

1 **MINUTES OF THE EMPLOYEE BENEFITS**  
2 **ADVISORY COMMITTEE**  
3

4 August 19, 2013  
5

6 Attendance:

7 **Present:**

8 Joanne Dawley, DDS, Chair  
9 Larry DeGroat, DDS, Member, via phone  
10 Stephen Harris, DDS, Member, via phone  
11

**Staff:**

Grace Deshaw-Wilner, CAE, Managing  
Vice President of Professional Affairs  
Tammy Cauthen, Administrative/HR Assistant  
Craig Start, IFG President

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13 **Absent:**

14 Norm Palm, DDS, MS, Member  
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**Guests:** (attended brief portion of meeting)

Allison Meyer, Alerus  
Andrew Calogerakis, Alerus  
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18 **REVIEW OF THE 2012 MDA RATIO ANALYSIS**  
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20 Staff presented EBAC members with a 2012 Ratio Analysis which measures the operating performance of  
21 the MDA as compared to ASAE. The report covers items such as profitability, operating efficiency,  
22 productivity, and liquidity. Although ASAE showed a slight advantage in benefit and pension costs per  
23 employee, overall the MDA fared better than ASAE in the remaining categories.  
24

25 Dr. Dawley reminded committee members that it was decided in 2012 that the ratio analysis would be  
26 reviewed annually rather than looking into the suggested aggregate pay range movement. The ratio  
27 analysis, along with the budgeting process, provides proper oversight on staff compensation. In addition,  
28 the ratio analysis has been reviewed by the Finance Committee.  
29

30 The following resolution was approved by the committee:  
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32 **RESOLVED, THAT THE 2012 MDA RATIO ANALYSIS BE FORWARDED**  
33 **TO THE BOARD AS A MATTER OF INFORMATION.**  
34

35 **REVIEW OF THE MDA/IFG HEALTH INSURANCE PROGRAM**  
36

37 Craig Start reminded committee members that the MDA/IFG Blue Cross renewal date was  
38 changed from January 1, 2014 to December 1, 2013. This allowed MDA/IFG to keep the  
39 current plan design until December 2014. As of December 2014, MDA/IFG will need to  
40 migrate to a Patient Protection and Affordable Care Act (PPACA) compliant plan (if less than  
41 50 employees) or move to a new large group plan (if 51 or more employees).  
42

43 MDA/IFG received Blue Cross rates for the coverage period of December 1, 2013 to November  
44 30, 2014. The rate increase came in at just under 10 percent.  
45

46 No action is required by EBAC or the Board at this time. However, it was suggested that  
47 EBAC meet briefly in June of 2014 (same day as the MDA Board meets since most EBAC  
48 members will be present) solely to discuss plan proposals/rate information for the benefit period  
49 of December 1, 2014 to November 30, 2015. This meeting would be followed by EBAC's  
50 traditional summer meeting in August to discuss the other routine agenda items.  
51

52 Staff explained that PPACA compliant plans are currently in the process of being developed and  
53 approved and there are two items that must be included in future plans: Pediatric dental and  
54 habilitative services (essential services for underserved populations with disabilities). At this

55 point, MDA does not have a cost estimate for the two items. However, Mr. Start believes that  
56 the MDA will fare better with regard to rates than other states because Michigan has  
57 traditionally had high quality benefit plans driven greatly by the auto industry.  
58

59 The pediatric dental portion is something MDA and EBAC will need to examine further prior to  
60 making decisions in 2014 as it relates to the MDA/IFG employee dental plan. Per the  
61 Affordable Care Act, plans will not have a maximum when it comes to the pediatric dental  
62 portion of the benefit. MDA will need to decide whether it assumes the risk under its current  
63 benefit, or whether it would be more prudent for MDA to purchase a plan where the insurance  
64 company assumes the risk.  
65

#### 66 **MDA/IFG EMPLOYEE RETIREMENT PLAN**

##### 67 68 • **EMPLOYEE RETIREMENT PLAN BACKGROUND:**

69  
70 The committee reviewed a report highlighting the total deferral amounts and fees experienced with the  
71 MDA Defined Contribution Plan for years 2007 through 2012. As requested by EBAC previously, the  
72 historical report now separates and delineates the administrative and legal fees.  
73

##### 74 • **EMPLOYEE PARTICIPATION REPORT:**

75  
76 Staff presented an employee participation report through the 2<sup>nd</sup> quarter of 2013. Thirty-five out of 49  
77 employees (71.4%) were contributing to the standard 401(k) retirement plan with an average deferral  
78 amount of 5.41%. Ten out of 49 employees (20.4%) were contributing to the Roth 401(k) retirement  
79 plan.  
80

##### 81 • **RECOMMENDATION TO THE MDA BOARD REGARDING THE 2015 EMPLOYEE DEFINED** 82 **CONTRIBUTION PLAN PERCENTAGE**

83  
84 Staff presented the committee with the employee defined contribution plan percentage history and a  
85 background memo explaining that in 2010 the committee asked Ed Ura to complete a review of the  
86 employee benefit and wage package every three years to determine whether the package was competitive  
87 in the Lansing market. EBAC was given Mr. Ura's 2013 report on MDA's employee benefit and wage  
88 package.  
89

90 After a brief discussion, the committee adopted the following recommendation to the board:  
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#### 92 **RESOLVED, THAT THE DEFINED CONTRIBUTION PLAN PERCENTAGE**

#### 93 94 **BE SIX (6) PERCENT OF TOTAL COMPENSATION FOR THE YEAR 2015.**

##### 95 96 • **ALERUS ANNUAL REPORT ON MDA/IFG EMPLOYEE RETIREMENT EXPERIENCE:**

97  
98 Allison Meyer and Andrew Calogerakis of Alerus presented a report on the MDA/IFG employee  
99 retirement plan for January 1 through June 30, 2013. A copy of this report is on file at the MDA Central  
100 Office.  
101

102 Mr. Calogerakis highlighted portions of the report for EBAC. The beginning balance of the retirement  
103 plan on January 1, 2013 was \$5,512,205.52. As of June 30, 2013, the plan balance was \$6,126,116.65.  
104

105 It was explained that for the year, large cap stocks are up about 13%, mid-caps up about 15% and small  
106 caps up 16%. However, bonds of all types were down as markets braced for a reduction in bond buying  
107 by the Federal Reserve. In addition, commodities as an asset class had a poor performance for the 2<sup>nd</sup>  
108 quarter. Alerus remains committed to maintain a broad based diversification in their collective funds in  
109 order to cover all contingencies.

110 Alerus representatives noted that there are three funds on the watch list as of June 30, 2013 (Royce  
111 Opportunity, Loomis Sayles Global Bond, and Calamos Growth & Income). After reviewing all  
112 information, representatives recommend holding the Royce Opportunity and Loomis Sayles Global Bond  
113 funds. However, Alerus reported that the Calamos Growth & Income fund is failing the 1 year return  
114 rank, 3 year return rank, Alpha rank, Sharpe rank, R-squared rank and Standard Deviation rank. Alerus,  
115 therefore, recommends the removal of the Calamos Growth & Income fund and mapping the assets  
116 (\$125,000) to the Dodge & Cox Balanced fund.

117  
118 Alerus also proposes two share class changes to funds currently in the plan in order to reduce participant  
119 expenses. The MDA plan is currently using the D share class of the PIMCO Commodity Real Return  
120 fund which has an annual expense of 1.19%. The Institutional share class is available for this fund with  
121 an annual expense of 0.74% per year. In addition, the MDA plan is currently using the A share class of  
122 the Oppenheimer Developing Markets fund which has an annual expense of 1.36%. The Y share class is  
123 available for this fund with an annual expense of 1.03%. Consequently, it is recommended that MDA's  
124 plan be updated by switching PIMCO to the institutional share class and Oppenheimer Developing  
125 Markets fund to the Y share class. Alerus provided a proposed contract of these changes to the  
126 committee.

127  
128 EBAC accepted the plan administrator's suggestions and recommends the following resolution for board  
129 approval:

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131 **RESOLVED, THAT THE MDA/IFG RETIREMENT PLAN BE UPDATED WITH**  
132 **RECOMMENDATIONS FROM ALERUS TO ELIMINATE THE CALAMOS**  
133 **GROWTH & INCOME FUND AND MAP THE ASSETS TO THE DODGE &**  
134 **COX BALANCED FUND, AND BE IT FURTHER**  
135 **RESOLVED, THAT THE SHARE CLASS OF THE PIMCO COMMODITY**  
136 **REAL RETURN FUND BE CHANGED FROM THE D SHARE CLASS TO THE**  
137 **INSTITUTIONAL SHARE CLASS; AND THE SHARE CLASS OF THE**  
138 **OPPENHEIMER DEVELOPING MARKETS FUND BE CHANGED FROM THE**  
139 **A SHARE CLASS TO THE Y SHARE CLASS.**

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141 **INFORMATIONAL ITEMS**

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143 • AUGUST 22, 2012 AND JUNE 22, 2013 MINUTES

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145 The minutes of August 22, 2012 AND June 22, 2013 were previously approved via mail ballot.

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147 • REVIEW OF TURNOVER RELATED TO PAY AND BENEFITS

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149 Staff presented a memo to EBAC members regarding turnover related to pay and benefits. The memo  
150 indicated that from September 2012 to present IFG had one person resign to accept another position  
151 closer to home. In addition, IFG hired one part-time and two full-time staff members. MDA eliminated  
152 one position in membership and outsourced the IMIS (membership database) administration. In addition,  
153 MDA hired one full-time staff member. Human Resources received no information to indicate any  
154 candidate turned down a position because of either pay or benefits.

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- BUDGETING 2015 COMPENSATION CONSULTANT SERVICES

Staff will be recommending during the budgeting process that the 2015 compensation consultant services budget be \$3,000. Each year the MDA budgets monies in order to work with Mr. Ed Ura on maintaining the compensation program. For example, he provides feedback on the rating of individual positions, as well as the information on pay range movement and average pay increases. Every other year Mr. Ura conducts a market analysis of wages only in order to keep the pay ranges current, and one will be conducted in 2014. Therefore, the amount being budgeted in 2014 includes funding for the analysis. It should also be noted that per the request of EBAC, Mr. Ura conducts a complete review of MDA's pay and benefits every three years (2010, 2013, 2016....).

- MDA DENTAL BENEFIT

Staff presented EBAC with MDA's dental reimbursement policy and payment schedule. Also presented was a report highlighting claim payment history since 2001 and reimbursement information. The claims for 2012 totaled \$63,020.85 with 154 insureds in the plan.

In 2013, there are 140 insureds in the plan with the total exposure being \$195,600. It was noted that this figure does not include the ortho benefit.

EBAC requested that future reports breakout dependents showing children 19 and under separate from other dependents. This will help when looking into the pediatric dentistry issue related to health insurance reform.

- SCOPE OF EBAC COMMITTEE

Staff presented the committee with the Scope of EBAC as an informational item. There were no changes to this document.

- FUTURE EBAC MEETINGS

Dr. Dawley expressed to the committee how difficult it has been to schedule the traditional summer EBAC meeting and suggested that EBAC consider holding future meetings via conference call. EBAC discussed the need to meet face-to-face when there are critical issues such as the employee health benefit and the impact on it from the Affordable Care Act.

It was agreed that EBAC will hold a face-to-face meeting in June of 2014 (meeting at some point after Board's June 21 meeting). In addition, the traditional meeting will be scheduled for August of 2014 and will be held via conference call if at all possible.