

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Tuesday, October 23, 2012
Open Meeting Time: 11:00 a.m.

OPEN SESSION

MINUTES

TRUSTEES PRESENT: Susan Strickler, Dan Robledo, Beverly Dupree,
Jim Steinkamp

TRUSTEES ABSENT: Brad Arnett

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
Christine Stutz, Mary Ellen Sheppard, Curtia Hunter-Richard

GUESTS: Ann Marie Janusek and Kevin Russell, Mercer

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff present. The folder included the meeting agenda, September 12, 2012 meeting minutes, financial statements, and these five presentations:

- 1) Unpaid Claims Liabilities and Reserves as of June 30, 2012
- 2) Benefits Survey for 2011/12 Plan Year
- 3) Open Enrollment Timeline for FY 2014
- 4) Settlements Summary
- 5) Roles and Responsibilities of the Board of Trustees

The Open Session meeting was called to order by Chairperson Strickler at 11:06 A.M. A quorum was present.

Approval of Last Month's Meeting Minutes

Chairperson Strickler called for the approval of the September 12, 2012 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Dupree and seconded by Trustee Robledo. The 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, 2012
- Statements of Net Assets – September 30, 2012, September 30, 2011, June 30, 2011 and June 30, 2010
- Appendix B: IBNR/RBUC Estimates
- Fund Balance Roll-Forward Three Months Ended September 30, 2012
- Balance Sheet Details – September 30, 2012, September 30, 2011, and June 30, 2011 and June 30, 2010
- Revenue & Expenses by Fund – Three Months Ended September 30, 2012
- Notes to Financial Statements – September 2012

The Net Assets for FY 2012 reflected as \$2,144,590 are the same as had been estimated, and YTD through September 30, 2012 the Net Assets are \$478,000. Cash and cash equivalents on the Statements of Net Assets reflect FY 2012 at \$60,636,000 which is consistent with all time periods reflected; as of September 30, 2012 the Cash is at \$60,213,000. The financial situation for the Benefits Trust Fund is considered fairly stable.

In the Liabilities section – Reserve for losses and loss expenses as of year-end was at \$10,935,968 for claims that have been incurred but have not been reported to the County; as reflected on the IBNR/RBUC Estimates from the Mercer Reserves Report. Through September 30, 2012 the Reserve for Losses and Loss Expenses has been reduced for three reasons:

- 1) to account for the \$1.1million payout of claims that had been incurred in September 2011,
- 2) the Choice Fund Health Savings Account where typically employees pay 100% of claims during the first part of the plan year to meet their deductible,
- 3) and the anticipation of a \$400,000 claim settlement that would reduce actual claims expense.

The question from Chairperson Strickler in reference to Cigna Dental as reflected on the IBNR/RBUC Estimates statement was addressed and clarified. Though dental claims are usually paid out quickly, the Still Outstanding claims as of 7/31/2012 could possibly be high due to the practice of setting up payment plans for orthodontic treatment.

Presentation and Discussion: Trust Fund Reserves

Mercer representatives Ann Marie Janusek and Kevin Russell presented an overview of the financial reserves in the Benefits Trust Fund set aside to cover unpaid claims liabilities as of June 30, 2012. The Reserves Report, aka, **ACTUARIAL ANALYSIS OF THE UNPAID CLAIMS LIABILITIES AND RESERVES AS OF JUNE 30, 2012 OF THE MARICOPA COUNTY SELF-FUNDED EMPLOYEE BENEFITS PROGRAM** Revised

Report October 22, 2012 was distributed. The County noted that the Reserves Report has been prepared and presented by Mercer annually since the self-funded benefit plans were established.

The question by Trustee Dupree in reference to the process used to estimate the data presented in the Reserves Report was addressed and clarified. Estimations are based on the data Cigna provides of actual payout amounts for monthly claims. Mercer future payment estimates are based on past patterns of when claims services were rendered. The Reserves Report data is based on factual data enhanced with estimations based on historical claims payment patterns.

The question by Trustee Steinkamp in reference to the required Company Action Level target (or maximum reserve carried) for a non-profit company such as Blue Cross/Blue Shield was addressed and clarified. Mercer noted the maximum reserve level for a not-for-profit was at 450% a few years ago.

The County noted that 250% RBC of unrestricted net assets is the targeted level.

The question by Trustee Steinkamp in reference to the existence of reserves in the County General Fund to support the Benefits Trust Fund was addressed and clarified. It was confirmed that there is not a separate reserve account in the County General Fund to support the Benefits Trust Fund which is self-insuring through premium collections.

The question by Trustee Dupree in reference to the process to accumulate sufficient reserve to meet the goal of \$25.6 million was addressed and clarified. The County noted current reserves levels have met and exceed the target goal.

The questions by Trustee Steinkamp in reference to the \$8.9 million reserve amount for Short Term Disability (STD) were addressed and clarified. The benefits of the STD plan have been expanded this plan year to allow for coverage effective the first day of hospitalization which would increase costs and in effect reduce the reserve. The County recommendations for liquidating STD reserves will be presented in a future meeting.

The question by Trustee Steinkamp in reference to the cause of decrease in the IBNR over an 18 month period as of September 2012 was addressed and clarified. The County noted that the IBNR was excessively high at the end of June 30, 2012 because huge claims were paid July through September totaling \$3 million that had been for services provided 9 months earlier. This was a balance that was higher than normal. Plan changes, employee enrollment in the Choice Fund Medical Plan, and a settlement from September were contributing factors that affected the IBNR.

The question by Chairperson Strickler in reference to responsiveness of Cigna in supplying sufficient reports was addressed and clarified. It was confirmed that Cigna reports on large claims are being provided.

Action Items:

Chairperson Strickler called for the motion to approve the Benefits Department's recommendation to continue to set Stop Loss coverage at zero for FY 2014. Trustee Steinkamp made the motion to approve the Stop Loss at zero for FY 2014. The motion was seconded by Trustee Dupree and approved unanimously.

Chairperson Strickler called for the motion to approve the reserve levels as recommended by Mercer. Trustee Dupree made the motion to approve Mercer's recommendation for reserve levels. The motion was seconded by Trustee Steinkamp and approved unanimously.

Presentation and Discussion: Benefits Survey for 2011/12 Plan Year

Meg Blankenship presented an overview of the Benefits Survey for the 2011/12 plan year which provides a year-to-year comparison of the satisfaction level of County employees with their benefit package from 2001 through 2012.

The question by Trustee Robledo in reference to the number of employees completing the Benefits Survey year-to-year was addressed and clarified. It was confirmed that the same number of employees, approximately 850, complete the Benefits Survey each year.

The question by Trustee Robledo in reference to comments made by employees in the Benefits Survey was addressed and clarified. A summary of employee comments were highlighted on the last page of the presentation.

The question by Chairperson Strickler in reference to communications presented to employees on benchmark comparisons was addressed and clarified. The County does communicate benchmark information to employees and continues to look for additional opportunities to inform employees about the value of their benefits. The next meeting agenda will include updated benchmark information that compares Maricopa County benefit plans with the City of Phoenix, the State of Arizona and other employers.

The question by Trustee Robledo in reference to reasons the 2009 survey would reflect the highest level of satisfaction was addressed and clarified. Since the 2009 satisfaction score peaked right before the recession started, one could speculate that the following years were impacted by rising health care costs. This survey does not reflect the significant plan changes made in FY13 in which premiums went down.

**Presentation and Discussion:
Benefits Plan Design and Open Enrollment Timeline for FY 2014**

Meg Blankenship presented a high level overview of the Plan Design and Open Enrollment timeline for FY 2014. The County's goal is to deliver a successful Open

Enrollment and ensure readiness to administer the new benefit plans effective 07/01/2013.

Convene an Executive Session

Chairperson Strickler directed the board to convene an Executive Session to address the resolution of a subrogation claim in Case ID# 9743532. Trustee Robledo moved to convene to Executive Session and the motion was seconded by Trustee Dupree. The motion passed unanimously. The Executive Session convened at 12:20 P.M.

The Open Session meeting resumed at 12:43 P.M. immediately following the adjournment of the Executive Session.

Presentation and Discussion: Settlements

Meg Blankenship confirmed that the Cigna contract has been amended to require Xerox Recovery Service Group (formerly known as ACS Recovery Services) to secure County approval on all future settlements has been finalized. In addition, a summary of settlements for the past three fiscal years, the year-to-date settlements, and recent settlements approved by the Plan Administrator were presented.

Chairperson Strickler suggested reviewing Workers' Compensation claims versus medical subrogation claims to confirm that they are being processed through the appropriate fund. .

The question by Chairperson Strickler in reference to the frequency of interaction with Xerox Recovery Services Group was addressed and clarified. The County receives the potential recovery report and requests for approval of settlements on a monthly basis from Xerox Recovery Services.

Discussion ensued on the preferred frequency of settlement status reports to the Board of Trustees. The decision was tabled until the roles and responsibilities of the Board of Trustees have been solidified.

Presentation and Discussion: Roles and Responsibilities of the Board of Trustees

Chris Bradley facilitated an open discussion on the process to define the roles and responsibilities of the Board of Trustees. It was determined that the benefits staff would collect information on the roles and responsibilities of other Boards of Trustees and present it at future meetings. Eventually it will be important to solicit input from the Board of Supervisors on what they expect from the Board of Trustees.

Call to Public

Chairperson Strickler made a Call to the Public. No one from the public was present.

Motion to Adjourn

Chairperson Strickler 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 1:36 P.M.