

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, January 27, 2014
Open Meeting Time: 11:00 A.M.

MINUTES

TRUSTEES PRESENT: Beverly Dupree, Dan Robledo,
Jim Steinkamp (telephonically)

TRUSTEES ABSENT: Brad Arnett, Rex Jorgensen

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

GUESTS: Zach Wolfe

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff member present. The folder included the meeting agenda, November 18, 2013 meeting minutes, and the financial statements.

Meg Blankenship announced the resignation of Chairperson Strickler effective January 23, 2014. The Open Session meeting was called to order by Trustee Dupree as acting Chairperson at 11:05 A.M. A quorum was present.

Approval of Meeting Minutes

Approval of the November 18, 2013 meeting minutes was deferred to the next Board of Trustees meeting.

Presentation and Discussion - FY 2013 Audit Report

Dave Hansen distributed the FY 2013 Audit Report and presented the results of the Financial Statements Audit as completed by CliftonLarsonAllen in reference to the Maricopa County Self-Insured Benefits Trust Fund. CliftonLarsonAllen had been selected through the County procurement process in accordance with state statute as the external auditor for this purpose. CliftonLarsonAllen has reported a clean opinion for the FY 2013 Audit Report.

The questions by Trustee Robledo in reference to the Certified Public Accountant (CPA) credentials of CliftonLarsonAllen were addressed and clarified. The CPA credentials of CliftonLarsonAllen have been confirmed through their professional licensing and are listed under the state accountant firms.

The question by Trustee Dupree in reference to the credential check by the County was addressed and clarified. It was confirmed that the credential review is scrutinized thoroughly during the procurement process both by the County and the state Auditor General ensuring the firm awarded the external audit is a CPA firm.

The questions by Trustee Robledo in reference to the Trustees' responsibility to approve the FY 2013 Audit Report were addressed and clarified. The FY2013 Audit Report has a clean opinion by the external auditor and would not need to be approved by the Board of Trustees. It has been submitted to and been reviewed by the Auditor General, who oversees the entire County audit which also includes the clean opinion results for the Self-Insured Benefits Trust Fund.

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:

- Financial Commentary – December 2013
- Statement of Revenues, Expenses, and Changes in Net Assets – YTD as of December 31, 2013
- Statement of Net Assets – December 31, 2013, June 30, 2013, June 30, 2012, and June 30, 2011
- Fund Balance Roll-Forward – Six Months Ended December 31, 2013
- Employee Benefits Trust Funds – Excluding impact of Benefit Holiday:
Pro-Forma Fund Balance Roll-Forward – Six months Ended December 31, 2013
- Balance Sheet Details – December 31, 2013, June 30, 2013, June 30, 2012 and June 30, 2011
- Revenue & Expenses – Six Months Ended December 31, 2013

The question by Trustee Dupree in reference to the credit balance as reflected under the "Due from other Departments" account was addressed and clarified. When the transactions from January are applied, the \$930,832 amount owed to other departments will decrease. The amount departments are charged for benefits premiums will continue to grow throughout the year, and by June, fiscal year end, it will drop back down to close to a zero balance.

The question by Trustee Steinkamp in reference to the Fund Balance Roll-Forward and the Pro-Forma Fund Balance Roll-Forward was addressed and clarified. The difference

between the two Roll-Forward financial statements has been addressed in the December 2013 Financial Commentary, "Review of the Fund Balance Roll-Forward" section.

The questions by Trustee Dupree in reference to the loss as expected for the Short-Term Disability Plan were addressed and clarified. The change in the waiting period for Short-Term Disability claims from three weeks to two weeks for PY2014 was estimated to cost around \$200,000-\$300,000. This estimate was made during the rate renewal process by Mercer in August/September of 2012, and was supported by Dave Hansen's calculations. The difference between the estimate and the actual claim data could also be related to other factors, such as the turn in the economy and recent pay increases for employees that averaged around 5%. The November meeting presentation included the County's two-year plan to bring the Short-Term Disability rates back in line with the expenses; premium rates in PY2015 would bridge about \$400,000 of the current gap and any remaining amount would be addressed through the premium rates for PY2016. This plan will continue to be closely evaluated on an ongoing basis by Benefits staff.

The question by Trustee Dupree in reference to current loss status of the On-Site Pharmacy/Clinic was addressed and clarified. Chris Bradley provided the update on the status of the On-Site Pharmacy/Clinic; the pharmacy is running in the black, though the clinic is currently reflecting a loss. Both have direct and indirect benefits to the County that extend beyond the profit/loss of their operations since they save the Plan money as employees use the On-Site Pharmacy/Clinic as opposed to another pharmacy or health service venue. The County is currently working with Walgreens to explore other options to improve the clinic operations and will present an update to the Board of Trustees in a future meeting.

Presentation and Discussion – Life Insurance Refund

Dave Hansen presented the plan to issue a pro rata refund of approximately \$3,401,641 to employees enrolled in supplemental life insurance coverage through The Standard Life Insurance Company during the period of July 1, 2007 through June 30, 2012. This is subject to approval by the County Board of Supervisors. The County's contract with The Standard, established over (7) seven years ago, included a provision whereas if premiums collected were in excess of claims paid, a portion of the premium would be refunded. This occurred in the case of the Supplemental Life Insurance Plan only. The County was notified of the insurance refund within the past month by The Standard.

The questions by Trustee Robledo in reference to the transition of the funds from The Standard to the County were addressed and clarified. The Standard Life Insurance Company is currently holding the funds until the Board of Supervisors approves the acceptance of the funds. When the funds are sent to the County they will be deposited into the Benefits Trust Fund under the Benefit Administration Plan, and therefore not channeled through the County General Fund.

The questions by Trustee Steinkamp in reference to the range of the refunds were addressed and clarified. The refund is approximately \$3,401,641 that involved 12,000 individuals. Of those, approximately 10,500 recipients have been identified as qualifying for the refund based on minimum refund parameters established to account for administrative costs.

The question by Trustee Robledo in reference to the anticipated average refund amount was addressed and clarified. The median amount for recipients who will have a refund is between \$200 and \$500; approximately 500 recipients will have a refund of more than \$1000 and approximately 5000 recipients will have a refund of between \$30 and \$200.

The question by Attorney Austin in reference to the impact on the General Fund by the funds from The Standard Life Insurance Company was addressed and clarified. When the funds come into the County they will not be handled through the County General Fund. When the funds are paid out, they are channeled through a Payroll Clearing Fund, which is part of the General Fund, and remain in the Payroll Clearing Fund until checks are cashed by the refund recipients. After two years, any checks left uncashed may be required to be turned over to the State as unclaimed property. The process for handling unclaimed property is still under review by the County and has not been finalized.

The question by Trustee Robledo in reference to the notification status of the insurance refund recipients was addressed and clarified. The insurance refund is not general knowledge since the Board of Supervisors must first accept the funds and then approve the plan to refund the Life Insurance premiums. After the Board of Supervisors' approval of the insurance refund plan, letters would be mailed to the recipients to notify them of their eligibility for the refund.

The question by Trustee Dupree in reference to the timing of the insurance refund was addressed and clarified. If approved by the Board of Supervisors, the Life Insurance Refund would be announced and distributed in February 2014.

The question by Trustee Robledo in reference to the current insurance company utilized by the County was addressed and clarified. The life insurance company currently utilized by the County is ReliaStar, a member of the ING family of companies.

The question by Trustee Robledo in reference to the County's confidence in The Standards' accuracy of reporting funds owed to the County was addressed and clarified. The Standard has provided premium reports and the list of claims paid. These were reviewed by Dave Hansen and compared with the County's records for the same 5 year period. The Standards' information aligns closely to the County's records.

Presentation and Action – Trust Fund Reserves

Chris Bradley distributed the report titled "Benefits Trust Recommended Reserve Levels" and presented recommendations to adjust the Unpaid Claims Liabilities and Reserves for the Maricopa County Self-Insured Benefits Trust Fund. The recommendations were made by the County Benefits staff to adjust the reserve level from 250% CAL (Company Action Level) to 150% CAL for the Employer-Subsidized Plans (Health, Dental and Vision) while maintaining the 250% CAL for the Employee Funded Plan (Short-Term Disability) and to continue the Stop-Loss Insurance set to zero for FY 2015.

The motion to accept and support the County Benefit staff's recommendation to adjust the reserve level to 150% CAL for the Employer-Subsidized Plans and maintain 250% CAL for Short-Term Disability was made by Trustee Robledo and seconded by Trustee Steinkamp. There was no further discussion and the motion passed unanimously.

The motion to accept and support the County Benefit staff's recommendation to continue the Stop-Loss Insurance set to zero for FY 2015 was made by Trustee Robledo and seconded by Trustee Steinkamp. There was no further discussion and the motion passed unanimously.

Call to Public

Trustee Dupree made a Call to the Public. There was no response.

Motion to Adjourn

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

The meeting was adjourned at 12:04 P.M.