SECRET

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION

Meeting of the Board of Directors

5 January 1966

A regular meeting of the Government Employees Health Association Board of Directors was held on 5 January 1966, at 10:00 a.m. in Room 5E62, Headquarters. Those present were:

[redacted] 25X1

Joseph Becker, Director
John M. Clarke, Director

[redacted] 25X1

Absent: [redacted]

The Chairman called the meeting to order and noted that the regular December meeting was cancelled because of emergency commitments by a majority of the Directors. This meeting was scheduled in place of the December meeting. The reading of the Minutes of the last meeting was dispensed with since all Board members had received advance copies. ILLEGIB

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SECRET

1. To be eligible for this new benefit the retiring employee must have been a UBLIC policyholder for the ten years immediately preceding his retirement on an immediate annuity;

2. The proposed plan has three classes, as follows:

Class I for employees who retire before reaching age sixty. This group will be allowed to continue up to $5,000* of UBLIC coverage, but will continue to pay premiums at the current rate.

Class II for employees who retire at ages sixty through sixty-nine. This group includes those retiring employees covered in Class I. In this class, up to $5,000* of UBLIC will be provided at no expense to the individual.

Class III for retirees age seventy or older. This group will have one-half of the insurance coverage carried in Class I and/or Class II, at no expense.

* The amount of insurance coverage allowed in Classes I and II will be determined by taking one-sixth of the average UBLIC insurance held by the employee during the ten year eligibility period.

3. Employees who retire prior to age sixty must opt for Class I or they will not be eligible for the other classes.

4. Employees who retire early for disability will be eligible for Class I if they otherwise have met the ten year eligibility requirements.

At this point, the Chairman and President responded to questions raised by the Directors.

1. The ten year eligibility period was selected on the basis that the new plan was so important a benefit as to warrant extending it to only those retirees who have made premium payments for a long period of time. As experience accumulates, one way of improving the program would be to reduce the eligibility period.

2. The use of an average over the ten year period is also designed to maintain the proper relationship among the current classes of insurance held by UBLIC policyholders. Thus, the employee who has

been covered for a higher amount will carry a higher amount into retirement. The "average" concept also guards the program against employees switching from lower to higher insurance in contemplation of retirement.

3. The maximum of $5,000 is based on actuarial advice and is the amount which the underwriter feels can be supported by the program.

After a lengthy discussion by Board members of the proposed plan, the President then initiated a discussion of the means by which the new program would be financed. Two alternatives were presented:

1. Insurance--actual insurance can be purchased for the coverages specified in Classes II and III. The underwriter has quoted a premium rate of $2.75 per thousand per month.

2. Self-insurance through use of premium return and reserve--retiree claims could be paid from the return of premiums due from the basic UBLIC policy. If the return of premiums is inadequate, the present UBLIC reserve would be used to satisfy retiree claims.

> Example: If our UBLIC premium amounts to $500,000 and claims of active employees amounted to $100,000, a substantial return of premium to GEHA would be expected. This sum would be used to pay any retiree claims that may have been presented during the period, and the return of premium would be reduced thereby. Another example: If amployee claims amounted to $400,000 and retiree claims to $125,000, the premium payment to the underwriter would not be sufficient to pay all claims and retention costs. Thus, the present UBLIC reserve would be used to pick up the excess retiree claims.

The President emphasized here that the UBLIC reserve would only be used to pay excess retiree claims and under no circumstances would it be used to pay excess employee claims.

> Example, assuming a premium payment of $500,000: If a disaster occurred and employee claims amounted to $600,000, the Underwriter could not charge our present reserve (except for the $60,000 it is holding) to make up the gap between claims and premiums. Of course, in this example all retiree claims would be paid from our reserve.

GROUP 1
Excluded from automatic downgrading and declassification

The President reported that the underwriter estimated at $1,930,000 the cost of the second alternative over a twenty year period. He reported further, however, that he has requested a more definite statement of cost and of estimated return of premium for a 20 year period. Based on current estimates, however, it appears that the retirement benefit could be entirely self-sustaining.

There followed a lengthy discussion of the two funding alternatives, the proposal, and related items. Finally, the Chairman requested Board action in principle, which would allow the officers to proceed with the development of the proposal as presented.
25X1 [redacted] made a motion that the Board approve in principle, the proposed UBLIC retirement feature, as presented by the President, to be submitted for approval at a later date. Mr. Clarke seconded the motion, which was carried.

There followed a discussion of the need to bring young employees into the UBLIC plan, and Mr. Clarke requested that the officers develop a specific method or plan to attract younger Agency employees. The President said that a report would be ready at the next Board meeting.

The President then reported that the UBLIC current reserve is now approximately $625,000 and asked for Board approval to reimburse the cost of a GS-12 position. After some discussion,
25X1 [redacted] made the motion that GEHA reimburse the Agency for the costs of a GS-12 position; Mr. Clarke seconded the motion, which was unanimously approved.

Mr. Clarke asked the Chairman if an Investment Committee could be organized to look into the processes of investing GEHA's money. The Chairman then appointed Mr. Clarke and [redacted] to serve on the Investment Committee. 25X1

The Chairman stated that there will be a meeting in February.

There being no further business, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,

[redacted] 25X1
Vice President-Secretary