



MINUTES

**LOSS TRUST FUND BOARD MEETING
7447 E. Indian School Rd., Suite 210
Financial Services/Treasurers Conference Room
Scottsdale, Arizona 85251**

**February 13, 2019
5:00 p.m.**

PRESENT: Suzanne Welch, Chair
Brandon Perlow
Russell Mosser
Richard O'Connor, Vice Chair

STAFF: Katie Callaway, Risk Management Director
Lauran Beebe, Human Resources Manager
Lori Davis, Senior City Attorney

STAFF: Charlie Broucek, Hayes Companies

1) CALL TO ORDER

Chair Welch called the meeting of the Loss Trust Fund Board to order at 5:20 p.m.

2) ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above. Members introduced themselves.

OLD BUSINESS

- 1) Approval of the November 7, 2018 meeting minutes

Chair Welch called for a motion to approve the minutes.

Risk manager, Callaway asked that the meeting minutes be modified in order to provide clarity to the public. On page 4 paragraph 6 should be split into two paragraphs the first ending in the sentence: There is a positive ending fund balance, which will be carried over for the subsequent years. She also requested the new paragraph have title added: "Discussion of Financial Results Risk Management Fund". Those changes will denote that the discussion changed from the Health Insurance Fund to the Risk Management Fund.

BOARD MEMBER MOSSER MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 7, 2018 MEETING WITH THE RECOMMENDED CHANGE AS PRESENTED. CHAIR SUZANNE WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0).

NEW BUSINESS

- 1) Board elections for Chairman and Vice Chairman. Nominations for Chairman and vote. Nominations for Vice Chairman and vote.

BOARD MEMBER MOSSER MOVED TO NOMINATE SUZANNE WELCH AS VICE CHAIR AND RICHARD OCONNOR AS CHAIRMAN. BOARD MEMBER WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0).

- 2) Review, discuss and take action on further recommendations to the City Council for changes to the Loss Trust Fund Document, Code and Ordinance. Motion to approve or disapprove.

Senior City Attorney Lori Davis reviewed the packet document outlining the changes to the trust that the board had already recommended. The bottom of the document she outlined why the City Attorney wanted the board to reverse their recommendation on the name change and the change in board member experience requirements. She cited that need to change the trust document, code and ordinance, plus the confusion that name change might present when looking for the former trust documents at some point in the future. Board members discussed the name change and considered the reasoning for the name change: to help the public better understand what the board was. Board Member O'Connor and Suzanne Welch indicated that they were inclined to follow the city attorneys' advice.

Lori Davis also explained why the City Attorney was asking to change the workers compensation lien settlement authority, previously approved at \$20,000, to unlimited. Both Katie Callaway and Lori Davis described the circumstances under which a lien would be negotiated and gave examples of how compromising the city lien for workers compensation expenses and taking a less than full settlement might be better than

getting nothing. The circumstance arises when a third party injures an employee. The employee receives services under workers compensation that the city pays for. Then the employee hires an attorney in an attempt to collect damages from the at fault party. The employee and attorney spend time and expense getting the at fault party to negotiate a settlement, however the City has put a lien on the settlement in order to recover its expenses. The city is not part of the law suit and not expended any legal expense. Therefore, the attorney who has negotiated the maximum amount collectable from the at fault party will approach the City to split up the law suit proceeds. Often the amount is less than the total lien. However, had it not been for the employee and attorney law suit, the city would not have recovered anything. Both confirmed that the lien negotiation would be in consultation and require the concurrence of both the Risk Director and the City Attorney as in the best interest of the city.

BOARD MEMBER O'CONNOR MADE A MOTION TO ACCEPT THE RECOMMENDATION TO REVERSE THE NAME AND EXPERIENCE CHANGES AS PREVIOUSLY RECOMMENDED TO CONTINUE FORWARD WITH THE CHANGES UNDER ITEM 3, 4, & 6 AND TO MODIFY THE RECOMMENDATION ON LIEN SETTLEMENT FROM \$20,000 AUTHORITY TO AN UNLIMITED AUTHORITY. SUZANNE WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE-(3) TO ONE (1). BOARD MEMBER MOSSER DID NOT APPROVE THE MOTION AS HE THOUGHT THE NAME CHANGED PREVIOUSLY RECOMMENDED SHOULD REMAIN.

- 3) Review and discuss Fiscal Year 2018/19 medical plan premiums – Information item

Lauran Beebe, Human Resources Manager, stated that she has worked with the Benefits Coordinating Committee and Total Benefits Advisory Committee (TBAC) the Committee of benefit liaisons on benefits program designs. The final recommendations reviewed tonight will be presented to City Council on March 7th.

Charlie Broucek, Hayes Companies reviewed the process used to estimate the cost of medical claims for the proposed plan year. In determining the City's costs for 2019/2020 staff reviews three years of claims experience weighted accordingly and a rolling 12-month review of past claims experience. The projection includes looking at normalization of large losses by using industry statistics and using those estimated to project the number of large loss that might occur. It also factors in cost trend. The Trend is the estimated changes in cost for increased technology and newer more expensive treatments. Also accounted for is an increase in the fixed costs for Cigna as the third-party claims administrator, network provider, and wellness service provider. As well as an increase in the cost of the excess insurance coverage.

Lauran Bebee, Human Resource Manager additionally outlined the City Managers request for enhanced customer service from Cigna to help employees and families better understand their benefits, to help navigate employees to use services in the most effective way, plus provide additional consultation on preventative measures and best practices for maintenance of chronic conditions. That increased service level as well as an on-site wellness resource has added to the total estimated medical projection.

Other changes to the plan which include moving the contribution model for the OAP in Network, and Local Plus plans back to 80/20 employer/employee cost split with 75/25 for children, spouses, and family. The total all in estimated cost for the plan is \$32,074,296 which represents a 6.8% increase. The contribution levels for employees was briefly reviewed. Lauran mentioned the continuing incentives which include the continuing \$500 to the Health Savings Account (HSA), blood pressure incentive of \$240 per year to maintain healthy blood pressure or seek treatment, the \$120 per year for employees and spouses who get their blood tests and complete the Cigna online tool for Health Risk Assessment (HRA), the tobacco use surcharge of \$10 per paycheck, unless session treatment is sought.

The board continued discussions on the \$500 contribution to the AOP/high deductible plan. Lauran speculated that it has brought enrollment in that plan form about 15-20 members to 233. The specifics benefits of the Health Savings Account (HSA) were discussed including keeping the deposited unused funds to grow tax free to finance medical expenses in retirement. It was also contrasted to the Flexible Spending Account (FSA) that is offered with the three other plans that don't include the sharing of medical expense via a large deductible and co-insurance. The FSA deposited funds are also used to pay for out of pocket medical expenses, but the funds are lost if not used.

Board member Mosser again requested that the material provided by the medical consultant be in a format that was more understandable by lay persons and the public. The material provided was in a type font too small to be read.

OPEN CALL TO THE PUBLIC

There were no members of the public who wished to speak.

ADJOURNMENT

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:05 p.m.

SUBMITTED BY:

Katherine Callaway via notes

***Note: These are summary from notes of Risk Director, Katherine Callaway. The transcription contractor was unexpectedly absent.**