

MARICOPA COUNTY SELF-INSURED TRUST

**BOARD OF TRUSTEES MEETING**

301 W. Jefferson Street, Suite 3200  
North Conference Room, 3<sup>rd</sup> Floor, Maricopa County Administration Building  
Monday, May 19, 2014  
Open Meeting Time: 11:00 A.M.

**MINUTES**

TRUSTEES PRESENT: Jim Steinkamp, Beverly Dupree, Dan Robledo, Frank Hinds  
(Telephonically) Rex Jorgensen

TRUSTEES ABSENT: Brad Arnett

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,  
MaryEllen Sheppard, Tawn Austin, Curtia Hunter-Richard

GUESTS: Paul Ratkay, Maricopa County Portfolio Manager

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff member present. The folder included the meeting agenda, November 18, 2013, January 27, 2014, March 17, 2014 and April 21, 2014 meeting minutes, the financial statements and the Proposed BOT Meeting Schedule for FY2014-15.

The Open Session meeting was called to order by Chairperson Steinkamp at 11:07 A.M. A quorum was present.

**Approval of Meeting Minutes**

Chairperson Steinkamp called for the approval of the November 18, 2013 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Dupree and seconded by Trustee Jorgensen. The November 18, 2013 minutes were unanimously approved.

Chairperson Steinkamp called for the approval of the January 27, 2014 meeting minutes. No changes were identified. The motion to approve the minutes was made by Chairperson Steinkamp and seconded by Trustee Robledo. The January 27, 2014 minutes were unanimously approved.

Chairperson Steinkamp called for the approval of the March 17, 2014 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee

Hinds and seconded by Trustee Dupree. The March 17, 2014 minutes were unanimously approved.

Chairperson Steinkamp called for the approval of the April 21, 2014 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Hinds and seconded by Trustee Jorgensen. The April 21, 2014 minutes were unanimously approved.

### **Presentation and Discussion: Review of Financial Statements**

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Financial Commentary – April 2014
- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of April 30, 2014
- Statements of Net Assets – April 30, 2014, June 30, 2013, June 30, 2012, and June 30, 2011
- Pro-Forma Fund Balance Roll-Forward (Excluding Impact of Benefit Holiday) – Ten Months Ended April 30, 2014
- Fund Balance Roll-Forward – Ten Months Ended April 30, 2014
- Balance Sheet Details – April 30, 2014, June 30, 2013 and June 30, 2012, and June 30, 2011
- Revenue and Expenses – Ten Months Ended April 30, 2014

The question by Chairperson Steinkamp in reference to the utilization of Mercer to identify the short-term/long-term impact of the Hepatitis C drug market was addressed and clarified. Mercer has not been requested to review the specific impact of the Hepatitis C drug market, but this is an item to consider in the future.

The question by Trustee Dupree in reference to the Short-Term Disability loss of \$541,000 was addressed and clarified. It was confirmed that the Short-Term Disability forecast shows a deficit based on the net fiscal year. The Short-Term Disability Plan has an average loss of about \$40,000 per month. With two months remaining in the plan year, the projected year-end loss is estimated to range between \$600,000 and \$720,000.

The question by Chairperson Steinkamp in reference to the Short-Term Disability premiums for FY15 was addressed and clarified. It was confirmed that the rates have been set and approved by the Board of Supervisors with a 17% increase. The rate increase is expected to offset a large portion of the anticipated losses for next plan year.

The questions by Trustee Hinds in reference to the Benefit Premium Holiday were addressed and clarified. The County is making adjustments to establish premiums that fully fund the on-going costs of the benefits. The strategy of having a Benefit Premium Holiday in the next fiscal year is to draw down the reserves since it has been determined that the reserve levels are higher than needed.

## **Presentation and Discussion –**

### **Investment of the Funds in the Benefits Trust**

Paul Ratkay, Maricopa County Treasurer Portfolio Manager, distributed Arizona State Revised Statute Section 35-323 and presented information on the overall portfolio investment strategies of public monies on behalf of the Benefits Trust Fund. State statute identifies thirteen eligible investments for the Maricopa County Treasurer's investment pool; most are fixed-income money market instruments. In addition, the Treasurer's office has its own internal policy that caps the maturity schedule and if investments go beyond the 3-5 year cap, approval by the Treasury Advisory Board must be secured. The investment paper bought must be in the top two credit ratings by Moody's or S&P. The overall Treasurer's Policy/Management style is a fixed-income portfolio with the priorities of safety of investments, liquidity to make the County cash flows, and return for the pool participants.

The questions by Chairperson Steinkamp in reference to the \$40 million cash flow target for investment portfolio management were addressed and clarified. It was confirmed that it is a routine accounting process to maintain \$40 million in cash flow for investments by all portfolio managers. The \$40 million for the Trust Fund is held in cash to meet the daily claim processing demands of the Plan. Every three months, the Plan is paid interest on investment trust even though there are not really any investments within the Plan. Instead, the range of cash from \$3.6 billion to \$2.7 billion (depending on property taxes) is held with the Treasurer.

The question by Trustee Robledo in reference to return on investments per quarter was addressed and clarified. The Treasurer transfers interest into the Trust Fund account on the last day of the quarter. There is an Interest Receivable line item on the balance sheet to reflect the interest earned on investments that have not been paid to the Plan. This number does not fluctuate during the year, but is only changed at year end.

The question by Trustee Dupree in reference to the average rate of return on the diverse investment portfolio for the Plan was addressed and clarified. The yield to maturity is 33 basis points which equates to a rate of return for the investment portfolio of 0.33%.

The question by Trustee Jorgensen in reference to changing the Arizona State Revised Statute Section 35-323 was addressed and clarified. It was confirmed that there are yearly Treasurer's Office discussions about changes to the Arizona State Revised Statute concerning investments; however any alteration would require all Arizona County Treasurers agreeing with a proposed change and not every County Treasurer follows the same investment philosophy as it pertains to asset credit risk.

The question by Trustee Dupree in reference to the Portfolio Manager's information availability was addressed and clarified. It was confirmed that the Treasurer's website does reflect all of the investment portfolio information presented to the Board of

Trustees. The investment information can be accessed at [www.Treasurer.maricopa.gov](http://www.Treasurer.maricopa.gov) and selecting “Monthly Reports”.

The question by Trustee Robledo in reference to a comparison of the basis points to other counties’ return on investments was addressed and clarified. There has not been a comparison between other counties’ investments, as there are only a few other Treasurers that are investing their funds. Mr. Ratkay noted that he would propose a comparison review to the committee regarding other county basis points for investments.

### **Presentation and Discussion – Proposed BOT Meeting Schedule**

Meg Blankenship presented the Proposed BOT Meeting Schedule for FY 2014-15 in order to plan future meetings which would keep the Trustees informed on topics that may require their review and consideration.

The questions by Chairperson Steinkamp in reference to the Proposed BOT Meeting Schedule for FY2014-15 were addressed and clarified. It was confirmed that there would not be meetings in June and July since the proposal is for quarterly BOT meetings. However, should a critical or time-sensitive issue arise during off-scheduled months, a special meeting would be called and attending via conference call would be acceptable.

Chairperson Steinkamp called for the motion to approve the Proposed BOT Meeting Schedule for FY 2014-15. The motion was made by Trustee Robledo and seconded by Trustee Dupree. There was no further discussion and the motion passed unanimously.

### **Call to Public**

Chairperson Steinkamp made a Call to the Public. There was no response.

### **Motion to Adjourn**

Chairperson Steinkamp called for a motion to adjourn. The motion to adjourn was made by Trustee Robledo and seconded by Trustee Dupree. The motion passed unanimously.

The meeting was adjourned at 11:43 A.M.