EGYPTIAN AREA SCHOOLS
EMPLOYEE BENEFIT TRUST

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**DATE:** May 10, 2010

**TO:** **All Board of Managers Members, District Superintendents and Bookkeepers**

**FROM:** Matt Klosterman, Chair, Greg Moats, Vice-Chair
Tom Dahncke and Leo Hefner, Consultants to the Trust

**RE:** **May 5, 2010 Board of Managers Actions**

The Board of Managers of the Egyptian Trust met on Wednesday, May 5, 2010 and took a number of actions on benefit adjustments and premiums for the 2010 – 11 plan year. Those actions are detailed in the attached document. They will also be detailed in the Trust's newsletter, which will be published in a few weeks. In the interim, please make your covered members aware of these changes which become effective either September 1, 2010 or January 1, 2011.

Decisions were based on the need for increased revenue coupled with benefit adjustments, reflecting the notion that those who use the coverages to a greater extent should pay a little more of the cost. Still, deductibles, out of pocket maximums, co-insurance percentages and other benefits fare significantly better for school employees than the commercial marketplace or in private business and industry. The Committee made every attempt to keep the premium increase to a minimum in light of the extremely difficult financial times and uncertain state funding. Premium increases and benefit adjustments totaled 16.5% and are projected to maintain the Trust's Incurred But Not Reported – IBNR – claims reserve of $9.5 million.

Beginning in May 2009, when claims projections were running under 10% (the claims trend which was used to create the 2009-10 premiums), the Trust's claims began a steady rise to nearly a 25% increase peak (November 2009). While claims have trended downward to under 10% again, the unanticipated increased claims depleted more of the Fund Balance than was planned. Shock loss claims have contributed very significantly also. The Trust currently has 29 cases exceeding $150,000 in paid claims, whereas last year the Trust had 9 and the years before that less than 5 annually. Obviously, it is impossible to predict shock loss claims that far outside what the Trust has experienced as the norm.

Members will recall that premium increases have been extremely moderate during the past 6 years. The increases have been 4.5%; 3.5%; 6.9%; 1.9%; 1.5% and 6.9%, a six year average of only 4.2%. Even with the equivalent of a 16.5 % adjustment, the 7 year average remains about 5.8%. While some might argue that the Trust should have adopted 5 to 6 percent increases each year of the last 7, it would have been difficult to propose a 6% increase when Fund Balances approached $15 million a few years ago and the Trust was adding to the reserves even with very small increases in premiums. Money would have been taken out of school district coffers and employee pockets at a time when reserves were at their greatest. Members need also to be reminded further that benefit enhancements were made in each of the previous 6 years. In short, to have instituted 5% premium increases over each of the past 6 years would have had everyone paying more money than what actually transpired.

Clearly, this year's actions are outside the norm of the past 6 years and come during especially difficult times. What everyone should remember and realize though, is that the commercial marketplace is even further outside these norms. Of the 32 school districts which have been considered for Trust membership over the past couple of years, the Trust's Gold Plan Employee Only premium averaged 27% less and Family premiums averaged 62% less. Of the 8 school districts which have applied for Trust membership in the last few months, the Gold Plan Employee Only premium averaged 38% less and the Family premium averaged 78% less. Only 4 of those 8 districts which recently applied qualified for Trust membership. The Trust's size, spreading the risk of high cost and shock loss claims across all employees; low overhead operating expense; decision making ability; expansive benefits and multiple coverage options continue to make it an option many districts seek out when their commercial coverages skyrocket in cost.

Questions and comments regarding this information should be directed to Trust Consultants Tom Dahncke at **tdahncke@charter.net** (618-791-5541) and/or Leo Hefner at **lhefner@htc.net** (618-973-8221).