

VIRGINIA BANKERS ASSOCIATION

Benefits Corporation

VBA BENEFITS CORPORATION BOARD

Agenda

VBA Benefits Corporation Board Meeting

May 19, 2023, 10:00am

VBA Office

- I. Welcome and Call to Order
- II. Approval of February 24, 2023 Minutes
- III. 2023 VBA Benefits Corporation Nominating Committee Report – Tom Cherry, Past Chair
- IV. VBA Benefits Corporation Investment Committee Report – Michelle Austin, Chair ([1st Quarter 2023 Investment Performance Board Report](#))
- V. Financial Report – Stacy Puckett, VBA
 - o Financial Results through March 2023
- VI. COO Report and 2024 Health & Welfare Renewal Considerations – Laurie Milligan, VBA
- VII. Healthcare Landscape and Plan Updates – Tom Mackay, MMA
- VIII. Other Business
- IX. Executive Session

*Items underlined are active links.

**Minutes of the
VBA Benefits Corporation
Board Meeting
February 24, 2023 at 10:30am
VBA Capitol Room**

In Attendance: Chairman John R. Caldwell, Michelle R. Austin, Thomas F. Cherry, J. Peter Clements, Barry C. Elswick, Robert M. Gorman, Mark C. Hanna, James E. Hendricks, W. Mark Nelson, Jay A. Stafford

VBA Staff: Bruce Whitehurst, Matt Bruning, DeMarion Johnston, Laurie Milligan, Stacy Puckett, John Snead

Guests: SageView Advisory Group – Ken Barnes, Dee Spivey

Call to Order

A quorum being present, Mr. Caldwell called the meeting to order. Notice of the meeting was properly given more than five days before the meeting and materials were also sent in advance, including:

- November 18, 2022 Minutes
- Year-end 2022 Retirement Plans Investment Performance and VBA Group Medical and Dental Trust
- 2022 Master Defined Benefit Pension Plan & Trust Audit Report
- VBA – VBABC Royalty Agreement
- 2022 VBA Member Relations Report
- COO Report
- Financial Results for 2022 and Final 2023 Budget

Approval of Minutes

The minutes from the November 18th meeting were approved as written.

Year-end 2022 Retirement Plans Investment Performance and VBA Group Medical and Dental Trust

Mr. Barnes and Ms. Spivey updated the Board on year end 2022 retirement plans' and Group Medical and Dental Trust investment performance. The Board discussed and asked questions about the materials presented.

2022 Master Defined Benefit Pension Plan & Trust Audit Report

Mr. Cherry reported that the 2022 Master Defined Benefit Pension Plan & Trust audit had been completed and was a good report.

VBA – VBABC Royalty Agreement

Mr. Whitehurst discussed the royalty agreement between the Virginia Bankers Association and VBA Benefits Corporation for the use of the Virginia Bankers Association name and brand by VBA Benefits Corporation. Board members discussed and unanimously approved the agreement, effective December 30, 2022.

2022 Member Relations Report

Mr. Snead reported on lines of businesses lost and gained during 2022, success from partnering with other state banking associations, 2023 benefit plans enrollment changes, 2023 medical plan enrollment migration and 2023 member relations engagement goals. Board members discussed and asked questions about the materials presented.

COO Report

Ms. Milligan presented her report that covered:

- 2023 health and welfare initiatives, including conducting a market analysis for ERISA attorney services, request for information on dental networks, price benchmark study on integrating pharmacy benefits with Anthem, market analysis on voluntary benefits, due diligence on a maternity benefit, exploring a lifestyle spending account benefit, creating a turnkey communication strategy for members and adding a 5th amendment to the Flexible Benefits Plan that requires participants to affirmatively elect minimum health care FSA contribution in the next plan year to be eligible for carryover funds.
- 2023 retirement plan initiatives, including Secure Act 2.0 implementation, plan sponsor survey on service model, participant financial wellness focus, retirement plan workshop, on-site vendor due diligence meeting and changing the Non-Qualified Deferred Compensation Plan pricing structure for new plans effective 2023 and existing plans in 2024.
- Review of year-end 2022 plan utilization for the self-funded medical and dental plans.

Board members discussed and approved adding the 5th amendment to the Flexible Benefits Plan and new Non-Qualified Deferred Compensation Plan pricing structure.

Financial Report

Ms. Puckett presented year-end 2022 financial results and final 2023 budget for the Trusts and VBA Benefits Corporation. The Board members discussed and asked questions. The financials and budget were approved as written.

Virginia General Assembly Legislative Update

Mr. Bruning presented an update on the 2023 Virginia General Assembly Session and legislation impacting the Virginia banking industry. Board members discussed and asked questions.

Other Business

Mr. Elswick recognized both Mr. Whitehurst for his 30 years of service with the VBA and Ms. Puckett for her 25 years of service with the VBA.

Adjourn to Executive Session

There being no other business, the meeting adjourned to executive session.

Submitted by: John Snead, VP Member Relations



BOARD OF DIRECTORS Executive/Nominating Committee Report

**Rotation for Terms on the Board
Effective July 1, 2023**

Recommendations from Executive/Nominating Committee

Nominations for vacant Board positions to serve new 3-year term:

Elizabeth T. Beale, Old Point National Bank
Brandon C. Lorey, Bank of Clarke

Nominations for current Board members to serve new 3-year term:

John R. Caldwell, The Farmers Bank of Appomattox
Barry C. Elswick, Trupoint Bank

Nomination for vacant Board position to serve remainder of 2023-2024 term:

Melody D. Emswiler, F&M Bank

Nomination for Board Chairman to serve 1-year term:

John R. Caldwell, The Farmers Bank of Appomattox

Continuing Class of 2024 (July 2021 – June 2024)

Melody D. Emswiler
James E. Hendricks
W. Mark Nelson
Jay A. Stafford

Continuing Class of 2025 (July 2022 – June 2025)

Michelle R. Austin
Thomas F. Cherry
J. Peter Clements
Robert M. Gorman

Proposed Class of 2026 (July 2023 – June 2026)

Elizabeth T. Beale
John R. Caldwell
Barry C. Elswick
Brandon C. Lorey

Minutes from May 11, 2023 Nominating Committee Call

Chairman John Caldwell called the VBABC Nominating Committee call to order at 1:00pm. Nominating Committee attendees included John Caldwell, Michelle Austin and Rob Gorman. Tom Cherry was unable to attend. Bruce Whitehurst and Laurie Milligan were also in attendance.

The proposed slate of directors were discussed and the Committee recommended the following actions:

- Nominate John Caldwell and Barry Elswick to serve another three-year Board term from 7/1/2023 to 6/30/2026 (Class of 2026).
- Nominate two new directors to join the Class of 2026:
 - Beth Beale, EVP and CFO, Old Point National Bank
 - Brandon Lorey, President & CEO, Bank of Clarke
- Nominate one new director to join the Class of 2024 to replace Pat Lewis:
 - Melody Emswiler, EVP and CHRO, F&M Bank
- Nominate John Caldwell for the 2023-2024 term of Chairman.

A motion to recommend the above nominations to the full VBA at the annual meeting was made, seconded and passed.

With no other business to discuss, the meeting was adjourned at 1:10pm.

Submitted by Laurie Milligan



VBA Benefits Corporation Investment Plan Committee Meeting

4th Quarter 2022 Meeting Minutes

Meeting Date: February 24, 2023
Time: 9:00 A.M.
Location: 4490 Cox Road, Glen Allen, VA 23060 – Capitol Room

Meeting Attendees

Committee Chair: Michelle Austin
Voting Members: Jeff Brugh, John Caldwell, Thomas Cherry, Laurie Milligan, Jay Stafford, Matt Vance, Bruce Whitehurst
VBA Staff: DeMarion Johnston, Stacy Puckett, John Snead
SageView Advisory Group: Ken Barnes, Dee Spivey

Meeting Topics

- Prior Meeting Minutes
- SECURE Act 2.0 Overview
- Investment Review (All Plans)
- Participant Engagement
- PersonalSAGE

Open Items

Approval of Prior Meeting Minutes: The minutes from the prior meeting were approved by the Committee with no changes.

Secure Act 2.0 Overview

SECURE Act 2.0 Overview: A 2023 budget bill signed by President Biden in December included the SECURE 2.0 Act of 2022. The Act included significant changes to employer-provided retirement plans and represented significant progress in addressing the retirement savings gap. SageView provided an overview, addressed some of the key elements and highlighted the effective date of the provisions under SECURE 2.0.

Investment Review

Defined Benefit Plans

Total Plan Assets: \$92,059,809.03

Investment Performance: SageView provided an overview of the performance of the Plan's investment alternatives. SageView shared that 12 banks are still participating in the Master Trust, however 3 banks plan to terminate their Pension plans in 2023.

Watch List Summary: SageView reviewed the Plan's investment alternatives designated for the *Watch List*.

Investment Name	Watch List Date	Qualitative / Quantitative	SageView 3(38) Recommendation
PIMCO Long Duration Total Return Instl	9/30/22	Qualitative	Continue on Watch
PIMCO Long-Term Credit Bond Instl	6/30/22	Quantitative	Continue on Watch
PIMCO Investment Grade Credit Bond Instl	3/31/22	Quantitative	Continue on Watch
Vanguard Equity-Income Adm	09/30/21	Qualitative	Remove from Watch

Defined Contribution Plans

Total Plan Assets: \$306,996,836.05

Investment Performance: SageView provided an overview of the performance of the Plan's investment alternatives.

Watch List Summary: SageView reviewed the Plan's investment alternatives designated for the *Watch List*.

Investment Name	Watch List Date	Qualitative / Quantitative	SageView 3(38) Actions
Vanguard Equity-Income Adm	9/30/21	Qualitative	Remove from Watch
MFS Growth R6	N/A	N/A	Replace with MFS Growth Equity Fund CI S
Goldman Sachs Stable Value Inst CI 1	N/A	N/A	Replace with S share class of the investment

Plan Portfolio Weighted Expense:

- **Weighted Expense Ratio:** 0.16%

Non-Qualified Plans

Total Plan Assets: \$78,420,298.10

Investment Performance: SageView provided an overview of the performance of the Plan's investment alternatives.

Watch List Summary: SageView reviewed the Plan's investment alternatives designated for the *Watch List*.

Investment Name	Watch List Date	Qualitative / Quantitative	SageView 3(38) Recommendation
Vanguard Equity-Income Adm	9/30/21	Qualitative	Remove from Watch
Vanguard LifeStrategy Income Inv	12/31/22	Quantitative	Place on Watch
Vanguard LifeStrategy Moderate Gr Inv	12/31/22	Quantitative	Place on Watch

Plan Portfolio Weighted Expense:

- **Weighted Expense Ratio:** 0.20%

VEBA Plan

Total Plan Assets: \$7,508, 719

SageView is investing the portfolio over a 6 month time period. Currently \$5.1M is invested in a money market account. That money will be moved in equal portions to be fully invested in the market.

Plan Return for Q4: 0.11%

Plan Portfolio Weighted Expense:

- **Weighted Expense Ratio:** 0.20%

Participant Engagement

PersonalSAGE - Employee Engagement Components: SageView shared with the Committee details relating to PersonalSAGE.

SageView Education Workshops: SageView discussed the 2023 Financial Wellness Workshops being offered on a monthly basis. Each webinar will cover several subject matters and include handouts designed to boost knowledge and increase financial confidence.

Follow-Up Items

Follow-Up Items: The following items will be addressed following the meeting:

- SageView will email the Q4 2022 Meeting Minutes for review and approval.
- The Committee and SageView will continue to coordinate with Voya and Troutman Pepper regarding implementation of Secure 2.0.
- SageView will follow up with Voya regarding disclosure on Defined Benefit financial statement.

As there was no further business, the meeting was adjourned.

Adopted on:

VBA Group Medical and Dental Trust
Statement of Net Assets
3/31/2023

	<u>3/31/2023</u>	<u>3/31/2022</u>
Assets		
Checking Account	71,404	68,322
Investments	17,060,855	25,661,661
Sageview Investment	7,698,250	-
Accrued Interest Receivable	172,806	150,622
Accounts Receivable - General	5,892,327	5,556,531
Total Assets	30,895,642	31,437,136
Liabilities		
Accounts Payable	2,934,397	1,924,831
Medical IBNR	7,677,445	6,942,691
Dental IBNR	178,000	192,000
Total Liabilities	10,789,842	9,059,522
Net Assets	<u>20,105,800</u>	<u>22,377,614</u>
Prior year end net assets	17,455,471	20,604,513
Year to date net income	<u>2,650,329</u>	<u>1,773,101</u>
Current net assets	<u>20,105,800</u>	<u>22,377,614</u>

VBA Group Medical and Dental Trust
Statement of Changes in Net Assets
For the Three Months Ending 3/31/2023

	Actual	Budget	Variance	Prior Year	Variance	2023 Annual
	Year to Date	Year to Date	Year to Date	to Date	Current vs. Prior	Budget
Income:						
Premiums from members:						
Medical Premiums	20,484,010	20,733,750	(249,740)	19,685,913	798,097	82,935,000
Dental Premiums	1,205,646	1,211,000	(5,354)	1,160,512	45,134	4,844,000
Total premiums from members:	21,689,656	21,944,750	(255,094)	20,846,425	843,231	87,779,000
Realized Gain/Loss on Investments	222,164	12,500	209,664	13,283	208,881	50,000
Total additions:	222,164	12,500	209,664	13,283	208,881	50,000
Total Income	21,911,820	21,957,250	(45,430)	20,859,708	1,052,112	87,829,000
Expenses:						
Paid to insurance companies:						
Medical Claims & Fixed Costs	17,339,917	20,733,750	3,393,833	16,971,387	(368,530)	82,935,000
Dental Claims & Fixed Costs	1,211,088	1,211,000	(88)	1,016,648	(194,440)	4,844,000
Total expenses paid:	18,551,005	21,944,750	3,393,745	17,988,035	(562,970)	87,779,000
Increase (decrease) in IBNR provision	857,076	-	(857,076)	1,091,257	234,181	-
VEBA Investment Fees	5,550	7,500	1,950	7,315	1,765	30,000
Total deductions:	862,626	7,500	(855,126)	1,098,572	235,946	30,000
Total Expenses	19,413,631	21,952,250	2,538,619	19,086,607	(327,024)	87,809,000
Income before unrealized gains/(losses)	2,498,189	5,000	2,493,189	1,773,101	725,088	20,000
Unrealized Gain/Loss on Investments	152,140	-	152,140	-	152,140	-
Net Income	2,650,329	5,000	2,645,329	1,773,101	877,228	20,000

SBA Group Insurance Trust
Statement of Net Assets
3/31/2023

	<u>3/31/2023</u>	<u>3/31/2022</u>
Assets		
Investments	38,985	23,361
Total Assets	38,985	23,361
Liabilities		
Accounts Payable	485	306
Total Liabilities	485	306
Net Assets	<u>38,500</u>	<u>23,055</u>
Prior year end net assets	38,429	23,357
Year to date net income	71	(302)
Current net assets	<u>38,500</u>	<u>23,055</u>

SBA Group Insurance Trust
Statement of Changes in Net Assets
For the Three Months Ending 3/31/2023

	Actual Year to Date	Budget Year to Date	Variance Year to Date	Prior Year to Date	Variance Current vs. Prior	2023 Annual Budget
Income:						
Premiums from members:						
Medicare Supplement Premiums	112,444	109,950	2,494	122,599	(10,155)	439,800
Group Life Premiums	726,951	728,000	(1,049)	683,018	43,933	2,912,000
Long Term Care Premiums	18,335	18,750	(415)	20,110	(1,775)	75,000
Long Term Disability Premiums	418,540	398,750	19,790	400,521	18,019	1,595,000
Short Term Disability Premiums	98,754	87,500	11,254	102,746	(3,992)	350,000
Vision Premiums	202,928	200,000	2,928	193,882	9,046	800,000
Voluntary Benefits Premiums	276,973	237,500	39,473	249,044	27,929	950,000
Total premiums from members:	1,854,925	1,780,450	74,475	1,771,920	83,005	7,121,800
Investment Return	556	188	368	4	552	750
Total additions:	556	188	368	4	552	750
Total Income	1,855,481	1,780,638	74,843	1,771,924	83,557	7,122,550
Expenses:						
Premiums paid to insurance companies:						
Medicare Supplement Premiums	112,444	109,950	(2,494)	122,599	10,155	439,800
Group Life Premiums	726,951	728,000	1,049	683,018	(43,933)	2,912,000
Long Term Care Premiums	18,335	18,750	415	20,110	1,775	75,000
Long Term Disability Premiums	418,540	398,750	(19,790)	400,521	(18,019)	1,595,000
Short Term Disability Premiums	98,754	87,500	(11,254)	102,746	3,992	350,000
Vision Premiums	202,928	200,000	(2,928)	193,882	(9,046)	800,000
Voluntary Benefits Premiums	276,973	237,500	(39,473)	249,044	(27,929)	950,000
Total premiums paid:	1,854,925	1,780,450	(74,475)	1,771,920	(83,005)	7,121,800
VEBA Investment Fees	485	625	140	306	(179)	2,500
Total deductions:	485	625	140	306	(179)	2,500
Total Expenses	1,855,410	1,781,075	(74,335)	1,772,226	(83,184)	7,124,300
Net Income	71	(437)	508	(302)	373	(1,750)

VBA Benefits Corporation
Balance Sheet
3/31/2023

	<u>3/31/2023</u>	<u>3/31/2022</u>
Assets		
Cash & Cash Equivalents	538,459	602,473
Investments	3,415,964	3,696,629
Accounts Receivable	296,522	263,104
Accrued Interest Receivable	7,667	6,689
Deferred Tax Asset/Liability	32,343	32,343
Income Tax Receivable	98,953	6,535
Prepaid Assets	2,414	86,996
Current Assets	4,392,322	4,694,769
Furniture & Fixtures	165,938	163,910
Automobiles	45,000	-
Less: Accumulated Depreciation	(158,734)	(150,878)
Current Value	52,204	13,032
Investment in LLC	1,045,000	1,045,000
Total Assets	<u>5,489,526</u>	<u>5,752,801</u>
Liabilities		
Accounts Payable	241,876	222,365
Total Liabilities	241,876	222,365
Owners Equity		
Retained Earnings	5,152,873	5,616,848
Common Stock	1,000	1,000
Current Year Earnings	93,777	(87,412)
Total Owners Equity	<u>5,247,650</u>	<u>5,530,436</u>
Total Liabilities & Equity	<u>5,489,526</u>	<u>5,752,801</u>

VBA Benefits Corporation
Income Statement
For the Three Months Ending 3/31/2023

	Actual	Budget	Variance	Prior	Variance	2023 Annual
	Year to Date	Year to Date	Year to Date	Year to Date	to Prior Year	Budget
Income:						
Medical Fees	176,347	176,750	(403)	179,330	(2,983)	707,000
Dental Fees	31,968	32,100	(132)	30,959	1,009	128,400
Group Life Fees	145,937	146,250	(313)	136,790	9,147	585,000
Vision Fees	12,981	13,000	(19)	12,400	581	52,000
Long Term Care Fees	11,483	12,400	(917)	15,167	(3,684)	60,000
Long Term Disability Fees	47,357	47,875	(518)	45,368	1,989	191,500
Short Term Disability Commissions	4,126	4,750	(624)	4,427	(301)	19,000
Flex Cafeteria Fees	-	-	-	16,508	(16,508)	34,200
Voluntary Benefits Commission	27,569	17,562	10,007	11,015	16,554	75,000
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Health and welfare fees	457,768	450,687	7,081	451,964	5,804	1,852,100
Management Fees-DB	19,606	17,000	2,606	27,082	(7,476)	68,000
Management Fees-DC	179,772	172,500	7,272	175,829	3,943	690,000
Management Fees-NQ	73,000	73,000	-	34,285	38,715	292,000
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Defined benefit, contribution and nonqualified	272,378	262,500	9,878	237,196	35,182	1,050,000
Investment Return	13,193	9,500	3,693	6,335	6,858	38,000
HSA Commissions	714	300	414	-	714	1,200
Miscellaneous Income	-	375	(375)	-	-	1,500
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Subtotal Other Income	13,907	10,175	3,732	6,335	7,572	40,700
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Total Income	744,053	723,362	20,691	695,495	48,558	2,942,800

VBA Benefits Corporation
Income Statement
For the Three Months Ending 3/31/2023

	Actual	Budget	Variance	Prior	Variance	2023 Annual
	Year to Date	Year to Date	Year to Date	Year to Date	to Prior Year	Budget
Expenses:						
Salaries & Benefits	384,608	395,277	10,669	354,261	(30,347)	1,540,750
Benefits Administration						
Cobra Administration	7,665	10,000	2,335	10,000	2,335	40,000
Recordkeeping NQ	63,679	66,638	2,959	37,125	(26,554)	266,550
	71,344	76,638	5,294	47,125	(24,219)	306,550
Occupancy Expense	-	-	-	9,200	9,200	-
Office Expenses						
Memberships & Subscriptions	1,578	2,165	587	1,762	184	8,200
Postage	38	375	337	556	518	1,500
Property Taxes & Licenses	100	175	75	44	(56)	2,700
Office Supplies	1,197	1,800	603	1,049	(148)	7,200
Equipment Maintenance	24,552	25,000	448	22,423	(2,129)	34,000
Telephone	3,826	3,999	173	3,252	(574)	16,000
	31,291	33,514	2,223	29,086	(2,205)	69,600
Consulting						
Consulting & Technology	116,212	124,684	8,472	116,246	34	485,200
Health Renewal	40,050	40,125	75	40,050	-	160,500
Section 125 Discrim. Testing	-	-	-	-	-	30,000
Other Consulting	10,200	10,200	-	13,200	3,000	41,000
	166,462	175,009	8,547	169,496	3,034	716,700
Professional fees						
Audit & Tax Fees	14,536	14,536	-	11,172	(3,364)	72,850
Legal Fees - Troutman	45,629	29,250	(16,379)	28,072	(17,557)	117,000
	60,165	43,786	(16,379)	39,244	(20,921)	189,850
Meetings						
Benefits Seminar Expense	-	-	-	-	-	15,000
Board of Directors	77	300	223	-	(77)	1,200
	77	300	223	-	(77)	16,200
Insurance	27,843	24,700	(3,143)	12,273	(15,570)	24,700
Marketing	-	2,125	2,125	1,017	1,017	8,500
Travel and Education						
E & T / Convention	136	750	614	201	65	6,000
Travel	7,005	9,250	2,245	8,047	1,042	37,000
	7,141	10,000	2,859	8,248	1,107	43,000
Depreciation	3,679	4,488	809	3,993	314	17,950
Other Operating Expenses						
Miscellaneous Expense	181	1,500	1,319	918	737	6,000
	181	1,500	1,319	918	737	6,000
Total Expenses	752,791	767,337	14,546	674,861	(77,930)	2,939,800
Pretax Income/(Loss) before investment return	(8,738)	(43,975)	35,237	20,634	(29,372)	3,000
Unrealized Gain\Loss on Investment	102,515	-	102,515	(108,046)	210,561	-
Pretax Income/(Loss)	93,777	(43,975)	137,752	(87,412)	181,189	3,000

RETIREMENT PLAN TRUSTS UNDER VBA BENEFITS OVERSIGHT

March 31, 2023

Statement of Changes in Net Assets Available for Benefits (Trust basis, excludes contribution accruals)

	12 mos Plan yr ended 12/31/23	12 mos Plan yr ended 12/31/22	6 mos Plan yr ended 9/30/23	12 mos Plan yr ended 9/30/22	NonQualified Plans 3/31/23	NonQualified Plans 3/31/22
	Defined Contribution 1/1-12/31/23	Defined Contribution 1/1-12/31/22	Defined Benefit 10/1/22-9/30/23	Defined Benefit 10/1/21-9/30/22		
Increase (decrease) in net assets resulting from investment income	15,271,795	(52,908,769)	10,276,842	(26,947,144)		
Employer contributions	3,689,493	14,757,969	7,784,000	428,056		
Employee contributions	6,773,289	18,373,908	-	-		
Transfers from other trust	-	29,369,591	-	-		
Total employee/employer contributions	10,462,782	62,501,468	7,784,000	9,625,378		
Total additions	25,734,577	9,592,699	18,060,842	(26,519,088)		
Benefits paid to participants	8,836,148	27,063,729	2,875,602	14,155,511		
Plan terminations	-	7,366,580	8,817,241	-		
Increase (decrease) in net assets	16,898,429	(24,837,610)	6,367,999	(40,674,599)		
Net assets - beginning of period	306,996,836	331,834,446	81,374,170	122,048,769		
Net assets - end of period	323,895,265	306,996,836	87,742,169	81,374,170	75,560,296	82,754,743

COO Report

VBA Benefits Corporation Board Meeting

May 19, 2023



2023 Health & Welfare Initiatives

- Updated goal for 2023 amount of cash reserves:
 - Three-six months of claims for pooled banks and associate members
 - 10%-15% of minimum premium banks' claims

Net assets ending 3/31/2023 for the Group Medical & Dental Trust were \$20.1M.

	Projected 2023 Claims	Reserve Goal Range
Pooled bank & associate members	\$24,100,000	\$6,025,000 – 12,050,000
Minimum premium banks	\$53,200,000	\$5,320,000 - \$7,980,000
TOTAL	\$77.300,000	\$11,345,000 - \$20,030,000

2023 Health & Welfare Initiatives cont.

DOL Audit Update

- Tolling Agreement Fully-executed
- One outstanding issue - Benefits Corp. needs to ensure that our fees are paid solely by employers and not through employee contributions
- Submitted our solution and waiting for DOL's response

Legal ERISA Request for Proposal

- Released on May 1, 2023 to 17 law firms (identified through referrals)
- Proposal analysis, finalist presentations and recommendation to be completed by August Board meeting

Subrogation Results through BRG

- Contracted with Benefit Recovery Group (BRG) for subrogation services effective April 1, 2019
- 2022 recoveries for three motor vehicle accidents for \$40,000, \$20,317 and \$16,000
- Prior to BRG, Anthem conducted subrogation and collected a total of \$16,000 between 2015 – 2019

2023 Turnkey Well-being Campaigns

- Launched quarterly well-being campaigns based on population health statistics (see resource page for details): <https://www.vabankers.org/internal-links/2023-wellness-engagement-campaign>
- 2nd quarter: Mental health
- 3rd quarter: Cancer
- 4th quarter: Metabolic conditions

2024 Health & Welfare Renewal Considerations

Compare two women's health programs available through Anthem: Maven and Building Healthy Families (current offering)

Review buy-up Concierge Cancer Care program providing personalized member solution delivering health support to members with cancer from diagnosis to treatment to remission or end of life.

Request for Proposal processes in progress for pharmacy, dental and voluntary benefits

2023 Retirement Plan Strategic and Operational Initiatives

SECURE Act 2.0 Implementation; working with Voya and SageView to prioritize provisions

Held Retirement plan workshop on May 10, 2023; 40 bankers in attendance

Conducted onsite vendor management/due diligence meeting with Voya on May 9, 2023

Completing annual 401(k) Stewardship reports in May-June timeframe



Appendix

- **2023 Health Plan Utilization**
- **2023 Dental Plan Utilization**

Dashboard

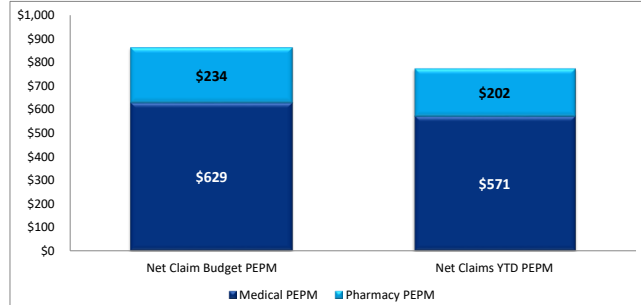
Group: **Virginia Bankers Association**
 Plan Year: 1/1/2023
 Current Period: March

Stop Loss Terms:

Specific Coverage	\$400,000	Paid	Med-Rx
Aggregate Coverage	115%	Paid	Med-Rx

	March	YTD
Total Subscribers	7,325	22,143
Medical Claims	\$4,481,368	\$12,784,975
Pharmacy Claims	\$1,715,040	\$4,483,392
Stop Loss Claim Credits	(\$133,944)	(\$133,944)
Rx Rebates & Reconciliation*	\$0	(\$1,211,832)
Administration Fees	\$319,006	\$964,335
VBA Admin Fees	\$58,128	\$175,708
Stop Loss & RxAssurance Premium	\$441,185	\$1,333,673
ACA Fees	\$3,003	\$9,079
Total Claims & Fixed Expenses	\$6,883,786	\$18,405,385
Total Budget	\$6,668,048	\$20,156,558
Over / (Under) Total Budget	\$215,737	(\$1,751,173)
PEPM Over / (Under) Total Budget	\$29.45	(\$79.08)
Percent Over / Under Budget	3.2%	-8.7%

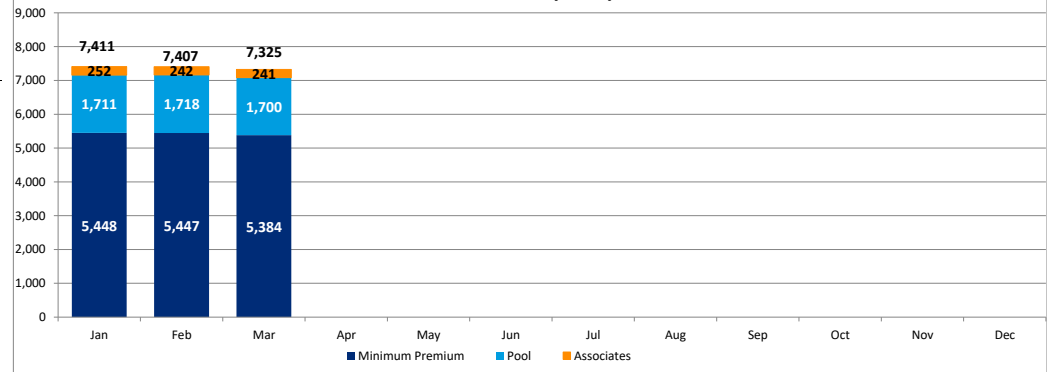
* Rx rebates are shown in the month paid.



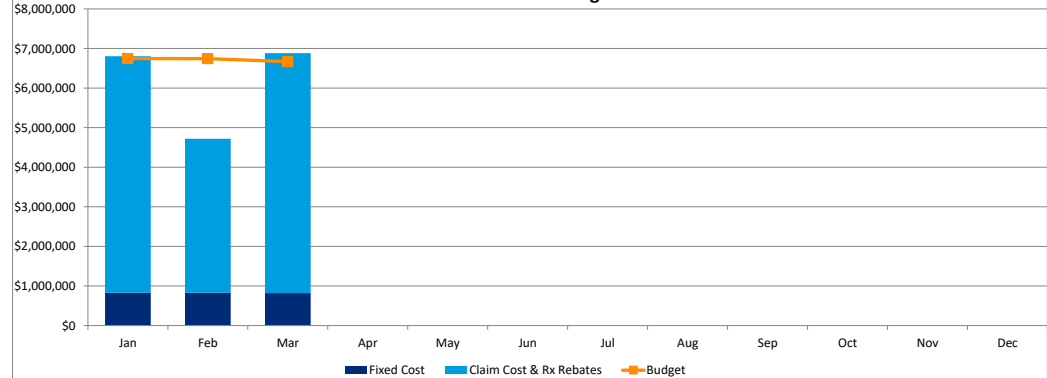
MMA Commentary

- 1) March total costs were 3.2% above budget (\$215,737 above), bringing plan year to date total costs to 8.7% below budget (\$1,751,173 below).
- 2) Medical claims PEPM for the plan year to date were 9.1% below expected.
- 3) Pharmacy claims PEPM for the plan year to date were 13.4% below expected.
- 4) There were 2 claimants over \$150,000 through March.
- 5) The Pool and Associates had a combined estimated surplus of \$948,556.
- 6) The Minimum Premium Banks had an estimated surplus of \$802,617.
- 7) The Minimum Premium banks had an estimated \$1,925,155 in internal pooling fees with internal pooling claims of \$539,625 resulting in a surplus of \$1,385,530.
- 8) The Pool and Associates had an estimated \$1,090,704 in internal pooling fees with internal pooling claims of \$246,577 resulting in a surplus of \$844,127.

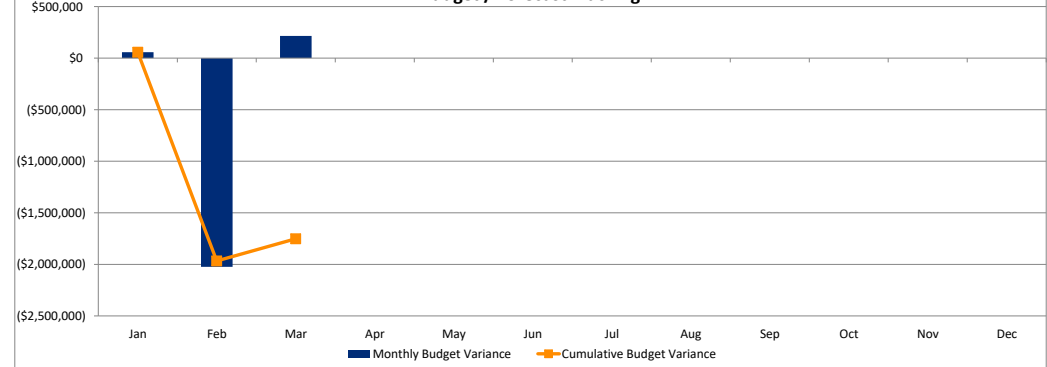
Enrollment by Entity



Total Cost vs. Budget



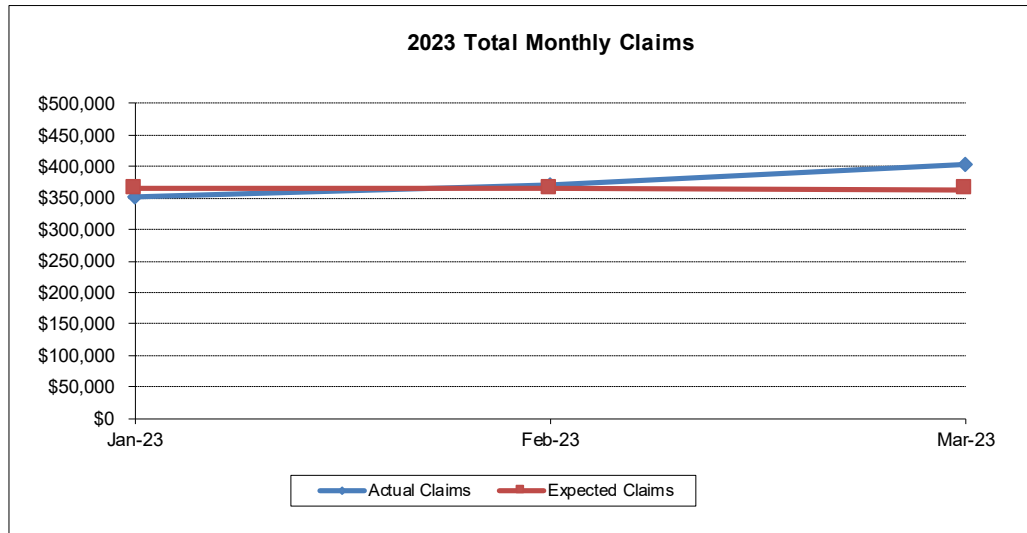
Budget / Forecast Tracking



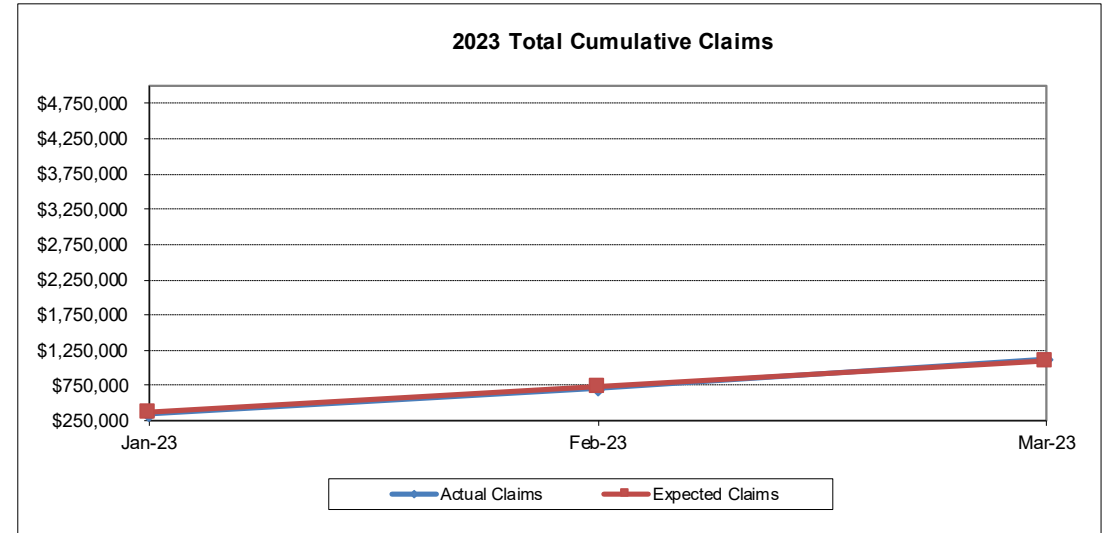
Plan Year 2023 Dental Plan Claims Experience

		Monthly Claims		Cumulative Claims	
2023 Policy Year	Monthly Enrollment	Actual Claims	Expected Claims	Total Actual Claims	Total Expected Claims
Jan-23	7,135	\$353,256	\$365,383	\$353,256	\$365,383
Feb-23	7,140	\$369,863	\$365,639	\$723,118	\$731,022
Mar-23	7,120	\$403,863	\$364,615	\$1,126,981	\$1,095,637
Total		\$1,126,981	\$1,095,637		

2023 Total Monthly Claims



2023 Total Cumulative Claims





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Virginia Bankers Association

Healthcare Landscape Update

VBA Board Meeting

May 19, 2023

Your future is limitless.™

Agenda

- Healthcare Landscape
 - High Cost Claimants Risk
 - Gene Therapy/High Cost Drug Discussion
- 2024 RFP Update
 - Pharmacy
 - Voluntary Benefits
 - Dental

The employee health & benefits trends of 2023

1 Shifting workforce expectations

- Employees are placing a higher premium on finding meaning and purpose at work.
- Organizations struggle with moving their diversity, equity, and inclusion (DEI) programs beyond building awareness to creating real action.
- Empathy is key to solving the challenges employers face with apathy and attrition among their employees.

2 Mental and behavioral health needs

- The workforce continues to expect more from their employee experience, as it relates to well-being benefits.
- Building flexibility into the workplace creates new opportunities for employers and employees.
- Mental and behavioral health support will dominate in employers' offerings in the coming years.

3 Changes in health care economics

- U.S. employers can expect health benefit costs to increase between 5.6% - 7% based on plan design.
- High-cost prescription drugs are a source of frustration, especially with cell and gene therapies that cost millions.
- High-cost claimants, utilization increases, and employment trends will keep health care costs higher overall.

Tomorrow's workforce is looking for more than a benefits plan.

Marsh McLennan Agency (MMA) offers a variety of solutions to support the needs of your people, your team, and your business. We specialize in helping middle-market organizations — whether self-funded or fully insured — find ways to provide their employees with benefits they can take advantage of.

While predicting and responding to employee benefit trends and employee expectations can be difficult, MMA is here to help make it easier. We offer a number of solutions that help you stay in touch with your employees and streamline how you offer the benefits they need.

High Cost Claimants Risk

Gene Therapy/High Cost Drug Discussion



Healthcare Landscape

High Cost claimants impacting medical trend

The Million Dollar Claim

Why are they more common now?

paid claims for million dollar+ claimants

Under 2
27%



Congenital
Anomalies

2-19
18%



Malignant
Neoplasm

20-39
16%



Hemophilia/
Bleeding
Disorder

40-59
28%



Malignant
Neoplasm

60+
11%



Malignant
Neoplasm

45%

of million dollar claims are for
claimants under 20 years old

22% of Employers had at
least one member with
claims over

\$1M

Highest Cost Individual
Million Dollar Claimant
Conditions 2020

- 1 Malignant neoplasms
(cancer)
- 2 Leukemia/Lymphoma/
Multiple Myeloma
(cancers)
- 3 Septicemia (infection)



In 2020,
\$368.3 million
spent on
injectable medications

Since 2017, number of members
with claims \$1M+ rose 31%

Claimants With Million Dollar Claims	
\$1-\$1.5M	174
\$1.5-\$2M	40
\$2-\$3M	27
\$3M+	14
Total	255

2020's highest cost claim was for Leukemia, lymphoma and/or multiple myeloma at \$6.3M

Source: 2021 Sun Life Stop-loss Research Report: High-cost Claims And Injectable Drug Trends Analysis

Marsh & McLennan Agency LLC

2023 Pharmacy Trends

Biosimilars	GLP-1 Drugs	Cell & Gene Therapy
<ul style="list-style-type: none">– Biosimilars in the market drive competition and present potential savings for employers.– The biosimilar for Humira, the #1 drug in the world, hit the market on February 1, 2023<ul style="list-style-type: none">– Amjevita is currently included on formulary for many prominent PBMs and at least 7 more products are expected to follow.– The Stelara patent expires in 2023 with biosimilar target launch in 2H 2023, pending lawsuits– Plan sponsors should monitor utilization of anti-inflammatory biologics and explore strategies to maximize the benefits that biosimilars present while ensuring rebates are protected.	<ul style="list-style-type: none">– GLP-1 drugs are popular medications approved for the treatment of Type 2 diabetes and/or weight loss that have a monthly cost of approximately \$1,000.– Mounjaro, the most recent GLP-1 drug approved for Type 2 diabetes, is expected to generate \$4.9 billion of yearly revenue by 2026.– Off-label use of GLP-1 diabetes drugs for weight loss purposes is increasing as they are not subject to the weight loss prior authorization process under the assumption the drug is being used to treat diabetes.– Implementing tight utilization management to ensure the right patient is taking the right GLP-1 drug at the right time will help employers avoid overspend as more products hit the market.	<ul style="list-style-type: none">– There are more than 20 cell & gene therapy drugs approved by the FDA today, with as many as 50 - 100 anticipated by 2025.– In January 2023, Hemgenix, a treatment for hemophilia B, was approved with a price tag of \$3.5 million, making it the most expensive drug on the market.– Today, most self-insured employers are protected from this risk through their stop-loss plan language– Due to large cost and unpredictability, stop loss-market is starting to eliminate coverage for these drugs– It may be prudent for employers to explore alternative coverage strategies and adjustments in plan coverage to protect against future claims.

Historically, most plan sponsors have excluded cellular and gene therapies from coverage because they are considered experimental and investigational in nature.

As these therapies have improved, more insurers, third-party administrators (TPAs), and self-funded plans are making the determination to cover. More solutions are anticipated in the coming years to help plan sponsors, payers, and the market in general understand their risks within their populations, how to finance the risk, as well as provide warranty solutions that help provide an avenue to ensure that value is delivered to the patient and the plan.






The following solutions vary significantly including advantages and disadvantages, target markets, costs, etc., with no solution solving for the entire risk equation for payers or plan sponsors.⁸

- Capitation solutions will cover specific cell and gene therapies, with many subject to pre-existing condition exclusions, and availability may be limited.
- Center of excellence (CoE) solutions ensure that drug procurement is competitive and is administered with CoE-negotiated rates.
- Stop-loss/reinsurance solutions offer step-down deductibles in coordination with TPA and PBMs, where they can cover their own risk.
- And finally, financing solutions where outcomes-based and warranty solutions benefit the payers and the stop-loss carriers, but not the plan sponsors themselves.⁹



Approved Therapies

Current approved therapies include

Drug	Disease Indication	Cost*
LUXTURNA®	 Inherited retinal dystrophy	\$850,000
ZOLGENSMA®	 Spinal muscular atrophy (SMA)	\$2,125,000
ZYNTEGLO®	 Transfusion dependent β -thalassemia	\$2,800,000
SKYSONA®	 Cerebral adrenoleukodystrophy (CALD)	\$3,000,000
HEMGENIX®	 Hemophilia B	\$3,500,000

VBA currently excludes Gene Therapy treatment from the medical plan.

Pending Therapies

The therapies below are being evaluated for inclusion. They have not been approved by the FDA at this time. More therapies are in development and/or in clinical trials that could be considered in the future.

Drug	Disease Indication
UPSTAZA	Pediatric Aromatic L-amino acid decarboxylase (AADC) deficiency
ROCTAVIAN	Hemophilia A
SRP-9001	Duchenne muscular dystrophy (DMD)

How are employers preparing for the potential cost of the impact of high-cost gene and cellular therapies?⁹

	500 to 999 employees	1,000 to 4,999 employees	5,000 to 9,999 employees	10,000+ employees
Conduct risk assessment to estimate cost exposure	15%	19%	21%	28%
Add/enhance stop-loss protection	4%	4%	8%	2%
Work with medical carrier/pharmacy vendor on clinical/cost management strategies	21%	40%	57%	52%
Other steps	1%	2%	3%	3%
No plans, but aware of these therapies and concerned about potential cost impact	31%	34%	26%	25%
Aware of these therapies but will treat them like other specialty drugs	14%	13%	7%	6%
Not aware of these therapies	17%	7%	3%	6%

VBA: Gene Therapy Solution Overview

Program Highlights

Mar '21 - Feb '22 PAID Mar '22 - Feb '23 PAID

Gene Therapy Drug	Treatment for	Est. Cost	Prevalence	# of VBA members with diagnosis*
Luxturna	Vision Loss - Retinal Dystrophy	\$ 850,000	1:3,500	5**
Zolgensma	Spinal Muscular Atrophy (SMA) children <2	\$ 2,100,000	1:10,000	0
Zynteglo	Blood disorder - Beta Thalassemia	\$ 2,800,000	1:100,000	0
Skysona	Active cerebral adrenoleukodystrophy male, children <18	\$ 3,000,000	1:15,000	0
Hemgenix	Hemophilia B	\$ 3,500,000	1:40,000	1***

- Retinal Dystrophy - Adults with genetically confirmed mutations in both copies of the RPE 65 gene may be candidates for Luxturna but may not choose to have treatment. Individuals must undergo a complete clinical evaluation and testing to determine if enough cells remain in the retina to receive the treatment.
- Spinal Muscular Atrophy (SMA) *Werdnig-Hoffman | Gene therapy Zolgensma is indicated for children less than 2 years of age as candidates for this gene therapy that meet the clinical requirements such as infants under a certain weight limit. Zolgensma is a one-time-only dose to stop the progression of spinal muscular atrophy (SMA). It is not a cure for spinal muscular atrophy. Significant testing is required prior to infusion.
- Beta Thalassemia is an inherited disorder that impairs the production of hemoglobin, the blood protein responsible for transporting oxygen. Zynteglo works by adding functional copies of a modified form of the beta-globin gene into a patient's own hematopoietic stem cells. This allows them to make normal to near-normal levels of total hemoglobin without regular blood transfusions. Members with beta thalassemia require blood transfusions every 2-5 weeks with lifetime health care costs that can reach \$6.4 million in the United States.
- Cerebral Adrenoleukodystrophy (CALD) is a rare hereditary genetic condition that causes the buildup of very long chain fatty acids (VLCFAs) in the brain. When VLCFAs accumulate, they destroy the protective myelin sheath around the nerve cells, responsible for brain function. CALD is a progressive, irreversible and fatal disease primarily affecting young children. Skysona is a one-time gene therapy to treat boys with early, active cerebral adrenoleukodystrophy. Skysona is made specifically for each patient, using the patient's own blood stem cells and adds functional copies of the ABCD1 gene to the patient's cells. This may help the body to break down the VLCFAs to slow the progression of damage to the brain and slow the decline in neurologic function.
- Hemophilia B - Hemgenix is a one-time gene therapy infusion given as a single dose by IV infusion. Hemgenix consists of a viral vector carrying a gene for clotting Factor IX. The gene is expressed into the liver to produce Factor IX protein, to increase blood levels of Factor IX and thereby limit bleeding episodes.

*Not all members will be eligible for these drugs based on clinical criteria.

** 4 out of 5 members with Retinol Dystrophy are late-50's or older; 5th member is early 30's; see claims for ophthalmology visits for all.

***Member is a 15 yr. old dependent and not yet eligible for the drug (18yr or >).

2024 RFP Update

The background of the slide features a series of concentric, wavy blue lines that create a sense of depth and movement, resembling a stylized landscape or a series of ripples in water. The lines are more prominent in the lower half of the slide, where they form a series of overlapping, rounded shapes that recede into the distance.

Pharmacy

Current program with ESI/RX Benefits on a carveout arrangement since 2020.

RFP in process for 1/1/24 effective date:

- Request quotes on a carveout basis from ESI, Optum & Caremark
- Also requested a quote from Anthem on an integrated basis
- Will be reviewing financial contract offerings, customer service metrics, and ability to slow pharmacy trends, especially around specialty drugs.
- Asking for alternatives to RX Assurance Captive as only available for RX Benefits customers.

Voluntary Benefits

- Marketed Voluntary Accident, Critical Illness, and Hospital Indemnity benefits
 - Intend to replace current Group Aflac offerings; participants with individual voluntary Aflac policies will not be impacted
- Anthem and Securian are finalists – presented to VBA Benefits team week of April 24
- Both offer reduced rates for employees

Anthem

- Use same billing and file feed structure already in place
- Discount on medical plan fees
- \$5,000 implementation credit
- Tech subsidies

Securian

- \$45,000 bundling discount due to in-force group life plan
- Performance guarantees
- Integration with bSwift
 - Includes implementation credits
 - Tech subsidies
- Reclaim system – employee opt-in would allow for review of Anthem claims

Dental

- Request for Information (RFI) was conducted in Spring of 2023 to evaluate dental plan networks
- RFI was sent to Anthem, Ameritas, Cigna, Delta Dental, Dominion National, MetLife, SunLife and United Concordia
- Conclusion: Delta Dental has the broadest network in Commonwealth

Weighted by total number of overall claims: 23,962

	Delta Dental Premier	Delta Dental PPO	Anthem Complete	Ameritas	Cigna Total DPPO	Dominion National	MetLife	SunLife	United Concordia
Number of claims	20,762	9,084	18,577	14,459	15,126	11,596	13,608	14,449	13,945
Percentage of Claims	86.65%	37.91%	77.53%	60.34%	63.12%	48.39%	56.79%	60.30%	58.20%

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The underwriting projections presented within this analysis should not be used or relied upon by any other party or for any other purpose than for which they were issued.

Projections are based on the information and data available up to this specific point in time and are not to be taken as a guarantee of results which might be achieved. The projections are subject to unforeseen and random events and so must be interpreted as having a potentially wide range of variability from the estimates. In the event that final renewal information is available after this analysis has been performed and it differs from that within this analysis, results should be considered within that new context.



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