

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Monday, October 21, 2013
Open Meeting Time: 11:00 A.M.

MINUTES

TRUSTEES PRESENT: Beverly Dupree, Rex Jorgensen, Brad Arnett, Dan Robledo,
Jim Steinkamp

TRUSTEES ABSENT: Susan Strickler

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
Tawn Austin, Curtia Hunter-Richard

GUESTS: Ann Marie Janusek, Lauren Cockran, LeeAnn Bohn

Curtia Hunter-Richard distributed a presentation folder and an updated contact list to each Trustee and Staff member present. The folder included the meeting agenda, May 21 and September 30, 2013 meeting minutes, and the financial statements.

The Open Session meeting was called to order by Trustee Arnett, in the absence of Chairperson Strickler, at 11:05 A.M. A quorum was present. Trustee Arnett chaired this meeting up until the time he transferred this responsibility to Trustee Steinkamp (at 11:50 A.M).

Approval of Meeting Minutes

Trustee Arnett called for the approval of the May 21, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Robledo and seconded by Trustee Dupree. The May 21, 2013 meeting minutes were unanimously approved.

Trustee Arnett called for the approval of the September 30, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Steinkamp and seconded by Trustee Robledo. The September 30, 2013 meeting minutes were unanimously approved.

Presentation and Discussion – Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statement of Revenues, Expenses, and Changes in Net Assets – YTD as of September 30, 2013
- Statement of Net Assets – September 30, 2013, June 30, 2013, June 30, 2012, and June 30, 2011
- Fund Balance Roll-Forward – Three Months Ended September 30, 2013
- Balance Sheet Details – September 30, 2013, June 30, 2013, June 30, 2012 and June 30, 2011
- Revenue & Expenses – Three Months Ended September 30, 2013
- Financial Commentary – September 2013

The questions by Trustee Steinkamp in reference to the fund account “Due from other Departments” were addressed and clarified. The amount indicated in “Due from other Departments” is the amount charged to each County department for benefit premiums on a cost allocation basis; reporting revenues at a higher amount than what is collected. It was confirmed that the purpose of the “Due from other Departments” line item is an accounting method to reduce the budgets of other County departments as required by the Board of Supervisors. It gives the departments a lower budgeted premium rate than what the actuaries advised the County to collect. This results in a short-fall and consequently reduces the reserves by \$7.8 million by year-end as planned in the budgeting process.

Chris Bradley presented background information on the requirement for the 2014 Fiscal Budget to reduce the Trust Fund reserve balance by \$7.8 million. The County will continue to charge the full premium rates through the clearing fund, but will have one or two Premium Holidays this year in order to reduce the fund. The Premium Holiday process will not change the premiums, yet will provide the intended effect of bringing the revenue back in line with the budget.

The question by Trustee Steinkamp in reference to the effect of the Premium Holiday on the financial line item “Due from other Departments” was addressed and clarified. It was confirmed that the recommended Premium Holiday will zero out the line item “Due from other Departments”, or at least come close to zero.

The questions by Trustee Arnett in reference to the Pre-paid Insurance were addressed and clarified. It was confirmed that the Pre-paid Insurance line item reflects the bank accounts that Cigna controls to fund County claims and the employer contribution to health savings accounts. The fund amount fluctuates according to when Cigna pulls funds from the account to cover claims.

The question by Trustee Steinkamp in reference to the “float” provided by Cigna in the Pre-paid Insurance account to the County was addressed and clarified. It was

confirmed that Cigna does not provide the County any “float”, but instead earns interest from the Pre-paid Insurance bank account. The County clarified that the process for the Pre-paid Insurance account was established last year to meet the guidelines required by the County Treasurer’s Office.

The questions by Trustee Steinkamp in reference to Short-Term Disability rates were addressed and clarified. It was confirmed that the Short-Term Disability rates have not been changed for several years and are not planned to change for FY 2015. The purpose is to spend down any significant remaining reserve.

Trustee Steinkamp recommended that any premium changes be worked in gradually over a 2-3 year period, while there is still a margin. The County agreed with the recommendation. If the reserve should decrease significantly (15%-20%) below where it needs to be, there will be gradual increases in premium rates.

Trustee Arnett made the request to receive the financial statements and commentary at the same time as the meeting agenda in order to allow more time to review and analyze the data. The County agreed to the request made by Trustee Arnett.

Presentation and Action – Trust Fund Reserves

Ann Marie Janusek, representing Mercer, distributed the **Actuarial Analysis of the Unpaid Claims Liabilities and Reserves as of June 30, 2013 Maricopa County Self-Funded Employee Benefits Program** (October 21, 2013) report and presented an overview of the financial reserves budgeted within the Benefits Trust Fund.

Chris Bradley noted that the only change from the previous year in the Total liabilities and reserves as of June 30, 2013 was for Short-Term Disability claims. The \$8.3 million for the Short-Term Disability component has been reduced by \$6.2 million from the \$10.9 million as presented in 2012. This was done through the Short-Term Disability Rebate that was distributed in August/September of this year.

The questions by Trustee Steinkamp in reference to the comparison between the presented actuarial analysis report and the current financial statements were addressed and clarified. The Liabilities for claims and the reserve for Short-Term Disability (\$8.3 million) is the only fund that is reflected on both the Mercer presentation and the current financial statements (see Reserve for losses and loss expenses as of 6/30/2013). The remainder of the \$29.1 million reflected in the actuary reserve report would not be reflected on the financial statements. It was confirmed that the actuary reserve report does not compare to the net assets presented in the current financial statements.

The question by Trustee Arnett in reference to the recommended reserve level by Mercer was addressed and clarified. It was confirmed that the County is setting funds aside in a separate fund for the recommended reserve levels as recommended by Mercer.

Based on the financial statement presentation and the Mercer actuary presentation, Chris Bradley provided background and a summary of two actions the benefits staff has requested from the Board of Trustees:

- 1) to endorse Mercer's recommendation for the reserve level of \$36.9 million, and,
- 2) to endorse the staff recommendation to continue Stop-Loss insurance set at zero for FY 2015.

The motion to accept and approve Mercer's recommendation on the reserve levels of \$36.9 million in the Benefits Trust Fund as presented was made by Trustee Dupree and seconded by Trustee Steinkamp. No opposition was expressed and the motion was approved unanimously.

The motion to accept and approve the benefits staffs' recommendation to continue Stop-Loss Insurance set at zero for FY 2015 was made by Trustee Steinkamp and seconded by Trustee Robledo. No opposition was expressed and the motion was approved unanimously.

Presentation and Action – Health Insurance Premium Holiday for Self-Insured Benefits

Dave Hansen presented the recommendation to implement a Premium Holiday to waive both the employer and employee premiums on the three bundled Health and Welfare plans (Medical, Pharmacy and Behavioral Health), and any applicable premium reductions for the Wellness Screenings (Biometric, Health Assessment, and Non-Tobacco Use). The recommendation included two Premium Holidays to be processed throughout the plan year, December 2013 and June 2014. The following documents in support of the Premium Holiday were distributed and presented:

- Impact of Benefit Premium Holiday on Fund Balance
- Benefit Trust Reserve Analysis: Summary of Unrestricted and Restricted Benefits Trust Fund Activity FY 2010 to FY 2012

The questions by Trustee Steinkamp in reference to the approval process for a Premium Holiday were addressed and clarified. The staff has requested the Board of Trustees to endorse the recommendation for the December Premium Holiday only. It was confirmed that the Board of Supervisors will be asked to approve the recommendation. The purpose of the Premium Holiday is to reduce the Trust Fund to the recommended actuary reserve levels as presented by Mercer.

The question by Trustee Jorgensen in reference to the historical background of the Trustees' role and responsibility to endorse staff recommendations on changes to the reserve level and the Premium Holiday was addressed and clarified. It was confirmed that the Board of Trustees endorsed the premium rebate for the Short-Term Disability

fund and the Board of Supervisors approved the recommendation. The Premium Holiday is a pay period in which premiums will not be charged to employees and the "Due from Other Departments" would be reduced in the process. This differs from the Short-Term Disability Rebate in which a portion of premiums paid by employees were refunded based on their plan participation.

The motion to endorse the benefits staff's recommendation for a Health Insurance Premium Holiday in December 2013 for 50% of the excess reserve amount for Self-Insured Benefits and recommend approval by the Board of Supervisors was made by Trustee Robledo and seconded by Trustee Jorgensen. No opposition was expressed and the motion was approved unanimously.

Call to Public

Trustee Steinkamp made a Call to the Public. There was no response from the public.

Motion to Adjourn

Trustee Steinkamp called for a motion to adjourn. The motion to adjourn was made by Trustee Robledo and seconded by Trustee Dupree. The motion passed unanimously.

The meeting was adjourned at 12:01 P.M.