

Everett School Employees Benefit Trust
October 18, 2010
Minutes

Attendance

Mike Gunn
David Jones
Molly Ringo
Betsy Selders

Absent

Susan Lindsey
John Morrill
Kellee Newcomb

Also Attending

Gail Buquicchio
Jayson Davidson
Darla Van Duren
Arlene Vollema-Rich
Sean White

Recorder

Call to Order

The meeting was called to order by Betsy Selders at 4:04 p.m.

Adoption of Agenda

A motion was made by David Jones and seconded by Mike Gunn to approve the agenda as written. The motion passed unanimously.

Approval of Minutes

A request was made by Molly Ringo that the approval of minutes be postponed until the next meeting due to a staff illness. The Trustees agreed.

Financial Report

Darla provided a copy of Financial Statements for July and August 2010 for the Trustees review. Darla explained that the delay in providing the timely information for these months was in part waiting for the completion of the Trust audit. She will have September and October financials at the next meeting. She reviewed the July documents with the group. Darla noted new definitions were added as requested.

Balance Sheet – The fund balance for the month of July decreased \$(125,256) resulting in an overall decrease for the fiscal year of \$(125,256). Consultant fees still have a credit balance of \$99,067. Free & Clear still has a credit balance \$1,540. Corporate obligations (CD's) had no activity this month. Government obligations pay downs were \$6,721.38. Overall assets for this fiscal year total \$13,986,847 compared to \$14,483,902 a year ago.

The Statement of Operations and Fund Balance – indicates payments to Stoel Rives of \$7,780 for ongoing legal fees for services in May. The next quarter for the EAP program through Magellan Behavior was paid in the amount of \$14,082. Bank fees this month were \$28 and regulatory fees paid to the State of Washington were \$2,075.

HMA claims are \$24,040 more this month than last July 2009 and overall claims this year are \$24,040 more than in 2009. ESI claims are \$96,312 more this month than last July 2009 and overall claims this year are \$96,312 more than in 2009.

Darla reviewed the August financial statements with the group. The appeal claim from earlier this spring was paid in the amount of \$11,724 and was included with the HMA claims line item under the “Statement of Operations and Fund Balance”.

Balance Sheet – The fund balance for the month of August decreased \$(235,522) resulting in an overall decrease for the fiscal year of \$(360,778). Consultant fees had a reduction in the credit balance of \$2,899. Free & Clear still has a credit balance \$1,540. Corporate obligations (CD’s) had no activity this month. Government obligations purchases were in the amount of \$2,138,286.49 and sales were in the amount of \$750,000. Pay downs equaled \$5,016.77. Overall assets for this fiscal year total \$13,751,326 compared to \$14,595,933 a year ago.

The Statement of Operations and Fund Balance – indicates payments to Stoel Rives of \$689.50 for ongoing legal fees for services in June. The first installment of audit fees was paid in the amount of \$1,725. Bank for the month were \$168.32.

HMA claims are \$93,307 more this month than last August 2009 and overall claims this year are \$117,347 more than in 2009. ESI claims are \$74,694 more this month than last August 2009 and overall claims this year are \$171,007 more than in 2009.

Darla reported on a bank error that occurred at the end of September. There was an urgent notice from the bank regarding an overdraft of \$73,000 in the Trust’s account. A deposit had been made but due to a branch error, it was not credited to the account immediately. The bank rectified the error and will not charge the Trust account any fees as a result of the error.

Audit Follow-Up

Darla provided copies of the Independent Auditor’s Report and Financial Statements for the year ended June 30, 2010, as well as two letters recommending strategies to strengthen the Trust’s internal controls. She reported that the Trust passed with flying colors. She noted that Toyer encouraged the Trust to conduct audits or in-depth reviews of the claims processed by HMA and subsequently paid by the Trust. HMA performs periodic internal audits; however, Toyer recommends the Trust review those internal audits at least annually. Sean provided information on standard practices and background on how Mercer audits HMA claims, as well as the average audit findings. A motion was made by Molly Ringo and seconded by David Jones to conduct an

internal review of HMA claims annually and to conduct a more extensive audit of HMA's work every three years to provide multiple levels of auditing claims.

Mike suggested that this should also be added to the operations manual. Betsy commented that this would be the year to do the full audit. Molly will talk with Melanie and ask her to create a policy. Darla will solicit some bids for fees associated with conducting an audit. Darla asked about also adding ESI. Molly will talk with Melanie regarding the providers.

Investment Consultant Report

Jayson Davidson provided a Flash Report for October 2010. He said it was a necessary update based on the way the portfolio looks and how Becker has performed. He reviewed the information with the group. Bonds are doing well now on the U.S. Treasury Yield Curve; however, if the interest rates go up there will be a loss due to the duration. Becker has been very conservative in that regard. Jayson explained Becker's thinking in this area.

The Trust is in a conservatively positioned portfolio that is underperforming its benchmark but it will not take much to correct that. With a rise in interest rates sometime in the future the portfolio will look much better than today. Becker issued their economic thoughts which are that they are constructive on the U.S. economy. While the pace of growth has slowed they feel that the upside potential is there more so than the downside potential.

Molly said she appreciates Jayson monitoring and assisting the Trustees in understanding the dynamics as this is not their area of expertise. She expressed appreciation for Jayson's advocating on their behalf and monitoring Becker and their management. Jayson said there is no concern overall with the portfolio at this time.

Wellness Report

Gail provided highlights of the Wellness Program to date including an update on Walktober, fitness classes, the flu vaccine clinics and health fairs, Weight Watchers and wellness program bulletin boards. She provided information on plans for next month. Recently she attended a Healthy Worksite Summit in Bellevue and said it was affirming to talk to other wellness coordinators in the Puget Sound area both from large and small corporations. She said it was a good gathering with a lot of good information, and that she is always proud of the Trust's Employee Wellness Program.

Consultant Report

Sean White provided a Paid Claims Experience update for paid claims dated through August. Sean reviewed the materials with the group. There is a similar theme as seen

over the past few months. Medical claims are flat year over the year which is well below what has been seen on the market. They continue to see a very significant year-over-year increase in the pharmacy claims with a 35% jump. Sean stated a portion of this is driven by one claim which has now reached stop loss on pharmacy alone. He is hopeful that the implementation of the specialty management program will help to mitigate somewhat as they move into next year.

In the total claims expense the percent is up 6.1%, and the fixed costs are up 12.4% which is driven by the increase in stop loss premiums that was effective for 2010. A surplus of about \$650,000 was generated through the first 8 months of the calendar year with a loss ratio of 91.1%. Certainly against the budget, plans continue to perform very well with actual costs about 9% below expected. Looking at the costs on a per employee per month basis, it is about a 7.7% increase which is in line with what is seen in the market at this time for medical pharmacy trends.

In an update on the stop loss insurance review, they have been working on putting together the RFP which will go out this week to the vendors. Sean will report on the results of that at the November meeting so the Trust will be able to make a decision on the stop loss vendor. Updated claims information was received from HMA. They have seen a significant increase in the large claims activity in the month of September. Sean stated claims are ticking up a bit so this is a good time to look at the market to have multiple options. He will provide a list of options at November meeting.

Health care reform update will be tabled until the November meeting.

Open Enrollment Update

Arlene Vollema-Rich reported in Randi's absence. Open enrollment begins on Wednesday. The packets have been sent out. They have not received a lot of feedback; however, there have been some questions regarding the rates. The biggest complaint has been the size of packet which is due to the health care reform information. Arlene and Rene will take turns attending each health fair to answer any questions. Employee online will be ready to go on the 20th and have received a few calls from employees needing help logging in. Arlene commented it will be interesting to see how many people change from one plan to another this year. They plan to do weekly Question & Answer reminders for staff and have extended the open enrollment period by 3 days to meet the 30 day requirement for changes related to the health care reform.

Quarterly EAP Report

Arlene reported usage has been normal and constant. A lot of positive comments were received regarding Magellan providing counseling support recently at schools due to staff deaths. Randi will have more information at the next meeting. Molly commented

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that the Penny Creek staff really appreciated Magellan's presence and having someone there for them to talk with.

Review of Annual Calendar & Meeting Calendar

This item was not discussed.

Adjournment

The meeting was adjourned at 5:28 p.m.

Sincerely,

David Jones
Secretary