MINUTES 1/9/14

SELF-INSURANCE PROGRAM BOARD MEETING

A meeting of the Self-Insurance Program Board of Trustees was called to order at 2:30 p.m., Thursday, January 9, 2014, in Personnel Conference Room #2 at 20 E. Main Street, Suite 130, Mesa.

MEMBERS PRESENT	MEMBERS ABSENT	OTHERS PRESENT
Donna Feeney		Mary Dellai, Board Secretary
	Fenton Moran (Excused)	Jan Ashley, Emp. Benefits Administrator
Art Schenkel		Nitra Hawkins, Safety Svcs Administrator
Board Chairman Scott Somers		Debbie Spinner, City Attorney
Michael Kennington, CFO		Marc Steadman, Deputy City Attorney

Chairman Somers asked to review/approve the minutes from the October 28, 2013 meeting. He asked if there were any comments, questions, or concerns or changes to the minutes or if they could be approved as drafted. No changes were proposed. Donna Feeney proposed the minutes be approved. Mike Kennington seconded the motion. Chairman Somers called for a vote. The vote was unanimous.

Chairman Somers acknowledged members of the public, Irma Ashworth, Finance Director and Matt Clark – City Council Assistant. He asked if there were any items from citizens present. There were no items.

The third agenda item was to hear a presentation and discuss the investment performance for the Liability Trust Fund, the Employee Benefit Trust Fund, and the Workers' Compensation Trust Fund.

- Irma Ashworth gave an overview of the Trust fund investment portfolio and explained the various investments. She said this type of review is expected to be prepared quarterly. All three Trust funds participate in the overall City investment pool. Each fund is allocated a proportionate share and earns dividends throughout the year. Reasons for including the Trust funds in the portfolio are higher returns and efficiencies of having all the investments aggregated. See Exhibit 1.
    - Irma Ashworth explained there are investment objectives for these pooled funds and that we are restricted to permitted investment types per state statute and the City's investment policy.
    - She explained the Portfolio Summary and Characteristics page by security type, holdings and percent of portfolio. She explained the value and duration of the aggregate portfolio. She said that maturities were no longer than three years with the majority being around one year to maturity. The aggregate portfolio yield for the past six months was .3 basis points.
        - Donna Feeney asked if the three year rates were locked in. Irma answered that they are locked in.
- The proportionate share of earnings and dividends for the three Trust funds from the investments for the past few years were approximately $100,000.

There were no additional questions.

Chairman Somers asked Board member Kennington about the strategy and investment types to possibly gain higher yields. Board member Kennington responded that there have been some conversations at Council about how much safety vs. liquidity the City would like to balance. In addition, it has been discussed how much should be set aside for investment purposes only and how much kept liquid for day-to-day operations. Board member Kennington said we will more fully explore if we are holding too much cash and if we want to consider other investment types than treasuries or securities such as high grade corporate bonds or municipal funds with a higher yield that can assist with diversification and safety of the funds. Board member Kennington will be prepared at a future point to make that presentation to the Board and to Council. Chairman Somers asked if Irma Ashworth agreed with the statements made by Board member Kennington. She concurred.

Art Schenkel noted that 50% of the cash was being reserved for operating expenses and the rest invested. He asked if the City needed to be that conservative. Chairman Somers said that there was some need for liquidity, but wanted to be able to capitalize on the market and ROI so we have more in the rainy day account. It is a future discussion relative to the cash/investment ratio for the portfolio.

Chairman Somers asked if we are we looking for input from this group for the record. Debbie Spinner answered yes, at next meeting we would be looking for the Board's opinions on the financial viability of the trusts. We will put this item on the next meeting agenda.

The next order of business was to hear a presentation and discuss the financial viability of the Property and Liability Trust fund.

- Debbie Spinner and Marc Steadman manage the Trust fund. She explained the legal services and management of liability services handled by the City Attorney's office and that the City Attorney's Office defends damage claims and the Trust fund pays awards.
- The Trust fund pays administrative costs for employee attorneys and support staff that handle these claims and Debbie Spinner said she believes it saves City resources rather than having to pay outside legal counsel fees. The City Attorney's Office handles about 95% of the claims in house.
- The Trust fund also pays for settlements or jury verdicts and liability insurance to indemnify the City (See Exhibit 3). The City is self-insured for the first $3 million. We have excess liability coverage for the next $1 million up to $40 million. Above $40 million the City would be liable. Since 1977, the City Charter has had this Trust fund in to manage liability claims.
- The Trust fund earns $20,000 - $30,000 in investment revenues; the majority of funding comes from City contributions. (See Attachment 3 - Exhibit 1). Correction to 12/13 figure to $5.9 million. The current balance as of 12/31/13 is $10.2 million cash on hand. Debbie Spinner said we know we have outstanding liabilities and estimate $7.5 million in reserves to pay claims in future years as cases resolve (based on a pending case review every 6 months and what our attorneys estimate a claim is worth). Marc Steadman added that we are conservative but realistic in setting a reserve amount on pending cases as it is seen as a liability in the fund.

  Art Schenkel asked why there is a 44% increase for the 13/14 insurance premiums and how the cost was determined.

  Debbie Spinner acknowledged the new premiums went up significantly for the current year and explained last year's insurance carrier was new to the industry and gave us a good rate to get into the market. That insurance carrier has since gotten out of the public insurance business forcing a new carrier, and the rates went back up. She also said insurance rates fluctuate every year and Mesa added $5 million to get a total of $40 million coverage this year. We look at other valley cities insurance levels and risks, and determined Mesa should increase its coverage level. Marc Steadman added that insurers look at the reserves which reflect claims that have already happened as a factor in determining current rates and if the risks have changed in determining premiums.

  Art Schenkel expressed he didn't see a parallel in experience and rates. Debbie Spinner and Marc Steadman explained that national disaster claims such as Hurricane Katrina have had an upward effect on property insurance premiums, and after 911 liability coverage premiums went up significantly. Since then rates have now gone back down, but it is starting to go back up again. Donna Feeney asked why the rates were going back up again. Debbie Spinner thought there may be fewer companies offering this type of insurance now.

- Attachment 3 Exhibit 2 shows payouts for cases and claims but doesn't include insurance premiums or the cost of the litigation team. Goes up and down, depending on when large cases resolve and when it was paid (large cases can take 2-5 years to resolve). Operating cost total of $5.2 million funds the legal team, insurance premiums and payouts for claims resolved per year. Debbie Spinner said there is another element insurance companies consider - claims Incurred But Not yet Reported (IBNR) which is estimated at $4.5 million.

  Art Schenkel asked about the total claims amount and Debbie Spinner explained that the actual is based on when the case is resolved/paid not the year that the incident occurred. She said that the number of claims resolved each fiscal year seems to be consistent. He asked if we are trying to keep a 50% goal for the fund. Board member Kennington said we would talk to the forecasting group about levels based on experience last year. They look at available funds divided by operating expenses to get the percent.

  Donna Feeney asked about the insurance coverage at $15,000 for two airports. Debbie Spinner noted the amount is only for Falcon Field, and does not include coverage for Williams Gateway. Williams Gateway has its own insurance. It is still a good deal since the Falcon Field coverage has no deductible.

  Debbie Spinner said we just added Cyber Risk coverage.

- Debbie Spinner said the goal is to present all the information to the Board and to let the Chair and Secretary know if you need additional information. We have been talking to the City manager about what recommendation staff will present and then the Board would make their recommendation to the Council very soon.

The fifth agenda item was to hear a presentation and discuss the financial viability of the Employee Benefit Trust Fund for FY14/15.

- Jan Ashley, Employee Benefits Administrator gave an overview of the Benefit Plan, what it is for, and the benefit programs it provides for full-time and part-time benefit eligible employees, retirees, and eligible dependents. (See Attachment Benefit Trust Fund)
  - Jan Ashley explained that the City's health and welfare plans are typical of large employer environments and is administered under the Council approved City of Mesa Health Plan Document on annual or as-needed basis. She discussed each coverage, funding, and eligibility.

    Donna Feeney asked if the plans were PPO, HMO, or indemnity plans. Jan Ashley explained that they are all PPO plan designs and we contract to get arrangements to make it PPO. We rent the BCBS network.
  - Jan Ashley discussed each welfare benefit plan coverage, funding, and eligibility.
- Jan Ashley explained the Employee Benefits Trust funding sources and the City departments provide the majority of funding and employees, retirees and COBRA premiums are approximately 20% of core medical plan funding. State retirement subsidies for retiree health care plans are also a significant source of funding. Federal retiree drug subsidy reimbursements are approximately $200,000 per year. The past year was one of the highest years for stop loss insurance reimbursements due to transplants, oncology treatments, bone marrow transplants and other intense therapies for leukemia, lymphoma, etc., with a high dollar hospitalization services in relatively younger populations.

- Approximately $20,000 to $50,000 per year goes back to the Trust for Flexible Spending forfeitures. Board member Kennington asked if we were going to adjust the plan next year now that the IRS has relaxed that requirement. Jan Ashley said that it only allows for $500 to be carried forward to the following year to try and use it. She said that it would be evaluated for next year.

  Art Schenkel asked if the City was going to look at Health Spending Accounts. Jan Ashley said there are no current plans, however with Health Care Reform other options may begin to make more sense. Board member Kennington said that it has been looked at but we would need a new high-deductible plan design to go along with it.

- Impacts for Trust 2014
  - May have additional covered members under committed partner eligibility after April 1.
  - Anticipated approval and start-up of the Health and Wellness Center by mid-2014 with start-up and ongoing operational costs.

    Donna Feeney asked if we were going to network with a provider for the Center. Jan Ashley replied that we will engage a third-party contracted City sponsored accountable-care medical home model to deliver and provide access exclusively for City covered employees and eligible dependents as an adjunct under the health care plan. The third-party contractor will cover the costs of malpractice insurance and the burden of hiring and managing physicians.

    Art Schenkel asked if services at the Wellness Center will be at a cost to employees. Jan Ashley responded that it will be at no cost to employees as it is a preventative and primary care approach to medical care for the services. This is in response to a likely high demand for primary care services with 30 million more people being covered under health care reform and limited numbers of existing providers. This may give us an edge for our employees to access an exclusive venue for primary care at a cost-contained price approach.

    Art Schenkel asked if we expected the Wellness Center to be an investment that could potentially decrease our overall future cost and we are being proactive. Jan Ashley replied that early detection, prevention and maintenance mode can keep or improve the health level for employees and prevent or delay a chronic or catastrophic direction.

    Donna Feeney asked if the third-party provider would have the liability and malpractice insurance for the Wellness Center and medical staff. Jan Ashley replied that it would be so. Donna Feeney felt the Wellness Center concept is a good idea.
  - Health Care Reform
    - Fees and costs for health plans and insurers
      - Large employer mandates as of 1/1/15 to avoid penalties - we will provide insurance to employees of 30 hours or more, and it will require a change to current HR/benefit policies and costs.

        Donna Feeney asked what percent of employees would be impacted. Jan Ashley said the number of employees potentially impacted is under 100 and that we already provide benefits to eligible part-time employees at 20 hours but it would require a better rate that is considered "affordable at 20%" under health care reform.

- New reporting obligations – systems and process enhancements will be necessary at a cost in order to be able to report.
- Mandatory fees will apply
    - PCORI federal excise fee as of last July and double this July and will remain the same in 2015 and then phase out.
    - Transitional Reinsurance Fee begins in January 2015 at $63 per covered life is estimated at $760,000 liability. We will put this amount in next year's budget 14/15.

      Board member Kennington asked if the amount is to reoccur. Jan Ashley replied it is supposed to go down to $40 per covered life the following year and in 2015 or may be indexed to a CPI number. He asked if that liability number included committed partners. Jan Ashley said that it is anticipated that there will likely be an additional 100 covered members.

      Donna Feeney asked if these fees are because we are self-insured. Jan Ashley replied that it is happening for every insurer or self-insured employer.

      Art Schenkel asked if there was any feedback from employees regarding $5-$9 fee approximately $400 per year for family. Jan Ashley said this particular fee would apply to fully insured products only. Since the City is self-insured it doesn't apply, however, any imposed fees would be factored into the premium.

- Revenue/Expenses discussion
    - Office of Management and Budget gave balance information for the past five years. We expected a fiscal year 12/13 Trust fund balance of $41.1 million. We got approval from council to reduce fund balance somewhat during the current fiscal year with a goal of about $36 million.

      Michael Kenning said this is again where we look at getting to that 50% balance in liquidity/funding levels. Jan Ashley said there is a lot of volatility in the Trust fund balance, we are looking to go to a 50% ratio seems to be more appropriate based on the last several years.

The sixth agenda item was to hear a presentation and discuss the financial viability of the Workers Compensation Trust Fund for FY14/15.

- Nitra Hawkins, Safety Services Administrator, gave an overview of the information Workers' Compensation Trust Fund Exhibit items.
    - She explained Arizona law requires all public and private employers to provide worker's compensation coverage for their employees to provide medical benefits and temporary wage compensation for employees and/or official volunteers injured in the course of their employment.

      Chairman Somers asked if Councilmembers were also covered under this plan. Nitra Hawkins replied that Councilmembers were also covered. She explained that there is a one-year statutory limit to file an injury claim.

- Our 100% City-funded, self-administered, self-insured Workers' Compensation Trust Fund was established June 21, 1982 for this purpose. Funding sources are investments, the General Fund, stop-loss insurance reimbursements and subrogation recoveries. The City maintains liens in subrogation so we have first rights to any awards. We have two employees who handle all the workers' compensation claims for the City. The Trust also pays for excess workers compensation stop-loss insurance coverage.

  The City pays expenditures up to $1 million per claim and then the excess workers compensation stop-loss insurance coverage would provide reimbursement. As we go out for bid this year, we have had some push back from providers to allow for different requirements for Public Safety employees because of the potential for claims. Nitra Hawkins explained that our biggest claim experience has been for Public Safety employees. We may need to make a future adjustment to the $1 million claim limit to balance the premium to be more cost effective to obtain reasonably priced stop-loss insurance in the future. The current $1 million stop-loss insurance coverage cost $300,687. We will evaluate this annually in light of premium rates.

- The Trust also pays for a $25 million self-insured bond to guarantee outstanding liabilities for the life of claim costs required by state statute. Nitra Hawkins explained what the life of the claim means the total cost estimate for the life of the claim.

- Nitra Hawkins explained the historical fund contributions/expenses and ending balance exhibit. We anticipate approximately $5.7 million expenses this fiscal year for claims cost. Overhead cost for the staff is approximately $374,000.

  - She discussed the strategic decision on fund balance philosophy was to limit funding to reduce the ending fund balance to the anticipated level of expenses for the benefit.

    Art Schenkel asked if the number of claims remains steady through the years. Nitra Hawkins said there were 415 new claims each year. The average open claims active at any time are approximately 300. She said the number of claims slowly increased about three years ago and seems to remain fairly steady now but cannot attribute to any one factor.

    She said most claims are typically medical benefits only and are fairly quickly resolved. This means the employee can perform some work and is getting some kind of treatment such as doctor appointments and physical therapy.

- Potential impacts to the Trust

  - Workplace injuries and illnesses. One of the major concerns is the average monthly wage set by the Industrial Commission at $4,200/month, puts a heavy financial burden on the City. She gave an example of a young employee who injures his/her back and can no longer work. The result for the lifetime payout of this employee claim would be significant.

  - Looking at potential with Health Care Reform for claimant's inability to get in to see a physician for specialty treatment due to potential numbers of people wanting to see a particular doctor.

    Donna Feeney asked if the Wellness Center would be seeing these patients as well. Jan Ashley replied that they would not be going to the Wellness Center for specialty care. Nitra Hawkins said that we want to get the Wellness Center up and running in Phase I and there may be potential in Phase II of the Wellness Center implementation to cover some specialty services in the future.

Donna Feeney asked which provider the City uses. Nitra Hawkins replied that we currently use directed care to Banner Occupational Health with five valley locations.

Chairman Somers asked a selection has been made for the Wellness Center provider. Jan Ashley replied that we are in final negotiations with the selected vendor but the contract is not finalized. Debbie Spinner added that we are working on the facility lease and the professional service contract for the Wellness Center.

- Debbie Spinner asked if there was any additional information the board needed prior to making a recommendation. The board said they had the information they needed.

Schedule future meetings. At the next meeting, the Board will be expected to make a recommendation in late February or early March for Council. This timing will allow staff enough time to put a recommendation together for the board to review.

The next meetings will be calendared for the last week of February or the first week of March.

Adjournment

There being no further business, Chairman Somers moved that the meeting be adjourned. Donna Feeney seconded the motion. All concurred. The Board adjourned at 3:48 p.m.

Mary Dellai 3/6/14 Scott C. Somers 3/6/14

Mary Dellai, Secretary to the Board Date Scott Somers, Board Chairman Date

c: Christopher J Brady, City Manager
DeeAnn Mickelsen, City Clerk
Self-Insurance Trust Funds Board Members
Mayor's Office

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City of Mesa

Quarterly Investment Report

For the Quarter Ended September 30, 2013

Investment Objectives

- **Investment Objectives:** In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:
  - **Safety** – Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
  - **Liquidity** – The investment pools and funds will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
  - **Return on Investment** – The investment pools and funds shall be managed with the objective of attaining the maximum rate of return given the constraints of the aforementioned safety and liquidity objectives.

Investment Guidelines

- **Investment Guidelines:** In relation to the investment portfolio, the City's investment strategy focuses on the following:
  - Permitted Investments. The City will invest in permitted securities consistent with A.R.S. 35-323. Additionally, the City may desire to be more conservative in its investment portfolio and restrict or prohibit certain investments outlined in the Investment Policy.

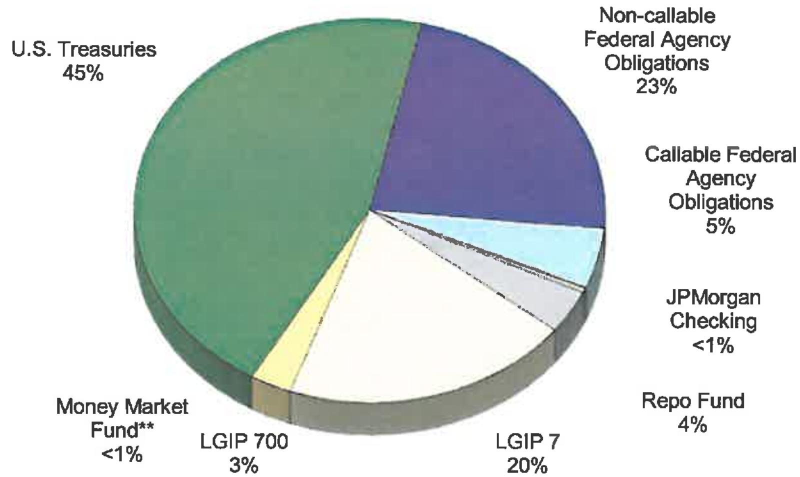
Security Type	Arizona Revised Statutes	City Investment Policy	Investment Advisor Restrictions
U.S. Treasuries	✓	✓	✓
Federal Agencies	✓	✓	✓
Negotiable Certificates of Deposit	✓	✓	
Repurchase Agreements	✓	✓	
State Pool	✓	✓	
Arizona Municipals	✓	✓	
Corporate Notes	✓	✓	
Commercial Paper	✓	✓	
Bankers Acceptances	✓	✓	
Deposit Accounts, Savings Accounts	✓	✓	

  - The maximum maturity on Treasury and Federal Agency instruments will be three years from purchase date.
  - The investment manager may sell securities prior to maturity upon approval by the City of Mesa and as permitted under established guidelines:
    - A security with declining credit may be sold early to minimize loss of principal.
    - Liquidity needs of the portfolio require that the security be sold.
    - Securities may be sold to improve the quality, yield, or target duration in the portfolio.

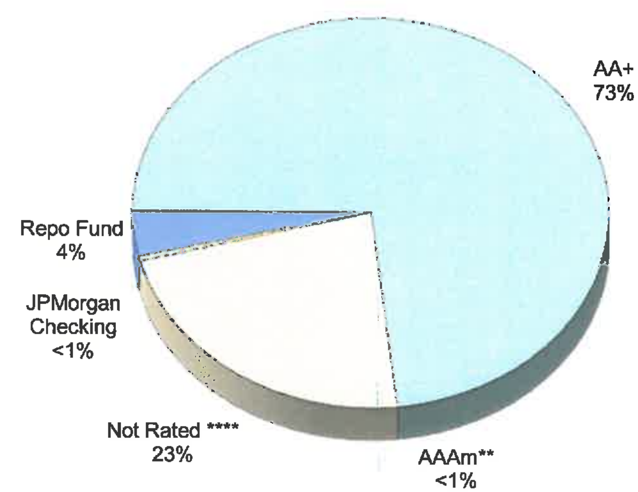
Portfolio Summary and Characteristics***

Security Type	Current Holdings*	September 30, 2013 % of Portfolio	June 30, 2013 % of Portfolio
U.S. Treasury	**$161,882,055**	**45%**	50%
Federal Agency	**$100,042,828**	**28%**	23%
Callable Federal Agency	*$17,876,867*	*5%*	*5%*
Non-callable Federal Agency	*$82,165,961*	*23%*	*18%*
Liquid Funds	**$96,298,625**	**27%**	27%
JPMorgan Checking	*$1,459,872*	*<1%*	*<1%*
Repo Fund	*$13,039,987*	*4%*	*5%*
LGIP 7	*$71,262,927*	*20%*	*20%*
LGIP 700	*$10,198,506*	*3%*	*3%*
JPMorgan Government MMF	*$337,332*	*<1%*	*<1%*
Total Market Value	**$358,223,507**	**100%**	100%

Sector Distribution



Credit Quality Distribution

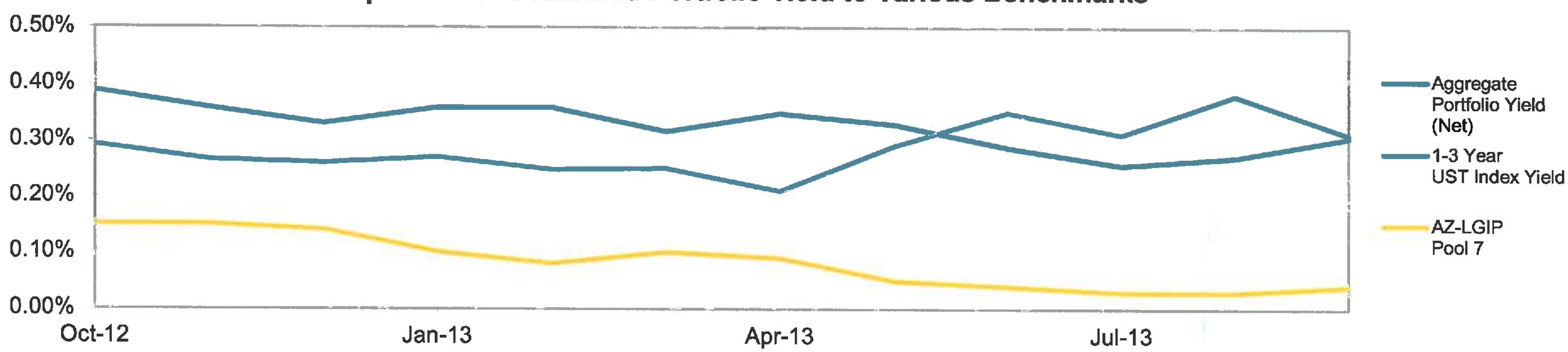


**Security market values excluding accrued interest as of trade date.*
***AAAm represents the City's JP Morgan Government Money Market Fund, which remains rated AAAm despite the downgrade of U.S. long-term debt.*
****Ratings by Standard and Poor's.*
*****Unrated funds are funds held in Arizona Pools 7 and 700 and are comprised of government securities.*

Aggregate Investment Program Yield Summary

Date	Quarter-End Market Value[1]	Duration	Aggregate Portfolio Yield (Net)[2]	1-3 Year UST Index Rate[3]	AZ-LGIP Pool 7[4]	S&P LGIP Index	3-month Treasury Bill[5]
Dec-10	$287,412,838	0.42	**0.24%**	0.58%	0.13%	0.11%	0.12%
Mar-11	$268,741,675	0.44	**0.22%**	0.73%	0.09%	0.09%	0.05%
Jun-11	$355,786,303	0.46	**0.20%**	0.46%	0.05%	0.05%	0.02%
Sep-11	$301,314,332	0.99	**0.33%**	0.30%	0.06%	0.06%	0.02%
Dec-11	$267,029,171	1.19	**0.37%**	0.26%	0.04%	0.05%	0.02%
Mar-12	$274,915,017	1.25	**0.41%**	0.37%	0.10%	0.06%	0.05%
Jun-12	$363,244,632	1.22	**0.36%**	0.34%	0.11%	0.07%	0.05%
Sep-12	$384,200,607	1.19	**0.33%**	0.25%	0.15%	0.11%	0.06%
Dec-12	$348,959,811	1.38	**0.33%**	0.26%	0.14%	0.06%	0.11%
Mar-13	$331,846,756	1.44	**0.32%**	0.25%	0.10%	0.07%	0.06%
Jun-13	$360,397,040	1.37	**0.29%**	0.35%	0.04%	0.07%	0.06%
Sep-13	$358,223,507	1.20	**0.31%**	0.31%	0.04%	0.06%	0.02%

Comparison of Combined Portfolio Yield to Various Benchmarks



1. Includes liquidity funds, excludes accrued interest.
2. Yields are calculated net of PFM and LGIP fees. PFM-Managed Yield represents Yield to Maturity at Cost.
3. Rate represents the Merrill Lynch 1-3 Year U.S. Treasury Index month-end yield. Source: Bloomberg.
4. Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.
5. Rate represents the Merrill Lynch 3-Month U.S. Treasury Bill Index month-end yield. Source: Bloomberg.

Self-Insurance Trust Fund Board Report

Date: January 9, 2014

To: Self-Insurance Trust Fund Board

From: Debbie Spinner, City Attorney
Marc Steadman, Deputy City Attorney

Subject: Financial Viability of the Property and Public Liability Trust Fund

Strategic Initiatives

Purpose and Recommendation

The purpose of this report is to provide historical information regarding the financial viability of the Property and Public Liability Trust Fund (PPL Fund).

Background

The Property and Public Liability Trust Fund is managed by the City Attorney's Office. Its working capital balance as of December 31, 2013 is $10,259,655. The PPL Fund is funded by (1) City of Mesa annual contributions and (2) investment income earned by the PPL Fund. Exhibit 1 shows the City's contribution to the PPL Fund since FY07/08. Investment income averages approximately $20,000 - $30,000 per year.

Expenditures from the PPL Fund include (1) payouts and defense costs of all third-party claims/lawsuits filed against the City of Mesa, (2) the administrative cost to defend the claims/lawsuits in-house (Mesa's litigation team), and (3) insurance premiums.

Exhibit 2 shows the history of annual payouts and defense costs for claims/lawsuits resolved and the number of claims/lawsuits resolved from FY08 to FY13.

Mesa has a litigation team made up of three attorneys, two paralegals, one claims specialist, and two legal assistants. This team represents the City in nearly all third-party liability claims/lawsuits. Defending these cases with city employees has greatly reduced the litigation costs the City. The annual cost to operate the litigation team is approximately $940,000.

The City of Mesa purchases many types of insurance, including property insurance, liability insurance, and aviation insurance. All premiums are paid by the PPL. Excess liability insurance is the most costly. This is insurance for third-party liability claims of negligence against the City. Mesa is self-insured for $3M per claim. Any claim in excess of $3M will be paid by the excess insurance. Exhibit 3 shows the history of all insurance premiums paid by the City of Mesa from FY06/07 to FY13/14.

Discussion

To ensure its financial viability, the PPL Fund should receive annual contributions that will, at a minimum, cover the expected expenditures. The cost of operating the litigation team and the insurance premiums are relatively stable. However, Exhibit 2 shows significant variation in the annual payout, depending on whether any large cases were resolved during the year. The average annual payout for the resolution of claims/lawsuits from the PPL Fund is approximately $3M. The estimated cost to manage the litigation team is $940,000. The estimated cost for insurance premiums is $1.3M

Totaling these expenses, the average annual payout from the PPL Fund is approximately $5.2M.

Fiscal Impact

The Property and Public Liability Trust Fund is funded by the City's general fund. Any contribution to the PPL Fund will impact the City's general fund.

CITY CONTRIBUTIONS TO
PROPERTY AND LIABILITY TRUST FUND

City Contributions	
FY07/08	$4,301,000
FY08/09	$4,301,000
FY09/10	$4,301,000
FY10/11	$4,301,000
FY11/12	$4,301,000
FY12/13	$3,942,583

Projected City Contributions	
FY13/14	$6,301,000
FY14/15	$5,500,000

EXHIBIT 1

Claims/Lawsuits Closed by Year
Total Payments (# Closed)
FY 2008 - 2013

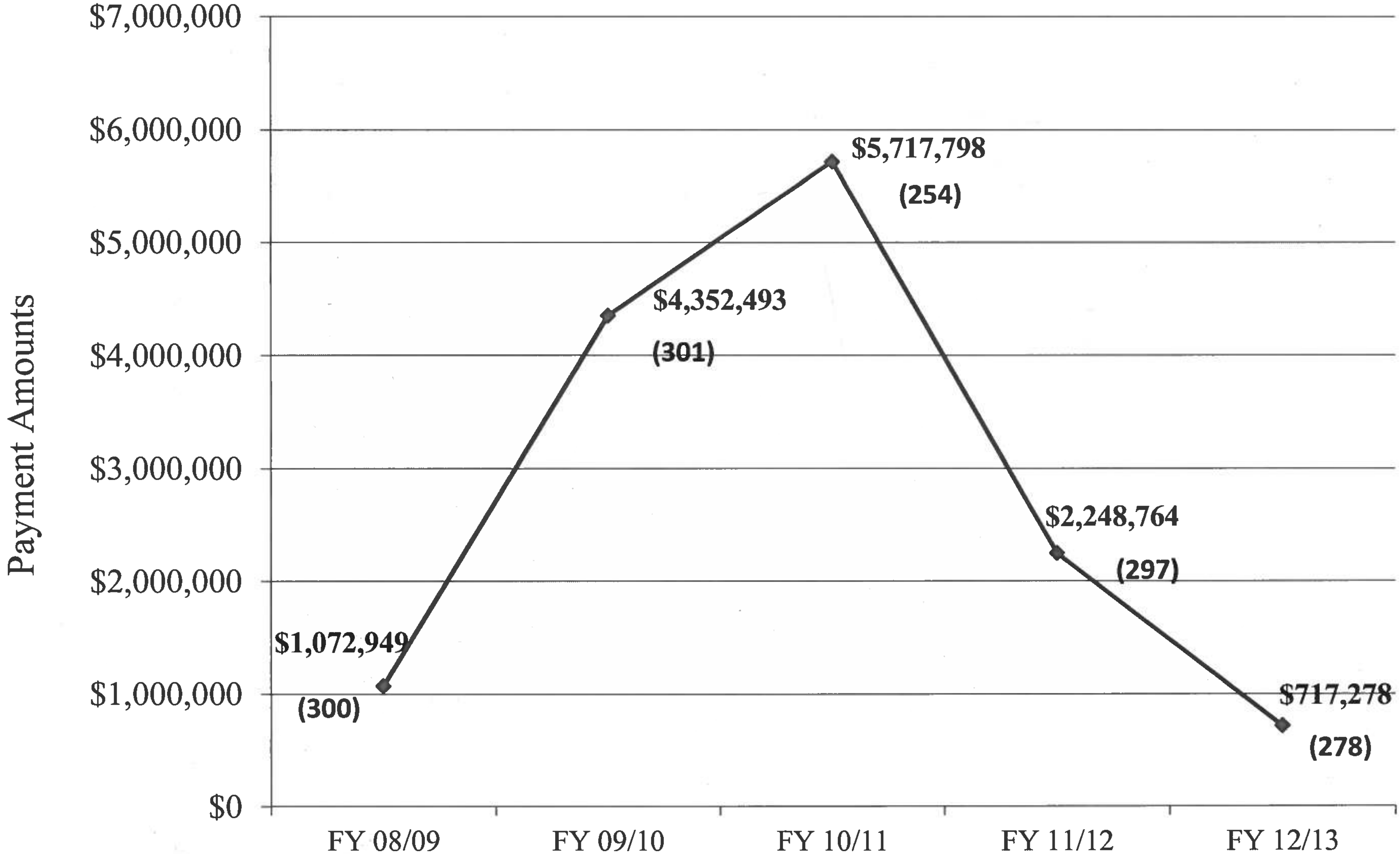


EXHIBIT 2

INSURANCE PREMIUM COSTS

	Actual 2006-07	Actual 2007-08	Actual 2008-2009	Actual 2009-2010	Actual 2010-2011	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014
City S.I.R. Level	$2,000,000	$2,000,000	$2,000,000	$3,000,000	$ 3,000,000	$3,000,000	$3,000,000	$3,000,000
Excess Liability*	755,750	734,463	666,363	587,659	550427	550,713	468,022	675,277
Greenfield Water Reclamation Plant (GWRP)				17,670		23,907	20,536	10,471
Excess Property	254,870	200,000	251,949	268,707	280,036	372,992	413,107	440,289
GWRP				5,000				
Boiler & Machine	11,824	Included	Included	Included	Included	Included	Included	Included
Airport Liability	33,204	23,802	15,758	15,443	14,740	12,662	15,024	15,024
Aircraft Liability	193,921	130,675	107,464	109,256	116,645	103,414	70,796	70,796
Museum & Fine Arts	Included	9,262	8,715	11,177	11,177	7,500	7,700	7,700
Cyber Risk								37,919
Total Insurance Premiums				1,014,912				
Minus GWRP				992,242				
Broker Fees	79,260	69,000	69,000	69,000	35,200	35,200	35,200	35,200
Total w/o GWRP				$1,061,242				
Total w/GWRP	1,328,829	1,167,202	1,119,249	$1,083,912	1,008,225	1,106,388	1,030,385	1,292,676

*Includes special events and special facilities liability coverage through Allied Specialty Insurance
Museum & Fine Arts coverage through Huntington T. Block Insurance Agency
Cyber Risk Insurance started FY13/14

EXHIBIT 3

CITY OF MESA EMPLOYEE BENEFIT TRUST FUND

SELF-INSURANCE TRUST FUND BOARD PRESENTATION

January 9, 2014

Employee Benefit Trust (EBT) Benefit Plan Overview

The City of Mesa's Employee Benefit Trust Fund provides health and welfare benefit plans for employees, retirees and eligible family members:

- Administered under the City of Mesa Health Plan Document approved by Council on at least an annual basis
- Medical/prescription drug/behavioral health benefits – self-insured/self-administered coverage for full-time and part-time benefit eligible employees (3,139), retirees (1,632) and eligible family members (7,556) – 3 plan options available
- Stop-loss medical insurance coverage – fully insured for specific medical claims between $225,000 and $1,775,000 annually
- Dental benefits – self-insured/self-administered indemnity plans (3 options)
- Vision Care benefits – fully-insured plans (2 options)
- Flexible Spending Accounts (FSA - Health and Dependent Care) – employee funded
- EAP – fully-insured and City funded (for eligible employees and household members)

Employee Benefit Trust (EBT) Benefit Plan Overview cont.

- Group Term Life and Accidental Death and Dismemberment Insurance – fully-insured and 100% City funded (full-time employees only)
- Supplemental Group Term Life Insurance – fully-insured and 100% employee funded (employees only, but coverage available for eligible family members)
- Business Travel Accident/Commuter Death Insurance – fully insured and 100% City funded (full-time employees only)
- Short Term Disability Insurance – fully-insured and 100% employee funded (full-time employees only)
- Long Term Disability Insurance – fully-insured and 100% City funded (full-time sworn officers and elected officials only – LTD for other eligible employees funded through retirement/pension programs with ASRS and PSPRS)

EBT Funding

- EBT is funded by:
  - Contributions from City department budgets
  - Employee, retiree and COBRA premiums
  - State retirement system subsidies for retiree health care plans
  - Federal Retiree Drug Subsidy reimbursements
  - PBM Brand Drug Rebates
  - Stop-Loss Insurance reimbursements
  - FSA forfeitures
  - Trust investment income

Potential Impacts to EBT for 2014

- Additional covered members with Committed Partner (CP) benefit eligibility after April, 2014
- Health and Wellness Center (primary care medical center for exclusive use of employees and dependents) mid-2014 implementation
- Health Care Reform compliance:
  - Large employer mandate to provide affordable, minimum value medical coverage to full-time employees as of January 1, 2015
    - Full-time employee definition – 30+ hours per week will require a change to current HR/benefit policies and costs
  - New reporting obligations require enhanced systems and processes by January 1, 2015 – guidance still forthcoming
  - Mandatory fees:
    - PCORI Federal Excise Tax – due July, 2014 – $2 per covered life (estimated $20,000 liability)
    - PPACA Three-Year Transitional Reinsurance fee – commences January, 2015 – $63 per covered life except Medicare primary Retirees (estimated $760,000 liability)

EBT Historical Revenues/Expenses/FY Ending Balances

Fiscal Year	Total Revenues	Total Expenses	Net	FY End Trust Fund Balance
FY 14/15 (Prelim. Projection)	$69,959,489	$70,155,232	($195,743)	N/A
FY 13/14 (Actuals thru 12/31/13)	$28,912,440	$23,714,772	$5,197,668	N/A
FY 13/14 (Adopted)	$61,837,915	$64,362,598	($2,524,683)	$36,577,467
FY 12/13	$59,336,403	$57,248,657	$2,087,746	$41,189,896
FY 11/12	$65,615,336	$52,200,823	$13,414,513	$39,102,150
FY 10/11	$62,412,391	$56,511,900	$5,900,491	$25,687,637
FY 09/10	$52,052,803	$54,668,951	($2,616,148)	$19,787,146

City of Mesa Workers' Compensation Trust Fund

Self Insurance Trust Fund Board Presentation
January 09, 2014

Statutory Requirements

- Arizona law requires that all public and private employers provide worker's compensation coverage for their employees.

- The City of Mesa's Workers' Compensation Trust fund was established on *June 21, 1982*, pursuant to Resolution Number 5076.

Workers' Compensation Program

- The City of Mesa's Workers' Compensation Program provides medical benefits and temporary wage compensation to employees who are injured in the course of employment.
  - These benefits are also extended to City of Mesa's Official Volunteers.

WC Trust Funding Mechanisms

- 100% City Funded
  - No employee contributions / premiums are collected.
- Workers' Compensation Trust is funded by:
  - The General Fund
  - Stop-Loss Insurance Reimbursements

Historical Fund Contributions / Expenses/ FY Ending Balance

Fiscal Year	City Contributions	Total Expenses	Ending Trust Fund Balance
FY 14/15 (Projected)	$ 5,949,450	$ 5,749,411	$ 5,453,723
FY 13/14 (Actuals thru 12/31/13)	$ 2,301,758	$ 2,753,724	$ 4,827,996
FY 13/14 (Projected)	$ 4,603,515	$ 5,758,046	$ 4,827,996
FY 12/13	$ 3,174,442	$ 5,219,459	$ 3,352,601
FY 11/12	$ 3,308,189	$ 5,393,582	$ 4,766,720
FY 10/11	$ 397,362	$ 4,601,181	$ 6,706,591
FY 09/10	$ 2,141,209	$ 3,834,628	$ 9,969,676

* FY 14/15 Total Expenses projected with 8% increase in medical costs.

Potential Impacts to the Trust

- Workplace Injuries and Illnesses
- Affordable Care Act
  - Potential increase in the amount of time it takes for an injured worker to see a medical provider.

Questions ???