

**LAKE HAVASU UNIFIED SCHOOL DISTRICT #1
EMPLOYEE BENEFIT TRUST
BOARD OF TRUSTEES MEETING – OCTOBER 2, 2017**

TRUST MEMBERS PARTICIPATING

Kari Thompson, Hal Christiansen, Pat Rooney, Marcia Cox & Sam Scarmardo

OTHERS PARTICIPATING

Mike Murray & Mary Heronema – LHUSD #1

OTHERS ATTENDING (PER SIGN IN SHEET):

John Masden, Bonnie Breazeal, Nichole Cohen

Meeting called to order at 3:10 p.m.. Roll call was taken. Pledge to the flag followed.

4. ITEMS FOR DISCUSSION AND POSSIBLE ACTION:

4.1) Presentation/Interview CBIZ – Mr. Mike Barberio and a team from CBIZ made a presentation to the EBT Board of Trustees. Included was information on the firm's background, basic services included in the proposal submitted and enhanced services available at an extra cost to the EBT. Among the enhanced services are actuarial services, RX management, clinical consulting and enrollment systems with EDI feeds. The firm's transition plan was also discussed.

Mr. Christiansen asked a question about the presentation on RX management. An example of \$1M in savings for a client was presented and he wondered how big that group was. The client referenced totaled approximately 2,000 members.

Mr. Masden asked if the enhanced services were "all or nothing," Mr. Barberio said no, it was offered ala carte. Mr. Christiansen asked if those services would be available at any time and how long the pricing presented would be offered. Mr. Barberio said the pricing would be good for five years.

Mrs. Cox asked about the company's experience with transitions in the past, which the firm reviewed.

Mrs. Cox asked about the firm's ERISA attorney. She was told they could advise but would not actually be able serve as EBT legal counsel, due to a conflict of interest.

Mrs. Cox inquired about issuance of 5500's. Mr. Barberio said that would be included in the basic services presented, at no extra charge.

Mrs. Cox asked about on-site and near-site health and wellness centers and if the firm ever made recommendations to change or eliminate them. Erin from CBIZ stated that she has assisted other EBT's in preparing request for proposal documents and can assist the EBT in taking a strategic approach to determine whether or not the LHUSD#1 EBT is getting appropriate return on investment.

Mrs. Cox asked how long the rates in the firm's proposal were guaranteed. Stacy from CBIZ said the rates are guaranteed during the term of the agreement.

Mr. Barberio said his firm's actuarial services would be more cohesive than what has been experienced by the LHUSD#1 employee benefit trust in the past, i.e. using one firm for GASB services and Gilsbar's actuarial for other services. Stacy added that she thought the price listed in the enhanced services section of their proposal was very reasonable.

Mr. Murray explained that the district was considering a transition to new financial software, specifically Tyler Technologies, and asked if CBIZ had experience with that company, especially with regards to the benefits module. Stacy said she is familiar with that benefits module and says it may be more costly than another product CBIZ would be able to offer.

4.2) Presentation/Interview Arthur J. Gallagher Inc. - Information on the company was presented by Adam Walter. He said the objectives presented by the firm were to control health spending, manage compliance, assist with benefit administration and to enhance the LHUSD#1 EBT benefit brand. Mr. Walter and his team presented additional information with more detailed information. To summarize, Mr. Walter said the company would like to help the district's employees, provide education and make things as simple as possible.

Mr. Scarmardo asked about the large size of the company and whether a small group like the LHUSD#1 EBT would get enough attention. Mr. Walter said Arthur Gallagher is a relatively flat organization which acquired his group last year and has allowed them to do the same job they always have. He encourage the group to check the references provided.

Mr. Christiansen asked if one person would handle the account or if there would be backup. He was told there would be a team of four people familiar with the LHUSD#1 EBT.

Mrs. Cox asked about the firm's experience with transitioning from another consultant. Mr. Walter said his firm would basically work for free until January 1, 2018, to ensure the transition goes smoothly. They will work with the current consultant and with center staff.

Mrs. Cox asked if the firm had experience working with on-site or near-site health and wellness centers. Mr. Walter said not in Arizona.

Mrs. Cox asked about the proposed fees and asked if they were all inclusive. Mr. Walter said it was the trustee's call on how to manage benefits. The proposal can be broken into pieces.

Mrs. Cox asked for clarification of the 3% claims checked daily. Mr. Walter said the third party administrator contracted by the group should be doing that already but as the EBT consultant, Arthur J. Gallagher would ensure that was happening.

Mrs. Cox asked Mr. Walter about a comment he made in his presentation when he said he liked unbundled plans such as the LHUSD#1 EBT. Mr. Walter said he feels this separation removes profit layers.

Mrs. Thompson verified the rate proposed was good for three years and was renewable annually after that period of time.

4.3) – Presentation/Interview Erin P. Collins & Associates - Mr. Collins began the presentation by saying the fee proposed by his firm is a flat fee with no commissions. He said the firm has been in business for 25 years and over that period of time have served 45 clients, losing just 2. Actuarial services were added to the firm's best and final offer. Although they do work with an attorney, he stressed that the LHUSD#1 EBT must contract with their own attorney and audit firm. Mr. Collins said they are familiar with the LHUSD#1 EBT third party administrator, Gilsbar. He mentioned they would recommend putting together a simple risk management plan.

A transition timeline was presented to the group. Actuarial services are offered with an enhanced fee. Jaime Schulenberg lives in Lake Havasu City and would be the primary account manager for the LHUSD#1 EBT, although Mr. Collins will remain very much involved during the first year.

Marcus from Hodges Mace presented information on "Smart Ben," a web based system used for benefit administration and employee self service. The system would give members 24/7 access to their benefits and has the ability to run numerous reports. There is a basic call center and self education for members is available.

Several budgeting spreadsheets were presented and an on-line demonstration was done.

Michael Shionning from Cheiron said his actuarial firm has experience with on-site and near-site clinics and will help determine, among other things, if staffing levels are correct. He would also be able to assist with audits.

Mrs. Cox asked Mr. Collins about their wellness group. Mr. Collins said they have a wellness group on staff but would need to get more information about the center and the related costs. He said they would learn a lot during the first year if their firm was chosen as the group's consultant.

Mrs. Thompson reviewed the enrollment portal fees, which were listed in the proposal from Hodges Mace. Holly from Hodges Mace said they currently work with 16 school districts and over 40 public sector organizations.

Mrs. Cox asked Mr. Collins his view on the appropriate percentage of fixed versus variable costs. Mr. Collins said the average is 85% claims and 15% fixed costs. Mrs. Cox also asked about net 15 versus net 30 and Mr. Collins said they could adjust their proposal to meet what was stated in the request for proposals.

After the team from Erin P. Collins departed, the EBT Board of Trustees discussed their impressions. Mrs. Cox said that after hearing the presentations she was more impressed with CBIZ than she had been after reading their proposal. She said she would recommend paying for the enhanced services.

Mr. Christiansen said he would rate CBIZ first, Erin Collins second, and Arthur Gallagher third, partly because Arthur Gallagher is a large company and he does fear it's too large for a small group like the LHUSD#1 EBT.

Mr. Scarmardo said he found the representatives from CBIZ to be a bit evasive. He said that Gallagher was huge and that he has a comfort level with Erin Collins because he has worked with them in the past while serving on other employee benefit trust boards. He said he has seen Erin Collins fight with vendors to get the best rates and the other group's audits have always come out well. He said Erin Collins also has experience with doing intergovernmental agreements to bring public sector groups together.

Mr. Rooney said he was worried because Arthur Gallagher had no experience with health and wellness centers. He said he would be okay with picking either CBIZ or Erin Collins.

Mrs. Thompson said she thought the LHUSD#1 EBT would need enhanced services and appreciated having actuarial services available. She liked the budgeting sheets presented by Erin Collins and thought it would make the task of setting premiums much easier. Mrs. Thompson also liked the staffing options presented by CBIZ. She got the impression Arthur Gallagher had not done as much research on the LHUSD#1 EBT as the other two companies.

Mrs. Cox made a motion to accept the proposal submitted by Erin P. Collins & Associates. Mr. Scarmardo seconded the motion. The vote was three ayes and two nays.

Thompson - No; Cox - Yes; Scarmardo - Yes; Christiansen - No; Rooney - Yes

Mr. Murray said he would contact the three firms and ask Erin P. Collins & Associates to start the transition process as outlined in their proposal. Mrs. Cox asked when the termination letter would be sent to the current EBT consultant and the group asked Mr. Murray to send a letter prior to the end of November, 2017. Mrs. Cox said the consultant should be asked to return all pertinent materials to the District and to destroy anything else relating to the LHUSD#1 employee benefit trust.

Mr. Scarmardo made a motion to adjourn at 6:23 p.m. The motion was seconded by Mr. Christiansen. Approved unanimously.

Respectfully submitted,

Kari Thompson, Chairman, LHUSD #1 Employee Benefit Trust