

**FIRE DISTRICTS ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Board of Directors Meeting

Thursday, September 11, 2008
1:00 p.m. – 4:00 p.m.

**FDAC EBA Office
1215 K St., Suite 2290
Sacramento, CA 95814
Phone: 916-231-2941**

Agenda

<i>Item</i>		<i>Function</i>
I.	Welcome and Introductions	
II.	Public Comment	Discussion
III.	Consent Calendar	Info/Action
A.	Minutes <i>Review and approve minutes from the July 10, 2008 board meeting.</i>	
B.	Financials <i>Review and approve year-end and current financials.</i>	
IV.	2009 Open Enrollment <i>Update on the status of the 2009 open enrollment.</i>	Info/Action
V.	Strategic Planning	Info/Action
A.	2009 Consultant Contracts <i>A look at the EBA's plan to help forward the entity's mission.</i>	Info/Action
VI.	Kaiser "Medicare Eligible" Rates <i>Rates on four retired Novato Fire employees have increased from 84% to 169%.</i>	Info/Action
VII.	Timeline for Enrolling NFPD Medicare Eligible Retired Employees <i>Discussion of a reasonable timeline for enrolling Medicare eligible retired employees.</i>	Info/Action
VIII.	Administration of Medicare Coverage <i>Development of a process for enrolling future Medicare eligible employees.</i>	Info/Action

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| IX. ING Voluntary Products
<i>Discuss status on offering products to EBA members.</i> | Info/Action |
| X. BRMS Program Update
<i>Discussion regarding the third party administrator.</i> | Info |
| XI. New Business Sales Update
<i>Update from the broker regarding the prospect of new pool enrollees.</i> | Info |
| XII. 2008-09 Meeting Dates
<i>Set dates for EBA meetings.</i> | Info/Action |
| XIII. Adjourn | Action |

**FIRE DISTRICTS ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Board of Directors Meeting
Meeting of September 11, 2008

AGENDA SUPPORTING DATA

Agenda Item III. – Consent Calendar

A. Minutes

Review and approve minutes from the July 10, 2008 board meeting.

B. Financials

Review and approve year-end and current financials.

FDAC Employment Benefits Authority
Board of Directors Meeting
July 10, 2008
Novato Fire Protection District
7025 Redwood Blvd.
Novato, California

In attendance

Mike McMurry, President
Ron Collier, Treasurer
Charlene Virts, Director
Lisa MacCubbin, Director
Jim Hill, Vice President
Dave Turner
John Miller
Rosa Soria
Jason Andrew
Catherine Smith
Nick Perrin
Jon Hilgers

President Mike McMurry called the meeting to order at 10:10 a.m. A quorum was established. President McMurry thanked Director Lisa MacCubbin for hosting the meeting and to Vice President Jim Hill for chairing the last FDAC EBA in his absence.

Director Ron Collier moved to approve the consent calendar; Director Hill seconded. Motion carried.

New Business Sales Update

LHI President John Miller started the meeting with Item V. New Sales Update. He shared with the Board that there must be growth in the pool to allow for sustained competitive rates. He indicated that Blue Shield has put it in no uncertain terms that the FDAC EBA must grow the membership.

LHI will go to the Board and offer to reduce their commission to 2% or lower, recommend that the FDAC EBA percentage and eliminate the 5% margin fund. John said that if the formula stays as it, FDAC EBA will not be able to write the necessary business to grow. John shared that he will be adding himself as a broker for FDAC EBA. With recommended adjustments this will be an 11% savings for new business. Broker commission + FDAC EBA commission + margin fund equal the reduction. We have to aggressively go after new business 400-500 new lives in the next year. President McMurry asked if that was achievable goal with our rates and in this market. LHI Jason Andrew indicated that he feels there are approximately 50-75 districts that are potential FDAC EBA participants. He stressed that there is business but we must be competitive and have high customer service.

Rate discussion

LHI brokers presented the Board with current client options on FDAC EBA programs. Director Hill moved to accept the rate/premium structure recommended by LHI and FDAC EBA Actuary DaveTurner which reflects a 15.1% increase to Blue Shield and 7.8% Kaiser as well as all of the recommended plan designs. Seconded by Director Charlene Virts. President McMurry asked if there were any other "surprises" that

weren't outlined in the detailed of the plan design changes. Andrew highlighted that there is a change in PPOs – the premium PPO was unlimited and goes to \$6 million and the basic plan was \$6 million and stays at \$6 million. Board directed LHI to discuss with Blue Shield the possibly of moving from our custom plan to their standard plan.

LHI also introduced the ING Voluntary Products discussion. After a lengthy discussion, the Board concluded that they are not opposed to offering voluntary products but wanted more specific information on the process, costs, etc. before making a final decision. Staff was directed to set up a conference all within a week for the FDAC EBA Board to discuss further with additional information. BRMS Paul Schafer indicated that there would be no additional cost from BRMS for the addition of these products.

LHI informed the Board that there are two districts with pending decisions on if they are going to join the FDAC EBA pool – Lakeside Fire Protection District and Diamond Springs Fire Protection District. The Board concluded that 5.2% is baseline with new business.

The Board discussed the FDAC EBA current reserves. The dollars are for both the fiscal stability of the pool as well as to be used as a premium stabilization fund. President McMurry stated that he was concerned about accessing these funds now before the vision of the pool is clear – perhaps in the next three-five years. The Board confirmed that our baseline will be 5.2% unless LHI brings the potential member to the Board for consideration.

A conference call was set for July 23, 2008 at 8:30 a.m. The next FDAC EBA Board of Directors (in-person) meeting is scheduled for November 18, 2008 with a discussion of all the contracts.

Respectfully submitted,

Catherine Smith
Administrator

FDAC EBA
Budget vs. Actual
July 2007 through June 2008

	<u>Jul '07 - Jun 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
Interest	2,884.87	17,960.59	-15,075.72	16.06%
Miscellaneous Income	0.00			
Premium Earnings	7,720,310.20	6,193,308.00	1,527,002.20	124.66%
Total Income	7,723,195.07	6,211,268.59	1,511,926.48	124.34%
Expense				
Administration				
Administration Contract	34,999.96	34,999.99	-0.03	100.0%
Third Party Administrator	102,256.00	93,500.00	8,756.00	109.37%
FDAC Subsidiary Fee	20,000.00	20,000.00	0.00	100.0%
Total Administration	157,255.96	148,499.99	8,755.97	105.9%
Bank Service Charges	8.00			
Board Meetings	2,591.57	4,000.00	-1,408.43	64.79%
Broker	640,324.55	436,166.67	204,157.88	146.81%
Carrier Payments	6,748,118.41	5,363,333.33	1,384,785.08	125.82%
Insurance				
E & O Insurance	0.00			
Insurance - Other	1,266.41	1,000.00	266.41	126.64%
Total Insurance	1,266.41	1,000.00	266.41	126.64%
Operating Expenses				
Postage and Delivery	445.48			
Staff Travel	150.81			
State Filing	0.00			
Supplies				
Office	147.25			
Total Supplies	147.25			
Travel	310.00			
Telephone	40.50			
Operating Expenses - Other	0.00	6,000.00	-6,000.00	0.0%
Total Operating Expenses	1,094.04	6,000.00	-4,905.96	18.23%
Professional Fees				
Accounting	3,950.00	10,000.00	-6,050.00	39.5%
Consulting/Actuary	22,190.00	20,000.00	2,190.00	110.95%
Legal Fees	9,486.50	15,000.00	-5,513.50	63.24%
Total Professional Fees	35,626.50	45,000.00	-9,373.50	79.17%
Training/Communication	0.00	5,000.00	-5,000.00	0.0%
Total Expense	7,586,285.44	6,008,999.99	1,577,285.45	126.25%

FDAC EBA
Budget vs. Actual
July 2007 through June 2008

	<u>Jul '07 - Jun 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Net Ordinary Income	<u>136,909.63</u>	<u>202,268.60</u>	<u>-65,358.97</u>	<u>67.69%</u>
Net Income	<u><u>136,909.63</u></u>	<u><u>202,268.60</u></u>	<u><u>-65,358.97</u></u>	<u><u>67.69%</u></u>

FDAC EBA
Profit & Loss
July 1 through September 3, 2008

Jul 1 - Sep 3, 08

Ordinary Income/Expense	
Income	
Interest	12.48
Premium Earnings	<u>1,348,120.66</u>
Total Income	1,348,133.14
Expense	
Administration	
Administration Contract	6,853.32
Third Party Administrator	<u>19,643.50</u>
Total Administration	26,496.82
Bank Service Charges	166.00
Board Meetings	69.03
Broker	48,887.20
Carrier Payments	1,183,838.21
Operating Expenses	
Supplies	<u>20.00</u>
Total Operating Expenses	20.00
Professional Fees	
Consulting/Actuary	4,250.00
Legal Fees	<u>340.00</u>
Total Professional Fees	<u>4,590.00</u>
Total Expense	<u>1,264,067.26</u>
Net Ordinary Income	<u>84,065.88</u>
Net Income	<u><u>84,065.88</u></u>

FDAC EBA
Balance Sheet
As of August 31, 2008
Aug 31, 08

ASSETS

Current Assets

Checking/Savings

Margin Fund	343,212.09
Medical Reserve (BRMS held)	120,000.00
Money Market Account	8,725.59
US Bank	40,187.50

Total Checking/Savings 512,125.18

Other Current Assets

Pre Paid Expense 3,333.33

Total Other Current Assets 3,333.33

Total Current Assets 515,458.51

TOTAL ASSETS 515,458.51

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Prior Year Income 75,554.55

Total Other Current Liabilities 75,554.55

Total Current Liabilities 75,554.55

Total Liabilities 75,554.55

Equity

Reserves & Contingencies 50,000.00

Retained Earnings 303,738.08

Net Income 86,165.88

Total Equity 439,903.96

TOTAL LIABILITIES & EQUITY 515,458.51

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AGENDA SUPPORTING DATA

Agenda Item V. – Strategic Planning

A. 2009 Consultant Contracts

A look at the EBA's plan to help forward the entity's mission.

FDAC Employment Benefits Authority
1215 K Street, Suite 2290
Sacramento, CA 95814

MEMORANDUM

TO: FDAC EBA Board of Directors

CC: Lawson-Hawks Insurance Associates
Benefit & Risk Management Services

FROM: Catherine Smith, Administrator
Melissa Dixon, Deputy Administrator

RE: FDAC EBA Long-Range Strategic Planning

DATE: September 4, 2008

During one of the last FDAC EBA Board of Directors meetings, John Miller identified some issues that would impact the long-term stability of the pool if the pool does not continue to grow. In preparation for the long-range strategic planning discussion, staff was charged with compiling preliminary information for the Board.

While it is everyone's fervent hope that the EBA will continue to be a stand-alone viable alternative to CalPERS healthcare, we would be remiss in our fiduciary role as public trust holders if we did not develop future options. To that end, we have considered the following:

Options for FDAC EBA:

- **Develop a multi-faceted marketing plan for the pool.** This could be executed by the brokers under their existing contract, or we could renegotiate the broker fee to remove the marketing aspect and hire another contractor to promote the pool.
- **Send out an RFP for broker services.** There have been issues with the current brokerage firm that may lend a negative perception to the EBA as a whole. The FDAC EBA could look at putting together a new team of consultants.
- **Roll the FDAC EBA into an existing, viable pool such as CSAC EIA.** If we can remain an entity within this larger pool we may be able to retain the leverage of our fire presumptive status.

There may be other options not listed here, and staff is open to hearing the thoughts and directions of the EBA Board. Also, there will be more "options" under the headings of those listed above. Regardless of the direction, staff recommends if the Board is considering any changes to the existing structure a final decision will be necessary no later than late spring 2009.

2009 Consultant Contracts

In light of the options listed above, staff recommends extending the existing broker, actuary, TPA, and administrator contracts through June 30, 2009. This will give the Board a stable structure for the next nine months during these deliberations.

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AGENDA SUPPORTING DATA

Agenda Item IX. – ING Voluntary Products
Discuss status on offering products to EBA members.

ING Voluntary Products

Background:

The FDAC EBA Board of Directors were earlier this year presented with an opportunity to allow EBA members to access voluntary products through ING. As the plan was voluntary, the EBA Board allowed the products to be presented as options to our members. We received communication from Lawson-Hawks recently, however, that indicated a clause in the contract that required 90% of the EBA's members be enrolled in the voluntary products. In light of this, President McMurry gave direction to Lawson-Hawks to not move forward with offering the ING voluntary products. Staff recommends the Board ratify this decision.

Preliminary open enrollment correspondence has already been sent to the EBA members that included mention of the ING voluntary products as well as The Parker Group. Upon ratification of the Board, correspondence will be sent to the members retracting the option of the ING voluntary products and the involvement of The Parker Group.

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AGENDA SUPPORTING DATA

Agenda Item XII. – 2008-09 Meeting Dates

Set dates for EBA meetings.

2008-09 Meeting Dates

The meeting dates for the 2008-09 FDAC EBA Board of Directors meetings are tentatively set as follows:

December 11, 2008

March 12, 2009

June 11, 2009