

MINUTES

BOARD OF DIRECTORS

SUSAN B. ANDERSON
JUDITH CASE
MIKE ENNIS
ALLEN ISHIDA
PHIL LARSON
DEBORAH POOCHIGIAN
PETE VANDER POEL

Meeting Location:
Tulare County Employee Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93921
November 9, 2012
9:00 AM

1. Call to Order

Meeting was called to order by Vice President Debbie Poochigian at 9:06 AM

2. Roll Call

Roll was called by Brittany Howell, Gallagher Benefit Services. In attendance were Director Anderson, Director Case, Director Ennis, Director Ishida, Director Larson, Director Poochigian, and Director Vander Poel.

3. Approval of Agenda

President Vander Poel asked if there were any additions or corrections to the agenda. Director Ennis moved to approve the agenda with no changes, the motion was seconded by Director Poochigian. The motion passed unanimously.

4. Public Comment: At this time, members of the public may comment on any item, within the jurisdiction of the SJVIA, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less. Anyone wishing to be placed on the agenda for a specific topic should contact the SJVIA Manager's Office and submit correspondence at least 14 days before the desired date of appearance. President Vander Poel opened the meeting for public comment – no public comment was given.

5. Consent Agenda – Items 5a through 5i.

- These items are routine in nature and are usually approved by a single vote. Prior to action by the Board, the public will be given

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the opportunity to remove any item from the Consent Calendar. Items removed from the Consent Calendar may be heard immediately following approval of Consent Calendar or set aside until the department can be notified and its representative is in the board room.

Director Vander Poel asked if there were any items from the consent agenda that any Board Member would like to have pulled for further discussion. Items 5a through 5i were pulled for discussion.

a. Approval of Minutes – Board Meeting of August 24, 2012

Director Case moved to approve the August 24, 2012 Meeting Minutes, the motion was seconded by Director Anderson. The motion passed unanimously.

b. Receive and File SJVIA Executive Claims Summary through September 2012

Director Case requested clarification of the claims as she noted higher costs in the HMO plan, specifically on the annual premium breakdown and declining reserves. Alan Thaxter, Gallagher Benefit Services, addressed the question regarding the HMO and the appearance of increased costs. He explained that page 23 of the attachment shows a breakdown of all the plans as well as the stop loss refunds; the HMO plan currently shows 1.8 million that will be credited to the plan. These credits are not usually tracked on a monthly basis so it is difficult to look at the claims only on a monthly basis due to these large claims credits. In addition, these numbers do not reflect the annual capitation credits, where the

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insurance carrier takes a look at the demographics of that population and may adjust the fixed capitation amount which may result in an additional credit. However, when calculating the renewal costs, claims are projected based on the actual experience with all credits reflected.

Director Ennis moved to approve the Executive Claims Summary; the motion was seconded by Director Case. The motion passed unanimously.

c. Receive and File Report on SJVIA Marketing Activity

Director Poochigian inquired about how quickly growth is happening and if that would affect SJVIA in a negative manner. Leroy Tucker, Gallagher Benefit Services (GBS), explained the marketing list is mostly comprised of the RMA group, in which they have decided not to join as one whole group rather come in as individual entities. Most of these groups are smaller cities and out of the fifty, there were thirty who showed an interest and were offered illustrative quotes. At this point there has been one group that joined, City of Tulare, and three other entities are exploring joining on January 1st. SJVIA Staff and GBS are working on these groups conservatively and we do not feel it is happening too rapidly where it will affect SJVIA negatively. Mark Tucker, GBS, also added that these groups who join are committed to 3 years, thus creating stability. Many groups are taking a “wait and see” approach but express a strong interest in future.

Director Poochigian moved to approve the SJVIA Marketing Activity; the motion was seconded by Director Ishida. The motion passed unanimously.

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d. Receive and File Report on SJVIA Wellness Activities

Director Anderson moved to approve the Wellness Activities; the motion was seconded by Director Poochigian. The motion passed unanimously.

e. Receive and File Quarterly Financial Reports

Joseph Nuttman, ACTTC from Fresno County, gave a detailed overview of the quarterly financial reports. He mentioned the budget and claims experience does not yet include City of Tulare but it will be revised and distributed.

Director Ennis moved to approve the Quarterly Financial Reports; the motion was seconded by Director Anderson. The motion passed unanimously.

f. Agreement with McCormick, Barstow, Sheppard, Wayte & Carruth LLP for Special Legal Counsel

Jeff Cardell, SJVIA Assistant Manager, explained the RFP conducted for special legal services and the Board approved the selection of McCormick, Barstow, Sheppard, Wayte & Carruth LLP. SJVIA Staff has been working on the Agreement and unfortunately were not able to obtain a copy until yesterday. He then asked Board Members if they would prefer to bring this item back in January to allow for time to review.

Director Poochigian asked what the need was for these special legal services. Jeff Cardell explained there may be some services or questions on health insurance matters that SJVIA Staff is not able

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to address as well as SJVIA may need to seek special counsel on other matters, in which we may need to engage McCormick, Barstow, Sheppard, Wayte & Carruth LLP.

Director Case moved to approve the McCormick, Barstow, Sheppard, Wayte & Carruth Agreement; the motion was seconded by Director Ennis. The motion passed unanimously.

g. SJVIA Staff Rotation

Director Poochigian moved to approve the SJVIA Staff Rotation; the motion was seconded by Director Case. The motion passed unanimously.

h. Approval and Execution of SJVIA Participation Agreements with the County of Fresno and Tulare for Plan Year 2013

Director Case asked if this is something needed on an annual basis. Paul Nerland, SJVIA Manager, answered yes and explained this is important due to additional coverages being added to SJVIA and it allows us to track each entity's coverages.

Director Case also requested to discuss in a future meeting how other entities coverages are structured and utilized in order to strategize cost savings for the health plan. Paul Nerland suggested using the first meeting of the year since we usually focus on planning.

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Director Case moved to approve the SJVIA Participation Agreements; the motion was seconded by Director Ennis. The motion passed unanimously.

- i. Approve the proposal from Price, Paige and Company to audit the financial statements for the fiscal year ended June 30, 2012

Vickie Crow, Auditor-Treasurer, explained that an RFP was conducted for financial services. SJVIA was not included on this RFP however; the contract can be amended if needed. Although Price, Paige and Company is higher in cost, the work load will be increasing substantially and they are very familiar with the accounting methodology, therefore, will maintain consistency in the audit process.

Director Anderson moved to approve the proposal from Price, Paige and Company; the motion was seconded by Director Case. The motion passed unanimously.

6. Proposed 2013 Board Meeting Calendar (A)

Director Poochigian requested to move the January 25th meeting to February 1st.

Director Ennis moved to approve the Board Meeting Calendar with the above revision to the first meeting; the motion was seconded by Director Poochigian. The motion passed unanimously.

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7. Results of SJVIA External Audit for the period ended June 30, 2011 (I)

Vickie Crow gave an overview of the external audit for the period ending June 30, 2011. The audit showed the assets exceeded the liabilities by \$704,000 and the net assets increased by over \$400,000. There were no audit findings for the current year but there were two audit findings in the prior year, of which both are resolved. Ms. Crow noted that the prior year was the start-up year and it was a struggle to get the procedures and processes in place as well as getting staff properly trained. There are now two people fully trained on the bank reconciliation process and also proper procedures and processes in place.

8. Adopt Fiscal Year Budget 2012-13 (A)

Jeff Cardell explained the reason for this item is that it now reflects City of Tulare's participation in the SJVIA as well as the addition of the dental and vision plans. The impact of the open enrollment changes and additional entities will be reflected in January.

Director Poochigian asked if we will get to a point where there will be a fixed amount in consulting fees as membership grows. Bruce Caldwell, Gallagher Benefit Services, explained that we could do it both ways, as it depends on the organization and amount of work. As JPA's grow overtime, they begin to hire staff who are able to assist with the daily administration and the consultant would focus on underwriting and renewals. As SJVIA continues to grow and add staff, it may make sense to move to a fixed dollar fee, however, it does not make sense currently. Mr. Caldwell went on to explain there are many large JPA's that continue on a per head basis forever.

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Director Case moved to approve the Fiscal Year Budget; the motion was seconded by Director Ennis. The motion passed unanimously.

9. Investment Options for SJVIA Cash Reserves (I)

Vickie Crow outlined the different investment options for SJVIA and noted the reserves changed from being held by each participating entity and moved into the SJVIA bank account. This was a significant amount of money that we need to consider investing and ultimately safeguard that money. Ms. Crow also gave a brief overview on the investment policy and recommendations.

10. Extension of the Consulting Agreement with Gallagher Benefit Services (A)

Paul Nerland stated that SJVIA has been in a contract with Gallagher since the inception of the plan but that contract will be ending this year. SJVIA Staff would like to recommend the approval for a one year extension at the same rate. Mr. Nerland explained this would allow Staff to evaluate at a much finer level where we're at when it comes to the work Gallagher is doing and come back to the Board with recommendations which would ultimately come to an RFP.

Director Poochigian moved to approve the extension of the Consulting Agreement with Gallagher; the motion was seconded by Director Larson. The motion passed unanimously.

11. Health Reform Effect on SJVIA Health Plans (I)

Bruce Caldwell gave a detailed explanation of the outlined changes for Health Care Reform including the following – Minimum Loss Ratio

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Rebates, W-2 Reporting, Clinical Research Fee, Medicare Payroll Tax, Required Notices – Health Exchange, Reinsurance Fee, Cadillac Tax, Part-time and Temporary Employee Impact and Women’s Preventive Services.

12. SJVIA Growth and Savings Potential (I)

Bruce Caldwell explained some advantages of growth, one being additional membership and another would be offering other coverages. As SJVIA member grows the underwriting risk improves, which leads to cost savings. Adding membership will also put SJVIA in a better position to develop reserves.

In addition, as other coverages are added, we will see a reduction in vendors fixed costs and negotiations will have more validity. As this growth occurs, there will also be the opportunity to recover the initial set-up fees incurred by County of Fresno and County of Tulare. Mr. Caldwell went on to explain the addition of City of Tulare and the Blue Shield plan created flexibility and a more competitive environment.

Mr. Caldwell gave the risk of pursuing growth could result in loss of control at the Board level, however, SJVIA Board can ultimately make that decision. The way it is currently structured, the Board is set but as you grow you may get pressure from other agencies requesting a seat at the table. Another risk would be if groups that come in aren’t properly screened, therefore, maintaining the consistency of the underwriting model is key.

13. Directors Reports. (I)

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Director Poochigian suggested to hold one Board Meeting per year as a teleconference, as long as the Bylaws allow for the change.

No other reports were given.

14. Adjournment

Meeting was adjourned at 11:15 AM by President Pete Vander Poel.

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