Tucson Unified School District No. 1
Employee Benefits Trust Meeting
Board Room, Morrow Education Center
1010 East Tenth Street
Tucson, Arizona 85719

September 20, 2011
6:00 p.m.

MINUTES

Committee Members Present:
Dr. Neil (telephonic)
Dr. Stegeman
Mark Mansfield

Committee Members Absent:
Yousef Awwad
Robert Harbour

Others Present:
John Povinelli – Segal
Alice Amator – Segal
Janet Underwood – Record keeper

MEETING CALLED TO ORDER
Meeting called to order at 6:10 p.m.

CALL TO THE AUDIENCE
No one requested to speak

INFORMATION / ACTION ITEMS

1. The Board affirmed that a quorum was present

2. Minutes for the prior meeting were approved but with corrections to Called to Order section; minutes to be signed at next meeting.
3. Old Business
   A. Stop Loss

John Povinelli from Segal reported on the Stop Loss renewal and alternatives to various thresholds of $200k, of $250, $300, etc. Segal continued to look at alternative funding which takes on more risk - turning fixed cost to variable cost. Mr. Povinelli noted that the reduction of premium with those four (4) alternatives, as well as the turn of variable cost, that the important piece is the maximum liability (premium and liability) that would be absorbed for each threshold. There is a considerable savings at $250k and $300k, more savings at $400k and small savings at $500k.

Mr. Povinelli continued that a question routinely asked is how this Trust or District would have developed under different deductibles in historical years. When dealing with this, you are dealing with pure insurance of a claim/accident that we know may happen. At this point, Segal/TUSD is not aware of those situations so are dealing with “pure insurance.” TUSD has one claim that has exceeded $200k at this time. The experience with Aetna shows three (3) claims over $200k and one claim at $585k, so it was surmised that if TUSD would have had $500k at that time, it would have been the best purchase at that time.

Dr. West asked Segal to clarify if Aetna released TUSD claims data, and Mr. Povinelli confirmed that they shared one year of data. Mr. Povinelli also points out that Stop Loss is priced by demographics and geographic and will anticipate overall liability (by the carrier) of the exposure, and that the carrier will build in additional 50% or as low as 30% so could be a portion that is pure underwriting margin for them. Anytime you are buying insurance that is more than the risk its worth and [the purchase] is due to you cannot afford that loss. Therefore, you should only buy insurance for what you cannot afford to lose.

The highest is really the best threshold as long as, as the Trust, we can afford the loss. It appears to be clear that the Trust should be taking on a bit more risk as long as the Trust Board and Governing Board/District is comfortable, at least the $250 or $300 level. However, it is clearly financially available to look at the $400k or $500k levels. TUSD’s Risk Management department has advised that the level they are comfortable with is $250k or $300k. The amount saved in premium is the amount we’d save in the Employee Benefits Trust, and consider what to also do then with the Reserve Policy.

Mr. Mansfield asked if projections were built on a higher rate, which Mr. Povinelli explained. In the current environment, we have just over $1m to take on entire risk of claims over $200k. We could pay the $1m or $1.5m to the carrier but Segal was able to work with Symetra, on the alternative funding scenarios. Of $1m-- $5m, Symetra would permit us to retain $200k in our account and if no [large] claims, the Trust retains those funds. If no [large] claims in that year, we’d win by paying $230k less (its like a 2nd deductible). Mr. Mansfield asked, that based on the higher rates, if that was the case and Mr. Povinelli affirmed and directed the group to page 2 of Symetra document.

Mr. Mansfield prefers Option 4 – the Trust would pay $468,992 in stop loss premium and then if the aggregating deductible exceeds $517,248 via one or more claims over $400,000 each, the Stop Loss policy will reimburse claim payments in excess of the $517,248. Dr. Stegeman commented that with our claims experience, and with Aetna’s data, we’d have done best by taking $500k option, and that extra $200k is risk we can absorb. Mr. Mansfield recommends that we roll the savings into our reserve policy or create a separate fund, and is not sure from an accounting standpoint which would be better, but could restructure premium and rollover to or have a secondary stop loss reserve and build up a cushion against stop/loss. Mr. Mansfield proposed the $400k option and take savings and roll into the reserve.

Dr. West then would prefer that with Option 4 of $400k Specific Deductible with an accounting methodology generated into the reserve fund. Mr. Povinelli said its specifically accounting for the large claim risk over $200k. Mr. Mansfield says the Trust would save roughly $.5m so we would want to create a 2nd reserve and have a discussion next year of this again.
Dr. West called for a motion to go with $400k. Mr. Mansfield made the motion for the $400k Specific Deductible (Option 4); Dr. Stegeman seconded the motion; the motion carried 3-0.

Mr. Mansfield asked that we have Segal weigh in on the accounting, and if we create any problems with a separate stop loss accounting. Mr. Povinelli says that since within the Employee Benefits Trust, its more of a tracking/accounting feature and not a specific account. Mr. Mansfield offered that the premium savings be moved into the reserve account so the Trust Board can monitor the expense in/out during the premium year.

Mr. Mansfield made a motion that the Trust modifies the Reserve Policy to increase by the difference of the $200k premium and $400k premium immediately and have accounting keep track of it for this year and next year in plan design, etc. Dr. Stegeman seconded this. The motion carried 3-0. Mr. Mansfield requested that Segal update the Reserve Policy with an amendment to the prior accepted Reserve Policy. Dr. Stegeman asked for the confirmed number and it is $581,141.

<table>
<thead>
<tr>
<th>4. Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. West asked when Trust Agreement was going to Board and it will be on Oct 11th. Additional, it was asked if the Trust Board could meet with the Board prior to the Governing Board meeting. Dr. Stegeman advised that past practice is that the members could attend the meeting and when the item comes up during the meeting; Janet Underwood will update the Trust Board as to when to attend. A discussion about the meeting schedule was held. The next meeting was supposed to be in January although the Board is comfortable with that. Mr. Povinelli advised that they can still provide the financials on a monthly basis for Ms. Underwood to distribute to the Trust Board. Dr. West adds that he is interested in pharmacy cost per the excel chart that was sent out. The ratio is about 17% above than in prior years and RX is paid very quickly and could we expedite this meeting (with US Script) to see why the costs are higher. It was agreed to invite US Script to next meeting. Mr. Mansfield added that with Ms. Underwood sending the financials to them a meeting can be called if something comes up.</td>
</tr>
</tbody>
</table>

Next meeting is January 17th – invite AmeriBen and US Script. Adjournment motion was seconded by Dr. Stegeman, and all approved 3-0. Adjourned meeting at 6:55pm

Approved this __________ 1st ______ day of ______ November 2011 ______.

TUSD EMPLOYEE BENEFITS TRUST BOARD

By ________________________________

Dr. Neil R. West, EBT Board Chair

Segal will update the Reserve Policy accordingly with an Amendment.

The Trust Agreement will actually go to the Board on October 25, 2011.