



The City of West University Place

A Neighborhood City

EMPLOYEE BENEFITS TRUST MEETING MINUTES

The City of West University Place Employee Benefits Trust (EBT) **met via audio/video conferencing due to COVID on Monday, October 26, 2020**, immediately following the West U City Council Regular City Council meeting.

Agenda of Items:

1. Call Meeting to Order

Chair Higley called the meeting to order at approximately 7:00 p.m. Also present remotely: Trustees Kevin Trautner, John P. Barnes, Ed Sobash, and Lauri Lankford, City Manager David Beach, City Attorney Alan Petrov, City Secretary Thelma Gilliam, and Human Resources Director James Urban.

Benefits Consultant Mike Weaver with HUB International also attended remotely.

After the meeting was called to order City Manager Beach presented and said the good news is that the City will have a reduction in medical premiums of 2.8 percent, which is approximately a savings of \$139,000, because staff had conservatively planned for a 7 percent increase in the 2021 Budget. City Manager Beach said all the city's other benefits were rate-locked for two years so there are no changes in those premiums as we are going into second year.

City Manager Beach said initially it was staff's recommendation to pass the savings on to employees. After speaking with a councilmember, however, a good point was made and City Manager Beach said he is comfortable with recommending a pro-rata sharing between the City and the employees as is the case when rates increase.

Trustee Lankford said that may be true in current years but that hasn't been the case in the past as there have been years when the employee's increase was more significant than the City's increase.

Trustee Lankford noted there was \$120,000 in the HSA plan that was not used and asked if those funds stay in the Employee Trust for HSA contributions for this year. City Manager Beach said the budget plans for a contribution and it is hopeful that employees will migrate to the higher deductible plan because that helps minimize the city's experience rate and helps mitigate the up and down swings. City Manager Beach said roughly 41 percent of employees are on the high deductible plan. He said in the past money was transferred over as it was budgeted, not based upon factual. City Manager Beach said going forward money will be budgeted for what is actually needed so that the Employee Benefits Trust won't increase in balance. He said staff will also be coming to Council in November to discuss financial policies one of which is the fund balances and what is deemed appropriate and where that money should go.

Chair Higley confirmed with City Attorney Petrov that councilmembers are currently wearing their hats as Trustees of the Employee Benefits Trust (EBT). Chair Higley also confirmed with City Petrov that their fiduciary responsibility as a Trustee is to the EBT and therefore no trustee holds any other duty of loyalty at the fiduciary level to anyone else.

Chair Higley said on one hand he heard an argument that the savings in the Trust this year should be given to the employees and on the other hand he heard an argument that it should be shared pro-rata. He said he can see why as councilmembers they would want to share pro-rata because for (1) Council

would like to encourage employees to take better care of themselves and (2) healthy employees over a long period of time result in lower costs to taxpaying homeowners in the City. He said in the past the City has done different things at different times – sometimes it was shared and sometimes it was given away, which seems terribly inconsistent.

City Attorney Petrov said at this point Council is getting ahead of themselves. He said at this point they should be acting as Trustees and authorizing the renewals of the contract with Blue Cross Blue Shield, the dental provider, etc., and that the transferring of funds will be considered and approved by them as councilmembers in the council meeting.

Trustee Barnes asked if the fiduciary duty as Trustees is owed to the Trust or to the beneficiaries of the Trust. City Attorney Petrov said it's owed to the Trust. Trustee Barnes also asked if as Trustees they are forced to choose between something that would more aptly preserve the corpus of the Trust but would not distribute as much immediately to employees, the Trustees would probably be more within their duty to take the action more appropriate for the Trust. City Attorney Petrov said that is correct.

Trustee Trautner asked if there is a document that tells them their obligations in terms of executing the Trust. City Attorney Petrov said there is a Trust document which sets forth Council's duties in respect to the Trust. He said essentially it says that Trustees have a fiduciary duty to the Trust itself.

Trustee Trautner confirmed with City Attorney Petrov that the pro-rata decision is made by Council in terms of transfer of the funds and that all they do as Trustees is approve the benefits. City Attorney Petrov said when the EBT meeting is adjourned, the City Council meeting will resume and then they will act as Councilmembers and not Trustees. He said at this point they are to set aside the transfer decision and approve benefits as Trustees.

City Manager Beach asked the Trustees to approve Items 2 through 5 as outlined below:

- 2. Authorize renewing a direct contract for Medical Insurance with Blue Cross Blue Shield.
- 3. Authorize renewing a direct contract for Dental Insurance with Cigna.
- 4. Authorize renewing a direct contract for Life, AD&D, Disability and Optional Life Insurance with Dearborn National.
- 5. Authorize renewing a direct contract for optional Vision Insurance with United Healthcare.

Trustee Trautner moved to approve Items 2 through 5 as stated. Trustee Barnes seconded the motion. **MOTION PASSED.**

Ayes: Higley, Trautner, Barnes, Lankford, Sobash
Noes: None
Absent: None

- 6. Adjourn and reconvene regular meeting of the West University Place City Council.

Chair Higley moved to adjourn the EBT meeting at approximately 7:20 p.m.

Prepared by: Thelma A. Gilliam, City Secretary

Date Approved: November 9, 2020