Members Present:  Adam  Hillman, Gretchen Deichler, Phil Brown, Bob Lowden
Members Absent:  David Flores, Robert Fellinger
Staff:     Mike Strech, Amy Cavalleri

Chairman Phil Brown called the meeting to order at 1:35pm.

I.  Introductions

II.  Acceptance of previous meeting minutes
Adam moved to accept the minutes from the August 15, 2011 meeting.  Gretchen seconded.  Motion carried.  Unanimous.

III.  Presentation of 2010/11 Audit – Matsom & Isom
Kyle Rusten reviewed the Report to the Board of Directors dated June 30, 2011 (See attachment).  Members of the committee were invited to contact Kyle directly with questions or concerns related to the audit.

At the request of the committee, Kyle reviewed only highlights of the full audit report.  Kyle clarified the scope of the audit was strictly to examine financial procedures and transactions of STSIG.  This audit does not examine the claims side of the agency.  Kyle highlighted the fact that all programs are fully funded with the exception of Old Worker’s Comp.  Dental, Medical and Worker’s Comp have all realized a significant increase in assets since 2009.  Further reimbursements from ERRP were not accrued in this audit due to the uncertainty of remaining funding available for the program.

The Finance Committee will review the audit in detail.  It was determined that Phil will present the audit to the full board at their meeting later this month.

IV.  Plan Performance to date 2011-12
   a.  Overview of all programs/scorecard – Financial performance for first five months of the fiscal year was reviewed.
   b.  Medical – Medical program is currently running at a 98% loss ratio.  Revenue impact from the Fall River exit was lower than expected.  A $1.8 million budget adjustment (reduction in projected revenue) was recommended based on significant movement from plan C to C2, the addition of overage dependents up to age 26, and lower number of insured FTE than anticipated.  A discussion followed regarding the
importance of continuing to fund stabilization in alignment with the long-term funding goals established by the board.

Rx loss ratio is at 98.9%. $98,000 surplus accumulated during the first five months of the fiscal year.

Current rates were set at 11.5% increase. STSIG is on track to cover expenses and accrue 1-1.5% revenue if claims experience continues current trend for the remainder of the plan year. This is slightly below the goal set by the board for IBNR stabilization funding, but still respectable performance overall.

c. Dental – The Dental program continues to add significant savings to the bottom line. The group discussed the need to re-visit stabilization goals for this program since plan performance has exceeded expectations for the past two years. $295,000 is the projected surplus this plan year, and on track for a year end balance of $700,000 – significantly above the stabilization goals. Future consideration will likely be given to lowering the balance at the time the 12/13 budget is established in March/April.

d. Vision – Performing as anticipated

e. New Worker’s Comp – the balance sheet indicates that the program is performing very well, however it was pointed out that unlike employee benefit programs, workers compensation “tail” is very long and the better indication of long-term performance is always the actuarial study that is released in March which addresses the program in its entirety.

f. Old Worker’s Comp – Not discussed

g. JPA Administration – Not discussed

Adam Hillman commented that he was very pleased with all that has been addressed both in terms of the progress of last year as well as the direction this year. While there is still significant headway that needs to be accomplished in terms of long-term stabilization, the deficit is erased and the IBNR is funded.

V. Impact of Fall River Exit – IBNR – Reference was made earlier to the loss history of Fall River, and the impact was outlined in a letter from Mercer of August 4, 2012. In a subsequent letter dated January 12, 2011, Mercer noted $95,000 in tail claims paid during 11/12. Next year’s IBNR adjustment will be affected by the departure.

VI. Finalization of Equity Transfer New W/C to Old/Related transactions - The JPA is experiencing difficulty in locating source documentation to finalize the transfer. Matson & Isom, the agency audit firm, did not have sufficient details either. JPA staff will be requesting records from Multiplex to continue the search. Phil recalls that he has seen schedules that detail Old and New equity balances by district. Adam shared that NCSIG commissioned an independent contractor to calculate the equity balance by members all the way back to inception, and offered to provide the contact information. Mike & Mari shared that they too had reached the same conclusion that it is good information to have on hand.

VII. ERRP Recoveries 2012 – The JPA has a pending request of $379,000, which has yet to be approved. The process typically takes six weeks, and the current request was submitted seven weeks ago. Mike contacted ERRP and was told that the time frame had been extended another two weeks. The five billion dollar program is down to just $500,000,000 and the agency is contemplating on paying pro-rata shares of approved requests. No amount
has been recorded in the books to date for conservativeness.

VIII. Implementation & Medical Claims Audit – The implementation Audit has been completed and identified a few areas that require additional study. STSIG is working with Aon (auditor) and Anthem in confirming whether there are any outstanding coding issues, and the financial impact (positive or negative). It was suggested that the JPA request that the upcoming claims audit provide additional focus to the items identified as areas of concern during the implementation phase.

IX. Other Issues – Discussed presentation logistics for the pending EC and BD meetings. It will be important to represent where we were, we are now, and where our agreed upon goals will take us. Mike & Mari were directed to prepare charts to represent IBNR, stabilization, and corresponding rate activity. Phil, Mike & Mari will review presentation material prior to EC meeting.

X. Adjourn – Phil Brown adjourned Meeting at 5:15PM.

NEXT MEETING: To be scheduled for August, 2012