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

December 4, 2012  
5:30 p.m.  

MINUTES

**Committee Members Present:**  
Dr. Neil West  
Dr. Stegeman  
Yousef Awwad  
Mark Mansfield  
Robert Harbour

**Others Present:**  
Janet Underwood – Recordkeeper  
Louis Montoya – Buck Consultants  
Debbie Hainke – AmeriBen  
Tom Hedges, BettyAnn Ritter, Patricia Cusick Tanabe – Wells Fargo

<table>
<thead>
<tr>
<th>MEETING CALLED TO ORDER</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting called to order at 5:30 p.m.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CALL TO THE AUDIENCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No one requested to speak.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QUORUM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A quorum is present.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INFORMATION / ACTION ITEMS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. West asked the Board to move the Wells Fargo presentation to the front of the meeting. The board is agreeable.</td>
<td></td>
</tr>
</tbody>
</table>

**New Business – Wells Fargo Presentation (moved up)**  
Betty Ann Ritter explained that TUSD’s CFO, Yousef Awwad, was interested in alternative investment options for the Trust.  
Dr. West requested that Wells Fargo review what they currently manage for the District. Ms. Tanabe explained that Wells Fargo has been providing the District with banking services – deposit and treasury management services, and card services. Tom Hedges also has been managing the TUSD Workers Compensation Self Insured plan for many years.
Mr. Hedges has worked for the bank for 29 years. The Workers Comp Self Insured trust is at $10 million and they do not charge a management fee. The proposal today is very similar to what they are doing with the TUSD Workers Compensation Self Insured plan.

Mr. Hedges stated that with there was a merger of Wells Fargo and Wachovia; with that comes expanded products and the ability to deliver. They are growing while others may be downsizing. Mr. Hedges provided a presentation handout to the Trust Board members. The handout shows us that every product is available to TUSD; the Self Insured Workers Compensation side uses the middle section (Brokered CDs, US. Treasury Securities and US Agency Securities).

Dr. West and Mark Mansfield stated that the main concern of the Board is the rate of return currently being realized and that funds need to be there to provide healthcare funds to the members and we would be interested in safe investments. Mr. Hedges agreed that no one wants to see a loss, and primarily works with an investment policy. Mark Mansfield's expectation would be to have the Board write its own Investment Policy.

Mr. Hedges stated that the coast to coast of Wells Fargo and Wachovia now has over 30 combined offices. Mr. Hedges’ job is to put the puzzle pieces together on the investment side – safekeeping, money moving back and forth to purchase securities, and holding securities. The Wells Fargo president/CEO provides that Wells Fargo works in a team of bankers and brokers and a savings account option is available at 25 basis points, which exceeds the County LGIP.

Mr. Hedges provided an overview of the investment curve, and showed A-rated Corporate Bonds which is close to where brokered CDs are running. This is why the Self Insured Workers Comp trust is in brokered CDs, which are diverse and all insured. If a bank defaults, Wells Fargo manages the process and the FDIC is very swift in action. Mr. Hedges projected a 3 year ladder of CDs off of their inventory; the CD inventory has been reducing due to an end to insurability.

Ms. Tanabe said that the law changes on Jan 1st; the FDIC covers the first $250k and then TUSD would be fully (overly) collateralized. Mr. Hedges continued the overview of the ladders’ details and exceptions. The cash account can be a bank account or a money market, but Title 35 (public funds) does not permit a money market. Mr. Awwad stated that TUSD would adhere to the Title 35 rule. Wells Fargo can link the account to AmeriBen to continue how claims are paid currently.
Mr. Hedges stated that rates could remain low, as we’ve seen in the market. TUSD would have to decide the maturity rate as a longer maturity rate provides a higher return; there is a risk that if rates increase, you are locked in at the lower rate. There are no call features on this and it would roll down the curve.

Detailed discussion followed regarding logistics, penalties, etc: Dr. West asked what the logistics of moving the funds from the County to the Wells Fargo side and it is as simple as acquiring Governing Board action and then opening the Wells Fargo account, under the existing RFP with Wells Fargo.

Mark Mansfield asked what the penalty is to get out of 5 year CD; it would have to be sold in the open market per Mr. Hedges. Dr. Stegeman felt with the Trust reserves a 5-year CD is acceptable. Mark Mansfield felt that the District’s tough economic situation that the District may not want to fund the Trust with as much as current rates and that the Trust’s job is to allow for proper reserves.

It was determined that our annual claims and expenses last year were about $29 million. Mr. Hedges offered that TUSD would probably want keep at least $5m in the bank account as readily available. Dr. West stated we are fairly embryonic as a self insured plan and since we are dealing with health care costs it makes a difference in what can be invested.

Buck Consultants can provide an investment policy that mitigates risk and does not just chase returns. Dr. West’s experience is that a band is identified and gives the broker the authority to move within the band, and it was determined that the Trust has the ability to to then offer the investment policy to the Governing Board.

Dr. Stegeman added that he is comfortable with the CD portfolio. Per Louis Montoya, the CD partners may be limited by its investment policy and which banks are acceptable. Mr. Hedges stated there bank is linked / encouraged to work with investment side and those banks must go through the Wells Fargo credit review process as there is no longer a great rating system for banks.

Mark Mansfield made a motion that Buck work with Wells Fargo to recommend an Investment Policy to present to the Trust Board in a two step process – current market and an option to adjust to a more appropriate mix should the market so deem; Mr. Awwad seconded the motion; the motion was called and carried 5-0.

Dr. West asked if this could be accomplished by 1/14/13 and Buck said it would be very preliminary; Dr. Stegeman added that he feels the Trust Board should take advantage of this. Yousef Awwad would like to see what other Districts are doing also before a decision is made on the investment policy. Mark Mansfield is interested in actuarially how much money can be tied up. Wells Fargo exited.

Lou Montoya/Buck Consultants to work with Wells Fargo to develop a draft Investment policy for the Trust Board.
Review Minutes
The 10/16/12 minutes were reviewed and a motion was made by Mark Mansfield to approve the minutes; Bob Harbour seconded; motion carried 5-0.

Old Business

**ESRD** – Debbie reported that the report will need modification in order to make the report more meaningful, and to provide the specific drug in place of the J code, and the place of service. This is pended for the January meeting (Monday, 1/14/13).

Review Financials

Mr. Awwad provided an overview of the financials (Sept & Oct). Sept is the end of the benefit year; copies were provided to the TB. Finished the year with a IBNR of $4.8 M (Sept) and unrestricted fund balance of about $15.6 m; total fund equity is $18m in addition to IBRN. Actual expenditures incurred, and last year we gained $134k. There is potential we can gain more with a move to a bank account; Payroll expenses of about $60k expense including FICA, etc. Fees expenses per provider are listed. Medical claims were at $21M and about $5m in Rx claims. Spent $22.9m in expenses and about $22m in more revenue. Bob Harbour asked if the audit has commenced and Yousef said it is in its conclusion; benefits will be audited as of June 30th. There are no preliminary audit findings at this point for the Benefits Trust.

For the IBNR, Bob Harbour asked how it compared to one year ago; $4.5m was the IBNR per Dr. West and now it is $4.8m (see last page of Sept statement). Dr. West referred also to the Stop Loss, and we show that $71k is a stop loss reimbursement. Mr. Awwad noted that we need to review stop loss setup at another meeting and asked Buck to come back and clarify for the Trust Board. A brief discussion was held to regarding how to show any savings and this is what we need to address precisely also at a future meeting and that the “Specific” should be referred to as an “Aggregating Specific.”

Consider any New Appeals or Subrogation:

*Update regarding 2nd level appeals from October 2012 meeting:*
  - The Trust Board was provided with the notes by Buck’s attorney related to the use of tolling for the other prior 2nd
level appeal; specifically, we learned that it was not inappropriate to allow the use of tolling in this case. The Trust Board would have to determine if the use of tolling will be permitted in this case; Yousef Awwad made a motion to permit the use of tolling in this case and Mr. Harbour seconded the motion; the motion carried 5-0. AmeriBen will bring the claim details to the next meeting for the Trust Board to review the appeal at that time. The use of DRG in the hospital claim will be reviewed also by AmeriBen.

- Appeal with Mental Health Diagnosis claim which was brought previously as a 2nd Level appeal. There is exclusion in the Plan for this but there is also a modifier that permits coverage if there is a mental health condition diagnosis. AmeriBen has researched the patient records and has reported that there is mental illness diagnosis and AmeriBen would like to re-process the claim. Yousef Awwad was concerned that this mistake was made twice and that there is some assurance that we do not go through this again.

AmeriBen realizes this and the issue was addressed with the processor and that the language, while it appeared conflicting, should have been processed correctly. They do address mistakes with the entire department. Louis Montoya asked that the process be reviewed; the Trust Board should hear only correct 2nd level appeals and we want to be sure the process and training will prevent a reoccurrence. AmeriBen provided that before any 2nd level appeals are brought to the Trust Board, an Appeals Supervisor is reviewing the claim. If permitted to reprocess, AmeriBen can process expeditiously as well as contact the physician. Mark Mansfield made a motion to reprocess this claim and Dr. Stegeman seconded; the motion was voted and carried 5-0.

- A new 2nd level was presented by AmeriBen which has exceeded the appeal timeline, and there are no extenuating circumstances. According to TUSD Plan Documents, due to the untimely appeal the Trust Board will not hear the appeal.

New Business

**Presentation to TUSD Governing Board**

The new TUSD Governing Board members will be in place in January 2013. Dr. West asked for suggestions as to when the new Governing Board should be provided an update; Dr. Stegeman suggested February 2013. Janet Underwood will coordinate this.

Janet Underwood will coordinate a meeting with the Board office for the Trust Board Chairperson and the CFO.
**Metabolic Foods**
Ms. Underwood notified the Trust Board that a member wrote to Congressman Barber regarding TUSD’s coverage of metabolic foods. The Plan determined that TUSD is covering this area appropriate and AmeriBen notified the Congressman and the employee.

**Plan Expansion Discussion/ Expanding etc** – Dr. West
Dr. West recounted that past discussion have been held to increase the pool to reduce the risk. Dr. West said that most other entities have their own plans and there are differences to get them on a uniform plan that would cover all districts; due to this Dr. West felt that perhaps we cannot get to this. He noted that Pima county has moved to a self insured plan and that we know we would like to incentivize wellness in the future.

Yousef added that some smaller districts have joined other trusts such as ASBAIT, ASHIP or Valley Trust but it may not be possible to expand ours to other districts. Mark Mansfield notes there can be significant differences in philosophy or funding. Mr. Awwad also noted that if we moved to a different setup it would dissolve the District’s Trust Board as we’d be joining a larger entity. Other forms of plan expansion can be discussed in a future meeting as Plan Expansion/Plan Merge Options (January agenda).

**Review Plan Expenses**
Yousef Awwad wanted to review plan expenses that TUSD is currently absorbing such as Buck Consultants, COBRA, and other aspects. Yousef feels strongly that these are expenses that should be allocated to the Trust starting with this fiscal year. Dr. West agreed that in the HIPAA aspect this is true and the additional costs should be absorbed within the Trust.

There was discussion of the amount of time used for the medical plan and the use of Benefits staff time. The TUSD culture needs to change in order to provide more automation in the District. Bob Harbour would like to see the fully insured costs to the District prior to the plan going self insured; he felt that enrollment activities are a basic function. We need accurate percentages of benefits staff and management time spent on the Trust for the self insured plan. The Trust Board reviewed the costs of Benefits consultant since the inception of the plan and review of the salary costs. This cost analysis will be revisited at a future meeting.

Dr. Stegeman made a motion to reimburse TUSD for fiscal year 2011 and fiscal year 2012 benefits consultant’s fees and COBRA fees and continue to pay those fees going forward (per the schedule provided in the meeting, to reimburse the district at this time of $292,400). The motion was voted and carried 5-0.

Janet Underwood will prepare a formal sign-off of the expenses for the Chairperson to provide to Finance.
Yousef noted that processes are being reviewed and issue logs are being kept. Mandatory training was held by Payroll, Finance and Purchasing were held to educate the workforce. The E-Benefits area is being looked at and what the cost will be. PeopleSoft maintenance is difficult due to our old version, and the customizations.

The topic of Trust Board member diversity, succession, and alternates and a review of the Trust Board Agreement will be added to the January 14, 2013 agenda.

The next meeting is Monday, January 14, 2013 at 5:30pm. A February date was set for February 11, 2013.

The meeting adjourned at 8:05pm

Approved this __________ day of _________________.

TUSD EMPLOYEE BENEFITS TRUST BOARD

By ____________________________

Dr. Neil R. West, EBT Board Chair