Toyer & Associates for services they will provide to the Trust for the year ending June 30, 2010. The cost is \$8,950 which is identical to last year. The auditor mentioned doing a mid-year audit which Darla will discuss with Toyer & Associates to determine the benefit for it. The mid-year audit would not change the overall cost; however, it would require partial payment earlier in the fiscal year. The group discussed Toyer & Associates and whether they would like to engage their services again for 2010. A motion was made by Betsy Selders and seconded by David Jones to continue to retain the services of Toyer & Associates as the Everett School Employees Benefit Trust auditor on an ongoing basis unless/until there is a change in service or rate. The motion passed unanimously. David Jones stated he would be interested in learning more about the mid-year audit and its advantages. Darla will make arrangements to meet with Toyer & Associates and report back to the Trustees.

Darla provided the Trustees with an Investment Summary for September 30, 2009 from Becker Capital Management. This information will be provided to the Trustees on a regular basis.

7. Investment Consultant Report

Jayson Davidson provided copies of a portfolio review from Hyas Group for November 2009. He reviewed the document with the Trustees and stated it is a conservative portfolio. The total account performance since inception through October is 0.3%. He prefaced that they did not begin managing the Trust's funds until the middle of September. He explained that because the Trust policy does not list a specific index, they used Barclays Government Intermediate Index as their benchmark. He suggested that this be changed in the policy if the Trustees agreed.

When reviewing sector breakdowns, the bulk of the portfolio is in CDs. He stated that Becker is likely to let the CDs reduce over time and invest in other things as the CD exposure will decrease while other investments increase. Jayson pointed out assumptions made with the previous manager regarding changes to the FDIC program involving CDs. The FDIC guaranteed deposits up to \$100,000 per depositor; however, the limit was recently raised to \$250,000 through December 31, 2013. The insurance amount will be reduced as of January 1, 2014 to the old standard of \$100,000 per depositor. A list of the twenty largest CD investments in the current portfolio was provided. Becker will review all CDs to ensure that they have FDIC coverage and will recommend selling any that are not under the FDIC umbrella. Jayson will report back to the Trustees after this occurs.

Jayson reviewed the top holdings in the portfolio and talked about Becker indicating that they would not be investing in MBS securities of any kind in the future. The Hyas Group recommends amending the current IPS to provide more clarity in regards to permissible “Agency” securities.

Another recommendation is to change the policy to be more specific regarding securities. The Trustees will need to reach agreement on specific strategies regarding the management of extended maturity securities. Jayson will return to a future meeting with recommended changes for review some time in the next quarter.

The Trustees reviewed the summary and recommendations made in the portfolio:

- Regarding the recommendation that Trustees' need to establish a specific strategy for the management of legacy extended maturity securities. The Trustees supported the recommendation.
- Regarding the recommendation to amend the current IPS to provide more clarity in regards to permissible "Agency" securities; to include a total portfolio benchmark (Barclays Government Intermediate); and to establish total portfolio credit quality and duration targets/limits, the Trustees approved the recommendations.

Darla commented that the banking transition has been accomplished and thanked Jayson for his assistance in managing that. The Trustees talked about when would be the best time for Becker to attend a meeting. It was agreed that the May meeting would be the most appropriate time. Becker will provide Darla with a monthly investment summary that she will share with Jayson and the Trustees.

8. Consultant Report

Sean White provided a report on the Final 2009 Renewals Consultant's Report. The report is in follow-up to the August 2009 Consultant's Report and decisions made in subsequent Trust meetings. The report includes the final budget scenario and 2010 rates for the medical plans, the employee contribution strategy and the resulting contributions based on FTE status. Randi will review the benefits section and Darla will update her budget numbers to reflect the new budget. The group will review the document before final adoption. The final budget indicates a projected deficit of 1.8 million dollars. Sean will return to the next meeting for final approval on the budget piece.

A Paid Claims Experience Report was provided with information on self-insured medical claim activity (include prescriptions) for the first three quarters of the 2009 plan year. The plan continues to perform well in spite of the economic downturn; however, claims have been higher in the last six months with a slight deficit. Sean stated spikes in usage costs are not uncommon during an economic downturn.

Information was provided on the renewal offer for stop loss coverage from Sun Life. The annual premium cost increase to maintain the \$175,000 ISL deductible level is

\$64,044, an increase of 24.3% which is slightly below the projected budget estimate of 30%. The group reviewed and discussed the proposed renewal options. A motion was made by Mike Gunn and seconded by Susan Lindsey to maintain the \$175,000 deductible for 2010 (Renewal Option 1) and revisit the issue next year. The motion passed unanimously. Sean will confirm the Trust's decision with Sun Life beginning January 1, 2010.

9. Open Enrollment Update

Randi stated today was the last day for open enrollment. The Employee Online option went very smoothly and they were pleased. She reported 70 staff members used the online option. More information will be provided at a future meeting.

10. Wellness

Darla provided a comparison for the Wellness Challenge Incentive options (debit/credit card vs. checks.) The group discussed the advantages and disadvantages of each option. The group agreed that both processes are similar in cost, but the debit/credit card would be easier to administer. The Wellness Program logo could also be added to the card which would tie the reward back to the Trust. A congratulatory letter could also be provided from the Trust as a personal touch. The group discussed options for distributing the cards including mailing or distributing at schools. Some concerns were expressed regarding confidentiality. Sean will check on the confidentiality issue and report back.

In light of concerns expressed at the December 2, 2009 Trust meeting regarding the launch of the Wellness Challenge, Gail reported that she talked with Healthforce about the delay and they do not see any problems with extending the timeline. Sean also received confirmation from Healthforce that there is no issue with the delay and the contract can be amended. The consensus of the Trustees was to delay the launch. The group discussed the best time to launch the challenge and suggested October 1, 2010.

11. Adjournment

The meeting was adjourned at 5:39 p.m.

Sincerely,

Betsy Selders
Secretary

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