

1 Michigan Dental Association

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3 **MINUTES OF THE COMMITTEE ON EMPLOYEE BENEFITS (CEB)**

4 September 9, 2016

5
6 *Present*

7 Dr. Joanne Dawley, Chair

8 Dr. Larry DeGroat, Member

9 Dr. Dale Nester, Member

10 Dr. Robert Tremblay, Member

11 Brandy Ryan, PHR, Human Resource Director

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13 *Guest*

14 Mark Cirilla, Alerus Account Manager

15 Andrew Calogerakis, Alerus Portfolio Manager

16 Ed Ura, Merces Consulting

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18 *Absent*

19 Karen Burgess, MBA, CAE, Executive Director

20 Craig Start, IFG President

21 Dr. Charles Burling, non-board member

22
23 **MDA/IFG Employee Benefits overall**

24 Mr. Ed Ura of Merces Consulting does an evaluation of the MDA overall benefits plan as
25 compared to the market on a three-year cycle. Mr. Ura provided a written report to the
26 committee and attended the committee meeting to make comments and answer questions.
27 Overall, Mr. Ura noted that the MDA benefits plan is generally competitive, however, the
28 primary disadvantage is the high contribution to the health insurance premiums for shorter
29 service employees. The current program favors long term employees and at five years of service
30 it becomes a plus.

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32 **MDA/IFG Employee Retirement Plan**

33 *MDA Employee Retirement Plan Background*

34 The committee reviewed a report highlighting the total deferral amounts and fees experienced
35 with the MDA Defined Contribution Plan for years 2009 through 2015.

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37 *Employee Retirement Plan Participation Report*

38 Staff presented an employee participation report through the 2nd quarter of 2015. Thirty-nine out
39 of 55 employees (70.9%) are contributing to the standard 401(k) retirement plan with an average
40 deferral amount of 5.40%. Three hardship withdrawals were made between January 1 and June
41 30. Three newer employees have not yet joined the plan.

42
43 Nine out of 55 employees (6.1%) contribute to the Roth 401(k) retirement plan.

44

45 The committee discussed the low participation rate in the Roth 401(k). While the MDA and
46 Alerus do not want to tell staff which programs to participate in, Alerus representatives agreed to
47 provide additional education on the Roth 401(k) during its meeting with staff in the fall.

48 *Recommendation to the MDA Board Regarding the 2018 Employee Defined Contribution Plan*
49 *Percentage*

50 Staff provided the committee with the employee defined contribution plan percentage history and
51 a background memo explaining that in 2010 the committee asked Ed Ura to complete a review of
52 the employee benefit and wage package every three years to determine whether the package was
53 competitive in the Lansing market. Mr. Ura indicated that the defined contribution plan is
54 competitive, but he was surprised by the low participation.
55

56 The committee noted that MDA has been contributing 6% of each employee's annual salary into
57 the defined contribution plan. The committee recommends that MDA should continue at that
58 level for the 2018 benefit year. The committee adopted the following resolution to bring before
59 the Board at its September 16 meeting:
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61 Resolved, that the Defined Contribution Plan percentage be six (6) percent of total
62 compensation for the year 2018.

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64 *Alerus Report on Employee Retirement Experience*

65 Mark Cirilla and Andrew Calogerakis of Alerus presented a report on the MDA/IFG employee
66 retirement plan for January 1 through June 30, 2016. A copy of this report is on file at the MDA
67 Central Office. The beginning balance of the MDA retirement plan on January 1, 2016 was
68 \$7,367,456.69. As of June 30, 2016, the plan balance was \$7,457,297.33. The committee
69 discussed fees and how fees relates to the overall level of investments.
70

71 Alerus is recommending two fund changes and one addition to the small cap index. The two fund
72 changes are recommended for funds that have been on the watch list.
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74 The committee agreed with Alerus' recommendation, and the following was adopted and will be
75 forwarded to the Board at its September 16 meeting:
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77 Resolved, that the MDA/IFG retirement plan be updated with recommendations
78 from Alerus to eliminate the T. Rowe Price Equity Income Fund and map the
79 assets to the Vanguard Equity-Income Admiral fund, and be it further
80

81 Resolved, that the MDA/IFG retirement plan be updated with recommendations
82 from Alerus to eliminate the Royce Opportunity Investment and map the assets to
83 the American Beacon Small Cap Value Fund; Institutional, and be it further
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85 Resolved, that Committee on Employee Benefits adds the small cap index fund,
86 Vanguard High-Yield Corporate Admiral, as recommended by Alerus.
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88 Alerus funds are not mutual funds; they are compared with Morningstar growth funds and a
89 custom benchmark of indexes. Alerus will provide benchmarking at the 2017 annual meeting.
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Discussion and Recommendation Regarding MDA/IFG Health Insurance Benefit

Update on MDA/IFG Employee Health Plan

Craig Start provided a report that the MDA received good news for its staff health plan renewal.

1. In the 22 years Mr. Start has been with IFG, this is the best renewal rates he has seen. Rates are set to decrease by around 8% for the HSA and 3% for the PPO program. This is less than the range that can be approved by CEB so MDA will proceed with the renewal as is. The Board’s policy on the committee’s authority to make changes to the employee health plan reads as follows:

Resolution 17-915
Resolved, that the Employee Benefits Advisory Committee has the authority to make changes to the MDA/IFG employee health plan provided the rate increase does not exceed 10% of the previous year’s premium.

2. BCBS determined that the need to change the renewal date so that MDA can maintain its status as a “large group” can be delayed until next year. This means MDA will maintain its November 1 renewal date this year and maintain large group status through October 1, 2017.

There is an effort to move companies of 50-100 employees to the small group market and the outcome will impact MDA’s employee health plan.

Mr. Start indicated that he hopes that by next year, Congress will have addressed this issue. If not, MDA will have to do conduct a complete overhaul of the plan in the summer of 2017 for an October 1, 2017 effective date.

History of HSA

The committee reviewed the history of funding for the MDA Employee Health Savings Accounts (HSA). Since the beginning of the HSA offering in 2007, MDA has funded \$1,000 of the \$1,250 annual deductible for singles and \$2,000 of the \$2,500 deductible for families.

The current policy is:

Resolution 21-914
Resolved, that MDA continue funding the employee health savings accounts from December 2014 through November 2016 (up to \$1,000 annually for singles and up to \$2,000 annually for families).

The committee adopted the following:

Resolved, that MDA continue funding the employee health savings accounts from December 2016 through November 2018 (up to\$1,000 annually for singles and up to \$2,000 annually for families).

137 The committee noted that the current plan is designed so that new hire employees through one
138 year of service contribute 40% toward the health plan premiums, two years of service through
139 five years of service contribute 30%, and five years and beyond contribute 20% toward the
140 health plan premiums.

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142 The committee agreed that it would be interested in recommending the elimination of the first
143 tier – where employees pay 40% of their premium – in order to make the MDA benefits program
144 more competitive for new hires. It is anticipated that taking this action will have minimal
145 financial impact in 2017. The director of finance will be asked to provide updated information
146 about the budget impact of the reduced cost for the health plan premiums and the elimination of
147 the lowest tier to the Board at its upcoming meeting. It is anticipated that there will be a
148 significantly positive impact on the budget overall.

149
150 The committee adopted the following resolution to bring before the Board at its September 16
151 meeting:

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153 Resolved, that the employee contribution of the health plan be moved to a two-
154 tier system, with employees from date of hire to five (5) years of service
155 contributing 30% towards the health plan; employees over five (5) years
156 contributing 20% towards the health plan.

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159 **Informational Items**

- 160 • *August 17, 2015 Minutes* – The minutes of August 17, 2015 were previously
161 approved via mailballot.
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- 163 • *Turnover Related to Pay and Benefits* -- Ms. Brandy Ryan presented the committee with
164 a memo relating to turnover related to pay and benefits. There have been a few candidates
165 that have commented that the cost of the premiums for the health care plan was a
166 deterrent.
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- 168 • *MDA Dental Benefit* -- Ms. Brandy Ryan presented CEB with MDA's dental
169 reimbursement policy and payment schedule. Also presented was a report highlighting
170 claim payment history since 2002 and reimbursement information. The claims for 2015
171 totaled \$67,203.40 with 131 insureds in the plan. A request was made that MDA begin
172 to track how many employees don't use the benefit and why. A request was made to
173 add a total exposure column to this report for 2016.
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- 175 • *Scope of Committee on Employee Benefits*– The committee reviewed the current scope.
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177 Joanne Dawley, DDS
178 Chair