

**SUMMARY OPEN-SESSION MINUTES  
CALIFORNIA SCHOOLS  
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION (VEBA)  
July 27, 2016  
5:00 p.m. – 6:00 p.m.**

- Members Present:** Brian Marshall, Mark Anderson, Katie Dexter, Lora Duzyk, Ethel Larkins, Marianne Monfils, Leticia Munguia, Dr. Karen Janney, Ursula Salbato, Jenny Salkeld, Nadine Bennett, Steve Boyle, Robin Watkins, Barbara Collins
- Absent:** Christine Balentine, Mary Ellen Berumen, Matthew Krause, Ron Reese
- Consultants:** Ron Mason (Tall Pine Consulting LLC)
- Administrative Staff:** George McGregor, Annemieke Tomey, Laura Josh, Paul Bergman, Ed Nelson, Nancy White, Chris Josh, Alexandra Kroeger, Sallie Whitton, Matt Bittner, Kat Alexander
- Guests:** Sandra Ambrosi (SDEA-R), Carissa Green, James Gaumer (UHC), Debbie Collins (Kaiser), Ashlynn Smothermon (RBTK, LLP)

The closed-session meeting was called to order by Brian Marshall at 5:33 p.m. A quorum was present.

**Opening Comments from Co-Chairs**

Brian Marshall reminded the Board that the Advisory Council Meeting will be held on Friday, August 12, 2016 at the Hilton San Diego, Mission Bay. Mr. Marshall encouraged the Board to attend as most of the VEBA districts and labor leaders will be represented at the meeting. Event details are included in the board package.

**Audit Report**

Ashlynn Smothermon, Audit/Accounting Manager with RBTK, LLP, (the VEBA's independent accountants) presented the Audit Report for VEBA for the year ending December 31, 2015. The auditor provided a "clean," unmodified opinion on the Trust's financial statements, which is the highest opinion an auditor can provide. Ms. Smothermon stated that an adjustment was made by management to record the experience-funded refund receivable for the 2015 two-way flex funded premium arrangement and to write off the 2015 flex funding liability. Ashlynn Smothermon reviewed the remainder of the audit report with the Board and noted that the total net assets available for benefits for the year ending December 31, 2015 were \$23,150,464.

**MOTION:** (Nadine Bennett) to accept the Audit Report as presented by RBTK, LLP for the year ending December 31, 2015 and direct the Administrator to file the report with the Department of Managed Health Care. Seconded by Robin Watkins and approved.

**Approve Minutes:**

Draft minutes of the March 30, 2016, open-session Board meeting were reviewed.

**MOTION:** (Katie Dexter) Approval of the March 30, 2016 open-session minutes. Seconded by Mark Anderson and approved.

**Administrator's Report:**

Annemieke Tomey reviewed the VEBA financial statements and disbursements report for March 2016 through May 2016.

**MOTION:** (Mark Anderson) Approval of the financial statements and disbursements report for March, 2016 through May, 2016. Seconded by Steve Boyle and approved.

**Letter of Intent – CA Federation of Teachers**

Mr. McGregor reported that a letter of intent was received from the California Federation of Teachers group to join VEBA effective December 1, 2016.

**MOTION:** (Robin Watkins) Approval to allow the California Federation of Teachers Management and Field Representatives Union groups to join VEBA effective December 1, 2016. Seconded by Katie Dexter and approved.

**Other**

In light of the discussion and actions taken during the closed-session board meeting to pursue the purchase of a building for VEBA, Mr. McGregor indicated the need for the Board to revise the VEBA Investment Policy Statement.

**MOTION:** (Katie Dexter) Approval to engage Dowling & Yahnke, the VEBA investment manager to revise the Investment Policy Statement, to allow a third class of investing in real estate as a long-term asset class. Seconded by Robin Watkins and approved.

**Consultant's Report:**

Ron Mason presented the following claims updates:

- **Prescription drugs: Actives, Retirees <65**
  - The net trend figure is low at 3.4% in comparison to most large purchasers who are experiencing 10%-14% trends.
- **Prescription drugs: Top 20 Drug Classes by Cost**
  - The average price for antipsychotics decreased due to high competition.
  - A majority of the drug costs decreased from last year. The usage in 2015 was unusually high.
  - The two categories with the biggest price increases are miscellaneous pulmonary and anticoagulants, due to new drugs on the market.
- **Prescription drugs: Top 12 Drugs by Cost**
  - All drugs listed contributed to cost increases from 2Q15 to 2Q16.
  - Five out of the twelve drugs are increasing prices in anticipation of losing patent protection.
- **HMO**
  - Fee for Service claims continue to be higher during May, 2016. Hospital claims were at the highest level in the last few years.
  - One hundred-nineteen claimants accounted for 43% of FFS claims and 9% of total claim cost.

- PPO/EPO/Out of Area (non-CA participants)
  - Fourteen claimants (3% of members) incurred 43% of FFS costs.
  
- PPO/CA
  - Large claims increased significantly in May both in number and size.
  - One hundred-seventeen claimants incurred 57% of FFS costs.

**Other:**

George McGregor reviewed the Dowling & Yahnke 2Q16 Quarterly Market Review, stating that the investments are in compliance with the VEBA's Investment Policy Statement.

**MOTION:** (Nadine Bennett) Acceptance of the Dowling & Yahnke 2Q16 Quarterly Market Review. Seconded by Robin Watkins and approved.

The meeting adjourned at 6:08 p.m.

The next Open Session meeting is scheduled to be held on Wednesday, August 31, 2016, at 5:00 p.m. in the McGregor and Associates Conference Room, suite 337.