

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES MEETING – JANUARY 24, 2017**

TRUST MEMBERS PARTICIPATING

Cinda Ross, Kari Thompson, Hal Christiansen & Pat Rooney

OTHERS PARTICIPATING

Mike Murray, Kelly Morrison, Bonnie Breazeal, Cheri Tropple & Mary Heronema – LHUSD #1

David Stewart – Insurance Professionals of Arizona

OTHERS ATTENDING BUT NOT PARTICIPATING:

Marcia Cox, Lori Felish, John Masden, Lawrence Ward, Nichole Cohen, Kristen Friesz, Kristy Morelli, Claude Sanders, Sharon Neece, Kathy Cox, Carolyn Alexander, Andrea Helart, Chris Proulx

Meeting called to order at 12:47 p.m.. Roll call was taken. Mrs. Pankow was not present. Pledge to the flag followed.

GASB AUDIT REPORT: Mr. Stewart said the report will be posted on-line, along with the minutes, after approval. The board of trustees previously authorized a GASB 45 actuarial study by an outside firm, United Health Actuarial Services. The firm's report entitled "GASB 45 Valuation and OPEB Expense" was forwarded to the trustees, prior to today's meeting, for review.

Mr. Stewart reminded the group that GASB 45 requires an organization that provides insurance coverage to retired employees to ensure enough funds have been set aside to meet this obligation. Per LHUSD#1 board policy, employees hired after July 1, 2005 do not qualify for the district's insurance plan upon retirement. Mrs. Thompson clarified that those employees will have access to insurance through the Arizona State Retirement System.

\$1.5 million has previously been deposited into a separate retiree account and, to date, claims for retirees haven't been paid from this account but from the general EBT account from which all member claims are paid. Mr. Stewart made a recommendation that claims for retirees now be paid from the retiree account. The annual required contribution shown on page 4 of the report is \$821,545. Mr. Stewart also recommends that amount be deposited into the retiree account, whether it is transferred from the general EBT account or directly from the district.

Mrs. Thompson asked if Gilsbar, the LHUSD#1 employee benefit trust third party administrator, has the capability to separate retiree claims from employees and their dependents. Mr. Stewart said yes, this is possible. Mrs. Thompson also asked for clarification on employees who have retired, been on PREO for one year, and then come back to work for the district. Mrs. Breazeal said the district pays for the insurance for these employees, just like other employees, therefore their claims would be considered an employee claim, not a retiree claim.

As a point of clarification, Mrs. Thompson said that it appears from the report that the number of people eligible for the district's insurance after retirement has now peaked and will start to come down.

Mrs. Ross said the funding of the retirement account would be up to the district's governing board.

LHUSD#1 EMPLOYEE BENEFIT TRUST AUDIT REPORT - The outside audit firm is in the process of finalizing the employee benefit trust audit and the final report was not available at today's meeting. It will be presented at the next EBT meeting, in March, and will be available for review on-line.

TRUST AGREEMENT: At the last EBT meeting, in December 2016, a request was made to return the document to the ERISA attorney, hired by the EBT, because it appeared some items that had been changed had not been red-lined. Mr. Stewart forwarded the newly reviewed document to the trustees prior to today's meeting and he projected a copy at the meeting for everyone in attendance to see.

With regards to Section 1.02, Mrs. Cohen asked if the number of hours should be changed to 28 from 30, however Mr. Stewart clarified that 30 is the correct number of hours under the Affordable Care Act.

Mrs. Cohen mentioned that in Section 2.01 the word vision had been added from the original trust document, but was not red-lined. This is also the case in Section 3.05. Mr. Stewart mentioned that vision coverage has been offered to EBT members from the beginning of the EBT but said he would ask the attorney to red-line the word.

In Section 3.13 a change was made to the last sentence, i.e. "The Recording Secretary need not be a Trustee" was changed to "The Recording Secretary shall be a Trustee." Mr. Stewart and Mrs. Ross had discussed this previously and suggested it be further changed to "The Recording Secretary shall be a non-voting Trustee." This is required because the Recording Secretary takes minutes during executive sessions, during which personal health information may be discussed. Mrs. M. Cox and Mr. Masden both thought it would be preferable for the recording secretary to sign a business associate's agreement.

Mrs. Cohen asked that "benefit consultants" be red-lined in the second paragraph of Section 3.04. Mrs. M. Cox asked about the word "agent" versus "consultant." She explained that consultants are normally paid by the hour, with no commission, and agents are paid through commission. Mrs. Thompson said the purpose of having a consultant is because that person does the tasks nobody at the district has the time or expertise to do, on behalf of the employee benefit trust. Mr. Masden asked if Mr. Stewart was paid for his services. Mr. Stewart said he does not receive a commission. He is paid 1.5% of the annual contributions. Mrs. Ross asked Mr. Stewart what other districts he represented and he said Parker and Bullhead City. He is paid similarly for assisting those employee benefit trusts.

Mrs. M. Cox said she has reviewed the EBT minutes from the beginning and cannot find in the minutes where a change was made from agent to a consultant. Mrs. Ross said she has been on the board of trustees for many years and cannot remember actually voting on that. The EBT used another consultant for many years before Dave Stewart came on board. Mrs. M. Cox said the 1.5% commission should be red-lined in the trust agreement as well. Mrs. Thompson stated that she thought the commission should be stated on the CFAR report, however she does not believe this would be something that should be included in the trust document itself.

Mrs. Cohen stated that at the last EBT meeting Mrs. Ross said the trust document would be posted on-line for members to review prior to this meeting. She said she hoped there would not be a vote today since that didn't happen.

Mrs. Thompson asked for an addition to Section 3.04 of the agreement. She would like "premium" to read "premium and/or fees."

Mrs. Ross said the agreement would go back to the attorney for review and then it will be posted for review by members prior to the next EBT meeting in March.

The discussion went back to Section 3.13, with regards to the recording secretary. Mrs. Thompson said she thought signing the business associate agreement would be easier. Mr. Stewart said the person would have the same obligation as a trustee. Mrs. M. Cox asked if there was a conflict of interest and if the recording secretary should be someone from outside the district. Mr. Stewart pointed out this would be an additional expense to the EBT. Mrs. Thompson said she would rather the secretary be an employee because they have access to all parties and can provide instant communication. This avoids delays in distributing information. Mrs. M. Cox said she disagrees. Mr. Masden asked if the EBT should reimburse the District for the current recording secretary's time. Mrs. Asseier said the EBT would not be in existence if not for the district so they are dependent upon each other. Mr. Stewart said that in other districts he works with it is usually the superintendent's secretary or the business department's secretary that takes minutes in EBT meetings. Mr. Rooney said he couldn't see any problem with leaving things the way they've been. He asked for the ERISA attorney's opinion as to whether a business associate's agreement could be signed rather than appointing the recording secretary as a non-voting trustee.

Mrs. Thompson asked about Section 3.21 of the agreement. Mr. Stewart said this verbiage means the trustees are held harmless and Mrs. Ross said this is standard verbiage. Mrs. Cohen asked if bonds were in place for the current trustees. Mr. Stewart said he would verify and that the policies are written through Insurance Professional of Arizona because they were less expensive and took no commissions.

Mrs. Cohen said she felt Sections 6.04 and 3.04 contradicted each other, however Mr. Stewart said he felt they covered two separate situations. He said he would check with the attorney to make sure.

PLAN DOCUMENT APPROVAL: The trustees were forwarded this document prior to the meeting and a hard copy wasn't distributed because it is 117 pages in length. Due to some changes that went into effective July 1, i.e. offering a

silver plan to retirees, co-insurance changes, etc. the plan document was revised. Mrs. Thompson asked about the durable medical equipment change that was approved at the EBT meeting in December, 2016. She didn't see it in the updated document. Mr. Stewart said an amendment will be required. Normally the plan document is not revised until there are three or four amendments made. The trustees indicated that they read the agreement, Mr. Stewart has reviewed it and the ERISA attorney has also reviewed it.

Mrs. Thompson made a motion to approve the revised plan document, as presented. The motion was seconded by Mr. Christiansen. Approved unanimously.

ACCOUNTING SERVICES PROPOSALS: At the direction of the trustees, Mr. Stewart issued a request for proposals for accounting services to eight firms. Only one response was received, from GDK CPA, LLC. The fee proposed is \$250.00 per month, and services are to be provided on a month-to-month basis.

Mr. Stewart told the group that Kelly Morrison, an employee in the district's accounting department, recently spent two full weeks determining exactly what was needed to do a full bank reconciliation and has worked diligently to update the 2015-16 fiscal year, information that was recently forwarded to the outside auditor. She now feels confident she has the tools to do the monthly reconciliations and can perform those duties. Mrs. Morrison said she is interested in saving the EBT money.

Mrs. Thompson asked what "tools" Mrs. Morrison now has that we didn't have previously. Mrs. Morrison said EFT information and check registers from the third party administrator are now coming to her attention and she has the pieces she needs. Mrs. Thompson asked when the trustees would get a copy of the 2015-16 report sent to the auditors. Mrs. Morrison and Mrs. Heronema said the auditors are currently reviewing the information and it will be forwarded to the trustees once the auditors have given their approval to the document.

Mr. Masden said the interest is in getting solid and accurate information. Mr. Christiansen said he would recommend giving a period of time to doing the reports internally and see if the trustees will get the materials they need. If not, then hiring an outside audit firm should be considered. Mrs. Thompson asked for Mr. Murray's opinion, since he will be the district's Director of Business Services, effective February 1, 2017. Mr. Murray said that, although he is interested in maximizing every dollar spent, he would like to make sure we are going in the right direction. Mrs. Cohen said transparency has been a problem and using an outside firm will build trust. Mr. Christiansen reminded the group that an independent auditor is reviewing the report Mrs. Morrison assembled.

Mrs. Thompson asked if, in addition to the bank reconciliation, Mrs. Morrison felt comfortable putting together the CFAR, i.e. the balance sheet for the EBT. Mr. Stewart said that using the CFAR currently provided by Gils bar, and adding the figures generated by Mrs. Morrison's spreadsheet, he felt he and Mrs. Morrison would be able to provide this.

Mr. Murray recommended using the outside accounting firm to mentor Mrs. Morrison for a few months and then, if Mrs. Morrison feels very comfortable, she can take over those duties. He said he wants to set her up for success.

Mrs. Thompson made a motion to hire CDK CPA, LLC to perform accounting duties for the Lake Havasu Unified School District #1 employee benefit trust, on a monthly basis, until June 30, 2017, at a cost of \$250.00/month. The services will become effective on February 1, 2017. The motion was seconded by Mr. Christiansen. The vote was three ayes and one nay.

SMOKING CESSATION PROGRAM: Mr. Stewart passed out several handouts to the trustees. Under the Affordable Care Act, employees are allowed to charge members who smoke a 50% penalty, although he wouldn't recommend that. Mrs. Thompson said her concern was assisting members to quit smoking before any penalty is put into place. She asked if the center offers any assistance now. Mr. Stewart said, yes, they are pursuing this aggressively and Mrs. Heronema said they do have smoking cessation tools in stock at the center and also give these members materials for the ASH line.

Mrs. Thompson said her recommendation would be to make smoking cessation a focus for center staff, much like blood pressure and diabetes in the past. An insurance committee member asked how the EBT could prove someone is a smoker if they deny it. Mrs. Thompson said she thought this could be determined through a blood draw or swab. Mrs. M. Cox asked if everyone would be tested. Mrs. Thompson said yes, everyone would be tested when they complete the labs for their annual Work on Wellness appointments. She asked that Mrs. Carmack from the center present information at the next EBT meeting in March.

Mr. Masden asked if the EBT has statistical data on what smokers cost the group. Mr. Stewart said that, nationwide, the figure is \$5,000. Mrs. Cohen recommended the trustees being very careful about going down a road where we penalize members. She asked if the trustees were going to penalize members who are diagnosed with high cholesterol or

diabetes if they don't do anything to control these conditions? Mrs. Thompson said she was thinking more of a reward rather than a penalty. Mrs. Ross reiterated that Cerner should be asked to do a presentation at the next EBT meeting.

REQUESTS FOR PROPOSAL: Mr. Stewart pointed out the list published on the agenda. He is recommending the EBT trustees approve the issuance of requests for proposal for these services, which include everything except reinsurance, which normally takes place later in the fiscal year, due to claims information needed. Mr. Stewart said he normally goes out every three years for vendors other than reinsurance. Mrs. Thompson asked if proposals would be available for review in March. Mr. Stewart said that if he gets approval at today's meeting he should have proposals ready for the next meeting.

Mrs. M. Cox asked if it would be prudent to issue RFP's to other vendors, not just Mr. Stewart's firm. She then asked why an RFP was being issued for health and wellness center services when a three year agreement with Cerner Corporation was recently approved and signed. Mr. Stewart said he intended to inform Cerner that an RFP was going to be issued. He did reiterate that the recent amendment to Cerner's contract actually reduced costs because there are only two full time nurse practitioners and two medical assistants. Mrs. M. Cox said she still didn't understand why an RFP would be issued and said that people would like to know about other options, besides the center, that would cost less money and get them more money for raises. Mr. Stewart said it was up to the trustees to review the list and let him know which RFP's should be issued.

Mr. Masden asked for clarification on reinsurance and asked which information was needed. Mr. Stewart said the attachment point, i.e. how many members went over the dollar amount where the EBT is no longer responsible to pay claims and the reinsurance carrier takes over. Also to be determined is the aggregate attachment point, which the EBT has never come close to reaching.

Mrs. Cohen said she thought the trustees should consider issuing an RFP for benefit consultant services. The question was asked whether this had been done in the past. Mrs. Ross said not to her recollection. Mrs. M. Cox reiterated that the trustees never voted to replace an agent with a consultant. Mrs. Ross said the trustees would take Mrs. Cohen's suggestion under advisement. Mr. Christiansen asked how this would be advertised. Mr. Stewart recommended publishing in local and Phoenix newspapers. Mrs. Cohen said the City and County could probably provide assistance. Mr. Rooney said his only concern is making sure someone is hired who can do the work on a timely basis, provide continuity and provide the same services that have been provided in the past. Mr. Christiansen said the board of trustees will talk about this separately.

Mr. Masden asked how it is determined who receives the requests for proposal. Mr. Stewart said RFP's would normally be issued to qualified vendors in the State of Arizona, however there are certain services where the vendors with the most experience and best rates are located outside Arizona. In the case of a third party administrator, they must also be able to work with the medical network chosen, currently Blue Cross Blue Shield of Arizona. Mr. Masden verified that there was no middle man or no agency between the employee benefit trust and the contracted vendors. Mr. Stewart said no, the EBT deals directly with the vendors.

When discussing the use of local vendors, Mr. Christiansen pointed out that only one local accounting firm replied to the RFP for accounting services, although eight RFP's were issued. This is probably due to workload and lack of experience working with a self insured trust. Mrs. M. Cox asked the trustees to consider giving vendors closer to Lake Havasu City an opportunity to provide a bid.

Mr. Christiansen made a motion that Dave Stewart issued requests for proposals, on behalf of the Lake Havasu Unified School District #1 employee benefit trust, per the list on the agenda, minus the health and wellness center, Mr. Rooney seconded the motion. Approved unanimously.

The meeting was adjourned at 2:44 and the board of trustees went into executive session.

The meeting was called back to order at 3:17 p.m.

Mrs. Thompson made a motion to deny Appeal #1. The motion was seconded by Mr. Christiansen and was approved unanimously.

Mr. Christiansen asked to clarify something. He stated that if an EBT member completes the Work on Wellness (WOW) process they receive a 10% discount off of their insurance premium, whereas member who choose not to meet the requirements will not receive the 10% discount. The 10% is *not* a penalty, but a reimbursement of the discount. There have been several appeals of the WOW process and Mr. Christiansen wanted to make this distinction.

Mrs. Thompson asked that when the actuary makes their presentation on suggested premiums for 2017-18 they provide specifics on how the dependent premiums were calculated. This should be addressed at the meeting in March.

Mrs. Thompson also asked for information on when and how payments are made from the district to Morgan Stanley since the amounts received and the timing fluctuates on the Morgan Stanley statements. What is the process?

With regards to the trust document discussed earlier in the meeting, Mrs. Thompson asked the ERISA attorney to provide a clearer picture of the requirements to replace an EBT trustee. Mr. Stewart said he would let the group know when trust document changes are available to review and will forward a copy to Mrs. Heronema to have posted on the website.

Mr. Christiansen made a motion to adjourn the meeting at 3:28 p.m. Seconded by Mr. Rooney. Approved unanimously.

Respectfully submitted,

Cinda Ross, President, Employee Benefit Trust