

# FDAC EMPLOYMENT BENEFITS AUTHORITY

Board of Directors Meeting

Thursday, November 5, 2015

10:00 a.m. – 1:30 p.m.

700 R Street, Suite 200

Sacramento, CA 95811

**Call-in Number:** 1-800-250-2600

**Participant PIN:** 451 9494

1364 Tavern Road, Alpine, CA  
630 Second St. West, Sonoma, CA  
5221 Deer Valley Road, Rescue, CA

7 Erba Lane, Scotts Valley, CA  
700 R Street, Sacramento, CA  
37 Jones Street, Murphys, CA

## *Agenda*

- | <b><u>Item</u></b> |   | <b><u>Action</u></b> |
|--------------------|---|----------------------|
| 1.                 | <b>Call to Order and Introductions</b>  |                      |
| 2.                 | <b>Approval of Agenda Items</b>   | <b>Action</b>        |
| 3.                 | <b>Public Comment</b><br><i>At this time, members of the public may address the Board on any item that is not on the agenda. No action may be taken on items that are not on the agenda unless authorized by law. Comments are limited to three minutes per person.</i>   | <b>Discussion</b>    |
| 4.                 | <b>Consent Calendar</b><br><i>The Board will review and may approve the following:</i><br><b>A. Minutes – August 28, 2015</b><br><b>B. Financials – August 2015</b>   | <b>Info/Action</b>   |
| 5.                 | <b>Introduction of New Broker</b><br><i>The Board will be introduced to the new representatives from Gallagher, as assigned to the FDAC EBA upon Bordan Darm's termination.</i>   | <b>Info</b>          |
| 6.                 | <b>Ebbetts Pass Fire District Request for Withdrawal Exception</b><br><i>The Board will review and make a determination on the letter of appeal from Ebbetts Pass Fire District requesting they be allowed to exit the pool effective January 1, 2016, even though they did not meet the notification requirements as outlined in the Bylaws.</i> | <b>Info/Action</b>   |
| 7.                 | <b>Status on Legal Letter to BRMS</b><br><i>Legal Counsel will update the Board with regard to the letter sent to BRMS and will provide options for next steps.</i>   | <b>Info/Action</b>   |
| 8.                 | <b>EBS Accounting Procedures</b><br><i>The Board will hear from EBS regarding its accounting procedures and determine whether they are consistent with the contract between EBS and the FDAC EBA.</i>   | <b>Info/Action</b>   |
| 9.                 | <b>Director Comments</b>  | <b>Information</b>   |

- |            |                        |                    |
|------------|------------------------|--------------------|
| <b>10.</b> | <b>Public Comments</b> | <b>Information</b> |
| <b>11.</b> | <b>Next Meeting</b>    | <b>Info/Action</b> |
| <b>12.</b> | <b>Adjourn</b>         | <b>Action</b>      |

## FDAC EBA Board of Directors Meeting

August 28, 2015

### **In Attendance**

Jean Moore, President  
Dan Grebil, Vice President  
Tom Keating, Secretary/Treasurer  
Steve Kovacs

### **Consultants/Guests**

Melissa Dixon, FDAC EBA Administrator  
David McMurchie  
Bordan Darm, Gallagher  
Carol Anderson, Gallagher  
Kelly Furtado, Gallagher

President Jean Moore convened the meeting at 3:31 p.m. President Moore welcomed everyone and established a quorum.

### **Approval of Agenda Items**

Director Tom Keating moved to approve the agenda; Director Dan Grebil seconded.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

### **Public Comment**

There was no public comment.

### **Consent Calendar**

Director Steve Kovacs moved to approve the consent calendar, which included minutes from the last Board meeting and a copy of the letter written by Legal Counsel David McMurchie to BRMS. Director Keating seconded. The letter was sent on August 24, and a response was requested within ten days.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

### **Medicare Retiree Rates**

Broker Bordan Darm presented to the Board the proposed Medicare Retiree rates for 2016. Director Grebil moved to adopt the Medicare Retiree Rates as presented; Director Keating seconded.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

Darm confirmed that rates for all agencies would be distributed electronically on Monday, August 31, with a hard copy mailed to each agency as well.

### **Open Enrollment Call Center Proposals**

Darm informed the Board that he had received proposals from third party vendors, which would have been free of charge to the FDAC EBA provided the vendors had the opportunity to offer voluntary benefits. The vendors, however, needed to contract with the individual districts directly, which is not desirable for the FDAC EBA at this time. Darm presented a proposal to provide a call center from EBS/Workterra, the cost of which would be \$10,000 as a flat fee just for the Open Enrollment period or \$1pepm (approximately \$13,488) to have it year round. After

some discussion, Director Grebil moved to not entertain call center proposals at this time. Director Kovacs seconded.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

### **2015-16 Final Operating Budget**

Administrator Melissa Dixon presented to the Board the final operating budget for 2015-16, having updated the January-June 2016 revenue and expense numbers to account for self funding. Director Grebil moved to approve the revised budget as presented; Director Kovacs seconded.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

### **Public Comments**

Administrator Dixon informed the Board that the July reports from EBS/Workterra were still in process, due to an error in the carrier payments. Darm is meeting with EBS/Workterra next week to review the AP/AR processes.

Darm reported that some agencies did not have sufficient time with our published rates to fully vet and give notice to CalPERS. He recommends publishing new business rates no later than July 1 for 2016.

### **Next Meeting**

Administrator Melissa Dixon will confer with Darm to schedule the next meeting.

### **Adjourn**

Director Kovacs moved to adjourn the meeting at 4:27 p.m. Director Keating seconded.

Ayes: Jean Moore, Dan Grebil, Tom Keating, Steve Kovacs

Noes:

Absent: Georgette Darcy

Respectfully submitted,

Melissa Dixon

**FDAC EBA**  
**Balance Sheet**  
 As of August 31, 2015

|  | <b>Aug 31, 15</b> |
|--|-------------------|
| <b>ASSETS</b>                              |                   |
| <b>Current Assets</b>                      |                   |
| <b>Checking/Savings</b>                    |                   |
| 1005 · US Bank Business Checking           | 97,685.85         |
| 1020 · Money Market Account- MI3500        | 3,738.24          |
| 1030 · Margin Fund- MI3698                 | 10,438.84         |
| 1045 · EBS Held                            | 145,283.00        |
| 1060 · Comerica- Money Market              |                   |
| 1060.10 · Market Value                     |                   |
| 1060.01 · Cash, Money Funds, Bank Deposit  | 1,912.61          |
| 1060.02 · CD to 06/30/2016                 | 110,000.00        |
| 1060.04 · CD to 09/16/2015                 | 135,000.00        |
| 1060.06 · CD to 12/24/15                   | 100,000.00        |
| 1060.08 · Cd to 03/25/2016                 | 150,000.00        |
| 1060.99 · Unrealized Gain/Loss             | -80.30            |
| <b>Total 1060.10 · Market Value</b>        | <b>496,832.31</b> |
| 1060.98 · Accrued Interest                 | 706.84            |
| <b>Total 1060 · Comerica- Money Market</b> | <b>497,539.15</b> |
| <b>Total Checking/Savings</b>              | <b>754,685.08</b> |
| <b>Accounts Receivable</b>                 |                   |
| 1200 · Accounts Receivable                 | 52,743.15         |
| <b>Total Accounts Receivable</b>           | <b>52,743.15</b>  |
| <b>Total Current Assets</b>                | <b>807,428.23</b> |
| <b>TOTAL ASSETS</b>                        |                   |
|  | <b>807,428.23</b> |
| <b>LIABILITIES &amp; EQUITY</b>            |                   |
| <b>Liabilities</b>                         |                   |
| <b>Current Liabilities</b>                 |                   |
| <b>Accounts Payable</b>                    |                   |
| 2000 · Accounts Payable                    | 8,512.40          |
| <b>Total Accounts Payable</b>              | <b>8,512.40</b>   |
| <b>Other Current Liabilities</b>           |                   |
| 2700 · Unrealized Gain/Loss                | 80.30             |
| <b>Total Other Current Liabilities</b>     | <b>80.30</b>      |
| <b>Total Current Liabilities</b>           | <b>8,592.70</b>   |
| <b>Total Liabilities</b>                   | <b>8,592.70</b>   |
| <b>Equity</b>                              |                   |
| 3000 · Reserves & Contingencies            | 50,000.00         |
| 3100 · Retained Earnings                   | 756,905.71        |
| <b>Net Income</b>                          | -8,070.18         |
| <b>Total Equity</b>                        | <b>798,835.53</b> |

**FDAC EBA**  
**Balance Sheet**  
As of August 31, 2015

|                                       |                          |
|---------------------------------------|--------------------------|
|                                       | <b>Aug 31, 15</b>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u>807,428.23</u></b> |

**FDAC EBA**  
**Budget vs. Actual**  
July through August 2015

|  | <u>Jul - Aug 15</u> | <u>Budget</u>       | <u>\$ Over Budget</u> | <u>% of Budget</u> |
|--|---------------------|---------------------|-----------------------|--------------------|
| <b>Ordinary Income/Expense</b>         |                     |                     |                       |                    |
| <b>Income</b>                          |                     |                     |                       |                    |
| <b>4000 · INCOME</b>                   |                     |                     |                       |                    |
| 4100 · Interest                        | 0.27                | 1,500.00            | -1,499.73             | 0.02%              |
| <b>4300 · Premium Earnings</b>         |                     |                     |                       |                    |
| 4300.2 · First half of the year        | 1,095,107.15        | 3,649,112.18        | -2,554,005.03         | 30.01%             |
| 4300.4 · Second half of the year       | 0.00                | 3,335,288.54        | -3,335,288.54         | 0.0%               |
| 4300 · Premium Earnings - Other        | 0.00                | 0.00                | 0.00                  | 0.0%               |
| <b>Total 4300 · Premium Earnings</b>   | <u>1,095,107.15</u> | <u>6,984,400.72</u> | <u>-5,889,293.57</u>  | <u>15.68%</u>      |
| <b>Total 4000 · INCOME</b>             | <u>1,095,107.42</u> | <u>6,985,900.72</u> | <u>-5,890,793.30</u>  | <u>15.68%</u>      |
| <b>Total Income</b>                    | <u>1,095,107.42</u> | <u>6,985,900.72</u> | <u>-5,890,793.30</u>  | <u>15.68%</u>      |
| <b>Gross Profit</b>                    | <u>1,095,107.42</u> | <u>6,985,900.72</u> | <u>-5,890,793.30</u>  | <u>15.68%</u>      |
| <b>Expense</b>                         |                     |                     |                       |                    |
| <b>6000 · EXPENSE</b>                  |                     |                     |                       |                    |
| <b>6010 · Administration</b>           |                     |                     |                       |                    |
| 6014 · Administration Contract         | 6,666.66            | 40,000.00           | -33,333.34            | 16.67%             |
| 6016 · Third Party Administrator       | 12,000.00           | 70,875.00           | -58,875.00            | 16.93%             |
| 6018 · FDAC Subsidiary Fee             | 0.00                | 15,000.00           | -15,000.00            | 0.0%               |
| <b>Total 6010 · Administration</b>     | <u>18,666.66</u>    | <u>125,875.00</u>   | <u>-107,208.34</u>    | <u>14.83%</u>      |
| 6040 · Bank Service Charges            | 10.00               | 100.00              | -90.00                | 10.0%              |
| 6100 · Board Meetings                  | 766.00              | 2,500.00            | -1,734.00             | 30.64%             |
| <b>6149 · Broker Services</b>          |                     |                     |                       |                    |
| 6150 · Broker Fees                     | 25,706.11           | 168,000.00          | -142,293.89           | 15.3%              |
| 6151 · Member Services                 | 0.00                | 20,000.00           | -20,000.00            | 0.0%               |
| <b>Total 6149 · Broker Services</b>    | <u>25,706.11</u>    | <u>188,000.00</u>   | <u>-162,293.89</u>    | <u>13.67%</u>      |
| <b>6200 · Program Expenses</b>         |                     |                     |                       |                    |
| 6200.01 · Self-Funding Expenses        | 0.00                | 1,668,571.00        | -1,668,571.00         | 0.0%               |
| 6200.03 · Carrier Payments/First half  | 1,055,478.50        | 3,393,309.42        | -2,337,830.92         | 31.11%             |
| 6200.05 · Blue Shield Credits          | 0.00                | 1,432,603.00        | -1,432,603.00         | 0.0%               |
| <b>Total 6200 · Program Expenses</b>   | <u>1,055,478.50</u> | <u>6,494,483.42</u> | <u>-5,439,004.92</u>  | <u>16.25%</u>      |
| <b>6300 · Insurance</b>                |                     |                     |                       |                    |
| 6320 · E & O Insurance                 | 0.00                | 1,400.00            | -1,400.00             | 0.0%               |
| <b>Total 6300 · Insurance</b>          | <u>0.00</u>         | <u>1,400.00</u>     | <u>-1,400.00</u>      | <u>0.0%</u>        |
| <b>6650 · Office Supplies</b>          |                     |                     |                       |                    |
| 6665 · Office                          | 0.00                | 50.00               | -50.00                | 0.0%               |
| <b>Total 6650 · Office Supplies</b>    | <u>0.00</u>         | <u>50.00</u>        | <u>-50.00</u>         | <u>0.0%</u>        |
| <b>6700 · Operating Expenses</b>       |                     |                     |                       |                    |
| 6710 · Postage and Delivery            | 25.08               | 200.00              | -174.92               | 12.54%             |
| 6715 · Printing and Reproduction       | 2.76                | 200.00              | -197.24               | 1.38%              |
| 6720 · Staff Travel                    | 0.00                | 200.00              | -200.00               | 0.0%               |
| 6730 · Telephone                       | 209.49              | 1,000.00            | -790.51               | 20.95%             |
| 6735 · Storage                         | 10.00               | 100.00              | -90.00                | 10.0%              |
| <b>Total 6700 · Operating Expenses</b> | <u>247.33</u>       | <u>1,700.00</u>     | <u>-1,452.67</u>      | <u>14.55%</u>      |
| <b>6800 · Professional Fees</b>        |                     |                     |                       |                    |
| 6801 · Accounting                      | 0.00                | 8,500.00            | -8,500.00             | 0.0%               |
| 6807 · Legal Fees                      | 2,303.00            | 20,000.00           | -17,697.00            | 11.52%             |
| <b>Total 6800 · Professional Fees</b>  | <u>2,303.00</u>     | <u>28,500.00</u>    | <u>-26,197.00</u>     | <u>8.08%</u>       |
| <b>Total 6000 · EXPENSE</b>            | <u>1,103,177.60</u> | <u>6,842,608.42</u> | <u>-5,739,430.82</u>  | <u>16.12%</u>      |
| <b>Total Expense</b>                   | <u>1,103,177.60</u> | <u>6,842,608.42</u> | <u>-5,739,430.82</u>  | <u>16.12%</u>      |
| <b>Net Ordinary Income</b>             | <u>-8,070.18</u>    | <u>143,292.30</u>   | <u>-151,362.48</u>    | <u>-5.63%</u>      |

**FDAC EBA**  
**Budget vs. Actual**  
July through August 2015

|            | <u>Jul - Aug 15</u> | <u>Budget</u>     | <u>\$ Over Budget</u> | <u>% of Budget</u> |
|------------|---------------------|-------------------|-----------------------|--------------------|
| Net Income | <u>-8,070.18</u>    | <u>143,292.30</u> | <u>-151,362.48</u>    | <u>-5.63%</u>      |



**FDAC EBA**  
**Profit & Loss**  
July through August 2015

|  | <u>Jul 15</u>           | <u>Aug 15</u>        | <u>TOTAL</u>            |
|--|-------------------------|----------------------|-------------------------|
| <b>Ordinary Income/Expense</b>         |                         |                      |                         |
| <b>Income</b>                          |                         |                      |                         |
| <b>4000 · INCOME</b>                   |                         |                      |                         |
| 4100 · Interest                        | 0.22                    | 0.05                 | 0.27                    |
| <b>4300 · Premium Earnings</b>         |                         |                      |                         |
| 4300.2 · First half of the year        | 544,232.78              | 550,874.37           | 1,095,107.15            |
| <b>Total 4300 · Premium Earnings</b>   | <u>544,232.78</u>       | <u>550,874.37</u>    | <u>1,095,107.15</u>     |
| <b>Total 4000 · INCOME</b>             | <u>544,233.00</u>       | <u>550,874.42</u>    | <u>1,095,107.42</u>     |
| <b>Total Income</b>                    | <u>544,233.00</u>       | <u>550,874.42</u>    | <u>1,095,107.42</u>     |
| <b>Gross Profit</b>                    | 544,233.00              | 550,874.42           | 1,095,107.42            |
| <b>Expense</b>                         |                         |                      |                         |
| <b>6000 · EXPENSE</b>                  |                         |                      |                         |
| <b>6010 · Administration</b>           |                         |                      |                         |
| 6014 · Administration Contract         | 3,333.33                | 3,333.33             | 6,666.66                |
| 6016 · Third Party Administrator       | 12,000.00               | 0.00                 | 12,000.00               |
| <b>Total 6010 · Administration</b>     | <u>15,333.33</u>        | <u>3,333.33</u>      | <u>18,666.66</u>        |
| 6040 · Bank Service Charges            | 5.00                    | 5.00                 | 10.00                   |
| 6100 · Board Meetings                  | 766.00                  | 0.00                 | 766.00                  |
| <b>6149 · Broker Services</b>          |                         |                      |                         |
| 6150 · Broker Fees                     | 12,267.65               | 13,438.46            | 25,706.11               |
| <b>Total 6149 · Broker Services</b>    | <u>12,267.65</u>        | <u>13,438.46</u>     | <u>25,706.11</u>        |
| <b>6200 · Program Expenses</b>         |                         |                      |                         |
| 6200.03 · Carrier Payments/First half  | 524,022.23              | 531,456.27           | 1,055,478.50            |
| <b>Total 6200 · Program Expenses</b>   | <u>524,022.23</u>       | <u>531,456.27</u>    | <u>1,055,478.50</u>     |
| <b>6700 · Operating Expenses</b>       |                         |                      |                         |
| 6710 · Postage and Delivery            | 8.99                    | 16.09                | 25.08                   |
| 6715 · Printing and Reproduction       | 0.33                    | 2.43                 | 2.76                    |
| 6730 · Telephone                       | 108.43                  | 101.06               | 209.49                  |
| 6735 · Storage                         | 5.00                    | 5.00                 | 10.00                   |
| <b>Total 6700 · Operating Expenses</b> | <u>122.75</u>           | <u>124.58</u>        | <u>247.33</u>           |
| <b>6800 · Professional Fees</b>        |                         |                      |                         |
| 6807 · Legal Fees                      | 0.00                    | 2,303.00             | 2,303.00                |
| <b>Total 6800 · Professional Fees</b>  | <u>0.00</u>             | <u>2,303.00</u>      | <u>2,303.00</u>         |
| <b>Total 6000 · EXPENSE</b>            | <u>552,516.96</u>       | <u>550,660.64</u>    | <u>1,103,177.60</u>     |
| <b>Total Expense</b>                   | <u>552,516.96</u>       | <u>550,660.64</u>    | <u>1,103,177.60</u>     |
| <b>Net Ordinary Income</b>             | <u>-8,283.96</u>        | <u>213.78</u>        | <u>-8,070.18</u>        |
| <b>Net Income</b>                      | <u><u>-8,283.96</u></u> | <u><u>213.78</u></u> | <u><u>-8,070.18</u></u> |

**FDAC EBA**  
**Profit & Loss**  
July through August 2015

|                                       | <u>Jul - Aug 15</u>     | <u>Jul - Aug 14</u>     | <u>\$ Change</u>         | <u>% Change</u>        |
|---------------------------------------|-------------------------|-------------------------|--------------------------|------------------------|
| Ordinary Income/Expense               |                         |                         |                          |                        |
| Income                                |                         |                         |                          |                        |
| 4000 · INCOME                         |                         |                         |                          |                        |
| 4100 · Interest                       | 0.27                    | 326.20                  | -325.93                  | -99.92%                |
| 4300 · Premium Earnings               |                         |                         |                          |                        |
| 4300.2 · First half of the year       | 1,095,107.15            | 0.00                    | 1,095,107.15             | 100.0%                 |
| 4300 · Premium Earnings - Other       | 0.00                    | 1,077,570.34            | -1,077,570.34            | -100.0%                |
| Total 4300 · Premium Earnings         | <u>1,095,107.15</u>     | <u>1,077,570.34</u>     | <u>17,536.81</u>         | <u>1.63%</u>           |
| Total 4000 · INCOME                   | <u>1,095,107.42</u>     | <u>1,077,896.54</u>     | <u>17,210.88</u>         | <u>1.6%</u>            |
| Total Income                          | <u>1,095,107.42</u>     | <u>1,077,896.54</u>     | <u>17,210.88</u>         | <u>1.6%</u>            |
| Gross Profit                          | 1,095,107.42            | 1,077,896.54            | 17,210.88                | 1.6%                   |
| Expense                               |                         |                         |                          |                        |
| 6000 · EXPENSE                        |                         |                         |                          |                        |
| 6010 · Administration                 |                         |                         |                          |                        |
| 6014 · Administration Contract        | 6,666.66                | 10,000.00               | -3,333.34                | -33.33%                |
| 6016 · Third Party Administrator      | 12,000.00               | 17,138.50               | -5,138.50                | -29.98%                |
| Total 6010 · Administration           | <u>18,666.66</u>        | <u>27,138.50</u>        | <u>-8,471.84</u>         | <u>-31.22%</u>         |
| 6040 · Bank Service Charges           | 10.00                   | 28.50                   | -18.50                   | -64.91%                |
| 6100 · Board Meetings                 | 766.00                  | 1,024.06                | -258.06                  | -25.2%                 |
| 6149 · Broker Services                |                         |                         |                          |                        |
| 6150 · Broker Fees                    | 25,706.11               | 25,000.00               | 706.11                   | 2.82%                  |
| Total 6149 · Broker Services          | <u>25,706.11</u>        | <u>25,000.00</u>        | <u>706.11</u>            | <u>2.82%</u>           |
| 6200 · Program Expenses               |                         |                         |                          |                        |
| 6200.03 · Carrier Payments/First half | 1,055,478.50            | 1,009,021.07            | 46,457.43                | 4.6%                   |
| 6200 · Program Expenses - Other       | 0.00                    | 0.00                    | 0.00                     | 0.0%                   |
| Total 6200 · Program Expenses         | <u>1,055,478.50</u>     | <u>1,009,021.07</u>     | <u>46,457.43</u>         | <u>4.6%</u>            |
| 6700 · Operating Expenses             |                         |                         |                          |                        |
| 6710 · Postage and Delivery           | 25.08                   | 2.88                    | 22.20                    | 770.83%                |
| 6715 · Printing and Reproduction      | 2.76                    | 8.44                    | -5.68                    | -67.3%                 |
| 6730 · Telephone                      | 209.49                  | 147.75                  | 61.74                    | 41.79%                 |
| 6735 · Storage                        | 10.00                   | 1.86                    | 8.14                     | 437.63%                |
| Total 6700 · Operating Expenses       | <u>247.33</u>           | <u>160.93</u>           | <u>86.40</u>             | <u>53.69%</u>          |
| 6800 · Professional Fees              |                         |                         |                          |                        |
| 6807 · Legal Fees                     | 2,303.00                | 0.00                    | 2,303.00                 | 100.0%                 |
| Total 6800 · Professional Fees        | <u>2,303.00</u>         | <u>0.00</u>             | <u>2,303.00</u>          | <u>100.0%</u>          |
| Total 6000 · EXPENSE                  | <u>1,103,177.60</u>     | <u>1,062,373.06</u>     | <u>40,804.54</u>         | <u>3.84%</u>           |
| Total Expense                         | <u>1,103,177.60</u>     | <u>1,062,373.06</u>     | <u>40,804.54</u>         | <u>3.84%</u>           |
| Net Ordinary Income                   | -8,070.18               | 15,523.48               | -23,593.66               | -151.99%               |
| Other Income/Expense                  |                         |                         |                          |                        |
| Other Expense                         |                         |                         |                          |                        |
| 8050 · Unrealized Gain/Loss on Inv.   | 0.00                    | 0.00                    | 0.00                     | 0.0%                   |
| Total Other Expense                   | <u>0.00</u>             | <u>0.00</u>             | <u>0.00</u>              | <u>0.0%</u>            |
| Net Other Income                      | <u>0.00</u>             | <u>0.00</u>             | <u>0.00</u>              | <u>0.0%</u>            |
| Net Income                            | <u><u>-8,070.18</u></u> | <u><u>15,523.48</u></u> | <u><u>-23,593.66</u></u> | <u><u>-151.99%</u></u> |

# Ebbetts Pass Fire District



October 19, 2015

Fire Districts Association of California Employment Benefits Authority (FDAC/EBA)  
1215 K Street, Suite 940  
Sacramento, CA 95814

RECEIVED  
OCT 22 2015

RE: Appeal for Separation from Medical Group Insurance Coverage

Dear Board of Directors,

On behalf of our District I am requesting your consideration for releasing us from the Group Medical coverage through the EBA (maintaining membership for dental, vision, life, EAP). Over recent years we have all experienced substantial increases in health care benefits which has dramatically impacted budgets. As a result, we are forced to ensure coverage is maintained for our employees at the most fiscally responsible rate.

This past year we had focused on annual rate changes of health care benefits and, when we finally received FDAC/EBA rates on 08/31/2015, we were pleased to see a drop. However, we had found even more substantial savings with another provider and as a result began the process to separate with FDAC/EBA. Our dialog with Gallagher Benefit Service Staff explained that we had to submit a letter to separate by October 1st for making the separation effective January 1, 2016. As dialog continued it was then brought to our attention by FDAC/EBA staff that the Bylaws state a separation request would have had to have been submitted prior to August 15, 2015 to be effective January 1, 2016. This came as frustrating news since we had not received the latest rates until after the August 15th deadline, as a result we would not been able to make an educated decision until after August 31st when the rates were received.

In closing I would like to state that we are very satisfied with the FDAC/EBA service and wish that fiscal constraints did not dictate our overall final decision. Our District stands to save approximately \$83,000 annually with comparable coverage, for an organization our size this is significant. Please consider approving our request.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Mike Johnson", is written over a horizontal line.

Mike Johnson, Fire Chief  
Ebbetts Pass Fire District



2130 East Bidwell Street, Suite 2. Folsom, CA 95630 [916]983-8000

**DAVID W. McMURCHIE**  
dmcurchie@mcmurchie.com

**VICKI E. HARTIGAN**  
vhartigan@mcmurchie.com

August 24, 2015

Benefit and Risk Management Services Inc.  
Attention: Paul Schafer  
80 Iron Point Circle Suite 200  
Folsom, CA 95630

**Re: Late Payment and Transition Issues**

Dear Mr. Schafer:

As you are aware, I represent Fire Districts Association of California Employment Benefits Authority (FDAC EBA). The Board of Directors of FDAC EBA has directed me to communicate with you regarding problems recently discovered regarding the administration by BRMS of the insurance programs offered by the FDAC EBA pursuant to the Master Services Agreement between FDAC EBA and BRMS dated July 1, 2012.

The most critical issue involves late payment of premiums to Kaiser in November 2014 and May 2015. The November 2014 payment was due November 15 and paid by BRMS on November 19. The May 2015 payment was due on May 15 and paid by BRMS on May 19. The FDAC EBA received no notice from BRMS regarding inadequate funds in either the premium trust account or the reserve account. As you are aware, Section 2.5 of the Master Services Agreement provides for a reserve account funded by FDAC EBA in the amount of \$120,000.00, the purpose of which is to avoid insufficient premium contributions from members to fund premiums when due. Section 2.5 requires BRMS to provide notice to FDAC EBA in the event funds on deposit in the reserve account and the premium trust account are insufficient to pay premiums when due. No such notice was received by FDAC EBA in either November 2014 or May 2015. Section 2.6 of the Master Services Agreement requires BRMS to make all premium payments when due. Both payments specified above were clearly late and it does not appear that BRMS even attempted to use funds available in the reserve account if, in fact, there were insufficient

funds available in the reserve account and the premium trust account to make all required premium payments when due. It does not appear as if any carriers other than Kaiser received premium payments late.

The failure of BRMS to make timely premium payments to Kaiser in November 2014 and May 2015 is exacerbated by the fact that BRMS had notice in the October 2014 FDAC EBA board meeting of a letter from Kaiser to the FDAC EBA dated October 7, 2014, stating that Kaiser had received twelve (12) late payments for the period September 2013 through August 2014. In exchange for execution by the FDAC EBA of an Agreement Concerning Commitment to Timely Payment, Kaiser agreed to waive a late fee for 2014 consisting of additional premium to be charged in the 2015 year of 0.4% of premium or approximately \$7,300.00 in exchange for the agreement of FDAC EBA to make timely premium payments to Kaiser throughout 2015. The agreement also provided that if any subsequent premium payments were late, that Kaiser would levy a late payment penalty consisting of additional premium load being waived in addition to an additional premium load for the 2016 year. The Board made it clear to BRMS representatives participating in this board meeting that no further late payments would be tolerated and that any further late payments would result in a late payment penalty of approximately 0.8% of premium in 2016.

The very next month the Kaiser premium payment was late as noted above. Another late payment occurred in May 2015 as noted above. As a result Kaiser has imposed a late payment penalty of \$1.523 per member per month for the 2016 plan year. Based on 503 members the annual amount that FDAC EBA will be required to pay as a late payment penalty is \$9,193.00. These late payments clearly constitute negligent performance of the agreement by BRMS in light of the existence of the reserve account mechanism to prevent such situations, and the prior notice to your representatives at the October 2014 board meeting of the prior history of late payments to Kaiser, and the imposition of late payment penalties in the future in the event of even one more late payment.

As you are aware, Section 19 of the Master Services Agreement provides that BRMS will defend and indemnify the FDAC EBA for all costs incurred by the Authority related to the provision of services by BRMS under the agreement to the extent caused by the negligence of BRMS. This history of consistent late payment constitutes both negligence and a breach of the contractual obligation of BRMS to make all premium payments when due. Therefore, FDAC EBA hereby demands reimbursement from BRMS of the additional premium charges which have been levied against it as additional premium payable in the 2016 program year as a result of these consistent late premium payments to Kaiser in the amount of \$9,193.00.

Additional problems in administration of the programs of FDAC EBA have become apparent during the recent transition to a new third party administrator. These are listed below:

1. Premium payments to Delta Dental in May 2015 and June 2015 as well as self-funded claims during those periods in the amount \$22,220.10 were never paid by BRMS as required by the contract. The FDAC EBA was forced to ask its new third party administrator to make these payments on its behalf. If

FDAC EBA is charged late payment fees or any other penalties by Delta Dental for this failure to make required payments under the Agreement, the FDAC EBA will be looking to BRMS for reimbursement of all such costs on the grounds that the failure to make such payments is negligent conduct with respect to which BRMS has an obligation to indemnify FDAC EBA.

2. Incorrect billings of retirees for their required copayments, and refusal to provide FDAC EBA representatives with retiree rate information when requested. This information still has not been provided. This information must be in Vbas if it was used for retiree billing in the past. As you know the FDAC EBA is entitled to such information from BRMS under the terms of the Master Services Agreement.
3. Retirees listed in the system under the wrong district employer.

The FDAC EBA would appreciate your cooperation in resolving the above issues as the transition to a new third party administrator is completed. I also would appreciate your response within 10 days to our demand for reimbursement of the late payment charges assessed by Kaiser in the amount of \$9,193.00. Thank you.

Very truly yours,

DAVID W. McMURCHIE

DWM:sjm