

SUMMARY OPEN-SESSION MINUTES
SOUTHERN CALIFORNIA SCHOOLS
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION (VEBA)
July 9, 2008

Members Present: Co-chair Ed Nelson, Co-chair Steve Kaplan, Ronnie Adair, Doretha Albee, Mark Anderson, Janice Cook, John deBeck, Lora Duzyk, Thomas Eggleston, David Fernandez, Joyce LaFleur, Sam Lucero, Kevin Ogden

Absent: Elizabeth Ahlgren, Jesus Gandara, Erik Olson Fernandez

Administrative Staff: George McGregor, Dawna Agosto, Betty Ormsbee, Barbara Severino, Sherrie Shumaker, Annemieke Tomey, Nancy White, Bob Whiting

Consultant: Ron Mason, Lan Brown and Susan Giesting

Guests: Kevin Brown (RBTK), Sandra Chambers (Kaiser), Cynthia Haro (Aetna), Scott Trendel (RBTK), Todd Torgerson (Sweetwater UHSD), Linda Townley (PacifiCare)

The meeting was called to order by Ed Nelson at 8:00 a.m.

Minutes:

MOTION: (Sam Lucero) that the open-session minutes of June 11, 2008 be approved as submitted. Seconded by Kevin Ogden and approved.

It was noted that just prior to commencement of the meeting the Board received a letter from San Diego Unified reappointing Ronnie Adair as the management trustee replacing Sam Wong.

Executive Committee Report:

George McGregor explained that there was a lack of a quorum in attendance at the June 25, 2008 Executive Committee meeting, however, there were several items that were time sensitive and required action despite the lack of a quorum. In accordance with established policy, the actions taken are presented to the Board for ratification as follows:

- The VEBA external auditors presented the results of the VEBA annual audit to the Executive Committee. The Trust received a “clean” opinion with no requested adjustments. VEBA must file its audited financial statements with the State of California by June 30th each year. In order to meet the statutory deadline, the financial audit was accepted by the Directors present at the Executive Committee meeting, and the labor co-chair approved the filing of those statements with the State of California.

MOTION: (Doretha Albee) that the Board ratify the action taken by the Directors present at the executive committee meeting: acceptance of the audited financial statements for 2007 as presented by the external auditors. Seconded by Ronnie Adair and approved.

MOTION: (Kevin Ogden) that the Board ratify the action taken by the Directors present at the executive committee meeting: to file with the State of California by June 30th, in order to meet statutory requirements, the audited financial statements for 2007 as presented by the external auditors.

- The administrative agreement with McGregor & Associates calls for M&A to code a new generation billing system for its use on the VEBA account and to receive signoff on that system by June 30, 2008. M&A presented the results of the programming effort to the executive committee and asked for permission to begin implementation and parallel testing. In order to meet the contract deadline, the Directors present, including the labor co-chair, accepted the system and authorized implementation and parallel testing.

MOTION: (Mark Anderson) that the Board ratify the action taken by the Directors present at the executive committee meeting in order to meet contractual requirements: acceptance of the new billing system and authorization for implementation and parallel testing. Seconded by Janice Cook and approved.

- George McGregor reported that M&A has applied for membership in the VEBA to secure health insurance for M&A staff. Hirsch Adell, the VEBA attorney, has reviewed the application and has indicated that the only legal requirement to allow participation of M&A is Board approval. No changes to the Establishment Agreement or to established Policies and Procedures are required. Coverage is to become effective July 1, 2008, and would be extended under the following conditions:
 1. Effective immediately, McGregor & Associates will begin conducting business as Southern California VEBA Administrator, Inc. (SCVA);
 2. SCVA will cover 90% of the family rate for existing employees;
 3. Any potential conflict of interest items regarding SCVA's participation in VEBA will be handled by the consultant directly with the co-chairs;
 4. All of VEBA underwriting rules and policy items will be adopted by SCVA.

MOTION: (John deBeck) that the co-chairs be authorized to execute the agreement between VEBA and McGregor & Associates operating as SCVA to allow for participation in the Trust effective on July 1, 2008. Seconded Doretha Albee and approved.

- The Executive Committee discussed and brings forward to the full Board, dual coverage situations where spouses or domestic partners, working for the same school district, both elect medical coverage and cover each other as dependents. As a cost-savings measure, VEBA policy could be amended to allow Districts and their Employee Organizations/Associations to allow only one spouse or domestic partner to carry the medical coverage. This could provide dollar savings for the school district, the carriers, who would not have to pay additional capitation to providers, and for the employees who are VEBA members.

MOTION: (John deBeck) that in recognition of current budgetary concerns of member VEBA Districts and their Employee Organizations/Associations, VEBA eligibility provisions should be amended to allow the District and the Organization/Associations to elect, through the collective bargaining process, to provide only one medical benefit plan to married Employees of the same Employer and to Domestic Partners of the same Employer who would otherwise be eligible to enroll in plans separately and cover each other as a dependent. Seconded by Doretha Albee and approved.

It was noted that there are procedural issues that would need to be resolved. McGregor will draft revision to Policies and Procedures for Board review, ensuring that no other underwriting rules are violated.

Annual Audit Report:

Kevin Brown, Rosner Brown Touchstone & Keller, reviewed the annual audit report.

Committee Reports:

- George McGregor reported on a very positive meeting he and Steve Kaplan attended that included CHCC and CalPERS. Steve Kaplan commented on the benefits that the joint approach would have in dealing with Kaiser.
- CPEEHCC is gearing up for the annual training conference. The next meeting will be in August 2008.
- George McGregor reported on the outcome of the Advisory Committee meeting which was well attended and very well received. Ed Nelson commented that the VEBA should continue to focus on enhanced service and quality communications.

Consultant Reports:

- Ron Mason provided claims updates on the VEBA prescription and medical plans.
- Ron Mason reported that the EPO plan using United Healthcare will have a common plan design and rate across the United States (excluding Arizona and Nevada which will remain on an HMO contract).
- Ron Mason presented, one year early, the Medco renewal. He reported that almost all of his requests had been met.
- Ron Mason presented an analysis regarding a reasonable level for the VEBA's unrestricted reserve fund, considering the risks for which the reserve fund would potentially be used and a level that would cover most contingencies. The Board was advised of AB1324 which would limit retroactivity and also of the intention of the State to defer school funding both of which could have an impact on reserves. George McGregor will immediately request a legal opinion from the VEBA attorney regarding implications of the deferral of school funding and was directed to draft a policy statement for Board review as to how the unrestricted reserve is to be formulated.
- Communications activities completed and activities underway were reported by Susan Giesting.
- Susan Giesting reviewed a communications strategy for transitioning PacifiCare out-of-area plans to United Healthcare.

Administrator Reports:

- George McGregor reviewed the Statement of Net Assets, Budget Report and the Disbursement Reports as of April 30, 2008.

MOTION: (Doretha Albee) that the Disbursement Report as of April 30, 2008 be approved as submitted. Seconded by Tom Eggleston and approved.

- Nancy White reviewed the Advocacy Programs report.
- Bob Whiting reviewed the Ombudsman Report. He said that the non-compliant Districts were grateful for the extension of the deadline for presenting improvement plans.

MOTION: (Sam Lucero) that for the non-compliant Districts, the 4% rate load be deferred until January 1, 2010. Seconded by Ronnie Adair and approved.

- Ron Mason will add a rate tier #11 for any non-compliant District that fails to submit an improvement plan.
- George McGregor advised the Board that there are a couple non-compliant Districts that have indicated a desire to come into compliance January 1, 2009.

MOTION: (Kevin Ogden) that for early compliance implementation by a District, the contribution rates should be adjusted on a case-by-case basis as approved by the co-chairs. Seconded by Doretha Albee and approved.

New Business:

- George McGregor and Ron Mason discussed the timelines and difficulties involved in being able to release rate renewals to the Districts in a timely manner for collective bargaining and budgeting. "A Rate Renewal Process and Recommended Approach July 2008" was presented and will be revised and brought back with the early release date for active-employee rates and later dates for retiree rates.
- George McGregor reported that he anticipates presenting materials and recommended approach of the new eligibility audit program to the Board in September 2008.

- George McGregor reported that the Medco denial of two prescription drug appeals had been upheld by independent physician review. He felt that the members will now appeal to the State.
- George McGregor reported that the audit of District's benefits and contributions are scheduled to begin in October or November.

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Carrier Comments:

Sandra Chambers, Kaiser Executive Account Manager, Labor and Trust Funds invited the Board again to attend the Trust Fund Forum scheduled for September 23, 2008, from 9:30 a.m. to 12:30 p.m.

The meeting adjourned to closed session at 10:55 a.m.

The next meeting will be held on August 13, 2008, at 8:00 a.m. at the San Diego County Office of Education.