



2020 Health Care Benefits Trust Board Minutes

Regular Meetings

March 5, 2020

June 18, 2020

July 30, 2020

November 19, 2020

These minutes are fully searchable within this year by using the "Find Feature".

HEALTH CARE BENEFITS TRUST BOARD

MINUTES OF THE MEETING OF

THURSDAY, MARCH 5, 2020

CALL TO ORDER & ROLL CALL:

Ms. Allen, Chairperson, called the meeting to order at 4:01 p.m. in the Chandler Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Ms. Allen, Mr. Bohnert, and Ms. Bond attended in person. Asst. Chief Gale and Mr. Myer attended via telephone.

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Lynna Soller, Benefit Programs Manager; Dawn Lang; Management Services Director; Kristi Smith, Accounting Manager; Rowena Laxa, Assistant City Attorney; Julia House, Human Resources Management Assistant & Recording Secretary.

INVITED GUESTS:

Amy Girardo, Segal Consultants

APPROVAL OF MINUTES:

Mr. Allen asked for a motion. Mr. Bohnert made a motion to approve the minutes of November 14, 2019. Ms. Bond seconded the motion. The vote was unanimous to approve.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

None.

BRIEFING ITEMS:

a. Medical Trust Actuarial Report – Segal Consultants

Amy Girardo advised the Board that on Page 1, the contributions for 2019 were slightly lower at \$21.9M vs. \$22.3M from 2018. The net medical paid claims for 2019 were slightly higher at \$14.5M vs. \$14.2M from 2018. The net pharmacy paid claims were \$4.2M in 2019 vs. \$4.2M in 2018. As we roll up the total claims, they were \$18.7M in 2019 vs. \$18.4M in 2018. Claims were up about \$300K and once we build in the stop loss and administrative expenses, the total claims and expenses were \$21.5M in 2019 vs. \$21.1M in 2018. That leaves a surplus of \$312K for 2019 and in 2018

there was a surplus of \$1.1M. We had previously discussed that 2019 claims were running a bit higher than in previous years but the fund was still alright. The loss ratio for 2019 was 99% vs. 95% in 2018. The per employee per month (PEPM) increased 2.8%.

The pharmacy year-over-year cost for generic drugs was down 34.4% at \$416K vs. \$635K. Brand preferred was down slightly by 2.6%. Brand nonpreferred was up 14.8% and specialty drugs were up 42%. We saw some additional specialty drugs that moved into the overall spend. Overall, though, there was a total of \$3.1M for 2019 vs. \$3M for 2018. Total spend was not out of control but we did see some changes in the overall spend mix. The pharmacy retail scripts per member per year (PMPY) was down by 11%. The percentage of mail order stayed at the 2.5% range and is still a very low percentage. The generic dispensing rate is at 80.5% and some other groups have moved more towards the mid-high 80's. It looks like the City generic dispensing rate is lower than the market trend. This may be an area to dig deeper with Blue Cross Blue Shield to gain an understanding as to why this may be happening. Generic plan paid/script is at \$14.59 for 2019 vs. \$21.59 for 2018. Amy Girardo was thinking it may have something to do with the mix of generic drugs and lower generics and possibly some items have moved to the brand category which is up 7.7% overall on a script basis. The specialty plan paid /script has gone up by 19%. Overall, when we look at the rollup, the total cost per script has only gone up 6.9% which is in line with something closer to what we are seeing on a national average. There may still be some opportunity to move more toward increasing the generic spend.

The enrollment remains stable. The large claims are currently at 27 in 2019 vs. 20 in 2018. They accounted for \$5.4M in 2019 vs. \$3.7M in 2018. In all, large claims represent 27.8% of the total claims for 2019 vs. 20.2% in 2018. Even though this group is a good size, but with a few large claims it can look like you are having some volatility. There will be up years and down years and last year was an uptick in the large claims. The bed days per 1,000 increased by 35% and average length of stay was up 49.8% which is probably being driven by some of those large claims. The in-network usage and discounts continue to trend very well. The member cost share percentage was up slightly due to some of the large claims and the continued shift into the white plan. Some people are now meeting the deductibles and out of pocket maximums as we see the claims uptick in the white plan.

Page 2 is a year-over-year snapshot of 2019 and 2018 claims and expenses. What we are focused on is the total loss ratio at 98.6% for 2019 vs. 94.8% for 2018. In 2018, when we compare contributions coming in to claims and expenses going out, almost 95 cents of every dollar was paid out which gave the fund a surplus of \$1.1M. In 2019, comparing contributions to claims and expenses, almost 99 cents of every dollar was paid out which gave the fund a surplus of \$312K.

Page 3 shows the enrollment based on plan, actives, and retirees. In general, there was 39% in the red plan, 57% in the white plan, and 4% in the blue plan. The blue plan enrollment continues to diminish by a percent or two every year. If there is a large claim in the blue plan it makes the numbers change dramatically.

Page 4 compares the medical and pharmacy claims by plans based on actives, retirees, and all plans in each plan. In 2019 there was an increase on a PEPM basis under all of the plans. By the end of the year PEPM for claims and expenses for 2018 is was \$919 and 2019 was at \$967. We did see increases across all plans.

Page 5 shows the graph of actives and retirees of contributions vs. claims and expenses. The loss ratio for the actives was 94%, and the retirees were at 195%. The retirees are a small portion of the claims group and you will see more claims volatility within that particular group. About 99.9% of the time, when you have a retiree group that is not a Medicare group, you will see a higher claims experience than the active population. The white plan on the actives side has a loss ratio of 80%. We have seen lower percentages in past years. Even the white plan is showing increased claim activity.

Page 8 shows the 2019 Contributions and Expenses by Status and Plan. This is another way to look at the same information broken down by actives vs. retirees for enrollment, contributions, and claims and expenses. On the active side, all plans ran at a surplus by \$66 PEPM. If we roll everything up for retirees they have a deficit of \$861 per retiree overall. The retirees are 10% of enrollment, 8% of contributions, and 15% of claims and expenses. The actives are 90% of enrollment, 92% of contributions, and 85% of the claims and expenses. The retirees do have other options through ASRS, for example.

Page 9 lists the 2019 incurred medical claims paid in excess of \$100K. There are 27 large claims over \$100K. Four of the large claims were over \$300K. One claim is almost \$900K.

Lynna Soller advised the Board that the large claims are now a much higher numbers in terms of total dollars than what we have seen in prior reporting periods. The largest claim in prior years was in the \$400K range. We are now getting close to the \$1M range.

Amy Girardo advised the Board that she has seen claims in other groups of up to \$2M and the cost is dependent on what is happening in a population. \$900K is getting really high for our plan.

Page 10 shows the snapshot of medical and pharmacy claims month-over-month for 2019.

Questions and Answers from the Medical Trust Actuarial Report:

1. Ms. Bond asked who oversees the decision for using generic drugs.

Amy Girardo advised the Board that the decision is a combination of the doctor and patient making the decision. Based on plan design and clinical program, you can steer the decision toward generics. This would be a good opportunity to discuss this issue with Blue Cross and Blue Shield for next year to structure the generic program differently.

b. Financial Statements including Wellness – Management Services

Statement of Net Position as of December 31, 2019

Kristi Smith advised the Board that the financial statements are unaudited. The annual audit is underway. There will be additional adjustments posted before the final audit numbers are available. The total assets at December 31, 2019, were \$17.9M which is up \$584K over prior quarter. The total liabilities are at \$3M which is down about \$47K, leaving an unrestricted net position of \$14.9M.

Statement of Revenues, Expenses and Changes in Net Position as of December 31, 2019

Kristi Smith advised the Board that the 2019 Budget column is 100% of the budget for the year. The total operating revenues is at \$22M which is slightly under budget by \$439K. The total operating expenses were \$21.5M which is just under budget by \$994K. When you compare the revenues to the expenses, the operating income is \$491K. The nonoperating revenues and expenses total \$485K giving a change in net position of \$976K. The net position is at \$14.9M which agrees with the Statement of Net Position.

Statement of Cash Flows as of December 31, 2019

Kristi Smith advised the Board that the Statement of Cash Flows shows where the cash was paid to and received from by activities such as operating activities, noncapital financing activities, and investing activities. The cash and cash equivalents total \$4,999. Total cash and investments is at \$17.4M and that agrees with the Statement of Net Position.

Wellness Programs Tracking Report as of December 31, 2019

Kristi Smith advised the Board that the Wellness Report shows several years' worth of activity with the funds received from Blue Cross & Blue Shield annually. The report shows the 2019 revenue of \$25,000 with expenses in 2019 of \$21.3K giving a cumulative balance remaining available of \$79.3K.

Questions and Answers from the Financial Statements including Wellness:

None

c. Investment Reports – Management Services

Kristi Smith advised the Board that there were two rate cuts in the previous quarters on July 31st and September 18th. There was an additional rate cut on October 30, 2019. We again received another rate cut on March 3, 2020. These cuts will play a factor in the future.

Page 9 shows the Portfolio Statistics for the yield at cost of 2.21% which was down slightly from 2.22% in the previous quarter.

Pages 10-11 shows the Sector Allocation for the past quarters. It has been very constant from September to December and does not show much change.

Page 13 shows the Maturity Distribution and the yield at market is 1.65% compared to the Benchmark of 1.6%. If you compare the 1.65% to the previous quarter of 1.74% it is down slightly.

Page 14 shows the effective duration and the Trust is at 1.78% which is down from the previous quarter of 1.85%, but still in line with the Benchmark of 1.8%.

A question that came up previously was on the money market funds and what the interest rates are. The Wells Fargo portion (Page 8) are at .3% and the PFM Funds are at 1.5%. Those are basically liquid funds that are available. We are looking to incorporate those rates into the future reports.

Questions and Answers from the Investment Reports:

None.

d. Review of 2020 Meeting Dates – Human Resources

Ms. Allen asked the Board to review the dates of either Thursday, July 30 or Thursday, August 6 instead of Thursday, August 20th. The Board discussed their options. The Board is available on Thursday, July 30, 2020, and voted to move the August 20, 2020, meeting to Thursday, July 30, 2020.

ACTION ITEMS:

None.

DISCUSSION ITEMS:

Dawn Lang advised the Board that the City Manager has asked that in the Board and Commission meetings that we mention the 2020 Census that is around the corner and remind Board members, along with their family and friends, to please fill out the post card that will be mailed. National Census Day is April 1, 2020, for Arizona Cities and Towns and across the Nation. Every person counted means State shared revenue for our Cities.

Ms. Allen asked about an electronic option.

Roni Laxa advised the Board that there is an online option for the Census.

MEMBER COMMENTS AND ANNOUNCEMENTS:

None.

CALENDAR:

- a. The next scheduled meeting is June 18, 2020 (Combined)

INFORMATION ITEMS:

a. **Agenda Items for Future Meeting Dates**

Medical Trust Actuarial Report

Medical Trust Financial Audit Report

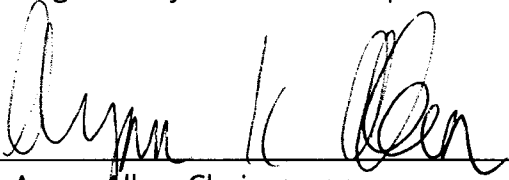
Financial Report Including Wellness

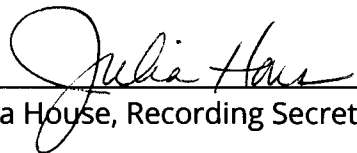
Investment Report

Election of Chairperson, Vice-Chairperson, and Secretary

ADJOURNMENT:

The being no other business, Ms. Allen, asked for a motion to adjourn. Ms. Bond made a motion to adjourn and Mr. Bohnert seconded the motion. The vote was unanimous to adjourn and the meeting was adjourned at 4:30 p.m.



Ms. Ayana Allen, Chairperson

Julia House, Recording Secretary

HEALTH CARE BENEFITS TRUST BOARD

MINUTES OF THE MEETING OF

THURSDAY, JUNE 18, 2020

CALL TO ORDER & ROLL CALL:

Ms. Allen, Chairperson, called the meeting to order at 4:03 p.m. in the City Hall, Second Floor Training Room A, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Ms. Ayanna Allen, Mr. Alex Myer, Assistant Fire Chief Val Gale, Mr. Mike Bohnert, and Ms. Terry Bond attended.

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Lynna Soller, Benefit Programs Manager; Dawn Lang, Management Services Director; Sherry McGlade, Accounting Supervisor; Rowena Laxa, Assistant City Attorney; Julia House, Human Resources Management Assistant & Recording Secretary.

INVITED GUESTS:

Amy Girardo, Segal Consultants
Mike Hoerig, Heinfeld & Meech

APPROVAL OF MINUTES:

Ms. Allen confirmed that the Board reviewed the Minutes of March 5, 2020. Ms. Allen asked for a motion. Ms. Bond made a motion to approve the minutes of March 5, 2020. Mr. Myer seconded the motion. The vote was unanimous to approve.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

A call to the public was made with no response.

BRIEFING ITEMS:

- a. **Medical Trust Actuarial Report – Segal Consultants**

Amy Girardo advised the Board that Page 1 of the report shows the Contributions at March, 2020, were \$21.8M vs. \$22.2M from the prior period which could be due to a continued shift to the White Plan. The Net Medical Claims are at \$14.5M vs. \$14.6M in the prior period. The Net Paid Pharmacy Claims are at \$4.4M vs. \$4.25M from the prior year. The comparison of the Total Claims was at \$18,897,884 as compared to \$18,923,250 from the prior year. When adding in the Stop-loss coverage, the plans are running neck-to-neck from the prior year. The Surplus is at \$136K which is down from \$581K last year. The Loss Ratio is at 99% which is up from 97% last year. We are seeing an increase in large claims as we move through the year. With COVID-19, we are seeing an increase in claims from March and we predict that increase through June or later.

In Prescription Drugs, Generic drugs have decreased almost 35% in costs. The Brand Preferred is also down by 8.3%. The Brand Non-Preferred and Specialty drugs are up. There are some people on drug therapies that are more expensive. Overall the Total Pharmacy spend is up 3.5%. The Mail order Prescriptions are remaining steady at 2.6% of all claims. The generic dispensing rate is fairly consistent. It is low as compared with other clients who are at the mid-to-upper 80% level. There is a review with Blue Cross Blue Shield coming up and we will be able to gain a better understanding why the generic rate is lower. There may be movement from Generics to Specialty Drugs as the Specialty Scripts are up 25.7%.

The Enrollment numbers are very consistent year-over-year. The demographics are also consistent. The Large claims are up 32.4% which accounts for an increase of 26.6% of the claims spend. The increase in large claims started last year and is continuing into this year. The number of Bed Days and Length of Stay has also increased. The In-Network Allowed percentage and Discount from Billed continue to look good. The Member Cost Share vs. the Plan Paid is very consistent with the prior year.

Page 2 shows the rollup of the medical and pharmacy contributions and expenses. The Loss Ratio for 2019 was at 98.6%. The surplus, at that time, was \$310K. Through March, 2020, there is a 95% loss ratio which is lower than the 98.6%. This time last year the plan was at 92% which shows an increase from the current 95%. There was Stop-Loss reimbursement of \$136K through March. Last year there was a total Stop Loss of \$794K. The Total Paid Claims and Expenses are at \$5.2M through March and compared to Contributions of \$5.4M shows a surplus of \$274K through March.

Page 3 shows the enrollment by status and plan and at a high level look shows a shift out of the Red Plan to either the Blue Plan or the White Plan. The White Plan is at 57% of the total enrollment.

Page 4 is the Medical/Rx Paid Claims by plan and status and shows an increase in the Retiree costs in the Red Plan and White Plan. Overall, the Plans have trended upwards from this time last year. We see an upward trend throughout the year.

Page 5 shows the detailed Enrollment by Plan. The Total Loss Ratio is currently at 97% for all Plans. The Retiree contributions loss ratio is at 226%.

Page 6 shows the Enrollment by Tier Year-to-Date.

Page 8 shows the 2020 Contributions and Expenses by status and plan. The Active All Plans is at a \$151 per employee per month surplus. Overall for all plans, the Retirees are running a deficit of \$1,098 per retiree per month. The enrollment for the Actives is 90% with a contribution of 92% with claims and expenses at 81%. The Retirees have 10% of the enrollment, 8% of contributions, and 19% of claims and expenses.

Page 9 shows the Large Claims of 11.5% for a total of \$537K.

Page 10 shows the Trend Report that tells the story of the prior 12 months. The Net Medical Trend is at -0.5%. As the year continues there will be a lot of ups and downs due to COVID-19. The pharmacy claims are trending up 4.5% which is reasonable; however, there is an uptick in the Specialty Drug area.

Questions and Answers from the Medical Trust Actuarial Report:

- 1. Terry Bond asked about the trends in claims and pharmacy and wanted to know if there was anything that would initiate any recommended changes in the plan design to make a significant impact, especially with the Retirees? Based on the baby boomer population, is the City seeing a higher number of Retirees on the Plans?**

Amy Girardo advised the Board that with COVID-19, there is a decrease in March/April/May for other general care showing a slowdown in non-COVID-19 claims. We cannot predict how this will continue throughout the year. As people put off care until later, it may show more costly medical claims later on. There may be a 1-3% potential increase in trend due to COVID-19. There may be some offset to that increase due to the delay in people having regularly scheduled procedures such as physicals and colonoscopies. We are seeing an increase for Chandler in large claims and the costs of those claims during the last six months and the first three months of 2020. Those claims will continue due to their conditions. The Stop

Loss will cover the larger claims of \$300K plus, but as the large Stop-Loss reimbursements are applied, it will reflect in an increased cost of the premiums for the Stop Loss insurance.

Lynna Soller advised the Board that the loss ratios have deteriorated significantly for the retirees. For every dollar of Retiree contributions – the Trust is spending two dollars in claims. This is a function of eligibility that the City has in place. Employees, when they retire, may remain on the City health plans at the retiree contribution rate. There are other options for coverage through the State ASRS plans. Not every retiree continues on the City Plans and may have eligibility through a spouse or another employer. If they choose to remain on the City Plans, the City retains the risk and has that exposure – with a small group of people – but a large claims impact.

b. Medical Trust Financial Audit Report – Heinfeld & Meech

Mike Hoerig advised the Board that in the packet is the Governance Communication Letter dated May 11, 2020. This letter is required under auditing standards and is provided to the Board of Trustees as an Executive Summary of the audit. The Qualitative Aspects of Account Practices section is a note to the Trustees to be familiar with the financial policies and financial statements of the Trust. It also talks about estimates and that most financial statements that governments issue, including this Trust, includes some components of estimates and we have to make sure the IBNR (incurred but not reported) provided by Segal Consultants is consistent with industry standards. The financial statements do include some estimates and that is something that is part of our audit plan as well. The section of Difficulties Encountered in Performing the Audit is stating that there were no difficulties with management encountered during the audit. The Audit Adjustments section is stating that there were no audit adjustments that were indicative of errors of the general ledger or internal control items related to financial reporting. The section on Disagreements with Management is stating that there were no disagreements with management. The section on Responsibility of Fraud is there to make the Board aware of fraud and the responsibility for fraud. It is a discussion on being aware and having internal controls that would filter out any fraud issues or create any red flags for a further investigation. There was no fraud detected as a part of this audit. We have also included a checklist that we provide all our governmental clients to trigger a dialogue between the Trustees and Management.

Also included is a copy the Engagement Letter and Management Representation letter between the City of Chandler and Heinfeld Meech that starts and ends the audit.

Page 1 of the Audit is the Independent Auditors Report and we are happy to report that it was a clean and unmodified audit opinion which means that as a result of the audit procedures, we came across no adjustments that were indicative of material misstatements of the financials.

Page 5 in the Financial Analysis is the Management's Discussion and Analysis (MD&A) which allows management to explain what is happening with the Trust at a very high level. The table summary of the net position shows a growth of \$1.3M or 8%. The primary drivers there are the increases in U.S. Treasury investments and there have been better returns there by parking some cash in those vehicles which was about a 4.7% in investments. Offsetting that was a decrease in the receivables due from the City of \$3.4M. There is a give and take with the City because of the due to and the due from is a timing issue and at the end of 2019 there wasn't as much due to the Trust and they had the money by year end. On the liability side, it is an increase of \$751K or 28%. The growth there is in the IBNR estimate which went from \$1.1M to \$1.5M at the end of 2019. It is an estimate of the claims that are incurred but not reported to reflect the increase of claims.

The total Revenues were down by 1%. There was growth in investment income of \$275K because of improving market conditions. Contributions were down due to contribution rates remaining steady and movement between plans. The Expenses grew by \$1.1M due to the change in the IBNR which is a positive \$420K. The net effect was about \$700K in expenses. There was an increase in claims being paid of \$282K due to, mainly, retiree claims and large claims.

Page 7 states that the IBNR goal is calculated at \$5.3M and the ending net position is at \$14.5M and it shows that the Trust is clearly meeting the goal by 2.7 times the goal. Last year the calculation was at 2.8 times the goal.

Pages 8, 9, and 10 are the actual full financial statements.

Page 13 and 14 are the Notes to the Financial Statements. The cash and investments portion contains the investments summary.

Page 16 Claims Payable shows a snapshot of what the Trust owed for known or unknown claims that the IBNR is part of this number.

Page 18 is the Independent Auditor's Report which is the report of internal controls over financial reporting and compliance. If during the audit procedures we found issues, errors, fraud that was material in nature, it would be reported in this document. We did

not identify any deficiencies in internal control that we consider to be material weaknesses. There were no findings with respect to government auditing standards.

Mike Hoerig advised the Board that the City staff did a great job as they make the audit run very smooth.

Questions and Answers from the Medical Trust Financial Audit:

None

c. Financial Statements including Wellness – Management Services

Statement of Net Position as of March 31, 2020

Sherry McGlade advised the Board that the total assets were \$17.9M which was down \$46K from last quarter. Total liabilities were \$3.8M which was \$449K more than last quarter. Most of that is due to City line item which is the back and forth between the City and the Trust. The total net position was \$14.04M which was a reduction from last quarter of \$495K. The updated IBNR and two months costs as projected by Segal is at \$5.3M which is an increase of \$398K from prior reports.

Statement of Revenues, Expenses and Changes in Net Position as of March 31, 2020

Sherry McGlade advised the Board that the prorated budget for total operating revenues was \$4.9M and the actuals were at \$4.8M which is just under budget by \$105K. The total operation expenses per the prorated budget were \$6M compared to the actuals of \$5.3M which is a savings of \$750K. Most of that is due to the lower claims that were paid out for this period and that may adjust as we move forward through the year. Also, the health savings and flex spending account contributions budget for this line item was \$387K and the total payout was \$252K showing a permanent savings of \$136K which will help the bottom line for this year. The net operating loss was \$473K for the first quarter compared to the prorated budget of just over \$1.1M. This large loss was due to the estimated timing of collections from premium versus the timing of our expenditure payouts. The nonoperating revenues shows a loss in the investment earnings of \$22K. The total change in net position for the quarter was \$495K reduction in the net position. The total net position was \$14.4M with ties with the Statement of Net Position.

Statement of Cash Flows as of March 31, 2020

Sherry McGlade advised the Board that the cash flows from operating activities is the net of the collection of premiums less payments for claims and other operating expenses. The total for the quarter was \$363K. We used those dollars in the cash flows from investing activities where there is a negative cash used for (\$-363). We left behind a \$1 to put in our checking account to leave an even \$5K. The next section is the reconciliation of operating income to cash provided by operating activities. It starts with the operating loss of \$473K and considers all of the adjustments that were made on the balance sheet to prove that the net cash provided by operating activities is \$363K. The total cash and investments are \$17.8M which matches the balance sheet.

Wellness Programs Tracking Report as of March 31, 2020

Sherry McGlade advised the Board that the wellness programs shows the last several years of activity. The quarter through March 31, 2020; the total program expenses were \$5,330.56. The wellness funds from Blue Cross Blue Shield of \$25K have already been received to cover any wellness expenses. There have not been a lot of expenditures due to people being out of the office and social distancing. That leaves the total balance of \$99K.

Dawn advised the Board that there have been many activities through the wellness Facebook page in the wellness program that have not cost the Wellness fund any money. There have been 5K activities, and many other "on your own" activities.

Questions and Answers from the Financial Statements including Wellness:

None

Assistant Fire Chief, Val Gale, had to leave the meeting due to a prior commitment.

d. Investment Reports as of March 31, 2020 – Management Services

Sherry McGlade advised the Board that the first page of the report is the Quarterly Market Summary. The year started strong but the momentum of the eleven year long Bull market was abruptly cut short by the COVID-19 pandemic. The Fed responded with 2 rate cuts and also by infusing the market with funds to encourage investments and lending.

Page 9 shows the yield at cost at 2.06% which was a reduction from the prior quarter which was 2.21%. The cuts during the first quarter happened in March and the full effects of that will continue into the 2nd quarter.

Page 11 shows the sector allocation as the amount of funds in each investment types. U.S. Treasury is \$9.8M and Federal Agency/GSE is at \$3.1M. The U.S. Treasury has increased by \$993K and that is a movement out of the Federal Agency which has decreased by just over \$1.1M. The Corporate funds had a slight increase of \$266K and in CD's of \$175K. The money market increased by about \$360K due to transferred money into the funds.

Page 12 shows the sector allocation differences in quarters starting from June 2019. They show a consistent movement away from Agency funds into the U.S. Treasury funds with slight increases in Corporate. In the beginning of the year there is a move away from both CD's and Supra-Nationals and then moving back a little into CD's. PFM talked about seeing some attractive opportunities in CD's but are taking their time to look for the best opportunities.

Page 15 is the Portfolio Performance and the effective duration of the Trust Funds is at 1.76 and is an increase from last quarter from 1.65. The custom index was 1.81 which was up from the prior quarter of 1.6.

Questions and Answers from the Investment Reports:

None.

e. Election of Chairperson, Vice Chairperson, and Secretary of the Board.

ACTION ITEMS:

a. Election of Chairperson, Vice Chairperson, and Secretary of the Board.

Ms. Allen asked for a nomination for Chairperson. Ms. Allen volunteered for the position of Chairperson. Ms. Bond seconded the nomination and the vote was unanimous to approve.

Ms. Allen asked for a nomination for Vice-Chairperson. Ms. Allen nominated Mr. Bohnert as Vice Chairperson. Mr. Bohnert accepted the nomination. Ms. Bond seconded the nomination and the vote was unanimous to approve.

Ms. Allen asked for a nomination for Secretary. Ms. Allen nominated Ms. Bond for Secretary. Ms. Bond accepted the nomination. Mr. Myer seconded the nomination and the vote was unanimous to approve.

MEMBER COMMENTS AND ANNOUNCEMENTS:

None.

CALENDAR:

- a. The next scheduled meeting is July 30, 2020, at 4:00 p.m. Location to be determined.

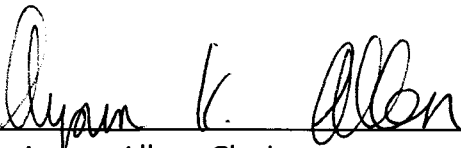
INFORMATION ITEMS:

- a. **Agenda Items for Future Meeting Dates**

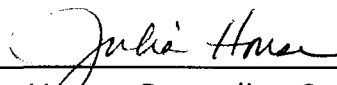
Medical Trust Actuarial Report – Segal Consultants
Financial Report & Wellness Report – Management Services
Investment Report – Management Services
Review of 2021 Rates – Human Resources
Resolution for 2021 Rates

ADJOURNMENT:

The being no other business, Ms. Allen, asked for a motion to adjourn. Ms. Bond made a motion to adjourn and Mr. Myer seconded the motion. The vote was unanimous to adjourn and the meeting was adjourned at 5:06 p.m.



Ms. Ayana Allen, Chairperson



Julia House, Recording Secretary

HEALTH CARE BENEFITS TRUST BOARD

MINUTES OF THE MEETING OF

THURSDAY, JULY 30, 2020

CALL TO ORDER & ROLL CALL:

Ms. Allen, Chairperson, called the meeting to order at 4:01 p.m. in the Council Chambers, Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Ms. Ayana Allen, Mr. Alex Myer, Assistant Fire Chief Val Gale, Mr. Mike Bohnert, and Ms. Terry Bond attended.

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Rae Lynn Nielsen, Director of Human Resources; Lynna Soller, Benefit Programs Manager; Carol Osterhaus, Benefits Analyst; Dawn Lang; Management Services Director; Kristi Smith, Accounting Manager; Rowena Laxa, Assistant City Attorney; Julia House, Human Resources Management Assistant & Recording Secretary. Other City Staff members who also attended as observers were Dani Amaya, Chris Mendoza, Mike Hollingsworth, Sandip Dholakia, Beth Chepelsky, and Kerstin Nold.

INVITED GUESTS:

Amy Girardo, Segal Consultants

APPROVAL OF MINUTES:

Ms. Allen confirmed that the Board reviewed the Minutes of June 18, 2020. Ms. Allen asked for a motion. Mr. Bohnert made a motion to approve the minutes of June 18, 2020. Mr. Myer seconded the motion. The vote was unanimous to approve.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

A call to the public was made with no response.

BRIEFING ITEMS:

a. Medical Trust Actuarial Report – Segal Consultants

Amy Girardo advised the Board that Page 1 of the report represents a data comparison of the periods of June, 2019, through May, 2020, and the prior period of June, 2018, through May, 2019. Contributions during this time were \$21.8M versus \$22.1M in the prior year. Contributions were down slightly and will be discussed later in the report. The Net Paid Medical Claims were \$14M in comparison to \$13.6M in the prior twelve months. The Pharmacy Claims are at \$4.3M vs. \$4.2M with only a \$100K difference from the prior year. Total Claims were at \$18.3M vs. \$17.9M from the prior period. Once Stop-loss and Administrative Expenses are added, the cost is at \$21.1M vs. \$20.6M from the prior period. The surplus has dropped from the prior period of \$1.5M to \$732K which is still a good surplus. The overall loss ratio is running at 97% and the prior period was at 93%. On a Per Employee Per Month (PEPM) basis, the cost has gone up 2.6% which is modest as compared to the national trend at 7-7.5%.

Looking at Pharmacy spend, overall, the generic spend is at \$402K in the current twelve months vs. the prior period at \$593K which is a 32% decrease. The Brand preferred was also down 2.4%. The Brand Non-preferred went up 8.8%. The Specialty drug category had an increase of 28.3% from \$716K to \$918K. Overall, the Prescription drug category increased 2%. The retail prescriptions were up only 0.2% and mail order prescriptions were down 3.4%. The Generic Dispensing Rate is at 80.6% with the prior period of 80.9%. Blue Cross Blue Shield has noted that the generic dispensing rate for the Trust is actually very good. Generics Plan Paid/Script was at \$13.57 vs. \$19.10 from the prior period which is a 29.0% drop. The Brand Plan Paid/Script has increased to \$300 from \$285 from the prior period with a 5.1% increase. The Specialty Plan Paid/Script has increased to \$2,228 from \$1,513 which is an increase of 47.2%. Overall, the total plan paid prescriptions have gone up 6.4%. The message is that there is nothing alarming on a total basis however we are seeing shifts in the higher cost specialty drugs.

The demographics continue to have great enrollment with an average number of members to be 4.6K. The ratio of members to employees is at 2.71 and is very consistent overall.

The Medical Utilization for Large Claims is at 20 claimants compared to 22 from the prior period; however, the cost of the large claims has gone up 32% from \$3.8M to \$5.1M. These 20 Large Claims represent 24% of the overall medical and pharmacy costs for the most recent period. There is an increase in the Inpatient Hospital Bed Days/1000 at 201.3

for the most current period compared to 145.5 in the prior period. The Average Length of stay of increased from 3.5 days to 4.9 days. This speaks to current conditions that warrant additional care. The Medical In-Network Allowed Percentage and Discount from Billed amounts are continuing to be steady. The Member Cost Share is down slightly by 3.1% due to large claims along with members who are maxing out of their deductibles and out-of-pocket maximums which means that benefits are picking up in the plan. These numbers are somewhat consistent with what we are seeing in the data.

Page 2 shows the Medical/Rx Contributions and Expenses comparing 2019 to the first five months of 2020. There has been consistent enrollment. The Contributions for 2019 were \$21.9M and through May, 2020, the total is \$9.1M. The Medical Paid through May, 2020, is at \$5.6M and there have been significant Stop-Loss refunds of \$439K which speaks to the large claims activity. The Pharmacy amount, through May 2020, is at \$1.7M and is consistent to the prior year. The Claims are at \$6.9M with Expenses of \$1.1M and total to \$8.1M with a Surplus of \$1M and a Total Loss Ratio of 88.4%. The Trust is experiencing a similar outlook from last year. Covid-19 has shown a decrease in utilization of medical in April and May creating a surplus. The health system is showing a decrease in utilization in non-emergency medical or delayed medical procedures. It is yet to be seen how Covid-19 will affect medical claims for the rest of the year.

Page 3 shows the 2020 Enrollment by Status and Plan. As of the end of May, 2020, there were 1,536 Actives and 169 Retires in the plans. There is a continued shift from the Red Plan to the White Plan. The White Plan is at 57% of the enrollment, the Red Plan is at 38%, and the Blue Plan is at 4%. With the shift to the White Plan, the contributions will decrease as the contribution for the White Plan is lower.

Page 4 shows the Medical/Rx Paid Claims by Plan and Status and shows that the Red Plan Retiree claims have increased. For the All Plans, the cost per claim is at \$868.

Page 5 shows the 2020 Contributions and Paid Claims by Status and Plan. The Total Loss Ratio is at 93%. The Red Plan is at 115% due to medical conditions that need the richer health plans. The Blue Plan is at 114%. The White Plan is at 70%. The Retirees are at a 217% Loss Ratio; keeping in mind they are a smaller group and will make the spike look higher than normal.

Page 6 shows the Enrollment by Tier and is informational as to where the members are in each category broken down by Plan.

Page 8 shows the 2020 Contributions and Expenses by Status and Plan through May, 2020. For every Active member in the Plan, there is a \$192 surplus per active employee enrolled. The Retirees have a large deficit of \$1,012 per retiree enrolled in the Plans. Overall, the Retirees are 10% of the enrollment, 8% of the contributions and 19% of the Claims.

Page 9 shows the Large Claims. Large Claims are 13% of the overall claims. There are, currently, five claims that are over \$100K as individuals for the year. There are four claims from the Red Plan and one claim from the White Plan. The Stop-Loss coverage in place is at \$300K per claim and we anticipate reimbursement on at least one of the claims that has gone over the \$300K amount.

Page 10 is the rolling 12 month snapshot of medical trend which is at 2.8%. As the year goes on, the trend should go back up. The Pharmacy is also at 2.8%. The cost of specialty drugs may cause this to change; however, it looks go through May, 2020.

Questions and Answers from the Medical Trust Actuarial Report:

None

b. Financial Statements including Wellness – Management Services

Statement of Net Position as of June 30, 2020

Kristi Smith advised the Board that the total assets were at \$18.9M which is up \$1M from the previous quarter with the primary change in the Cash and Investments with a Due from City. The total liabilities were down \$1M to \$2.9M which was the change in the Due to City instead of Due from City. The claims payable were down \$380K. The net position is up \$2M to just over \$16M. Comparing the net position to the minimum reserve of \$5.3M there is a current excess of \$10M.

Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2020

Kristi Smith advised the Board that the Prorated Budget is either based on six months or 12 payrolls. There are a few exclusions where 100% of the budget is shown if we have received 100% of the revenues or expenses and they have been fully incurred and paid. Overall for the operating revenues, there is \$11.1M in actuals and the operating revenues are under budget by \$275K. The operating expenses are at \$9.7M in actuals and the operating expenses are under budget by \$2M. That provides the fund an operating

income of \$1.4M. Even though both revenues and expenses are under budget, the operating income is at \$1.7M. The nonoperating revenues and expenses line is reporting interest income of \$112K giving a change in net position of \$1.5M. Adding that to the net position at the beginning of the year, the net position at June 30, 2020, is just over \$16M which agrees with the net position from the Statement of Net Position.

Statement of Cash Flows as of June 30, 2020

Kristi Smith advised the Board that the Statement of Cash Flows shows the "went to or came from" dollars by activity from operating or investing. There was a cash and cash equivalent of \$5K as of June 30, 2020. Adding in the investments of \$17.96M the cash and investments is \$17.97M which agrees with the Cash and investments from the Statement of Net Position.

Wellness Programs Tracking Report as of June 30, 2020

Kristi Smith advised the Board that the Wellness Program tracking includes several years of activity. The Jan-Jun 2020 column shows program expenses of \$7.9K which agrees with the Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2020, on the Wellness Programs line. Over all the years, there are funds available of \$96.4K.

Questions and Answers from the Financial Statements including Wellness:

None

c. Investment Reports as of June 30, 2020 – Management Services

Kristi Smith advised the Board that page 15 of the report shows the Portfolio Snapshot and throughout the last several quarters there have been several interest cuts, the latest being March 3, 2020, which took interest rates to 0%. The yield to cost is 1.75% which is down from the previous quarter which was 2.06%.

On Page 16, we incorporated into the reports the money market rates that the fund is receiving. The Wells Fargo rate is at 0.01% which is the same as the previous quarter. PFM is reporting a rate of 0.09% which is down from the previous quarter of 0.99% primarily in relation to the reduction of interest rates in March.

Page 17 is the Sector Allocation showing where the funds are being held. U.S. Treasuries are down slightly and Federal Agencies are up. PFM reported that the yield spreads in the Federal Agencies were wide and attractive thus PFM was more focused on those.

Page 18 Sector Allocation compares quarter over quarter and shows those changes. PFM also reported that they were cautious on the corporate sector which shows a slight decrease also.

Page 20 is the Maturity Distribution. The yield at market for the Trust is at a 0.31% yield at market as compared to the index of 0.17%. The previous quarter reported that the Trust was at 0.64% and the index was at 0.2%. Those numbers are down slightly in the change in the market cuts.

Page 21 shows the Effective Duration at 1.82 and that is in line with the benchmark.

Questions and Answers from the Investment Reports:

None.

d. Review of Calendar Year 2021 Rates – Human Resources

Amy Girardo advised the Board that Segal has prepared the Projection Assumptions for the rate review. Page 1 shows the listing of changes made to the plan. This year the only change the Trust is subject to changes to the Health Care Reform. There are no plan changes to 2021 other than adopting the normal plan changes under Federal Law.

Page 2 shows the historical plan changes from 2015 to current.

Page 3 shows the projections through December 31, 2021, between the Red, Blue, and White Plans. The projections are broken out by costs, claims, trends, etc. There were claims data through May, but given the fact that April and May numbers may be unusual due to Covid-19, we were not comfortable in using those two months in the projection as we considered them anomalies in comparison of what we would anticipate going forward. So the numbers are the most recent 12 months through March and adjusted with trend to make sure the numbers are in today numbers. The credibility factor used was 70% of the most recent 12 months of claims activity and 30% of prior 12 months activity in order to smooth out variability from one period to the next. Line 5 shows the annual trend of 7% for medical and 9% for pharmacy and blended back together is a 7.3% total. Adding together all the variables, estimated plan expenses, and the estimated contributions, the fund is projected to have a \$3.2M deficit with a recommended 14.5% increase to contribution rates. However, the Trust has a current surplus of \$10M over the IBNR plus two months of reserve of \$5.3M.

Questions and Answers from the Review of Calendar Year 2021 Rates:

1. Ms. Bond asked if Segal took into consideration the long-term effects from Covid-19 in the projections.

Amy Girardo advised the Board that it is too early to know what the financial long-term impact of Covid-19 will be on the plans.

e. Resolution No. HB-011 for 2021 Rates – Human Resources

Lynna Soller, advised the Board that Resolution No. HB-011 is the City's recommendation that employee premiums for calendar year 2021 remain the same based on the premiums for 2020. The Trust reserves are \$10M over the projected IBNR plus two months costs of \$5.3M. The City feels comfortable is keeping the rates steady and spending down some of the reserves to maintain rates.

Questions and Answers from the Review of Resolution No. HB-011 2021 Rates:

None

ACTION AGENDA

a. Resolution No. HB-011 approving the Total Monthly Rates for the Employee Premiums for the Red Plan, the Blue Plan, and the White Plan for Calendar Year 2021.

The Chair asked if the Board had reviewed Resolution No. HB-011 and opened the floor for any discussion. There was no further discussion from the Board.

The Chair asked for a motion. Ms. Bond moved to approve the City of Chandler Health Care Benefits Trust Resolution No. HB-011 establishing the Total Monthly Rates for the Employee Premiums for the Red Plan, the Blue Plan, and the White Plan for Calendar Year 2021. Mr. Myer seconded the motion and the vote was unanimous to approve.

MEMBER COMMENTS AND ANNOUNCEMENTS:

None.

CALENDAR:

- a. The next scheduled meeting is November 19, 2020, at 4:00 p.m. in the Council Conference Room.

INFORMATION ITEMS:

a. **Agenda Items for Future Meeting Dates**

Medical Trust Actuarial Report – Segal Consultants
Financial Report & Wellness Report – Management Services
Investment Report – Management Services

ADJOURNMENT:

The being no other business, Ms. Allen, asked for a motion to adjourn. Ms. Bond made a motion to adjourn and Mr. Myer seconded the motion. The vote was unanimous to adjourn and the meeting was adjourned at 5:04 p.m.



Mr. Mike Bohnert, Vice Chairperson



Julia House, Recording Secretary

Note: Ms. Allen resigned from the Health Care Benefits Trust Board and the Workers' Compensation and Employer Liability Trust Board on September 24, 2020, as she notified the Board Secretary that she had moved out of state.

HEALTH CARE BENEFITS TRUST BOARD

MINUTES OF THE MEETING OF

THURSDAY, NOVEMBER 19, 2020

CALL TO ORDER & ROLL CALL:

Mr. Bohnert, Vice Chairperson, called the meeting to order at 4:08 p.m. in the Council Chambers, Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Mr. Mike Bohnert, Ms. Terry Bond, and Assistant Fire Chief Val Gale attended.

BOARD MEMBERS ABSENT:

Mr. Alex Myer

STAFF MEMBERS PRESENT:

Kristin Maier, Human Resources Manager; Lynna Soller, Benefit Programs Manager; Carol Osterhaus, Benefits Analyst; Kristi Smith, Accounting Manager; Julia House, Human Resources Management Assistant & Recording Secretary.

INVITED GUESTS:

Amy Girardo, Segal Consultants

APPROVAL OF MINUTES:

Mr. Bohnert confirmed that the Board reviewed the Minutes of July 30, 2020. Mr. Bohnert asked for a motion. Ms. Bond made a motion to approve the minutes of July 30, 2020. Asst. Fire Chief Gale seconded the motion. The vote was unanimous to approve.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

A call to the public was made with no response.

BRIEFING ITEMS:

a. Medical Trust Actuarial Report – Segal Consultants

Amy Girardo advised the Board that Page 1 of the report of September, 2020, compares a year-over-year snapshot from October 2019 – September 2020 and the prior year

comparison to that. Comparing contributions, claims, and expenses; the totals are similar between the two periods with \$21.4M in total claims and expenses for 19/20 and \$21.3M in the prior period. The surplus is running \$528K and the prior period the surplus was running at \$681K. The loss ratio was 98% for 19/20 and 97% for 18/19. The Per Employee Per Month (PEPM) costs were running \$1,050 as compared to \$1,053 from the prior year. This could be due to Covid-19 and to medical procedures that were delayed this year.

The Pharmacy spend shows some interesting patterns. The generic drug costs have reduced 22.9%. The brand preferred drugs increased 22.8%. There was a shift in the expense down 24% for brand non-preferred and a 21.5% increase for specialty. Overall, there was a 2.6% increase which, in reality, is really very good. In pharmacy we tend to think at a 10% level but there was only a 2.6% increase. Things look good from that perspective. Retail Scripts Per Member Per Year (PMPY) were spot on with year over year with a 1.1% increase. The generic dispensing rate is close to the prior year of 80.4% vs. 80.7% showing a decrease of 0.3%. Looking at the total plan paid for prescriptions it is showing a 7.1% increase which is close to the normal trend area.

The Enrollment was fairly consistent between the two periods.

The Large claims (excess of \$100K during the period) totaled 24 large claims in this most recent period with 25 in the prior period. Large claims from 19/20 were \$5,336,776 and the prior period of \$4,847,634 and represents an increase of 10.1%. There are ups and downs with large claims but nothing too alarming in that area.

The inpatient hospital bed days (per 1,000) were actually down 25.1%. This could represent potentially some of the large claims may have been tied to specialty drugs and not necessarily inpatient situations.

The Medical in-network is at 96.6% which represents claims that are through the network for services. The discount for billed is at 69.4% which is a good number.

The member cost share percentage is at 16.0% which does not vary period over period. The plan is in a pretty good shape from that perspective.

Page 2 is the 2019-2020 Medical/Rx Contributions and Expenses which gives you a two year perspective. There are about 1,700 active and retirees on the plan. In 2020 there are currently \$16,473M in contributions and medical paid claims of \$11M. The stop loss refunds are at \$787K due to a result of large claims activity. When a claim goes over the stop loss amount then the stop loss plan starts reimbursing refunds back to the plan. Last

year there was a total of \$795K in stop loss refunds. The pharmacy claims are at \$3.2M. When we roll up the medical claims, stop loss refunds, pharmacy claims, and expenses, the total paid claims and expenses are at \$15.5M. There is a surplus of \$940K through September. The total loss ratio is at 94.3% of every dollar the plan is bringing in. Last year through the same period, the loss ratio was at 95.6%. The plan is running a little better than last year during the same period.

Page 3 is the 2020 Enrollment by Status and Plan. There is a nice population of actives totaling 1,531 which represents about 90% of enrollment. The population of retirees is at 177 representing 9% of the group. The Red plan has 58, on average, of retirees. When there is a small population in a plan/group, a couple of large claims can tend to skew the numbers for that group.

Page 4 is the 2020 Medical/Rx Paid Claims by Plan and Status. In the All Plans for 2020, the actives are at \$856 PEPM over \$897 from the prior year. The Retirees are at \$1,600 for 2020 and \$1,624 for 2019. The All category is at \$931 over \$967 from the prior year. The deductibles and out of pocket amounts are being used and the plan is picking up a greater share of the costs as we go forward for the last three months of the year. The overall cost of the White plan is down from \$661 to \$582. The Blue Plan, which is a very small population, is down from \$1,212 to \$835. The Red Plan is up from \$1,386 to \$1,461. There is a real driver in the Red Plan from Retirees which is only 58-68 people. The costs have gone from \$2,359 to \$3,226 PEPM which represents larger claims in that group.

Page 5 is the 2020 Contributions and Paid Claims by Status and Plan which helps us understand where we are seeing those loss ratios so when we compare contributions to claims and expenses, it shows where the costs are being driven. Overall, the active loss ratio is 90%, the Retiree loss ratio is at 200%, and the total for all is at 99% on a weighted basis. The Red Plan is running at 120% loss ratio and the Red Plan is the richest plan design and some people want that design for people who need more care. The Blue Plan has a small population and their loss ratio is at 96%. The White Plan is running at a 79% loss ratio. The Active Claims and Expenses chart shows the contributions above the claims and expenses. The Retirees Claims and Expenses chart shows that claims and expenses are much higher than the contributions for this category.

Page 6 is the Enrollment by Tier for 2020 through September and shows the enrollment by month and plan. Page 7 is the Enrollment by Tier for 2019.

Page 8 is the 2020 Contributions and Expenses by Status and Plan which is another way of looking at the information. For every active employee enrolled in all the plans they are

running at a \$108 surplus for the plans. For retirees, the All Plans is running at an \$868 deficit. Retiree enrollment is at 10% of the total enrollment, 8% of contributions, and 16% of claims and expenses. Compared to last year, everything looks the same except that claims and expenses were at 18%. This shows a similar pattern between the two years.

Page 9 is the 2020 Incurred Medical Claims Paid in Excess of \$100K. The stop loss for individual claims throughout the year is \$300K. Once a claim reaches \$300K throughout the year the stop loss insurance starts reimbursing the plan. This chart lists any of the large claims over \$100K to start tracking where that activity is. The stop loss coverage has reimbursed the plan at \$520K for two large claims. The 13 claims represent \$2.9M of the claims and 20.3% of the claims for the year.

Page 10 is the Twelve Month Snapshot of Medical and Rx Paid Claims. This rolling 12 month report shows a net medical trend of a negative 0.9% which is not surprising due to Covid-19. However, the trend after July is increasing. It is hard to predict where the claims will go this year. There has been a trend of 2.8% for Rx claims which is reasonable and is well in check at this point.

Questions and Answers from the Medical Trust Actuarial Report:

1. Mr. Bohnert asked for an explanation of Brand vs. Brand Preferred Drugs.

Amy Girardo advised the Board that there are two distinguishing factors with the brand and brand preferred. The Brand preferred which is a brand drug that would be a lower cost tier and one that we want to steer people towards because it is more cost efficient for the plan and the member. The Brand Non-Preferred would be typically more expensive drugs and something that we have another drug that could be used in that same class of drug in the preferred. It could be someone choosing to take the non-preferred for some reason that they need to take it or want to take it.

2. Mr. Bohnert stated that a lot of the claims are higher in the summer. Is that because of the kids being out of school or elective surgeries?

Amy Girardo advised the Board that members in the High Deductible plan may be reaching their deductibles and maximum out of pocket earlier in the year and they may be getting to the point where the insurance is picking up more of the expenses or a greater percentage of the cost of those services as the year progresses.

3. **Asst. Fire Chief Gale asked if Segal has anticipated this year's increase in claims to be higher than normal, same, lower, etc.**

Amy Girardo advised the Board that it is hard to predict due to COVID-19 especially. Nationally, the hospitals are again moving toward the position of trying to hold off on some elective surgeries in order to make sure they have enough hospital beds. At the same time, the facilities need to make money and so they want to get people in to have elective surgeries taken care of. It is hard to tell what will happen over the last couple of months. Looking into 2022, it is getting hard to tell what will happen with care. We will focus on that with the reporting and projections for 2022. There are a lot of unknown factors in the future for all of us. We will continue to monitor and the trust is in a good financial position.

4. **Mr. Bohnert asked if there is a surgery in July 2020, are claim dollars reported when the surgery takes place, or is it when the claim is paid.**

Amy Girardo advised the Board that the claim dollars are reported as they are paid. It could take a period of time from the date of the surgery to the date paid and shouldn't take more than six months to run through the payment cycle. Usually, payment times have contracted to as short as two weeks. This is a good observation.

Lynna Soller advised the Board that the plan has seen a larger number of stop loss refunds consistently every month. Even though the dollars of stop loss varies, it tells us that we have more large case claims that are hitting the specific deductible amount as we have in the past. Amy will get to that later in her presentation. The large case claims are driving more of the spend then they have in the past.

5. **Ms. Bond asked if the large baby-boomer population that are in the process of retiring and do you expect those retirees to increase significantly over the next 5-10 years.**

Lynna Soller advised the Board that in the 2019 calendar year, the City had double the number of retirees over 2018. In the last five years the retirements have increased. In 2020, we have seen those numbers slow down. The demographics of our workforce indicate that we have a significant population who are at or over normal retirement age. Statistically, it is at about 1 to 5. Enrollment in this plan will continue to grow and you can look at the other coverage options through the State plans. Most of the retirees enrolled in the City plans are not Medicare eligible and

this is their primary coverage. The State plans premium rates have increase enough to where the City plan looks more attractive from a cost basis. We have seen the retiree enrollment increase from 110 to 177 currently. That portion of the enrollment will grow over new next few years.

b. Financial Statements including Wellness – Management Services

Statement of Net Position as of September 30, 2020

Kristi Smith advised the Board that the total assets were at \$19,024,724 which is up \$60K and the biggest drivers there are the Due From the City that is now Due To the City which is part of the Cash account. Cash is up almost \$1M. On the Liabilities there are \$4,003,313 in liabilities which is up \$1M and the biggest drivers there are the Due To City of about \$650K and the combination of the claims payable increase of \$600K. The total net position is at \$15,021,411 which is down \$1M. Comparing the total net position to the reserve of \$5,347,000 the net position does exceed the recommended reserve by \$9.6M which is good news.

Statement of Revenues, Expenses and Changes in Net Position as of September 30, 2020

Kristi Smith advised the Board that the total operating revenues are at \$15,801,788 which is slightly under budget at \$346,260. Operating expenses are \$15,520,317 and are under budget by \$1,877,920. The Operating Income is at \$281,461. The Non-operating Revenues and Expenses are at \$204,052 and there is a change in Net Position of \$485,513. The ending net position is \$15,021,411 which agrees with the Statement of Net Position.

Statement of Cash Flows as of September 30, 2020

Kristi Smith advised the Board that the Statement of Cash Flows shows where the cash went or came from by activity (operating and investing.) The Cash and Investments totaled \$18,949,855 which agrees to the Statement of Net Position.

Wellness Programs Tracking Report as of September 30, 2020

Kristi Smith advised the Board that the Wellness Program tacking shows a year-over-year reporting. The total spent this year is at \$8,545.49 which agrees with the Wellness Programs Operating Expense on the Statement of Revenues, Expenses and Changes in

Net Position. There is a balance in cumulative funds to be spent on Wellness of \$95,840.50.

Lynna Soller advised the Board that it has been a quiet year for Wellness due to the restrictions and limitations of Covid-19. There have been programs that were cancelled and the funds have not been spent down as in prior years.

Questions and Answers from the Financial Statements including Wellness:

1. Mr. Bohnert asked about an increase in COBRA enrollment.

Lynna Soller advised the Board that there has been an increase in COBRA enrollment and it is not significant because our prior enrollment trend with COBRA was extremely low. Mostly it is due to employees who are separating and either have a wait for benefits to begin somewhere else or maybe they are running out the plan because they have met the deductible for the year.

c. Investment Reports as of September 30, 2020 – Management Services

Kristi Smith advised the Board that page 10 shows the Portfolio Statistics with the yield at cost at 1.47% which is down from the previous quarter of 1.75%. This is not exactly surprising with the rate cuts that we have seen. Some of the investments are maturing and PFM is picking up other things. We can expect the yield to continue to go down and future reductions.

Page 11 shows the interest rates on the money market accounts from Wells Fargo at 0.01% which is consistent over the last two quarters. The PFM accounts are down to 0.03% which is down from 0.09% and prior to that they were at 0.99% which is much aligned with what we are seeing in the market now.

Page 12 shows the Sector Allocation. The largest percentage is in Federal Agencies is at 38.3%. The U.S. Treasuries is at 35.2%. We continue to see that PFM is moving away from Treasuries.

Page 13 shows the Sector Allocation by Quarter shows the changes in the allocations on the graph at the bottom of the page.

Page 15 shows the Maturity Distribution. The yield at market is at 0.26% which is above the index at 0.13%. The yield is slightly below what it was at June 30th at 0.31%. The

quarter before that was 0.64%. We continue to see a decrease with the way the market is going.

Page 16 shows the Effective Duration at 1.79 which is below the index at 1.83 and shows a slight reduction from June 30th of 1.82.

Questions and Answers from the Investment Reports:

None.

d. Replacement of Board Chairperson – Human Resources

Julia House advised the Board that since the Board Chairperson has resigned and moved out of state, the Board has an opportunity to decide if they want to continue until June 2021, with the Vice-Chairperson and Secretary and a vacant seat for the Chairperson or to have an election now to replace the Chairperson prior to June, 2021. However, the Assistant City Attorney, Roni Laxa, has asked that this item be tabled in the Action Agenda until she has an opportunity to review the Trust Document regarding the replacement of an Officer.

e. Review of 2021 Meeting Dates – Human Resources

Julia House advised the Board that a review of possible calendar dates were compiled and approved through internal channels. There is a choice of dates for an August meeting.

Lynna Soller advised the Board that she would prefer August 19 in order to get reports through June 30th. The dates can be adjusted as necessary.

The Board Members indicated that the initial meeting dates were acceptable.

ACTION AGENDA

a. Election of Officers

Mr. Bohnert stated that upon review and discussion of Briefing Item d, I move to Table this item to the next scheduled meeting of the Board. Asst. Fire Chief Gale seconded the motion and the vote was unanimous to approve to Table this item.

MEMBER COMMENTS AND ANNOUNCEMENTS:

None.

CALENDAR:

- a. The next scheduled meeting is March 4, 2021, at 4:00 p.m. in the Council Conference Room.

INFORMATION ITEMS:

a. **Agenda Items for Future Meeting Dates**

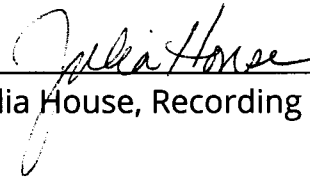
Medical Trust Actuarial Report – Segal Consultants
Financial Report & Wellness Report – Management Services
Investment Report – Management Services
Election of Officers

ADJOURNMENT:

The being no other business, Mr. Bohnert, asked for a motion to adjourn. Ms. Bond made a motion to adjourn and Asst. Fire Chief Gale seconded the motion. The vote was unanimous to adjourn and the meeting was adjourned at 5:03 p.m.



Mr. Mike Bohnert, Vice Chairperson



Julia House, Recording Secretary