

WASHINGTON COUNTIES INSURANCE FUND/POOL
COMBINED BOARD MEETING MINUTES

Thursday, September 15, 2005
Radisson Hotel at SeaTac
Seattle, Washington

BOARD MEMBERS PRESENT:

Dwight Robanske, Columbia County Commissioner
Dean Burton, Garfield County Commissioner
Mac McDowell, Island County Commissioner
Alan Crankovich, Kittitas County Commissioner
George Trott, Wahkiakum County Commissioner, Vice-Chair WCIF
Dave Carey, Walla Walla County Commissioner, President WCIP
Jerry Finch, Whitman County Commissioner, Chair WCIF
Belinda Price, Olympia Area Agency on Aging
Paul Eichenberg, Spokane County Library, Vice-President WCIP
Alex Duncan, Timberland Regional Library

Absent: Pat Hamilton, Pacific County Commissioner
Rich Graham, Lewis County Commissioner

OTHERS PRESENT:

Dick Toft, Island County Alternate
Larry Grove, Lewis County Alternate
Jay Winter, Walla Walla County Alternate
Lisa Heinrich, Columbia County Benefits
Mark Fukuhara, WCIF Executive Director
Rita Fanning, WCIF Deputy Director
Krista Whitaker, WCIF Benefits Manager
Frank Campbell, WCIF Marketing Executive
Joe Berg, Berg Andonian, Benefits Consultant
Kirk Andonian, Berg Andonian, Benefits Consultant

OPENING OF MEETING: Commissioner Jerry Finch opened the WCIF Board meeting at 12:20 pm and Commissioner Dave Carey opened the WCIP Board meeting immediately thereafter.

APPROVAL OF MINUTES. The Boards reviewed the draft minutes for the WCIF meeting on March 17, 2005 and the WCIP meeting on August 18, 2005.

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| <p>Motion was made by Dean Burton and seconded by Mac McDowell that the WCIF minutes for March 17, 2005 and the WCIP minutes for August 18, 2005 be approved as submitted. Motion carried unanimously.</p> |
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EXECUTIVE DIRECTOR REPORT. Mark Fukuhara gave a summary of his written report and provided an update on a meeting with representatives from Grays Harbor PDA which included Grays Harbor County Commissioner Bob Beerbower who is on the PDA Board. After discussion by the trustees, it was decided to discuss the Grays Harbor PDA situation later in the meeting during Executive Session.

Mark also announced that Directors and Officers (D&O) liability insurance had been recently renewed with Executive Risk Indemnity (Chubb) resulting in Washington Counties Insurance Pool being added as a named insured and the retention raised from \$10,000 to \$25,000. This resulted in an annual premium of \$6,949 compared to the original proposed renewal of \$7,862.

MARKETING REPORT. Frank Campbell gave an overview of his written report which listed contacts with 23 counties and 28 junior taxing districts since March 2005. He explained that our strengths include lower fixed costs, more flexibility from offering up to 4 PPO medical plans, more tiers of rates resulting in savings for employees with one child, availability of retiree benefits, stability of being part of a larger group and having the opportunity to participate in the governance of the WCIF/WCIP. Frank explained that the marketing effort has involved every member of the staff and expressed his appreciation to the Board for their support in providing him with referrals and in some cases, accompanying him on visits with potential new customers.

ZENITH ADMINISTRATORS EXPANSION OF SERVICES. Krista Whitaker explained that the current staffing model cannot effectively attain our growth and service goals. Therefore, we negotiated an agreement with Zenith Administrators to take on additional administrative services which will allow staff to focus their time on making service calls and provide training. Zenith will charge \$1.79 per employee per month except for those employers that only offer group life insurance, who will be charged a fee of \$.15 per employee per month.

Krista gave an overview of Zenith's Total Claims Capture & Control (TC3) program which was implemented effective August 1, 2005. The savings from the TC3 program will pay for the additional fees paid to Zenith Administrators. Krista explained that the WCIP Board approved the expansion of services by Zenith Administrators at its August 18, 2005 meeting and that approval by the WCIF Board of Trustees would ensure administrative ease for our participating employers' human resource and fiscal staff.

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| <p>Motion was made by Dwight Robanske and seconded by Mac McDowell to have Zenith Administrators provide WCIF participating employers with additional services which include eligibility processing, premium billing and HIPAA/COBRA/retiree administration. Motion carried unanimously.</p> |
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ELECTIONS TO WCIP BOARD OF DIRECTORS (2006/2007). Jerry Finch announced that the Insurance Advisory Committee had reelected Paul Eichenberg, Belinda Price and Sandy Ward to new 2 year terms at their meeting this morning; George Trott and Jerry Finch will receive automatic appointments as WCIF Chair and Executive Chair respectively; Rich Graham is losing his current automatic appointment; and Mac McDowell's term is expiring. Both Rich Graham and Mac McDowell had previously expressed interest in continuing on the WCIP Board. Jerry Finch asked if there were any nominations from the floor. Being none, Mac McDowell was elected to a 2 year term and Rich Graham was elected to finish George Trott's remaining year.

WCIP LOYALTY PROGRAM. Rita Fanning gave an overview of the proposed program and explained that the intent was to recognize and reward participating employers who had demonstrated their loyalty and commitment by remaining in the WCIP since inception of the self insured medical plans. Of several alternatives, she recommended approval of reimbursing the training and travel expenses for one employee from each employer to attend the ACE meetings the WCIF conducts twice each year. The maximum reimbursement will be \$200 per meeting per attendee which will potentially cost \$14,000 annually to reimburse the 35 employers that qualify for the program. Many employers are facing fiscal constraints which impact their ability to afford the travel expense for sending staff to the ACE meetings. Our ACE meetings provide important training to enable attendees to better administer our plans and opportunities to interact with their counterparts from other employers. By reimbursing expenses, we will not only reward WCIP participating employers for their loyalty but will hopefully increase attendance at our ACE meetings as well. Increased attendance will reduce the amount of one-on-one training we will have to conduct, and help the employers' and the WCIF's staff to better serve their employees and family members. The Board discussed various issues including the possibility of starting this program with the upcoming ACE meeting on October 12, 2005.

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| Motion was made by Dean Burton and seconded by Belinda Price to implement the WCIP Loyalty Program beginning with the October 12, 2005 ACE Meeting to reimburse employers that have participated with WCIP since the inception of its self-insured plans for incurred travel expenses up to \$200 per ACE Meeting or up to \$400 per qualified employer per year. Motion carried unanimously. |
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WCIP RATE SETTING GUIDELINES/PARAMETERS. Joe Berg explained that the intent of establishing rate setting guidelines was to support the objective of growth in participants, each employer can represent a dramatically different risk profile, and their recommended guidelines involve a very specific, minimal approach with 3 levels of rates.

Kirk Andonian explained their report which described the recommended methodology to determine the appropriate rate level for new employers and current participating employers. The 3 levels of rates include the pool, 5% below the pool, and 5% above the pool. The Board discussed the guidelines and felt there was no immediate need to change how rates are set for current employers in the pool.

Motion was made by Paul Eichenberg and seconded by Alex Duncan to approve the rate setting guidelines/parameters recommended by Berg Andonian, Inc. for new employers offering WCIP medical plans; and new participating employers will remain in their rate level for the first 3 years. Motion carried unanimously.

CHANGES TO WCIP BYLAWS, INTERLOCAL AGREEMENT AND UNDERWRITING GUIDELINES. Rita Fanning gave an overview of the changes to the WCIP Bylaws, Amendment No. 1 for the Interlocal Agreement and Underwriting Guidelines. She explained that the only change not approved by the WCIP Board at its August 18, 2005 meeting was to allow staff and the benefits consultant to set monthly premium rates for new participating employers.

Motion was made by Belinda Price and seconded by Paul Eichenberg to approve the staff and benefits consultant to set rates for new participating employers based on the rate setting guidelines/parameters approved earlier in the meeting by the WCIP Board. Motion carried unanimously.

CHANGES TO WCIF TRUST AGREEMENT AND BYLAWS. Rita Fanning gave an overview of the changes and explained that similar changes for the WCIP governance documents had been approved by the WCIP Board on August 18, 2005.

Motion was made by Dwight Robanske and seconded by Dean Burton to approve the changes to the WCIF Trust Agreement and Bylaws as presented to be effective January 1, 2006. Motion carried with Dave Carey dissenting.

WCIF FINANCIAL REPORTS. Rita Fanning gave an overview of the WCIF Financial Statements for the period ending June 30, 2005 which showed a net income of \$102,077 and reserves of more than \$4 million. She explained reasons for line items with large variances between budgeted and actual expenditures. She reviewed key aspects of the State Auditor Office (SAO) Audit Report for the year ending December 31, 2004 which was a clean report for the WCIF.

Motion was made by Dean Burton and seconded by Mac McDowell that the financial reports be approved as submitted. Motion carried unanimously.

RECOMMENDATIONS FOR 2006 RENEWAL. Kirk Andonian gave an overview of the benefit changes approved by the WCIP Board on August 15, 2005 and approved by the Insurance Advisory Committee earlier this morning. He also pointed out their recommendation for one additional change: reducing the waiting period for organ transplants from 12 months to 6 months, which is the industry standard.

Motion was made by Belinda Price and seconded by George Trott to reduce the waiting period for organ transplants from 12 months to 6 months effective January 1, 2006 for all WCIP medical plans. Motion carried unanimously.

Kirk Andonian gave an overview of the written recommendations for WCIF benefit changes and rates for 2006 that were reviewed, discussed and approved by the Insurance Advisory Committee earlier this morning.

Motion was made by Dean Burton and seconded by Dave Carey to approve the 2006 WCIF renewal recommendations as presented by Berg Andonian, Inc. Motion carried unanimously.

Joe Berg announced that VSP recently confirmed approval of a 2 year rate guarantee through December 31, 2007, reduction of our administrative fee by .5% retroactively to January 1, 2005, and will issue a check to WCIF for reserves that they have been holding.

WCIP/WCIF OFFICE PURCHASE JOINTLY WITH WCRP. Rita Fanning gave an overview of the handout describing the expected sale of Washington Counties Risk Pool's building in the next few months and the possibility of the WCIF/WCIP purchasing office space with them. The Board discussed various topics such as space requirements and the impact of maintenance and taxes on the cost to purchase office space.

Motion was made by Dwight Robanske and seconded by Dave Carey for staff to return to the Board for further discussion after more information is available such as the cost comparison of purchasing office space versus continuing our current lease. Motion carried with Jerry Finch dissenting.

WCIP/WCIF REVISED WELLNESS PROGRAM. Krista Whitaker gave an overview of the handout describing the proposed expansion of the Wellness Program to include all employers that offer Group Health medical plans, provide employers with examples of wellness activities that have been successful across the country, and solicit applications from employers for review and approval by the WCIF Board at its meeting in November. The Board discussion included a desire to review the effectiveness of the current program and to see how grant monies were being spent.

Motion was made by Dean Burton and seconded by Dave Carey for staff to present to the Board at its November 2005 meeting, information about the current wellness program as well as a clearer explanation of the proposed new program, including examples, and what we hope the program will accomplish. Motion carried unanimously.

WSAC MARKETING AND LOBBYING FOR WCIP/WCIF. Mark Fukuhara gave a brief overview of his desire to negotiate an agreement with WSAC to provide marketing and lobbying services at an annual fee of \$50,000 which prompted discussion by the Board of Directors/Trustees. Some of the concerns included a means of reporting results and accountability for the amount we pay WSAC, whether current WSAC staff would provide the services or new staff would be hired, finding out whether WCRP would be willing to also pay for lobbying services from WSAC, and seeing whether we can have a

seat on their Legislative Steering Committee which would assist us to monitor how our money is being spent.

Motion was made by Dave Carey and seconded by Dean Burton for the Executive Director to negotiate with Bill Vogler for WSAC to provide marketing and lobbying services at an annual fee not to exceed \$50,000 and report back to the Board at its November 2005 meeting for further discussion and action. Motion carried unanimously.

BENEFITS CONSULTANT FOR WCIF/WCIP. Mark Fukuhara gave an overview of the handout describing the engagement of Berg Andonian, Inc. for a 3 month period and recommendation to allow him to negotiate an extension of their services at a monthly fee not to exceed a ceiling amount. He recommended that further discussion be conducted in executive session.

Motion was made by Dwight Robanske and seconded by Alan Crankovich for the WCIF Board to go into executive session to discuss the Benefits Consultant for WCIF. Motion carried unanimously.

Motion was made by Dean Burton and seconded by George Trott for the WCIP Board to go into executive session to discuss the Benefits Consultant for WCIP and the assessment for Grays Harbor PDA. Motion carried unanimously.

The WCIF and WCIP boards went into executive session on these topics and returned to regular session at 2:35 pm.

Motion was made by Mac McDowell and seconded by Dean Burton to allow the Executive Director to negotiate a settlement with Grays Harbor County and Grays Harbor PDA. Motion carried unanimously.

Motion was made by Mac McDowell and seconded by Paul Eichenberg to allow the Executive Director to negotiate a benefits consulting agreement with Berg Andonian, Inc. which would begin after the current 3 month engagement ends on October 15, 2005. Motion carried unanimously.

NEW BUSINESS OR ANNOUNCEMENTS. Belinda Price announced that next week is Older Workers Week which is a reminder for employers to hire an older worker. Mark Fukuhara clarified that the meeting on November 17, 2005 is for the WCIF Board only and will commence at 9 am at the Red Lion Hotel at Columbia Center in Kennewick.

[Note: the meeting was subsequently rescheduled for November 18, 2005 at the Red Lion Hotel at Columbia Center.]

ADJOURNMENT. Meeting was adjourned at 2:50 pm.

MINUTES APPROVED November 18, 2005 by WCIF Board

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Jerry Finch, Chair WCIF

George Trott, WCIF Vice Chair