

**Audit and Finance Committee
Minutes - APPROVED
June 28, 2022
Remote by Zoom**

Present: Steve Thayer, Peter Salton; Laura Shawley; Eric Snow; Rordan Hart; Lorie Corsette
Excused: Amanda Anderson
Staff/Guests: Elin Dowd, Executive Director; Lynne Sheldon, Clerk of the Board; Rob Spenard, Locey and Cahill; Paul Pelton, Locey and Cahill; Judy Drake, Board Chair; Teri Apalovich, Finance Manager; Kylie Rodrigues, Benefits Specialist; Kate DeVoe, Tompkins County Public Library, Mary Alice Avery, Wilmington Trust; Zia Quasim, Wilmington Trust; Dave Claussen, Wilmington Trust, Joe Fahey, Wilmington Trust

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:02 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of May 24, 2022

It was MOVED by Mr. Thayer, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the minutes of May 24, 2022, as submitted. MINUTES APPROVED.

Executive Director Report

Ms. Dowd began by congratulating the one-year anniversary of Kylie Rodriguez joining the Consortium as Benefits Specialist. She also announced this is the first meeting without the attendance of newly retired Clerk of the Board, Michele Cocco. Ms. Cocco and her replacement, Lynne Sheldon, have completed their two-week training session, and Ms. Sheldon is running solo at today's meeting

Ms. Dowd announced Kate DeVoe (Tompkins County Library), has volunteered to serve as the replacement of Tim Arnold, who resigned his position on the Committee. She expects Ms. DeVoe to attend the next few meetings as a guest, pending approval of the Executive Committee.

New York State Department of Financial Services is planning an audit of the Consortium to include years 2016 through 2020. The audit will begin in July, starting with Information Technology. This portion of the audit will ensure we are cybersecurity and business continuity compliant. Auditors will then move on to the financial aspect in October. Ms. Dowd stressed the State charges by the hour, which will adversely affect our budget. Ms. Apalovich added the audit cost of Rochester's consortium was approximately thirty to thirty-five thousand (\$30,000 to \$35,000) dollars per month.

Kate DeVoe arrived (3:07pm); Ms. Dowd welcomed and introduced her to the Committee.

Ms. Dowd announced we have started the budgeting process a bit early, to review in August and approve in September. The largest part will be our premiums. Ms. Apalovich is working on a preliminary budget with our expenses, which will lead to looking at medical, and prescriptions trends.

Investment Management Committee Report: Resolution of Amended Investment Management Policy

Ms. Dowd announced Wilmington Trust were to join the meeting to present on possible expansions to the portfolio. Prior to the presentation, Ms. Dowd requested the committee approve the resolution which amends the Investment Management Policy. This resolution was discussed at the last meeting, and revisions have been made to satisfy any concerns.

Ms. Dowd addressed the following revisions to the policy:

- *Adding that all US Government agencies will also be included obligations of New York State*
- *All vehicles that are eligible under general municipal law for investments*
- *How to utilize new investments and put down some requirements that are part of general municipal law, such as commercial paper can go out one year, but General Municipal Law (GML) requires to only have a 60-day view*
- *Includes vehicles eligible for collateralized deposits (anything about two hundred fifty thousand (\$250,000) dollars in terms of cash*

Mr. Salton requested to make a motion to accept this document as modified from the previous meeting, Mr. Thayer concurred.

RESOLUTION NO. – 2022 – APPROVAL OF AMENDMENT TO THE INVESTMENT MANAGEMENT POLICY

MOVED by Mr. Salton, seconded by Ms. Shattuck, and unanimously adopted by voice vote by members present, to approve the following resolution and submit to the Executive Committee.

WHEREAS, the Consortium's Investment Management Policy currently restricts the Consortium from investing in additional investment vehicles that are authorized under General Municipal Law (GML), and

WHEREAS, upon discussion by the Investment Management Subcommittee, there is interest in allowing the Consortium's Investment Manager to have the ability to invest and capitalize on other investments that are permitted under GML and structure a portfolio based on the Consortium's cash flow needs, utilizing instruments that would produce the best return, now therefore be it

RESOLVED, on recommendation of the Investment Management, Audit and Finance, and Executive Committees, That the Board of Directors hereby approves the Consortium's amended Investment Management Policy.

Presentation from Wilmington Trust on Performance and Suggested Portfolio Changes

Mary Alice Avery (Wilmington Trust) introduced herself as Managing Director of the Client Development side. Ms. Avery also introduced her team: Dave Claussen, Portfolio Management, Joe Fahey, Asset Management, and Zia Quasim, Fixed Income Portfolio Manager.

Mr. Quasim began presenting the handout to the committee and discussed the following:

- *Fixed income asset management – Wilmington Trust has a team of 12 analysts*
- *Active portfolio management, independent credit research analyst and who would apply to the commercial paper*
- *Corporate bonds added to the investment policy to seek to buy high quality, readily marketable securities and look for a well-diversified portfolio*
- *Their team meets weekly to review and reconcile economic indicators for expectations to growth and respect to inflation*
- *Inflation and federal reserve raising rates and most likely raising rates again in July, so at this rate, the Consortium is at an excellent position moving forward. The Consortium is 20% maturing this year and 63% maturing in 2023, which will mean you are invested under prevailing higher rates which will open more opportunities to help add value.*

Mr. Salton raised a question asking if the instruments shown on the presentation were short-term for Consortium to use. Ms. Avery concurred as the policy restricts to 60 days.

Ms. Dowd asked what conditions are needed to feel comfortable going into longer term vehicles, keeping in mind that the Consortium has never felt they needed to move their portfolio to longer than 3-year notes. Mr. Quasim stated this is not an ideal time and won't be until the Federal Reserve stops raising rates and inflation is under control.

Mr. Hart questioned if the Consortium would like to earn two and half percent (2.5%) on available cash for the next five years, would Wilmington Trust be able to put that together to construct. Mr. Quasim responded that he would look further into that question to analyze and would get back to us with an answer.

Medicare Advantage Plan Options

Ms. Dowd opened this topic stating that the resolution came before the Executive Committee last month, however, no action was taken with the idea that the Finance Committee would look at and construct something to meet all member's needs.

Mr. Salton asked for clarification of questions and answers of the Executive Committee regarding the resolution. Mr. Salton included that there is a sensitivity about this topic with Municipalities, and concern of individuals leaving the Consortium. Ms. Dowd responded that currently there are 992 currently eligible for Medicare, 466 are Tompkins County employees who are currently in the Consortium's Medicare Supplement Plan. There are eight (8) municipalities that offer post-employment benefits to retirees with a vendor other than the Consortium.

Ms. Drake stated that she believes this resolution will be the resolve to the concerns and an opportunity to ask for a waiver. This would allow the Consortium to be able to supply a fully insured Medicare Advantage Plan to eligible employees as we are currently unable to supply what they need.

Mr. Hart added that the resolution presented is fair and all municipalities will have to decide what Medicare Plan they are going to use for their retirees. He stressed that it's not Consortium's responsibility to make sure that we meet that municipalities requests for their retirees.

Ms. Drake suggested that we should offer at the August Board meeting education about the difference between the Medicare Supplement and the Medicare Advantage. She stated that the dates discussed with Locey and Cahill are doable, streamlined, knowing of habits of vendors, and are already familiar with this process with other clients. Mr. Spenard (Locey & Cahill), added to say that they will find some quotations or proposals to share; some that will be high, and some will be low.

Mr. Salton asked whom would be responsible for covering the risk assessment fees. Ms. Dowd responded by stating it would be part of the premium and there is a formula in the works.

RESOLUTION NO. – 2022 – CLARIFICATION REGARDING PARTICIPANT MEDICARE AGED RETIREES IN RELATION TO MUNICIPAL COOPERATIVE AGREEMENT (MCA) REQUIREMENT

MOVED by Mr. Salton, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present, to approve the following resolution and submit to the Executive Committee.

WHEREAS, Section A (5.) of the 2022 Amendment to the Municipal Cooperative Agreement states that "Participation in the Medical Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant shall not be permitted without a Board approved waiver", and

WHEREAS, the Consortium continues to support having all collective bargaining units or employee groups in the Consortium risk pool to maintain stabilized premium rates and prevent adverse risk selection, and

WHEREAS, the Consortium's has deemed the term "employee groups" to include active employees, COBRA continuation of coverage members, non-Medicare-aged retirees, and Medicare-aged retirees, and

WHEREAS, there have been some exceptions made, upon entrance, to allow Medicare aged retirees of new Participants with fully insured Medicare Advantage Plans to remain with said coverage, and

WHEREAS, the Consortium does not currently offer a Medicare Advantage Plan or Plans, and

WHEREAS, several Participants are reviewing cost-effective options for their Medicare aged retiree population, including moving from current Consortium coverage to fully insured Medicare Advantage plans with other carriers, and

WHEREAS, the Consortium believes that offering a Medicare Supplement Plan is an

excellent option for Medicare eligible retirees; however, due to federal subsidies currently available to fully insured plans the Consortium's Medicare Supplement Plan is unable to compete with the lower costs of some Medicare Advantage Plans, and

WHEREAS, although the Consortium cannot set up a Medicare Advantage program within the fund, the Consortium can provide a convenient, pass-through option as is done with other ancillary benefits offered through the Consortium, now therefore be it

RESOLVED, further, That the Consortium, on behalf of the Board of Directors, will hereby enforce That Section A (5) "Participation in the Medical Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant shall not be permitted without a Board approved waiver" will remain in force for all active and retired employee groups of each Participant,

RESOLVED, further, That any Participant selecting to withdraw an employee group shall request such waiver prior to September 1st of each year for consideration by September 30th or for new Participants as part of the application process.

RESOLVED, further, That the Consortium will secure an approved vendor by October 1, 2022 to provide a fully insured Medicare Advantage product to act as a pass through as a Medicare aged retiree plan option commencing January 1, 2023 for Participants of the Consortium,

RESOLVED, further, That the Consortium will review annually charging a risk assessment fee to any Participant using a fully insured Medicare Advantage Plan product purchased from a source other than the Consortium.

RESOLVED, further, That any Participant currently enrolled in a fully insured Medicare Advantage Plan, not offered through the Consortium, at the time when this resolution is approved, will be grandfathered in as a Board approved waiver effective July 1, 2022, provided the Consortium has secured a similar product to offer to all Participants effective on January 1, 2023, this waiver will expire on December 31, 2024 and the Participant will be required to move to the Consortium Medicare Advantage Plan on a pass-through basis or be subjected to a risk assessment fee.

RESOLVED, further, That all Participants requesting a waiver to provide a fully insured Medicare Advantage Plan to their eligible employee groups on/or after January 1, 2023, will be required to use the Consortium secured Medicare Advantage Plan product.

Abstract Approval

Ms. Apalovich presented and reviewed the June monthly financial abstract; there were no questions or concerns. It was MOVED by Mr. Thayer, seconded by Mr. Snow, and unanimously adopted by voice vote by members present, to approve the June 2022 monthly abstract. MOTION CARRIED.

Budget Performance Report

Mr. Pelton reviewed financial results through May 31, 2022, stating that overall income is about 1.57% under budget and premium income being about 1.69% below the amended budget for the first five months of the fiscal year. He noted, one item they are keeping an eye on is the prescription rebates. They have budgeted about 13% less than received the previous year, so it's running a bit light.

Mr. Pelton showed an increase in covered lives (up 1.90% percent) and increase in number of contracts (up 2.84% percent).

Mr. Pelton reported that the expenditure side is off to a good start as Medical Paid Claims were 2.56% below the amended budget and Rx Paid Claims were 0.86% below budget for the first 5-months of the 2022 Fiscal Year.

Mr. Spenard reported on high-cost claims and noted when comparing claims through April 2022 against claims through the same period in 2021, there was an increase in the number. He brought to attention there is one individual that is largest on our stop-loss report that they are keeping a close eye on. He also noted there is another individual with another large claim coming in.

Mr. Spenard reviewed a history of large losses and said historically the stop-loss paid claim ratio is about 44%; on average .59% of covered lives account for 17.28% of overall paid claims, and they are also keeping an eye on this.

Mr. Pelton showed activity of Catastrophic Claims Self-Insurance Pool and noted that they are monitoring claims of five individuals. One member has a \$700,000 laser applied to them in 2022; however, it was reduced from a million dollars from previous years.

Mr. Pelton finished the budget presentation with COVID-19 Pandemic Impact information showing where the Consortium medical claims was before COVID and currently, and included services of Telehealth and Telemedicine, and reported numbers of individuals that used these services.

Mr. Thayer asked a question regarding the audit coming up asking if there's a need to move funds around for the upcoming audit services. Ms. Dowd answered that we may need to go into deficit and take money out of the encumbered fund balance. Mr. Salton suggested that the audit be built into next year's budget as an estimated number based on the dollar number from other group's audits.

Next Agenda Topics

The following items will be included on the next agenda:

- 2023 Budget review
- Update of New York State Department of Financial Services audit activity

Adjournment

The meeting adjourned at 4:35 p.m.

Respectfully submitted by Lynne Sheldon, Clerk of the Board